

Report
of the
Examination of
Security Health Plan of Wisconsin, Inc.
Marshfield, Wisconsin
As of December 31, 2017

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State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

Tony Evers, Governor
Mark V. Afable, Commissioner

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February 21, 2019

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Honorable Mark V. Afable
Commissioner of Insurance
State of Wisconsin
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Commissioner:

In accordance with your instructions, a compliance examination has been made of the affairs and financial condition of:

SECURITY HEALTH PLAN OF WISCONSIN, INC.
Marshfield, Wisconsin

and this report is respectfully submitted.

I. INTRODUCTION

The previous examination of Security Health Plan of Wisconsin, Inc. (Security, SHP, or the company) was conducted in 2015 as of December 31, 2014. The current examination covered the intervening period ending December 31, 2017, and included a review of such 2018 and 2019 transactions as deemed necessary to complete the examination.

The examination was conducted using a risk-focused approach in accordance with the National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook. This approach sets forth guidance for planning and performing the examination of an insurer to evaluate the financial condition, assess corporate governance, identify current and prospective risks (including those that might materially affect the financial condition, either currently or prospectively), and evaluate system controls and procedures used to mitigate those risks.

All accounts and activities of the company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by

management and evaluating management's compliance with statutory accounting principles, annual statement instructions, and Wisconsin laws and regulations. The examination does not attest to the fair presentation of the financial statements included herein. If during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately at the end of the "Financial Data" section in the area captioned "Reconciliation of Surplus per Examination."

Emphasis was placed on those areas of the company's operations accorded a high priority by the examiner-in-charge when planning the examination. Special attention was given to the action taken by the company to satisfy the recommendations and comments made in the previous examination report.

The company is annually audited by an independent public accounting firm as prescribed by s. Ins 50.05, Wis. Adm. Code. An integral part of this compliance examination was the review of the independent accountant's work papers. Based on the results of the review of these work papers, alternative or additional examination steps deemed necessary for the completion of this examination were performed. The examination work papers contain documentation with respect to the alternative or additional examination steps performed during the course of the examination.

II. HISTORY AND PLAN OF OPERATION

The Security Health Plan of Wisconsin is described as a non-profit mixed model health maintenance organization (HMO) insurer. An HMO insurer is defined by s. 609.01 (2), Wis. Stat., as ". . . a health care plan offered by an organization established under ch. 185 or 193, 611, 613, or 614 or issued a certificate of authority under ch. 618 that makes available to its enrollees, in consideration for predetermined periodic fixed payments, comprehensive health care services performed by providers participating in the plan." Under the mixed model, the company has a delivery system consisting of a combination of staff physicians and/or one or more clinics and/or independent contracting physicians operating out of their separate offices. HMOs compete with traditional fee-for-service health care delivery.

The company was incorporated under the provisions of ch. 613, Wis. Stat., as a nonstock service insurance corporation on April 25, 1986, and commenced business on September 3, 1986. The company's sole corporate member is Marshfield Clinic Health System, Inc. (MCHS). Security is a tax-exempt organization as described in s. 501(c) (4) of the Internal Revenue Code.

Inclusive of all products offered, as of October 13, 2018, Security has over 11,000 affiliated providers, including ancillary providers, of which there were 4,090 specialists, 1,814 primary care physicians, and 617 non-physician providers. Contracts with hospitals and affiliated providers include hold-harmless provisions for the protection of policyholders. Referrals outside of the network require prior approval of the Security Chief Medical Officer or designee.

In some products, upon becoming enrolled, every member is encouraged to select a primary care physician. Participating primary care physicians may be from general practice, family practice, family medicine, geriatric medicine, general internal medicine, obstetrics/gynecology, and pediatrics. These physicians agree to provide high-quality, cost-effective medical care to members 24 hours a day, 7 days a week.

For the time period under examination, Security contracted with the Marshfield Clinic, Inc. (Marshfield Clinic, Clinic, or MC) for the provision of health care services to Security members treated within the MCHS system. For specific covered programs, the Clinic was paid a per-member/per-month global capitation, for attributed members, that covers all the members' claims. The Clinic was

at risk for capitation shortfalls if any. For non-attributed members or programs not covered under global capitation, services were reimbursed under a fee-for-service model. The contract became effective on January 1, 1996, and had a term of one year for each year thereafter. The contract automatically renewed for a one-year term unless either party gave notice to the other party to terminate 60 days prior to the end of a contract year. In addition, either party, upon 30 days' advance written notice at any time, could terminate the contract for cause. Health care services rendered by other (non-MC) affiliated providers are paid based on discounted fee-for-service rates, which are subject to Security fee maximums.

With respect to Medicare Select, contracted providers accept assignment for Medicare Part B services. Security pays a discounted rate on charges for Security-covered services not covered by Medicare and the balance of the charge up to the Medicare-approved amount for any Medicare deductibles or coinsurance. In accordance with the contract's hold-harmless provision and Wisconsin law, affiliated providers may not seek compensation from participants for covered services but must look exclusively to Security for payment. An agreement to abide by this provision is mandatory for all affiliated providers and opting out of this requirement constitutes good cause for termination.

Security contracts with MedImpact Healthcare Systems, Inc., to provide a pharmacy network, adjudication of pharmacy claims, and implementation of the Security formulary. Security pays the pharmacies for the covered prescriptions and supplies dispensed to participants.

Security contracts with Allied Insurance Solutions to provide chiropractic services. Security pays a per-member/per-month capitation to Allied Insurance Solutions.

Inclusive of all products, Security contracts with 70 hospitals to provide inpatient services. Hospitals are reimbursed for commercial and Security Administrative Services (SAS) members on a discounted fee-for-service basis, Medicare Advantage members per Medicare's fee schedule, and Medicaid per the Medicaid fee schedule.

Security Health Plan of Wisconsin offers a variety of health insurance options for employers and consumers. For consumers and their families, SHP offers Medicare Advantage, Medicare Supplement, Medicare Medical Savings Account, Medicaid, and individual and family plans including federally-facilitated exchange and non-exchange plans. For large employers, SHP offers

custom plan designs with a traditional HMO, Point-of-Service (POS), or indemnity plan. For small employers, SHP supports transitional plans and offers Affordable Care Act (ACA) small group plans.

Effective December 1, 1996, Security contracted with the Department of Health Services (DHS) of the State of Wisconsin to participate in the Medicaid HMO program. The program expanded in 2000 to include the BadgerCare population. In 2008, DHS merged family Medicaid with BadgerCare to create BadgerCare Plus. Security has contracted with the Clinic and affiliated providers implementing the State of Wisconsin Medicaid fee-for-service rate. Hospitals are paid based on Diagnostic Related Groupings (DRGs) for inpatient care and fee-for-service Enhanced Ambulatory Patient Grouping (EAPG) rates for outpatient. The Security BadgerCare Plus program does not include chiropractic or dental services. Security maintains the BadgerCare Plus program as a separate product line with a 38-county service area:

Adams	Douglas	Jackson	Oneida	Taylor
Ashland	Dunn	Jefferson	Outagamie	Vilas
Barron	Eau Claire	Juneau	Pepin	Washburn
Bayfield	Florence	LaCrosse	Portage	Waupaca
Buffalo	Forest	Langlade	Price	Waushara
Burnett	Green	Lincoln	Rusk	Wood
Chippewa	Green Lake	Marathon	Sawyer	
Clark	Iron	Marquette	Shawano	

In 2001, Security signed a contract with the Centers for Medicaid and Medicare Services (CMS) to provide a Medicare+Choice product (M+C), now called Medicare Advantage, in a 28-county service area. The product was marketed for enrollees beginning coverage on January 1, 2002. The product is marketed through employed representatives and independent agents and features coordinated care, benefits in excess of Medicare, and a flat monthly premium regardless of age. This product is monitored by CMS through monthly reports, routine site visits, and member feedback. On January 1, 2006, Security also offered coverage under Part D of Medicare as an additional drug benefit available to its AdvoCare members for an additional premium. The service area for Security's Medicare Advantage products has been expanded into 50 Wisconsin counties as of January 2018:

Adams	Columbia	Iron	Oconto	Shawano
Ashland	Dane	Jackson	Oneida	Taylor
Barron	Douglas	Jefferson	Outagamie	Trempealeau
Bayfield	Dunn	Juneau	Pepin	Vilas
Brown	Eau Claire	Kewaunee	Portage	Washburn
Buffalo	Florence	Langlade	Price	Waukesha
Burnett	Forest	Lincoln	Richland	Waupaca
Calumet	Green	Marathon	Rusk	Waushara
Chippewa	Green Lake	Marinette	Sauk	Winnebago
Clark	Iowa	Marquette	Sawyer	Wood

Security also has a subsidiary named Security Administrative Services LLC. (SAS), which provides Third-Party Administrator (TPA) for customers that self-fund their health insurance risk. The services provided feature product and network management, coupled with Security's medical management expertise.

Security offers comprehensive health care coverage through various plans to groups and individuals. Although covered benefits are generally consistent among groups, Security is capable of designing benefit plans to meet the specific requests of employers. Individual policies come with a variety of benefit options, including a Medicare Supplement program that is offered in all Wisconsin counties. SHP covers the following basic health care services through our contracted provider network. POS and indemnity plans allow members to receive these services outside of Security's in-network providers; however, usual and customary fees may apply.

- Physician services
- Hospital services
- X-ray and laboratory services
- Diabetic services
- Home health care
- Kidney disease treatment
- Chiropractic care
- Hospice
- Certain transplants
- Prosthetics/durable medical equipment
- Mental health and alcohol chemical dependency
- Skilled nursing home
- Maternity
- Emergency services
- Prescription drug
- Ambulatory surgery
- Hearing exams
- Eye exams (excluding our individual and family plans)
- Some dental services

Security offers a wide variety of product cost-sharing designs associated with these benefits, including Health Savings Account eligible plans.

Generally, health plan coverage is contingent on non-emergency services being provided by affiliated physicians and hospitals or on the authorization of a Security medical director or designee.

Security's service area for Individual and Family Plans is comprised of the following 35 counties:

Adams	Clark	Jackson	Oneida	Taylor
Ashland	Douglas	Juneau	Pepin	Trempealeau
Barron	Dunn	Langlade	Portage	Vilas
Bayfield	Eau Claire	Lincoln	Price	Washburn
Buffalo	Florence	Marathon	Rusk	Waupaca
Burnett	Forest	Menominee	Sawyer	Waushara
Chippewa	Iron	Monroe	Shawano	Wood

Security's service area for Group Plans is comprised of the following 49 counties:

Adams	Dodge	Juneau	Oneida	Taylor
Ashland	Douglas	Kewaunee	Outagamie	Trempealeau
Barron	Dunn	LaCrosse	Pepin	Vernon
Bayfield	Eau Claire	Langlade	Pierce	Vilas
Brown	Florence	Lincoln	Polk	Washburn
Buffalo	Fond du lac	Marathon	Portage	Waupaca
Burnett	Forest	Marinette	Price	Waushara
Chippewa	Green Lake	Marquette	Rusk	Winnebago
Clark	Iron	Monroe	Sawyer	Wood
Crawford	Jackson	Oconto	Shawano	

Security currently markets to employer groups and individuals. Business is solicited through in-house sales consultants and independent sales agents. For some group policies, independent agents are paid commission on a sliding scale based on the number of contracts. The in-house sales consultants are paid base salaries plus incentives.

Premium is actuarially determined to obtain sufficient revenue to cover anticipated net-incurred claims for the contract period plus allocated administrative expenses and a contribution of 2% of premium to contingency reserves. For Individual (non-Medicare) and Small Group, rates are developed using the criteria set by the Affordable Care Act (age, geography, family size, medical trend, and smoking status). Rates are filed annually for each of these products. Small Group rates are increased quarterly to account for increased group medical trends coming after January 1.

Security also maintains two pools of products that supplement Medicare. Both a Medicare Supplement and Medicare Select product are offered. Initial rates are determined by age, sex, and

geography. Renewal rates include a factor for the overall health of the pool and general Medicare medical cost trend in addition to the initial rate factors. Both products are medically underwritten on a pass/fail basis. The product is guaranteed renewable for the life of the product or until the member cancels their policy.

For Large Group business, distinctions are made for the age, gender, and average family size makeup of a group. Further adjustment is made for the group's location and benefits. A pooling charge for high-cost claims is also applied. For Large Group renewal business, where information is available, the rate determination incorporates up to 24 months of the group's actual claim experience on a credibility-weighted basis as a modifier to the demographics and group characteristics. At approximately 400 average employees, a group will reach full credibility so that its rates will be determined entirely on its own claim experience and not on the basis of pool rates.

III. MANAGEMENT AND CONTROL

Board of Directors

The board of directors consists of nine members. The chairperson and vice-chairperson of the Marshfield Clinic, Inc., the board of directors, and the executive director of the Marshfield Clinic, Inc., serve as ex officio directors so long as they continue to hold such offices. The other directors have staggered terms of three years. Officers are elected by the board of directors. Members of the company's board of directors may also be members of other boards of directors in the holding HMO group. The board members may establish reasonable compensation for director services.

As of December 31, 2017, the board of directors consists of the following persons:

Name and Residence	Principal Occupation	Term Expires
Ivan Schaller, M.D. Wausau, Wisconsin	Internal Medicine/MCHS Chair Marshfield Clinic, Inc.	n/a
Edward Fernandez, M.D. Marshfield, Wisconsin	Pediatric Intensivist/MCHS Vice-Chair Marshfield Clinic, Inc.	n/a
Narayana S. Murali, M.D. Marshfield, Wisconsin	Nephrology/MCHS Executive Director Marshfield Clinic, Inc.	n/a
Terry Frankland Marshfield, Wisconsin	President and Chief Executive Officer V and H Heavy Truck	2018
Robert Christ, Ph.D. Burlington, Wisconsin	Superintendent Delavan-Darien School District	2018
Mary Jo Johnson Wausau, Wisconsin	Chief Executive Officer/Owner EO Johnson	2018
Michael J. Luebke Pound, Wisconsin	Retired	2020
Timothy Peterson Excelsior, Minnesota	Retired	2020
Matthew Thomas, M.D. Minocqua, Wisconsin	Urologist Marshfield Clinic, Inc.	2019

Officers of the Company

The officers serving at the time of this examination are as follows:

Name	Office	2017 Compensation
Michael J. Luebke	Board Chair	\$ 7,000
Ivan Schaller, M.D.	Secretary	0
Timothy Peterson	Treasurer	4,000
Matthew Thomas, M.D.	Vice-Chair	0
Gordon Edwards	Chief Financial Officer – MCHS	641,193
Julie Brussow	Chief Executive Officer	540,997

Committees of the Board

The company's bylaws allow for the formation of certain committees by the board of directors. The board committees at the time of the examination are listed below:

SHP Audit and Compliance Committee

Robert Crist, PhD
Timothy Peterson
Terry Frankland
Mary Jo Johnson
Michael Luebke

The company also participates in the following committees which belong to their affiliate MCHS:

- MCHS Audit Committee
- MCHS Investment Committee

The company has no employees. Necessary staff is provided through a management agreement with MCHS. Under the agreement, effective January 1, 2018, MCHS agrees to provide such administrative, medical administration, and managerial services as are reasonably necessary for the efficient administration and operation of the Plan. Such services shall include, but are not limited to, plan administration, program planning and development, financial systems and services, claims administration, coordination of benefits, data processing services, provider and subscriber services, peer review and utilization review services, compliance and credentialing, account administration, marketing, and legal services. MCHS's compensation for services each month is the actual cost of these services. SHP pays MCHS each month based on an estimate of cost with a true-up/reconciliation of that estimate to actual cost made after the end of each quarter. The term of the agreement was until September 30, 2018, the end of the MCHS fiscal year, and automatically renews

for one-year terms unless either party notifies the other of the intent to terminate in writing six months prior to the end of the contract period.

Insolvency Protection for Policyholders

Under s. Ins 9.04 (6), Wis. Adm. Code, HMOs are required to either maintain compulsory surplus at the level required by s. Ins 51.80, Wis. Adm. Code, or provide for the following in the event of the company's insolvency:

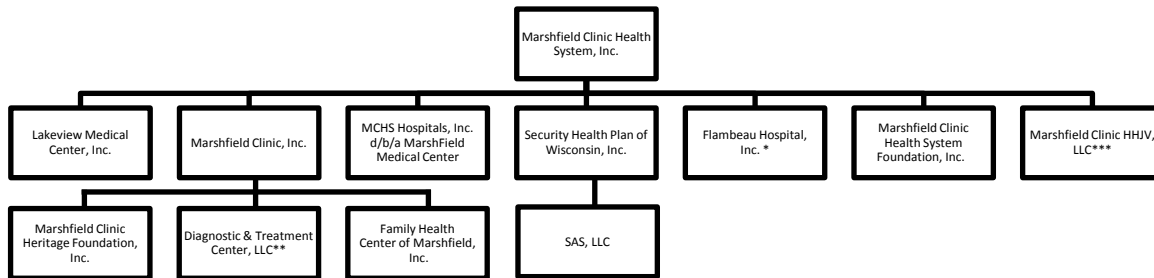
1. Enrollees hospitalized on the date of insolvency will be covered until discharged; and
2. Enrollees will be entitled to similar, alternate coverage which does not contain any medical underwriting or preexisting limitation requirements.

The company has met this requirement through its reinsurance contract, as discussed in the Reinsurance section of this report.

IV. AFFILIATED COMPANIES

The company is a member of a holding company system. Its ultimate parent is the Marshfield Clinic Health System, Inc. The organizational chart below depicts the relationships among the affiliates in the group. A brief description of the significant affiliates of the company follows the organizational chart.

**Holding Company Chart
As of December 31, 2017**



* Ministry Health is also a member of Flambeau.

** St. Clare's Hospital is also a member of DTC.

*** Contessa Health Holding Company, LLC, is also a member of Marshfield Clinic HHJV, LLC.

Marshfield Clinic Health System, Inc.

Marshfield Clinic Health System, Inc., was incorporated in October 2012 as part of a prospective reorganization of Marshfield Clinic and its affiliated entities. In particular, MCHS was formed to serve as a parent entity for a reorganized health care system that includes Marshfield Clinic, Inc., Lakeview Medical Center, Inc., Flambeau Hospital, Inc., and Security Health Plan of Wisconsin, Inc. MCHS is a Section 501(c) (3) tax-exempt organization. As of September 30, 2017, the MCHS's restated consolidated audited financial statement reported assets of \$2.247 billion, liabilities of \$1.137 billion, and net assets of \$1.1 billion. Revenues for the fiscal year ending September 30, 2017, totaled \$2.197 billion. Increase in unrestricted net assets for the same fiscal year totaled \$61.62 million.

Marshfield Clinic, Inc.

Marshfield Clinic, Inc., founded in 1916, is a nonprofit group medical practice engaged in providing health care, health care education, medical research, and community service. For auditing purposes, the Marshfield Clinic, Inc., is part of an obligated group that has certain long-term debt which, under the terms of the obligated group bond indentures, holds each member of the obligated group jointly and severally liable for all obligations issued thereunder. The obligated group consists of the following companies:

- Lakeview Medical Center, Inc.
- Marshfield Clinic, Inc.
- Marshfield Clinic Health System Foundation, Inc.
- Marshfield Clinic Health System, Inc. (MCHS)
- Family Health Center of Marshfield, Inc.
- MCHS Hospitals, Inc.

As of September 30, 2017, the obligated group's restated consolidating audited financial statement reported assets of \$2.083 billion, liabilities of \$979.5 million, and net assets of \$1.103 billion. Revenues for the fiscal year ending September 30, 2017, totaled \$1.403 billion. Increase in unrestricted net assets for the same fiscal year totaled \$66.71 million.

Family Health Center of Marshfield, Inc.

Family Health Center of Marshfield, Inc. (FHC) operates community health centers to serve the medically underserved populations in central and northern Wisconsin. FHC, in partnership with MC, also operates eight dental practices. As of September 30, 2017, FHC's audited financial statement reported assets of \$125.1 million, liabilities of \$51.06 million, and net assets of \$74.08 million. Revenues for the fiscal year ending September 30, 2017, totaled \$95.28 million. Decrease in unrestricted net assets for the same fiscal year totaled \$10.79 million. Please note that the financials disclosed are also part of the obligated group financials reported in the previous section.

Security Administrative Services, LLC

On Jan 1, 2016, Security Administrative Services, LLC (SAS) purchased the assets of Cornerstone Benefit Administrator, Inc., to strengthen its third-party administration arm. The purchase price was \$1.280 million. SAS serves as the administrator of third-party services to the SHP self-insured groups. SHP is the sole corporate member of SAS, LLC. As of September 30, 2017, SAS's audited financial statement reported assets of \$1.642 million, liabilities of \$1.076 million, and net assets of \$566 thousand. Revenues for the fiscal year ending September 30, 2017, totaled \$2.879 million. Increase in unrestricted net assets for the same fiscal year totaled \$297 thousand.

Agreements with Affiliates

The company has various agreements with its affiliates, as follows:

Administrative Service Agreement with Marshfield Clinic

- Effective October 7, 1986, SHP entered into an administrative service agreement with Marshfield Clinic. Under this agreement, SHP will reimburse MC for administrative and managerial services provided to SHP that are reasonably necessary for the efficient administration and operation of SHP. MC's compensation each month is the actual cost of these services. SHP pays MC each month based on an estimate of that cost per category of the member for the month multiplied by the number of members in that category, with a true-up/reconciliation of that estimate to actual cost made in the next month's payment. On January 1, 2018, this administrative service agreement was replaced by an administrative service agreement between SHP and Marshfield Clinic Health System.

See: APPENDIX I—SUBSEQUENT EVENTS below.

Affiliated Provider Agreements with Marshfield Clinic

- There are three affiliated provider agreements between SHP and Marshfield Clinic. There is a Commercial Affiliated Provider Agreement, effective January 1, 1996. There is a BadgerCare Plus Affiliated Provider Subcontractor Agreement, effective October 1, 1996. There is a Medicare Advantage Affiliated Provider Subcontractor Agreement, effective June 15, 2005.

Under these agreements, SHP will reimburse MC for medical and related services within SHP's service area. Reimbursement terms are included in these agreements. MC agrees to submit itemized claims to SHP under the Commercial Affiliated Provider Agreement and the BadgerCare Plus Affiliated Provider Subcontractor Agreement within 180 days from the date the claim is incurred. MC agrees to submit itemized claims to SHP under the Medicare Advantage Affiliated Provider Subcontractor Agreement following Medicare claims submission guidelines.

Under the Commercial Affiliated Provider Agreement, SHP agrees to pay clean claims on a twice-a-month basis, and claims for employer self-insured groups and members pursuant to agreement terms. Under the Medicare Advantage Affiliated Provider Subcontractor Agreement, SHP agrees to pay clean claims on a twice a month basis. Under the BadgerCare Plus Affiliated Provider Subcontractor Agreement, SHP agrees to pay fully completed covered claims on a twice a month basis.

The term of these agreements is one year and automatically extends for like periods unless either party notifies the other of the intent to terminate in writing 60 days prior to the end of the contract period.

Under the Commercial Affiliated Agreement, if upon a showing of good cause or material breach by one of the parties, the other party shall have the right and privilege of canceling and terminating this Agreement upon 30 days' written notice to the breaching party.

Ground Lease Agreement with Marshfield Clinic

- Effective January 1, 1999, SHP entered into a Ground Lease Agreement with Marshfield Clinic. In consideration of rent, SHP leases the ground its facilities are located on. The rent is \$1,750 per month, adjusted periodically by changes to the Consumer Price Index. The term of the lease runs through December 31, 2049, unless terminated earlier. SHP is granted one option to extend the lease for 20 years. At the end of the lease, all of SHP's facilities become the property of MC.

Maintenance Agreement with Marshfield Clinic

- Effective October 16, 1999, SHP entered into a Maintenance Agreement with Marshfield Clinic. MC agrees to perform maintenance and repairs on the building, maintenance of the parking lot, snow and ice removal, and custodial services. SHP will pay a monthly fee based on estimated budgeted costs for the fiscal year grossed up 5% with sales tax applied. The Agreement was effective for a term of one year beginning October 16, 1999, and will be automatically renewed for successive terms of one year unless and until either of the parties gives to the other party six months' written notice that the Agreement shall not be extended. Notwithstanding the foregoing, upon showing of good cause, either party shall have the right and privilege of canceling and terminating this Agreement by providing the other party at least six months' written notice to the other party.

Delegation of Credentialing Agreement with Marshfield Clinic

- Effective November 1, 2004, SHP entered into a Delegation of Credentialing Agreement with Marshfield Clinic. SHP shall credential and recredential all MC providers. The Agreement was effective for a term of one year beginning November 1, 2004, and will be automatically renewed for successive terms of one year unless and until either of the parties gives to the other party 60 days' written notice that the Agreement shall not be so extended. Either party may terminate this Agreement by providing the other party at least 90 days' prior written notice.

Specialty Pharmacy Agreement with Marshfield Clinic

- Effective August 4, 2009, SHP entered into a Specialty Pharmacy Agreement with Marshfield Clinic. A significant amendment occurred effective August 31, 2010, that greatly reduced the scope of the original agreement. The current agreement states that SHP will continue to support the utilization of Marshfield Clinic Specialty Pharmacy (MCSP) as the preferred specialty pharmacy provider with the same negotiated rates that are in effect in the original agreement. SHP will continue to support MCSP clinical endeavors as negotiated.

Pay for Performance Agreement with Marshfield Clinic

- Effective January 1, 2010, SHP entered into a Pay for Performance Agreement with Marshfield Clinic within its Medicare Advantage Affiliated Provider Subcontractor Agreement, effective January 1, 2010. The Pay for Performance Agreement has been amended six times since its inception. The January 1, 2015, amendment changes how SHP compensates MC for quality- and performance-related initiatives. It is designed to transition from fee-for-service to a value-based model of care through the creation of value pools that will be used to incent MC's

primary care providers for improved quality, lower cost of care, and improvement in population health.

Revolving Credit Note with Marshfield Clinic

- Effective June 25, 2010, SHP entered into a revolving credit note with Marshfield Clinic. Under the credit note, MC may borrow up to \$25 million at any time. MC agrees to repay any unpaid principal on demand to SHP. MC will pay interest on any outstanding principal balance under this note. The interest rate is adjusted on the first day of each month and equals the most recent one-month London InterBank Offered Rate (LIBOR) in effect on or before the close of business on that day plus 100 basis points. Interest on the outstanding balance for a calendar month shall be payable monthly on the 15th day of each month.

Administrative Services Agreement with Family Health Center

- Effective August 1, 2013, SHP entered into an administrative services agreement with Family Health Center of Marshfield, Inc. Under this agreement, FHC will reimburse SHP for certain administrative support services to effectuate FHC's day-to-day operations. SHP's compensation for services was determined by the parties outside of the agreement along with a Community Benefit Grant between SHP and FHC. SHP agreed to accept such compensation as payment in full for the administrative services provided.

Administrative Services Agreement with Security Administrative Services

- Effective May 19, 2016, SHP entered into an administrative services agreement with SAS. Under this agreement, SAS will reimburse SHP for administrative and managerial services provided to SAS that are reasonably necessary for the efficient administration and operation of SAS.

Assignment of Lease from Marshfield Clinic to MCIS, Inc.

- Effective October 16, 1999, Marshfield Clinic became a tenant of SHP under a Lease Agreement. MC assigned their lease to MCIS, Inc., on November 1, 2014. SHP acknowledged and consented to the assignment of this lease.

V. REINSURANCE

The company has reinsurance coverage under the contract outlined below:

Reinsurer:	RGA Reinsurance Company
Type:	HMO Excess Risk Reinsurance
Effective date:	January 1, 2017, through December 31, 2017
Retention:	The following are the limits per agreement period: \$1,200,000 per commercial member \$1,100,000 per commercial exchange member \$2,000,000 per Marshfield Clinic employee member(s) \$ 550,000 per Medicaid member
Coinsurance:	90% (Plan retains 10%)
Reinsurance limit:	Unlimited per member per agreement period (commercial members) Unlimited per member per agreement period (Marshfield members) \$5,000,000 per member per agreement period (Medicaid members)
Coverage:	Inpatient Hospital Services Inpatient Rehabilitation Services Skilled Nursing Facility Services Outpatient Health Services Physician Services Drug-Related Services (including Retail Rx) Excludes charges by Marshfield Clinic and its subsidiaries under the SHP capitation agreement (this does not apply to Medicaid services billed at Medicaid allowable rates)
Termination:	The agreement automatically terminates at the end of the agreement period. In the event that premiums are not paid within 60 days of the due date, coverage will terminate at the reinsurer's discretion. The agreement does contain an appendix for the continuation of coverage in the event of insolvency.

VI. FINANCIAL DATA

The following financial statements reflect the financial condition of the company as reported to the Commissioner of Insurance in the December 31, 2017, annual statement. Adjustments made as a result of the examination are noted at the end of this section in the area captioned "Reconciliation of Capital and Surplus per Examination." Also included in this section are schedules that reflect the growth of the company for the period under examination.

Security Health Plan of Wisconsin, Inc.
Assets
As of December 31, 2017

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$ 56,468,810	\$	\$ 56,468,810
Stocks:			
Common stocks	62,304,892		62,304,892
Real Estate:			
Properties occupied by the company	9,210,756		9,210,756
Cash, cash equivalents, and short-term investments	159,231,842		159,231,842
Other invested assets	35,073,985		35,073,985
Title plants			
Investment income due and accrued	410,041		410,041
Uncollected premiums and agents' balances in the course of collection	1,532,250		1,532,250
Amounts recoverable from reinsurers	2,235,855		2,235,855
Amounts receivable relating to uninsured plans	706,268		706,268
Electronic data processing equipment and software	9,218,801	9,095,463	123,338
Furniture and equipment, including health care delivery assets	1,032,427	1,032,427	
Receivables from parent, subsidiaries, and affiliates	271,262	271,262	
Health care and other amounts receivable	25,664,140	2,958,000	22,706,140
Write-ins for other than invested assets:			
ACA Receivables	109,664		109,664
Prepays	1,131,736	1,131,736	
Franchise Tax Receivable	<u>1,168,832</u>	<u> </u>	<u>1,168,832</u>
Total Assets	<u>\$365,771,562</u>	<u>\$14,488,888</u>	<u>\$351,282,674</u>

Security Health Plan of Wisconsin, Inc.
Liabilities and Net Worth
As of December 31, 2017

Claims unpaid		\$124,151,756
Unpaid claims adjustment expenses		1,704,000
Aggregate health policy reserves		2,899,000
Premiums received in advance		25,063,262
General expenses due or accrued		2,095,679
Borrowed money and interest thereon		262,369
Amounts due to parent, subsidiaries, and affiliates		5,517,569
Liability for amounts held under uninsured accident and health plans		2,090,000
Other		905,578
ACA Payable		<u>14,605,024</u>
Total Liabilities		179,294,237
ACA Sec 9010 Special Surplus	\$ 10,861,042	
Special Surplus Joint Operating Fund	5,550,000	
Unassigned funds (surplus)	<u>155,577,395</u>	
Total Capital and Surplus		<u>171,988,437</u>
Total Liabilities, Capital and Surplus		<u>\$351,282,674</u>

Security Health Plan of Wisconsin, Inc.
Statement of Revenue and Expenses
For the Year 2017

Net premium income		\$1,222,301,718
Medical and Hospital:		
Hospital/medical benefits	\$ 839,431,971	
Other professional services	46,152,263	
Outside referrals	86,938,061	
Emergency room and out-of-area	27,116,592	
Prescription drugs	<u>120,962,667</u>	
Subtotal	1,120,601,555	
Less		
Net reinsurance recoveries	<u>2,712,390</u>	
Total medical and hospital	1,117,889,165	
Claims adjustment expenses	19,527,352	
General administrative expenses	87,305,178	
Increase (decrease) in reserves for life and accident and health contracts	<u>(2,622,000)</u>	
Total underwriting deductions		<u>1,222,099,694</u>
Net underwriting gain or (loss)		202,024
Net investment income earned	9,405,048	
Net realized capital gains or (losses)	<u>197,082</u>	
Net investment gains or (losses)		9,602,130
Net income or (loss) before federal income taxes		<u>9,804,154</u>
Net Income (Loss)		<u>\$ 9,804,154</u>

Security Health Plan of Wisconsin, Inc.
Capital and Surplus Account
For the Three-Year Period Ending December 31, 2017

	2017	2016	2015
Capital and surplus, beginning of year	\$225,132,342	\$202,388,991	\$187,942,469
Net income (loss)	9,804,154	11,371,517	18,605,777
Change in net unrealized capital gains/losses	11,817,720	6,679,320	(5,294,831)
Change in nonadmitted assets	3,134,221	4,692,514	1,135,576
Dividends to stockholders			
Write-ins for gains and (losses) in surplus:			
Cash Distribution to Parent	<u>(77,900,000)</u>	<u> </u>	<u> </u>
Surplus, End of Year	<u>\$171,988,437</u>	<u>\$225,132,342</u>	<u>\$202,388,991</u>

Security Health Plan of Wisconsin, Inc.
Statement of Cash Flow
For the Year 2017

Premiums collected net of reinsurance		\$1,219,385,633
Net investment income		<u>9,741,553</u>
Total		1,229,127,186
Less:		
Benefit- and loss-related payments	\$1,082,865,364	
Commissions, expenses paid, and aggregate write-ins for deductions	<u>107,765,873</u>	
Dividends paid to policyholders		
Total		<u>1,190,631,237</u>
Net cash from operations		38,495,949
Proceeds from Investments Sold, Matured, or Repaid:		
Bonds	\$19,345,755	
Stocks	46,386,066	
Other invested assets	85,008,723	
Miscellaneous proceeds	<u>527,009</u>	
Total investment proceeds		151,267,553
Cost of Investments Acquired—Long-term Only:		
Bonds	20,801,120	
Stocks	3,590,347	
Real estate	3,991,271	
Other invested assets	<u>7,210,332</u>	
Total investments acquired		35,593,071
Net cash from investments		115,674,482
Cash Provided/Applied:		
Borrowed funds received	(159,805)	
Other cash provided (applied)	<u>(57,318,697)</u>	
Net cash from financing and miscellaneous sources		<u>(57,478,502)</u>
Net Change in Cash, Cash Equivalents, and Short-Term Investments		96,691,929
Cash, cash equivalents, and short-term investments:		
Beginning of year		<u>62,539,913</u>
End of Year		<u>\$ 159,231,842</u>

Growth of Security Health Plan of Wisconsin, Inc.

Year	Assets	Liabilities	Capital and Surplus	Premium Earned	Medical Expenses Incurred	Net Income
2017	\$351,282,674	\$179,294,237	\$171,988,437	\$1,222,301,718	\$1,117,889,164	\$9,804,154
2016	383,970,510	158,838,168	225,132,342	1,178,051,146	1,063,623,727	11,371,517
2015	350,626,960	148,237,969	202,388,991	1,158,289,700	1,036,804,743	18,605,777
2014	320,200,914	132,258,445	187,942,469	1,098,011,394	994,617,347	28,271,776

Year	Profit Margin	Medical Expense Ratio	Administrative Expense Ratio	Change in Enrollment
2017	0.8%	91.2%	8.7%	1.6%
2016	1.0	90.3	9.4	(0.2)
2015	1.6	89.6	9.5	3.5
2014	2.6	90.3	7.9	7.2

Enrollment and Utilization

Year	Enrollment	Hospital Days/1,000	Average Length of Stay
2017	203,985	431.2	4.3
2016	200,705	403.4	4.2
2015	201,063	425.2	4.4
2014	194,185	420.7	4.3

Per Member Per Month Information

	2017	2016	Percentage Change
Premiums:			
Commercial	\$518.29	\$491.23	5.5%
Medicare	824.74	850.87	(3.1)
Medicaid	<u>177.29</u>	<u>181.57</u>	(2.4)
Blended	<u>\$500.51</u>	<u>\$487.35</u>	2.7
Expenses:			
Hospital/medical benefits	343.73	335.69	2.4
Other professional services	18.90	17.90	5.6
Outside referrals	35.60	30.66	16.1
Emergency room and out-of-area	11.10	10.55	5.2
Prescription Drugs	49.53	50.52	(1.9)
Other medical and hospital			
Incentive pool and withhold adjustments			
Less: Net reinsurance recoveries	<u>1.11</u>	<u>5.30</u>	(79.0)
Total medical and hospital	457.75	440.02	4.0
Claims adjustment expenses	8.00	7.52	6.4
General administrative expenses	35.75	38.36	(6.8)
Increase in reserves for accident and health contracts	<u>(1.07)</u>	<u>(0.13)</u>	737.2
Total underwriting deductions	<u>\$500.42</u>	<u>\$485.75</u>	3.0

Security Health Plan of Wisconsin, Inc., was profitable in all of the three years under examination. Assets increased by 9.7%. Security had a 5.1% increase in enrollment and premium earned increased by 11.3% during the three-year period. The favorable operating results allowed a \$77.9 million cash distribution paid to its parent, MCHS, in 2017. This distribution caused capital and surplus to decrease by 8.5% during the three-year period.

Financial Requirements

The financial requirements for an HMO under s. Ins 9.04, Wis. Adm. Code, are as follows:

	Amount Required
1. Minimum capital or permanent surplus	Either: \$750,000, if organized on or after July 1, 1989 or \$200,000, if organized prior to July 1, 1989
2. Compulsory surplus	The greater of \$750,000 or: If the percentage of covered liabilities to total liabilities is less than 90%, 6% of the premium earned in the previous 12 months; If the percentage of covered liabilities to total liabilities is at least 90%, 3% of the premium earned in the previous 12 months
3. Security surplus	The greater of: 140% of compulsory surplus reduced by 1% of compulsory surplus for each \$33 million of additional premiums earned in excess of \$10 million or 110% of compulsory surplus

Covered liabilities are those due to providers who are subject to statutory hold-harmless provisions.

The company's calculation as of December 31, 2017, as modified for examination adjustments is as follows:

Assets		\$351,282,674
Less:		
Special deposit		6,200,000
Liabilities		179,294,237
Investments in excess of maximum allowable by ch. 620, Wis. Stat.		<u>37,660,823</u>
Assets available to satisfy surplus requirements		128,127,614
Net premium earned		
HMO business	\$1,213,472,461	
Factor	<u>3%</u>	
Total		36,404,173
Incidental Indemnity	8,829,257	
Factor	<u>10%</u>	
Total		882,925
Compulsory surplus		<u>37,287,098</u>
Compulsory Surplus Excess (Deficit)		<u>\$ 90,840,516</u>

Assets available to satisfy surplus requirements	\$128,127,614
Compulsory surplus	37,287,098
Security factor	<u>110%</u>
Security surplus	<u>41,015,807</u>
Security Surplus Excess (Deficit)	<u>\$ 87,111,807</u>

In addition, there is a special deposit requirement equal to the lesser of the following:

1. An amount necessary to maintain a deposit equaling 1% of premium written in this state in the preceding calendar year;
2. One-third of 1% of premium written in this state in the preceding calendar year.

The company has satisfied this requirement for 2017 with a deposit of \$6,200,000 with the State Treasurer.

Reconciliation of Capital and Surplus per Examination

No adjustment or reclassification resulted from the examination. The capital and surplus of \$171,988,437 reported at December 31, 2017, is accepted.

VII. SUMMARY OF EXAMINATION RESULTS

Compliance with Prior Examination Report Recommendations

There were seventeen specific comments and recommendations in the previous examination report. Comments and recommendations contained in the last examination report and actions taken by the company are as follows:

1. Board of Directors—It is recommended that the company maintain nine directors in accordance with their bylaws and report all directors on the jurat page of the quarterly and annual statements.

Action—Compliance.

2. Board of Directors—It is recommended that the company comply with their bylaws and hold director elections as part of the annual meeting with representatives of the sole corporate member.

Action—Compliance.

3. Officers and Directors—It is recommended that the company comply with NAIC Health Annual Statement Instructions indicating those officers and directors who did not occupy the officer or director position in the prior annual statement with a number sign (#).

Action—Compliance.

4. Finance Committee—It is recommended that members of a board committee who are not directors not have voting rights in accordance with s. 611.56 (1), Wis. Stat.

Action—Compliance.

5. Investment Policy—It is recommended that the company include reference to ch. 620, Wis. Stat., and s. Ins 6.20, Wis. Adm. Code, in their investment policy and monitor the impact the investment portfolio has on the compulsory and security surplus calculation.

Action—Compliance.

6. Investment Policy—It is recommended the company deduct excess investments from assets when completing the compulsory and security surplus calculation.

Action—Compliance.

7. Investments—It is recommended that the board or a subordinate committee thereof review and approve purchases or sales of all investments in the future on at least a quarterly basis in accordance with s. 613.51 (4), Wis. Stat.

Action—Compliance.

8. Investments—It is recommended that the company properly complete Schedule D, Part 2, Section 2, and the Capital and Surplus Account page in accordance with the NAIC Health Annual Statement Instructions.

Action—Compliance.

9. Custodial Agreement—It is recommended that the company obtain a custodial agreement which meets the requirements promulgated by the NAIC Financial Condition Examiners Handbook and s. 610.23, Wis. Stat.

Action—Compliance.

10. Transactions with Affiliates—It is recommended that the company include all affiliates and disclose interrelationships in accordance with the NAIC Health Annual Statement Instructions for Schedule Y.

Action—Compliance.

11. Transactions with Affiliates—It is recommended that the company disclose all affiliates in Schedule Y, Part 1A, and provide an overview of all transactions among holding company system members in Schedule Y, Part 2, which involve an affiliated insurer in accordance with the NAIC Health Annual Statement Instructions.

Action—Non-compliance; see comments in the “Summary of Current Examination Results.”

12. Unpaid Claims—It is recommended that the company establish a procedure to ensure that the aging of unpaid claims in Exhibit 4 is reasonably accurate and in accordance with the NAIC Health Annual Statement Instructions.

Action—Compliance.

13. Affiliated Balances—It is recommended that the company properly report balances due under the insurance policy with the Marshfield Clinic.

Action—Compliance.

14. Affiliated Balances—It is recommended that the company properly nonadmit affiliated balances in accordance with s. Ins 9.10, Wis. Adm. Code.

Action—Compliance.

15. Affiliated Balances—It is recommended that the company properly report affiliated payable balances as a liability in accordance with SSAP No. 64.

Action—Compliance.

16. Unclaimed Property—It is recommended that the company establish procedures around escheats to ensure the accurate and timely filing of unclaimed property reports.

Action—Compliance.

17. Executive Compensation—It is recommended that the company complete the Report on Executive Compensation in accordance with s. 601.42 and 611.63 (4), Wis. Stats.

Action—Compliance.

Summary of Current Examination Results

This section contains comments and elaboration on those areas where adverse findings were noted or where unusual situations existed. Comment on the remaining areas of the company's operations is contained in the examination work papers.

Schedule of Covered Expenses

Covered expenses are those expenditures and outstanding liabilities of the HMO for health care cost for which an enrollee is not liable under s. 609.91, Wis. Stat. The percentage of covered expenses can impact the minimum compulsory surplus the company is required to have pursuant to s. 609.97, Wis. Stat. The examination reviewed the Schedule of Covered Expenses as of June 30, 2018, and the percent of covered to total medical and hospital expenses was reported to be 93.27%. Next, a review of the covered and uncovered liabilities of the Liabilities, Capital, and Surplus page of the 2017 Annual Statement disclosed the percentage of covered liabilities to total liabilities of the current year columns for 2017 were reported to be 100%. The same was true for the Statement of Revenue and Expenses page of the 2017 Annual Statement. No expenses or liabilities were reported as uncovered. An inquiry was made of the company and the response was the quarterly and annual Statement of Revenue and Expenses and the Liabilities, Capital, and Surplus pages were completed incorrectly. It is recommended that the company accurately complete the Schedule of Covered Expenses and report covered and uncovered liabilities and expenses on the quarterly and annual statements in accordance with the NAIC Quarterly and Annual Statement Instructions – Health.

Reinsurance Intermediary Brokerage Agreement

Per s. Ins 47.03, Wis. Adm. Code (Required Contract Provisions – Reinsurance Intermediary Brokers):

No reinsurance Intermediary-broker or insurer may enter into an agreement or arrangement...for the reinsurance intermediary-broker to represent the insurer as a reinsurance intermediary-broker unless the reinsurance intermediary-broker obtains written authorization from the insurer, the reinsurance intermediary-broker complies with the terms of the authorization, and the authorization specifies the responsibilities of each party, including but not limited to, the following:

- (1) The insurer may terminate the reinsurance intermediary-broker authority at any time.
- (2) The reinsurance intermediary-broker will render accounts to the insurer accurately detailing all material transactions, including information necessary to support all commissions, charges and other fees received by, or owing, to the reinsurance intermediary-broker, and remit all funds due to the insurer within 30 days of receipt.
- (3) The reinsurance intermediary-broker will hold all funds collected for the insurer's account in a fiduciary capacity in a qualified United States financial institution.
- (4) The reinsurance intermediary-broker will comply with s. Ins 47.04 in regards to keeping a complete record for each transaction for at least 10 years after the expiration of each contract of reinsurance transacted by the reinsurance intermediary-broker and shall give access to and the right to copy and audit all accounts and records maintained by the reinsurance intermediary-broker to the insurer in a form usable by the insurer.
- (5) The reinsurance intermediary-broker will disclose to the insurer any relationship with any reinsurer to which business will be ceded or retroceded.
- (6) An insurer shall annually obtain a copy of statement of the financial condition of each reinsurance intermediary-broker with which it transacts business.

Examination review revealed that the company's reinsurance intermediary agreement did not contain clauses (1), (3), and (4).

Therefore, the company's Reinsurance Intermediary Agreement does not comply with s. Ins 47.03, Wis. Adm. Code. It is recommended that the company execute an agreement with its reinsurance intermediary that complies with the requirements set forth in s. Ins 47.03, Wis. Adm. Code.

Transactions with Affiliates

In the prior examination, it was determined that the company did not include all affiliates in the holding company system as directed in the NAIC Health Annual Statement Instructions for Schedule Y, Part 1A. It was also noted that the company combined revenue and expenditures of two different affiliates instead of reporting them separately.

The current examination disclosed that the company did not combine revenue and expenditures of two different affiliates; however, it failed to include other transactions with downstream affiliate Security Administrative Services, LLC, on Schedule Y, Part 2. It is again recommended that the company provide an overview of all transactions among holding company system members in Schedule Y, Part 2, which involve an affiliated insurer in accordance with the NAIC Annual Statement Instructions – Health.

VIII. CONCLUSION

The Security Health Plan of Wisconsin, Inc., is described as a nonprofit mixed model health maintenance organization insurer. Under the mixed model, the company has a delivery system consisting of a combination of staff physicians and/or one or more clinics and/or independent contracting physicians operating out of their separate offices. Inclusive of all products offered, as of October 13, 2018, Security has over 11,000 affiliated providers, including ancillary providers, of which there were 4,090 specialists, 1,814 primary care physicians, and 617 non-physician providers.

Security Health Plan of Wisconsin, Inc., was profitable in all of the three years under examination. Assets increased by 9.7% due to favorable operating results. Capital and surplus decreased 8.5% during the three-year period due to a cash distribution paid to its parent, MCHS, totaling \$77.9 million. Security had a 5.1% increase in enrollment during the three-year period and premium earned increased 11.3% during the three-year period.

The previous examination of Security Health Plan of Wisconsin, Inc., resulted in 17 recommendations. The company was found to be in compliance with 16 and in non-compliance with one of the prior exam recommendations. The current examination resulted in three recommendations. No adjustments were made to surplus as a result of the examination.

IX. SUMMARY OF COMMENTS AND RECOMMENDATIONS

1. Page 31 - Schedule of Covered Expenses—It is recommended that the company accurately complete the Schedule of Covered Expenses and report covered and uncovered liabilities and expenses on the quarterly and annual statements in accordance with the NAIC Quarterly and Annual Statement Instructions – Health.
2. Page 31 - Reinsurance Intermediary Brokerage Agreement— It is recommended that the company execute an agreement with its reinsurance intermediary that complies with the requirements set forth in s. Ins 47.03, Wis. Adm. Code.
3. Page 32 - Transactions with Affiliates—It is again recommended that the company provide an overview of all transactions among holding company system members in Schedule Y, Part 2, which involve an affiliated insurer in accordance with the NAIC Annual Statement Instructions – Health.

X. ACKNOWLEDGMENT

The courtesy and cooperation extended during the course of the examination by the officers and employees of the company is acknowledged.

In addition to the undersigned, the following representatives of the Office of the Commissioner of Insurance, State of Wisconsin, participated in the examination:

Name	Title
John Pollock	Insurance Financial Examiner-Journey
Jerry DeArmond, CFE	Insurance Financial Examiner-Advanced, Loss Reserve Specialist
Terry Lorenz	Insurance Financial Examiner-Advanced, Exam Planning and Quality Control Specialist
David Jensen, CFE	Insurance Financial Examiner-Advanced, Information Systems Audit Specialist

Respectfully submitted,

James Lindell
Examiner-in-Charge

XI. APPENDIX I—SUBSEQUENT EVENTS

Administrative Service Agreement with Marshfield Clinic Health System

Effective January 1, 2018, SHP entered into an administrative service agreement with MCHS. This administrative service agreement replaced the earlier administrative service agreement between SHP and Marshfield Clinic. Under this agreement, SHP will reimburse MCHS for administrative and managerial services provided to SHP that are reasonably necessary for the efficient administration and operation of SHP. MCHS's compensation for services each month is the actual cost of these services. SHP pays MCHS each month based on an estimate of cost, with a true-up/reconciliation of that estimate to actual cost made in the next month's payment.

Reporting of Bonds and Stocks

While reviewing 2018 Interim Financial Statements, examiners noted a large amount of schedule BA assets were re-classified as bonds on 2018 Third Quarter Financial Statements. SHP sold a large portion of invested assets at year-end 2017 and purchased new investments during the first and second calendar quarters of 2018. Many of these purchases were originally classified as schedule BA assets, under the other investment assets category. Examiners questioned the company concerning this matter and received a response that SHP had bought bond investments and various mutual funds and that these investments were incorrectly classified on the corresponding quarterly statements. The company amended the 2018 quarterly statements to remedy the situation.