

Report of the Examination of
Care-Plus Dental Plans, Inc.
Milwaukee, Wisconsin
As of December 31, 2022

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September 13, 2023

Honorable Nathan D. Houdek
Commissioner of Insurance
State of Wisconsin
125 South Webster Street
Madison, Wisconsin 53703

Commissioner:

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

CARE-PLUS DENTAL PLANS, INC.
Milwaukee, Wisconsin

and this report is respectfully submitted.

I. INTRODUCTION

The previous examination of Care-Plus Dental Plans, Inc. (Care-Plus or the company) was conducted in 2017 as of December 31, 2016. The current examination covered the intervening period ending December 31, 2022, and included a review of such subsequent transactions as deemed necessary to complete the examination.

The examination consisted of a review of all major phases of the company's operations, and included the following areas:

- History
- Management and Control
- Corporate Records
- Conflict of Interest
- Fidelity Bonds and Other Insurance
- Provider Contracts
- Territory and Plan of Operations
- Affiliated Companies
- Growth of the Company
- Financial Statements
- Accounts and Records
- Information Technology
- Enrollee Complaint Procedure

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 concerning the alternative or additional examination steps performed during the examination.

In addition to auditing, the public accounting firm provides non-auditing services for the company, including performing compilation services. On September 30, 2011, an exemption was granted by the commissioner, pursuant to s. Ins 50.08 (5), Wis. Adm. Code, permitting the independent auditor to perform this non-audit work for the company.

II. HISTORY AND PLAN OF OPERATION

The Care-Plus Dental Plans, Inc., is described as a nonprofit group model limited service health organization (LSHO) insurer. An LSHO insurer is defined by s. 609.01 (3), Wis. Stat., as ". . . a health care plan offered by an organization established under ch. 185, 611, 613, or 614 or issued a certificate of authority under ch. 618 that makes available to its enrolled participants, in consideration for predetermined fixed payments, a limited range of health care services performed by providers selected by the organization."

The company was incorporated and commenced business on May 23, 1983. The company is controlled by Dr. Thomas Manos, who is the chairman of the board of directors.

Under the group model, the company contracts with a sponsoring clinic to provide primary and specialist services. LSHOs compete with traditional fee-for-service health care delivery. Care-Plus provides primary and specialty care through its provider, Dental Associates Ltd. of Wisconsin (Dental Associates).

Dental Associates has 15 dental centers in the southeastern and Fox Valley areas of Wisconsin and employs 59 primary care providers and 34 specialty providers. Care-Plus does not require the enrollee to choose a primary care provider as a "gatekeeper;" however, Care-Plus does encourage the selection of one dentist as the enrollee's primary dentist for all general dental care. An enrollee does not need a referral from a primary care provider in order to see one of the specialty providers.

Dental Associates has employment agreements with 93 dentists and specialists. Apart from the term, vacation, dues, allowance, and compensation, the agreements are identical for all dental professionals. There are no set lengths to the dentists' contract terms although a dentist must give a 90-day notice of termination of the contract.

Dental Associates employs both full-time and part-time dentists. Dentists are paid hourly, salaried, or paid on an incentive program. Incentives are calculated based upon a percentage of agreed fee schedules for each procedure code, less benefit and supply costs. Incentives are paid on a monthly basis, when applicable.

The majority of dentists are required to provide services on a 24-hour basis, if necessary. Agreements with individual dentists do not contain any withhold or risk-sharing provisions. The individual employment agreements do contain an indemnification clause whereby the individual dentist and Dental Associates hold each other harmless from all liabilities and costs resulting, as the case may be, from wrongful or negligent acts and omissions of the dentist or Dental Associates.

The Provider and Administrative Services Agreement between Care-Plus and Dental Associates transfers risk to Dental Associates. The contract contains an indemnification clause whereby Dental Associates holds Care-Plus harmless from all claims, liabilities, and costs resulting from dental or other services that Dental Associates provides to subscribers. Dental Associates provides dental benefits and administrative services on behalf of Care-Plus subscribers for an amount equal to 100% of the income received by Care-Plus during the fiscal year, less the sum of the amount of benefits paid to other providers by Care-Plus and the other annual expenses of Care-Plus.

According to its business plan, the company's service area is comprised of the following counties: Brown, Fond du Lac, Kenosha, Milwaukee, Outagamie, Racine, and Waukesha.

The company offers a limited range of health care coverage which may be changed by riders to include deductibles and copayments. The following basic health care coverages are provided:

- Diagnostic
- Preventative
- Restorative
- Fixed Prosthetics
- Removable Prosthetics
- Endodontics
- Oral Surgery
- Orthodontics
- Periodontics

The company currently markets to groups and individuals. The company uses unaffiliated agencies and pays 2.5% to 12% commission to those agencies on new and renewal business. The Care-Plus products are as follows:

1. Care-Plus Enhanced—individual policies designed to supplement PPO dental insurance plans.
2. Care-Plus Supplemental*—individual policies designed to supplement traditional dental indemnity plans.
3. Care-Plus Gold*—individual policies for persons over 55 years old without any other

dental coverage.

4. Care-Plus VIP*—individual policies for persons under 55 years with no other dental insurance.
5. Care-Plus Total Access Wrap Network—group network with three tiers that provides employee access to dental care regardless of whether they live in Wisconsin or throughout the United States.
6. Care-Plus Smile Advantage—provides employee access to dental care that must be performed at a Dental Associates location.

* In late 2021, Care Plus combined three individual plans into one (Gold, VIP, Supplemental) to simplify the options available to patients and to provide patients with the most value.

Some of the common limitations or exclusions listed in the detail of these policies include non-emergency dental services provided by a nonparticipating provider, dental services that are primarily for cosmetic purposes, temporomandibular joint disorder, duplicate prosthetic devices or appliances, and gold foil or precious metal restorations.

The company uses an actuarially determined base as a beginning point in determining premiums. This rate is adjusted to reflect the age, sex, occupation, and coverage characteristics for new groups. Experience is reviewed for renewal groups and based on the review, a recommendation is made regarding adjusting the rate or canceling the group. The base rate is adjusted periodically for inflation and other trending factors.

III. MANAGEMENT AND CONTROL

Board of Directors

The board of directors consists of five members. Directors are elected to serve a three-year term. Officers for the board are elected at the board's annual meeting. Board members currently do not receive compensation for serving on the board.

Currently, the board of directors consists of the following persons:

Name	Principal Occupation	Term Expires
Dr. Thomas Manos Hinsdale, IL	President/Owner Dental Associates, Ltd.	2024
Christopher Domke Clarendon Hills, IL	Managing Director Madison Capital Partners	2024
Daniel Welch Elmhurst, IL	President Professional Practice Consultants, Inc.	2024
Gregory Vorwaller Chicago, IL	Global Head of Capital Markets Cushman & Wakefield	2024
Paul Chronis Burr Ridge, IL	Attorney, Partner Duane Morris LLP	2024

Officers of the Company

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

Name	Office
Dr. Thomas Manos	President and Chairman of the Board
Marc Manos	Vice President
Alexa Manos	Secretary and Treasurer

Committees of the Board

The company's bylaws allow for the formation of certain committees by the board of directors. At the time of the examination there were no committees of board members. Care-Plus has no specifically named audit committee but the full board serves as the audit committee.

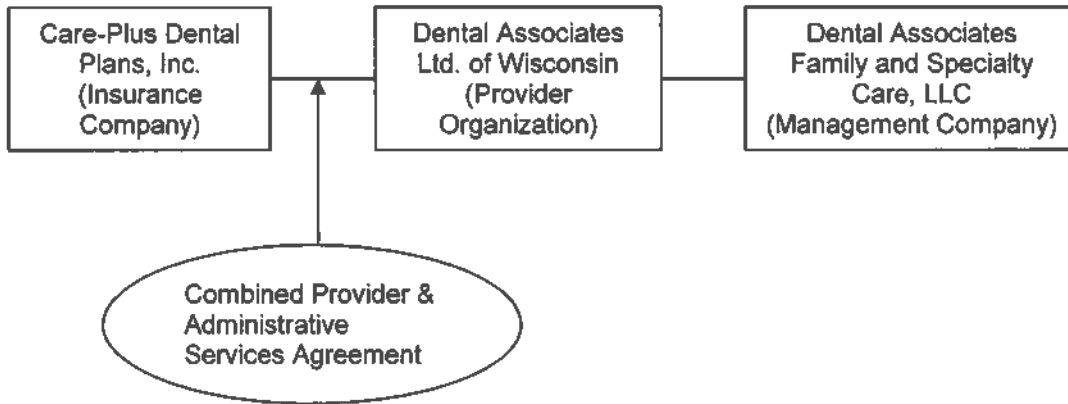
The company has no employees. Necessary personnel are provided through a Provider and Administrative Services Agreement with Dental Associates. Under the agreement, effective February 1, 2023, Dental Associates agrees to negotiate employer, provider, subscriber, and other contracts; advise

the board; maintain accounting and financial records; recruit marketing, utilization review, and claims processing personnel; and provide or contract for claims processing and management information systems. Dental Associates receives 100% of the income received by Care-Plus during the year, less the sum of the amount of benefits paid to other providers and other expenses. The term of the agreement is three years and expires on December 31, 2025. The agreement may be subsequently renewed upon mutual agreement.

IV. AFFILIATED COMPANIES

Dr. Thomas Manos is the chairman of the board for each of Care-Plus, Dental Associates Ltd. of Wisconsin, and Dental Associates Family and Specialty Care, LLC. The organizational chart below depicts the relationships among the affiliates in the group. A brief description of the significant affiliates of Care-Plus follows the organizational chart.

Holding Company Chart As of December 31, 2022



Dental Associates Ltd. of Wisconsin

Dental Associates Ltd. of Wisconsin provides dental services. As of December 31, 2022, the company's audited financial statement reported assets of \$45,579,745, liabilities of \$39,128,080, and shareholders' equity of \$6,451,665. Operations for 2022 produced a net income of \$(413,565) on revenues of \$94,997,783.

V. FINANCIAL DATA

The following financial statements reflect the financial condition of the company as reported to the commissioner of insurance in the December 31, 2022, 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.

**Care-Plus Dental Plans, Inc.
Assets
As of December 31, 2022**

	Assets	Nonadmitted Assets	Net Admitted Assets
Cash, cash equivalents and short-term investments	\$ 8,585	\$	\$ 8,585
Uncollected premiums and agents' balances in the course of collection	63,627		63,627
Receivables from parent, subsidiaries and affiliates	<u>1,633,386</u>	—	<u>1,633,386</u>
Total Assets	<u>\$1,705,598</u>	<u>\$0</u>	<u>\$1,705,598</u>

**Care-Plus Dental Plans, Inc.
Liabilities and Net Worth
As of December 31, 2022**

Aggregate health policy reserves (Unearned Premium)	\$1,117,566
Premiums received in advance	470,895
General expenses due or accrued	113,990
Aggregate write-ins for other liabilities	<u>3,147</u>
Total Liabilities	1,705,598
Total Capital and Surplus	<u>0</u>
Total Liabilities, Capital and Surplus	<u>\$1,705,598</u>

**Care-Plus Dental Plans, Inc.
Statement of Revenue and Expenses
For the Year 2022**

Net premium income		\$15,638,592
Medical and Hospital:		
Other professional services	\$15,177,789	
General administrative expenses	<u>460,803</u>	
Total underwriting deductions		<u>15,638,592</u>
Net Income (Loss)		<u>\$ 0</u>

Care-Plus Dental Plans, Inc.
Statement of Cash Flows
As of December 31, 2022

Premiums collected net of reinsurance		\$16,074,952
Less:		
Benefit- and loss-related payments	\$15,177,789	
Commissions, expenses paid and aggregate write-ins for deductions	<u>411,636</u>	
Total		<u>15,589,425</u>
Net cash from operations		485,527
Other cash provided (applied)		<u>(469,995)</u>
Net Change in Cash, Cash Equivalents, and Short-Term Investments		15,532
Cash, cash equivalents, and short-term investments:		
Beginning of year		<u>(6,947)</u>
End of Year		<u>\$ 8,585</u>

Growth of the Company

The following schedules reflect the growth of the company during the examination period:

Year	Assets	Liabilities	Capital and Surplus	Premium Earned	Medical Expenses Incurred	Net Income
2022	\$1,705,598	\$1,705,598	\$0	\$15,638,592	\$15,177,789	\$0
2021	1,528,491	1,528,491	0	16,818,919	16,278,895	0
2020	1,566,802	1,566,802	0	17,013,487	16,481,884	0
2019	1,824,304	1,824,304	0	24,369,954	23,775,998	0
2018	1,446,743	1,446,743	0	26,241,982	25,694,295	0
2017	1,961,554	1,961,554	0	25,521,765	24,959,845	0
2016	1,833,233	1,833,233	0	24,109,971	23,558,205	0

Year	Profit Margin	Medical Expense Ratio	Administrative Expense Ratio	Enrollment	Change in Enrollment
2022	0.0%	97.1%	2.9%	27,416	-22.7%
2021	0.0	96.8	3.2	35,481	6.1
2020	0.0	96.9	3.1	33,454	-31.8
2019	0.0	97.6	2.4	49,066	-19.8
2018	0.0	97.9	2.1	61,189	-3.2
2017	0.0	97.8	2.2	63,213	0.5
2016	0.0	97.7	2.3	62,897	1.3

Per Member Per Month Information

	2022	2021	Percentage Change
Premium	\$47.53	\$39.50	20.3%
Expenses:			
Other professional services	46.13	38.23	20.7
Total medical and hospital	46.13	38.23	20.7
General administrative expenses	<u>1.40</u>	<u>1.27</u>	10.2
Total underwriting deductions	<u>\$47.53</u>	<u>\$39.50</u>	20.3

The company's assets and liabilities have decreased by approximately 7% over the six-year period under examination. A decrease in enrollment was reported in four out of the six years under examination. Most of the decrease was due to losing a few significant group accounts to competitors. There has been a trend where employers have offered fewer choices of plans to employees, in an effort to simplify benefit packages and reduce costs. Reported enrollment in 2022 was 27,416, which is a decrease of 56 % compared to six years ago. The financial results of the company show no net profit or

loss and no change in surplus during the examination period, a result of the company's agreement with Dental Associates Ltd. of Wisconsin which was discussed in the "Affiliated Companies" section above.

Financial Requirements

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

	Amount Required
1. Minimum capital or permanent surplus	Not less than \$75,000
2. Security deposit	Each LSHO is required to maintain a deposit of securities with the state treasurer or an acceptable letter of credit on file with the commissioner's office. The amount of the deposit or letter of credit shall not be less than \$75,000. The letter of credit must be payable to the commissioner whenever liquidation or rehabilitation proceedings are initiated against the company.
3. Compulsory surplus	Not less than the greater of: 3% of the premiums earned by the company in the previous 12 months or \$75,000 The commissioner may accept the deposit or letter of credit under par. 2 to satisfy the compulsory surplus requirement if the company demonstrates to the satisfaction of the commissioner that all risk for loss has been transferred to the providers.
4. Security surplus	The company should maintain a security surplus to provide an ample margin of safety and clearly assure a sound operation. The security surplus should not be less than 110% of the compulsory surplus.

In 2002, an order modifying the company's compulsory surplus requirement was issued. The order requires the company to maintain a compulsory surplus in the amount equal to \$75,000 plus the company's unearned premium liability at the end of the reporting period. As of December 31, 2022, the company reported an unearned premium liability of \$1,117,566, which means the company is required to maintain surplus of \$1,192,566. As of December 31, 2022, the company had a \$1,500,000 surety bond outstanding to satisfy the compulsory surplus.

An LSHO which provides hospital services must demonstrate that, in the event of insolvency, enrollees hospitalized on the date of insolvency will be covered until discharge. This does not apply to this LSHO.

Reconciliation of Capital and Surplus per Examination

No adjustments were made to surplus as a result of the examination. The amount of surplus reported by the company as of December 31, 2022, is accepted.

VI. SUMMARY OF EXAMINATION RESULTS

Compliance with Prior Examination Report Recommendations

There was one specific recommendation in the previous examination report. The action taken by the company as a result of the recommendation was as follows:

1. Compliance with Bylaws—It is recommended that the company hold a regular meeting of the board of directors as stipulated in the bylaws.

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.

Corporate Records

The minutes of the meetings of the board of directors were reviewed for the period under examination. The company's board of directors meets annually. During the review of the company's meeting minutes, it was discovered that the company is not formally approving the prior year's minutes. Approving the board of director minutes formally establishes an accurate record and validates agreement by all members of the board. The practice produces an approved and legal record of the meeting. It is recommended that the company approve all board of director meeting minutes at subsequent meetings.

Premium Receivables

A review of the aged uncollected premiums listing revealed the company had receivables that were over 90 days past due. Aged receivables past 90 days were not disclosed or accounted for in the financial statements, and the aged past due amounts were also not properly classified as non-admitted. However, testing was performed where those amounts were traced to underlying invoices, and then to subsequent collection. The balances are below the tolerable error amount. Due to the immateriality of the amount, no examination adjustment or reclassification was made. It is recommended that the company properly non-admit premium receivable balances over 90 days past due.

VII. CONCLUSION

The company's assets and liabilities have decreased by approximately 7% over the six-year period under examination. A decrease in enrollment was reported in four out of the six years under examination. Reported enrollment in 2022 was 27,416 which is a decrease of 56% compared to six years ago. Care-Plus has lost a few significant group accounts to competitors. There has been a trend where employers have offered fewer choices of plans to employees, in an effort to simplify benefit packages and reduce costs. Financial results of the company show no net profit or loss and no change in surplus during the examination period, a result of the company's agreement with Dental Associates Ltd. of Wisconsin.

The examination resulted in two recommendations and no adjustments to surplus. The recommendations are related to the approval of prior meeting minutes for board of director meetings, and the classification of uncollected premiums as admitted or non-admitted. The company complied with the one prior recommendation.

VIII. SUMMARY OF COMMENTS AND RECOMMENDATIONS

1. Page 17 - Corporate Records—It is recommended that the company approve all board of director meeting minutes at subsequent meetings.
2. Page 17 - Premium Receivables—It is recommended that the company properly nonadmit premium receivable balances over 90 days past due.

IX. ACKNOWLEDGMENT

The courtesy and cooperation extended during the course of the examination by the officers and employees of the company are 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
Vickie Ostien	Insurance Financial Examiner
Eleanor Lu, CISA	IT Specialist
Terry Lorenz, CFE	Quality Control Specialist

Respectfully submitted,



James Lindell,
Examiner-in-Charge