

Report
of the
Examination of
Compcare Health Services Insurance Corporation
Waukesha, 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

Wisconsin.gov

May 9, 2019

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Honorable Mark V. Afable
Commissioner of Insurance
State of Wisconsin
125 South Webster Street
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Commissioner:

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

COMPCARE HEALTH SERVICES INSURANCE CORPORATION
Waukesha, Wisconsin

and this report is respectfully submitted.

I. INTRODUCTION

The previous examination of Compcare Health Services Insurance Corporation (Compcare or the company) was conducted in 2014 as of December 31, 2013. 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 of the company was conducted concurrently with the examination of Anthem, Inc. The Indiana Department of Insurance (IDOI) acted in the capacity as the lead state for the coordinated examinations. Work performed by the IDOI was reviewed and relied on where deemed appropriate.

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

Compcare Health Services Insurance Corporation is described as a for-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, 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, comprehensive health care services performed by providers selected by the organization." Under the mixed model, the company provides care through contracts with two or more clinics, integrated delivery systems (hospital/physician joint ventures or PHOs), and individual physicians. HMOs compete with traditional fee-for-service health care delivery.

Compcare was initially operated as a line of business by the corporate predecessors of Blue Cross Blue Shield of Wisconsin (BCBSWI). Compcare received its certificate of authority on June 2, 1980, as a nonstock insurer under provisions of ch. 613, Wis. Stat., and the corporation was subsequently dissolved January 1, 1984. The current for-profit, stock company, Compcare Health Services Insurance Corporation, was incorporated January 1, 1984, under the provisions of ch. 611, Wis. Stat., and commenced business on the same date. Compcare was organized with 2,000,000 shares of \$1 par value common stock.

In 1999, Compcare was licensed for its commercial lines of business with the BlueCross BlueShield Association (BCBSA). As a result, Compcare used the BCBSA licensee name of CompcareBlue. Compcare now markets its commercial products under the trade name of Anthem Blue Cross and Blue Shield.

In 2000, Compcare received a capital contribution from Cobalt Corporation (Cobalt), its parent company at the time, of all the outstanding stock of four affiliated companies. The equity balances of these companies at the time they were contributed to Compcare totaled \$51.6 million. In 2001, the outstanding stock of two additional affiliates were contributed to Compcare from Cobalt. As of the date of the examination, of the six contributed companies only one remained, Meridian Resources Company, LLC.

On September 24, 2003, Cobalt was merged with and into Crossroads Acquisition Corp. (Crossroads), a wholly owned subsidiary of WellPoint Health Networks, Inc. (WHN). WHN was a publicly traded managed health care company domiciled in the State of Delaware. Blue Cross Blue Shield United of Wisconsin changed its name in November 2003 to the name that is presently used.

On November 30, 2004, WHN merged with and into Anthem Holding Corp., a directly and wholly owned subsidiary of Anthem, Inc., with Anthem Holding Corp., as the surviving entity in the merger. In connection with the merger, Anthem, Inc., changed its name to WellPoint, Inc. On December 3, 2014, WellPoint, Inc., changed its name to Anthem, Inc.

Compcare contracts with independent practice associations (IPAs), clinics, integrated delivery systems (hospital/physician joint ventures or PHOs), and individual physicians for the provision of enrollees' covered services. Upon enrollment, the enrollee chooses a primary care physician; however, subsequent to 2005 the requirement of referrals to be preauthorized by the primary care physician is no longer necessary for coverage.

The contracts include hold-harmless provisions for the protection of policyholders. Physicians are reimbursed on a capitation, discounted fee-for-service, or fee-schedule basis. In some cases, the company uses a "target" system of payment, under which a portion of the reimbursement is withheld pending an evaluation of the provider's experience for the year. Contracts with facilities typically have a three-year term and automatically renew for additional one-year terms, while contracts with providers are continuous until terminated. In general, either party may terminate contracts, without cause, with 180-days' written notice.

Compcare contracts with 127 hospitals to provide inpatient services. Hospitals are reimbursed on a negotiated diagnosis-related group rate (DRG) or per diem, or discounted from billed charges basis. The contracts include hold-harmless provisions for the protection of policyholders.

According to its business plan, Compcare's service area as of December 31, 2017, was comprised of all 72 Wisconsin counties. Compcare had an agreement with Group Health Cooperative of Eau Claire (GHC-EC) to use its provider network for Medicaid HMO business in western Wisconsin. The underwriting risk for the western Wisconsin Medicaid business was transferred 100% to GHC-EC. The contract was terminated effective December 31, 2017.

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

- Physician services
- Inpatient services
- Outpatient services
- Mental health, drug, and alcohol abuse services
- Ambulance services
- Special dental procedures (oral surgery)
- Prosthetic devices and durable medical equipment
- Newborn services
- Home health care
- Preventive health services
- Family planning
- Hearing exams and hearing aids
- Diabetes treatment
- Routine eye examinations
- Convalescent nursing home service
- Prescription drugs—copayment varies by plan
- Cardiac rehabilitation, physical, speech, and/or occupational therapy
- Physical fitness or health education (\$30.00 per year maximum)
- Kidney disease treatment
- Certain transplants
- Chiropractic services

Inpatient mental health and AODA coverage are consistent with federal mandates, which became effective in 2009. Limits vary in accordance with federal law and include a minimum of 20 days inpatient, 20 visits outpatient, and 15 visits for transitional care up to a maximum or unlimited coverage. Skilled nursing home care is generally limited to 30 days following a hospital stay. The company also has a number of copayment plans in which certain inpatient and physician services are subject to various levels of copayments. In southeastern Wisconsin, the company also offers a limited network of providers for employers willing to have a more restricted network for a lower premium.

Certain preventive services are not covered when out-of-network providers are used. Nonemergency out-of-network inpatient and outpatient hospital services require precertification. If no precertification is done, the member could be held responsible for the charges.

In addition to its HMO products, Compcare also offers point-of-service (POS) products. The indemnity (out-of-network) portion of Compcare's POS products is underwritten by BCBSWI (see the "Affiliated Agreements" section of this report for additional details). POS products provide comprehensive benefits similar to those listed above when participating providers are used. The

enrollee may elect, at the time of service, to use providers that are not part of the company's network for higher deductibles and coinsurance levels.

Compcare has more recently entered the individual exchange under the Affordable Care Act, with qualified health plans (QHPs) for enrollment dates that began on January 1, 2014. The QHPs include the Blue Priority Plans (HMO only) and three stand-alone dental plans. These plans were offered on the health care exchange for coverage beginning on January 1, 2014. Currently, individual exchange products through Compcare are available in one county in Wisconsin.

Compcare derives approximately 25% of its written premiums from Wisconsin's Medicaid/BadgerCare Program. Compcare contracts directly with the Wisconsin Department of Health Services (DHS) to provide specified health care benefits to eligible Medicaid Assistance/BadgerCare recipients. In exchange for these services, Compcare is paid a monthly capitation rate, which is designed to be less than the cost of providing the same services covered under the contract to a comparable Medicaid population on a fee-for-service basis.

The company uses both internal sales staff and outside agencies. Agents are paid a commission on new and renewal business. Commissions are calculated based on either per contract/per month, ranging from \$5 to \$45, or a percentage of premiums, ranging from 3% to 10%.

Compcare uses an actuarially determined base as a beginning point in the premium determination in its group business. An actuarial review of rates is performed at least semiannually and rates are adjusted for inflation. Rates are adjusted to reflect the age, sex, area (county), and plan of benefits for new groups. Experience and predictive risk scores are reviewed for renewal groups and, based on the review, a recommendation is made regarding adjusting the rate or canceling the group. Underwriters have the authority to adjust the rates after the initial rate quote. For individual business, Compcare uses the community rating method as mandated by the Affordable Care Act.

III. MANAGEMENT AND CONTROL

Board of Directors

The board of directors consists of three members. Directors are elected annually to serve a one-year term. Officers are elected at the board's annual meeting. Members of the company's board of directors may also be members of other boards of directors in the holding company group. All board members have executive management positions within the holding company structure and they receive no distinct and separate compensation for service as directors.

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

Name and Residence	Principal Occupation	Term Expires
Paul Christopher Nobile Waukesha, WI	President and Chief Executive Officer of BCBSWI and Compcare	2019
Catherine Irene Keleghan Carmel, IN	Chief Legal Officer, Vice President, and Counsel of Anthem, Inc.	2019
Leon D. Lamoreaux Waukesha, WI	Vice President and Medicaid Plan President of Compcare	2019

Officers of the Company

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

Name	Office	2017 Compensation*
Paul Christopher Nobile	President and Chief Executive Officer	\$327,690
Robert David Kretschmer	Vice President and Treasurer	49,762
Kathleen Susan Kiefer	Vice President and Secretary	6,452
Jennifer Lynn Forsythe	Assistant Secretary	2,184
Eric K. Noble	Assistant Treasurer	2,387
Leon Lamoreaux	Vice President, Medicaid Plan President	489,943

* Compensation reported here is the portion of the individual's total compensation that is allocated to Compcare. Most officers' compensation is allocated among several insurance companies in the Anthem Group.

Committees of the Board

The company's bylaws allow for the formation of certain committees by the board of directors. All insurance operations of the Anthem Group are governed by Anthem's board and board-appointed committees. The subsidiary insurance companies, which include Compcare, do not have any board-appointed committees. Anthem's board-appointed committees include 1) Governance

Committee, 2) Audit Committee, 3) Compensation Committee, and 4) Planning Committee. Anthem's board and each of the committees meet at least quarterly throughout the year. Annually, Anthem conducts a stockholders' meeting where its directors are nominated and voted upon.

The company has no employees. Necessary staff is provided through a management agreement with Anthem, Inc. Under the agreement, effective January 1, 2004, Anthem agrees to negotiate employer, provider, subscriber, and other contracts; advises the board; maintains accounting and financial records; recruits marketing, utilization review, and claims processing personnel; provides or contracts for claims processing; and provides MIS. Anthem receives reimbursement based on the actual cost of the services rendered. The term of the agreement is for one year with automatic renewal. The company may terminate the agreement upon 90-days' written notice.

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 that does not contain any medical underwriting or preexisting limitation requirements.

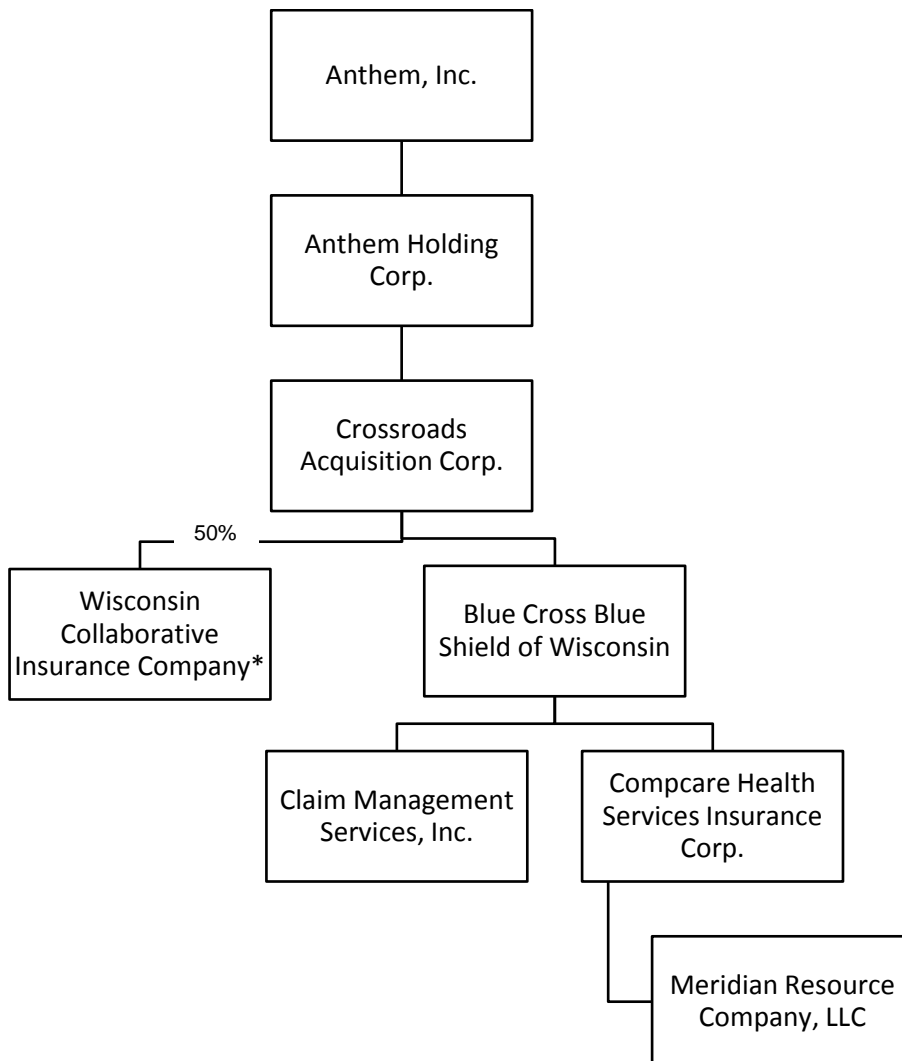
The company has met the first requirement through its Guarantee and Conversion Agreement as described in the "Agreements with Affiliates" section of this report. The second requirement is met through the requirements of the Affordable Care Act, which no longer permits most medical underwriting or preexisting conditions for medical insurance.

IV. AFFILIATED COMPANIES

The company is a member of a holding company system. Its ultimate parent is Anthem, Inc. The holding company system offers a broad spectrum of network-based managed care plans to the large and small employer, individual, Medicaid, and senior markets. The managed care plans include preferred provider organizations, health maintenance organizations, point-of-service plans, traditional indemnity plans, and other hybrid plans, including consumer-driven health plans, hospital-only, and limited-benefit products. In addition, the holding company system provides a broad array of managed care services to self-funded customers, including claims processing, underwriting, stop-loss insurance, actuarial services, provider network access, medical cost management, and other administrative services. An array of specialty and other products and services are also provided including pharmacy benefit management, group life and disability insurance, dental, vision, behavioral health benefits, and long-term care insurance.

The abbreviated organizational chart below is a simplified version of the complete organizational chart due to the size and complexity of the holding company system. The Anthem group consisted of 172 companies at December 31, 2017. The chart includes affiliates that are mentioned elsewhere in the report, are a party to Compcare's intermediate holding company, or have agreements with the company's direct parent. A brief description of affiliates follows the organizational chart.

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



* Wisconsin Collaborative Insurance Company is 50% owned by Crossroads Acquisition Corp., and 50% owned by Aurora Health Care, Inc.

Anthem, Inc.

Anthem, Inc. is a publicly traded company listed on the New York Stock Exchange under the ticker symbol ANTM and is domiciled in the state of Indiana. Anthem, Inc. is one of the largest health benefits companies in terms of membership in the United States. The company was formed when WellPoint Health Network Inc. and Anthem, Inc., merged in 2004. The parent company originally assumed the WellPoint, Inc., name at the time of the merger. In December 2014, WellPoint,

Inc., changed its corporate name to Anthem, Inc. It is also an independent licensee of the Blue Cross Blue Shield Association, an association of independent health benefit plans. Anthem, Inc., and its subsidiaries offer a broad spectrum of network-based managed care plans to the large and small employer, individual, Medicaid, and senior markets.

As of December 31, 2017, the consolidated GAAP audited financial statements of Anthem, Inc., reported assets of \$70.5 billion, liabilities of \$44.0 billion, and stockholders' equity of \$26.5 billion. Operations for 2017 produced a net income of \$3.8 billion on revenues of \$90.0 billion.

Anthem Holding Corp.

Anthem Holding Corp., is a holding company incorporated in the state of Indiana. Anthem Holding Corp.'s operations consist mainly of its investments in various health care entities across the United States.

As of December 31, 2017, Anthem Holding Corp.'s unaudited financial statements reported assets of \$20.8 billion, liabilities of \$1.1 billion, and equity of \$19.7 billion. Operations for 2017 produced a net income of \$1.1 billion.

Crossroads Acquisition Corp.

Crossroads Acquisition Corp., is a holding company incorporated in the state of Delaware. Crossroads' operations consist mainly of its investment holdings in Blue Cross Blue Shield of Wisconsin and its subsidiaries.

As of December 31, 2017, the unaudited financial statements of Crossroads reported assets of \$1,205.1 million, liabilities of \$2.5 million, and equity of \$1,202.6 million. Operations for 2017 produced a net income of \$155.8 million.

Blue Cross Blue Shield of Wisconsin

Blue Cross Blue Shield of Wisconsin is a stock insurance company domiciled in the state of Wisconsin. BCBSWI was originally incorporated in 1939 as a nonstock, service insurance corporation organized pursuant to ch. 613, Wis. Stat. Effective March 23, 2001, BCBSWI converted to a stock insurance corporation organized pursuant to ch. 611, Wis. Stat. BCBSWI offers traditional indemnity and managed health care products and services to groups and individuals in Wisconsin.

As of December 31, 2017, BCBSWI's statutory-basis audited financial statements reported assets of \$576.6 million, liabilities of \$299.9 million, and capital and surplus of \$276.7 million.

Operations for 2017 produced a net income of \$92.8 million on revenues of \$769.1 million.

Aurora Health Care, Inc.

Aurora Health Care, Inc., is a not-for-profit health care system. The company is headquartered in Milwaukee and serving eastern Wisconsin. Aurora Health Care, Inc., is 50% owner of Wisconsin Collaborative Insurance Company.

As of December 31, 2017, the consolidated GAAP financial statements of Aurora Health Care, Inc., reported assets of \$11.1 billion, liabilities of \$4.1 billion, and a surplus of \$7.0 billion.

Operations for 2017 produced a net income of \$220 million.

Wisconsin Collaborative Insurance Company

Wisconsin Collaborative Insurance Company (WCIC) is licensed HMO in Wisconsin. The company is 50% owned by Crossroads Acquisitions Corporation on behalf of Anthem, Inc., and 50% owned by Aurora Health Care, Inc. Through this joint venture, Aurora and Anthem expect to capitalize on Aurora's expertise in clinical operation and Anthem's expertise in claims operations to improve patient care coordination and reduce medical cost trends.

As of December 31, 2017, the financial statements of Wisconsin Collaborative Insurance Company reported assets of \$18.1 million, liabilities of \$8.8 million, and a surplus of \$9.3 million.

Operations for 2017 produced a net loss of \$1.9 million.

Claim Management Services, Inc.

Claim Management Services, Inc., is a non-insurance company incorporated in the State of Wisconsin and is a wholly owned subsidiary of BCBSWI. The company primarily acted as a third-party administrator for self-funded employee benefit plans in Wisconsin and has no current operations.

As of December 31, 2017, the financial statements of Claim Management Services, Inc., reported assets of \$3.9 million, liabilities of \$2.6 million, and equity of \$1.3 million. Operations for 2017 produced a net income of \$1.7 million on revenues of \$0.1 million.

Meridian Resource Company, LLC

Meridian Resources Company, LLC is a non-insurance company organized in Wisconsin and is a wholly owned subsidiary of Compcare. Meridian Resources Company, LLC, provides various investigative and health care services for health care organizations and employer groups.

As of December 31, 2017, the financial statements of Meridian Resource Company, LLC reported assets of \$14.4 million, liabilities of \$2.9 million, and equity of \$11.5 million. Operations for 2018 produced a net income of \$0.2 million on revenues of \$0.6 million.

Agreements with Affiliates

Compcare has no employees of its own and all of its operations are conducted by employees of Anthem in accordance with the business practices and internal controls of that organization. In addition to ongoing common management and control by this upstream affiliate, various written agreements and undertakings affect the company's relationship to its affiliates.

A brief summary of the other agreements follows in order by effective date:

Administrative Services Agreement

Effective August 1, 2003, BCBSWI and Compcare entered into a service agreement with respect to the point-of-service product (POS), where BCBSWI will underwrite the indemnity segment of the product, and Compcare will underwrite the HMO segment of the product and provide administrative services for both the indemnity and HMO segments. In consideration for the services rendered by Compcare, the company is to pay the lower of 1) actual cost of the services provided, or 2) 8% of the gross premium relating to POS indemnity premium. The contract specifies that 10% of the gross premium is attributable to POS indemnity premium and is remitted to the company monthly; however, the contract acknowledges that this can be adjusted throughout the policy year. This agreement may be terminated by either party upon 30-days' written notice.

Master Administrative Services Agreement

BCBSWI and Compcare entered into a master administrative service agreement with Anthem (WellPoint) and subsidiaries, effective January 1, 2004, to provide and receive certain administrative, consulting, and other support services. Each service receiver will reimburse the applicable service provider for all direct and indirect costs and expenses incurred by the provider for

services rendered. Costs and expenses directly traceable to an affiliate that receives services will be passed through at cost. Indirect expenses are allocated based upon the provider's internal cost accounting procedures and allocation methodologies consistently applied. Effective July 1, 2018, this agreement was amended to include services that are provided to any non-affiliated third party are for an amount up to the fair market value of the services at the time such services are provided. This agreement may be terminated by any party upon 90-days' written notice.

Guarantee and Conversion Agreement

Under the membership rules of the BlueCross BlueShield Association, the primary licensee, Anthem, is required to enter into indemnification or guarantee agreements on behalf of its licensed affiliates. BCBSWI and CompCare entered into such an agreement with Anthem dated as of November 30, 2004.

Consolidated Federal Income Tax Agreement

Effective December 31, 2005, BCBSWI entered into a tax allocation agreement with Anthem (WellPoint) and its subsidiaries. Under this agreement, Anthem will file a consolidated tax return for member companies; member companies, in turn, agree to make quarterly payments to Anthem in an amount equal to the full separate federal, state, and local income tax liability attributable to the net taxable income of each member that would have been paid if such member had filed separate federal, state, and local tax returns. This agreement can be terminated by 1) mutual written agreement by all parties, 2) an affiliate is no longer a member of the Anthem Group, and 3) if the Anthem Group fails to file a consolidated corporate income tax return for any taxable year.

Agreement to Provide Hospital Bill and Diagnosis-Related Group (DRG) Validation Audit

Programs

The company entered into a service agreement with Meridian Resource Company, LLC, effective January 1, 2007, where MRC is to provide hospital bill audit and diagnostic-related grouping validation audit services to the company by screening all hospital claims and selecting the service that would offer the highest return. As compensation for services rendered by MRC, it is to receive 28% of net savings for hospital bill audits and 20% of net savings for DRG validation audits. Either party may terminate this agreement upon 60-days' prior written notice.

Cash Concentration Agreement

The company entered into a cash concentration agreement effective December 15, 2014, with Anthem, Inc. (WellPoint, Inc.), Compcare, and BCBSWI are parties to this agreement. Anthem is the designated cash manager and will perform one or more of the following on behalf of Compcare and BCBSWI:

1. Accept the receipt of funds, including but not limited to:
 - a. Premium payments and other revenue, and
 - b. Benefit and administrative expense reimbursements.
2. Distribution of funds, including but not limited to:
 - a. Benefit payments,
 - b. Payroll payments, and
 - c. General administrative expense and accounts payable payments.

The settlement of intercompany payables and receivables established in pursuant to this agreement are to be settled within 30 days from the date of establishment. The cash manager will be reimbursed for the direct and indirect costs and expenses it incurs while acting as cash manager. The agreement may be terminated at the end of any quarter with written notice no later than 90 days prior to the last day of any quarter.

In Force Business Transfer Agreement

Compcare entered into an in force business transfer agreement with Wisconsin Collaborative Insurance Company, effective January 1, 2017. Compcare is to cease offering, underwriting, and administering the Blue Priority Plans. Compcare is to ensure a smooth transition of the Blue Priority employer groups to WCIC, and WCIC will enroll such Blue Priority employer groups in WCIC. Compcare will cease offering Blue Priority Plans to new ASO employer groups, new large employer groups, and new small employer groups after the announcement of the effective date. Under the terms and conditions of this agreement, WCIC will pay Compcare \$9.9 million, which represents the transition fee less the withhold. The withhold is the adjusted Compcare membership count. This agreement may be terminated at any time in writing.

Network Rental Agreement

The company entered into a network rental agreement between Wisconsin Collaborative Insurance Company, Blue Cross Blue Shield of Wisconsin, and Compcare Health Services Insurance Corporation effective January 1, 2018. Under this agreement, WCIC has exclusive rights to BCBSWI's Blue Priority network. BCBSWI has other networks, including dental and vision, that WCIC may want to use for its product offerings. All network rental and administrative services fees will be compliant with Statutory Accounting Principles. Each party may terminate this agreement upon 180-days' prior written notice.

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, 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.

Compcare Health Services Insurance Corporation
Assets
As of December 31, 2017

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$256,061,210	\$	\$256,061,210
Cash, cash equivalents and short-term investments	5,911,097		5,911,097
Other invested assets	11,499,717	11,499,717	
Receivable for securities	1		1
Securities lending reinvested collateral assets	9,455,275		9,455,275
Investment income due and accrued	1,903,174		1,903,174
Uncollected premiums and agents' balances in the course of collection	18,816,113	280,686	18,535,427
Accrued retrospective premiums and contracts subject to redetermination	7,406,402		7,406,402
Amounts recoverable from reinsurers	630,225		630,225
Amounts receivable relating to uninsured plans	2,959,785	624,505	2,335,280
Current federal and foreign income tax recoverable and interest thereon	1,525,140	1,525,140	
Net deferred tax asset	2,386,629		2,386,629
Health care and other amounts receivable	5,707,159	3,211,349	2,495,810
Write-ins for other than invested assets:			
Receivable from State of Wisconsin for Medicaid programs	1,393,308		1,393,308
Prepaid expenses	799,389	799,389	
Miscellaneous assets	1,427	1,427	
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$326,456,049</u>	<u>\$17,942,213</u>	<u>\$308,513,836</u>

Compcare Health Services Insurance Corporation
Liabilities and Net Worth
As of December 31, 2017

Claims unpaid		\$ 61,701,588
Accrued medical incentive pool and bonus payments		1,276,809
Unpaid claims adjustment expenses		1,924,126
Aggregate health policy reserves		1,478,678
Aggregate health claim reserves		86,424
Premiums received in advance		7,939,488
General expenses due or accrued		8,007,924
Amounts withheld or retained for the account of others		23,323
Remittance and items not allocated		10,993,389
Amounts due to parent, subsidiaries, and affiliates		48,764,409
Payable for securities lending		9,455,275
Liability for amounts held under uninsured accident and health plans		1,933,675
Aggregate write-ins for other liabilities (including \$[1] current)		<u>2,046,404</u>
Total Liabilities		155,631,511
Aggregate write-ins for special surplus funds	\$20,216,906	
Common capital stock	2,000,000	
Gross paid in and contributed surplus	66,329,773	
Unassigned funds (surplus)	<u>64,335,646</u>	
Total capital and surplus		<u>152,882,325</u>
Total liabilities, capital, and surplus		<u>\$308,513,836</u>

Compcare Health Services Insurance Corporation
Statement of Revenue and Expenses
For the Year 2017

Net premium income		\$799,606,414
Change in unearned premium reserves and reserve for rate credits		<u>(1,230,292)</u>
Total revenues		798,376,122
Medical and Hospital:		
Hospital/medical benefits	\$468,561,911	
Other professional services	78,488,298	
Outside referrals	11,139,013	
Emergency room and out-of-area	18,337,195	
Prescription drugs	79,694,979	
Incentive pool and withhold adjustments	<u>609,805</u>	
Subtotal	656,831,201	
Less		
Net reinsurance recoveries	<u>268,539</u>	
Total medical and hospital	656,562,662	
Claims adjustment expenses	31,595,288	
General administrative expenses	58,298,606	
Increase in reserves for life and accident and health contracts	<u>(460,371)</u>	
Total underwriting deductions		<u>745,996,185</u>
Net underwriting gain or (loss)		52,379,937
Net investment income earned	7,424,627	
Net realized capital gains or (losses)	<u>236,836</u>	
Net investment gains or (losses)		7,661,463
Net gain or (loss) from agents' or premium balances charged off		(14,108)
Aggregate write-ins for other income or expenses		<u>2,004,804</u>
Net income or (loss) before federal income taxes		62,032,096
Federal and foreign income taxes incurred		<u>20,550,706</u>
Net Income (Loss)		<u>\$ 41,481,390</u>

**Compcare Health Services Insurance Corporation
Capital and Surplus Account
For the Four-Year Period Ending December 31, 2017**

	2017	2016	2015	2014
Capital and surplus, beginning of year	\$135,364,771	\$100,662,809	\$107,635,804	\$103,942,072
Net income (loss)	41,481,390	45,790,990	6,819,261	29,097,842
Change in net unrealized capital gains/losses	2,390,998	2,191,382	1,218,312	1,777,424
Change in net deferred income tax	(3,970,874)	(3,038,147)	4,420,845	(2,259,548)
Change in nonadmitted assets	2,616,039	(242,263)	(8,731,413)	78,014
Surplus adjustments:				
Paid in				(16,716,552)
Transferred from capital				16,716,552
Dividends to stockholders	<u>(25,000,000)</u>	<u>(10,000,000)</u>	<u>(10,700,000)</u>	<u>(25,000,000)</u>
Surplus, end of year	<u>\$152,882,325</u>	<u>\$135,364,771</u>	<u>\$100,662,809</u>	<u>\$107,635,804</u>

Compcare Health Services Insurance Corporation
Statement of Cash Flow
For the Year 2017

Premiums collected net of reinsurance		\$787,241,780
Net investment income		<u>8,289,515</u>
Total		795,531,295
Less:		
Benefit- and loss-related payments	\$660,146,073	
Commissions, expenses paid and aggregate write-ins for deductions	84,807,176	
Federal and foreign income taxes paid (recovered)		
\$248,670 net tax on capital gains (losses)	<u>21,095,259</u>	
Total		<u>766,048,508</u>
Net cash from operations		29,482,787
Proceeds from investments sold, matured or repaid:		
Bonds	\$ 73,457,103	
Net gains (losses) on cash, cash equivalents, and short- term investments	(48,333)	
Miscellaneous proceeds	<u>11</u>	
Total investment proceeds		73,408,781
Cost of investments acquired—long-term only:		
Bonds	124,230,217	
Miscellaneous applications	<u>1,223,017</u>	
Total investments acquired		<u>125,453,234</u>
Net cash from investments		<u>(52,044,453)</u>
Cash provided/applied:		
Dividends to stockholders	25,000,000	
Other cash provided (applied)	<u>41,083,933</u>	
Net cash from financing and miscellaneous sources		<u>16,083,933</u>
Net change in cash, cash equivalents, and short-term investments		(6,477,733)
Cash, cash equivalents, and short-term investments:		
Beginning of year		<u>12,388,831</u>
End of Year		<u>\$ 5,911,097</u>

Growth of Compcare Health Services Insurance Corporation

Year	Assets	Liabilities	Capital and Surplus	Premium Earned	Medical Expenses Incurred	Net Income
2017	\$308,513,836	\$155,631,511	\$152,882,325	\$798,376,122	\$656,562,662	\$41,481,390
2016	265,264,387	129,899,616	135,364,771	769,066,878	622,778,626	45,790,990
2015	233,644,810	132,982,001	100,662,809	681,151,641	563,761,532	6,819,261
2014	228,598,777	120,962,973	107,635,804	660,766,880	527,610,098	29,097,842

Year	Profit Margin	Medical Expense Ratio	Administrative Expense Ratio	Change in Enrollment
2017	5.2%	82.2%	11.3%	0.6%
2016	6.0	81.0	12.2	3.0
2015	1.0	82.8	13.7	-2.3
2014	4.4	79.8	14.4	6.4

Enrollment and Utilization

Year	Enrollment	Hospital Days/1,000	Average Length of Stay
2017	216,512	338.07	4.3
2016	215,264	286.50	4.1
2015	209,049	289.49	3.9
2014	214,078	339.84	4.7

Per Member Per Month Information

	2017	2016	Percentage Change
Premiums:			
Comprehensive	\$449.20	\$429.19	4.7%
Medicare Supplement	341.54	336.17	1.6
Dental Only	40.03	42.04	-4.8
Title XVIII Medicare	760.68	819.52	-7.2
Title XIX Medicaid	185.87	179.92	3.3
Other	31.97	25.87	23.6
Aggregate	305.85	295.00	3.7
Expenses:			
Hospital/medical benefits	179.50	176.27	1.8
Other professional services	30.07	25.95	15.9
Outside referrals	4.27	6.22	-31.4
Emergency room and out-of-area	7.02	6.65	5.6
Prescription drugs	30.53	24.65	23.8
Incentive pool and withhold adjustments	0.23	0.79	-70.6
Less: Net reinsurance recoveries	<u>0.10</u>	<u>1.73</u>	-94.1
Total medical and hospital	251.52	238.81	5.3
Net reinsurance recoveries			
Claims adjustment expenses	12.10	10.70	13.1
General administrative expenses	22.33	25.39	-12.05
Increase in reserves for accident and health contracts	<u>(0.18)</u>	<u>(4.44)</u>	-96.0
Total underwriting deductions	<u>\$285.79</u>	<u>\$270.47</u>	5.7

Compcare total capital on December 31, 2017, and December 31, 2016, was \$152.9 million and \$135.4 million, respectively. The company's total admitted assets increased \$43.2 million, or 16%, from the prior year, mainly due to investing cash from operations. Total admitted assets of \$308.5 million increased 62% over the examination period ending December 31, 2017.

Total liabilities increased \$25.7 million, or 19.8%, mainly due to an increase in amounts due to parents, subsidiaries, and affiliates. Total liabilities of \$155.6 million increased 80% over the examination period.

Compcare reported net income of \$41.5 million in 2017 and \$45.8 million in 2016, a decrease of 9.4% over the year. The company reported net income in all of the last four years totaling \$123.2 million.

The company routinely pays dividends to BCBSWI, its parent company, subject to s.617.225, Wis. Stat., and s. Ins 40.18, Wis. Adm. Code. The company paid dividends of \$70.7 million over the examination period.

Membership increased slightly over the examination period. The company reported a total of 216,512 in 2017 up from 201,126 in 2013. However, earned premium increased to \$798.4 million in 2017 from \$599.3 million in 2013.

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		\$308,513,836
Less:		
Special deposit		7,377,955
Liabilities		155,631,511
Investments in excess of maximum allowable by Ch. 620, Wis. Stat.		<u>12,135,709</u>
Assets available to satisfy surplus requirements		133,368,661
Net premium earned		
HMO business	\$798,376,122	
Factor	<u>3%</u>	
Total		
Compulsory surplus		<u>23,951,283</u>
Compulsory surplus excess (deficit)		<u>\$109,417,383</u>
Assets available to satisfy surplus requirements		\$133,368,661
Compulsory surplus	\$ 23,951,283	
Security factor	<u>117%</u>	
Security surplus		<u>28,023,001</u>
Security surplus excess (deficit)		<u>\$105,345,665</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 or
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 \$7,377,955 with the State Treasurer.

VI. SUMMARY OF EXAMINATION RESULTS

Compliance with Prior Examination Report Recommendations

There were three 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. Corporate Records—It is again recommended that the company report all remuneration to executives, which includes deferred compensation and other retirement compensation fully-funded or awarded by the company, for those executives whose remuneration meets the requirements to be reported to the Commissioner of Insurance in accordance with s. 611.63, Wis. Stat.

Action—Noncompliance.

2. Actuarial Memoranda Detail—It is recommended that the appointed actuary's technical component includes the analysis from the basic data (e.g., claim lags) to the conclusions as well as organize the technical appendices in a manner such that the analysis can be followed from data to conclusions in future actuarial memoranda as is required by the NAIC Annual Statement Instructions – Health.

Action—Compliance.

3. Actuarial Memoranda Exhibit—It is recommended that the appointed actuary include an exhibit which ties to the annual statement and compare the actuary's conclusions to the carried amounts in future actuarial memoranda as is required by the NAIC Annual Statement Instructions – Health.

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 examination reviewed the Report on Executive Compensation for Compcare filed with the Commissioner for year-end 2017 to verify that this supplemental annual report included and disclosed all compensation given to executives included in that report, such as 401(k) and deferred compensation contributions, exercised stock options under a stock incentive plan, payments made on executive incentive plans, etc. The examination review disclosed that the report did not include contributions made by the company or affiliates to individuals under a 401(k) or deferred compensation plan. It is again recommended that the company report all remuneration to executives, which includes deferred compensation and other retirement compensation fully funded or awarded by the company, for those executives whose remuneration meets the requirements to be reported to the Commissioner of Insurance in accordance with s. 611.63, Wis. Stat.

Information Technology

Compcare is reliant on Anthem Group Information Technology Services (IT). The examination review of the systems that the company uses in day-to-day operations showed that the formal processes and procedures of Anthem's controls over its information systems were not as robust as the high-risk level required. The review resulted in certain findings which were presented in a letter to management dated May 9, 2019. It is recommended that the company strengthen its information system controls in accordance with the recommendations made in the letter to management dated May 9, 2019.

VII. CONCLUSION

Compcare Health Services Insurance Corporation (CHS) is a wholly owned subsidiary of BCBSWI domiciled in the state of Wisconsin that offers a variety of health maintenance organization and point-of-service medical and dental products in Wisconsin. The company is licensed for its commercial lines of business as a smaller controlled affiliate licensee of the BlueCross BlueShield Association and markets its commercial products under the trade name of Anthem Blue Cross Blue Shield.

The company reported assets of \$308.5 million, liabilities of \$155.6 million, and capital and surplus of \$152.9 million for 2017. Operations for 2017 produced a net income of \$41.5 million on revenue of \$796.4 million. The company's surplus increased over the last four-year period under examination by approximately \$48.9 million or 47%.

The examination of Compcare resulted in two recommendations of which one was a repeat from the previous examination. The repeat recommendation pertains to not meeting filing requirements relating to executive compensation. There were no examination adjustments or reclassifications.

VII. SUMMARY OF COMMENTS AND RECOMMENDATIONS

1. Page 29 - Corporate Records—It is again recommended that the company report all remuneration to executives, which includes deferred compensation and other retirement compensation fully funded or awarded by the company, for those executives whose remuneration meets the requirements to be reported to the Commissioner of Insurance in accordance with s. 611.63, Wis. Stat.
2. Page 29 - Information Technology—It is recommended that the company strengthen its information system controls in accordance with the recommendations made in the letter to management dated May 9, 2019.

IX. 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
Karl Albert, CFE	Workpaper Specialist
Eleanor Lu	IT Specialist
Jerry DeArmond, CFE	Reserve Specialist

Respectfully submitted,

Judith Michael
Examiner-in-Charge