

Report of the Examination of
Humana Wisconsin Health Organization Insurance Corporation
Louisville, Kentucky
As of December 31, 2020

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April 4, 2022

Honorable Nathan 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:

HUMANA WISCONSIN HEALTH ORGANIZATION INSURANCE CORPORATION
Louisville, Kentucky

and this report is respectfully submitted.

I. INTRODUCTION

The previous examination of Humana Wisconsin Health Organization Insurance Corporation (Humana WHO or the company) was conducted in 2016 as of December 31, 2015. The current examination covered the intervening period ending December 31, 2020, and included a review of such subsequent transactions as deemed necessary to complete the examination.

The examination of the company was conducted concurrently with the examination of affiliated companies domiciled in Arkansas, Florida, Georgia, Illinois, Louisiana, Michigan, Ohio, Pennsylvania, Tennessee, Texas, Utah, and Washington with Wisconsin acting in the capacity as the lead state for the coordinated examination. Representatives of Arkansas, Florida, Georgia, Illinois, Louisiana, Michigan, Ohio, Pennsylvania, Tennessee, Texas, Utah, and Washington participated in the examination, and their work 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 concerning the alternative or additional examination steps performed during the examination.

Independent Actuary's Review

An independent actuarial firm was engaged under a contract with the Office of the Commissioner of Insurance. The actuary reviewed the adequacy of the unpaid claims liability, unpaid claims adjustment expense, aggregate health policy reserves, aggregate health claims reserves, premium deficiency reserves, uncollected premiums, and agents' balances in the course of collection, accrued retrospective premiums, and health receivables. The actuary's results were reported to the examiner-in-charge. As deemed appropriate, reference is made in this report to the actuary's conclusion.

II. HISTORY AND PLAN OF OPERATION

The Humana Wisconsin Health Organization Insurance Corporation is described as a for-profit network 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 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 on June 4, 1985, under the provisions of ch. 611, Wis. Stat. It commenced business under its former name, Wisconsin Health Organization Insurance Corporation, in September of 1985. Humana WHO is a wholly owned subsidiary of CareNetwork, Inc., a Wisconsin corporation which is a wholly owned subsidiary of Humana Inc. Humana WHO became an affiliate in the insurance holding company system on December 20, 1994, when CareNetwork, Inc., was purchased and merged into HWS, Inc., a wholly owned subsidiary of Humana Inc. CareNetwork, Inc., was the survivor of the merger. The name change to Humana Wisconsin Health Organization Insurance Corporation was effective June 1, 1995.

The company contracts with Physician Hospital Organizations (PHO), Independent Provider Associations (IPA), and groups, for the provision of physician services, including specialty services to groups. Nationally, the company contracts with approximately 930 PHOs; 20,500 IPAs; and 40,500 groups. Under these contracts, the PHOs, IPAs, and groups are reimbursed on a fee schedule or discounted fee-for-service basis.

The initial terms of the PHO, IPA, and group provider contracts vary in length from one to five years. The agreements may be terminated by either party for breach of material provision with 30 days' prior written notice, following a 30-day period to cure breach. Also, the agreement may be terminated by either party upon 90 to 120 days' written notice prior to the fifth effective date of such termination. The contracts include hold-harmless provisions for the protection of enrollees.

The company contracts with 68 hospitals in the state of Wisconsin to provide inpatient services. Hospitals are reimbursed on a negotiated diagnosis-related group (DRG), per diem, case rate, discounted fee-for-service, or fee schedule basis. The contracts include hold-harmless provisions for the protection of enrollees. All hospitals have contracts with the company. A listing of the hospitals in Wisconsin in which the participating physicians have admitting privileges is included in Addendum II of this report.

In addition to the above, the company contracts with approximately 3,000 individual physicians in the state of Wisconsin to provide covered health care services to eligible enrollees. All such direct contracted physicians are reimbursed on a fee schedule or discounted fee-for-service basis. The contracts have one-year initial terms and automatically renew for additional one-year terms. The agreements may be terminated upon a 90-day written notice. The contracts also contain hold-harmless provisions for the protection of enrollees.

In 2020, the company reported direct premium in the following states:

Ohio	\$ 940,673,925	21.7%
Nevada	849,586,674	19.6
Virginia	804,255,758	18.5
Wisconsin	473,319,500	10.9
Pennsylvania	364,378,119	8.4
North Carolina	242,696,665	5.6
Montana	224,791,022	5.2
Oklahoma	159,680,419	3.7
Mississippi	90,231,254	2.1
Kentucky	89,821,345	2.1
Delaware	84,299,105	1.9
New Jersey	10,903,636	0.3
Minnesota	1,347,206	0.0
All Others	<u>(552,554)</u>	<u>0.0</u>
Total	<u>\$4,335,432,074</u>	<u>100.0%</u>

In addition to the states listed above, the company is licensed in the following states: Connecticut, Hawaii, Iowa, Maryland, Massachusetts, Nebraska, Rhode Island, and South Dakota.

The company's service area is comprised of the following counties within the following states:

- Connecticut: Fairfield, Hartford, Litchfield, Middlesex, New Haven, New London, Tolland
- Delaware: Kent, New Castle, Sussex
- Hawaii: Hawaii, Honolulu, Kauai, Maui

- Iowa: Benton, Black Hawk, Boone, Bremer, Buchanan, Buena Vista, Butler, Cedar, Cerro Gordo, Cherokee, Clay, Clayton, Clinton, Dallas, Delaware, Des Moines, Dickinson, Dubuque, Fayette, Floyd, Franklin, Grundy, Hamilton, Hardin, Henry, Iowa, Jackson, Jasper, Jefferson, Johnson, Jones, Keokuk, Lee, Linn, Louisa, Lyon, Madison, Mahaska, Marion, Marshall, Mills, Mitchell, Montgomery, Muscatine, O'Brien, Osceola, Plymouth, Polk, Pottawattamie, Poweshiek, Scott, Sioux, Story, Tama, Wapello, Warren, Washington, Webster, Winnebago, Winneshiek, Woodbury, Worth
- Kentucky: Statewide
- Maryland: Statewide
- Massachusetts: Barnstable, Berkshire, Bristol, Dukes, Essex, Franklin, Hampden, Hampshire, Middlesex, Nantucket, Norfolk, Plymouth, Suffolk, Worcester
- Minnesota: Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, Washington
- Mississippi: Covington, Forrest, Jones, Lamar, Marion, Perry
- Montana: Big Horn, Broadwater, Carbon, Cascade, Chouteau, Custer, Deer Lodge, Fergus, Flathead, Golden Valley, Granite, Jefferson, Lake, Lewis and Clark, Mineral, Missoula, Musselshell, Pondera, Powell, Ravalli, Rosebud, Sanders, Silver Bow, Stillwater, Sweet Grass, Teton, Treasure, Wheatland, Yellowstone
- Nebraska: Cass, Dakota, Dodge, Douglas, Lancaster, Sarpy, Saunders, Washington
- Nevada: Statewide
- New Jersey: Statewide
- North Carolina: Buncombe, Haywood, Henderson, McDowell, Rutherford, Transylvania, Duplin, Granville, Montgomery, Moore, Nash, Richmond, Robeson, Sampson, Vance, Wayne
- Ohio: Allen, Ashland, Brown, Butler, Carroll, Champaign, Clark, Clermont, Columbiana, Cuyahoga, Delaware, Erie, Fairfield, Franklin, Geauga, Greene, Guernsey, Hamilton, Hancock, Lake, Licking, Lorain, Lucas, Madison, Mahoning, Medina, Miami, Montgomery, Muskingham, Ottawa, Portage, Preble, Richland, Sandusky, Seneca, Stark, Summit, Trumbull, Tuscarawas, Union, Warren, Wayne, Wood
- Oklahoma: Canadian, Cleveland, Creek, Logan, Mayes, Oklahoma, Okmulgee, Osage, Pottawatomie, Rogers, Tulsa, Wagoner, Grady, Kingfisher, Lincoln, McClain, Seminole
- Pennsylvania: Allegheny, Berks, Bradford, Bucks, Chester, Cumberland, Dauphin, Delaware, Lackawanna, Lancaster, Lawrence, Lehigh, Luzerne, Mercer, Montgomery, Northampton, Perry, Philadelphia, Wyoming
- Rhode Island: Statewide
- South Dakota: Butte, Custer, Fall River, Lawrence, Lincoln, Meade, Pennington, Union
- Virginia: Accomack, Albemarle, Alexandria City, Alleghany, Amelia, Appomattox, Arlington, Augusta, Bath, Botetourt, Brunswick, Buckingham, Buena Vista City, Caroline, Charles City, Charlotte, Charlottesville, Chesapeake City, Chesterfield, Colonial Heights City, Covington City, Craig, Culpepper, Cumberland, Danville City, Dinwiddie, Emporia City, Essex, Falls Church City, Fauquier, Floyd, Fluvanna, Franklin, Franklin City, Fredericksburg City, Giles, Gloucester, Goochland, Greene, Greensville, Halifax, Hampton City, Hanover, Henrico, Henry, Highland, Hopewell City, Isle of Wight,

James City, King and Queen, King George, King William, Lancaster, Lexington City, Loudoun, Louisa, Lunenburg, Madison, Manassas City, Manassas Park City, Martinsville City, Mathews, Mecklenburg, Middlesex, Montgomery, Nelson, New Kent, Newport News City, Norfolk City, Northampton, Northumberland, Nottoway, Orange, Patrick, Petersburg City, Pittsylvania, Poquoson City, Portsmouth City, Powhatan, Prince George, Prince William, Pulaski, Radford City, Rappahannock, Richmond, Richmond City, Rockbridge, Salem City, Southampton, Spotsylvania, Stafford, Staunton City, Suffolk City, Surry, Sussex, Virginia Beach City, Waynesboro City, Westmoreland, Williamsburg City, Wythe, York

- Wisconsin: Brown, Calumet, Dodge, Door, Douglas, Dunn, Eau Claire, Fond du Lac, Green, Green Lake, Jefferson, Kenosha, Kewaunee, Manitowoc, Marathon, Marinette, Menominee, Milwaukee, Oconto, Oneida, Outagamie, Ozaukee, Pierce, Polk, Portage, Rock, Shawano, Sheboygan, St. Croix, Walworth, Washington, Waukesha, Waupaca, Waushara, Winnebago

The company offers comprehensive health care coverage, subject to riders for deductibles and copayments. The following basic health care coverages are provided:

Physician services
Inpatient services
Outpatient services
Mental health, and drug and alcohol abuse services
Ambulance services
Special dental procedures (oral surgery)
Prosthetic devices and durable medical equipment
Newborn services
Home health care
Preventative health services
Family planning
Hearing exams and hearing aids
Diabetes treatment
Routine eye examinations
Convalescent nursing home services
Prescription drugs - \$5 copayment
Cardiac rehabilitation, physical, speech, and/or occupational therapy
Physical fitness of health education (\$30 per year maximum)
Kidney disease treatment
Certain transplants
Chiropractic services

There are no day limits for inpatient mental health, AODA coverage is limited to 10 days per calendar year, outpatient mental health AODA coverage is limited to 30 visits per calendar year, transitional treatment arrangement coverage is limited to 14 visits per calendar year, home health care is limited to 60 visits per calendar year, and skilled nursing care is limited to 100 days per confinement. Emergency room copay is waived upon admission into an inpatient facility. Plan coverage is contingent on nonemergency services being provided by participating physicians and hospitals or on the referral of participating physicians.

The company also has a copayment plan in which inpatient services have copayments ranging from \$100 to \$500 per day for the first three days per admission. Office visits have copayments ranging from \$5 to \$40 and emergency room visits have copayments ranging from \$75 to \$150. Prescription drug coverage with specified amount of copayments for generic and name brands can be added by rider. In addition, vision and hearing aid coverage can be attached by rider. Members are required to choose a primary care physician from the listing of participating physicians available.

The company primarily offers health coverage to large group employers and a Medicare HMO product that was introduced in 2011. The company also has a national point-of-services (NPOS) product that is offered jointly with an affiliate, Humana Insurance Company (HIC).

The company uses an actuarially determined base as a beginning point in premium determination. 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 monthly for inflation and other trending factors.

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. Each member of the company's board of directors is a senior executive of the ultimate parent, Humana Inc., and is a member of other boards of directors in the holding company group.

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

Name and Residence	Principal Occupation	Term Expires
Bruce Dale Broussard Louisville, Kentucky	President & Chief Executive Officer Humana Inc.	2022
Joseph Matthew Ruschell Louisville, Kentucky	Associate Vice President, Assistant General Counsel & Corporate Secretary Humana Inc.	2022
Timothy Alan Wheatley Louisville, Kentucky	Segment President, Retail Humana Inc.	2022

Officers of the Company

Each senior executive officer of Humana Wisconsin Health Organization Insurance Corporation is also a senior executive officer of Humana Inc. and serves as an officer in other legal entities within the holding company group. The Humana WHO senior officers serving at the time of this examination are as follows:

Name	Office
Bruce Dale Broussard	President and Chief Executive Officer
Brian Andrew Kane	Chief Financial Officer ¹
Susan Marie Diamond	Chief Financial Officer ²
Alan James Bailey	Vice President and Treasurer
Joseph Matthew Ruschell	Associate Vice President, Assistant General Counsel and Corporate Secretary
Vanessa Marie Olson	Senior Vice President and Chief Actuary
Susan Draney Schick	Segment President, Group and Military Business
Timothy Alan Wheatley	Segment President, Retail

¹ Mr. Kane retired effective June 1, 2021

² Ms. Diamond was elected as interim Chief Financial Officer until her election to Chief Financial Officer effective June 28, 2021.

Committees of the Board

The company's bylaws allow for the formation of certain committees by the board of directors. The committees of the parent company, Humana Inc., perform comprehensive corporate governance oversight on behalf of each Humana Inc. operating subsidiary including Humana Wisconsin Health Organization Corporation. The Humana Inc. board of directors has the following committees: Audit; Executive; Investment; Nominating, Governance & Sustainability; Organization & Compensation; and Technology. Composition of the board committees at the time of the examination are listed below:

Audit Committee

Frank A. D'Amelio, Chair
Raquel C. Bono, M.D.
John W. Garratt
William J. McDonald

Executive Committee

Bruce Dale Broussard, Chair
Kurt J. Hilzinger
David A. Jones Jr.

Investment Committee

John W. Garratt, Chair
William J. McDonald
James J. O'Brien
Marissa T. Peterson

Organization & Compensation Committee

James J. O'Brien, Chair
Wayne A.I. Frederick, M.D.
David A. Jones Jr.
Jorge S. Mesquita

Nominating, Governance & Sustainability Committee

David A. Jones, Jr., Chair
Frank A. D'Amelio,
Karen W. Katz

Technology Committee

Marissa T. Peterson, Chair
Raquel C. Bono, M.D.
Wayne A.I. Frederick, M.D.
Karen W. Katz
Marcy S. Klevorn

Insolvency Protection for Policyholders

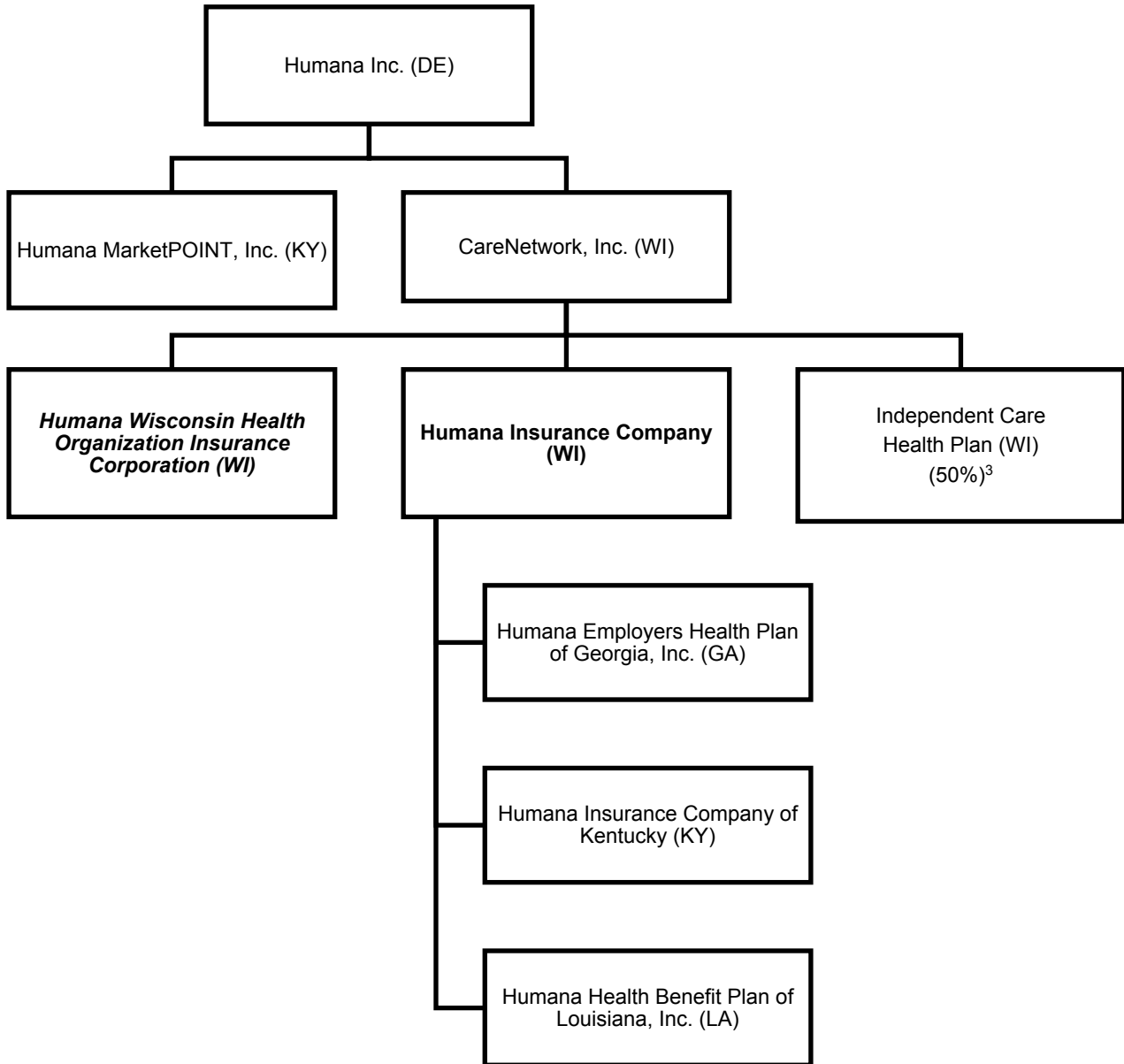
Under s. Ins 9.04 (6), Wis. Adm. Code, HMOs are required to either maintain compulsory surplus at the level required by s. Ins 51.80, Wis. Adm. Code, or provide for the following in the event of the company's insolvency:

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 an indemnity agreement from the ultimate parent company. Under this agreement, Humana Inc. indemnifies Humana WHO as follows.
 - Any and all liability, loss, or damage Humana WHO may suffer as a result of Humana Inc.'s failure to perform its obligations arising under certificates of coverage issued or assumed by Humana WHO in respect to the furnishing of health care services to its subscribers should Humana WHO become insolvent or otherwise financially incapable of furnishing such health care services.
 - Guarantees continuation of coverage under certificates of coverage issued by Humana WHO for the duration of the contract period for which payment has been made, continuation of benefits to Humana WHO's members who are confined on the date of insolvency in either a hospital or an inpatient facility until their discharge, and payments to providers for services rendered, including payments for any services provided before insolvency and required by Humana WHO's certificates of coverage. Further, on the date of insolvency, Humana WHO's members shall be entitled to similar, alternate coverage that does not contain any medical underwriting or pre-existing limitation requirements.
 - Any and all liability, loss, or damage Humana WHO may suffer as a result of any loss, claim, demand, damages, or cost (including but not limited to attorneys' fees or other defense costs) arising from the Humana Inc.'s provision of administrative services to Humana WHO.

IV. AFFILIATED COMPANIES

Humana Wisconsin Health Organization Insurance Corporation is a member of a holding company system. The ultimate parent is Humana Inc. The holding company consists of 34 insurance companies operating in 18 states and Puerto Rico. The abbreviated organizational chart below depicts the relationships among the affiliates in the direct succession of control of the company. A brief description of affiliates deemed significant follows the organizational chart.

**Organizational Chart
As of December 31, 2020**



³Until 2021, CareNetwork, Inc. owned 50% and Centers for Independence, Inc. owned 50%.

Humana Inc.

Humana Inc. is an insurance holding company that provides indemnity insurance, managed health care insurance, and specialty service products through the operations of its subsidiary companies. Humana Inc. is a Delaware corporation incorporated on July 27, 1964. Humana products are offered primarily through subsidiary life and health indemnity insurers, health maintenance organizations (HMO), and preferred provider organizations, and are marketed for employer groups, government benefit programs, and individuals.

As of December 31, 2020, the GAAP basis audited financial statements of Humana Inc. reported total assets of \$34,969.0 million, total liabilities of \$21,241.0 million, and total stockholders' equity of \$13,728.0 million. Operations for 2020 produced a net income of \$3,367.0 million.

Humana MarketPOINT, Inc.

Humana MarketPOINT, Inc, a Kentucky corporation that provides marketing and managing general agent services for the insurers within the Humana Inc. holding company

As of December 31, 2020, the GAAP basis unaudited, non-consolidated financial statements of Humana MarketPOINT, Inc. reported total assets of \$79.7 million, total liabilities of \$83.5 million, and total stockholders' equity of \$(3.8) million. Operations for 2020 produced a net loss of \$0.8 million.

CareNetwork, Inc.

CareNetwork, Inc., is a non-operating intermediate holding company, domiciled in Wisconsin, which holds the assets of certain Humana operating subsidiaries. CareNetwork, Inc. holdings include the Wisconsin-domiciled insurers Humana Insurance Company and Humana Wisconsin Health Organization Insurance Corporation.

As of December 31, 2020, the GAAP basis unaudited, non-consolidated financial statements of CareNetwork, Inc. reported total assets of \$281.9 million, total liabilities of \$8.6 million, and total stockholders' equity of \$273.3 million. Operations for 2020 produced a net loss of \$0.02 million.

Humana Insurance Company

Humana Insurance Company (HIC), the largest insurance subsidiary of the group, is a Wisconsin-domiciled life and health insurer authorized to conduct insurance business pursuant to ch. 611, Wis. Stat. The subsidiary was initially organized on December 18, 1968, under the name

Classified Life Insurance Company. After various changes in ownership and names, the subsidiary is now named Humana Insurance Company and directly owned by CareNetwork, Inc.

As of December 31, 2020, the statutory basis audited financial statements of HIC reported total admitted assets of \$9,393.5 million, total liabilities of \$5,018.2 million, and capital and surplus of \$4,375.4 million. Operations for 2020 produced a net loss of \$1,126.7 million.

Independent Care Health Plan

Independent Care Health Plan (iCare) commenced business as a separate entity on June 18, 2003. Until 2021, CareNetwork, Inc., owned 50% and Centers for Independence, Inc. owned 50%. Effective January 1, 2021, CareNetwork Inc. purchased the remaining interest in iCare, resulting in 100% ownership. Members of iCare are covered under Title XVIII (Medicare) or Title XIX (Medicaid) with a special emphasis on dual-eligible members.

As of December 31, 2020, the statutory basis audited financial statements of iCare reported total admitted assets of \$114.3 million, total liabilities of \$51.2 million, and capital and surplus of \$114.3 million. Operations for 2015 produced net income of \$24.9 million.

Humana Employers Health Plan of Georgia, Inc.

Humana Employers Health Plan of Georgia, Inc. (HEHP-GA) was organized and licensed in Georgia in 1996 as an HMO and commenced operations in 1997. HEHP-GA provides coordinated health insurance coverages and services primarily to employer groups through product options that include HMOs and preferred provider organizations.

As of December 31, 2020, the statutory basis audited financial statements of HEHP-GA reported total admitted assets of \$513.4 million, total liabilities of \$267.4 million, and capital and surplus of \$246.1 million. Operations for 2020 produced a net loss of \$136.2 million.

Humana Insurance Company of Kentucky

Humana Insurance Company of Kentucky (HIC-KY) is a Kentucky-domiciled life and health insurance company that offers health plan insurance coverages in Kentucky. HIC-KY provides individual indemnity, group life, and Medicare supplement products to insureds in Kentucky and provides stop-loss products to self-insured employers or other groups.

As of December 31, 2020, the statutory basis audited financial statements of HIC-KY reported total admitted assets of \$212.5 million, total liabilities of \$61.5 million, and capital and surplus of \$151.0 million. Operations for 2020 produced a net loss of \$11.5 million.

Humana Health Benefit Plan of Louisiana, Inc.

Humana Health Benefit Plan of Louisiana, Inc. (HHBP-LA) is a Louisiana-domiciled health maintenance organization formerly known as Ochsner Health Plan, Inc. Ochsner Health Plan, Inc. was acquired by Humana Insurance Company on April 1, 2004, and its name was subsequently changed to Humana Health Benefit Plan of Louisiana, Inc. HHBP-LA is licensed in Louisiana as an HMO and provides coordinated health insurance coverages and services primarily to employer groups through product options that include HMOs and preferred provider organizations.

As of December 31, 2020, the statutory basis audited financial statements of HHBP-LA reported total admitted assets of \$674.3 million, total liabilities of \$329.2 million, and capital and surplus of \$345.1 million. Operations for 2020 produced net income of \$99.4 million.

Agreements with Affiliates

Indemnity Agreement between Humana WHO and Humana Inc.

Humana Wisconsin Health Organization Insurance Corporation and Humana Inc. are parties to an indemnity agreement that was entered into on June 30, 1995, and amended and restated effective January 1, 2020. Under the indemnity agreement, Humana Inc., the indemnitor, agrees to indemnify Humana WHO from any and all liability, loss, or damage that Humana WHO may suffer as a result of its failure to perform its obligations arising under certificates of coverage issued to its subscribers, should the Humana WHO become insolvent or financially incapable of furnishing such health care services. The indemnitor further guarantees continuation of coverage to subscribers for the duration of the contract period for which payment has been made, and continuation of benefits to Humana WHO's members who are confined in an inpatient facility, on the date of insolvency, until their discharge.

Tax Allocation Agreement between Humana WHO and Humana Inc.

Humana Wisconsin Health Organization Insurance Corporation and Humana Inc. are parties to a Tax Allocation Agreement entered into on December 31, 1995, and amended and restated on January 1, 2016. The agreement provides that Humana Inc. will file consolidated tax returns for all of the

legal entities in the Humana Inc. holding company group, including Humana WHO. The consolidated tax liability for each year shall be apportioned to Humana Inc. and its subsidiaries based on applicable provisions of the Internal Revenue Code, based on the ratio by which the portion of consolidated tax liability attributable to each respective member of the group bears to the consolidated tax liability. Humana Inc. shall credit to each respective affiliate 100% of the excess of the affiliate's separate return tax liability over its allocated consolidated tax return liability. Humana Inc. is responsible for the preparation and filing of all consolidated tax returns and any other returns or documents required to be filed with the Internal Revenue Service.

Effective January 1, 2016, this agreement was amended and restated to update the settlement of intercompany balances within Humana from 90 days after the calculation of any federal and state income tax expense to 30 days. In addition, a clause was added for Humana Inc. to indemnify and hold harmless Humana WHO in the event that the Internal Revenue Service levies Humana WHO's assets for any unpaid taxes.

Corporate Service Agreement between Humana WHO and Humana Inc.

Humana Wisconsin Health Organization Insurance Corporation is party to a Corporate Service Agreement effective January 3, 2007, and was amended on January 1, 2011, and January 1, 2013, for regulatory compliance purposes. Humana Inc. provides services supporting the business operations of Humana WHO. Humana Inc. provides Humana WHO with services such as payroll, trade accounts payments, broker commissions, medical and product management, executive management, information systems, financial and legal services, human resource and sales distribution management, and related services. Humana Inc. receives a direct reimbursement for services with direct costs, a pro rata share of costs of shared services, and overhead based upon weighted membership. The agreement provides that Humana Inc. collects funds due Humana WHO in the operation of its business and performs any necessary banking and accounting administrative duties to properly accomplish collections and disbursements of funds on behalf of Humana WHO.

Service Center Service Agreements between Humana WHO, HIC, and Humana Inc.

Humana Wisconsin Health Organization Insurance Corporation has established a service center service agreement with Humana Insurance Company and Humana Inc. as a Repository effective

January 3, 2007. It has been amended January 1, 2011, and January 1, 2013, for regulatory compliance purposes. The agreements provide that HIC will provide Humana WHO with claims processing, customer service, front-end operations, billing and enrollment, utilization review, and other support activities. HIC expenses allocated to Humana WHO include general business expenses incurred by HIC in performance of the services. Humana Inc. serves as the Repository under the service center agreement, pursuant to which Humana Inc. disburses and collects management fees that are required by the agreements and performs any necessary banking and administrative duties required to accomplish its Repository duties. The 2011 amendment also integrated some previously separate affiliate agreements into this agreement.

Marketing Service Agreement between Humana WHO and MPOINT

A Marketing Service Agreement, effective January 1, 2011, is in force between Humana MarketPOINT, Inc. (MPOINT), Humana WHO, and Humana Inc. as Repository. It has been amended January 1, 2011, and January 1, 2013, for regulatory compliance purposes. Under the terms of the agreement, MPOINT provides marketing services including the provision of staff, systems, and related support to Humana WHO in order to market Humana Medicare Risk Products.

V. REINSURANCE

The company has no reinsurance contracts.

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, 2020, 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 and the compulsory and security surplus calculation.

Humana Wisconsin Health Organization Insurance Corporation
Assets
As of December 31, 2020

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$669,462,563	\$	\$669,462,563
Cash, cash equivalents and short-term investments	67,222,160		67,222,160
Receivable for securities	5,000		5,000
Investment income due and accrued	3,781,167		3,781,167
Uncollected premiums and agents' balances in the course of collection	1,211,325	1,042,842	168,483
Accrued retrospective premiums and contracts subject to redetermination	58,217,294		58,217,294
Amounts receivable relating to uninsured plans	18,058,132		18,058,132
Current federal and foreign income tax recoverable and interest thereon	4,255,441		4,255,441
Net deferred tax asset	14,624,635	514,803	14,109,832
Furniture and equipment, including health care delivery assets	12,528	12,528	
Receivables from parent, subsidiaries and affiliates	34,965,277	34,965,277	
Health care and other amounts receivable	63,197,388	1,574,554	61,622,834
Write-ins for other than invested assets:			
Prepaid commissions	8,767,906	8,767,906	
Provider contracts	8,249,612	8,249,612	
Prepaid expenses	<u>1,352,403</u>	<u>1,352,403</u>	
Total Assets	<u>\$953,382,831</u>	<u>\$56,479,925</u>	<u>\$896,902,907</u>

Humana Wisconsin Health Organization Insurance Corporation
Liabilities and Net Worth
As of December 31, 2020

Claims unpaid		\$394,430,674
Accrued medical incentive pool and bonus payments		53,389,766
Unpaid claims adjustment expenses		2,340,525
Aggregate health policy reserves		7,399,737
Aggregate health claim reserves		26,143
Premiums received in advance		6,939,011
General expenses due or accrued		6,109,585
Amounts withheld or retained for the account of others		73
Remittance and items not allocated		883,608
Payable for securities		2,117,608
Liability for amounts held under uninsured accident and health plans		7,160,110
Write-ins for other liabilities (including \$22,266 current):		
Unclaimed property		<u>57,589</u>
Total Liabilities		480,854,430
Common capital stock	\$ 13,635,500	
Gross paid in and contributed surplus	258,617,546	
Unassigned funds (surplus)	<u>143,795,431</u>	
Total Capital and Surplus		<u>416,048,476</u>
Total Liabilities, Capital and Surplus		<u>\$896,902,907</u>

Humana Wisconsin Health Organization Insurance Corporation
Statement of Revenue and Expenses
For the Year 2020

Net premium income		\$4,335,432,074
Medical and Hospital:		
Hospital/medical benefits	\$3,223,462,907	
Other professional services	44,195,458	
Emergency room and out-of-area	74,417,509	
Prescription drugs	231,925,599	
Incentive pool and withhold adjustments	<u>66,301,050</u>	
Total medical and hospital	3,640,302,523	
Claims adjustment expenses	125,093,051	
General administrative expenses	446,116,484	
Increase in reserves for life and accident and health contracts	<u>(857)</u>	
Total underwriting deductions		<u>4,211,511,201</u>
Net underwriting gain or (loss)		123,920,872
Net investment income earned	19,553,558	
Net realized capital gains or (losses)	<u>5,153,145</u>	
Net investment gains or (losses)		24,706,703
Aggregate write-ins for other income or expenses		<u>(52,766)</u>
Net income or (loss) before federal income taxes		148,574,809
Federal and foreign income taxes incurred		<u>44,510,092</u>
Net Income (Loss)		<u>\$ 104,064,717</u>

Humana Wisconsin Health Organization Insurance Corporation
Capital and Surplus Account
For the Five-Year Period Ending December 31, 2020

	2020	2019	2018	2017	2016
Capital and surplus,					
beginning of year	\$344,733,219	\$296,415,747	\$150,648,526	\$113,192,055	\$87,423,541
Net income (loss)	104,064,717	88,712,386	11,485,624	25,398,975	2,717,232
Change in net unrealized					
capital gains/losses	124,387	1,052,051	(1,100,663)	(74,251)	2,880
Change in net deferred					
income tax	8,197,020	1,013,613	2,404,169	(692,018)	(941,287)
Change in nonadmitted					
assets	(41,070,867)	(2,668,124)	(7,021,909)	(2,176,150)	(1,010,311)
Surplus adjustments:					
Paid in		(39,792,454)	140,000,000	15,000,000	25,000,000
Write-ins for gains and					
(losses) in surplus:					
Prior Period Impact of					
Claims Dispute				<u>(85)</u>	
Capital and Surplus, End of					
Year	<u>\$416,048,476</u>	<u>\$344,733,219</u>	<u>\$296,415,747</u>	<u>\$150,648,526</u>	<u>\$113,192,055</u>

Humana Wisconsin Health Organization Insurance Corporation
Statement of Cash Flow
For the Year 2020

Premiums collected net of reinsurance		\$4,318,216,897
Net investment income		<u>24,484,723</u>
Total		4,342,701,620
Less:		
Benefit- and loss-related payments	\$3,560,890,672	
Commissions, expenses paid and aggregate write-ins for deductions	592,458,930	
Federal and foreign income taxes paid (recovered) net of tax on capital gains	<u>49,712,028</u>	
Total		<u>4,203,061,630</u>
Net cash from operations		139,639,990
Proceeds from Investments Sold, Matured or Repaid:		
Bonds	\$384,265,158	
Net gains (losses) on cash, cash equivalents, and short- term investments	3,269	
Miscellaneous proceeds	<u>2,117,608</u>	
Total investment proceeds		386,386,035
Cost of Investments Acquired—Long-term Only:		
Bonds	359,293,953	
Miscellaneous applications	<u>5,000</u>	
Total investments acquired		<u>359,298,953</u>
Net cash from investments		27,087,082
Cash Provided/Applied:		
Other cash provided (applied)		<u>(178,148,789)</u>
Net cash from financing and miscellaneous sources		(178,148,789)
Net Change in Cash, Cash Equivalents, and Short-Term Investments		(11,421,716)
Cash, cash equivalents, and short-term investments:		
Beginning of year		<u>78,643,877</u>
End of Year		<u>\$ 67,222,160</u>

Growth of Humana Wisconsin Health Organization Insurance Corporation

Year	Assets	Liabilities	Capital and Surplus	Premium Earned	Medical Expenses Incurred	Net Income
2020	\$896,902,907	\$480,854,430	\$416,048,476	\$4,335,432,074	\$3,640,302,523	\$104,064,717
2019	875,455,598	530,722,379	344,733,219	3,362,915,756	2,900,766,425	88,712,386
2018	679,577,151	383,161,404	296,415,747	2,572,091,211	2,214,260,020	11,485,624
2017	334,717,483	184,068,957	150,648,526	1,302,283,868	1,101,224,727	25,398,975
2016	200,325,667	87,133,612	113,192,055	614,432,856	527,290,605	2,717,232
2015	179,428,226	92,004,685	87,423,541	592,880,573	536,044,357	(17,649,873)

Year	Profit Margin	Medical Expense Ratio	Administrative Expense Ratio	Change in Enrollment
2020	2.4%	84.0%	13.2%	21.4%
2019	2.6	86.3	11.3	22.6
2018	0.4	86.1	13.1	82.4
2017	2.0	84.6	12.7	78.0
2016	0.4	85.8	14.2	-9.3
2015	-0.3	90.4	13.7	62.2

Enrollment and Utilization

Year	Enrollment	Hospital Days/1,000	Average Length of Stay
2020	366,310	2,337.82	9.6
2019	301,673	2,376.55	9.0
2018	246,027	2,218.33	8.7
2017	134,864	1,998.76	8.2
2016	75,756	1,358.84	8.0
2015	83,519	1,057.23	7.8

Per Member Per Month Information

	2020	2019	Percentage Change
Premiums:			
Commercial	\$ 414.49	\$ 418.41	-0.9%
Medicare	<u>1,092.65</u>	<u>1,005.48</u>	8.7
Expenses:			
Hospital/medical benefits	\$ 764.60	\$ 741.54	3.1
Other professional services	10.48	9.05	15.9
Emergency room and out-of-area	17.65	18.19	-3.0
Prescription drugs	55.01	49.63	10.9
Incentive pool and withhold adjustments	<u>15.73</u>	<u>10.01</u>	57.2
Total medical and hospital	863.47	828.42	4.2
Claims adjustment expenses	29.67	28.67	3.5
General administrative expenses	<u>105.82</u>	<u>80.18</u>	32.0
Total underwriting deductions	<u>\$ 998.95</u>	<u>\$ 938.67</u>	6.4

2015 operations resulted in a net loss due to a 333% increase in Medicare enrollees from 2014's amount of 9,656 to 32,152 at 2015 year-end. Total enrollment increased each year under the examination year with a 339% increase from 2015's total enrollees of 83,519 to 366,310 in 2020. Despite the increase each year, Humana WHO experienced a net income for four out of the five years.

The largest increase in enrollees was between 2017 and 2018, increasing 82% from 134,864 in 2017 to 246,027 in 2018, which did contribute to a lower net income in 2018 than 2017. Overall, the company reported favorable operating results for four out of the five years under examination.

Both the growth in enrollment and annual capital contributions from Humana Inc. contributed to the significant increase in Humana WHO's assets, increasing 400% from 2015 to 2020. Surplus increased each year of the examination period with a total increase of 379% from 2015 to 2020's amount. Humana WHO received a capital contribution from Humana Inc. in 2016, 2017, and 2018 for a total of \$205.1 million net of a return of capital of \$39.8 million in 2019. The largest amount of \$140.0 million was received in 2018 to help fund projected premium growth.

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, 2020, as modified for examination

adjustments is as follows:

Assets		\$896,902,907
Less:		
Special deposit		8,130,562
Liabilities		<u>480,854,430</u>
Assets available to satisfy surplus requirements		407,917,915
Net premium earned		
HMO business	\$4,335,432,074	
Factor	<u>3%</u>	
Compulsory surplus		<u>130,062,962</u>
Compulsory Surplus Excess (Deficit)		<u>\$277,854,953</u>
Assets available to satisfy surplus requirements		\$407,917,915
Compulsory surplus		\$130,062,962
Security factor		<u>110%</u>
Security surplus		<u>143,069,258</u>
Security Surplus Excess (Deficit)		<u>\$264,848,657</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 2020 with a deposit of \$3,350,000 with the state treasurer.

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, 2020, is accepted.

Examination Reclassifications

There were no examination reclassifications as a result of this examination.

VII. 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. Business Plan Changes—It is recommended that the company file substantial changes in its business plan in accordance with s. Ins.9.06, Wis. Adm. Code.

Action—Compliance.

2. Escheat Property—It is recommended that the escheat process be amended to comply with the notification process requirement described in s. 177.17 (5), Wis. Stat., and that the company modify and implement its escheat policy to include property valued at \$50 or more in its notification process in accordance with s. 177.17 (5) (c), Wis. Stat.

Action—Compliance.

3. Report on Executive Compensation—It is recommended that the company include all direct and indirect compensation in its annual Report on Executive Compensation in accordance with s. 611.63 (4), Wis. Stat.

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.

Failure to Timely Notify Insurance Commissioners of Data Breaches

Per OCI Bulletin issued on December 4, 2006, insurers were instructed to provide notification to OCI "of any unauthorized access to personal information of Wisconsin residents as soon as practicable, but no later than 10 days after it has become aware of such unauthorized access." While this bulletin was replaced by Act 73 in July of 2021, it would have been in place when a cybersecurity event occurred and OCI should have been notified within 10 days.

In July 2021, Act 73 was signed into Wisconsin Law requiring licensees to develop an information security program, take certain steps to promptly investigate cybersecurity events, and notify both OCI and consumers when a cybersecurity breach has occurred. Effective November 1, 2021, licensees were expected to meet the requirements as set forth by s. 601.954, Wis. Stat. regarding the notification of a cyber event to OCI. Notification is to be provided "as promptly as possible but no later than three business days from the determination that the cybersecurity event occurred."

A review of the Humana Inc. cybersecurity policy noted that the corporation has a separate policy for each state in which it is licensed that details the notification requirements rather than including one overarching notification requirement within its corporate cybersecurity policy. The notification requirement included in the separate policy for the state of Wisconsin is that the commissioner be notified no later than three business days from the determination that a cybersecurity event occurred. During the latter part of 2021, the company experienced a cybersecurity event that was not reported to OCI within the required notification timeframe. It is recommended that the company comply with its cybersecurity policy and procedures and state requirements with regard to timely notification of OCI.

Proper Filing of Escheated Checks

A review of the company's outstanding checks disclosed that the company had a \$125.00 check that had not been remitted to the state of Wisconsin in accordance with s. 177, Wis. Stat. It is

recommended that the company implement a stronger process to ensure all escheated checks are filed and sent to the State of Wisconsin in accordance with s. 177, Wis. Stat.

VIII. CONCLUSION

Humana WHO is a wholly owned subsidiary of CareNetwork, Inc., a Wisconsin corporation which is a wholly owned subsidiary of Humana Inc. The company offers coordinated health and pharmacy insurance products, primarily to employer groups, through a variety of product options including HMO and preferred provider organizations.

2015 operations resulted in a net loss due to a 333% increase in Medicare enrollees from 2014's amount of 9,656 to 32,152 at 2015 year-end. Total enrollment increased each year under the examination year with a 339% increase from 2015's total enrollees of 83,519 to 366,310 in 2020. Despite the increase each year, Humana WHO experienced a net income for four out of the five years.

The largest increase between 2017 and 2018, increasing 82% from 134,864 in 2017 to 246,027 in 2018, which did contribute to a lower net income in 2018 than 2017. Overall, the company reported favorable operating results for four out of the five years under examination.

Both the growth in enrollment and annual capital contributions from Humana Inc. contributed to the significant increase in Humana WHO's assets, increasing 400% from 2015 to 2020. Surplus increased each year of the examination period with a total increase of 379% from 2015 to 2020's amount. Humana WHO received a capital contribution from Humana Inc. in 2016, 2017, and 2018 for a total of \$205.1 million, net of a return of capital of \$39.8 million in 2019. The largest amount of \$140.0 million was received in 2018 to help fund projected premium growth.

The examination determined that the company was in compliance with all of the recommendations made by the previous examination. The current examination resulted in two recommendations. No adjustments were made to surplus as a result of the examination and there were no reclassifications. The amount of surplus reported by the company as of December 31, 2020, is accepted.

IX. SUMMARY OF COMMENTS AND RECOMMENDATIONS

1. Page 29 - Failure to Timely Notify Insurance Commissioners of Data Breaches—It is recommended that the company comply with its cybersecurity policy and procedures and state requirements with regard to timely notification of OCI.
2. Page 29 - Proper Filing of Escheated Checks—It is recommended that the company implement a stronger process to ensure all escheated checks are filed and sent to the State of Wisconsin in accordance with s. 177, Wis. Stat.

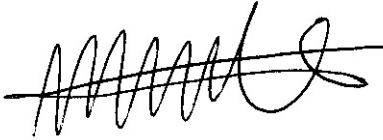
X. ACKNOWLEDGMENT

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
Nicholas Barsuli	Insurance Financial Examiner
Jacob Burkett	Insurance Financial Examiner
Nicholas Feyen	Insurance Financial Examiner
Joshua Daggett	Insurance Financial Examiner-Advanced
James Krueger	Data Specialist
David Jensen, CFE	IT Specialist
Eleanor Lu, CISA	IT Specialist
Karl Albert, CFE	Quality Control Specialist
Jerry DeArmond, CFE	Reserve Specialist

Respectfully submitted,



Marisa K. Rodgers
Examiner-in-Charge

XI. SUBSEQUENT EVENTS

On August 17, 2021, the Humana Inc. Holding Company completed its purchase of Kindred at Home (KAH) by acquiring the remaining 60% interest from TPG Capital and Welsh, Carson, Anderson & Stowe, two private equity funds, for an enterprise value of \$8.2 billion (which included Humana's equity value of \$2.4 billion that represented the 40% minority ownership interest). Humana paid a transaction price of \$5.8 billion. The transaction price was net of their existing equity stake, through a combination of debt financing, the assumption of existing KAH indebtedness, and parent company cash. As a result of the acquisition, a \$1.1 billion gain was recognized as net other income as a result of the acquisition and remeasurement to fair value of the previously held 40% equity method investment with a carrying value of \$1.3 billion.

This acquisition expanded the group's home solutions business segment. Kindred at Home is a home health and hospice provider and has locations in 40 states, providing extensive geographic coverage for approximately 65% of the individual Medicare Advantage membership.