

Report of the Examination of
My Choice Wisconsin Health Plan, Inc.
Madison, Wisconsin
As of December 31, 2020

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March 9, 2022

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

Commissioner:

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

MY CHOICE WISCONSIN HEALTH PLAN, INC.
Madison, Wisconsin

and this report is respectfully submitted.

I. INTRODUCTION

The previous examination of My Choice Wisconsin Health Plan, Inc. (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 My Choice Wisconsin, Inc. which is also domiciled in Wisconsin.

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.

II. HISTORY AND PLAN OF OPERATION

The company is described as a nonprofit 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.

The company was incorporated on May 23, 2003, and commenced business on January 1, 2005. The company was originally capitalized through the transfer of a \$4 million (\$2 million surplus contribution and \$2 million surplus note) from its sole member, Care Wisconsin First (f/k/a Elder Care of Wisconsin, Inc.), to meet the initial capital requirements established by the Wisconsin Office of the Commissioner of Insurance. The company was granted its initial certificate of authority on December 23, 2004. The surplus note was fully repaid on December 19, 2007. Effective January 1, 2020, the company underwent a merger with Trilogy Health Insurance Company (Trilogy) with the company being the surviving corporation after the merger and all of the assets and liabilities of Trilogy were transferred to the company. The HMO license held by Trilogy was then surrendered. The name of the company was changed to Care Wisconsin Health Plan – Trilogy Health Insurance, Inc., which was later changed to its current name, My Choice Wisconsin Health Plan, Inc. in 2021. At the same time as the merger between the two HMOs, Care Wisconsin First, Inc. also merged with My Choice Family Care, Inc. effective January 1, 2020, and subsequently was named My Choice Wisconsin Inc. (MCW).

The company operates as a health maintenance organization under the Wisconsin Family Care Partnership Program (Partnership), which is designed to use capitated Medicaid and Medicare revenue to provide integrated health and long-term managed care services to nursing home-eligible participants, benefits under the Medicare Advantage Special Needs Program (MA-SNP), and prescription drug benefits under Medicare Part D. The company also participates in the state of Wisconsin's Supplemental Security Income (SSI) Managed Care Program, BadgerCare Plus, and offers Medicare

Dual Advantage, an HMO Special Needs Plan (D-SNP), to eligible participants. As part of the SSI program, the company provides health care services for those who receive Medicaid SSI or SSI-related Medicaid because of a disability determined by the Disability Determination Bureau. Under BadgerCare Plus, the company provides health care services for low-income residents who meet certain financial and non-financial requirements. Under D-SNP, the company provides health care services for those who are eligible for both Medicare and Medicaid.

The company's Partnership services include a care management component, consisting of an interdisciplinary team comprise of an enrollee, an employed nurse practitioner, an employed registered nurse, an employed social worker, and an employed care coordinator or administrative assistant. The teams use a Resource Allocation Decision-Making process approved by Wisconsin to pre-authorize long-term care services.

The company's SSI and D-SNP services include a similar care management component, consisting of a team comprised of an enrollee, employed care coordinator, and an employed nurse care manager.

For acute and primary care administered by the company, enrollees may choose any primary care physician who has agreed to work collaboratively with the company's nurse practitioners. Currently, there are 5,562 primary care physicians that members may choose from and 3,019 physician extenders. A list of the company's principal provider network is shown below.

<u>Provider Name</u>	<u>Counties Served</u>
Affinity Medical Group	Calumet, Fond du Lac, Manitowoc, Outagamie, Waupaca, Winnebago
Ascension Wisconsin	Calumet, Kenosha, Lincoln, Manitowoc, Marathon, Milwaukee, Oneida, Outagamie, Ozaukee, Portage, Racine, Sheboygan, Vilas, Waukesha, Waupaca, Winnebago, Wood
Aspirus Medford Hospital & Clinics	Clark, Marathon, Price, Taylor
Aurora	Waukesha, Racine, Brown, Milwaukee, Washington, Kenosha, Ozaukee, Marinette, Door, Manitowoc, Outagamie, Shawano, Winnebago, Sheboygan, Fond du Lac, Walworth, Dodge, Waupaca, Lake, Grant, Green Lake, Menominee, Oconto, Rock, Waushara, Barron
Bellin Health Partners	Brown, Calumet, Door, Florence, Kewaunee, Manitowoc, Marinette, Oconto, Outagamie, Shawano, Sheboygan, Winnebago

Childrens Medical Group	Kenosha, Milwaukee, Ozaukee, Racine, Washington, Waukesha
Door County Memorial Hospital	Door, Kewaunee
Fort HealthCare Inc	Dane, Dodge, Jefferson, Walworth
Froedtert Health Inc	Kenosha, Milwaukee, Ozaukee, Sheboygan, Washington, Waukesha
Gundersen Lutheran Admin Svcs Inc	Adams, Crawford, Jackson, Juneau, La Crosse, Monroe, Richland, Trempealeau, Vernon
Holy Family Memorial	Manitowoc, Sheboygan
Marshfield Clinic Health System Inc	Barron, Chippewa, Clark, Dunn, Eau Claire, Iron, Lincoln, Marathon, Oneida, Portage, Price, Rusk, Sawyer, Shawano, Vilas, Washburn,
Mayo Clinic Health System-Franciscan Healthcare and Mayo Clinic Health System -NWWI	Barron, Buffalo, Chippewa, Crawford, Dunn, Eau Claire, La Crosse, Monroe, Pierce, St. Croix, Trempealeau
Mercy Health System Corporation	Green, Rock, Walworth
Milwaukee Health Services System LLC	Dane, Eau Claire, Marathon, Milwaukee, Outagamie
Premium Healthcare Inc	Brown, Calumet, Dodge, Door, Fond du Lac, Green Lake, Marathon, Marinette, Marquette, Menominee, Oconto, Outagamie, Portage, Shawano, Waupaca, Waushara
Prevea Clinic Inc	Brown, Chippewa, Door, Dunn, Eau Claire, Kewaunee, Marinette, Oconto, Outagamie, Rusk, Shawano, Sheboygan
ProHealth Care Inc	Jefferson, Waukesha
Rogers Memorial	Milwaukee, Kenosha, Outagamie, Waukesha, Dane
Sauk Prairie Memorial Hosp & Clinic	Columbia, Dane, Sauk
SSM Health Wisconsin	Columbia, Dane, Dodge, Fond du Lac, Grant, Green, Green Lake, Iowa, Jefferson, Lafayette, Richland, Rock, Sauk, Walworth
ThedaCare	Winnebago, Shawano, Outagamie, Waupaca, Dane, Green Lake, Fond du Lac, Waushara
University of Wisconsin Hospitals and Clinics Authority	Adams, Brown, Columbia, Dane, Dodge, Eau Claire, Fond du Lac, Grant, Green, Iowa, Jefferson, Juneau, Kenosha, La Crosse, Lafayette, Marathon, Oneida, Outagamie, Richland, Rock, Sauk, Waukesha, Winnebago, Wood

The company's provider network includes hospitals and clinics outside of the formal service areas to offer services to members that would not otherwise be available. Physicians are required by the company to provide services on a 24-hour basis. The provider contracts generally provide for reimbursement on a percentage of fee-for-service basis and include hold-harmless provisions for the protection of policyholders. The contracts typically have an evergreen term and may be terminated by a breach of contract or through written notice by one party.

The company also contracts with area hospitals to provide inpatient services to the company's members. Hospitals are reimbursed in accordance with the applicable Medicare/Medicaid DRGs or on a percentage of fee-for-service basis.

According to its business plan, the company's service area is comprised of the following counties as of December 31, 2020:

Adams	Door	Jackson	Marinette	Portage	Vernon
Brown	Florence	Jefferson	Marquette	Racine	Vilas
Calumet	Fond du Lac	Juneau	Milwaukee	Richland	Walworth
Clark	Forest	Kenosha	Monroe	Rock	Washington
Columbia	Grant	Kewaunee	Oconto	Sauk	Waukesha
Crawford	Green	La Crosse	Oneida	Shawano	Waupaca
Dane	Green Lake	Lafayette	Outagamie	Sheboygan	Waushara
Dodge	Iowa	Manitowoc	Ozaukee	Trempealeau	Winnebago

The company offers long-term care, primary, and acute health care coverage which may be changed only by changes in the contracts with the Department of Health Services (DHS) and/or the Center for Medicare & Medicaid Services (CMS). 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
- Home health care
- Preventive health services
- Hearing exams and hearing aids
- Diabetes treatment
- Routine eye examinations
- Convalescent nursing home service
- Prescription drugs—copayment are dictated by Medicare Part D
- Cardiac rehabilitation, physical, speech, and/or occupational therapy
- Physical fitness or health education
- Kidney disease treatment
- Certain transplants
- Chiropractic services

In addition, the company may provide the following services to enrollees based on their assessed needs:

- Homemaker services

Rehabilitation therapy
Social Services
Transportation
Home meal delivery
Respite for caregivers
Vision care
Foot care
Pastoral care
End of life and palliative care
Adult day services
Self-directed supports

Individuals enrolled in the Partnership program are subject to specified copayments but do not pay premiums. Program participants are required to meet all Wisconsin Medicaid financial eligibility criteria. The company is compensated through capitated payments received from DHS and CMS. The capitation rates are actuarially determined considering the care needs of the company's members but may not be adjusted by DHS.

III. MANAGEMENT AND CONTROL

Board of Directors

The board of directors consists of nine members and one Emeritus non-voting member. All directors are elected annually to serve a three-year term. Officers are appointed by the board of directors. Members of the company's board of directors may also be members of other boards of directors in the holding group.

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

Name and Residence	Principal Occupation	Term Expires
Thomas Bergerud West Bend, Wisconsin	Retired Nonprofit Executive	2023
Katie Brietzman Madison, Wisconsin	Nonprofit Specialist	2023
Kenneth Byom Wauwatosa, Wisconsin	Physician	2023
Arlyn Doehler Greendale, Wisconsin	Retired Teacher, Emeritus Non-Voting Member	2023
John Hintze Oregon, Wisconsin	Commercial Banker Executive	2023
Lynda Krellwitz Waukesha, Wisconsin	Human Resource Executive	2023
Michael Mayo, Sr. Milwaukee, Wisconsin	Retired County Supervisor	2023
Thomas Orendorff, Chair Kenosha, Wisconsin	Retired CPA	2023
Maria Rodriguez Milwaukee, Wisconsin	Retired HUD Executive	2023
Lee Seese Pewaukee, Wisconsin	Attorney	2023

Officers of the Company

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

Name	Office
Maria Ledger	Chief Executive Officer
Jim Hodson	Chief Financial Officer
Betsy Van Heesch	Chief Operations Officer
Kevin Collins	Chief Compliance Officer

Committees of the Board

The company's bylaws allow for the formation of certain committees by the board of directors.

The committees at the time of the examination are listed below:

Audit and Finance Committee

John Hintze, Chair
Michael Mayo, Sr.
Thomas Orendorff
Lee Seese

The company has no employees. Necessary staff is provided through an administrative service agreement with My Choice Wisconsin, Inc. Under the agreement, effective June 1, 2005, MCW agrees to negotiate employer, provider, subscriber, and other contracts; advise the board; maintain the accounting and financial records; recruit marketing, utilization review, and claims processing personnel; and provide or contract for claims processing and management information systems. My Choice Wisconsin, Inc. is reimbursed for services rendered to the company on a periodic basis. The term of the agreement is for one year and is set to automatically renew for successive one-year terms. The company may terminate the agreement upon 180 days' written notice if default of standards of performance continues 30 days after notice of such default.

Insolvency Protection for Policyholders

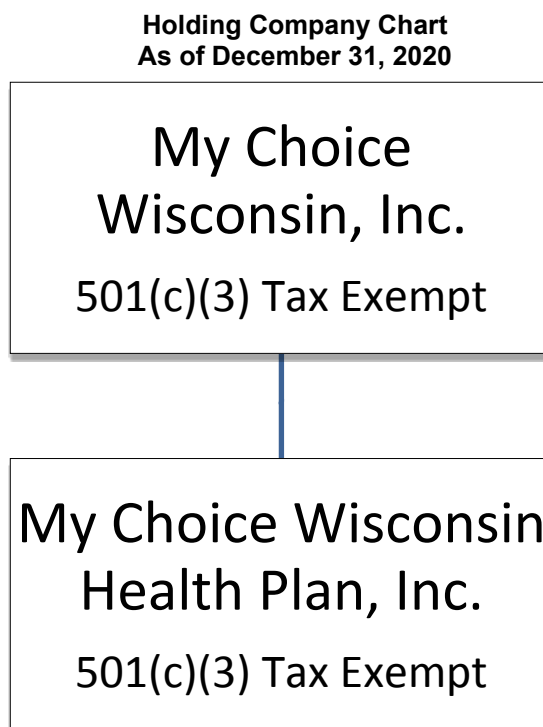
Under s. Ins 9.04 (6), Wis. Adm. Code, HMOs are required to either maintain compulsory surplus at the level required by s. Ins 51.80, Wis. Adm. Code, or provide for the following in the event of the company's insolvency:

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

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

IV. AFFILIATED COMPANIES

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



My Choice Wisconsin, Inc. (MCW)

MCW is the sole corporate member of the company and is a nonprofit managed care organization that serves government-funded programs to frail seniors and adults with disabilities in over 50 Wisconsin counties. As of December 31, 2020, the MCW's audited financial statement reported assets of \$163.3 million, liabilities of \$72.3 million, and equity of \$91.0 million. Operations for 2020 produced net income of \$25.2 million on revenues of \$707.3 million.

The following are significant related party agreements in place between the entities:

The company has an Administrative Services Agreement in place with MCW, effective June 1, 2005, where MCW agrees to perform administrative services necessary for the company's operations, including, but not limited to: marketing, information systems, financial and general

administrative services, Medicare Advantage and WI DHS Program services, and management of clinical records. The company agrees to reimburse MCW for the cost of direct services and its allocated portion of indirect expenses.

The company has a Health Care Services Agreement in place with MCW, effective January 1, 2005, where MCW agrees to provide the specified health care services on behalf of the company's members. The company agrees to reimburse MCW for the cost of direct services and its allocated portion of indirect expenses.

V. REINSURANCE

The company currently has reinsurance coverage under the contract outlined below:

Reinsurer:	Zurich American Insurance Company
Type:	Specific Excess of Loss Reinsurance
Effective date:	January 1, 2021
Retention:	\$250,000
Coverage:	90% of all covered services in excess of the retention limit.
Termination:	December 31, 2021

The reinsurance policy has an endorsement containing the following insolvency provisions:

1. Zurich American Insurance Company will continue plan benefits for members who are confined in an acute-care hospital on the date of insolvency until their discharge.
2. Zurich American Insurance Company will continue plan benefits for any member insured plan until the end of the contract period for which premiums have been paid to plan by that member or on his behalf.

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 its compulsory and security surplus calculation.

My Choice Wisconsin Health Plan, Inc.
Assets
As of December 31, 2020

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$25,347,670	\$	\$25,347,670
Stocks:			
Common stocks	2,492,207		2,492,207
Cash, cash equivalents and short-term investments	51,297,219		51,297,219
Investment income due and accrued	130,856		130,856
Uncollected premiums and agents' balances in the course of collection	2,942,738	286,160	2,656,578
Accrued retrospective premiums and contracts subject to redetermination	308,113		308,113
Amounts recoverable from reinsurers	329,215		329,215
Amounts receivable relating to uninsured plans	2,462,699		2,462,699
Health care and other amounts receivable	2,761,706	618,232	2,143,474
Write-ins for other than invested assets:			
Prepaid Expenses	<u>867,661</u>	<u>867,661</u>	<u> </u>
Total Assets	<u>\$88,940,084</u>	<u>\$1,772,053</u>	<u>\$87,168,031</u>

My Choice Wisconsin Health Plan, Inc.
Liabilities and Net Worth
As of December 31, 2020

Claims unpaid		\$21,445,740
Accrued medical incentive pool and bonus payments		1,230,000
Unpaid claims adjustment expenses		679,455
Aggregate health policy reserves		27,237
Premiums received in advance		63,626
General expenses due or accrued		646,974
Amounts due to parent, subsidiaries, and affiliates		2,056,113
Liability for amounts held under uninsured accident and health plans		<u>1,254</u>
Total Liabilities		26,150,399
Gross paid in and contributed surplus	\$ 7,808,000	
Unassigned funds (surplus)	<u>53,209,632</u>	
Total Capital and Surplus		<u>61,017,632</u>
Total Liabilities, Capital and Surplus		<u>\$87,168,031</u>

My Choice Wisconsin Health Plan, Inc.
Statement of Revenue and Expenses
For the Year 2020

Net premium income		\$209,464,704
Aggregate write-ins for other health care related revenues		5,000
Aggregate write-ins for other non-health revenues		<u>1,277</u>
Total revenues		209,470,981
Medical and Hospital:		
Hospital/medical benefits	\$106,167,680	
Other professional services	44,113,238	
Emergency room and out-of-area	4,079,330	
Prescription drugs	3,963,089	
Aggregate write-ins for other medical and hospital	4,447,096	
Incentive pool and withhold adjustments	<u>1,067,915</u>	
Subtotal	163,838,348	
Less		
Net reinsurance recoveries	<u>676,458</u>	
Total medical and hospital	163,161,890	
Non-health claims		
Claims adjustment expenses	17,151,594	
General administrative expenses	<u>9,426,104</u>	
Total underwriting deductions		<u>189,739,588</u>
Net underwriting gain or (loss)		19,731,393
Net investment income earned	1,019,270	
Net realized capital gains or (losses)	<u>49,290</u>	
Net investment gains or (losses)		1,068,560
Net gain or (loss) from agents' or premium balances charged off		(268,952)
Aggregate write-ins for other income or expenses		<u>19,656</u>
Net Income (Loss)		<u>\$ 20,550,657</u>

**My Choice Wisconsin Health Plan, Inc.
Capital and Surplus Account
For the Five-Year Period Ending December 31, 2020**

	2020	2019	2018	2017	2016
Capital and surplus, beginning of year	\$41,272,876	\$40,704,814 ¹	\$34,965,919	\$28,435,769	\$21,810,152
Net income (loss)	20,550,657	3,833,555	2,417,857	7,138,424	6,345,939
Change in net unrealized capital gains/losses	(423,138)	230,202	(206,955)	(72,251)	200,072
Change in net deferred income tax		(271,630)			
Change in nonadmitted assets	(472,091)	135,184	(279,604)	(536,023)	79,606
Surplus adjustments: Paid in		1,400,000			
Write-ins for gains and (losses) in surplus:					
Prior period audit adjustment	89,328	19,754	25,915		
Prior period audit adjustment – adjustment of PDR		(2,779,003)			
Surplus distribution to Care Wisconsin First, Inc.		(2,000,000)			
Capital and Surplus, End of Year	<u>\$61,017,632</u>	<u>\$41,272,876</u>	<u>\$36,923,132</u>	<u>\$34,965,919</u>	<u>\$28,435,769</u>

¹ The amounts shown for 2019 are restated values reflecting the merger with Trilogy Health Insurance Company, effective January 1, 2020, therefore the beginning value did not equal to the prior year-end value.

My Choice Wisconsin Health Plan, Inc.
Statement of Cash Flow
For the Year 2020

Premiums collected net of reinsurance		\$203,556,642
Net investment income		1,078,201
Miscellaneous income		<u>6,277</u>
Total		204,641,120
Less:		
Benefit- and loss-related payments	\$161,890,256	
Commissions, expenses paid and aggregate write-ins for deductions	<u>24,463,293</u>	
Total		<u>186,353,549</u>
Net cash from operations		18,287,571
Proceeds from Investments Sold, Matured or Repaid:		
Bonds	7,115,848	
Total investment proceeds	7,115,848	
Cost of Investments Acquired—Long-term Only:		
Bonds	\$7,239,423	
Stocks	<u>196,821</u>	
Total investments acquired	<u>7,436,244</u>	
Net cash from investments		(320,396)
Cash Provided/Applied:		
Other cash provided (applied)	(275,963)	
Net cash from financing and miscellaneous sources		<u>(275,963)</u>
Net Change in Cash, Cash Equivalents, and Short-Term Investments		17,691,212
Cash, cash equivalents, and short-term investments:		
Beginning of year		<u>33,606,007</u>
End of Year		<u>\$ 51,297,219</u>

Growth of My Choice Wisconsin Health Plan, Inc.²

Year	Assets	Liabilities	Capital and Surplus	Premium Earned	Medical Expenses Incurred	Net Income
2020	\$87,168,031	\$26,150,399	\$61,017,632	\$209,464,704	\$180,313,484	\$20,550,657
2019	64,634,060	23,361,184	41,272,876	196,705,730	188,611,499	3,833,555
2018	59,037,344	22,114,212	36,923,132	150,295,895	143,875,160	2,417,857
2017	51,812,281	16,846,362	34,965,919	129,323,603	115,110,499	7,138,424
2016	43,227,782	14,792,013	28,435,769	124,727,167	112,129,989	6,345,939
2015	34,476,536	12,666,384	21,810,152	118,833,420	106,894,890	11,011,390

Year	Profit Margin	Medical Expense Ratio	Administrative Expense Ratio	Change in Enrollment
2020	9.8%	77.9%	12.7%	33.1%
2019	1.9	85.2	13.4	294.7
2018	1.6	86.2	15.3	42.2
2017	5.5	79.7	15.5	-0.4
2016	5.1	81.4	13.8	2.9
2015	9.2	78.0	12.9	

Enrollment and Utilization

Year	Enrollment	Hospital Days/1,000	Average Length of Stay
2020	24,842	873.0	5.2
2019	18,663	1,056.3	5.2
2018	4,729	2,380.1	5.8
2017	3,325	2,637.4	5.3
2016	3,337	2,579.2	5.2
2015	3,242	3,391.5	7.4

Per Member Per Month Information

	2020	2019	Percentage Change
Premiums:			
Medicare	\$3,891.83	\$4,261.65	-8.7%
Medicaid	<u>591.48</u>	<u>671.15</u>	-11.9
Aggregate	<u>\$ 779.66</u>	<u>\$ 918.61</u>	-15.1
Expenses:			
Hospital/medical benefits	\$ 395.17	\$ 448.66	-11.9
Other professional services	164.20	223.29	-26.5
Emergency room and out-of-area	15.18	17.50	-13.2
Prescription Drug	14.75	88.77	-83.4
Other medical and hospital	16.55	21.02	-21.3

² Please note that all values reported for 2020 and 2019 are consolidated amounts as a result of the merger with Trilogy Health Insurance Company. All prior years only reflect the pre-merger amounts.

	2020	2019	Percentage Change
Incentive pool and withhold adjustments	3.97	3.39	17.4
Less: Net reinsurance recoveries	<u>2.52</u>	<u>1.57</u>	60.3
Total medical and hospital	607.32	801.05	-24.2
Claims adjustment expenses	63.84	79.78	-20.0
General administrative expenses	35.09	43.73	-19.8
Increase in reserve for accident and health		<u>(18.35)</u>	-100.0
Total underwriting deductions	<u>\$ 706.24</u>	<u>\$ 906.22</u>	-22.1

During the examination, the company's total admitted assets increased by 152.8% from \$34.5 million at the end of 2015 up to \$87.2 million at the end of 2020, and total liabilities increased by 106.5% from \$12.7 million to \$26.2 million for the same period. The increase in total assets significantly exceeded the increase in liabilities, therefore the company's capital and surplus experienced a favorable increase of 180.0% from \$21.8 million in 2015 to \$61.0 million in 2020. Please note that a significant portion of the growth noted for 2019 through 2020 is attributable to the merger with Trilogy which resulted in a significant increase in Medicaid members for the company.

As shown for both 2019 and 2020, the company's operating performance on a per member per month (PMPM) basis was favorable as premiums PMPM well exceeded the expense PMPM. For the five years under examination, the company performed profitably pre- and post-merger, indicating proper cost containment and management efforts.

The company's investment portfolio comprised of bonds (29% of admitted assets) and mutual funds (2.9% of admitted assets), while the remaining invested assets were in cash and cash equivalents (58.8% of admitted assets). The company's highly conservative investment approach allows the company to maintain a high degree of liquidity to meet any cash demands; however, the approach limits the company's ability to produce investment income. Given that the company's business is short tailed in nature, the approach is reasonable as it would reduce the likelihood of having to sell its investments to generate the cash needed to fund its obligations. In addition, the company's operational performance has been strong during the examination period as previously noted, which has allowed the company to not rely on investment income to supplement its operation.

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.

VII. SUMMARY OF EXAMINATION RESULTS

Compliance with Prior Examination Report Recommendations

There were eight 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. Affiliated Agreements—It is recommended that the company include the network agreement with IPN in future annual holding company registration filings, Form B, in accordance with s. Ins 40.04 (d), Wis. Adm. Code.

Action—Compliance.

2. Executive Compensation—It is recommended that the company report all required employees in the annual Report of Executive Compensation in accordance with s. 611.63 (4), Wis. Stat.

Action—Compliance.

3. Executive Compensation—It is recommended that the company comply with s. 611.63 (4), Wis. Stat., by reporting all remuneration paid to or accrued on behalf of officers or employees, which includes insurance premiums, in accordance with the instructions stated on the Report on Executive Compensation.

Action—Compliance.

4. Affiliated Agreements—It is recommended that the company file any amendment to its affiliated agreements with OCI for non-disapproval in accordance with s. Ins 40.04 (2) (d), Wis. Adm. Code.

Action—Compliance.

5. External Auditor Awareness Letter—It is recommended that the company obtains a letter from the independent certified public accountant it retains to conduct the annual audit which meets the conditions specified under s. Ins 50.07 (3) (a), Wis. Adm. Code.

Action—Compliance.

6. Actuarial Opinion—It is recommended that the company's board of directors, or a committee of the board, receive and review the actuarial opinion in accordance with the NAIC Annual Statement Instructions – Health.

Action— Noncompliance.

7. Custodian Agreements—It is recommended that the company enter into a custodian agreement containing an indemnification clause consistent with the NAIC Financial Condition Examiners Handbook.

Action—Compliance.

8. Custodian Agreements—It is recommended that the company enter into a custodial agreement which is in compliance with the NAIC Financial Condition Examiners Handbook guidelines for custodial or safekeeping agreements.

Action—Noncompliance.

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.

Escheat Property

A review of the company's escheat properties identified that there were outstanding checks still in the possession of the company that were older than five years. Under s. 177.02 Wis. Stat, the company is required to remit all outstanding checks that have been outstanding for more than five years to the Department of Revenue. It is recommended that the company properly and timely remit escheat properties to the Department of Revenue in accordance with s. 177 Wis. Stat.

Holding Company Registration – Form B

A review of the company's Holding Company Registration -Form B filing disclosed that the company failed to properly report its related party agreements and/or transactions with its parent company, My Choice Wisconsin, Inc. as required under s. Ins 40.03 Wis Adm. Code. It is recommended that the company disclose all active related party agreements and/or transactions in accordance with the requirement set forth under s. Ins 40 Wis Adm Code.

Custodian Agreement

The examination's review of the company's custodian agreement noted that it was missing a required provision which requires the custodian and its agent to send all reports received from a clearing corporation, including reports prepared by the custodian's outside auditors, to the insurance company on their respective systems of internal controls. Pursuant to the NAIC *Financial Condition Examiners Handbook*, the company is required to include the provision within the agreement to provide for proper control and safeguard over the company's assets. It is recommended that the company include all required provisions within its custodian agreement in accordance with the NAIC *Financial Condition Examiners Handbook*.

Actuarial Opinion

The NAIC Annual Statement Instructions - Health requires that a company present the actuarial opinion and the supporting memorandum to the board of directors or audit committee each year

and that the minutes should indicate that the appointed actuary has presented such information to the board of directors or audit committee. The examination's review noted that there was no documentation of the actuarial opinion being presented to either the board of directors or the audit committee.

Discussion with the company confirmed that the actuarial opinion was not provided to the board or audit committee. It is recommended that the company have its appointed actuary present the actuarial opinion and memorandum to the board of directors or the audit committee on an annual basis in accordance with the NAIC Annual Statement Instructions - Health.

VIII. CONCLUSION

My Choice Wisconsin Health Plan, Inc. is a nonstock, not-for-profit HMO formed under the provisions of ch. 613 of the Wisconsin Statutes. The company provides health and long-term management and care services to the elderly and adults with disabilities in certain counties within the state of Wisconsin. The company operates as a managed care organization under the Wisconsin Family Care Partnership Program, and participates in the state of Wisconsin's Supplemental Security Income (SSI) Managed Care Program, BadgerCare Plus, and Medicare Dual Advantage programs.

Effective January 1, 2020, the company merged with Trilogy to form its current state following the merger of its parent company with another care management organization. The merger led to the dissolution of Trilogy and all of Trilogy's assets and liabilities were transferred to the company. In addition, the company experienced significant growth in its Medicaid membership as Trilogy only participated in the BadgerCare Plus program. The company has continued to perform well subsequent to the merger as shown by its strong operational results in 2020 which resulted in a net income of \$20.6 million on premiums of \$209.5 million.

The company maintains a highly liquid investment portfolio, which includes a significant portion of cash and cash equivalents. The company's strong liquidity position has allowed it to exceed the minimum capital requirements required under the Wisconsin compulsory surplus requirement and security surplus standard.

The prior examination resulted in eight recommendations pertaining to the pre-merger entities, Care Wisconsin Health Plan, Inc. and Trilogy. The current examination resulted in four recommendations.

IX. SUMMARY OF COMMENTS AND RECOMMENDATIONS

1. Page 24 - Escheat Property— It is recommended that the company properly and timely remit escheat properties to the Department of Revenue in accordance with s. 177 Wis. Stat.
2. Page 24 - Holding Company Registration – Form B— It is recommended that the company disclose all active related party agreements and/or transactions in accordance with the requirement set forth under s. Ins 40 Wis Adm Code.
3. Page 24 - Custodian Agreement— It is recommended that the company include all required provisions within its custodian agreement in accordance with the NAIC *Financial Condition Examiners Handbook*.
4. Page 25 - Actuarial Opinion— It is recommended that the company have its appointed actuary present the actuarial opinion and memorandum to the board of directors or the audit committee on an annual basis in accordance with the NAIC Annual Statement Instructions - Health.

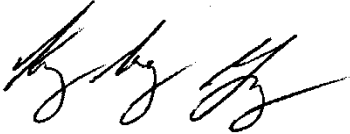
X. ACKNOWLEDGMENT

The courtesy and cooperation extended during the course of the examination by the officers and employees of the company 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
Jonathan Mundschau	Insurance Financial Examiner
Abdel Kondoh	Insurance Financial Examiner
Vickie Ostien	Insurance Financial Examiner
Eleanor Lu, CISA	IT Specialist
Terry Lorenz, CFE	Quality Control Specialist
Jerry DeArmond, CFE	Reserve Specialist

Respectfully submitted,



Kongmeng Yang
Examiner-in-Charge