Report of the Examination of

Network Health Plan

Menasha, Wisconsin

As of December 31, 2020

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November 29, 2021

Honorable Mark V. Afable
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:

NETWORK HEALTH PLAN
Menasha, Wisconsin

and this report is respectfully submitted.

I. INTRODUCTION

The previous examination of Network Health Plan (the company or NHP) was conducted in 2018 as of December 31, 2017. 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 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 company’s reserving assumptions and methodologies, unpaid claims liability, unpaid claims adjustment expenses, medical loss ratio rebate liability, premium deficiency reserves, accrued retrospective premiums, amounts recoverable from reinsurer, health care and other receivables, and accrued medical incentive pool and bonus amounts. 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 company is described as a for-profit network 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 network model, the company provides care through contracts with two or more clinics. HMOs compete with traditional fee-for-service health care delivery.

The company was incorporated on September 30, 1982, and commenced business on April 1, 1983. The company is owned by Network Health, Inc. (NHI), which is in turn controlled by Froedtert Health, Inc. (FHI) and Ministry Health Care, Inc. (MHC), each holding a 50% interest.

Network Health Plan contracts with 2,113 primary care providers, 15,288 specialists, 48 hospitals, and 1,891 facility and ancillary providers to deliver covered services. The provider contracts include hold-harmless provisions for the protection of policyholders. In addition, there is an insolvency provision in place to ensure the continuation of benefits for covered services for members in the event that the company becomes insolvent. The contracts generally have a one-year term and may be terminated with between 60- and 180-days' prior notice. A complete list of NHP hospitals can be found in Section XI of this report.

According to its business plan, the company's service area is comprised of the following 23 counties:

Brown	Kenosha	Outagamie	Washington
Calumet	Kewaunee	Ozaukee	Waukesha
Dodge	Manitowoc	Portage	Waupaca
Door	Marquette	Racine	Waushara
Fond du Lac	Milwaukee	Shawano	Winnebago
Green Lake	Oconto	Sheboygan	

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
Cardiac rehabilitation, physical, speech, and/or occupational therapy
Physical fitness or health education
Kidney disease treatment
Certain transplants
Chiropractic services

Inpatient and outpatient mental health and AODA coverage follows the state mandated benefits. Emergency services may have a copayment or a deductible and coinsurance, which are waived upon admission into an inpatient facility. Skilled nursing care is limited to 60 days per benefit period. Plan coverage is contingent on nonemergency services being provided by participating physicians and hospitals or on the referral to a non-participating provider.

NHP has point-of-service products, which 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 NHP's network for higher deductibles and coinsurance levels. Out-of-network, skilled nursing facility, inpatient, some outpatient hospital, and some durable medical equipment services require precertification. If precertification is not received, benefits are denied. Eligible out-of-network services are covered by Network Health Insurance Corporation.

NHP has contracted with the Wisconsin Department of Health Services to provide and pay for services to recipients enrolled in the company under the Medicaid SSI HMO and BadgerCare Plus HMO Programs. The company has entered into a subcontract with Managed Health Services Insurance Corporation (MHSIC) to provide health care services to NHP's Medical Assistance HMO enrollees. In

consideration for the services to be provided, MHSIC receives the Medicaid HMO capitation rate per member per month and pays NHP a base fee. The agreement was effective on January 1, 2001, for a period of six years. The agreement was recently amended on July 1, 2019, to change the term of the agreement to 19 years with an agreement effective date of January 1, 2001; initial renewal term of three years; and a subsequent renewal term to allow for a two-year option to extend.

The company currently markets to groups and individuals. The company markets through 1,063 independent agents licensed to sell the company's insurance products. Current marketing efforts are directed toward the company's commercial group major medical plans. Large and small commercial employer groups are targeted throughout northeast Wisconsin. In southeast Wisconsin, the company started marketing for large employer group products in the spring of 2015. In 2016, the company began offering individual products through the Federally Facilitated Marketplace.

The company uses an actuarially determined base as a beginning point in commercial major medical 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 annually for inflation and other trending factors. Individual rates are subject to a similar review with additional consideration of changes to the federal programs, such as Risk Adjustment and Cost-Sharing Reduction, and the company's risk-sharing agreements with its provider network.

III. MANAGEMENT AND CONTROL

Board of Directors

The board of directors consists of 10 directors. All directors are elected annually to serve a one-year term. The position of president and chief executive officer of the company is appointed by the board of directors for a two-year term. Other officers are elected by the board of directors. Members of the company's board of directors also serve as members of other boards of directors in the holding company group. The board members working for affiliated companies of the company do not receive compensation for serving on the board of directors. External board members are compensated through NHI for their services on the board.

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

Name and Residence	Principal Occupation	Term Expires
John Bykowski Appleton, Wisconsin	Retired, Secura Insurance	2021
Robert Culling Milwaukee, Wisconsin	President/Clinical Ascension Medical Group	2021
Scott Hawig Whitefish Bay, Wisconsin	Senior Vice President & Chief Financial Officer, Froedtert Health, Inc.	2021
Catherine Jacobson Brookfield, Wisconsin	President & Chief Executive Officer, Froedtert Health, Inc.	2021
David Olson Mequon, Wisconsin	Chief Strategy Officer, Froedtert Health, Inc.	2021
Larry Rambo Hartland, Wisconsin	Retired, Humana, Southeast Wisconsin	2021
Christopher Zwygart West Bend, Wisconsin	Vice President/Chief Risk Officer, West Bend Mutual	2021
Jonathan Sohn Brookfield. Wisconsin	Senior Vice President/Chief Revenue, Ascension Wisconsin	2021
Essie Whitelaw Mequon, Wisconsin	Retired, Wisconsin Physician Services	2021

Name and Residence	Principal Occupation	Term Expires
Bernard Sherry, Chair Milwaukee, Wisconsin	Senior Vice President, Ascension Health	2021

Officers of the Company

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

Name	Office
Coreen Dicus-Johnson	President & Chief Executive Officer
Brian Ollech	Chief Financial Officer
Penelope Ransom	Chief Administrative Officer
Gregory Buran, MD	Chief Medical 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:

Executive Committee
Bernard Sherry, Chair
Catherine Jacobson
David Olson
Jonathon Sohn

Audit Committee
Christopher Zwygart, Chair
John Bykowski
Essie Whitelaw
Jonathon Sohn
Scott Hawig (Non-voting member)

The company has no employees. Necessary staff is provided through a leased employee agreement with NHI. Under the agreement, effective December 14, 2013, NHI 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 MIS. Refer to Section IV—Affiliated Companies of this report for more information.

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

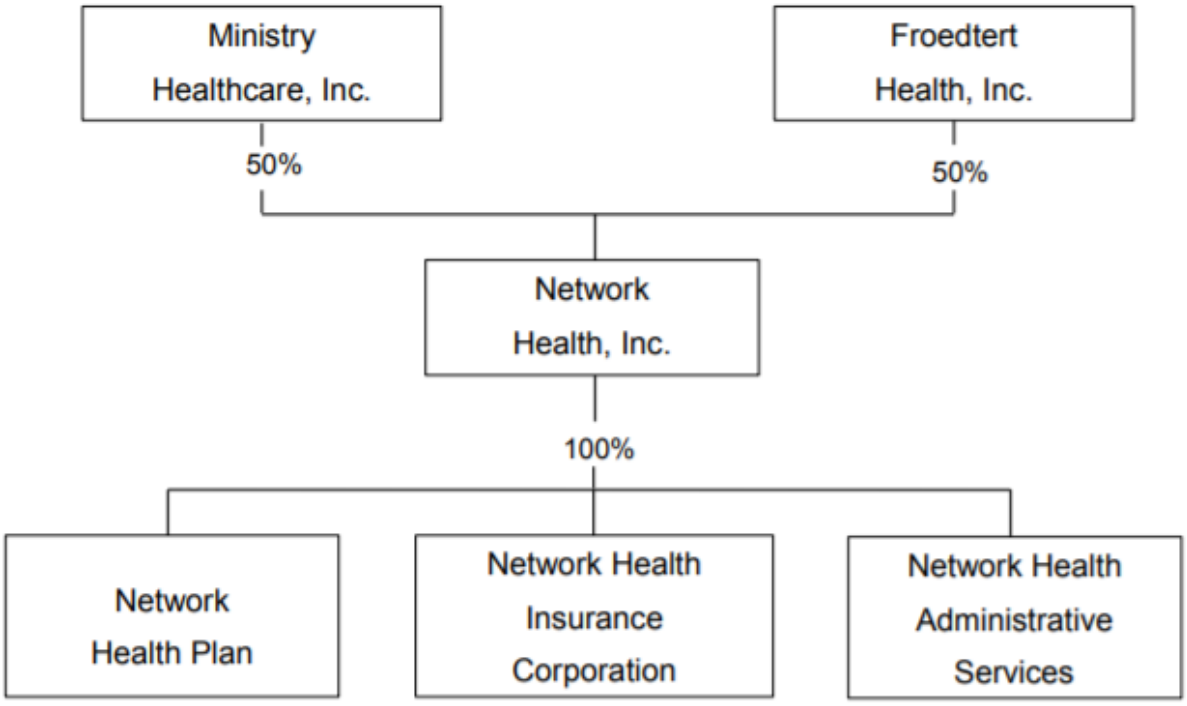
2. Enrollees will be entitled to similar, alternate coverage which does not contain any medical underwriting or preexisting limitation requirements.

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 parents are Froedtert Health, Inc. and Ministry Healthcare, Inc. The organizational chart below depicts the relationships among the affiliates in the group. A brief description of the significant affiliates of the company follows the organizational chart.

Holding Company Chart
As of December 31, 2020



Ministry Health Care, Inc.

Ministry Health Care, Inc. (MHC) is a nonstock, not-for-profit corporation organized to support and carry out the missions of its downstream affiliates:

- Affinity Health System (including its downstream affiliates Network Health System, Inc., Mercy Health Foundation, Inc., St. Elizabeth's Hospital, Inc., Mercy Medical Center of Oshkosh, Inc., Calumet Medical Center, Gold Cross Ambulance Service, Inc., and Catalpa Health, Inc.)
- Agape Community Center of Milwaukee, Inc.
- Putnam Capital Management, LLC
- Sacred Heart St. Mary's Hospitals, Inc.
- Howard Young Health Care, Inc.
- St. Michael's Hospital of Stevens Point, Inc.
- Good Samaritan Health Center of Merrill, Wisconsin, Inc.

- St. Claire's Hospital of Weston, Inc.
- Pain Centers of Wisconsin-Stevens Point, LLC
- Pain Centers of Wisconsin-Wausau, LLC
- Ministry Medical Group, Inc.
- Ministry Home Care, Inc.
- St. Joseph's Hospital of Marshfield, Inc.
- Our Lady of Victory Hospital, Inc.
- Door County Memorial Hospital
- St. Elizabeth's Hospital of Wabasha, Inc.

As of June 30, 2020, MHC's GAAP audited financial statement reported assets of $41.9 billion, liabilities of $20.3 billion, and total net assets of $21.6 billion. Operations for the year ended June 30, 2020, produced net loss of $639.4 million on revenues of $25.3 billion.

Froedtert Health, Inc.

Froedtert Health, Inc. (FHI) is a nonstock, not-for-profit corporation organized to support and carry out the missions of its downstream affiliates:

- Froedtert Memorial Lutheran Hospital, Inc. (including its downstream affiliate Froedtert Hospital Foundation, Inc.)
- Community Memorial Hospital of Menomonee Falls, Inc. (including its downstream affiliates Community Memorial Foundation of Menomonee Falls, Inc., and Community Outpatient Health Services of Menomonee Falls, Inc.)
- St. Joseph's Community Hospital of West Bend, Inc. (including its downstream affiliates St. Joseph's Community Foundation, Inc., and West Bend Surgery Center, LLC)
- Froedtert & The Medical College of Wisconsin Community Physicians
- Progressive Physician Network, Inc.

As of June 30, 2020, the FHI's consolidated GAAP audited financial statement reported assets of $4.5 billion, liabilities of $1.8 billion, and total net assets of $2.7 billion. Operations for the year ended June 30, 2020, produced a change in unrestricted net assets of $130.2 million on revenues of $2.7 billion.

Network Health, Inc.

Network Health, Inc. (NHI) is a nonstock, nonprofit corporation and is the sole shareholder/corporate member of Network Health Insurance Corporation and Network Health Administrative Services, LLC. Network Health Plan is a wholly owned subsidiary of NHI. NHI is jointly owned by Froedtert Health, Inc. and Ministry Health Care, Inc. As of December 31, 2020, NHI's audited GAAP financial statement reported assets of $404.2 million, liabilities of $182.4 million, and net assets of

$221.8 million. Operations for 2020 produced a change in net assets of $22.4 million on revenues of $930.5 million.

Network Health Insurance Corporation

Network Health Insurance Corporation (NHIC) is a nonstock, nonprofit corporation incorporated in the state of Wisconsin under the provisions of Chapter 613 of the Wisconsin statutes as a service insurance corporation, whose sole member is NHI. NHIC is engaged in the business of health insurance for health care services provided to primarily Medicare beneficiaries. NHIC also offers a joint point of service product with the company whereas NHIC provides coverage for out-of-network claims. NHIC contracts with various health care facilities to provide covered medical services and supplies to NHIC participants who pay a fixed monthly premium for insurance coverage. The majority of these services are provided in northeastern Wisconsin. As of December 31, 2020, NHIC's audited statutory financial statement reported assets of $221.5 million, liabilities of $95.6 million, and capital and surplus of $125.9 million. Operations for 2020 produced a net income of $22.5 million on revenues of $677.3 million.

Network Health Administrative Services

Network Health Administrative Services **(**NHAS) is a nonstock corporation whose sole member is NHI. NHAS is primarily an Administrative Services Only (ASO) plan that provides services such as claims processing for self–insured, employer-sponsored health and welfare plans. Claims are paid either from a bank account owned and funded directly by the self-insured plan, or from bank accounts owned by NHAS that have been adequately funded by the self-insured plan to fully cover the claims. NHAS commenced performing ASO services in northeastern and southeastern Wisconsin during 2015. As of December 31, 2020, the NHAS's unaudited GAAP financial statement reported assets of $5.3 million, liabilities of $2.1 million, and Equity and Retained Earnings of $3.2 million. Operations for 2020 produced a net gain of $1.0 million on revenues of $5.1 million.

Affiliated Agreements

The following agreements were in place as of December 31, 2020: NHI, MHC, and FHI have a Members Agreement (MA) and Member Admission Agreement (MAA), both effective November 1, 2014, in which FHI acquired a 50% interest in NHI and its subsidiaries. Taken together, the agreements

describe a process whereby a capital deficiency in the company and/or NHIC will be cured via capital contributions by MHC and FHI if, along with other conditions, the capital and surplus levels of the company and/or NHIC fall below levels required by the state of Wisconsin.

NHIC, NHAS, and NHP have an Intercompany Service Agreement (ISA) with NHI, effective January 1, 2017, which supersedes all prior intercompany service agreements between NHI and the subsidiaries. Under the terms of the agreement, NHI is to provide management and operations support services to the subsidiaries. Direct expenses are allocated entirely to the entity that incurred such expenses and indirect expenses are allocated to each entity based on available drivers outlined in the agreement. The estimated expenses are settled monthly with a minimum of three true-ups during the year to better reflect the actual expenses incurred by each entity. A final true-up is performed during the close process at year-end.

NHIC, NHP, NHAS, and NHI have a Tax Allocation Agreement (TAA), effective January 1, 2014, and amended in February 2015. In the TAA, the group files a consolidated tax form through NHI for years subsequent to 2013, and NHI allocates the tax liability among the members in proportion to what they would be obligated to pay if filing individually. Additionally, NHI will reimburse each member its allocable portion of NOL or tax credit amounts.

NHIC, NHP, NHAS, and NHI have a Leased Employee Agreement (LEA), effective December 14, 2013, and amended in March 2015. The lessor, NHI, agrees to lease its staff to the lessee entities, NHAS, NHIC, and NHP. As compensation, the lessor receives the full cost of providing the personnel to the lessee entities. The agreement requires monthly billing by the 10th business day of each month and full payment within 30 days of receipt.

NHP and NHAS have an Intercompany Service Agreement (IA), effective October 15, 2015, in which NHAS is to provide or arrange payments for contraceptive services for certain religious employers who filed a self-certification objecting to payment of contraceptive benefits pursuant to the ACA. NHP is to provide coverage for contraceptive services for those members.

NHP, NHIC, NHI, and NHAS and Inception Health Operations, LLC have a Master Services Agreement (MSA), effective September 1, 2019. The purpose of this agreement is to provide a baseline agreement to potentially add third party innovative health services through Inception Health to

their members. These services will be added through addendums to this underlying agreement. An addendum was signed on November 15, 2019, to provide an Ambulatory Diabetes Outreach Program (ADOP) and the Glooko Application which is a software application that enables patients and health care professionals to remotely monitor and manage diabetes treatment, to certain Network Health members that are attributed to Froedtert Health, Inc., and that qualify for the program.

NHP, NHIC, and Mosaic Family Health have a combined HMO/MA/Point of Service (POS) Agreement, effectively April 1, 2018, which describes the reimbursement terms and conditions with respect to payment for covered services provided to NHP and NHIC members.

NHP, NHIC, and Regional Medical Laboratory (RML) have an Ancillary Provider Service Agreement, effective October 1, 2015, in which RML will provide laboratory health services or supplies to members of NHP's commercial and individual products and NHIC's Medicare Advantage products.

NHP, NHIC, and Froedtert and the Medical College of Wisconsin Network, LLC (FMCWN), have a Risk-Sharing Agreement, effective January 1, 2020, in which FMCWN shall provide and/or arrange for the provision of covered services to members. NHP, NHIC, and FMCWN, through the Medicare Advantage plans, Affordable Care Act plans and commercial plans of the above referenced combined Agreement, agree to align all parties' incentives towards improving patient health, enhancing patient experiences, and reducing or controlling the cost of health care in the parties' shared communities.

NHP, NHIC, and Ascension Wisconsin (Ascension) have a Risk-Sharing Agreement, effective January 1, 2018, in which Ascension shall provide and/or arrange for the provision of covered services to members. NHP, NHIC, and Ascension, through the above referenced Agreement, agree to align all parties' incentives towards improving patient health, enhancing patient experiences, and reducing or controlling the cost of health care in the parties' shared communities.

NHP and NHIC have an Administrative Services and Program Agreement (ASPA), effective July 1, 2001, in which NHP and NHIC offered a point of service benefits together in one contract in NHPs Service Area in which NHP will administer pursuant to the terms of this contract.

NHP, NHIC, and Ascension NE Wisconsin, Inc. (f/k/a St. Elizabeth Hospital, Inc.) have a COPD Agreement, effective April 28, 2015, in which Ascension NE Wisconsin, Inc. provides intensive

disease management through its COPD disease management program to NHP and NHIC members who have moderate to severe Chronic Obstructive Pulmonary Disease.

There is a Memorandum of Understanding (MOU), effective January 1, 2021, between NHI and its affiliates, and Ascension Wisconsin in which the parties will share the cost of a coder employed by Ascension Wisconsin. The services contemplated include a review of the company's member medical records to ensure that the diagnosis codes listed are accurate and complete (including ensuring that medical conditions appearing in member medical records that are no longer accurate are correctly removed from the medical records to ensure that the records accurately reflect the member's medical conditions).

There is a Memorandum of Understanding, effective January 1, 2021, between NHI and its affiliates, and FMCWN in which the parties will share the cost of a registered nurse and clinical documentation specialist employed by FMCWN. The services contemplated include a review of the company's member medical records to ensure that the diagnosis codes listed are accurate and complete (including ensuring that medical conditions appearing in the member medical records that are no longer accurate are correctly removed from the medical records to ensure that the records accurately reflect the member's medical conditions).

There is a Credentialing Agreement, effective January 1, 2019, between the company, NHIC, and Ascension Wisconsin in which NHP and NHIC will utilize Ascension Wisconsin's services to credential and recredential Ascension's health care practitioners and entities who will or are participating in NHP and NHIC's network.

There is a Credentialing Agreement, effective May 1, 2021, between the company, NHIC, and Froedtert and the Medical College of Wisconsin Network in which NHP and NHIC will utilize FMCWN services to credential and recredential FMCWN's health care practitioners and entities who or which will be or are participating in NHP and NHIC's network.

There is an Independent Practice Agreement, effective November 1, 2020, between the company, NHIC, and Catalpa Health (Catalpa) in which Catalpa shall provide covered services by and through itself and/or its providers (including, but not limited to, its employed or contracted health care professionals, qualified staff personnel appropriately supervised by providers), and physical facilities,

including any laboratory, x-ray and special care units, subject to the availability of such facilities, personnel and services to NHP and NHIC members.

V. REINSURANCE

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

1. Reinsurer:	Axis Insurance Company
Type:	Fully Insured Medical Excess of Loss Reinsurance
Effective date:	January 1, 2021
Retention:	$850,000
Coverage:	100% of unlimited amount of ultimate net loss in respect to each covered person for each policy period in excess of the company's retention amount. Maximum coverage is limited to $1,000,000 per covered person, with an aggregate limit of $5,000,000 per contract year.
Termination:	Contract will terminate at the end of the contract period on January 1, 2022. The company may also terminate the contract at any time by providing written notice to Axis Insurance Company in the event of the occurrence of a special termination event as outlined in the contract. If the contract is terminated prior to the contract term, Axis Insurance Company shall have no liability for claims incurred subsequent to the effective date of the termination.

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

1. Axis 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. Axis 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 the compulsory and security surplus calculation.

Network Health Plan
Assets
As of December 31, 2020

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	$ 43,679,086	$	$ 43,679,086
Real Estate:			
Properties occupied by the company	1,977,948		1,977,948
Cash, cash equivalents and short-term investments	31,091,827		31,091,827
Investment income due and accrued	186,728		186,728
Uncollected premiums and agents' balances in the course of collection	885,940	172,075	713,865
Accrued retrospective premiums and contracts subject to redetermination	9,586,799		9,586,799
Amounts recoverable from reinsurers	7,281,698		7,281,698
Current federal and foreign income tax recoverable and interest thereon	1,637,912		1,637,912
Net deferred tax asset	3,092,743	575,330	2,517,413
Furniture and equipment, including health care delivery assets	204,619	204,619	
Receivables from parent, subsidiaries and affiliates	2,048,944	2,048,944	
Health care and other amounts receivable	1,524,665		1,524,665
Write-ins for other than invested assets:			
State Income Tax Receivable	663,485		663,485
Total Assets	$103,862,394	$3,000,968	$100,861,426

Network Health Plan
Liabilities and Net Worth
As of December 31, 2020

Claims unpaid		$ 23,616,403
Accrued medical incentive pool and bonus payments		9,587,033
Unpaid claims adjustment expenses		708,492
Aggregate health policy reserves		9,032,932
Premiums received in advance		2,059,362
General expenses due or accrued		1,248,159
Ceded reinsurance premiums payable		205,622
Amounts due to parent, subsidiaries, and affiliates		3,414,951
Payable for securities		262,416
Aggregate write-ins for other liabilities (including $170,553 current)		170,553
Total Liabilities		50,305,923
Common capital stock	$ 200,000	
Gross paid in and contributed surplus	27,672,597	
Unassigned funds (surplus)	22,682,906	
Total Capital and Surplus		50,555,503
Total Liabilities, Capital and Surplus		$ 100,861,426

Network Health Plan
Statement of Revenue and Expenses
For the Year 2020

Net premium income		$362,391,406
Medical and Hospital:		
Hospital/medical benefits	$262,330,194	
Other professional services	4,207,207	
Emergency room and out-of-area	8,552,250	
Prescription drugs	22,460,823	
Incentive pool and withhold adjustments	14,386,480	
Subtotal	311,936,954	
Less		
Net reinsurance recoveries	13,348,203	
Total medical and hospital	298,588,751	
Claims adjustment expenses	4,799,212	
General administrative expenses	58,114,360	
Increase in reserves for life and accident and health contracts	4,864,762	
Total underwriting deductions		366,367,085
Net underwriting gain or (loss)		(3,975,679)
Net investment income earned	1,584,001	
Net realized capital gains or (losses)	458,981	
Net investment gains or (losses)		2,042,982
Federal and foreign income taxes incurred		2,408,743
Net Income (Loss)		$ (4,341,440)

Network Health Plan
Capital and Surplus Account
For the Three-Year Period Ending December 31, 2020

	2020	2019	2018
Capital and surplus, beginning of year	$54,298,280	$58,332,415	$52,961,552
Net income (loss)	(4,341,440)	(4,043,015)	10,179,161
Change in net deferred income tax	1,540,643	324,576	(1,966,543)
Change in nonadmitted assets	(941,980)	(315,696)	9,658,243
Dividends to stockholders			(12,500,000)
Write-ins for gains and (losses) in surplus:			
Rounding			2
Capital and Surplus, End of Year	$50,555,503	$54,298,280	$58,332,415

Network Health Plan
Statement of Cash Flow
For the Year 2020

Premiums collected net of reinsurance			$369,713,119
Net investment income			1,761,299
Total			371,474,418
Less:			
Benefit- and loss-related payments		$316,193,581	
Commissions, expenses paid and aggregate write-ins for deductions		66,310,478	
Federal and foreign income taxes paid (recovered) net of tax on capital gains		7,324,773	
Total			389,828,832
Net cash from operations			(18,354,414)
Proceeds from Investments Sold, Matured or Repaid:			
Bonds	$26,563,831		
Miscellaneous proceeds	262,417		
Total investment proceeds		26,826,248	
Cost of Investments Acquired—Long-term Only:			
Bonds		13,145,200	
Net cash from investments			13,681,048
Cash Provided/Applied:			
Other cash provided (applied)		2,096,528	
Net cash from financing and miscellaneous sources			2,096,528
Net Change in Cash, Cash Equivalents, and Short-Term Investments			(2,576,838)
Cash, cash equivalents, and short-term investments:			
Beginning of year			33,668,665
End of Year			$ 31,091,827

Growth of Network Health Plan

Year	Assets	Liabilities	Capital and Surplus	Premium Earned	Medical Expenses Incurred	Net Income
2020	$100,861,426	$50,305,923	$50,555,503	$362,391,406	$298,588,751	$(4,341,440)
2019	111,563,870	57,265,590	54,298,280	377,542,077	335,295,098	(4,043,015)
2018	106,495,412	48,162,997	58,332,415	401,045,832	334,424,171	10,179,161
2017	92,705,481	39,743,928	52,961,552	298,868,924	244,231,894	11,675,685

Year	Profit Margin	Medical Expense Ratio	Administrative Expense Ratio	Change in Enrollment
2020	-1.2%	83.7%	17.4%	14.1%
2019	-1.1	88.8	13.0	-5.9
2018	2.5	83.4	13.5	17.5
2017	3.9	81.7	12.6	-18.4

Enrollment and Utilization

Year	Enrollment	Hospital Days/1,000	Average Length of Stay
2020	94,123	309.9	4.2
2019	82,490	274.1	4.3
2018	87,693	254.2	4.1
2017	74,650	245.4	4.0

Per Member Per Month Information

	2020	2019	Percentage Change
Premiums:			
Commercial	$508.41	$519.35	-2.1%
Medicaid	206.52	204.59	1.0
Aggregate	346.78	373.75	-7.2
Expenses:			
Hospital/medical benefits	251.03	288.82	-13.1
Other professional services	4.03	7.10	-43.3
Emergency room and out-of-area	8.18	7.83	4.5
Prescription Drugs	21.49	23.07	-6.8
Incentive pool and withhold adjustments	13.77	16.20	-15.0
Less: Net reinsurance recoveries	12.77	11.09	15.2
Total medical and hospital	285.72	331.93	-13.9
Claims adjustment expenses	4.59	6.39	-28.1
General administrative expenses	55.61	42.15	31.9
Increase in reserves for accident and health contracts	4.66	0.00	100%
Total underwriting deductions	$350.58	$380.47	-7.9

The company had strong financial performances in 2017 and 2018; however, the trend reversed for 2019 and 2020 as the company incurred two consecutive net losses. The company incurred a loss in 2019 as a result of agreements entered into with its affiliated providers to allow for incentive payments based on the quality of care for its ACA business beginning in 2019. The agreements led to an increase in incentive payments of $0.9 million in 2018 to $16.4 million in 2019. The loss incurred in 2020 appear to be driven by a significant increase in general administrative expenses. Review of the loss noted that the primary driver appears to relate to a significant increase in administrative fees paid to Centene Corporation for the administration of the company's Medicaid business. However, after consideration for the consecutive losses, the company retains a healthy risk-based capital ratio of 467.4% and surplus of $50.6 million as of December 31, 2020, which indicates that the company is financially sound.

The company maintains a conservative investment portfolio comprising primarily of U.S. Bonds and U.S. Special Revenue Bonds. The company monitors its portfolio on an ongoing basis to ensure compliance with its investment policy. Due to the conservative nature of its investments, the yields generated remain low; however, this also serves as a safety net for the company in the event that it has short-term cash shortages.

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			$100,861,426
Less:			
Special deposit			4,157,153
Liabilities			50,305,923
Assets available to satisfy surplus requirements			46,398,350
Net premium earned			
HMO business	246,839,795		
Factor	3%		
Total		14,810,387	
Medicaid	115,551,611		
Factor	0.5%		
Total		577,758	
Compulsory surplus			15,388,145
Compulsory Surplus Excess (Deficit)			$31,010,205
Assets available to satisfy surplus requirements			$46,398,350
Compulsory surplus		$15,388,145	
Security factor		130%	
Security surplus			20,004,588
Security Surplus Excess (Deficit)			$26,393,762

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 $6.3 million 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.

VII. SUMMARY OF EXAMINATION RESULTS

Compliance with Prior Examination Report Recommendations

There were four 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. Form B Filing—It is recommended the company properly file its Form B in accordance with s. Ins 40.03 (3) (c), Wis. Adm Co

   Action—Compliance.

2. Report on Executive Compensation—It is recommended the company comply with s. 611.63 (4), Wis. Stat. by reporting all compensation received by officers or employees in accordance with the instructions stated on the Report on Executive Compensation.

   Action—Compliance.

3. Business Continuity Plan—It is recommended the company include third-party service providers in the business impact analysis and risk assessment for its business continuity plan.

   Action—Compliance.

4. Other Recommendations—It is recommended the company strengthen its IT control environment as specifically described in the management letter dated October 5, 2018.

   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.

Actuarial Memorandum

As part of the examination of the company, OCI contracted with NovaRest Actuarial Consulting to perform a review of the company's actuarial reserves. As part of this review, the contracted actuary noted that the company's reserves were not unreasonable; however, disclosure on the methods, procedures, assumptions, and data used to develop the reserves and other actuarial items within the actuarial memorandum were insufficient to allow another actuary to evaluate the reasonableness of all the actuarial items. The company was able to provide most of the information to the contracted actuary to support the underlying methods and assumptions that went into the calculations; however, the NAIC Annual Statement Instructions—Health requires the company to prepare an actuarial memorandum with two components: 1) a narrative component that provides a broad overview of the actuarial items included in the scope of the actuarial opinion, and 2) a technical component, which provides sufficient detail so that another actuary could evaluate the reasonableness of the methods and assumptions used by the appointed actuary to determine the actuarial items. It is recommended that the company improve future actuarial memorandums to provide sufficient documentation and disclosure such that another actuary can evaluate the reasonableness of the methods and assumptions used by the appointed actuary to determine the actuarial items in accordance with the NAIC Annual Statement Instructions—Health.

VIII. CONCLUSION

Network Health Plan is a for-profit HMO that writes business exclusively in the state of Wisconsin. The company primarily offers Group and individual ACA products in 23 counties in northeast and southeast Wisconsin. In addition, NHP has contracted with the Wisconsin Department of Health Services to provide and pay for services to recipients enrolled in the company under the Medicaid SSI HMO and BadgerCare Plus HMO Programs. The company has a subcontract with MHSIC transferring 100% of the risk for providing health care services to NHP's Medical Assistance enrollees.

The company incurred net losses in the last two years of the examination period. As a result of the losses, surplus declined from $58.3 million at the end of 2018 down to $50.6 million at the end of 2020. Despite the decline, the company retains a relatively healthy surplus and ended the year-end 2020 with a risk-based capital ratio of 467.4%, which indicates that the company is financially sound.

As of December 31, 2020, the company reported assets of $100.9 million, liabilities of $50.3 million, and surplus of $50.6 million. The company had adjusted capital and surplus of $46.4 million which satisfied the compulsory and security requirement at year-end 2020. In addition, the company has continued to satisfy the security deposit requirement with the state of Wisconsin with a deposit of $6.3 million as of December 31, 2020.

The prior examination resulted in four exam recommendations, all of which have been complied with. The current examination resulted in one exam recommendation.

IX. SUMMARY OF COMMENTS AND RECOMMENDATIONS

1. Page 28 - Actuarial Memorandum—It is recommended that the company improve future actuarial memorandums to provide sufficient documentation and disclosure such that another actuary can evaluate the reasonableness of the methods and assumptions used by the appointed actuary to determine the actuarial items in accordance with the NAIC Annual Statement Instructions—Health.

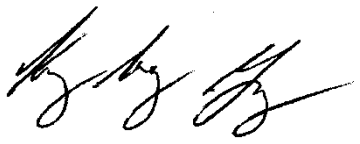
X. ACKNOWLEDGMENT

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
Martha Goettelman	Insurance Financial Examiner
Yi Xu	Insurance Financial Examiner
James Krueger	Data Specialist
Junji Nartatez	IT Specialist
Terry Lorenz, CFE	Quality Control Specialist
Jerry DeArmond, CFE	Reserve Specialist

Respectfully submitted,



Kongmeng Yang
Examiner-in-Charge

XI. LIST OF HOSPITALS

The following hospitals were listed in the company's Schedule of Covered Expenses report as of December 31, 2020:

- Ascension All Saints Hospital Spring St Campus
- Ascension NE Wisconsin, Inc.
- Ascension Sacred Heart St Mary's Hospital, Inc.
- Ascension Saint Clare's Hospital
- Ascension St Francis Hospital, Inc.
- Ascension St Michael's Hospital
- Aurora Medical Center Bay Area
- Beaver Dam Community Hospitals
- Bellin Psychiatric Center, Inc.
- Children's Hospital of Wisconsin
- Children's Hospital of Wisconsin Fox Valley
- Dickinson County Health System
- Froedtert Memorial Lutheran Hospital
- Froedtert South, Inc.
- Holy Family Memorial, Inc.
- MCHS Hospital Inc.
- Mercy Medical Center
- Midwest Orthopedic Specialty Hospital LLC
- Orthopedic Hospital of Wisconsin, LLC
- ProHealth Oconomowoc Memorial Hospital Inc.
- Sacred Heart Rehab
- SBH Green Bay LLC DBA Willow Creek Behavioral Health
- St Agnes Hospital
- St Mary's Hospital Medical Center
- St Nicholas Hospital
- St Vincent Hospital
- Waupun Memorial Hospital