



STATE OF MINNESOTA  
DEPARTMENT OF COMMERCE  
ST. PAUL, MINNESOTA  
REPORT OF EXAMINATION  
OF  
**GUNDERSEN HEALTH PLAN MINNESOTA**  
LA CRESCENT, MINNESOTA  
NAIC # 14202  
AS OF  
DECEMBER 31, 2017



*Protecting, Maintaining and Improving the Health of All Minnesotans*

The attached report of an examination made of the condition and affairs as of December 31, 2017, of:

**Gundersen Health Plan Minnesota  
NAIC #14202  
226 Second Street North  
La Crescent, Minnesota 55947**

was recently completed by duly qualified examiners of the State of Minnesota.

Due consideration has been given to the comments of the examiners regarding the operations of Gundersen Health Plan Minnesota, and their financial condition, as reflected in this report. This report is hereby, as of this date, approved, adopted, filed and made an official record of this Department.

Jan K. Malcolm  
Commissioner

A handwritten signature in blue ink, appearing to read 'Marie Dotseth', written over a horizontal line.

By: Marie Dotseth, M.H.A.,  
Assistant Commissioner

Dated: 6/20/2019

Pursuant to the authority vested in the Commissioner of Commerce of the State of Minnesota, Steve Kelley, being first duly sworn, upon his oath, deposes and says that a comprehensive examination was made of the affairs and financial condition of

**Gundersen Health Plan Minnesota  
NAIC #14202  
226 Second Street North  
La Crescent, Minnesota 55947**

a Health Maintenance Organization (HMO) authorized under the laws of the State of Minnesota. That, to the best of his information, knowledge, and belief, the attached Report of Examination describes the affairs and financial condition of the above-named company as of December 31, 2017, as determined by a comprehensive examination made in accordance with Minnesota Statutes Section 62D.14. The examination was completed by duly qualified examiners of the State of Minnesota representing the Midwestern Zone (III) of the National Association of Insurance Commissioners.

Due consideration has been given to the comments of the examiners regarding the operations of the above-named company and its financial condition, as reflected in this Report of Examination.

This Report of Examination is hereby, as of this date, approved, adopted, filed and made an official record of this Department.

Steve Kelley  
Commissioner



By: Grace Arnold  
Deputy Commissioner

Dated: 3-6-20-19

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March 1, 2019

The Honorable Jan K. Malcolm  
Commissioner of Health  
Minnesota Department of Health  
625 Robert Street North  
St. Paul, Minnesota 55155-2538

The Honorable Steve Kelley  
Commissioner of Commerce  
Minnesota Department of Commerce  
85 7<sup>th</sup> Place East, Suite 280  
St. Paul, Minnesota 55101-2198

Dear Honorable Commissioners:

Pursuant to your instructions and the statutory requirements of the State of Minnesota, a comprehensive examination has been made of the affairs and financial condition of:

**Gundersen Health Plan Minnesota  
NAIC #14202  
226 Second Street North  
La Crescent, Minnesota 55947**

(hereinafter referred to as the "Company"). Such Report of Examination is herewith respectfully submitted.



## SCOPE OF EXAMINATION

We have performed our full-scope risk-focused statutory financial condition examination of Gundersen Health Plan Minnesota (Company or GHP-MN) pursuant to the Minnesota Department of Commerce (Commerce) Examination Order #18-005. The examination was conducted as a coordinated examination concurrently with the financial examination of the Quartz Group, with Wisconsin serving as the lead state in the coordinated examination. The examination was conducted on behalf of the State of Minnesota Department of Health (hereinafter referred to as "Health") by the State of Minnesota Department of Commerce (hereinafter referred to as "Commerce"), observing the guidelines and procedures in the *National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook* (hereinafter referred to as the Handbook). Pursuant to Minnesota Statutes §62D.24 Health and Commerce have entered into an Interagency Agreement whereby Commerce conducts a financial examination of Health Maintenance Organizations on behalf of Health. The last examination was completed as of December 31, 2014. This examination covers the period of January 1, 2015 through December 31, 2017, including any material transactions and/or events occurring subsequent to the examination date.

We conducted our examination in accordance with the Handbook as adopted by the NAIC, along with specific procedures defined by Commerce. The Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This included assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If during the course of the examination, an adjustment was identified, the impact of such adjustment is documented separately following the Company's financial statements presented within this Report of Examination.

This Report of Examination includes significant findings of fact and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the Report of Examination but were separately communicated to other regulators and/or the Company.

The Company's statutory financial statements were audited annually by an independent Certified Public Accountant (CPA). The 2017 statutory financial statements were audited by RSM US LLP.

Certain work papers developed by RSM US LLP were relied upon by the examiners and were incorporated into the examiners' work papers.

### **STATUS OF SIGNIFICANT FINDINGS FROM PRIOR EXAMINATION**

The prior examination of the Company resulted in no adverse regulatory findings, with no recommendations included in the Report of Examination as of December 31, 2014.

### **SUMMARY OF SIGNIFICANT FINDINGS**

There were no material adverse findings, significant non-compliance findings or material changes to the financial statements as a result of examination procedures performed.

### **COMPANY HISTORY**

GHP-MN was organized in 2011 as a nonprofit HMO pursuant to Minnesota Statutes Chapter 62D. The Company is licensed to provide comprehensive health care insurance in four Minnesota counties bordering Wisconsin.

Prior to May 2, 2016, Gundersen Health Plan Inc. (GHP), the Company's sole corporate member, was a wholly owned subsidiary of Gundersen Health System (GHS), a membership corporation. On May 2, 2016, GHS entered into a partnership agreement with University Health Care, Inc. (UHC) to share management and administrative services with GHP. The parties accomplished the partnership through an agreement to exchange the membership rights in GHP with the stock of Unity Health Plans Insurance Corporation (Unity). GHS took a twenty-five percent interest in Unity and UHC took a seventy-five percent interest in GHP.

Effective July 1, 2017, GHS entered into a Members Agreement with Iowa Health System d/b/a Unity Point Health (UPH) and UHC in which all three entities became members of GHP. Through this affiliation, the Company became part of the Quartz Group (Quartz) operating under the same umbrella as Physician Plus Insurance Corporation (PPIC) and Unity Health Plans Insurance Corporation (Unity).

## MANAGEMENT AND CONTROL

### MEMBER

In compliance with the bylaws, the Company held an annual meeting of the Member each year during the examination period. The purpose of the meetings was for the election of directors and for the transaction of any other business that came before the Member.

### DIRECTORS

The Company's bylaws state that the number of directors constituting the board of directors shall be five (5) but may be increased or decreased as determined by the board of directors in compliance with the bylaws from time to time. The directors are represented by two classes:

- Three (3) of the directors shall be physicians, employees or representatives of the Gundersen Health Plan.
- Two (2) of the directors shall be independent persons working and residing in the Company's service area.

Directors serving as of December 31, 2017 are shown below.

<u>Name and Residence</u>	<u>First Elected</u>	<u>Principal Occupation</u>
Joseph Walter Caron, MD La Crescent, Minnesota	2012	Physician
Gary John Lenth, MD LaCrosse, Wisconsin	2016	Physician and Health Insurance Executive
Terry Robert Bolz Madison, Wisconsin	2016	President and CEO, Unity Health Plans
Eric J. Bartleson Winona, Minnesota	2014	Retired Public School Administration
Douglas Hubbard Dakota, Minnesota	2013	Retired Business Manager



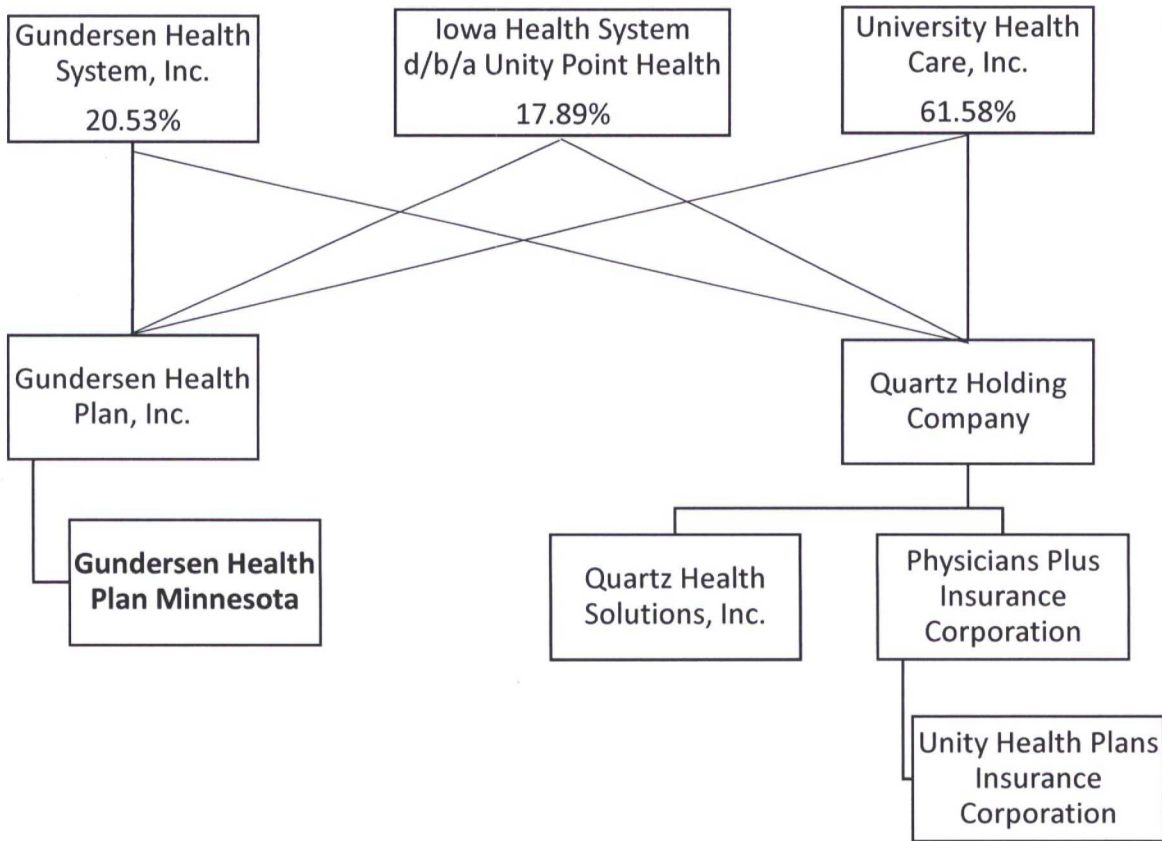
**OFFICERS**

In accordance with the Company’s bylaws, the board of directors appointed the following officers who were serving as of December 31, 2017:

<u>Name</u>	<u>Title</u>
Terry Robert Bolz	President and Chief Executive Officer
James Lee Hiveley	Vice President, Chief Financial Officer, and Treasurer
Christine Catherine Senty	General Counsel, Vice President, and Secretary

**ORGANIZATIONAL CHART**

GHP-MN is a member of a holding company system. Its ultimate parents are GHS (20.53%), UPH (17.89%), and UHC (61.58%). The organizational chart below depicts the relationships among the affiliates in the group as of December 31, 2017. A brief description of the significant affiliates of the Company follows the organizational chart.



**Gundersen Health System, Inc. (GHS)**

GHS is a non-profit integrated healthcare system that provides comprehensive medical care to patients primarily in Wisconsin, as well as in Iowa and Minnesota, by operating hospitals, clinics, health plans, long-term care facilities, ambulance services, a foundation, and an energy-producing company, in addition to providing medical and health/wellness education and community outreach, and conducting medical education and clinically based research.

**Unity Point Health (UPH)**

UPH is an Iowa non-profit corporation formed in December 1994. UPH and its subsidiaries provide inpatient and outpatient care and physician services from various hospital facilities and ambulatory service and clinic locations in Iowa, Illinois, and Wisconsin. Primary, secondary, and tertiary care services are provided to residents of Iowa, Illinois, and Wisconsin as well as adjacent states.

**University Health Care, Inc. (UHC)**

UHC is a non-profit, tax-exempt corporation that serves as a network development vehicle by developing regional programs and clinical centers and developing business relationships with other health care providers. UHC's purpose is to support the missions of the University of Wisconsin Medical School, the University of Wisconsin Hospitals and Clinics Authority and the University of Wisconsin Medical Foundation.

**Quartz Holding Company (QHC)**

QHC operates as a shell company that exists for the sole purposes of holding ownership in PPIC and QHS.

**Quartz Health Solutions, Inc. (QHS)**

QHS is a service organization that performs administrative and claims processing for the holding group and for employers of self-funded group health plans.

**Gundersen Health Plan, Inc. (GHP)**

GHP is a not-for-profit network model health maintenance organization (HMO) insurer in Wisconsin and Iowa. Under the network model, GHP provides care through agreements with two or more clinics. HMOs compete with traditional fee-for-service health care delivery.

**Physicians Plus Insurance Corporation (PPIC)**

PPIC is a for-profit LAH insurer in the state of Wisconsin and Illinois. In Wisconsin, PPIC is licensed to write business for individuals, small and large group commercial, and Medicare SELECT.

**Unity Health Plans Insurance Corporation (Unity)**

Unity is a for-profit HMO established for the purpose of delivering health care services to its subscribers. Unity is licensed to write business for individuals (including ACA), commercial small and large groups, and Medicare SELECT.

## **TERRITORY AND PLAN OF OPERATION**

The Company markets comprehensive prepaid managed care (HMO and Medicare Advantage) products to employer groups and individuals in four counties in southeastern Minnesota. The HMO product includes a variety of benefit coverage options with multiple co-pay and deductible options tailored to meet customer needs. Coverage primarily requires the use of providers within the contracted provider network. The Medicare Advantage product is also offered to Medicare eligible individuals for Medicare Part C coverage, with Part D drug coverage available for those enrolled in Part C.

The Company contracts with Gundersen Health System to provide the majority of physician and inpatient services for its membership.

## **REINSURANCE**

The Company uses reinsurance to control exposure to potential losses arising from large risks. The Company retains the first \$300,000 to \$650,000 of medical and hospital expenses per member for the contract year, dependent on the line of business. The Company also retains 50 percent of losses incurred during the agreement in excess of the specific retention amount noted above. The reinsurance contract is not subject to a limit for each member.

## **FINANCIAL STATEMENTS**

The examination does not attest to the fair presentation of the financial statements included herein. If during the course of the examination, an adjustment was identified, the impact of such adjustment is documented separately following the Company's financial statements. Financial statements, as reported and filed by the Company with Commerce are reflected in the following:

(Note: Failure of the columns to add to the totals reflected in this Report of Examination is due to rounding.)

**GUNDERSEN HEALTH PLAN MINNESOTA**  
**ASSETS**  
**DECEMBER 31, 2017**

	<u>Assets</u>	<u>Nonadmitt ed Assets</u>	<u>Net Admitted Assets</u>
Cash and short-term investments	\$ 2,011,054	\$ -	\$ 2,011,054
Cash and invested assets	<u>2,011,054</u>	-	<u>2,011,054</u>
Investment income due and accrued	355	-	355
Premiums and considerations:			
Uncollected premiums and agents' balances in the course of collection	7,457	217	7,240
Contracts subject to redetermination	107,313	-	107,313
Amounts receivable relating to uninsured plans	208,101	-	208,101
Health care and other amounts receivable	<u>87,116</u>	<u>28,214</u>	<u>58,902</u>
 TOTAL	 <u>\$ 2,421,396</u>	 <u>\$ 28,431</u>	 <u>\$ 2,392,965</u>

**GUNDERSEN HEALTH PLAN MINNESOTA  
LIABILITIES, SURPLUS, AND OTHER FUNDS  
DECEMBER 31, 2017**

Claims unpaid	\$ 28,833
Premiums received in advance	61,911
General expenses due or accrued	7,485
Amounts due to parent, subsidiaries and affiliates	364,506
Aggregate write-ins for other liabilities	<u>7,677</u>
Total liabilities	<u>470,412</u>
Gross paid in and contributed surplus	2,750,000
Unassigned funds	<u>(827,447)</u>
Surplus as regards policyholders	<u>1,922,553</u>
 TOTAL	 <u><u>\$ 2,392,965</u></u>



**GUNDERSEN HEALTH PLAN MINNESOTA  
STATEMENT OF REVENUE AND EXPENSES  
DECEMBER 31, 2017**

Member Months	13,796
Net premium income	<u>\$ 8,137,037</u>
Hospital and Medical	
Hospital/medical benefits	5,727,102
Outside referrals	300,168
Emergency room and out-of-area	241,067
Prescription drugs	832,899
Other hospital and medical	361,531
Subtotal	<u>7,462,767</u>
Less:	
Net reinsurance recoveries	<u>101</u>
Total Hospital and Medical	7,462,666
Claims adjustment expenses, including \$132,284 cost containment	236,223
General administrative expenses	<u>585,943</u>
Total Underwriting Deductions	<u>8,284,832</u>
Net underwriting gain	<u>(147,795)</u>
Net investment income earned	<u>2,456</u>
Net investment gains	<u>2,456</u>
 NET INCOME	 <u><u>\$ (145,339)</u></u>

**GUNDERSEN HEALTH PLAN MINNESOTA  
CAPITAL AND SURPLUS  
DECEMBER 31, 2017**

Surplus as regards policyholders, December 31, 2016	\$ 2,064,469
Net income	\$ (145,339)
Change in nonadmitted assets	3,423
Change in surplus as regards policyholders for the year	<u>(141,916)</u>
Surplus as regards policyholders, December 31, 2017	<u>\$ 1,922,553</u>

## **COMMENTS ON FINANCIAL STATEMENT ITEMS**

No examination adjustments to the financial statements or commentary were deemed necessary as a result of the examination.

The examination actuary reviewed the Company's provisions for claims unpaid, unpaid claims adjustment expense, and aggregate health policy reserves. Based on the review performed, it was reasonably determined that the Company has made adequate provision for these liabilities.

Per examination findings, the Company met the minimum surplus requirements pursuant to Minnesota Statutes, Section 62D.24 as of December 31, 2017.

## **SUBSEQUENT EVENTS**

There were no matters or events noted subsequent to December 31, 2017, and through the date of this report that would materially affect the financial statements or operations of the Company.

## ACKNOWLEDGMENTS

In addition to the undersigned, representatives of INS Services, Inc. also participated in this examination.

Respectfully submitted,

*Cheryl Plozizka*

Cheryl Plozizka, CPA, CFE, ARM-E  
Examiner-in-Charge  
INS Regulatory Insurance Services, Inc.  
Representing the State of Minnesota,  
Department of Commerce

*Grace Kelly*

Grace Kelly, PIR  
Assistant Chief Examiner  
Minnesota Department of Commerce