



STATE OF WISCONSIN  
Department of Employee Trust Funds  
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**CORRESPONDENCE MEMORANDUM**

**DATE:** June 8, 2006  
**TO:** Group Insurance Board  
**FROM:** Robert C. Willett, CPA  
Chief Trust Financial Officer  
**SUBJECT:** Financial Review of Alternate Health Providers

I have reviewed the audited financial statements of the various Health Maintenance Organizations (HMOs) that have requested to participate in the state's Group Health Insurance Program in 2007. The purpose of my review was to help assure that each plan has the financial stability necessary to adequately serve our members participating in the program.

In evaluating these plans, I considered the following factors:

- Earnings Experience
- Reserve Accumulations
- Office of the Commissioner of Insurance (OCI) Surplus Requirements
- Liquidity
- Reinsurance Coverage
- Insolvency Protection
- Risk Sharing Arrangements

The overall financial condition of these HMOs showed some improvement in 2005. The average plan's net income increased from 3.3% to 3.7% of revenues during 2005, while their net worth increased by an average 7.1% over 2004. Only three plans experienced losses in 2004. At this time, all plans are in compliance with OCI surplus requirements, and no plan appears to be in imminent danger of insolvency.

The financial statements provided by Unity Health Plans were unaudited. As of the submission date, their audit had not yet been completed. Based on the preliminary information provided, Unity's financial condition would qualify them for participation. This will be reevaluated in mid-June when Unity's audited statements are received, and you will be notified if there is any change in their financial stability.

I have attached a schedule showing Total Revenues, Net Profit or Loss, and Net Worth for each of the participating plans as of the end of 2005 and 2004.

Reviewed and approved by John Vincent, Administrator, Trust Finance and Employer Services Division.

Board	Mtg Date	Item #
GIB	6/13/2006	4

Health Maintenance Organizations

The following HMOs have requested to continue participation in our program. They have all satisfied the financial requirements for participation:

Compcare (United Wisconsin Services, Inc.)  
Dean Health Plan, Inc.  
Group Health Cooperative - Eau Claire  
Group Health Cooperative - South Central Wisconsin  
Gundersen Lutheran Health Plan  
Health Tradition Health Plan  
Humana (EmpheSys)  
Medical Associates HMO  
MercyCare Health Plan, Inc.  
Network Health Plan  
Physicians Plus Insurance Corporation  
Prevea  
United Healthcare of Wisconsin  
Unity Health Plans  
WPS Patient Choice

I will be available at your June 13<sup>th</sup> meeting if you have any questions regarding these recommendations.

Department of Employee Trust Funds  
 Alternate Health Plan Financial Reports  
 As Of December 31, 2005  
 (in thousands \$)

	<u>Total Revenues</u> <sup>1</sup>		<u>Net Income/(Loss)</u>		<u>Net Worth</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Compcare	\$ 397,507	\$ 334,192	\$ 44,310	\$ 10,838	\$ 121,665	\$ 99,350
DeanCare	660,927	605,009	1,332	809	51,216	50,950
Group Health Cooperative of Eau Claire	113,198	105,424	5,152	(144)	13,912	8,817
Group Health Cooperative of South Central Wisconsin	173,106	155,946	3,360	10,998	58,575	55,215
Gundersen Lutheran Health Plan	140,396	121,491	109	455	8,891	8,825
Health Tradition Health Plan	87,287	81,563	158	174	5,813	5,649
Humana Wisconsin Health Organization	240,695	288,067	9,980	3,555	39,915	32,685
Medical Associates	22,437	21,226	54	328	1,884	1,831
MercyCare	82,024	19,555	(38)	(80)	4,655	3,248
Network Health Plan	320,019	298,486	7,417	2,988	33,790	30,079
Physicians Plus	268,083	253,150	9,378	5,633	35,882	35,855
Prevea (WPS)	55,598	n/a	(2,842)	n/a	6,062	n/a
United HealthCare	659,058	829,825	42,130	60,565	99,178	103,359
Unity Health Plans	219,893	208,466	(4,410)	5,775	28,216	30,985
WPS Patient Choice	413,575	374,964	20,519	21,101	95,043	91,935

<sup>1</sup> Total Revenues includes Insurance Premiums, Fees for Services, Investment Income and other Miscellaneous Income.