

Report
of the
Examination of
Health Tradition Health Plan
Onalaska, Wisconsin
As of December 31, 2011

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State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

Scott Walker, Governor
Theodore K. Nickel, Commissioner

Wisconsin.gov

February 12, 2013

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Honorable Theodore K. Nickel
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:

HEALTH TRADITION HEALTH PLAN
Rochester, Minnesota

and this report is respectfully submitted.

I. INTRODUCTION

The previous examination of Health Tradition Health Plan (the company or HTHP) was conducted in 2012 as of December 31, 2011. The current examination covered the intervening period ending December 31, 2011, and included a review of such 2012 transactions as deemed necessary to complete the examination.

The examination was conducted using a risk-focused approach in accordance with the NAIC Financial Condition Examiners Handbook, which sets forth guidance for planning and performing an examination to evaluate the financial condition and identify prospective risks of an insurer. This approach includes the obtaining of information about the company including corporate governance, the identification and assessment of inherent risks within the company, and the evaluation of system controls and procedures used by the company to mitigate those risks. The examination also included an assessment of the principles used and significant estimates made by management, as well as an evaluation of the overall financial statement presentation and

management's compliance with statutory accounting principles, annual statement instructions, and Wisconsin laws and regulations.

The examination consisted of a review of all major phases of the company's operations and included the following areas:

- History
- Management and Control
- Corporate Records
- Conflict of Interest
- Fidelity Bonds and Other Insurance
- Provider Contracts
- Territory and Plan of Operations
- Affiliated Companies
- Growth of the Company
- Reinsurance
- Financial Statements
- Accounts and Records
- Data Processing

Emphasis was placed on the audit of 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 with respect to the alternative or additional examination steps performed during the course of the examination.

II. HISTORY AND PLAN OF OPERATION

Health Tradition Health Plan (HTHP) is described as a for-profit group 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 group model, the company contracts with a sponsoring clinic to provide primary and specialist services. HMOs compete with traditional fee-for-service health care delivery.

The company was incorporated on January 16, 1986, and commenced business on April 28, 1986, as Greater LaCrosse Health Plan, Inc. The company changed its name to Health Tradition Health Plan on September 24, 2001. Since November 30, 1989, the company was an indemnity insurer licensed under ch. 611, Wis. Stat. The company is a wholly owned subsidiary of Mayo Holding Company, which is in turn owned by Mayo Clinic (the ultimate parent of the Group). The company provides care to its members through a network of more than 350 primary care providers and over 250 specialty care providers. Since Health Tradition Health Plan is primarily a group model HMO, the physicians are retained through contracts with clinics and independent practice associations (IPAs). An IPA is defined by statute as a person, other than a hospital, clinic, or individual physician or other individual health care provider, that does the following:

- a) Contracts with a health maintenance organization, limited service health organization or preferred provider plan, as defined in s. 609.01, Wis. Stat., to provide health care services.
- b) Provides health care services primarily through health care providers who are independent contractors or who are obligated to provide the services because of membership in the entity.

At the time of the examination the company contracted with more than 100 clinics with a total of more than 1,000 physicians or practitioners (see Exhibit A). The physicians provide the necessary medical care, including emergency care, to the enrollees or members who seek such services. The physicians shall submit all bills to the principal provider for covered services rendered to the enrollees, and thereafter, reimbursement from HTHP to the provider shall be limited to the

amount stipulated in the provider contract, less applicable copayments, deductibles and coinsurance amounts.

The company contracts with participating hospitals to provide inpatient services. Mayo Clinic Health System (MCHS) and its participating affiliates are reimbursed on a capitation basis for commercial and Medicare Select products. Non-MCHS affiliated hospitals are reimbursed on (a) a negotiated per diem and discounted fee-for-service basis for commercial group products and (b) according to Medicare Assignment, including the Part B deductible and copayments allowed by Medicare for covered services for the Medicare Select Product. Discounts on fee-for-service payments to non-capitated providers for hospital services range from 85% to 100% of the usual and customary charges.

The following is a listing of hospitals in which participating physicians have admitting privileges:

1	Black River Memorial Hospital	Black River Falls, WI 54615
2	Boscobel Area Health Care	Boscobel, WI 53805
3	Chippewa Valley Hospital	Durand, WI 54736
4	Mayo Clinic Health System-Franciscan Healthcare	Barron, WI 54812
	Location 2	Bloomer, WI 54724
	Location 3	Eau Claire, WI 54702
	Location 4	La Crosse, WI 54601
	Location 5	Menomonie, WI 54751
	Location 6	Osseo, WI 54758
	Location 7	Sparta, WI 54656
5	Mile Bluff Medical Center Inc.	Mauston, WI 53948
6	Prairie du Chien Memorial Hospital	Prairie du Chien, WI 53821
7	Reedsburg Area Medical Center	Reedsburg, WI 53959
8	Rochester Methodist Hospital	Rochester, MN 55902
9	Saint Elizabeth's Medical Center	Wabasha, MN 55981
10	Saint Mary's Hospital	Rochester, MN 55902
11	St. Joseph's Memorial Hospital	Hillsboro, WI 54634
12	The Richland Hospital	Richland Center, WI 53581
13	Tomah Memorial Hospital	Tomah, WI 54660
14	Vernon Memorial Hospital	Viroqua, WI 54665
	Location 2	Waukon, IA 52172
15	Winneshiek Medical Center	Decorah, IA 52101
16	Winona Health Services	Winona, MN 55987

The provider contracts are effective for a term of one year and shall automatically renew annually unless either party gives 90 days' written notice to the other party prior to the end of any contract year.

The provider contracts include hold-harmless provisions for the protection of the enrollee or member. The contracts prohibit the provider to bill, charge, collect a deposit from the member, seek remuneration or compensation from the member, or file or threaten to file with a credit reporting agency or have any recourse against a member or any person acting on the member's behalf, for health care costs of which the member is not liable, or in the event of nonpayment, insolvency, or breach of contract with HTHP.

According to its business plan, the company's service area is comprised of the following counties: Buffalo, Crawford, Jackson, La Crosse, Monroe, Trempealeau, Vernon, Grant, Richland, Juneau, Pepin, Barron, Chippewa, Dunn, and Eau Claire.

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:

- Office visits for illness or injury
- Inpatient services
- Outpatient services
- Outpatient diagnostic test
- Mental health, drug, and alcohol abuse services
- Ambulance services
- Emergency services
- Maternity services
- Breast reconstruction
- Reconstructive/cosmetic surgery
- Certain dental procedures (injury, periodontal, and oral surgery)
- Prosthetic devices and durable medical equipment
- Newborn services
- Home health care/hospice
- Preventive health services
- Family planning
- Hearing exams
- Diabetes treatment
- Routine eye examinations
- Skilled nursing facility care
- Prescription drugs
- Cardiac rehabilitation, physical, speech, and/or occupational therapy
- Health education
- Kidney disease treatment
- Second opinion
- TMJ/TMD

Health care coverages (cont.)

Urgent care
Weight control/nutrition
Certain transplants
Chiropractic services
Mental health and alcohol and other drug abuse (AODA)

Emergency services have a copayment which is waived upon admission into an inpatient facility, and skilled nursing care is limited to 60 days. Plan coverage is contingent on non-emergency services being provided by participating physicians and hospitals or on the referral of participating physicians. Members are encouraged, but not required, to choose a primary care physician from the listing of participating physicians available.

The company currently markets to groups and individuals. HTHP offers seven different products consisting of commercial group and individual plans. Following is a brief description of the different lines of business:

1. Premier. A traditional health maintenance organization (HMO) plan using primary care providers to coordinate a member's care. Referrals are required for out-of-network care.
2. Premier Plus. A point-of-service plan offering out-of-network access beyond the traditional HMO network of Premier. In-network benefits are paid at a higher level than out-of-network benefits.
3. Premier Select. Multiple plan option allowing employers greater flexibility in meeting the needs of individual employees. Members may tailor coverage to their individual needs through buy-up options. This option is available with Premier and Premier Plus.
4. Consumer Choice. High-deductible health plan coordinating with a Health Reimbursement Account (HRA) administered by MMSI Inc. Consumer Choice is available for large employer groups (over 50 enrolled employees), with either the Premier or Premier Plus plan option.
5. 65Plus Medicare Select. Health Tradition Health Plan 65Plus offers protection against the gaps in Medicare coverage. 65Plus supplements Medicare benefits to give additional coverage for Medicare-eligible expenses.
6. Premier One. For individuals and families who may not have access to a plan through a group or employer. Premier One offers individual standard HMO plans that include copayments and preventive care coverage. The HMO-qualified high deductible plans are designed to work independently or with a Health Savings Account.
7. BadgerCare Plus. Wisconsin BadgerCare Plus is a state and federal assistance program that provides health care coverage to low-income families.

The company currently markets to groups and individuals. The company uses outside agents and brokers and pays commission on new and renewal business in accordance with the Schedule of Commissions (see Exhibit B). Commissions for commercial lines are paid on a per employee per month basis based on the enrollment at the beginning of the contract period. For Premier One individual plans, commissions are paid at a rate of \$22.00 per contract per policies per month. For 65Plus Supplement (Medicare Select) product, the commissions are paid on a three-tiered scale based on a percentage of premiums. The company may revise the commissions schedule not more than annually and shall provide to the agent 60 days' advance notice prior to the effective date of the contract. The agency contract may be terminated by either party upon written notice to the other party to be effective 180 days from the date of the notice.

For BadgerCare Plus, the company contracts directly with the Wisconsin Department of Health Services (DHS) to provide specified health care benefits to eligible Medicaid/BadgerCare recipients. In exchange for these services, the company is paid a monthly capitation rate, which is designed to be less than the cost of providing the same services covered under the contract to a comparable Medicaid population on a fee-for-service basis. Premium rates are specified by DHS.

Effective January 1, 1999, the company entered into a contract with UCare Minnesota for the provision of administrative services with respect to the company's Medicaid/BadgerCare program. As compensation for services provided, UCare is paid a fixed per member per month administrative fee. Under the terms of its contract with DHS, the HMO remains accountable for any functions and responsibilities delegated to its subcontractor. The company plans to bring these functions in-house and terminate its contract with Ucare effective July 1, 2013.

The company uses an actuarially determined base as a beginning point in premium determination. This rate is adjusted to reflect the age, sex, occupation, and coverage characteristics for new groups. Experience is reviewed for renewal groups, and a recommendation is made regarding adjusting the rate or cancelling the group. The base rate is adjusted quarterly for inflation and other trending factors.

III. MANAGEMENT AND CONTROL

Board of Directors

The board of directors consists of nine voting members. According to the company's amended and restated bylaws dated September 11, 2009, these directors shall be appointed by Mayo Holding Company (sole shareholder) and shall serve at the pleasure of the holding company. The board shall consist of four directors from Mayo Holding Company, four from Franciscan Skemp Healthcare, now known as Mayo Clinic Health System-Franciscan Healthcare, Inc., and one from Luther Midelfort. In addition, the Medical Director and the Executive Director of Health Tradition Health Plan shall serve on the board as ex-officio, non-voting members. Each director shall hold office for one year until a successor has been appointed or until the director's prior death, resignation, or removal.

The board members currently receive no compensation for serving on the board.

Currently the board of directors consists of the following persons:

Name and Residence	Principal Occupation	Term Expires
Karen Ytterberg, MD Rochester, MN	Mayo Clinic-Rochester Physician	N/A
Jason Craig Eau Claire, WI	Mayo Clinic Health System- Luther Midelfort Director Cardiovascular Services	N/A
Peter R. Huges Genoa, WI	Mayo Clinic Health System- Franciscan Healthcare Regional Vice President of Business Development & Marketing (Southwest region)	pending final appointment
Joseph J. Kruse La Crosse, WI	Mayo Clinic Health System- Franciscan Healthcare Vice President of Therapeutic/Ancillary Services	N/A
Steve L. Knudson Rochester, MN	Mayo Foundation for Medical Education & Research Director of Finance	N/A
Jeffrey W. Bolton Rochester, MN	Mayo Clinic-Rochester CFO	N/A
Brian Whited, MD Rochester, MN	Mayo Clinic-Rochester Mayo Health System Vice Chair	N/A

Name and Residence	Principal Occupation	Term Expires
Timothy J. Johnson, MD La Crosse, WI	Mayo Clinic Health System- Franciscan Healthcare CFO	N/A
Thomas H. Tiggelaar La Crosse, WI	Mayo Clinic Health System- Franciscan Healthcare VP & CFO	N/A

Officers of the Company

The principal officers are appointed by Mayo Holding Company. According to the company's amended and restated bylaws dated September 11, 2009, an officer does not need to be a director of the corporation. Such other officers and assistant officers as may be deemed necessary may be elected or appointed by the board of directors. The officers at the time of this examination are as follows:

Name	Office	2011 Salary
Karen Ytterberg, MD	President	\$0
Timothy J. Johnson, MD	Vice President	\$0
Mark A. Matthias	Treasurer	\$0
Steve L. Knudson	Secretary	\$0

The officers are salaried employees of affiliated companies and receive no direct compensation for serving as officers of the company.

Committees of the Board

The company's bylaws allow for the formation of certain committees by the board of directors. The committees are investigatory and advisory only to the board of directors and may not exercise the powers of the board in the management of the business and affairs of the corporation. These committees are intended not to be committees of directors as authorized by s. 611.56, Wis. Stat. The committees created at the date of the amended and restated bylaws as of September 11, 2009, were Executive Committee, Finance Committee, Marketing Committee, Compliance Committee, and Utilization and Quality Management Committee. Subsequently, additional committees were created. These committees were Peer Review Committee, Pharmaceutical & Therapeutic Committee, Credentialing Committee, and Reconsideration Committee (convenes for expedited appeals and for BadgerCare members).

The company has no employees. Necessary staff is provided through an administrative services agreement with MMSI, Inc. (MMSI) and a management services agreement with Mayo Clinic Health System-Franciscan Healthcare, Inc., formerly known as Franciscan Skemp Healthcare, Inc. (FSH). Under the MMSI agreement, effective January 1, 2008, MMSI agrees to provide underwriting and actuarial services, advise the board, maintain accounting and financial records, provide marketing services, and provide for claims processing and data processing. In exchange for services provided, MMSI receives a fixed per member per month service fee. The term of the agreement is automatically renewed unless terminated by either party upon 180 days' written notice.

Management services are provided by a contract with FSH effective January 1, 2005. By this contract, FSH provides such management services as are reasonably necessary for the efficient administration and operation of HTHP. FSH also provides information services necessary and appropriate to the functioning of HTHP's related insurance activities. This agreement renews automatically for a one-year term unless terminated by either party upon 30 days' written notice.

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:

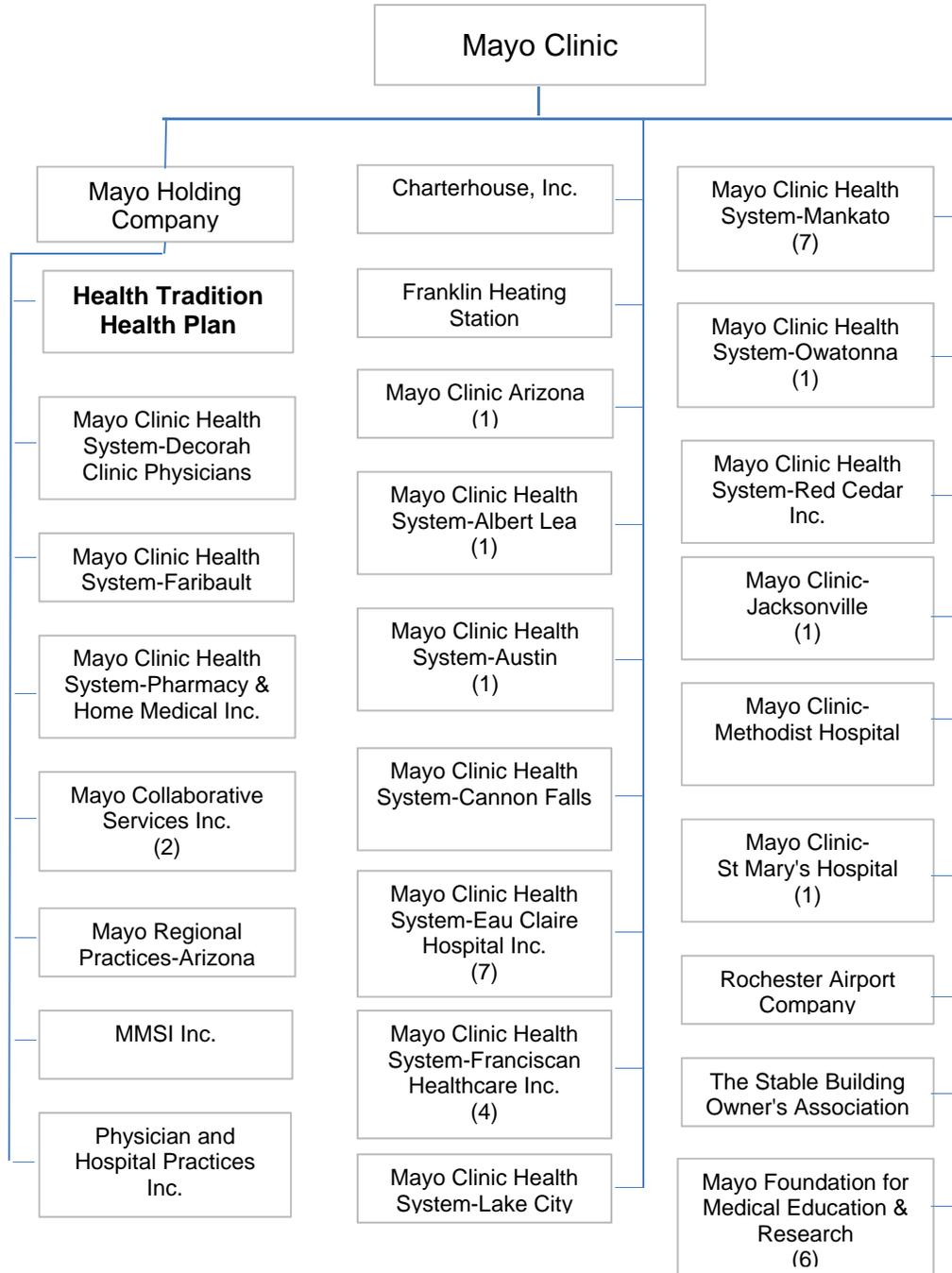
1. Enrollees hospitalized on the date of insolvency will be covered until discharged; and
2. Enrollees will be entitled to similar, alternate coverage which does not contain any medical underwriting or preexisting limitation requirements.

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 Mayo Clinic. 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, 2011**



Note: The number below the company's name denotes number of subsidiaries downstream.

Mayo Clinic

Mayo Clinic is a Minnesota nonprofit corporation, organized for charitable, educational and scientific purposes. The foundation's financial statements are audited on a consolidated basis. As of December 31, 2011, Mayo Clinic's audited financial statement reported assets of \$10.1 billion, liabilities of \$5.4 billion, and net assets of \$4.7 billion. Operations for 2011 produced \$610.2 million of net income on revenues of \$8.5 billion.

As of July 16, 1999, Mayo Foundation was the sole owner of Mayo Group Practices (n/k/a Mayo Holding Company), which owns 100% of the outstanding stock of HTHP. On December 31, 2005, Mayo Foundation changed its name to Mayo Clinic. On January 1, 2010, Mayo Clinic Rochester merged with Mayo Clinic and Mayo Clinic Rochester was the surviving entity, but it changed its name to what is now known as Mayo Clinic, the ultimate parent of the holding company system.

Mayo Holding Company

Mayo Holding Company is a nonprofit taxable Minnesota corporation. It serves as the parent holding company for the majority of the Mayo Clinic taxable subsidiaries. It was organized in July 1986 to coordinate the activities Mayo Clinic's taxable subsidiaries.

MMSI, Inc.

MMSI, Inc. (MMSI) is a wholly-owned subsidiary of Mayo Holding Company and provides administrative and data processing services relating to the normal operations of HTHP.

Mayo Clinic Health System-Franciscan Healthcare, Inc.

Mayo Clinic Health System-Franciscan Healthcare, Inc. (FSH), formerly known as Franciscan Skemp Medical Center, is an affiliate of Mayo Clinic. FSH provides or arranges for delivery of all medical services to HTHP enrollees. FSH also provides management services to HTHP.

FSH has four subsidiaries or affiliates: Franciscan Skemp Foundation of Arcadia, Inc., Mayo Clinic Health System-Franciscan Healthcare Foundation, Inc., Mayo Clinic Health System-Franciscan Healthcare Foundation-Sparta, Inc., and Mayo Clinic Health System-Franciscan Medical Center, Inc.

Mayo Foundation for Medical Education & Research

Mayo Foundation for Medical Education & Research (MFMER) is an affiliate of Mayo Clinic and provides telephonic product line services to HTHP. MFMER has six subsidiaries: GCAS, Gold Cross Ambulance Service, Gold Cross Ambulance, Inc., Mayo Clinic GBS Mauritius, Mayo Clinic Stiftung, and Miles and Shirley Fiterman Endowment Fund for Digestive Diseases.

Affiliated Agreements

As mentioned in the “Management and Control” section of this report, the company has no employees. The company contracts with MMSI, FSH, and MFMER to provide necessary services.

The following is a description of the contracts:

- Administrative Services Agreement with MMSI—MMSI agrees to provide the company with the following services: underwriting, actuarial, board advisory, accounting/financial, marketing, claims processing, and data processing. HTHP agrees to pay the administrative fee to MMSI by the 10th working day of each month. Details concerning this agreement can be found in the “Management and Control” section of this report.
- Management Services Agreement with FSH—FSH agrees to provide to the company the following personnel services: medical director, administrative nurses, referral coordinators, and administrative assistant. HTHP agrees to pay FSH, on an annual basis, for management services, human resources functions, and information services. The fees consist of \$500 per employee for services and consultation, and actual gross payroll and benefits for all employees dedicated to performing human resources and information services in behalf of HTHP. Details concerning this agreement can be found in the “Management and Control” section of this report.
- Health Care Services Agreement with FSH—This agreement arranges for the provision of health care services on a capitated basis. HTHP agrees to pay FSH a monthly capitation of 87% of net premiums earned across all products. Details concerning this contract can be found in the “History and Plan of Operations” section of this report.
- Health Management Services with MFMER—MFMER agrees to provide telephonic product line services and Web portal access for HTHP. HTHP, in return, agrees to make full payment to MFMER for billed services within 30 days of the invoice date, which is done monthly.
- Tax Sharing Agreement with Mayo Holding Company—HTHP joins in filing a consolidated federal income tax return with its parent, Mayo Holding Company and several other subsidiaries. Mayo Holding Company agrees to fairly allocate federal tax liabilities, credits, refunds, benefits, and similar items among the group. Settlement of amounts due from or refundable to affiliates is not later than 90 days after filing of returns or within 90 days of the receipt of the tax refund.

In addition to the management and service agreements mentioned above, HTHP has a guaranty agreement with FSH. FSH guarantees a cash contribution to HTHP by means of a surplus note if HTHP's statutory surplus falls below the applicable regulatory requirements. HTHP shall pay all such contribution within a mutually agreed upon period of time with consideration of HTHP's statutory surplus and operating performance.

V. REINSURANCE

The company has reinsurance coverage under the contract outlined below:

Reinsurer:	Westport Insurance Corporation (the Corporation)
Type:	Excess of Loss Reinsurance
Effective date:	January 1, 2012
Retention:	<p>\$750,000 for a particular member per covered person per agreement period, plus excess of retention percentage of: 20% of loss incurred for scheduled inpatient transplant services and other inpatient hospital services; 50% for unscheduled inpatient transplant services; and 20% for sub-acute facility service, skilled nursing facility services, inpatient rehabilitation facility services, hospice services, and home health care agency services.</p> <p>\$250,000 for all other members per covered person per agreement period, plus excess of retention percentage of: 20% of loss incurred for scheduled inpatient transplant services and other inpatient hospital services; 50% for unscheduled inpatient transplant services; and 20% for sub-acute facility service, skilled nursing facility services, inpatient rehabilitation facility services, hospice services, and home health care agency services.</p>
Coverage:	Percentage of loss incurred in excess of the specific retention: 80% of loss incurred per covered person per agreement period for scheduled inpatient transplant services and other inpatient hospital services; 50% for unscheduled inpatient transplant services; and 80% for sub-acute facility service, skilled nursing facility services, inpatient rehabilitation facility services, hospice services, and home health care agency services
Limits:	\$2,000,000 inclusive of all agreement per member per agreement period, and unlimited for lifetime period
Premium:	<p>\$5.18 per member per month for Commercial HMO/POS, including conversion, if any</p> <p>Swing rate minimum of \$4.60 and maximum of \$6.90 per member per month</p>
Termination:	<p>The contract has a one-year term and may be terminated by the reinsurer at the end of a contract year upon 30 days' prior written notice</p> <p>The contract shall terminate immediately and automatically upon the declaration of insolvency of the reinsured, nonpayment of premium, or upon the commission of fraud by the reinsured</p>
Servicing clause:	Summit Reinsurance Services, Inc., the Service Vendor to this Agreement, will provide premium collection, premium reporting, loss reporting, claims adjusting and such other services as mutually agreed upon in writing by Summit Reinsurance Services and the Corporation

Insolvency clause: In the event the Reinsured becomes insolvent during the Agreement Period, the parties agree that as to all reinsurance made, ceded, renewed or otherwise becoming effective after the Effective Date of this Agreement, the reinsurance shall be payable by the Corporation on the basis of the amount of liability of the Reinsured under the contract or contracts reinsured without diminution because of the insolvency of the Reinsured

Under s. Ins 9.04 (6), Wis. Adm. Code, each health maintenance organization insurer is required to either maintain compulsory surplus as required for other insurers under s. Ins 51.80, Wis. Adm. Code, or to demonstrate that in the event of insolvency all of the following shall be met:

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

The reinsurance contract has adequate provisions to demonstrate the two requirements have been met.

VI. FINANCIAL DATA

The following financial statements reflect the financial condition of the company as reported in the December 31, 2011, annual statement to the Commissioner of Insurance. Also included in this section are schedules that reflect the growth of the company for the period under examination. There are no adjustments made as a result of the examination.

**Health Tradition Health Plan
Assets
As of December 31, 2011**

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$ 1,505,473	\$	\$ 1,505,473
Cash, cash equivalents and short-term investments	30,593,688		30,593,688
Investment income due and accrued	6,052		6,052
Uncollected premiums and agents' balances in the course of collection	1,191,155	30,728	1,160,427
Amounts recoverable from reinsurers	39,056		39,056
Current federal and foreign income tax recoverable and interest thereon	127,877		127,877
Net deferred tax asset	182,793		182,793
Receivables from parent, subsidiaries and affiliates	485	485	
Health care and other amounts receivable	151,121	147,181	3,940
Aggregate write-ins for other than invested assets	<u>249,917</u>	<u>117,590</u>	<u>132,327</u>
Total Assets	<u>\$34,047,617</u>	<u>\$295,984</u>	<u>\$33,751,633</u>

**Health Tradition Health Plan
Liabilities and Net Worth
As of December 31, 2011**

Liabilities:		
Claims unpaid		\$ 4,732,520
Unpaid claims adjustment expenses		265,104
Premiums received in advance		679,501
General expenses due or accrued		1,058,206
Aggregate write-ins for other liabilities		15,137,459
		<u>3,166</u>
Total liabilities		21,875,956
Common capital stock	\$ 364,500	
Gross paid in and contributed surplus	6,877,697	
Surplus notes	1,250,000	
Unassigned funds (surplus)	<u>3,383,481</u>	
Total capital and surplus		<u>11,875,678</u>
Total Liabilities, Capital and Surplus		<u>\$33,751,634</u>

**Health Tradition Health Plan
Statement of Revenue and Expenses
For the Year 2011**

Net premium income		\$138,920,326
Aggregate write-ins for other health care related revenues		<u>177,884</u>
Total revenues		139,098,210
Medical and hospital:		
Hospital/medical benefits	\$ 80,296,879	
Other professional services	1,351,234	
Outside referrals	28,256,818	
Emergency room and out-of-area	3,293,644	
Prescription drugs	8,917,052	
Aggregate write-ins for other hospital and medical	<u>5,095,161</u>	
Subtotal	127,210,788	
Less		
Net reinsurance recoveries	<u>306,168</u>	
Total medical and hospital	126,904,620	
Claims adjustment expenses	6,115,405	
General administrative expenses	<u>5,855,352</u>	
Total underwriting deductions		<u>138,875,377</u>
Net underwriting gain or (loss)		222,833
Net investment income earned		<u>32,670</u>
Net income or (loss) before federal income taxes		255,503
Federal and foreign income taxes incurred		<u>(17,126)</u>
Net Income (Loss)		<u>\$ 272,629</u>

**Health Tradition Health Plan
Capital and Surplus Account
As of December 31, 2011**

Capital and surplus prior reporting year		\$11,551,977
Net income or (loss)	\$272,629	
Change in net deferred income tax	(96,559)	
Change in nonadmitted assets	<u>147,625</u>	
Net change in capital and surplus		<u>323,695</u>
Capital and Surplus End of Reporting Year		<u>\$11,875,672</u>

**Health Tradition Health Plan
Statement of Cash Flows
As of December 31, 2011**

Premiums collected net of reinsurance		\$133,834,052
Net investment income		36,604
Miscellaneous income		<u>177,839</u>
Total		134,048,495
Less:		
Benefit- and loss-related payments	\$123,548,289	
Commissions, expenses paid and aggregate write-ins for deductions	5,580,488	
Federal and foreign income taxes paid (recovered) \$0 net tax on capital gains (losses)	<u>(636,594)</u>	
Total		<u>128,492,183</u>
Net cash from operations		5,556,312
Cash, cash equivalents, and short-term investments:		
Beginning of year		<u>25,037,383</u>
End of Year		<u>\$ 30,593,695</u>

Growth of Health Tradition Health Plan

Year	Assets	Liabilities	Capital and Surplus	Premium Earned	Medical Expenses Incurred	Net Income
2011	\$33,751,633	\$21,875,956	\$11,875,672	\$139,976,947	\$126,904,621	\$272,629
2010	29,691,053	18,139,072	11,551,977	138,078,416	125,319,758	191,223
2009	16,458,664	8,142,826	8,315,835	133,302,547	120,111,827	287,022
2008	17,577,211	9,339,453	8,237,755	112,783,817	101,873,571	29,922

Year	Profit Margin	Medical Expense Ratio	Administrative Expense Ratio	Change in Enrollment
2011	0.2%	91.2%	8.6%	0.0%
2010	0.1	91.4	8.4	-2.7
2009	0.2	91.1	8.8	8.8
2008	0.0	91.3	8.7	9.7

Enrollment and Utilization

Year	Enrollment	Hospital Days/1,000	Average Length of Stay
2011	36,243	240.10	3.7
2010	36,251	254.15	3.7
2009	37,128	224.63	3.2
2008	34,003	266.52	3.6

Per Member Per Month Information

	2011	2010	Percentage Change
Premiums:			
Commercial	\$394.03	\$385.91	2%
Medicare	182.59	175.45	4
Medicaid	<u>179.20</u>	<u>141.38</u>	27
Expenses:			
Hospital/medical benefits	\$186.92	\$162.58	15
Other professional services	3.15	2.98	6
Outside referrals	65.78	81.64	-19
Emergency room and out-of-area	7.67	6.64	15
Prescription drugs	20.76	26.94	-23
Aggregate write-ins for other hospital and medical	11.86	9.01	
Less: Net reinsurance recoveries	<u>0.71</u>	<u>5.50</u>	-87
Total medical and hospital	295.42	284.29	4
Claims adjustment expenses	14.24	13.22	8
General administrative expenses	<u>13.63</u>	<u>12.80</u>	6
Total Underwriting Deductions	<u>\$323.29</u>	<u>\$310.31</u>	4

Premiums earned have been consistently increasing over the last four years, with an overall increase of \$27.2 million or 24% since the last examination. The increases were mostly due to significant growth in commercial lines and Medicaid by 16% and 97%, respectively, and partly due to increase in premium rates driven by the increase in-hospital and medical expenses. Commercial lines are comprised of HMO and POS products, and Medicaid are comprised of BadgerCare Plus. However, between 2010 and 2011, premiums in commercial lines slightly decreased by \$3.6 million or 3% primarily due to lost members since 2009. Other factors contributing to decreased commercial premiums were less price increases and benefit changes implemented by groups at the time of renewal. On the other hand, Medicaid increased by \$4.8 million or 30%, attributable to the Newborn Kick catch up payment revenues relating back to 2009 and 2010, as well as payments received for the current year. Newborn Kick catch up payments pertain to one-time capitated reimbursements on newborn deliveries that meet the requirements of BadgerCare Plus Standard, Benchmark and Medicaid SSI plans.

Medicare product or 65Plus Medicare Select comprised 3% of the total business. Its premiums had increased by 3.7% between 2010 and 2011, primarily due to overall rate increase for all members in July, 2011. This product had been decreasing in membership over the last four years since the last examination.

Hospital and medical expenses are comprised of capitation, non-capitated expenses, and hospital/critical access payments. These expenses increased by \$25.0 million or 25% since the last examination, which is consistent with the increase in premiums. Non-capitated expenses include fee-for-service and the pharmacy claims, which had decreased by 72.3% and 27.7%, respectively. This was due to the recent changes implemented by HTHP. As of January 2011, certain specialty drugs would be covered if purchased at an affiliated pharmacy. It was expected that some high utilizing groups would be lost due to this change. Also, HTHP had stopped writing business in its Eau Claire service area and focused more on the La Crosse, Wisconsin, area for members. In effect, the fee-for-service claims have less impact on HTHP and increased capitated dollars.

The company has been profitable over the last four years, with an average net income of approximately \$195 thousand and an overall increase of 811% from 2008. The significant increase

started in 2009 as a result of the two new commercial product options to members in the HMO and POS products that started in 2008. The POS product realized a double-digit increase in premiums, 17.9% for 2009 due to 12.7% increase in membership. All of the POS premiums and membership growth in 2009 were attributable to the new community product option. However, premiums in commercial lines had started to decline in 2010 to 2011 due to loss in membership as a result of recent changes implemented by HTHP. The decrease in commercial lines was offset by the increase in Medicaid which started to increase significantly in 2010, resulting from the “kick” payments described previously.

Currently, commercial lines consisted of 82% of the total business while Medicaid was only 15%. HTHP was expecting a minimal increase of 4.2% in 2012 as a result of the recent changes in commercial lines. HTHP intends to focus on the LaCrosse, Wisconsin, area for members and to steer groups/members towards the more traditional commercial products. By narrowing these offerings to members, the fee-for-service claims will have less impact on HTHP than in the prior two years.

VII. SUMMARY OF EXAMINATION RESULTS

Compliance with Prior Examination Report Recommendations

There were nine 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. Disaster Recovery Plan—It is again recommended that company review and update its business continuity plan, including financially significant functional units, at least annually.

Action—Compliance.

2. Disaster Recovery Plan—It is again recommended the company formally test the financially significant portions of its business continuity plan at least annually.

Action—Compliance.

3. Disaster Recovery Plan—It is again recommended the company's business continuity plan include a list of critical supplies needed in the event of a disaster (including supplier information).

Action—Compliance.

4. Escheatable Funds—It is recommended that the company report escheatable funds as a write-in liability in accordance with the NAIC Annual Statement Instructions - Health.

Action—Compliance.

5. Fidelity Bond Coverage—It is recommended that the company increase its fidelity coverage to at least the minimum required by the NAIC Financial Condition Examiners Handbook.

Action—Compliance.

6. Reinsurance Payable—It is recommended that the company properly report its liabilities in the annual statement in accordance with the NAIC Annual Statement Instructions - Health.

Action—Compliance.

7. HIRSP Assessment—It is recommended that the company accrue for the HIRSP assessment in accordance with SSAP No. 35.

Action—Compliance.

8. Biographical Information—It is recommended that the company properly file biographical sketches in accordance with s. 611.54, Wis. Stat., and s. Ins 6.52 (5), Wis. Adm. Code.

Action—Compliance.

9. Insolvency Provisions—It is recommended that the company either add an insolvency clause to the reinsurance contract that complies with s. Ins 9.04 (6), Wis. Adm. Code, or maintain compulsory surplus at the level required by s. Ins 51.80, Wis. Adm. Code.

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.

Board of Directors/Officers

Review of company's board meeting minutes disclosed that there were vacancies of officers and/or directors from 3rd quarter 2010 to 3rd quarter 2011 that were not replaced immediately. Section 3.11 of the bylaws stated that Mayo Holding Company shall immediately fill any vacancy occurring on the board of directors or the officers of the corporation. Therefore the company was not in compliance with its bylaws as to vacancies of the members of the board. It is recommended that any vacancies on the board of directors shall be immediately replaced in accordance with the company's bylaws.

Board Committees

Review of committee meeting minutes disclosed that during the period 2009 to 2011 the Compliance Committee had only one member representative from the board of directors. All other members were non-directors. A new member from the board of directors has just been appointed to the committee in May 2012. Section 3.14.5 of the company bylaws stated that the Compliance Committee shall consist of 4 voting members: 2 members of the board, the Compliance Officer, and the Director of Operations and Clinical Services. All others will sit on the committee in an advisory capacity. Therefore the company was not in compliance with its bylaws prior to 2012 as to number of voting directors in the Compliance Committee. It is recommended that the company shall consistently comply with its bylaws as to the number of voting directors in each committee in the future.

Affiliated Transactions

Review of the company's Form B filing for 2011 disclosed that the company received a capital injection of \$1,850,000 in 2010. The contribution was reported in the 2010 annual statement balance sheet page as paid-in surplus adjustment. However, the amount and source of the contribution was not disclosed in the Notes to Financial Statements. The amount is greater than

1/2 of 1% of total admitted assets. According to NAIC Annual Statements Instructions - Health, the financial statements shall include disclosures of all material related party transactions. Material related party transactions shall be equal or greater than 1/2 of 1% of total admitted assets.

Therefore, the company's annual statements filing is not in compliance with NAIC Annual Statements Instructions - Health. It is recommended that the company shall disclose in the Notes to Financial Statements all affiliated non-insurance transactions greater than 1/2 of 1% in accordance to NAIC Annual Statements Instructions - Health.

Special Deposits

Review of special deposits disclosed that the company reported in the annual statement Schedule E, Part 3 (special deposits) those bonds that are held or deposited in Northern Trust, totaling \$280,735. According to NAIC Annual Statements Instructions - Health, Schedule E, Part 3 (special deposits) includes statutory deposits held for the benefit of all policyholders and all other special deposits held for a special purpose such as to secure reinsurance obligations, to satisfy a particular claim or litigation, and other similar purpose. The schedule shall exclude deposits or operating accounts in financial institutions that the company uses in the normal course of its business. Therefore, the company is not properly reporting special deposits in the Schedule E, Part 3. It is recommended that the company properly report special deposits in the annual statement Schedule E, Part 3, to exclude deposits in financial institutions in accordance with NAIC Annual Statement Instructions - Health.

Advance Premium

Review of advance premium as of December 31, 2011, disclosed that the company reported unapplied cash receipts of \$62,399 under advance premium. These unapplied cash receipts were explained as unbilled premiums. According to Statement of Statutory Accounting Principles (SSAP) No. 67 and NAIC Annual Statements Instructions - Health, cash receipts that cannot be identified for a specific purpose, for other reasons, cannot be applied to a specific account when received, shall be reported as remittances and items not allocated. This includes premium payments received with the application for policies which have not yet been issued, premium payments in an amount different from the amount billed by the reporting entity, and any unidentified cash receipts.

Therefore, the company is not reporting unapplied cash receipts as remittances and items not allocated. It is recommended that the company shall report unapplied cash receipts, including unbilled premium income under remittances and items not allocated, in accordance with SSAP No. 67 and NAIC Annual Statements Instructions - Health.

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, 2011, as modified for examination

adjustments is as follows:

Assets	\$ 33,751,633	
Less:		
Special deposit	1,224,738	
Liabilities	<u>21,875,956</u>	
Assets available to satisfy surplus requirements		\$10,650,939
Net premium earned-HMO business	133,276,059*	
Compulsory factor	<u>3%</u>	3,998,282
Net premium earned-incidentals indemnity premium	549,108	
Compulsory factor	<u>10%</u>	<u>54,911</u>
Compulsory surplus		<u>4,053,193</u>
Compulsory Surplus Excess/(Deficit)		<u>\$ 6,597,746</u>
Assets available to satisfy surplus requirements		\$10,650,939
Compulsory surplus	\$ 4,053,193	
Security factor	<u>137%</u>	
Security surplus		<u>5,552,874</u>
Security Surplus Excess/(Deficit)		<u>\$ 5,098,065</u>

* This amount excludes total hospital assessment and hospital access payment of \$5,095,159 reported as a write-in expense.

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 2011 with a deposit of \$1,220,000 with the State Treasurer.

VIII. CONCLUSION

Health Tradition Health Plan is a for-profit group model HMO insurer serving 15 counties in western Wisconsin. The company was incorporated January 16, 1986, and commenced business April 28, 1986. The company is a wholly owned subsidiary of Mayo Holding Company, formerly Mayo Group Practices, which is owned by Mayo Clinic (the ultimate parent).

The company currently markets to groups and individuals. HTHP offers seven different products consisting of commercial group and individual plans. These products are marketed through independent brokers. The company contracts with participating hospitals to provide inpatient services. Currently, there are more than 100 participating clinics with a total of more than 1,000 physicians. The largest participating provider is Mayo Clinic Health System (MCHS), an affiliate. MCHS and its participating affiliates are reimbursed on a capitation basis for commercial and Medicare Select products. Non-MCHS affiliated hospitals are reimbursed on (a) a negotiated per diem and discounted fee-for-service basis for commercial group products and (b) according to Medicare Assignment, including the Part B deductible and copayments allowed by Medicare for covered services for the Medicare Select Product.

The company has been profitable over the last four years, with an average net income of approximately \$195 thousand and an overall increase of 811% from 2008. The significant increase started in 2009 after the company had introduced two new commercial product options in 2008 that resulted to a double-digit increase in POS premiums and membership. Commercial lines decreased in 2010 to 2011 when the company implemented a change to steer groups/members towards the more traditional commercial products and when they stopped writing business in the Eau Claire service area and focused on the LaCrosse, Wisconsin, area. However, the decrease in commercial lines was offset by the increase in Medicaid, resulting from the Newborn Kick catch up payment revenues relating back to 2009 and 2010, as well as payments received for the current year. By narrowing these offerings to members, the fee-for-service claims will have less impact on HTHP than in the prior two years.

The current examination resulted to five recommendations. There are no repeat recommendations from the prior examination. These are listed in the subsequent page.

IX. SUMMARY OF COMMENTS AND RECOMMENDATIONS

1. Page 25 - Board of Directors—It is recommended that any vacancies on the board of directors shall be immediately replaced in accordance with the company's bylaws.
2. Page 25 - Board Committees—It is recommended that the company shall consistently comply with its bylaws as to the number of voting directors in each committee in the future.
3. Page 26 - Affiliated Transactions—It is recommended that the company shall disclose in the Notes to Financial Statements all affiliated non-insurance transactions greater than 1/2 of 1% in accordance to NAIC Annual Statements Instructions - Health.
4. Page 26 - Special Deposits—It is recommended that the company properly report special deposits in the annual statement Schedule E, Part 3, to exclude deposits in financial institutions in accordance with NAIC Annual Statement Instructions - Health.
5. Page 27 - Advance Premiums—It is recommended that the company shall report unapplied cash receipts, including unbilled premium income under remittances and items not allocated, in accordance with SSAP No. 67 and NAIC Annual Statements Instructions - Health.

X. ACKNOWLEDGMENT

The courtesy and cooperation extended during the course of the examination by the officers and employees of the company is 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
Amanda Schroeder	Insurance Financial Examiner
Marisa Rodgers	Insurance Financial Examiner
Thomas Houston	IT Specialist
Stephanie Cook	Reserves Specialist

Respectfully submitted,

Angelita M. Romaker
Examiner-in-Charge

Exhibit A

List of Participating Clinics by Service

A. Primary Care/OB-GYN

1	Bland Clinic	Westby, WI 54667
2	Bluff Street Clinic	Boscobel, WI 53805
3	Boscobel Clinic	Boscobel, WI 53805
4	Durand Clinic North	Durand, WI 54736
5	Durand Clinic South	Durand, WI 54736
6	Fennimore Family Medicine	Fennimore, WI 53809
7	Hirsch Clinic	Viroqua, WI 54665
8	Kickapoo Valley Medical Clinic	Soldiers Grove, WI 54655
9	Krohn Clinic, Ltd.	Black River Falls, WI 54615
10	La Farge Medical Clinic	La Farge, WI 54639
11	MCHS Alma	Alma, WI 54610
12	MCHS Arcadia	Arcadia, WI 54612
13	MCHS Caledonia	Caledonia, MN 55921
14	MCHS Chippewa Valley – Bloomer	Bloomer, WI 54724
15	MCHS Chippewa Valley – Chippewa Falls	Chippewa Falls, WI 54729
16	MCHS Chippewa Valley – Colfax	Colfax, WI 54730
17	MCHS Eau Claire	Eau Claire, WI 54701
18	MCHS Holmen	Holmen, WI 54636
19	MCHS La Crescent	La Crescent, MN 55947
20	MCHS La Crosse	La Crosse, WI 54601
21	MCHS Northland – Barron	Barron, WI 54812
22	MCHS Northland – Cameron	Cameron, WI 54822
23	MCHS Northland – Chetek	Chetek, WI 54728
24	MCHS Northland – Prairie Farm	Prairie Farm, WI 54762
25	MCHS Northland – Rice Lake	Rice Lake, WI 54868
26	MCHS Oakridge – Mondovi	Mondovi, WI 54755
27	MCHS Oakridge – Osseo	Osseo, WI 54758
28	MCHS Onalaska	Onalaska, WI 54650
29	MCHS Prairie du Chien	Prairie du Chien, WI 53821
30	MCHS Sparta	Sparta, WI 54656
31	MCHS Tomah	Tomah, WI 54660
32	MCHS Waukon	Waukon, IA 52172
33	Mile Bluff Medical Center Inc.	Lake Delton, WI 53940
34	Muscoda Medical Center	Muscoda, WI 53573
35	New Lisbon Clinic	New Lisbon, WI 53950
36	Reedsburg Physicians Group	Reedsburg, WI 53959
37	Richland Medical Center, Ltd.	Richland Center, WI 53581
38	Riverside Family Practice	Muscoda, WI 53573
39	Scenic Bluffs Community	Cashton, WI 54619
40	Spring Green Medical Ctr	Spring Green, WI 53588
41	St. Joseph's Family Clinic – Elroy	Elroy, WI 53929
42	St. Joseph's Family Clinic – Wonewoc	Wonewoc, WI 53968
43	St. Joseph's Family Clinic - Hillsboro	Hillsboro, WI 54634
44	Vernon Memorial Hospital	Viroqua, WI 54665
45	Viola Health Services and Osteoporosis Center, Ltd.	Viola, WI 54664

46 Winneshiek Medical Center
47 Winona Health Services

Decorah, IA 52101
Winona, MN 55987

B. Specialty Care

1	Associated Podiatrists L.L.P.	Boscobel, WI 53805
2	Bland Clinic	Westby, WI 54667
3	Chippewa Valley Orthopedics and Sports Medicine Clinic SC	Durand, WI 54736
4	Computerized Medical Imaging	Eau Claire, WI 54702
5	Eau Claire Anesthesiologists, Ltd.	Eau Claire, WI 54701
6	Evergreen Surgical, SC	Eau Claire, WI 54701
7	Hirsch Clinic	Viroqua, WI 54665
8	Mayo Clinic Health System Franciscan Healthcare	Arcadia, WI 54612
9	MCHS Caledonia	Caledonia, MN 55921
10	MCHS Chippewa Valley – Bloomer	Bloomer, WI 54724
11	MCHS Chippewa Valley – Chippewa Falls	Chippewa Falls, WI 54729
12	MCHS Chippewa Valley – Colfax	Colfax, WI 54730
13	MCHS Eau Claire	Eau Claire, WI 54701
14	MCHS Holmen	Holmen, WI 54636
15	MCHS La Crescent	La Crescent, MN 55947
16	MCHS La Crosse	La Crosse, WI 54601
17	MCHS Northland – Barron	Barron, WI 54812
18	MCHS Northland – Cameron	Cameron, WI 54822
19	MCHS Northland – Chetek	Chetek, WI 54728
20	MCHS Northland – Prairie Farm	Prairie Farm, WI 54762
21	MCHS Northland – Rice Lake	Rice Lake, WI 54868
22	MCHS Oakridge – Mondovi	Mondovi, WI 54755
23	MCHS Oakridge – Osseo	Osseo, WI 54758
24	MCHS Onalaska	Onalaska, WI 54650
25	MCHS Prairie du Chien	Prairie du Chien, WI 53821
26	MCHS Sparta	Sparta, WI 54656
27	MCHS Tomah	Tomah, WI 54660
28	MCHS Waukon	Waukon, IA 52172
29	Medical X-ray Consultants	Eau Claire, WI 54703
30	Mile Bluff Clinic, LLP	Mauston, WI 53948
31	Mile Bluff Medical Center Inc dba Elroy Family Medical Center	Elroy, WI 53929
32	New Lisbon Clinic	New Lisbon, WI 53950
33	Pain Clinic of NW WI	Eau Claire, WI 54701
34	Prairie Anesthesia Service, S.C.	Prairie du Chien, WI 53821
35	Reedsburg Physicians Group	Reedsburg, WI 53959
36	Reedsburg Specialty Clinics	Reedsburg, WI 53959
37	Richland Medical Center, Ltd.	Richland Center, WI 53581
38	St. Joseph's Family Clinic	Hillsboro, WI 54634
39	Tomah Memorial Hospital -Specialty Clinic	Tomah, WI 54660
40	Western Wisconsin Urology SC	Eau Claire, WI 54701
41	WI River Orthopedics	Black River Falls, WI 54615
42	Winneshiek Medical Center	Decorah, IA 52101
43	Winona Health Services	Lewiston, MN 55952

C. Mental Health/Chemical Dependency

1	Family and Children's Ctr	La Crosse, WI 54601
2	Family and Children's Ctr	Viroqua, WI 54665
3	Family and Children's Ctr	Winona, MN 55987
4	Family and Children's Center	Black River Falls, WI 54615
5	Krohn Clinic, Ltd.	Black River Falls, WI 54615
6	La Crosse Counseling Center for Children & Families	La Crosse, WI 54601
7	Mayo Clinic Health System Franciscan Healthcare	Arcadia, WI 54612
8	MCHS Caledonia	Caledonia, MN 55921
9	MCHS Chippewa Valley – Chippewa Falls	Chippewa Falls, WI 54729
10	MCHS Eau Claire	Eau Claire, WI 54701
11	MCHS Holmen	Holmen, WI 54636
12	MCHS La Crosse	La Crosse, WI 54601
13	MCHS Northland – Rice Lake	Rice Lake, WI 54868
14	MCHS Onalaska	Onalaska, WI 54650
15	MCHS Prairie du Chien	Prairie du Chien, WI 53821
16	MCHS Sparta	Sparta, WI 54656
17	MCHS Tomah	Tomah, WI 54660
18	Saint Elizabeth's Behavioral Health Clinic	Wabasha, MN 55981
19	Scenic Bluffs Community Health Center, Inc	Cashton, WI 54619
20	St. Joseph's Family Clinic	Hillsboro, WI 54634
21	Stein Counseling and Consulting Services, LTD	La Crosse, WI 54601
22	Therapy Associates	Decorah, IA 52101
23	Winneshiek Medical Center	Decorah, IA 52101

D. Oral and Maxillofacial Surgery

1	Drs. Anderson and Durtsche Ltd.	La Crosse, WI 54601
2	Oral Surgery Clinic of LaCrosse, Ltd.	Onalaska, WI 54650
3	Surgery Associates of Eau Claire, S.C.	Chippewa Falls, WI 54729
4	Winona Health Services	Winona, MN 55987

E. Optometry/Ophthalmology

1	Adams Eye Clinic	Westby, WI 54667
2	Art of Optometry	Black River Falls, WI 54615
3	Chippewa Valley Eye Clinic Ltd.	Eau Claire, WI 54701
4	Donna Higgins, OD	Prairie du Chien, WI 53821
5	Drs. Meehan and Schwartz	Decorah, IA 52101
6	Foster Primary Eye Care	Black River Falls, WI 54615
7	John Schaefer, OD	Mauston, WI 53948
8	Mayo Clinic Health System	Barron, WI 54812
9	MCHS La Crosse	La Crosse, WI 54601
10	MCHS Onalaska	Onalaska, WI 54650
11	MCHS Sparta	Sparta, WI 54656
12	MCHS Tomah	Tomah, WI 54660
13	Olson Family Vision, SC	Richland Center, WI 53581

- | | | |
|----|----------------------------|---------------------|
| 14 | Plainview Eye Clinic | Plainview, MN 55964 |
| 15 | St. Joseph's Family Clinic | Hillsboro, WI 54634 |
| 16 | Wabasha Eye Clinic | Wabasha, MN 55981 |
| 17 | Winona Health Services | Winona, MN 55987 |

F. Urgent Care/Acute Care Centers

- | | | |
|----|---|----------------------------|
| 1 | Chippewa Valley Hospital | Durand, WI 54736 |
| 2 | Mayo Clinic Health System Franciscan Healthcare | Arcadia, WI 54612 |
| 3 | MCHS Caledonia | Caledonia, MN 55921 |
| 4 | MCHS Chippewa Valley – Bloomer | Bloomer, WI 54724 |
| 5 | MCHS Chippewa Valley – Chippewa Falls | Chippewa Falls, WI 54729 |
| 6 | MCHS Eau Claire | Eau Claire, WI 54701 |
| 7 | MCHS La Crosse | La Crosse, WI 54601 |
| 8 | MCHS Northland – Barron | Barron, WI 54812 |
| 9 | MCHS Oakridge – Osseo | Osseo, WI 54758 |
| 10 | MCHS Onalaska | Onalaska, WI 54650 |
| 11 | MCHS Sparta | Sparta, WI 54656 |
| 12 | MCHS Tomah | Tomah, WI 54660 |
| 13 | MCHS Waukon | Waukon, IA 52172 |
| 14 | Mile Bluff Clinic, L.L.P. | Mauston, WI 53948 |
| 15 | Prairie du Chien Memorial Hospital | Prairie du Chien, WI 53821 |
| 16 | St. Joseph's Family Clinic | Hillsboro, WI 54634 |
| 17 | Tomah Memorial Hospital | Tomah, WI 54660 |
| 18 | Urgent Care Saint Elizabeth's Hospital | Wabasha, MN 55981 |
| 19 | Vernon Memorial Hospital | Viroqua, WI 54665 |
| 20 | Walk-In Care | Boscobel, WI 53805 |
| 21 | Warren's Walk-In Clinic | Warrens, WI 54666 |
| 22 | Winona Health Services | Rushford, MN 55971 |

G. Chiropractic

- | | | |
|----|--|-----------------------------|
| 1 | Abens Olson Chiropractic | Eau Claire, WI 54701 |
| 2 | Active Health Chiropractic | Tomah, WI 54660 |
| 3 | Adams Chiropractic Clinic | Chippewa Falls, WI 54729 |
| 4 | Allied Health Chiropractic Centers | Chetek, WI 54728 |
| 5 | Baldwin Chiropractic Health Center | Baldwin, WI 54002 |
| 6 | Berkley Chiropractic | La Crosse, WI 54601 |
| 7 | Black River Chiropractic Clinic, SC | Black River Falls, WI 54615 |
| 8 | Blair Chiropractic Center | Blair, WI 54616 |
| 9 | Breidenbach Family & Sports Chiropractic | La Crosse, WI 54603 |
| 10 | Bronston Chiropractic | La Crosse, WI 54601 |
| 11 | Bronston Chiropractic Clinic | Fountain City, WI 54629 |
| 12 | Clear Connection Chiropractic | Menomonie, WI 54751 |
| 13 | Clear Water Chiropractic LLC | Eau Claire, WI 54701 |
| 14 | Cone Chiropractic Office | Winona, MN 55987 |
| 15 | Coon Valley Chiropractic | Coon Valley, WI 54623 |
| 16 | Coulee Chiropractic Clinic | La Crosse, WI 54601 |
| 17 | Crawford Chiropractic, LLC | Seneca, WI 54654 |

18	Cronk Chiropractic Office	Richland Center, WI 53581
19	Cumberland Chiropractic	Cumberland, WI 54829
20	Draeger Chiropractic	Rice Lake, WI 54868
21	Durand Chiropractic Health Center	Durand, WI 54736
22	Eau Claire Chiropractic	Eau Claire, WI 54701
23	Erlandson Family Chiropractic	Onalaska, WI 54650
24	Fall Creek Chiropractic	Fall Creek, WI 54742
25	Gateway Chiropractic Center, SC	Eau Claire, WI 54701
26	Houg Chiropractic	Waukon, IA 52172
27	Hurtgen Chiropractic Office	Chippewa Falls, WI 54729
28	Independence Family Chiropractic	Independence, WI 54747
29	Jordan Chiropractic Clinic Inc.	Black River Falls, WI 54615
30	Kincaid Chiropractic Inc.	Reedsburg, WI 53959
31	Klug Chiropractic	Eau Claire, WI 54701
32	Kromrey Chiropractic, SC	Cadott, WI 54727
33	LaCrescent Chiropractic	La Crescent, MN 55947
34	Lorenz Chiropractic Office LLC	Boscobel, WI 53805
35	Markgren Chiropractic	Osseo, WI 54758
36	Mondovi Chiropractic Office	Mondovi, WI 54755
37	Nanstad Chiropractic	Eau Claire, WI 54701
38	OAS Family Chiropractic	Eau Claire, WI 54703
39	Olson Chiropractic	Tomah, WI 54660
40	Pank Chiropractic Inc	Whitehall, WI 54773
41	Paulson Chiropractic	Clear Lake, WI 54005
42	Paulsrud Chiropractic	Eau Claire, WI 54703
43	Pigeon Falls Chiropractic Clinic	Pigeon Falls, WI 54760
44	Procare Chiropractic SC	Arcadia, WI 54612
45	Red Cedar Chiropractic	Menomonie, WI 54751
46	Scenic Bluffs Community Health Center, Inc.	Cashton, WI 54619
47	Schams Chiropractic	La Crescent, MN 55947
48	Schoeberl Chiropractic Clinic	Caledonia, MN 55921
49	Solverson Chiropractic Clinic	Viroqua, WI 54665
50	Sparta Chiropractic Clinic LLC	Sparta, WI 54656
51	Tenold Chiropractic Health Clinic	Eau Claire, WI 54701
52	Tomah Chiropractic Clinic LLC	Tomah, WI 54660
53	Trempealeau Family Chiropractic	Trempealeau, WI 54661
54	Weber Chiropractic	Prairie du Chien, WI 53821
55	Williams Chiropractic	Boscobel, WI 53805
56	Wissota Chiropractic SC	Chippewa Falls, WI 54729
57	Wolter Chiropractic/Stender	Eau Claire, WI 54701

H. Durable Medical Equipment (DME)

1	Black River Memorial Hospital - DME	Black River Falls, WI 54615
2	Mayo Clinic Health System	Eau Claire, WI 54702
3	Prairie du Chien Memorial Hospital - DME	Prairie du Chien, WI 53821
4	Prosthetic Laboratories of Eau Claire	Eau Claire, WI 54703
5	Prosthetic Laboratories of Onalaska	Onalaska, WI 54650
6	Prosthetic Laboratories of La Crosse	La Crosse, WI 54601
7	Winkley Orthotics	Eau Claire, WI 54701

I. Home Healthcare

- | | | |
|---|---|-----------------------------|
| 1 | Black River Memorial Hospital - Home Health | Black River Falls, WI 54615 |
| 2 | Mayo Clinic Health System Franciscan Healthcare | La Crosse, WI 54601 |
| 3 | Mile Bluff Medical Center Inc. dba Hess Home Health | Mauston, WI 53948 |
| 4 | Prairie du Chien Memorial Hospital - Home Health | Prairie du Chien, WI 53821 |
| 5 | Saint Elizabeth's Home Health Care | Wabasha, MN 55981 |
| 6 | Winona Home Health Care | Winona, MN 55987 |

Exhibit B

Commission Schedule

Commercial Groups –

(A) Comm.	(B) Comm.	(C) Comm.	(D) Comm.	
Group Size	PEPM	PEPY	PEPY	PEPY
2 - 4	\$ 21.00	\$ -	\$ 30.00	N/A
5 - 9	\$ 36.00	\$ 15.00	\$ 30.00	N/A
10 - 29	\$ 24.00	\$ 15.00	\$ 30.00	N/A
30 - 49	\$ 21.00	\$ 15.00	\$ 30.00	N/A
50 - 99	\$ 5.00	\$ 15.00	\$ 30.00	Negotiated
100 +	\$ 2.00	\$ 15.00	\$ 30.00	Negotiated

- Column (A) commissions are paid on a per employee per month basis, based on the enrollment at the beginning of the contract period. Commissions will be paid on a sliding scale for all groups.
- Column (B) commissions are a one time per employee per year bonus dependent on the following:
 - For all new groups written with 5 or greater subscribers.
 - Commissions for all new large groups over 50 employees unless there is a separate negotiated fee.
- Column (C) commissions are a one time per employee bonus when a group is moved from carriers as determined by Health Tradition Health Plan.
- Column (D) commissions are a one time per employee bonus for targeted accounts.
- Large employer groups with over 50 employees may be negotiated. If no negotiated rate is desired, the base rates and qualified bonuses above will apply.
- All commissions will be based on paid enrollment contracts.

Premier One Individual Plan –

The Health Tradition's new commission schedule will apply to new applications written on August 1, 2009 or after.

Premier One (Individual)
Commissions - \$22.00 per contract/policy per month

65Plus –

Health Tradition Health Plan uses outside agencies and uses the following commission schedule:

15% commission on new business

11% on new business if the policy is replacing an existing Medicare Supplement policy

11% on renewal business from the second to the sixth year

3% thereafter for the Medicare Select product only.