My Choice Wisconsin, Inc. and Affiliates

(a not-for-profit corporation)

Consolidated Financial Report
with Supplemental Information
September 1, 2023

Contents

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Independent Auditor's Report

To the Audit Committee
My Choice Wisconsin, Inc. and Affiliates

Opinion

We have audited the consolidated financial statements of My Choice Wisconsin, Inc. and Affiliates (the "Company"), which comprise the consolidated statement of financial position as of September 1, 2023 and the related consolidated statements of activities, changes in net assets, and cash flows for the period from January 1, 2023 to September 1, 2023, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of September 1, 2023 and the results of its operations and its cash flows for the period from January 1, 2023 to September 1, 2023 in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion on U.S. Generally Accepted Accounting Principles

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are required to be independent of the Company and to meet our ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As described in Note 3 to the consolidated financial statements, on August 31, 2023, the Company completed the sale of substantially all of its operating assets and liabilities, including membership rights. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the consolidated financial statements are issued or available to be issued.

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

To the Audit Committee
My Choice Wisconsin, Inc. and Affiliates

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Plante & Moran, PLLC

July 29, 2024

Consolidated Statement of Financial Position

	September 1, 2023
Assets	
Current Assets	
Cash and cash equivalents	$ 250,904,396
Investments (Notes 5 and 6)	86,479,948
Accounts receivable	12,152
Receivable from sale	48,606,983
Prepaid expenses and other current assets:	
Prepaid expenses	203,425
Accrued interest income	2,344,089
Total assets	**$ 388,550,993**
Liabilities and Net Assets	
Current Liabilities - Income taxes payable	$ 2,575,017
Net Assets - Without donor restrictions	385,975,976
Total liabilities and net assets	**$ 388,550,993**

Consolidated Statement of Activities

	Period from January 1, 2023 to September 1, 2023
Revenue	
Premiums earned - Net:	
Capitation revenue	$ 604,336,246
Member obligation revenue	61,380,675
Total premiums earned - Net	665,716,921
Other revenue	235,991
Total premiums earned and other revenue	665,952,912
Gain on Sale (Note 3)	148,720,644
Operating Expenses	
Member service costs (Note 8)	564,847,775
Care management expenses (Note 8)	55,860,925
Claim adjustment expenses (Note 8)	5,902,201
General and administrative	27,970,264
Total operating expenses	654,581,165
Operating Income	160,092,391
Nonoperating Income (Loss)	
Net investment income (Note 7)	7,591,977
Impairment of intangible assets	(3,364,253)
Total nonoperating income	4,227,724
Income - Before income taxes	164,320,115
Income Tax Expense	2,478,193
Consolidated Net Income	**$ 161,841,922**

See notes to consolidated financial statements.

Consolidated Statement of Changes in Net Assets

Period from January 1, 2023 to September 1, 2023

	Net Assets - Without Donor Restrictions
Balance - January 1, 2023	$ 224,134,054
Consolidated net income	161,841,922
Balance - September 1, 2023	**$ 385,975,976**

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

	Period from January 1, 2023 to September 1, 2023
Cash Flows from Operating Activities	
Change in net assets	$ 161,841,922
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation and amortization	1,097,684
Net realized and unrealized gains on investments	(1,190,472)
Bad debt expense	4,955,333
Impairment of intangible assets	3,364,253
Noncash lease expense	(60,759)
Net gain on sale of assets	(148,720,644)
Changes in operating assets and liabilities:	
Accounts receivable and reinsurance recoverables	686,784
Amounts receivable relating to uninsured plans	1,912,166
Prepaid expenses and other current assets	(2,018,273)
Unpaid claims, claim adjustment, and care management expenses	(6,884,954)
Accounts payable and accrued expenses	(2,338,507)
Income taxes payable	2,478,193
Amounts payable relating to uninsured plans	138,250
Accrued compensation	(875,901)
Capitation payable	(10,979,527)
Net cash provided by operating activities	3,405,548
Cash Flows from Investing Activities	
Purchases of property and equipment	(402,712)
Proceeds from sales and maturities of investments	115,886,512
Purchases of investments	(96,778,990)
Proceeds from sale	9,772,410
Net cash provided by investing activities	28,477,220
Net Increase in Cash and Cash Equivalents	31,882,768
Cash and Cash Equivalents - Beginning of period	219,021,628
Cash and Cash Equivalents - End of period	**$ 250,904,396**

See notes to consolidated financial statements.

Note 1 - Nature of Business

My Choice Wisconsin, Inc. (MCW) is a not-for-profit managed care organization (MCO) that serves government-funded programs to frail seniors and adults with disabilities in over 50 Wisconsin counties. MCW provides services under the Family Care program as a capitated Medicaid program that is designed to help frail elders and adults with disabilities get the services they need to remain in their homes.

MCW is the sole corporate member of My Choice Wisconsin Health Plan, Inc. (MCWHP), which is a state-certified MCO and licensed health maintenance organization (HMO). MCWHP provides services under the Wisconsin Family Care Partnership Program (the "Partnership Program"), which is designed to use capitated Medicaid and Medicare revenue to provide integrated health and long-term managed care services to nursing home-eligible participants, benefits under the Medicare Advantage Special Needs Program, and prescription drug benefits under Medicare Part D. MCWHP also participates in the State of Wisconsin's Supplemental Security Income (SSI) Managed Care Program, which provides health care services for those who receive Medicaid SSI or SSI-related Medicaid because of a disability determined by the Disability Determination Bureau. SSI is designed to use Medicaid to cover medical services. MCWHP also offers Medicare Dual Advantage, an HMO Special Needs Plan (DSNP), which provides health care services for those who are eligible for both Medicare and Medicaid. DSNP is designed to use Medicare funds to cover medical services. MCWHP provides health services to Medicaid recipients through the BadgerCare Plus program under a contract with DHS.

During 2021, MCW established a not-for-profit entity, My Choice Foundation Holdings, Inc. (MCFH). MCW is the sole corporate member of MCFH and maintains control through common management and has an economic interest in the entity.

MCW, MCWHP, and MCFH are collectively referred to as the "Company."

On August 31, 2023, the Company completed the sale of substantially all of its operating assets and liabilities, including membership rights, to an unrelated third party, Molina Healthcare, Inc. (Molina). All contracts with DHS and CMS were terminated in connection with this sale. Further details of the transaction are disclosed in Note 3 to the consolidated financial statements.

Note 2 - Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of MCW and its affiliates. All material intercompany accounts and transactions have been eliminated in consolidation.

Basis of Presentation

The consolidated financial statements of the Company have been prepared on the basis of accounting principles generally accepted in the United States of America (GAAP).

Cash, Cash Equivalents, and Short-term Investments

Cash and cash equivalents include cash, highly liquid investments with a maturity of three months or less, and money market funds. Short-term investments include investments with maturities less than one year and are carried at cost.

Investments

Investments in debt and equity securities are measured at fair value. Unrealized gains and losses on investments are reported in nonoperating income.

Investment transactions are recorded on the trade date. Realized gains and losses on the sale of investments are calculated based on the specific identification of the securities sold. Investment management and custodial fees are recorded as a reduction of investment income.

Note 2 - Significant Accounting Policies (Continued)

Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the consolidated financial statements.

Contracts with Government Agencies

Substantially all of the Company's revenue is derived from contracts with the Wisconsin Department of Health Services (DHS) and Centers for Medicare & Medicaid Services (CMS). These contracts were terminated in accordance with the sale described in Note 3.

Leases

The Company had operating leases for various buildings and office leases. The Company recognizes expense for operating leases on a straight-line basis over the lease term. Total lease expense under these leases for the period ended September 1, 2023 was $933,060.

Capitation and Member Obligation Revenue

The Company had contracts with DHS and CMS effective through August 31, 2023 to provide services to qualified Medicare and Medicaid recipients. These contracts represented the Company's source of premium income for Family Care, Partnership Program, SSI, BadgerCare Plus, and DSNP. This funding is referred to within the consolidated statement of activities as capitation revenue.

Medicaid capitation revenue is based on rates for eligible members and is recognized in the month that members are entitled to receive services. Subsequent to the sale transaction, the Company is no longer subject to rate adjustments.

The Company covered prescription drug benefits in accordance with Medicare Part D under a contract with CMS through August 31, 2023. The payments received from CMS and its members, which are determined from an annual bid, represent amounts for providing prescription drug insurance coverage. The payment from CMS is subject to risk sharing through the Medicare Part D risk corridor provisions.

The Company also receives funding from its members who have responsibility for cost-share and/or room and board costs if the member resides in a residential health care facility. This member obligation revenue is recognized in the period in which members utilize the services.

Uninsured Plans

Amounts pertaining to cost reimbursement under the Medicare Part D program include the reinsurance subsidy, coverage gap discount, and the low-income cost-sharing subsidy. The Company is fully reimbursed by CMS for costs incurred for these contract elements; accordingly, there is no insurance risk to the Company. Amounts received for these subsidies are received monthly and are not reflected as net premium income but rather are accounted for as deposits.

The Company receives Direct Care Workforce (DCW) pass-through payments from DHS that are subsequently paid to providers. The Company treats all transactions relating to these programs as uninsured plans.

To promote member access to acute-care, children's, and rehabilitation hospitals throughout Wisconsin, Medicaid provides a hospital access payment amount per inpatient discharge. Access payments are intended to reimburse hospital providers based on Wisconsin Medicaid volume. These amounts are accounted for using deposit accounting.

Note 2 - Significant Accounting Policies (Continued)

Functional Allocation of Expenses

The consolidated financial statements report certain expense categories that are attributable to more than one program or support function. Therefore, these expenses require an allocation on a reasonable basis that is consistently applied. Costs of providing the program and support services have been disclosed on a functional basis in Note 14. Expenses are allocated on the basis of actual expenditures, number of full-time equivalent employees, revenue, and estimates made by management. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

Income Taxes

The Company is exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. MCWHP is subject to the State of Wisconsin property, income, and franchise taxes, which are included in income tax expense. As of September 1, 2023, the Company had no significant unrecognized tax benefits. The Company files tax returns in U.S. federal and state of Wisconsin jurisdictions.

As of September 1, 2023, there were no significant deferred tax assets or liabilities.

Use of Estimates

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Adoption of New Accounting Pronouncement

In June 2016, the Financial Accounting Standards Board issued Accounting Standards Update No. 2016-13, *Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments*. The ASU includes increased disclosures and various changes to the accounting and measurement of financial assets. Each financial asset presented on the statement of financial position would have a unique allowance for credit losses valuation account that is deducted from the cost basis to present the net carrying value at the amount expected to be collected on the financial asset. The amendments in this ASU also eliminate the probable initial recognition threshold in current GAAP and, instead, reflect an entity's current estimate of all expected credit losses using reasonable and supportable forecasts. The adoption of this standard had no significant impact on the Company.

Subsequent Events

The consolidated financial statements and related disclosures include evaluation of events up through and including July 29, 2024, which is the date the consolidated financial statements were available to be issued.

Note 3 - Sale of Operating Assets and Liabilities

Effective August 31, 2023, the Company completed the sale of substantially all of its operating assets and liabilities to Molina Healthcare, Inc. The following table summarizes the assets and liabilities transferred in the transaction, sale proceeds, and the related gain on sale:

Cash, cash equivalents, and investments	$ (34,358,350)
Property and equipment	(4,075,421)
Other assets	(9,743,634)
Unpaid claims, claim adjustment, and care management expenses	93,560,418
Other liabilities	10,599,888
Net liabilities transferred	55,982,901
Cash proceeds from sale	44,130,760
Receivable from sale	48,606,983
Gain on sale	$ 148,720,644

Note 4 - Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Company's deposits may not be returned to it. The Company's policy related to custodial credit risk of bank deposits is to maintain all deposits in a high-quality institution. As a result, the Company evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories. The Company maintains balances in its deposit accounts to adequately cover current operating and claim payment expenses and, as a result, generally requires balances that exceed the Federal Deposit Insurance Corporation (FDIC) insurance limits of $250,000. The Company believes it is impractical to insure all deposits. At September 1, 2023, the Company had cash deposits in financial institutions in excess of the FDIC insurance limits totaling $130,154,262.

Note 5 - Investments

The details of the Company's investments in debt and equity securities at September 1, 2023 are as follows:

	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Equity securities - Exchange-traded bond funds	$ 2,963,938	$ 617	$ (265,601)	$ 2,698,954
Debt securities:				
U.S. government securities	12,476,584	42,068	(762,947)	11,755,705
Corporate securities	71,029,944	408,844	(1,582,668)	69,856,120
Mortgage-backed securities	2,710,102	-	(540,933)	2,169,169
Total debt securities	86,216,630	450,912	(2,886,548)	83,780,994
Total	$ 89,180,568	$ 451,529	$ (3,152,149)	$ 86,479,948

Note 5 - Investments (Continued)

The amortized cost and fair value of debt securities by contractual maturity at September 1, 2023 are as follows. Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Fair Value
Due in one year or less	$ 61,161,576	$ 60,698,025
Due in one through five years	16,990,582	16,305,941
Due after five years through ten years	4,847,009	4,142,342
Due after ten years	507,361	465,517
Mortgage-backed securities	2,710,102	2,169,169
Total	$ 86,216,630	$ 83,780,994

Note 6 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Company has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Company’s assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

Note 6 - Fair Value Measurements (Continued)

The following table presents information about the Company’s assets measured at fair value on a recurring basis at September 1, 2023 and the valuation techniques used by the Company to determine those fair values:

	Assets Measured at Fair Value on a Recurring Basis at September 1, 2023			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at September 1, 2023
Equity securities - Exchange-traded bond funds	$ 2,698,954	$ -	$ -	$ 2,698,954
Debt securities:				
U.S. government securities	-	11,755,705	-	11,755,705
Corporate securities	-	69,856,120	-	69,856,120
Mortgage-backed securities	-	2,169,169	-	2,169,169
Total debt securities	-	83,780,994	-	83,780,994
Total	$ 2,698,954	$ 83,780,994	$ -	$ 86,479,948

The following summarizes the valuation methodology used in determining fair value measurements of the significant classes of the Company's assets measured at fair value on a recurring basis:

Level 1 Measurements

Equity securities - The fair value of these investments is based upon the unadjusted quoted prices for the identical security in active markets that the Company can access.

Level 2 Measurements

Debt securities - The primary inputs to the valuation include quoted prices for identical or similar assets in markets that are not active, contractual cash flows, benchmark yields, prepayment speeds, collateral performance, and credit spreads.

Note 7 - Investment Income

Investment income is composed of the following for the period ended September 1, 2023:

Interest income - Cash, cash equivalents, short-term investments, and debt securities:	
Debt securities	$ 5,364,801
Cash and short-term investments	1,146,564
Dividend income - Common stocks	28,682
Net realized loss on sale of investments	(259,708)
Net unrealized losses on investments	1,450,184
Gross investment income	7,730,523
Investment expenses	(138,546)
Net investment income	$ 7,591,977

Note 8 - Member Service Costs, Care Management Expenses, and Claim Adjustment Expenses

As a result of the sale of substantially all of the operating assets and liabilities of the Company, as described in Note 3, the Company transferred unpaid claims, claim adjustment expenses, and care management expenses totaling $93,560,418. The Company incurred member service costs, care management expenses, and claim adjustment expenses for the period ended September 1, 2023 totaling $626,610,901, of which $10,687,314 related to claims incurred in the prior year.

Note 9 - Retrospectively Rated Contracts and Contracts Subject to Redetermination

At August 31, 2023, the Company has a receivable related to retrospective premium rate adjustments totaling $13,614,015. During 2023, the Company received $1,811,333 related to 2022 retrospective rate adjustments based on favorable development of pay for performance results. The increase in estimate was recognized within capitation revenue during 2023. The Company had other amounts related to capitation accrued in the amount of $591,395 at August 31, 2023. These receivables related to retrospective premium rate adjustments and accruals related to capitation were sold to Molina.

During 2021, there was a contract amendment with DHS that implemented a risk corridor for Family Care and Partnership Programs. The risk corridor contract for Family Care and Partnership Programs was renewed for 2023, with the same guidelines as the previous contract. In addition, DHS had a combined two-way risk corridor arrangement for SSI and BadgerCare Plus programs during 2023 based on the medical loss ratio for these populations. The estimated payable to DHS related to the risk corridors was $17,060,566 of August 31, 2023. The payable to DHS related to the risk corridor was sold to Molina.

At August 31, 2023, the Company recorded a risk-sharing receivable related to Medicare Part D of approximately $1,088,000. The risk-sharing receivable related to Medicare Part D was sold to Molina.

Note 10 - Reinsurance

During 2023, the Company has one reinsurance agreement in place. The agreement is intended to limit losses on inpatient hospitality services, outpatient health services, transplant services, pharmaceuticals, ambulance, physician services, and sub-acute care services, such as long-term acute-care facility services, with Medicare costs included only as part of inpatient hospitals, transplants, and long-term acute care facilities. The reinsurer covers 90 percent of the cost of each participant's annual services in excess of a $350,000 deductible, up to daily limits of $4,000 per participant for inpatient hospitality services, $4,000 per participant for transplant services, and $2,000 per participant for long-term acute-care facility services for Medicare, but up to the Medicaid allowable for all others.

Premiums earned are reported net of reinsurance premium that totaled $1,001,611 for the period ended September 1, 2023. During the period ended September 1, 2023, the Company recovered losses of $132,893.

Note 11 - Liquidity and Availability of Resources

The Company’s financial assets available within one year of September 1, 2023 for general expenditures are as follows:

Cash and cash equivalents	$ 250,904,396
Investments	82,664,948
Receivables - Net	12,152
Total	$ 333,581,496

Note 11 - Liquidity and Availability of Resources (Continued)

None of these financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the consolidated statement of financial position date.

The Company ceased operations as an MCO subsequent to the sale and no longer has ongoing expenditure requirements.

Note 12 - Uninsured Plans

The Company participates in the Medicare Part D prescription drug program. Standard coverage for beneficiaries under Part D includes annual deductible amounts, coinsurance for amounts up to an initial coverage limit, a range beyond the initial coverage limit in which the insured pays all of the prescription drug costs, and an annual out-of-pocket threshold, above which the insured pays the greater of a specified copayment or 5 percent of drug costs.

Under the Company's prescription drug coverage for eligible members, substantially all prescription drug costs are paid by the Company. In return, the Company receives reimbursement from the Medicare program consisting of basic premiums and direct subsidies; specific reimbursement for benefit costs above the out-of-pocket threshold (reinsurance premiums); and specific cost reimbursement for deductibles, coinsurance, and copayments due to members qualifying for low-income subsidies (cost-sharing portion). The cost reimbursements are paid to the Company based on interim data and are then settled based on actual claims data.

Amounts related to reinsurance and the low-income cost-sharing subsidies are not reflected as premiums but rather are reported as a liability until the related amounts are remitted by the Company. During 2023, total reimbursement for drug costs relating to these subsidies was $8,709,857. As of August 31, 2023, the Company had a net receivable of $4,802,230, related to these subsidies recorded as a receivable related to uninsured plans.

The Company receives Direct Care Workforce pass-through payments from DHS that are subsequently paid to providers. The Company treats all transactions relating to these programs as uninsured plans and reports the excess of payments received from DHS overpayments made to providers, if any, as amounts payable relating to uninsured plans on the consolidated statement of financial position. The Company received pass-through DCW payments amounting to approximately $17,696,000 during the period ended September 1, 2023. As of September 1, 2023, amounts payable relating to DCW uninsured plans totaled $395,277.

The Company receives certain access payments from the Medicaid program that are passed through to designated providers. Accordingly, there is no insurance risk related to these programs. The Company received pass-through access payments amounting to approximately $9,444,000 for the period ended September 1, 2023. There were no related amounts receivable or payable as of September 1, 2023.

All of the receivables and payables related to uninsured plans described above were transferred when the Company completed the sale of substantially all of its operating assets and liabilities to Molina Healthcare, Inc.

Note 13 - Retirement Plan

The Company sponsors 401(k) plans for its employees. The plans are fully funded and provide for the Company to make required matching contributions. Contributions to the plans totaled approximately $1,926,000 for the period ended September 1, 2023.

The Company also provides deferred compensation plans under Section 457(b) of the Internal Revenue Code. The 457(b) plans are intended primarily for certain key employees to defer compensation until retirement or termination of employment, whichever is sooner. Contributions to the plans totaled $2,716 for the period ended September 1, 2023.

Note 14 - Functional Expenses

The Company provides various services to its members. Expenses related to providing these services are as follows for the period ended September 1, 2023:

Program services - Insurance operations:	
Member service costs	$ 564,847,775
Care management - Salaries, benefits, and taxes	46,899,863
Care management - Unit fees	4,992,880
Care management - Depreciation and amortization	294,032
Care management - Other	3,674,150
Claim adjustment expenses	5,902,201
Total program services - Insurance operations	626,610,901
Support services:	
Salaries, benefits, and taxes	13,574,892
Bad debt expense	4,955,333
Occupancy	579,322
Office expenses	1,530,869
Legal, accounting, and audit	463,305
Contracted IT development	290,168
Other professional services	2,714,157
Depreciation and amortization expense	527,488
Insurance expense	276,162
Incentive pool, withhold adjustments, and bonus amounts	264,372
Other	2,794,196
Total support services	27,970,264
Total	$ 654,581,165

Note 15 - Regulatory Matters

MCWHP is subject to regulation by the OCI that requires the maintenance of a compulsory surplus for the greater of the amount of 3 percent of premium or $750,000. In addition, the OCI sets forth security surplus guidelines that are calculated based on a factor applied to the compulsory surplus. MCWHP is also subject to certain risk-based capital (RBC) requirements specified by the NAIC and required by the OCI. The calculations for determining the amount of RBC utilize a series of dynamic formulas containing a variety of weighting factors that are applied to financial balances or levels of activity. As of September 1, 2023, MCWHP's RBC level exceeded the minimum requirements.

Supplemental Information

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Independent Auditor's Report on Supplemental Information

To the Audit Committee
My Choice Wisconsin, Inc. and Affiliates

We have audited the consolidated financial statements of My Choice Wisconsin, Inc. and Affiliates as of September 1, 2023 and for the period from January 1, 2023 to September 1, 2023 and have issued our report thereon dated July 29, 2024, which contained an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating and combining information is presented for the purpose of additional analysis rather than to present the financial position, results of operations, and cash flows of the individual companies and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Plante & Moran, PLLC

July 29, 2024

Consolidating Statement of Financial Position

September 1, 2023

	My Choice Wisconsin, Inc.	My Choice Wisconsin Health Plan, Inc.	Eliminating and Reclassification Entries	Total
Assets				
Current Assets				
Cash and cash equivalents	$ 199,336,778	$ 51,567,618	$ -	$ 250,904,396
Investments	64,613,075	21,866,873	-	86,479,948
Accounts receivable	12,152	-	-	12,152
Intercompany receivable	1,004,507	-	(1,004,507)	-
Receivable from sale	48,606,983	-	-	48,606,983
Prepaid expenses and other current assets:				
Prepaid expenses	203,425	-	-	203,425
Accrued interest income	1,858,887	485,202	-	2,344,089
Investment in Subsidiary	9,526,700	-	(9,526,700)	-
Total assets	**$ 325,162,507**	**$ 73,919,693**	**$ (10,531,207)**	**$ 388,550,993**
Current Liabilities				
Intercompany payable	$ -	$ 1,004,507	$ (1,004,507)	$ -
Income taxes payable:				
Income taxes payable	-	2,575,017	-	2,575,017
Total liabilities	-	3,579,524	(1,004,507)	2,575,017
Net Assets - Without donor restrictions	325,162,507	70,340,169	(9,526,700)	385,975,976
Total liabilities and net assets	**$ 325,162,507**	**$ 73,919,693**	**$ (10,531,207)**	**$ 388,550,993**

My Choice Wisconsin, Inc. and Affiliates

Consolidating Statement of Activities

Period from January 1, 2023 to September 1, 2023

	My Choice Wisconsin, Inc.	My Choice Wisconsin Health Plan, Inc.	Eliminating Entries	Total
Revenue				
Premiums earned - Net:				
Capitation revenue	$ 473,114,743	$ 131,221,503	$ -	$ 604,336,246
Member obligation revenue	56,141,893	5,238,782	-	61,380,675
Total premiums earned - Net	529,256,636	136,460,285	-	665,716,921
Other revenue (expense)	4,139,175	30,870	(3,934,054)	235,991
Total premiums earned and other revenue	533,395,811	136,491,155	(3,934,054)	665,952,912
Gain on Sale	148,720,644	-	-	148,720,644
Operating Expenses				
Member service costs	451,212,781	113,634,994	-	564,847,775
Care management expenses	47,513,964	9,184,341	(837,380)	55,860,925
Claim adjustment expenses	2,381,002	3,521,199	-	5,902,201
General and administrative	22,751,630	8,315,308	(3,096,674)	27,970,264
Total operating expenses	523,859,377	134,655,842	(3,934,054)	654,581,165
Operating Income	158,257,078	1,835,313	-	160,092,391
Nonoperating Income (Loss)				
Net investment income	5,754,747	1,837,230	-	7,591,977
Impairment of intangible assets	(3,364,253)	-	-	(3,364,253)
Total nonoperating income	2,390,494	1,837,230	-	4,227,724
Income - Before income taxes	160,647,572	3,672,543	-	164,320,115
Income Tax Expense	-	2,478,193	-	2,478,193
Consolidated Net Income	**$ 160,647,572**	**$ 1,194,350**	**$ -**	**$ 161,841,922**

Combining Statement of Activities

Period from January 1, 2023 to September 1, 2023

	My Choice Wisconsin Health Plan, Inc.					My Choice Wisconsin, Inc.			
	Partnership Program	SSI Program	DSNP	Badgercare	My Choice Wisconsin Health Plan, Inc. Total	Family Care Program	Eliminations	My Choice Wisconsin, Inc. Total	My Choice Wisconsin, Inc. and Affiliates Total
Revenue									
Premiums earned - Net:									
Capitation revenue	$ 75,861,643	$ 10,498,265	$ 10,754,817	$ 34,106,778	$ 131,221,503	$ 473,114,743		$ 473,114,743	$ 604,336,246
Member obligation revenue	5,238,782	-	-	-	5,238,782	56,141,893	-	56,141,893	61,380,675
Total premiums earned - Net	81,100,425	10,498,265	10,754,817	34,106,778	136,460,285	529,256,636	-	529,256,636	665,716,921
Other revenue (expense)	-	-	-	30,870	30,870	4,139,175	(3,934,054)	205,121	235,991
Total premiums earned and other revenue	81,100,425	10,498,265	10,754,817	34,137,648	136,491,155	533,395,811	(3,934,054)	529,461,757	665,952,912
Gain on Sale	-	-	-	-	-	148,720,644		148,720,644	148,720,644
Operating Expenses									
Member service costs	64,275,974	12,140,677	8,283,853	28,934,490	113,634,994	451,212,781	-	451,212,781	564,847,775
Care management expenses	8,012,222	911,460	260,659	-	9,184,341	47,513,964	(837,380)	46,676,584	55,860,925
Claim adjustment expenses	475,062	334,963	82,173	2,629,001	3,521,199	2,381,002	-	2,381,002	5,902,201
General and administrative	4,805,179	463,786	999,508	2,046,835	8,315,308	22,751,630	(3,096,674)	19,654,956	27,970,264
Total operating expenses	77,568,437	13,850,886	9,626,193	33,610,326	134,655,842	523,859,377	(3,934,054)	519,925,323	654,581,165
Operating Income	3,531,988	(3,352,621)	1,128,624	527,322	1,835,313	158,257,078	-	158,257,078	160,092,391
Nonoperating Income (Loss)									
Net investment income	825,554	-	-	1,011,676	1,837,230	5,754,747	-	5,754,747	7,591,977
Impairment of intangible assets	-	-	-	-	-	(3,364,253)	-	(3,364,253)	(3,364,253)
Total nonoperating income	825,554	-	-	1,011,676	1,837,230	2,390,494	-	2,390,494	4,227,724
Income - Before income taxes	4,357,542	(3,352,621)	1,128,624	1,538,998	3,672,543	160,647,572	-	160,647,572	164,320,115
Income Tax Expense	2,537,769	-	42,000	(101,576)	2,478,193	-	-	-	2,478,193
Consolidated Net Income	$ 1,819,773	$ (3,352,621)	$ 1,086,624	$ 1,640,574	$ 1,194,350	$ 160,647,572	$ -	$ 160,647,572	$ 161,841,922