



HEALTH ANNUAL STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2009
OF THE CONDITION AND AFFAIRS OF THE

Arcadian Health Plan, Inc.

NAIC Group Code 3681 3681 NAIC Company Code 12151 Employer's ID Number 20-1001348
(Current) (Prior)

Organized under the Laws of Washington, State of Domicile or Port of Entry Washington

Country of Domicile United States of America

Licensed as business type: Other

Is HMO Federally Qualified? Yes [] No []

Incorporated/Organized 04/06/2004 Commenced Business 01/01/2005

Statutory Home Office 1330 N. Washington St., Suite 3500, Spokane, WA 92201
(Street and Number) (City or Town, State and Zip Code)

Main Administrative Office 500 12th Street, Ste 350
(Street and Number)
Oakland, CA 94607, 510-832-0311
(City or Town, State and Zip Code) (Area Code) (Telephone Number)

Mail Address 500 12th Street, Ste 350, Oakland, CA 94607
(Street and Number or P.O. Box) (City or Town, State and Zip Code)

Primary Location of Books and Records 500 12th Street, Ste 350
(Street and Number)
Oakland, CA 94607, 510-832-0311
(City or Town, State and Zip Code) (Area Code) (Telephone Number)

Internet Website Address www.arcadianhealth.com

Statutory Statement Contact Stacy Elise Parsons, 510-817-1815
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(E-mail Address) (FAX Number)

OFFICERS

CEO/President?Secretary Robert Lawrence Falhman # CFO David Carl Buhler #
Treasurer Kenneth Benjamin Zimmerman Actuary -----

OTHER

DIRECTORS OR TRUSTEES

Robert Lawrence Falhman # David Carl Buhler # Kenneth Benjamin Zimmerman
Chase Spencer Milbrandt Jeffrey Craig McManus #

State of California SS:
County of Alameda

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

Robert Lawrence Falhman
CEO/President/Secretary

Kenneth Benjamin Zimmerman
Treasurer

David Carl Buhler
CFO

Subscribed and sworn to before me this _____ day of _____

- a. Is this an original filing? Yes [] No []
b. If no,
1. State the amendment number.....
2. Date filed
3. Number of pages attached.....

ANNUAL STATEMENT FOR THE YEAR 2009 OF THE ARCADIAN HEALTH PLAN, INC.

ASSETS

	Current Year			Prior Year
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	4 Net Admitted Assets
1. Bonds (Schedule D)	38,415,889		38,415,889	47,074,237
2. Stocks (Schedule D):				
2.1 Preferred stocks			0	0
2.2 Common stocks	8,973,436		8,973,436	6,286,753
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens			0	0
3.2 Other than first liens			0	0
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ encumbrances)			0	0
4.2 Properties held for the production of income (less \$ encumbrances)			0	0
4.3 Properties held for sale (less \$ encumbrances)			0	0
5. Cash (\$552,099 , Schedule E - Part 1), cash equivalents (\$499,970 , Schedule E - Part 2) and short-term investments (\$8,175,784 , Schedule DA)	9,227,854		9,227,854	3,069,787
6. Contract loans, (including \$ premium notes)			0	0
7. Other invested assets (Schedule BA)			0	0
8. Receivables for securities			0	0
9. Aggregate write-ins for invested assets	0	0	0	0
10. Subtotals, cash and invested assets (Lines 1 to 9)	56,617,179	0	56,617,179	56,430,777
11. Title plants less \$ charged off (for Title insurers only)			0	0
12. Investment income due and accrued	425,216		425,216	589,355
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection	4,351,204	20,344	4,330,860	9,592,342
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ earned but unbilled premiums)			0	0
13.3 Accrued retrospective premiums			0	0
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers	1,276,047		1,276,047	603,189
14.2 Funds held by or deposited with reinsured companies			0	0
14.3 Other amounts receivable under reinsurance contracts			0	0
15. Amounts receivable relating to uninsured plans	6,642,679		6,642,679	0
16.1 Current federal and foreign income tax recoverable and interest thereon			0	0
16.2 Net deferred tax asset	2,619,040	147,867	2,471,173	1,974,811
17. Guaranty funds receivable or on deposit			0	0
18. Electronic data processing equipment and software			0	0
19. Furniture and equipment, including health care delivery assets (\$)	756,907	756,907	0	0
20. Net adjustment in assets and liabilities due to foreign exchange rates			0	0
21. Receivables from parent, subsidiaries and affiliates	7,047,048		7,047,048	3,736,494
22. Health care (\$2,023,249) and other amounts receivable	4,267,893	2,119,154	2,148,739	2,562,429
23. Aggregate write-ins for other than invested assets	2,530,671	2,530,671	0	0
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	86,533,884	5,574,943	80,958,941	75,489,397
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			0	0
26. Total (Lines 24 and 25)	86,533,884	5,574,943	80,958,941	75,489,397
DETAILS OF WRITE-INS				
0901.				
0902.				
0903.				
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0	0	0
0999. Totals (Lines 0901 thru 0903 plus 0998)(Line 9 above)	0	0	0	0
2301. Prepaid Expenses	2,473,205	2,473,205	0	0
2302. Non-Statutory Deposits	57,466	57,466	0	0
2303.				
2398. Summary of remaining write-ins for Line 23 from overflow page	0	0	0	0
2399. Totals (Lines 2301 thru 2303 plus 2398)(Line 23 above)	2,530,671	2,530,671	0	0

LIABILITIES, CAPITAL AND SURPLUS

	Current Year			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$0 reinsurance ceded)	24,126,379	4,075,424	28,201,803	31,240,424
2. Accrued medical incentive pool and bonus amounts	292,785		292,785	195,916
3. Unpaid claims adjustment expenses.....	667,366		667,366	1,148,398
4. Aggregate health policy reserves.....			0	3,473,450
5. Aggregate life policy reserves.....			0	0
6. Property/casualty unearned premium reserves.....			0	0
7. Aggregate health claim reserves.....			0	0
8. Premiums received in advance.....			0	0
9. General expenses due or accrued.....	5,259,408		5,259,408	5,797,520
10.1 Current federal and foreign income tax payable and interest thereon (including \$ on realized capital gains (losses))	222,921		222,921	1,222,130
10.2 Net deferred tax liability.....			0	0
11. Ceded reinsurance premiums payable.....			0	0
12. Amounts withheld or retained for the account of others.....	177,846		177,846	0
13. Remittance and items not allocated.....			0	0
14. Borrowed money (including \$ current) and interest thereon \$ (including \$ current).....			0	0
15. Amounts due to parent, subsidiaries and affiliates.....	953,735		953,735	281,944
16. Payable for securities.....			0	0
17. Funds held under reinsurance treaties (with \$ authorized reinsurers and \$0 unauthorized reinsurers).....			0	0
18. Reinsurance in unauthorized companies.....			0	0
19. Net adjustments in assets and liabilities due to foreign exchange rates			0	0
20. Liability for amounts held under uninsured plans.....			0	1,462,478
21. Aggregate write-ins for other liabilities (including \$ current).....	0	0	0	0
22. Total liabilities (Lines 1 to 21).....	31,700,440	4,075,424	35,775,864	44,822,260
23. Aggregate write-ins for special surplus funds.....	XXX	XXX	0	0
24. Common capital stock.....	XXX	XXX	600,000	600,000
25. Preferred capital stock.....	XXX	XXX		
26. Gross paid in and contributed surplus.....	XXX	XXX	34,696,777	34,696,777
27. Surplus notes.....	XXX	XXX	0	
28. Aggregate write-ins for other than special surplus funds.....	XXX	XXX	0	0
29. Unassigned funds (surplus).....	XXX	XXX	9,886,301	(4,629,640)
30. Less treasury stock, at cost:				
30.1 shares common (value included in Line 24 \$).....	XXX	XXX		
30.2 shares preferred (value included in Line 25 \$).....	XXX	XXX		
31. Total capital and surplus (Lines 23 to 29 minus Line 30).....	XXX	XXX	45,183,078	30,667,137
32. Total liabilities, capital and surplus (Lines 22 and 31)	XXX	XXX	80,958,942	75,489,397
DETAILS OF WRITE-INS				
2101.				
2102.				
2103.				
2198. Summary of remaining write-ins for Line 21 from overflow page	0	0	0	0
2199. Totals (Lines 2101 thru 2103 plus 2198)(Line 21 above)	0	0	0	0
2301.	XXX	XXX		
2302.	XXX	XXX		
2303.	XXX	XXX		
2398. Summary of remaining write-ins for Line 23 from overflow page	XXX	XXX	0	0
2399. Totals (Lines 2301 thru 2303 plus 2398)(Line 23 above)	XXX	XXX	0	0
2801.	XXX	XXX		
2802.	XXX	XXX		
2803.	XXX	XXX		
2898. Summary of remaining write-ins for Line 28 from overflow page	XXX	XXX	0	0
2899. Totals (Lines 2801 thru 2803 plus 2898)(Line 28 above)	XXX	XXX	0	0

STATEMENT OF REVENUE AND EXPENSES

	Current Year		Prior Year
	1 Uncovered	2 Total	3 Total
1. Member Months.....	XXX	339,536	303,299
2. Net premium income (including \$ non-health premium income)	XXX	272,763,336	230,337,506
3. Change in unearned premium reserves and reserve for rate credits	XXX	0	0
4. Fee-for-service (net of \$ medical expenses)	XXX	0	0
5. Risk revenue	XXX	0	0
6. Aggregate write-ins for other health care related revenues	XXX	0	0
7. Aggregate write-ins for other non-health revenues	XXX	0	0
8. Total revenues (Lines 2 to 7)	XXX	272,763,336	230,337,506
Hospital and Medical:			
9. Hospital/medical benefits		127,969,644	109,654,900
10. Other professional services		22,285,929	19,234,596
11. Outside referrals	24,360,143	24,360,143	29,330,632
12. Emergency room and out-of-area	2,536,819	7,729,488	4,916,170
13. Prescription drugs		31,095,720	25,516,997
14. Aggregate write-ins for other hospital and medical	0	0	0
15. Incentive pool, withhold adjustments, and bonus amounts		662,318	290,764
16. Subtotal (Lines 9 to 15)	26,896,962	214,103,242	188,944,059
Less:			
17. Net reinsurance recoveries		1,428,286	1,796,723
18. Total hospital and medical (Lines 16 minus 17)	26,896,962	212,674,956	187,147,336
19. Non-health claims (net)			
20. Claims adjustment expenses, including \$ 2,731,199 cost containment expenses		7,062,315	7,674,579
21. General administrative expenses		34,945,986	33,053,771
22. Increase in reserves for life and accident and health contracts (including \$ increase in reserves for life only)		0	0
23. Total underwriting deductions (Lines 18 through 22).....	26,896,962	254,683,257	227,875,686
24. Net underwriting gain or (loss) (Lines 8 minus 23)	XXX	18,080,079	2,461,820
25. Net investment income earned (Exhibit of Net Investment Income, Line 17)		2,266,557	2,640,650
26. Net realized capital gains (losses) less capital gains tax of \$		39,412	95,638
27. Net investment gains (losses) (Lines 25 plus 26)	0	2,305,969	2,736,288
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$) (amount charged off \$)]			
29. Aggregate write-ins for other income or expenses	0	0	0
30. Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29)	XXX	20,386,048	5,198,108
31. Federal and foreign income taxes incurred	XXX	6,094,799	1,222,130
32. Net income (loss) (Lines 30 minus 31)	XXX	14,291,249	3,975,978
DETAILS OF WRITE-INS			
0601.	XXX		
0602.	XXX		
0603.	XXX		
0698. Summary of remaining write-ins for Line 6 from overflow page	XXX	0	0
0699. Totals (Lines 0601 thru 0603 plus 0698)(Line 6 above)	XXX	0	0
0701.	XXX		
0702.	XXX		
0703.	XXX		
0798. Summary of remaining write-ins for Line 7 from overflow page	XXX	0	0
0799. Totals (Lines 0701 thru 0703 plus 0798)(Line 7 above)	XXX	0	0
1401. Vision			0
1402.			
1403.			
1498. Summary of remaining write-ins for Line 14 from overflow page	0	0	0
1499. Totals (Lines 1401 thru 1403 plus 1498)(Line 14 above)	0	0	0
2901.			
2902.			
2903.			
2998. Summary of remaining write-ins for Line 29 from overflow page	0	0	0
2999. Totals (Lines 2901 thru 2903 plus 2998)(Line 29 above)	0	0	0

STATEMENT OF REVENUE AND EXPENSES (Continued)

	1 Current Year	2 Prior Year
CAPITAL AND SURPLUS ACCOUNT		
33. Capital and surplus prior reporting year.....	30,667,137	21,318,801
34. Net income or (loss) from Line 32.....	14,291,249	3,975,978
35. Change in valuation basis of aggregate policy and claim reserves.....		
36. Change in net unrealized capital gains (losses) less capital gains tax of \$.....	2,620,222	1,961,492
37. Change in net unrealized foreign exchange capital gain or (loss).....		
38. Change in net deferred income tax.....	533,049	2,085,991
39. Change in nonadmitted assets.....	(3,258,979)	1,324,875
40. Change in unauthorized reinsurance.....	0	0
41. Change in treasury stock.....	0	0
42. Change in surplus notes.....	0	0
43. Cumulative effect of changes in accounting principles.....		
44. Capital Changes:		
44.1 Paid in.....	0	0
44.2 Transferred from surplus (Stock Dividend).....	0	0
44.3 Transferred to surplus.....		
45. Surplus adjustments:		
45.1 Paid in.....	0	0
45.2 Transferred to capital (Stock Dividend).....		
45.3 Transferred from capital.....		
46. Dividends to stockholders.....		
47. Aggregate write-ins for gains or (losses) in surplus.....	330,400	0
48. Net change in capital and surplus (Lines 34 to 47).....	14,515,941	9,348,336
49. Capital and surplus end of reporting period (Line 33 plus 48)	45,183,078	30,667,137
DETAILS OF WRITE-INS		
4701. 2008 Audit Adjustments.....	330,400	0
4702.		
4703.		
4798. Summary of remaining write-ins for Line 47 from overflow page.....	0	0
4799. Totals (Lines 4701 thru 4703 plus 4798)(Line 47 above)	330,400	0

ANNUAL STATEMENT FOR THE YEAR 2009 OF THE ARCADIAN HEALTH PLAN, INC.

CASH FLOW

	1	2
	Current Year	Prior Year
Cash from Operations		
1. Premiums collected net of reinsurance	274,670,968	218,685,392
2. Net investment income	2,617,115	2,607,026
3. Miscellaneous income	0	0
4. Total (Lines 1 through 3)	277,288,083	221,292,418
5. Benefit and loss related payments	216,289,566	180,469,667
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	51,132,602	44,461,197
8. Dividends paid to policyholders		
9. Federal and foreign income taxes paid (recovered) net of \$ tax on capital gains (losses)	7,094,008	0
10. Total (Lines 5 through 9)	274,516,176	224,930,864
11. Net cash from operations (Line 4 minus Line 10)	2,771,907	(3,638,446)
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	27,168,839	22,342,191
12.2 Stocks	0	0
12.3 Mortgage loans	0	0
12.4 Real estate	0	0
12.5 Other invested assets	0	0
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments	22,153	0
12.7 Miscellaneous proceeds	0	0
12.8 Total investment proceeds (Lines 12.1 to 12.7)	27,190,992	22,342,191
13. Cost of investments acquired (long-term only):		
13.1 Bonds	18,746,128	30,732,218
13.2 Stocks	0	0
13.3 Mortgage loans	0	0
13.4 Real estate	0	0
13.5 Other invested assets	0	0
13.6 Miscellaneous applications	0	0
13.7 Total investments acquired (Lines 13.1 to 13.6)	18,746,128	30,732,218
14. Net increase (decrease) in contract loans and premium notes	0	0
15. Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14)	8,444,864	(8,390,027)
Cash from Financing and Miscellaneous Sources		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes	0	0
16.2 Capital and paid in surplus, less treasury stock	0	0
16.3 Borrowed funds	0	0
16.4 Net deposits on deposit-type contracts and other insurance liabilities	0	0
16.5 Dividends to stockholders	0	0
16.6 Other cash provided (applied)	(5,058,704)	(2,798,708)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	(5,058,704)	(2,798,708)
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	6,158,067	(14,827,181)
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	3,069,787	17,896,968
19.2 End of year (Line 18 plus Line 19.1)	9,227,854	3,069,787

Note: Supplemental disclosures of cash flow information for non-cash transactions:

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ANNUAL STATEMENT FOR THE YEAR 2009 OF THE ARCADIAN HEALTH PLAN, INC.

ANALYSIS OF OPERATIONS BY LINES OF BUSINESS

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Net premium income	272,763,336						272,763,336			
2. Change in unearned premium reserves and reserve for rate credit	0									
3. Fee-for-service (net of \$ medical expenses)	0									XXX
4. Risk revenue	0									XXX
5. Aggregate write-ins for other health care related revenues	0	0	0	0	0	0	0	0	0	XXX
6. Aggregate write-ins for other non-health care related revenues	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
7. Total revenues (Lines 1 to 6)	272,763,336	0	0	0	0	0	272,763,336	0	0	0
8. Hospital/medical benefits	127,969,644						127,969,644			XXX
9. Other professional services	22,285,929						22,285,929			XXX
10. Outside referrals	24,360,143						24,360,143			XXX
11. Emergency room and out-of-area	7,729,488						7,729,488			XXX
12. Prescription drugs	31,095,720						31,095,720			XXX
13. Aggregate write-ins for other hospital and medical	0	0	0	0	0	0	0	0	0	XXX
14. Incentive pool, withhold adjustments and bonus amounts	662,318						662,318			XXX
15. Subtotal (Lines 8 to 14)	214,103,242	0	0	0	0	0	214,103,242	0	0	XXX
16. Net reinsurance recoveries	1,428,286						1,428,286			XXX
17. Total medical and hospital (Lines 15 minus 16)	212,674,956	0	0	0	0	0	212,674,956	0	0	XXX
18. Non-health claims (net)	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
19. Claims adjustment expenses including \$ 2,731,199 cost containment expenses	7,062,316						7,062,316			
20. General administrative expenses	34,945,979						34,945,979			
21. Increase in reserves for accident and health contracts	0									XXX
22. Increase in reserves for life contracts	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
23. Total underwriting deductions (Lines 17 to 22)	254,683,251	0	0	0	0	0	254,683,251	0	0	0
24. Total underwriting gain or (loss) (Line 7 minus Line 23)	18,080,085	0	0	0	0	0	18,080,085	0	0	0
DETAILS OF WRITE-INS										
0501.										XXX
0502.										XXX
0503.										XXX
0598. Summary of remaining write-ins for Line 5 from overflow page	0	0	0	0	0	0	0	0	0	XXX
0599. Totals (Lines 0501 thru 0503 plus 0598) (Line 5 above)	0	0	0	0	0	0	0	0	0	XXX
0601.		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0602.		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0603.		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0698. Summary of remaining write-ins for Line 6 from overflow page	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above)	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
1301.										XXX
1302.										XXX
1303.										XXX
1398. Summary of remaining write-ins for Line 13 from overflow page	0	0	0	0	0	0	0	0	0	XXX
1399. Totals (Lines 1301 thru 1303 plus 1398) (Line 13 above)	0	0	0	0	0	0	0	0	0	XXX

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1 - PREMIUMS

Line of Business	1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Ceded	4 Net Premium Income (Cols. 1 + 2 - 3)
1. Comprehensive (hospital and medical)				0
2. Medicare Supplement				0
3. Dental only				0
4. Vision only				0
5. Federal Employees Health Benefits Plan	0			0
6. Title XVIII - Medicare	274,953,631		2,190,296	272,763,335
7. Title XIX - Medicaid	0			0
8. Other health				0
9. Health subtotal (Lines 1 through 8)	274,953,631	0	2,190,296	272,763,335
10. Life	0			0
11. Property/casualty	0			0
12. Totals (Lines 9 to 11)	274,953,631	0	2,190,296	272,763,335

ANNUAL STATEMENT FOR THE YEAR 2009 OF THE ARCADIAN HEALTH PLAN, INC.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 - CLAIMS INCURRED DURING THE YEAR

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Payments during the year:										
1.1 Direct	219,386,992						219,386,992			
1.2 Reinsurance assumed	0									
1.3 Reinsurance ceded	755,428						755,428			
1.4 Net	218,631,564	0	0	0	0	0	218,631,564	0	0	0
2. Paid medical incentive pools and bonuses	565,449						565,449			
3. Claim liability December 31, current year from Part 2A:										
3.1 Direct	28,201,802	0	0	0	0	0	28,201,802	0	0	0
3.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
3.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0
3.4 Net	28,201,802	0	0	0	0	0	28,201,802	0	0	0
4. Claim reserve December 31, current year from Part 2D:										
4.1 Direct	0									
4.2 Reinsurance assumed	0									
4.3 Reinsurance ceded	0									
4.4 Net	0	0	0	0	0	0	0	0	0	0
5. Accrued medical incentive pools and bonuses, current year	292,786						292,786			
6. Net healthcare receivables (a)	2,907,446						2,907,446			
7. Amounts recoverable from reinsurers December 31, current year	1,276,047						1,276,047			
8. Claim liability December 31, prior year from Part 2A:										
8.1 Direct	31,240,425	0	0	0	0	0	31,240,425	0	0	0
8.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
8.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0
8.4 Net	31,240,425	0	0	0	0	0	31,240,425	0	0	0
9. Claim reserve December 31, prior year from Part 2D:										
9.1 Direct	0									
9.2 Reinsurance assumed	0									
9.3 Reinsurance ceded	0									
9.4 Net	0	0	0	0	0	0	0	0	0	0
10. Accrued medical incentive pools and bonuses, prior year	195,916						195,916			
11. Amounts recoverable from reinsurers December 31, prior year	603,189	0	0	0	0	0	603,189	0	0	0
12. Incurred Benefits:										
12.1 Direct	213,440,923	0	0	0	0	0	213,440,923	0	0	0
12.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
12.3 Reinsurance ceded	1,428,286	0	0	0	0	0	1,428,286	0	0	0
12.4 Net	212,012,637	0	0	0	0	0	212,012,637	0	0	0
13. Incurred medical incentive pools and bonuses	662,319	0	0	0	0	0	662,319	0	0	0

(a) Excludes \$ loans or advances to providers not yet expensed.

ANNUAL STATEMENT FOR THE YEAR 2009 OF THE ARCADIAN HEALTH PLAN, INC.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2A - CLAIMS LIABILITY END OF CURRENT YEAR

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Reported in Process of Adjustment:										
1.1 Direct	7,333,336						7,333,336			
1.2 Reinsurance assumed	0									
1.3 Reinsurance ceded	0									
1.4 Net	7,333,336	0	0	0	0	0	7,333,336	0	0	0
2. Incurred but Unreported:										
2.1 Direct	20,868,466						20,868,466			
2.2 Reinsurance assumed	0									
2.3 Reinsurance ceded	0									
2.4 Net	20,868,466	0	0	0	0	0	20,868,466	0	0	0
3. Amounts Withheld from Paid Claims and Capitations:										
3.1 Direct	0									
3.2 Reinsurance assumed	0									
3.3 Reinsurance ceded	0									
3.4 Net	0	0	0	0	0	0	0	0	0	0
4. TOTALS:										
4.1 Direct	28,201,802	0	0	0	0	0	28,201,802	0	0	0
4.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
4.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0
4.4 Net	28,201,802	0	0	0	0	0	28,201,802	0	0	0

ANNUAL STATEMENT FOR THE YEAR 2009 OF THE ARCADIAN HEALTH PLAN, INC.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2B - ANALYSIS OF CLAIMS UNPAID - PRIOR YEAR - NET OF REINSURANCE

Line of Business	Claims Paid During the Year		Claim Reserve and Claim Liability December 31 of Current Year		5 Claims Incurred In Prior Years (Columns 1 + 3)	6 Estimated Claim Reserve and Claim Liability December 31 of Prior Year
	1	2	3	4		
	On Claims Incurred Prior to January 1 of Current Year	On Claims Incurred During the Year	On Claims Unpaid December 31 of Prior Year	On Claims Incurred During the Year		
1. Comprehensive (hospital and medical)					0	
2. Medicare Supplement					0	
3. Dental Only					0	
4. Vision Only					0	
5. Federal Employees Health Benefits Plan					0	
6. Title XVIII - Medicare	25,569,363	192,389,343	653,947	27,547,856	26,223,310	31,240,424
7. Title XIX - Medicaid					0	
8. Other health					0	
9. Health subtotal (Lines 1 to 8)	25,569,363	192,389,343	653,947	27,547,856	26,223,310	31,240,424
10. Healthcare receivables (a)	947,498	1,959,948			947,498	
11. Other non-health					0	
12. Medical incentive pools and bonus amounts	536,203	29,246	2,696	290,090	538,899	195,916
13. Totals (Lines 9 - 10 + 11 + 12)	25,158,068	190,458,641	656,643	27,837,946	25,814,711	31,436,340

(a) Excludes \$ loans or advances to providers not yet expensed.

ANNUAL STATEMENT FOR THE YEAR 2009 OF THE ARCADIAN HEALTH PLAN, INC.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS

(000 Omitted)

Section A - Paid Health Claims - Title XVIII

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2005	2 2006	3 2007	4 2008	5 2009
1. Prior	0	0	0	0	
2. 2005	2,076	1,940	4,481	19	
3. 2006	XXX	43,812	55,790	1,018	(122)
4. 2007	XXX	XXX	102,295	22,781	38
5. 2008	XXX	XXX	XXX	156,331	25,242
6. 2009	XXX	XXX	XXX	XXX	190,459

Section B - Incurred Health Claims - Title XVIII

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2005	2 2006	3 2007	4 2008	5 2009
1. Prior	0	0	0	0	
2. 2005	2,104	127	4,481	19	
3. 2006	XXX	59,791	56,167	1,029	(122)
4. 2007	XXX	XXX	126,356	23,733	39
5. 2008	XXX	XXX	XXX	186,504	25,898
6. 2009	XXX	XXX	XXX	XXX	218,297

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio - Title XVIII

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payment	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 (Col. 9/1) Percent
1. 2005	9,227	0	0	0.0	0	0.0			0	0.0
2. 2006	80,026	(122)	(4)	3.3	(126)	(0.2)			(126)	(0.2)
3. 2007	158,279	38	1	2.6	39	0.0	1	0	40	0.0
4. 2008	230,338	25,242	883	3.5	26,125	11.3	656	15	26,796	11.6
5. 2009	272,763	190,459	6,663	3.5	197,122	72.3	27,838	652	225,612	82.7

ANNUAL STATEMENT FOR THE YEAR 2009 OF THE ARCADIAN HEALTH PLAN, INC.

UNDERWRITING AND INVESTMENT EXHIBIT

**PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
(000 Omitted)**

Section A - Paid Health Claims - Grand Total

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2005	2 2006	3 2007	4 2008	5 2009
1. Prior	0	0	0	0	0
2. 2005	2,076	1,940	4,481	19	0
3. 2006	XXX	43,812	55,790	1,018	(122)
4. 2007	XXX	XXX	102,295	22,781	38
5. 2008	XXX	XXX	XXX	156,331	25,242
6. 2009	XXX	XXX	XXX	XXX	190,459

Section B - Incurred Health Claims - Grand Total

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2005	2 2006	3 2007	4 2008	5 2009
1. Prior	0	0	0	0	0
2. 2005	2,104	127	4,481	19	0
3. 2006	XXX	59,791	56,167	1,029	(122)
4. 2007	XXX	XXX	126,356	23,733	39
5. 2008	XXX	XXX	XXX	186,504	25,898
6. 2009	XXX	XXX	XXX	XXX	218,297

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio - Grand Total

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payment	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 (Col. 9/1) Percent
1. 2005	9,227	0	0	0.0	0	0.0	0	0	0	0.0
2. 2006	80,026	(122)	(4)	3.3	(126)	(0.2)	0	0	(126)	(0.2)
3. 2007	158,279	38	1	2.6	39	0.0	1	0	40	0.0
4. 2008	230,338	25,242	883	3.5	26,125	11.3	656	15	26,796	11.6
5. 2009	272,763	190,459	6,663	3.5	197,122	72.3	27,838	652	225,612	82.7

12.GT

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2D - AGGREGATE RESERVE FOR ACCIDENT AND HEALTH CONTRACTS ONLY

	1	2	3	4	5	6	7	8	9
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Other
1. Unearned premium reserves									
2. Additional policy reserves (a)									
3. Reserve for future contingent benefits									
4. Reserve for rate credits or experience rating refunds (including \$) for investment income									
5. Aggregate write-ins for other policy reserves									
6. Totals (gross)									
7. Reinsurance ceded									
8. Totals (Net)(Page 3, Line 4)									
9. Present value of amounts not yet due on claims									
10. Reserve for future contingent benefits									
11. Aggregate write-ins for other claim reserves									
12. Totals (gross)									
13. Reinsurance ceded									
14. Totals (Net)(Page 3, Line 7)									
NONE									
DETAILS OF WRITE-INS									
0501.									
0502.									
0503.									
0598. Summary of remaining write-ins for Line 5 from overflow page.....									
0599. Totals (Lines 0501 thru 0503 plus 0598) (Line 5 above)									
1101.									
1102.									
1103.									
1198. Summary of remaining write-ins for Line 11 from overflow page									
1199. Totals (Lines 1101 thru 1103 plus 1198) (Line 11 above)									

(a) Includes \$ premium deficiency reserve.

ANNUAL STATEMENT FOR THE YEAR 2009 OF THE ARCADIAN HEALTH PLAN, INC.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 3 - ANALYSIS OF EXPENSES

	Claim Adjustment Expenses		3 General Administrative Expenses	4 Investment Expenses	5 Total
	1 Cost Containment Expenses	2 Other Claim Adjustment Expenses			
1. Rent (\$ for occupancy of own building)		222,759	98,972		321,731
2. Salary, wages and other benefits	2,731,199	31,780	8,382,120		11,145,099
3. Commissions (less \$ ceded plus \$ assumed)			6,825,158		6,825,158
4. Legal fees and expenses			529,667		529,667
5. Certifications and accreditation fees			0		0
6. Auditing, actuarial and other consulting services			1,550,878		1,550,878
7. Traveling expenses			708,316		708,316
8. Marketing and advertising			4,081,830		4,081,830
9. Postage, express and telephone			454,850		454,850
10. Printing and office supplies			170,894		170,894
11. Occupancy, depreciation and amortization			309,034		309,034
12. Equipment			99,828		99,828
13. Cost or depreciation of EDP equipment and software			0		0
14. Outsourced services including EDP, claims, and other services		4,076,577	8,905,391		12,981,968
15. Boards, bureaus and association fees			0		0
16. Insurance, except on real estate			87,186		87,186
17. Collection and bank service charges			32,207		32,207
18. Group service and administration fees			39,981		39,981
19. Reimbursements by uninsured plans			0		0
20. Reimbursements from fiscal intermediaries			0		0
21. Real estate expenses			0		0
22. Real estate taxes			673		673
23. Taxes, licenses and fees:					
23.1 State and local insurance taxes			0		0
23.2 State premium taxes			0		0
23.3 Regulatory authority licenses and fees			0		0
23.4 Payroll taxes			111,768		111,768
23.5 Other (excluding federal income and real estate taxes)			771,877		771,877
24. Investment expenses not included elsewhere			0	103,224	103,224
25. Aggregate write-ins for expenses	0	0	1,785,356	0	1,785,356
26. Total expenses incurred (Lines 1 to 25)	2,731,199	4,331,116	34,945,986	103,224	(a) 42,111,525
27. Less expenses unpaid December 31, current year		667,366	5,259,408		5,926,774
28. Add expenses unpaid December 31, prior year	0	1,148,398	5,797,520		6,945,918
29. Amounts receivable relating to uninsured plans, prior year					0
30. Amounts receivable relating to uninsured plans, current year					0
31. Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30)	2,731,199	4,812,148	35,484,098	103,224	43,130,669
DETAILS OF WRITE-INS					
2501. Bad Debt Expense			1,591,968		1,591,968
2502. Miscellaneous Expense			193,388		193,388
2503.					
2598. Summary of remaining write-ins for Line 25 from overflow page	0	0	0	0	0
2599. Totals (Lines 2501 thru 2503 plus 2598)(Line 25 above)	0	0	1,785,356	0	1,785,356

(a) Includes management fees of \$ 10,887,110 to affiliates and \$ 0 to non-affiliates.

ANNUAL STATEMENT FOR THE YEAR 2009 OF THE ARCADIAN HEALTH PLAN, INC.

EXHIBIT OF NET INVESTMENT INCOME

	1 Collected During Year	2 Earned During Year
1. U.S. government bonds	(a) 1,150,964	956,162
1.1 Bonds exempt from U.S. tax	(a) .....	.....
1.2 Other bonds (unaffiliated)	(a) 791,024	822,224
1.3 Bonds of affiliates	(a) .....	.....
2.1 Preferred stocks (unaffiliated)	(b) .....	.....
2.11 Preferred stocks of affiliates	(b) 0	0
2.2 Common stocks (unaffiliated) .....	.....	.....
2.21 Common stocks of affiliates .....	.....	.....
3. Mortgage loans	(c) .....	.....
4. Real estate	(d) .....	.....
5. Contract Loans .....	.....	.....
6. Cash, cash equivalents and short-term investments	(e) 591,931	591,395
7. Derivative instruments	(f) .....	.....
8. Other invested assets .....	.....	.....
9. Aggregate write-ins for investment income	0	0
10. Total gross investment income	2,533,919	2,369,781
11. Investment expenses .....	.....	(g) 103,224
12. Investment taxes, licenses and fees, excluding federal income taxes .....	.....	(g) 0
13. Interest expense .....	.....	(h)
14. Depreciation on real estate and other invested assets .....	.....	(i)
15. Aggregate write-ins for deductions from investment income .....	.....	0
16. Total deductions (Lines 11 through 15) .....	.....	103,224
17. Net investment income (Line 10 minus Line 16) .....	.....	2,266,557
DETAILS OF WRITE-INS		
0901. ....	.....	.....
0902. ....	.....	.....
0903. ....	.....	.....
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0
0999. Totals (Lines 0901 thru 0903 plus 0998) (Line 9, above)	0	0
1501. ....	.....	.....
1502. ....	.....	.....
1503. ....	.....	.....
1598. Summary of remaining write-ins for Line 15 from overflow page .....	.....	0
1599. Totals (Lines 1501 thru 1503 plus 1598) (Line 15, above) .....	.....	0

- (a) Includes \$40,012 accrual of discount less \$226,431 amortization of premium and less \$110,449 paid for accrued interest on purchases.
- (b) Includes \$ accrual of discount less \$ amortization of premium and less \$ paid for accrued dividends on purchases.
- (c) Includes \$ accrual of discount less \$ amortization of premium and less \$ paid for accrued interest on purchases.
- (d) Includes \$ for company's occupancy of its own buildings; and excludes \$ interest on encumbrances.
- (e) Includes \$25 accrual of discount less \$22,304 amortization of premium and less \$26,636 paid for accrued interest on purchases.
- (f) Includes \$ accrual of discount less \$ amortization of premium.
- (g) Includes \$ investment expenses and \$ investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
- (h) Includes \$ interest on surplus notes and \$ interest on capital notes.
- (i) Includes \$ depreciation on real estate and \$ depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

	1	2	3	4	5
	Realized Gain (Loss) On Sales or Maturity	Other Realized Adjustments	Total Realized Capital Gain (Loss) (Columns 1 + 2)	Change in Unrealized Capital Gain (Loss)	Change in Unrealized Foreign Exchange Capital Gain (Loss)
1. U.S. Government bonds	57,059	0	57,059	0	0
1.1 Bonds exempt from U.S. tax .....	.....	.....	.....	.....	.....
1.2 Other bonds (unaffiliated)	(39,798)	0	(39,798)	(66,466)	0
1.3 Bonds of affiliates	0	0	0	0	0
2.1 Preferred stocks (unaffiliated)	0	0	0	0	0
2.11 Preferred stocks of affiliates	0	0	0	0	0
2.2 Common stocks (unaffiliated)	0	0	0	0	0
2.21 Common stocks of affiliates	0	0	0	2,686,683	0
3. Mortgage loans .....	.....	.....	.....	.....	.....
4. Real estate .....	.....	.....	.....	.....	.....
5. Contract loans .....	.....	.....	.....	.....	.....
6. Cash, cash equivalents and short-term investments	22,152	.....	22,152	.....	.....
7. Derivative instruments .....	.....	.....	.....	.....	.....
8. Other invested assets .....	.....	.....	.....	.....	.....
9. Aggregate write-ins for capital gains (losses)	0	0	0	0	0
10. Total capital gains (losses)	39,413	0	39,413	2,620,217	0
DETAILS OF WRITE-INS					
0901. ....	.....	.....	.....	.....	.....
0902. ....	.....	.....	.....	.....	.....
0903. ....	.....	.....	.....	.....	.....
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0	0	0	0
0999. Totals (Lines 0901 thru 0903 plus 0998) (Line 9, above)	0	0	0	0	0

ANNUAL STATEMENT FOR THE YEAR 2009 OF THE ARCADIAN HEALTH PLAN, INC.

EXHIBIT OF NON-ADMITTED ASSETS

	1	2	3
	Current Year Total Nonadmitted Assets	Prior Year Total Nonadmitted Assets	Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D)			0
2. Stocks (Schedule D):			
2.1 Preferred stocks			0
2.2 Common stocks			0
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens			0
3.2 Other than first liens			0
4. Real estate (Schedule A):			
4.1 Properties occupied by the company			0
4.2 Properties held for the production of income			0
4.3 Properties held for sale			0
5. Cash (Schedule E - Part 1), cash equivalents (Schedule E - Part 2) and short-term investments (Schedule DA)			0
6. Contract loans			0
7. Other invested assets (Schedule BA)			0
8. Receivables for securities			0
9. Aggregate write-ins for invested assets	0	0	0
10. Subtotals, cash and invested assets (Lines 1 to 9)	0	0	0
11. Title plants (for Title insurers only)			0
12. Investment income due and accrued			0
13. Premiums and considerations:			
13.1 Uncollected premiums and agents' balances in the course of collection	20,344	139,944	119,600
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due			0
13.3 Accrued retrospective premiums			0
14. Reinsurance:			
14.1 Amounts recoverable from reinsurers			0
14.2 Funds held by or deposited with reinsured companies			0
14.3 Other amounts receivable under reinsurance contracts			0
15. Amounts receivable relating to uninsured plans			0
16.1 Current federal and foreign income tax recoverable and interest thereon			0
16.2 Net deferred tax asset	147,867	111,180	(36,687)
17. Guaranty funds receivable or on deposit			0
18. Electronic data processing equipment and software			0
19. Furniture and equipment, including health care delivery assets	756,907	438,510	(318,397)
20. Net adjustment in assets and liabilities due to foreign exchange rates			0
21. Receivable from parent, subsidiaries and affiliates			0
22. Health care and other amounts receivable	2,119,154	855,578	(1,263,576)
23. Aggregate write-ins for other than invested assets	2,530,671	770,752	(1,759,919)
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	5,574,943	2,315,964	(3,258,979)
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			0
26. Total (Lines 24 and 25)	5,574,943	2,315,964	(3,258,979)
DETAILS OF WRITE-INS			
0901.			
0902.			
0903.			
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0	0
0999. Totals (Lines 0901 thru 0903 plus 0998)(Line 9 above)	0	0	0
2301. Prepaid Expenses	2,473,205	722,953	(1,750,252)
2302. Non-Statutory Deposits	57,466	47,799	(9,667)
2303.			
2398. Summary of remaining write-ins for Line 23 from overflow page	0	0	0
2399. Totals (Lines 2301 thru 2303 plus 2398)(Line 23 above)	2,530,671	770,752	(1,759,919)

EXHIBIT 1 - ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY

Source of Enrollment	Total Members at End of					6 Current Year Member Months
	1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	
1. Health Maintenance Organizations	25,241	27,873	28,605	28,494	28,962	339,536
2. Provider Service Organizations						
3. Preferred Provider Organizations						
4. Point of Service						
5. Indemnity Only						
6. Aggregate write-ins for other lines of business.....	0	0	0	0	0	0
7. Total	25,241	27,873	28,605	28,494	28,962	339,536
DETAILS OF WRITE-INS						
0601.						
0602.						
0603.						
0698. Summary of remaining write-ins for Line 6 from overflow page	0	0	0	0	0	0
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above)	0	0	0	0	0	0

1. **Summary of Significant Accounting Policies**

A. Accounting Practices

The accompanying financial statements of the Company have been prepared in conformity with the Statutory Accounting Practices (“SAP”) set forth in the National Association of Insurance Commissioners’ (“NAIC”) *Accounting Practices and Procedures Manual*, version effective March 2009.

The Washington Office of Insurance Commissioner (“WA OIC”) requires that insurance companies domiciled in Washington prepare their statutory basis financial statements in accordance with NAIC SAP to the extent that the practices and procedures contained in the manual do not conflict with any other provisions of Title 48 of the Revised Code of Washington. Title 48 of the Revised Code of Washington (“RCW”) contains differences from NAIC SAP - specifically, Sections 48.13.010 to 48.13.360 which supersede the NAIC SAP rules pertaining to allowable investments. Arcadian Health Plan, Inc. (“AHP” or “the Company”) was granted a special consent by the WA OIC, which expires on December 31, 2009, to acquire and hold a single entity’s or entities’ NAIC exempt listed mutual funds in an unlimited amount of AHP’s assets, which is in excess of the limitations contained in RCW 48.13.204.

B. Use of Estimates in the Preparation of the Financial Statements

The preparation of financial statements as prescribed by SAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

C. Accounting Policy

Investments

Investments are stated in accordance with methods and values adopted by the NAIC and, as such, bonds are generally stated at amortized cost. Premiums and discounts on fixed maturity investments are accreted to income using the modified scientific method over the anticipated life of the security. Short-term investments and U.S. Treasury Bills are carried at amortized cost, which approximates fair market value. Market values are determined using market prices published by the NAIC Securities Valuation Office (“SVO”), IDC or Bloomberg. Residential mortgage-backed securities with an NAIC rating below a 2 are carried at market value as of the statement date. The value of these securities are calculated in accordance with SSAP 43R.

Net investment income earned consists of interest less investments related expense. Interest is recognized on an accrual basis. Realized gains or losses on the sale of investments are determined on the specific identification method. Unrealized gain or losses are reflected directly in unassigned surplus and, accordingly, do not affect the statements of income.

The Company carries the value of its subsidiary, Arkansas Community Care, Inc. (“ACC”) based on the equity method, and as such, records any changes in undistributed earnings or losses as unrealized gains or losses.

Cash and Short-Term Investments

Cash includes balances held in banks as well as certificates of deposit with maturities of less than one year. Investments which have a maturity of one year or less, at the date of purchase, including money market mutual funds, are considered short-term and are carried at cost or amortized cost.

Other Accounting Policies

Unpaid claims adjustment expenses include an amount determined from individual case estimates and loss reports and an amount, based on past experience, for losses incurred but not yet reported. Such estimates are based on assumptions, and while management believes the amount to be adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liability is continually reviewed and adjustments are reflected in the period determined.

Pharmacy rebates for 2008 and prior were recorded on a cash basis until June 2009, at which point the Company obtained the receivable balance from their pharmacy benefit manager, and recorded a receivable for 2008 and prior rebates. Beginning in July 2009, the Company also began to estimate 2009 rebate receivables based on the Company's prior year recovery rates.

Expenses incurred in connection with acquiring new insurance business, with the exception of broker commissions, are charged to operations as incurred. Broker commissions are carried as prepaid assets until the member's effective date, at which point it is expensed to operations.

2. **Accounting Changes and Corrections of Errors**

The following changes were made to conform with the WA OIC's audit recommendations and are inconsistent with prior year reporting:

AHP did not report any "Amounts withheld or retained for the account of others" liability amount prior to September 30, 2009. Prior to September 30, 2009, accrued taxes, 401K, and flexible spending account liabilities were recorded under "General expenses due or accrued." The above mentioned liabilities have been removed from page 3, line 9 and are now being recorded under "Amounts withheld or retained for the account of others."

The Company's inclusion of Medicare Part D Reinsurance as actuarial liabilities in "Aggregate health policy reserves" is inconsistent with the WA OIC interpretation of SSAP INT 05-05. Beginning September 30, 2009 any liabilities related to Part D Reinsurance will be recorded under "Liability for amounts held under uninsured plans."

The Company has moved its pharmacy administration fees out of medical expenses and classified them as claims adjustment expenses, which is consistent with the WA OIC interpretation of SSAP No. 85, paragraph 4b.

3. **Business Combinations and Goodwill**

Not applicable.

4. **Discontinued Operations**

Not applicable.

5. **Investments**

A, B & C. Not applicable.

D. As of December 31, 2009 AHP reported the book value of three issues at market. This included three loan-backed securities that were priced by discounting the expected future cash flows in accordance with SSAP 43R.

E, F & G. Not applicable.

6. **Joint Ventures, Partnerships and Limited Liability Companies**

Not applicable.

7. **Investment Income**

At December 31, 2009, the Company reported net investment income due and accrued of \$425,216, all of which has been admitted.

8. **Derivative Instruments**

Not applicable.

9. **Income Taxes**

A. The company has deferred tax assets that consist of the following:

	2009	2008
Total deferred tax asset	\$ 2,619,040	\$ 2,085,991
Non-admitted deferred tax asset	(147,867)	(111,180)
Admitted deferred tax asset	2,471,173	1,974,811
Change in non-admitted deferred tax asset	\$ (36,687)	\$ 1,679,641

B. Not Applicable

C. The tax effects of temporary differences that gave rise to significant portions of the deferred tax assets were as follows:

	2009	2008	Change
Depreciation and amortization	\$ 231,527	\$ 155,023	\$ 76,504
Unpaid losses and LAE	1,026,458	459,958	566,500
Unearned premiums	-	-	-
Accruals and reserves	1,375,074	1,514,853	(139,779)
Net operating loss carry-forwards	-	-	-
Other	(14,019)	(43,843)	29,824
Total deferred tax assets	2,619,040	2,085,991	533,049
Non-admitted deferred tax assets	(147,867)	(111,180)	(36,687)
Net deferred tax assets	\$ 2,471,173	\$ 1,974,811	\$ 496,362

D. The provision for federal income taxes incurred is different from that which would be obtained by applying the statutory federal income tax rate to income before federal income taxes. The significant items causing this difference are as follows:

	2009	Percent	2008	Percent
Income before taxes	\$ 20,386,057	-	\$ 5,198,114	-
U.S. tax at statutory rate	6,931,259	34.00 %	1,767,359	34.00 %
Expenses deducted on books not deducted on the return	(1,353,259)	(6.64) %	953,696	18.35 %
Change in non-admitted deferred tax	36,687	.18 %	(1,679,647)	(32.32) %
Deferred tax	480,112	2.36 %	180,717	3.48 %
Current tax expense (benefit)	\$ 6,094,800	29.90 %	\$ 1,222,130	23.51 %

E. At December 31, 2009 the Company did not have any operating loss carry-forwards.

F. The Company's federal income tax return is consolidated with Arcadian Management Services, Inc. ("AMS"), ACC, Arcadian Health Plan of Georgia, Inc. ("AHPGA"), Arcadian Health Plan of Louisiana, Inc. ("AHPLA") Arcadian Health Plan of North Carolina, Inc. ("AHPNC") and Arcadian Health Plan of New York, Inc. ("AHPNY"). The agreement established among the companies is to use a pure separate company approach with no current credit for any net operating losses or other items utilized in the consolidated tax return. This arrangement is discussed further in Note 10.F.

10. **Information Concerning Parent, Subsidiaries and Affiliates**

A, B & C. The Company owns 60% of the common stock of its subsidiary, ACC. ACC paid common stock dividends to AHP on September 14, 2009 in the amount of \$600,000.

D. At December 31, 2009, the Company had the following receivables and payables, net from its parent and affiliated companies:

	Receivable	Payable
AMS	\$ -	\$ 953,735
ACC	3,419,009	-
AHPGA	890,265	-
AHPLA	1,472,610	-
AHPNC	1,037,947	-
AHPNY	227,216	-
Total Receivable/Payable	\$ 7,047,047	\$ 953,735

The majority of the amounts owed to the Company are a combination of pharmacy costs and broker commissions paid from AHP's bank account on behalf of its subsidiary and affiliates. Elevated member enrollment for 2010, and the resulting commission payments to brokers, have caused larger than normal receivable balances due to the Company at December 31, 2009. AHP also pays for the general and administrative ("G&A") expenses for its subsidiary and affiliates. G&A expenses are initially borne on the books of AHP and subsequently allocated to its affiliates as discussed in Note 10.F. The terms of all intercompany agreements require that these balances be settled the month following the financial statement date.

The Company has a payable to AMS related to management fees, as discussed in Note 10.F

- E. The Company has an unwritten obligation to its subsidiary, ACC, to provide a portion of the capital necessary to maintain the minimum equity requirements and regulatory ratios required by ACC's state of domicile, Arkansas.
- F. AMS supplies certain services to the Company. Those services include enrollment processing, claims processing, professional credentialing, information technology, treasury, financial and tax services. Total compensation under this contract is on a per member per month basis with additional flat rate fees. These fees totaled \$10,887,110 for the 2009 fiscal year, of which \$945,417 remained unpaid at month-end and is included in the payable due to the parent company AMS listed in Note 10.D.

All of the departmental costs associated with finance/accounting, health/member/physician services, pharmacy management, corporate sales, regulatory compliance, and new market development are originally recorded on the books of AHP and then allocated to the Company's subsidiary and affiliates based on membership (enrollment). The costs being allocated include the salaries, bonuses, expenses, and benefits of all employees that are listed as AHP employees that perform job functions for AHP, ACC, AHPGA, AHPLA, AHPNC and AHPNY. Other costs that are allocated to the subsidiary and affiliate health plans include, but are not limited to: postage, utilities, general consulting and legal fees, temporary help and employee recruitment, office supplies and depreciation on office furniture/equipment, software licenses, and overhead costs associated with the overall design and production of health plan marketing materials.

The following table summarizes costs allocated from AHP to its subsidiary and affiliates as of December 31, 2009.

	2009
Arkansas Community Care, Inc.	\$ 3,491,194
Arcadian Health Plan of Georgia, Inc.	999,299
Arcadian Health Plan of Louisiana, Inc.	1,467,351
Arcadian Health Plan of North Carolina, Inc.	1,086,431
Arcadian Health Plan of New York, Inc.	65,834
Total costs allocated by AHP	\$ 7,110,109

The Company remits current federal income taxes to its parent, AMS under a tax allocation agreement which became effective on January 1, 2009. This agreement permits the Company to remit taxes to its parent that would otherwise be payable to the federal government if taxes were calculated on a single-entity basis. AMS files a consolidated federal income tax return in which income generated by AHP is sheltered by subsidiary, affiliate and parent company losses. The total amount remitted to AMS as of December 31, 2009 for income taxes was \$5,871,879 with an additional \$222,920 listed as a payable on the

liability page, line 10.1, which will be adjusted and settled pending the completion of the consolidated federal tax return.

- G. All outstanding shares of the company are owned by its parent company, AMS, a management services organization domiciled in Delaware.
- H. Not applicable.
- I. In March 2005, the Company and its parent company, AMS, jointly formed ACC. The Company owns 60% of the outstanding equity in ACC, whose carrying value is equal to or exceeds 10% of the admitted assets of AHP at December 31, 2009. The Company has invested \$7,380,000 in ACC and classifies this as a long-term investment on the Company's financial statements. AHP records the value of its subsidiary based on the equity method, and as such, records any increase/decrease in value against Unassigned Funds (surplus) on page 3, line 29 of this statement. The change to equity, in excess of invested capital, resulting from the recording of this investment based on the equity method is a gain of \$1,593,436 at December 31, 2009.

ACC began operations on January 1, 2006 and operates solely in the Medicare marketplace, offering Medicare Advantage products in the states of Arkansas, Oklahoma and Texas.

Summarized statutory financial information for ACC as of December 31, 2009 is:

Total Assets	\$ 30,072,340
Total Net Admitted Assets	\$ 28,436,370
Total Liabilities	\$ 13,480,643
Total Capital and Surplus	\$ 14,955,727

J & K. Not applicable.

L. Not applicable.

11. **Debt**

- A. AMS, the holding company of AHP, has the following debt obligations as of December 31, 2009:

<u>Arcadian Management Services, Inc.</u>	<u>December 31 2009</u>
Short-Term Debt Summary	
Morgan Stanley Senior Funding; plus accrued interest of \$7,137,507, less unamortized discount of \$15,349	\$ 28,781,875
Morgan Stanley Dean Witter Venture Partners IV, LP; plus accrued interest of \$776,982	2,176,982
Various stockholders; plus accrued interest of \$1,854,550	5,194,550
Accrued (short term) interest on \$1.5 million notes payable of \$89,339	89,339
Total short-term debt	\$ 36,242,746
Long-Term Debt Summary	
Three Arch Partners loans; plus accrued interest of \$8,308,844	\$ 23,308,844
Notes payable (not including short term interest listed above)	1,500,000
Total long-term debt	\$ 24,808,844

In 2004, AMS borrowed a total of \$3,000,000 from its then Chief Executive Officer and Senior Vice President of Finance. Warrants for 75,000 shares were issued in connection with this funding at \$1.00 per share. These warrants were exercised in 2005 and 2006 and there were no outstanding warrants at December 31, 2009. The debt (including accrued interest) was originally due on August 17, 2008. However, as of November 27, 2006, this debt was subordinated to the Three Arch Partners debt (discussed below), effectively extending the due date to July, 2011. As of December 31, 2009 \$1,500,000 was outstanding after repayments and consisted of the following:

	Amount	Interest Rate
(Former) Chief Executive Officer	\$ 1,070,000	32.5%
Senior Vice President of Finance	430,000	32.5%
Total Notes Payable	\$ 1,500,000	

On February 7, 2007, the AMS entered into an agreement with Morgan Stanley Senior Funding for a \$20.0 million loan. The loan was originally a three-year facility with interest accruing at LIBOR rates plus 7%, with both principal and interest due at the end of three years. On December 17, 2009 AMS amended the loan agreement with Morgan Stanley which resulted in the maturity date for the loan being extended to October 8, 2010. The amendment also changed the interest rate on the loan to 19%, 10% of which is due and payable at the end of each month. The remaining 9% of interest is due on the revised maturity date. The amendments to the loan agreement with Morgan Stanley resulted in two separate charges of \$43,687 and \$1,616,028 both of which were converted to debt obligations and included in the outstanding principle as of December 31, 2009. The loan is secured by the stock of AMS and its subsidiaries and included a warrant for 108,973 shares of common stock exercisable immediately after the close. The warrants were valued at fair market value of \$432,537 and this amount was treated as a discount to the note and as an addition to paid in capital. The discount is amortized over the life of the note. At December 31, 2009, 108,973 of these warrants were outstanding at par value of \$0.001 with the accompanying unamortized discount of \$15,349.

On July 5, 2007, AMS entered into agreements with Three Arch Partners for \$15.0 million in loans. The loans are four-year facilities with interest accruing at LIBOR plus 16.5%, with both principal and interest due at the end of four years. At December 31, 2009, the interest rate was 21.89%. The loans are secured by the stock of the AMS and its subsidiaries. The security interest is a second lien subordinate to the Morgan Stanley Senior funding.

On May 23, 2008 AMS entered into agreements with Morgan Stanley Dean Witter Venture Partners IV, LP and various stockholders for \$4.74 million in loans. The loans are six month facilities with interest accruing at 22.5% for six months. Pursuant to the agreement, the maturity date will automatically be extended for six month periods until the earlier of a private placement debt offering or October 31, 2010. Per the terms of the loan, the interest rate beyond the first six-month anniversary date was increased to 32.5% for the remaining term of the facility beginning November 1, 2008. There are no warrants associated with this facility. The security interest is fully perfected in all existing and after-acquired assets of AMS and any unrestricted subsidiaries.

The five-year schedule of maturities on the debt is as follows:

	Morgan Stanley	Three Arch	Notes Payable	Morgan Stanley Dean Witter.	Various Stockholders.	Total
2010	28,781,875		89,339	2,176,982	5,194,550	36,242,746
2011		23,308,844	1,500,000			24,808,844
Thereafter						
Total Debt Payment	28,781,875	23,308,844	1,589,339	2,176,982	5,194,550	61,051,590

No events of default have occurred with respect to any of AMS's debt agreements as of December 31, 2009. Additionally, the company was in compliance with all debt covenants for the year ended December 31, 2009.

B. Not applicable.

12. **Retirement Plans, Deferred Compensation, Post-employment Benefits and Compensated Absences and Other Postretirement Benefit Plans**

A, B & C. Not applicable.

- D. The Company participates in a qualified, 401(k) plan sponsored by its parent company, AMS. All employees with three or more months of service in the previous calendar year are eligible for a Company match of up to 5% of their annual income that is contributed to the plan. Employer match contributions are made on a yearly basis, in March following the plan year. The liability for this contribution is reflected in the balance of the amounts withheld on or retained for the account of others on page 3 of this filing. The Company's employer match liability at December 31, 2009 is \$123,029.

The 401(k) plan is administered by Fidelity Investments and therefore the Company assumes none of the liabilities associated with its administration.

- E. The Company accrues a liability for paid time off for its employees on a monthly basis. The liability for compensated absences can be reasonably estimated and is reflected as part of the general expenses due and accrued on page 3 of this quarterly filing.

F. Not applicable.

13. **Capital and Surplus, Shareholders' Dividend Restrictions and Quasi-Reorganizations**

1. AHP has 60,000 shares authorized of \$10 par value common stock, of which all are issued and outstanding as of December 31, 2009. The Company's Articles of Incorporation were amended on July 21, 2006 to reflect an increase in stock authorized from 10,000 shares to 60,000 shares.
2. Not applicable.
3. Dividends to stockholders must be paid out of the earned surplus of the Company. "Earned surplus" means that part of its available surplus funds which is derived from any realized net profits on its business, and does not include unrealized capital gains or reevaluation of assets. Dividends are prohibited which would reduce the Company's net worth below the greater of RCW 48.46.235 for a health maintenance organization or the company action level RBC under RCW 48.43.300(9)(a).
4. Not applicable.
5. Within the limitations of Note 13.3 above, there are no restrictions placed on the portion of the Company's profits that may be paid as ordinary dividends to stockholders.
6. Not applicable.
7. Not applicable.
8. The Company owns three shares (60%) of stock in its subsidiary, ACC, for investment purposes. The Company does not have any stock held for special purposes such as conversion of preferred stock, employee stock options, or stock purchase warrants.
9. Not applicable.
10. The Company's unassigned funds were increased by an unrealized gain on its investment in ACC in the amount of \$1,593,436 which is the difference between its investment cost basis of \$7,380,000 and 60% of ACC's total statutory capital and surplus. Reporting three securities at market value resulted in a decrease to the Company's unassigned funds of \$66,465.
- 11, 12 & 13. Not applicable.

14. **Contingencies**

- A. Not applicable.
- B, C, D & E. AHP has not had any assessments, gain contingencies, contractual or bad faith losses related to lawsuits or any other contingencies.

15. **Leases**

A. The Company leases office equipment under various non-cancelable operating agreements that expire on, or before, October 31, 2013. In addition, the Company has entered into multiple leases for office space that expire in, or before, 2014. Total equipment and rental expenses related to lease payments was \$441,788 as of December 31, 2009.

As of December 31, 2009 the Company has the following aggregate and remaining rental commitments:

Year	Amount
2010	410,368
2011	250,180
2012	62,700
2013	37,790
2014	32,277
Total	\$ 793,315

B. Not applicable.

16. **Information About Financial Instruments With Off-Balance Sheet Risk And Financial Instruments With Concentrations of Credit Risk**

Not applicable.

17. **Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities**

Not applicable.

18. **Gain or Loss to the Reporting Entity from Uninsured Plans and the Uninsured Portion of Partially Insured Plans**

A. Not applicable.

B. Not applicable.

C. Medicare Plans – Low Income Cost Sharing (“LICS”) and Reinsurance reconciliation payable.

The Company receives LICS advance payments from the Center of Medicare and Medicaid Services (“CMS”) on a monthly basis. These payments represent the difference that CMS pays on behalf of low income beneficiaries for their prescriptions versus non-low income beneficiaries. It is paid to AHP on a prospective basis. Plans are paid dollar for dollar for the low income subsidy cost sharing, and since plans are paid prospectively, an annual reconciliation will be performed. The difference between the actual LICS pharmacy costs incurred for the 2009 service year and the advance payments received will be recognized as a payable (if advance payments are higher than costs) or a receivable (if advance payments are less than costs), and settled with CMS approximately six months after year end.

The Company receives Reinsurance advance payments from CMS on a monthly basis. These payments represent the anticipated catastrophic coverage amounts that CMS will cover as projected in bids for all the Company’s beneficiaries. The Company tracks the catastrophic spend amounts, also known as Actual Reinsurance Subsidy, which is 80 percent of allowable drug costs above the out-of-pocket threshold, net of any other remuneration (e.g., rebates, coupons, discounts collectively referred to as direct and indirect remuneration), spent within the plan for the benefit year. Reinsurance reconciliation is the difference between the sum of all prospective reinsurance payments received for the coverage year and the actual Reinsurance subsidy amount within the same coverage year. CMS will collect the amount of Reinsurance dollars that exceed subsidized Reinsurance amounts. Conversely, CMS will pay the difference in the final reconciliation if the Reinsurance subsidy is less than the Reinsurance amounts received.

At December 31, 2009, the Company's receivables related to LICS and Reinsurance were \$3,819,840 and \$2,822,839, respectively.

19. **Direct Premium Written/Produced by Managing General Agents/Third Party Administrators**

Not applicable.

20. **Other Items**

Not applicable.

21. **Events Subsequent**

Not applicable.

22. **Reinsurance**

A. **Section 1 – General Interrogatories**

(1) Are any of the reinsurers, listed in Schedule S as non-affiliated, owned in excess of 10% of controlled, either directly or indirectly, by the Company or by any representative, officer, trustee or director of the company?

Yes () No (X)

(2) Have any policies issued by the Company been reinsured with a company chartered in a country other than United States (excluding U.S. Branches of such companies) that is owned in excess of 10% or controlled directly or indirectly by an insured, a beneficiary, a creditor or any other person not primarily engaged in the insurance business?

Yes () No (X)

A. **Section 2 – Ceded Reinsurance Report – Part A**

(1) Does the Company have any Reinsurance agreements in effect under which the reinsurer may unilaterally cancel any Reinsurance for reasons other than for non-payment of premium or other similar credit?

Yes () No (X)

(2) Does the reporting entity have any Reinsurance agreements in effect such that the amount of losses paid or accrued through the statement date may result in a payment to the reinsurer of amounts that, in aggregate and allowing for offset of mutual credits from other Reinsurance agreements with the same reinsurer, exceed the total direct premium collected under the reinsured policies?

Yes () No (X)

A. **Section 3 – Ceded Reinsurance Report – Part B**

(1) What is the estimated amount of aggregate reduction in surplus, (for agreements other than those under which the reinsurer may unilaterally cancel for reasons other than for nonpayment of premium or other similar credits that are reflected on Section 2 above) of termination of ALL Reinsurance agreements, by either party, as of the date of this statement? Where necessary, the Company may consider the current or anticipated experience of business reinsured in making this estimate. \$1,276,047.

(2) Have any new agreements been executed or existing agreements amended, since January 1 of the year of this statement, to include policies or contracts that were in force or which had existing reserves established by the company as of the effective date of the agreement?

Yes () No (X)

B. Not applicable.

C. Not applicable.

23. **Retrospectively Rated Contracts & Contracts Subject to Redetermination**

A. The Company estimates accrued retrospective premium adjustments through a mathematical approach using an algorithm provided by CMS in the *CMS Prescription Drug Event Data Training Participant Guide*.

B. The Company records accrued retrospective premium as an adjustment of earned premium.

C. The amount of net premiums written by the Company at December 31, 2009 that are subject to retrospective rating features was \$3,000,397 which represented 1.1% of the total net premiums written. No other net premiums written by the Company are subject to retrospective rating features.

24. **Change in Incurred Claims and Claim Adjustment Expenses**

Reserves for incurred losses and loss adjustment expenses attributable to insured events has decreased by \$3,422,784 from \$32,584,738 at December 31, 2008 to \$29,161,954 in December 31, 2009. This decrease is a result of changes in estimates of unpaid losses and loss adjustment expenses and is driven primarily by the result of ongoing analysis of recent loss development trends and favorable health experience trends combined with increased membership. Original estimates are increased or decreased as additional information becomes known regarding individual claims.

25. **Intercompany Pooling Arrangements**

Not applicable.

26. **Structured Settlements**

Not applicable.

27. **Health Care Receivables**

A. Pharmaceutical Rebate Receivables – The Company booked pharmacy rebates for 2008 and 2009 expenses that it expects to receive from its pharmaceutical vendor. Total admitted pharmaceutical rebate receivables at December 31, 2009 were \$742,337.

In addition, the Company had incurred pharmacy claims on members that were subsequently transferred to other health plans by CMS. Pursuant to Medicare Part D reimbursement regulations, the Company is able to bill the other plans for these claims and report any non-payment to CMS after 30-days. Accordingly, the Company has admitted a net receivable for plan to plan receivables of \$4,967 as of December 31, 2009.

B. Risk Sharing Receivables – Risk sharing can fluctuate between a liability (reported on page 3, line 4 of the financials) or an asset (reported on page 2, line 22 of the financials). CMS advances funds to the Company for pharmacy expenses based on bids submitted by the Company in the previous year. A portion of the difference between actual pharmacy expenses paid and the amounts received from CMS is listed as either a payable or receivable and is settled up with CMS the following year. The table below summarizes the Company's risk sharing receivables at December 31, 2009. The Company was in a liability position with CMS prior to 2009 and did not record any receivables related to risk sharing in previous years.

Calendar Year	Evaluation Period Year Ending	Risk Sharing Receivable as Estimated in the Current Year	Risk Sharing Receivable Billed	Risk Sharing Receivable Not Yet Billed	Actual Risk Sharing Amounts Received in Year Billed
2009	2009	\$ 1,233,498	\$ -	\$ 1,233,498	\$ -

C. Other – (Claims Receivable Due from Providers and Agent Balances)

The Company paid medical and hospital claims on members that were subsequently terminated retroactively by CMS. As most of the claims paid were with contracted providers, the Company is able to seek reimbursement from the providers for these non-eligible members' claims per provisions in the contracts. The receivable is recorded when billed and an allowance for doubtful accounts is provided based on historical collection rates and other factors. At December 31, 2009 the Company admitted a net receivable from providers of \$42,447.

As of December 31, 2009, the Company had a receivable, net of allowances for doubtful accounts and over 90-day non-admitted, due from its agents of \$125,470. This receivable is driven primarily by commissions paid on retroactively terminated members. The Company expects that it will be able to fully recover these agent balances as it will be able to offset them against its ongoing payment of retention and renewal commissions.

28. **Participating Policies**

Not applicable.

29. **Premium Deficiency Reserves**

Not applicable.

30. **Anticipated Salvage and Subrogation**

Not applicable.

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES GENERAL

- 1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes [X] No []
- 1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent, or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? Yes [X] No [] N/A []
- 1.3 State Regulating? Washington
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes [] No [X]
- 2.2 If yes, date of change:
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/2008
- 3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. 06/30/2006
- 3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). 12/06/2007
- 3.4 By what department or departments?
Washington Department of Insurance
- 3.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with Departments? Yes [X] No [] N/A []
- 3.6 Have all of the recommendations within the latest financial examination report been complied with? Yes [X] No [] N/A []
- 4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity), receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
4.11 sales of new business? Yes [] No [X]
4.12 renewals? Yes [] No [X]
- 4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
4.21 sales of new business? Yes [] No [X]
4.22 renewals? Yes [] No [X]
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes [] No [X]
- 5.2 If yes, provide name of entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.
- | 1
Name of Entity | 2
NAIC Company Code | 3
State of Domicile |
|---------------------|------------------------|------------------------|
| | | |
- 6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? Yes [] No [X]
- 6.2 If yes, give full information:
- 7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity? Yes [] No [X]
- 7.2 If yes,
7.21 State the percentage of foreign control; 0.0 %
7.22 State the nationality(s) of the foreign person(s) or entity(s) or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact; and identify the type of entity(s) (e.g., individual, corporation or government, manager or attorney in fact).

1 Nationality	2 Type of Entity

GENERAL INTERROGATORIES

- 8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? Yes [] No [X]
- 8.2 If response to 8.1 is yes, please identify the name of the bank holding company.
- 8.3 Is the company affiliated with one or more banks, thrifts or securities firms? Yes [] No [X]
- 8.4 If response to 8.3 is yes, please provide the names and locations (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC) and identify the affiliate's primary federal regulator.

1 Affiliate Name	2 Location (City, State)	3 FRB	4 OCC	5 OTS	6 FDIC	7 SEC

- 9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?
Ernst & Young LLP
18111 Von Karman Ave. Suite 1000
Irvine, CA 92612-1007
- 10. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?
William Eichman, FSA, MAAA (Consultant)
Deloitte Consulting LLP
50 Fremont Street Ste 3100 (25067)
San Francisco, CA 94105-2230
- 11.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly? Yes [] No [X]
 - 11.11 Name of real estate holding company
 - 11.12 Number of parcels involved0
 - 11.13 Total book/adjusted carrying value\$0
- 11.2 If, yes provide explanation:

12. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:

- 12.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?
- 12.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? Yes [] No []
- 12.3 Have there been any changes made to any of the trust indentures during the year? Yes [] No []
- 12.4 If answer to (12.3) is yes, has the domiciliary or entry state approved the changes? Yes [] No [] N/A [X]
- 13.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards? Yes [X] No []
 - (a) Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
 - (b) Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;
 - (c) Compliance with applicable governmental laws, rules and regulations;
 - (d) The prompt internal reporting of violations to an appropriate person or persons identified in the code; and
 - (e) Accountability for adherence to the code.
- 13.11 If the response to 13.1 is No, please explain:
- 13.2 Has the code of ethics for senior managers been amended? Yes [] No [X]
- 13.21 If the response to 13.2 is Yes, provide information related to amendment(s).
- 13.3 Have any provisions of the code of ethics been waived for any of the specified officers? Yes [] No [X]
- 13.31 If the response to 13.3 is Yes, provide the nature of any waiver(s).

BOARD OF DIRECTORS

- 14. Is the purchase or sale of all investments of the reporting entity passed upon either by the board of directors or a subordinate committee thereof? Yes [X] No []
- 15. Does the reporting entity keep a complete permanent record of the proceedings of its board of directors and all subordinate committees thereof? Yes [X] No []
- 16. Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict with the official duties of such person? Yes [X] No []

GENERAL INTERROGATORIES

FINANCIAL

- 17. Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)? Yes [] No [X]
- 18.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):
 - 18.11 To directors or other officers.....\$0
 - 18.12 To stockholders not officers.....\$0
 - 18.13 Trustees, supreme or grand (Fraternal Only)\$0
- 18.2 Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):
 - 18.21 To directors or other officers.....\$0
 - 18.22 To stockholders not officers.....\$0
 - 18.23 Trustees, supreme or grand (Fraternal Only)\$0
- 19.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement? Yes [] No [X]
- 19.2 If yes, state the amount thereof at December 31 of the current year:
 - 19.21 Rented from others.....\$0
 - 19.22 Borrowed from others.....\$0
 - 19.23 Leased from others\$0
 - 19.24 Other\$0
- 20.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments? Yes [] No [X]
- 20.2 If answer is yes,
 - 20.21 Amount paid as losses or risk adjustment \$0
 - 20.22 Amount paid as expenses\$0
 - 20.23 Other amounts paid\$0
- 21.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes [X] No []
- 21.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount:\$0

INVESTMENT

- 22.1 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date? (other than securities lending programs addressed in 22.3)..... Yes [X] No []
- 22.2 If no, give full and complete information relating thereto:
- 22.3 For security lending programs, provide a description of the program including value for collateral and amount of loaned securities, and whether collateral is carried on or off-balance sheet. (an alternative is to reference Note 16 where this information is also provided)
- 22.4 Does the Company's security lending program meet the requirements for a conforming program as outlined in the Risk-Based Capital Instructions? Yes [] No [] N/A [X]
- 22.5 If answer to 22.4 is YES, report amount of collateral.\$
- 22.6 If answer to 22.4 is NO, report amount of collateral.\$
- 23.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity, or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 19.1 and 22.3). Yes [X] No []
- 23.2 If yes, state the amount thereof at December 31 of the current year:
 - 23.21 Subject to repurchase agreements\$0
 - 23.22 Subject to reverse repurchase agreements\$0
 - 23.23 Subject to dollar repurchase agreements\$0
 - 23.24 Subject to reverse dollar repurchase agreements\$0
 - 23.25 Pledged as collateral\$0
 - 23.26 Placed under option agreements\$0
 - 23.27 Letter stock or other securities restricted as to sale\$0
 - 23.28 On deposit with state or other regulatory body\$10,773,977
 - 23.29 Other\$0

23.3 For category (23.27) provide the following:

1 Nature of Restriction	2 Description	3 Amount

- 24.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes [] No [X]
- 24.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes [] No [] N/A [X]
If no, attach a description with this statement.
- 25.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity? Yes [] No [X]
- 25.2 If yes, state the amount thereof at December 31 of the current year.\$0

ANNUAL STATEMENT FOR THE YEAR 2009 OF THE ARCADIAN HEALTH PLAN, INC.

GENERAL INTERROGATORIES

26. Excluding items in Schedule E - Part 3 - Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 3, III Conducting Examinations, F - Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? Yes No

26.01 For agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1 Name of Custodian(s)	2 Custodian's Address
US Bank	Jacksonville, FL
US Bank	Saint Paul, MN
US Bank	Seattle, WA
US Bank	Winston-Salem, NC
Wells Fargo	Houston, TX
Wells Fargo	Portland, OR
Morgan Keegan	Memphis, TN
Bank of America	Austin, TX
Key Bank	Cleveland, OH
Bank of the West	WalnutCreek, CA
Suntrust	Richmond, VA
Citizens Investment Managment Services	Providence, RI
Well Fargo	Minneapolis, MN
.....
.....

26.02 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1 Name(s)	2 Location(s)	3 Complete Explanation(s)
.....

26.03 Have there been any changes, including name changes, in the custodian(s) identified in 26.01 during the current year? Yes No

26.04 If yes, give full and complete information relating thereto:

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason
.....

26.05 Identify all investment advisors, brokers/dealers or individuals acting on behalf of brokers/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1 Central Registration Depository Number(s)	2 Name	3 Address
112629	Parkway Advisors, LLP	6550 Directors Parkway Abilene, TX 79606

27.1 Does the reporting entity have any diversified mutual funds reported in Schedule D, Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5(b)(1)])? Yes No

27.2 If yes, complete the following schedule:

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
27.2999 - Total		0

27.3 For each mutual fund listed in the table above, complete the following schedule:

1 Name of Mutual Fund (from above table)	2 Name of Significant Holding of the Mutual Fund	3 Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	4 Date of Valuation
.....

GENERAL INTERROGATORIES

28. Provide the following information for all short-term and long-term bonds and all preferred stocks. Do not substitute amortized value or statement value for fair value.

	1 Statement (Admitted) Value	2 Fair Value	3 Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
28.1 Bonds	47,091,648	47,850,781	759,133
28.2 Preferred stocks			0
28.3 Totals	47,091,648	47,850,781	759,133

28.4 Describe the sources or methods utilized in determining the fair values:

NAIC, IDC or Bloomberg with the exception of 3 RMBS issues that were priced in accordance with SSAP 43R.

29.1 Was the rate used to calculate fair value determined by a broker or custodian for any of the securities in Schedule D? Yes [] No [X]

29.2 If yes, does the reporting entity have a copy of the broker's or custodian's pricing policy (hard copy or electronic copy) for all brokers or custodians used as a pricing source? Yes [] No []

29.3 If no, describe the reporting entity's process for determining a reliable pricing source for purposes of disclosure of fair value for Schedule D: NAIC, IDC or Bloomberg with the exception of 3 RMBS issues that were priced in accordance with SSAP 43R.

30.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed? Yes [X] No []

30.2 If no, list exceptions:

OTHER

31.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any?\$0

31.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to trade associations, service organizations and statistical or rating bureaus during the period covered by this statement.

1 Name	2 Amount Paid
.....

32.1 Amount of payments for legal expenses, if any?\$665,995

32.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1 Name	2 Amount Paid
K&L Gates	197,503
.....

33.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any?\$0

33.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies, officers or departments of government during the period covered by this statement.

1 Name	2 Amount Paid
Sonnenschein Nath & Roenthal LLP	107,762
.....

GENERAL INTERROGATORIES

PART 2 - HEALTH INTERROGATORIES

1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force? Yes [] No [X]
 1.2 If yes, indicate premium earned on U. S. business only \$ _____
 1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit? \$ _____
 1.31 Reason for excluding

1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above. \$ _____
 1.5 Indicate total incurred claims on all Medicare Supplement Insurance. \$ _____ 0

1.6 Individual policies: Most current three years:
 1.61 Total premium earned \$ 0
 1.62 Total incurred claims \$ 0
 1.63 Number of covered lives 0
All years prior to most current three years
 1.64 Total premium earned \$ 0
 1.65 Total incurred claims \$ 0
 1.66 Number of covered lives 0

1.7 Group policies: Most current three years:
 1.71 Total premium earned \$ 0
 1.72 Total incurred claims \$ 0
 1.73 Number of covered lives 0
All years prior to most current three years
 1.74 Total premium earned \$ 0
 1.75 Total incurred claims \$ 0
 1.76 Number of covered lives 0

2. Health Test:

	1 Current Year	2 Prior Year
2.1 Premium Numerator	272,763,336	230,337,506
2.2 Premium Denominator	272,763,336	230,337,506
2.3 Premium Ratio (2.1/2.2)	1.000	1.000
2.4 Reserve Numerator	28,494,588	34,909,791
2.5 Reserve Denominator	28,494,588	34,909,790
2.6 Reserve Ratio (2.4/2.5)	1.000	1.000

3.1 Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, as and if the earnings of the reporting entity permits? Yes [] No [X]

3.2 If yes, give particulars:

4.1 Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and dependents been filed with the appropriate regulatory agency? Yes [X] No []

4.2 If not previously filed furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered? Yes [] No [X]

5.1 Does the reporting entity have stop-loss reinsurance? Yes [X] No []

5.2 If no, explain

5.3 Maximum retained risk (see instructions) 5.31 Comprehensive Medical \$ 750,000
5.32 Medical Only \$ 0
5.33 Medicare Supplement \$ 0
5.34 Dental & Vision \$ 0
5.35 Other Limited Benefit Plan \$ 0
5.36 Other \$ 0

6. Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements:
 See Attachment

7.1 Does the reporting entity set up its claim liability for provider services on a service date basis? Yes [X] No []

7.2 If no, give details

8. Provide the following information regarding participating providers: 8.1 Number of providers at start of reporting year 18,060
8.2 Number of providers at end of reporting year 33,030

9.1 Does the reporting entity have business subject to premium rate guarantees? Yes [] No [X]

9.2 If yes, direct premium earned: 9.21 Business with rate guarantees between 15-36 months. \$
9.22 Business with rate guarantees over 36 months \$

GENERAL INTERROGATORIES

10.1 Does the reporting entity have Incentive Pool, Withhold or Bonus Arrangements in its provider contracts? Yes [X] No []

10.2 If yes:

10.21 Maximum amount payable bonuses.....\$ 8,566,433

10.22 Amount actually paid for year bonuses.....\$ 565,449

10.23 Maximum amount payable withholds.....\$

10.24 Amount actually paid for year withholds.....\$

11.1 Is the reporting entity organized as:

11.12 A Medical Group/Staff Model, Yes [] No [X]

11.13 An Individual Practice Association (IPA), or, . Yes [] No [X]

11.14 A Mixed Model (combination of above)? Yes [] No [X]

11.2 Is the reporting entity subject to Minimum Net Worth Requirements? Yes [X] No []

11.3 If yes, show the name of the state requiring such net worth Washington

11.4 If yes, show the amount required\$ 3,000,000

11.5 Is this amount included as part of a contingency reserve in stockholder's equity? Yes [] No [X]

11.6 If the amount is calculated, show the calculation

12. List service areas in which reporting entity is licensed to operate:

1 Name of Service Area
WASHINGTON – Benton, Franklin, Spokane, and Yakima counties
ARIZONA – Coconino, Mohave, and Yavapai counties
TEXAS – Anderson, Cherokee, El Paso, Franklin, Freestone, Henderson, Hopkins, Houston, Kaufman, Navarro, Smith, Trinity, Van Zandt, Wood / Camp, Gregg, Harrison, Marion, Morris, Panola, Rusk, Shelby, Travis, Upshur, and Williamson counties
MAINE – Androscoggin, Aroostook, Cumberland, Franklin, Hancock, Kennebec, Lincoln, Oxford, Penobscot, Waldo, Sagadahoc, Somerset, and York counties
SOUTH CAROLINA – Allendale, Berkeley, Charleston, Colleton, and Dorchester, Greenville, Pickens, and Spartanburg counties

13.1 Do you act as a custodian for health savings accounts? Yes [] No [X]

13.2 If yes, please provide the amount of custodial funds held as of the reporting date.\$

13.3 Do you act as an administrator for health savings accounts? Yes [] No [X]

13.4 If yes, please provide the balance of funds administered as of the reporting date.\$

**GENERAL INTERROGATORIES PART 2
RESPONSE TO QUESTION 6**

1) Reinsurance

Arcadian Health Plan, Inc ("the Company") obtained reinsurance through HCC Life Insurance Company for catastrophic loss cases with the following terms: Two hundred thousand dollars (\$200,000) deductible per member with ninety percent (90%) reimbursement thereafter up to a two million dollar (\$2,000,000) lifetime maximum. The above limits apply to all of the Company's members except one, whose deductible is one and a half million dollars (\$1,500,000) with ninety percent (90%) reimbursement thereafter up to a five hundred thousand dollar (\$500,000) lifetime maximum. In the event of the insolvency of the Company all Reinsurance will be payable directly to the liquidator, receiver, or statutory successor of the Company, on the basis of the liability of the Company with regard to its contract with HCC Life Insurance Company, without diminution due to the insolvency of the Company.

2) Contractual Obligations of Contracted Providers

- a. Hospital Contracts for Inpatient Services: the Company has contracts with several area hospitals that specify that the hospitals have the responsibility to treat all patients of the Company based on agreed upon fee arrangements. As a Medicare Advantage health plan, the Company's maximum compensation is limited to contracted rates, or one hundred percent (100%) of the then current allowable Medicare rate for the service area for non-contracted hospitals. Included within the contract are the following provisions regarding insolvency:
- i. No Billing of Members (Member Hold Harmless Provision): Hospital hereby agrees that in no event, including, without limitation, non-payment by the Company, the Company's insolvency or breach of this Agreement, shall Hospital or any of its Hospital Providers bill, charge, collect a deposit from, seek compensation, remuneration, or reimbursement from, or have any recourse against a Member or person, other than the Company, acting on his or her behalf, for services provided pursuant to this Agreement except for non-covered services where an Advanced Beneficiary Notice was obtained or those services which are a specific exclusion from the Medicare program. This provision shall not prohibit collection of deductibles, Copayments, co-insurance and/or non-Covered Services, which have not otherwise been paid by a primary or secondary carrier in accordance with regulatory standards for coordination of benefits, from Members in accordance with the terms of the Member's Subscriber Agreement and Evidence of Coverage. Hospital and its Hospital Providers shall not maintain any action at law or equity against a Member to collect sums owed by the Company to Hospital. Upon notice of any such action, the Company may terminate this Agreement as provided above and take all other appropriate action consistent with the terms of this Agreement to eliminate such charges, including, without limitation, requiring Hospital and its Hospital Providers to return all sums collected as surcharges from Members or their representatives. For purposes of this Agreement, "Surcharges" are additional fees for Covered Services which are not disclosed to Members in the Subscriber Agreement and Evidence of Coverage, are not allowable Copayments and are not authorized by this Agreement. Nothing in this Agreement shall be construed to prevent Hospital from providing non-Covered Services on a usual and customary fee-for-service basis to Members.
 - ii. Hospital or its Hospital Providers may not bill the Member for Hospital Services (except for deductibles, Copayments, co-insurance) where the Company denies payments because Hospital has failed to comply with the terms of this Agreement.
- b. Obligations if the Company Ceases Operating or Termination of Agreement for Nonpayment. Notwithstanding any other provisions of this Agreement, Hospital agrees that in the event the Company ceases operations for any reason, including insolvency, Hospital and its Hospital Providers shall provide or arrange Hospital Services and shall not bill, charge, collect or receive any form of payment from any Member for Hospital Services provided after the Company ceases operations. This continuation of Hospital Services obligation shall be for those Members who are hospitalized on an inpatient basis as provided below.
- i. In the event the Company ceases operations or Hospital terminates this Agreement on the basis of the Company's failure to make timely payments, Hospital and its Hospital

Providers shall continue to provide or arrange for Hospital Services to those Members who are hospitalized on an inpatient basis at the time the Company ceases operations or Hospital terminates this Agreement until such Members are discharged from the hospital. Hospital shall not bill, charge, collect or receive any form of payment from any Member for such Covered Services.

3) Physician and Provider Contracts

- a. Physician & Provider Contracts for Inpatient Services: The Company has contracts with local providers that specify that the providers have the responsibility to treat all patients of the Company based on agreed upon fee arrangements. As a Medicare Advantage health plan, the Company's maximum compensation is limited to contracted rates or one hundred percent (100%) of the then current Medicare allowable rate for the hospital service area for non-contracted providers. Included within the contract are the following provisions regarding potential the Company insolvency:
 - i. No Billing of Members (Member Hold Harmless Provision): Provider Group and its Participating Providers hereby agrees that in no event, including, without limitation, non-payment by the Company, the Company's insolvency or breach of this Agreement, shall Provider Group and its Participating Providers bill, charge, collect a deposit from, seek compensation, remuneration, or reimbursement from, or have any recourse against a Member or person, other than the Company, acting on his or her behalf, for Covered Services provided pursuant to this Agreement. This provision shall not prohibit collection of deductibles, Copayments, co-insurance and/or non-Covered Services, which have not otherwise been paid by a primary or secondary carrier in accordance with regulatory standards for coordination of benefits, from Members in accordance with the terms of the Member's Subscriber Agreement and Evidence of Coverage. Provider Group and its Participating Providers shall not maintain any action at law or equity against a Member to collect sums owed by the Company to Provider Group and its Participating Providers. Upon notice of any such action, the Company may terminate this Agreement as provided above and take all other appropriate action consistent with the terms of this Agreement to eliminate such charges, including, without limitation, requiring Provider Group and its Participating Providers to return all sums collected as surcharges from Members or their representatives. For purposes of this Agreement, "Surcharges" are additional fees for Covered Services which are not disclosed to Members in the Subscriber Agreement and Evidence of Coverage, are not allowable Copayments and are not authorized by this Agreement. Nothing in this Agreement shall be construed to prevent Provider Group and its Participating Providers from providing non- Covered Services on a usual and customary fee-for-service basis to Members. Provider Group and its Participating Providers may not bill the Member for Covered Services (except for deductibles, Copayments, or co-insurance) where the Company denies payments because Provider Group and its Participating Providers have failed to comply with the terms of this Agreement.
- b. Obligations if the Company Ceases Operating or Termination of Agreement for Nonpayment: Notwithstanding any other provisions of this Agreement, Provider Group and its Participating Providers agrees that in the event the Company ceases operations for any reason, including insolvency, Provider Group and its Participating Providers shall provide Covered Services and shall not bill, charge, collect or receive any form of payment from any Member for Covered Services provided after the Company ceases operations. Such obligation shall be for the period for which premium has been paid, except for those Members who are hospitalized on an inpatient basis as provided below.
 - i. In the event the Company ceases operations or Provider Group terminates this Agreement on the basis of the Company's failure to make timely payments, Provider Group and its Participating Providers shall continue to provide for Covered Services to those Members who are hospitalized on an inpatient basis at the time the Company ceases operations or Provider Group terminates this Agreement until such Members are discharged from the hospital. Provider Group and its Participating Providers shall not bill, charge, collect or receive any form of payment from any Member for such Covered Services.

ANNUAL STATEMENT FOR THE YEAR 2009 OF THE ARCADIAN HEALTH PLAN, INC.

FIVE-YEAR HISTORICAL DATA

	1 2009	2 2008	3 2007	4 2006	5 2005
Balance Sheet (Pages 2 and 3)					
1. Total admitted assets (Page 2, Line 26)	80,958,941	75,489,397	73,366,762	36,310,369	14,469,470
2. Total liabilities (Page 3, Line 22)	35,775,864	44,822,260	52,047,967	28,928,081	6,136,898
3. Statutory surplus	3,000,000	3,000,000	21,318,795	7,382,288	
4. Total capital and surplus (Page 3, Line 31)	45,183,078	30,667,137	21,318,795	7,382,288	8,332,572
Income Statement (Page 4)					
5. Total revenues (Line 8)	272,763,336	230,337,506	158,278,879	80,025,887	9,226,874
6. Total medical and hospital expenses (Line 18)	212,674,956	187,147,336	121,484,455	59,260,933	6,258,741
7. Claims adjustment expenses (Line 20)	7,062,315	7,674,579	11,149,177	6,473,428	2,159,579
8. Total administrative expenses (Line 21)	34,945,986	33,053,771	23,560,783	20,290,073	8,495,035
9. Net underwriting gain (loss) (Line 24)	18,080,079	2,461,820	2,084,464	(5,998,547)	(7,686,481)
10. Net investment gain (loss) (Line 27)	2,305,969	2,736,288	2,513,823	915,262	228,605
11. Total other income (Lines 28 plus 29)	0	0	0	0	0
12. Net income or (loss) (Line 32)	14,291,249	3,975,978	4,598,287	(5,083,285)	(7,457,876)
Cash Flow (Page 6)					
13. Net cash from operations (Line 11)	2,771,907	(3,638,446)	22,491,353	14,071,808	
Risk-Based Capital Analysis					
14. Total adjusted capital	45,183,078	30,667,137	21,318,798	7,382,288	8,332,572
15. Authorized control level risk-based capital	10,518,619	9,582,858	6,922,820	3,363,243	726,703
Enrollment (Exhibit 1)					
16. Total members at end of period (Column 5, Line 7)	28,962	25,241	19,157	12,304	4,312
17. Total members months (Column 6, Line 7)	339,536	303,299	223,025	123,279	15,655
Operating Percentage (Page 4) (Item divided by Page 4, sum of Lines 2, 3 and 5) x 100.0					
18. Premiums earned plus risk revenue (Line 2 plus Lines 3 and 5)	100.0	100.0	100.0	100.0	100.0
19. Total hospital and medical plus other non-health (Lines 18 plus Line 19)	78.0	81.2	76.8	74.1	67.8
20. Cost containment expenses	1.0	0.5	3.0	3.8	19.1
21. Other claims adjustment expenses	1.6	2.8	4.0	4.3	4.3
22. Total underwriting deductions (Line 23)	93.4	98.9	98.7	107.5	183.3
23. Total underwriting gain (loss) (Line 24)	6.6	1.1	1.3	(7.5)	(83.3)
Unpaid Claims Analysis (U&I Exhibit, Part 2B)					
24. Total claims incurred for prior years (Line 13, Col. 5)	25,814,711	24,781,908	12,485,261	2,355,152	0
25. Estimated liability of unpaid claims-[prior year (Line 13, Col. 6)]	31,436,340	24,438,427	17,356,807	4,155,060	0
Investments In Parent, Subsidiaries and Affiliates					
26. Affiliated bonds (Sch. D Summary, Line 12, Col. 1)	0	0			
27. Affiliated preferred stocks (Sch. D Summary, Line 18, Col. 1)		0	0		
28. Affiliated common stocks (Sch. D Summary, Line 24, Col. 1)	8,973,436	6,286,753	4,325,261		
29. Affiliated short-term investments (subtotal included in Schedule DA Verification, Col. 5, Line 10)	0	0	0	0	
30. Affiliated mortgage loans on real estate					
31. All other affiliated					
32. Total of above Lines 26 to 31	8,973,436	6,286,753	4,325,261	0	0

NOTE: If a party to a merger, have the two most recent years of this exhibit been restated due to a merger in compliance with the disclosure requirements of SSAP No. 3, Accounting Changes and Correction of Errors? Yes [] No []
If no, please explain:

SCHEDULE T PREMIUMS AND OTHER CONSIDERATIONS

Allocated by States and Territories

States, etc.	1 Active Status	Direct Business Only								
		2 Accident & Health Premiums	3 Medicare Title XVIII	4 Medicaid Title XIX	5 Federal Employees Health Benefits Program Premiums	6 Life & Annuity Premiums & Other Considerations	7 Property/Casualty Premiums	8 Total Columns 2 Through 7	9 Deposit-Type Contracts	
1. Alabama AL	N							0		
2. Alaska AK	N							0		
3. Arizona AZ	L		30,479,646					30,479,646		
4. Arkansas AR	N							0		
5. California CA	L		0					0		
6. Colorado CO	N							0		
7. Connecticut CT	N							0		
8. Delaware DE	N							0		
9. District of Columbia DC	N							0		
10. Florida FL	N							0		
11. Georgia GA	N							0		
12. Hawaii HI	N							0		
13. Idaho ID	N							0		
14. Illinois IL	N							0		
15. Indiana IN	N							0		
16. Iowa IA	N							0		
17. Kansas KS	N							0		
18. Kentucky KY	N							0		
19. Louisiana LA	N							0		
20. Maine ME	L		42,045,275					42,045,275		
21. Maryland MD	N							0		
22. Massachusetts MA	N							0		
23. Michigan MI	N							0		
24. Minnesota MN	N							0		
25. Mississippi MS	N							0		
26. Missouri MO	L		0					0		
27. Montana MT	N							0		
28. Nebraska NE	N							0		
29. Nevada NV	N							0		
30. New Hampshire NH	L		0					0		
31. New Jersey NJ	N							0		
32. New Mexico NM	N							0		
33. New York NY	N							0		
34. North Carolina NC	N							0		
35. North Dakota ND	N							0		
36. Ohio OH	N							0		
37. Oklahoma OK	N							0		
38. Oregon OR	N							0		
39. Pennsylvania PA	N							0		
40. Rhode Island RI	N							0		
41. South Carolina SC	L		56,161,673					56,161,673		
42. South Dakota SD	N							0		
43. Tennessee TN	N							0		
44. Texas TX	L		113,931,508					113,931,508		
45. Utah UT	N							0		
46. Vermont VT	N							0		
47. Virginia VA	L		0					0		
48. Washington WA	L		32,335,529					32,335,529		
49. West Virginia WV	N							0		
50. Wisconsin WI	N							0		
51. Wyoming WY	N							0		
52. American Samoa AS	N							0		
53. Guam GU	N							0		
54. Puerto Rico PR	N							0		
55. U.S. Virgin Islands VI	N							0		
56. Northern Mariana Islands MP	N							0		
57. Canada CN	N							0		
58. Aggregate Other Aliens OT	XXX	0	0	0	0	0	0	0	0	
59. Subtotal	XXX	0	274,953,631	0	0	0	0	274,953,631	0	
60. Reporting Entity Contributions for Employee Benefit Plans	XXX							0		
61. Totals (Direct Business)	(a) 9	0	274,953,631	0	0	0	0	274,953,631	0	
DETAILS OF WRITE-INS										
5801.	XXX									
5802.	XXX									
5803.	XXX									
5898. Summary of remaining write-ins for Line 58 from overflow page	XXX	0	0	0	0	0	0	0	0	
5899. Totals (Lines 5801 through 5803 plus 5898)(Line 58 above)	XXX	0	0	0	0	0	0	0	0	

Explanation of basis of allocation by states, premiums by state, etc.

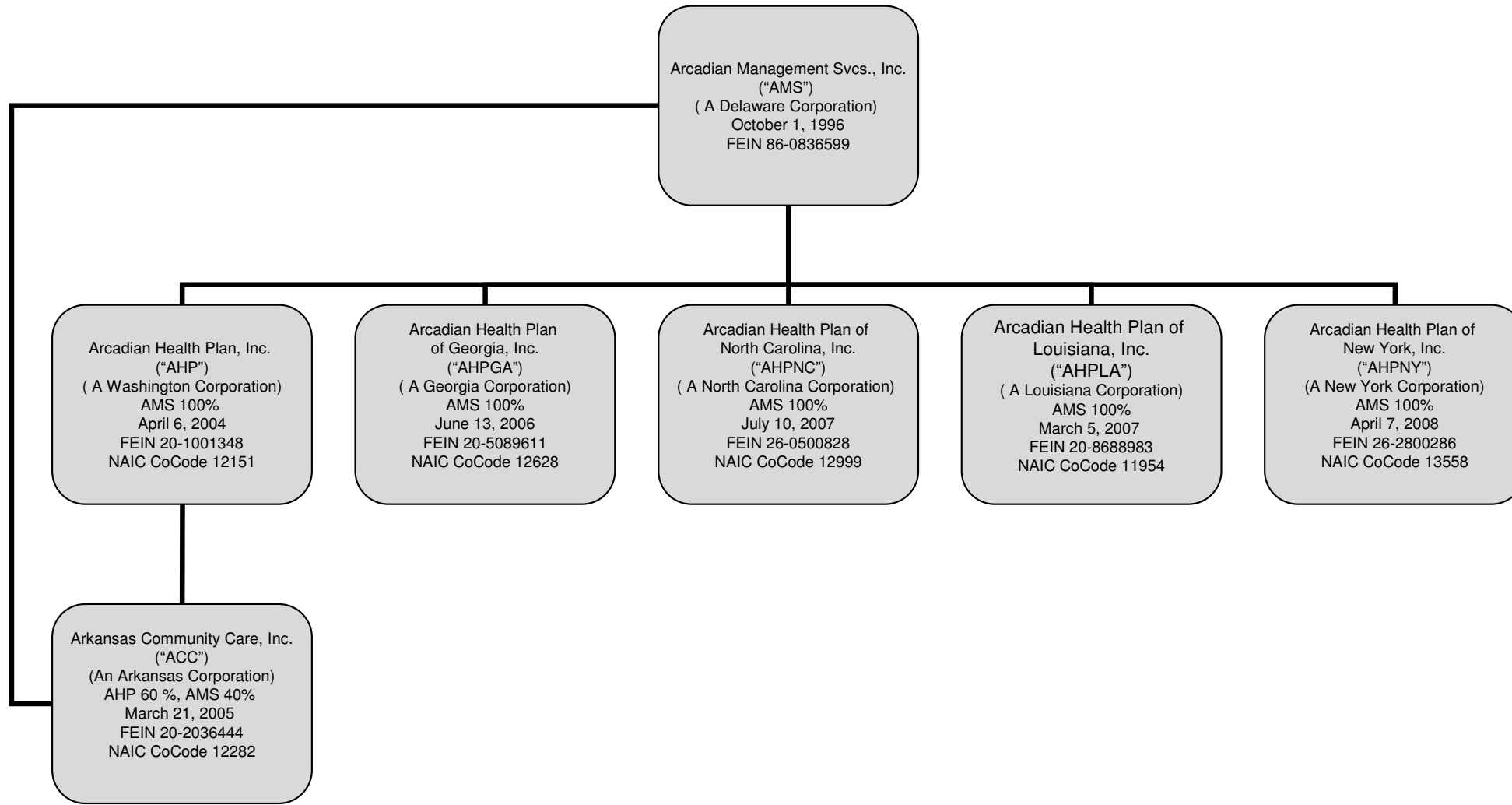
Medicare Advantage organizations contract with the Center for Medicare and Medicaid Services - "CMS" at the state level. Individual plans, set to bid and approved by CMS, are designed to service specific geographic areas within the Contract -or state. Plan premiums are allocated at a member level determined by the member's plan choice and specific member demographics, including but not limited to geographic location, age, gender, and health status. Plan membership is determined based on where the member resides and member's specific plan choice in the event that multiple plans cover the same service area.

ANNUAL STATEMENT FOR THE YEAR 2009 OF THE ARCADIAN HEALTH PLAN, INC.

(a) Insert the number of L responses except for Canada and Other Alien.

7

SCHEDULE Y – INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP
PART 1 ORGANIZATIONAL CHART



OVERFLOW PAGE FOR WRITE-INS

ALPHABETICAL INDEX

ANNUAL STATEMENT BLANK

Analysis of Operations By Lines of Business	7
Assets	2
Cash Flow	6
Exhibit 1 - Enrollment By Product Type for Health Business Only	17
Exhibit 2 - Accident and Health Premiums Due and Unpaid	18
Exhibit 3 - Health Care Receivables	19
Exhibit 4 - Claims Unpaid and Incentive Pool, Withhold and Bonus	20
Exhibit 5 - Amounts Due From Parent, Subsidiaries and Affiliates	21
Exhibit 6 - Amounts Due To Parent, Subsidiaries and Affiliates	22
Exhibit 7 - Part 1 - Summary of Transactions With Providers	23
Exhibit 7 - Part 2 - Summary of Transactions With Intermediaries	23
Exhibit 8 - Furniture, Equipment and Supplies Owned	24
Exhibit of Capital Gains (Losses)	15
Exhibit of Net Investment Income	15
Exhibit of Nonadmitted Assets	16
Exhibit of Premiums, Enrollment and Utilization (State Page)	29
Five-Year Historical Data	28
General Interrogatories	26
Jurat Page	1
Liabilities, Capital and Surplus	3
Notes To Financial Statements	25
Overflow Page For Write-ins	41
Schedule A - Part 1	E01
Schedule A - Part 2	E02
Schedule A - Part 3	E03
Schedule A - Verification Between Years	SI02
Schedule B - Part 1	E04
Schedule B - Part 2	E05
Schedule B - Part 3	E06
Schedule B - Verification Between Years	SI02
Schedule BA - Part 1	E07
Schedule BA - Part 2	E08
Schedule BA - Part 3	E09
Schedule BA - Verification Between Years	SI03
Schedule D - Part 1	E10
Schedule D - Part 1A - Section 1	SI05
Schedule D - Part 1A - Section 2	SI08
Schedule D - Part 2 - Section 1	E11
Schedule D - Part 2 - Section 2	E12
Schedule D - Part 3	E13
Schedule D - Part 4	E14
Schedule D - Part 5	E15
Schedule D - Part 6 - Section 1	E16
Schedule D - Part 6 - Section 2	E16
Schedule D - Summary By Country	SI04
Schedule D - Verification Between Years	SI03
Schedule DA - Part 1	E17
Schedule DA - Verification Between Years	SI11
Schedule DB - Part A - Section 1	E18
Schedule DB - Part A - Section 2	E18
Schedule DB - Part A - Section 3	E19
Schedule DB - Part A - Verification Between Years	SI12
Schedule DB - Part B - Section 1	E19
Schedule DB - Part B - Section 2	E20
Schedule DB - Part B - Section 3	E20
Schedule DB - Part B - Verification Between Years	SI12
Schedule DB - Part C - Section 1	E21
Schedule DB - Part C - Section 2	E21
Schedule DB - Part C - Section 3	E22
Schedule DB - Part C - Verification Between Years	SI13
Schedule DB - Part D - Section 1	E22
Schedule DB - Part D - Section 2	E23
Schedule DB - Part D - Section 3	E23
Schedule DB - Part D - Verification Between Years	SI13
Schedule DB - Part E - Section 1	E24
Schedule DB - Part E - Verification	SI13
Schedule DB - Part F - Section 1	SI14
Schedule DB - Part F - Section 2	SI15

ANNUAL STATEMENT BLANK (Continued)

Schedule E - Part 1 - Cash	E25
Schedule E - Part 2 - Cash Equivalents	E26
Schedule E - Part 3 - Special Deposits	E27
Schedule E - Verification Between Years	SI16
Schedule S - Part 1 - Section 2	30
Schedule S - Part 2	31
Schedule S - Part 3 - Section 2	32
Schedule S - Part 4	33
Schedule S - Part 5	34
Schedule S - Part 6	35
Schedule T - Part 2 - Interstate Compact	37
Schedule T - Premiums and Other Considerations	36
Schedule Y - Information Concerning Activities of Insurer Members of a Holding Company Group	38
Schedule Y - Part 2 - Summary of Insurer's Transactions With Any Affiliates	39
Statement of Revenue and Expenses	4
Summary Investment Schedule	SI01
Supplemental Exhibits and Schedules Interrogatories	40
Underwriting and Investment Exhibit - Part 1	8
Underwriting and Investment Exhibit - Part 2	9
Underwriting and Investment Exhibit - Part 2A	10
Underwriting and Investment Exhibit - Part 2B	11
Underwriting and Investment Exhibit - Part 2C	12
Underwriting and Investment Exhibit - Part 2D	13
Underwriting and Investment Exhibit - Part 3	14