



QUARTERLY STATEMENT

AS OF JUNE 30, 2011
OF THE CONDITION AND AFFAIRS OF THE

ARKANSAS COMMUNITY CARE, INC.

NAIC Group Code 3681 , 3681 NAIC Company Code 12282 Employer's ID Number 20-2036444
(Current Period) (Prior Period)

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

Country of Domicile United States

Licensed as business type: Life, Accident & Health [] Property/Casualty [] Hospital, Medical & Dental Service or Indemnity []
 Dental Service Corporation [] Vision Service Corporation [] Health Maintenance Organization [X]
 Other [] Is HMO, Federally Qualified? Yes [X] No []

Incorporated/Organized 01/31/2005 Commenced Business 01/01/2006

Statutory Home Office 10025 W MARKHAM ST., SUITE 220 , LITTLE ROCK, AR 72205
(Street and Number) (City or Town, State and Zip Code)

Main Administrative Office 500 12TH STREET, STE 350 OAKLAND, CA 94607 510-832-0311
(Street and Number) (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 OAKLAND, CA 94607 510-832-0311
(Street and Number) (City or Town, State and Zip Code) (Area Code) (Telephone Number)

Internet Web Site Address WWW.ARCADIANHEALTH.COM

Statutory Statement Contact STACY ELISE PARSONS 510-817-1815
(Name) (Area Code) (Telephone Number) (Extension)

SPARSONS@ARCADIANHEALTH.COM 510-817-1895
(E-mail Address) (FAX Number)

OFFICERS

Name	Title	Name	Title
<u>ROBERT LAWRENCE FAHLMAN</u>	<u>CEO AND PRESIDENT</u>	<u>KENNETH BENJAMIN ZIMMERMAN</u>	<u>TREASURER</u>
<u>DAVID CARL BUHLER</u>	<u>CFO</u>	<u>JAMES FRANCIS NOVELLO</u>	<u>SECRETARY</u>

OTHER OFFICERS

DIRECTORS OR TRUSTEES

<u>ROBERT LAWRENCE FAHLMAN</u>	<u>CHASE SPENCER MILBRANDT</u>	<u>JEFFREY CRAIG MCMANUS</u>
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State ofCalifornia.....

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County ofAlameda.....

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 FAHLMAN
CEO AND PRESIDENT

JAMES FRANCIS NOVELLO
Secretary

DAVID CARL BUHLER
Chief Financial Officer

a. Is this an original filing? Yes [X] No []

b. If no:

1. State the amendment number _____
2. Date filed _____
3. Number of pages attached _____

Subscribed and sworn to before me this _____ day of _____

STATEMENT AS OF JUNE 30, 2011 OF THE ARKANSAS COMMUNITY CARE, INC.

ASSETS

	Current Statement Date			4 December 31 Prior Year Net Admitted Assets
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	
1. Bonds	13,714,744		13,714,744	14,041,581
2. Stocks:				
2.1 Preferred stocks			0	0
2.2 Common stocks			0	0
3. Mortgage loans on real estate:				
3.1 First liens			0	0
3.2 Other than first liens			0	0
4. Real estate:				
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 (\$2,049,712), cash equivalents (\$0) and short-term investments (\$2,586,305)	4,636,017		4,636,017	6,077,670
6. Contract loans (including \$ premium notes)			0	0
7. Derivatives			0	0
8. Other invested assets	0		0	0
9. Receivables for securities			0	0
10. Securities lending reinvested collateral assets			0	0
11. Aggregate write-ins for invested assets	0	0	0	0
12. Subtotals, cash and invested assets (Lines 1 to 11)	18,350,761	0	18,350,761	20,119,251
13. Title plants less \$ charged off (for Title insurers only)			0	0
14. Investment income due and accrued	168,441		168,441	176,606
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection	6,903,405		6,903,405	3,104,859
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ earned but unbilled premiums)			0	0
15.3 Accrued retrospective premiums			0	0
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers	17,355		17,355	163,171
16.2 Funds held by or deposited with reinsured companies			0	0
16.3 Other amounts receivable under reinsurance contracts			0	0
17. Amounts receivable relating to uninsured plans	1,905,287		1,905,287	2,434,099
18.1 Current federal and foreign income tax recoverable and interest thereon	419,721		419,721	0
18.2 Net deferred tax asset	769,374	203,057	566,317	566,317
19. Guaranty funds receivable or on deposit			0	0
20. Electronic data processing equipment and software			0	0
21. Furniture and equipment, including health care delivery assets (\$)	5,313	5,313	0	0
22. Net adjustment in assets and liabilities due to foreign exchange rates			0	0
23. Receivables from parent, subsidiaries and affiliates	735,397		735,397	1,145,346
24. Health care (\$1,003,312) and other amounts receivable	1,774,853	758,289	1,016,564	983,430
25. Aggregate write-ins for other than invested assets	6,000	6,000	0	0
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	31,055,907	972,659	30,083,248	28,693,079
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			0	0
28. Total (Lines 26 and 27)	31,055,907	972,659	30,083,248	28,693,079
DETAILS OF WRITE-INS				
1101.				
1102.				
1103.				
1198. Summary of remaining write-ins for Line 11 from overflow page	0	0	0	0
1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above)	0	0	0	0
2501. PREPAID EXPENSES	5,846	5,846	0	0
2502. NON-STATUTORY DEPOSITS	154	154	0	0
2503.				
2598. Summary of remaining write-ins for Line 25 from overflow page	0	0	0	0
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	6,000	6,000	0	0

LIABILITIES, CAPITAL AND SURPLUS

	Current Period			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$ reinsurance ceded).....	10,893,719	1,146,624	12,040,343	9,053,634
2. Accrued medical incentive pool and bonus amounts	355,202		355,202	294,515
3. Unpaid claims adjustment expenses	316,818		316,818	203,123
4. Aggregate health policy reserves	110,255		110,255	0
5. Aggregate life policy reserves			0	0
6. Property/casualty unearned premium reserve			0	0
7. Aggregate health claim reserves			0	0
8. Premiums received in advance			0	0
9. General expenses due or accrued	647,028		647,028	313,653
10.1 Current federal and foreign income tax payable and interest thereon (including \$ on realized gains (losses))			0	0
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	24,886		24,886	20,372
13. Remittances 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	1,496,809		1,496,809	245,299
16. Derivatives.....			0	0
17. Payable for securities			0	0
18. Payable for securities lending			0	0
19. Funds held under reinsurance treaties (with \$ authorized reinsurers and \$ unauthorized reinsurers)			0	0
20. Reinsurance in unauthorized companies			0	0
21. Net adjustments in assets and liabilities due to foreign exchange rates			0	0
22. Liability for amounts held under uninsured plans	367,467		367,467	0
23. Aggregate write-ins for other liabilities (including \$ current)	1,500,000	0	1,500,000	0
24. Total liabilities (Lines 1 to 23).....	15,712,184	1,146,624	16,858,808	10,130,596
25. Aggregate write-ins for special surplus funds	XXX	XXX	0	0
26. Common capital stock	XXX	XXX		0
27. Preferred capital stock	XXX	XXX		0
28. Gross paid in and contributed surplus	XXX	XXX	13,469,452	13,469,452
29. Surplus notes	XXX	XXX		0
30. Aggregate write-ins for other than special surplus funds	XXX	XXX	0	0
31. Unassigned funds (surplus)	XXX	XXX	(245,013)	5,093,031
32. Less treasury stock, at cost:				
32.1 shares common (value included in Line 26 \$)	XXX	XXX		0
32.2 shares preferred (value included in Line 27 \$)	XXX	XXX		0
33. Total capital and surplus (Lines 25 to 31 minus Line 32)	XXX	XXX	13,224,439	18,562,483
34. Total liabilities, capital and surplus (Lines 24 and 33)	XXX	XXX	30,083,247	28,693,079
DETAILS OF WRITE-INS				
2301. DIVIDEND PAYABLE.....	1,500,000		1,500,000	
2302.				
2303.				
2398. Summary of remaining write-ins for Line 23 from overflow page	0	0	0	0
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	1,500,000	0	1,500,000	0
2501.	XXX	XXX		
2502.	XXX	XXX		
2503.	XXX	XXX		
2598. Summary of remaining write-ins for Line 25 from overflow page	XXX	XXX	0	0
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	XXX	XXX	0	0
3001.	XXX	XXX		
3002.	XXX	XXX		
3003.	XXX	XXX		
3098. Summary of remaining write-ins for Line 30 from overflow page	XXX	XXX	0	0
3099. Totals (Lines 3001 through 3003 plus 3098) (Line 30 above)	XXX	XXX	0	0

STATEMENT OF REVENUE AND EXPENSES

	Current Year To Date		Prior Year To Date	Prior Year Ended December 31
	1 Uncovered	2 Total	3 Total	4 Total
1. Member Months.....	XXX	75,103	68,367	138,918
2. Net premium income (including \$ non-health premium income).....	XXX	55,384,965	52,972,350	105,205,442
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	0
7. Aggregate write-ins for other non-health revenues	XXX	0	0	0
8. Total revenues (Lines 2 to 7)	XXX	55,384,965	52,972,350	105,205,442
Hospital and Medical:				
9. Hospital/medical benefits		27,094,761	25,791,961	45,516,500
10. Other professional services		8,851,482	3,631,411	16,217,042
11. Outside referrals	3,893,926	3,893,926	2,597,251	5,350,630
12. Emergency room and out-of-area	508,206	2,131,474	1,609,191	3,363,259
13. Prescription drugs		5,407,186	6,321,065	10,932,554
14. Aggregate write-ins for other hospital and medical	0	0	0	0
15. Incentive pool, withhold adjustments and bonus amounts		84,595	122,693	498,972
16. Subtotal (Lines 9 to 15)	4,402,132	47,463,424	40,073,572	81,878,957
Less:				
17. Net reinsurance recoveries		72,728	84,956	293,384
18. Total hospital and medical (Lines 16 minus 17)	4,402,132	47,390,696	39,988,616	81,585,573
19. Non-health claims (net).....			0	0
20. Claims adjustment expenses, including \$ cost containment expenses.....		2,219,225	1,419,738	3,146,120
21. General administrative expenses.....		6,935,101	6,548,245	13,188,685
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)	4,402,132	56,545,022	47,956,599	97,920,378
24. Net underwriting gain or (loss) (Lines 8 minus 23)	XXX	(1,160,057)	5,015,751	7,285,064
25. Net investment income earned		263,162	324,469	611,442
26. Net realized capital gains (losses) less capital gains tax of \$		1,179	3,333	4,138
27. Net investment gains (losses) (Lines 25 plus 26)	0	264,341	327,802	615,580
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$) (amount charged off \$)]			0	0
29. Aggregate write-ins for other income or expenses	0	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	(895,716)	5,343,553	7,900,644
31. Federal and foreign income taxes incurred	XXX		1,838,576	2,632,135
32. Net income (loss) (Lines 30 minus 31)	XXX	(895,716)	3,504,977	5,268,509
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	0
0699. Totals (Lines 0601 through 0603 plus 0698) (Line 6 above)	XXX	0	0	0
0701.	XXX			
0702.	XXX			
0703.	XXX			
0798. Summary of remaining write-ins for Line 7 from overflow page	XXX	0	0	0
0799. Totals (Lines 0701 through 0703 plus 0798) (Line 7 above)	XXX	0	0	0
1401.				
1402.				
1403.				
1498. Summary of remaining write-ins for Line 14 from overflow page	0	0	0	0
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)	0	0	0	0
2901.				
2902.				
2903.				
2998. Summary of remaining write-ins for Line 29 from overflow page	0	0	0	0
2999. Totals (Lines 2901 through 2903 plus 2998) (Line 29 above)	0	0	0	0

STATEMENT OF REVENUE AND EXPENSES (Continued)

	1	2	3
	Current Year To Date	Prior Year To Date	Prior Year Ended December 31
CAPITAL & SURPLUS ACCOUNT			
33. Capital and surplus prior reporting year.....	18,562,483	14,955,727	14,955,727
34. Net income or (loss) from Line 32	(895,716)	3,504,977	5,268,509
35. Change in valuation basis of aggregate policy and claim reserves		0	0
36. Change in net unrealized capital gains (losses) less capital gains tax of \$		21,223	21,224
37. Change in net unrealized foreign exchange capital gain or (loss)		0	0
38. Change in net deferred income tax		(23,083)	(91,395)
39. Change in nonadmitted assets	557,672	834,495	105,646
40. Change in unauthorized reinsurance	0	0	0
41. Change in treasury stock		0	0
42. Change in surplus notes	0	0	0
43. Cumulative effect of changes in accounting principles		0	0
44. Capital Changes:			
44.1 Paid in		0	0
44.2 Transferred from surplus (Stock Dividend)		0	0
44.3 Transferred to surplus		0	0
45. Surplus adjustments:			
45.1 Paid in		0	0
45.2 Transferred to capital (Stock Dividend)	0	0	0
45.3 Transferred from capital		0	0
46. Dividends to stockholders	(5,000,000)	(1,450,000)	(1,450,000)
47. Aggregate write-ins for gains or (losses) in surplus	0	(247,228)	(247,228)
48. Net change in capital and surplus (Lines 34 to 47)	(5,338,044)	2,640,384	3,606,756
49. Capital and surplus end of reporting period (Line 33 plus 48)	13,224,439	17,596,111	18,562,483
DETAILS OF WRITE-INS			
4701. PY AUDIT ADJUSTMENT.....		(247,228)	(247,228)
4702.			
4703.			
4798. Summary of remaining write-ins for Line 47 from overflow page	0	0	0
4799. Totals (Lines 4701 through 4703 plus 4798) (Line 47 above)	0	(247,228)	(247,228)

CASH FLOW

	1 Current Year To Date	2 Prior Year To Date	3 Prior Year Ended December 31
Cash from Operations			
1. Premiums collected net of reinsurance.....	51,711,603	50,387,074	104,062,598
2. Net investment income	307,827	373,121	680,215
3. Miscellaneous income	0	0	0
4. Total (Lines 1 to 3)	52,019,430	50,760,195	104,742,813
5. Benefit and loss related payments	44,379,267	38,688,966	81,776,343
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts.....	0	0	0
7. Commissions, expenses paid and aggregate write-ins for deductions	7,810,977	8,984,055	17,692,711
8. Dividends paid to policyholders	0	0	0
9. Federal and foreign income taxes paid (recovered) net of \$ tax on capital gains (losses).....	419,721	1,796,346	2,589,905
10. Total (Lines 5 through 9)	52,609,965	49,469,367	102,058,959
11. Net cash from operations (Line 4 minus Line 10)	(590,535)	1,290,828	2,683,854
Cash from Investments			
12. Proceeds from investments sold, matured or repaid:			
12.1 Bonds	491,057	3,013,004	5,945,601
12.2 Stocks	0	0	0
12.3 Mortgage loans	0	0	0
12.4 Real estate	0	0	0
12.5 Other invested assets	0	0	0
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments	1,303	0	0
12.7 Miscellaneous proceeds	0	0	4
12.8 Total investment proceeds (Lines 12.1 to 12.7)	492,360	3,013,004	5,945,605
13. Cost of investments acquired (long-term only):			
13.1 Bonds	200,844	46,230	4,720,868
13.2 Stocks	0	0	0
13.3 Mortgage loans	0	0	0
13.4 Real estate	0	0	0
13.5 Other invested assets	0	0	0
13.6 Miscellaneous applications	0	0	0
13.7 Total investments acquired (Lines 13.1 to 13.6)	200,844	46,230	4,720,868
14. Net increase (or decrease) in contract loans and premium notes	0	0	0
15. Net cash from investments (Line 12.8 minus Line 13.7 and Line 14)	291,516	2,966,774	1,224,737
Cash from Financing and Miscellaneous Sources			
16. Cash provided (applied):			
16.1 Surplus notes, capital notes	0	0	0
16.2 Capital and paid in surplus, less treasury stock.....	0	0	0
16.3 Borrowed funds	0	0	0
16.4 Net deposits on deposit-type contracts and other insurance liabilities	0	0	0
16.5 Dividends to stockholders	3,500,000	1,450,000	1,450,000
16.6 Other cash provided (applied).....	2,357,364	(42,653)	(4,515,333)
17. Net cash from financing and miscellaneous sources (Line 16.1 through Line 16.4 minus Line 16.5 plus Line 16.6).....	(1,142,636)	(1,492,653)	(5,965,333)
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)	(1,441,655)	2,764,949	(2,056,742)
19. Cash, cash equivalents and short-term investments:			
19.1 Beginning of year.....	6,077,672	8,134,414	8,134,414
19.2 End of period (Line 18 plus Line 19.1)	4,636,017	10,899,363	6,077,672

STATEMENT AS OF JUNE 30, 2011 OF THE ARKANSAS COMMUNITY CARE, INC.

EXHIBIT OF PREMIUMS, ENROLLMENT AND UTILIZATION

	1 Total	Comprehensive (Hospital & Medical)		4 Medicare Supplement	5 Vision Only	6 Dental Only	7 Federal Employees Health Benefit Plan	8 Title XVIII Medicare	9 Title XIX Medicaid	10 Other
		2 Individual	3 Group							
Total Members at end of:										
1. Prior Year	11,850	.0	.0	.0	.0	.0	.0	11,850	.0	.0
2. First Quarter	12,547	.0	.0	.0	.0	.0	.0	12,547	.0	.0
3. Second Quarter	12,295	.0	.0	.0	.0	.0	.0	12,295	.0	.0
4. Third Quarter .....	.0									
5. Current Year	0									
6. Current Year Member Months	75,103							75,103		
Total Member Ambulatory Encounters for Period:										
7. Physician	65,911							65,911		
8. Non-Physician	58,853							58,853		
9. Total	124,764	0	0	0	0	0	0	124,764	0	0
10. Hospital Patient Days Incurred	9,855							9,855		
11. Number of Inpatient Admissions	1,591							1,591		
12. Health Premiums Written (a).....	55,652,282							55,652,282		
13. Life Premiums Direct.....	.0									
14. Property/Casualty Premiums Written .....	.0									
15. Health Premiums Earned	55,652,282							55,652,282		
16. Property/Casualty Premiums Earned .....	.0									
17. Amount Paid for Provision of Health Care Services	44,343,298							44,343,298		
18. Amount Incurred for Provision of Health Care Services	47,463,424							47,463,424		

(a) For health premiums written: amount of Medicare Title XVIII exempt from state taxes or fees \$ 55,652,282

STATEMENT AS OF JUNE 30, 2011 OF THE ARKANSAS COMMUNITY CARE, INC.

UNDERWRITING AND INVESTMENT EXHIBIT
ANALYSIS OF CLAIMS UNPAID-PRIOR YEAR-NET OF REINSURANCE

Line of Business	Claims Paid Year to Date		Liability End of Current Quarter		5 Claims Incurred in Prior Years (Columns 1 + 3)	6 Estimated Claim Reserve and Claim Liability Dec. 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 Dec. 31 of Prior Year	On Claims Incurred During the Year		
1. Comprehensive (hospital and medical) .....					.0	.0
2. Medicare Supplement .....					.0	.0
3. Dental Only .....					.0	.0
4. Vision Only .....					.0	.0
5. Federal Employees Health Benefits Plan .....					.0	.0
6. Title XVIII - Medicare	9,850,856	36,227,209	283,266	11,757,077	10,134,122	9,053,634
7. Title XIX - Medicaid .....					.0	.0
8. Other health .....					.0	.0
9. Health subtotal (Lines 1 to 8).....	9,850,856	36,227,209	283,266	11,757,077	10,134,122	9,053,634
10. Health care receivables (a)	786,358	972,315			786,358	.0
11. Other non-health .....					.0	.0
12. Medical incentive pools and bonus amounts	23,906		320,693	34,509	344,599	294,515
13. Totals (Lines 9-10+11+12)	9,088,404	35,254,894	603,959	11,791,586	9,692,363	9,348,149

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

1. Summary of Significant Accounting Policies

A. Accounting Practices

For the purposes of this narrative the “end of the period” refers to June 30, 2011.

The accompanying financial statements of Arkansas Community Care, Inc. (“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 2011.

The Arkansas Insurance Department (“ARDOI”) requires that insurance companies domiciled in Arkansas 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 Arkansas Insurance Code. Title 23, subtitle of the Arkansas Insurance Code contains differences from NAIC SAP. These sections that supersede the NAIC SAP rules pertain primarily to limitations on investments, and reserve requirements. The differences between the ARDOI requirements and the NAIC requirements did not result in differences in financial results.

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

1. Short-term investments and U.S. Treasury Bills are carried at amortized cost, which approximates fair market value.
2. 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 scientific method over the anticipated life of the security. Market values are determined using market prices published by the NAIC Securities Valuation Office (“SVO”), IDC or Bloomberg.
3. The Company does not have any investments in common stock.
4. The Company does not have any investments in preferred stock.
5. The retrospective method is used to value mortgage-backed securities. 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.
6. The Company does not have any investments in loan-backed securities.
7. The Company does not have any investments in subsidiary, controlled or affiliated entities.
8. The Company does not have any investments in joint ventures, partnerships or limited liability companies.
9. The Company does not have any investments in derivatives.
10. The Company anticipates investment income as a factor in the premium deficiency calculation, in accordance with SSAP No. 54.
11. Unpaid losses and loss 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 reported. Such liabilities are necessarily based on assumptions and estimates and while management believes the amount is 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, are continually reviewed and any adjustments are reflected in the period determined.

12. The Company has not modified its capitalization policy from the prior period.

13. The Company estimates pharmaceutical rebate receivables based on historical payment trends.

Cash and Short-Term Investments

Cash includes balances held in banks and 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 investments and are carried at cost or amortized cost.

Other Accounting Policies

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 Correction of Errors**

There have been no changes since the 2010 annual filing.

3. **Business Combinations and Goodwill**

A, B, C & D. Not Applicable

4. **Discontinued Operations**

Not Applicable

5. **Investments**

A, B & C. Not Applicable

D. The Company currently has no other-than-temporarily impaired loan-backed securities. All lower rated mortgage securities have been tested and there is no case where the cash flows are less than the amortized cost. However, securities that meet these criteria would be handled as follows. Any loan-backed security rated NAIC6 would be considered impaired if the present value of discounted future cash flows were less than amortized cost. Bloomberg or Intex cash flows would be used and default rates and severities assumed as the actual values of the last six months. These assumptions are conservative due to the significant issues experienced with mortgage loans during this period.

E, F & G. Not Applicable

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

A & B. Not Applicable

7. **Investment Income**

A. The Company had no investment income due and accrued that was over 90 days past due.

B. The total amount excluded from surplus was \$0.

8. **Derivative Instruments**

A – F. Not Applicable

9. **Income Taxes**

A.1 The company has deferred tax assets that consist of the following:

	<u>2010</u>	<u>2009</u>
Gross deferred tax assets	794,041	860,755
Statutory valuation allowance	-	-
Adjusted gross deferred tax assets	794,041	860,755
Gross deferred tax liability	(24,667)	-
Net DTA before admissibility test	<u>769,374</u>	<u>860,755</u>

A.2 SSAP No. 10R allows for the expansion of the limitations on admitting DTAs under paragraph 10(b) of SSAP No. 10, from one year to three years, and from 10 percent to 15 percent of surplus. If elected, DTAs admitted under the expanding admissibility tests would be disclosed in the table above. For 2009, the Plan did not elect to admit DTAs pursuant to Par. 10.e of SSAP No. 10R.

A.3 Not Applicable.

A.4 & 5 Admitted pursuant to SSAP No. 10R:

Admitted pursuant to SSAP No. 10R:	<u>2010</u>	<u>2009</u>
Par. 10.a. - Federal taxes paid in prior years that may be recovered by DTAs reversing in one year	566,317	601,346
Par. 10.b.i. - Gross DTAs after application of Par. 10.a. expected to be realized in one year	-	-
Par. 10.b.ii. - Adjusted statutory capital limitation	1,929,033	1,485,393
Admitted pursuant to par. 10.b. (lesser of 10.b.i. or 10.b.ii.)	-	-
Admitted pursuant to 10.c. - Gross DTAs after application of 10.a. and 10.b that may offset DTLs	24,667	-
Additional admitted pursuant to par. 10.e. (1)	-	-
Admitted deferred tax assets	590,984	601,346
Deferred tax liability	(24,667)	-
Net admitted deferred tax assets	<u>566,317</u>	<u>601,346</u>
 Total Nonadmitted deferred tax assets	 <u>203,057</u>	 <u>259,409</u>

B. Not Applicable.

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

	<u>2010</u>	<u>2009</u>	<u>Change</u>
Deferred tax asset			
Depreciation and amortization	252,766	277,850	(25,084)
Unpaid losses and LAE	59,312	59,386	(74)
Accruals and reserves	10,943	35,191	(24,248)
Net operating loss carry forwards	-	-	-
Prepays and Receivables	452,816	474,139	(21,323)
Other	18,204	14,189	4,015
Total deferred tax assets	<u>794,041</u>	<u>860,755</u>	<u>(66,714)</u>
Statutory valuation allowance	-	-	-
Net deferred tax assets	<u>794,041</u>	<u>860,755</u>	<u>(66,714)</u>
Non-admitted deferred tax assets	<u>(203,477)</u>	<u>(259,409)</u>	<u>55,932</u>
Deferred Tax Liabilities			
Accrued Market discount	(24,247)	-	(24,247)
Unearned premiums	-	-	-
Total Net deferred tax assets	<u>566,317</u>	<u>601,346</u>	<u>(35,029)</u>

The character of each temporary difference is ordinary.

- 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:

	<u>2010</u>	<u>%</u>	<u>2009</u>	<u>%</u>
Income (Loss) before taxes	7,900,642		8,710,870	
US Tax at statutory rate	2,686,218	34.00%	2,961,696	34.00%
Permanent differences	14,216	0.18%	(311,252)	-3.57%
Deferred tax	(12,367)	-0.16%	(206,792)	-2.37%
Change in valuation allowance		0.00%		0.00%
Change in non-admitted deferred tax	(55,932)	-0.71%	(232,488)	-2.67%
Current Tax expense (benefit)	<u>2,632,135</u>	<u>33.32%</u>	<u>2,211,164</u>	<u>25.38%</u>

- E.1 At the end of the period the Company did not have any operating loss or tax credit carry-forwards.
- E.2 Federal income taxes incurred that will be available for recoupment in the event of future net losses totaled \$2.6 million for 2010 and \$2.2 million for 2009.
- F. The Company's federal income tax return is consolidated with Arcadian Management Services, Inc. ("AMS"), Arcadian Health Plan, Inc. ("AHP"), 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. The Company is owned 60% by AHP and 40% by AMS. The Company was granted a Certificate of Authority by the Arkansas Insurance Commissioner on March 21, 2005.
- B & C. The Company paid common stock dividends as discussed in Note 13.4.
- D. At the end of the period, the Company had the following receivables and payables, net from its parent and affiliated companies:

	Receivable	Payable
AMS	735,397	
AHP		1,492,396
AHPGA		3,089
AHPLA		112
AHPNC		711
AHPNY		501
Total Receivable/Payable	735,397	1,496,809

Included in the amount due from AMS are taxes due based on pre-audit tax assumptions. These amounts are due to AMS from the federal government, at which time AMS will reimburse the Company.

The terms of all intercompany agreements amongst the affiliates require that these balances be settled within 30 days.

E. Not Applicable

F. AMS provides certain services to the Company under an Administrative Services Agreement. Those services include enrollment processing, claims processing, professional credentialing, information technology, treasury, financial and tax services. A new service contract was approved and went in to effect in 2010. The compensation under the contract is based on actual costs incurred by AMS related to the services supplied. The total amount of compensation under this contract was \$2,105,153 as of the end of the period.

All of the departmental costs associated with shared services among the health plans which includes, but is not limited to, human resources, bid development, 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 for the previously mentioned departments, as well as office supplies and depreciation on office furniture/equipment, software licenses, and overhead costs associated with overall design and production of health plan marketing materials. The total amount of costs allocated to the Company under this agreement was \$3,524,416 as of the end of the period.

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 the Company is sheltered by subsidiary, affiliate and parent company losses.

G. 60% of the outstanding shares of the Company are owned by AHP, a health maintenance organization domiciled in Washington. The remaining 40% is owned by AMS, a management services organization domiciled in Delaware.

H, I, J & K. Not Applicable.

11. **Debt**

A. AMS, the holding company of the Company, has the following debt obligations as of the end of the period:

Short-Term Debt Summary				
Lendor	Maturity Date	Principal	Interest	Total Obligation
Morgan Stanley Senior Funding	1/1/2012	25,512,909	9,721,259	35,234,168
Morgan Stanley Dean Witter Venture Partners IV, LP and various stockholders	3/1/2012	4,740,001	7,283,594	12,023,595
Three Arch Partners	3/1/2012	15,000,000	13,288,678	28,288,678
Notes payable (current/former officers)	3/1/2012	1,500,000	40,625	1,540,625
Total short-term debt		46,752,910	30,334,156	77,087,065

B. Not applicable.

12. **Retirement Plans, Deferred Compensation, Postemployment 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 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 quarterly basis, with a true up performed 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 the end of the period is \$11,110.

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 filing.

F. Not applicable.

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

1. The Company has 10 shares authorized and 5 shares issued and outstanding of \$0.01 par value common stock as of the current period.

2. Not Applicable

3. Without prior approval of its domiciliary commissioner, dividends to shareholders are limited by the laws of the Company's state of incorporation, Arkansas, to the greater of 10% of insurer's equity or the net income, excluding realized capital gains, as of previous December 31st.

4. The Company has declared the following dividends since its inception:

Year of Issuance	Ordinary	Extraordinary
2009	1,000,000	-
2010	1,450,000	-
2011	5,000,000	-
Cumulative	7,450,000	-

5. Within the limitations of (13.3) above, there are no restrictions placed on the portion of the Company profits that may be paid as ordinary dividends to stockholder.

6 - 13. Not Applicable.

14. **Contingencies**

A - D. Not Applicable.

E. The Centers for Medicare & Medicaid Services (“CMS”) placed the Company, and all of its affiliates, under sanctions, effective as of December 5, 2010. The sanctions were in response to marketing (sales) violations determined to have occurred in previous years. The sanctions required the Company to cease all marketing efforts as of December 5, 2010, until such a time as the sanctions are lifted (see also Note 22).

15. **Leases**

A. The Company leases office equipment under various non-cancelable operating agreements that expire on, or before 2013. In addition, the Company has entered into a lease for office space that expires in 2013. Total equipment and rental expenses related to lease payments was \$37,719 as of the end of the period.

As of the end of the period, the Company has the following aggregate non-cancelable lease commitments:

Aggregate Lease Commitments	
Year	Amount
2011	\$31,763
2012	63,525
2013	21,175
2014	-
2015	-
Total	\$116,463

B. Leasing is not a significant part of the Company’s business activities in terms of revenue, net income or assets.

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

1, 2, 3 & 4. Not Applicable

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

A, B & C. Not Applicable

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

A. ASO Plans - Not applicable

B. ASC Plans – Not applicable

C. Medicare Plans – Low Income Cost Sharing (“LICS”) 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 in dollar amount that CMS pays on behalf of low income beneficiaries for their prescriptions versus non-low income beneficiaries. It is paid to the Company 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 plan 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 ten-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 the end of the period, the Company's receivables related to LICs and Reinsurance were \$1,121,215 and \$772,963 (for the 2010 plan year), respectively. For the 2011 plan year, the Company has accrued a LICs receivable of \$11,110 and liability related to Reinsurance of \$367,467.

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

Not Applicable

20. **Fair Market Value Measurement**

A, B, C & D. Not Applicable

21. **Other Items**

A. Not Applicable.

B. Not Applicable.

C. Assets in the amount of \$995,902, at the end of the period, were on deposit with government authorities or trustees as required by law.

D. At the end of the period the Company had admitted assets of \$8,808,692 in accounts receivable for uninsured plans and uncollected premiums and amounts due from agents. The Company routinely assesses the collectability of these receivables. Based on the Company's experience, any amounts deemed to be uncollectable are non-admitted for reporting purposes and any further potential loss is deemed to be immaterial to the Company's financial position.

E, F & G. Not Applicable.

22. **Events Subsequent**

The Company declared a dividend of \$1,500,000 on June 23, 2011 which is reflected as a liability on page 3, line 23 of the accompanying financial statements. This dividend was paid on July 11, 2011.

The Company received notice from CMS on July 8, 2011, that all marketing sanctions were lifted. The Company resumed marketing activities on August 1, 2011.

23. **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. \$ 17,355

(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. Uncollectible Reinsurance – Not Applicable (None)

C. Commutation of Ceded Reinsurance – Not Applicable (None)

24. **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 the end of the period that are subject to retrospective rating features was 0% of the total net premiums written. No other premiums written by the Company are subject to retrospective rating features.

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

Reserves as of December 31, 2010 were \$9,551,272. As of the end of the period \$9,291,527 has been paid for incurred claims and claims adjustment expenses attributable to insured events of prior years. Reserves remaining for prior years are now \$603,959 as a result of re-estimation of unpaid claims and claim adjustment expenses principally on the Company's Medicare Advantage line of business. Therefore, there has been a \$344,214 unfavorable prior-year development since December 31, 2010 to the end of the period. The increase is generally the result of ongoing analysis of recent loss development trends. Original estimates are increased or decreased, as additional information becomes known regarding individual claims.

26. **Intercompany Pooling Arrangements**

A – G. Not Applicable

27. **Structured Settlements**

Not Applicable

28. **Health Care Receivables**

A. Pharmaceutical Rebate Receivables – The Company booked pharmacy rebates for prior years expenses that it expects to receive from its pharmaceutical vendor. Total pharmaceutical rebate receivables at the end of the period are \$1,159,110 (including AR-coverage Gap Discount).

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 a receivable for plan to plan of \$1,755, all of which has been admitted as of the end of the period.

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 23 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 Company's risk sharing receivable from CMS at the end of the period was \$464,375.

C. Other – (Claims Receivable Due from Providers and A/R –P2P)

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 of the contracts. The receivable is recorded when billed and an allowance for doubtful accounts is provided based on historical collection rates and other factors. The Company's receivable from providers at the end of the period was \$133,433 all of which has been non-admitted.

As of the end of the period, the Company had a receivable, net of allowances for doubtful accounts, due from its agents of \$16,180. 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.

29. **Participating Policies**

Not Applicable

30. **Premium Deficiency Reserves**

Not Applicable

31. **Anticipated Salvage and Subrogation**

Not Applicable

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES GENERAL

- 1.1 Did the reporting entity experience any material transactions requiring the filing of Disclosure of Material Transactions with the State of Domicile, as required by the Model Act? Yes No
- 1.2 If yes, has the report been filed with the domiciliary state? Yes No
- 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
- 2.2 If yes, date of change:
3. Have there been any substantial changes in the organizational chart since the prior quarter end? Yes No
If yes, complete the Schedule Y - Part 1 - organizational chart.
- 4.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes No
- 4.2 If yes, provide the 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

5. If the reporting entity is subject to a management agreement, including third-party administrator(s), managing general agent(s), attorney-in-fact, or similar agreement, have there been any significant changes regarding the terms of the agreement or principals involved? Yes No NA
If yes, attach an explanation.
- 6.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/2010
- 6.2 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. 12/31/2007
- 6.3 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). 09/26/2008
- 6.4 By what department or departments?
Arkansas Department of Insurance.....
- 6.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with Departments? Yes No NA
- 6.6 Have all of the recommendations within the latest financial examination report been complied with? Yes No NA
- 7.1 Has this 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
- 7.2 If yes, give full information:
.....
- 8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board?..... Yes No
- 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
- 8.4 If response to 8.3 is yes, please provide below the names and location (city and state of the main office) of any affiliates regulated by a federal 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

GENERAL INTERROGATORIES

- 9.1 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 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.

9.11 If the response to 9.1 is No, please explain:

- 9.2 Has the code of ethics for senior managers been amended? Yes No

9.21 If the response to 9.2 is Yes, provide information related to amendment(s).

- 9.3 Have any provisions of the code of ethics been waived for any of the specified officers? Yes No

9.31 If the response to 9.3 is Yes, provide the nature of any waiver(s).

FINANCIAL

- 10.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes No

10.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: \$735,397

INVESTMENT

- 11.1 Were any of the stocks, bonds, or other assets of the reporting entity loaned, placed under option agreement, or otherwise made available for use by another person? (Exclude securities under securities lending agreements.) Yes No

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

12. Amount of real estate and mortgages held in other invested assets in Schedule BA: \$

13. Amount of real estate and mortgages held in short-term investments: \$

- 14.1 Does the reporting entity have any investments in parent, subsidiaries and affiliates? Yes No

14.2 If yes, please complete the following:

	1	2
	Prior Year-End Book/Adjusted Carrying Value	Current Quarter Book/Adjusted Carrying Value
14.21 Bonds	\$	\$
14.22 Preferred Stock	\$	\$
14.23 Common Stock	\$	\$
14.24 Short-Term Investments	\$	\$
14.25 Mortgage Loans on Real Estate	\$	\$
14.26 All Other	\$	\$
14.27 Total Investment in Parent, Subsidiaries and Affiliates (Subtotal Lines 14.21 to 14.26).....	\$0	\$0
14.28 Total Investment in Parent included in Lines 14.21 to 14.26 above	\$	\$

- 15.1 Has the reporting entity entered into any hedging transactions reported on Schedule DB? Yes No

- 15.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes No

If no, attach a description with this statement.

GENERAL INTERROGATORIES

16. 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 [X] No []

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

1 Name of Custodian(s)	2 Custodian Address
Morgan Keegan.....	Fifty N. First St., Memphis, TN 83103.....

16.2 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)

16.3 Have there been any changes, including name changes, in the custodian(s) identified in 16.1 during the current quarter?

Yes [] No [X]

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

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

16.5 Identify all investment advisors, broker/dealers or individuals acting on behalf of broker/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	2 Name(s)	3 Address
112629.....	Parkway Advisors, LLP.....	6550 Directors Parkway, Abilene, TX 97606.....

17.1 Have all the filing requirements of the *Purposes and Procedures Manual* of the NAIC Securities Valuation Office been followed?

Yes [X] No []

17.2 If no, list exceptions:
.....

GENERAL INTERROGATORIES

PART 2 - HEALTH

1 Operating Percentages

1.1 A&H loss percent 85.6 %

1.2 A&H cost containment percent 0.0 %

1.3 A&H expense percent excluding cost containment expenses %

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

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

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

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

STATEMENT AS OF JUNE 30, 2011 OF THE ARKANSAS COMMUNITY CARE, INC.

SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS

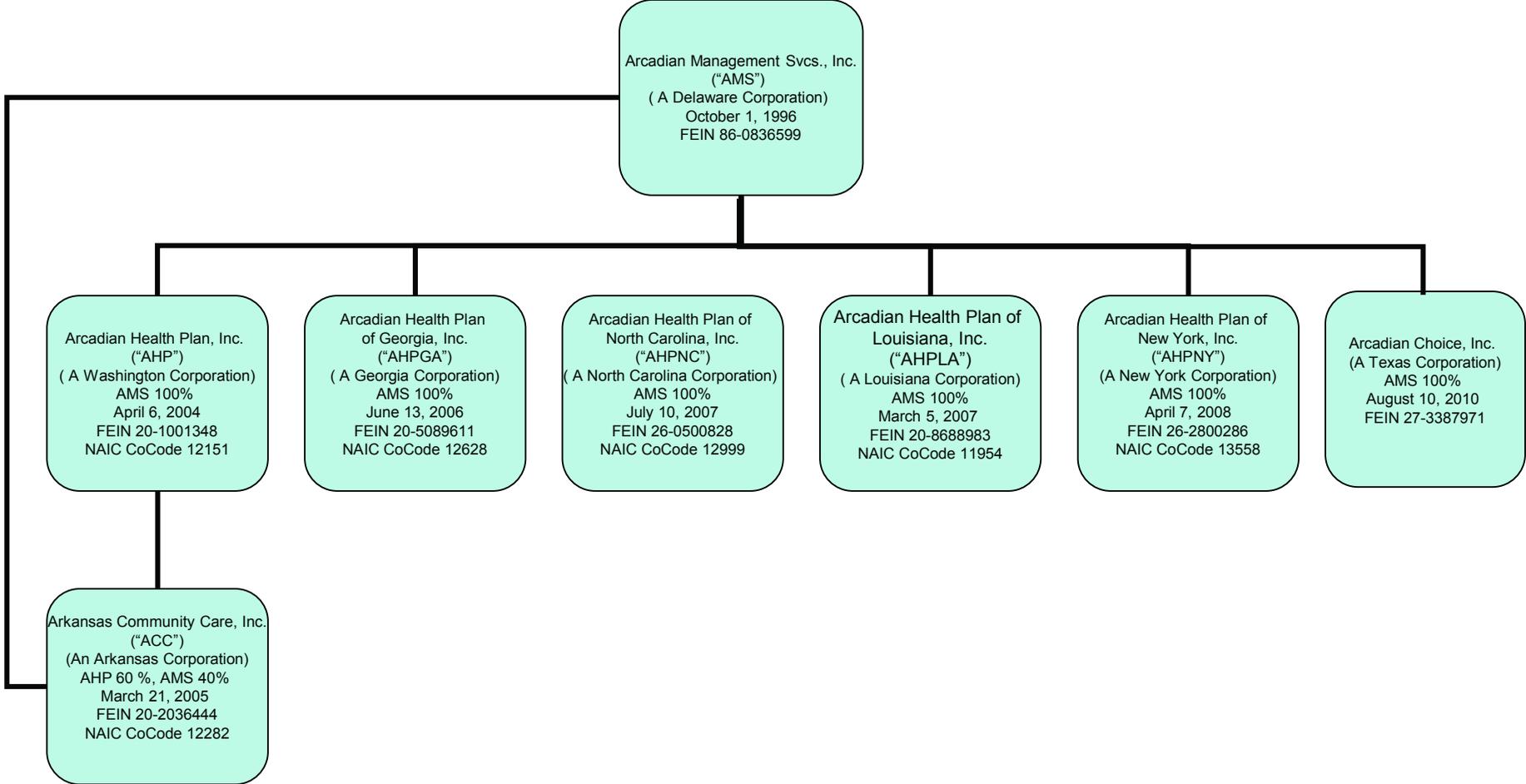
Current Year to Date - Allocated by States and Territories

States, Etc.	1 Active Status	Direct Business Only							8 Total Columns 2 Through 7	9 Deposit-Type Contracts
		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			
1. Alabama	AL	N							0	
2. Alaska	AK	N							0	
3. Arizona	AZ	N							0	
4. Arkansas	AR	L		44,231,015					44,231,015	
5. California	CA	N							0	
6. Colorado	CO	N							0	
7. Connecticut	CT	N							0	
8. Delaware	DE	N							0	
9. Dist. 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	N							0	
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	N							0	
27. Montana	MT	N							0	
28. Nebraska	NE	N							0	
29. Nevada	NV	N							0	
30. New Hampshire	NH	N							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	L		5,977,871					5,977,871	
38. Oregon	OR	N							0	
39. Pennsylvania	PA	N							0	
40. Rhode Island	RI	N							0	
41. South Carolina	SC	N							0	
42. South Dakota	SD	N							0	
43. Tennessee	TN	N							0	
44. Texas	TX	L		5,443,396					5,443,396	
45. Utah	UT	N							0	
46. Vermont	VT	N							0	
47. Virginia	VA	N							0	
48. Washington	WA	N							0	
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 alien	OT	XXX	0	0	0	0	0	0	0	0
59. Subtotal	XXX		0	55,652,282	0	0	0	0	55,652,282	0
60. Reporting entity contributions for Employee Benefit Plans	XXX								0	
61. Total (Direct Business)	(a) 3		0	55,652,282	0	0	0	0	55,652,282	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

(L) Licensed or Chartered - Licensed Insurance Carrier or Domiciled RRG; (R) Registered - Non-domiciled RRGs; (Q) Qualified - Qualified or Accredited Reinsurer; (E) Eligible - Reporting Entities eligible or approved to write Surplus Lines in the state; (N) None of the above - Not allowed to write business in the state.

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

STATEMENT AS OF June 30, 2011
SCHEDULE Y – INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP
PART 1 ORGANIZATIONAL CHART



SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

The following supplemental reports are required to be filed as part of your statement filing. However, in the event that your company does not transact the type of business for which the special report must be filed, your response of **NO** to the specific interrogatory will be accepted in lieu of filing a "NONE" report and a bar code will be printed below. If the supplement is required of your company but is not being filed for whatever reason enter **SEE EXPLANATION** and provide an explanation following the interrogatory questions.

RESPONSE

1. Will the Medicare Part D Coverage Supplement be filed with the state of domicile and the NAIC with this statement?

.....NO.....

Explanation:

1. Part D Coverage is provided through a Medicare Advantage Plan

Bar Code:

1. 
1 2 2 8 2 2 0 1 1 3 6 5 0 0 0 0 2

OVERFLOW PAGE FOR WRITE-INS

SCHEDULE A – VERIFICATION

Real Estate

	1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year	0	0
2. Cost of acquired:		
2.1 Actual cost at time of acquisition	0	0
2.2 Additional investment made after acquisition	0	0
3. Current year change in encumbrances	0	0
4. Total gain (loss) on disposals	0	0
5. Deduct amounts received on disposals	0	0
6. Total foreign exchange change in book/adjusted carrying value	0	0
7. Deduct current year's other than temporary impairment recognized	0	0
8. Deduct current year's depreciation	0	0
9. Book/adjusted carrying value at the end of current period (Lines 1+2+3+4-5+6-7-8)	0	0
10. Deduct total nonadmitted amounts	0	0
11. Statement value at end of current period (Line 9 minus Line 10)	0	0

NONE

SCHEDULE B – VERIFICATION

Mortgage Loans

	1 Year To Date	2 Prior Year Ended December 31
1. Book value/recorded investment excluding accrued interest, December 31 of prior year	0	0
2. Cost of acquired:		
2.1 Actual cost at time of acquisition	0	0
2.2 Additional investment made after acquisition	0	0
3. Capitalized deferred interest and other	0	0
4. Accrual of discount	0	0
5. Unrealized valuation increase (decrease)	0	0
6. Total gain (loss) on disposals	0	0
7. Deduct amounts received on disposals	0	0
8. Deduct amortization of premium and mortgage interest points and commitment fees	0	0
9. Total foreign exchange change in book value/recorded investment excluding accrued interest	0	0
10. Deduct current year's other than temporary impairment recognized	0	0
11. Book value/recorded investment excluding accrued interest at end of current period (Lines 1+2+3+4+5+6-7-8+9-10)	0	0
12. Total valuation allowance	0	0
13. Subtotal (Line 11 plus Line 12)	0	0
14. Deduct total nonadmitted amounts	0	0
15. Statement value at end of current period (Line 13 minus Line 14)	0	0

NONE

SCHEDULE BA – VERIFICATION

Other Long-Term Invested Assets

	1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year	0	0
2. Cost of acquired:		
2.1 Actual cost at time of acquisition	0	0
2.2 Additional investment made after acquisition	0	0
3. Capitalized deferred interest and other	0	0
4. Accrual of discount	0	0
5. Unrealized valuation increase (decrease)	0	0
6. Total gain (loss) on disposals	0	0
7. Deduct amounts received on disposals	0	0
8. Deduct amortization of premium and depreciation	0	0
9. Total foreign exchange change in book/adjusted carrying value	0	0
10. Deduct current year's other than temporary impairment recognized	0	0
11. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5+6-7-8+9-10)	0	0
12. Deduct total nonadmitted amounts	0	0
13. Statement value at end of current period (Line 11 minus Line 12)	0	0

NONE

SCHEDULE D – VERIFICATION

Bonds and Stocks

	1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value of bonds and stocks, December 31 of prior year	14,041,577	15,301,254
2. Cost of bonds and stocks acquired	200,844	4,720,868
3. Accrual of discount	8,052	15,516
4. Unrealized valuation increase (decrease)	(124)	21,220
5. Total gain (loss) on disposals	(124)	4,138
6. Deduct consideration for bonds and stocks disposed of	491,057	5,945,601
7. Deduct amortization of premium	44,552	75,818
8. Total foreign exchange change in book/adjusted carrying value	0	0
9. Deduct current year's other than temporary impairment recognized	0	0
10. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9)	13,714,740	14,041,577
11. Deduct total nonadmitted amounts	0	0
12. Statement value at end of current period (Line 10 minus Line 11)	13,714,740	14,041,577

STATEMENT AS OF JUNE 30, 2011 OF THE ARKANSAS COMMUNITY CARE, INC.

SCHEDULE D - PART 1B

Showing the Acquisitions, Dispositions and Non-Trading Activity
During the Current Quarter for all Bonds and Preferred Stock by Rating Class

	1 Book/Adjusted Carrying Value Beginning of Current Quarter	2 Acquisitions During Current Quarter	3 Dispositions During Current Quarter	4 Non-Trading Activity During Current Quarter	5 Book/Adjusted Carrying Value End of First Quarter	6 Book/Adjusted Carrying Value End of Second Quarter	7 Book/Adjusted Carrying Value End of Third Quarter	8 Book/Adjusted Carrying Value December 31 Prior Year
BONDS								
1. Class 1 (a).....	22,340,949	8,753,156	15,466,713	(18,227)	22,340,949	15,609,165	.0	19,342,295
2. Class 2 (a).....	692,071			(188)	692,071	691,883	.0	692,254
3. Class 3 (a).....	.0				.0	.0	.0	.0
4. Class 4 (a).....	.0				.0	.0	.0	.0
5. Class 5 (a).....	.0				.0	.0	.0	.0
6. Class 6 (a).....	0				0	0	0	0
7. Total Bonds	23,033,020	8,753,156	15,466,713	(18,415)	23,033,020	16,301,048	0	20,034,550
PREFERRED STOCK								
8. Class 1.....	.0				.0	.0	.0	.0
9. Class 2.....	.0				.0	.0	.0	.0
10. Class 3.....	.0				.0	.0	.0	.0
11. Class 4.....	.0				.0	.0	.0	.0
12. Class 5.....	.0				.0	.0	.0	.0
13. Class 6.....	0				0	0	0	0
14. Total Preferred Stock.....	0	0	0	0	0	0	0	0
15. Total Bonds & Preferred Stock	23,033,020	8,753,156	15,466,713	(18,415)	23,033,020	16,301,048	0	20,034,550

(a) Book/Adjusted Carrying Value column for the end of the current reporting period includes the following amount of non-rated short-term and cash equivalent bonds by NAIC designation: NAIC 1 \$; NAIC 2 \$;
NAIC 3 \$; NAIC 4 \$; NAIC 5 \$; NAIC 6 \$

S102

SCHEDULE DA - PART 1

Short-Term Investments

	1	2	3	4	5
	Book/Adjusted Carrying Value	Par Value	Actual Cost	Interest Collected Year To Date	Paid for Accrued Interest Year To Date
9199999	2,586,305	XXX	2,586,305	58	

SCHEDULE DA - VERIFICATION

Short-Term Investments

	1	2
	Year To Date	Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year.....	5,992,969	4,313,544
2. Cost of short-term investments acquired	14,393,681	29,756,324
3. Accrual of discount		0
4. Unrealized valuation increase (decrease).....		0
5. Total gain (loss) on disposals	1,303	0
6. Deduct consideration received on disposals	17,801,648	28,066,168
7. Deduct amortization of premium.....		10,731
8. Total foreign exchange change in book/adjusted carrying value.....		0
9. Deduct current year's other than temporary impairment recognized.....		0
10. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9).....	2,586,305	5,992,969
11. Deduct total nonadmitted amounts.....		0
12. Statement value at end of current period (Line 10 minus Line 11)	2,586,305	5,992,969

Schedule DB - Part A - Verification

NONE

Schedule DB - Part B - Verification

NONE

Schedule DB - Part C - Section 1

NONE

Schedule DB - Part C - Section 2

NONE

Schedule DB - Verification

NONE

SCHEDULE E - VERIFICATION

(Cash Equivalents)

	1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year.....	0	499,974
2. Cost of cash equivalents acquired		0
3. Accrual of discount		1
4. Unrealized valuation increase (decrease)		0
5. Total gain (loss) on disposals.....		0
6. Deduct consideration received on disposals		499,975
7. Deduct amortization of premium		0
8. Total foreign exchange change in book/adjusted carrying value		0
9. Deduct current year's other than temporary impairment recognized		0
10. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9)	0	0
11. Deduct total nonadmitted amounts		0
12. Statement value at end of current period (Line 10 minus Line 11)	0	0

Schedule A - Part 2

NONE

Schedule A - Part 3

NONE

Schedule B - Part 2

NONE

Schedule B - Part 3

NONE

Schedule BA - Part 2

NONE

Schedule BA - Part 3

NONE

Schedule D - Part 3

NONE

STATEMENT AS OF JUNE 30, 2011 OF THE ARKANSAS COMMUNITY CARE, INC.

SCHEDULE D - PART 4

Show All Long-Term Bonds and Stock Sold, Redeemed or Otherwise Disposed of During the Current Quarter

1	2	3	4	5	6	7	8	9	10	Change in Book/Adjusted Carrying Value					16	17	18	19	20	21	22
										11	12	13	14	15							
CUSIP Identification	Description	For eign	Disposal Date	Name of Purchaser	Number of Shares of Stock	Consideration	Par Value	Actual Cost	Prior Year Book/Adjusted Carrying Value	Unrealized Valuation Increase/ (Decrease)	Current Year's (Amortization)/ Accretion	Current Year's Other Than Temporary Impairment Recognized	Total Change in B./A.C.V. (11+12-13)	Total Foreign Exchange Change in B./A.C.V.	Book/ Adjusted Carrying Value at Disposal Date	Foreign Exchange Gain (Loss) on Disposal	Realized Gain (Loss) on Disposal	Total Gain (Loss) on Disposal	Bond Interest/Stock Dividends Received During Year	Maturity Date	NAIC Designation or Market Indicator (a)
Bonds - U.S. Governments																					
36202E-LJ-6	GNMA 11 Pool #3929		06/20/2011	PRINCIPAL RECEIPT		3,018	3,018	2,976	2,980		38		38		3,018			0	62	12/20/2036	1FE
36241K-KV-9	GNMA Pool # 782108		06/15/2011	PRINCIPAL RECEIPT		6,759	6,759	6,677	6,693		67		67		6,759			0	161	08/15/2021	1FE
36297A-KC-6	GNMA POOL#705991		06/15/2011	PRINCIPAL RECEIPT		4,780	4,780	4,948	4,906		(125)		(125)		4,780			0	89	01/15/2024	1FE
0599999 - Bonds - U.S. Governments						14,558	14,558	14,601	14,578	0	(20)	0	(20)	0	14,558	0	0	0	313	XXX	XXX
Bonds - U.S. Special Revenue and Special Assessment and all Non-Guaranteed Obligations of Agencies and Authorities of Governments and Their Political Subdivisions																					
38375G-WC-9	GNR 2008-50 QA		06/16/2011	PRINCIPAL RECEIPT		7,800	7,800	7,849	7,788		12		12		7,800			0	182	06/16/2038	1FE
3199999 - Bonds - U.S. Special Revenue and Special Assessment and all Non-Guaranteed Obligations of Agencies and Authorities of Governments and Their Political Subdivisions						7,800	7,800	7,849	7,788	0	12	0	12	0	7,800	0	0	0	182	XXX	XXX
Bonds - Industrial and Miscellaneous (Unaffiliated)																					
17311A-AD-7	QMS1 2006-7 2A1		06/25/2011	PRINCIPAL RECEIPT		5,317	5,317	5,304	5,302		15		15		5,317			0	113	12/25/2021	1Z*
828807-BU-0	Simon Property Group LP		06/03/2011	CALLED @ 100.0000000		100,000	100,000	101,652	100,332		(208)		(208)		100,124		(124)	(124)	4,231	09/01/2011	1FE
3899999 - Bonds - Industrial and Miscellaneous (Unaffiliated)						105,317	105,317	106,956	105,633	0	(193)	0	(193)	0	105,440	0	(124)	(124)	4,344	XXX	XXX
8399997 - Subtotals - Bonds - Part 4						127,674	127,674	129,405	128,000	0	(202)	0	(202)	0	127,798	0	(124)	(124)	4,840	XXX	XXX
8399999 - Subtotals - Bonds						127,674	127,674	129,405	128,000	0	(202)	0	(202)	0	127,798	0	(124)	(124)	4,840	XXX	XXX
9999999 Totals						127,674	127,674	129,405	128,000	0	(202)	0	(202)	0	127,798	0	(124)	(124)	4,840	XXX	XXX

(a) For all common stock bearing the NAIC market indicator "U" provide: the number of such issues

E05

Schedule DB - Part A - Section 1

NONE

Schedule DB - Part B - Section 1

NONE

Schedule DB - Part D

NONE

Schedule DL - Part 1

NONE

Schedule DL - Part 2

NONE

STATEMENT AS OF JUNE 30, 2011 OF THE ARKANSAS COMMUNITY CARE, INC.

SCHEDULE E - PART 2 - CASH EQUIVALENTS

Show Investments Owned End of Current Quarter

1 Description	2 Code	3 Date Acquired	4 Rate of Interest	5 Maturity Date	6 Book/Adjusted Carrying Value	7 Amount of Interest Due & Accrued	8 Amount Received During Year
NONE							
8699999 Total Cash Equivalents					0	0	0

E12