



# QUARTERLY STATEMENT

AS OF MARCH 31, 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  
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### 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

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### DIRECTORS OR TRUSTEES

<u>ROBERT LAWRENCE FAHLMAN</u>	<u>CHASE SPENCER MILBRANDT</u>	<u>JEFFREY CRAIG MCMANUS</u>
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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 Fahlman  
CEO and President

Kenneth Benjamin Zimmerman  
Treasurer

David Carl Buhler  
CFO

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 MARCH 31, 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 .....	13,860,956		13,860,956	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 (\$ .....2,595,783 ), cash equivalents (\$ .....0 ) and short-term investments (\$ .....9,172,064 ) .....	11,767,847		11,767,847	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) .....	25,628,803	0	25,628,803	20,119,251
13. Title plants less \$ .....charged off (for Title insurers only).....			0	0
14. Investment income due and accrued .....	150,888		150,888	176,611
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection .....	5,091,772	16,895	5,074,877	4,423,067
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 .....	53,758		53,758	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 .....	1,960,865		1,960,865	2,434,099
18.1 Current federal and foreign income tax recoverable and interest thereon .....			0	0
18.2 Net deferred tax asset.....	769,374	203,477	565,897	587,405
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 (\$ ..... ) .....	5,339	5,339	0	0
22. Net adjustment in assets and liabilities due to foreign exchange rates .....			0	0
23. Receivables from parent, subsidiaries and affiliates .....	1,014,245		1,014,245	1,012,926
24. Health care (\$ .....1,007,715 ) and other amounts receivable.....	1,723,047	681,213	1,041,834	983,493
25. Aggregate write-ins for other than invested assets .....	9,692	9,692	0	0
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25).....	36,407,783	916,616	35,491,167	29,900,023
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			0	0
28. Total (Lines 26 and 27)	36,407,783	916,616	35,491,167	29,900,023
<b>DETAILS OF WRITE-INS</b>				
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.....	9,538	9,538	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)	9,692	9,692	0	0

STATEMENT AS OF MARCH 31, 2011 OF THE ARKANSAS COMMUNITY CARE, INC.

LIABILITIES, CAPITAL AND SURPLUS

	Current Period			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$ ..... reinsurance ceded).....	10,652,407	996,997	11,649,404	8,920,634
2. Accrued medical incentive pool and bonus amounts .....	233,824		233,824	294,515
3. Unpaid claims adjustment expenses .....	297,219		297,219	203,123
4. Aggregate health policy reserves .....			0	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 .....	333,676		333,676	350,254
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 .....	28,240		28,240	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 .....	3,251,783		3,251,783	769,441
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 .....	175,970		175,970	0
23. Aggregate write-ins for other liabilities (including \$ ..... current) .....	3,500,000	0	3,500,000	0
24. Total liabilities (Lines 1 to 23).....	18,473,119	996,997	19,470,116	10,558,339
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	2,551,599	5,872,233
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	16,021,051	19,341,685
34. Total liabilities, capital and surplus (Lines 24 and 33) .....	XXX	XXX	35,491,167	29,900,024
<b>DETAILS OF WRITE-INS</b>				
2301. DIVIDEND PAYABLE.....	3,500,000		3,500,000	
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) .....	3,500,000	0	3,500,000	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		0
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 AS OF MARCH 31, 2011 OF THE ARKANSAS COMMUNITY CARE, INC.

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	37,971	33,485	138,918
2. Net premium income (including \$ non-health premium income).....	XXX	28,065,436	26,486,949	106,523,650
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	28,065,436	26,486,949	106,523,650
<b>Hospital and Medical:</b>				
9. Hospital/medical benefits.....		12,168,185	12,915,386	45,470,669
10. Other professional services.....		5,059,893	1,991,097	16,198,339
11. Outside referrals.....	1,438,727	1,438,727	1,313,028	5,345,243
12. Emergency room and out-of-area.....	276,727	1,197,870	841,661	3,359,873
13. Prescription drugs.....		2,790,346	3,217,814	10,932,554
14. Aggregate write-ins for other hospital and medical.....	0	0	0	0
15. Incentive pool, withhold adjustments and bonus amounts.....		(28,851)	163,887	498,972
16. Subtotal (Lines 9 to 15).....	1,715,454	22,626,170	20,442,873	81,805,650
<b>Less:</b>				
17. Net reinsurance recoveries.....		65,804	103,029	293,384
18. Total hospital and medical (Lines 16 minus 17).....	1,715,454	22,560,366	20,339,844	81,512,266
19. Non-health claims (net).....			0	0
20. Claims adjustment expenses, including \$ cost containment expenses.....		895,030	748,056	3,146,119
21. General administrative expenses.....		4,173,401	4,153,761	13,500,426
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).....	1,715,454	27,628,797	25,241,661	98,158,811
24. Net underwriting gain or (loss) (Lines 8 minus 23).....	XXX	436,639	1,245,288	8,364,839
25. Net investment income earned.....		134,342	176,019	611,445
26. Net realized capital gains (losses) less capital gains tax of \$.....			49	4,138
27. Net investment gains (losses) (Lines 25 plus 26).....	0	134,342	176,068	615,583
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	570,981	1,421,356	8,980,422
31. Federal and foreign income taxes incurred.....	XXX	226,127	515,622	3,013,551
32. Net income (loss) (Lines 30 minus 31).....	XXX	344,854	905,734	5,966,871
<b>DETAILS OF WRITE-INS</b>				
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
<b>CAPITAL &amp; SURPLUS ACCOUNT</b>			
33. Capital and surplus prior reporting year.....	19,341,696	14,955,727	14,955,727
34. Net income or (loss) from Line 32 .....	344,854	905,734	5,966,871
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 \$ .....		15,251	21,224
37. Change in net unrealized foreign exchange capital gain or (loss) .....		0	0
38. Change in net deferred income tax .....	(27,271)	(23,083)	(64,110)
39. Change in nonadmitted assets .....	560,142	683,392	159,212
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 .....	(3,500,000)	(1,450,000)	(1,450,000)
47. Aggregate write-ins for gains or (losses) in surplus .....	(698,370)	(247,228)	(247,228)
48. Net change in capital and surplus (Lines 34 to 47) .....	(3,320,645)	(115,934)	4,385,969
49. Capital and surplus end of reporting period (Line 33 plus 48)	16,021,051	14,839,793	19,341,696
<b>DETAILS OF WRITE-INS</b>			
4701. PRIOR YEAR AUDIT ADJUSTMENTS.....	(698,370)	(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)	(698,370)	(247,228)	(247,228)

## CASH FLOW

	1 Current Year To Date	2 Prior Year To Date	3 Prior Year Ended December 31
<b>Cash from Operations</b>			
1. Premiums collected net of reinsurance.....	27,411,660	25,406,172	104,062,598
2. Net investment income .....	178,151	174,969	680,213
3. Miscellaneous income .....	0	0	0
4. Total (Lines 1 to 3) .....	27,589,811	25,581,141	104,742,811
5. Benefit and loss related payments .....	19,972,537	16,079,966	81,338,863
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 .....	4,341,664	5,258,179	17,967,847
8. Dividends paid to policyholders .....	0	0	0
9. Federal and foreign income taxes paid (recovered) net of \$ ..... tax on capital gains (losses).....	226,127	473,392	2,971,321
10. Total (Lines 5 through 9) .....	24,540,328	21,811,537	102,278,031
11. Net cash from operations (Line 4 minus Line 10) .....	3,049,483	3,769,604	2,464,780
<b>Cash from Investments</b>			
12. Proceeds from investments sold, matured or repaid:			
12.1 Bonds .....	363,383	882,847	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 .....	0	0	0
12.7 Miscellaneous proceeds .....	0	0	0
12.8 Total investment proceeds (Lines 12.1 to 12.7) .....	363,383	882,847	5,945,601
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) .....	162,539	836,617	1,224,733
<b>Cash from Financing and Miscellaneous Sources</b>			
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 .....	0	1,450,000	1,450,000
16.6 Other cash provided (applied).....	2,478,154	(258,109)	(4,296,256)
17. Net cash from financing and miscellaneous sources (Line 16.1 through Line 16.4 minus Line 16.5 plus Line 16.6).....	2,478,154	(1,708,109)	(5,746,256)
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS</b>			
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17) .....	5,690,176	2,898,112	(2,056,743)
19. Cash, cash equivalents and short-term investments:			
19.1 Beginning of year.....	6,077,671	8,134,414	8,134,414
19.2 End of period (Line 18 plus Line 19.1) .....	11,767,847	11,032,526	6,077,671



STATEMENT AS OF MARCH 31, 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 .....	7,909,215	13,644,679	1,622,733	10,026,671	9,531,948	8,920,634
7. Title XIX - Medicaid .....					.0	.0
8. Other health .....					.0	.0
9. Health subtotal (Lines 1 to 8).....	7,909,215	13,644,679	1,622,733	10,026,671	9,531,948	8,920,634
10. Health care receivables (a) .....	98,505	1,587,009			98,505	.0
11. Other non-health .....					.0	.0
12. Medical incentive pools and bonus amounts .....	23,906	.0	229,021	4,803	252,927	294,515
13. Totals (Lines 9-10+11+12)	7,834,616	12,057,670	1,851,754	10,031,474	9,686,370	9,215,149

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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 March 31, 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 2010.

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 value of the Company’s investment in Arkansas Community Care, Inc. (ACC) is carried at 60% of ACC’s statutory net worth.
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**

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 establishing the resulting liabilities are continually reviewed and adjustments are reflected in the period determined.

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**

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>2011</u>	<u>2010</u>
Total deferred tax assets	\$769,374	\$796,644
Non-admitted deferred tax assets	-203,477	-209,240
Valuation allowance	-	-
Admitted deferred tax assets	<u>\$565,897</u>	<u>\$587,404</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:

B. Not Applicable.

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

Deferred tax asset	<u>2011</u>	<u>2010</u>	<u>Change</u>
Depreciation and amortization	252,766	253,254	(488)
Unpaid losses and LAE	512,128	525,064	(12,936)
Unearned premiums	(420)	(420)	-
Accruals and reserves	10,943	21,565	(10,622)
Net operating loss carry forwards	-	-	-
Other	<u>(6,043)</u>	<u>(2,819)</u>	<u>(3,224)</u>
Total deferred tax assets	769,374	796,644	(27,270)
Non-admitted deferred tax assets	<u>(203,477)</u>	<u>209,240</u>	<u>5,763</u>
Net deferred tax assets	565,897	587,404	(21,507)

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>2011</u>		<u>2010</u>	
	<u>2011</u>	%	<u>2010</u>	%
Income (Loss) before taxes	8,900,638		980,417	
US Tax at statutory rate	2,486,217	.00%	3,053,342	.00%
Expenses deducted on books but not on return	14,215	0.18%	1,237	0.01%
Deferred tax	(32,799)	-0.42%	(11,713)	-0.13%
Change in valuation allowance		0.00%		0.00%
Change in non-admitted deferred tax	(35,498)	-0.45%	(29,315)	-0.33%
Current Tax expense (benefit)	<u>2,332,135</u>	<u>.32%</u>	<u>3,013,551</u>	<u>.56%</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.

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:

	<b>Receivable</b>	<b>Payable</b>
AMS	1,009,445	
AHP		3,251,783
AHPGA	4,800	
<b>Total Receivable/Payable</b>	<b>1,014,245</b>	<b>3,251,783</b>

Included in the amount due to AMS are management fees and general and administrative expenses (see note 10.F, paragraph 2).

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 \$407,289 as of the end of the period.

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 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 \$777,211 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:

In 2004, the Company borrowed a total of \$3.0 million 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 as of the current period. The debt (including accrued interest) was due on August 17, 2009. However, as of November 27, 2006, this debt was subordinated to the Three Arch Partners debt, effectively extending the due date through July 5, 2011. In the first amendment to this agreement effective April 27, 2011 the maturity was extended through March 1, 2012. As of the current period, \$1,500,000 is outstanding.

In November 2006, the Company borrowed \$5.0 million from a related party which consisted of four secured convertible promissory notes with a maturity date of July 31, 2008 and an interest rate of 10%. The loan amount was fully paid by the Company in February 2008. As of the current period, 20,000 warrants were issued and outstanding to the related party, which are convertible into common stock at an exercise price of \$5.00 per share. These warrants expire on November 27, 2011. The valuation per share of common stock at December 31, 2010 was \$1.23.

On February 7, 2007, the Company entered into an agreement with Morgan Stanley Senior Funding (Morgan Stanley) 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, the Company 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 was due and payable at the end of each month. The remaining 9% of interest was due on October 8, 2010. Fees incurred in connection with the amendments to the loan agreement with Morgan Stanley totaled \$43,687 and \$1,616,028, both of which were converted to debt obligations and included in the outstanding principal as of December 31, 2009. The loan maturity date was further extended on October 8, 2010, December 7, 2010, December 14, 2010, December 21, 2010, January 13, 2011, February 28, 2011, March 15, 2011, March 29, 2011, April 15, 2011, and April 27, 2011. The maturity date as of the last extension is January 1, 2012. Loan fees associated with the 2010 extensions were \$2,898,636.

The December 7, 2010 agreement added a minimum liquidity covenant to the loan agreement. The Company is required to maintain not less than \$3.0 million in cash in accounts subject to control agreements in favor of Morgan Stanley & Co. The December 14, 2010 agreement changed the monthly cash interest payments from 10% to 19%. The April 27, 2011 amendment agreement eliminated the minimum liquidity covenant requirement and increased the interest rate to 20% with an option for Arcadian to elect to defer all payments until maturity, commensurate with an increase in the interest rate to 25% associated with the election of this option.

The loan is secured by the common stock of the Company. In addition to the fees incurred, the Company issued a warrant for 108,973 shares of common stock to Morgan Stanley exercisable immediately. The warrants were valued at fair market value of \$432,537 and this amount was recorded as a discount to the note and addition to paid-in capital. The warrants were fully amortized as of the current period. As of the current period, 108,973 of the warrants were outstanding with a par value of \$0.001.

On July 5, 2007, the Company entered into agreements with Three Arch Partners for \$15.0 million in loans, which mature on July 5, 2011. 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. The interest rate on the loan is 21.89%. The loans are secured by the stock of the

Company and its subsidiaries. The security interest is a second lien subordinate to the Morgan Stanley Senior funding. This agreement was subsequently extended pursuant to the second amendment dated April 27, 2011 with a maturity date of March 1, 2012.

On May 23, 2008, the Company entered into agreements with Morgan Stanley Dean Witter Venture Partners IV, L.P. and various individuals, the significant majority of who are stockholders for \$4.7 million in loans. The loans were established as six-month facilities with interest accruing at 22.5% for six months. Pursuant to the terms of the agreements, if a private placement offering did not occur before the anniversary date, the maturity date automatically extended for six-month periods until the earlier of such a private placement or October 31, 2010. If the maturity is extended beyond the six-month anniversary date, pursuant to the agreement, the interest rate is increased to 32.5% for the remaining term of the facility beginning November 1, 2008. The agreements were subsequently extended pursuant to an amendment dated March 29, 2011 with a maturity date of May 31, 2011. The agreements were subsequently extended further pursuant to an amendment dated April 27, 2011 with a maturity date of March 1, 2012. There are no warrants associated with this facility. The security interest is fully perfected in all existing and after-acquired assets of the Company and any unrestricted subsidiaries.

During 2010, CMS imposed Sanctions, a Washington Regulatory Notice, and financial adjustments to the consolidated financial statements, were deemed by Morgan Stanley to have a material adverse effect, which resulted in non-compliance with certain covenants set forth in the Morgan Stanley agreements. As a result, the lender was deemed to be permitted to accelerate the debt owed by the Company. As of December 31, 2010, Morgan Stanley had not called the debt. As noted above, the Company has entered into various amendments to the Morgan Stanley agreement on January 13, 2011, February 28, 2011, March 15, 2011, March 29, 2011, April 15, 2011, and April 27, 2011 to extend the maturity date of the debt to 2012.

In connection with the April 27, 2011 amendment, the Company is required to maintain compliance with financial covenants, which include limiting capital expenditures to less than \$2,400,000 in 2011; and minimum EBITDA by quarter. The Company was in compliance with all debt covenants as of the current period.

There are also non-financial covenants with which the Company must comply. Under the occurrence of an event of default under the debt agreement, the lenders could elect to declare all amounts outstanding under the credit facilities to be immediately due and payable and terminate all commitments to extend further credit.

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 \$13,883.

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 paid has declared the following dividends since its inception:

<b>Year of Issuance</b>	<b>Ordinary</b>	<b>Extraordinary</b>
2009	1,000,000	-
2010	1,450,000	-
2011	3,500,000	-
Cumulative	5,950,000	-

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 - E. Not Applicable.

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 \$18,172 as of the end of the period.

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

<b>Aggregate Lease Commitments</b>	
<b>Year</b>	<b>Amount</b>
2011	\$52,535
2012	69,831
2013	25,069
2014	-
2015	-
<b>Total</b>	<b>\$147,435</b>

- 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 2010 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 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 the end of the period, the Company’s receivables related to LICS and Reinsurance were \$1,260,088 and \$700,778 (for the 2010 plan year), respectively. For the 2011 plan year, the Company has accrued a liability related to Reinsurance of \$175,970.

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 – G. Not Applicable

22. **Events Subsequent**

The Company declared a dividend of \$3,500,000 on March 31, 2011 which is reflected as a liability on page 3, line 23 of the accompanying financial statements. The scheduled payment date for this dividend is April 29, 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. \$ 53,758

(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 \$9,418,272. As of the end of the period \$ 8,365,422 has been paid for incurred claims and claims adjustment expenses attributable to insured events of prior years. Reserves remaining for prior years are now \$1,622,733 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 \$569,883 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 \$1,069,400.

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 \$2,174, 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 \$503,478.

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 \$109,560 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 \$38,436. 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 [X]
- 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 [X]
- 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 [X]  
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 [X]
- 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 [X] 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 [X] No [ ] NA [ ]
- 6.6 Have all of the recommendations within the latest financial examination report been complied with? ..... Yes [X] 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 [X]
- 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 [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 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: ..... \$ .....1,009,445

### 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 Prior Year-End Book/Adjusted Carrying Value		2 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..... 80.4 %

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 MARCH 31, 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		22,418,039					22,418,039	
5. California	CA	N							0	
6. Colorado	CO	N							0	
7. Connecticut	CT	N							0	
8. Delaware	DE	N							0	
9. Dist. 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	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		3,028,341					3,028,341	
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		2,754,443					2,754,443	
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	28,200,823	0	0	0	0	28,200,823	0
60. Reporting entity contributions for Employee Benefit Plans	XXX								0	
61. Total (Direct Business)	(a) 3		0	28,200,823	0	0	0	0	28,200,823	0
<b>DETAILS OF WRITE-INS</b>										
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

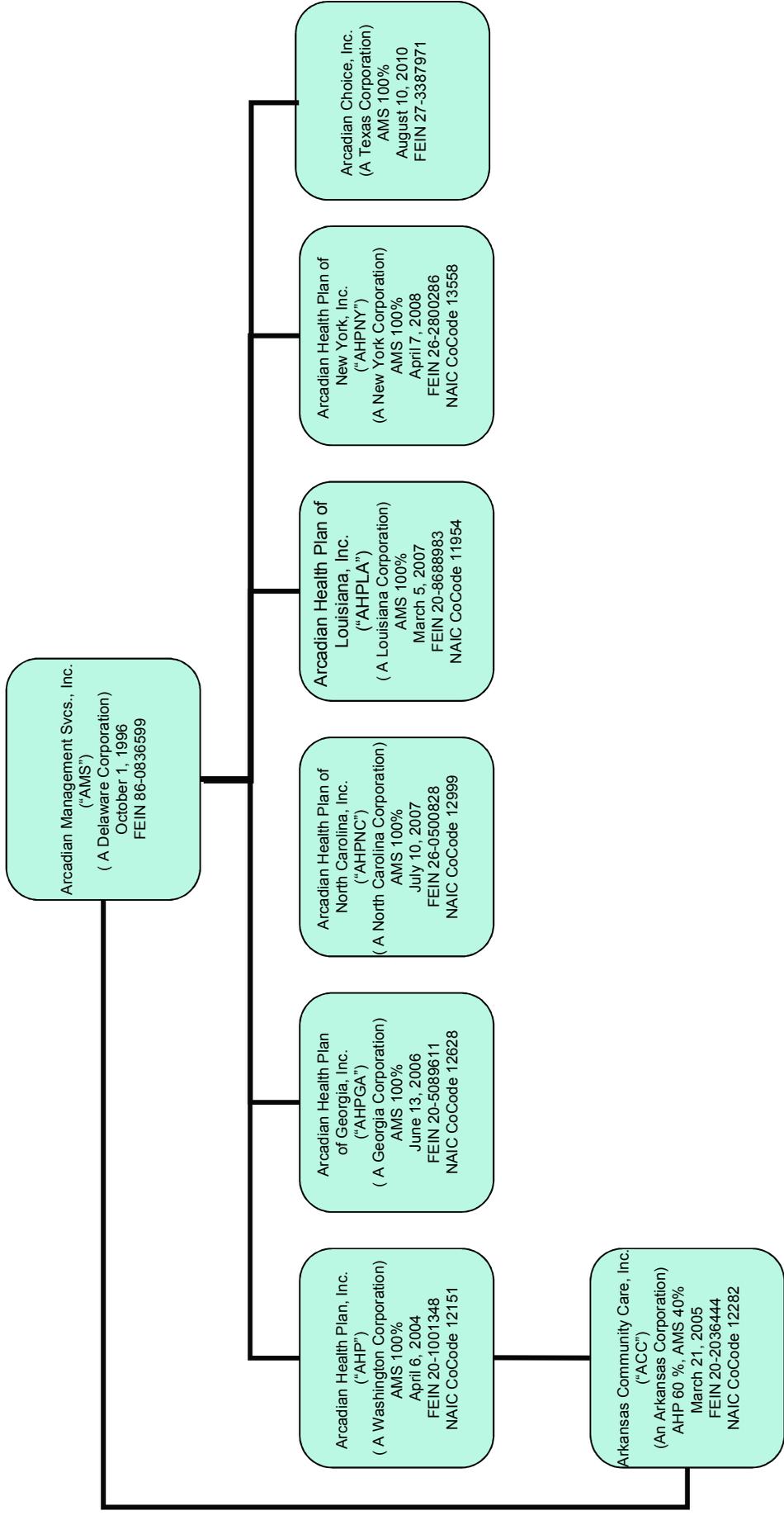
(L) Licensed or Chartered - Licensed Insurance Carrier or Domiciled RRG; (R) Registered - Non-domiciled RRGs; (Q) Qualified - Qualified or Accredited Reinsurer; (E) Eligible - Reporting Entities eligible or approved to write Surplus Lines in the state; (N) None of the above - Not allowed to write business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

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

STATEMENT AS OF March 31, 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 1

**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
2.2 Additional investment made after acquisition .....		0
3. Current year change in encumbrances .....		0
4. Total gain (loss) on disposals .....		0
5. Deduct amounts received on disposals .....		0
6. Total foreign exchange change in book/adjusted carrying value .....		0
7. Deduct current year's other than temporary impairment recognized .....		0
8. Deduct current year's depreciation .....		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
2.2. Additional investment made after acquisition .....		0
3. Capitalized deferred interest and other .....		0
4. Accrual of discount .....		0
5. Unrealized valuation increase (decrease) .....		0
6. Total gain (loss) on disposals .....		0
7. Deduct amounts received on disposals .....		0
8. Deduct amortization of premium and mortgage interest points and commitment fees .....		0
9. Total foreign exchange change in book value/recorded investment excluding accrued interest .....		0
10. Deduct current year's other than temporary impairment recognized .....		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
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
2.2. Additional investment made after acquisition .....		0
3. Capitalized deferred interest and other .....		0
4. Accrual of discount .....		0
5. Unrealized valuation increase (decrease) .....		0
6. Total gain (loss) on disposals .....		0
7. Deduct amounts received on disposals .....		0
8. Deduct amortization of premium and depreciation .....		0
9. Total foreign exchange change in book/adjusted carrying value .....		0
10. Deduct current year's other than temporary impairment recognized .....		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 .....	14,046,710	15,306,387
2. Cost of bonds and stocks acquired .....	200,844	4,720,868
3. Accrual of discount .....	4,014	15,516
4. Unrealized valuation increase (decrease) .....		21,220
5. Total gain (loss) on disposals .....		4,138
6. Deduct consideration for bonds and stocks disposed of .....	363,383	5,945,601
7. Deduct amortization of premium .....	27,299	75,818
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) .....	13,860,886	14,046,710
11. Deduct total nonadmitted amounts .....	0	0
12. Statement value at end of current period (Line 10 minus Line 11) .....	13,860,886	14,046,710

STATEMENT AS OF MARCH 31, 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
<b>BONDS</b>								
1. Class 1 (a).....	19,342,295	5,841,368	2,824,813	(17,902)	22,340,949	0	0	19,342,295
2. Class 2 (a).....	692,254			(183)	692,071	0	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	20,034,550	5,841,368	2,824,813	(18,085)	23,033,020	0	0	20,034,550
<b>PREFERRED STOCK</b>								
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	20,034,550	5,841,368	2,824,813	(18,085)	23,033,020	0	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 Totals	9,172,064	XXX	9,172,064	77	

**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 .....	5,640,525	29,756,324
3. Accrual of discount .....		0
4. Unrealized valuation increase (decrease).....		0
5. Total gain (loss) on disposals .....		0
6. Deduct consideration received on disposals .....	2,461,430	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).....	9,172,064	5,992,969
11. Deduct total nonadmitted amounts.....		0
12. Statement value at end of current period (Line 10 minus Line 11)	9,172,064	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**



STATEMENT AS OF MARCH 31, 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																					
313316-QJ-1	FFCB 4.50% 3/18/2019		03/18/2011	CALLED @ 100.0000000		200,000	200,000.00	200,800	200,089		(89)		(89)		200,000			0	4,500	03/18/2019	1FE
313444-VJ-0	FHLMC 4.75% 1/18/11		01/18/2011	MATURITY		100,000	100,000.00	105,575	100,183		(183)		(183)		100,000			0	2,375	01/18/2011	1FE
36202E-LJ-6	GNMA II Pool #3929		03/20/2011	PRINCIPAL RECEIPT		2,916	2,916.11	2,876	2,879		37		37		2,916			0	25	12/20/2036	1FE
36241K-KV-9	GNMA Pool # 782108		03/15/2011	PRINCIPAL RECEIPT		7,985	7,985.15	7,888	7,906		79		79		7,985			0	68	08/15/2021	1FE
36297A-KC-6	GNMA POOL#705991		03/15/2011	PRINCIPAL RECEIPT		19,803	19,803.06	20,496	20,322		(519)		(519)		19,803			0	93	01/15/2024	1FE
0599999 - Bonds - U.S. Governments						330,704	330,704.32	337,635	331,379	0	(675)	0	(675)	0	330,704	0	0	0	7,061	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																					
383750-WC-9	GNR 2008-50 0A		03/16/2011	PRINCIPAL RECEIPT		8,236	8,235.98	8,287	8,224		12		12		8,236			0	75	06/16/2038	1FE
38375P-LQ-2	GNR 2008-9 DE		02/20/2011	PRINCIPAL RECEIPT		20,385	20,384.92	20,436	20,419		(34)		(34)		20,385			0	104	02/20/2038	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						28,621	28,620.90	28,723	28,643	0	(22)	0	(22)	0	28,621	0	0	0	180	XXX	XXX
Bonds - Industrial and Miscellaneous (Unaffiliated)																					
17311A-AD-7	CMST 2006-7 2A1		03/25/2011	PRINCIPAL RECEIPT		2,125	2,124.87	2,120	2,119		.6		.6		2,125			0	.18	12/25/2021	
94985C-AB-1	WFMS 2006-17 A2		02/25/2011	PRINCIPAL RECEIPT		1,933	1,932.82	1,927	1,926		.7		.7		1,933			0	.9	11/25/2021	12*
3899999 - Bonds - Industrial and Miscellaneous (Unaffiliated)						4,058	4,057.69	4,047	4,045	0	13	0	13	0	4,058	0	0	0	28	XXX	XXX
8399997 - Subtotals - Bonds - Part 4						363,383	363,382.91	370,405	364,067	0	(684)	0	(684)	0	363,383	0	0	0	7,268	XXX	XXX
8399999 - Subtotals - Bonds						363,383	363,382.91	370,405	364,067	0	(684)	0	(684)	0	363,383	0	0	0	7,268	XXX	XXX
9999999 Totals						363,383	XXX	370,405	364,067	0	(684)	0	(684)	0	363,383	0	0	0	7,268	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 MARCH 31, 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
<p><b>NONE</b></p>							
8699999 Total Cash Equivalents					0	0	0

E12

STATEMENT AS OF MARCH 31, 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 .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
4. Third Quarter .....	.0									
5. Current Year	0									
6. Current Year Member Months	37,971							37,971		
Total Member Ambulatory Encounters for Period:										
7. Physician .....	25,497							25,497		
8. Non-Physician .....	20,767							20,767		
9. Total	46,264	0	0	0	0	0	0	46,264	0	0
10. Hospital Patient Days Incurred	3,081							3,081		
11. Number of Inpatient Admissions	814							814		
12. Health Premiums Written (a) .....	28,200,823							28,200,823		
13. Life Premiums Direct .....	.0									
14. Property/Casualty Premiums Written .....	.0									
15. Health Premiums Earned .....	28,200,823							28,200,823		
16. Property/Casualty Premiums Earned .....	.0									
17. Amount Paid for Provision of Health Care Services .....	19,892,286							19,892,286		
18. Amount Incurred for Provision of Health Care Services	22,626,169							22,626,169		

(a) For health premiums written: amount of Medicare Title XVIII exempt from state taxes or fees \$ 28,200,823