



QUARTERLY STATEMENT

AS OF JUNE 30, 2016
OF THE CONDITION AND AFFAIRS OF THE

Merit Health Insurance Company

NAIC Group Code 01260 , 01260 NAIC Company Code 18750 Employer's ID Number 36-3856181
(Current Period) (Prior Period)

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

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
 Other Is HMO Federally Qualified? Yes No

Incorporated/Organized 11/23/1992 Commenced Business 01/08/1993

Statutory Home Office 5215 Old Orchard Road, Suite 600 , Skokie, IL, US 60077
(Street and Number) (City or Town, State, Country and Zip Code)

Main Administrative Office 5215 Old Orchard Road, Suite 600 Skokie, IL, US 60077 224-935-9809
(Street and Number) (City or Town, State, Country and Zip Code) (Area Code) (Telephone Number)

Mail Address 5215 Old Orchard Road, Suite 600 Skokie, IL, US 60077
(Street and Number or P.O. Box) (City or Town, State, Country and Zip Code)

Primary Location of Books and Records 14100 Magellan Plaza Maryland Heights, MO, US 63043 314-387-5006
(Street and Number) (City or Town, State, Country and Zip Code) (Area Code) (Telephone Number)

Internet Web Site Address N/A

Statutory Statement Contact David P. Kunz 314-387-5006
(Name) (Area Code) (Telephone Number) (Extension)

dpkunz@magellanhealth.com 314-387-5407
(E-Mail Address) (FAX Number)

OFFICERS

Name	Title	Name	Title
<u>Mostafa Kamal</u>	<u>President</u>	<u>Andrew Mark Cummings</u>	<u>Secretary</u>
<u>Jeffrey Nelson West</u>	<u>Treasurer</u>		

OTHER OFFICERS

<u>Linton Clarke Newlin</u>	<u>Vice-President</u>	<u>Michael Patrick McQuillen</u>	<u>Assistant Secretary</u>
<u>John DiBernardi</u>	<u>Assistant Secretary</u>	<u>Sanjeev Srivastava</u>	<u>Vice-President</u>
<u>Anne McCabe</u>	<u>Vice-President</u>		

DIRECTORS OR TRUSTEES

<u>Mostafa Kamal</u>	<u>Michael Vallino</u>	<u>Julie Ann Billingsley</u>	<u>Jeffrey Nelson West</u>
<u>Barry Smith</u>	<u>Sanjeev Srivastava</u>	<u>Thomas Sak</u>	<u>Daniel Gregoire</u>

State of

SS

County of

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.

Mostafa Kamal
President

Andrew Mark Cummings
Secretary

Jeffrey Nelson West
Treasurer

a. Is this an original filing? Yes 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, 2016 OF THE Merit Health Insurance Company

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	7,239,330		7,239,330	13,163,538
2. Stocks:				
2.1 Preferred stocks			0	0
2.2 Common stocks	11,892,189		11,892,189	9,105,465
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 (\$2,045,339), cash equivalents (\$1,998,724) and short-term investments (\$13,822,215)	17,866,278		17,866,278	33,672,686
6. Contract loans (including \$ premium notes)			0	0
7. Derivatives	0		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)	36,997,798	0	36,997,798	55,941,688
13. Title plants less \$ charged off (for Title insurers only)			0	0
14. Investment income due and accrued	79,740		79,740	404,869
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection	269,639		269,639	987,041
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 (\$) and contracts subject to redetermination (\$)	6,337,489		6,337,489	0
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers			0	0
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	25,389,453		25,389,453	5,039,016
18.1 Current federal and foreign income tax recoverable and interest thereon			0	0
18.2 Net deferred tax asset			0	0
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 (\$)			0	0
22. Net adjustment in assets and liabilities due to foreign exchange rates			0	0
23. Receivables from parent, subsidiaries and affiliates			0	2,604,883
24. Health care (\$) and other amounts receivable	31,106,219	12,542,115	18,564,103	0
25. Aggregate write-ins for other-than-invested assets	1,532,945	0	1,532,945	0
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	101,713,282	12,542,115	89,171,166	64,977,497
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			0	0
28. Total (Lines 26 and 27)	101,713,282	12,542,115	89,171,166	64,977,497
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. Health Insurance Fee Receivable	1,532,945		1,532,945	0
2502.				
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)	1,532,945	0	1,532,945	0

STATEMENT AS OF JUNE 30, 2016 OF THE Merit Health Insurance Company

LIABILITIES, CAPITAL AND SURPLUS

	Current Period			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$ reinsurance ceded).....	1,984,413		1,984,413	9,213,524
2. Accrued medical incentive pool and bonus amounts			0	0
3. Unpaid claims adjustment expenses	23,845		23,845	65,689
4. Aggregate health policy reserves including the liability of \$ for medical loss ratio rebate per the Public Health Service Act			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	5,218,438		5,218,438	901,060
10.1 Current federal and foreign income tax payable and interest thereon (including \$ on realized gains (losses))	909,865		909,865	6,876,973
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			0	0
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	41,610,194		41,610,194	0
16. Derivatives		0	0	0
17. Payable for securities			0	0
18. Payable for securities lending			0	0
19. Funds held under reinsurance treaties (with \$ authorized reinsurers, \$ unauthorized reinsurers and \$ certified reinsurers)			0	0
20. Reinsurance in unauthorized and certified (\$) 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			0	0
23. Aggregate write-ins for other liabilities (including \$ current)	0	0	0	2,141
24. Total liabilities (Lines 1 to 23).....	49,746,756	0	49,746,756	17,059,387
25. Aggregate write-ins for special surplus funds	XXX	XXX	0	0
26. Common capital stock	XXX	XXX	1,500,000	1,500,000
27. Preferred capital stock	XXX	XXX	0	0
28. Gross paid in and contributed surplus	XXX	XXX	21,020,000	21,020,000
29. Surplus notes	XXX	XXX	0	0
30. Aggregate write-ins for other-than-special surplus funds	XXX	XXX	0	0
31. Unassigned funds (surplus)	XXX	XXX	16,904,410	25,398,110
32. Less treasury stock, at cost:				
32.1 shares common (value included in Line 26 \$)	XXX	XXX	0	0
32.2 shares preferred (value included in Line 27 \$)	XXX	XXX	0	0
33. Total capital and surplus (Lines 25 to 31 minus Line 32)	XXX	XXX	39,424,410	47,918,110
34. Total liabilities, capital and surplus (Lines 24 and 33)	XXX	XXX	89,171,166	64,977,497
DETAILS OF WRITE-INS				
2301. Health Insurance Fee Reimbursement overpayment.....			0	2,141
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)	0	0	0	2,141
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	149,190	1,775,221	3,328,820
2. Net premium income (including \$ non-health premium income).....	XXX	23,254,902	0	114,753,957
3. Change in unearned premium reserves and reserve for rate credits	XXX	6,337,489	0	0
4. Fee-for-service (net of \$ medical expenses)	XXX	0	0	0
5. Risk revenue	XXX	0	61,903,000	0
6. Aggregate write-ins for other health care related revenues	XXX	1,532,945	1,866,319	3,788,503
7. Aggregate write-ins for other non-health revenues	XXX	0	0	0
8. Total revenues (Lines 2 to 7)	XXX	31,125,335	63,769,319	118,542,460
Hospital and Medical:				
9. Hospital/medical benefits		(2,798,315)	23,117,713	43,555,245
10. Other professional services		0	22,194,883	51,859,162
11. Outside referrals		0	0	0
12. Emergency room and out-of-area		0	0	0
13. Prescription drugs		29,138,862	0	0
14. Aggregate write-ins for other hospital and medical	0	0	0	0
15. Incentive pool, withhold adjustments and bonus amounts		0	0	0
16. Subtotal (Lines 9 to 15)	0	26,340,547	45,312,596	95,414,407
Less:				
17. Net reinsurance recoveries		0	0	0
18. Total hospital and medical (Lines 16 minus 17)	0	26,340,547	45,312,596	95,414,407
19. Non-health claims (net).....		0	0	0
20. Claims adjustment expenses, including \$ cost containment expenses.....		(29,650)	1,197,175	1,928,570
21. General administrative expenses.....		3,311,011	3,522,615	4,207,173
22. Increase in reserves for life and accident and health contracts (including \$ increase in reserves for life only).....		0	0	0
23. Total underwriting deductions (Lines 18 through 22)	0	29,621,908	50,032,385	101,550,150
24. Net underwriting gain or (loss) (Lines 8 minus 23)	XXX	1,503,427	13,736,934	16,992,310
25. Net investment income earned		6,563	101,478	241,904
26. Net realized capital gains (losses) less capital gains tax of \$		0	4,308	3,920
27. Net investment gains (losses) (Lines 25 plus 26)	0	6,563	105,787	245,824
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$) (amount charged off \$)]		0	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	1,509,990	13,842,721	17,238,134
31. Federal and foreign income taxes incurred	XXX	1,249,098	5,679,068	6,876,973
32. Net income (loss) (Lines 30 minus 31)	XXX	260,892	8,163,653	10,361,160
DETAILS OF WRITE-INS				
0601. Health Insurer Fee.....	XXX	1,532,945	1,866,319	3,788,503
0602.	XXX	0	0	0
0603.	XXX	0	0	0
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	1,532,945	1,866,319	3,788,503
0701.	XXX	0	0	0
0702.	XXX	0	0	0
0703.	XXX	0	0	0
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.		0	0	0
1402.		0	0	0
1403.		0	0	0
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.		0	0	0
2902.		0	0	0
2903.		0	0	0
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.....	47,918,109	26,958,468	26,958,468
34. Net income or (loss) from Line 32	260,892	8,163,653	10,361,160
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 \$	2,786,724	1,533,706	3,523,013
37. Change in net unrealized foreign exchange capital gain or (loss)		0	0
38. Change in net deferred income tax		0	0
39. Change in nonadmitted assets	(11,541,316)	3,766,230	7,075,467
40. Change in unauthorized and certified 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		0	0
47. Aggregate write-ins for gains or (losses) in surplus	0	0	0
48. Net change in capital and surplus (Lines 34 to 47)	(8,493,700)	13,463,589	20,959,641
49. Capital and surplus end of reporting period (Line 33 plus 48)	39,424,409	40,422,057	47,918,109
DETAILS OF WRITE-INS			
4701.			
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	0	0

STATEMENT AS OF JUNE 30, 2016 OF THE Merit Health Insurance Company

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.....	23,972,304	0	114,419,219
2. Net investment income	412,899	150,145	512,489
3. Miscellaneous income	(2,141)	65,457,264	6,692,605
4. Total (Lines 1 to 3)	24,383,061	65,607,409	121,624,313
5. Benefit and loss related payments	42,624,138	54,975,944	109,999,217
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	434,839	(7,591,575)	(1,179,964)
8. Dividends paid to policyholders	0	0	0
9. Federal and foreign income taxes paid (recovered) net of \$ tax on capital gains (losses).....	7,216,206	0	5,056,644
10. Total (Lines 5 through 9)	50,275,183	47,384,369	113,875,897
11. Net cash from operations (Line 4 minus Line 10)	(25,892,122)	18,223,040	7,748,416
Cash from Investments			
12. Proceeds from investments sold, matured or repaid:			
12.1 Bonds	5,843,000	15,751,437	19,451,826
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	(1,705)	(1,705)
12.7 Miscellaneous proceeds	0	0	0
12.8 Total investment proceeds (Lines 12.1 to 12.7)	5,843,000	15,749,732	19,450,121
13. Cost of investments acquired (long-term only):			
13.1 Bonds	0	6,268,863	6,268,863
13.2 Stocks	0	0	1,700,000
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)	0	6,268,863	7,968,863
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)	5,843,000	9,480,870	11,481,258
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	0	0	0
16.6 Other cash provided (applied).....	4,242,714	(9,498,221)	(12,724,366)
17. Net cash from financing and miscellaneous sources (Line 16.1 through Line 16.4 minus Line 16.5 plus Line 16.6).....	4,242,714	(9,498,221)	(12,724,365)
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)	(15,806,408)	18,205,688	6,505,308
19. Cash, cash equivalents and short-term investments:			
19.1 Beginning of year.....	33,672,686	27,167,377	27,167,377
19.2 End of period (Line 18 plus Line 19.1)	17,866,278	45,373,066	33,672,686

STATEMENT AS OF JUNE 30, 2016 OF THE Merit Health Insurance Company

EXHIBIT OF PREMIUMS, ENROLLMENT AND UTILIZATION

	1 Total	Comprehensive (Hospital & Medical)		4 Medicare Supplement	5 Vision Only	6 Dental Only	7 Federal Employees Health Benefits Plan	8 Title XVIII Medicare	9 Title XIX Medicaid	10 Other
		2 Individual	3 Group							
Total Members at end of:										
1. Prior Year	4,422	.0	.0	.0	.0	.0	.0	.0	4,422	.0
2. First Quarter	42,140	.0	.0	.0	.0	.0	.0	.0	.0	42,140
3. Second Quarter	51,451	.0	.0	.0	.0	.0	.0	.0	.0	51,451
4. Third Quarter .....	.0									
5. Current Year	0									
6. Current Year Member Months	149,190								0	149,190
Total Member Ambulatory Encounters for Period:										
7. Physician .....	.0									
8. Non-Physician	0									
9. Total	0	0	0	0	0	0	0	0	0	0
10. Hospital Patient Days Incurred	0							0	0	
11. Number of Inpatient Admissions	0									
12. Health Premiums Written (a).....	23,254,902								(16,589)	23,271,490
13. Life Premiums Direct.....	.0									
14. Property/Casualty Premiums Written .....	.0									
15. Health Premiums Earned	29,592,391							.0	(16,589)	29,608,979
16. Property/Casualty Premiums Earned .....	.0								.0	.0
17. Amount Paid for Provision of Health Care Services	(42,624,138)								(4,430,796)	(38,193,342)
18. Amount Incurred for Provision of Health Care Services	26,340,547								(2,798,680)	29,139,227

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

STATEMENT AS OF JUNE 30, 2016 OF THE Merit Health Insurance Company

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 .....					.0	.0
7. Title XIX - Medicaid	3,011,767	1,419,028	1,594,916	389,497	4,606,683	9,213,524
8. Other health		29,138,862			.0	.0
9. Health subtotal (Lines 1 to 8).....	3,011,767	30,557,890	1,594,916	389,497	4,606,683	9,213,524
10. Health care receivables (a) .....					.0	.0
11. Other non-health .....					.0	.0
12. Medical incentive pools and bonus amounts .....					.0	.0
13. Totals (Lines 9-10+11+12)	3,011,767	30,557,890	1,594,916	389,497	4,606,683	9,213,524

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

NOTES TO FINANCIAL STATEMENTS

1 Summary of Significant Accounting Policies

(A) - Accounting Practices

Merit Health Insurance Company (the “Company”) prepares its statutory-basis financial statements in conformity with accounting practices prescribed or permitted by the Illinois Department of Insurance (the “Department”), which represents a comprehensive basis of accounting other than U.S. generally accepted accounting principles. The Department requires that insurance companies domiciled in Illinois prepare their statutory-basis financial statements in accordance with the Codified National Association of Insurance Commissioners’ (“NAIC”) Statements of Statutory Accounting Principles (“SSAP”), subject to any deviations prescribed or permitted by the Department. The Company is not aware of any differences between the NAIC and the Department with respect to accounting practices that would have an impact on the accompanying statutory-basis financial statements. In addition, the accompanying statutory-basis financial statements have been prepared in accordance with the Annual Statement instructions and the NAIC Accounting Practices and Procedures manual.

State of Domicile: Illinois	2016	2015
Net Income		
Merit Health Insurance Company State Basis test	\$ 260,892	\$ 10,361,160
State Prescribe Practices that increase/(decrease) NAIC SAP	\$ -	\$ -
State Permitted Practices that increase/(decrease) NAIC SAP	\$ -	\$ -
NAIC SAP	\$ 260,892	\$ 10,361,160
SURPLUS		
Merit Health Insurance Company State Basis	\$ 39,424,410	\$ 47,918,110
State Prescribe Practices that increase/(decrease) NAIC SAP	\$ -	\$ -
State Permitted Practices that increase/(decrease) NAIC SAP	\$ -	\$ -
NAIC SAP	\$ 39,424,410	\$ 47,918,110

(B) - Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with statutory accounting practices requires management to make estimates and assumptions that affect the reported amounts of admitted assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Estimates of the Company include, among other things, contract receivables realization and the establishment of claims unpaid reserves. Actual results could differ from those estimates.

(C) – Accounting Policies

Fair Value of Financial Instruments

The Company currently does not have any assets or liabilities that are required to be measured at fair value on a recurring basis. SSAP No. 100 “Fair Value Measurements”, defines fair value, establishes a framework for measuring fair value and establishes disclosures about fair value. The carrying value of the Company’s financial instruments classified as current assets (other than short-term investments) and current liabilities approximate fair value due to their short maturities. As of December 31, 2015, the carrying value and fair value of the Company’s short-term investments totaled \$31,634,782 and \$31,600,514, respectively, the carrying value and fair value of the Company’s long-term investments totaled \$13,163,538 and \$13,143,766, respectively, and both the carrying value and fair value of the Company’s common stock investments totaled \$9,105,465. As of June 30, 2016, the carrying value and fair value of the Company’s short-term investments totaled \$13,822,215 and \$13,821,671, respectively, the carrying value and fair value of the Company’s long-term investments totaled \$7,239,330 and \$7,239,469, respectively, and both the carrying value and fair value of the Company’s common stock investments totaled \$11,892,189.

Cash, Cash Equivalents and Short-term Investments

Cash consists of cash on hand and in financial institutions, along with certificates of deposit with maturity dates at the time of acquisition of one year or less. Cash equivalents are short-term, highly liquid interest-bearing investments with maturity dates of three months or less when acquired. Short-term investments have maturities of one year or less at the time of acquisition (excluding those investments classified as cash equivalents) and are recorded at amortized cost using the straight-line basis, except in cases where NAIC designation requires them to be carried at the lower of amortized cost or fair value. For the periods presented, the Company’s cash equivalents consist of commercial paper, and its’ short-term investments consist of exempt money market mutual funds as classified on the mutual fund lists published by the NAIC and corporate debt securities.

Long-term Investments

Long-term investments have maturities in excess of one year from the date of acquisition and are recorded at amortized cost using the straight-line basis, except in cases where NAIC designation requires them to be carried at the lower of amortized cost or fair value. For the periods presented, the Company’s long-term investments consist of corporate debt

NOTES TO FINANCIAL STATEMENTS

securities, U.S. Treasury securities, and obligations of U.S. government-sponsored agencies, which include investments in notes issued by the Federal Home Loan Bank.

Investment Securities

The Company periodically evaluates whether any declines in the fair value of investment securities are other-than-temporary. This evaluation consists of a review of several factors, including but not limited to: the length of time and extent that a security has been in an unrealized loss position; the existence of an event that would impair the issuer's future earnings potential; the near-term prospects for recovery of the market value of a security; and the intent and ability of the Company to hold the security until the market value recovers. Declines in value below cost for investments where it is considered probable that all contractual terms of the investment will be satisfied, the decline is due primarily to changes in interest rates (and not because of increased credit risk), and where the Company intends and has the ability to hold the investment for a period of time sufficient to allow a market recovery, are not assumed to be other-than-temporary. As of December 31, 2015 and June 30, 2016, the Company did not have any other-than-temporary impairments.

Contract Receivables

Contract receivables consist of amounts due from customers for capitated services. Collateral is generally not required. Contract receivables are admitted in the accompanying statutory-basis financial statements pursuant to the provisions of SSAP No. 84, "Certain Health Care Receivables and Receivables under Government Insured Plans" ("SSAP 84"). Evaluation of the collectability of amounts receivable is based upon factors surrounding the credit risk of specific customers, historical trends and other information. If it is probable the balance is uncollectible, any uncollectible receivable shall be written off and charged to income in the period the determination is made.

Amounts receivable relating to uninsured plans for claims and other costs paid by the administrator on behalf of the third party at risk and fees related to the services provided by the administrator to the plan are to be segregated from other receivables. In accordance with SSAP 84, receivables associated with uninsured plans are considered an admitted asset, including amounts over ninety days past due.

Revenue Recognition

Revenue associated with providing managed behavioral healthcare and substance abuse services on a risk basis is recognized over the applicable coverage period on a per member basis for covered members. The Company is paid a per member fee for all covered members, and this fee is recorded as revenue in the month in which members are entitled to service. The Company adjusts its revenue for retroactive membership terminations, additions and other changes, when such adjustments are identified, with the exception of retroactivity that can be reasonably estimated. The impact of retroactive rate amendments is generally reported in the accounting period that terms to the amendment are finalized, and that the amendment is executed. Any fees paid prior to the month of service are recorded as deferred revenue.

The CMS premium, the member premium and the low-income premium subsidy represent payments for the Company's insurance risk coverage under Medicare Part D program and, therefore, are recorded as premium revenues. Premium revenues are recognized ratably over the period in which eligible individuals are entitled to receive prescription drug benefits.

LICS, catastrophic reinsurance and coverage gap subsidies from CMS represent cost reimbursements under the Medicare Part D program. Amounts received for these subsidies are not reflected as premium revenues, but rather are accounted for as deposits, with the related asset or liability recorded in either Amounts receivable related to uninsured plans, net or Amounts held under uninsured plans, net in the balance sheets.

The Company generated \$29,608,979 of premium revenue for the six months ended June 30, 2016. These premiums include a \$6,337,489 increase in amounts due from CMS under a risk sharing feature of the Medicare Part D plan design referred to as the "risk corridor". Risk corridor amounts are recorded as an adjustment to premiums. Based on settlement position, amounts due to or from CMS under the risk sharing feature are recorded in either Health Policy Reserves or Accrued Retrospective Premiums in the accompanying balance sheets.

Due to the risk corridor, the Company's business is accounted for as a retrospectively rates contract. The Company estimates amounts due to or from CMS under the risk corridor feature using a mathematical approach based on the Company's underwriting experience. It is at least reasonably possible that these estimates could differ from the amounts that are ultimately settled with CMS and that such a change in the estimates could be material to the financial statements. The amount of net premiums written during the six months ended June 30, 2016 that were subject to the retrospective feature was \$23,271,490, which represents 100% of premiums written excluding the risk corridor adjustment.

In addition to the above statements, the company uses the following accounting policies:

- (1) Short-term investments are stated at amortized cost.
- (2) Bonds are stated at amortized cost
- (3) The only common stock owned by the Company is 100 percent ownership in Magellan Life Insurance Company (Magellan Life). The common stock investment is recorded at Magellan Life's statutory net equity balance.
- (4) None

NOTES TO FINANCIAL STATEMENTS

(5) None

(6) None

(7) The Company carries the common stock investment in Magellan Life at the statutory net equity balance.

(8) None

(9) None

(10) None

(11) Claims costs are recognized in the period in which covered members receive behavioral healthcare services. In addition to actual benefits paid, claims costs include the impact of accruals for estimates of claims unpaid. Claims unpaid represents the liability for healthcare claims reported but not yet paid and claims incurred but not yet reported (“IBNR”) related to the Company’s behavioral healthcare business. Such liabilities are determined by employing actuarial methods that are commonly used by health insurance actuaries and meet actuarial standards of practice.

The IBNR portion of claims unpaid is estimated based on past claims payment experience for member groups, enrollment data, utilization statistics, authorized healthcare services and other factors. This data is incorporated into contract-specific actuarial reserve models and is further analyzed to create “completion factors” that represent the average percentage of total incurred claims that have been paid through a given date after being incurred. Factors that affect estimated completion factors include benefit changes, enrollment changes, shifts in product mix, seasonality influences, provider reimbursement changes, changes in claims inventory levels, the speed of claims processing and changes in paid claim levels. Completion factors are applied to claims paid through the financial statement date to estimate the ultimate claim expense incurred for the current period. Actuarial estimates of claims unpaid are then determined by subtracting the actual paid claims from the estimate of the ultimate incurred claims. For the most recent incurred months (generally the most recent two months), the percentage of claims paid for claims incurred in those months is generally low. This makes the completion factor methodology less reliable for such months. Therefore, incurred claims for any month with a completion factor that is less than 70 percent are generally not projected from historical completion and payment patterns; rather they are projected by estimating claims expense based on recent monthly estimated cost incurred per member per month times membership, taking into account seasonality influences, benefit changes and healthcare trend levels, collectively considered to be “trend factors”.

Claims unpaid balances are continually monitored and reviewed. If it is determined that the Company’s assumptions in estimating such liabilities are different than actual results, the Company’s results of operations and financial position could be impacted in future periods. Adjustments of prior period estimates may result in additional claims costs or a reduction of claims costs in the period an adjustment is made. Further, due to the considerable variability of healthcare costs, adjustments to claims unpaid occur each period and are sometimes significant as compared to the net income recorded in that period. Prior period development is recognized immediately upon the actuary’s judgment that a portion of the prior period liability is no longer needed or that additional liability should have been accrued.

Actuarial standards of practice require that claims unpaid be adequate under moderately adverse circumstances. Adverse circumstances are situations in which actual claims experience could be higher than the otherwise estimated value of such claims. In many situations, the claims paid amount experienced will be less than the estimate that satisfies the actuarial standards of practice.

(12) None

(13) Amounts recorded in the Company’s financial statements for pharmaceutical rebates are determined based on the amounts Magellan Rx expects to collect from the various pharmaceutical manufacturers.

2 Accounting Changes and Corrections of Errors

None

3 Business Combinations and Goodwill

On August 2, 1996, the Company acquired Magellan Life, a Delaware life and accident and health insurance company that had insurance licenses in 30 states. The Company has accounted for its investment in Magellan Life under the equity method pursuant to SSAP No. 97, “Investments in Subsidiary, Controlled and Affiliated Entities, A Replacement of SSAP No. 88”. For statutory reporting purposes, the admitted value of the investment in subsidiary reflects the statutory equity in net assets of Magellan Life.

For the year ended December 31, 2015, the \$5,223,013 increase in carrying value of the Company’s investment in Magellan Life is due in part to additional capital contributed to Magellan Life on December 21, 2015 in the amount of \$1,700,000. The remaining \$3,523,013 increase is reflected as an increase in net unrealized capital gains within the capital and surplus rollforward in the accompanying statement of revenue and expenses and is attributable to Magellan Life’s net income for the year. The increase in carrying value of the Company’s investment in Magellan Life of \$2,786,724 for the year-to-date period ended June 30, 2016 is reflected as an increase in net unrealized capital gains within the capital and surplus rollforward in the accompanying statement of revenue and expenses and is attributable to Magellan Life’s net income for the year-to-date period ending June 30, 2016.

4 Discontinued Operations

NOTES TO FINANCIAL STATEMENTS

None

5 Investments

- (A) None
- (B) None
- (C) None
- (D) None
- (E) None
- (F) None
- (G) None
- (H) Restricted Assets

(1) Restricted Assets (Including Pledged):

Restricted Asset Category	1 Total Gross Restricted from Current Year	2 Total Gross Restricted From Prior Year	3 Increase/ (Decrease) minus 2)	4 Total Current Year Admitted Restricted	5 Percentage Gross Restricted to Total Assets	6 Percentage Admitted Restricted to Total Admitted Assets
a. Subject to contractual obligation for which liability is not shown	\$ -	\$ -	\$ -	\$ -	0.0%	0.0%
b. Collateral held under security lending agreements						
c. Subject to repurchase agreements						
d. Subject to reverse repurchase agreements						
e. Subject to dollar repurchase agreements						
f. Subject to dollar reverse repurchase agreements						
g. Placed under option contracts						
h. Letter stock or securities restricted as to sale - excluding FHLB capital stock						
i. FHLB capital stock						
j. On deposit with states	2,686,533	2,685,864	669	2,686,533	2.6%	3.0%
k. On deposit with other regulatory bodies						
l. Pledged as collateral to FHLB (including assets backing funding agreements)						
m. Pledged as collateral not captured in other categories						
n. Other restricted assets						
o. Total Restricted Assets	2,686,533	\$ 2,685,864	\$ 669	\$ 2,686,533	2.6%	3.0%

- (2) None
- (3) None
- (I) (1). None
- (2). None
- (3). None
- (J) None
- (K) None

6 Joint Ventures, Partnerships and Limited Liability Companies

The Company has no investments in joint ventures, partnerships or limited liability companies.

The Company entered into a joint venture agreement with its ultimate parent company, Magellan Health, Inc. ("Magellan"), effective March 1, 2012. The joint venture agreement does not signify a joint venture investment, with no provision of equity interest included, but rather stipulates the responsibilities of the Company and Magellan with respect to a contract with the State of Louisiana Department of Health and Hospitals Office of Behavioral Health (the "State Contract") that was awarded Magellan. Per the terms of the joint venture agreement, all revenues and claims costs associated with the State Contract are reported by the Company.

7 Investment Income

The Company admitted all investment income due and accrued as of December 31, 2015 and June 30, 2016, which totaled \$404,869 and \$79,740, respectively.

8 Derivative Instruments

None

9 Income Taxes

For federal income tax reporting purposes, the Company's operations are included in Magellan's consolidated federal income tax returns. The Company has a tax allocation agreement with Magellan. The current agreement calls for an

NOTES TO FINANCIAL STATEMENTS

allocation based on Magellan's effective income tax rate before reflecting the allocation and after affecting for permanent differences. Through the tax allocation agreement, the Company was allocated federal income tax charges of \$6,876,973 and \$1,249,098 for its share of Magellan's federal income tax provisions for the year ended December 31, 2015 and the year-to-date period ended June 30, 2016, respectively. The Company pays premium taxes in lieu of state income taxes.

In accordance with the tax allocation agreement, allocated income taxes payable or recoverable are settled on a quarterly basis. In addition, any filings done on behalf of the Company that result in additional tax assessments or refunds from federal or state tax authorities are required to be settled within 30 days after execution of the document. In February 2016, the Company settled its allocated federal income tax payable related to 2015, with \$6,851,729 paid to Magellan, with the \$25,244 remaining balance paid in May 2016. Also, in May 2016, the Company settled its allocated federal income tax payable related to the first quarter of 2016 with \$339,233 paid to Magellan. The Company's tax allocation agreement calls for federal income taxes to be computed on the basis of pre-tax book income adjusted for permanent book to tax differences. Accordingly, the Company has no deferred tax assets. That is, the Company is paid in cash by Magellan currently for any deferred tax assets before such assets are utilized by Magellan.

(A) None

(B) None

(C) Current income taxes incurred consist of the following major components:

	(1) 6/30/2016	(2) 12/31/2015	(3) (Col 1-2) Change
(1) Current Income Tax			
(a) Federal	\$ 1,249,098	\$ 6,876,973	\$ (5,627,875)
(b) Foreign	\$ -	\$ -	\$ -
(c) Subtotal	\$ 1,249,098	\$ 6,876,973	\$ (5,627,875)
(d) Federal income tax on net capital gains	\$ -	\$ -	\$ -
(e) Utilization of capital loss carry-forwards	\$ -	\$ -	\$ -
(f) Other	\$ -	\$ -	\$ -
(g) Federal and foreign income taxes incurred	\$ 1,249,098	\$ 6,876,973	\$ (5,627,875)

(2) None

(3) None

(4) None

(D) None

(E) None

(F) For federal income tax reporting purposes, the Company's operations are included in Magellan's consolidated federal income tax returns. The Company has a tax allocation agreement with Magellan. The current agreement calls for an allocation based on Magellan's effective income tax rate before reflecting the allocation and after affecting for permanent differences.

(G) None

10 Information Concerning Parent, Subsidiaries, Affiliates and Other Related Parties

(A, B, & C) The Company is a direct subsidiary of Magellan Healthcare. Magellan Healthcare is a wholly owned subsidiary of Magellan. Magellan is engaged in the healthcare management business, and is focused on today's most complex and costly healthcare services. As previously noted, the Company owns a 100 percent interest in Magellan Life. The carrying value of Magellan Life currently does not exceed 10% of the Company's admitted assets. The Company carries the investment at Magellan Life's statutory net equity.

Effective March 1, 2012, the Company entered into a joint venture agreement with Magellan. The agreement was developed to assist in the administration of the State Contract that commenced on March 1, 2012, and outlines the Company's and Magellan's responsibilities under the State Contract. In addition, the joint venture agreement provides detail with respect to the administrative services to be provided by Magellan and the associated compensation that shall be paid to Magellan by the Company. The compensation charged by Magellan for these services includes an administrative services component that is based on stated percentages of premiums earned under the State Contract and a staffing and direct office costs component that represents direct expenses incurred and paid by Magellan in support of the State Contract. For the year ended December 31, 2015, the amount charged to the Company in connection with the joint venture agreement totaled \$26,681,016, with charges for administrative services and staffing and direct office costs totaling

NOTES TO FINANCIAL STATEMENTS

\$13,732,263 and \$12,948,753, respectively. For the year-to-date period ended June 30, 2016, the amount charged to the Company in connection with the joint venture agreement totaled \$3,362,755, with charges for administrative services and staffing and direct office costs totaling \$1,661,065 and \$1,701,690, respectively.

Effective January 1, 2016, the Company entered into an administrative agreement with Magellan Rx to provide pharmacy benefit management for the Medicare Part D members. Magellan Rx will provide network management, network access, help desk services, auditing, mail order pharmacy services, specialty pharmacy, formulary and rebate administration and other core administrative and value added administrative services. The administrative fee will be assessed on a per member, per month (pmpm) and totaled \$1,885,973 for the six months ending June 30, 2016.

Except for amounts due to other PDP's, all claims paid and incurred for pharmacy claims are based on amounts billed by Magellan Rx filled by pharmacies in Magellan Rx's pharmacy network. Additionally, all pharmaceutical rebates are received or receivable from Magellan Rx services, which contracts with pharmaceutical manufacturers for such rebates. Payment terms require settlement of rebates within one hundred and eighty days following the end of each contract quarter following receipt of such rebates by Magellan Rx.

(D) Amounts receivable from or payable to parent, subsidiaries and affiliates are non-interest bearing and are settled within ninety days of quarter-end. As of December 31, 2015, the Company reported \$2,604,883 as the amount receivable from parent, subsidiaries and affiliates, which was settled during the first quarter of 2016. As of June 30, 2016, the Company reported \$41,610,194 as the amount due to parent, subsidiaries and affiliates, which is primarily comprised of amounts due for uninsured pharmacy claims processed and management fees from the Parent. Under an administrative services agreement between Magellan Healthcare and the Company, Magellan Healthcare performs certain collection and payment activities on behalf of the Company. In addition, Magellan Healthcare performs certain administrative and operational functions, which includes legal, underwriting and accounting services. The amount charged to the Company in connection with these services for the year ended December 31, 2015 and the year-to-date period ended June 30, 2016 totaled \$96,700 and \$49,600, respectively

(E) None

(F) As mentioned above, under an administrative services agreement between Magellan Healthcare and the Company, Magellan Healthcare performs certain collection and payment activities on behalf of the Company. In addition, Magellan Healthcare performs certain administrative and operational functions, which includes legal, underwriting and accounting services. Also, the Company entered into a joint venture agreement with Magellan. The agreement was developed to assist in the administration of the State Contract that commenced on March 1, 2012, and outlines the Company's and Magellan's responsibilities under the State Contract. In addition, the joint venture agreement provides detail with respect to the administrative services to be provided by Magellan and the associated compensation that shall be paid to Magellan by the Company. The compensation charged by Magellan for these services includes an administrative services component that is based on stated percentages of premiums earned under the State Contract and a staffing and direct office costs component that represents direct expenses incurred and paid by Magellan in support of the State Contract.

(G) All outstanding shares of the Company are held by Magellan Healthcare as noted above.

(H) None

(I) As previously noted, the Company owns a 100 percent interest in Magellan Life. The carrying value of Magellan Life currently does exceed 10% of the Company's admitted assets. The Company carries the investment at Magellan Life's statutory net equity. The statement values of Magellan Life's net admitted assets and liabilities as of December 31, 2015 were \$13,059,301 and \$3,953,836, respectively, with Magellan Life reporting net income of \$3,523,012 for the year ended December 31, 2015. The statement values of Magellan Life's net admitted assets and liabilities as of June 30, 2016 were \$19,317,326 and \$7,425,137, respectively, with Magellan Life reporting net income of \$2,786,724 for the year-to-date period ended June 30, 2016. The Company received no dividends from Magellan Life during the year ended December 31, 2015 or the year-to-date period ended June 30, 2016.

(J) None

(K) None

(L) None

(M) None

(N) None

11 Debt

None

12 Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans

None

13 Capital and Surplus, Dividend Restrictions and Quasi-Reorganizations

NOTES TO FINANCIAL STATEMENTS

- (1) The Company has 10,000,000 shares of common stock authorized, with 1,500,000 shares issued and outstanding at a \$1.00 par value.
- (2) The Company has no preferred stock issued or outstanding.
- (3) Dividends to stockholders are limited by the Illinois statute, and are generally payable from accumulated surplus funds that are derived from realized net operating profits on its business and realized net capital gains on its investments. Dividend requests over specified thresholds require approval of the Department.
- (4) No dividends were paid during 2015 or for the year-to-date period ended June 30, 2016.
- (5) There are no restrictions placed on the portion of Company profits that may be paid as ordinary dividends to stockholders, however it must not exceed 10% of the prior year capital & surplus.
- (6) There are no restrictions placed on the Company's surplus, including for whom the surplus is being held.
- (7) The Company does not have any advances to surplus.
- (8) The Company does not hold any stock for special purposes.
- (9) The Company does not have a special surplus fund.
- (10) The Company's unassigned funds (surplus) as of June 30, 2016 have been increased by cumulative unrealized capital gains of \$6,519,549 related to the Company's investment in Magellan Life.
- (11) The Company has not issued surplus debentures or similar obligations.
- (12) The Company has not had any restatements due to quasi-reorganizations
- (13) Not applicable

14 Liabilities, Contingencies and Assessments

- (A) None
- (B) None
- (C) None
- (D) None
- (E) None
- (F) Contingent liabilities arising from litigation, income taxes and other matters are not considered material in relation to the financial position of the Company. The Company has no assets that it considers to be impaired.

The managed healthcare industry is subject to extensive and evolving federal and state regulations. Such laws and regulations cover, but are not limited to, matters such as licensure, accreditation, government healthcare program participation requirements, information privacy and security, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Government investigations and allegations have become more frequent concerning possible violations of fraud and abuse and false claims statutes and regulations by healthcare organizations. Violators may be excluded from participating in government healthcare programs, subject to fines or penalties or required to repay amounts received from the government for previously billed services. A violation of such laws and regulations may have a material adverse effect on the Company.

The Company routinely assesses the collectability of its receivables. As of June 30, 2016, the Company admitted all assets.

15 Leases

None

16 Information About Financial Instruments With Off-Balance Sheet Risk and Financial Instruments With Concentrations of Credit Risk

The Company does not have any financial instruments with off-balance sheet risk. Certain financial instruments potentially subject the Company to concentrations of credit risk. These financial instruments consist primarily of cash, investments and receivables. The Company maintains its cash and investments with what it believes to be high-quality financial institutions, and invests in exempt money market funds, U.S. Treasury securities, obligations of U.S. government-sponsored agencies and high-quality commercial paper and corporate debt securities that are believed to have minimal credit risk. The Company's receivables are primarily comprised of contract receivables, amounts receivable relating to uninsured plans and health insurer fee receivables, all of which are associated with the State Contract.

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

None

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

- (A) ASO Plans

The gain from operations from Administrative Services Only (ASO) uninsured plans and the uninsured portion of partially insured plans were as follows during 2016:

NOTES TO FINANCIAL STATEMENTS

(a) Net reimbursement for administrative expenses (including administrative fees) in excess of actual expenses	\$ 785,710	\$ -	\$ 785,710
(b) Total net other income or expenses (including interest paid to or received from plans)	\$ -	\$ -	\$ -
(c) Net gain or (loss) from operations	\$ 785,710	\$ -	\$ 785,710
(d) Total Claim payment volume	\$ 7,636,992	\$ -	\$ 7,636,992

(B) None

(C) Medicare or other Similarly Structured Cost Based Reimbursement Contract:

- (1) Revenue and prescription drug amounts for the period ended June 30, 2016, exclude \$68,795,468 in subsidies from Centers for Medicare and Medicaid Services ("CMS") for catastrophic reinsurance subsidies, low income cost sharing subsidies ("LICS" and the coverage gap discount program ("CGDP") pursuant to the Company's contracts with CMS.
- (2) As of June 30, 2016, amounts receivable relating to uninsured plans includes \$20,073,425 due from CMS or drug manufacturers for LICS, CGDP and drug costs covered by the catastrophic reinsurance feature. Amounts due from CMS for a plan year for LICS and drugs covered by the catastrophic reinsurance feature are typically settled in the fourth quarter of the following year.
- (3) As of June 30, 2016, there were no allowances or reserves for adjustment of recorded revenues.
- (4) The Company has made no adjustments to revenue resulting from audit of receivables related to revenues recorded in the prior period.

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

None

20 Fair Value Measurements

The Company currently does not have any assets or liabilities that are required to be measured and reported at fair value on a recurring basis.

21 Other Items

- (A) None
- (B) None
- (C) None
- (D) None
- (E) None
- (F) None
- (G) None
- (H) None

22 Events Subsequent

Type I – Recognized Subsequent Events:

On January 1, 2014, the Company became subject to an annual fee assessed on entities that provide health insurance under the Affordable Care Act ("ACA"). The annual health insurer fee for the year ended December 31, 2014, which was paid in full during 2014, totaled \$1,844,644, and was based on net health premiums written during 2013 of \$128,503,105. The State of Louisiana Department of Health and Hospitals Office of Behavioral Health agreed to reimburse the Company for the annual health insurer fee, including the impact from non-deductibility of the fee for federal and state income tax purposes. The Company recognized revenues of \$2,901,961 for the year ended December 31, 2014 related to reimbursement of the impact of the annual health insurer fee. The annual health insurer fee for 2015, which will be based on net health premiums written in 2014 of \$128,776,985, is estimated to be approximately \$2,500,000. Reimbursement of this fee as well as the impact of the non-deductibility for the fee for federal and state income tax purposes will be provided by the State of Louisiana Department of Louisiana Department of Health and Hospitals Office of Behavioral Health. As such, the annual health insurer fee for 2015 is not expected to have a negative impact on the Company's total capital and surplus. As of December 31, 2015, the Company recognized revenues of \$3,788,503 related to reimbursement of the impact of the annual health insurer fee and expenses of \$2,391,917 for the annual health insurer fee.

Type II – Nonrecognized Subsequent Events:

None

NOTES TO FINANCIAL STATEMENTS

	Current Year	Prior Year
A. Did the reporting entity write accident and health insurance premium that is subject of Section 9010 of the federal Affordable Care Act (YES/NO)?	YES	
B. ACA fee assessment payable for the upcoming year	\$ -	\$ 2,500,000
C. ACA fee assessment paid	\$ -	\$ 2,391,917
D. Premium written subject to ACA 9010 assessment	\$ 31,125,335	\$ 118,542,460
E. Total Adjusted Capital before surplus adjustment (Five-Year Historical Line 14)	\$ 39,424,410	
F. Total Adjusted Capital after surplus adjustment (Five-Year Historical Line 14 minus 22B above)	\$ 39,242,410	
G. Authorized Control Level (Five-Year Historical Line 15)		
H. Would reporting the ACA assessment as of December 31, 2016 have triggered an RBC action level (YES/NO)?	NO	
A. ACA fee assessment payable	\$ -	
B. Assessment expected to impact RBC %	0%	

23 Reinsurance

- (A) The Company has no ceded reinsurance.
 (B) The Company did not write off any uncollectible reinsurance balances during the year ended December 31, 2015 or the year-to-date period ended June 30, 2016.
 (C) The Company has no ceded reinsurance.
 (D) None

24 Retrospectively Rated Contracts & Contracts Subject to Redetermination

- (A) The Company's Medicare Part D contract with CMS contains a risk corridor feature. Due to the risk corridor feature, the Company's business is accounted for as a retrospectively rated contract. The Company estimates retrospective premium adjustments using a mathematical approach based on the Company's underwriting experience. As of June 30, 2016, accrued retrospective premium adjustments were reported as aggregate health policy reserves in the amount of \$6,337,489 and as accrued retrospective premiums of \$6,337,489.
 (B) The Company records the risk corridor adjustment as an adjustment to earned premiums.
 (C) The amount of the retrospective premium risk corridor for the six months ended June 30, 2016 represented 27.3% of total premiums written.
 (D) None
 (E) The Company only provides coverage under a Medicare Part D contract and does not provide coverage subject to the ACA risk-sharing provisions.

25 Changes in Incurred Claims and Claim Adjustment Expenses

Changes in reserves for incurred claims and claim adjustment expenses attributable to insured events of prior years are as follows:

Claims unpaid as of January 1, 2016	\$ 9,213,524
Current year claims paid related to prior years	(3,011,767)
Current year claims reversed related to prior years	<u>(4,606,841)</u>
Claims unpaid as of June 30, 2016 related to prior years	<u>\$ 1,594,916</u>

26 Intercompany Pooling Arrangements

- (A) None
 (B) None
 (C) None
 (D) None
 (E) None
 (F) None
 (G) None

27 Structured Settlements

None

28 Health Care Receivables

- (A) The Company has contracted with Magellan Rx for pharmaceutical rebates. Amounts recorded in the Company's financial statements are determined based on the amounts Magellan Rx has collected or expects to collect as invoices or otherwise confirmed by Magellan Rx. The Company reports pharmaceutical rebates due to/from Magellan Rx as healthcare receivables. For the six months ended June 30, 2016, the Company recorded \$28,953,418 as healthcare receivables. As of June 30, 2015 the rebate estimate of \$12,526,845 from the first quarter of 2016 had not been confirmed or collected so the estimate along with the \$15,270 true up that was made in the second quarter of 2016 was non-admitted due to the receivable being over 90 days.

NOTES TO FINANCIAL STATEMENTS

Quarter	Estimated Pharmacy Rebates as Reported on Financial Statements	Pharmacy Rebates As Billed or Otherwise Confirmed	Actual Rebates Received Within 90 days of Billing	Actual Rebates Received Within 91 to 180 Days of Billing	Actual Rebates Received More than 180 Days After Billing
3/31/2016	12,542,115				
6/30/2016	16,411,303				

For the six months ended June 30, 2016, the Company recorded \$2,152,801 as healthcare receivables which are amounts due for the State of Louisiana for the reimbursement of premium taxes paid for calendar year 2016.

(B) The Company has no risk sharing receivables.

29 Participating Policies

None

30 Premium Deficiency Reserves

Premium deficiency reserves are established for the amount of the anticipated claims and other acquisition costs, and maintenance costs that have not previously been expensed in excess of the recorded unearned premium reserve and future installment premiums, if any, on existing contracts. As of December 31, 2015 and June 30, 2016 the Company held no premium deficiency reserves.

31 Anticipated Salvage and Subrogation

None

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:
- 3.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes [X] No []
If yes, complete Schedule Y, Parts 1 and 1A.
- 3.2 Have there been any substantial changes in the organizational chart since the prior quarter end? Yes [] No [X]
- 3.3 If the response to 3.2 is yes, provide a brief description of those changes.
.....
- 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.12/31/2015
- 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.12/31/2010
- 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).08/26/2011
- 6.4 By what department or departments?
Illinois 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 [X]
- 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 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 FDIC	6 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: \$

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: \$0

13. Amount of real estate and mortgages held in short-term investments: \$0

- 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	\$9,105,465		\$11,892,189	
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).....	\$9,105,465		\$11,892,189	
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 For the reporting entity's security lending program, state the amount of the following as of the current statement date:
- 16.1 Total fair value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2 \$0
 - 16.2 Total book adjusted/carrying value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2 \$0
 - 16.3 Total payable for securities lending reported on the liability page \$0

17. 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 1, III – General Examination Considerations, F. Outsourcing of Critical Functions, Custodial or Safekeeping Agreements of the NAIC *Financial Condition Examiners Handbook*? Yes [X] No []

17.1 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
U.S. Bank - Trust Services.....	205 S. 5th Street, P.O. Box 19264, Springfield, IL 62794-9264.....
Wells Fargo N/A.....	P.O. Box 63020, San Francisco, CA 94163.....

17.2 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)

17.3 Have there been any changes, including name changes, in the custodian(s) identified in 17.1 during the current quarter? Yes [] No [X]

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

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

17.5 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

18.1 Have all the filing requirements of the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* been followed? Yes [X] No []

18.2 If no, list exceptions:

.....

GENERAL INTERROGATORIES

PART 2 - HEALTH

1. Operating Percentages:
- | | |
|--|---------|
| 1.1 A&H loss percent..... | 89.0 % |
| 1.2 A&H cost containment percent | (0.1) % |
| 1.3 A&H expense percent excluding cost containment expenses..... | 10.6 % |
- 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..... \$ _____

SCHEDULE S - CEDED REINSURANCE

Showing All New Reinsurance Treaties - Current Year to Date

1 NAIC Company Code	2 ID Number	3 Effective Date	4 Name of Reinsurer	5 Domiciliary Jurisdiction	6 Type of Reinsurance Ceded	7 Type of Reinsurer	8 Certified Reinsurer Rating (1 through 6)	9 Effective Date of Certified Reinsurer Rating
NONE								

STATEMENT AS OF JUNE 30, 2016 OF THE Merit Health Insurance Company

SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS

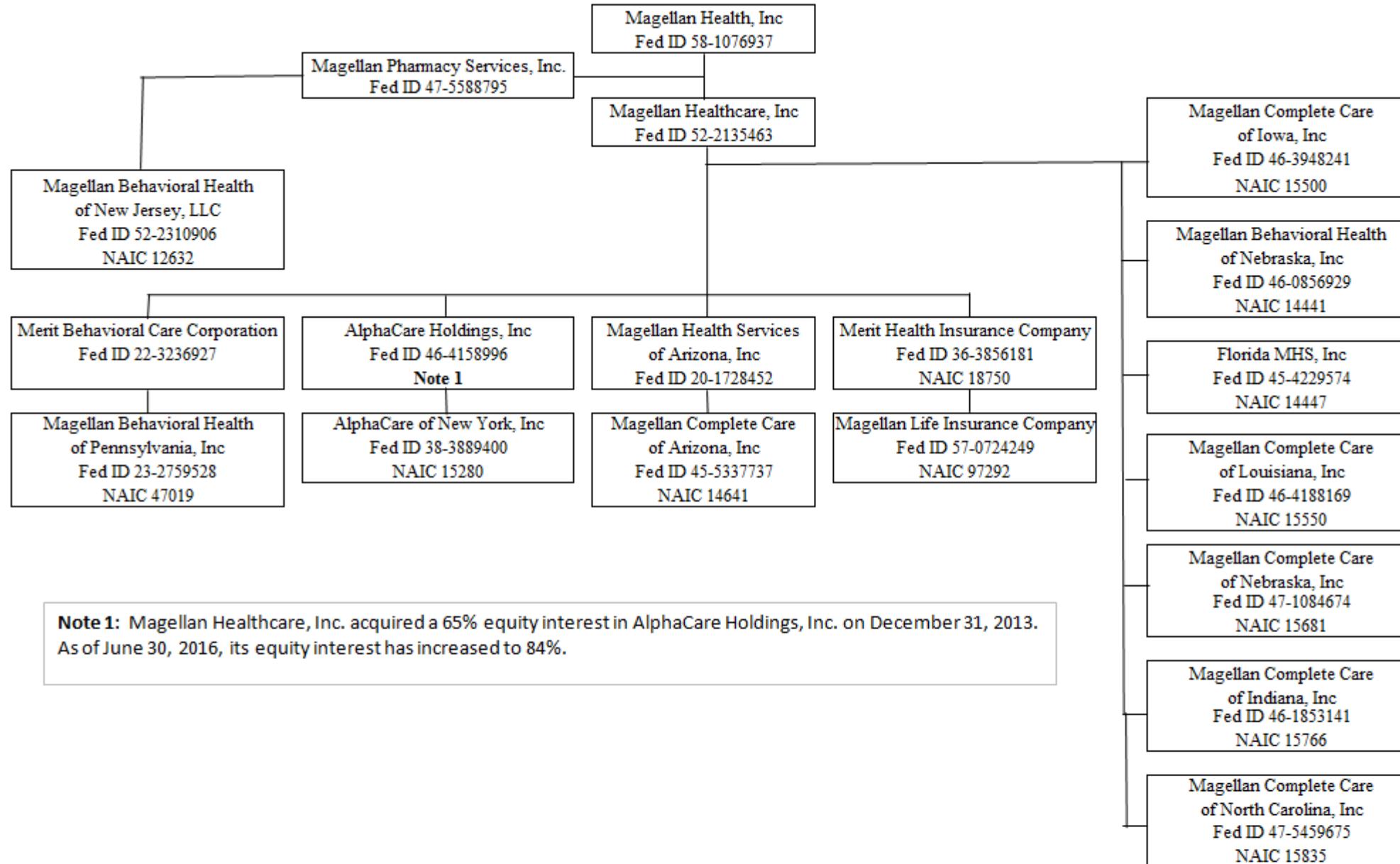
Current Year to Date - Allocated by States and Territories

States, Etc.	1 Active Status	Direct Business Only							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	8 Total Columns 2 Through 7		
1. Alabama	AL	N							0	
2. Alaska	AK	N							0	
3. Arizona	AZ	L	948,905						948,905	
4. Arkansas	AR	L	492,914						492,914	
5. California	CA	N							0	
6. Colorado	CO	L	304,703						304,703	
7. Connecticut	CT	N							0	
8. Delaware	DE	L	165,827						165,827	
9. Dist. Columbia	DC	L	209,431						209,431	
10. Florida	FL	N							0	
11. Georgia	GA	L	913,113						913,113	
12. Hawaii	HI	N							0	
13. Idaho	ID	L	111,304						111,304	
14. Illinois	IL	L	858,573						858,573	
15. Indiana	IN	L	609,283						609,283	
16. Iowa	IA	L	304,424						304,424	
17. Kansas	KS	N							0	
18. Kentucky	KY	L	600,755						600,755	
19. Louisiana	LA	L	405,422		(16,589)				388,833	
20. Maine	ME	L	265,265						265,265	
21. Maryland	MD	L	1,061,073						1,061,073	
22. Massachusetts	MA	N							0	
23. Michigan	MI	L	785,481						785,481	
24. Minnesota	MN	L	202,194						202,194	
25. Mississippi	MS	N							0	
26. Missouri	MO	L	368,241						368,241	
27. Montana	MT	L	97,499						97,499	
28. Nebraska	NE	L	233,697						233,697	
29. Nevada	NV	N							0	
30. New Hampshire	NH	L	255,767						255,767	
31. New Jersey	NJ	N							0	
32. New Mexico	NM	L	53,325						53,325	
33. New York	NY	N	5,041,597						5,041,597	
34. North Carolina	NC	L	1,456,198						1,456,198	
35. North Dakota	ND	L	83,383						83,383	
36. Ohio	OH	N							0	
37. Oklahoma	OK	N							0	
38. Oregon	OR	N							0	
39. Pennsylvania	PA	L	615,181						615,181	
40. Rhode Island	RI	N							0	
41. South Carolina	SC	N							0	
42. South Dakota	SD	L	105,360						105,360	
43. Tennessee	TN	L	1,683,887						1,683,887	
44. Texas	TX	L	1,649,375						1,649,375	
45. Utah	UT	L	106,429						106,429	
46. Vermont	VT	N							0	
47. Virginia	VA	L	3,066,334						3,066,334	
48. Washington	WA	N							0	
49. West Virginia	WV	L	216,550						216,550	
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	CAN	N							0	
58. Aggregate other alien	OT	XXX	0	0	0	0	0	0	0	0
59. Subtotal	XXX		23,271,491	0	(16,589)	0	0	0	23,254,902	0
60. Reporting entity contributions for Employee Benefit Plans	XXX								0	
61. Total (Direct Business)	(a) 30		23,271,491	0	(16,589)	0	0	0	23,254,902	0
DETAILS OF WRITE-INS										
58001	XXX									
58002	XXX									
58003	XXX									
58998 Summary of remaining write-ins for Line 58 from overflow page	XXX		0	0	0	0	0	0	0	0
58999 Totals (Lines 58001 through 58003 plus 58998) (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.

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



Note 1: Magellan Healthcare, Inc. acquired a 65% equity interest in AlphaCare Holdings, Inc. on December 31, 2013. As of June 30, 2016, its equity interest has increased to 84%.

STATEMENT AS OF JUNE 30, 2016 OF THE Merit Health Insurance Company

SCHEDULE Y
PART 1A – DETAIL OF INSURANCE HOLDING COMPANY SYSTEM

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Group Code	Group Name	NAIC Company Code	ID Number	Federal RSSD	CIK	Name of Securities Exchange if Publicly Traded (U.S. or International)	Name of Parent Subsidiaries or Affiliates	Domiciliary Location	Relationship to Reporting Entity	Directly Controlled by (Name of Entity/Person)	Type of Control (Ownership, Board, Management, Attorney-in-Fact, Influence, Other)	If Control is Ownership Provide Percentage	Ultimate Controlling Entity(ies)/ Person(s)	*
					0000019411	NASDAQ	Magellan Health, Inc.		UIP	Stockholders	Ownership - no individual 10% or greater	100.0		.0
01260	Magellan Health, Inc.	12632	52-2310906				Magellan Pharmacy Services, Inc.		NIA	Magellan Health, Inc.	Ownership	100.0	Magellan Health, Inc.	.0
							Magellan Behavioral Health of New Jersey, LLC	NJ	IA	Magellan Pharmacy Services, Inc.	Ownership	100.0	Magellan Health, Inc.	.0
							Magellan Healthcare, Inc.		UDP	Magellan Health, Inc.	Ownership	100.0	Magellan Health, Inc.	.0
01260	Magellan Health, Inc.	47019	23-2759528				Merit Behavioral Care Corporation		NIA	Magellan Healthcare, Inc.	Ownership	100.0	Magellan Health, Inc.	.0
							Magellan Behavioral Health of Pennsylvania, Inc.	PA	IA	Merit Behavioral Care Corporation	Ownership	100.0	Magellan Health, Inc.	.0
01260	Magellan Health, Inc.	18750	36-3856181				Merit Health Insurance Company	IL	RE	Magellan Healthcare, Inc.	Ownership	100.0	Magellan Health, Inc.	.0
01260	Magellan Health, Inc.	97292	57-0724249				Magellan Life Insurance Company	DE	DS	Merit Health Insurance Company	Ownership	100.0	Magellan Health, Inc.	.0
01260	Magellan Health, Inc.	14447	45-4229574				Florida MHS, Inc.	FL	IA	Magellan Healthcare, Inc.	Ownership	100.0	Magellan Health, Inc.	.0
01260	Magellan Health, Inc.	14441	46-0856929				Magellan Behavioral Health of Nebraska, Inc.	NE	IA	Magellan Healthcare, Inc.	Ownership	100.0	Magellan Health, Inc.	.0
							Magellan Health Services of Arizona, Inc.		NIA	Magellan Healthcare, Inc.	Ownership	100.0	Magellan Health, Inc.	.0
01260	Magellan Health, Inc.	14641	45-5337737				Magellan Complete Care of Arizona, Inc.	AZ	IA	Magellan Health Services of Arizona, Inc.	Ownership	100.0	Magellan Health, Inc.	.0
01260	Magellan Health, Inc.	15500	46-3948241				Magellan Complete Care of Iowa, Inc.	IA	IA	Magellan Healthcare, Inc.	Ownership	100.0	Magellan Health, Inc.	.0
							AlphaCare Holdings, Inc.		NIA	Magellan Healthcare, Inc.	Ownership	84.0	Magellan Health, Inc.	.0
01260	Magellan Health, Inc.	15280	38-3889400				AlphaCare of New York, Inc.	NY	IA	AlphaCare Holdings, Inc.	Ownership	84.0	Magellan Health, Inc.	.0
01260	Magellan Health, Inc.	15550	46-4188169				Magellan Complete Care of Louisiana, Inc.	LA	IA	Magellan Healthcare, Inc.	Ownership	100.0	Magellan Health, Inc.	.0
01260	Magellan Health, Inc.	15681	47-1084674				Magellan Complete Care of Nebraska, Inc.	NE	IA	Magellan Healthcare, Inc.	Ownership	100.0	Magellan Health, Inc.	.0
01260	Magellan Health, Inc.	15766	46-1853141				Magellan Complete Care of Indiana, Inc.	IN	IA	Magellan Healthcare, Inc.	Ownership	100.0	Magellan Health, Inc.	.0
01260	Magellan Health, Inc.	15835	47-5459675				Magellan Complete Care of North Carolina, Inc.	NC	IA	Magellan Healthcare, Inc.	Ownership	100.0	Magellan Health, Inc.	.0
												.0		.0
												.0		.0
												.0		.0
												.0		.0

16

Asterisk	Explanation
----------	-------------

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?

.....YES.....

Explanation:

Bar Code:

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	22,269,002	30,548,125
2. Cost of bonds and stocks acquired	7,968,863	7,968,863
3. Accrual of discount	904	2,492
4. Unrealized valuation increase (decrease)	2,786,724	3,523,013
5. Total gain (loss) on disposals	5,624	5,624
6. Deduct consideration for bonds and stocks disposed of	5,843,000	19,457,451
7. Deduct amortization of premium	82,111	321,665
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)	19,131,519	22,269,002
11. Deduct total nonadmitted amounts	0	0
12. Statement value at end of current period (Line 10 minus Line 11)	19,131,519	22,269,002

STATEMENT AS OF JUNE 30, 2016 OF THE Merit Health Insurance Company

SCHEDULE D - PART 1B

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

NAIC Designation	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. NAIC 1 (a).....	38,045,329	14,350,882	29,254,074	(81,867)	38,045,329	23,060,270	0	44,791,925
2. NAIC 2 (a).....	0				0	0	0	2,005,866
3. NAIC 3 (a).....	0				0	0	0	0
4. NAIC 4 (a).....	0				0	0	0	0
5. NAIC 5 (a).....	0				0	0	0	0
6. NAIC 6 (a).....	0				0	0	0	0
7. Total Bonds	38,045,329	14,350,882	29,254,074	(81,867)	38,045,329	23,060,270	0	46,797,791
PREFERRED STOCK								
8. NAIC 1.....	0				0	0	0	0
9. NAIC 2.....	0				0	0	0	0
10. NAIC 3.....	0				0	0	0	0
11. NAIC 4.....	0				0	0	0	0
12. NAIC 5.....	0				0	0	0	0
13. NAIC 6.....	0				0	0	0	0
14. Total Preferred Stock.....	0	0	0	0	0	0	0	0
15. Total Bonds & Preferred Stock	38,045,329	14,350,882	29,254,074	(81,867)	38,045,329	23,060,270	0	46,797,791

(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 \$

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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	13,822,215	XXX	13,855,555	1,073	41,541

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.....	31,634,782	21,330,383
2. Cost of short-term investments acquired	19,909,805	61,720,589
3. Accrual of discount	3,988	0
4. Unrealized valuation increase (decrease).....		0
5. Total gain (loss) on disposals		(1,705)
6. Deduct consideration received on disposals	37,524,181	50,649,861
7. Deduct amortization of premium.....	202,178	764,624
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).....	13,822,215	31,634,782
11. Deduct total nonadmitted amounts.....		0
12. Statement value at end of current period (Line 10 minus Line 11)	13,822,215	31,634,782

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.....	1,999,471	0
2. Cost of cash equivalents acquired	12,401,805	11,994,207
3. Accrual of discount	5,792	5,263
4. Unrealized valuation increase (decrease)		0
5. Total gain (loss) on disposals.....		0
6. Deduct consideration received on disposals	12,399,711	10,000,000
7. Deduct amortization of premium	8,632	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)	1,998,724	1,999,471
11. Deduct total nonadmitted amounts		0
12. Statement value at end of current period (Line 10 minus Line 11)	1,998,724	1,999,471

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, 2016 OF THE Merit Health Insurance Company

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	Foreign	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	Stated Contractual Maturity Date	NAIC Designation or Market Indicator (a)
Bonds - Industrial and Miscellaneous (Unaffiliated)																					
63946B-AC-4	Comcast Note		04/01/2016	Matured		2,343,000	2,343,000	2,425,989	2,356,462		(13,642)		(13,642)		2,343,000			0	33,681	04/01/2016	1
05531F-AF-0	BB&T Corporate Bond		04/29/2016	Matured		1,500,000	1,500,000	1,550,850	1,516,716		(16,716)		(16,716)		1,500,000			0	29,625	04/29/2016	1
713448-BT-4	PepsiCo Bond		05/10/2016	Matured		2,000,000	2,000,000	2,041,000	2,014,328		(14,328)		(14,328)		2,000,000			0	25,000	05/10/2016	1
3899999 - Bonds - Industrial and Miscellaneous (Unaffiliated)						5,843,000	5,843,000	6,017,839	5,887,505	0	(44,685)	0	(44,685)	0	5,843,000	0	0	0	88,306	XXX	XXX
8399997 - Subtotals - Bonds - Part 4						5,843,000	5,843,000	6,017,839	5,887,505	0	(44,685)	0	(44,685)	0	5,843,000	0	0	0	88,306	XXX	XXX
8399999 - Subtotals - Bonds						5,843,000	5,843,000	6,017,839	5,887,505	0	(44,685)	0	(44,685)	0	5,843,000	0	0	0	88,306	XXX	XXX
9999999 Totals						5,843,000	XXX	6,017,839	5,887,505	0	(44,685)	0	(44,685)	0	5,843,000	0	0	0	88,306	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 - Section 1

NONE

Schedule DB - Part D - Section 2

NONE

Schedule DL - Part 1

NONE

Schedule DL - Part 2

NONE



**SUPPLEMENT FOR THE QUARTER ENDING JUNE 30, 2016 OF THE Merit Health Insurance Company
 MEDICARE PART D COVERAGE SUPPLEMENT**

(Net of Reinsurance)

NAIC Group Code.....01260

NAIC Company Code.....18750

	Individual Coverage		Group Coverage		5 Total Cash
	1 Insured	2 Uninsured	3 Insured	4 Uninsured	
1. Premiums Collected.....	22,308,197	XXX		XXX	22,308,197
2. Earned Premiums	29,608,979	XXX		XXX	XXX
3. Claims Paid.....	38,193,342	XXX		XXX	38,193,342
4. Claims Incurred.....	29,138,862	XXX		XXX	XXX
5. Reinsurance Coverage and Low Income Cost Sharing – Claims Paid Net of Reimbursements Applied (a).....	XXX	17,738,314	XXX		17,738,314
6. Aggregate Policy Reserves - Change.....		XXX		XXX	XXX
7. Expenses Paid.....	1,885,973	XXX		XXX	1,885,973
8. Expenses Incurred.....	1,885,973	XXX		XXX	XXX
9. Underwriting Gain or Loss.....	(1,415,856)	XXX	0	XXX	XXX
10. Cash Flow Result	XXX	XXX	XXX	XXX	(35,509,432)

(a) Uninsured Receivable/Payable with CMS at End of Quarter: \$20,073,425 due from CMS or \$0 due to CMS