

STATE OF INDIANA )  
 ) SS: BEFORE THE INDIANA  
COUNTY OF MARION ) COMMISSIONER OF INSURANCE

IN THE MATTER OF: )  
 )  
MDWise, Inc. )  
1200 Madison Avenue, Suite 400 )  
Indianapolis, Indiana 46225-1616 )

Examination of **MDWise, Inc.**

**NOTICE OF ENTRY OF ORDER**

Enclosed is the Final Order entered by Stephen W. Robertson, Commissioner of the Indiana Department of Insurance, after fully considering and reviewing the Verified Report of Examination of **MDWise, Inc.**, any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as sent to you on February 14, 2012, has been adopted by the Commissioner.

Pursuant to Ind. Code § 27-1-3.1-12(b), within thirty (30) days of receipt of the Final Order, each director of **MDWise, Inc.** shall file an affidavit with the Indiana Department of Insurance stating that he/she has received a copy of the Verified Report of Examination and the Final Order.

The Final Order is a final administrative decision that may be appealed pursuant to Ind. Code § 4-21.5-5.

4/10/12  
Date

Cynthia D. Donovan  
Cynthia D. Donovan  
Chief Financial Examiner

**CERTIFIED MAIL NUMBER: 7005 3110 0002 4443 9322**

STATE OF INDIANA )  
 ) SS: BEFORE THE INDIANA  
COUNTY OF MARION ) COMMISSIONER OF INSURANCE

IN THE MATTER OF: )  
 )  
MDWise, Inc. )  
1200 Madison Avenue, Suite 400 )  
Indianapolis, Indiana 46225-1616 )

Examination of **MDWise, Inc.**

### FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the **MDWise, Inc.** (hereinafter "Company") for the time period January 1, 2008 through December 31, 2010.

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter "Commissioner") by the Examiner on January 24, 2012.

A copy of the Verified Report of Examination, along with a Notice of Opportunity to Make Written Submission or Rebuttal, was mailed to the Company via Certified Mail on February 14, 2012 and was received by the Company on February 16, 2012.

The Company did not file any objections.


NOW THEREFORE, based on the Verified Report of Examination, I hereby make the following **FINDINGS**:

1. That the Verified Report of Examination is a true and accurate report of the financial condition and affairs of the **MDWise, Inc.** as of December 31, 2010.
2. That the Examiner's Recommendations are reasonable and necessary in order for the **MDWise, Inc.** to comply with the laws of the State of Indiana.

Based on the FINDINGS, the Commissioner does hereby ORDER:

1. Pursuant to Ind. Code § 27-1-3.1-11(a)(1), the Verified Report of Examination is adopted and shall be filed. Hereafter the Verified Report of Examination, may constitute prima facie evidence of the facts contained therein in any action or proceeding taken by the Indiana Department of Insurance against the Company, its officers, directors, or agents.
2. The Company shall comply with the Examiner's Recommendations enumerated in summary form and throughout the text of the Verified Report of Examination. A written response to these recommendations should be provided to the Department within 30 days of receipt of this order.
3. Compliance with the Examiner's recommendations shall be completed on or before the filing of the subsequent annual statement. In the event it is not feasible to comply with a recommendation before the filing of the subsequent annual statement, the Company shall submit a written explanation as to why it was not feasible with the filing of the annual statement.

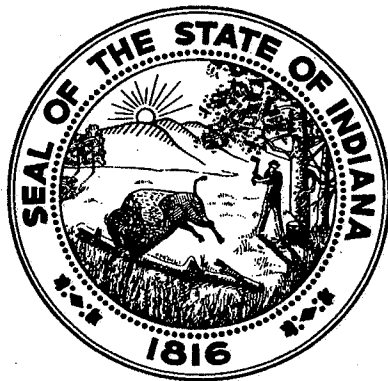
Signed and Sealed this 18<sup>th</sup> day of  
April, 2012.

  
Stephen W. Robertson  
Insurance Commissioner  
Indiana Department of Insurance

**STATE OF INDIANA**  
**Department of Insurance**  
**REPORT OF EXAMINATION**  
**OF**

**MDWISE, INC.**  
NAIC Co. CODE 95807  
NAIC GROUP CODE 4637

As of  
December 31, 2010



## TABLE OF CONTENTS

SALUTATION.....	1
SCOPE OF EXAMINATION .....	2
HISTORY.....	2
CAPITAL AND SURPLUS .....	2
TERRITORY AND PLAN OF OPERATION .....	3
GROWTH OF THE COMPANY.....	4
MANAGEMENT AND CONTROL.....	4
Directors.....	4
Officers.....	5
CONFLICT OF INTEREST.....	6
CORPORATE RECORDS .....	6
Articles of Incorporation .....	6
Bylaws.....	6
Minutes.....	6
AFFILIATED COMPANIES.....	6
Organizational Structure.....	6
Affiliated Agreements .....	7
FIDELITY BOND AND OTHER INSURANCE .....	7
PENSION, STOCK OWNERSHIP AND INSURANCE PLANS.....	7
STATUTORY DEPOSITS.....	8
REINSURANCE .....	8
ACCOUNTS AND RECORDS .....	8
FINANCIAL STATEMENTS.....	9
Assets.....	9
Liabilities, Capital and Surplus .....	10
Statement of Revenue and Expenses.....	11
Reconciliation of Capital and Surplus.....	12
COMMENTS TO THE FINANCIAL STATEMENTS .....	13
OTHER SIGNIFICANT ISSUES .....	13
SUBSEQUENT EVENTS.....	13
AFFIDAVIT.....	14



# STATE OF INDIANA

MITCHELL E. DANIELS, JR., Governor

# IDOI

**INDIANA DEPARTMENT OF INSURANCE**  
311 W. WASHINGTON STREET, SUITE 300  
INDIANAPOLIS, INDIANA 46204-2787  
TELEPHONE: (317) 232-2385  
FAX: (317) 232-5251

Stephen W. Robertson, Commissioner

January 25, 2012

Honorable Stephen W. Robertson, Commissioner  
Indiana Department of Insurance  
311 West Washington Street, Suite 300  
Indianapolis, Indiana 46204-2787

Dear Commissioner:

Pursuant to the authority vested in Appointment Number 3681, an examination has been made of the affairs and financial condition of:

**MDwise, Inc.**  
**1200 Madison Avenue, Suite 400**  
**Indianapolis, Indiana 46225**

hereinafter referred to as the "Company," an Indiana domestic health maintenance organization. The examination was conducted at the corporate offices of the Company in Indianapolis, Indiana.

The Report of Examination, reflecting the status of the Company as of December 31, 2010, is hereby respectfully submitted.

ACCREDITED BY THE  
NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

AGENCY SERVICES  
(317) 232-2413

COMPANY COMPLIANCE  
(317) 233-0697

CONSUMER SERVICES  
(317) 232-2395  
In-State 1-800-622-4461

EXAMINATIONS / FINANCIAL SERVICES  
(317) 232-2390

MEDICAL MALPRACTICE  
(317) 232-2402

SECURITIES / COMPANY RECORDS  
(317) 232-1991

## SCOPE OF EXAMINATION

The Company was last examined by representatives of the Indiana Department of Insurance (INDOI) as of the period ending December 31, 2007. The present risk-focused examination was conducted by Noble Consulting Services, Inc. and covered the period from January 1, 2008, through December 31, 2010.

David M. Shepherd, FCAS, MAAA, of Merlinos & Associates, Inc. was appointed by the INDOI and conducted a review of the Company's statutory reserves as of December 31, 2010. There were no actuarial adjustments or recommendations resulting from the review performed by Merlinos & Associates, Inc.

Noble conducted the risk-focused examination pursuant to and in accordance with the NAIC *Financial Condition Examiners Handbook* (Handbook). The Handbook requires that we plan and perform the examination to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company including corporate governance, identifying and assessing inherent risks within the Company, and evaluating system controls and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with Statutory Accounting Principles, and annual statement instructions when applicable to domestic state regulations.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process.

## HISTORY

The Company is a not-for-profit managed health care plan that began its operations in 1994. On December 29, 2006, the Company purchased 100% of the stock of IU Health Plan, Inc. (IUHP). IUHP was merged with and into the Company as of January 1, 2007. The acquisition of IUHP resulted in the Company assuming IUHP's Indiana health maintenance organization (HMO) license.

The Company is jointly controlled by Clarian Health Partners, Inc. (Clarian), currently known as Indiana University Health, Inc., and Health and Hospital Corporation of Marion County, Indiana (HHC). Effective June 15, 2011, Clarian changed its name to Indiana University Health, Inc. The two (2) not-for-profit parent companies are incorporated in the state of Indiana and are provider delivery system companies.

## CAPITAL AND SURPLUS

The Company had no stock authorized or outstanding as of December 31, 2010. The Company had gross paid-in and contributed surplus totaling \$842,273.

On December 29, 2006, the Company received contributed surplus from its parents, Clarian and HHC, in the amount of \$6,000,000 each for a total of \$12,000,000. This contribution was in the form of prepayment agreements and is discussed in detail in the Affiliated Agreements section of this Report of Examination.

On January 1, 2007, the Company issued a subordinated surplus note in the amount of \$3,500,000 to AmeriHealth Mercy of Indiana, LLC (AmeriHealth) to provide additional capital in an effort to meet the statutory net worth and risk-based capital requirements applicable to Indiana HMOs. The amount of the note is directly related to the number of lives and amount of premium allocated to AmeriHealth in association with the Hoosier Healthwise Agreement. Under the terms of the note, the Company is required to submit quarterly filings to the INDOI for approval of any increase to the note. There were increases of \$4,500,000 and \$3,000,000 in 2007 and 2008, respectively. On November 11, 2010, the Company paid \$1,873,830 on its surplus note. This payment consisted of a principal payment of \$1,750,000 and an interest payment of \$123,830. As of December 31, 2010, the amount of the surplus note issued to AmeriHealth totaled \$9,250,000. The INDOI approved each of the filings made by the Company.

### **TERRITORY AND PLAN OF OPERATION**

The Company provides services and care to Indiana Medicaid enrollees participating in the Hoosier Healthwise program in the state of Indiana. Effective January 1, 2007, the Company was awarded a four (4) year Medicaid contract which expired December 31, 2010, through the Office of Medicaid Policy and Planning (OMPP) and the Office of Children's Health Insurance Program. Under this program, the Company serves approximately 270,000 members. All risk associated with this program remains with the delivery systems, except for the risk associated with the pharmacy expenses which the state of Indiana became responsible for beginning December 31, 2009. The Company was awarded a four (4) year contract with the state of Indiana for the Hoosier Healthwise program to continue effective January 1, 2011.

Effective October 1, 2007, the Company received a contract to provide services for the Indiana Care Select program (Care Select) on behalf of the Family and Social Services Administration's OMPP. This contract continued until September 30, 2011. There is no health risk associated with the Care Select program as it is an administrative services contract. This program focuses on tailoring benefits for the aged, blind, and disabled. Within this program, there are three (3) primary areas of service. Care Management provides individualized services and assistance in gaining access to needed educational, medical, social, and other services. The Chronic Disease management program is population-based and also targets specific diseases such as asthma, congestive heart failure, diabetes, and hypertension. Prior Authorization Management ensures that there is appropriate use of facilities, pharmacies, services, and supplies.

As of January 1, 2008, the Company was granted a contract for the Healthy Indiana Plan (HIP) program, which the OMPP considers an extension of Medicaid, which expired December 31, 2010. Under this program, the Company provided a full scope of health coverages to low income, uninsured Hoosiers, ages nineteen (19) to sixty-four (64). HIP is designed to offer a basic health insurance benefit plan, subject to individual contributions, and paired with a personal health account referred to as a Power Account to Hoosiers without access to employer sponsored health insurance. All risk associated with this program remains with the delivery systems, except for the risk associated with the pharmacy expenses which the state of Indiana became responsible for beginning December 31, 2009. The Company was awarded a four (4) year contract with the state of Indiana for the HIP program to continue effective January 1, 2011.

The Company utilizes a fully integrated, geographically accessible network of ancillary providers, behavioral health providers, community health centers, hospitals, and physicians to provide care to Hoosier Healthwise and HIP members. A delivery system model of managed care is used to provide a coordinated comprehensive approach to improving clinical outcomes and managing the cost and



utilization of health care services. The Company has eight (8) delivery systems with whom they develop their own integrated health care delivery system and maintain contracts with physicians, hospitals, and other providers. The Company does not hold any risk with the programs they offer. All risk lies within each delivery system, who follow common rules and participate in common programs developed for all Company delivery systems. The Company handles all operational duties, either internally or through a delegation agreement with the delivery systems.

**GROWTH OF THE COMPANY**

The following exhibit summarizes the financial results of the Company during the examination period:

<u>Year</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Capital and Surplus</u>	<u>Total Revenues</u>	<u>Net Income</u>
2010	\$ 46,658,226	\$ 8,778,606	\$ 37,879,620	\$ 478,389,428	\$ 2,123,113
2009	52,478,444	12,313,201	40,165,242	622,715,177	6,610,274
2008	49,656,334	11,965,779	37,690,555	593,334,581	9,050,901

Admitted assets decreased from 2009 to 2010, mainly due to the reduction in rates associated with maternity delivery payments and the reduction in the number of deliveries considered receivable at the end of 2010. Liabilities decreased from 2009 to 2010, as a result of a decrease in claims unpaid and funds due to the Company’s delivery systems for the Hoosier Healthwise program, partially offset by an increase in accrued liabilities for operating expenses.

Capital and surplus fluctuated during the examination period primarily due to profitability of the contracts with the state of Indiana. At December 31, 2009, the state of Indiana took over responsibility of pharmacy expenses, which caused a decrease in premium per member, directly affecting the Company’s total revenues and net income from 2009 to 2010. A decrease in HIP membership also contributed to the decline in total revenues from 2009 to 2010. Total revenues increased from 2008 to 2009, partially due to a rate increase, but primarily due to a change in the mix of members by region and aide category into higher paying categories. Net income decreased from 2008 to 2009, as a result of an increase in operating expenses due to the growth of business.

**MANAGEMENT AND CONTROL**

**Directors**

The Bylaws provide that the affairs, business, and property of the Company shall be controlled and managed by, and under the supervision of, a Board of Directors that shall have no fewer than six (6) members. The Jurat page of the Company’s Annual Statement did not report all of the directors serving on the Board of Directors as of December 31, 2010. See the Other Significant Issues section of this Report of Examination for further commentary.

The following is a listing of persons serving as directors for the Company and their principal occupations as of December 31, 2010:

<u>Name and Address</u>	<u>Principal Occupation</u>
Constance D. Brown Indianapolis, Indiana	Chief Operating Officer and Chief Financial Officer Indiana University Health Plans, Inc.
Victoria J. Castor Indianapolis, Indiana	Vice President, Governmental Affairs Indiana University Health, Inc.
Lee R. Campbell, M.D. Indianapolis, Indiana	Medical Director Indiana University Health, Inc.
Mike R. Edwards Indianapolis, Indiana	Assistant Vice President, Revenue Cycle Wishard Health Services
John F. Fitzgerald, M.D. Indianapolis, Indiana	Internist Indiana University Health Physicians
Lisa E. Harris, M.D. Indianapolis, Indiana	Chief Executive Officer and Medical Director Wishard Health Services
Lee R. Livin Indianapolis, Indiana	Chief Financial Officer Wishard Health Services
Linda K. Roberts Indianapolis, Indiana	Vice President, Managed Care Indiana University Health, Inc.
Daniel E. Sellers Indianapolis, Indiana	Chief Financial Officer and Treasurer Health and Hospital Corporation of Marion County, Indiana
Alex P. Slabosky Indianapolis, Indiana	President and Chief Executive Officer Indiana University Health Plans, Inc.

Officers

The Bylaws state that the officers of the Company shall consist of a President, a Secretary, a Treasurer, and such other officers as the Board of Directors may, by resolution, designate from time to time. Each officer shall be elected by the Board of Directors at the annual meeting of the Board of Directors. Any two (2) or more offices may be held by the same person, except that the President and the Treasurer must be different persons. The following is a list of key officers and their respective titles as of December 31, 2010:

<u>Name</u>	<u>Office</u>
Charlotte MacBeth	President
Katherine Wentworth	Secretary
Terry Cole	Treasurer

## CONFLICT OF INTEREST

Directors and officers are required to review and sign Conflict of Interest statements annually. It was determined that directors listed in the Management and Control section of this Report of Examination have reviewed and signed their statements as of December 31, 2010. However, the officers listed in the Management and Control section of this Report of Examination had not reviewed and signed their statements as of December 31, 2010. See the Other Significant Issues section of this Report of Examination for further commentary.

## CORPORATE RECORDS

### Articles of Incorporation

There were no amendments made to the Articles of Incorporation during the examination period.

### Bylaws

The Bylaws were amended and restated in May 2009, to reflect the new address of the Company and the Chairman of the Board's duties and responsibilities.

### Minutes

The Board of Directors, Finance/Executive Committee, and Medicaid Operating Board meeting minutes were reviewed for the period under examination through the fieldwork date. Significant actions taken during each meeting were noted. During review of the Board of Directors meeting minutes, it was determined the officers of the Company were not elected by the Board of Directors in accordance with the Company's Bylaws. See the Other Significant Issues section of this Report of Examination.

## AFFILIATED COMPANIES

### Organizational Structure

The following is an organizational chart as of December 31, 2010:

	NAIC Co. <u>Code</u>	Domiciliary <u>State</u>
Clarian Health Partners, Inc.		
Clarian Health Plans, Inc.*	13164	IN
Health and Hospital Corporation of Marion County, Indiana		
<b>MDwise, Inc.**</b>	<b>95807</b>	<b>IN</b>

\* Wholly-owned by Clarian Health Partners, Inc.

\*\* 50% controlled by Clarian Health Partners, Inc. and 50% controlled by Health and Hospital Corporation of Marion County, Indiana

### Affiliated Agreements

The following affiliated agreements and transactions were disclosed as part of the Form B – Holding Company Registration Statement and were filed with the INDOI as required, in accordance with Indiana Code 27-1-23-4.

#### *Prepayment Agreement*

The Company is party to Prepayment Agreements with Clarian and HHC. Clarian and HHC prepaid administrative fees in the amount of \$6,000,000 each to provide needed capital to the Company. The effect of the prepayment provides the delivery systems a credit toward the administrative fee due to the Company. The Company applies a portion of the prepaid credit amount to the administrative fee withheld from the capitation payment as outlined in the Hoosier Healthwise Delivery System Agreement. The capitation payment made to the delivery system is 94%, net of reinsurance, while the Company withholds 2% as the administrative fee. This fee will continue until the prepaid credit amount has been exhausted. During 2010, the Company paid back contributed surplus in the amount of \$1,139,467 and \$699,965, to Clarian and HHC, respectively. The final payment to HHC was made during the second quarter of 2010, and the final payment to Clarian is anticipated to be made during the third quarter of 2011.

#### *Delivery System Agreement*

The Company holds identical Delivery System agreements with each of its affiliates, Clarian and HHC, in connection with the Hoosier Healthwise program as well as the HIP program. Clarian and HHC each agree to act as a delivery system with respect to the managed care benefits the Company has contracted to provide to Indiana Medicaid members under each program. The delivery system agrees to provide certain services to the individuals covered by the programs and those who have been assigned to the Company Plan. All benefits are provided on a fully capitated basis.

### **FIDELITY BOND AND OTHER INSURANCE**

The Company protects itself against loss from fraudulent or dishonest acts by its employees through a fidelity bond issued by Federal Insurance Company. The bond has blanket coverage of \$3,000,000 with a \$100,000 deductible. The amount meets the prescribed minimum coverage specified by the NAIC.

The Company had additional types of coverage in-force at December 31, 2010, including, but not limited to, automobile liability, directors and officers liability, fiduciary liability, property and general liability, umbrella liability, and workers' compensation.

### **PENSION, STOCK OWNERSHIP AND INSURANCE PLANS**

The Company has a defined contribution pension plan covering all employees. The Company contributes 6.75% of each employee's compensation to the plan each year for those employees whose pay is equal to or less than the Federal Insurance Contributions Act limit. The Company contributes an additional 3.75% for those employees whose annual compensation is in excess of the Federal Insurance Contributions Act limit. During 2010, the Company contributed \$594,944 to the plan.

### STATUTORY DEPOSITS

The Company reported a statutory deposit held for the benefit of all policyholders comprised of a certificate of deposit pursuant to INDOI requirements in the amount of \$500,000.

### REINSURANCE

As all medical costs are covered under comprehensive capitated delivery system agreements, the Company limits the exposure of its delivery systems in the Hoosier Healthwise program through a reinsurance agreement with ACE American Insurance Company. This agreement provides for 80% reinsurance in excess of a specified deductible per member ranging from \$100,000 to \$200,000 based on the delivery system. In addition to a specified deductible, which is stated in terms of per covered person, the agreement requires satisfaction of a minimum aggregated specific deductible. The aggregated specific deductible is the greater of \$250,000 or an amount calculated using a formula based on a per member per month basis. Once both the specific deductible and the aggregated specific deductible have been satisfied, the reinsurer will reimburse the Company subject to a maximum benefit per covered person per policy period of \$2,000,000. During 2010, the Company paid a premium of \$8,035,035 and reported losses of \$5,852,769.

The Company also limits the exposure of its delivery systems in the HIP program on a per member basis to a maximum of no more than \$100,000 through a reinsurance agreement with ACE American Insurance Company. This agreement provides for 90% reinsurance in excess of a specified deductible per member. The maximum benefit per covered person per policy period is \$600,000. During 2010, the Company paid a premium of \$138,204 and reported no losses.

### ACCOUNTS AND RECORDS

The Company's accounting procedures, practices, account records, and supporting data were reviewed and tested to the extent deemed necessary. The trial balances prepared from the Company's general ledger for the years ended December 31, 2009, and 2010, were reconciled to the respective Annual Statements with no material exceptions noted. The Annual Statements for the years ended December 31, 2008, through 2010, were reconciled to each year's independent audit report with no material exceptions noted.

**MDWISE, INC.**

**FINANCIAL STATEMENTS**

**Assets**

	<b>As of December 31, 2010</b>			
	<b><u>Per Annual Statement</u></b>	<b><u>Examination Adjustments</u></b>	<b><u>Per Examination</u></b>	<b><u>December 31, Prior Year</u></b>
<b>Assets:</b>				
Bonds	\$ 35,619,829	\$ -	\$ 35,619,829	\$ 18,575,967
Stocks:				
Common stocks	1,531,020	-	1,531,020	1,593,455
Cash, cash equivalents and short-term investments	8,340,452	-	8,340,452	29,734,890
<b>Subtotals, cash and invested assets</b>	<b>45,491,301</b>	<b>-</b>	<b>45,491,301</b>	<b>49,904,312</b>
Investment income due and accrued	149,131	-	149,131	55,659
Premiums and considerations:				
Uncollected premiums and agents' balances in the course of collection	10,280,805	-	10,280,805	16,020,079
Electronic data processing equipment and software	274,487	-	274,487	992,988
Aggregate write-ins for other than invested assets	(9,537,498)	-	(9,537,498)	(14,494,594)
<b>Total assets</b>	<b>\$ 46,658,226</b>	<b>\$ -</b>	<b>\$ 46,658,226</b>	<b>\$ 52,478,444</b>

**MDWISE, INC.**

**FINANCIAL STATEMENTS**

**Liabilities, Capital and Surplus**

	As of December 31, 2010			
	<u>Per Annual Statement</u>	<u>Examination Adjustments</u>	<u>Per Examination</u>	<u>December 31, Prior Year</u>
<b>Liabilities:</b>				
Claims unpaid	\$ -	\$ -	\$ -	\$ 1,666,653
Unpaid claims adjustment expenses	-	-	-	70,833
General expenses due or accrued	3,642,797	-	3,642,797	3,140,803
Amounts withheld or retained for the account of others	6,935	-	6,935	-
Liability of amounts held under uninsured plans	1,365,704	-	1,365,704	860,516
Aggregate write-ins for other liabilities	3,763,171	-	3,763,171	6,574,396
<b>Total liabilities</b>	<b>8,778,606</b>	<b>-</b>	<b>8,778,606</b>	<b>12,313,201</b>
Gross paid in and contributed surplus	842,273	-	842,273	2,659,461
Surplus notes	9,250,000	-	9,250,000	11,000,000
Unassigned funds (surplus)	27,787,346	-	27,787,346	26,505,781
<b>Total capital and surplus</b>	<b>37,879,620</b>	<b>-</b>	<b>37,879,620</b>	<b>40,165,242</b>
<b>Total liabilities, capital and surplus</b>	<b>\$ 46,658,226</b>	<b>\$ -</b>	<b>\$ 46,658,226</b>	<b>\$ 52,478,444</b>

**MDWISE, INC.**

**FINANCIAL STATEMENTS**

**Statement of Revenue and Expenses**

	As of December 31, 2010			
	Per Annual Statement	Examination Adjustments	Per Examination	December 31, Prior Year
Member Months	3,604,444	-	3,604,444	3,437,365
Net premium income	\$ 478,389,428	\$ -	\$ 478,389,428	\$ 622,715,177
<b>Total Revenue</b>	<b>478,389,428</b>	<b>-</b>	<b>478,389,428</b>	<b>622,715,177</b>
<b>Hospital and Medical:</b>				
Hospital/medical benefits	257,663,445	-	257,663,445	325,537,170
Other professional services	82,027,342	-	82,027,342	53,695,027
Outside referrals	46,843,556	-	46,843,556	31,499,830
Emergency room and out-of-area	18,835,696	-	18,835,696	17,493,943
Prescription drugs	454,472	-	454,472	108,398,053
Aggregate write-ins for other hospital and medical	5,291,991	-	5,291,991	4,515,466
<b>Total hospital and medical</b>	<b>411,116,501</b>	<b>-</b>	<b>411,116,501</b>	<b>541,139,488</b>
Claims adjustment expenses	47,434,425	-	47,434,425	66,017,243
General administrative expenses	17,102,213	-	17,102,213	9,526,195
<b>Total underwriting deductions</b>	<b>475,653,139</b>	<b>-</b>	<b>475,653,139</b>	<b>616,682,927</b>
<b>Net underwriting gain or (loss)</b>	<b>2,736,289</b>	<b>-</b>	<b>2,736,289</b>	<b>6,032,250</b>
Net investment income earned	416,881	-	416,881	179,221
Net realized capital gains (losses) less capital gains tax	20,086	-	20,086	398,705
<b>Net investment gains (losses)</b>	<b>436,967</b>	<b>-</b>	<b>436,967</b>	<b>577,926</b>
Aggregate write-ins for other income or expenses	(1,050,143)	-	(1,050,143)	98
Net income or (loss) after capital gains tax and before all other federal income taxes	2,123,113	-	2,123,113	6,610,274
<b>Net income (loss)</b>	<b>\$ 2,123,113</b>	<b>\$ -</b>	<b>\$ 2,123,113</b>	<b>\$ 6,610,274</b>



**MDWISE, INC.**

**FINANCIAL STATEMENTS**

**Reconciliation of Capital and Surplus**

	<b><u>2010</u></b>	<b><u>2009</u></b>	<b><u>2008</u></b>
<b>Capital and Surplus Account:</b>			
Capital and surplus prior reporting year	\$ 40,165,242	\$ 37,690,555	\$ 32,144,317
Net income or (loss)	2,123,113	6,610,274	9,050,901
Change in net unrealized capital gains (losses) less			
capital gains tax	59,904	195,864	(252,400)
Change in nonadmitted assets	(901,452)	(972,776)	102,018
Change in surplus notes	(1,750,000)	-	-
Surplus adjustments:			
Paid in	(1,817,188)	(3,510,675)	(2,479,855)
Aggregate write-ins for gains or (losses) in surplus	-	152,000	(874,427)
<b>Net change in capital and surplus</b>	<b><u>(2,285,623)</u></b>	<b><u>2,474,687</u></b>	<b><u>5,546,237</u></b>
<b>Capital and surplus end of reporting period</b>	<b><u>\$ 37,879,620</u></b>	<b><u>\$ 40,165,242</u></b>	<b><u>\$ 37,690,554</u></b>

## COMMENTS TO THE FINANCIAL STATEMENTS

There were no recommended adjustments to surplus as of December 31, 2010, based on the results of this examination.

### OTHER SIGNIFICANT ISSUES

As of December 31, 2010, the Jurat page of the Annual Statement did not report all the directors serving on the Board of Directors. Mike R. Edwards was not listed on the Jurat page of the 2010 Annual Statement. For future reporting periods the Company should report all directors serving on the Board of Directors on the Annual Statement Jurat page.

As of December 31, 2010, the officers listed in the Management and Control section of this Report of Examination had not reviewed and signed Conflict of Interest statements for 2010. The officers should review and sign Conflict of Interest statements on an annual basis in accordance with Company policy.

The officers listed in the Management and Control section of this Report of Examination were not elected at the annual Board of Directors meeting as stipulated in Article III, Section 1 of the Company's Bylaws. The Board of Directors should elect the officers of the Company at the annual Board of Directors meeting to be in compliance with its Bylaws.

### SUBSEQUENT EVENTS

On January 5, 2011, Community Hospitals of Indiana, Inc. (Community) filed a complaint for damages against the Company and Comprehensive Behavioral Care, Inc. Community alleges breach of contract, account stated, quantum meruit and unjust enrichment against both parties and tortious interference with contract and tortious interference with business relationship against the Company. Community alleges it is owed in excess of \$1,652,000. The Company has recorded a contingent liability in the amount of \$1,054,454 as of December 31, 2010.

On March 22, 2011, the Company made a principal payment of \$4,000,000 on its AmeriHealth master surplus note. The INDOI approved the payment on February 11, 2011.

Effective June 15, 2011, Clarian Health Partners, Inc. changed its name to Indiana University Health, Inc. The change was made to reflect a new branding/marketing strategy.

During 2011, the Company paid back contributed surplus to Clarian in the amount of \$842,739. The final payment of the prepayment agreement between the Company and Clarian was made in September 2011.

During 2011, the state of Indiana, through its Family and Social Services Administration's OMPP, exercised its option to extend the Care Select program with the Company through September 30, 2012.

**AFFIDAVIT**

This is to certify that the undersigned is a duly qualified Examiner-in-Charge appointed by the Indiana Department of Insurance and that she, in coordination with staff assistance from Noble Consulting Services, Inc. and actuarial assistance from Merlinos & Associates, Inc., performed an examination of **MDwise, Inc.** as of December 31, 2010.

The Indiana Department of Insurance is accredited under the National Association of Insurance Commissioners Financial Regulation Accreditation Standards.

This examination was performed in accordance with those procedures required by the NAIC Financial Condition Examiner's Handbook and other procedures tailored for this examination. Such procedures performed on this examination do not constitute an audit made in accordance with generally accepted auditing standards and no audit opinion is expressed on the financial statements contained in this report.

The attached report of examination is a true and complete report of condition of **MDwise, Inc.** as of December 31, 2010, as determined by the undersigned.

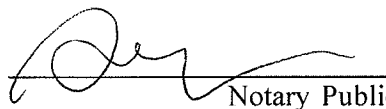
  
Kara M. Thome, CFE  
Noble Consulting Services, Inc.

State of:  
County of:

On this 25 day of January, 2012, before me personally appeared, Kara M. Thome, to sign this document.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal in said County and State, the day and year last above written.

My commission expires: July 4, 2019

  
Notary Public

