REPORT ON EXAMINATION

of the

ERLANGER HEALTH PLAN TRUST
975 EAST THIRD STREET
CHATTANOOGA, TENNESSEE 37403

as of

DECEMBER 31, 2011

RECEIVED
SEP 06 2012
Dept. of Commerce & Insurance
Company Examinations

DEPARTMENT OF COMMERCE AND INSURANCE

STATE OF TENNESSEE

NASHVILLE, TENNESSEE

EXHIBIT
A

TABLE OF CONTENTS

Item	Page
Salutation	one
Introduction	1
Scope of Examination	1
Comments – Previous Examination	2
Company History (includes exhibit of growth and financial history)	3
Charter and Bylaws	5
Management and Control	6
Holding Company System	7
Pecuniary Interest TENN. CODE ANN. § 56-3-103	7
Corporate Records	8
Fidelity Bond and Other Insurance	8
Retirement Plan and Other Employee Benefits	8
Territory (includes in-force by state)	9
Plan of Operation	9
Market Conduct Activities	9
Mortality and Loss Experience	10
Reinsurance	10
Commission Equity	10
Statutory Deposits	10
Dividends or Distributions	11
Accounts and Records	11
Litigation and Contingent Liabilities	11
Subsequent Events	12
Financial Statement	13
Analysis of Changes in Financial Statement and Comments Resulting from Examination	18
Comments and Recommendations	18
Conclusion	19
Affidavit	20
Organizational Chart	21

Chattanooga, Tennessee
September 6, 2012

Honorable Julie Mix McPeak
Commissioner
State of Tennessee
Department of Commerce and Insurance
Nashville, Tennessee 37243

Dear Commissioner:

Pursuant to your instructions and in accordance with Tennessee Insurance Laws, regulations, and resolutions adopted by the National Association of Insurance Commissioners (NAIC), a financial examination and a market conduct review was made of the condition and affairs of the

ERLANGER HEALTH PLAN TRUST

975 EAST THIRD STREET
CHATTANOOGA, TENNESSEE 37403

hereinafter and generally referred to as the "HMO," and a report thereon is submitted as follows:

INTRODUCTION

This examination was called by the Department of Commerce and Insurance of the state of Tennessee ("TDCI") on May 22, 2012. On-site examination work commenced on July 9, 2012. With the Company having authority to write business only in the state of Tennessee, the examination was not classified as an Association Examination under NAIC Guidelines. The examination was performed by duly authorized representatives of the TDCI.

SCOPE OF EXAMINATION

This examination report covers the period from January 1, 2008 to the close of business on December 31, 2011, and includes any material transactions and/or events occurring subsequent to the examination date and noted during the course of the examination.
The examination was conducted in accordance with the NAIC Financial Condition Examiners Handbook. The examination was planned and performed to evaluate the financial condition and identify prospective risks of the HMO by obtaining information about the HMO, including corporate governance, identifying and assessing inherent risks within the Company, and evaluating system controls and procedures used to

mitigate those risks. The examination also included assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation and management's compliance with Statutory Accounting Principles and annual statement instructions.

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

In addition, the following topics were reviewed:

Company History
Charter and Bylaws
Management and Control
Holding Company System
Pecuniary Interest TENN. CODE ANN. § 56-3-103
Corporate Records
Fidelity Bonds and Other Insurance
Retirement Plan and Other Employee Benefits
Territory (includes in-force/premium by state)
Plan of Operation
Market Conduct Activities
Mortality and Loss Experience
Reinsurance
Commission Equity
Statutory Deposits
Dividends or Distributions
Accounts and Records
Litigation and Contingent Liabilities
Subsequent Events
Financial Statement

The previous examination was conducted as of December 31, 2007 by authorized representatives of the TDCI and made no changes to surplus. Two recommendations were made and incorporated into the Commissioner's Order which is discussed under the caption, "COMMENTS – PREVIOUS EXAMINATION."

COMMENTS – PREVIOUS EXAMINATION

The "Order Adopting Examination Report with Directives No.: 09-030" listed two Directives as follows:

- "The Company is Directed to comply with TENN. CODE ANN. § 56-3-112 and TENN. COMP. R. & REGS. 0780-1-46.03(2)(a)4 by amending the custodial agreement to include the provisions stating that the securities

held by the custodian are subject to instructions of the insurance company and that the custodial agreement is between the custodian and the insurance company, and not the parent or affiliate of an insurance company.

- The Company is Directed to Comply with the Insurance Holding Company System Act by making all required filings pursuant to TENN. CODE ANN. §§ 56-11-101 et seq. and TENN. COMP. R. & REGS. 0780-01-67."

The Company amended its safekeeping agreement with First Tennessee Bank on June 25, 2009 in order to include language compliant with the requirements of TENN. CODE ANN. § 56-3-112 and TENN. COMP. R. & REGS. 0780-1-46.03(2)(a)4.

The Company obtained a letter of waiver of all regulatory filings other than the Annual Statement from the TDCI on April 10, 2010 for the 2009 calendar year due to the HMO not writing any premium and having no policyholders. The HMO continues to request and receive this waiver for each year thereafter.

The above actions are deemed to be in compliance with the Order.

COMPANY HISTORY

On August 19, 1993, the Chattanooga-Hamilton County Hospital Authority ("Hospital Authority") d/b/a Erlanger Health System adopted the Declaration of Trust creating the Erlanger Health Plan Trust, a health maintenance organization created in order to qualify for participation in the state created TennCare program. The Hospital Authority is a governmental entity and political subdivision of the state of Tennessee but has been declared by the General Assembly of Tennessee to be a public nonprofit corporation and, as such, has also been determined by the Internal Revenue Service to be exempt from federal income tax under Section 501(a) of the Code as being an organization described in Section 501(c)(3) of the Code in addition to its status as a political subdivision of the state of Tennessee.

Following the expiration of the initial TennCare enrollment period, the final funding for TennCare managed care organization was insufficient for the HMO to justify its operation and the Hospital Authority declined to fund the HMO to qualify for issuance of a certificate of authority and as well declined to enter into a contract to become a TennCare Managed Care Organization.

On June 9, 1995, the Trustees adopted the Amended and Restated Erlanger Health Plan Trust making it a division of and an instrumentality of the Hospital Authority to apply for a certificate of authority and licensure as a health maintenance organization so as to be able to contract directly with selected employers, to control health care cost,

improve status of enrollees and direct incremental revenues to the Hospital Authority. The Trust was amended and restated on February 15, 1996 in order to comply with the Department's request.

The HMO commenced business on June 1, 1996. It had contributed capital of $2,006,509 received from the Hospital Authority. The HMO contracted with Assured Care, Inc. a physician independent practice association, Erlanger Medical Center, other hospitals and other facilities to provide primary and specialized services to enrollees on a fee-for-service basis subject to a withhold. The HMO contracted with the City of Chattanooga and Board of Education of Hamilton County to provide them with health care for their enrollees.

The HMO's operations were not profitable and the Hospital Authority Board of Trustees decided to withdraw from doing new business. All enforceable contracts were either canceled or not renewed as of December 31, 1998. At January 1, 1999, there were no active members under contract with the HMO. The remaining claims were allowed to runoff. The HMO has maintained the trust deposits and assets associated with them as income producing investments in compliance with Tenn. Code Ann. § 56-32-112 which has allowed the HMO to maintain its certificate of authority.

At December 31, 2011, the HMO reports no authorized or issued common stock.

At December 31, 2011, the HMO was licensed in one state, Tennessee. The HMO has written no business during the period of examination.

The Company's capital structure appears in the 2010 Annual Statement as follows:

Common capital stock	$ 0
Gross paid in and contributed surplus	0
Unassigned funds (surplus)	1,649,119
Total capital and surplus	$1,649,119

The following exhibit depicts certain aspects of the growth and financial history of the Company since the previous examination, according to annual statements filed with the TDCI.

Date	Admitted Assets	Net Premium Written	Capital and Surplus	Hospital and Medical Benefits Paid	Net income after taxes
12/31/2008	$1,586,189	$0	$1,586,189	$0	$59,352
12/31/2009	1,596,539	0	1,596,539	0	10,350
12/31/2010	1,608,790	0	1,608,790	0	12,251
12/31/2011	1,649,119	0	1,649,119	0	40,329

CHARTER AND BYLAWS

The Declaration of Trust sets forth the following as the purpose for which Erlanger Health Plan Trust is organized:

> "Amended Trust is created exclusively for the purposes of establishing and operating a health maintenance organization within the meaning of Tenn. Code Ann. § 56-32, providing hospital and health related services within the scope of authority and powers established in the Enabling Acts and the 1995 Act within the meaning of Section 501(c)(3) of the Internal Revenue Code, which are not in conflict with Tenn. Code Ann. § 56-32-201, et seq. and is to be operated in furtherance of these purposes exclusively through activities supporting or benefiting the Beneficiary Organization (the Hospital Authority)."

The Amended Trust was declared to be a division and an instrumentality of the Hospital Authority with all rights and privileges under the Tennessee Governmental Tort Liability Act codified in TENN. CODE ANN. §§ 29-20. The Trust was created to segregate funds and operate separately from Erlanger Medical Center to allow for regulation of the Trust by "The Department of Commerce and Insurance", state of Tennessee without requiring regulation and examination of Erlanger Medical Center.

Bylaws:

The Bylaws of the Company in effect at December 31, 2011 were adopted by the Board of Trustees on June 9, 1995.

The Bylaws establish the rules which regulate the affairs of the HMO. Said Bylaws contain seven (7) articles which govern the conduct and duties of its trustees and officers.

The Bylaws provide for an annual trustees' meeting which can also be held at the time of the annual meeting of the Trustees of the Chattanooga–Hamilton County Hospital Authority.

The Bylaws are such as are generally found in trusts of this type and are consistent with the Charter. They may be altered or amended by the affirmative vote of a majority of members of the Board of Trustees.

MANAGEMENT AND CONTROL

Board of Trustees:

Management of the HMO is vested in a Board of Trustees elected annually. In accordance with the Bylaws, the Board shall consist of not less than five members nor more than 11 members who shall be chosen from among the Trustees of the Hospital Authority. The following persons had been duly elected and were serving as members of the HMO's Board of Trustees at December 31, 2011:

Name	
Ronald A. Loving	Chairman
James D. Hutcherson	Vice Chairman
Kim H. White	Secretary
Richard Casavant	
Michael J. Griffin	
Russell T. King, Jr.	
Charles F. Longer	
Phyllis E. Miller	
Jennifer E. Stanley	
James A. Worthington, Jr.	

Officers:

The following officers were duly elected and were serving in the positions indicated for the HMO at December 31, 2011:

Ronald A. Loving	Chairman
James D. Hutcherson	Vice Chairman
Kim H. White	Secretary

The administrative and executive functions of the Company are performed by the staff provided by the Hospital Authority.

The HMO is a division and instrumentality of the Chattanooga–Hamilton County

Hospital Authority and is thereby controlled by the Hospital Authority. The Hospital Authority has an annual audit performed by an outside accounting firm:

Pershing, Yoakley & Associates, P.C.
One Cherokee Mills
2220 Sutherland Avenue
Knoxville, Tennessee 37939

HOLDING COMPANY SYSTEM

The Chattanooga-Hamilton County Hospital Authority d/b/a Erlanger Health System (the Primary Health System) was created by a private act passed by the General Assembly of the state of Tennessee on March 11, 1976, and adopted by a majority of the qualified voters of Hamilton County, Tennessee on August 5, 1976. The Primary Health System is considered the primary governmental unit for financial reporting purposes. As required by generally accepted accounting principles, the financial statements present the Primary Health System and its component units.

ContinuCare Healthservices Inc., Cyberknife, Erlanger Health Plan Trust and UT Erlanger Medical Group are legally separate organizations for which the Primary Health System is either financially accountable or owns a majority interest. Accordingly, these organizations represent component units of the Primary Health System.

As such, this meets the definition of a holding company defined by TENN. CODE ANN. § 56-11-201(b)(5) "health maintenance organization holding company system."

The HMO does not have any written agreements with any of the members of the Primary Health System.

The Company obtained a letter of waiver of all regulatory filings other than the Annual Statement from the TDCI on April 10, 2010 for the 2009 calendar year due to the HMO not writing any premium and having no policy holders in response to the finding that the HMO met the definition of a "health maintenance organization holding company system." The HMO continues to request and receive this wavier for each year thereafter with the request approval dated March 5, 2012 for the 2011 annual statement filing year.

An organization chart is included in the examination report.

PECUNIARY INTEREST TENN. CODE ANN. § 56-3-103

The Company has no employees. The administrative and executive functions of the Company are performed by the staff of the Hospital Authority which has a Corporate

Compliance Program with a Code of Conduct and Ethics for its directors, officers and responsible employees adopted effective November 18, 2004. The program complies with TENN. CODE ANN. § 56-3-103, prohibiting officers and directors from having pecuniary interest in investment or disposition of Company funds.

CORPORATE RECORDS

The HMO continues to remain at an inactive status. Essentially, board meetings of the Chattanooga-Hamilton County Hospital Authority include discussion of the Erlanger HMO. The Trustees of the HMO are also trustees who serve on the Board of the Chattanooga-Hamilton County Hospital Authority. The Board of Trustees of Erlanger is required to meet according to the Charter and/or Bylaws set forth by the Hospital Authority.

FIDELITY BOND AND OTHER INSURANCE

Trustees and officers of the Hospital Authority are covered by a policy in the name of Chattanooga-Hamilton County Hospital Authority d/b/a as Erlanger Health System which includes the HMO.

Type of Coverage	Coverage Limits
Health Care Organization Directors, Officers and Trustees Liability Policy including Health Care Organization Directors', Officers and Trustees Employment Practices Liability Insurance	
Limit of Liability (inclusive of costs of Defense)	$10,000,000

Coverage is underwritten by Travelers Casualty and Surety Company of America which is licensed in Tennessee as a "Foreign Property and Casualty Insurer." Retentions range from $100,000 to $150,000 depending upon the type of claim as defined in the policy.

This policy meets the requirements of TENN. CODE ANN. § 56-32-106 which states "an HMO shall maintain in force a fidelity bond on employees and officers in an amount not less than one hundred thousand dollars ($100,000) or such other sum as prescribed by the Commissioner."

RETIREMENT PLAN AND OTHER EMPLOYEE BENEFITS

The Company has no employees. Any services performed on behalf of the Company

are provided by employees of the Hospital Authority who would be covered under any benefit plan provided by the Hospital Authority.

TERRITORY

As of December 31, 2011, and as of the date of this examination report, the Company was licensed to transact business in the state of Tennessee.

The Company's service area in Tennessee consists of Hamilton County.

During 2011, the Company did not have any gross or net written premium.

PLAN OF OPERATION

The HMO currently does not plan to write any premium or provide any medical care coverage. The trust deposits and assets associated with them have been maintained as income producing investments in compliance with TENN. CODE ANN. § 56-32-212 in order for the HMO to maintain its certificate of authority.

For the years during which the HMO did provide coverage to members, its plan was to service local governmental entities and their agencies in the Hamilton County area. The HMO provided primary and specialized services to enrollees on a fee for service basis through a physician independent practice association, Erlanger Medical Center, other hospitals and other facilities subject to a withhold. The contracts with City of Chattanooga and the Board of Education of Hamilton County covering their employees were either cancelled or not renewed during 1998.

MARKET CONDUCT ACTIVITIES

No market conduct activity is applicable to the operation of the HMO since it remains in an inactive status.

MORTALITY AND LOSS EXPERIENCE

No health policies have been issued or offered by the HMO since 1998.

Accident & Health:

The loss ratios on the Company's health business for the years indicated were as follows:

Comprehensive A&H (hospital & medical)	2008	2009	2010	2011
Net Incurred Claims	0	0	0	0
Net Premiums Earned	0	0	0	0
Loss Experience Ratio	0	0	0	0

REINSURANCE

The Company was not party to any excess of loss agreement or reinsurance agreement at December 31, 2011. No agreements have existed during the period under examination.

COMMISSION EQUITY

No reinsurance agreements were in effect at December 31, 2011; therefore, no commission equity could exist.

STATUTORY DEPOSITS

In compliance with statutory requirements, the Company maintained the following deposits at December 31, 2011.

Where Deposited and Description	Par Value	Statement Value	Market Value
Tennessee			
FHLB 1.375%	$810,000	$827,326	$827,326
FHLB 1.375%	750,000	763,245	763,245

Total general deposits held for the benefit of all policyholders of the Company	1,560,000	1,590,571	1,590,571
Total	$1,560,000	$1,590,571	$1,590,571

The above deposit was confirmed with the custodian at the Division of Insurance and with First Tennessee Bank.

DIVIDENDS OR DISTRBUTIONS

No dividends or distributions have been paid during the period under examination.

ACCOUNTS AND RECORDS

During the course of the examination, accounts were verified by various tests and procedures deemed necessary to confirm values for assets and liabilities appearing in the HMO's financial statements. All of the Company's investment securities were confirmed with the custodian of such securities as of the date of this examination. General ledger trial balances were reconciled with copies of annual statements for the years 2007, 2008, 2009, 2010 and 2011.

The HMO does not file a Risk Based Capital Report. The HMO has been exempted from filing all regulatory filings by the TDCI with the exception of the annual statement. TENN. CODE ANN. § 56-46-101, *et seq.* (Risk Based Capital for Insurers) does not include Health Maintenance Organizations.

Accounting records conform to generally accepted insurance accounting practices and appear to properly reflect the operations during the period under examination and the status of the Company at the date of examination.

Books and records of the HMO are kept at the home office location:

975 East Third Street
Chattanooga, Tennessee 37403

LITIGATION AND CONTINGENT LIABILITIES

As of December 31, 2011, the HMO had no pending litigation which could have a material financial effect.

SUBSEQUENT EVENTS

No subsequent events are noted following the review of the records of the HMO.

FINANCIAL STATEMENT

There follows a statement of assets, liabilities and statement of revenue and expenses at December 31, 2011, together with a reconciliation of capital and surplus for the period under review, as established by this examination:

ASSETS

	Assets	Non-admitted Assets	Net Admitted Assets
Bonds	$1,590,571		$1,590,571
Preferred Stocks	0		0
Common Stocks	0		0
Cash and short-term investments	58,548		58,548
Investment income due and accrued	0		0
Uncollected premiums and agents balances in the course of collection	0		0
Amounts receivable relating to uninsured plans	0		0
Net deferred tax asset	0	0	0
Receivables from parent, subsidiaries and affiliates	0	0	0
Health care receivables	0		0
Aggregate write-ins for other than invested Assets	0	0	0
Totals	$1,649,119	$0	$1,649,119

LIABILITIES, CAPITAL, AND SURPLUS

	Covered	Uncovered	Total
Claims unpaid	$0		$0
Unpaid claims adjustment expenses	0		0
Aggregate health policy reserves	0		0
Premiums received in advance	0		0
General expenses due or accrued	0		0
Current federal income tax payable and interest thereon	0		0
Liability for amount held under uninsured plans	0		0
Total liabilities	$0	$0	0
Common capital stock			0
Gross paid in and contributed surplus			0
Unassigned funds			1,649,119
Total capital and surplus			1,649,119
Total liabilities, capital and surplus			$1,649,119

STATEMENT OF REVENUE AND EXPENSES

	Uncovered	Total
Member Months		0
Net premium income		$0
Change in unearned premium reserves and reserve for rate credits		0
Aggregate write-ins for other health care related revenues (restoration fees)		0
Total revenues		0
Hospital and Medical:		
Hospital/medical benefits		0
Other professional services		0
Emergency room and out of area		0
Prescription drugs		0
Subtotal hospital and medical		0
Less:		
Net reinsurance recoveries		0
Total hospital and medical		0
Claims adjustment expenses		0
General administrative expenses		1,647
Increase in reserves for life and accident and health contracts		0
Total underwriting deductions		1,647
Net underwriting gain/(loss)		(1,647)
Net investment income		41,976
Net realized capital gain		0
Net investment gains		41,976
Net income (loss)		40,329
Federal income taxes incurred		0
Net income (Loss)		$40,329

CAPITAL AND SURPLUS

Surplus as regards policyholders, December 31 prior year		$1,608,790
Net income	$40,329	
Net unrealized capital gains (losses)	0	
Change in net deferred income tax	0	
Change in non-admitted assets	0	
Surplus adjustments: Paid in	0	
Aggregate write-in for gains and losses in surplus	0	
Change in surplus as regards policyholders for the year		40,329
Surplus as regards policyholders, December 31 current year		$1,649,119

RECONCILIATION OF CAPITAL AND SURPLUS
FOR THE PERIOD UNDER EXAMINATION

Surplus as regards policyholders December 31	**2008**	**2009**	**2010**	**2011**
Previous Year	$1,526,837	$1,586,189	$1,596,539	$1,608,790
Net Income	59,352	10,350	12,251	40,329
Change in net unrealized capital gains (losses)	0	0	0	0
Change in net deferred income tax	0	0	0	0
Change in non-admitted assets	0	0	0	0
Change in asset valuation reserve	0	0	0	0
Cumulative effect of changes In accounting principles	0	0	0	0
Capital changes: Paid in	0	0	0	0
Surplus adjustments: Paid in	0	0	0	0
Aggregate write-ins for gains and losses in surplus	0	0	0	0
Rounding to $	0	0	0	0
Surplus as regards to policyholders December 31 Current Year	**$1,586,189**	**$1,596,539**	**$1,608,790**	**$1,649,119**

ANALYSIS OF CHANGES IN FINANCIAL STATEMENT AND COMMENTS RESULTING FROM EXAMINATION

None

SUMMARY SCHEDULE FOR "ANALYSIS OF CHANGES IN FINANCIAL STATEMENT AND COMMENTS RESULTING FROM EXAMINATION" AS THEY AFFECT SURPLUS

None

COMMENTS AND RECOMMENDATIONS

Comments:

None

Recommendations:

None

CONCLUSION

Insurance examination practices and procedures, as promulgated by the National Association of Insurance Commissioners, have been followed in connection with the verification and valuation of assets and the determination of liabilities of Erlanger Health Plan Trust of Chattanooga, Tennessee.

In such manner, it was determined that, as of December 31, 2011, the HMO had admitted assets of $1,649,119 and liabilities, exclusive of unassigned funds, of $0. Thus, there existed for the additional protection of the policyholders, the amount of $1,649,119 in the form of unassigned funds (surplus).

The courteous cooperation of the officers and employees of the HMO extended during the course of the examination is hereby acknowledged.

Respectfully submitted,

Keith M. Patterson
Insurance Examiner
State of Tennessee
Southeastern Zone, N.A.I.C.

AFFIDAVIT

The undersigned deposes and says that he has duly executed the attached examination report of Erlanger Health Plan Trust dated September 6, 2012, and made as of December 31, 2011, on behalf of the Department of Commerce and Insurance, state of Tennessee. Deponent further says he is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of his knowledge, information and belief.

Keith M. Patterson
Insurance Examiner
State of Tennessee
Southeastern Zone, N.A.I.C.

Subscribed and sworn to before me

this 6th day of

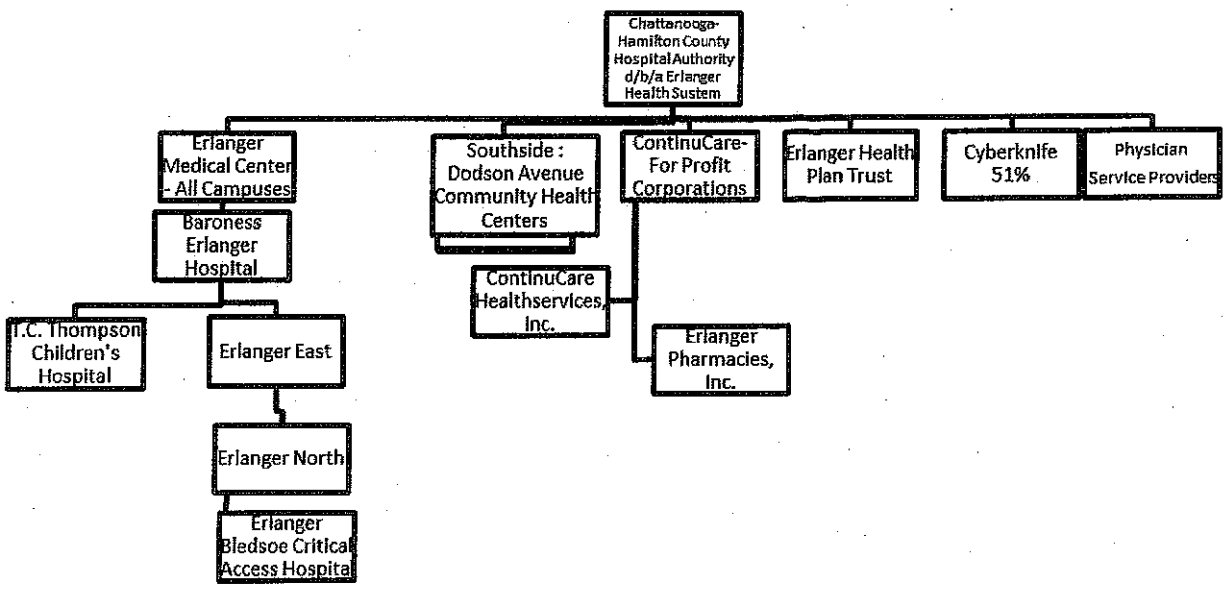
September, 2012

Notary Helen W. Dorsey

County Davidson

State Tennessee

Commission Expires 03/03/2014

HELEN W DORSEY
STATE OF TENNESSEE NOTARY PUBLIC
DAVIDSON COUNTY

ORGANIZATIONAL CHART