



ANNUAL STATEMENT
For the Year Ending December 31, 2011
OF THE CONDITION AND AFFAIRS OF THE
KAISER FOUNDATION HEALTH PLAN OF OHIO

NAIC Group Code	0601 (Current Period)	0601 (Prior Period)	NAIC Company Code	95204	Employer's ID Number	34-0922268
Organized under the Laws of	Ohio		State of Domicile or Port of Entry	Ohio		
Country of Domicile	United States of America					
Licensed as business type:	Life, Accident & Health[] Dental Service Corporation[] Other[]		Property/Casualty[] Vision Service Corporation[] Is HMO Federally Qualified? Yes[X] No[] N/A[]		Hospital, Medical & Dental Service or Indemnity[] Health Maintenance Organization[X]	
Incorporated/Organized	03/29/1962		Commenced Business	10/27/1976		
Statutory Home Office	1001 Lakeside Ave. Suite 1200 (Street and Number)		Cleveland , OH 44114-1153 (City or Town, State and Zip Code)			
Main Administrative Office	1001 Lakeside Ave. Suite 1200 (Street and Number)		Cleveland, OH 44114-1153 (City or Town, State and Zip Code)			
			(216)621-5600 (Area Code) (Telephone Number)			
Mail Address	1001 Lakeside Ave. Suite 1200 (Street and Number or P.O. Box)		Cleveland, OH 44114-1153 (City or Town, State and Zip Code)			
Primary Location of Books and Records	1001 Lakeside Ave. Suite 1200 (Street and Number)		Cleveland , OH 44114-1153 (City or Town, State and Zip Code)			
			(216)621-5600 (Area Code) (Telephone Number)			
Internet Website Address	KP.org					
Statutory Statement Contact	Scott D. Gonia (Name)		(216)479-5116 (Area Code)(Telephone Number)(Extension)			
	Scott.D.Gonia@kp.org (E-Mail Address)		(216)623-8793 (Fax Number)			

OFFICERS

Name	Title
George C. Halvorson	Chairman of the Board & CEO
Donna Lynne	Group President, Regions Outside California
Patricia D. Kennedy-Scott	Regional President
Kathy Lancaster	Executive Vice President-CFO
Arthur M. Southam MD	Executive Vice President-Health Plan Operations
Bernard J. Tyson	President and Chief Operating Officer
Mark S. Zemelman	Senior Vice President, General Counsel, Secretary
Thomas R. Meier	Senior Vice President and Treasurer
Don H. Orndoff	Senior Vice President, National Facilities Service
Deborah Stokes	Senior Vice President, Controller and CAO

Vice Presidents

DIRECTORS OR TRUSTEES

George C. Halvorson	Christine K. Cassel MD	Thomas W. Chapman EdD	Daniel P. Garcia JD	Cynthia A. Telles PhD
Jenny J. Ming	J. Neal Purcell	J. Eugene Grigsby, III PhD	Philip A. Marineau	Kim J. Kaiser
William R. Graber	Judith A. Johansen JD	Edward Pei		

State of Ohio
County of Cuyahoga ss

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of the 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.

(Signature) Patricia D. Kennedy-Scott (Printed Name) 1. Regional President (Title)	(Signature) Mark S. Zemelman (Printed Name) 2. Senior Vice President, General Counsel, Secretary (Title)	(Signature) (Printed Name) 3. (Title)
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Subscribed and sworn to before me this _____ day of _____, 2012	a. Is this an original filing? b. If no, 1. State the amendment number 2. Date filed 3. Number of pages attached	Yes[X] No[] _____ _____ _____
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(Notary Public Signature)

ASSETS

		Current Year			Prior Year
		1	2	3	4
		Assets	Nonadmitted Assets	Net Admitted Assets (Cols.1-2)	Net Admitted Assets
1.	Bonds (Schedule D)	102,847,727		102,847,727	97,544,695
2.	Stocks (Schedule D)				
2.1	Preferred stocks				
2.2	Common Stocks				
3.	Mortgage loans on real estate (Schedule B):				
3.1	First liens				
3.2	Other than first liens				
4.	Real estate (Schedule A):				
4.1	Properties occupied by the company (less \$.....0 encumbrances)	51,707,113		51,707,113	55,994,212
4.2	Properties held for the production of income (less \$.....0 encumbrances)				
4.3	Properties held for sale (less \$.....0 encumbrances)				
5.	Cash (\$.....16,923,470 Schedule E Part 1), cash equivalents (\$.....0 Schedule E Part 2) and short-term investments (\$.....32,596,839 Schedule DA)	49,520,309		49,520,309	69,061,320
6.	Contract loans (including \$.....0 premium notes)				
7.	Derivatives (Schedule DB)				
8.	Other invested assets (Schedule BA)				
9.	Receivables for securities				
10.	Securities Lending Reinvested Collateral Assets (Schedule DL)				
11.	Aggregate write-ins for invested assets				
12.	Subtotals, cash and invested assets (Lines 1 to 11)	204,075,149		204,075,149	222,600,227
13.	Title plants less \$.....0 charged off (for Title insurers only)				
14.	Investment income due and accrued	704,033		704,033	715,593
15.	Premiums and considerations:				
15.1	Uncollected premiums and agents' balances in the course of collection	11,435,390		11,435,390	11,691,835
15.2	Deferred premiums, agents' balances and installments booked but deferred and not yet due (Including \$.....0 earned but unbilled premiums)				
15.3	Accrued retrospective premiums				
16.	Reinsurance:				
16.1	Amounts recoverable from reinsurers				
16.2	Funds held by or deposited with reinsured companies				
16.3	Other amounts receivable under reinsurance contracts				
17.	Amounts receivable relating to uninsured plans				
18.1	Current federal and foreign income tax recoverable and interest thereon				
18.2	Net deferred tax asset				
19.	Guaranty funds receivable or on deposit				
20.	Electronic data processing equipment and software	522,982	336,202	186,780	299,852
21.	Furniture and equipment, including health care delivery assets (\$.....14,504,614)	15,421,243	916,629	14,504,614	8,173,306
22.	Net adjustment in assets and liabilities due to foreign exchange rates				
23.	Receivables from parent, subsidiaries and affiliates	965,194		965,194	1,115,963
24.	Health care (\$.....1,967,378) and other amounts receivable	2,438,192	256,978	2,181,214	1,678,302
25.	Aggregate write-ins for other than invested assets	969,650	969,650		
26.	Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	236,531,833	2,479,459	234,052,374	246,275,078
27.	From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
28.	Total (Lines 26 and 27)	236,531,833	2,479,459	234,052,374	246,275,078
DETAILS OF WRITE-INS					
1101.	.....				
1102.	.....				
1103.	.....				
1198.	Summary of remaining write-ins for Line 11 from overflow page				
1199.	TOTALS (Lines 1101 through 1103 plus 1198) (Line 11 above)				
2501.	Prepaid & Other Current Assets	969,650	969,650		
2502.	.....				
2503.	.....				
2598.	Summary of remaining write-ins for Line 25 from overflow page				
2599.	TOTALS (Lines 2501 through 2503 plus 2598) (Line 25 above)	969,650	969,650		

LIABILITIES, CAPITAL AND SURPLUS

		Current Year			Prior Year
		1 Covered	2 Uncovered	3 Total	4 Total
1.	Claims unpaid (less \$.....0 reinsurance ceded)	34,498,492		34,498,492	37,106,295
2.	Accrued medical incentive pool and bonus amounts				
3.	Unpaid claims adjustment expenses	1,137,110		1,137,110	1,049,900
4.	Aggregate health policy reserves, including the liability of \$.....0 for medical loss ratio rebate per the Public Health Service Act	4,400,000		4,400,000	11,700,000
5.	Aggregate life policy reserves				
6.	Property/casualty unearned premium reserves				
7.	Aggregate health claim reserves				
8.	Premiums received in advance	8,488,470		8,488,470	9,420,367
9.	General expenses due or accrued	2,417,244		2,417,244	2,166,087
10.1	Current federal and foreign income tax payable and interest thereon (including \$.....0 on realized capital gains (losses))				
10.2	Net deferred tax liability				
11.	Ceded reinsurance premiums payable				
12.	Amounts withheld or retained for the account of others	331,459		331,459	
13.	Remittances and items not allocated				
14.	Borrowed money (including \$.....0 current) and interest thereon \$.....0 (including \$.....0 current)				
15.	Amounts due to parent, subsidiaries and affiliates	27,758,033		27,758,033	31,569,473
16.	Derivatives				
17.	Payable for securities				
18.	Payable for securities lending				
19.	Funds held under reinsurance treaties with (\$.....0 authorized reinsurers and \$.....0 unauthorized reinsurers)				
20.	Reinsurance in unauthorized companies				
21.	Net adjustments in assets and liabilities due to foreign exchange rates				
22.	Liability for amounts held under uninsured plans				
23.	Aggregate write-ins for other liabilities (including \$.....0 current)	126,794,138		126,794,138	111,166,871
24.	TOTAL Liabilities (Lines 1 to 23)	205,824,946		205,824,946	204,178,993
25.	Aggregate write-ins for special surplus funds	X X X	X X X		
26.	Common capital stock	X X X	X X X		
27.	Preferred capital stock	X X X	X X X		
28.	Gross paid in and contributed surplus	X X X	X X X	3,264	12,043
29.	Surplus notes	X X X	X X X	94,000,000	60,000,000
30.	Aggregate write-ins for other than special surplus funds	X X X	X X X		
31.	Unassigned funds (surplus)	X X X	X X X	(65,775,836)	(17,915,958)
32.	Less treasury stock, at cost:				
32.1	0 shares common (value included in Line 26 \$.....0)	X X X	X X X		
32.2	0 shares preferred (value included in Line 27 \$.....0)	X X X	X X X		
33.	TOTAL Capital and Surplus (Lines 25 to 31 minus Line 32)	X X X	X X X	28,227,428	42,096,085
34.	TOTAL Liabilities, Capital and Surplus (Lines 24 and 33)	X X X	X X X	234,052,374	246,275,078
DETAILS OF WRITE-INS					
2301.	Post Retirement	44,186,266		44,186,266	37,077,337
2302.	Accrued Payroll and Related	10,462,429		10,462,429	9,663,556
2303.	Professional and Public Liability				14,764,873
2398.	Summary of remaining write-ins for Line 23 from overflow page	72,145,443		72,145,443	49,661,105
2399.	TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above)	126,794,138		126,794,138	111,166,871
2501.	.....	X X X	X X X		
2502.	.....	X X X	X X X		
2503.	.....	X X X	X X X		
2598.	Summary of remaining write-ins for Line 25 from overflow page	X X X	X X X		
2599.	TOTALS (Lines 2501 through 2503 plus 2598) (Line 25 above)	X X X	X X X		
3001.	.....	X X X	X X X		
3002.	.....	X X X	X X X		
3003.	.....	X X X	X X X		
3098.	Summary of remaining write-ins for Line 30 from overflow page	X X X	X X X		
3099.	TOTALS (Lines 3001 through 3003 plus 3098) (Line 30 above)	X X X	X X X		

STATEMENT OF REVENUE AND EXPENSES

		Current Year		Prior Year
		1 Uncovered	2 Total	3 Total
1.	Member Months	X X X	1,309,343	1,518,461
2.	Net premium income (including \$.....0 non-health premium income)	X X X	523,800,795	555,729,112
3.	Change in unearned premium reserves and reserve for rate credits	X X X		
4.	Fee-for-service (net of \$.....0 medical expenses)	X X X	2,311,363	3,672,930
5.	Risk revenue	X X X		
6.	Aggregate write-ins for other health care related revenues	X X X		
7.	Aggregate write-ins for other non-health revenues	X X X		
8.	TOTAL Revenues (Lines 2 to 7)	X X X	526,112,158	559,402,042
Hospital and Medical:				
9.	Hospital/medical benefits		157,401,648	183,452,978
10.	Other professional services		68,299,684	67,953,672
11.	Outside referrals		52,622,392	60,103,399
12.	Emergency room and out-of-area		37,797,607	42,414,099
13.	Prescription drugs		55,244,593	55,153,928
14.	Aggregate write-ins for other hospital and medical		134,110,778	123,904,289
15.	Incentive pool, withhold adjustments and bonus amounts			
16.	Subtotal (Lines 9 to 15)		505,476,702	532,982,365
Less:				
17.	Net reinsurance recoveries			
18.	TOTAL Hospital and Medical (Lines 16 minus 17)		505,476,702	532,982,365
19.	Non-health claims (net)			
20.	Claims adjustment expenses, including \$.....7,201,099 cost containment expenses		12,669,998	11,870,517
21.	General administrative expenses		55,018,879	50,647,646
22.	Increase in reserves for life and accident and health contracts (including \$.....0 increase in reserves for life only)		(7,300,000)	11,700,000
23.	TOTAL Underwriting Deductions (Lines 18 through 22)		565,865,579	607,200,528
24.	Net underwriting gain or (loss) (Lines 8 minus 23)	X X X	(39,753,421)	(47,798,486)
25.	Net investment income earned (Exhibit of Net Investment Income, Line 17)		2,501,001	2,588,354
26.	Net realized capital gains (losses) less capital gains tax of \$.....0		109,329	(187,790)
27.	Net investment gains (losses) (Lines 25 plus 26)		2,610,330	2,400,564
28.	Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$.....0) (amount charged off \$.....0)]			
29.	Aggregate write-ins for other income or expenses		423,586	609,626
30.	Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29)	X X X	(36,719,505)	(44,788,296)
31.	Federal and foreign income taxes incurred	X X X		
32.	Net income (loss) (Lines 30 minus 31)	X X X	(36,719,505)	(44,788,296)
DETAILS OF WRITE-INS				
0601.	.....	X X X		
0602.	.....	X X X		
0603.	.....	X X X		
0698.	Summary of remaining write-ins for Line 6 from overflow page	X X X		
0699.	TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above)	X X X		
0701.	.....	X X X		
0702.	.....	X X X		
0703.	.....	X X X		
0798.	Summary of remaining write-ins for Line 7 from overflow page	X X X		
0799.	TOTALS (Line 0701 through 0703 plus 0798) (Line 7 above)	X X X		
1401.	Occupancy, Depreciation and Amortization		11,861,807	12,338,311
1402.	Medical Office Facilities		32,156,294	30,421,749
1403.	Professional Liability Insurance		3,176,428	(3,664,285)
1498.	Summary of remaining write-ins for Line 14 from overflow page		86,916,249	84,808,514
1499.	TOTALS (Lines 1401 through 1403 plus 1498) (Line 14 above)		134,110,778	123,904,289
2901.	Miscellaneous		423,586	609,626
2902.	.....			
2903.	.....			
2998.	Summary of remaining write-ins for Line 29 from overflow page			
2999.	TOTALS (Line 2901 through 2903 plus 2998) (Line 29 above)		423,586	609,626

STATEMENT OF REVENUE AND EXPENSES (Continued)

		1	2
		Current Year	Prior Year
CAPITAL & SURPLUS ACCOUNT			
33.	Capital and surplus prior reporting year	42,096,085	40,644,103
34.	Net income or (loss) from Line 32	(36,719,505)	(44,788,296)
35.	Change in valuation basis of aggregate policy and claim reserves		
36.	Change in net unrealized capital gains (losses) less capital gains tax of \$.....0		
37.	Change in net unrealized foreign exchange capital gain or (loss)		
38.	Change in net deferred income tax		
39.	Change in nonadmitted assets	306,961	(293,439)
40.	Change in unauthorized reinsurance		
41.	Change in treasury stock		
42.	Change in surplus notes	34,000,000	45,000,000
43.	Cumulative effect of changes in accounting principles		
44.	Capital Changes:		
44.1	Paid in		
44.2	Transferred from surplus (Stock Dividend)		
44.3	Transferred to surplus		
45.	Surplus adjustments:		
45.1	Paid in		
45.2	Transferred to capital (Stock Dividend)		
45.3	Transferred from capital		
46.	Dividends to stockholders		
47.	Aggregate write-ins for gains or (losses) in surplus	(11,456,113)	1,533,717
48.	Net change in capital and surplus (Lines 34 to 47)	(13,868,657)	1,451,982
49.	Capital and surplus end of reporting year (Line 33 plus 48)	28,227,428	42,096,085
DETAILS OF WRITE-INS			
4701.	Cumulative Effect of Change in Accounting Principle_ Adopting FIN 47	(8,779)	
4702.	Change in Restricted Donations	(11,447,334)	(522)
4703.	Additional minimum liability Pension		1,534,239
4798.	Summary of remaining write-ins for Line 47 from overflow page		
4799.	TOTALS (Lines 4701 through 4703 plus 4798) (Line 47 above)	(11,456,113)	1,533,717

CASH FLOW

		1	2
		Current Year	Prior Year
Cash from Operations			
1.	Premiums collected net of reinsurance	515,825,343	564,098,634
2.	Net investment income	3,231,667	3,048,779
3.	Miscellaneous income	1,690,113	3,989,690
4.	Total (Lines 1 through 3)	520,747,123	571,137,103
5.	Benefit and loss related payments	500,784,505	540,339,392
6.	Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7.	Commissions, expenses paid and aggregate write-ins for deductions	66,926,925	61,437,971
8.	Dividends paid to policyholders		
9.	Federal and foreign income taxes paid (recovered) net of \$.....0 tax on capital gains (losses)		
10.	Total (Lines 5 through 9)	567,711,430	601,777,363
11.	Net cash from operations (Line 4 minus Line 10)	(46,964,307)	(30,640,260)
Cash from Investments			
12.	Proceeds from investments sold, matured or repaid:		
12.1	Bonds	46,509,800	46,496,167
12.2	Stocks		
12.3	Mortgage loans		
12.4	Real estate		
12.5	Other invested assets		
12.6	Net gains or (losses) on cash, cash equivalents and short-term investments		
12.7	Miscellaneous proceeds	6,477,550	4,321,991
12.8	Total investment proceeds (Lines 12.1 to 12.7)	52,987,350	50,818,158
13.	Cost of investments acquired (long-term only):		
13.1	Bonds	52,422,609	109,004,991
13.2	Stocks		
13.3	Mortgage loans		
13.4	Real estate	1,755,046	6,008,554
13.5	Other invested assets		
13.6	Miscellaneous applications	400,841	7,184,093
13.7	Total investments acquired (Lines 13.1 to 13.6)	54,578,496	122,197,638
14.	Net increase (decrease) in contract loans and premium notes		
15.	Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14)	(1,591,146)	(71,379,480)
Cash from Financing and Miscellaneous Sources			
16.	Cash provided (applied):		
16.1	Surplus notes, capital notes	34,000,000	45,000,000
16.2	Capital and paid in surplus, less treasury stock		
16.3	Borrowed funds		
16.4	Net deposits on deposit-type contracts and other insurance liabilities		
16.5	Dividends to stockholders		
16.6	Other cash provided (applied)	(4,985,557)	34,647,494
17.	Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	29,014,443	79,647,494
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)	(19,541,010)	(22,372,246)
19.	Cash, cash equivalents and short-term investments:		
19.1	Beginning of year	69,061,320	91,433,566
19.2	End of year (Line 18 plus Line 19.1)	49,520,309	69,061,320

Note: Supplemental Disclosures of Cash Flow Information for Non-Cash Transactions:

20.0001			
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ANALYSIS OF OPERATIONS BY LINES OF BUSINESS

		1	2	3	4	5	6	7	8	9	10
		Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1.	Net premium income	523,800,795	339,371,422				40,481,076	143,938,107		10,190	
2.	Change in unearned premium reserves and reserve for rate credit										
3.	Fee-for-service (net of \$.....0 medical expenses)	2,311,363	2,072,606				202,813	35,944			X X X
4.	Risk revenue										X X X
5.	Aggregate write-ins for other health care related revenues										X X X
6.	Aggregate write-ins for other non-health care related revenues		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
7.	TOTAL Revenues (Lines 1 to 6)	526,112,158	341,444,028				40,683,889	143,974,051		10,190	
8.	Hospital/medical benefits	157,401,648	121,599,953				11,071,299	24,726,754		3,642	X X X
9.	Other professional services	68,299,684	45,665,265				5,301,025	17,332,538		856	X X X
10.	Outside referrals	52,622,392	35,183,406				4,084,245	13,354,082		659	X X X
11.	Emergency room and out-of-area	37,797,607	25,271,533				2,933,631	9,591,969		474	X X X
12.	Prescription drugs	55,244,593	32,334,055				3,763,544	19,146,977		17	X X X
13.	Aggregate write-ins for other hospital and medical	134,110,778	89,666,656				10,408,901	34,033,541		1,681	X X X
14.	Incentive pool, withhold adjustments and bonus amounts										X X X
15.	Subtotal (Lines 8 to 14)	505,476,702	349,720,868				37,562,645	118,185,861		7,329	X X X
16.	Net reinsurance recoveries										X X X
17.	TOTAL Hospital and Medical (Lines 15 minus 16)	505,476,702	349,720,868				37,562,645	118,185,861		7,329	X X X
18.	Non-health claims (net)		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
19.	Claims adjustment expenses including \$.....7,201,099 cost containment expenses	12,669,998	6,752,138				716,829	5,198,538		2,493	
20.	General administrative expenses	55,018,879	34,448,025				3,189,781	17,369,070		12,003	
21.	Increase in reserves for accident and health contracts	(7,300,000)	(5,443,596)				(519,026)	(1,337,307)		(71)	X X X
22.	Increase in reserves for life contracts		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
23.	TOTAL Underwriting Deductions (Lines 17 to 22)	565,865,579	385,477,435				40,950,229	139,416,162		21,754	
24.	Net underwriting gain or (loss) (Line 7 minus Line 23)	(39,753,421)	(44,033,407)				(266,340)	4,557,889		(11,564)	
DETAILS OF WRITE-INS											
0501.	.....										X X X
0502.	.....										X X X
0503.	.....										X X X
0598.	Summary of remaining write-ins for Line 5 from overflow page										X X X
0599.	TOTALS (Lines 0501 through 0503 plus 0598) (Line 5 above)										X X X
0601.	.....		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
0602.	.....		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
0603.	.....		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
0698.	Summary of remaining write-ins for Line 6 from overflow page		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
0699.	TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above)		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
1301.	Occupancy, Depreciation and Amortization	11,861,807	7,930,820				920,645	3,010,193		149	X X X
1302.	Medical Office Facilities	32,156,294	21,499,744				2,495,785	8,160,362		40	X X X
1303.	Professional and Public Liability	3,176,428	2,123,764				246,536	806,088		403	X X X
1398.	Summary of remaining write-ins for Line 13 from overflow page	86,916,249	58,112,328				6,745,935	22,056,898		1,089	X X X
1399.	TOTALS (Lines 1301 through 1303 plus 1398) (Line 13 above)	134,110,778	89,666,656				10,408,901	34,033,541		1,681	X X X

UNDERWRITING AND INVESTMENT EXHIBIT
PART 1 - PREMIUMS

		1	2	3	4
		Direct	Reinsurance	Reinsurance	Net Premium
Line of Business		Business	Assumed	Ceded	Income
					(Columns
					1 + 2 - 3)
1.	Comprehensive (hospital and medical)	389,443,848			389,443,848
2.	Medicare Supplement				
3.	Dental only				
4.	Vision only				
5.	Federal Employees Health Benefits Plan	44,787,728			44,787,728
6.	Title XVIII - Medicare	89,569,219			89,569,219
7.	Title XIX - Medicaid				
8.	Other health				
9.	Health subtotal (Lines 1 through 8)	523,800,795			523,800,795
10.	Life				
11.	Property/casualty				
12.	TOTALS (Lines 9 to 11)	523,800,795			523,800,795

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2 - CLAIMS INCURRED DURING THE YEAR

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Payments during the year:										
1.1 Direct	508,084,505	356,618,039				38,165,535	113,293,256		7,675	
1.2 Reinsurance assumed										
1.3 Reinsurance ceded										
1.4 Net	508,084,505	356,618,039				38,165,535	113,293,256		7,675	
2. Paid medical incentive pools and bonuses										
3. Claim liability December 31, current year from Part 2A:										
3.1 Direct	34,498,492	22,650,571				2,784,914	9,063,353		(346)	
3.2 Reinsurance assumed										
3.3 Reinsurance ceded										
3.4 Net	34,498,492	22,650,571				2,784,914	9,063,353		(346)	
4. Claim reserve December 31, current year from Part 2D:										
4.1 Direct										
4.2 Reinsurance assumed										
4.3 Reinsurance ceded										
4.4 Net										
5. Accrued medical incentive pools and bonuses, current year										
6. Net healthcare receivables (a)										
7. Amounts recoverable from reinsurers December 31, current year ..										
8. Claim liability December 31, prior year from Part 2A:										
8.1 Direct	37,106,295	29,547,742				3,387,805	4,170,748			
8.2 Reinsurance assumed										
8.3 Reinsurance ceded										
8.4 Net	37,106,295	29,547,742				3,387,805	4,170,748			
9. Claim reserve December 31, prior year from Part 2D:										
9.1 Direct										
9.2 Reinsurance assumed										
9.3 Reinsurance ceded										
9.4 Net										
10. Accrued medical incentive pools and bonuses, prior year										
11. Amounts recoverable from reinsurers December 31, prior year										
12. Incurred benefits:										
12.1 Direct	505,476,702	349,720,868				37,562,644	118,185,861		7,329	
12.2 Reinsurance assumed										
12.3 Reinsurance ceded										
12.4 Net	505,476,702	349,720,868				37,562,644	118,185,861		7,329	
13. Incurred medical incentive pools and bonuses										

(a) Excludes \$.00 loans or advances to providers not yet expensed.

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2A - CLAIMS LIABILITY END OF CURRENT YEAR

	1	2	3	4	5	6	7	8	9	10
	Total	Compre- hensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Reported in Process of Adjustment:										
1.1 Direct	20,136,763	11,394,247				1,457,736	7,284,780			
1.2 Reinsurance assumed										
1.3 Reinsurance ceded										
1.4 Net	20,136,763	11,394,247				1,457,736	7,284,780			
2. Incurred but Unreported:										
2.1 Direct	14,361,729	11,256,324				1,327,178	1,778,573		(346)	
2.2 Reinsurance assumed										
2.3 Reinsurance ceded										
2.4 Net	14,361,729	11,256,324				1,327,178	1,778,573		(346)	
3. Amounts Withheld from Paid Claims and Capitations:										
3.1 Direct										
3.2 Reinsurance assumed										
3.3 Reinsurance ceded										
3.4 Net										
4. TOTALS										
4.1 Direct	34,498,492	22,650,571				2,784,914	9,063,353		(346)	
4.2 Reinsurance assumed										
4.3 Reinsurance ceded										
4.4 Net	34,498,492	22,650,571				2,784,914	9,063,353		(346)	

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2B - ANALYSIS OF CLAIMS UNPAID-PRIOR YEAR-NET OF REINSURANCE

		Claims Paid During the Year		Claim Reserve and Claim Liability December 31 of Current Year		5	6
		1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred During the Year	3 On Claims Unpaid December 31 of Prior Year	4 On Claims Incurred During the Year	Claims Incurred in Prior Years (Columns 1 + 3)	Estimated Claim Reserve and Claim Liability December 31 of Prior Year
Line of Business							
1.	Comprehensive (hospital and medical)	28,329,499	328,288,541	561,432	22,089,138	28,890,931	29,547,742
2.	Medicare Supplement						
3.	Dental only						
4.	Vision only						
5.	Federal Employees Health Benefits Plan	3,175,646	34,989,889	62,935	2,721,980	3,238,581	3,387,805
6.	Title XVIII - Medicare	3,742,933	109,550,323	100,150	8,963,204	3,843,083	4,170,748
7.	Title XIX - Medicaid						
8.	Other health	(18,069)	25,742	(358)	11	(18,427)	
9.	Health subtotal (Lines 1 to 8)	35,230,009	472,854,495	724,159	33,774,333	35,954,168	37,106,295
10.	Healthcare receivables (a)						
11.	Other non-health						
12.	Medical incentive pool and bonus amounts						
13.	TOTALS (Lines 9 - 10 + 11 + 12)	35,230,009	472,854,495	724,159	33,774,333	35,954,168	37,106,295

(a) Excludes \$.00 loans or advances to providers not yet expensed.

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS (000 Omitted)

Grand Total

Section A - Paid Health Claims

Year in Which Losses Were Incurred		Cumulative Net Amounts Paid				
		1 2007	2 2008	3 2009	4 2010	5 2011
1.	Prior	34,193	(189)			
2.	2007	494,394	30,886	82		
3.	2008	X X X	479,753	31,386	1	
4.	2009	X X X	X X X	497,531	31,140	372
5.	2010	X X X	X X X	X X X	497,498	33,950
6.	2011	X X X	X X X	X X X	X X X	473,763

Section B - Incurred Health Claims

Year in Which Losses Were Incurred		Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
		1 2007	2 2008	3 2009	4 2010	5 2011
1.	Prior	34,513	(229)			
2.	2007	527,299	30,969	82		
3.	2008	X X X	512,319	31,975	1	
4.	2009	X X X	X X X	529,706	31,550	372
5.	2010	X X X	X X X	X X X	534,194	34,675
6.	2011	X X X	X X X	X X X	X X X	507,536

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio

Years in Which Premiums were Earned and Claims were Incurred		1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9/1) Percent
1.	2007	559,572	525,362	7,442	1.417	532,804	95.216			532,804	95.216
2.	2008	555,538	511,140	7,768	1.520	518,908	93.406			518,908	93.406
3.	2009	562,158	529,043	9,614	1.817	538,657	95.820			538,657	95.820
4.	2010	555,729	531,449	11,871	2.234	543,320	97.767	725		544,045	97.898
5.	2011	523,801	473,761	12,671	2.675	486,432	92.866	33,773	1,137	521,342	99.531

12 Total

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS (000 Omitted)

Hospital and Medical
Section A - Paid Health Claims

Year in Which Losses Were Incurred		Cumulative Net Amounts Paid				
		1 2007	2 2008	3 2009	4 2010	5 2011
1.	Prior	26,288	(175)			
2.	2007	380,105	23,620	62		
3.	2008	X X X	366,886	23,694	1	
4.	2009	X X X	X X X	375,591	21,433	261
5.	2010	X X X	X X X	X X X	342,424	23,830
6.	2011	X X X	X X X	X X X	X X X	332,527

Section B - Incurred Health Claims

Year in Which Losses Were Incurred		Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
		1 2007	2 2008	3 2009	4 2010	5 2011
1.	Prior	26,535	(175)			
2.	2007	405,403	23,688	62		
3.	2008	X X X	391,791	24,138	1	
4.	2009	X X X	X X X	399,880	21,760	261
5.	2010	X X X	X X X	X X X	371,646	24,398
6.	2011	X X X	X X X	X X X	X X X	354,610

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio

Years in Which Premiums were Earned and Claims were Incurred		1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9/1) Percent
1.	2007	430,217	403,787	5,722	1.417	409,509	95.187			409,509	95.187
2.	2008	424,841	390,581	5,940	1.521	396,521	93.334			396,521	93.334
3.	2009	424,380	397,285	7,258	1.827	404,543	95.326			404,543	95.326
4.	2010	370,938	366,254	8,234	2.248	374,488	100.957	562		375,050	101.109
5.	2011	339,372	332,525	6,753	2.031	339,278	99.972	22,089	606	361,973	106.660

- 12 Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Medicare Supplement NONE
- 12 Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Medicare Supplement . . . NONE
- 12 Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Medicare Supplement . . . NONE
- 12 Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Dental Only NONE
- 12 Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Dental Only NONE
- 12 Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Dental Only NONE
- 12 Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Vision Only NONE
- 12 Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Vision Only NONE
- 12 Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Vision Only NONE

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS (000 Omitted)
Federal Employees Health Benefits Plan Premiums
Section A - Paid Health Claims

Year in Which Losses Were Incurred		Cumulative Net Amounts Paid				
		1 2007	2 2008	3 2009	4 2010	5 2011
1.	Prior	2,203	(14)			
2.	2007	31,849	1,887	5		
3.	2008	X X X	29,318	2,103		
4.	2009	X X X	X X X	33,340	2,067	28
5.	2010	X X X	X X X	X X X	33,018	2,550
6.	2011	X X X	X X X	X X X	X X X	35,588

Section B - Incurred Health Claims

Year in Which Losses Were Incurred		Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
		1 2007	2 2008	3 2009	4 2010	5 2011
1.	Prior	2,223	(14)			
2.	2007	33,969	1,891	5		
3.	2008	X X X	31,308	2,143		
4.	2009	X X X	X X X	35,496	2,104	28
5.	2010	X X X	X X X	X X X	36,368	2,617
6.	2011	X X X	X X X	X X X	X X X	38,306

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio

Years in Which Premiums were Earned and Claims were Incurred		1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9/1) Percent
1.	2007	36,048	33,741	479	1.420	34,220	94.929			34,220	94.929
2.	2008	33,950	31,421	475	1.512	31,896	93.950			31,896	93.950
3.	2009	37,670	35,435	644	1.817	36,079	95.776			36,079	95.776
4.	2010	42,263	35,568	595	1.673	36,163	85.567	63		36,226	85.716
5.	2011	40,481	35,588	717	2.015	36,305	89.684	2,722	64	39,091	96.566

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS (000 Omitted)

Title XVIII - Medicare
Section A - Paid Health Claims

Year in Which Losses Were Incurred		Cumulative Net Amounts Paid				
		1 2007	2 2008	3 2009	4 2010	5 2011
1.	Prior	5,702				
2.	2007	82,440	5,379	15		
3.	2008	X X X	83,549	5,589		
4.	2009	X X X	X X X	88,600	7,640	83
5.	2010	X X X	X X X	X X X	122,056	7,570
6.	2011	X X X	X X X	X X X	X X X	105,640

Section B - Incurred Health Claims

Year in Which Losses Were Incurred		Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
		1 2007	2 2008	3 2009	4 2010	5 2011
1.	Prior	5,755	(40)			
2.	2007	87,927	5,390	15		
3.	2008	X X X	89,220	5,694		
4.	2009	X X X	X X X	94,330	7,686	83
5.	2010	X X X	X X X	X X X	126,180	7,660
6.	2011	X X X	X X X	X X X	X X X	114,613

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio

Years in Which Premiums were Earned and Claims were Incurred		1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9/1) Percent
1.	2007	93,307	87,834	1,241	1.413	89,075	95.464			89,075	95.464
2.	2008	96,747	89,138	1,353	1.518	90,491	93.534			90,491	93.534
3.	2009	100,108	96,323	1,712	1.777	98,035	97.929			98,035	97.929
4.	2010	142,528	129,627	3,042	2.347	132,669	93.083	100		132,769	93.153
5.	2011	143,938	105,640	5,199	4.921	110,839	77.005	8,963	467	120,269	83.556

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS (000 Omitted)

Title XIX - Medicaid

Section A - Paid Health Claims

Year in Which Losses Were Incurred		Cumulative Net Amounts Paid				
		1 2007	2 2008	3 2009	4 2010	5 2011
1.	Prior					
2.	2007					
3.	2008					
4.	2009					
5.	2010					
6.	2011					

Section B - Incurred Health Claims

Year in Which Losses Were Incurred		Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
		1 2007	2 2008	3 2009	4 2010	5 2011
1.	Prior					
2.	2007					
3.	2008					
4.	2009					
5.	2010					
6.	2011					

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio

Years in Which Premiums were Earned and Claims were Incurred		1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9/1) Percent
1.	2007										
2.	2008										
3.	2009										
4.	2010										
5.	2011										

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS (000 Omitted)

Other

Section A - Paid Health Claims

Year in Which Losses Were Incurred		Cumulative Net Amounts Paid				
		1 2007	2 2008	3 2009	4 2010	5 2011
1.	Prior .....	.....	.....	.....	.....	.....
2.	2007 .....	.....	.....	.....	.....	.....
3.	2008	X X X .....	.....	.....	.....	.....
4.	2009	X X X	X X X .....	.....	.....	.....
5.	2010	X X X	X X X	X X X .....	.....	.....
6.	2011	X X X	X X X	X X X	X X X	8

Section B - Incurred Health Claims

Year in Which Losses Were Incurred		Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
		1 2007	2 2008	3 2009	4 2010	5 2011
1.	Prior .....	.....	.....	.....	.....	.....
2.	2007 .....	.....	.....	.....	.....	.....
3.	2008	X X X .....	.....	.....	.....	.....
4.	2009	X X X	X X X .....	.....	.....	.....
5.	2010	X X X	X X X	X X X .....	.....	.....
6.	2011	X X X	X X X	X X X	X X X	7

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio

Years in Which Premiums were Earned and Claims were Incurred		1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9/1) Percent
1.	2007 .....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
2.	2008 .....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
3.	2009 .....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
4.	2010 .....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
5.	2011	10	8	2	25.000	10	100.000	(1)	.....	9	90.000

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2D - AGGREGATE RESERVE FOR ACCIDENT AND HEALTH CONTRACTS ONLY

	1	2	3	4	5	6	7	8	9
	Total	Compre- hensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other
1. Unearned premium reserves									
2. Additional policy reserves (a)	4,400,000	3,281,072				312,838	806,048		42
3. Reserve for future contingent benefits									
4. Reserve for rate credits or experience rating refunds (including \$.....0 for investment income)									
5. Aggregate write-ins for other policy reserves									
6. TOTALS (Gross)	4,400,000	3,281,072				312,838	806,048		42
7. Reinsurance ceded									
8. TOTALS (Net) (Page 3, Line 4)	4,400,000	3,281,072				312,838	806,048		42
9. Present value of amounts not yet due on claims									
10. Reserve for future contingent benefits									
11. Aggregate write-ins for other claim reserves									
12. TOTALS (Gross)									
13. Reinsurance ceded									
14. TOTALS (Net) (Page 3, Line 7)									
DETAILS OF WRITE-INS									
0501.									
0502.									
0503.									
0598. Summary of remaining write-ins for Line 5 from overflow page									
0599. TOTALS (Lines 0501 through 0503 plus 0598) (Line 5 above)									
1101.									
1102.									
1103.									
1198. Summary of remaining write-ins for Line 11 from overflow page ..									
1199. TOTALS (Lines 1101 through 1103 plus 1198) (Line 11 above) ..									

(a) Includes \$.....0 premium deficiency reserve.

UNDERWRITING AND INVESTMENT EXHIBIT
PART 3 - ANALYSIS OF EXPENSES

		Claim Adjustment Expenses		3	4	5
		1	2			
		Cost Containment Expenses	Other Claim Adjustment Expenses	General Administrative Expenses	Investment Expenses	Total
1.	Rent (\$.....0 for occupancy of own building)					
2.	Salaries, wages and other benefits	5,114,052	4,642,103	16,711,523		26,467,678
3.	Commissions (less \$.....0 ceded plus \$.....0 assumed)			7,592,537		7,592,537
4.	Legal fees and expenses					
5.	Certifications and accreditation fees			78,686		78,686
6.	Auditing, actuarial and other consulting services	27,500		380,690		408,190
7.	Traveling expenses	20,389	20,390	233,003		273,782
8.	Marketing and advertising		744,752	9,667,041		10,411,793
9.	Postage, express and telephone	39,131	4,828	297,209		341,168
10.	Printing and office supplies	34,819	52,245	112,580		199,644
11.	Occupancy, depreciation and amortization			604,410		604,410
12.	Equipment	8,267		67,088		75,355
13.	Cost or depreciation of EDP equipment and software			5,916		5,916
14.	Outsourced services including EDP, claims, and other services	1,956,941	5,369	168,275		2,130,585
15.	Boards, bureaus and association fees					
16.	Insurance, except on real estate			8,963		8,963
17.	Collection and bank service charges			72,440		72,440
18.	Group service and administration fees					
19.	Reimbursements by uninsured plans			(948,871)		(948,871)
20.	Reimbursements from fiscal intermediaries					
21.	Real estate expenses				1,620,193	1,620,193
22.	Real estate taxes			135,405	1,820,014	1,955,419
23.	Taxes, licenses and fees:					
23.1	State and local insurance taxes			174		174
23.2	State premium taxes			4,147,794		4,147,794
23.3	Regulator authority licenses and fees			69,118		69,118
23.4	Payroll taxes		(788)	934,984		934,196
23.5	Other (excluding federal income and real estate taxes)					
24.	Investment expenses not included elsewhere					
25.	Aggregate write-ins for expenses			14,679,914		14,679,914
26.	TOTAL Expenses Incurred (Lines 1 to 25)	7,201,099	5,468,899	55,018,879	3,440,207	(a) 71,129,084
27.	Less expenses unpaid December 31, current year		1,137,110	2,417,244		3,554,354
28.	Add expenses unpaid December 31, prior year		1,049,900	2,166,087		3,215,987
29.	Amounts receivable relating to uninsured plans, prior year					
30.	Amounts receivable relating to uninsured plans, current year					
31.	TOTAL Expenses Paid (Lines 26 minus 27 plus 28 minus 29 plus 30)	7,201,099	5,381,689	54,767,722	3,440,207	70,790,717
DETAILS OF WRITE-INS						
2501.	Information Technology Services			6,131,603		6,131,603
2502.	Shared Services			8,548,311		8,548,311
2503.	Regional Admin Allocation					
2598.	Summary of remaining write-ins for Line 25 from overflow page					
2599.	TOTALS (Lines 2501 through 2503 plus 2598) (Line 25 above)			14,679,914		14,679,914

(a) Includes management fees of \$.....0 to affiliates and \$.....0 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

		1	2
		Collected During Year	Earned During Year
1.	U.S. Government bonds	(a)..... 741,833	 600,228
1.1	Bonds exempt from U.S. tax	(a).....	.....
1.2	Other bonds (unaffiliated)	(a)..... 2,470,012	 1,795,440
1.3	Bonds of affiliates	(a).....	.....
2.1	Preferred stocks (unaffiliated)	(b).....	.....
2.11	Preferred stocks of affiliates	(b).....	.....
2.2	Common stocks (unaffiliated)		
2.21	Common stocks of affiliates		
3.	Mortgage loans	(c).....	
4.	Real estate	(d).....	 7,687,655
5.	Contract loans		
6.	Cash, cash equivalents and short-term investments	(e)..... 1,941	 (3,197)
7.	Derivative instruments	(f).....	.....
8.	Other invested assets		
9.	Aggregate write-ins for investment income		
10.	Total gross investment income	 3,213,786	 10,080,126
11.	Investment expenses		(g)..... 3,440,207
12.	Investment taxes, licenses and fees, excluding federal income taxes		(g).....
13.	Interest expense		(h)..... 225,309
14.	Depreciation on real estate and other invested assets		(i)..... 3,913,609
15.	Aggregate write-ins for deductions from investment income		
16.	Total deductions (Lines 11 through 15)		 7,579,125
17.	Net Investment income (Line 10 minus Line 16)		 2,501,001
DETAILS OF WRITE-INS			
0901.	.....	.....	.....
0902.	.....	.....	.....
0903.	.....	.....	.....
0998.	Summary of remaining write-ins for Line 9 from overflow page		
0999.	TOTALS (Lines 0901 through 0903 plus 0998) (Line 9, above)		
1501.	.....		
1502.	.....		
1503.	.....		
1598.	Summary of remaining write-ins for Line 15 from overflow page		
1599.	TOTALS (Lines 1501 through 1503 plus 1598) (Line 15, above)		
(a) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued interest on purchases.			
(b) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued dividends on purchases.			
(c) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued interest on purchases.			
(d) Includes \$.....0 for company's occupancy of its own buildings; and excludes \$.....0 interest on encumbrances.			
(e) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued interest on purchases.			
(f) Includes \$.....0 accrual of discount less \$.....0 amortization of premium.			
(g) Includes \$.....0 investment expenses and \$.....0 investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.			
(h) Includes \$.....0 interest on surplus notes and \$.....0 interest on capital notes.			
(i) Includes \$.....0 depreciation on real estate and \$.....0 depreciation on other invested assets.			

EXHIBIT OF CAPITAL GAINS (LOSSES)

		1	2	3	4	5
		Realized Gain (Loss) on Sales or Maturity	Other Realized Adjustments	Total Realized Capital Gain (Loss) (Columns 1 + 2)	Change in Unrealized Capital Gain (Loss)	Change in Unrealized Foreign Exchange Capital Gain (Loss)
1.	U.S. Government bonds	 113,487	 (14,284)	 99,203		
1.1	Bonds exempt from U.S. tax					
1.2	Other bonds (unaffiliated)	 396,683	 (386,557)	 10,126		
1.3	Bonds of affiliates					
2.1	Preferred stocks (unaffiliated)					
2.11	Preferred stocks of affiliates					
2.2	Common stocks (unaffiliated)					
2.21	Common stocks of affiliates					
3.	Mortgage loans					
4.	Real estate					
5.	Contract loans					
6.	Cash, cash equivalents and short-term investments					
7.	Derivative instruments					
8.	Other invested assets					
9.	Aggregate write-ins for capital gains (losses)					
10.	Total capital gains (losses)	 510,170	 (400,841)	 109,329		
DETAILS OF WRITE-INS						
0901.	.....					
0902.	.....					
0903.	.....					
0998.	Summary of remaining write-ins for Line 9 from overflow page ..					
0999.	TOTALS (Lines 0901 through 0903 plus 0998) (Line 9, above) ..					

EXHIBIT OF NONADMITTED ASSETS

		1	2	3
		Current Year Total Nonadmitted Assets	Prior Year Total Nonadmitted Assets	Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1.	Bonds (Schedule D)			
2.	Stocks (Schedule D):			
2.1	Preferred stocks			
2.2	Common stocks			
3.	Mortgage loans on real estate (Schedule B):			
3.1	First liens			
3.2	Other than first liens			
4.	Real estate (Schedule A):			
4.1	Properties occupied by the company			
4.2	Properties held for the production of income			
4.3	Properties held for sale			
5.	Cash (Schedule E-Part 1), cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA)			
6.	Contract loans			
7.	Derivatives (Schedule DB)			
8.	Other invested assets (Schedule BA)			
9.	Receivables for securities			
10.	Securities lending reinvested collateral assets (Schedule DL)			
11.	Aggregate write-ins for invested assets			
12.	Subtotals, cash and invested assets (Lines 1 to 11)			
13.	Title plants (for Title insurers only)			
14.	Invested income due and accrued			
15.	Premium and considerations:			
15.1	Uncollected premiums and agents' balances in the course of collection			
15.2	Deferred premiums, agents' balances and installments booked but deferred and not yet due			
15.3	Accrued retrospective premiums			
16.	Reinsurance:			
16.1	Amounts recoverable from reinsurers			
16.2	Funds held by or deposited with reinsured companies			
16.3	Other amounts receivable under reinsurance contracts			
17.	Amounts receivable relating to uninsured plans			
18.1	Current federal and foreign income tax recoverable and interest thereon			
18.2	Net deferred tax asset			
19.	Guaranty funds receivable or on deposit			
20.	Electronic data processing equipment and software	336,202	483,320	147,118
21.	Furniture and equipment, including health care delivery assets	916,629	895,434	(21,195)
22.	Net adjustment in assets and liabilities due to foreign exchange rates			
23.	Receivables from parent, subsidiaries and affiliates			
24.	Health care and other amounts receivable	256,978	138,640	(118,338)
25.	Aggregate write-ins for other than invested assets	969,650	1,269,026	299,376
26.	Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	2,479,459	2,786,420	306,961
27.	From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
28.	Total (Lines 26 and 27)	2,479,459	2,786,420	306,961
DETAILS OF WRITE-INS				
1101.	.....			
1102.	.....			
1103.	.....			
1198.	Summary of remaining write-ins for Line 11 from overflow page			
1199.	TOTALS (Lines 1101 through 1103 plus 1198) (Line 11 above)			
2501.	Prepaid & Other Current Assets	969,650	1,269,026	299,376
2502.	Other Property and Equip and Long Term Assets			
2503.	.....			
2598.	Summary of remaining write-ins for Line 25 from overflow page			
2599.	TOTALS (Lines 2501 through 2503 plus 2598) (Line 25 above)	969,650	1,269,026	299,376

EXHIBIT 1 - ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY

Source of Enrollment		Total Members at End of					6 Current Year Member Months
		1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	
1.	Health Maintenance Organizations	102,641	98,167	96,120	93,730	92,414	1,144,993
2.	Provider Service Organizations						
3.	Preferred Provider Organizations						
4.	Point of Service	19,701	15,710	13,790	12,137	10,787	164,350
5.	Indemnity Only						
6.	Aggregate write-ins for other lines of business						
7.	TOTAL	122,342	113,877	109,910	105,867	103,201	1,309,343
DETAILS OF WRITE-INS							
0601.	.....						
0602.	.....						
0603.	.....						
0698.	Summary of remaining write-ins for Line 6 from overflow page						
0699.	TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above)						

Notes to Financial Statements

Kaiser Foundation Health Plan of Ohio

Notes to Financial Statements

For the Year Ended December 31, 2011 and the Year Ended December 31, 2010

1) Summary of Significant Accounting Policies

A. Accounting Practices

The accompanying statutory financial statements of Kaiser Foundation Health Plan of Ohio (“Health Plan”) have been prepared in conformity with the National Association of Insurance Commissioners’ (“NAIC”) *Accounting Practices and Procedures* manual, (“NAIC SAP”), the NAIC Annual Statement Instructions, and other accounting practices as prescribed or permitted by the State of Ohio – Ohio Department of Insurance (ODI). There were no reported differences to net income, statutory surplus, or risk-based capital for specific practices, prescribed or permitted by the State of Ohio, that deviate from NAIC SSAP in the reported periods.

B. Use of Estimates in the Preparation of the Financial Statements

The preparation of the statutory financial statements in conformity with NAIC SAP, the NAIC Annual Statement Instructions, and other accounting practices as prescribed or permitted by the ODI requires management to make estimates and assumptions that affect the reported amounts. The fair value of securities, allowance for uncollectible premiums and healthcare receivables, Medicare revenue accruals, Medicare payables and reserves, incurred but not reported medical claims, pension and other retirement benefit liabilities, premium deficiency reserves, self-insured professional, general and workers’ compensation liabilities, real estate, property and equipment, investment impairments and other charges represent significant estimates. Actual results could differ materially from those estimates. With respect to employee benefit plans, as occurs from time to time, negotiations with labor partners may result in changes to compensation and benefits. These changes are reflected in the statutory financial statements as appropriate when agreements are finalized.

C. Accounting Policies

Cash and Short Term Investments

Cash (overdraft) and short-term investments – net include interest-bearing deposits purchased with maturities of twelve months or less. Cash and investments that are restricted per contractual or regulatory requirements are classified as investments and excluded from cash (overdraft) and short-term investments – net.

Premiums Receivable

Premiums receivable exclude nonadmitted balances. Certain receivables are not admissible in accordance with the NAIC SAP. Nonadmitted amounts include all nongovernmental premiums receivable greater than 90 days past due and other amounts deemed uncollectible. In addition, when premiums receivable greater than 90 days past due are more than a de minimus portion of the entire premiums receivable balance, the entire premiums receivable balance is nonadmitted.

Bonds and Other Invested Assets

Bonds and other invested assets include U.S. Treasury and government-sponsored agencies, mortgage and asset-backed securities, industrial and miscellaneous bonds and all other government bonds. Recognized gains and losses are recorded on the specific identification basis. Interest income is included in net investment and other income.

Bonds are reported in accordance with NAIC Annual Statement Instructions (Statement Value). Accordingly, bonds that are designated highest quality, NAIC Designation 1 and 2, are reported at amortized cost using the effective interest method, and bonds that are classified as NAIC Designation 3 or lower are reported at lower of amortized cost or fair value.

Adjustments are made prospectively and repayment assumptions are obtained from a third party vendor data source for loan-backed and/or structured securities. The amortization method used is the scientific method.

Notes to Financial Statements

Investments are regularly reviewed for impairment and a charge is recognized when the fair value is below cost basis and is judged to be other-than-temporary. Impairment is included in recognized losses. In its review of assets for impairment that is deemed other-than-temporary, management generally follows the following guidelines:

- Substantially all investments are managed by outside investment managers who do not need KFHP's management pre-approval for sales, therefore substantially all declines in value below amortized cost are recognized as impairments that are other-than-temporary.
- For other securities, losses are recognized for known matters, such as bankruptcies, regardless of ownership period, and investments that have been continuously below book value for an extended period of time are evaluated for impairment that is other-than-temporary.

Health Plan's investment transactions are recorded on a trade-date basis.

Health Plan is required to keep investments on deposit in the State of Ohio, where it is licensed. At both December 31, 2011 and 2010, \$400 thousand in long-term U.S. Treasury notes were restricted to satisfy the state's regulatory requirements.

Real Estate, Property and Equipment

Real estate, property and equipment which includes land, buildings and improvements, furniture and equipment are stated at cost less accumulated depreciation and amortization. Interest is capitalized on facilities construction in progress and is added to the cost of the underlying asset, in accordance with Statement of Statutory Accounting Principles (SSAP) No. 44, *Capitalization of Interest Cost*. Depreciation begins when the project is substantially complete and ready for its intended use. Software is amortized on a straight-line basis over three years. Buildings and equipment are depreciated on a straight line basis over the shorter of the asset's useful life or the estimated useful lives of the various classes of assets, generally ranging from 3 to 33 years.

Management evaluates alternatives for delivering services that may affect the current and future utilization of existing and planned assets and could result in an adjustment to the carrying values of such land, buildings, equipment and software in the future. Management evaluates and records impairment losses, where applicable, based on expected utilization, projected cash flows and recoverable values.

Maintenance and repairs are expensed as incurred. Major improvements that increase the estimated useful life of an asset are capitalized. Upon the sale or retirement of assets, recorded cost and related accumulated depreciation are removed from the accounts, and any gain or loss on disposal is reflected in operations.

Included in property and equipment are health care delivery assets representing pharmaceutical inventory, as well as medical center furniture, fixtures and equipment used in the direct delivery of care. Pharmaceutical inventory is included in the furniture and equipment category.

Pharmaceutical inventory is not subject to depreciation. Medical center furniture, fixtures and equipment used in the direct delivery of care are depreciated over their estimated useful lives but for a period not to exceed three years.

Self Insured Risks

Costs associated with self-insured risks, primarily for professional, general and workers' compensation liabilities, are charged to operations based upon actual and estimated claims. The estimate for incurred but not reported self-insured claims is based on actuarial projections of costs using historical claims and other relevant data. Estimates are monitored and reviewed and, as settlements are made or estimates are revised, adjustments are reflected in current operations. Given the inherent variability of such estimates, the actual liability could differ significantly from the amounts provided. While the ultimate payments for self-insured claims are dependent on future developments, management is of the opinion that the reserve for self-insured risks is adequate. Insurance coverage, in excess of the per occurrence self-insured retention, has been secured with affiliated and unaffiliated insurers or reinsurers for specified amounts for professional, general and workers' compensation liabilities. Decisions relating to the limit and scope of the self-insured layer and the amounts of excess insurance purchased are reviewed each year, subject to management's analysis of actuarial loss projections and the price and availability of acceptable commercial insurance.

Notes to Financial Statements

Reserves for Unpaid Claims and Claims Adjustment Expense

The cost of health care services is recognized in the period in which services are provided. Reserves for unpaid claims and claims adjustment expense consists of unpaid health care expenses, which include an estimate of the cost of services provided to Health Plan's members by third-party providers that have been incurred but not reported. The estimate for incurred but not reported claims is based on actuarial projections of costs using historical paid claims and other relevant data. Estimates are monitored and reviewed and, as settlements are made or estimates are revised, adjustments are reflected in current operations. Such estimates are subject to the impact of changes in the regulatory environment and economic conditions. Given the inherent variability of such estimates, the actual liability could differ significantly from the amounts provided. While the ultimate amount of paid claims is dependent on future developments, management is of the opinion that the reserves for unpaid claims and claims adjustment expense are adequate to cover such claims. Negative amounts reported for incurred related to prior years result from claims being adjudicated and paid for amounts less than originally estimated.

Health Plan contracts with The Ohio Permanente Medical Group, P.C. (the Medical Group) to provide or arrange for professional medical services for members. Contract payments to the Medical Group represent a substantial portion of the expenses for medical services reported in the statutory financial statements. Included in the reserves for unpaid claims and claims adjustment expense is Health Plan's due to associated medical group. Due to associated medical group consists primarily of unpaid medical expenses owed to the Medical Group for medical services provided to members under a medical services agreement with Health Plan. Under the agreement, Health Plan reimburses the Medical Group for the cost of physician services provided by Medical Group and claims expense for referred medical services. The cost of medical services, including an estimate of claims incurred but not reported, is recognized by Health Plan in the period in which services are provided and is reflected as a component of medical and hospital expenses.

The payable to the Medical Group was \$13.2 million as of December 31, 2011 and December 31, 2010. Based upon the terms of the agreement with the Medical Group, Health Plan paid \$95.6 million and \$104.1 million to the Medical Group for the year ended December 31, 2011 and 2010, respectively.

Receivables and Payables for Securities

Receivables and payables for securities represent current amounts for unsettled securities purchases or sales.

Donations and Grants Made or Received

Donations and grants made are recognized at fair value in the period in which a commitment is made, provided the payment of the donation or grant is probable and the amount is determinable. Donations or grants received, including research grants, are recognized at fair value in the period the donation or grant was committed unconditionally by the grantor or in the period the donation or grant requirements are met, if later.

Revenue Recognition

Net premium revenue includes premiums from employer groups, individuals and Medicare. Revenue is recognized over the period in which the members are entitled to health care services.

In addition, Medicare benefits include a voluntary prescription drug benefit (Part D). Revenues for Part D include capitated payments made from Medicare adjusted for health risk factor scores. Revenues also include amounts to reflect a portion of the health care costs for low-income Medicare beneficiaries and a risk-sharing arrangement to limit the exposure to unexpected expenses. Related accruals are recognized monthly based on cumulative experience and membership data. Part D revenue is finalized after all data is submitted to Medicare, and the final settlement is made after the end of the fiscal year.

Medicare Cost revenue and Medicare Part D revenue are subject to governmental audits and potential payment adjustments. The Centers for Medicare & Medicaid Services (CMS) performs coding audits to validate the supporting documentation maintained by Health Plan and its care providers.

Estimates of retrospective adjustments resulting from coding audits, cost reports and other contractual adjustments are recorded in the time period in which members are entitled to health care services. Actual retroactive adjustments may differ from initial estimates.

Notes to Financial Statements

Premiums collected in advance are deferred and recorded as premiums received in advance. Revenue is adjusted to reflect estimates of collectability, including retroactive membership adjustment trends and economic conditions. Revenue and related receivables are exclusive of charity care. A portion of revenues derived under contracts with the United States Office of Personnel Management is subject to audit and potential retrospective adjustments.

Pension and Other Postretirement Benefits

Health Plan participates in defined benefit pension and postretirement plans that are administered by KFHP. The plans are accounted for within the framework of SSAP No. 89, *Accounting for Pensions*, A Replacement of SSAP No. 8, and SSAP No. 14, *Postretirement Benefits Other Than Pensions*, respectively. The plans are actuarially evaluated and involve various assumptions. Critical assumptions include the discount rate and the expected rate of return on plan assets (for pension), which are important elements of expense and/or liability measurement. Other assumptions involve demographic factors such as retirement age, mortality, turnover and the rate of compensation increases. KFHP evaluates assumptions annually and modifies them as appropriate. Pension and postretirement costs are allocated over the service period of the employees in the plan.

KFHP uses a discount rate to determine the present value of the future benefit obligations. The discount rate is established based on rates available for high-quality fixed-income debt at the measurement date whose maturity dates match the expected cash flows of the retirement plans.

To determine the expected long-term rate of return on pension plan assets, KFHP considers the current and expected asset allocation, as well as historical and expected returns for each plan asset class. Any difference between actual and expected plan experience, in excess of a 10% corridor around the larger of assets or liabilities, is recognized in the net periodic pension calculation over the expected average future service of the current employees, which is approximately 13 years.

Cost Allocations

For reporting lines of business activity, expenses are allocated based on utilization and experience.

Reclassifications

Certain reclassifications have been made in the 2010 statutory financial statements to conform to the 2011 presentation.

New Accounting Pronouncements

In March 2011, the NAIC adopted revisions to SSAP No. 100, *Fair Value Measurements*. The revisions require new disclosures of the fair value hierarchy, as well as the method used to obtain the fair value measurement. The revisions also require a gross presentation of purchases, sales, issues and settlement (each separately) within the reconciliation for fair value measurements categorized within Level 3 of the fair value hierarchy. The SSAP 100 revisions, adopted by Health Plan in 2011, did not have a material effect on Health Plan's statutory financial statements as Health Plan did not hold any Level 3 investments in 2010 or 2011.

In 2011, Health Plan adopted revisions issued by the NAIC to SSAP No. 22, *Clarification of the Treatment of the Early Termination of an Unexpired Lease*. The revisions adopt the guidance of the Financial Accounting Standards Board's (FASB) Accounting Standards Codification (ASC) Topic 420 pertaining to modification or early termination of leases. Health Plan has determined that the revisions to SSAP 22 do not have a material effect on the statutory financial statements.

In 2011, revisions issued by the NAIC to SSAP No. 43R, *Loan-Backed and Structured Securities*, became effective. The revisions clarified the definitions of loan-backed and structured securities, and do not have a material effect on Health Plan's statutory financial statements.

In 2011, Health Plan adopted revisions issued by the NAIC to SSAP No. 5R, *Liabilities, Contingencies, and Impairments of Assets*. The revisions adopt, with modification, FASB Interpretation No. 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others - an Interpretation of FASB Statements No. 5, 57, and 107 and rescission of FASB Interpretation No. 34*, as codified in FASB ASC Topic 105, *Generally Accepted Accounting Principles*. The revisions require entities to recognize, at the inception of a guarantee, a liability for the

Notes to Financial Statements

obligations it has undertaken in issuing the guarantee, even if the likelihood of having to make payments under the guarantee is remote. Health Plan has determined that the revisions to SSAP 5R do not have a material effect on the statutory financial statements.

In 2011, Health Plan adopted revisions issued by the NAIC to SSAP No. 35R, *Guarantee Fund and Other Assessments*, to modify the conditions required before recognizing liabilities for insurance-related assessments. Under the new guidance, a liability is not recognized until the event obligating an entity to pay an imposed or probable assessment has occurred. Health Plan has determined that the revisions to SSAP 35R do not have a material effect on the statutory financial statements.

In June 2011, the NAIC adopted revisions to SSAP No. 66, *Retrospectively Rated Contracts*. The revisions clarify medical loss ratio rebate accounting and reporting. Health Plan has determined that the revisions to SSAP 66 do not impact the statutory financial statements as Health Plan will not be required to pay a rebate related to 2011.

2) Accounting Changes and Corrections of Errors

Accounting changes adopted to conform to the provisions of the NAIC *Accounting Practices and Procedures* manual are reported as changes in accounting principles. The cumulative effect of changes in accounting principles is reported as an adjustment to unassigned funds (“surplus”) in the period of the change in accounting principle. The cumulative effect is the difference between the amount of capital and surplus at the beginning of the year and the amount of capital and surplus that would have been reported at that date if the new accounting principles had been applied retroactively for all prior periods. There were no accounting changes or corrections of errors in 2011 or 2010.

3) Business Combinations and Goodwill

There were no business combinations during the reporting periods. Health Plan does not carry goodwill in its financial statements.

4) Discontinued Operations

There were no discontinued operations during the reporting periods.

5) Investments

A -C, E -G

At December 31, 2011 and 2010, Health Plan had no investments in mortgage loans, restructured debt, reverse mortgages, repurchase agreements, property held exclusively for sale, or low-income housing tax credits

D) Loan-Backed Securities

(1) & (2) Fair Values and Concentrations of Credit Risk

Health Plan’s accounting policies regarding investments, including prepayment assumptions, are described in Note 1, “Summary of Significant Accounting Policies.”

At December 31, 2011, Health Plan held loan-backed securities with the following fair values and concentrations credit risk (in thousands):

Type	Class	Book Value	Fair Value
Commercial Mortgage Backed and Other Loan-Backed and Structured Securities	Industrial & Misc	\$ 5,547	\$ 5,589
Total		\$5,547	\$5,589

At December 31, 2010, Health Plan held loan-backed securities with the following fair values and concentrations credit risk (in thousands):

Notes to Financial Statements

Type	Class	Book Value	Fair Value
Commercial Mortgage Backed and Other Loan-Backed and Structured Securities	Industrial & Misc	\$ 4,568	\$ 4,571
Total		\$4,568	\$4,571

Other-than-temporary impairment (OTTI) recognized for the year ended December 31, 2011 related to loan-backed securities is as follows (in thousands):

Classification	Amortized cost before OTTI	Recognized OTTI	Fair value at Time of OTTI
Inability or lack of intent to retain - Q1	\$ 1,021	\$ 2	\$ 1,019
Inability or lack of intent to retain - Q2	920	3	\$ 917
Inability or lack of intent to retain - Q3	3,933	15	\$ 3,918
Inability or lack of intent to retain - Q4	1,008	1	1,007
Total	\$ 6,882	\$ 21	\$ 6,861

There was no other-than-temporary impairment (OTTI) recognized during 2010 for loan-backed or structured securities.

(3) Loan-backed securities held as of December 31, 2011 with a 2011 recognized other-than-temporary impairment are as follows (in thousands):

CUSIP	Book/Adj Carrying Value Amortized cost before current period OTTI	Recognized other-than-temporary impairment	Amortized Cost after other-than-temporary impairment	Fair Value at Time of OTTI	Date of Financial Statement Where Reported
52108HUM4	\$461	(2)	\$459	\$459	3/31/2011
14041NED9	\$561	(1)	\$560	\$560	3/31/2011
07383FAT5	\$470	(2)	\$468	\$468	6/30/2011
36828QDN3	\$940	(3)	\$937	\$937	9/30/2011
20047AAD2	\$914	(3)	\$911	\$911	9/30/2011
12513EAF1	\$475	(1)	\$474	\$474	9/30/2011
59023BAD6	\$297	(2)	\$295	\$295	9/30/2011
36828QRX6	\$171	(2)	\$169	\$169	9/30/2011
36828QRX6	\$121	(1)	\$120	\$120	9/30/2011
20047GBQ9	\$550	(1)	\$549	\$549	9/30/2011
07383FAT5	\$464	(1)	\$463	\$463	9/30/2011
07383FAT5	\$459	(1)	\$458	\$458	12/31/2011
20047GBQ9	\$550	(1)	\$549	\$549	12/31/2011

F) Real Estate

There were no impairment losses on real estate for the years ended December 31, 2011 or December 31, 2010.

6) Joint Ventures, Partnerships & Limited Liability Companies

Health Plan has no investments in Joint Ventures, Partnerships or Limited Liability Companies.

Notes to Financial Statements

7) Investment Income

All investment income due and accrued is admitted at December 31, 2011 and December 31, 2010.

8) Derivative Instruments

Health Plan has no derivative instruments during the reporting period.

9) Income Taxes

Health Plan is a nonprofit corporation and is exempt from federal and state income taxes.

10) Information Concerning Parent, Subsidiaries and Affiliates

Health Plan is a subsidiary of Kaiser Foundation Health Plan, Inc. (KFHP). KFHP is affiliated with Kaiser Foundation Hospitals (Hospitals) because their governing boards and management are substantially the same. Health Plan contracts with Kaiser Foundation Hospitals to provide or arrange hospital services to members. Based upon the terms of the Hospital Service Agreement, Health Plan was charged \$59.3 million and \$76.2 million by Hospitals in 2011 and 2010, respectively.

Costs of services provided by KFHP and Hospitals to Health Plan were based on the actual cost incurred to provide those services. Services provided include, but are not limited to the following: information technology, treasury, general management, administrative support, and transaction processing. Charges for services provided by KFHP and Hospitals were approximately \$59.1 million and \$58.0 million for the years ended December 31, 2011 and 2010, respectively. Health Plan received \$60 thousand and \$57 thousand in 2011 and 2010, respectively, in investment income from Hospitals. In addition, Health Plan was charged interest expense of \$115 thousand and \$97 thousand by KFHP and Hospitals with respect to amounts paid by KFHP and Hospitals on behalf of Health Plan in 2011 and 2010, respectively.

Additionally, Health Plan purchased professional liability and other insurance from affiliated organizations primarily Lokahi Assurance, Ltd. (Lokahi). Health Plan's premium expense under these arrangements for 2011 and 2010 was \$3.3 million and \$(3.3) million, respectively. The 2010 expense included a refund of \$9.4 million related to prior years. In March 2011, \$13.7 million in professional liability was transferred from Health Plan to Lokahi, with an offsetting cash transfer.

Health Plan contracts with Kaiser Permanente Insurance Company, a subsidiary of KFHP, to provide administrative services including, but not limited to, product development, rating and underwriting, marketing and sales, advertising, claims adjudication, member services, utilization management, and premium billing and collection. Pursuant to this contract, Health Plan received revenues of \$931 thousand and \$1.2 million for the years ended December 31, 2011 and 2010, respectively.

Health Plan has also entered into reciprocal business relationships with KFHP whereby Health Plan and KFHP and its subsidiaries provided medical services to visiting members. Net revenue recorded for services provided by Health Plan in 2011 and 2010 was \$986 thousand and \$794 thousand, respectively. Net expense for services provided to Health Plan members in 2011 and 2010 was \$1.1 million and \$716 thousand, respectively.

Health Plan has a guaranty agreement with the parent, KFHP, in which the parent, without exception, guarantees all obligations of Health Plan, including a guarantee to provide health care services to Health Plan's subscribers, enrollees and dependents in the event that Health Plan is discontinued prior to the expiration of Health Plan's contracts. In addition, Hospitals has loaned certain subordinated debt to Health Plan as described in the footnote *Minimum Capital and Surplus*.

Due from Hospitals generally represents amounts held and invested by affiliated organizations for the benefit of Health Plan in accordance with an agreement to manage excess funds. Due to Hospitals generally represents funds transferred by Hospitals to Health Plan to satisfy Health Plan's operational requirements. Due to Hospitals included a liability for payment of Hospitals' reserves for unpaid claims of \$10.4 million and \$11.5 million for 2011 and 2010, respectively. Hospitals' claims expense was included in Health Plan's medical and hospital expenses.

Notes to Financial Statements

Amounts due to and from related parties at December 31, 2011 and December 31,2010 (in thousands):

	<u>12/31/2011</u>	<u>12/31/2010</u>
Due to Related Parties:		
Kaiser Foundation Health Plan, Inc.	\$ 8,655	\$ 5,872
Kaiser Foundation Hospitals	17,065	20,588
Kaiser Permanente Insurance Corp	1,607	3,668
Other Related Parties	431	1,441
Total Due to Related Parties	<u>\$ 27,758</u>	<u>\$ 31,569</u>
Due from Related Parties:		
Kaiser Permanente Insurance Corp	-	689
Lokahi Assurance, Ltd.	965	44
Other Related Parties	-	383
Total Due from Related Parties	<u>\$ 965</u>	<u>\$ 1,116</u>

11) Debt

As of December 31, 2011 and 2010 Health Plan has no debt.

12) Retirement Plans, Deferred Compensation, Post-employment Benefits and Compensated Absences, and Post-retirement Benefit Plans

a. Defined Benefit Plan

Health Plan participates with affiliated organizations in a defined benefit pension plan covering substantially all its employees. Benefits are based on age at retirement, years of credited service and average compensation for a specified period prior to retirement. Contributions are intended to provide not only for benefits attributed to service to date but also for those expected to be earned in the future.

For financial reporting purposes, the projected unit credit method is used. As of December 31, 2011 and 2010, substantially all pension fund assets were held in a group trust. On December 29, 2010, the trust was restructured from a common/collective trust to a group trust. The trust’s assets are invested in fixed-income and equity securities, with approximately 9% and 5% invested in alternative investments, principally private equity and absolute return limited partnerships, at December 31, 2011 and 2010, respectively.

The pension plan is administered by KFHP. Accumulated benefits and plan assets are not determined on a separate basis for Health Plan and, accordingly, are not disclosed below. However, KFHP allocates pension expense and related prepaid or accrued benefit costs to Health Plan based on participant demographics and plan provisions.

Notes to Financial Statements

Funded status of the plan at December 31 (in millions):

	2011	2010
Change in projected benefit obligation (PBO):		
Benefit obligation at beginning of year	\$ 8,307	\$ 7,204
Service cost	727	623
Interest cost	466	421
Plan amendments	(27)	—
Net actuarial loss	1,203	344
Benefits paid	(230)	(285)
Benefit obligation at end of year	\$ 10,446	\$ 8,307
Accumulated benefit obligation (ABO) at end of year	\$ 7,838	\$ 6,225
Nonvested PBO at end of year	\$ 246	\$ 251
Nonvested ABO at end of year	\$ 139	\$ 142
Change in KFHP's, Hospitals' and their subsidiaries' share of trust assets:		
Fair value of plan assets at beginning of year	\$ 4,779	\$ 4,121
Actual return on plan assets	208	460
Company contributions	695	483
Benefits paid	(230)	(285)
Fair value of plan assets at end of year	\$ 5,452	\$ 4,779
Reconciliation of pension liability:		
Funded status	\$ (4,994)	\$ (3,528)
Unrecognized net loss since transition	4,202	2,978
Unrecognized prior service cost – net	52	96
Unrecognized incremental asset	(102)	(139)
Pension liability	(842)	(593)
Additional minimum pension liability	(1,544)	(853)
Net amount recognized at end of year	\$ (2,386)	\$ (1,446)

The measurement date used to determine pension valuations was December 31.

Pension expense for the years ended December 31 (in millions):

	2011	2010
Service cost	\$ 727	\$ 623
Interest cost	466	421
Expected return on plan assets	(401)	(397)
Amortization of net actuarial loss	172	100
Amortization of prior service cost	17	17
Amortization of incremental asset	(37)	(42)
Net pension expense	\$ 944	\$ 722

Actuarial assumptions used were as follows:

	2011	2010
Weighted average discount rate at January 1 for calculating pension expense	5.60%	6.00%
Weighted average discount rate for calculating December 31 PBO	5.10%	5.60%
Weighted average salary scale for calculating pension expense and December 31 PBO	4.60%	4.60%
Expected long-term rate of return on plan assets at December 31	7.75%	7.75%

KFHP, Hospitals and their subsidiaries expect to contribute approximately \$676 million to its pension plan in 2012.

Notes to Financial Statements

The following benefit payments, which reflect expected future service, were expected to be paid (in millions):

2012	\$	325
2013		365
2014		408
2015		447
2016		493
2017 – 2021		2,979

Explanation of Investment Strategies and Policies

A total return investment approach is employed for the defined benefit pension plan whereby the plan invests in a mix of equity, fixed-income and alternative asset classes to maximize the long-term return of plan assets for a prudent level of risk. The intent of this strategy is to minimize plan expenses by outperforming plan liabilities over the long run. Risk tolerance is established through consideration of plan liabilities, plan funded status and corporate financial condition. The investment portfolio will consist over time of a varying but diversified blend of equity, fixed-income and alternative investments. Diversification includes such factors as geographic location, equity capitalization size and style, placement in the capital structure and security type. Investment risk is measured and monitored on an ongoing basis through annual liability measurements, periodic asset/liability studies and quarterly investment portfolio reviews. KFHP’s investment policy has restrictions relating to credit quality, industry/sector concentration, duration, concentration of ownership and use of derivatives.

Capital Market Assumption Methodology

To determine the long-term rate of return assumption for plan assets, management incorporates historical relationships among the various asset classes and sub-classes to be accessed over the investment horizon. Management’s intent is to maximize portfolio efficiency. This will be accomplished by seeking the highest returns prudently available among the available asset classes. Overall portfolio volatility is managed through diversification among asset classes. Current market factors such as inflation and interest rates are evaluated before long-term capital market assumptions are determined. From time to time, management reviews its long-term investment strategy and reconciles that strategy with the long-term liabilities of the pension plan. This asset-liability study produces a range of expected returns over medium and long-term time periods. Those intermediate and long-term investment projections form the basis for the expected long-term rate of return on assets.

Notes to Financial Statements

Fair value of total pension trust assets by level at December 31, 2011 was as follows (in millions):

	Quoted prices in active markets for identical assets level 1	Significant other observable inputs level 2	Significant unobservable inputs level 3	Total
Assets:				
Cash and cash equivalents	\$ 3	\$ 610	\$ —	\$ 613
Broker receivables	—	1,315	—	1,315
Securities lending collateral	—	1,442	—	1,442
Equity:				
U.S. large capitalization	1,784	299	—	2,083
U.S. small-medium capitalization	895	—	—	895
International developed markets	1,527	577	—	2,104
Global	343	326	—	669
Emerging markets	217	449	—	666
Debt securities issued by the U.S. and U.S. government corporations and agencies	—	1,601	—	1,601
Debt securities issued by U.S. states and political subdivisions of states	—	140	—	140
Foreign government debt securities	—	154	—	154
Corporate debt securities	—	2,587	—	2,587
Residential mortgage-backed securities including Fannie Mae and Freddie Mac	—	781	—	781
Commercial mortgage-backed securities	—	225	—	225
Emerging market debt	—	112	—	112
Other	—	529	—	529
Alternative investments:				
Absolute return	—	494	420	914
Private equity	—	—	299	299
Total assets	4,769	11,641	719	17,129
Liabilities:				
Broker payables	—	1,413	—	1,413
Securities lending payable	—	1,442	—	1,442
Other liabilities	—	427	—	427
Total liabilities	—	3,282	—	3,282
Fair value of plan assets – net	\$ 4,769	\$ 8,359	\$ 719	\$ 13,847

KFHP’s, Hospitals’ and their subsidiaries’ share of pension trust assets was 39.4%, or \$5.452 billion at December 31, 2011. The remaining share of pension trust assets is for Medical Groups and a related party associated with Medical Groups.

Fair value of total pension trust assets by level at December 31, 2010 was as follows (in millions):

Notes to Financial Statements

	Quoted prices in active markets for identical assets level 1	Significant other observable inputs level 2	Significant unobservable inputs level 3	Total
Assets:				
Cash and cash equivalents	\$ 19	\$ 779	\$ —	\$ 798
Broker receivables	—	541	—	541
Securities lending collateral	—	1,263	—	1,263
Equity:				
U.S. large capitalization	2,456	395	—	2,851
U.S. small-medium capitalization	1,029	—	—	1,029
International developed markets	1,489	365	—	1,854
Emerging markets	216	487	—	703
Debt securities issued by the U.S. and U.S. government corporations and agencies	—	935	—	935
Debt securities issued by U.S. states and political subdivisions of states	—	120	—	120
Foreign government debt securities	—	73	—	73
Corporate debt securities	—	2,053	—	2,053
Residential mortgage-backed securities including Fannie Mae and Freddie Mac	—	1,011	—	1,011
Commercial mortgage-backed securities	—	279	—	279
Other	—	412	—	412
Alternative investments:				
Absolute return	—	574	—	574
Private equity	—	—	91	91
Total assets	5,209	9,287	91	14,587
Liabilities:				
Broker payables	—	887	—	887
Securities lending payable	—	1,263	—	1,263
Other liabilities	—	151	—	151
Total liabilities	—	2,301	—	2,301
Fair value of plan assets – net	\$ 5,209	\$ 6,986	\$ 91	\$ 12,286

KFHP’s, Hospitals’ and their subsidiaries’ share of pension trust assets was 38.9%, or \$4.779 billion at December 31, 2010. The remaining share of pension trust assets is for Medical Groups and a related party associated with Medical Groups.

Reconciliation of assets with fair value measurements using significant unobservable inputs (level 3) for the year ended December 31, 2011 was as follows (in millions):

	Equity securities	Debt securities	Alternative investments	Total
Beginning balance	\$ —	\$ —	\$ 91	\$ 91
Transfers in to level 3	—	—	162	162
Changes related to actual return on plan assets	—	—	15	15
Purchases, sales and settlements – net	—	—	451	451
Ending balance	\$ —	\$ —	\$ 719	\$ 719
Total year-to-date net gains related to assets held at December 31, 2011	\$ —	\$ —	\$ 15	\$ 15

Notes to Financial Statements

Reconciliation of assets with fair value measurements using significant unobservable inputs (level 3) for the year ended December 31, 2010 was as follows (in millions):

	Equity securities	Debt securities	Alternative investments	Total
Beginning balance	\$ —	\$ —	\$ 36	\$ 36
Transfers in and/or out of level 3	—	—	—	—
Changes related to actual return on plan assets	—	—	4	4
Purchases, sales and settlements – net	—	—	51	51
Ending balance	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 91</u>	<u>\$ 91</u>
Total year-to-date net gains related to assets held at December 31, 2010	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 4</u>	<u>\$ 4</u>

There were no significant transfers of assets with inputs with quoted prices in active markets for identical assets (level 1) and assets with inputs with significant other observable inputs (level 2) during the years ended December 31, 2011 and 2010.

Target asset allocation and expected long-term rate of return on assets (“ELTRA”) at December 31 was as follows:

	2011 and 2010 Target Range	2011 and 2010 ELTRA
Cash and cash equivalents	0%-3%	3.00%
Equity securities	45%-55%	9.35%
Debt securities	30%-45%	5.75%
Alternative investments	10%-20%	8.00%
Total	<u>100%</u>	<u>7.75%</u>

Alternative investments, which include absolute return and private equity, held in the pension trust are reported at net asset value as a practical expedient for fair value. Absolute return investments use advanced investment strategies, including derivatives, to generate positive long-term risk adjusted returns. Private equity investments consist of funds that make direct investments in private companies. At December 31, 2011, the trust had original commitments related to alternative investments of \$1,018 million, of which \$297 million was invested, leaving \$721 million of remaining commitments. At December 31, 2010, the trust had original commitments related to alternative investments of \$587 million, of which \$87 million was invested, leaving \$500 million of remaining commitments.

At December 31, 2011 and 2010, the pension trust owned certain fixed income securities and alternative investments with exposure to the subprime market. At December 31, 2011 and 2010, the total trust investment in fixed income securities and alternative investments totaled \$7.3 billion and \$5.5 billion, respectively. At December 31, 2011 and 2010, the value of subprime investments held in the trust was approximately 0.8% and 1.3% of fixed income securities and alternative investments, respectively. The most significant investment risk to the pension plan is the overall exposure to the U.S. public equity market.

Absolute return and private equity investments include redemption restrictions. Absolute return investments require 10 to 90 day written notice of intent to withdraw and are often subject to the approval and capital requirements of the fund manager. Private equity agreements do not include provisions for redemption. Distributions will be received as the underlying investments of the funds are liquidated, which is expected over the next 11 years.

Health Plan Allocations

Health Plan’s 2011 contributions made, allocation of pension expense, total accrued liability and total additional minimum liability from KFHP were \$8.8 million, \$13.3 million, \$14.7 million and \$27.9 million, respectively. Health Plan’s 2010 contributions made, allocation of pension expense, total accrued liability and total additional minimum liability from KFHP were \$6.3 million, \$10.7 million, \$10.2 million and \$16.5 million, respectively.

Notes to Financial Statements

b. Defined Contribution Plans

Health Plan has defined contribution plans for eligible employees. Employer contributions and costs are based on a percentage of covered employees’ qualified compensation. There were no required employee contributions in 2011 and 2010. Plan expense, primarily employer contributions, for 2011 and 2010 was \$2.0 million for both years.

c. Postretirement Benefits other than Pensions

Certain employees may become eligible for postretirement health care and life insurance benefits while working for Health Plan. Benefits available to retirees, through both affiliated and unaffiliated provider networks, vary by employee group. Postretirement health care benefits available to retirees include subsidized Medicare premiums, medical and prescription drug benefits.

The accrued liability for postretirement benefits at December 31 was as follows (in thousands):

	2011	2010
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 57,136	\$ 43,221
Service cost	3,677	2,952
Interest cost	3,544	2,401
Plan amendments	451	22
Benefits paid or provided	(1,135)	(765)
Transfer of employees to an affiliated entity	—	(352)
Net actuarial loss	(9,636)	9,657
Benefit obligation at end of year	\$ 54,037	\$ 57,136
Nonvested postretirement benefit obligation at end of year	\$ 34,040	\$ 37,919
Change in plan assets:		
Fair value of plan assets at beginning of year	\$ —	\$ —
Company contributions	1,135	765
Benefits paid or provided	(1,135)	(765)
Fair value of plan assets at end of year	\$ —	\$ —
Reconciliation of funded status:		
Unfunded accumulated postretirement benefit obligation	\$ 54,037	\$ 57,136
Unrecognized net transition obligation	(39)	(78)
Unrecognized prior service credit	1,201	1,786
Unrecognized net actuarial loss	(11,013)	(21,767)
Accrued benefit liability	\$ 44,186	\$ 37,077

The measurement date used to determine postretirement benefits valuations was December 31.

Postretirement benefits expense for the years ended December 31 (in thousands):

	2011	2010
Service cost	\$ 3,677	\$ 2,952
Interest cost	3,544	2,401
Amortization of prior service credit	(134)	(142)
Amortization of net actuarial loss	1,118	268
Amortization of transition obligation	39	39
Postretirement benefits expense	\$ 8,244	\$ 5,518

The unrecognized transition obligation represents the excess of the benefit obligation at January 1, 1993 over amounts previously accrued for this liability. Health Plan has elected to recognize the liability for the transition obligation over a twenty-year period.

In March 2010, the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 (collectively, Health Care Reform) was signed into law. Management has estimated the direct and indirect impact of this legislation, which was reflected in the 2010 expense and the net actuarial loss for the year ended December 31, 2010. The net

Notes to Financial Statements

actuarial loss will be amortized into net periodic postretirement benefit cost over the average remaining service life of plan participants. The unrecognized net actuarial loss decreased from \$21.8 million at December 31, 2010 to \$11.0 million at December 31, 2011 due to the change in discount rate, actuarial assumptions and actual plan experience different from expectations.

The employer contributions and benefits paid or provided during 2011 and 2010 were \$1.1 million and \$765 thousand, respectively. There were no participant contributions from active employees in either 2011 or 2010.

Actuarial assumptions used were as follows:

	2011	2010
Weighted average discount rate at January 1 for calculating postretirement benefits expense	6.00%	6.25%
Weighted average discount rate for calculating December 31 accumulated postretirement benefit obligation	5.25%	6.00%

The following were the assumed health care cost trend rates used to determine postretirement benefits expense for the fiscal year ended December 31, 2011:

	Basic and supplemental medical Pre-65/Post-65	Prescription Drug Pre-65/Post-65	Medicare Part D	Dental	Medicare Part B premium	Medicare Part C
Initial trend rate – 2011	7.50% / 7.00%	7.50% / 7.00%	11.80%	5.00%	7.50%	1.00%
Ultimate trend rate	5.00% / 5.00%	5.00% / 5.00%	5.00%	5.00%	5.00%	5.00%
First year at ultimate trend rate	2016 / 2016	2016 / 2016	2019	2011	2014	2019

The following were the assumed health care cost trend rates used to determine the December 31, 2011 benefit obligation:

	Basic and supplemental medical Pre-65/Post-65	Prescription Drug Pre-65/Post-65	Medicare Part D	Dental	Medicare Part B premium	Medicare Part C
Initial trend rate – 2012	7.50% / 7.00%	7.50% / 7.50%	11.50%	5.00%	7.00%	1.00%
Ultimate trend rate	5.00% / 5.00%	5.00% / 5.00%	5.00%	5.00%	5.00%	5.00%
First year at ultimate trend rate	2017 / 2017	2022 / 2022	2019	2011	2017	2019

A 1% increase in the health care medical trend rate would increase the benefit obligation by \$8.7 million and the service cost plus interest by \$457 thousand. A decrease of 1% in the health care medical trend rate would decrease the benefit obligation by \$7.2 million and the service cost plus interest by \$379 thousand.

The following benefit payments, which reflect expected future service, were expected to be paid or provided (in thousands):

2012	\$ 896
2013	1,194
2014	1,471
2015	1,864
2016	2,180
2017 – 2021	16,386

13) Capital and Surplus, Shareholders’ Dividend Restrictions and Quasi-Reorganizations

Health Plan is a nonprofit, charitable corporation and does not issue stock. KFHP is the sole corporate member of Health Plan and no individual or entity has any ownership interest in Health Plan. Health Plan, KFHP and Hospitals share a common Board of Directors in addition to sharing certain corporate officers.

In accordance with the Ohio Revised Code, Health Plan must receive approval from the ODI to pay a dividend or distribution during 2011 which, when combined with dividends or distributions paid within the preceding 12 months exceeds the greater of either (a) 10% of

Notes to Financial Statements

Health Plan’s statutory capital and surplus at December 31, 2011 or (b) Health Plan’s net gain from operations on a statutory basis for the year ended December 31, 2011. Accordingly, during 2012, prior approval from the ODI is required for any dividend or distribution payment, which exceeds \$2.8 million.

Subordinated notes (the Notes) issued by Health Plan to Hospitals were as follows (in millions):

Issue date	Due date	Interest rate	Amount as of December 31,	
			2011	2010
December 28, 2009	December 28, 2016	8.50% \$	5.0 \$	5.0
December 28, 2009	December 28, 2016	8.50%	10.0	10.0
September 2, 2010	September 2, 2017	7.50%	25.0	25.0
September 27, 2010	September 27, 2017	7.50%	20.0	20.0
March 31, 2011	March 29, 2018	7.50%	5.0	-
October 31, 2011	October 31, 2018	7.50%	10.0	-
November 30, 2011	November 30, 2018	7.50%	15.0	-
December 28, 2011	December 28, 2018	7.50%	4.0	-
Total		\$	94.0	60.0

Payment of principal or interest is subject to approval by the ODI. Payment of the principal or interest of these Notes is subordinated to the prior payment of all general liabilities of Health Plan and the claims of its policyholders and all classes of creditors. Unapproved interest payable at December 31, 2011 and 2010 totaled \$7.5 million and \$2.3 million, respectively. The Notes, which have been issued to maintain risk-based capital requirement, have been recorded as an increase to capital for statutory purposes. Unapproved interest payable is not accrued for statutory purposes.

Unassigned surplus is reduced by \$2.5 million for the year ended December 31, 2011 and \$2.8 million for the year ended December 31, 2010 for nonadmitted assets.

Health Plan did not undergo any quasi-reorganization in 2011 or 2010.

14) Contingencies

Health Plan is involved in various legal proceedings arising, for the most part, in the ordinary course of business operations. Such litigation proceedings include: professional liability, administrative litigation, employment litigation, breach of contract and other commercial and tort litigation, consistent with the health care industry. In addition, Health Plan indemnifies the Medical Group against various claims, including professional liability claims.

In the opinion of management, based upon current facts and circumstances, the resolution of these matters is not expected to have a material adverse effect on the financial position or results of operations of Health Plan. Where appropriate, reserves have been established in accordance with SSAP No. 5. The outcome of litigation and other legal and regulatory matters is inherently uncertain, however, and it is possible that one or more of the legal or regulatory matters currently pending or threatened could have a material effect.

15) Leases

Notes to Financial Statements

Health Plan leases primarily office space, medical facilities and equipment under various operating leases that expire through 2020. Certain leases contain rent escalation clauses and renewal options for additional periods.

Total operating lease expense for all operating leases except those with terms of a month or less that were not renewed was (in thousands):

	2011	2010
Minimum rentals	\$ 2,260	\$ 2,365
Contingent rentals	—	—
Imputed rent for owned and occupied medical and administrative buildings	7,688	7,842
Less: Sublease rentals	—	—
	<u>\$ 9,948</u>	<u>\$ 10,207</u>

Minimum commitments under noncancellable operating leases extending beyond one year at December 31, 2011 were as follows (in thousands):

2012	\$ 2,127
2013	1,930
2014	1,967
2015	1,693
2016	1,645
Thereafter	<u>1,107</u>
Total	<u>\$ 10,469</u>

16) Information about Financial Instruments with Off-Balance Sheet Risk and Financial Instruments with Concentrations of Credit Risk

Financial instruments that potentially subject Health Plan to concentrations of credit risk consist primarily of investment securities and accounts receivable. All investments in securities are managed within guidelines established by Health Plan’s management, which, as a matter of policy, limit the amounts that may be invested in each type of security, with any one issuer, and in various credit quality classifications. Concentrations of credit risk with respect to accounts receivable is limited due to the large number of payers comprising Health Plan’s customer base. Accordingly, Health Plan does not believe any significant concentration of credit risk existed at December 31, 2011 and 2010.

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

Health Plan has no transactions subject to the disclosure requirements of this footnote during the reporting period. Health Plan had no transfers of receivables or transfers of financial assets. SSAP No. 91R, *Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities (SSAP No.91R)*, paragraph 100 requires a reporting entity to disclose any wash sales involving securities with a NAIC designation of 3 or below. Health Plan’s investment strategy does not include purchasing any securities with a NAIC designation of 3 or below. During 2011 and 2010, Health Plan did not participate in any wash sale as defined by SSAP No. 91.

18) Gain or Loss to the Reporting Entity from Uninsured A&H Plans and the Uninsured Portion of Partially Insured Plans.

Health Plan had no ASO or ASC plans on which to report.

Medicare Cost Based Reimbursement Contract - Revenue from Health Plan’s Medicare Cost Reimbursement Contract (Medicare Cost Contract) consisted of \$89.7 and \$86.4 million for medical and hospital related services for years ended 2011 and 2010, respectively, and \$6.2 and \$5.6 million for administrative expenses for years ended 2011 and 2010, respectively.

The majority of Health Plan’s Medicare revenues are paid based on cost, with interim payments using pre-established rates, and the final settlement is made after the end of the fiscal year. Estimates of final settlements of the cost report are recorded by Health Plan. In connection with Health Plan’s Medicare cost contract, Health Plan recorded allowances and

Notes to Financial Statements

reserves for adjustments of recorded revenues in the amount of \$28.5 million and \$10.6 million at December 31, 2011 and 2010, respectively. For the years ended December 31, 2011 and 2010, Medicare revenues decreased approximately \$11.8 million and \$2.0 million, respectively, due to prior year retroactive adjustments in excess of amounts previously estimated.

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

Health Plan had no direct premiums written/produced by managing general agents or third party administrators during the reporting period.

20) Fair Value Measurements

Health Plan utilizes a three-level valuation hierarchy for fair value measurements. An instrument’s categorization within the hierarchy is based upon the lowest level of input that is significant to the fair value measurement. For instruments classified in Level 1 of the hierarchy, valuation inputs are quoted prices for identical instruments in active markets at the measurement date. For instruments classified in Level 2 of the hierarchy, valuation inputs are directly observable but do not qualify as Level 1 inputs. Examples of Level 2 inputs include: quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in inactive markets; other observable inputs such as interest rates and yield curves observable at commonly quoted intervals, volatilities, prepayment speeds, loss severities, credit risks and default rates; and market-correlated inputs that are derived principally from or corroborated by observable market data. For instruments classified in Level 3 of the hierarchy, valuation inputs are unobservable inputs for the instrument. Level 3 inputs incorporate assumptions about the factors that market participants would use in pricing the instrument.

Investments are reported at lower of amortized cost or fair value, with impairment recorded if amortized cost is greater than fair value. If amortized cost is greater than fair value, amortized cost is written down to fair value. The estimated fair value of investments is based on level 2 inputs. Valuation is primarily determined by fund managers over which management exercises oversight to ensure materially accurate valuations. The fair values of investments are based on quoted market prices, if available, or estimated using quoted market prices for similar investments. If listed prices or quotes are not available, fair value is based upon other observable inputs or models that primarily use as inputs market-based or independently sourced market parameters. In addition to market information, models also incorporate transaction details such as maturity. Fair value adjustments, including credit, liquidity and other factors, are included, as appropriate, to arrive at a fair value measurement.

Investments at statement value and estimated fair value, at December 31, 2011 included (in thousands):

December 31, 2011	Statement value	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Short-term investments:				
Money market funds	\$ 32,597	\$ —	\$ —	\$ 32,597
Total short-term investments	32,597	—	—	32,597
Bonds and other invested assets:				
U.S. Treasury and government-sponsored agencies	31,036	570	—	31,606
All other government bonds	4,397	63	—	4,460
Loan-backed and/or structured securities	5,547	42	—	5,589
Industrial and miscellaneous bonds	61,867	1,260	—	63,127
Total bonds and other invested assets	102,847	1,935	—	104,782
Total investments	\$ 135,444	\$ 1,935	\$ —	\$ 137,379

Notes to Financial Statements

Investments at statement value and estimated fair value, at December 31, 2010 included (in thousands):

December 31, 2010	Statement value	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Short-term investments:				
Money market funds	\$ 55,314	\$ —	\$ —	\$ 55,314
Total short-term investments	55,314	—	—	55,314
Bonds and other invested assets:				
U.S. Treasury and government-sponsored agencies	32,144	652	—	32,796
All other government bonds	900	8	—	908
Loan-backed and/or structured securities	4,568	3	—	4,571
Industrial and miscellaneous bonds	59,933	778	—	60,711
Total bonds and other invested assets	97,545	1,441	—	98,986
Total investments	\$ 152,859	\$ 1,441	\$ —	\$ 154,300

21) Other Items

A - F

Health Plan had no extraordinary items, debt restructuring, uncollectible assets, business interruption insurance recoveries or state transferable tax credits.

G – Subprime Mortgage – Related Risk Exposure

Health Plan defines its exposure to subprime-mortgage-related risk as securities that are backed by loan portfolios that include loans offered to borrowers who do not meet the lending standards of the typical borrower. Indications of below-standard lending include factors such as interest rates higher than prime, credit scores and documentation of income. Information considered in determining exposure to subprime-mortgage-related risk includes default and repayment risk. Exposure to subprime-mortgage-related risk may include exposure related to changes in asset values, losses caused by receiving less than anticipated cash flows or from the potential sale of assets to meet future cash flow requirements. Management periodically reviews its exposure to subprime-mortgage-related risk and, as necessary, takes steps to mitigate or manage Health Plan’s exposure to such risk.

At both December 31, 2011 and 2010, Health Plan did not own fixed income securities with exposure to subprime-mortgage-related risk. Health Plan recognized no OTTI losses during 2011 and 2010 related to these securities.

In determining its subprime-mortgage-related risk exposure, management surveyed internal and external managers and examined trustee security listings to develop a listing of individual securities with subprime-mortgage-related risk exposure.

Notes to Financial Statements

22) Events Subsequent

In the first quarter of 2012, Health Plan issued a subordinated note (the Note) to Hospitals in the amount of \$11.0 million with interest payable annually at 7.5%. The Note is payable seven years from issuance and is due in January 2019. Health Plan has requested but not yet received formal approval to treat the \$11.0 million note in accordance with SSAP No. 41, *Surplus Notes*, for classification as a component of statutory net worth, but reasonably expects this approval.

Notes to Financial Statements

23) Reinsurance

Health Plan has no reinsurance contracts for its insured business.

24) Retrospectively Rated Contracts

Health Plan currently does not have any contracts that are subject to retrospective premium adjustments.

25) Change in Incurred Claims and Claim Adjustment Expenses

Analysis of claims activity as of and for the years ended December 31,(in thousands):

	12/31/2011	12/31/2010
Claims Payable:		
Balance at Beginning of Period	\$37,106	\$32,763
Balance at End of Period	34,498	37,106
Change in Claims Payable - Increase (Decrease)	(2,608)	4,343
Incurred Claims:		
Insured Events of Current Year	506,630	534,162
Increase/(Decrease) Insured Events of Prior Year	(1,153)	(1,180)
Total Incurred Claims	505,477	532,982
Payment of Claims:		
Claims Incurred in Prior Years	35,230	31,142
Claims Incurred in Current Year	472,855	497,497
Total Claims Paid	\$508,085	\$528,639

No additional premiums or return premiums have been accrued as a result of the prior-year effects.

26) Intercompany Pooling Arrangements

Health Plan has no intercompany pooling arrangements.

27) Structured Settlements

Not applicable for Health Entities.

28) Health Care Receivables

Health Care receivables exclude nonadmitted balances. Certain receivables are not admissible in accordance with the NAIC SAP. Nonadmitted amounts include all nongovernmental health care receivables greater than 90 days past due and other amounts deemed uncollectible. In addition, when health care receivables greater than 90 days past due are more than a de minimus portion of the entire health care receivables balance, the entire health care receivables balance is nonadmitted.

At December 31, 2011, Health Plan admitted a pharmacy rebate receivable of \$187 thousand. The rebate receivable was for the month of December 2011. At December 31, 2010, Health Plan had had a pharmacy rebate receivable of \$185 thousand. The rebate receivable was for the month of December 2010.

29) Participating Policies

Health Plan has no participating policies.

30) Premium Deficiency Reserves

Premium deficiency reserves and the related expense are recognized when it is probable that expected future health care and maintenance costs under a group of existing contracts

Notes to Financial Statements

will exceed anticipated future premiums and reinsurance recoveries over the contract period. Expected investment income and interest expense is included in the calculation for premium deficiency reserves, as appropriate. The level at which contracts are grouped for evaluation purposes is generally by geographic region. The methods for making such estimates and for establishing the resulting reserves are reviewed and updated, and any resulting adjustments are reflected in current operations. Given the inherent variability of such estimates, the actual liability could differ significantly from the amounts provided.

At December 31, 2011, Health Plan established premium deficiency reserves of \$4.4 million related to 2012 expected losses on contracts. The liability was established based on evaluation of contracts at December 31, 2011. At December 31, 2010, Health Plan established premium deficiency reserves of \$11.7 million related to 2011 expected losses on contracts. The liability was established based on evaluation of contracts at December 31, 2010. Anticipated investment income was utilized in the calculation of expected losses.

31) Anticipated Salvage and Subrogation

For 2011 and 2010, Health Plan had \$65 thousand and \$102 thousand, respectively, of salvage and subrogation included as a reduction of loss reserves during the reporting period.

GENERAL INTERROGATORIES
PART 1 - COMMON INTERROGATORIES
GENERAL

- 1.1 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[]
- 1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations?

Yes[X] No[] N/A[]
Ohio
- 1.3 State Regulating?
- 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[X] No[]
- 2.2 If yes, date of change:

12/01/2011
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made.

12/31/2008
- 3.2 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.

12/31/2008
- 3.3 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).

07/27/2009
- 3.4 By what department or departments?

Ohio Department of Insurance
- 3.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with departments?

Yes[] No[] N/A[X]
- 3.6 Have all of the recommendations within the latest financial examination report been complied with?

Yes[X] No[] N/A[]
- 4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.11 sales of new business?

Yes[] No[X]
- 4.12 renewals?

Yes[] No[X]
- 4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.21 sales of new business?

Yes[] No[X]
- 4.22 renewals?

Yes[] No[X]
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement?

Yes[] No[X]
- 5.2 If yes, provide the name of the 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

- 6.1 Has the 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]
- 6.2 If yes, give full information:
- 7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity?

Yes[] No[X]
- 7.2 If yes,
- 7.21 State the percentage of foreign control

0.000%
- 7.22 State the nationality(s) of the foreign person(s) or entity(s); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(s) (e.g., individual, corporation, government, manager or attorney-in-fact)

1 Nationality	2 Type of Entity

- 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 the names and location (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e., the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC) and identify the affiliate's primary federal regulator.

1 Affiliate Name	2 Location (City, State)	3 FRB	4 OCC	5 OTS	6 FDIC	7 SEC
		Yes[] No[X]	Yes[] No[X]	Yes[] No[X]	Yes[] No[X]	Yes[] No[X]

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?
KPMG LLP, One Cleveland Center, 1375 East Ninth St, Suite 2600, Cleveland, OH 44114-1796
- 10.1 Has the insurer been granted any exemptions to the prohibited non-audit services provided by the certified independent public accountant requirements as allowed in Section 7H of the Annual Financial Reporting Model Regulation (Model Audit Rule), or substantially similar state law or regulation?

Yes[] No[X]
- 10.2 If response to 10.1 is "yes," provide information related to this exemption:
- 10.3 Has the insurer been granted any exemptions related to the other requirements of the Annual Financial Reporting Model Regulation as allowed for in Section 17A of the Model Regulation, or substantially similar state law or regulation?

Yes[] No[X]
- 10.4 If response to 10.3 is "yes," provide information related to this exemption:
- 10.5 Has the reporting entity established an Audit Committee in compliance with the domiciliary state insurance laws?

Yes[X] No[] N/A[]
- 10.6 If the answer to 10.5 is "NO" or "N/A" please explain:
11. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?
Kerry Hindsley, Director Of Actuarial Services, Kaiser Foundation Health Plan, Inc, Nine Piedmont Center, 3495 Piedmont Road NE, Atlanta, GA 30305

GENERAL INTERROGATORIES (Continued)

- 12.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly?

Yes[] No[X]
- 12.11 Name of real estate holding company
- 12.12 Number of parcels involved

0
- 12.13 Total book/adjusted carrying value

\$0
- 12.2 If yes, provide explanation
13. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:
- 13.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?
- 13.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located?

Yes[] No[] N/A[X]
- 13.3 Have there been any changes made to any of the trust indentures during the year?

Yes[] No[] N/A[X]
- 13.4 If answer to (13.3) is yes, has the domiciliary or entry state approved the changes?

Yes[] No[] N/A[X]
- 14.1 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[X] No[]
- 14.1a Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- 14.1b Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;
- 14.1c Compliance with applicable governmental laws, rules and regulations;
- 14.1d The prompt internal reporting of violations to an appropriate person or persons identified in the code; and
- 14.1e Accountability for adherence to the code.
- 14.11 If the response to 14.1 is no, please explain:
- 14.2 Has the code of ethics for senior managers been amended?

Yes[] No[X]
- 14.21 If the response to 14.2 is yes, provide information related to amendment(s).
- 14.3 Have any provisions of the code of ethics been waived for any of the specified officers?

Yes[] No[X]
- 14.31 If the response to 14.3 is yes, provide the nature of any waiver(s).
- 15.1 Is the reporting entity the beneficiary of a Letter of Credit that is unrelated to reinsurance with a NAIC rating of 3 or below?

Yes[] No[X]
- 15.2 If the response to 15.1 is yes, indicate the American Bankers Association (ABA) Routing Number and the name of the issuing or confirming bank of the Letter of Credit and describe the circumstances in which the Letter of Credit is triggered.

	1 American Bankers Association (ABA) Routing Number	2 Issuing or Confirming Bank Name	3 Circumstances That Can Trigger the Letter of Credit	4 Amount
15.2001				

BOARD OF DIRECTORS

16. Is the purchase or sale of all investments of the reporting entity passed upon either by the Board of Directors or a subordinate committee thereof?

Yes[X] No[]
17. Does the reporting entity keep a complete permanent record of the proceedings of its Board of Directors and all subordinate committees thereof?

Yes[X] No[]
18. Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict or is likely to conflict with the official duties of such person?

Yes[X] No[]

FINANCIAL

19. Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)?

Yes[] No[X]
- 20.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):
- 20.11 To directors or other officers

\$0
- 20.12 To stockholders not officers

\$0
- 20.13 Trustees, supreme or grand (Fraternal only)

\$0
- 20.2 Total amount of loans outstanding at end of year (inclusive of Separate Accounts, exclusive of policy loans):
- 20.21 To directors or other officers

\$0
- 20.22 To stockholders not officers

\$0
- 20.23 Trustees, supreme or grand (Fraternal only)

\$0
- 21.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement?

Yes[] No[X]
- 21.2 If yes, state the amount thereof at December 31 of the current year:
- 21.21 Rented from others

\$0
- 21.22 Borrowed from others

\$0
- 21.23 Leased from others

\$0
- 21.24 Other

\$0
- 22.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments?

Yes[] No[X]
- 22.2 If answer is yes:
- 22.21 Amount paid as losses or risk adjustment

\$0
- 22.22 Amount paid as expenses

\$0
- 22.23 Other amounts paid

\$0
- 23.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement?

Yes[X] No[]
- 23.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount:

\$0

INVESTMENT

- 24.1 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date? (other than securities lending programs addressed in 24.3)

Yes[] No[X]
- 24.2 If no, give full and complete information, relating thereto:
- 24.2a Held by Key Bank Association and State Street Bank and Trust Company, as indicated in 28.01 below.
- 24.3 For security lending programs, provide a description of the program including value for collateral and amount of loaned securities, and whether collateral is carried on or off-balance sheet, (an alternative is to reference Note 17 where this information is also provided)
- 24.4 Does the Company's security lending program meet the requirements for a conforming program as outlined in the Risk-Based Capital Instructions?

Yes[] No[] N/A[X]
- 24.5 If answer to 24.4 is yes, report amount of collateral for conforming programs.

\$0
- 24.6 If answer to 24.4 is no, report amount of collateral for other programs.

\$0
- 24.7 Does your securities lending program require 102% (domestic securities) and 105% (foreign securities) from the counterparty at the outset of the contract?

Yes[] No[] N/A[X]
- 24.8 Does the reporting entity non-admit when the collateral received from the counterparty falls below 100%?

Yes[] No[] N/A[X]

GENERAL INTERROGATORIES (Continued)

24.9 Does the reporting entity or the reporting entity's securities lending agent utilize the Master Securities lending Agreement (MSLA) to conduct securities lending?

Yes[] No[] N/A[X]

25.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity, or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 21.1 and 24.3).

Yes[] No[X]

25.2 If yes, state the amount thereof at December 31 of the current year:

25.21 Subject to repurchase agreements\$ 0

25.22 Subject to reverse repurchase agreements\$ 0

25.23 Subject to dollar repurchase agreements\$ 0

25.24 Subject to reverse dollar repurchase agreements\$ 0

25.25 Pledged as collateral\$ 0

25.26 Placed under option agreements\$ 0

25.27 Letter stock or securities restricted as to sale\$ 0

25.28 On deposit with state or other regulatory body\$ 0

25.29 Other\$ 0

25.3 For category (25.27) provide the following:

1	2	3
Nature of Restriction	Description	Amount
.....		

26.1 Does the reporting entity have any hedging transactions reported on Schedule DB?

Yes[] No[X]

26.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state?

Yes[] No[] N/A[X]

If no, attach a description with this statement.

27.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity?

Yes[] No[X]

27.2 If yes, state the amount thereof at December 31 of the current year.

\$ 0

28. 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 I, III - General Examination Considerations, F. Outsourcing of Critical Functions, Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook?

Yes[X] No[]

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

1	2
Name of Custodian(s)	Custodian's Address
Key Bank Association	PO Box 94718 Cleve OH 44114
State Street Bank and Trust Company	444 South Flower Street, 45th Floor, Los Angeles, California 90071

28.02 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	2	3
Name(s)	Location(s)	Complete Explanation(s)
.....		

28.03 Have there been any changes, including name changes, in the custodian(s) identified in 28.01 during the current year?

Yes[] No[X]

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

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

28.05 Identify all investment advisers, 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	2	3
Central Registration Depository Number(s)	Name	Address
104973	Wells Capital Management	525 Market St, 10th Fl, San Francisco, CA 94510

29.1 Does the reporting entity have any diversified mutual funds reported in Schedule D, Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5 (b)(1)])?

Yes[] No[X]

29.2 If yes, complete the following schedule:

1	2	3
CUSIP #	Name of Mutual Fund	Book/Adjusted Carrying Value
29.2999 Total		

29.3 For each mutual fund listed in the table above, complete the following schedule:

GENERAL INTERROGATORIES (Continued)

1	2	3	4
Name of Mutual Fund (from above table)	Name of Significant Holding of the Mutual Fund	Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	Date of Valuation

30. Provide the following information for all short-term and long-term bonds and all preferred stocks. Do not substitute amortized value or statement value for fair value.

	1	2	3
	Statement (Admitted) Value	Fair Value	Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
30.1 Bonds	 102,847,727	 104,783,036	 1,935,309
30.2 Preferred stocks			
30.3 Totals	 102,847,727	 104,783,036	 1,935,309

30.4 Describe the sources or methods utilized in determining the fair values
VERIFICATION WITH KEY BANK -- 400,000 BOND IS AT KEY BANK, REMAINDER WITH THE CUSTODIAN USING VARIOUS PRICING SOURCES

31.1 Was the rate used to calculate fair value determined by a broker or custodian for any of the securities in Schedule D?

Yes[X] No[]

31.2 If the answer to 31.1 is yes, does the reporting entity have a copy of the broker's or custodian's pricing policy (hard copy or electronic copy) for all brokers or custodians used as a pricing source?

Yes[X] No[] N/A[]

31.3 If the answer to 31.2 is no, describe the reporting entity's process for determining a reliable pricing source for purposes of disclosure of fair value for Schedule D:

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

Yes[X] No[]

32.2 If no, list exceptions:

OTHER

33.1 Amount of payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus, if any?

\$..... 25,996

33.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus during the period covered by this statement.

1 Name	2 Amount Paid
National Commimittee for Quality Assurance	 18,900
Alliance of Community Health Plans	 7,096

34.1 Amount of payments for legal expenses, if any?

\$..... 397,217

34.2 List the name of the firm and the amount paid if any such payments represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1 Name	2 Amount Paid
Baker & Hostettler	 251,575

35.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or department of government, if any?

\$..... 0

35.2 List the name of firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies officers or department of government during the period covered by this statement.

1 Name	2 Amount Paid

GENERAL INTERROGATORIES (Continued)

PART 2 - HEALTH INTERROGATORIES

1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force?

Yes[] No[X]

1.2 If yes, indicate premium earned on U.S. business only:

\$ 0

1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit?

\$ 0

1.31 Reason for excluding:

1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above.

\$ 0

1.5 Indicate total incurred claims on all Medicare Supplement insurance.

\$ 0

1.6 Individual policies - Most current three years:

1.61 Total premium earned

\$ 0

1.62 Total incurred claims

\$ 0

1.63 Number of covered lives

..... 0

All years prior to most current three years:

1.64 Total premium earned

\$ 0

1.65 Total incurred claims

\$ 0

1.66 Number of covered lives

..... 0

1.7 Group policies - Most current three years:

1.71 Total premium earned

\$ 0

1.72 Total incurred claims

\$ 0

1.73 Number of covered lives

..... 0

All years prior to most current three years:

1.74 Total premium earned

\$ 0

1.75 Total incurred claims

\$ 0

1.76 Number of covered lives

..... 0

2. Health Test

		1	2
		Current Year	Prior Year
2.1	Premium Numerator	523,800,795	555,729,112
2.2	Premium Denominator	523,800,795	555,729,112
2.3	Premium Ratio (2.1 / 2.2)	1.000	1.000
2.4	Reserve Numerator	38,898,492	48,806,295
2.5	Reserve Denominator	38,898,492	48,806,295
2.6	Reserve Ratio (2.4 / 2.5)	1.000	1.000

3.1 Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, as and if the earnings of the reporting entity permits?

Yes[] No[X]

3.2 If yes, give particulars:

4.1 Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and dependents been filed with the appropriate regulatory agency?

Yes[X] No[]

4.2 If not previously filed furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered?

Yes[] No[X] N/A[]

5.1 Does the reporting entity have stop-loss reinsurance?

Yes[] No[X]

5.2 If no, explain:

The company does not have stop-loss reinsurance

5.3 Maximum retained risk (see instructions):

5.31 Comprehensive Medical

\$ 0

5.32 Medical Only

\$ 0

5.33 Medicare Supplement

\$ 0

5.34 Dental & Vision

\$ 0

5.35 Other Limited Benefit Plan

\$ 0

5.36 Other

\$ 0

6. Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements:

Contractual arrangements exist with providers to provide services during term of enrollment contracts if HIC unable to pay; hold harmless provisions exist as well

7.1 Does the reporting entity set up its claim liability for provider services on a service date basis?

Yes[X] No[]

7.2 If no, give details:

8. Provide the following information regarding participating providers:

8.1 Number of providers at start of reporting year

..... 2,630

8.2 Number of providers at end of reporting year

..... 2,037

9.1 Does the reporting entity have business subject to premium rate guarantees?

Yes[X] No[]

9.2 If yes, direct premium earned:

9.21 Business with rate guarantees between 15-36 months

..... 6,246,000

9.22 Business with rate guarantees over 36 months

..... 0

10.1 Does the reporting entity have Incentive Pool, Withhold or Bonus Arrangements in its provider contracts?

Yes[] No[X]

10.2 If yes:

10.21 Maximum amount payable bonuses

\$ 0

10.22 Amount actually paid for year bonuses

\$ 0

10.23 Maximum amount payable withholds

\$ 0

10.24 Amount actually paid for year withholds

\$ 0

11.1 Is the reporting entity organized as:

11.12 A Medical Group/Staff Model,

Yes[X] No[]

11.13 An Individual Practice Association (IPA), or,

Yes[] No[X]

11.14 A Mixed Model (combination of above)?

Yes[] No[X]

11.2 Is the reporting entity subject to Minimum Net Worth Requirements?

Yes[X] No[]

11.3 If yes, show the name of the state requiring such net worth.

Ohio

11.4 If yes, show the amount required.

\$ 20,582,495

11.5 Is this amount included as part of a contingency reserve in stockholder's equity?

Yes[] No[X]

11.6 If the amount is calculated, show the calculation.

205,824,946 x 10% = \$20,582,495 (10% of Total Liabilities pg. 3)

12. List service areas in which the reporting entity is licensed to operate:

1
Name of Service Area
Cuyahoga, Geauga, Lake, Lorain, Medina, Portage,
Stark, Summit, Wayne counties

13.1 Do you act as a custodian for health savings accounts?

Yes[] No[X]

13.2 If yes, please provide the amount of custodial funds held as of the reporting date:

\$ 0

13.3 Do you act as an administrator for health savings accounts?

Yes[] No[X]

13.4 If yes, please provide the balance of the funds administered as of the reporting date:

\$ 0

FIVE-YEAR HISTORICAL DATA

	1 2011	2 2010	3 2009	4 2008	5 2007
BALANCE SHEET (Pages 2 and 3)					
1. TOTAL Admitted Assets (Page 2, Line 28)	234,052,374	246,275,078	205,387,400	179,511,580	170,611,940
2. TOTAL Liabilities (Page 3, Line 24)	205,824,946	204,178,993	164,743,297	141,701,352	129,735,935
3. Statutory surplus	20,582,494	20,417,899	17,977,115		
4. TOTAL Capital and Surplus (Page 3, Line 33)	28,227,428	42,096,085	40,644,103	37,810,228	40,876,005
INCOME STATEMENT (Page 4)					
5. TOTAL Revenues (Line 8)	526,112,158	559,402,042	567,230,743	565,149,181	564,953,497
6. TOTAL Medical and Hospital Expenses (Line 18)	505,476,702	532,982,365	524,605,248	508,498,204	525,426,742
7. Claims adjustment expenses (Line 20)	12,669,998	11,870,517	9,614,987	9,502,722	7,443,104
8. TOTAL Administrative Expenses (Line 21)	55,018,879	50,647,646	50,695,925	45,997,386	43,901,716
9. Net underwriting gain (loss) (Line 24)	(39,753,421)	(47,798,486)	(17,685,417)	1,150,869	(11,818,065)
10. Net investment gain (loss) (Line 27)	2,610,330	2,400,564	10,659,585	2,861,501	6,896,809
11. TOTAL Other Income (Lines 28 plus 29)	423,586	609,626	658,567	426,910	426,414
12. Net income or (loss) (Line 32)	(36,719,505)	(44,788,296)	(6,367,265)	4,439,280	(4,494,842)
Cash Flow (Page 6)					
13. Net cash from operations (Line 11)	(46,964,307)	(30,640,260)	(23,290,199)	(121,704)	4,122,082
RISK-BASED CAPITAL ANALYSIS					
14. TOTAL Adjusted Capital	28,227,428	42,096,085	40,644,103	37,810,228	40,876,005
15. Authorized control level risk-based capital	10,643,644	11,474,578	11,397,099	11,348,417	11,718,089
ENROLLMENT (Exhibit 1)					
16. TOTAL Members at End of Period (Column 5, Line 7)	103,201	122,342	134,946	137,669	146,300
17. TOTAL Members Months (Column 6, Line 7)	1,309,343	1,518,461	1,634,432	1,656,230	1,783,820
OPERATING PERCENTAGE (Page 4)					
(Item divided by Page 4, sum of Lines 2, 3 and 5) x 100.0					
18. Premiums earned plus risk revenue (Line 2 plus Lines 3 and 5)	100.0	100.0	100.0	100.0	100.0
19. TOTAL Hospital and Medical plus other non-health (Lines 18 plus Line 19)	96.5	95.9	93.3	91.1	93.9
20. Cost containment expenses	1.4	1.2	0.8	0.5	0.4
21. Other claims adjustment expenses	1.0	1.0	0.9	0.9	0.9
22. TOTAL Underwriting Deductions (Line 23)	108.0	109.3	104.0	101.1	103.1
23. TOTAL Underwriting Gain (Loss) (Line 24)	(7.6)	(8.6)	(3.1)	0.2	(2.1)
UNPAID CLAIMS ANALYSIS					
(U&I Exhibit, Part 2B)					
24. TOTAL Claims Incurred for Prior Years (Line 13, Column 5)	35,954,168	31,583,661	32,055,659	30,720,589	34,324,161
25. Estimated liability of unpaid claims-[prior year (Line 13, Column 6)]	37,106,295	32,763,322	32,629,864	33,226,760	36,386,000
INVESTMENTS IN PARENT, SUBSIDIARIES AND AFFILIATES					
26. Affiliated bonds (Sch. D Summary, Line 12, Column 1)					
27. Affiliated preferred stocks (Sch. D Summary, Line 18, Column 1)					
28. Affiliated common stocks (Sch. D Summary, Line 24, Column 1)					
29. Affiliated short-term investments (subtotal included in Sch. DA Verification, Col. 5, Line 10)					
30. Affiliated mortgage loans on real estate					
31. All other affiliated					
32. TOTAL of Above Lines 26 to 31					

NOTE: If a party to a merger, have the two most recent years of this exhibit been restated due to a merger in compliance with the disclosure requirements of SSAP No. 3, Accounting Changes and Correction of Errors? Yes[] No[] N/A[X]

If no, please explain::

SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS
ALLOCATED BY STATES AND TERRITORIES

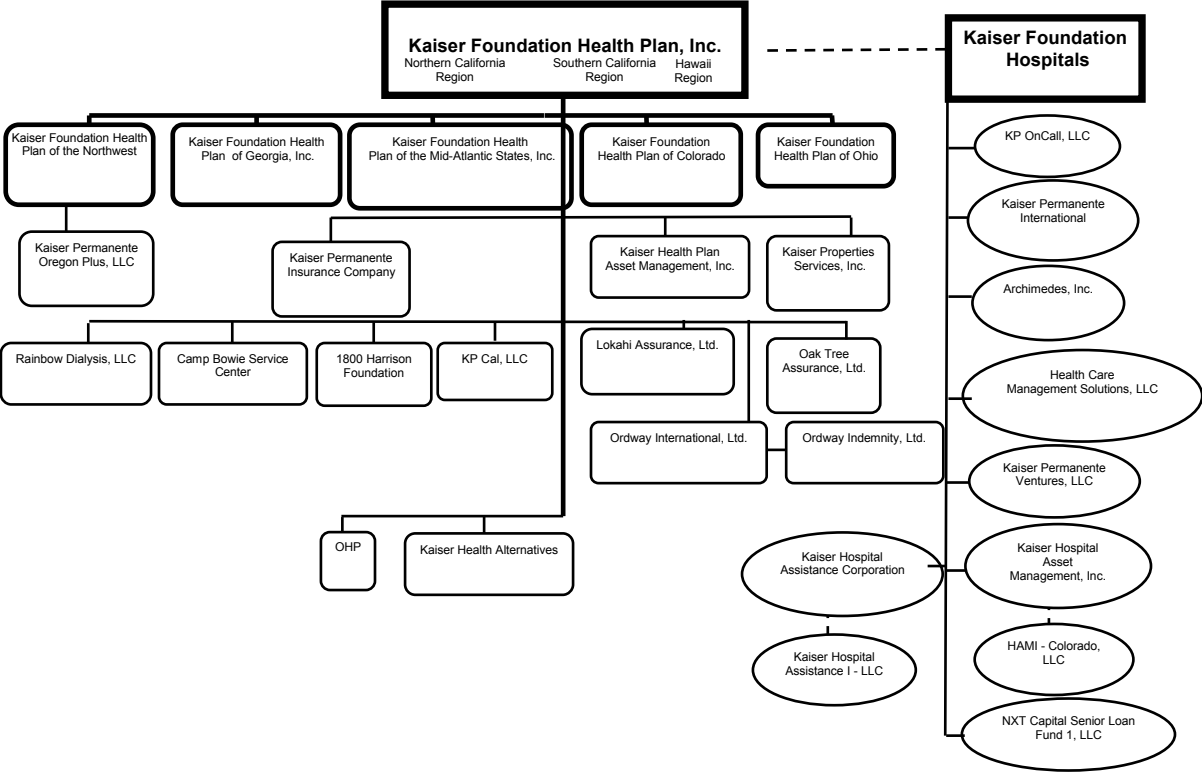
		1	Direct Business Only							
			2	3	4	5	6	7	8	9
State, Etc.		Active Status	Accident & Health Premiums	Medicare Title XVIII	Medicaid Title XIX	Federal Employees Health Benefits Program Premiums	Life & Annuity Premiums & Other Considerations	Property/ Casualty Premiums	Total Columns 2 Through 7	Deposit - Type Contracts
1.	Alabama (AL)	N								
2.	Alaska (AK)	N								
3.	Arizona (AZ)	N								
4.	Arkansas (AR)	N								
5.	California (CA)	N								
6.	Colorado (CO)	N								
7.	Connecticut (CT)	N								
8.	Delaware (DE)	N								
9.	District of Columbia (DC)	N								
10.	Florida (FL)	N								
11.	Georgia (GA)	N								
12.	Hawaii (HI)	N								
13.	Idaho (ID)	N								
14.	Illinois (IL)	N								
15.	Indiana (IN)	N								
16.	Iowa (IA)	N								
17.	Kansas (KS)	N								
18.	Kentucky (KY)	N								
19.	Louisiana (LA)	N								
20.	Maine (ME)	N								
21.	Maryland (MD)	N								
22.	Massachusetts (MA)	N								
23.	Michigan (MI)	N								
24.	Minnesota (MN)	N								
25.	Mississippi (MS)	N								
26.	Missouri (MO)	N								
27.	Montana (MT)	N								
28.	Nebraska (NE)	N								
29.	Nevada (NV)	N								
30.	New Hampshire (NH)	N								
31.	New Jersey (NJ)	N								
32.	New Mexico (NM)	N								
33.	New York (NY)	N								
34.	North Carolina (NC)	N								
35.	North Dakota (ND)	N								
36.	Ohio (OH)	L	389,443,848	89,569,219		44,787,728			523,800,795	
37.	Oklahoma (OK)	N								
38.	Oregon (OR)	N								
39.	Pennsylvania (PA)	N								
40.	Rhode Island (RI)	N								
41.	South Carolina (SC)	N								
42.	South Dakota (SD)	N								
43.	Tennessee (TN)	N								
44.	Texas (TX)	N								
45.	Utah (UT)	N								
46.	Vermont (VT)	N								
47.	Virginia (VA)	N								
48.	Washington (WA)	N								
49.	West Virginia (WV)	N								
50.	Wisconsin (WI)	N								
51.	Wyoming (WY)	N								
52.	American Samoa (AS)	N								
53.	Guam (GU)	N								
54.	Puerto Rico (PR)	N								
55.	U.S. Virgin Islands (VI)	N								
56.	Northern Marianas Islands (MP)	N								
57.	Canada (CN)	N								
58.	Aggregate other alien (OT)	X X X								
59.	Subtotal	X X X	389,443,848	89,569,219		44,787,728			523,800,795	
60.	Reporting entity contributions for Employee Benefit Plans	X X X								
61.	TOTAL (Direct Business)	(a).... 1	389,443,848	89,569,219		44,787,728			523,800,795	
DETAILS OF WRITE-INS										
5801.		X X X								
5802.		X X X								
5803.		X X X								
5898.	Summary of remaining write-ins for Line 58 from overflow page	X X X								
5899.	TOTALS (Lines 5801 through 5803 plus 5898) (Line 58 above)	X X X								

(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.
Explanation of basis of allocation of premiums by states, etc.: The Company only has business in the State of Ohio. Medicare line of business revenue includes both Medicare Cost Contract revenue received from CMS and premim revenue received from groups and individual members for Medicare products.

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER
MEMBERS OF A HOLDING COMPANY GROUP
PART 1 - ORGANIZATIONAL CHART
KAISER FOUNDATION HEALTH PLAN, INC. AND KAISER FOUNDATION HOSPITALS
SUBSIDIARIES AND AFFILIATED CORPORATIONS
DECEMBER 31, 2011

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

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

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