



Government of the District of Columbia
Vincent C. Gray, Mayor
Department of Insurance, Securities and Banking



William P. White
Commissioner

**BEFORE THE
INSURANCE COMMISSIONER OF
THE DISTRICT OF COLUMBIA**

Re: Report on Organization Examination – **Unison Health Plan of the Capital Area, Inc.**, as of December 31, 2011

ORDER

Pursuant to Examination Warrant 2012-3, an Organization Examination of **Unison Health Plan of the Capital Area, Inc.**, as of December 31, 2011 has been conducted by the District of Columbia Department of Insurance, Securities and Banking (“the Department”).

It is hereby ordered on this 11th day of June, 2013, that the attached financial condition examination report be adopted and filed as an official record of this Department.

Pursuant to Section 31-1404(d)(1) of the D.C. Official Code, this Order is considered a final administrative decision and may be appealed pursuant to Section 31-4332 of the D.C. Official Code.

Pursuant to Section 31-1404(d)(1) of the D.C. Official Code, within 30 days of the issuance of the adopted report, the Association shall file affidavits executed by each of its directors stating under oath that they have received a copy of the adopted report and related order.

Pursuant to Section 31-1404(e)(1) of the D.C. Official Code, the Department will continue to hold the content of the report as private and confidential information for a period of 10 days from the date of this Order.

William P. White
Commissioner

GOVERNMENT OF THE DISTRICT OF COLUMBIA

DEPARTMENT OF INSURANCE, SECURITIES AND BANKING



REPORT ON EXAMINATION

UNISON HEALTH PLAN OF THE CAPITAL AREA, INC.

AS OF

DECEMBER 31, 2011

NAIC COMPANY CODE 13032

Unison Health Plan of the Capital Area, Inc.

Report on Examination

December 31, 2011

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Washington, D.C.
May 3, 2013

Honorable William P. White
Commissioner
Department of Insurance, Securities and Banking
Government of the District of Columbia
810 First Street, NE, Suite 701
Washington, D.C. 20002

Dear Commissioner:

In accordance with Section 31-1402 of the District of Columbia Official Code, we have examined the financial condition and activities of

Unison Health Plan of the Capital Area, Inc.

(hereinafter called the “Company”) at its main administrative office located at 1225 I Street NW, Suite 510, Washington, D.C., 20005, and the following Report on Examination is submitted.

SCOPE OF EXAMINATION

The examination, covering the period from September 1, 2007 to December 31, 2011, and including any material transactions and/or events noted occurring subsequent to December 31, 2011, was conducted under the association plan of the National Association of Insurance Commissioners (“NAIC”) by examiners of the District of Columbia Department of Insurance, Securities and Banking (“Department”).

The last examination of the Company was an organizational examination, as of August 31, 2007, conducted by examiners of the Department, as the Company had made application for an original certificate of authority to establish and operate as a Health Maintenance Organization Company.

This examination was conducted in accordance with the NAIC Financial Condition Examiners Handbook, incorporating the risk-focused examination techniques and in accordance with examination policies and standards established by the Department. Accordingly, included in the examination were such tests of the accounting records and such other procedures as we considered necessary in the circumstances.

Our examination included a review of the Company’s business policies and practices, management and corporate matters, a verification and evaluation of assets and a determination of the existence of liabilities. In addition, our examination included tests to provide reasonable assurance that the Company was in compliance with applicable laws, rules and regulations. In

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planning and conducting our examination, we gave consideration to the concepts of materiality and risk, and our examination efforts were directed accordingly.

The Company was audited annually by an independent public accounting firm for 2007 and 2008 and a different independent accounting firm thereafter. Both firms expressed unqualified opinions on the Company's financial statements for calendar years 2007 through 2011. We concentrated our examination efforts on the year ended December 31, 2011. We reviewed the working papers prepared by the independent public accounting firm related to the Company's audit for the year ended December 31, 2011, and directed our efforts to the extent practical to those areas not covered by the firm's audit.

STATUS OF PRIOR EXAMINATION FINDINGS

Our examination included a review to determine the current status of the recommendations made in the Report of Organizational Examination dated August 31, 2007. We determined that the Company had satisfactorily addressed those items.

HISTORY

General:

The Company was incorporated as Unison Health Care of the Capital Area, Inc. under the laws of the District of Columbia on May 3, 2007, and commenced business on March 1, 2008. As stated in the Articles of Incorporation, the purpose for which the Company was organized is "to perform any and all acts necessary to form, own, operate and manage a health maintenance corporation pursuant to" Section 31-3401, as amended, of the District of Columbia Official Code.

Capital Stock:

The Company's Articles of Incorporation originally authorized the Company to issue 10,000 shares of common capital stock with no par value. As of December 31, 2011, the Company had 1,000 shares of common capital stock outstanding to Three Rivers Holdings, Inc. ("Parent") which had been issued in exchange for a capital contribution of \$1,000.

Dividends to Stockholders:

The Company did not declare or pay dividends to its Parent during the period covered by the examination.

Management:

The Company's Bylaws provide that the responsibility for the control and management of the business and affairs of the Company is vested in its Board of Directors to consist of three (3)

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members who shall be elected annually by the shareholders. The Bylaws provide that the officers of the Company shall consist of a chief executive officer, president, secretary, treasurer, and such other officers as may from time to time be elected or appointed by the Board of Directors. The Board of Directors shall elect the officers of the Company annually.

According to the Bylaws, a quorum of the Board of Directors consists of a majority of the number of directors which comprise the Board. The minutes of all meetings held during the period under statutory examination indicate that a quorum was obtained at all meetings of the Board of Directors during the period under examination.

The following persons were serving on the Company's Board of Directors as of December 31, 2011:

<u>Name and Address</u>	<u>Principal Occupation</u>
Rodney Charles Armstead New York, New York	Northeast Regional President, AmeriChoice Corp. United HealthCare Services, Inc.
Steven Eugene Meeker Norcross, Georgia	Regional President for the Southeast Region United HealthCare Services, Inc.
Robert Jacob David Menkes Washington, D.C.	Director Huron Consulting Group

Mr. Menkes serves as independent director of the Company in accordance with the requirements of Section 31-706(c)(5) of the District of Columbia Official Code.

The following persons were serving as the Company's officers as of December 31, 2011:

President and Chief Executive Officer:	Steven Eugene Meeker
Chief Financial Officer:	John Ray Campbell, Jr.
Secretary:	Christina Regina Palme-Krizak
Treasurer:	Robert Worth Oberrender

Committees:

As of December 31, 2011, the Company did not have an audit committee, but utilized the audit committee of AmeriChoice Corporation, the parent of the Company's Parent, Three Rivers Holding, Inc. AmeriChoice Corporation is an insurance holding company with a standing audit committee that meets regularly and satisfies the committee requirements of Section 31-706(c)(5) of the District of Columbia Official Code. This committee has responsibility for recommending the selection of independent certified public accountants, reviewing the Company's financial condition, nominating candidates for director, evaluating the performance of officers of the Company, and recommending to the Board the selection and compensation of principal officers.

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Conflicts of Interest:

Directors, officers and responsible employees of the Company regularly responded to conflict of interest questionnaires. If possible conflicts were disclosed, Company officials scrutinized them further. Our review of the responses to the questionnaires completed for the examination period disclosed no conflicts that would adversely affect the Company. Furthermore, no additional conflicts of interest were identified during the course of our examination.

Corporate Records:

We reviewed the minutes of the meetings of the shareholder and Board of Directors for the period under examination. Based on our review, it appeared that the minutes documented the Company's significant transactions and events, and that the directors approved those transactions and events.

AFFILIATED COMPANIES

The Company is a wholly-owned subsidiary of Three Rivers Holdings, Inc., a holding company domiciled in Delaware. Three Rivers Holdings, Inc. ("Parent") is a wholly-owned subsidiary AmeriChoice Corporation, Delaware, which in turn is a wholly-owned subsidiary of UnitedHealth Group Incorporated ("Ultimate Parent"), a Minnesota diversified healthcare holding company. The Ultimate Parent is a public company traded on the New York Stock Exchange, Inc. under the symbol UNH.

Due to the vast holdings of UnitedHealth Group Incorporated and the complexity of the holding company structure, an abridged organizational chart as of December 31, 2011, is presented as Appendix A.

INTERCOMPANY AGREEMENTS

There are no employees of the Company. All personnel, management and administrative services were provided to the Company by an upstream affiliate, United Healthcare Services, Inc. ("UHS") its Parent, Ultimate Parent and affiliates under various intercompany agreements.

The Company has entered into the following intercompany agreements:

Management Services Agreement

Effective March 1, 2011, the Company entered into a Management Services Agreement with United HealthCare Services, Inc. ("UHS"). This agreement replaces the previous agreement with Unison Administrative Services, Inc. for similar services that had been in effect since May 1, 2008. Under the terms of this agreement, UHS provides or arranges for management, general administration and operational services to the Company. These services

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include, but are not limited to, integrated personal health management solutions, such as disease management, treatment decision support and wellness services, including a 24-hour call-in service, access to a network of transplant providers and discount program services. UHS receives reimbursement for direct and indirect costs. The Department approved the Management Services Agreement on February 18, 2011.

In addition to the above, the Company has the following significant service contracts and cost sharing agreements with affiliates within the UHG holding company system.

Tax Sharing Agreement:

Effective May 30, 2008, the Company entered into a Tax Sharing Agreement with UnitedHealth Group Incorporated, Ultimate Parent, and its subsidiaries. Under terms of the agreement, the consolidated federal income tax liability of the affiliated group shall be allocated among the members based on the proportion of each member's taxable income to the consolidated taxable income of the group. The Department approved the Tax Sharing Agreement on December 9, 2008.

It was noted during the examination that the effective date of this agreement predates the June 12, 2008 date of submission and December 9, 2008 Department approval date. However, the agreement was not executed until October 2008 and was then made retroactive to May 30, 2008. As the agreement was submitted to the Department for approval at least 30 days prior to the date it was entered into, no exception to Section 31-706(a)(2)(D) of the District of Columbia Official Code is taken.

Other Service Agreements:

The Company is also party to the following agreements with affiliates in order to facilitate its business:

OptumInsight, Inc. - Retrospective Fraud, Waste and Abuse Services Agreement
OptumHealth Care Solutions, Inc. - Network Services Agreement
OptumRx, Inc. - Prescription Drug Benefit Administration Agreement
OptumRx, Inc. - Facility Participation Agreement for Specialty Pharmacy Provider
United Behavioral Health- Administrative Services Agreement

FIDELITY BOND AND OTHER INSURANCE

As of December 31, 2011, the Company, along with its Parent and other affiliates, were included as a named insured in the Ultimate Parent's blanket fidelity bond. The amount of the fidelity bond coverage was \$25,000,000 with no deductible. The Ultimate Parent's blanket fidelity bond exceeds the amount of the minimum coverage recommended by the NAIC for the consolidated group.

In addition to the coverage provided under the Ultimate Parent's fidelity bond, the Company was a named insured under policies issued to the Ultimate Parent, which included directors and officer liability, professional liability, general liability and umbrella liability

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coverage.

PENSION, STOCK OWNERSHIP AND INSURANCE PLAN

The Company does not have any employees and therefore does not have any pension, stock ownership or insurance plans.

STATUTORY DEPOSITS

Section 31-3412(b) of the District of Columbia Official Code requires the Company to post a deposit that "at all times shall have a value of not less than \$300,000." Pursuant to this Code section, the Company maintained a \$310,000 pledged statutory deposit for the benefit of all District of Columbia policyholders with First Tennessee Bank, the adjusted carrying value of which was \$312,321 at December 31, 2011.

The Company reported no other statutory deposits.

TERRITORY AND PLAN OF OPERATION

The Company is licensed to operate only in the District of Columbia. The Company was awarded a contract effective May 1, 2008 with the District of Columbia Department of Health Care Finance ("DHCF") to provide health coverage through a managed care delivery system for the District's Medical Assistance Administration Medicaid eligible population enrolled in the District of Columbia Healthy Families Program and to members of the District of Columbia Health Care Safety Net Program. This contract was renegotiated and renewed for each of the past four years. Each contract option year is supposed to run from May 1 to April 30, but the DHCF regularly extends the negotiation period and implements changes at the end of the process. The Company's contract with the DHCF was not renewed for the period beginning May 1, 2013; please see discussion under "Subsequent Events."

GROWTH OF COMPANY

Comparative financial data, as reported in the Company's filed annual statements for the period under examination, were as follows (in thousands):

<u>Year</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Total Capital and Surplus</u>	<u>Net Premium Income</u>	<u>Net Underwriting Gain (Loss)</u>	<u>Net Income (Loss)</u>
2007	\$ 1,526,916	\$ 0	\$ 1,526,916	\$ 0	\$ 0	\$ 26,916
2008	14,640,541	14,764,103	(123,562)	32,571,324	(6,761,432)	(4,977,743)

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2009	31,811,873	19,236,949	12,574,924	71,335,766	(9,384,154)	(5,875,911)
2010	54,234,368	35,957,572	18,276,796	131,169,928	(10,846,974)	(8,346,634)
2011	68,896,523	44,351,111	24,545,412	180,128,556	(22,574,676)	(15,063,196)

The Company began writing business in 2008. The increase in Assets, Liabilities and Surplus during the examination period was mainly due to capital contributions from the Parent. The Company cedes a small portion of its gross premium and gross losses to an unaffiliated insurer pursuant to a reinsurance agreement discussed in the Reinsurance Section of this Report. The Company's negative net income was due to net underwriting losses; that is, benefits paid exceeded premium income.

REINSURANCE

Assumed Business:

The Company assumed no risk during the period covered by this examination.

Ceded Business:

The Company ceded an immaterial amount (less than .05%) of its risk on a gross basis for all premiums written to HM Life Insurance Company for the period May 1, 2008 through April 30, 2009. At that date management decided to retain this risk and the reinsurance agreement expired without renewal.

There were no other ceded reinsurance agreements in effect during the period covered by this examination.

ACCOUNTS AND RECORDS

The Company's statutory home and main administrative office is located at 1225 I Street NW, Suite 150, Washington, D.C. 20005. The primary location of the Company's books and records is in Minnetonka, Minnesota, at the location of the principal offices of the Company's Ultimate Parent, UnitedHealth Group Incorporated. This arrangement does not meet the requirements of Section 31-3431 of the District of Columbia Official Code, which requires that a domestic health maintenance organization maintain its principal office within the District. Specifically, Section 31-3431 of the District of Columbia Official Code requires that a domestic health maintenance organization maintain its principal office within the District and shall keep its books, records, and files therein, and shall not remove from the District either its principal office or its books, records, or files without the permission of the Commissioner.

By letter dated November 26, 2007, prior to obtaining a Certificate of Authority from the District, the Company obtained permission from the Commissioner to maintain its books and records outside of the District. In a letter to the Commissioner dated December 20, 2011, the Company requested permission to relocate its books and records to Minnetonka, Minnesota, the

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location of the principal offices of the Company's Ultimate Parent, UnitedHealth Group Corporation.

The Company's general accounting records are maintained by its upstream affiliate, United HealthCare Systems, Inc. ("UHS") under a Management Services Agreement, discussed previously. The Company utilizes the accounting software systems and bookkeeping and accounting resources of UHS.

FINANCIAL STATEMENTS

The following financial statements reflect the financial condition of the Company as of December 31, 2011, as determined by examination.

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The accompanying "Notes to Financial Statements" are an integral part of these financial statements.

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Balance Sheet

Assets

					Examination	Net Admitted
					Adjustments	Assets
		Nonadmitted	Net Admitted		Increase	per
	Assets	Assets	Assets		(Decrease)	Examination
Bonds	\$ 312,321	\$ -	\$ 312,321		\$ -	\$ 312,321
Cash and short-term investments	65,409,385	-	65,409,385		-	65,409,385
Subtotal, cash and invested assets	65,721,706	-	65,721,706		-	65,721,706
Investment income due and accrued	3,801	-	3,801		-	3,801
Uncollected premiums and agents' balances	2,482,308	-	2,482,308		-	2,482,308
Amounts receivable relating to uninsured plans	13,307	-	13,307		-	13,307
Receivables from parent, subs., and affiliates	464,664	-	464,664		-	464,664
Health care and other amounts receivable	591,997	381,260	210,737		-	210,737
Total Assets	\$ 69,277,783	\$ 381,260	\$ 68,896,523		\$ -	\$ 68,896,523

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Balance Sheet

Liabilities, Capital and Surplus

	Company	Examination	Examination
	Balance	Adjustments	Balance
Claims unpaid	\$ 31,449,771	\$ -	\$ 31,449,771
Accrued medical incentive pool/bonus	89,373		89,373
Unpaid claims adjustment expenses	586,877		586,877
Aggregate health policy reserves	5,446,000		5,446,000
Aggregate health claim reserves	900,187		900,187
General expenses due or accrued	2,881,321		2,881,321
Current federal income taxes payable	2,944,764		2,944,764
Remittances and items not allocated	50,661		50,661
Aggregate write-ins for other liabilities	2,157		2,157
Total Liabilities	\$ 44,351,111	\$ -	\$ 44,351,111
Capital and Surplus			
Common capital stock	\$ 1,000	\$ -	\$ 1,000
Gross paid in and contributed surplus	59,499,000		59,499,000
Unassigned funds (surplus)	(34,954,588)		(34,954,588)
Total Capital and Surplus	\$ 24,545,412	\$ -	\$ 24,545,412
Total Liabilities, Capital and Surplus	\$ 68,896,523	\$ -	\$ 68,896,523

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Statement of Revenue and Expenses

	<u>Company</u> <u>Balance</u>	<u>Examination</u> <u>Adjustments</u>	<u>Examination</u> <u>Balance</u>
Net premium income	\$ 180,128,556	\$ -	\$ 180,128,556
Aggr. write-ins for other health care related revenues	3,419		3,419
Total revenues	180,131,975	-	180,131,975
Hospital/medical benefits	106,231,430		106,231,430
Other professional services	31,012,801		31,012,801
Emergency room and out-of-area	17,372,938		17,372,938
Prescription drugs	23,754,995		23,754,995
Incentive pool, withhold adjmts., bonus amounts	104,077		104,077
Total hospital and medical	178,476,241	-	178,476,241
Claims adjustment expenses	6,274,038		6,274,038
General administrative expenses	17,026,051		17,026,051
Increase in reserves for A&H contracts	930,321		930,321
Total underwriting deductions	202,706,651	-	202,706,651
Net underwriting gain or (loss)	(22,574,676)	-	(22,574,676)
Net investment income earned	7,575		7,575
Net investment gains	7,575	-	7,575
Net income before federal income tax	(22,567,101)	-	(22,567,101)
Federal income taxes incurred	(7,503,905)	-	(7,503,905)
Net Income	<u>\$ (15,063,196)</u>	<u>\$ -</u>	<u>\$ (15,063,196)</u>

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Capital and Surplus Account

Total capital and surplus, December 31, 2007	\$ 1,526,916
Net income, 2008	\$ (4,977,743)
Change in net deferred income tax	682,261
Change in nonadmitted assets	(354,996)
Surplus adjustments: paid in	3,000,000
Net change in capital and surplus, 2008	\$ (1,650,478)
Total capital and surplus, December 31, 2008	\$ (123,562)
Net income, 2009	\$ (5,875,911)
Change in net deferred income tax	(682,261)
Change in nonadmitted assets	256,656
Surplus adjustments: paid in	19,000,000
Net change in capital and surplus, 2009	\$ 12,698,484
Total capital and surplus, December 31, 2009	\$ 12,574,922
Net income, 2010	\$ (8,346,634)
Change in net deferred income tax	(1)
Change in nonadmitted assets	48,509
Surplus adjustments: paid in	14,000,000
Net change in capital and surplus, 2010	\$ 5,701,874
Total capital and surplus, December 31, 2010	\$ 18,276,796
Net income, 2011	\$ (15,063,196)
Change in nonadmitted assets	(331,431)
Surplus adjustments: paid in	22,000,000
Aggregate write-ins for gains or (losses) in surplus	(336,756)
Net change in capital and surplus, 2011	\$ 6,268,617
Total capital and surplus, December 31, 2011	\$ 24,545,412

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Analysis of Examination Changes to Surplus

Total capital and surplus per annual statement, December 31, 2011	\$ 24,545,412
Examination change to surplus	\$ 0
Total capital and surplus per examination, December 31, 2011	\$ 24,545,412

Comparative Financial Position of the Company

The comparative financial position of the Company for the period September 1, 2007 through December 31, 2011, is as follows:

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Assets	\$ 68,896,523	\$ 54,234,368	\$ 31,811,873	\$ 14,640,541	\$ 1,526,916
Liabilities	44,351,111	35,957,572	19,236,949	14,764,103	0
Capital and Surplus	24,545,412	18,276,796	12,574,924	(123,562)	1,526,916
Premium Income	180,128,556	131,169,928	71,335,766	32,571,324	0
Dividends to Shareholder	0	0	0	0	0
Net Underwriting Gain (Loss)	(22,574,676)	(10,846,974)	(9,384,154)	(6,761,432)	0
Net Investment Gain (Loss)	7,575	16,387	41,053	133,487	26,916
Net Income	(15,063,196)	(8,346,634)	(5,875,911)	(4,977,743)	26,916

Note:

Amounts for the years ended December 31, 2007 through 2010 were taken from the Company's annual statements as filed with the Department. Amounts for the year ended December 31, 2011 are amounts per examination.

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SUBSEQUENT EVENTS

1. Karen Marie Johnson was elected as a director of the Company on June 21, 2012. She replaced Rodney C. Armstead, M.D., who served as a director from April 27, 2011 through the date his successor was elected.
2. Karen Marie Johnson was elected president and CEO of the Company on April 24, 2012. She replaced Steven E. Meeker, who previously held the same offices.
3. On January 4, 2013 the Company's Audit Committee appointed Kevin Francis Vice President of Actuarial Services for UnitedHealthcare Community & State and as such he functions as the opining actuary of the Company.
4. The Company is currently in the process of re-branding the Unison name to take advantage of its affiliation with UnitedHealth Group Incorporated. During 2011, Unison Health Plan of the Capital Area, Inc. began doing business under the name "UnitedHealthcare Community Plan" in order to increase public awareness of the affiliation. In addition, the Company's website is currently in the process of being redesigned to reflect the re-branding. The legal name of the entity for statutory reporting purposes remains Unison Health Plan of the Capital Area, Inc.
5. The Company's contract with the District of Columbia Department of Health Care Finance ("DHCF") to provide health coverage through a managed care delivery system for the District's Medical Assistance Administration Medicaid eligible population enrolled in the District of Columbia Healthy Families Program and to members of the District of Columbia Health Care Safety Net Program, originally effective May 1, 2008, was extended to July 1, 2013, but not renewed. UnitedHealth Group Incorporated management has stated that the Company will focus on managing the transition of its members to other insurers and the run-off of claims. No determination has been made regarding the continuation of the Company's licensure and status as a legal entity.

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CONCLUSION

Our examination disclosed that as of December 31, 2011, the Company had:

Admitted assets	<u>\$68,896,523</u>
Liabilities	<u>44,351,111</u>
Common capital stock	1,000
Gross paid in and contributed surplus	59,499,000
Unassigned funds (surplus)	(34,954,588)
Total capital and surplus	<u>24,545,412</u>
Total liabilities, capital and surplus	<u>\$68,896,523</u>

Based on our examination, the accompanying balance sheet properly presents the statutory financial position of the Company as of December 31, 2011, and the accompanying statement of income properly presents the statutory results of operations for the period then ended. The supporting financial statements properly present the information prescribed by the District of Columbia Official Code and the National Association of Insurance Commissioners.

Chapters 34 (“Health Maintenance Organizations”) and 20 (“Risk-Based Capital”) of Title 31 (“Insurance and Securities”) of the District of Columbia Official Code specify the level of capital and surplus required for the Company. We concluded that the Company’s capital and surplus funds exceeded the minimum requirements during the period under examination.

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SIGNATURES

In addition to the undersigned, the following examiners representing the District of Columbia Department of Insurance, Securities and Banking participated in this examination:

Waheed Zafer, CPA, CFE
Guy Sams, CPA, CISA, CFSA, FLMI

The actuarial consulting firm of Taylor-Walker & Associates, Inc. participated in various phases of this examination. Their examination analysis disclosed that no changes were required to the reserves of the Company.

Respectfully submitted,



Juli-Kay Baumann, CFE, CIE, CPCU, FLMI, ARE
Examiner-In-Charge
Representing the District of Columbia Department
of Insurance, Securities and Banking



Nathaniel Kevin Brown, CFE, CPA
Chief Examiner
District of Columbia Department of Insurance,
Securities and Banking

APPENDIX A
Abridged Organizational Chart

