





# HEALTH QUARTERLY STATEMENT

AS OF JUNE 30, 2005  
OF THE CONDITION AND AFFAIRS OF THE  
**MCARE INC.**

NAIC Group Code 3414 3414 NAIC Company Code 95449 Employer's ID Number 38-2649504  
(Current) (Prior)

Organized under the Laws of \_\_\_\_\_, State of Domicile or Port of Entry Michigan

Country of Domicile United States of America

Licensed as business type: Health Maintenance Organization

Is HMO Federally Qualified? Yes [ X ] No [ ]

Incorporated/Organized 01/01/1986 Commenced Business 10/01/1986

Statutory Home Office 2301 Commonwealth Blvd., Ann Arbor, MI 48105  
(Street and Number) (City or Town, State and Zip Code)

Main Administrative Office 2301 Commonwealth Blvd.  
(Street and Number)  
Ann Arbor, MI 48105 734-747-8700  
(City or Town, State and Zip Code) (Area Code) (Telephone Number)

Mail Address 2301 Commonwealth Blvd., Ann Arbor, MI 48105  
(Street and Number or P.O. Box) (City or Town, State and Zip Code)

Primary Location of Books and Records 2301 Commonwealth  
(Street and Number)  
Ann Arbor, MI 48105 734-747-8700  
(City or Town, State and Zip Code) (Area Code) (Telephone Number)

Internet Website Address www.mcare.net

Statutory Statement Contact Susan M. Agnew, 734-332-2500  
(Name) (Area Code) (Telephone Number)  
sagnew@mcare.med.umich.edu, 734-332-2177  
(E-mail Address) (FAX Number)

Policyowner Relations Contact 2301 Commonwealth Blvd.  
(Street and Number)  
Ann Arbor, MI 48105 734-913-2211  
(City or Town, State and Zip Code) (Area Code) (Telephone Number)

### OFFICERS

President Zelda Geyer-Sylvia Treasurer Douglas L. Strong  
Secretary Larry Warren Actuary Gregory A. Hawkins

### OTHER

### DIRECTORS OR TRUSTEES

<u>Darrell A. Campbell Jr., M.D.</u>	<u>Zelda Geyer-Sylvia</u>	<u>Sally Joy</u>
<u>Robert P. Kelch M.D.</u>	<u>Jean M. Malouin M.D.</u>	<u>Richard C. Petrocelli</u>
<u>Timothy P. Slottow</u>	<u>Douglas L. Strong</u>	<u>James R. Dietz</u>
<u>Larry Warren</u>	<u>Miriam M. Weininger</u>	<u>James O. Woolliscroft M.D.</u>

State of Michigan SS:  
County of Washtenaw

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

Zelda Geyer-Sylvia  
Executive Director

Larry Warren  
Secretary

Douglas L. Strong  
Treasurer

Subscribed and sworn to before me this \_\_\_\_\_ day of \_\_\_\_\_

- a. Is this an original filing? ..... Yes [ ] No [ X ]  
b. If no,  
1. State the amendment number.....1  
2. Date filed .....10/10/2005  
3. Number of pages attached..... 3

## STATEMENT AS OF JUNE 30, 2005 OF THE MCARE

**ASSETS**

	Current Statement Date			4 Prior Year Net Admitted Assets
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	
1. Bonds .....	5,924,462		5,924,462	10,866,289
2. Stocks:				
2.1 Preferred stocks .....			0	0
2.2 Common stocks .....	40,658,445		40,658,445	38,654,593
3. Mortgage loans on real estate:				
3.1 First liens .....			0	0
3.2 Other than first liens .....			0	0
4. Real estate:				
4.1 Properties occupied by the company (less \$ encumbrances) .....			0	0
4.2 Properties held for the production of income (less \$ ..... encumbrances) .....			0	0
4.3 Properties held for sale (less \$ encumbrances) .....			0	0
5. Cash (\$ .....(9,386,443) ), cash equivalents (\$ .....12,672,920 ), and short-term investments (\$ .....66,969,754 ) .....	70,256,231		70,256,231	75,888,030
6. Contract loans, (including \$ ..... premium notes) .....			0	0
7. Other invested assets .....	2,516,345		2,516,345	2,058,471
8. Receivables for securities .....			0	0
9. Aggregate write-ins for invested assets .....	0	0	0	0
10. Subtotals, cash and invested assets (Lines 1 to 9) .....	119,355,483	0	119,355,483	127,467,383
11. Title plants less \$ ..... charged off (for Title insurers only) .....			0	
12. Investment income due and accrued .....	466,141		466,141	466,059
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection .....	1,019,167	110,696	908,471	1,545,630
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ ..... earned but unbilled premiums) .....			0	0
13.3 Accrued retrospective premiums .....			0	0
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers .....			0	0
14.2 Funds held by or deposited with reinsured companies .....			0	0
14.3 Other amounts receivable under reinsurance contracts .....			0	0
15. Amounts receivable relating to uninsured plans .....			0	0
16.1 Current federal and foreign income tax recoverable and interest thereon .....			0	0
16.2 Net deferred tax asset .....			0	0
17. Guaranty funds receivable or on deposit .....			0	0
18. Electronic data processing equipment and software .....	2,124,694	1,571,140	553,554	537,764
19. Furniture and equipment, including health care delivery assets (\$ ..... ) .....	294,395	294,395	0	0
20. Net adjustment in assets and liabilities due to foreign exchange rates .....			0	0
21. Receivables from parent, subsidiaries and affiliates .....	327,338		327,338	1,538,747
22. Health care (\$ ..... ) and other amounts receivable .....			0	0
23. Aggregate write-ins for other than invested assets .....	4,885,213	4,885,213	0	0
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23) .....	128,472,431	6,861,444	121,610,987	131,555,583
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts .....			0	0
26. Total (Lines 24 and 25) .....	128,472,431	6,861,444	121,610,987	131,555,583
<b>DETAILS OF WRITE-INS</b>				
0901. ....				
0902. ....				
0903. ....				
0998. Summary of remaining write-ins for Line 9 from overflow page .....	0	0	0	0
0999. Totals (Lines 0901 through 0903 plus 0998)(Line 9 above) .....	0	0	0	0
2301. Leasehold improvements .....	751,454	751,454	0	0
2302. Prepaid Administrative Expenses .....	3,057,759	3,057,759	0	0
2303. Prepaid Capitation .....	1,076,000	1,076,000	0	0
2398. Summary of remaining write-ins for Line 23 from overflow page .....	0	0	0	0
2399. Totals (Lines 2301 through 2303 plus 2398)(Line 23 above) .....	4,885,213	4,885,213	0	0

## STATEMENT AS OF JUNE 30, 2005 OF THE MCARE

**LIABILITIES, CAPITAL AND SURPLUS**

	Current Period			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$ ..... reinsurance ceded) .....	33,492,354		33,492,354	36,223,374
2. Accrued medical incentive pool and bonus amounts .....	10,023,059		10,023,059	20,605,727
3. Unpaid claims adjustment expenses .....	1,113,320		1,113,320	1,113,320
4. Aggregate health policy reserves .....			0	0
5. Aggregate life policy reserves .....			0	0
6. Property/casualty unearned premium reserve .....			0	0
7. Aggregate health claim reserves .....			0	0
8. Premiums received in advance .....	9,098,731		9,098,731	7,343,009
9. General expenses due or accrued .....	3,664,834		3,664,834	3,778,673
10.1 Current federal and foreign income tax payable and interest thereon (including \$ ..... on realized gains (losses)) .....			0	0
10.2 Net deferred tax liability .....			0	0
11. Ceded reinsurance premiums payable .....			0	0
12. Amounts withheld or retained for the account of others .....			0	0
13. Remittances and items not allocated .....			0	0
14. Borrowed money (including \$ ..... current) and interest thereon \$ ..... (including \$ ..... current) .....			0	0
15. Amounts due to parent, subsidiaries and affiliates .....			0	0
16. Payable for securities .....	2,344,754		2,344,754	0
17. Funds held under reinsurance treaties (with \$ ..... authorized reinsurers and \$ ..... unauthorized reinsurers) .....			0	0
18. Reinsurance in unauthorized companies .....			0	0
19. Net adjustments in assets and liabilities due to foreign exchange rates .....			0	0
20. Liability for amounts held under uninsured accident and health plans .....			0	0
21. Aggregate write-ins for other liabilities (including \$ ..... current) .....	0	0	0	0
22. Total liabilities (Lines 1 to 21) .....	59,737,052	0	59,737,052	69,064,103
23. Aggregate write-ins for special surplus funds .....	XXX	XXX	0	0
24. Common capital stock .....	XXX	XXX		
25. Preferred capital stock .....	XXX	XXX		
26. Gross paid in and contributed surplus .....	XXX	XXX		
27. Surplus notes .....	XXX	XXX	3,331,446	3,831,446
28. Aggregate write-ins for other than special surplus funds .....	XXX	XXX	0	0
29. Unassigned funds (surplus) .....	XXX	XXX	58,542,489	58,660,034
30. Less treasury stock, at cost:				
30.1 ..... shares common (value included in Line 24 \$ ..... ) .....	XXX	XXX		
30.2 ..... shares preferred (value included in Line 25 \$ ..... ) .....	XXX	XXX		
31. Total capital and surplus (Lines 23 to 29 minus Line 30) .....	XXX	XXX	61,873,935	62,491,480
32. Total liabilities, capital and surplus (Lines 22 and 31) .....	XXX	XXX	121,610,987	131,555,583
<b>DETAILS OF WRITE-INS</b>				
2101. ....				
2102. ....				
2103. ....				
2198. Summary of remaining write-ins for Line 21 from overflow page .....	0	0	0	0
2199. Totals (Lines 2101 through 2103 plus 2198)(Line 21 above) .....	0	0	0	0
2301. ....	XXX	XXX		
2302. ....	XXX	XXX		
2303. ....	XXX	XXX		
2398. Summary of remaining write-ins for Line 23 from overflow page .....	XXX	XXX	0	0
2399. Totals (Lines 2301 through 2303 plus 2398)(Line 23 above) .....	XXX	XXX	0	0
2801. ....	XXX	XXX		
2802. ....	XXX	XXX		
2803. ....	XXX	XXX		
2898. Summary of remaining write-ins for Line 28 from overflow page .....	XXX	XXX	0	0
2899. Totals (Lines 2801 through 2803 plus 2898)(Line 28 above) .....	XXX	XXX	0	0

STATEMENT AS OF JUNE 30, 2005 OF THE MCARE

**STATEMENT OF REVENUE AND EXPENSES**

	Current Year To Date		Prior Year To Date
	1 Uncovered	2 Total	3 Total
1. Member Months .....	XXX	1,093,577	1,094,744
2. Net premium income ( including \$ ..... non-health premium income) .....	XXX	230,570,835	218,666,015
3. Change in unearned premium reserves and reserve for rate credits .....	XXX		
4. Fee-for-service (net of \$ ..... medical expenses) .....	XXX		
5. Risk revenue .....	XXX		
6. Aggregate write-ins for other health care related revenues .....	XXX	0	0
7. Aggregate write-ins for other non-health revenues .....	XXX	0	0
8. Total revenues (Lines 2 to 7) .....	XXX	230,570,835	218,666,015
<b>Hospital and Medical:</b>			
9. Hospital/medical benefits .....		166,854,349	151,790,363
10. Other professional services .....			
11. Outside referrals .....			
12. Emergency room and out-of-area .....		1,404,277	1,502,920
13. Prescription drugs .....		30,215,786	25,681,308
14. Aggregate write-ins for other hospital and medical .....	0	12,804,829	14,481,530
15. Incentive pool, withhold adjustments and bonus amounts .....		(571,851)	5,231,652
16. Subtotal (Lines 9 to 15) .....	0	210,707,390	198,687,773
<b>Less:</b>			
17. Net reinsurance recoveries .....			
18. Total hospital and medical (Lines 16 minus 17) .....	0	210,707,390	198,687,773
19. Non-health claims (net) .....			
20. Claims adjustment expenses, including \$ ..... cost containment expenses .....		1,584,774	
21. General administrative expenses .....		15,316,282	16,794,154
22. Increase in reserves for life and accident and health contracts (including \$ ..... increase in reserves for life only) .....			
23. Total underwriting deductions (Lines 18 through 22) .....	0	227,608,446	215,481,927
24. Net underwriting gain or (loss) (Lines 8 minus 23) .....	XXX	2,962,389	3,184,088
25. Net investment income earned .....		1,790,226	690,347
26. Net realized capital gains (losses) less capital gains tax of \$ .....		(166,595)	(66,324)
27. Net investment gains (losses) (Lines 25 plus 26) .....	0	1,623,631	624,023
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$ ..... ) (amount charged off \$ ..... )] .....			
29. Aggregate write-ins for other income or expenses .....	0	0	(411,205)
30. Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29) .....	XXX	4,586,020	3,396,906
31. Federal and foreign income taxes incurred .....	XXX		
32. Net income (loss) (Lines 30 minus 31) .....	XXX	4,586,020	3,396,906
<b>DETAILS OF WRITE-INS</b>			
0601. ....	XXX		
0602. ....	XXX		
0603. ....	XXX		
0698. Summary of remaining write-ins for Line 6 from overflow page .....	XXX	0	0
0699. Totals (Lines 0601 through 0603 plus 0698)(Line 6 above) .....	XXX	0	0
0701. ....	XXX		
0702. ....	XXX		
0703. ....	XXX		
0798. Summary of remaining write-ins for Line 7 from overflow page .....	XXX	0	0
0799. Totals (Lines 0701 through 0703 plus 0798)(Line 7 above) .....	XXX	0	0
1401. Durable Medical Equipment and Other .....	0	7,724,924	9,290,971
1402. Mental Health .....		5,079,905	4,849,677
1403. Stop Loss Insurance .....			340,882
1498. Summary of remaining write-ins for Line 14 from overflow page .....	0	0	0
1499. Totals (Lines 1401 through 1403 plus 1498)(Line 14 above) .....	0	12,804,829	14,481,530
2901. Interest Pmt on Note Payable .....			(411,205)
2902. ....			
2903. ....			
2998. Summary of remaining write-ins for Line 29 from overflow page .....	0	0	0
2999. Totals (Lines 2901 through 2903 plus 2998)(Line 29 above) .....	0	0	(411,205)

**STATEMENT OF REVENUE AND EXPENSES (Continued)**

	1 Current Year to Date	2 Prior Year to Date	3 Prior Year
<b>CAPITAL AND SURPLUS ACCOUNT</b>			
33. Capital and surplus prior reporting year.....	62,491,476	51,487,412	51,487,412
<b>GAINS AND LOSSES TO CAPITAL &amp; SURPLUS:</b>			
34. Net income or (loss) from Line 32.....	4,586,020	3,396,906	10,361,220
35. Change in valuation basis of aggregate policy and claim reserves.....			
36. Change in net unrealized capital gains (losses) less capital gains tax of \$.....	(3,009,122)	649,255	1,295,786
37. Change in net unrealized foreign exchange capital gain or (loss).....			
38. Change in net deferred income tax.....			
39. Change in nonadmitted assets.....	(1,694,439)	(65,754)	(144,162)
40. Change in unauthorized reinsurance.....	0		0
41. Change in treasury stock.....	0		0
42. Change in surplus notes.....	(500,000)		(500,000)
43. Cumulative effect of changes in accounting principles.....			(8,780)
44. Capital Changes:			
44.1 Paid in.....	0		0
44.2 Transferred from surplus (Stock Dividend).....	0		0
44.3 Transferred to surplus.....			
45. Surplus adjustments:			
45.1 Paid in.....	0		0
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.....	0	0	0
48. Net change in capital & surplus (Lines 34 to 47).....	(617,541)	3,980,407	11,004,064
49. Capital and surplus end of reporting period (Line 33 plus 48)	61,873,935	55,467,819	62,491,476
<b>DETAILS OF WRITE-INS</b>			
4701. 0.....			0
4702. ....			
4703. ....			
4798. Summary of remaining write-ins for Line 47 from overflow page.....	0	0	0
4799. Totals (Lines 4701 through 4703 plus 4798)(Line 47 above)	0	0	0