

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
FLORIDA HEALTH MAINTENANCE
ORGANIZATION CONSUMER ASSISTANCE PLAN
TALLAHASSEE, FLORIDA
DECEMBER 31, 2012 and 2011

FINANCIAL STATEMENTS
AND
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FLORIDA HEALTH MAINTENANCE
ORGANIZATION CONSUMER ASSISTANCE PLAN
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TABLE OF CONTENTS

Independent Auditor's Report.....	1
Statement of Financial Position.....	2
Statement of Activities and Changes in Net Assets.....	3
Statement of Cash Flows.....	4
Notes to Financial Statements.....	5



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To the Board of Directors
Florida Health Maintenance Organization
Consumer Assistance Plan
Tallahassee, Florida

We have audited the accompanying statement of financial position of Florida Health Maintenance Organization Consumer Assistance Plan (the Plan), a nonprofit organization, as of December 31, 2012 and 2011, and the related statements of activities and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Plan as of December 31, 2012 and 2011 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Moran & Smith LLP

Moran & Smith LLP
Tallahassee, Florida
April 15, 2013

See accompanying notes to financial statements.

**Statement of Financial Position
December 31, 2012 and 2011
Florida Health Maintenance Organization
Consumer Assistance Plan
Tallahassee, Florida**

Assets

Current Assets	2012	2011
Cash and Cash Equivalents	\$ 25,565	\$ 369,011
Investments	<u>8,937,008</u>	<u>9,121,828</u>
Total Current Assets	<u>8,962,573</u>	<u>9,490,839</u>
Liabilities		
Current Liabilities		
Accounts Payable	5,990	6,189
Other Accrued Liabilities	<u>0</u>	<u>2,358,741</u>
Total Current Liabilities	<u>5,990</u>	<u>2,364,930</u>
Unrestricted Net Assets	<u>8,956,583</u>	<u>7,125,909</u>
Total Liabilities and Unrestricted Net Assets	<u>\$ 8,962,573</u>	<u>\$ 9,490,839</u>

See accompanying notes to financial statements.

Statement of Activities and Changes in Net Assets
For the year ended December 31, 2012 and 2011
Florida Health Maintenance Organization
Consumer Assistance Plan
Tallahassee, Florida

Changes in Unrestricted Net Assets

Support and Revenue	2012	2011
Distributions Received	\$ 1,685,753	\$ 3,218,157
Assessment Revenue	125,000	50,000
Interest Income	98,948	88,454
Total Support and Revenue	<u>1,909,701</u>	<u>3,356,611</u>
 Expenses		
General Operating:		
Contract Services-Management and Legal	60,270	67,954
Accounting and Auditing	13,275	10,400
Administrative	5,482	4,658
Total Expenses	<u>79,027</u>	<u>83,012</u>
Increase in Unrestricted Net Assets	<u>1,830,674</u>	<u>3,273,599</u>
Unrestricted Net Assets, Beginning of Year	<u>7,125,909</u>	<u>3,852,310</u>
Unrestricted Net Assets, End of Year	<u>\$ 8,956,583</u>	<u>\$ 7,125,909</u>

See accompanying notes to financial statements.

Statement of Cash Flows
December 31, 2012 and 2011
Florida Health Maintenance Organization
Consumer Assistance Plan
Tallahassee, Florida

Cash Flows from Operating Activities	2012	2011
Increase (Decrease) in Unrestricted Assets	\$ 1,830,674	\$ 3,273,599
Adjustments:		
Investment Income Reinvested	(90,291)	(88,454)
(Increase) Decrease in Accounts Receivable	0	0
Increase (Decrease) in Accounts Payable	(199)	(827)
Increase (Decrease) in Other Accrued Liabilities	(2,358,741)	2,358,741
Total Adjustments	<u>(2,449,231)</u>	<u>2,271,114</u>
Net Cash Provided by (Used in) Operating Activities	(618,557)	5,544,713
 Cash Flows from Investing Activities		
Sale of Investments	9,420,482	41,938
Purchase of Investments	<u>(9,145,371)</u>	<u>(5,221,884)</u>
Net Cash Provided by (Used in) Investing Activities	<u>275,111</u>	<u>(5,179,946)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(343,446)</u>	<u>364,767</u>
 Cash and Cash Equivalents, Beginning of Year	<u>369,011</u>	<u>4,244</u>
 Cash and Cash Equivalents, End of Year	<u>\$ 25,565</u>	<u>\$ 369,011</u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS
FLORIDA HEALTH MAINTENANCE ORGANIZATION
CONSUMER ASSISTANCE PLAN
DECEMBER 31, 2012 and 2011

Note 1- Reporting Entity

Legal Entity

Florida Health Maintenance Organization Consumer Assistance Plan (the Plan) is a nonprofit legal entity created by Florida Statute 631.811-631.828. All Health Maintenance Organizations (HMOs) possessing a valid certificate of authority issued by the Florida Office of Insurance Regulation (the Office) pursuant to Part I of Chapter 641, shall be and must remain members of the Plan as a condition of their authority to transact business in the State of Florida as an HMO. The Plan performs its functions under the Plan of Operation established and approved under the provisions of the Florida Statutes and shall exercise its powers through a Board of Directors established by Florida Statutes. The Plan comes under the immediate supervision of the Florida Department of Financial Services (the Department). The primary purpose of the Plan is to protect the subscribers of HMOs, subject to certain limitations, against failure of an HMO to perform its contractual obligations due to its insolvency. In order to complete its primary purpose, the Plan is granted certain powers and duties as outlined in the Florida Statutes.

Note 2- Summary of Significant Accounting Policies

Basis of Presentation

The accounting policies of the Plan conform to generally accepted accounting principles as applied to nonprofit organizations using the accrual basis of accounting.

Use of Estimates

The Preparation of the financial statements in accordance with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents on the accompanying statements of financial position include cash in demand deposits. During the course of business, the Plan periodically maintains cash balances in excess of federally insured limits. Management does not consider this risk to be significant.

NOTES TO FINANCIAL STATEMENTS
FLORIDA HEALTH MAINTENANCE ORGANIZATION
CONSUMER ASSISTANCE PLAN
DECEMBER 31, 2012 and 2011

Note 2- Summary of Significant Accounting Policies *(Continued)*

Investments

Investments consist of a money market account, certificates of deposit with various financial institutions and an investment in the Treasurer's special purpose investment account managed by the State of Florida, Division of Treasury. These Investments have readily determinable market values. In accordance with SFAS Statement No. 124, Accounting for Certain Investments Held by Not-for-Profit Organizations, Investments in all securities are reported at fair value.

Receivables

There were no receivables on the books at year end.

Accountants Payable

Accounts payable consists of normal trade payables for administrative expenses.

Other Accrued Liabilities

Other Accrued Liabilities at December 31, 2011, consists of a payback due to the State of Florida for an amount that was transmitted from the Department of Financial services to the Plan in error. The entire amount was paid back shortly after year end.

Distributions Received

The Department of Financial Services distributed revenue to the Plan that was court ordered as part of the resolution of previous insolvencies.

Market Risk

The primary purpose of the Plan is to protect the subscribers of Florida HMOs, subject to certain limitations, against failure of a Florida HMO to perform its contractual obligations due to its insolvency. Therefore, adverse economic changes, or certain changes in the insurance laws of the State of Florida could have a significant impact on the Plan's future financial position and results of operations.

NOTES TO FINANCIAL STATEMENTS
FLORIDA HEALTH MAINTENANCE ORGANIZATION
CONSUMER ASSISTANCE PLAN
DECEMBER 31, 2012 and 2011

Note 2- Summary of Significant Accounting Policies *(Concluded)*

Concentration of Credit Risk

Financial instruments that potentially subject the Plan to concentrations of credit risk consist principally of cash and cash equivalents, and investments. The Company's cash management and investment policies restrict investments by type, credit and issuer, and the Company performs periodic evaluations of the credit standing of the financial institutions with which it deals. Management believes the Company had no significant concentrations of credit risk other than those disclosed in Note 3.

Donated Services

The Plan operates with a Board of Directors who volunteer their services; however, because no objective basis is available to measure the value of these sources, no amounts are reflected in the financial statements for the Board of Directors' Services.

Income Taxes

The Plan is a nonprofit organization exempt from income taxes under the provisions of Section 501(c)(6) of the Internal Revenue Code. Accordingly, there is no provision for income taxes presented in the financial statements.

Insolvency Expenses

The plan incurs certain administrative expenses that are directly related to an individual insolvency. These amounts are not material and are not presented discretely in the financial statements.

Subsequent Events

Subsequent Events have been evaluated through the date of the independent auditors' report.

Note 3 – Cash, Cash Equivalents, and Investments

Cash and Cash Equivalents consist of demand deposits held with a financial institution. Investments consist of a highly liquid money market fund, certificates of deposit and an investment in the Treasurer's special purpose investment account managed by the State of Florida, Division of Treasury.

**NOTES TO FINANCIAL STATEMENTS
FLORIDA HEALTH MAINTENANCE ORGANIZATION
CONSUMER ASSISTANCE PLAN
DECEMBER 31, 2012 and 2011**

Note 3 – Cash, Cash Equivalents, and Investments (Continued)

The Plan’s invested assets are governed by an investment policy. Generally this policy will govern the investment of funds and surplus.

	2012	2011
Wells Fargo Money Market	\$ 932,123	\$ 524,4610
Certificates of Deposit	123,617	406,934
Wells Fargo Brokered CD Account	433,4914	0
SPIA	3,546,354	3,470,284
Total Investments	\$ 8,937,008	\$ 9,121,828

Credit Risk Disclosure - Credit risk exists when there is a possibility the issuer or other counterparty to an investment may be unable to fulfill its obligations. The amounts with Wells Fargo Money Market are in excess of federal deposit insurance limits.

Custodial Risk Credit - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Plan would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Plan had no investments with custodial credit risk as of December 31, 2012 and 2011, respectively. All investments were held by the Plan or its agent in the Plan’s name.

Concentration of Credit Risk – An increased risk of loss occurs as more investments are acquired from one issuer which results in a concentration of credit risk. The Plan had \$3,546,354 and \$3,470,284 invested at the Treasurer’s special purpose investment account managed by the State of Florida, Division of Treasury at December 31, 2012 and December 31, 2011.

Interest Rate Risk – Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investment’s fair value. The Plan measures this risk by using the weighted average maturity method. This policy takes interest rate reset dates, primarily related to certificates of deposit.

Foreign Currency Risk – The Plan had no investments with foreign currency risk at December 31, 2012 and 2011, respectively. All investments are settled in U.S. dollars.

NOTES TO FINANCIAL STATEMENTS
FLORIDA HEALTH MAINTENANCE ORGANIZATION
CONSUMER ASSISTANCE PLAN
DECEMBER 31, 2012 and 2011

Note 3 – Cash, Cash Equivalents, and Investments (Continued)

Fair Value Measurement

The Corporation's estimates of fair value for financial assets and financial liabilities are based on the framework established in the Fair Value Measurements and Disclosures accounting guidance. All investments are valued at fair market value.

Note 4 - Premium Revenue

The Plan is due all premium revenue from covered members of an insolvent HMO from the date of the insolvency through the last date the Plan provides coverage. For the year ended December 31, 2012, and 2011 there were no new insolvencies and no premium revenue. By statute, the Plan has the right to receive premiums from the subscribers of an insolvent HMO during the period that the subscribers receive coverage from the Plan (the coverage period ranges from the date of insolvency through the later of the date the subscriber is assumed by another HMO, or six months after the date of insolvency). No premium income was collected in the year ended December 31, 2012 or 2011.

Note 5 - Distributions Received

The Plan received three distributions during the 2012 year and two distributions during the 2011 year. The distributions were court ordered as part of the resolutions of the Ultramedix Health Care System, Sunstar Healthcare Plan Inc. and Champion Healthcare Inc. insolvencies. During 2012 The Plan received \$286,715 from Champion Healthcare, Inc., \$940,963 from the Ultramedix Health Care System and \$458,075 from the Sunstar Healthcare Plan. During 2011 the plan received \$355,029 from the Ultramedix Health Care System and \$2,863,129 from the Sunstar Healthcare Plan. The Sunstar Healthcare Plan 2011 distribution consisted of interest that had been earned of \$1,065,908 and premiums of \$1,797,221.

NOTES TO FINANCIAL STATEMENTS
FLORIDA HEALTH MAINTENANCE ORGANIZATION
CONSUMER ASSISTANCE PLAN
DECEMBER 31, 2012 and 2011

Note 6 - Special Assessments

Special assessments revenue is generated from new HMOs becoming members of the Plan, as required by Florida Statutes to conduct business in the state of Florida. During the 2012 year the Plan collected \$125,000 and during the 2011 year the plan collected \$50,000.

Note 7 - Operating Expenses

The Plan operates under a Plan of Operation with a Plan Manager that is approved by the Office. Under the Plan of Operation, the Plan Manager assumes all responsibilities for the day-to-day operations of the Plan. As such, the Plan has no employees and no fixed assets. All expenses are paid to outside contractors for services performed.

Note 8 - Estimates

The Plan has not accrued any amounts for medical claims payables for expenses incurred as a result of member insolvencies between the dates of the insolvencies and the expiration of the Plan's coverage responsibility period. Although it is reasonably possible that additional HMOs will become insolvent and additional costs will be incurred in future years, future events are not recognized in financial statements until the actual occurrence takes place or can be reasonably estimated; accordingly, no liabilities for future insolvencies are recorded. The Florida Department of Financial Services, as Receiver, has not made final distributions with regards to several of the HMO receiverships. As long as these HMO receiverships remain open, there may be additional distributions to the HMOCAP.