

FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT  
FLORIDA HEALTH MAINTENANCE  
ORGANIZATION CONSUMER ASSISTANCE PLAN  
TALLAHASSEE, FLORIDA  
DECEMBER 31, 2011 and 2010

FINANCIAL STATEMENTS  
AND  
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FLORIDA HEALTH MAINTENANCE  
ORGANIZATION CONSUMER ASSISTANCE PLAN  
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December 31, 2011 and 2010

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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, 2011 and 2010, 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, 2011 and 2010 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

Tallahassee, Florida  
May 22, 2012

Statement of Financial Position  
December 31, 2011 and 2010  
Florida Health Maintenance Organization  
Consumer Assistance Plan  
Tallahassee, Florida

Assets

Current Assets	2011	2010
Cash and Cash Equivalents	\$ 369,011	\$ 4,244
Investments	<u>9,121,828</u>	<u>3,853,428</u>
Total Current Assets	<u>\$ 9,490,839</u>	<u>\$ 3,857,672</u>

Liabilities

Current Liabilities

Accounts Payable	6,189	5,362
Other Accrued Liabilities	<u>2,358,741</u>	<u>0</u>
Total Current Liabilities	<u>2,364,930</u>	<u>5,362</u>
Unrestricted Net Assets	<u>7,125,909</u>	<u>3,852,310</u>
Total Liabilities and Unrestricted Net Assets	<u>\$ 9,490,839</u>	<u>\$ 3,857,672</u>

See accompanying notes to financial statements.

Statement of Activities and Changes in Net Assets  
For the year ended December 31, 2011 and 2010  
Florida Health Maintenance Organization  
Consumer Assistance Plan  
Tallahassee, Florida

Changes in Unrestricted Net Assets

Support and Revenue	2011	2010
Distributions Received	\$ 3,218,157	\$ 0
Assessment Revenue	50,000	0
Interest Income	<u>88,454</u>	<u>87,148</u>
<b>Total Support and Revenue</b>	<u><b>3,356,611</b></u>	<u><b>87,148</b></u>
 Expenses		
General Operating:		
Contract Services-Management and Legal	67,954	60,630
Accounting and Auditing	10,400	10,725
Administrative	4,658	5,182
Special Assessment Refund	<u>0</u>	<u>0</u>
<b>Total Expenses</b>	<u><b>83,012</b></u>	<u><b>76,537</b></u>
 Increase in Unrestricted Net Assets	 <u><b>3,273,599</b></u>	 <u><b>10,611</b></u>
 Unrestricted Net Assets, Beginning of Year	 <u><b>3,852,310</b></u>	 <u><b>3,841,699</b></u>
 Unrestricted Net Assets, End of Year	 <u><u><b>\$ 7,125,909</b></u></u>	 <u><u><b>\$ 3,852,310</b></u></u>

See accompanying notes to financial statements.

Statement of Cash Flows  
December 31, 2011 and 2010  
Florida Health Maintenance Organization  
Consumer Assistance Plan  
Tallahassee, Florida

Cash Flows from Operating Activities	2011	2010
Increase (Decrease) in Unrestricted Assets	\$ 3,273,599	\$ 10,611
Adjustments:		
Investment Income Reinvested	(88,454)	(87,148)
(Increase) Decrease in Accounts Receivable	0	0
Increase (Decrease) in Accounts Payable	827	(9,687)
Increase (Decrease) in Other Accrued Liabilities	2,358,741	0
Total Adjustments	<u>2,271,114</u>	<u>(96,835)</u>
Net Cash Provided by (Used in) Operating Activities	5,544,713	(86,224)
 Cash Flows from Investing Activities		
Sale of Investments	41,938	476,353
Purchase of Investments	<u>(5,221,884)</u>	<u>(399,655)</u>
Net Cash Provided by (Used in) Investing Activities	<u>(5,179,946)</u>	<u>76,698</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>364,767</u>	<u>(9,562)</u>
Cash and Cash Equivalents, Beginning of Year	<u>4,244</u>	<u>13,770</u>
Cash and Cash Equivalents, End of Year	<u>\$ 369,011</u>	<u>\$ 4,244</u>

See accompanying notes to financial statements.

**NOTES TO FINANCIAL STATEMENTS**  
**FLORIDA HEALTH MAINTENANCE ORGANIZATION**  
**CONSUMER ASSISTANCE PLAN**  
**DECEMBER 31, 2011 and 2010**

**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**

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

**Cash and Cash Equivalents**

Cash and cash equivalents on the accompanying statements of financial position include cash in banks maintained by Wachovia Bank. 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.

**Investments**

Investments consist of 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.

**NOTES TO FINANCIAL STATEMENTS**  
**FLORIDA HEALTH MAINTENANCE ORGANIZATION**  
**CONSUMER ASSISTANCE PLAN**  
**DECEMBER 31, 2011 and 2010**

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

**Other Accrued Liabilities**

Other Accrued Liabilities 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.

**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 – Other Accrued Liabilities**

The Plan received a transmittal of \$2,358,741 from the Department of Financial services related to the Sunstar Healthcare Plan insolvency. It was later determined that the transmittal was made in error. The plan transferred the amount back to the Department along with interest after year end.

**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, 2011, and 2010 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, 2011 or 2010.



**NOTES TO FINANCIAL STATEMENTS**  
**FLORIDA HEALTH MAINTENANCE ORGANIZATION**  
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**Note 5 - Distributions Received**

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

**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 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.