

STATE OF INDIANA)
) SS:
COUNTY OF MARION) COMMISSIONER OF INSURANCE

IN THE MATTER OF:)
)
American Health Network of Indiana, LLC)
10333 North Meridian Street, Suite 450)
Indianapolis, Indiana 46290)

Examination of American Health Network of Indiana,
LLC

NOTICE OF ENTRY OF ORDER

Enclosed is the Final Order entered by Stephen W. Robertson, Commissioner of the Indiana Department of Insurance, after fully considering and reviewing the Verified Report of Examination of American Health Network of Indiana, LLC, any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as sent to you on September 22, 2010, has been adopted by the Commissioner.

Pursuant to Ind. Code § 27-1-3.1-12(b), within thirty (30) days of receipt of the Final Order, each director of American Health Network of Indiana, LLC shall file an affidavit with the Indiana Department of Insurance stating that he/she has received a copy of the Verified Report of Examination and the Final Order.

The Final Order is a final administrative decision that may be appealed pursuant to Ind. Code § 4-21.5-5.

10/27/2010
Date


Cynthia D. Donovan
Chief Financial Examiner

CERTIFIED MAIL NUMBER: 7004 1160 0000 3839 2446

STATE OF INDIANA)
) SS: BEFORE THE INDIANA
COUNTY OF MARION) COMMISSIONER OF INSURANCE

IN THE MATTER OF:)
)
American Health Network of Indiana, LLC)
10333 North Meridian Street, Suite 450)
Indianapolis, Indiana 46290)

Examination of American Health Network of Indiana,
LLC

FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the American Health Network of Indiana, LLC (hereinafter "Company") for the time period January 1, 2005 through December 31, 2009.

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter "Commissioner") by the Examiner on August 26, 2010.

A copy of the Verified Report of Examination, along with a Notice of Opportunity to Make Written Submission or Rebuttal, was mailed to the Company via Certified Mail on September 22, 2010 and was received by the Company on September 24, 2010.

The Company did not file any objections.

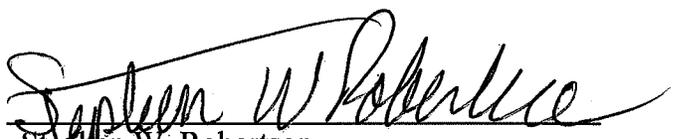
NOW THEREFORE, based on the Verified Report of Examination, I hereby make the following **FINDINGS**:

1. That the Verified Report of Examination is a true and accurate report of the financial condition and affairs of the American Health Network of Indiana, LLC as of December 31, 2009.
2. That the Examiners' Recommendations are reasonable and necessary in order for the American Health Network of Indiana, LLC to comply with the laws of the State of Indiana.

Based on the FINDINGS, the Commissioner does hereby ORDER:

1. Pursuant to Ind. Code § 27-1-3.1-11(a)(1), the Verified Report of Examination is adopted and shall be filed. Hereafter the Verified Report of Examination, may constitute prima facie evidence of the facts contained therein in any action or proceeding taken by the Indiana Department of Insurance against the Company, its officers, directors, or agents.
2. The Company shall comply with the Examiner's Recommendations enumerated in summary form and throughout the text of the Verified Report of Examination. A written response to these recommendations should be provided to the Department within 30 days of receipt of this order.
3. Compliance with the Examiner's recommendations shall be completed on or before the filing of the subsequent annual statement. In the event it is not feasible to comply with a recommendation before the filing of the subsequent annual statement, the Company shall submit a written explanation as to why it was not feasible with the filing of the annual statement.

Signed and Sealed this 27th day of
October, 2010.


Stephen W. Robertson
Insurance Commissioner
Indiana Department of Insurance

STATE OF INDIANA

Department of Insurance

REPORT OF EXAMINATION

OF

AMERICAN HEALTH NETWORK OF INDIANA, LLC.

NAIC Co. CODE 52623

As of

December 31, 2009



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STATE OF INDIANA

MITCHELL E. DANIELS, JR., Governor

IDOI

INDIANA DEPARTMENT OF INSURANCE
311 W. WASHINGTON STREET, SUITE 300
INDIANAPOLIS, INDIANA 46204-2787
TELEPHONE: (317) 232-2385
FAX: (317) 232-5251

CAROL CUTTER, Commissioner

August 27, 2010

Honorable Alfred W. Gross
Chair, NAIC Financial Condition (E) Committee, NAIC
Commissioner, Virginia Bureau of Insurance
State Corporation Commission
1300 East Main Street
Richmond, Virginia 23219

Stephen W. Robertson, Executive Director
Acting Insurance Commissioner, Indiana Department of Insurance
311 W. Washington Street, Suite 300
Indianapolis, Indiana 46204-2787

Dear Commissioners:

Pursuant to the authority vested in Appointment Number 3622, an examination has been made of the affairs and financial condition of:

American Health Network of Indiana, LLC.
10333 North Meridian Street, Suite 450
Indianapolis, IN 46290

an Indiana domestic health maintenance organization hereinafter referred to as the "Company". The examination was conducted at the Company's corporate offices in Indianapolis, Indiana.

The Report of Examination, reflecting the status of the Company as of December 31, 2009, is hereby respectfully submitted.

ACCREDITED BY THE
NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

AGENCY SERVICES
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COMPANY COMPLIANCE
(317) 233-0697

CONSUMER SERVICES
(317) 232-2395
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SECURITIES / COMPANY RECORDS
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SCOPE OF EXAMINATION

The Company was last examined by Noble Consulting Services, Inc. (Noble) as of the period ending December 31, 2006. The present examination was conducted by Noble and covered the period from January 1, 2007 through December 31, 2009 and included any material transactions and/or events occurring subsequent to the examination date and noted during the course of this examination.

We conducted our examination pursuant to and in accordance with the 2010 NAIC *Financial Condition Examiners Handbook* (Handbook). The Handbook requires that we plan and perform the examination to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company including corporate governance, identifying and assessing inherent risks within the Company and evaluating system controls and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with Statutory Accounting Principles and annual statement instructions when applicable to domestic state regulations.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. The working papers prepared by Crowe Horwath, LLP, the Company's auditors, in their audit of the Company's accounts for the year ended December 31, 2009 were reviewed. A portion of the auditor's working papers have been incorporated into the working papers of the examiners and have been utilized for the purposes of this examination in accordance with the provisions contained in the Handbook.

HISTORY

The Company is an Indiana licensed and domiciled health maintenance organization. The Company is a subsidiary of American Health Network of Indiana, Inc. (99%) and American Health Network, Inc. (AHN Inc.) (1%). The ultimate controlling person is AHN Acquisition, LLC. The Company began operations as American Health Network of Indiana, LLC on August 10, 2000, by acquiring all the assets and liabilities and employing all the personnel of American Health Network of Indiana, Inc.

CAPITAL AND SURPLUS

There are no outstanding shares of stock nor were any dividends issued during the years under examination.

TERRITORY AND PLAN OF OPERATION

The Company is an integrated health care delivery system operating a comprehensive, statewide network of primary care providers with corresponding contractual arrangements with specialty physicians, as well as hospitals. The network delivers service predominantly through agreements with other licensed HMO's, PPO's, and insurance companies. Financing and delivery of health care costs are controlled through community-based providers in a system of managed competition. Revenues are derived principally from fees the physicians charge their patients for medical services. As a result, the Company has no members, premiums, claims, or claim reserves and operates as a group practice that has incorporated ancillary services such as radiology and lab services for its patients and bills and collects under fee-for-service contracts to insurance companies. There have been no full risk agreements since

2000 and no such products have been developed.

The Company is growing as it continues to engage in joint ventures and expanding its services in established practices. Growth is necessary for the Company to bring the benefits of the clinical initiatives to employers and payers.

GROWTH OF THE COMPANY

The following exhibit summarizes the financial results of the Company as reported during the examination period and the data was taken from each year's annual statement:

<u>Year</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Capital & Surplus</u>	<u>Total Revenue</u>	<u>Net Income (Loss)</u>
2009	\$ 28,017,377	\$19,231,819	\$ 8,785,558	\$ 157,865,388	\$ (480,882)
2008	31,307,451	22,137,227	9,170,224	155,762,236	670,490
2007	34,165,165	25,825,322	8,339,843	160,390,488	1,577,997

The decrease in admitted assets is primarily attributable to a decrease in healthcare and other receivables of approximately \$3.0 million throughout the examination period. Healthcare receivables are a direct result of the patient services provided at each physician practice site. In addition, intercompany receivables decreased \$2.0 million during the same period.

Liabilities decreased during the examination period as a result of the reduction of borrowed money in the amount of \$1.5 million in addition to a decrease in accrued payroll and payroll taxes of \$1.5 million.

The Company's revenue has decreased since 2007 due to a reduction of drug revenue during the examination period of \$23.0 million. The Company's net loss in 2009 resulted from higher expenses and a balance related to federal income taxes incurred.

MANAGEMENT AND CONTROL

Board of Managers

The Company is managed and controlled by a Board of Managers. The Company's Bylaws state that the Board of Managers shall consist of at least three (3) Managers, which number may be increased or decreased from time to time by a majority-in-interest of the Members. Each Manager shall serve indefinite terms on the Board of Managers until he or she resigns or is removed by a majority-in-interest of the Members. Managers need not be residents of the State of Indiana or Members of the Company. The following is a listing of persons serving as Managers as of December 31, 2009:

<u>Name and Address</u>	<u>Principal Occupation</u>
Dana H. Andrews, M.D. Mansfield, OH	Physician
Walter P. Beaver, M.D. Noblesville, IN	Physician
Ben H. Park, M.D. Zionsville, IN	President and CEO American Health Network

Officers

The Company's Bylaws state the officers of the Company, who shall be chosen by the Board of Managers, shall consist of a President, Chief Financial Officer, General Counsel, and Secretary. The following is a list of key officers and their respective titles as of December 31, 2009:

<u>Name</u>	<u>Office</u>
Ben H. Park, M.D.	President, CEO, and Chairman of the Board
Kristi L. Hill	Vice President, General Counsel, and Secretary
Michael P. Kirschner	CFO, COO, and Treasurer
Hardeep S. Sikand	Vice President of Practice Operations, Indiana
Glenn R. Schwenk, Jr. M.D.	Vice President of Laboratory Services
Walter P. Beaver, M.D.	Medical Director and Indiana Managing Partner

CONFLICT OF INTEREST

The Board of Managers, senior management, and physicians on management counsel are required to comply with conflict of interest requirements and to complete a questionnaire on an annual basis. The officers and Managers listed above have reviewed and signed statements for 2009.

CORPORATE RECORDS

Articles of Incorporation and Bylaws

There were no amendments made to the Articles of Incorporation or Bylaws during the examination period.

Minutes

The Board of Managers meeting minutes were reviewed for the period under examination through the fieldwork date and significant actions taken during each meeting were noted. It was noted that the quarterly meetings were held in accordance with the Company's Bylaws.

AFFILIATED COMPANIES

Organizational Structure

An abbreviated organizational chart depicting the Company's relationship with its ultimate parent and other affiliates, as of December 31, 2009 is presented below.

AHN Acquisition, LLC
American Health Network, Inc.
American Health Network of Indiana, Inc.
American Health Network of Indiana, LLC - IN 52623

Affiliated Agreements

The following affiliated agreements and transactions were disclosed as part of the Form B – Holding Company Registration Statement and were filed with the IDOI as required in accordance with IC 27-1-23-4.

Inter-Company Service Agreement

The Company and AHN Central Services, LLC entered into an Inter-Company Services Agreement in June of 2000. AHN Central Services, LLC agrees to provide management services and support to the Company including human resources, legal support, executive management, operations support, information systems support, payroll, accounts payable, and financial reporting. In 2009, the Company incurred \$6,281,063 for management services support.

Borrowing and Investment Agreement

Effective August 1, 2000, the Company and AHN, Inc. entered into a Borrowing and Investment Agreement in which AHN, Inc. agrees to make available a revolving line of credit in an aggregate amount up to \$10 million for general operating expenses. AHN, Inc. disburses all payments for payroll, purchases of assets, and accounts payable out of its bank accounts. To fund these activities, AHN, Inc. sweeps the cash collections from the Company's practices and invests the funds. As of December 2009, the Company has a receivable with AHN, Inc. of \$3,418,034 as a result of this agreement.

Consolidated Tax Allocation Agreement

The Company is a party to a Consolidated Tax Allocation Agreement with AHN, Inc. for state and federal income taxes. The Company is a limited liability company and as such is not directly responsible for paying income taxes. The taxable income of the Company is reported at the parent level. Since the income is taxable, the Company pays AHN, Inc. the amounts of the consolidated tax liability attributable to the income of the Company. For the calculation of the tax liability, the Company is taxed as though it were a stand alone entity. This tax agreement between the Company and AHN, Inc. was approved in August 2000 by the IDOI.

FIDELITY BOND AND OTHER INSURANCE

The Company protects itself against loss from any fraudulent or dishonest acts by any employees through a fidelity institution bond issued by Travelers Casualty & Surety. The bond has blanket coverage of

\$500,000. The fidelity bond is adequate to meet the prescribed minimum coverage specified by NAIC.

The Company had additional types of coverage in-force under several policies at December 31, 2009 including, but not limited to general liability, worker's compensation and employer's liability, fire damage liability, commercial auto, employers' liability, directors and officers liability, and a malpractice policy.

STATUTORY AND SPECIAL DEPOSITS

The Company had a statutory deposit for the State of Indiana with an amortized amount of \$500,000 at December 31, 2009.

ACCOUNTS AND RECORDS

The Company's accounting procedures, practices, account records, and supporting data were reviewed and tested to the extent deemed necessary. The trial balances prepared from the Company's general ledger for the years ended December 31, 2009 and 2008 were agreed to the respective Annual Statements. The Annual Statements for the years ended December 31, 2007 through December 31, 2009 were agreed to each year's independent audit report without exception.

American Health Network of Indiana, LLC.

FINANCIAL STATEMENTS

Assets

	As of December 31, 2009			December 31, Prior Year
	Per Annual Statement	Examination Adjustments	Per Examination	
Assets:				
Bonds	\$ 500,000	\$ -	\$ 500,000	\$ 500,000
Properties occupied by the company	678,060	-	678,060	465,847
Cash, cash equivalents and short-term investments	162,122	-	162,122	339,398
Other invested assets	2,088,329	-	2,088,329	1,853,122
Subtotals, cash and invested assets	3,428,511	-	3,428,511	3,158,367
Investment income due and accrued	4,063	-	4,063	4,063
Net deferred tax asset	233,337	-	233,337	805,700
Electronic data processing equipment and software	262,738	-	262,738	235,750
Furniture and equipment, including health care delivery assets (\$367,623)	367,623	-	367,623	388,574
Receivables from parent, subsidiaries and affiliates	3,418,034	-	3,418,034	3,857,887
Health care (\$13,301,931) and other amounts receivable	13,301,931	-	13,301,931	15,258,127
Aggregate write-ins for other than invested assets	7,001,140	-	7,001,140	7,598,983
Total assets	\$ 28,017,377	\$ -	\$ 28,017,377	\$ 31,307,451

American Health Network of Indiana, LLC.

FINANCIAL STATEMENTS

Liabilities, Capital and Surplus

	As of December 31, 2009			December 31,
	Per Annual Statement	Examination Adjustments	Per Examination	Prior Year
Liabilities:				
General expenses due or accrued	\$ -	\$ -	\$ -	\$ 588
Borrowed money	561,485	-	561,485	437,908
Aggregate write-ins for other liabilities	18,670,334	-	18,670,334	21,698,731
Total liabilities	19,231,819	-	19,231,819	22,137,227
Gross paid in and contributed surplus	2,263,211	-	2,263,211	2,761,413
Unassigned funds (surplus)	6,522,347	-	6,522,347	6,408,811
Total capital and surplus	8,785,558	-	8,785,558	9,170,224
Total liabilities, capital and surplus	\$ 28,017,377	\$ -	\$ 28,017,377	\$ 31,307,451

American Health Network of Indiana, LLC.

FINANCIAL STATEMENTS

Statement of Revenue and Expenses

	As of December 31, 2009			December 31, Prior Year
	Per Annual Statement	Examination Adjustments	Per Examination	
Member Months	-	-	-	-
Fee-for-service	\$ 134,779,292	\$ -	\$ 134,779,292	\$ 119,473,795
Risk revenue	397,057	-	397,057	464,074
Aggregate write-ins for other health care related revenues	22,689,039	-	22,689,039	35,824,367
Total revenues	157,865,388	-	157,865,388	155,762,236
Hospitals and Medical:				
Other professional services	83,410,603	-	83,410,603	78,204,300
Outside referrals	5,901,093	-	5,901,093	7,701,026
Aggregate write-ins for other hospital and medical	31,823,009	-	31,823,009	34,061,118
Total hospital and medical	121,134,705	-	121,134,705	119,966,444
General administrative expenses	36,625,353	-	36,625,353	35,156,808
Total underwriting deductions	157,760,058	-	157,760,058	155,123,252
Net underwriting gain (loss)	105,330	-	105,330	638,984
Net investment income earned	72,334	-	72,334	105,611
Net realized capital gains (losses)	(86,183)	-	(86,183)	(74,105)
Net investment gains (losses)	(13,849)	-	(13,849)	31,506
Net income or (loss) after capital gains tax and before all other federal income taxes	91,481	-	91,481	670,490
Federal and foreign income taxes incurred	572,363	-	572,363	-
Net income (loss)	\$ (480,882)	\$ -	\$ (480,882)	\$ 670,490
Capital and Surplus Account:				
Capital and surplus prior-reporting year	9,170,224	-	9,170,224	8,339,843
Net income or (loss)	(480,882)	-	(480,882)	670,490
Change in nonadmitted assets	96,216	-	96,216	159,891
Net change in capital and surplus	(384,666)	-	(384,666)	830,381
Capital and surplus end of reporting year	\$ 8,785,558	\$ -	\$ 8,785,558	\$ 9,170,224

COMMENTS ON THE FINANCIAL STATEMENTS

There were no recommended adjustments to surplus as of December 31, 2009 based on the results of this examination.

SUBSEQUENT EVENTS

There were no events subsequent to the examination date and prior to the completion of fieldwork that were considered material events requiring disclosure in this report.

MANAGEMENT REPRESENTATION

In support of contingencies and accuracy of information provided during the course of the examination, the Examiners obtained a completed management representation letter in the standard NAIC format. This letter was executed by key financial personnel of the Company and provided to the IDOI.

AFFIDAVIT

This is to certify that the undersigned is a duly qualified Examiner-In-Charge appointed by the Indiana Department of Insurance and that she, in coordination with staff assistance from Noble Consulting Services, Inc. hereinafter collectively referred to as the "Examiners", performed an examination of **American Health Network of Indiana, LLC** as of **December 31, 2009**.

The Indiana Department of Insurance is accredited under the National Association of Insurance Commissioners Financial Regulation Accreditation Standards.

This examination was performed in accordance with those procedures required by the 2010 NAIC Financial Condition Examiner's Handbook and other procedures tailored for this examination. Such procedures performed on this examination do not constitute an audit made in accordance with generally accepted auditing standards and no audit opinion is expressed on the financial statements contained in this report.

The attached report of examination is a true and complete report of condition of **American Health Network of Indiana, LLC** as of **December 31, 2009** as determined by the undersigned.



Lisa A. Warrum, CFE
Noble Consulting Services, Inc.

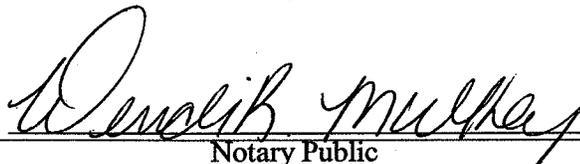


State of:
County of:

On this 27 day of August, 2010, before me personally appeared, Lisa A. Warrum, to sign this document.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal in said County and State, the day and year last above written.

My commission expires: 3-1-18


Notary Public