

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

IN THE MATTER OF:)
)
CareSource Indiana, Inc.)
230 North Main Street)
Dayton, Ohio 45402)

Examination of CareSource Indiana, Inc.

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 CareSource Indiana, Inc., any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as sent to you on March 25, 2014, 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 CareSource Indiana, Inc. 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.

May 8, 2014
Date

Cynthia D. Donovan
Cynthia D. Donovan
Chief Financial Examiner

CERTIFIED MAIL NUMBER: 9214 8901 0661 5400 0031 6843 50

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COUNTY OF MARION) COMMISSIONER OF INSURANCE

IN THE MATTER OF:)
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CareSource Indiana, Inc.)
230 North Main Street)
Dayton, Ohio)

Examination of CareSource Indiana, Inc.

FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the CareSource Indiana, Inc. (hereinafter "Company") for the time period January 1, 2012 through December 31, 2012.

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter "Commissioner") by the Examiner on March 21, 2014.

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 March 25, 2014 and was received by the Company on March 28, 2014.

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 CareSource Indiana, Inc. as of December 31, 2012.
2. That the Examiner's Recommendations are reasonable and necessary in order for the CareSource Indiana, Inc. 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 8 day of May, 2014.


Stephen W. Robertson
Insurance Commissioner
Indiana Department of Insurance

ABOUT AFFIRMATIONS

The following pages for affirmations need to be signed by each Board Member and returned to the Indiana Department of Insurance within thirty (30) days in accordance with I.C. §27-1-3.1-12(b).

If your affirmations list individuals that are no longer on your Board of Directors, you may simply retype the form on plain white paper with the correct names and a line to the right for signature. If the names are misspelled, you may do the same, simply re-type the corrected form with a line to the right for signature.

Should you have any questions or difficulties with these forms or you require additional time past the thirty (30) day requirement, please do not hesitate to contact this department at (317) 232-2390.

STATE OF INDIANA
Department of Insurance
REPORT OF EXAMINATION
OF
CARESOURCE INDIANA, INC.
NAIC Co. CODE 10142
NAIC GROUP CODE 3683

As of

December 31, 2012

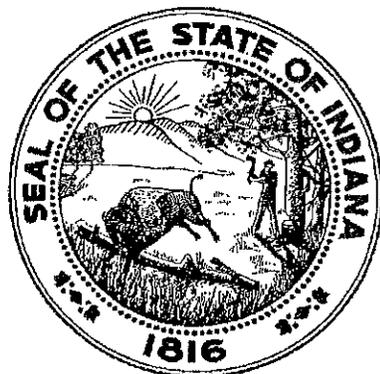


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STATE OF INDIANA

IDOI

MICHAEL R. PENCE, Governor

Indiana Department of Insurance
311 W. Washington Street, Suite 300
Indianapolis, Indiana 46204-2787
Telephone: (317) 232-2385
Fax: (317) 232-5251
Stephen W. Robertson, Commissioner

March 21, 2014

Honorable Stephen W. Robertson, Commissioner
Indiana Department of Insurance
311 West Washington Street, Suite 300
Indianapolis, Indiana 46204-2787

Dear Commissioner:

Pursuant to the authority vested in Appointment Number 3783, an examination has been made of the affairs and financial condition of:

CareSource Indiana, Inc.
230 North Main Street
Dayton, OH 45402

hereinafter referred to as the "Company", an Indiana domestic health maintenance organization (HMO). The examination was conducted at the offices of Noble Consulting Services, Inc., in Indianapolis, Indiana.

The Report of Examination, reflecting the status of the Company as of December 31, 2012, is hereby respectfully submitted.

ACCREDITED BY THE
NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

AGENCY SERVICES
(317) 232-2413

COMPANY COMPLIANCE
(317) 233-0697

CONSUMER SERVICES
(317) 232-2395
1-800-622-4461

EXAMINATIONS/FINANCIAL SERVICES
(317) 232-2390

MEDICAL MALPRACTICE
(317) 232-2402

SECURITIES/COMPANY RECORDS
(317) 232-1991

STATE HEALTH INSURANCE PROGRAM
1-800-332-4674

SCOPE OF EXAMINATION

The Company was last examined by representatives of the Indiana Department of Insurance (INDOI) as of the period ending December 31, 2011. The present risk focused examination was conducted by Noble Consulting Services, Inc., and covered the period from January 1, 2012 through December 31, 2012, and included any material transactions and/or events occurring subsequent to the examination date and noted during the course of this examination.

The examination was conducted in accordance with the 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.

The examination of the Ohio domestic insurance company CareSource Ohio (CareSource OH) was called by the Ohio Department of Insurance (OHDI) in accordance with the Handbook guidelines, through the NAIC's Financial Examination Electronic Tracking System. The OHDI served as the lead state on the examination, and the INDOI served as a participant.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process.

A report comment made in the prior examination indicated that the Company was not in compliance with Indiana Code (IC) 27-13-2-10, which states that at least one director must reside in the state of Indiana. See the Directors and Other Significant Issues section of this Report of Examination.

HISTORY

The Company operates as a not-for-profit, domiciled in the state of Indiana, and is a wholly-owned subsidiary of CareSource Management Group Company (CSMG), which is also the parent of CareSource Ohio, a Medicaid managed-care plan in Ohio. The Company is managed by CSMG. The Company qualifies as an Internal Revenue Code Section 501(c)(3) entity, and as such, is exempt from federal income taxes, but is subject to the unrelated business income tax code.

The Company was incorporated on July 15, 2004, and commenced operations on January 1, 2005. During 2005, the Company entered into a contract with the Office of Medicaid Policy and Planning (OMPP) to provide financing and delivery of health-care services to Medicaid beneficiaries throughout the state of Indiana through its contracted network of home health care agencies, hospitals, nursing facilities, primary care and specialty physicians, and other medical providers. During the fourth quarter of 2006, the Company exited the Hoosier Healthwise Plan when its contract with OMPP was terminated. The Company completed the run-out of claims as of June 30, 2008.

CAPITAL AND SURPLUS

Pursuant to IC 27-1-36.1-2(b), the Company is exempt from the risk-based capital requirement because of the premium threshold. The Company reported \$1.9 million in capital and surplus at December 31, 2012, which was comprised of gross paid in and contributed surplus and unassigned funds.

DIVIDENDS TO STOCKHOLDERS

The Company did not pay any dividends during the examination period.

TERRITORY AND PLAN OF OPERATION

The Company is only licensed in the state of Indiana and intends to maintain its HMO license to be in a position to respond to future opportunities.

GROWTH OF THE COMPANY

The following exhibit summarizes the financial results of the Company during the examination period:

<u>Year</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Capital and Surplus</u>	<u>Total Revenues</u>	<u>Net Income</u>
2012	\$1,912,737	\$8,005	\$1,904,732	\$0	(\$5,031)

MANAGEMENT AND CONTROL

Directors

The Bylaws provide that the business affairs of the Company are to be managed by a Board of Directors. The directorships expire upon staggered three (3) year terms. After initial appointment, the directors hold office until either a successor is elected and qualified or an earlier resignation, removal from office, or death. The sole shareholder, CSMG, elects the Board of Directors. The Company does not have a director that resides in the state of Indiana as required by IC 27-13-2-10. The same violation was also listed in the Report of Examination as of December 31, 2011. See the Other Significant Issues section of this Report of Examination.

The following is a listing of persons serving as directors at December 31, 2012, and their principal occupations as of that date:

<u>Name and Address</u>	<u>Principal Occupation</u>
Kevin R. Brown Potomac, MD	President and Chief Executive Officer (Retired) CaseNet, LLC
J. Thomas Maultsby Dayton, OH	Owner and Group Leader Group One Development, LLC
Pamela B. Morris Centerville, OH	President and Chief Executive Officer CareSource USA Holding Company

Officers

The Company's Bylaws state that the officers of the Company shall be elected by a majority of the directors in office.

The following is a list of key officers and their respective titles as of December 31, 2012:

<u>Name</u>	<u>Office</u>
Pamela B. Morris	President & Chief Executive Officer
L. Tarlton Thomas, III	Chief Financial Officer
Bobby L. Jones	Chief Operating Officer
Craig S. Thiele, M.D.	Chief Medical Officer

CONFLICT OF INTEREST

Directors and officers are required to review and sign Conflict of Interest statements annually. It was determined that all directors and officers listed in the Management and Control section of this Report of Examination have reviewed and signed their statements as of December 31, 2012.

CORPORATE RECORDS

Articles of Incorporation

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

Bylaws

There were no amendments made to the Bylaws during the examination period.

Minutes

The Board of Directors/Trustees meeting minutes were reviewed for the period under examination through the fieldwork date. Significant actions taken during each meeting were noted.

AFFILIATED COMPANIES

Organizational Structure

An organizational chart depicting the Company's relationship with its parent and other insurance affiliates, as of December 31, 2012, is presented below:

	<u>NAIC Co. Code</u>	<u>Domiciliary State</u>
CareSource Management Group Company		OH
CareSource Ohio	95201	OH
CareSource Indiana, Inc.	10142	IN
CareSource Reinsurance LLC		MT
CareSource Illinois		IL
CareSource Management Services, Inc.		OH
CareSource Insurance, LLC	13717	VT

Affiliated Agreements

The following affiliated agreement was disclosed as part of the Form B – Holding Company Registration Statement and was filed with the INDOI, as required, in accordance with IC 27-1-23-4.

Management Agreement

The Management Agreement is between CSMG and the Company. CSMG provides management services for the Company for a monthly management fee of 8%. The fee is for all net member revenues due the Company from any State contract. The agreement was filed with the INDOI and approved on November 30, 2005. The Management Agreement was subsequently amended and approved by the INDOI on May 11, 2006. The Company paid \$13,228 to CSMG during 2012.

FIDELITY BOND AND OTHER INSURANCE

The Company protects itself against loss from any fraudulent or dishonest acts by its employees through a fidelity bond issued by National Union Fire Insurance Company of Pittsburgh. The bond has blanket coverage of \$5,000,000. The fidelity bond is adequate to meet the prescribed minimum coverage specified by the NAIC.

PENSION, STOCK OWNERSHIP, AND INSURANCE PLANS

The Company has no direct employees; therefore, there were no employee pension or insurance plans.

STATUTORY DEPOSITS

The Company reported \$1 million in statutory deposits with the state of Indiana at December 31, 2012.

REINSURANCE

The Company did not have any reinsurance in place as of December 31, 2012.

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 balance prepared from the Company's general ledger for the year ended December 31, 2012, was agreed to the respective Annual Statement. The Company's accounting procedures, practices, and account records were deemed satisfactory.

CARESOURCE INDIANA, INC.
Assets
As of December 31, 2012

	<u>Per Examination*</u>
Cash, cash equivalents and short-term investments	<u>\$ 1,912,737</u>
Subtotals, cash and invested assets	<u>1,912,737</u>
Total	<u>\$ 1,912,737</u>

* There were no adjustments to the as-filed financial statements, therefore the Annual Statement amounts agree to the examination amounts.

CARESOURCE INDIANA, INC.
Liabilities, Surplus and Other Funds
As of December 31, 2012

	<u>Per Examination *</u>
General expenses due or accrued	\$ 6,755
Amounts due to parent, subsidiaries and affiliates	1,250
Total liabilities	<u>8,005</u>
Gross paid in and contributed surplus	23,925,061
Unassigned funds (surplus)	<u>(22,020,329)</u>
Total capital and surplus	1,904,732
Total liabilities, capital and surplus	<u>\$ 1,912,737</u>

* There were no adjustments to the as-filed financial statements, therefore the Annual Statement amounts agree to the examination amounts.

CARESOURCE INDIANA, INC.
Statement of Revenue and Expenses
For the Year Ended December 31, 2012

	<u>Per Examination*</u>
Hospital and Medical:	
Hospital/medical benefits	(10,202)
Subtotal	(10,202)
Less:	
Total hospital and medical	(10,202)
General administrative expenses	15,853
Total underwriting deductions	5,651
Net underwriting gain or (loss)	(5,651)
Net investment income earned	620
Net income or (loss) after capital gains tax and before all other federal income taxes	(5,031)
Net income (loss)	\$ (5,031)

* There were no adjustments to the as-filed financial statements, therefore the Annual Statement amounts agree to the examination amounts.

COORDINATED CARE CORPORATION
Capital and Surplus Account Reconciliation

	<u>2012</u>
Capital and surplus prior reporting year	\$ 1,909,763
Net income or (loss)	<u>(5,031)</u>
Net change in capital and surplus	(5,031)
Capital and surplus end of reporting year	<u>\$ 1,904,732</u>

COMMENTS ON THE FINANCIAL STATEMENTS

There were no recommended adjustments to the financial statements as of December 31, 2012, based on the results of this examination.

OTHER SIGNIFICANT ISSUES

As of the examination date the Company did not have a director that resided in the state of Indiana as specified by IC 27-13-2-10. The same violation was listed in the Report of Examination as of December 31, 2011.

Subsequent to the examination date, the Company elected a new director to its board that is a resident of Indiana. As a result, the Company subsequently came into compliance with IC 27-13-2-10.

SUBSEQUENT EVENTS

There were no events subsequent to the examination date and prior to the completion of field work which were considered material events requiring disclosure in this Report of Examination.

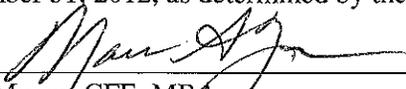
AFFIDAVIT

This is to certify that the undersigned is a duly qualified Examiner-in-Charge appointed by the Indiana Department of Insurance and that he, in coordination with staff assistance from Noble Consulting Services, Inc., hereinafter collectively referred to as the "Examiners", performed an examination of CareSource Indiana, Inc., as of December 31, 2012.

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 NAIC Financial Condition Examiners 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 CareSource Indiana, Inc. as of December 31, 2012, as determined by the undersigned.



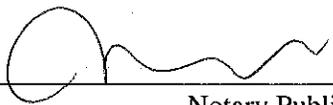
Marc Moyer, CFE, MBA
Noble Consulting Services, Inc.

State of: Indiana
County of: Marion

On this 20 day of MARCH, 2014, before me personally appeared, Marc Moyer, 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  My Commission Expires July 04, 2019



Notary Public