



ANNUAL STATEMENT

For the Year Ending December 31, 2011

OF THE CONDITION AND AFFAIRS OF THE

MCS Health Management Options, Inc.

NAIC Group Code	1301 <small>(Current Period)</small>	1301 <small>(Prior Period)</small>	NAIC Company Code	95779	Employer's ID Number	66-0411947
Organized under the Laws of	Puerto Rico		State of Domicile or Port of Entry	Puerto Rico		
Country of Domicile	United States of America					
Licensed as business type:	<input type="checkbox"/> Life, Accident & Health[] <input type="checkbox"/> Dental Service Corporation[] <input type="checkbox"/> Other[]		<input type="checkbox"/> Property/Casualty[] <input type="checkbox"/> Vision Service Corporation[] <input type="checkbox"/> Is HMO Federally Qualified? Yes[] No[X] N/A[]		<input type="checkbox"/> Hospital, Medical & Dental Service or Indemnity[] <input type="checkbox"/> Health Maintenance Organization[X]	
Incorporated/Organized	01/15/1985		Commenced Business	04/01/1997		
Statutory Home Office	Suite 203, 255 Ponce de Leon Ave. <small>(Street and Number)</small>			San Juan, PR 00917 <small>(City or Town, State and Zip Code)</small>		
Main Administrative Office	Suite 203, 255 Ponce de Leon Ave. <small>(Street and Number)</small>					
	San Juan, PR 00917 <small>(City or Town, State and Zip Code)</small>			(787)758-2500-2462 <small>(Area Code) (Telephone Number)</small>		
Mail Address	PO Box 193310 <small>(Street and Number or P.O. Box)</small>			San Juan, PR 00919-3310 <small>(City or Town, State and Zip Code)</small>		
Primary Location of Books and Records	Suite 203, 255 Ponce de Leon Ave. <small>(Street and Number)</small>					
	San Juan, PR 00917 <small>(City or Town, State and Zip Code)</small>			(787)758-2500-2462 <small>(Area Code) (Telephone Number)</small>		
Internet Website Address	www.mcs.com.pr					
Statutory Statement Contact	David P Schaffer, --- <small>(Name)</small>			(787)758-2500-2920 <small>(Area Code)(Telephone Number)(Extension)</small>		
	davids@medicalcardsystem.com <small>(E-Mail Address)</small>			(Fax Number)		

OFFICERS

Name	Title
Jose Duran	President
Brendan Shanahan	CFO & Treasurer
Carmen Conde	Secretary

OTHERS

DIRECTORS OR TRUSTEES

Thomas Taylor	Alexander R. Castaldi
Carmen Conde	Ramsey Frank
Gerald Landgraf	Cyril Meduna
Brian Sassi	Paul S. Levy

State of Puerto Rico
County of USA ss

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of the 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.

(Signature)	(Signature)	(Signature)
Brendan Shanahan	David P. Schaffer	
(Printed Name)	(Printed Name)	(Printed Name)
1.	2.	3.
CFO - Treasurer	Vice President of Finance	
(Title)	(Title)	(Title)

Subscribed and sworn to before me this _____ day of _____, 2012

- a. Is this an original filing?
b. If no, 1. State the amendment number
2. Date filed
3. Number of pages attached

Yes[X] No[]

(Notary Public Signature)

ASSETS

	Current Year			Prior Year
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1-2)	4 Net Admitted Assets
1. Bonds (Schedule D)	2,061,299		2,061,299	17,354,844
2. Stocks (Schedule D)				
2.1 Preferred stocks				
2.2 Common Stocks	220,776		220,776	254,886
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens				
3.2 Other than first liens				
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$.....0 encumbrances)				
4.2 Properties held for the production of income (less \$.....0 encumbrances)				
4.3 Properties held for sale (less \$.....0 encumbrances)				
5. Cash (\$.....4,356,896 Schedule E Part 1), cash equivalents (\$.....0 Schedule E Part 2) and short-term investments (\$.....0 Schedule DA)	4,356,896		4,356,896	26,847,199
6. Contract loans (including \$.....0 premium notes)				
7. Derivatives (Schedule DB)				
8. Other invested assets (Schedule BA)				
9. Receivables for securities				
10. Securities Lending Reinvested Collateral Assets (Schedule DL)				
11. Aggregate write-ins for invested assets				
12. Subtotals, cash and invested assets (Lines 1 to 11)	6,638,971		6,638,971	44,456,929
13. Title plants less \$.....0 charged off (for Title insurers only)				
14. Investment income due and accrued	103,021		103,021	145,017
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection	65,178,889		65,178,889	142,085,970
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (Including \$.....0 earned but unbilled premiums)				
15.3 Accrued retrospective premiums				
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers				
16.2 Funds held by or deposited with reinsured companies				
16.3 Other amounts receivable under reinsurance contracts				
17. Amounts receivable relating to uninsured plans	224,959		224,959	868,874
18.1 Current federal and foreign income tax recoverable and interest thereon	752,389		752,389	
18.2 Net deferred tax asset	555,658	555,658	0	782,022
19. Guaranty funds receivable or on deposit				
20. Electronic data processing equipment and software				
21. Furniture and equipment, including health care delivery assets (\$.....0)				
22. Net adjustment in assets and liabilities due to foreign exchange rates				
23. Receivables from parent, subsidiaries and affiliates				
24. Health care (\$.....6,203,817) and other amounts receivable	8,046,009	1,842,192	6,203,817	1,171,491
25. Aggregate write-ins for other than invested assets	10,000	10,000		
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	81,509,896	2,407,850	79,102,046	189,510,303
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
28. Total (Lines 26 and 27)	81,509,896	2,407,850	79,102,046	189,510,303
DETAILS OF WRITE-INS				
1101.				
1102.				
1103.				
1198. Summary of remaining write-ins for Line 11 from overflow page				
1199. TOTALS (Lines 1101 through 1103 plus 1198) (Line 11 above)				
2501. Prepaid				
2502. Deposits	10,000	10,000		
2503.				
2598. Summary of remaining write-ins for Line 25 from overflow page				
2599. TOTALS (Lines 2501 through 2503 plus 2598) (Line 25 above)	10,000	10,000		

LIABILITIES, CAPITAL AND SURPLUS

	Current Year			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$.....0 reinsurance ceded)	63,991,901		63,991,901	164,529,189
2. Accrued medical incentive pool and bonus amounts				
3. Unpaid claims adjustment expenses	833,760		833,760	2,076,217
4. Aggregate health policy reserves, including the liability of \$.....0 for medical loss ratio rebate per the Public Health Service Act				
5. Aggregate life policy reserves				
6. Property/casualty unearned premium reserves				
7. Aggregate health claim reserves				
8. Premiums received in advance				
9. General expenses due or accrued	3,843,138		3,843,138	448,330
10.1 Current federal and foreign income tax payable and interest thereon (including \$.....0 on realized capital gains (losses))				89,141
10.2 Net deferred tax liability	4,716		4,716	
11. Ceded reinsurance premiums payable				
12. Amounts withheld or retained for the account of others	2,431,038		2,431,038	3,199,563
13. Remittances and items not allocated				
14. Borrowed money (including \$.....0 current) and interest thereon \$.....0 (including \$.....0 current)				
15. Amounts due to parent, subsidiaries and affiliates	2,972,956		2,972,956	273,498
16. Derivatives				
17. Payable for securities				
18. Payable for securities lending				
19. Funds held under reinsurance treaties with (\$.....0 authorized reinsurers and \$.....0 unauthorized reinsurers)				
20. Reinsurance in unauthorized companies				
21. Net adjustments in assets and liabilities due to foreign exchange rates				
22. Liability for amounts held under uninsured plans				
23. Aggregate write-ins for other liabilities (including \$.....0 current)	600,000		600,000	
24. TOTAL Liabilities (Lines 1 to 23)	74,677,510		74,677,510	170,615,938
25. Aggregate write-ins for special surplus funds	X X X	X X X		
26. Common capital stock	X X X	X X X	10,000	10,000
27. Preferred capital stock	X X X	X X X		
28. Gross paid in and contributed surplus	X X X	X X X	1,430,000	1,430,000
29. Surplus notes	X X X	X X X	(600,000)	
30. Aggregate write-ins for other than special surplus funds	X X X	X X X		
31. Unassigned funds (surplus)	X X X	X X X	3,584,535	17,454,365
32. Less treasury stock, at cost:				
32.1 .....0 shares common (value included in Line 26 \$.....0)	X X X	X X X		
32.2 .....0 shares preferred (value included in Line 27 \$.....0)	X X X	X X X		
33. TOTAL Capital and Surplus (Lines 25 to 31 minus Line 32)	X X X	X X X	4,424,535	18,894,365
34. TOTAL Liabilities, Capital and Surplus (Lines 24 and 33)	X X X	X X X	79,102,045	189,510,303
DETAILS OF WRITE-INS				
2301. Statutory deposit	600,000		600,000	
2302.				
2303.				
2398. Summary of remaining write-ins for Line 23 from overflow page				
2399. TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above)	600,000		600,000	
2501.	X X X	X X X		
2502.	X X X	X X X		
2503.	X X X	X X X		
2598. Summary of remaining write-ins for Line 25 from overflow page	X X X	X X X		
2599. TOTALS (Lines 2501 through 2503 plus 2598) (Line 25 above)	X X X	X X X		
3001.	X X X	X X X		
3002.	X X X	X X X		
3003.	X X X	X X X		
3098. Summary of remaining write-ins for Line 30 from overflow page	X X X	X X X		
3099. TOTALS (Lines 3001 through 3003 plus 3098) (Line 30 above)	X X X	X X X		

STATEMENT OF REVENUE AND EXPENSES

	Current Year		Prior Year
	1 Uncovered	2 Total	3 Total
1. Member Months	X X X	8,467,659	6,176,905
2. Net premium income (including \$.....0 non-health premium income)	X X X	928,308,748	683,813,126
3. Change in unearned premium reserves and reserve for rate credits	X X X		
4. Fee-for-service (net of \$.....0 medical expenses)	X X X		
5. Risk revenue	X X X		
6. Aggregate write-ins for other health care related revenues	X X X		
7. Aggregate write-ins for other non-health revenues	X X X		
8. TOTAL Revenues (Lines 2 to 7)	X X X	928,308,748	683,813,126
Hospital and Medical:			
9. Hospital/medical benefits		747,457,166	546,751,892
10. Other professional services			
11. Outside referrals			
12. Emergency room and out-of-area			
13. Prescription drugs		135,094,853	87,738,280
14. Aggregate write-ins for other hospital and medical			
15. Incentive pool, withhold adjustments and bonus amounts			
16. Subtotal (Lines 9 to 15)		882,552,019	634,490,172
Less:			
17. Net reinsurance recoveries			
18. TOTAL Hospital and Medical (Lines 16 minus 17)		882,552,019	634,490,172
19. Non-health claims (net)			
20. Claims adjustment expenses, including \$.....0 cost containment expenses		13,955,181	8,456,160
21. General administrative expenses		45,667,736	30,640,768
22. Increase in reserves for life and accident and health contracts (including \$.....0 increase in reserves for life only)			
23. TOTAL Underwriting Deductions (Lines 18 through 22)		942,174,935	673,587,100
24. Net underwriting gain or (loss) (Lines 8 minus 23)	X X X	(13,866,187)	10,226,026
25. Net investment income earned (Exhibit of Net Investment Income, Line 17)		977,950	1,033,544
26. Net realized capital gains (losses) less capital gains tax of \$.....0		251,859	(91,424)
27. Net investment gains (losses) (Lines 25 plus 26)		1,229,809	942,120
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$.....0) (amount charged off \$.....0)]			
29. Aggregate write-ins for other income or expenses			(1,700,000)
30. Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29)	X X X	(12,636,378)	9,468,146
31. Federal and foreign income taxes incurred	X X X	(92,841)	3,679,235
32. Net income (loss) (Lines 30 minus 31)	X X X	(12,543,537)	5,788,911
DETAILS OF WRITE-INS			
0601.	X X X		
0602.	X X X		
0603.	X X X		
0698. Summary of remaining write-ins for Line 6 from overflow page	X X X		
0699. TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above)	X X X		
0701.	X X X		
0702.	X X X		
0703.	X X X		
0798. Summary of remaining write-ins for Line 7 from overflow page	X X X		
0799. TOTALS (Line 0701 through 0703 plus 0798) (Line 7 above)	X X X		
1401.			
1402.			
1403.			
1498. Summary of remaining write-ins for Line 14 from overflow page			
1499. TOTALS (Lines 1401 through 1403 plus 1498) (Line 14 above)			
2901. Interest expense			(1,700,000)
2902.			
2903.			
2998. Summary of remaining write-ins for Line 29 from overflow page			
2999. TOTALS (Line 2901 through 2903 plus 2998) (Line 29 above)			(1,700,000)

STATEMENT OF REVENUE AND EXPENSES (Continued)

		1	2
		Current Year	Prior Year
CAPITAL & SURPLUS ACCOUNT			
33.	Capital and surplus prior reporting year	18,894,365	34,090,546
34.	Net income or (loss) from Line 32	(12,543,537)	5,788,911
35.	Change in valuation basis of aggregate policy and claim reserves		
36.	Change in net unrealized capital gains (losses) less capital gains tax of \$.....0	(30,079)	29,377
37.	Change in net unrealized foreign exchange capital gain or (loss)		
38.	Change in net deferred income tax	(235,175)	276,898
39.	Change in nonadmitted assets	(1,060,882)	(1,291,367)
40.	Change in unauthorized reinsurance		
41.	Change in treasury stock		
42.	Change in surplus notes	(600,000)	
43.	Cumulative effect of changes in accounting principles		
44.	Capital Changes:		
44.1	Paid in		
44.2	Transferred from surplus (Stock Dividend)		
44.3	Transferred to surplus		
45.	Surplus adjustments:		
45.1	Paid in		
45.2	Transferred to capital (Stock Dividend)		
45.3	Transferred from capital		
46.	Dividends to stockholders		(20,000,000)
47.	Aggregate write-ins for gains or (losses) in surplus		
48.	Net change in capital and surplus (Lines 34 to 47)	(14,469,673)	(15,196,181)
49.	Capital and surplus end of reporting year (Line 33 plus 48)	4,424,692	18,894,365
DETAILS OF WRITE-INS			
4701.	Statutory Deposits		
4702.	.....	
4703.	.....	
4798.	Summary of remaining write-ins for Line 47 from overflow page		
4799.	TOTALS (Lines 4701 through 4703 plus 4798) (Line 47 above)		

CASH FLOW

	1 Current Year	2 Prior Year
Cash from Operations		
1. Premiums collected net of reinsurance	1,005,215,830	596,301,503
2. Net investment income	1,023,789	1,126,706
3. Miscellaneous income		
4. Total (Lines 1 through 3)	1,006,239,619	597,428,209
5. Benefit and loss related payments	983,089,307	560,593,393
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	56,826,651	39,825,044
8. Dividends paid to policyholders		
9. Federal and foreign income taxes paid (recovered) net of \$.....0 tax on capital gains (losses)	718,611	10,068,774
10. Total (Lines 5 through 9)	1,040,634,569	610,487,211
11. Net cash from operations (Line 4 minus Line 10)	(34,394,950)	(13,059,002)
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	20,278,555	16,892,733
12.2 Stocks	6,136	
12.3 Mortgage loans		
12.4 Real estate		
12.5 Other invested assets		
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments		
12.7 Miscellaneous proceeds		0
12.8 Total investment proceeds (Lines 12.1 to 12.7)	20,284,691	16,892,733
13. Cost of investments acquired (long-term only):		
13.1 Bonds	4,737,320	1,776,181
13.2 Stocks	1,776	195
13.3 Mortgage loans		
13.4 Real estate		
13.5 Other invested assets		
13.6 Miscellaneous applications	2	
13.7 Total investments acquired (Lines 13.1 to 13.6)	4,739,098	1,776,376
14. Net increase (decrease) in contract loans and premium notes		
15. Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14)	15,545,593	15,116,357
Cash from Financing and Miscellaneous Sources		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes	(600,000)	
16.2 Capital and paid in surplus, less treasury stock		
16.3 Borrowed funds		
16.4 Net deposits on deposit-type contracts and other insurance liabilities		
16.5 Dividends to stockholders		20,000,000
16.6 Other cash provided (applied)	(3,040,946)	(2,445,510)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	(3,640,946)	(22,445,510)
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	(22,490,303)	(20,388,156)
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	26,847,199	47,235,355
19.2 End of year (Line 18 plus Line 19.1)	4,356,896	26,847,199

Note: Supplemental Disclosures of Cash Flow Information for Non-Cash Transactions:

20.0001			
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ANALYSIS OF OPERATIONS BY LINES OF BUSINESS

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Net premium income	928,308,748							928,308,748		
2. Change in unearned premium reserves and reserve for rate credit										
3. Fee-for-service (net of \$.....0 medical expenses)										X X X
4. Risk revenue										X X X
5. Aggregate write-ins for other health care related revenues										X X X
6. Aggregate write-ins for other non-health care related revenues		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
7. TOTAL Revenues (Lines 1 to 6)	928,308,748							928,308,748		
8. Hospital/medical benefits	747,457,166							747,457,166		X X X
9. Other professional services										X X X
10. Outside referrals										X X X
11. Emergency room and out-of-area										X X X
12. Prescription drugs	135,094,853							135,094,853		X X X
13. Aggregate write-ins for other hospital and medical										X X X
14. Incentive pool, withhold adjustments and bonus amounts										X X X
15. Subtotal (Lines 8 to 14)	882,552,019							882,552,019		X X X
16. Net reinsurance recoveries										X X X
17. TOTAL Hospital and Medical (Lines 15 minus 16)	882,552,019							882,552,019		X X X
18. Non-health claims (net)		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
19. Claims adjustment expenses including \$.....0 cost containment expenses	13,955,181							13,955,181		
20. General administrative expenses	45,667,736							45,667,736		
21. Increase in reserves for accident and health contracts										X X X
22. Increase in reserves for life contracts		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
23. TOTAL Underwriting Deductions (Lines 17 to 22)	942,174,935							942,174,935		
24. Net underwriting gain or (loss) (Line 7 minus Line 23)	(13,866,187)							(13,866,187)		
DETAILS OF WRITE-INS										
0501.										X X X
0502.										X X X
0503.										X X X
0598. Summary of remaining write-ins for Line 5 from overflow page										X X X
0599. TOTALS (Lines 0501 through 0503 plus 0598) (Line 5 above)										X X X
0601.		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
0602.		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
0603.		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
0698. Summary of remaining write-ins for Line 6 from overflow page		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
0699. TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above)		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
1301.										X X X
1302.										X X X
1303.										X X X
1398. Summary of remaining write-ins for Line 13 from overflow page										X X X
1399. TOTALS (Lines 1301 through 1303 plus 1398) (Line 13 above)										X X X

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1 - PREMIUMS

		1	2	3	4
	Line of Business	Direct Business	Reinsurance Assumed	Reinsurance Ceded	Net Premium Income (Columns 1 + 2 - 3)
1.	Comprehensive (hospital and medical) .....	.....	.....	.....	.....
2.	Medicare Supplement .....	.....	.....	.....	.....
3.	Dental only .....	.....	.....	.....	.....
4.	Vision only .....	.....	.....	.....	.....
5.	Federal Employees Health Benefits Plan .....	.....	.....	.....	.....
6.	Title XVIII - Medicare .....	.....	.....	.....	.....
7.	Title XIX - Medicaid	928,308,748	.....	.....	928,308,748
8.	Other health .....	.....	.....	.....	.....
9.	Health subtotal (Lines 1 through 8)	928,308,748	.....	.....	928,308,748
10.	Life .....	.....	.....	.....	.....
11.	Property/casualty .....	.....	.....	.....	.....
12.	TOTALS (Lines 9 to 11)	928,308,748	.....	.....	928,308,748

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 - CLAIMS INCURRED DURING THE YEAR

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Payments during the year:										
1.1 Direct	983,089,307							983,089,307		
1.2 Reinsurance assumed										
1.3 Reinsurance ceded										
1.4 Net	983,089,307							983,089,307		
2. Paid medical incentive pools and bonuses										
3. Claim liability December 31, current year from Part 2A:										
3.1 Direct	63,991,901							63,991,901		
3.2 Reinsurance assumed										
3.3 Reinsurance ceded										
3.4 Net	63,991,901							63,991,901		
4. Claim reserve December 31, current year from Part 2D:										
4.1 Direct										
4.2 Reinsurance assumed										
4.3 Reinsurance ceded										
4.4 Net										
5. Accrued medical incentive pools and bonuses, current year										
6. Net healthcare receivables (a)										
7. Amounts recoverable from reinsurers December 31, current year										
8. Claim liability December 31, prior year from Part 2A:										
8.1 Direct	164,529,189							164,529,189		
8.2 Reinsurance assumed										
8.3 Reinsurance ceded										
8.4 Net	164,529,189							164,529,189		
9. Claim reserve December 31, prior year from Part 2D:										
9.1 Direct										
9.2 Reinsurance assumed										
9.3 Reinsurance ceded										
9.4 Net										
10. Accrued medical incentive pools and bonuses, prior year										
11. Amounts recoverable from reinsurers December 31, prior year										
12. Incurred benefits:										
12.1 Direct	882,552,019							882,552,019		
12.2 Reinsurance assumed										
12.3 Reinsurance ceded										
12.4 Net	882,552,019							882,552,019		
13. Incurred medical incentive pools and bonuses										

(a) Excludes \$.....0 loans or advances to providers not yet expensed.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2A - CLAIMS LIABILITY END OF CURRENT YEAR

	1	2	3	4	5	6	7	8	9	10
	Total	Compre- hensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Reported in Process of Adjustment:										
1.1 Direct	26,504,154							26,504,154		
1.2 Reinsurance assumed										
1.3 Reinsurance ceded										
1.4 Net	26,504,154							26,504,154		
2. Incurred but Unreported:										
2.1 Direct	29,317,747							29,317,747		
2.2 Reinsurance assumed										
2.3 Reinsurance ceded										
2.4 Net	29,317,747							29,317,747		
3. Amounts Withheld from Paid Claims and Capitations:										
3.1 Direct	8,170,000							8,170,000		
3.2 Reinsurance assumed										
3.3 Reinsurance ceded										
3.4 Net	8,170,000							8,170,000		
4. TOTALS										
4.1 Direct	63,991,901							63,991,901		
4.2 Reinsurance assumed										
4.3 Reinsurance ceded										
4.4 Net	63,991,901							63,991,901		

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2B - ANALYSIS OF CLAIMS UNPAID-PRIOR YEAR-NET OF REINSURANCE

	Claims Paid During the Year		Claim Reserve and Claim Liability December 31 of Current Year		5	6
	1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred During the Year	3 On Claims Unpaid December 31 of Prior Year	4 On Claims Incurred During the Year	Claims Incurred in Prior Years (Columns 1 + 3)	Estimated Claim Reserve and Claim Liability December 31 of Prior Year
1. Comprehensive (hospital and medical)						
2. Medicare Supplement						
3. Dental only						
4. Vision only						
5. Federal Employees Health Benefits Plan						
6. Title XVIII - Medicare						
7. Title XIX - Medicaid	157,732,617	825,356,690	4,459,287	59,532,614	162,191,904	164,529,189
8. Other health						
9. Health subtotal (Lines 1 to 8)	157,732,617	825,356,690	4,459,287	59,532,614	162,191,904	164,529,189
10. Healthcare receivables (a)						
11. Other non-health						
12. Medical incentive pool and bonus amounts						
13. TOTALS (Lines 9 - 10 + 11 + 12)	157,732,617	825,356,690	4,459,287	59,532,614	162,191,904	164,529,189

(a) Excludes \$.....0 loans or advances to providers not yet expensed.

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS (000 Omitted)

Grand Total

Section A - Paid Health Claims

Year in Which Losses Were Incurred		Cumulative Net Amounts Paid				
		1 2007	2 2008	3 2009	4 2010	5 2011
1.	Prior	47,334	52,293	53,229	53,540	53,540
2.	2007	381,540	440,108	444,139	444,843	445,114
3.	2008	X X X	394,057	452,180	453,085	453,616
4.	2009	X X X	X X X	405,434	483,898	484,909
5.	2010	X X X	X X X	X X X	480,209	636,129
6.	2011	X X X	X X X	X X X	X X X	825,357

Section B - Incurred Health Claims

Year in Which Losses Were Incurred		Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
		1 2007	2 2008	3 2009	4 2010	5 2011
1.	Prior	63,401	52,293	53,229	53,540	53,540
2.	2007	434,838	444,373	444,139	444,843	445,114
3.	2008	X X X	474,030	453,007	453,438	453,616
4.	2009	X X X	X X X	495,240	485,386	484,909
5.	2010	X X X	X X X	X X X	643,251	640,588
6.	2011	X X X	X X X	X X X	X X X	884,890

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9/1) Percent
1. 2007	483,501	445,114	5,356	1.203	450,470	93.168			450,470	93.168
2. 2008	505,481	453,616	1,290	0.284	454,906	89.995			454,906	89.995
3. 2009	531,098	484,909	6,836	1.410	491,746	92.590			491,746	92.590
4. 2010	683,813	636,129	5,725	0.900	641,854	93.864	4,459		646,313	94.516
5. 2011	928,309	825,357	1,735	0.210	827,092	89.097	59,533	834	887,459	95.600

12 Total

- 12 Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Hospital and Medical NONE
- 12 Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Hospital and Medical . . . NONE
- 12 Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Hospital and Medical . . . NONE
- 12 Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Medicare Supplement NONE
- 12 Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Medicare Supplement . . . NONE
- 12 Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Medicare Supplement . . . NONE
- 12 Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Dental Only NONE
- 12 Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Dental Only NONE
- 12 Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Dental Only NONE
- 12 Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Vision Only NONE
- 12 Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Vision Only NONE
- 12 Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Vision Only NONE
- 12 Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Fed Emp HBPP NONE
- 12 Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Fed Emp HBPP NONE
- 12 Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Fed Emp HBPP NONE
- 12 Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Title XVIII-Medicare NONE
- 12 Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Title XVIII-Medicare NONE
- 12 Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Title XVIII-Medicare NONE

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS (000 Omitted)

Title XIX - Medicaid

Section A - Paid Health Claims

Year in Which Losses Were Incurred		Cumulative Net Amounts Paid				
		1 2007	2 2008	3 2009	4 2010	5 2011
1.	Prior	47,334	52,293	53,229	53,540	53,540
2.	2007	381,540	440,108	444,139	444,843	445,114
3.	2008	X X X	394,057	452,180	453,085	453,616
4.	2009	X X X	X X X	405,434	483,898	484,909
5.	2010	X X X	X X X	X X X	480,209	636,129
6.	2011	X X X	X X X	X X X	X X X	825,357

Section B - Incurred Health Claims

Year in Which Losses Were Incurred		Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
		1 2007	2 2008	3 2009	4 2010	5 2011
1.	Prior	63,401	52,293	53,229	53,540	53,540
2.	2007	434,838	444,373	444,139	444,843	445,114
3.	2008	X X X	474,030	453,007	453,438	453,616
4.	2009	X X X	X X X	495,240	485,386	484,909
5.	2010	X X X	X X X	X X X	643,251	640,588
6.	2011	X X X	X X X	X X X	X X X	884,890

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio

Years in Which Premiums were Earned and Claims were Incurred	1	2	3	4	5	6	7	8	9	10
	Premiums Earned	Claims Payments	Claim Adjustment Expense Payments	(Col. 3/2) Percent	Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	(Col. 5/1) Percent	Claims Unpaid	Unpaid Claims Adjustment Expenses	Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	(Col. 9/1) Percent
1. 2007	483,501	445,114	5,356	1.203	450,470	93.168			450,470	93.168
2. 2008	505,481	453,616	1,290	0.284	454,906	89.995			454,906	89.995
3. 2009	531,098	484,909	6,836	1.410	491,746	92.590			491,746	92.590
4. 2010	683,813	636,129	5,725	0.900	641,854	93.864	4,459		646,313	94.516
5. 2011	928,309	825,357	1,735	0.210	827,092	89.097	59,533	834	887,459	95.600

12 Title XIX-Medicaid

12 Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Other NONE

12 Underwriting Invest Exh Pt 2C Sn B - Incur Claims - Other NONE

12 Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Other NONE

13 Underwriting Invest Exh Pt 2D - A & H Reserve NONE

UNDERWRITING AND INVESTMENT EXHIBIT

PART 3 - ANALYSIS OF EXPENSES

	Claim Adjustment Expenses		3 General Administrative Expenses	4 Investment Expenses	5 Total
	1 Cost Containment Expenses	2 Other Claim Adjustment Expenses			
1. Rent (\$.....0 for occupancy of own building)					
2. Salaries, wages and other benefits					
3. Commissions (less \$.....0 ceded plus \$.....0 assumed)					
4. Legal fees and expenses			587,696		587,696
5. Certifications and accreditation fees			60,200		60,200
6. Auditing, actuarial and other consulting services			472,082		472,082
7. Traveling expenses					
8. Marketing and advertising			2,000		2,000
9. Postage, express and telephone					
10. Printing and office supplies			102,876		102,876
11. Occupancy, depreciation and amortization					
12. Equipment					
13. Cost or depreciation of EDP equipment and software					
14. Outsourced services including EDP, claims, and other services		1,101,836			1,101,836
15. Boards, bureaus and association fees			56,958		56,958
16. Insurance, except on real estate			347,967		347,967
17. Collection and bank service charges			19,026		19,026
18. Group service and administration fees		12,853,345	42,723,766		55,577,111
19. Reimbursements by uninsured plans			(776,326)		(776,326)
20. Reimbursements from fiscal intermediaries					
21. Real estate expenses					
22. Real estate taxes					
23. Taxes, licenses and fees:					
23.1 State and local insurance taxes					
23.2 State premium taxes					
23.3 Regulator authority licenses and fees			5,000		5,000
23.4 Payroll taxes					
23.5 Other (excluding federal income and real estate taxes)			7,201		7,201
24. Investment expenses not included elsewhere				10,924	10,924
25. Aggregate write-ins for expenses			2,059,290		2,059,290
26. TOTAL Expenses Incurred (Lines 1 to 25)		13,955,181	45,667,736	10,924	(a) 59,633,841
27. Less expenses unpaid December 31, current year		833,760	3,843,138		4,676,898
28. Add expenses unpaid December 31, prior year		2,076,217	448,330		2,524,547
29. Amounts receivable relating to uninsured plans, prior year					
30. Amounts receivable relating to uninsured plans, current year					
31. TOTAL Expenses Paid (Lines 26 minus 27 plus 28 minus 29 plus 30)		15,197,638	42,272,928	10,924	57,481,490
DETAILS OF WRITE-INS					
2501. Miscellaneous Expenses			(7,241)		(7,241)
2502. True up for reserve For Contingencies			100,000		100,000
2503. Penalties			106,500		106,500
2598. Summary of remaining write-ins for Line 25 from overflow page			1,860,031		1,860,031
2599. TOTALS (Lines 2501 through 2503 plus 2598) (Line 25 above)			2,059,290		2,059,290

(a) Includes management fees of \$.....0 to affiliates and \$.....0 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

	1 Collected During Year	2 Earned During Year
1. U.S. Government bonds	(a) 313,205	283,008
1.1 Bonds exempt from U.S. tax	(a)	
1.2 Other bonds (unaffiliated)	(a) 165,664	101,464
1.3 Bonds of affiliates	(a)	
2.1 Preferred stocks (unaffiliated)	(b)	
2.11 Preferred stocks of affiliates	(b)	
2.2 Common stocks (unaffiliated)		
2.21 Common stocks of affiliates		
3. Mortgage loans	(c)	
4. Real estate	(d)	
5. Contract loans		
6. Cash, cash equivalents and short-term investments	(e) 2,832	4,402
7. Derivative instruments	(f)	
8. Other invested assets		600,000
9. Aggregate write-ins for investment income		
10. Total gross investment income	481,701	988,874
11. Investment expenses		(g) 10,924
12. Investment taxes, licenses and fees, excluding federal income taxes		(g)
13. Interest expense		(h)
14. Depreciation on real estate and other invested assets		(i)
15. Aggregate write-ins for deductions from investment income		
16. Total deductions (Lines 11 through 15)		10,924
17. Net Investment income (Line 10 minus Line 16)		977,950

DETAILS OF WRITE-INS

0901.		
0902.		
0903.		
0998. Summary of remaining write-ins for Line 9 from overflow page		
0999. TOTALS (Lines 0901 through 0903 plus 0998) (Line 9, above)		
1501.		
1502.		
1503.		
1598. Summary of remaining write-ins for Line 15 from overflow page		
1599. TOTALS (Lines 1501 through 1503 plus 1598) (Line 15, above)		

- (a) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued interest on purchases.
- (b) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued dividends on purchases.
- (c) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued interest on purchases.
- (d) Includes \$.....0 for company's occupancy of its own buildings; and excludes \$.....0 interest on encumbrances.
- (e) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued interest on purchases.
- (f) Includes \$.....0 accrual of discount less \$.....0 amortization of premium.
- (g) Includes \$.....0 investment expenses and \$.....0 investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
- (h) Includes \$.....0 interest on surplus notes and \$.....0 interest on capital notes.
- (i) Includes \$.....0 depreciation on real estate and \$.....0 depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

	1 Realized Gain (Loss) on Sales or Maturity	2 Other Realized Adjustments	3 Total Realized Capital Gain (Loss) (Columns 1 + 2)	4 Change in Unrealized Capital Gain (Loss)	5 Change in Unrealized Foreign Exchange Capital Gain (Loss)
1. U.S. Government bonds	251,854		251,854		
1.1 Bonds exempt from U.S. tax					
1.2 Other bonds (unaffiliated)	(323)		(323)		
1.3 Bonds of affiliates					
2.1 Preferred stocks (unaffiliated)					
2.11 Preferred stocks of affiliates					
2.2 Common stocks (unaffiliated)	328		328	(30,079)	
2.21 Common stocks of affiliates					
3. Mortgage loans					
4. Real estate					
5. Contract loans					
6. Cash, cash equivalents and short-term investments					
7. Derivative instruments					
8. Other invested assets					
9. Aggregate write-ins for capital gains (losses)					
10. Total capital gains (losses)	251,859		251,859	(30,079)	

DETAILS OF WRITE-INS

0901.					
0902.					
0903.					
0998. Summary of remaining write-ins for Line 9 from overflow page					
0999. TOTALS (Lines 0901 through 0903 plus 0998) (Line 9, above)					

EXHIBIT OF NONADMITTED ASSETS

	1	2	3
	Current Year Total Nonadmitted Assets	Prior Year Total Nonadmitted Assets	Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D)			
2. Stocks (Schedule D):			
2.1 Preferred stocks			
2.2 Common stocks			
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens			
3.2 Other than first liens			
4. Real estate (Schedule A):			
4.1 Properties occupied by the company			
4.2 Properties held for the production of income			
4.3 Properties held for sale			
5. Cash (Schedule E-Part 1), cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA)			
6. Contract loans			
7. Derivatives (Schedule DB)			
8. Other invested assets (Schedule BA)			
9. Receivables for securities			
10. Securities lending reinvested collateral assets (Schedule DL)			
11. Aggregate write-ins for invested assets			
12. Subtotals, cash and invested assets (Lines 1 to 11)			
13. Title plants (for Title insurers only)			
14. Invested income due and accrued			
15. Premium and considerations:			
15.1 Uncollected premiums and agents' balances in the course of collection			
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due			
15.3 Accrued retrospective premiums			
16. Reinsurance:			
16.1 Amounts recoverable from reinsurers			
16.2 Funds held by or deposited with reinsured companies			
16.3 Other amounts receivable under reinsurance contracts			
17. Amounts receivable relating to uninsured plans			
18.1 Current federal and foreign income tax recoverable and interest thereon			
18.2 Net deferred tax asset	555,658	4,095	(551,563)
19. Guaranty funds receivable or on deposit			
20. Electronic data processing equipment and software			
21. Furniture and equipment, including health care delivery assets			
22. Net adjustment in assets and liabilities due to foreign exchange rates			
23. Receivables from parent, subsidiaries and affiliates			
24. Health care and other amounts receivable	1,842,192	940,906	(901,286)
25. Aggregate write-ins for other than invested assets	10,000	401,967	391,967
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	2,407,850	1,346,967	(1,060,882)
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
28. Total (Lines 26 and 27)	2,407,850	1,346,967	(1,060,882)
DETAILS OF WRITE-INS			
1101. Prepays			
1102. Deposits			
1103.			
1198. Summary of remaining write-ins for Line 11 from overflow page			
1199. TOTALS (Lines 1101 through 1103 plus 1198) (Line 11 above)			
2501. Prepaid Expenses		391,967	391,967
2502. Deposits	10,000	10,000	
2503.			
2598. Summary of remaining write-ins for Line 25 from overflow page			
2599. TOTALS (Lines 2501 through 2503 plus 2598) (Line 25 above)	10,000	401,967	391,967

EXHIBIT 1 - ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY

Source of Enrollment		Total Members at End of					6 Current Year Member Months
		1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	
1.	Health Maintenance Organizations	826,056	829,931	845,987	856,180	8,467,659	
2.	Provider Service Organizations						
3.	Preferred Provider Organizations						
4.	Point of Service						
5.	Indemnity Only						
6.	Aggregate write-ins for other lines of business						
7.	TOTAL	826,056	829,931	845,987	856,180	8,467,659	
DETAILS OF WRITE-INS							
0601.	.....					
0602.	.....					
0603.	.....					
0698.	Summary of remaining write-ins for Line 6 from overflow page						
0699.	TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above)						

Notes to Financial Statements

Notes to Financial Statements

MCS Health Management Options, Inc. (the Company) is a health maintenance organization operating under the provisions of the Insurance Code and Insurance Regulations of the Commonwealth of Puerto Rico. All of the Company's business activities are in the Commonwealth of Puerto Rico, which expose the Company to geographical risk. The Company is ultimately wholly owned by Medical Card System, Inc. (MCS).

The Company exclusively served medically indigent persons, as defined, under the MiSalud Program (Mi Salud) through a contract with the Puerto Rico Health Insurance Administration (the Administration). This contract ended on October 31, 2011- see Note 4. Under the former Mi Salud contract, the Company provided comprehensive healthcare services to the subscribers on a prepaid basis. The Company contracts with independent professional associations (IPAs) and a network of providers to render medical services to its subscribers. The Company pays capitation to IPAs and negotiated fees for services rendered by providers.

Note 1 - Summary of Significant Accounting Policies

(a) Accounting Practices - Basis of Presentation

The accompanying financial statements have been prepared in conformity with the NAIC Accounting Practices and Procedures Manual. The Commissioner of Insurance of Puerto Rico adopted the NAIC Accounting Practices and Procedures Manual as long as it does not contradict the provisions of the Insurance Code. The accounting practices used in preparing these financial statements did not result in differences for net income or capital and surplus under the NAIC Accounting Practices and Procedures Manual and practices prescribed or permitted by the Insurance Commissioner of Puerto Rico.

(b) Use of Estimates

Management used estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with the NAIC Accounting Practices and Procedures Manual. Actual results could differ from those estimates.

(c) Investments

Bonds and short-term investments are carried at amortized cost. Premiums and discounts are amortized or accreted over the life of the related security using the effective interest method.

Preferred and common stocks are carried at estimated fair value with unrealized holding gains and losses reported in capital and surplus.

(d) Claim Liabilities

Independent care providers such as hospitals, physicians, clinics, and others provide health services under contractual arrangements. Services rendered to insured members are billed and paid on a fee-for-service basis up to established limits based on eligible members. Also, there are contracts with various independent professional associations (IPAs) for certain medical care services to insured members. The IPAs are compensated based on capitation basis, and a portion of the capitation payments is retained to provide for incurred but not reported claims.

Claim payables represent accrued medical claims and related expenses (hospitalization and other outside medical services) for amounts billed and not paid and an estimate of cost incurred for unbilled services provided to the balance sheet date based on experience and accumulated statistical data on claims processed, incomplete and unreported. In addition, the claims payables include a portion of the capitation payments that the Company has retained to provide for incurred but not reported claims attributed to the IPAs.

The above liabilities are necessarily based on estimates and, while management believes that the amounts are adequate, the ultimate liability may be in excess of or less than the amounts provided. The methods for making such estimates and for establishing the resulting liability are continually reviewed, and any adjustments are reflected in the statement of operations and accumulated surplus of the current year.

(e) Property and Equipment

Property and equipment are carried at cost less accumulated depreciation. Depreciation is calculated using the straight-line method over an estimated useful life of three years.

(f) Revenue Recognition

Premiums are billed in advance of their respective coverage period and the related revenue is recorded as earned during the coverage period, including any unbilled premium.

Notes to Financial Statements

The Company carried its premiums receivables net of allowances for billing adjustments and doubtful amounts based on the evaluation of the aging and such other factors that deserve recognition.

(g) Cash and Short-term Investments

Cash includes money market accounts and funds. Short-term investments include debt securities with maturity of one year or less at the time of purchase.

Note 2 - Accounting Changes and Corrections of Errors

None

Note 3 - Business Combinations and Goodwill

None

Note 4 - Discontinued Operations

The Company and the Administration could not agree on the new Per Member Per Month rates for each service region under the Mi Salud Program to be effective for the Program Fiscal Year commencing on July 1, 2011. As a result, MCS HMO provided notice of non-renewal which in effect constitutes a notice of termination of the contract with the Administration. The Company entered into a Transition Agreement on August 18, 2011, effective July 1, 2011, and ending on October 31, 2011 with the Administration. Under the Transition Agreement, MCS HMO will maintain Claims-processing and other functions as specified in the Contract, as may be necessary, for a period not to exceed ten (10) consecutive months beginning November 1, 2011 and ending on or before August 31, 2012, in order to complete the adjudication of all Claims.

Note 5 - Investments in Mortgage Loans, Reverse Mortgages, Debt Restructuring, Loan-backed Securities and Repurchase Agreements

None

Note 6 - Joint Ventures, Partnerships and Limited Liability companies

None

Note 7 - Investment Income

Interest income is recognized when earned. Realized gains and losses from the sale of securities are determined using the specific identification method for determining the cost of the security sold.

No investment income has been excluded as non-admitted.

Note 8 - Derivatives

None

Note 9 - Income Taxes

Income tax benefit of \$92,841 for the year ended December 31, 2011 differed from the amounts computed by applying the Puerto Rico income tax rates of 30%, to income before income taxes, primarily from certain exempt interest income and nondeductible expenses.

The reconciliation of total deferred tax assets to admitted deferred tax assets as of December 31, 2011 and 2010 is as follows:

Notes to Financial Statements

	2011	2010
Gross deferred tax assets (admitted and nonadmitted)	\$ 555,658	795,346
Gross deferred tax liability	(4,716)	(9,229)
	550,942	786,117
Deferred tax asset nonadmitted	555,658	4,095
Deferred tax asset, net	\$ (4,716)	782,022

Deferred income taxes reflect the tax effects of: (a) temporary differences between carrying amounts of assets and liabilities for both financial reporting and income tax purposes and (b) operating loss and tax credit carry forwards. The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities at December 31, 2010 and 2009 are presented below:

	2011	2010
Deferred tax (liability) asset related to the net unrealized loss/gain on available-for-sale securities	\$ (4,716)	(9,229)
Deferred tax asset related to net realized losses on sales of securities and impairment charges	—	77,545
Deferred tax asset on accrued expenses	—	163,800
Deferred tax asset on nonadmitted assets	—	549,906
Deferred tax asset, net	\$ (4,716)	782,022

Under SAP, gross deferred tax assets generally are admitted to the extent the Company's federal income taxes paid in prior years that can be recovered through loss carrybacks; plus the lesser of (a) the amount of gross deferred tax assets expected to be realized within one year (three years under SAP 10R) after year-end or (b) 10% (15% under SAP 10R) of statutory capital and surplus as of year-end; plus any remaining deferred tax assets that can be offset against existing gross deferred tax liabilities. The amount of deferred tax asset considered admitted could be significantly reduced in the near term if estimates of future taxable income during the subsequent period are reduced due to lower operating margins than expected. The Company examined the guidance in SSAP 10R and concluded was not applicable to the Company.

On March 9, 2009, the Government of Puerto Rico signed into law Act No. 7, *Special Act Declaring State of Fiscal Emergency and Establishing an Integrated Fiscal Stabilizing Plan to Save the Credit of Puerto Rico*. The plan is organized with revenue generating measures, permanent and temporary, cost reducing, and financial measures. Among the tax related measures, the law affects corporations operating in Puerto Rico by requiring a five percent (5%) surtax over the determined tax liability. These measures are effective for tax years commenced after December 31, 2008 and before January 1, 2012.

Recently, the Government of Puerto Rico adopted a comprehensive tax reform in two phases. The first phase of the tax reform was enacted in the last quarter of 2010 and was mostly related to reducing the income tax burden to individuals. In 2010 only, corporations received an income tax credit amounting to 7% of the tax determined, defined as a tax liability less certain credits. The second phase of the reform, which was approved on January 31, 2011, provides for the reduction of maximum corporate income tax rate from 40.95% to approximately 30% including the elimination of the above mentioned 5% additional special tax for corporations, as well adding several tax credits and deductions, among other tax reliefs and changes.

Note 10 - Information Concerning Parent, Subsidiaries and Affiliates

The Company is wholly-owned by MCS, Inc. The Company is also affiliated by common ownership and management with MCS Life Insurance Company (MCS Life) and with MCS Advantage, Inc., wholly owned subsidiaries of MCS.

MCS, Inc. provides administrative services to the Company, such as claims processing, consulting, and other administrative services, in addition to providing for the use of facilities and equipment for the Company's operations pursuant to the terms of a service agreement between the parties. Fees under the service agreement are based on direct costs and an allocation of indirect costs, as defined, plus a profit percentage. Under this agreement, the administrative fees are limited to an annual maximum amount based on a percentage of premiums.

In 2011 and 2010, administrative charges under the service agreement amounted to \$55.6 million and \$38.3 million,

Notes to Financial Statements

respectively. A portion of these administrative charges amounting to \$12.9 million and \$7.7 million, respectively, are related to claim adjustment expenses and are reported as healthcare benefits.

At December 31, 2011 and 2010, the Company had a receivable due from MCS, Inc. amounting to \$1.8 million and payables to MCS Life and MCS Advantage of \$910,500 and \$3.9 million, respectively.

Note 11 - Debt

None

Note 12 - Retirement Plans, Deferred Compensation, Post Employment Benefits and Compensated Absences and Other Retirement Benefit Plans

None

Note 13 - Capital and Surplus, Shareholders' Dividend Restrictions and Quasi-Reorganizations

The Company has 1,000,000 shares authorized, 10,000 shares issued and outstanding. All shares are common stock.

The Company is required to maintain a minimum capital and surplus of \$600,000. Generally, the payment of dividend is limited to unassigned surplus. Unassigned surplus is detailed as follows:

Accumulated Earnings			5,997,101	
Non admitted assets			(2,407,850)	
DTAs			(4,716)	
Unassigned Surplus			<u>3,584,535</u>	

Note 14 - Contingencies

In February 2009, the College of Dental Surgeon of Puerto Rico filed a complaint before the Court of First Instance in San Juan, Puerto Rico, on its own behalf and on behalf of its members in the Commonwealth of Puerto Rico, against 26 health insurance companies or health services or medical plan organizations licensed in the Commonwealth of Puerto Rico, including the Company. Plaintiff alleges the violation of various federal and local laws, with claims that imply breach of contract and damages resulting from defendants' actions.

Given the amount of the complaint, it is too early to make a judgment as to the probability of a favorable or unfavorable outcome against the Company. The Company intends to diligently defend itself in this action and view the complaint as without merit.

The Company is a defendant in legal actions arising in the ordinary course of business. Management, after consultation with its legal counselors, is of the opinion that the ultimate liability, if any, resulting from such pending legal actions, would not be material in relation to the financial position and results of operations of the Company.

The Company and its auditors have not yet completed the annual audit for calendar year 2011. Material changes and reclassifications could result upon completion of the audit.

Note 15 - Leases

None

Notes to Financial Statements

Note 16 - Information about Financial Instruments with Off Balance Sheet Risk and Financial Instruments with Concentration of Credit Risks

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of premiums receivable, accrued interest receivable, and other receivables. The Company's business activity is for the Puerto Rico health reform insurance program covering insured's located throughout Puerto Rico, and as such, the Company is subject to the risks associated with the Puerto Rico economy.

Note 17 - Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities

None

Note 18 - Gain or Loss on Uninsured Plans and on the Uninsured Portion of Partially Insured Plans

None

Note 19 - Direct Premiums Written by Managing General Agents (MGA) or Third Party Administrators (TPA)

None

Note 20 - Fair Value Measurements

Included in various investment related line items in the statutory financial statements are certain financial instruments carried at fair value. Other financial instruments are periodically measured at fair value, such as when impaired, or, for certain bonds and preferred stock when carried at the lower of cost or market.

The fair value of an asset is the amount at which that asset could be bought or sold in a current transaction between willing parties, that is, other than in a forced or liquidation sale. The fair value of a liability is the amount at which that liability could be incurred or settled in a current transaction between willing parties, that is, other than in a forced or liquidation sale.

Fair values are based on quoted market prices when available. When market prices are not available, fair value is generally estimated using discounted cash flow analyses, incorporating current market inputs for similar financial instruments with comparable terms and credit quality (matrix pricing). In instances where there is little or no market activity for the same or similar instruments, the Company estimates fair value using methods, models, and assumptions that management believes market participants would use to determine a current transaction price. These valuation techniques involve some level of management estimation and judgment which becomes significant with increasingly complex instruments or pricing models. Where appropriate, adjustments are included to reflect the risk inherent in a particular methodology, model, or input used.

The Company's financial assets and liabilities carried at fair value have been classified, for disclosure purposes, based on a hierarchy defined by SAP 100. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). An asset's or a liability's classification is based on the lowest level input that is significant to its measurement. For example, a Level 3 fair value measurement may include inputs that are both observable (Levels 1 and 2) and unobservable (Level 3). The levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

Note 21 - Other Items

Investments with a carrying value of approximately \$650,000 as of December 31, 2011 (amortized cost approximates fair value) were deposited with the Commissioner of Insurance to comply with the deposit requirements of the Insurance Code.

Notes to Financial Statements

The contracts for the health insurance services provide for a return of premiums if the net income before return premiums exceeds 2.5% of premium. The return premiums are equal to the 75% of the excess of net income over 2.5%. There were no return premiums or return premium liabilities recorded at December 31, 2011 and 2010.

Note 22 - Events Subsequent

Subsequent events have been considered for the statutory statement issued on March 30, 2011.

Note 23 - Reinsurance

None

Note 24 - Retrospectively Rated Contracts

None

Note 25 - Change in Incurred Claims

None

Note 26 - Intercompany Polling Arrangements

None

Note 27 - Structured Settlements

None

Note 28 - Health Care Receivables

At December 31, 2011, the Company has recoveries from providers of \$6.2 million.

Note 29 - Participating Policies

None

Note 30 - Premium Deficiency Reserves

None

Note 31 - Anticipated Salvage and Subrogation

None

Notes to Financial Statements

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

GENERAL

- 1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes[X] No[]
- 1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? Yes[X] No[] N/A[]
- 1.3 State Regulating? Puerto Rico
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes[] No[X]
- 2.2 If yes, date of change: _____
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/2008
- 3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. 12/31/2005
- 3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). 12/31/2005
- 3.4 By what department or departments? _____
- 3.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with departments? Yes[] No[] N/A[X]
- 3.6 Have all of the recommendations within the latest financial examination report been complied with? Yes[] No[] N/A[X]
- 4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.11 sales of new business? Yes[] No[X]
- 4.12 renewals? Yes[] No[X]
- 4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.21 sales of new business? Yes[] No[X]
- 4.22 renewals? Yes[] No[X]
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes[] No[X]
- 5.2 If yes, provide the name of the entity, NAIC company code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1 Name of Entity	2 NAIC Company Code	3 State of Domicile

- 6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? Yes[] No[X]
- 6.2 If yes, give full information: _____
- 7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity? Yes[] No[X]
- 7.2 If yes, 0.000%
- 7.21 State the percentage of foreign control _____
- 7.22 State the nationality(s) of the foreign person(s) or entity(s); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(s) (e.g., individual, corporation, government, manager or attorney-in-fact)

1 Nationality	2 Type of Entity

- 8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? Yes[] No[X]
- 8.2 If response to 8.1 is yes, please identify the name of the bank holding company. _____
- 8.3 Is the company affiliated with one or more banks, thrifts or securities firms? Yes[] No[X]
- 8.4 If response to 8.3 is yes, please provide the names and location (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e., the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC) and identify the affiliate's primary federal regulator.

1 Affiliate Name	2 Location (City, State)	3 FRB	4 OCC	5 OTS	6 FDIC	7 SEC
		Yes[] No[X]				

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?
KPMG- San Juan Office
- 10.1 Has the insurer been granted any exemptions to the prohibited non-audit services provided by the certified independent public accountant requirements as allowed in Section 7H of the Annual Financial Reporting Model Regulation (Model Audit Rule), or substantially similar state law or regulation? Yes[] No[X]
- 10.2 If response to 10.1 is "yes," provide information related to this exemption: _____
- 10.3 Has the insurer been granted any exemptions related to the other requirements of the Annual Financial Reporting Model Regulation as allowed for in Section 17A of the Model Regulation, or substantially similar state law or regulation? Yes[] No[X]
- 10.4 If response to 10.3 is "yes," provide information related to this exemption: _____
- 10.5 Has the reporting entity established an Audit Committee in compliance with the domiciliary state insurance laws? Yes[] No[] N/A[X]
- 10.6 If the answer to 10.5 is "NO" or "N/A" please explain: _____
11. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?
Courtney White, Milliman, Atlanta Georgia.
- 12.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly? Yes[] No[X]
- 12.11 Name of real estate holding company _____
- 12.12 Number of parcels involved _____

GENERAL INTERROGATORIES (Continued)

- 12.13 Total book/adjusted carrying value \$ 0
 12.2 If yes, provide explanation
13. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:
 13.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?
 13.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? Yes [] No [X] N/A []
 13.3 Have there been any changes made to any of the trust indentures during the year? Yes [] No [] N/A [X]
 13.4 If answer to (13.3) is yes, has the domiciliary or entry state approved the changes? Yes [] No [] N/A [X]
- 14.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards? Yes [X] No []
 a. Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
 b. Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;
 c. Compliance with applicable governmental laws, rules and regulations;
 d. The prompt internal reporting of violations to an appropriate person or persons identified in the code; and
 e. Accountability for adherence to the code.
- 14.11 If the response to 14.1 is no, please explain:
 14.2 Has the code of ethics for senior managers been amended? Yes [] No [X]
 14.21 If the response to 14.2 is yes, provide information related to amendment(s).
 14.3 Have any provisions of the code of ethics been waived for any of the specified officers? Yes [] No [X]
 14.31 If the response to 14.3 is yes, provide the nature of any waiver(s).
- 15.1 Is the reporting entity the beneficiary of a Letter of Credit that is unrelated to reinsurance with a NAIC rating of 3 or below? Yes [] No [X]
 15.2 If the response to 15.1 is yes, indicate the American Bankers Association (ABA) Routing Number and the name of the issuing or confirming bank of the Letter of Credit and describe the circumstances in which the Letter of Credit is triggered.

	1 American Bankers Association (ABA) Routing Number	2 Issuing or Confirming Bank Name	3 Circumstances That Can Trigger the Letter of Credit	4 Amount
15.2001

BOARD OF DIRECTORS

16. Is the purchase or sale of all investments of the reporting entity passed upon either by the Board of Directors or a subordinate committee thereof? Yes [X] No []
17. Does the reporting entity keep a complete permanent record of the proceedings of its Board of Directors and all subordinate committees thereof? Yes [X] No []
18. Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict or is likely to conflict with the official duties of such person? Yes [X] No []

FINANCIAL

19. Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)? Yes [] No [X]
- 20.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):
 20.11 To directors or other officers \$ 0
 20.12 To stockholders not officers \$ 0
 20.13 Trustees, supreme or grand (Fraternal only) \$ 0
- 20.2 Total amount of loans outstanding at end of year (inclusive of Separate Accounts, exclusive of policy loans):
 20.21 To directors or other officers \$ 0
 20.22 To stockholders not officers \$ 0
 20.23 Trustees, supreme or grand (Fraternal only) \$ 0
- 21.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement? Yes [] No [X]
 21.2 If yes, state the amount thereof at December 31 of the current year:
 21.21 Rented from others \$ 0
 21.22 Borrowed from others \$ 0
 21.23 Leased from others \$ 0
 21.24 Other \$ 0
- 22.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments? Yes [] No [X]
 22.2 If answer is yes:
 22.21 Amount paid as losses or risk adjustment \$ 0
 22.22 Amount paid as expenses \$ 0
 22.23 Other amounts paid \$ 0
- 23.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes [] No [X]
 23.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: \$ 0

INVESTMENT

- 24.1 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date? (other than securities lending programs addressed in 24.3) Yes [] No [X]
- 24.2 If no, give full and complete information, relating thereto:
 24.3 For security lending programs, provide a description of the program including value for collateral and amount of loaned securities, and whether collateral is carried on or off-balance sheet, (an alternative is to reference Note 17 where this information is also provided)
 24.4 Does the Company's security lending program meet the requirements for a conforming program as outlined in the Risk-Based Capital Instructions? Yes [] No [] N/A [X]
 24.5 If answer to 24.4 is yes, report amount of collateral for conforming programs. \$ 0
 24.6 If answer to 24.4 is no, report amount of collateral for other programs. \$ 0
 24.7 Does your securities lending program require 102% (domestic securities) and 105% (foreign securities) from the counterparty at the outset of the contract? Yes [] No [] N/A [X]
 24.8 Does the reporting entity non-admit when the collateral received from the counterparty falls below 100%? Yes [] No [] N/A [X]
 24.9 Does the reporting entity or the reporting entity's securities lending agent utilize the Master Securities lending Agreement (MSLA) to conduct securities lending? Yes [] No [] N/A [X]

GENERAL INTERROGATORIES (Continued)

- 25.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity, or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 21.1 and 24.3) Yes [] No [X]
- 25.2 If yes, state the amount thereof at December 31 of the current year:
- | | | |
|--|----|---|
| 25.21 Subject to repurchase agreements | \$ | 0 |
| 25.22 Subject to reverse repurchase agreements | \$ | 0 |
| 25.23 Subject to dollar repurchase agreements | \$ | 0 |
| 25.24 Subject to reverse dollar repurchase agreements | \$ | 0 |
| 25.25 Pledged as collateral | \$ | 0 |
| 25.26 Placed under option agreements | \$ | 0 |
| 25.27 Letter stock or securities restricted as to sale | \$ | 0 |
| 25.28 On deposit with state or other regulatory body | \$ | 0 |
| 25.29 Other | \$ | 0 |

25.3 For category (25.27) provide the following:

1 Nature of Restriction	2 Description	3 Amount

- 26.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes [] No [X]
- 26.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes [] No [] N/A [X]
If no, attach a description with this statement.
- 27.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity? Yes [] No [X]
- 27.2 If yes, state the amount thereof at December 31 of the current year. \$ 0
28. Excluding items in Schedule E - Part 3 - Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section I, III - General Examination Considerations, F. Outsourcing of Critical Functions, Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? Yes [X] No []
- 28.01 For agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1 Name of Custodian(s)	2 Custodian's Address
Consultiva Securities, Inc	Scotiabank, Suite 1201, 273 Ponce de Leon, Hato Rey, PR

28.02 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1 Name(s)	2 Location(s)	3 Complete Explanation(s)

- 28.03 Have there been any changes, including name changes, in the custodian(s) identified in 28.01 during the current year? Yes [] No [X]
- 28.04 If yes, give full and complete information relating thereto:

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason

28.05 Identify all investment advisers, broker/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1 Central Registration Depository Number(s)	2 Name	3 Address
0	0	0

- 29.1 Does the reporting entity have any diversified mutual funds reported in Schedule D, Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5 (b)(1)])? Yes [] No [X]
- 29.2 If yes, complete the following schedule:

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
29.2999 Total		

29.3 For each mutual fund listed in the table above, complete the following schedule:

GENERAL INTERROGATORIES (Continued)

1 Name of Mutual Fund (from above table)	2 Name of Significant Holding of the Mutual Fund	3 Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	4 Date of Valuation
.....

30. Provide the following information for all short-term and long-term bonds and all preferred stocks. Do not substitute amortized value or statement value for fair value.

	1 Statement (Admitted) Value	2 Fair Value	3 Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
30.1 Bonds
30.2 Preferred stocks
30.3 Totals

30.4 Describe the sources or methods utilized in determining the fair values
Independent confirmations with brokers

- 31.1 Was the rate used to calculate fair value determined by a broker or custodian for any of the securities in Schedule D? Yes [] No[X]
- 31.2 If the answer to 31.1 is yes, does the reporting entity have a copy of the broker's or custodian's pricing policy (hard copy or electronic copy) for all brokers or custodians used as a pricing source? Yes[] No[X] N/A[]
- 31.3 If the answer to 31.2 is no, describe the reporting entity's process for determining a reliable pricing source for purposes of disclosure of fair value for Schedule D:
- 32.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed? Yes[] No[X]
- 32.2 If no, list exceptions:

OTHER

- 33.1 Amount of payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus, if any? \$ 44,000
- 33.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus during the period covered by this statement.

1 Name	2 Amount Paid
ACODESE	44,000

- 34.1 Amount of payments for legal expenses, if any? \$ 0
- 34.2 List the name of the firm and the amount paid if any such payments represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1 Name	2 Amount Paid
.....

- 35.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or department of government, if any? \$ 0
- 35.2 List the name of firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies officers or department of government during the period covered by this statement.

1 Name	2 Amount Paid
.....

GENERAL INTERROGATORIES (Continued)

PART 2 - HEALTH INTERROGATORIES

- 1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force? Yes No
- 1.2 If yes, indicate premium earned on U.S. business only: \$ 0
- 1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit? \$ 0
- 1.31 Reason for excluding:
- 1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above. \$ 0
- 1.5 Indicate total incurred claims on all Medicare Supplement insurance. \$ 0
- 1.6 Individual policies - Most current three years:
- 1.61 Total premium earned \$ 0
- 1.62 Total incurred claims \$ 0
- 1.63 Number of covered lives 0
- All years prior to most current three years:
- 1.64 Total premium earned \$ 0
- 1.65 Total incurred claims \$ 0
- 1.66 Number of covered lives 0
- 1.7 Group policies - Most current three years:
- 1.71 Total premium earned \$ 0
- 1.72 Total incurred claims \$ 0
- 1.73 Number of covered lives 0
- All years prior to most current three years:
- 1.74 Total premium earned \$ 0
- 1.75 Total incurred claims \$ 0
- 1.76 Number of covered lives 0

2. Health Test

	1 Current Year	2 Prior Year
2.1 Premium Numerator	928,308,748	683,813,126
2.2 Premium Denominator	928,308,748	683,813,126
2.3 Premium Ratio (2.1 / 2.2)	1.000	1.000
2.4 Reserve Numerator	63,991,901	164,529,189
2.5 Reserve Denominator	63,991,901	164,529,189
2.6 Reserve Ratio (2.4 / 2.5)	1.000	1.000

- 3.1 Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, as and if the earnings of the reporting entity permits? Yes No
- 3.2 If yes, give particulars:
- 4.1 Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and dependents been filed with the appropriate regulatory agency? Yes No
- 4.2 If not previously filed furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered? Yes No N/A
- 5.1 Does the reporting entity have stop-loss reinsurance? Yes No
- 5.2 If no, explain:
- 5.3 Maximum retained risk (see instructions):
- 5.31 Comprehensive Medical \$ 0
- 5.32 Medical Only \$ 0
- 5.33 Medicare Supplement \$ 0
- 5.34 Dental & Vision \$ 0
- 5.35 Other Limited Benefit Plan \$ 0
- 5.36 Other \$ 0
- 6. Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements:
- 7.1 Does the reporting entity set up its claim liability for provider services on a service date basis? Yes No
- 7.2 If no, give details:
- 8. Provide the following information regarding participating providers:
- 8.1 Number of providers at start of reporting year 11,675
- 8.2 Number of providers at end of reporting year 9,021
- 9.1 Does the reporting entity have business subject to premium rate guarantees? Yes No
- 9.2 If yes, direct premium earned:
- 9.21 Business with rate guarantees between 15-36 months 0
- 9.22 Business with rate guarantees over 36 months 0
- 10.1 Does the reporting entity have Incentive Pool, Withhold or Bonus Arrangements in its provider contracts? Yes No
- 10.2 If yes:
- 10.21 Maximum amount payable bonuses \$ 0
- 10.22 Amount actually paid for year bonuses \$ 0
- 10.23 Maximum amount payable withholds \$ 0
- 10.24 Amount actually paid for year withholds \$ 0
- 11.1 Is the reporting entity organized as:
- 11.12 A Medical Group/Staff Model, Yes No
- 11.13 An Individual Practice Association (IPA), or, Yes No
- 11.14 A Mixed Model (combination of above)? Yes No
- 11.2 Is the reporting entity subject to Minimum Net Worth Requirements? Yes No
- 11.3 If yes, show the name of the state requiring such net worth. Yes No
- Puerto Rico
- 11.4 If yes, show the amount required. \$ 600,000
- 11.5 Is this amount included as part of a contingency reserve in stockholder's equity? Yes No
- 11.6 If the amount is calculated, show the calculation.
- 12. List service areas in which the reporting entity is licensed to operate:

1 Name of Service Area
Puerto Rico

- 13.1 Do you act as a custodian for health savings accounts? Yes No
- 13.2 If yes, please provide the amount of custodial funds held as of the reporting date: \$ 0
- 13.3 Do you act as an administrator for health savings accounts? Yes No
- 13.4 If yes, please provide the balance of the funds administered as of the reporting date: \$ 0

FIVE-YEAR HISTORICAL DATA

	1 2011	2 2010	3 2009	4 2008	5 2007
BALANCE SHEET (Pages 2 and 3)					
1. TOTAL Admitted Assets (Page 2, Line 28)	79,102,046	189,510,303	135,329,866	128,066,581	132,342,550
2. TOTAL Liabilities (Page 3, Line 24)	74,677,510	170,615,938	101,239,320	109,917,520	73,220,543
3. Statutory surplus	600,000	600,000	600,000		1,430,000
4. TOTAL Capital and Surplus (Page 3, Line 33)	4,424,535	18,894,365	34,090,546	18,149,061	59,122,007
INCOME STATEMENT (Page 4)					
5. TOTAL Revenues (Line 8)	928,308,748	683,813,126	531,097,627	505,480,794	483,500,867
6. TOTAL Medical and Hospital Expenses (Line 18)	882,552,019	634,490,172	474,917,474	472,457,583	434,838,155
7. Claims adjustment expenses (Line 20)	13,955,181	8,456,160	5,783,528	5,766,314	5,815,493
8. TOTAL Administrative Expenses (Line 21)	45,667,736	30,640,768	27,422,718	40,156,841	34,584,107
9. Net underwriting gain (loss) (Line 24)	(13,866,187)	10,226,026	22,973,907	(12,899,945)	8,263,112
10. Net investment gain (loss) (Line 27)	1,229,809	942,120	1,912,303	5,062,833	8,733,902
11. TOTAL Other Income (Lines 28 plus 29)		(1,700,000)			
12. Net income or (loss) (Line 32)	(12,543,537)	5,788,911	17,745,298	(7,696,780)	13,828,770
Cash Flow (Page 6)					
13. Net cash from operations (Line 11)	(34,394,950)	(13,059,002)	20,014,557	(29,400,595)	21,710,018
RISK-BASED CAPITAL ANALYSIS					
14. TOTAL Adjusted Capital	4,424,535	18,894,365	34,090,546	18,149,061	59,122,007
15. Authorized control level risk-based capital	31,469,112	15,827,947	17,101,184	17,523,479	16,004,057
ENROLLMENT (Exhibit 1)					
16. TOTAL Members at End of Period (Column 5, Line 7)		826,056	418,315	401,771	432,371
17. TOTAL Members Months (Column 6, Line 7)	8,467,659	6,176,905	4,866,393	4,904,778	5,218,727
OPERATING PERCENTAGE (Page 4)					
(Item divided by Page 4, sum of Lines 2, 3 and 5) x 100.0					
18. Premiums earned plus risk revenue (Line 2 plus Lines 3 and 5)	100.0	100.0	100.0	100.0	100.0
19. TOTAL Hospital and Medical plus other non-health (Lines 18 plus Line 19)	95.1	92.8	89.4	93.5	89.9
20. Cost containment expenses					
21. Other claims adjustment expenses	1.5	1.2	1.1	1.1	1.2
22. TOTAL Underwriting Deductions (Line 23)	101.5	98.5	95.7	102.6	98.3
23. TOTAL Underwriting Gain (Loss) (Line 24)	(1.5)	1.5	4.3	(2.6)	1.7
UNPAID CLAIMS ANALYSIS					
(U&I Exhibit, Part 2B)					
24. TOTAL Claims Incurred for Prior Years (Line 13, Column 5)	162,191,904	81,871,761	74,656,871	69,365,918	63,401,599
25. Estimated liability of unpaid claims-[prior year (Line 13, Column 6)]	164,529,189	90,632,410	84,238,056	69,365,918	63,401,599
INVESTMENTS IN PARENT, SUBSIDIARIES AND AFFILIATES					
26. Affiliated bonds (Sch. D Summary, Line 12, Column 1)					
27. Affiliated preferred stocks (Sch. D Summary, Line 18, Column 1)					
28. Affiliated common stocks (Sch. D Summary, Line 24, Column 1)					
29. Affiliated short-term investments (subtotal included in Sch. DA Verification, Col. 5, Line 10)					
30. Affiliated mortgage loans on real estate					
31. All other affiliated					
32. TOTAL of Above Lines 26 to 31					

NOTE: If a party to a merger, have the two most recent years of this exhibit been restated due to a merger in compliance with the disclosure requirements of SSAP No. 3, Accounting Changes and Correction of Errors? Yes[] No[] N/A[X]

If no, please explain::

SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS ALLOCATED BY STATES AND TERRITORIES

1	2	Direct Business Only							9
		3	4	5	6	7	8		
State, Etc.	Active Status	Accident & Health Premiums	Medicare Title XVIII	Medicaid Title XIX	Federal Employees Health Benefits Program Premiums	Life & Annuity Premiums & Other Considerations	Property/Casualty Premiums	Total Columns 2 Through 7	Deposit - Type Contracts
1. Alabama (AL)	N								
2. Alaska (AK)	N								
3. Arizona (AZ)	N								
4. Arkansas (AR)	N								
5. California (CA)	N								
6. Colorado (CO)	N								
7. Connecticut (CT)	N								
8. Delaware (DE)	N								
9. District of Columbia (DC)	N								
10. Florida (FL)	N								
11. Georgia (GA)	N								
12. Hawaii (HI)	N								
13. Idaho (ID)	N								
14. Illinois (IL)	N								
15. Indiana (IN)	N								
16. Iowa (IA)	N								
17. Kansas (KS)	N								
18. Kentucky (KY)	N								
19. Louisiana (LA)	N								
20. Maine (ME)	N								
21. Maryland (MD)	N								
22. Massachusetts (MA)	N								
23. Michigan (MI)	N								
24. Minnesota (MN)	N								
25. Mississippi (MS)	N								
26. Missouri (MO)	N								
27. Montana (MT)	N								
28. Nebraska (NE)	N								
29. Nevada (NV)	N								
30. New Hampshire (NH)	N								
31. New Jersey (NJ)	N								
32. New Mexico (NM)	N								
33. New York (NY)	N								
34. North Carolina (NC)	N								
35. North Dakota (ND)	N								
36. Ohio (OH)	N								
37. Oklahoma (OK)	N								
38. Oregon (OR)	N								
39. Pennsylvania (PA)	N								
40. Rhode Island (RI)	N								
41. South Carolina (SC)	N								
42. South Dakota (SD)	N								
43. Tennessee (TN)	N								
44. Texas (TX)	N								
45. Utah (UT)	N								
46. Vermont (VT)	N								
47. Virginia (VA)	N								
48. Washington (WA)	N								
49. West Virginia (WV)	N								
50. Wisconsin (WI)	N								
51. Wyoming (WY)	N								
52. American Samoa (AS)	N								
53. Guam (GU)	N								
54. Puerto Rico (PR)	L			928,308,748				928,308,748	
55. U.S. Virgin Islands (VI)	N								
56. Northern Marianas Islands (MP)	N								
57. Canada (CN)	N								
58. Aggregate other alien (OT)	X X X								
59. Subtotal	X X X			928,308,748				928,308,748	
60. Reporting entity contributions for Employee Benefit Plans	X X X								
61. TOTAL (Direct Business)	(a) 1			928,308,748				928,308,748	

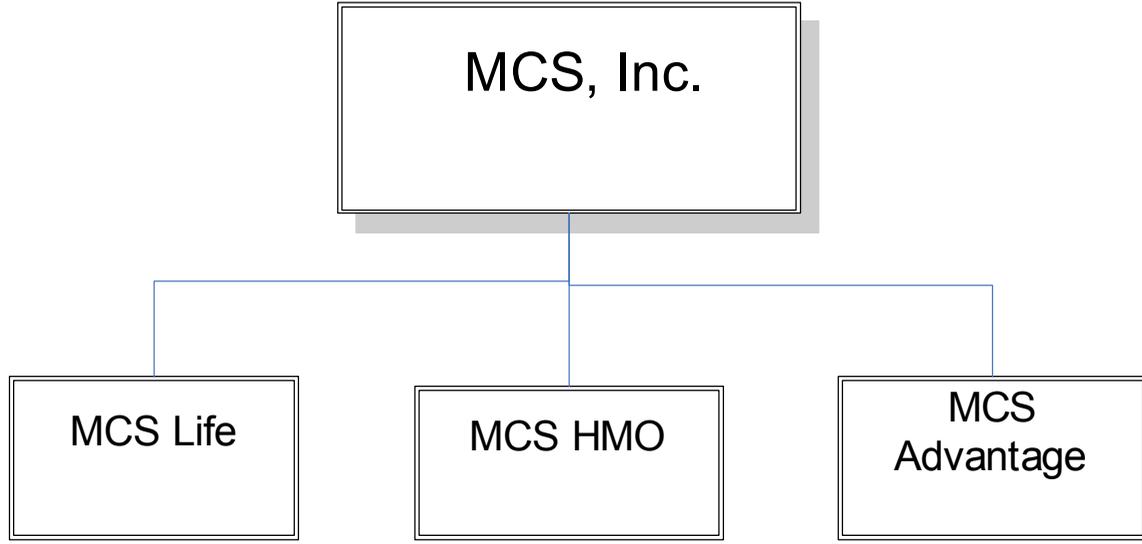
DETAILS OF WRITE-INS

5801.	X X X								
5802.	X X X								
5803.	X X X								
5898. Summary of remaining write-ins for Line 58 from overflow page	X X X								
5899. TOTALS (Lines 5801 through 5803 plus 5898) (Line 58 above)	X X X								

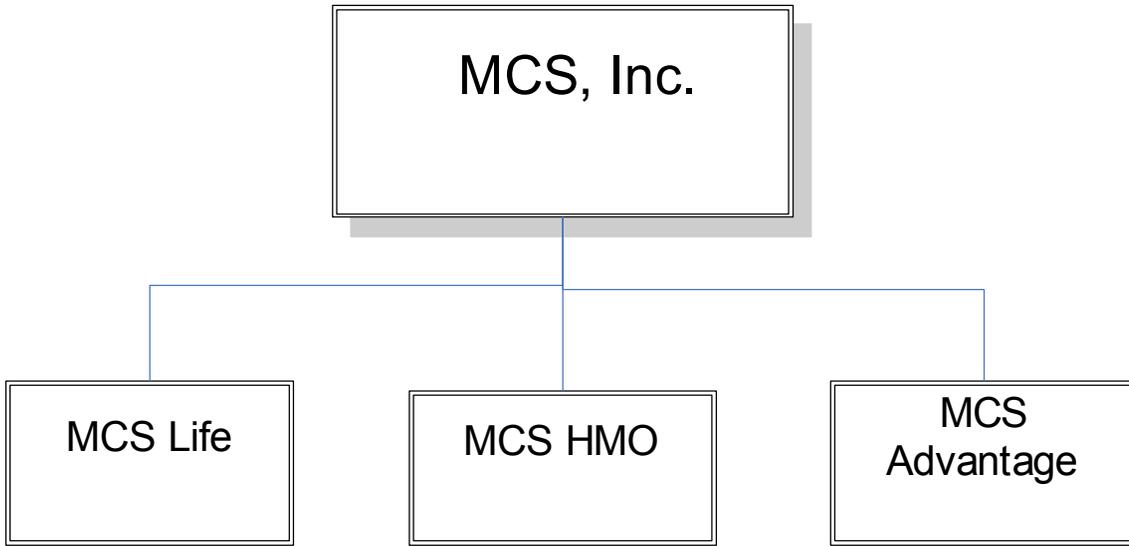
(L) Licensed or Chartered - Licensed Insurance Carrier or Domiciled RRG; (R) Registered - Non-domiciled RRGs; (Q) Qualified - Qualified or Accredited Reinsurer; (E) Eligible - Reporting Entities eligible or approved to write Surplus Lines in the state; (N) None of the above - Not allowed to write business in the state.

(a) Insert the number of L responses except for Canada and Other Alien.
Explanation of basis of allocation of premiums by states, etc.: MCS Health Management Options only has business in State of Puerto Rico

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER
MEMBERS OF A HOLDING COMPANY GROUP
PART 1 - ORGANIZATIONAL CHART



SCHEDULE Y - INFORMATION CONCERNING ACTI
MEMBERS OF A HOLDING COMPANY GROU
PART 1 - ORGANIZATIONAL CHART



SCHEDULE Y - INFORMATION CONCERNING ACTI
MEMBERS OF A HOLDING COMPANY GROU
PART 1 - ORGANIZATIONAL CHART

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