IN THE MATTER OF:)
)
TENNESSEE COORDINATED CARE)
NETWORK, dba ACCESS MED...PLUS)
)
A Tennessee non-profit health)
maintenance organization)
210 Athens Way, Metro Center)
Nashville, TN 37228-1308)

LETTER OF EXAMINATION

WHEREAS, Tennessee Coordinated Care Network (formerly Tennessee Managed Care Network; hereinafter "TCCN" or "the HMO"), dba Access Med...Plus, is a Tennessee non-profit corporation holding a certificate of authority as a health maintenance organization from the Department of Commerce and Insurance pursuant to Tennessee Code Annotated Title 56, Chapter 32; and

WHEREAS, the Department of Commerce and Insurance (the "Department" or "TDCI") has jurisdiction over this matter and this Letter of Examination (the "Letter") is governed by Tenn. Code Ann. ' ' 56-32-201 *et seq.*; and

WHEREAS, the TCCN HMO does not have any employees; and

WHEREAS, TCCN has entered into a management agreement with Medical Care Management Company ("MCMC"), a Tennessee for-profit corporation, to provide all management services needed by the TCCN TennCare Program line of business; and

WHEREAS, the TennCare Bureau and the TennCare Division have received complaints from TCCN program providers about failure of TCCN to pay claims for medical services rendered to TCCN TennCare Enrollees; and

WHEREAS, TCCN concedes that they have experienced significant problems from late December 1999 through January 2000 in achieving timely claims payment; and

WHEREAS, with the agreement of TCCN, agents of the Commissioner of TDCI will undertake an on site review of TCCN operations, including financial and claims processing operations, and such on site review will be conducted in an appropriate manner; and

WHEREAS, TCCN desires to cooperate with the Department, and accordingly consents to enter into this Letter;

NOW THEREFORE, it is AGREED AND CONSENTED TO by TCCN that TCCN operates under the terms of this Letter until the Commissioner, with the advice and consent of the TDFA Commissioner, can verify that TCCN has met its statutory minimum net worth requirements and statutory claims processing requirements. The Commissioner appoints _____ to carry out the terms of this Letter as Chief Examiner. The Commissioner may designate a substitute Chief Examiner.

The specific terms of the Letter are as follows:

1. The Officers, Managers, Directors, Trustees, Owners, Affiliates, Management Company, Employees or Agents of TCCN, including Anthony J. Cebrun, Joseph Barber, and any other persons or related parties with authority or control over and in charge of any segment of TCCN's affairs, will cooperate with the Commissioner and the Chief Examiner in the carrying out of the Examination. This cooperation shall include, but shall not be limited to the following:

a. To reply promptly in writing to any inquiry from the Chief Examiner or the Commissioner's other agents requesting such a reply.

b. To make available to the Chief Examiner or the Commissioner's other agents any books, bank and investment accounts, documents, or other records or information or property of or pertaining to TCCN in its possession, custody or control. No person shall obstruct or interfere with the Commissioner in the conduct of this Examination.

c. To respond promptly, fully and accurately to inquiries by the Chief

Examiner or the Commissioner's other agents, examiners or consultants about operations or any other matters which the Chief Examiner or Commissioner deem important to this Examination.

d. To provide direct access to a written listing of and immediate access to all of the property, assets, and estate and all other property of every kind, wherever located belonging to TCCN, including, but not limited to, offices maintained by TCCN, rights of action, books, contracts, electronic data, papers, evidences of debt, bank accounts, savings account, certificates of deposit, stocks, bonds, debentures and other securities, mortgages, furniture, fixtures, office supplies and equipment, and all real property of TCCN, wherever situated, whether in the possession of TCCN or its officers, directors, trustees, employees, consultants, attorney, agents, affiliates or contractors.

e. To provide direct access to a written identification of the location of all the items set out in d. above.

f. To provide direct access to a written identification of and access to all TCCN bank account records, including canceled checks, for the last 3 years and during the period of Examination, including written explanation of any clearing/sweep accounts.

g. To provide full cooperation of TCCN affiliates and officers, directors, agents, servants, employees and contractors during the period of Examination.

h. To provide full access to and cooperation of any claims processing contractor facilities, information and staff and to provide to the Chief Examiner or Chief Examiner designee complete access to TCCN facilities and contractor claims processing facilities.

i. To provide direct access to a listing identifying all computer programs loaded on all TCCN computer equipment or systems, including a listing of all persons having access to each program and security programs and copies of operating manuals for each computer program.

j. To provide direct access to a written listing of all contractors and vendors of TCCN, including vendor representatives and types of goods and services provided to TCCN, including the dollar amount paid to each in calendar years 1998 and 1999.

k. To provide direct access to a written list of any creditors, contractors or vendors who receive preferential payment or other priorities.

l. To provide direct access to written copies of all fiscal and accounting policies and procedures.

m. To provide direct access to copies of correspondence to and from vendors for any delinquent accounts or notices of delinquency.

n. To provide direct access to a chart of accounts for 1996, 1997, 1998, 1999 and 2000.

o. To provide direct access to copies of closing documents detailing the proceeds obtained from the sale or divestiture of any TCCN assets during the past 3 years.

p. To provide direct access to a schedule of the aging of accounts payable identified by vendor, subcontractor and provider -- at a minimum showing amounts past due 30, 60, 90 and 120 days.

q. To provide direct access to a written description of the methodology for all disbursements of funds, including wire transfers, other electronic banking transfers and cash. Please include an example copy of the pre-printed, sequentially numbered check stock used by TCCN and a written description of the security and controls for use of the check stock.

r. Direct access to the copies, written schedules, descriptions, identifications and listings described herein must be provided within 48 hours of written request by the Chief Examiner. In computing the 48 hours, Saturdays, Sundays and national holidays will not be included.

s. Effective for the month of December 1999 and going forward for each month through the month of June 2000, TCCN agrees until further notice to submit monthly financial reports within 60 days of the conclusion of each month (including: analytical review, fluctuation review and utilization data) to TDCI TennCare Division. Such monthly reports shall include a quarterly report format jurat page.

t. Effective February 1, 2000, until TCCN's statutory net worth as of November 30, 1999 is satisfied in accordance with NAIC guidelines as set forth in the TDCI April 13, 1999 and May 24, 1999 letters addressed to the TennCare Health Maintenance Organizations, TCCN agrees to obtain MCMC agreement not to charge (i.e., agrees to "waive") a management fee against the increased $16.00 PMPM for the period commencing February 1, 2000 pending receipt from the TennCare Bureau of amounts payable for pregnancy adverse selection in an amount necessary to satisfy TCCN's minimum statutory net worth requirement as of November 30, 1999 (in accordance with NAIC guidelines as set forth in the TDCI April 13, 1999 and May 24, 1999 letters addressed to the TennCare Health Maintenance Organizations) or until April 1, 2000 which ever shall first occur. Such waiver shall accrue incrementally on a

weekly basis and the written evidence of acceptance by MCMC of the waiver described in this paragraph shall be provided to TDCI.

u. Notwithstanding any provision herein to the contrary, the Department of Commerce & Insurance, and its duly authorized representatives shall have complete, immediate and unrestricted access to all aspects of the operations, documents and records of TCCN and MCMC.

2. Excepting for payment of providers pursuant to the terms and conditions of the TennCare Contractor Risk Agreement and for payment of MCMC pursuant to the provisions of the TDCI approved management agreement (and any applicable provision of this Letter), during the period of Examination, the HMO may not do any of the following things without the prior approval of the Commissioner or the Commissioner's appointed Chief Examiner:

a. Dispose of, convey or encumber any of its assets or its business in force;

b. Withdraw any of its bank accounts;

c. Lend any of its funds;

d. Invest any of its funds;

e. Transfer any of its property;

f. Incur any debt, obligation or liability;

g. Merge or consolidate with another company;

h. Approve new premiums or renew any policies;

i. Enter into any new reinsurance contract or treaty;

j. Terminate, surrender, forfeit, convert or lapse any insurance policy, certificate or contract, except for nonpayment of premiums due;

k. Release, pay or refund premium deposits, accrued cash or loan values,

unearned premiums, or other reserves on any insurance policy, certificate or contract;

l. Make any material change in management; or

m. Increase salaries and benefits of officers, or directors, or employees of persons or related parties; or, the preferential payment of bonuses, dividends or other payments deemed preferential.

3. Notwithstanding any provisions herein to the contrary, all terms and conditions contained herein shall be liberally construed to effectuate the regulatory purposes and objectives of the Department of Commerce & Insurance.

4. Notwithstanding any provisions herein to the contrary, the Department of Commerce & Insurance expressly and specifically retains its authority to take any regulatory action it deems appropriate and in no way shall this agreement be construed to estop the Department or its officials from fulfilling its regulatory obligations.

5. TCCN hereby knowingly and voluntarily waives all rights of any kind to disavow or otherwise disclaim the agreements set out in this Letter, in any forum now available to it, including the right to any administrative proceeding pursuant to the Tennessee Uniform Administrative Procedures Act, before the Tennessee Board of Claims, before the Tennessee Claims Commission, State or Federal Court action, or any appeal.

6. This Letter of Examination shall be effective for a period of sixty (60) days and shall be effective immediately upon signature by all parties.

SIGNED, this the 6 day of March, 2000.

ANNE B. POPE, Commissioner
Department of Commerce & Insurance,
State of Tennessee

APPROVED BY:

Anthony J. Cebrun
Chairman and CEO
Tennessee Coordinated Care Network,

Robert E. Cooper, Jr.
Attorney for Tennessee Coordinated Care Network