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07-061

QUARTERLY STATEMENT

AS OF MARCH 31, 2007

OF THE CONDITION AND AFFAIRS OF THE

Tennessee Behavioral Health, Inc.

NAIC Group Code 0000 (Current Period), 0000 (Prior Period) NAIC Company Code 95780 Employer's ID Number 62-1621636

Organized under the Laws of Tennessee, State of Domicile or Port of Entry Tennessee

Country of Domicile United States

Licensed as business type: Life, Accident & Health [ ] Property/Casualty [ ] Dental Service Corporation [ ]
Vision Service Corporation [ ] Other [ ] Health Maintenance Organization [ ]
Hospital, Medical & Dental Service or Indemnity [ ] Is HMO, Federally Qualified? Yes [ ] No [ ]

Incorporated/Organized 12/15/1995 Commenced Business 07/01/1996

Statutory Home Office 222 Second Ave. N. Suite 220 (Street and Number), Nashville, TN 37201 (City or Town, State and Zip Code)

Main Administrative Office 222 Second Ave. N. Suite 220 (Street and Number) Nashville, TN 37201 (City or Town, State and Zip Code) 615-313-4463 (Area Code) (Telephone Number)

Mail Address 222 Second Ave. N. Suite 220 (Street and Number or P.O. Box), Nashville, TN 37201 (City or Town, State and Zip Code)

Primary Location of Books and Records 222 Second Ave. N. Suite 220 (Street and Number) Nashville, TN 37201 (City or Town, State and Zip Code) 615-313-4463 (Area Code) (Telephone Number)

Internet Website Address N/A

Statutory Statement Contact Michael Fotinos (Name) 410-953-1643 (Area Code) (Telephone Number) (Extension)

mdfotinos@magellanhealth.com (E-Mail Address) 410-953-5205 (Fax Number)

Policyowner Relations Contact (Street and Number) (City or Town, State and Zip Code) (Area Code) (Telephone Number) (Extension)

OFFICERS

Name	Title	Name	Title
Russell C. Petrella	President	Andrew Mark Cummings	Secretary

OTHER OFFICERS

DIRECTORS OR TRUSTEES

Mark Steven Demilio, Russell C. Petrella

State of Connecticut
County of Hartford ss Cwon

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

Russell C. Petrella
President

Andrew Mark Cummings
Secretary

Subscribed and sworn to before me this 16th day of May, 2007

Raymonde A. Pelletier

RAYMONDE A. PELLETIER
NOTARY PUBLIC
MY COMMISSION EXPIRES AUG. 31, 2008

a. Is this an original filing? Yes [X] No [ ]

b. If no,
1. State the amendment number
2. Date filed
3. Number of pages attached

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ASSETS

	Current Statement Date 1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	4 December 31 Prior Year Net Admitted Assets
1. Bonds	2,402,603		2,402,603	2,600,002
2. Stocks:				
2.1 Preferred stocks			0	0
2.2 Common stocks			0	0
3. Mortgage loans on real estate:				
3.1 First liens			0	0
3.2 Other than first liens			0	0
4. Real estate:				
4.1 Properties occupied by the company (less $ ..... encumbrances)			0	0
4.2 Properties held for the production of income (less $ ..... encumbrances)			0	0
4.3 Properties held for sale (less $ ..... encumbrances)			0	0
5. Cash ($ 45,180,583), cash equivalents ($ 0) and short-term investments ($ 0)	45,180,583		45,180,583	41,505,185
6. Contract loans, (including $ ..... premium notes)			0	0
7. Other invested assets	0	0	0	0
8. Receivables for securities			0	0
9. Aggregate write-ins for invested assets	0	0	0	0
10. Subtotals, cash and invested assets (Lines 1 to 9)	47,583,186	0	47,583,186	44,105,187
11. Title plants less $ ..... charged off (for Title insurers only)			0	0
12. Investment income due and accrued	9,534		9,534	61,332
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection	4,641,502		4,641,502	3,531,316
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including $ ..... earned but unbilled premiums)			0	0
13.3 Accrued retrospective premiums			0	0
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers			0	0
14.2 Funds held by or deposited with reinsured companies			0	0
14.3 Other amounts receivable under reinsurance contracts			0	0
15. Amounts receivable relating to uninsured plans			0	0
16.1 Current federal and foreign income tax recoverable and interest thereon			0	0
16.2 Net deferred tax asset			0	0
17. Guaranty funds receivable or on deposit			0	0
18. Electronic data processing equipment and software			0	0
19. Furniture and equipment, including health care delivery assets ($ .....)			0	0
20. Net adjustment in assets and liabilities due to foreign exchange rates			0	0
21. Receivables from parent, subsidiaries and affiliates	128,321	8,782	119,539	8,782
22. Health care ($ 16,769) and other amounts receivable	16,769	16,769	0	100,000
23. Aggregate write-ins for other than invested assets	0	0	0	0
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	52,379,312	25,551	52,353,761	47,806,617
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			0	0
26. Total (Lines 24 and 25)	52,379,312	25,551	52,353,761	47,806,617
DETAILS OF WRITE-INS				
0901.				
0902.				
0903.				
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0	0	0
0999. Totals (Lines 0901 through 0903 plus 0998)(Line 9 above)	0	0	0	0
2301. Risk Share Receivable			0	0
2302.				
2303.				
2398. Summary of remaining write-ins for Line 23 from overflow page	0	0	0	0
2399. Totals (Lines 2301 through 2303 plus 2398)(Line 23 above)	0	0	0	0

LIABILITIES, CAPITAL AND SURPLUS

	Current Period			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less $ ..... reinsurance ceded)	17,112,658		17,112,658	16,424,922
2. Accrued medical incentive pool and bonus amounts			0	0
3. Unpaid claims adjustment expenses			0	0
4. Aggregate health policy reserves			0	0
5. Aggregate life policy reserves			0	0
6. Property/casualty unearned premium reserve			0	0
7. Aggregate health claim reserves			0	0
8. Premiums received in advance			0	0
9. General expenses due or accrued	376,408		376,408	321,852
10.1 Current federal and foreign income tax payable and interest thereon (including $ ..... on realized gains (losses))	7,210,544		7,210,544	6,461,693
10.2 Net deferred tax liability			0	0
11. Ceded reinsurance premiums payable			0	0
12. Amounts withheld or retained for the account of others			0	0
13. Remittances and items not allocated			0	0
14. Borrowed money (including $ ..... current) and interest thereon $ ..... (including $ ..... current)			0	0
15. Amounts due to parent, subsidiaries and affiliates	345,957		345,957	244,885
16. Payable for securities			0	0
17. Funds held under reinsurance treaties with ($ ..... authorized reinsurers and $ ..... unauthorized reinsurers)			0	0
18. Reinsurance in unauthorized companies			0	0
19. Net adjustments in assets and liabilities due to foreign exchange rates			0	0
20. Liability for amounts held under uninsured plans			0	0
21. Aggregate write-ins for other liabilities (including $ ..... current)	6,564,692	0	6,564,692	5,062,680
22. Total liabilities (Lines 1 to 21)	31,610,259	0	31,610,259	28,516,032
23. Aggregate write-ins for special surplus funds	XXX	XXX	0	0
24. Common capital stock	XXX	XXX	1,000	1,000
25. Preferred capital stock	XXX	XXX		0
26. Gross paid in and contributed surplus	XXX	XXX	12,682,036	12,682,036
27. Surplus notes	XXX	XXX		0
28. Aggregate write-ins for other than special surplus funds	XXX	XXX	0	0
29. Unassigned funds (surplus)	XXX	XXX	8,060,466	6,607,549
30. Less treasury stock, at cost:				
30.1 ..... shares common (value included in Line 24) $ .....)	XXX	XXX		0
30.2 ..... shares preferred (value included in Line 25) $ .....)	XXX	XXX		0
31. Total capital and surplus (Lines 23 to 29 minus Line 30)	XXX	XXX	20,743,502	19,290,585
32. Total liabilities, capital and surplus (Lines 22 and 31)	XXX	XXX	52,353,761	47,806,617
DETAILS OF WRITE-INS				
2101. Premium Tax Payable	952,710		952,710	1,001,169
2102. Unclaimed Property	166,155		166,155	158,444
2103. Payable to State of Tennessee/Risk Share Payable	5,445,827		5,445,827	3,903,067
2198. Summary of remaining write-ins for Line 21 from overflow page	0	0	0	0
2199. Totals (Lines 2101 thru 2103 plus 2198) (Line 21 above)	6,564,692	0	6,564,692	5,062,680
2301.	XXX	XXX		
2302.	XXX	XXX		
2303.	XXX	XXX		
2398. Summary of remaining write-ins for Line 23 from overflow page	XXX	XXX	0	0
2399. Totals (Lines 2301 thru 2303 plus 2398) (Line 23 above)	XXX	XXX	0	0
2801.	XXX	XXX		
2802.	XXX	XXX		
2803.	XXX	XXX		
2898. Summary of remaining write-ins for Line 28 from overflow page	XXX	XXX	0	0
2899. Totals (Lines 2801 thru 2803 plus 2898) (Line 28 above)	XXX	XXX	0	0

STATEMENT OF REVENUE AND EXPENSES

	Current Year To Date		Prior Year To Date
	1 Uncovered	2 Total	3 Total
1. Member Months	XXX	1,784,006	1,830,790
2. Net premium income (including $ ..... non-health premium income)	XXX	49,108,180	48,060,902
3. Change in unearned premium reserves and reserve for rate credits	XXX		0
4. Fee-for-service (net of $ ..... medical expenses)	XXX		0
5. Risk revenue	XXX		0
6. Aggregate write-ins for other health care related revenues	XXX	(1,542,760)	(404,024)
7. Aggregate write-ins for other non-health revenues	XXX	0	0
8. Total revenues (Lines 2 to 7)	XXX	47,565,420	47,656,878
Hospital and Medical:			
9. Hospital/medical benefits		19,377,188	18,694,735
10. Other professional services		21,119,501	19,610,649
11. Outside referrals			0
12. Emergency room and out-of-area			0
13. Prescription drugs			0
14. Aggregate write-ins for other hospital and medical	0	0	0
15. Incentive pool, withhold adjustments and bonus amounts			0
16. Subtotal (Lines 9 to 15)	0	40,496,689	38,305,384
Less:			
17. Net reinsurance recoveries			0
18. Total hospital and medical (Lines 16 minus 17)	0	40,496,689	38,305,384
19. Non-health claims (net)			0
20. Claims adjustment expenses, including $ ..... cost containment expenses		491,082	480,609
21. General administrative expenses		5,050,154	4,992,559
22. Increase in reserves for life and accident and health contracts including $ ..... increase in reserves for life only)			0
23. Total underwriting deductions (Lines 18 through 22)	0	46,037,925	43,778,552
24. Net underwriting gain or (loss) (Lines 8 minus 23)	XXX	1,527,495	3,878,326
25. Net investment income earned		644,102	559,623
26. Net realized capital gains (losses) less capital gains tax of $			0
27. Net investment gains (losses) (Lines 25 plus 26)	0	644,102	559,623
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered $ .....) (amount charged off $ .....)]			0
29. Aggregate write-ins for other income or expenses	0	0	0
30. Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29)	XXX	2,171,597	4,437,949
31. Federal and foreign income taxes incurred	XXX	748,852	1,553,282
32. Net income (loss) (Lines 30 minus 31)	XXX	1,422,745	2,884,667
DETAILS OF WRITE-INS			
0601. Risk Share Revenue	XXX	(1,542,760)	(404,024)
0602.	XXX		
0603.	XXX		
0698. Summary of remaining write-ins for Line 6 from overflow page	XXX	0	0
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above)	XXX	(1,542,760)	(404,024)
0701.	XXX		
0702.	XXX		
0703.	XXX		
0798. Summary of remaining write-ins for Line 7 from overflow page	XXX	0	0
0799. Totals (Lines 0701 thru 0703 plus 0798) (Line 7 above)	XXX	0	0
1401.			
1402.			
1403.			
1498. Summary of remaining write-ins for Line 14 from overflow page	0	0	0
1499. Totals (Lines 1401 thru 1403 plus 1498) (Line 14 above)	0	0	0
2901.			
2902.			
2903.			
2998. Summary of remaining write-ins for Line 29 from overflow page	0	0	0
2999. Totals (Lines 2901 thru 2903 plus 2998) (Line 29 above)	0	0	0

STATEMENT OF REVENUE AND EXPENSES (Continued)

		1 Current Year to Date	2 Prior Year to Date	3 Prior Year
	CAPITAL AND SURPLUS ACCOUNT:			
33.	Capital and surplus prior reporting year	19,290,585	18,517,488	18,517,488
34.	Net income or (loss) from Line 32	1,422,745	2,884,667	11,997,161
35.	Change in valuation basis of aggregate policy and claim reserves		0	0
36.	Change in net unrealized capital gains (losses) less capital gains tax of $		0	0
37.	Change in net unrealized foreign exchange capital gain or (loss)		0	0
38.	Change in net deferred income tax		0	0
39.	Change in nonadmitted assets	30,172	(41,595)	(55,723)
40.	Change in unauthorized reinsurance	0	0	0
41.	Change in treasury stock		0	0
42.	Change in surplus notes	0	0	(11,168,341)
43.	Cumulative effect of changes in accounting principles		0	0
44.	Capital Changes:			
	44.1 Paid in		0	0
	44.2 Transferred from surplus (Stock Dividend)		0	0
	44.3 Transferred to surplus		0	0
45.	Surplus adjustments:			
	45.1 Paid in		0	0
	45.2 Transferred to capital (Stock Dividend)	0	0	0
	45.3 Transferred from capital		0	0
46.	Dividends to stockholders		0	0
47.	Aggregate write-ins for gains or (losses) in surplus	0	0	0
48.	Net change in capital & surplus (Lines 34 to 47)	1,452,917	2,843,072	773,097
49.	Capital and surplus end of reporting period (Line 33 plus 48)	20,743,502	21,360,560	19,290,585
	DETAILS OF WRITE-INS			
4701.				
4702.				
4703.				
4798.	Summary of remaining write-ins for Line 47 from overflow page	0	0	0
4799.	Totals (Lines 4701 thru 4703 plus 4798) (Line 47 above)	0	0	0

CASH FLOW

	1 Current Year To Date	2 Prior Year Ended December 31
Cash from Operations		
1. Premiums collected net of reinsurance	47,997,994	192,550,758
2. Net investment income	696,009	2,333,738
3. Miscellaneous income	0	0
4. Total (Lines 1 to 3)	48,694,003	194,884,496
5. Benefits and loss related payments	40,192,324	161,331,711
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		0
7. Commissions, expenses paid and aggregate write-ins for deductions	5,023,570	20,194,948
8. Dividends paid to policyholders		0
9. Federal and foreign income taxes paid (recovered) net of $ ..... tax on capital gains (losses)	0	5,400,867
10. Total (Lines 5 through 9)	45,215,894	186,927,526
11. Net cash from operations (Line 4 minus Line 10)	3,478,109	7,956,970
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	2,600,000	600,000
12.2 Stocks	0	0
12.3 Mortgage loans	0	0
12.4 Real estate	0	0
12.5 Other invested assets	0	0
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments	0	0
12.7 Miscellaneous proceeds	0	0
12.8 Total investment proceeds (Lines 12.1 to 12.7)	2,600,000	600,000
13. Cost of investments acquired (long-term only):		
13.1 Bonds	2,402,711	0
13.2 Stocks	0	0
13.3 Mortgage loans	0	0
13.4 Real estate	0	0
13.5 Other invested assets	0	0
13.6 Miscellaneous applications	0	0
13.7 Total investments acquired (Lines 13.1 to 13.6)	2,402,711	0
14. Net increase (or decrease) in contract loans and premium notes	0	0
15. Net cash from investments (Line 12.8 minus Line 13.7 and Line 14)	197,289	600,000
Cash from Financing and Miscellaneous Sources		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes	0	(11,168,341)
16.2 Capital and paid in surplus, less treasury stock	0	0
16.3 Borrowed funds	0	0
16.4 Net deposits on deposit-type contracts and other insurance liabilities		0
16.5 Dividends to stockholders	0	0
16.6 Other cash provided (applied)	0	0
17. Net cash from financing and miscellaneous sources (Line 16.1 through Line 16.4 minus Line 16.5 plus Line 16.6)	0	(11,168,341)
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)	3,675,398	(2,611,371)
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	41,505,185	44,116,556
19.2 End of period (Line 18 plus Line 19.1)	45,180,583	41,505,185

Note: Supplemental disclosures of cash flow information for non-cash transactions:

20.0001. Conversion of debt to equity	0	0
20.0002. Assets acquired by assuming directly related liabilities	0	0
20.0003. Exchange of non-cash assets or liabilities	0	0

Tennessee Behavioral Health, Inc. - Middle/West Regions
BHO TennCare Operations Statement of Revenue and Expenses
For the Quarter Ending March 31, 2007
Report 2A

	Current Quarter	Year to Date Total
Member Months	506,739	506,739
Revenues		
TennCare Capitation	15,389,559	15,389,559
Risk Share	(1,542,760)	(1,542,760)
Investment (Interest)	183,569	183,569
Other Revenues	0	0
Total Revenues	14,030,368	14,030,368
Expenses		
Mental Health & Substance Services		
Inpatient Psychiatric Facility services	4,864,508	4,864,508
Inpatient Substance Abuse Treatment and Detox	109,781	109,781
Outpatient Mental Health Services	842,065	842,065
Outpatient Substance Abuse Treatment and Detox	68,147	68,147
Housing/Residential Treatment	789,399	789,399
Specialized Crisis Services	539,294	539,294
Psychiatric Rehab and Support Services	179,903	179,903
Case Management	2,361,543	2,361,543
Forensics		
Other Judicial		
Pharmacy		
Lab Services	(24,845)	(24,845)
Transportation	286,882	286,882
Medical Incentive Pool and Withhold Adjustments		
Occupancy, Depreciation and Amortization		
Other Mental Health and Substance Abuse Services		0
PCP and Specialists Services		
Subtotal	10,016,678	10,016,678
Reinsurance Expense Net of Recoveries		
Less:		
Copayments		
Subrogation		
Coordination of Benefits		
Subtotal		
Total Medical and Substance Abuse	10,016,678	10,016,678
Claim Adjustment Expense	153,896	153,896
Administration [1]		
Rent	19,570	19,570
Salaries and Wages	703,934	703,934
Commissions	2,120	2,120
Contributions for benefit plans for employees		
Payments to employees under non-funded benefit plans		
Other employee welfare		
Legal fees and expenses	8,081	8,081
Medical examination fees		
Utilization management		
Certifications and accreditation	61	61
Auditing, actuarial and other consulting services	85,102	85,102
Traveling expenses	25,680	25,680
Marketing and advertising	16,865	16,865
Postage, express, telegraph and telephone	31,416	31,416
Printing and stationary	60,322	60,322
Occupancy, depreciation and amortization	320,879	320,879
Rental of equipment	498	498
Outsourced services includes EDP, claims, and other services	(566)	(566)
Books and periodicals		
Boards, bureaus and association fees	4,404	4,404
Insurance, except on real estate	0	
Collection and bank service charges	6,020	6,020
Group service and administration fees		
Reimbursements from fiscal intermediaries		
Real estate expenses		
Real estate taxes	374	374
Bad Debt Expense		
Taxes, licenses and fees:		
State and local insurance taxes		
State premium taxes	276,936	276,936
Insurance department licenses and fees		
Payroll taxes		
Other (excluding federal income and real estate taxes)	3,043	3,043
Investment expenses not included elsewhere		
Write-Ins		
Total Administrative Expenses	1,564,738	1,564,738
Total Expenses	11,735,312	11,735,312
Income/(loss) before allocated income taxes	2,295,056	2,295,056
Benefit (provision) for income taxes	(791,425)	(791,425)
Net Income (Loss)	1,503,631	1,503,631

Tennessee Behavioral Health, Inc. - East Region
BHO TennCare Operations Statement of Revenue and Expenses
For the Quarter Ending March 31, 2007
Report 2A

	Current Quarter	Year to Date Total
Member Months	1,277,267	1,277,267
Revenues		
TennCare Capitation	33,718,621	33,718,621
Risk Share	0	0
Investment (Interest)	460,533	460,533
Other Revenues	0	0
Total Revenues	34,179,154	34,179,154
Expenses		
Mental Health & Substance Services		
Inpatient Psychiatric Facility services	8,789,382	8,789,382
Inpatient Substance Abuse Treatment and Detox	447,886	447,886
Outpatient Mental Health Services	7,933,741	7,933,741
Outpatient Substance Abuse Treatment and Detox	642,214	642,214
Housing/Residential Treatment	3,437,991	3,437,991
Specialized Crisis Services	1,239,339	1,239,339
Psychiatric Rehab and Support Services	413,430	413,430
Case Management	6,600,475	6,600,475
Forensics		
Other Judicial		
Pharmacy		
Lab Services	49,503	49,503
Transportation	926,051	926,051
Medical Incentive Pool and Withhold Adjustments		
Occupancy, Depreciation and Amortization		
Other Mental Health and Substance Abuse Services	0	0
PCP and Specialists Services		
Subtotal	30,480,011	30,480,011
Reinsurance Expense Net of Recoveries		
Less:		
Copayments		
Subrogation		
Coordination of Benefits		
Subtotal		
Total Medical and Substance Abuse	30,480,011	30,480,011
Claim Adjustment Expense	337,186	337,186
Administration [1]		
Rent	42,879	42,879
Salaries and Wages	1,542,325	1,542,325
Commissions	4,644	4,644
Contributions for benefit plans for employees		
Payments to employees under non-funded benefit plans		
Other employee welfare		
Legal fees and expenses	17,706	17,706
Medical examination fees		
Utilization management		
Certifications and accreditation	133	133
Auditing, actuarial and other consulting services	189,277	189,277
Traveling expenses	56,266	56,266
Marketing and advertising	36,952	36,952
Postage, express, telegraph and telephone	68,833	68,833
Printing and stationary	118,482	118,482
Occupancy, depreciation and amortization	703,047	703,047
Rental of equipment	1,092	1,092
Outsourced services includes EDP, claims, and other services	(1,240)	(1,240)
Books and periodicals		
Boards, bureaus and association fees	9,210	9,210
Insurance, except on real estate		
Collection and bank service charges	13,953	13,953
Group service and administration fees		
Reimbursements from fiscal intermediaries		
Real estate expenses		
Real estate taxes	819	819
Bad Debt Expense		
Taxes, licenses and fees:		
State and local insurance taxes		
State premium taxes	674,372	674,372
Insurance department licenses and fees		
Payroll taxes		
Other (excluding federal income and real estate taxes)	6,668	6,668
Investment expenses not included elsewhere		
Write-Ins		
Total Administrative Expenses	3,485,416	3,485,416
Total Expenses	34,302,613	34,302,613
Income/(loss) before allocated income taxes	(123,459)	(123,459)
Benefit (provision) for income taxes	42,574	42,574
Net Income (Loss)	(80,886)	(80,886)

[1] The ASO fee Administration expense breakout is assumed based upon current sub-contractor's expenses.

EXHIBIT OF PREMIUMS, ENROLLMENT AND UTILIZATION

	1	Comprehensive (Hospital & Medical)		4	5	6	7	8	9	10
	Total	2 Individual	3 Group	Medicare Supplement	Vision Only	Dental Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Other
Total Members at end of:										
1. Prior Year	595,458	0	0	0	0	0	0	0	595,458	0
2 First Quarter	594,700								594,700	
3 Second Quarter	0									
4. Third Quarter	0									
5. Current Year	0									
6 Current Year Member Months	1,784,006								1,784,006	
Total Member Ambulatory Encounters for Period:										
7. Physician	66,226								66,226	
8. Non-Physician	236,601								236,601	
9. Total	302,827	0	0	0	0	0	0	0	302,827	0
10. Hospital Patient Days Incurred	44,031								44,031	
11. Number of Inpatient Admissions	3,586								3,586	
12. Health Premiums Written	49,108,180								49,108,180	
13. Life Premiums Direct	0									
14. Property/Casualty Premiums Written	0									
15. Health Premiums Earned	49,108,180								49,108,180	
16. Property/Casualty Premiums Earned	0									
17. Amount Paid for Provision of Health Care Services	39,808,953								39,808,953	
18. Amount Incurred for Provision of Health Care Services	40,496,689								40,496,689	

(a) For health premiums written: amount of Medicare Title XVIII exempt from state taxes or fees $ .....

CLAIMS UNPAID AND INCENTIVE POOL, WITHHOLD AND BONUS (Reported and Unreported)

Aging Analysis of Unpaid Claims

1 Account	2 1 - 30 Days	3 31 - 60 Days	4 61 - 90 Days	5 91 - 120 Days	6 Over 120 Days	7 Total
Claims Unpaid (Reported)						
0199999 Individually Listed Claims Unpaid	0	0	0	0	0	0
0299999 Aggregate Accounts Not Individually Listed-Uncovered						0
0399999 Aggregate Accounts Not Individually Listed-Covered						0
0499999 Subtotals	0	0	0	0	0	0
0599999 Unreported Claims and Other Claim Reserves	XXX	XXX	XXX	XXX	XXX	17,112,658
0699999 Total Amounts Withheld	XXX	XXX	XXX	XXX	XXX	
0799999 Total Claims Unpaid	XXX	XXX	XXX	XXX	XXX	17,112,658
0899999 Accrued Medical Incentive Pool and Bonus Amounts	XXX	XXX	XXX	XXX	XXX	

UNDERWRITING AND INVESTMENT EXHIBIT

ANALYSIS OF CLAIMS UNPAID - PRIOR YEAR - NET OF REINSURANCE

Line of Business	Claims Paid Year to Date		Liability End of Current Quarter		5	6
	1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred During the Year	3 On Claims Unpaid Dec. 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 Dec. 31 of Prior Year
1. Comprehensive (hospital & medical)					0	0
2. Medicare Supplement					0	0
3. Dental Only					0	0
4. Vision Only					0	0
5. Federal Employees Health Benefits Plan					0	0
6. Title XVIII - Medicare					0	0
7. Title XIX - Medicaid	10,997,447	28,811,506	3,405,704	13,706,954	14,403,151	16,424,922
8. Other Health					0	0
9. Health Subtotal (Lines 1 to 8)	10,997,447	28,811,506	3,405,704	13,706,954	14,403,151	16,424,922
10. Healthcare receivables (a)					0	0
11. Other non-health					0	0
12. Medical incentive pools and bonus amounts					0	0
13. Totals	10,997,447	28,811,506	3,405,704	13,706,954	14,403,151	16,424,922

(a) Excludes $ ..... loans and advances to providers not yet expensed.

NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

A. Accounting Practices – The accompanying financial statements of Tennessee Behavioral Health, Inc. ("TBH" or the "Company") have been prepared in conformity with the National Association of Insurance Commissioners (NAIC) Annual Statement Instructions, the NAIC Accounting Practices and Procedures Manual and the accounting practices prescribed or permitted by the State of Tennessee Department of Commerce and Insurance, which represents a comprehensive basis of accounting other than generally accepted accounting principles (GAAP).
B. Use of Estimates in the Preparation of the Financial Statements – No significant change.
C. Accounting Policy – No significant change.

Note 2 - Accounting Changes and Corrections of Errors

A. Material changes in accounting principles and/or correction of errors - No significant change.

Note 3 - Business Combinations and Goodwill

A. Statutory Purchase Method - No significant change.
B. Statutory Merger - No significant change.
C. Assumption Reinsurance - No significant change.
D. Impairment Loss - No significant change.

Note 4 - Discontinued Operations

No significant change.

Note 5 - Investments

A. Mortgage Loan, including Mezzanine Real Estate Loans - No significant change.
B. Debt Restructuring – No significant change.
C. Reverse Mortgages – No significant change.
D. Loan Backed Securities – No significant change.
E. Repurchase Agreements – No significant change.
F. Real Estate – No significant change.

Note 6 - Joint Ventures, Partnerships and Limited Liability Companies

A. Investments in Joint Ventures, Partnerships, and Limited Liability Companies that exceed 10% of the admitted assets of the insurer - No significant change.
B. Impaired Investments in Joint Ventures, Partnerships, and Limited Liability Companies – No significant change.

Note 7 - Investment Income

A. Bases, by category of investment income, for excluding (nonadmitting) any investment income due and accrued - No significant change.
B. The total amount excluded was $0.

Note 8 - Derivative Instruments

A. Market risk, credit risk and cash requirements of the derivative - No significant change.
B. Objectives for using derivatives – No significant change.
C. Accounting policies for recognizing and measuring derivatives used – No significant change.
D. Net gain or loss recognized in unrealized gains and losses during the reporting period representing the component of the derivative instruments gain of loss – No significant change.
E. Net gain or loss recognized in unrealized gains and losses during the reporting period resulting from derivatives that no longer qualify for hedge accounting – No significant change.
F. Derivatives accounted for as cash flow hedges of a forecasted transaction – No significant change.

Note 9 - Income Taxes

A. Components of the net deferred tax asset or deferred tax liability – No significant change.
B. Deferred tax liabilities that are not recognized - No significant change
C. Components of current income taxes incurred – No significant change.
D. Significant book to tax adjustments - No significant change
E.
    1. Amounts, origination dates and expiration dates of operating loss and tax credit carry forward amounts available for tax purposes – No significant change.
    2. Amount of federal income taxes incurred in current year that are available for recoupment in the even of future net loss – No significant change.

NOTES TO FINANCIAL STATEMENTS

F. Consolidated federal income tax
   1. For federal income tax reporting purposes, the Company's operations are included in Magellan Health Services, Inc.'s (Magellan's) consolidated federal tax returns. The Company files a separate state income tax return.
   2. The Company maintains federal tax sharing arrangements with Magellan. Through these arrangements, Magellan has allocated $748,852 of provision for income tax for the three months ended March 31, 2007. The current arrangement calls for an allocation based on Magellan's effective tax rate before reflecting the allocation and after effecting for permanent differences. This amount is included in the accompanying statement of revenue and expenses. Income taxes receivable and payable are included in due to affiliates in the accompanying statement of liabilities, capital and surplus.

Note 10 - Information Concerning Parent, Subsidiaries and Affiliates

A. Nature of relationship - The Company is a wholly owned subsidiary of Magellan Behavioral Health, Inc., which is directly owned by Magellan. The company holds no investments in any affiliated companies and makes no guarantees nor does it partake in any undertaking for the benefit of any affiliate.
B. Description of transactions – No significant change.
C. Dollar amount of transactions – The Company paid $4,419,736 in management fees to the parent for the three months ended March 31, 2007.
D. Amounts due to/from relates parties – Balances as of March 31, 2007
   a. Due from Magellan - $69,538
   b. Due to Advocare – ($345,957)
   c. Due from Premier – $50,000
E. Guarantees or undertakings for benefit of affiliate – No significant change
F. Material management or service contracts and cost sharing arrangements with related parties – No significant change.
G. Common ownership or control – No significant change.
H. No significant change
I. Investment in SCA that exceeds 10% - No significant change.
J. Investments in impaired SCA entities – No significant change.
K. Investment in a foreign insurance subsidiary – No significant change.

Note 11 - Debt

No significant change.

Note 12 - Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans

A. Defined Benefit Plan - No significant change.
B. Defined Contribution Plans – No significant change.
C. Multiemployer Plan – No significant change.
D. Consolidated/Holding Company plans – No significant change
E. Post-employment Benefits and Compensated Absences – No significant change.

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

(1) – (9) No significant change.
(10) Surplus Notes – No significant change.

Note 14 - Contingencies

A. Contingent Commitments - No significant change.
B. Assessments – No significant change.
C. Gain contingencies – No significant change.
D. All Other contingencies – No significant change.

Note 15 - Leases

A. Lessee Operating Lease - No significant change.
B. Lessor Leases and Leveraged Leases – No significant change.

Note 16 - Information About Financial Instruments With Off-Balance Sheet Risk and Financial Instruments With Concentrations of Credit Risk

No significant change.

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

NOTES TO FINANCIAL STATEMENTS

A. Transfers of Receivables reported as Sales - No significant change.
B. Transfer and Servicing of Financial Assets – No significant change
C. Wash Sales – The Company has not engaged in any Wash Sales during the current calendar year.

Note 18 - Gain or Loss to the Reporting Entity from Uninsured Plans and the Uninsured Portion of Partially Insured Plans

A. ASO Plans - No significant change.
B. ASC Plans – No significant change.
C. Medicare of Similarly Structured Cost Based Reimbursement contract – No significant change.

Note 19 - Direct Premium Written/Produced by Managing General Agents/Third Party Administrators

No significant change.

Note 20 - September 11 Events

No significant change.

Note 21 - Other Items

A. Extraordinary items - No significant change.
B. Troubled Debt Restructuring: Debtor - No significant change.
C. Other Disclosures – None
D. Uncollectible balance for assets covered under SSAP No. 6, SSAP No. 47, and SSAP No. 66 – No significant change
E. Business Interruption Insurance Recoveries – No significant change.
F. Additional disclosures for Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Plans – No significant change.

Note 22 - Events Subsequent

On April 1, 2007, primarily all of the Company's membership in the Middle Grand Region has been reassigned to managed care companies in accordance with the contract awards by TennCare pursuant to its Request for Proposals for the management of the integrated delivery of behavioral and physical medical care to these enrollees.

Note 23 - Reinsurance

A. Ceded Reinsurance Report - No significant change.
B. Uncollectible Reinsurance – No significant change
C. Commutation of Ceded Reinsurance – No significant change.

Note 24 - Retrospectively Rated Contracts & Contracts Subject to Redetermination

A. Method used by the reporting entity to estimate accrued retrospective premium adjustments - No significant change.
B. Amount of net premiums that are subject to retrospective rating features – No significant change.

Note 25 - Change in Incurred Losses and Loss Adjustment Expenses

No significant change.

Note 26 - Intercompany Pooling Arrangements

No significant change.

Note 27 - Structured Settlements

No significant change.

Note 28 - Health Care Receivables

A. Pharmaceutical Rebate Receivables - No significant change.
B. Risk Sharing Receivables – No significant change.

Note 29 - Participating Policies

A. Relative percentage of participating insurance - No significant change.
B. Method of accounting for policyholder dividends – No significant change

NOTES TO FINANCIAL STATEMENTS

C. Amount of dividends – No significant change.
D. Amount of any additional income allocated to participating policyholders – No significant change.

Note 30 - Premium Deficiency Reserves

No significant change.

Note 31 - Anticipated Salvage and Subrogation

No significant change.

GENERAL INTERROGATORIES

(Responses to these interrogatories should be based on changes that have occurred since the prior year end unless otherwise noted.)

PART 1 - COMMON INTERROGATORIES
GENERAL

1.1 Did the reporting entity experience any material transactions requiring the filing of Disclosure of Material Transactions with the State of Domicile, as required by the Model Act? ..... Yes [ ] No [X]

1.2 If yes, has the report been filed with the domiciliary state? ..... Yes [ ] No [ ]

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: .....

If not previously filed, furnish herewith a certified copy of the instrument as amended.

3. Have there been any substantial changes in the organizational chart since the prior quarter end? ..... Yes [ ] No [X]

If yes, complete the Schedule Y - Part 1 - organizational chart.

4.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? ..... Yes [ ] No [X]

4.2 If yes, provide the name of 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

5. If the reporting entity is subject to a management agreement, including third-party administrator(s), managing general agent(s), attorney-in-fact, or similar agreement, have there been any significant changes regarding the terms of the agreement or principals involved? ..... Yes [ ] No [X] NA [ ]

If yes, attach an explanation.

6.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 06/30/2006

6.2 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. 06/30/2004

6.3 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). 08/26/2005

6.4 By what department or departments?

Tennessee Department of Commerce and Insurance.....

7.1 Has this 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]

7.2 If yes, give full information:

.....

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 below the names and location (city and state of the main office) of any affiliates regulated by a federal 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

GENERAL INTERROGATORIES

9.1 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.

9.11 If the response to 9.1 is No, please explain:

9.2 Has the code of ethics for senior managers been amended? Yes [ ] No [X]

9.21 If the response to 9.2 is Yes, provide information related to amendment(s).

9.3 Have any provisions of the code of ethics been waived for any of the specified officers? Yes [ ] No [X]

9.31 If the response to 9.3 is Yes, provide the nature of any waiver(s).

FINANCIAL

10.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes [X] No [ ]

10.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: $ 119,539

INVESTMENT

11.1 Has there been any change in the reporting entity's own preferred or common stock? Yes [ ] No [X]

11.2 If yes, explain:

12.1 Were any of the stocks, bonds, or other assets of the reporting entity loaned, placed under option agreement, or otherwise made available for use by another person? (Exclude securities under securities lending agreements.) Yes [ ] No [X]

12.2 If yes, give full and complete information relating thereto:

13. Amount of real estate and mortgages held in other invested assets in Schedule BA: $ 0

14. Amount of real estate and mortgages held in short-term investments: $ 0

15.1 Does the reporting entity have any investments in parent, subsidiaries and affiliates? Yes [ ] No [X]

15.2 If yes, please complete the following:

	1 Prior Year-End Book/Adjusted Carrying Value	2 Current Quarter Book/Adjusted Carrying Value
15.21 Bonds	$	$
15.22 Preferred Stock	$	$
15.23 Common Stock	$	$
15.24 Short-Term Investments	$	$
15.25 Mortgage Loans on Real Estate	$	$
15.26 All Other	$	$
15.27 Total Investment in Parent, Subsidiaries and Affiliates (Subtotal Lines 15.21 to 15.26)	$ 0	$ 0
15.28 Total Investment in Parent included in Lines 15.21 to 15.26 above	$	$

16.1 Has the reporting entity entered into any hedging transactions reported on Schedule DB? Yes [ ] No [X]

16.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes [ ] No [ ]
If no, attach a description with this statement.

GENERAL INTERROGATORIES

17. Excluding items in Schedule E, 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 Part 1 - General, Section IV.H - Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? ..... Yes [X] No [ ]

17.1 For all agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1 Name of Custodian(s)	2 Custodian Address
US Bank	150 4th Avenue, 2nd Floor, Nashville, TN 37219

17.2 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)

17.3 Have there been any changes, including name changes in the custodian(s) identified in 17.1 during the current quarter? ..... Yes [ ] No [X]

17.4 If yes, give full and complete information relating thereto:

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

17.5 Identify all investment advisors, brokers/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	2 Name(s)	3 Address

18.1 Have all the filing requirements of the *Purposes and Procedures Manual* of the NAIC Securities Valuation Office been followed? ..... Yes [X] No [ ]

18.2 If no, list exceptions:

.....

SCHEDULE A - VERIFICATION

Real Estate

NONE

	1 Year to Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year	0	0
2. Increase (decrease) by adjustment		0
3. Cost of acquired		0
4. Cost of additions to and permanent improvements		0
5. Total profit (loss) on sales		0
6. Increase (decrease) by foreign exchange adjustment		0
7. Amount received on sales		0
8. Book/adjusted carrying value at end of current period	0	0
9. Total valuation allowance		0
10. Subtotal (Lines 8 plus 9)	0	0
11. Total nonadmitted amounts		0
12. Statement value, current period (Page 2, real estate lines, Net Admitted Assets column)	0	0

SCHEDULE B – VERIFICATION

Mortgage Loans

NONE

	1 Year to Date	2 Prior Year Ended December 31
1. Book value/recorded investment excluding accrued interest on mortgages owned, December 31 of prior year	0	0
2. Amount loaned during period:		
2.1. Actual cost at time of acquisitions		0
2.2. Additional investment made after acquisitions		0
3. Accrual of discount and mortgage interest points and commitment fees		0
4. Increase (decrease) by adjustment		0
5. Total profit (loss) on sale		0
6. Amounts paid on account or in full during the period		0
7. Amortization of premium		0
8. Increase (decrease) by foreign exchange adjustment		0
9. Book value/recorded investment excluding accrued interest on mortgages owned at end of current period	0	0
10. Total valuation allowance		0
11. Subtotal (Lines 9 plus 10)	0	0
12. Total nonadmitted amounts		0
13. Statement value of mortgages owned at end of current period (Page 2, mortgage lines, Net Admitted Assets column)	0	0

SCHEDULE BA – VERIFICATION

Other Invested Assets

NONE

	1 Year to Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value of long-term invested assets owned December 31 of prior year	0	0
2. Cost of acquisitions during period:		
2.1. Actual cost at time of acquisitions		0
2.2. Additional investment made after acquisitions		0
3. Accrual of discount		0
4. Increase (decrease) by adjustment		0
5. Total profit (loss) on sale		0
6. Amounts paid on account or in full during the period		0
7. Amortization of premium		0
8. Increase (decrease) by foreign exchange adjustment		0
9. Book/adjusted carrying value of long-term invested assets at end of current period	0	0
10. Total valuation allowance		0
11. Subtotal (Lines 9 plus 10)	0	0
12. Total nonadmitted amounts		0
13. Statement value of long-term invested assets at end of current period (Page 2, Line 7, Column 3)	0	0

SCHEDULE D – VERIFICATION

Bonds and Stocks

	1 Year to Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value of bonds and stocks, December 31 of prior year	2,600,002	3,201,199
2. Cost of bonds and stocks acquired	2,402,711	0
3. Accrual of discount		0
4. Increase (decrease) by adjustment		0
5. Increase (decrease) by foreign exchange adjustment		0
6. Total profit (loss) on disposal		0
7. Consideration for bonds and stocks disposed of	2,600,000	600,000
8. Amortization of premium	110	1,197
9. Book/adjusted carrying value, current period	2,402,603	2,600,002
10. Total valuation allowance		0
11. Subtotal (Lines 9 plus 10)	2,402,603	2,600,002
12. Total nonadmitted amounts		0
13. Statement value	2,402,603	2,600,002

SCHEDULE D - PART 1B

Showing the Acquisitions, Dispositions and Non-Trading Activity
During the Current Quarter for all Bonds and Preferred Stock by Rating Class

	1 Book/Adjusted Carrying Value Beginning of Current Quarter	2 Acquisitions During Current Quarter	3 Dispositions During Current Quarter	4 Non-Trading Activity During Current Quarter	5 Book/Adjusted Carrying Value End of First Quarter	6 Book/Adjusted Carrying Value End of Second Quarter	7 Book/Adjusted Carrying Value End of Third Quarter	8 Book/Adjusted Carrying Value December 31 Prior Year
BONDS								
1. Class 1	2,600,002	2,402,711	2,600,000	(110)	2,402,603	0	0	2,600,002
2. Class 2	0				0	0	0	0
3. Class 3	0				0	0	0	0
4. Class 4	0				0	0	0	0
5. Class 5	0				0	0	0	0
6. Class 6	0				0	0	0	0
7. Total Bonds	2,600,002	2,402,711	2,600,000	(110)	2,402,603	0	0	2,600,002
PREFERRED STOCK								
8. Class 1	0				0	0	0	0
9. Class 2	0				0	0	0	0
10. Class 3	0				0	0	0	0
11. Class 4	0				0	0	0	0
12. Class 5	0				0	0	0	0
13. Class 6	0				0	0	0	0
14. Total Preferred Stock	0	0	0	0	0	0	0	0
15. Total Bonds and Preferred Stock	2,600,002	2,402,711	2,600,000	(110)	2,402,603	0	0	2,600,002

Schedule DA - Part 1

NONE

Schedule DA - Part 2

NONE

Schedule DB - Part F - Section 1

NONE

Schedule DB - Part F - Section 2

NONE

Schedule S

NONE

SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS

Current Year to Date - Allocated by States and Territories

	1	Direct Business Only							
		2	3	4	5	6	7	8	9
States, Etc.	Is Insurer Licensed (Yes or No)	Accident & Health Premiums	Medicare Title XVIII	Medicaid Title XIX	Federal Employees Health Benefit Program Premiums	Life & Annuity Premiums & Other Considerations	Property/ Casualty Premiums	Total Columns 2 Through 7	Deposit-Type Contracts
1. Alabama AL	No							0	
2. Alaska AK	No							0	
3. Arizona AZ	No							0	
4. Arkansas AR	No							0	
5. California CA	No							0	
6. Colorado CO	No							0	
7. Connecticut CT	No							0	
8. Delaware DE	No							0	
9. District of Columbia DC	No							0	
10. Florida FL	No							0	
11. Georgia GA	No							0	
12. Hawaii HI	No							0	
13. Idaho ID	No							0	
14. Illinois IL	No							0	
15. Indiana IN	No							0	
16. Iowa IA	No							0	
17. Kansas KS	No							0	
18. Kentucky KY	No							0	
19. Louisiana LA	No							0	
20. Maine ME	No							0	
21. Maryland MD	No							0	
22. Massachusetts MA	No							0	
23. Michigan MI	No							0	
24. Minnesota MN	No							0	
25. Mississippi MS	No							0	
26. Missouri MO	No							0	
27. Montana MT	No							0	
28. Nebraska NE	No							0	
29. Nevada NV	No							0	
30. New Hampshire NH	No							0	
31. New Jersey NJ	No							0	
32. New Mexico NM	No							0	
33. New York NY	No							0	
34. North Carolina NC	No							0	
35. North Dakota ND	No							0	
36. Ohio OH	No							0	
37. Oklahoma OK	No							0	
38. Oregon OR	No							0	
39. Pennsylvania PA	No							0	
40. Rhode Island RI	No							0	
41. South Carolina SC	No							0	
42. South Dakota SD	No							0	
43. Tennessee TN	Yes			49,108,180				49,108,180	
44. Texas TX	No							0	
45. Utah UT	No							0	
46. Vermont VT	No							0	
47. Virginia VA	No							0	
48. Washington WA	No							0	
49. West Virginia WV	No							0	
50. Wisconsin WI	No							0	
51. Wyoming WY	No							0	
52. American Samoa AS	No							0	
53. Guam GU	No							0	
54. Puerto Rico PR	No							0	
55. U.S. Virgin Islands VI	No							0	
56. Northern Mariana Islands MP								0	
57. Canada CN								0	
58. Aggregate Other Alien OT	XXX	0	0	0	0	0	0	0	0
59. Subtotal	XXX	0	0	49,108,180	0	0	0	49,108,180	0
60. Reporting entity contributions for Employee Benefit Plans	XXX							0	
61. Total (Direct Business)	(a) 1	0	0	49,108,180	0	0	0	49,108,180	0
DETAILS OF WRITE-INS									
5801.	XXX								
5802.	XXX								
5803.	XXX								
5898. Summary of remaining write-ins for Line 58 from overflow page	XXX	0	0	0	0	0	0	0	0
5899. Totals (Lines 5801 through 5803 plus 5898) (Line 58 above)	XXX	0	0	0	0	0	0	0	0

(a) Insert the number of yes responses except for Canada and other Alien.

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

SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

The following supplemental reports are required to be filed as part of your statement filing. However, in the event that your company does not transact the type of business for which the special report must be filed, your response of **NO** to the specific interrogatory will be accepted in lieu of filing a "NONE" report and a bar code will be printed below. If the supplemental is required of your company but is not being filed for whatever reason enter **SEE EXPLANATION** and provide an explanation following the interrogatory questions.

	RESPONSE
1. Will the Medicare Part D Coverage Statement be filed with the state of domicile and the NAIC with this statement?	NO

Explanation:

1.

Bar Code:

1. 9 5 7 8 0 2 0 0 7 3 6 5 0 0 0 0 1

OVERFLOW PAGE FOR WRITE-INS

Schedule A - Part 2

NONE

Schedule A - Part 3

NONE

Schedule B - Part 1

NONE

Schedule B - Part 2

NONE

Schedule BA - Part 1

NONE

Schedule BA - Part 2

NONE

SCHEDULE D - PART 3

Show All Long-Term Bonds and Stock Acquired by the Company During the Current Quarter

1 CUSIP Identification	2 Description	3 Foreign	4 Date Acquired	5 Name of Vendor	6 Number of Shares of Stock	7 Actual Cost	8 Par Value	9 Paid for Accrued Interest and Dividends	10 NAIC Designation or Market Indicator [a]
31331X-R5-3	Federal Farm Credit Bank Bond		03/02/2007	US Bank		2,402,711	2,400,000	0	1
0399999 - Total - Bonds - U.S. Government						2,402,711	2,400,000		XXX
6099997 - Total - Bonds - Part 3						2,402,711	2,400,000		XXX
6099999 - Total - Bonds						2,402,711	2,400,000	0	XXX
6599999 - Total - Preferred Stocks						0	XXX	0	XXX
7299999 - Total - Common Stocks						0	XXX	0	XXX
7399999 - Total - Preferred and Common Stocks						0	XXX	0	XXX
7499999 - Totals						2,402,711	XXX	0	XXX

(a) For all common stock bearing the NAIC market indicator "U" provide: the number of such issues .....

SCHEDULE D - PART 4

Show All Long-Term Bonds and Stock Sold, Redeemed or Otherwise Disposed of by the Company During the Current Quarter

1	2	3	4	5	6	7	8	9	10	Change in Book/Adjusted Carrying Value					16	17	18	19	20	21	22
										11	12	13	14	15							
CUSIP Identi-fication	Description	Foreign	Disposal Date	Name of Purchaser	Number of Shares of Stock	Consideration	Par Value	Actual Cost	Prior Year Book/Adjusted Carrying Value	Unrealized Valuation Increase/ (Decrease)	Current Year's (Amortization)/ Accretion	Current Year's Other Than Temporary Impairment Recognized	Total Change in B./A.C.V. (11 + 12 - 13)	Total Foreign Exchange Change in B./A.C.V.	Book/ Adjusted Carrying Value at Disposal Date	Foreign Exchange Gain (Loss) on Disposal	Realized Gain (Loss) on Disposal	Total Gain (Loss) on Disposal	Bond Interest/Stock Dividends Received During Year	Maturity Date	NAIC Desig-nation or Market Indicator (a)
31359M-LU-5	FNMA Note		01/02/2007	Matured		2,600,000	2,600,000	2,600,598	2,600,002		(2)		(2)		2,600,000		0	0	61,750	01/02/2007	1
0399999 - Bonds - U.S. Governments						2,600,000	2,600,000	2,600,598	2,600,002		(2)		(2)		2,600,000				61,750	XXX	XXX
6099997 - Bonds - Part 4						2,600,000	2,600,000	2,600,598	2,600,002		(2)		(2)		2,600,000				61,750	XXX	XXX
6099999 - Total - Bonds						2,600,000	2,600,000	2,600,598	2,600,002	0	(2)	0	(2)	0	2,600,000	0	0	0	61,750	XXX	XXX
6599999 - Total - Preferred Stocks						0	XXX	0	0	0	0	0	0	0	0	0	0	0	0	XXX	XXX
7299999 - Total - Common Stocks						0	XXX	0	0	0	0	0	0	0	0	0	0	0	0	XXX	XXX
7399999 - Total - Preferred and Common Stocks						0	XXX	0	0	0	0	0	0	0	0	0	0	0	0	XXX	XXX
7499999 Totals						2,600,000	XXX	2,600,598	2,600,002	0	(2)	0	(2)	0	2,600,000	0	0	0	61,750	XXX	XXX

(a) For all common stock bearing the NAIC market indicator "U" provide: the number of such issues .....

Schedule DB - Part A - Section 1

NONE

Schedule DB - Part B - Section 1

NONE

Schedule DB - Part C - Section 1

NONE

Schedule DB - Part D - Section 1

NONE

SCHEDULE E - PART 1 - CASH

Month End Depository Balances

1	2	3	4	5	Book Balance at End of Each Month During Current Quarter			9
					6	7	8	
Depository	Code	Rate of Interest	Amount of Interest Received During Current Quarter	Amount of Interest Accrued at Current Statement Date	First Month	Second Month	Third Month	*
US Bank			634,258	0	44,235,709	44,358,493	45,180,583	XXX
0199998 Deposits in ..... depositories that do not exceed the allowable limit in any one depository (see Instructions) - Open Depositories	XXX	XXX						XXX
0199999 Totals - Open Depositories	XXX	XXX	634,258		44,235,709	44,358,493	45,180,583	XXX
0399999 Total Cash on Deposit	XXX	XXX	634,258		44,235,709	44,358,493	45,180,583	XXX
0499999 Cash in Company's Office	XXX	XXX	XXX	XXX				XXX
0599999 Total	XXX	XXX	634,258		44,235,709	44,358,493	45,180,583	XXX

Accident and Health Premiums Due and Unpaid

Individually list all debtors with account balances the greater of 10% of gross Premiums Receivable or $5,000

Name of Debtor	Not Currently Due	1 1-30 Days	2 31-60 Days	3 61-90 Days	4 Over 90 Days	5 Nonadmitted	6 Admitted
INDIVIDUALLY LIST ASSETS							
State of Tennessee-Capitiation Fee W/H	-	2,289,972	870,404	561,090	920,036	-	4,641,502 -
Subtotal-Individually Listed Receivables 0199999	-	2,289,972	870,404	561,090	920,036	-	4,641,502
Subtotal-Receivables not Listed Individually 0299999							
Subtotal-Gross Premium Receivable 0399999	-	2,289,972	870,404	561,090	920,036	-	4,641,502
Less-Allowance for Doubtful Accounts 0499999							
Total Premiums Receivable (Page 2, Line 12. 0599999	-	2,289,972	870,404	561,090	920,036		4,641,502

HEALTH CARE RECEIVABLES

Individually list all debtors with account balances greater of 10% of gross Health Care Receivables of $5,000.

	1	2	3	4	5	6
Name of Debtor	1-30 Days	31-60 Days	61-90 Days	Over 90 Days	Nonadmitted	Admitted
Quinco CMHC	-	-	-	16,769	16,769	-
0199999 Individually Listed Receivables	-	-	-	16,769	16,769	-
0299999 Receivables Not Individually Listed						
0399999 Gross Health Care Receivable	-	-	-	16,769	16,769	-
0499999 Less Allowance for Doubtful Accounts						
0599999 Health Care Receivables (Page 2, Line 21)				16,769	16,769	-

Amounts due from Parent, Subsidiaries and Affiliates

Name of Debtor	1 1-30 Days	2 31-60 Days	3 61-90 Days	4 Over 90 Days	5 Nonadmitted	6 Admitted Current	7 Non-Current
Magellan Health Services	-	-	78,321	-	8,782	69,539	-
Premier Behavioral Systems	50,000	-	-	-	-	50,000	-
	50,000	-	78,321	-	8,782	119,539	-
0199999 Gross Amounts Due from Affiliates	50,000	-	78,321	-	8,782	119,539	
0399999 Amounts Due from Affiliates	50,000		78,321	-	8,782	119,539	-

Amounts due to Parent, Subsidiaries and Affiliates

Name of Creditor	1 Description	2 Amount	3 Current	4 Non-Current
AdvoCare of Tennessee		345,957	345,957	-
		345,957	345,957	-
0199999 Gross Amounts Due to Affiliates	#REF!	345,957	345,957	-
0399999 Amounts Due to Affiliates		345,957	345,957	-

SCHEDULE E - PART 2 CASH EQUIVALENTS

Showing Investments Owned End of Current Quarter

1 Description	2 Code	3 Date Acquired	4 Rate of Interest	5 Maturity Date	6 Book/Adjusted Carrying Value	7 Amount of Interest Due and Accrued	8 Gross Investment Income
0199999 Total Cash Equivalents							

NONE