00000200820100105 (NAIC code not entered) 2008 Document Code: 201

ANNUAL STATEMENT

For the Year Ending December 31, 2008

OF THE CONDITION AND AFFAIRS OF THE

Volunteer State Health Plan, Inc.

NAIC Group Code 0000 (Current Period), 0000 (Prior Period) NAIC Company Code _____ Employer's ID Number 62-1656610

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

Country of Domicile United States of America

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

Incorporated/Organized 07/11/1996 Commenced Business 11/01/1996

Statutory Home Office 801 Pine Street (Street and Number), Chattanooga, TN 37402 (City or Town, State and Zip Code)

Main Administrative Office 801 Pine Street (Street and Number)
Chattanooga, TN 37402 (City or Town, State and Zip Code) (423)535-5600 (Area Code) (Telephone Number)

Mail Address 801 Pine Street (Street and Number or P.O. Box), Chattanooga, TN 37402 (City or Town, State and Zip Code)

Primary Location of Books and Records 801 Pine Street (Street and Number)
Chattanooga, TN 37402 (City or Town, State and Zip Code) (423)535-5600 (Area Code) (Telephone Number)

Internet Website Address www.vshptn.com

Statutory Statement Contact Dana Elaine Hull (Name) (423)535-7919 (Area Code)(Telephone Number)(Extension)
Dana_Hull@BCBST.com (E-Mail Address) (423)535-8331 (Fax Number)

OFFICERS

Name	Title	
Vicky Brown Gregg	Chairman	
Sonya Kay Nelson	President & CEO	
Steven Lee Coulter MD	Managing Director	
Robert Stanley DeMerritt	Chief Financial Officer	#
Albert Irving Koehler	Chief Operating Officer	#
Daniel Paul Timblin	Treasurer	#
Alaine Marie Zachary	Assistant Treasurer	#
Shelia Dian Clemons	Secretary	
Katharine Anne Laurance	Assistant Secretary	#

OTHERS

DIRECTORS OR TRUSTEES

Vicky Brown Gregg
John Francis Giblin
Steven Lee Coulter MD

State of Tennessee
County of Hamilton 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)
Sonya Kay Nelson	Shelia Dian Clemons	Robert Stanley DeMerritt
(Printed Name) 1.	(Printed Name) 2.	(Printed Name) 3.
President & CEO	Secretary	Chief Financial Officer
(Title)	(Title)	(Title)

Subscribed and sworn to before me this 26TH day of FEB, 2009

(Notary Public Signature)

My Commission Expires
August 18, 2010

MICKI COLLINS NOTARY PUBLIC AT LARGE HAMILTON CO. TN

a. Is this an original filing? Yes[ ] No[X]
b. If no, 1. State the amendment number 2
2. Date filed 02/12/2010
3. Number of pages attached 2

VSHP Volunteer State Health Plan

1 Cameron Hill Circle
Chattanooga, TN 37402-2555
BCBST.com

BlueCare® TennCareSelect
a state of Tennessee program

Via FedEx USA Airbill # 8709 8295 1329

February 12, 2010

Ms. Lisa Jordan
Department of Commerce and Insurance
TennCare[SM] Division
500 James Robertson Parkway - Suite 750
Nashville, TN 37243-1169

RE: NAIC 4th Quarter 2008 Amended Statement for Volunteer State Health Plan, Inc. (VSHP)
Amended 2008 Management Discussion and Analysis

Dear Ms. Jordan:

Enclosed is the NAIC 4th Quarter 2008 amended Statement for Volunteer State Health Plan, Inc. and Management Discussion and Analysis.

Please feel free to call me (423-535-7919) if you have any questions.

Sincerely,

Dana Hull

Dana Hull
Manager, Subsidiary Accounting

Volunteer State Health Plan, Inc. (VSHP), BlueCross BlueShield of Tennessee, Inc. (BCBST) and BlueCare are independent licensees of the BlueCross BlueShield Association. VSHP is a licensed HMO affiliate of BCBST.

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DIRECTORS OR TRUSTEES

Vicky Brown Gregg
John Francis Giblin
Steven Lee Coulter MD

State of Tennessee
County of Hamilton ss

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(Signature)	(Signature)	(Signature)
Sonya Kay Nelson	Shelia Dian Clemons	Robert Stanley DeMerritt
(Printed Name)	(Printed Name)	(Printed Name)
1.	2.	3.
President & CEO	Secretary	Chief Financial Officer
(Title)	(Title)	(Title)

Subscribed and sworn to before me this 12TH day of FEB, 2010

Micki Collins
(Notary Public Signature)

My Commission Expires
August 18, 2010

MICKI COLLINS NOTARY PUBLIC AT LARGE HAMILTON CO., TN

a. Is this an original filing? Yes[ ] No[X]
b. If no, 1. State the amendment number 1
2. Date filed 02/12/2010
3. Number of pages attached 2

Notes to Financial Statement

10. Information Concerning Parent, Subsidiaries and Affiliates

C. The Company paid $43,837,831 and $73,627,933 in 2008 and 2007 respectively, to the Parent for services performed under the administrative services agreements. Payments are net of reimbursements to the Parent for Cover Tennessee and MedAdvantage operations. The Company provides support services to its Parent for the State's Cover Tennessee programs, which are a separate non-Medicaid line of products enacted and implemented by the State and consist of both at-risk and ASO products. The Parent is the direct contractor for the Cover Tennessee programs (CoverKids, CoverTN, and AccessTN). The Parent subcontracts with the Company to provide certain services under the contracts. These services include, but are not limited to, claims processing, customer service, contract administration, medical management and membership services. The Company's subcontracting responsibilities are documented through a series of Administrative Service Agreements for each of the aforementioned Cover Tennessee products and are on file with the Tennessee Department of Commerce and Insurance. The cost of services performed by the Company under the Administrative Service Agreements is fully reimbursed by the Parent. The Company also provides support services to its Parent for MedAdvantage operations including, but not limited to, medical director review of appeals and denials. The cost of services performed by the Company is fully reimbursed by the Parent.

SCHEDULE Y (Continued)

PART 2 - SUMMARY OF INSURER'S TRANSACTIONS WITH ANY AFFILIATES

1 NAIC Company Code	2 Federal ID Number	3 Names of Insurers and Parent, Subsidiaries or Affiliates	4 Shareholder Dividends	5 Capital Contributions	6 Purchases, Sales or Exchanges of Loans, Securities, Real Estate, Mortgage Loans or Other Investments	7 Income/(Disbursements) Incurred in Connection with Guarantees or Undertakings for the Benefit of any Affiliate(s)	8 Management Agreements and Service Contracts	9 Income/ (Disbursements) Incurred Under Reinsurance Agreements	10 *	11 Any Other Material Activity not in the Ordinary Course of the Insurer's Business	12 Totals	13 Reinsurance Recoverable/ (Payable) on Losses and/or Reserve Credit Taken/ (Liability)
54518	62-0427913	BlueCross BlueShield of Tennessee, Inc. (BCBST)		(44,200,000)			63,871,502				19,671,502	
54518	62-0427913	BCBST - Other					(1,539)				(1,539)	
54518	62-0427913	BCBST - MedAdvantage					(355,961)				(355,961)	
54518	62-0427913	BCBST - CoverTN					(5,625,725)				(5,625,725)	
00000	62-1656610	Volunteer State Health Plan, Inc. (VSHP)		44,200,000			(57,888,277)				(13,688,277)	
9999999 Totals									XXX			

Schedule Y Part 2 Explanation:

00000200835000105 (NAIC code not entered) 2008 Document Code: 350

Management's Discussion and Analysis

➢ Introduction

Volunteer State Health Plan (VSHP or the Company), a wholly owned subsidiary of BlueCross BlueShield of Tennessee (BCBST), began operations on November 1, 1996. The Company is a licensed Health Maintenance Organization organized for the purpose of participating as a Managed Care Organization (MCO) in the TennCare℠ program by contract with the State of Tennessee (the State). The Company primarily provides services for TennCare members, with services offered under its "BlueCare" trade name.

The Company currently has two administrative services only (ASO) contracts with the State. The first contract is known as the Stabilization Plan and is effective through December 31, 2008. The second ASO contract, known as TennCare Select, is statewide and is effective through June 30, 2009. Under TennCare Select, VSHP provides services for several groups of TennCare℠ members including: children in state custody, children receiving social security income benefits, out-of-state members, and non-responsive members. Additional TennCare members were added to TennCare Select through the transfer of enrollment from MCOs with terminated contracts. These enrollees remain in TennCare Select until the Bureau of TennCare determines the remaining contracted TennCare MCOs are able to accept additional enrollees.

The Company receives administrative fees from the State for administration of the Stabilization Plan and TennCare Select ASO programs. Claims are submitted to the Company for processing and payment, and the State reimburses the Company as claims are paid.

The Company was awarded an at-risk contract with TennCare for the West Grand Region effective November 1, 2008. The Company receives capitated premium payments from the State to cover medical services provided to members and for administrative costs. This contract includes approximately 175,000 TennCare participants in the West Grand Region. VSHP was also awarded an at-risk contract with TennCare for the East Grand Region with an implementation date of January 2009. This contract includes approximately 232,000 TennCare participants in the East Grand Region.

The Company provides supporting services to its Parent, BCBST, for the State's Cover Tennessee programs, which is a separate non-Medicaid line of products enacted and implemented by the State and consists of both at-risk and ASO products. BCBST is the direct contractor for the Cover Tennessee programs (CoverKids, CoverTN, and AccessTN). BCBST subcontracts with the Company to provide certain services under the contracts. These services include, but are not limited to, claims processing, customer service, contract administration, medical management and membership services. The Company's subcontracting responsibilities are documented through a series of Administrative Service Agreements for each of the aforementioned Cover Tennessee products and are on file with the Tennessee Department of Commerce and Insurance. The cost of services performed by the Company under the Administrative Service Agreements is fully reimbursed by BCBST.

The Company also provides supporting services to its Parent, BCBST, for certain other lines of business, including Medicare Advantage, which is a separate non-Medicaid product line. BCBST is the direct provider for these other lines of business. BCBST subcontracts with the Company to provide certain services, such as medical management, for these other lines of business. The cost of services performed by the Company is fully reimbursed by BCBST.

Management's Discussion and Analysis

Results of Operations

The following schedule summarizes the Company's Results of Operations for 2008 and 2007 as presented in the December 31, 2008 Statutory Annual Statement.

Stated in Millions $			
	2008	*2007*	*Variance*
Revenues	$ 77.9	$ 8.4	**(A)** $ 69.5
Claims	76.1	(1.0)	**(A)** 77.1
Administrative Expenses	29.7	10.4	**(B)** 19.3
Premium Deficiency Reserve	42.7	-	**(C)** 42.7
Investment Gains	1.5	1.9	(.4)
Income Taxes	(7.3)	.3	(7.6)
Net Gain (Loss)	**$(61.8)**	**$ 0 .6**	**$ (62.4)**

Variance Explanations:

(A) Revenues and Claims increased in 2008 primarily due to the addition of the TennCare West Grand Region at-risk contract in November 2008.

(B) Administrative Expenses increased in 2008 primarily due to ramp up costs for the TennCare West Grand Region at-risk contract, costs to administer the TennCare West Grand Region at-risk contract, and the presentation of administrative fees in 2007. In 2007 and prior years, administrative fees from the State were paid to BCBST pursuant to the administrative services agreement (ASA) between the Company and BCBST. Beginning January 1, 2008, VSHP retains the administrative fees and incurs direct costs and allocated cost from BCBST for services provided.

(C) A Premium Deficiency Reserve (PDR) of $42.7 million was recorded in 2008 to establish a reserve for 2009 estimated net losses on the two at-risk contracts with the State. Statutory accounting principles require estimated future losses to be recorded in the current year for long duration contracts. Under these rules, the Company recorded a PDR based on management projections. Establishment of this PDR ensures that VSHP remains financially strong and well positioned to meet the needs of its members in the at-risk arrangements.

Prospective Information

This report may contain certain forward-looking statements, which are any statements that are not historical in nature. Based on information available to the Company at the time of this report, the Company believes the assumptions upon which it based these forward-looking statements are reasonable. However, any forward-looking statements involve risks and uncertainties, many of which are outside the Company's control, and any of which could materially affect whether the forward-looking statements ultimately prove to be correct. Actual results could differ materially from those suggested or implied by forward-looking statements.

The Company was awarded the TennCare East Grand Region at-risk contract with an implementation date of January 1, 2009. Projections of financial performance for the East Grand Region as well as the West Grand Region were previously sent to the Department of TennCare. These projections reflect conservative estimates of future results and management is diligently working to optimize performance.

Management's Discussion and Analysis

Material Changes

There were several material balance sheet variances from 2007 to 2008. Most of the variances are related to the TennCare West Grand Region at-risk contract the Company was awarded in 2008.

The following schedule summarizes the changes in assets, liabilities, and surplus from the prior year.

Stated in Millions $:			
	2008	*2007*	*Variance*
Cash and Cash Equivalents	$ 66.7	$ 9.5	**(A)** $ 57.2
Uncollected Premiums	5.9	-	**(B)** 5.9
Deferred Federal Income Tax	13.1	-	**(C)** 13.1
Receivable from Parent/Subsidiaries/Affiliates	32.8	-	**(D)** 32.8
Healthcare Receivable	1.9	-	**(E)** 1.9
All Other Assets	31.2	34.2	(3.0)
Total Assets	**$151.6**	**$ 43.7**	**$107.9**
Claims Unpaid	$ 62.2	$ -	**(A)** $ 62.2
Premium Deficiency Reserve	42.7	-	**(F)** 42.7
Unpaid Claims Adjustment Expenses	8.8	-	**(G)** 8.8
Payable to Parent/Affiliates	-	7.3	**(D)** (7.3)
Surplus	26.8	31.4	(4.6)
All Other Liabilities	11.1	5.0	6.1
Total Liabilities and Surplus	**$ 151.6**	**$ 43.7**	**$107.9**

Variance Explanations:

(A) Cash and Cash Equivalents increased in 2008 primarily due to premium payments received from the State to cover administrative expenses and claims for the TennCare West Grand Region at-risk contract. Timing differences between when funds are received from the State and when claims are paid resulted in an increase in cash balances and the liability for unpaid claims at the end of 2008.

(B) Uncollected Premiums represent 10% of premiums withheld by the State for the TennCare West Grand Region. The 10% of premiums withheld is paid the following month after deduction of performance penalties, if applicable.

(C) Approximately, $11.5 million of the Deferred Federal Income Tax represents future tax benefits from losses related to the Premium Deficiency Reserve. The remaining $1.6 million of Deferred Federal Income Tax is related to discounting of the liability for Claims Unpaid on the TennCare West Grand Region at-risk contract.

(D) BCBST invested $44.2 million in the Company to meet the legally required reserves balance. At December 31, 2008, $40 million was accrued as an inter-company receivable that was paid by BCBST in February 2009. The receivable is net of payables that the Company owed BCBST.

(E) The Healthcare Receivable balance in 2008 represents amounts advanced to providers in the fourth quarter of 2008 related to new contractual provider network arrangements for the TennCare West Grand Region at-risk contract.

Management's Discussion and Analysis

(F) As discussed in the Results of Operations variance explanations, a Premium Deficiency Reserve of $42.7 million was recorded in 2008 to establish a reserve for 2009 estimated net losses.

(G) A liability for Unpaid Claims Adjustment Expense was recorded in 2008 for the costs of processing run-out claims in the event a contract is terminated. In prior years, this accrual was reflected on BCBST's financial statements consistent with the terms of the ASA.

Liquidity, Asset/Liability Matching and Capital Resources

The Company currently uses and will continue to use funds billed to and received from the State to cover expenses for the Stabilization Plan and TennCare Select ASO programs. Premiums for the at-risk TennCare East and West Grand Regions are received in advance of the majority of claims payments. Cash reserves are used for the payment of claims and administrative expenses. Management does not anticipate problems regarding the ongoing collection of reimbursements, administrative fees, and premiums from the State.

As of December 31, 2008, the Company had not entered into any material commitments for capital expenditures, nor are any material commitments for capital expenditures projected for the future.

Off-Balance Sheet Arrangements

As of December 31, 2008, the Company had no off-balance sheet arrangements as described in the NAIC's instructions for the Management Discussion and Analysis.

Participation in High Yield Financings, Highly Leveraged Transactions or Non-Investment Grade Loans and Investments

The Company does not participate in high yield financings, highly leveraged transactions, or non-investment grade loans and investments.

Preliminary Mergers/Acquisitions Negotiations

The Company has no merger or acquisition negotiations underway.