



QUARTERLY STATEMENT

AS OF June 30, 2008

OF THE CONDITION AND AFFAIRS OF THE

Preferred Health Partnership of Tennessee, Inc.

NAIC Group Code 1253, 1253; NAIC Company Code 95749; Employer's ID Number 62-1546662; 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, Dental Service Corporation, Other; Property/Casualty, Vision Service Corporation, Is HMO Federally Qualified? Yes[X] No[] N/A[]; Hospital, Medical & Dental Service or Indemnity, Health Maintenance Organization[X]; Incorporated/Organized 01/01/1994; Commenced Business 01/01/1994; Statutory Home Office 1420 Centerpoint Blvd., Knoxville, TN 37932; Main Administrative Office 1420 Centerpoint Blvd., Knoxville, TN 37932; Mail Address 1420 Centerpoint Blvd., Knoxville, TN 37932; Primary Location of Books and Records 1420 Centerpoint Blvd., Knoxville, TN 37932; Internet Website Address; Statutory Statement Contact Melissa R Anderson, manders1@covhlth.com

OFFICERS

Table with 2 columns: Name, Title. Douglas E. Haaland (Chief Operating Officer), Jeffrey S. Collake (Chief Financial Officer), Jeffrey S. Collake (Secretary)

OTHERS

DIRECTORS OR TRUSTEES

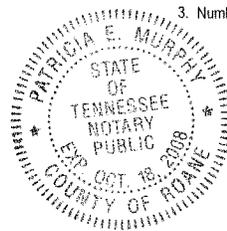
- Thomas Rowe Bell, Daniel J. David MD, Marvin H. Eichorn, Kenneth Frederick Luckman MD, Michael Earl Mitchell MD, Francis H. Olmstead Jr., Dean M. Turner MD, Kenneth Truman Creed, Michael McKay Dudley, Randolph Murphree Lowry MD, Cletus Joseph McMahon Jr. MD, David A. Nowiski, Anthony L. Spezia, Sandra L. Mathy

State of Tennessee, County of Knox 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.

Signatures and titles of Douglas E. Haaland (Chief Operating Officer), Jeffrey S. Collake (Chief Financial Officer), and Jeffrey S. Collake (Secretary)

Subscribed and sworn to before me this 2nd day of Sept, 2008. Patricia E. Murphy (Notary Public Signature)



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

ASSETS

	Current Statement Date			4 December 31, Prior Year Net Admitted Assets
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	
1. Bonds	84,330,106		84,330,106	54,143,000
2. Stocks:				
2.1 Preferred stocks				
2.2 Common stocks				
3. Mortgage loans on real estate:				
3.1 First liens				
3.2 Other than first liens				
4. Real estate:				
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 (\$.....739,958), cash equivalents (\$.....0) and short-term investments (\$.....0)	739,958		739,958	2,411,620
6. Contract loans (including \$.....0 premium notes)				
7. Other invested assets				
8. Receivables for securities				
9. Aggregate write-ins for invested assets				
10. Subtotals, cash and invested assets (Lines 1 to 9)	85,070,064		85,070,064	56,554,620
11. Title plants less \$.....0 charged off (for Title insurers only)				
12. Investment income due and accrued	726,134		726,134	757,046
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection				
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$.....0 earned but unbilled premiums)				
13.3 Accrued retrospective premiums				
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers				
14.2 Funds held by or deposited with reinsured companies				
14.3 Other amounts receivable under reinsurance contracts				
15. Amounts receivable relating to uninsured plans				
16.1 Current federal and foreign income tax recoverable and interest thereon				
16.2 Net deferred tax asset	6,450,260	6,450,260		
17. Guaranty funds receivable or on deposit				
18. Electronic data processing equipment and software				
19. Furniture and equipment, including health care delivery assets (\$.....0)				
20. Net adjustments in assets and liabilities due to foreign exchange rates				
21. Receivables from parent, subsidiaries and affiliates				
22. Health care (\$.....0) and other amounts receivable				
23. Aggregate write-ins for other than invested assets	103,239		103,239	224
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	92,349,697	6,450,260	85,899,437	57,311,890
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
26. Total (Lines 24 and 25)	92,349,697	6,450,260	85,899,437	57,311,890
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)				
2301. A/R Risk Share				
2302. A/R State Admin	103,239		103,239	224
2303.				
2398. Summary of remaining write-ins for Line 23 from overflow page				
2399. TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above)	103,239		103,239	224

LIABILITIES, CAPITAL AND SURPLUS

	Current Period			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$.....0 reinsurance ceded)				
2. Accrued medical incentive pool and bonus amounts				
3. Unpaid claims adjustment expenses				
4. Aggregate health policy reserves	5,903,520		5,903,520	5,903,520
5. Aggregate life policy reserves				
6. Property/casualty unearned premium reserve				
7. Aggregate health claim reserves				
8. Premiums received in advance				
9. General expenses due or accrued	20,700		20,700	19,100
10.1 Current federal and foreign income tax payable and interest thereon (including \$.....0 on realized gains (losses))				
10.2 Net deferred tax liability				
11. Ceded reinsurance premiums payable				
12. Amounts withheld or retained for the account of others				
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	29,629,210		29,629,210	
16. Payable for securities				
17. Funds held under reinsurance treaties with (\$.....0 authorized reinsurers and \$.....0 unauthorized reinsurers)				
18. Reinsurance in unauthorized companies				
19. Net adjustments in assets and liabilities due to foreign exchange rates				
20. Liability for amounts held under uninsured plans				
21. Aggregate write-ins for other liabilities (including \$.....0 current)	12,476,375		12,476,375	12,240,037
22. Total liabilities (Lines 1 to 21)	48,029,805		48,029,805	18,162,657
23. Aggregate write-ins for special surplus funds	X X X	X X X		
24. Common capital stock	X X X	X X X	1,000	1,000
25. Preferred capital stock	X X X	X X X		
26. Gross paid in and contributed surplus	X X X	X X X	61,379,848	61,379,848
27. Surplus notes	X X X	X X X		
28. Aggregate write-ins for other than special surplus funds	X X X	X X X		
29. Unassigned funds (surplus)	X X X	X X X	(23,511,216)	(22,231,615)
30. Less treasury stock, at cost:				
30.1 .....0 shares common (value included in Line 24 \$.....0)	X X X	X X X		
30.2 .....0 shares preferred (value included in Line 25 \$.....0)	X X X	X X X		
31. Total capital and surplus (Lines 23 to 29 minus Line 30)	X X X	X X X	37,869,632	39,149,233
32. Total Liabilities, capital and surplus (Lines 22 and 31)	X X X	X X X	85,899,437	57,311,890
DETAILS OF WRITE-INS				
2101. Accrued Run-Out Costs	9,520,964		9,520,964	10,029,960
2102. Risk Share Audit Reserve				
2103. Penally Reserve	445,800		445,800	445,800
2198. Summary of remaining write-ins for Line 21 from overflow page	2,509,611		2,509,611	1,764,277
2199. TOTALS (Lines 2101 through 2103 plus 2198) (Line 21 above)	12,476,375		12,476,375	12,240,037
2301.	X X X	X X X		
2302.	X X X	X X X		
2303.	X X X	X X X		
2398. Summary of remaining write-ins for Line 23 from overflow page	X X X	X X X		
2399. TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above)	X X X	X X X		
2801.	X X X	X X X		
2802.	X X X	X X X		
2803.	X X X	X X X		
2898. Summary of remaining write-ins for Line 28 from overflow page	X X X	X X X		
2899. TOTALS (Lines 2801 through 2803 plus 2898) (Line 28 above)	X X X	X X X		

STATEMENT OF REVENUE AND EXPENSES

	Current Year To Date		Prior Year	Prior Year
	1	2	To Date	Ended
	Uncovered	Total	3	December 31
				4
				Total
1. Member Months	X X X			
2. Net premium income (including \$.....0 non-health premium income)	X X X			
3. Change in unearned premium reserves and reserves 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		1	3,653,634
7. Aggregate write-ins for other non-health revenues	X X X			
8. Total revenues (Lines 2 to 7)	X X X		1	3,653,634
Hospital and Medical:				
9. Hospital/medical benefits				
10. Other professional services				
11. Outside referrals				
12. Emergency room and out-of-area				
13. Prescription drugs			(11,455)	(22,860)
14. Aggregate write-ins for other hospital and medical		(129,519)	(51,026)	(129,137)
15. Incentive pool, withhold adjustments and bonus amounts				
16. Subtotal (Lines 9 to 15)		(129,519)	(62,481)	(151,997)
Less:				
17. Net reinsurance recoveries				
18. Total hospital and medical (Lines 16 minus 17)		(129,519)	(62,481)	(151,997)
19. Non-health claims (net)				
20. Claims adjustment expenses, including \$.....570,805 cost containment expenses		1,003,509	910,976	1,159,954
21. General administrative expenses		2,360,006	2,183,327	2,239,962
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)		3,233,996	3,031,822	3,247,919
24. Net underwriting gain or (loss) (Lines 8 minus 23)	X X X	(3,233,996)	(3,031,821)	405,715
25. Net investment income earned		1,259,326	1,143,399	2,313,664
26. Net realized capital gains (losses) less capital gains tax of \$.....0		147,562	(30,098)	(71,466)
27. Net investment gains or (losses) (Lines 25 plus 26)		1,406,888	1,113,301	2,242,198
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				
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	(1,827,108)	(1,918,520)	2,647,913
31. Federal and foreign income taxes incurred	X X X	(513,015)	(652,297)	(107,346)
32. Net income (loss) (Lines 30 minus 31)	X X X	(1,314,093)	(1,266,223)	2,755,259
DETAILS OF WRITE-INS				
0601. Miscellaneous Income	X X X		1	3,653,634
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		1	3,653,634
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 (Lines 0701 through 0703 plus 0798) (Line 7 above)	X X X			
1401. Recoveries		(129,519)	(51,026)	(129,137)
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)		(129,519)	(51,026)	(129,137)
2901.				
2902.				
2903.				
2998. Summary of remaining write-ins for Line 29 from overflow page				
2999. TOTALS (Lines 2901 through 2903 plus 2998) (Line 29 above)				

STATEMENT OF REVENUE AND EXPENSES (Continued)

	1	2	3
	Current Year To Date	Prior Year To Date	Prior Year Ended December 31
CAPITAL & SURPLUS ACCOUNT			
33. Capital and surplus prior reporting year	39,149,233	33,552,546	33,552,546
34. Net income or (loss) from Line 32	(1,314,093)	(1,266,223)	2,755,259
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			
37. Change in net unrealized foreign exchange capital gain or (loss)			
38. Change in net deferred income tax	(117,303)		(1,033,059)
39. Change in nonadmitted assets	151,795	1,464,497	3,874,487
40. Change in unauthorized reinsurance			
41. Change in treasury stock			
42. Change in surplus notes			
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			
47. Aggregate write-ins for gains or (losses) in surplus			
48. Net change in capital and surplus (Lines 34 to 47)	(1,279,601)	198,274	5,596,687
49. Capital and surplus end of reporting period (Line 33 plus 48)	37,869,632	33,750,820	39,149,233
DETAILS OF WRITE-INS			
4701. Change in Unrealized Valuation			
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)			

Report #2A: TENNCARE OPERATIONS STATEMENT OF REVENUES AND EXPENSES

	Current Year		Previous Year
	Current Period	Year to Date Total	Total
Member Months	0	0	0
REVENUES:			
1. TennCare Capitation	0	0	0
2. Investment	760,425	1,406,888	2,242,197
3. Other Revenue	0	0	3,653,634
IBNR / Capitation Revenue Receivable	0	0	0
Premium Tax	0	0	0
State Admin Revenue	0	0	0
4. TOTAL REVENUES (Lines 1 to 3)	760,425	1,406,888	5,895,831
EXPENSES:			
Medical and Hospital Services:			
5. Capitated Physician Services	0	0	0
6. Fee-For-Service Physician Services	0	0	0
7. Inpatient Hospital Services	0	0	0
8. Outpatient Services	0	0	0
9. Emergency Room Services	0	0	0
10. Mental Health Services	0	0	0
11. Dental Services (Capitated & FFS)	0	0	0
12. Vision Services (Capitated , FFS & Ophthalmology)	0	0	0
13. Pharmacy Services (Capitated & FFS)	0	0	(22,860)
14. Home Health Services	0	0	0
15. Chiropractic Services	0	0	0
16. Radiology Services	0	0	0
17. Laboratory Services	0	0	0
18. Durable Medical Equipment Services	0	0	0
19. Transportation Services (Capitated)	0	0	0
20. Outside Referrals	0	0	0
21. Medical Incentive Pool and Withhold Adjustments	0	0	0
22. Occupancy, Depreciation, and Amortization	0	0	0
23. Other Medical and Hospital Services (Provide Detail)			
Surgery - Orthopedic - FFS Office	0	0	0
MCO Delegated Services	0	0	0
Allergy & Immunology FFS Office & Other	0	0	0
Counselors/Therapists	0	0	0
Otolaryngology - FFS Office	0	0	0
Anesthesiology - FFS Hosp & Other	0	0	0
Gastroenterology	0	0	0
Preventive Medicine	0	0	0
Ped Emergency Medicine - FFS Hospital	0	0	0
Miscellaneous	0	0	0
IBNR	0	0	0
Risk Share	0	0	0
24. Subtotal (Lines 5 to 23)	0	0	(22,860)
25. Reinsurance Expenses Net of Recoveries	0	0	0
LESS:	0		
26. Copayments	0	0	0
27. Subrogation	0	0	0
27a Recoveries	14,854	129,519	129,137
28. Coordination of Benefits	0	0	0
29. Subtotal (Lines 26 to 28)	14,854	129,519	129,137
30. TOTAL MEDICAL AND HOSPITAL (Lines 24 and 25 less 29)	(14,854)	(129,519)	(151,998)

Report #2A (Continued): TENNCARE OPERATIONS STATEMENT OF REVENUES AND EXPENSES			
	Current Year		Previous Year
	Current Period	Year to Date Total	Total
Administration:			
31. Compensation (Including Allocated Costs)	234,624	469,618	9,567,364
32. Marketing (Including Allocated Costs)	393	2,915	6,290
33. Premium Tax Expense	0	0	0
34. Occupancy, Depreciation and Amortization (Including Allocated Costs)	0	0	1,167,298
35. Other Administration (Provide detail)			
Printing	49,395	107,563	143,605
Rent/Utilities	0	0	0
Franchise, Excise & Property Taxes	0	0	0
Postage	39,589	88,708	166,199
Legal Fees	(6,391)	(2,506)	11,542
Liquidated Damages	74,168	134,368	(552,350)
Outside Services	132,695	245,270	361,459
Board & Committee Fees	0	0	0
Auditing, actuarial and other consulting services	0	0	0
Books & Subscriptions	3,106	3,164	4,522
Dues, Fees & Licenses	0	660	41,550
Education & Seminars	0	0	0
Meals & Entertainment	40	59	393
Office Supplies	428	1,631	6,339
Minor Equipment	0	4,097	4,662
Travel	0	0	218
Wellness Program	0	0	0
Leases & Rentals of equipment	0	0	0
Repairs/Maintenance Agreements	0	22,089	40,784
Telephone/Beepers/Cellular Phones	0	0	0
Temp/Contract Personnel	87,774	154,260	110,034
Provision for Loss Contracts	0	0	0
Risk Banding Reserve	0	0	0
Program Run Out Expense	0	0	0
State Admin Revenue	(3,522,478)	(7,098,094)	(14,235,271)
Miscellaneous Expense	(328,669)	(146,736)	(1,314,246)
Total DIRECT Expenses	(3,235,326)	(6,012,934)	(4,469,609)
Other ALLOCATED Expenses (Provide detail)			
Rent/Utilities	0		559,297
Printing	0		86,004
Postage	0		411,526
Legal Fees	0		364,930
Outside Services	0		1,451,036
Board & Committee Fees	0		103,436
Survey Fees	0		67,776
Telephone/Beepers/Cellular Phones	0		336,105
Books & Subscriptions	0		98,831
Minor Equipment	0		74,367
Computer Supplies	0		0
Dues, Fees & Licenses	0		106,331
Education & Seminars	0		61,782
Meals & Entertainment	0		24,456
Office Supplies	0		108,760
Travel	0		68,986
Miscellaneous Expense	4,570,493	9,376,449	167,635
Franchise, Excise & Property Taxes & Sales/Use Tax	0		109,936
Insurance	0		298,828
Leases & Rentals of equipment	0		49,082
Repairs/Maintenance Agreements	0		527,522
Relocation Expense Total	0		2,248
Training and Orientation Total	0		0
Temp/Contract Personnel	0		477,238
Covenant Management Fees	0		2,313,414
Total ALLOCATED Expenses	4,570,493	9,376,449	7,869,525
36. TOTAL ADMINISTRATION (Lines 31 to 36)	1,335,167	3,363,515	3,399,916
FIT & Excise Tax	(513,015)	(513,015)	(107,346)
37. Total Other Expenses:	(513,015)	(513,015)	(107,346)
38. TOTAL EXPENSES (Lines 30 and 37 and 37A)	807,298	2,720,981	3,140,572
39. NET INCOME (LOSS) (Line 4 less Line 38)	(46,673)	(1,314,093)	2,755,259

Report #2A: TENNCARE OPERATIONS STATEMENT OF REVENUES AND EXPENSES

	Current Year		Previous Year
	Current Period	Year to Date Total	Total
Member Months	307,671	623,650	1,243,200
REVENUES:			
1. TennCare Capitation	47,044,259	91,603,735	188,214,622
2. Investment	20,572	50,779	206,419
3. Other Revenue	0	0	0
IBNR / Capitation Revenue Receivable	2,027,276	27,161,722	24,064,994
Premium Tax	(109,237)	(160,546)	3,253,034
State Admin Revenue			
4. TOTAL REVENUES (Lines 1 to 3)	48,982,870	118,655,690	215,739,069
EXPENSES:			
Medical and Hospital Services:			
5. Capitated Physician Services	0	0	0
6. Fee-For-Service Physician Services	4,655,460	13,314,865	24,712,195
7. Inpatient Hospital Services	26,154,129	62,768,478	108,957,785
8. Outpatient Services	13,545	26,967	65,397
9. Emergency Room Services	2,866,598	8,335,791	15,195,927
10. Mental Health Services	9,150	14,522	22,699
11. Dental Services (Capitated & FFS)	748	1,482	3,076
12. Vision Services (Capitated, FFS & Ophthalmology)	183,012	395,380	825,503
13. Pharmacy Services (Capitated & FFS)	3	3	122
14. Home Health Services	188,187	391,087	900,434
15. Chiropractic Services	0	0	0
16. Radiology Services	94,410	170,979	343,156
17. Laboratory Services	5,834,488	15,069,367	26,737,123
18. Durable Medical Equipment Services	2,301,194	5,527,806	10,770,833
19. Transportation Services (Capitated)	1,591,390	2,710,960	4,599,149
20. Outside Referrals	0	0	0
21. Medical Incentive Pool and Withhold Adjustments	0	0	0
22. Occupancy, Depreciation, and Amortization	0	0	0
23. Other Medical and Hospital Services (Provide Detail)	0	0	0
Surgery - Orthopedic - FFS Office	0	0	0
MCO Delegated Services	0	0	0
Allergy & Immunology FFS Office & Other	2,063,425	3,983,781	8,948,676
Counselors/Therapists	0	0	0
Otolaryngology - FFS Office	416,003	781,176	1,462,137
Anesthesiology - FFS Hosp & Other	717,059	1,389,493	2,833,024
Gastroenterology	10,350	21,347	61,654
Preventive Medicine	814,726	1,581,932	3,554,256
Ped Emergency Medicine - FFS Hospital	0	0	0
Miscellaneous	555,117	1,096,470	3,213,912
IBNR	0	0	0
Risk Share	0	0	0
24. Subtotal (Lines 5 to 23)	48,466,996	117,581,887	213,207,018
25. Reinsurance Expenses Net of Recoveries			0
LESS:			
26. Copayments		0	0
27. Subrogation	143,196	354,466	1,010,472
27a Recoveries	204,857	404,822	574,275
28. Coordination of Benefits		0	0
29. Subtotal (Lines 26 to 28)	348,053	759,288	1,584,747
30. TOTAL MEDICAL AND HOSPITAL (Lines 24 and 25 less 29)	48,120,943	116,822,599	211,622,271

Report #2A (Continued): TENNCARE OPERATIONS STATEMENT OF REVENUES AND EXPENSES

	Current Year		Previous Year
	Current Period	Year to Date Total	Total
Administration:			
31. Compensation (Including Allocated Costs)	0	0	0
32. Marketing (Including Allocated Costs)	0	0	0
33. Premium Tax Expense	861,927	1,833,090	4,116,797
34. Occupancy, Depreciation and Amortization (Including Allocated Costs)	0	0	0
35. Other Administration (Provide detail)			
Printing	0	0	0
Rent/Utilities	0	0	0
Franchise, Excise & Property Taxes	0	0	0
Postage	0	0	0
Legal Fees	0	0	0
Liquidated Damages	0	0	0
Outside Services	0	0	0
Board & Committee Fees	0	0	0
Auditing, actuarial and other consulting services	0	0	0
Books & Subscriptions	0	0	0
Dues, Fees & Licenses	0	0	0
Education & Seminars	0	0	0
Meals & Entertainment	0	0	0
Office Supplies	0	0	0
Minor Equipment	0	0	0
Travel	0	0	0
Wellness Program	0	0	0
Leases & Rentals of equipment	0	0	0
Repairs/Maintenance Agreements	0	0	0
Telephone/Beeepers/Cellular Phones	0	0	0
Temp/Contract Personnel	0	0	0
Provision for Loss Contracts	0	0	0
Risk Banding Reserve	0	0	0
Program Run Out Expense	0	0	0
State Admin Revenue	0	0	0
Miscellaneous Expense	0	0	0
Total DIRECT Expenses	861,927	1,833,090	4,116,797
Other ALLOCATED Expenses (Provide detail)			
Rent/Utilities	0	0	0
Printing	0	0	0
Postage	0	0	0
Legal Fees	0	0	0
Outside Services	0	0	0
Board & Committee Fees	0	0	0
Survey Fees	0	0	0
Telephone/Beeepers/Cellular Phones	0	0	0
Books & Subscriptions	0	0	0
Minor Equipment	0	0	0
Computer Supplies	0	0	0
Dues, Fees & Licenses	0	0	0
Education & Seminars	0	0	0
Meals & Entertainment	0	0	0
Office Supplies	0	0	0
Travel	0	0	0
Miscellaneous Expense	0	0	0
Franchise, Excise & Property Taxes & Sales/Use Tax	0	0	0
Insurance	0	0	0
Leases & Rentals of equipment	0	0	0
Repairs/Maintenance Agreements	0	0	0
Relocation Expense Total	0	0	0
Training and Orientation Total	0	0	0
Temp/Contract Personnel	0	0	0
Covenant Management Fees	0	0	0
Total ALLOCATED Expenses	0	0	0
36. TOTAL ADMINISTRATION (Lines 31 to 36)	861,927	1,833,090	4,116,797
FIT & Excise Tax	0	0	0
37. Total Other Expenses:	0	0	0
38. TOTAL EXPENSES (Lines 30 and 37 and 37A)	48,982,870	118,655,690	215,739,068
39. NET INCOME (LOSS) (Line 4 less Line 38)	0	0	0

Report #2A: TENNCARE OPERATIONS STATEMENT OF REVENUES AND EXPENSES

	Current Year		Previous Year
	Current Period	Year to Date Total	Total
Member Months	307,671	623,650	1,243,200
REVENUES:			
1. TennCare Capitation	47,044,259	91,603,735	188,214,622
2. Investment	780,997	1,457,667	2,448,616
3. Other Revenue	0	0	3,653,634
IBNR / Capitation Revenue Receivable	2,027,276	27,161,722	24,064,994
Premium Tax	(109,237)	(160,546)	3,253,034
State Admin Revenue	0	0	0
4. TOTAL REVENUES (Lines 1 to 3)	49,743,295	120,062,578	221,634,900
EXPENSES:			
Medical and Hospital Services:			
5. Capitated Physician Services	0	0	0
6. Fee-For-Service Physician Services	4,655,460	13,314,865	24,712,195
7. Inpatient Hospital Services	26,154,129	62,768,478	108,957,785
8. Outpatient Services	13,545	26,967	65,397
9. Emergency Room Services	2,866,598	8,335,791	15,195,927
10. Mental Health Services	9,150	14,522	22,659
11. Dental Services (Capitated & FFS)	748	1,482	3,076
12. Vision Services (Capitated, FFS & Ophthalmology)	183,012	395,360	825,503
13. Pharmacy Services (Capitated & FFS)	3	3	(22,738)
14. Home Health Services	188,187	391,087	900,434
15. Chiropractic Services	0	0	0
16. Radiology Services	94,410	170,979	343,156
17. Laboratory Services	5,834,488	15,069,367	26,737,123
18. Durable Medical Equipment Services	2,301,194	5,527,806	10,770,833
19. Transportation Services (Capitated)	1,591,390	2,710,960	4,599,149
20. Outside Referrals	0	0	0
21. Medical Incentive Pool and Withhold Adjustments	0	0	0
22. Occupancy, Depreciation, and Amortization	0	0	0
23. Other Medical and Hospital Services (Provide Detail)	0	0	0
Surgery - Orthopedic - FFS Office	0	0	0
MCO Delegated Services	0	0	0
Allergy & Immunology FFS Office & Other	2,063,425	3,983,781	8,948,676
Counselors/Therapists	0	0	0
Otolaryngology - FFS Office	416,003	781,176	1,462,137
Anesthesiology - FFS Hosp & Other	717,059	1,389,493	2,833,024
Gastroenterology	10,350	21,347	61,654
Preventive Medicine	814,726	1,581,932	3,554,256
Ped Emergency Medicine - FFS Hospital	0	0	0
Miscellaneous	555,117	1,096,470	3,213,912
IBNR	0	0	0
Risk Share	0	0	0
24. Subtotal (Lines 5 to 23)	48,468,996	117,581,887	213,184,158
25. Reinsurance Expenses Net of Recoveries	0	0	0
LESS:			
26. Copayments	0	0	0
27. Subrogation	143,196	354,466	1,010,472
27a Recoveries	219,711	534,341	703,413
28. Coordination of Benefits	0	0	0
29. Subtotal (Lines 26 to 28)	362,907	888,807	1,713,884
30. TOTAL MEDICAL AND HOSPITAL (Lines 24 and 25 less 29)	48,106,089	116,693,080	211,470,274

Report #2A (Continued): TENNCARE OPERATIONS STATEMENT OF REVENUES AND EXPENSES

	Current Year		Previous Year
	Current Period	Year to Date Total	Total
Administration:			
31. Compensation (Including Allocated Costs)	234,624	469,618	9,567,364
32. Marketing (Including Allocated Costs)	393	2,915	6,290
33. Premium Tax Expense	861,927	1,833,090	4,116,797
34. Occupancy, Depreciation and Amortization (Including Allocated Costs)	0	0	1,167,298
35. Other Administration (Provide detail)	0	0	0
Printing	49,395	107,563	143,605
Rent/Utilities	0	0	0
Franchise, Excise & Property Taxes	0	0	0
Postage	39,589	88,708	166,199
Legal Fees	(6,391)	(2,506)	11,542
Liquidated Damages	74,168	134,368	(552,350)
Outside Services	132,695	245,270	361,469
Board & Committee Fees	0	0	0
Auditing, actuarial and other consulting services	0	0	0
Books & Subscriptions	3,106	3,164	4,522
Dues, Fees & Licenses	0	660	41,550
Education & Seminars	0	0	0
Meals & Entertainment	40	59	393
Office Supplies	428	1,631	6,339
Minor Equipment	0	4,097	4,662
Travel	0	0	218
Wellness Program	0	0	0
Leases & Rentals of equipment	0	0	0
Repairs/Maintenance Agreements	0	22,089	40,784
Telephone/Beepers/Cellular Phones	0	0	0
Temp/Contract Personnel	87,774	154,280	110,034
Provision for Loss Contracts	0	0	0
Risk Banding Reserve	0	0	0
Program Run Out Expense	0	0	0
State Admin Revenue	(3,522,478)	(7,098,094)	(14,235,271)
Miscellaneous Expense	(328,669)	(146,736)	(1,314,246)
Total DIRECT Expenses	(2,373,399)	(4,179,844)	(352,812)
Other ALLOCATED Expenses (Provide detail)			
Rent/Utilities	0	0	559,297
Printing	0	0	86,004
Postage	0	0	411,526
Legal Fees	0	0	384,930
Outside Services	0	0	1,451,036
Board & Committee Fees	0	0	103,436
Survey Fees	0	0	67,776
Telephone/Beepers/Cellular Phones	0	0	336,105
Books & Subscriptions	0	0	98,831
Minor Equipment	0	0	74,367
Computer Supplies	0	0	0
Dues, Fees & Licenses	0	0	106,331
Education & Seminars	0	0	61,782
Meals & Entertainment	0	0	24,456
Office Supplies	0	0	108,760
Travel	0	0	68,986
Miscellaneous Expense	4,570,493	9,376,449	167,635
Franchise, Excise & Property Taxes & Sales/Use Tax	0	0	109,936
Insurance	0	0	298,828
Leases & Rentals of equipment	0	0	49,082
Repairs/Maintenance Agreements	0	0	527,522
Relocation Expense Total	0	0	2,248
Training and Orientation Total	0	0	0
Temp/Contract Personnel	0	0	477,238
Covenant Management Fees	0	0	2,313,414
Total ALLOCATED Expenses	4,570,493	9,376,449	7,869,525
36. TOTAL ADMINISTRATION (Lines 31 to 36)	2,197,094	5,196,605	7,516,713
FIT & Excise Tax	(513,015)	(513,015)	(107,346)
37. Total Other Expenses:	(513,015)	(513,015)	(107,346)
38. TOTAL EXPENSES (Lines 30 and 37 and 37A)	49,790,168	121,376,671	218,879,641
39. NET INCOME (LOSS) (Line 4 less Line 38)	(46,873)	(1,314,093)	2,755,259

NAIC Report	PHPT					
2A Medical	Account		PHPT Account Name	Jan 08 - Jun 08	Jul 08 - Dec 08	
Expenses	Number					
Line 10	50400	Mental Health		0.00	0.00	0.00
Line 10	50406	Other MH (Partial & IOP)		0.00	0.00	0.00
Line 10	53063	Psychiatry ~ FFS Office		12,125.91	0.00	12,125.91
Line 10	53163	Psychiatry ~ FFS Hosp		2,396.23	0.00	2,396.23
Line 10	53363	Psychiatry ~ Other		0.00	0.00	0.00
Line 11	56016	Capitation ~ Dental		0.00	0.00	0.00
Line 11	56035	Dental		1,481.72	0.00	1,481.72
Line 12	53139	Ophthalmology ~ FFS Hosp		0.00	0.00	0.00
Line 12	53339	Ophthalmology ~ Other		395,380.18	0.00	395,380.18
Line 12	56018	Capitation ~ Vision		0.00	0.00	0.00
Line 12	56100	Vision		0.00	0.00	0.00
Line 13	54000	Prescription Drugs		0.00	0.00	0.00
Line 13	54001	Pharmacy		3.41	0.00	3.41
Line 13		Pharmacy Rebate			0.00	0.00
Line 14	56050	Home Health		391,087.08	0.00	391,087.08
Line 14	56055	Home Infusion		0.00	0.00	0.00
Line 15	53009	Chiropractic ~ FFS Office		0.00	0.00	0.00
Line 16	53370	Radiation Oncology ~ Other		170,979.44	0.00	170,979.44
Line 16	53371	Radiology ~ Other		0.00	0.00	0.00
Line 17	53341	Pathology ~ Other		0.00	0.00	0.00
Line 17	55000	Lab & Xray		11,476,835.83	0.00	11,476,835.83
Line 18	56040	Durable Med Equip		3,033,347.65	0.00	3,033,347.65
Line 19	56000	Ambulance		2,603,000.58	0.00	2,603,000.58
Line 19	56017	Capitation ~ Transportation		107,959.80	0.00	107,959.80
Line 23 d	56080	MCO DELEGATED SVCS		0.00	0.00	0.00
Line 23 f	56104	5% Increase Spending Plan		0.00	0.00	0.00
Line 23 g	53011	Counselors/Therapists ~ FFS Office		0.00	0.00	0.00
Line 23 h	56051	Housing		0.00	0.00	0.00
Line 23 h	56053	Reimbursed Member Expenses		0.00	0.00	0.00
Line 23 i	53040	Otolaryngology ~ FFS Office		160,503.81	0.00	160,503.81
Line 23 i	53340	Otolaryngology ~ Other		606,548.70	0.00	606,548.70
Line 23 j	53305	Anesthesiology ~ Other		1,389,492.61	0.00	1,389,492.61
Line 23 k	53320	Gastroenterology ~ Other		21,346.74	0.00	21,346.74
Line 23 L	53362	Preventive Med ~ Other		1,581,932.13	0.00	1,581,932.13
Line 23 m	53388	Urology ~ Other		0.00	0.00	0.00
Line 23 n	53399	Other Specialist		0.00	0.00	0.00
Line 23 r	56105	Miscellaneous		0.00	0.00	0.00
Line 23c	53084	Surg Ortho - FFS		0.00	0.00	0.00
Line 23e	53003	Allergy & Immunology ~ FFS Office		325,934.34	0.00	325,934.34
Line 23e	53303	Allergy & Immunology ~ Other		3,657,846.87	0.00	3,657,846.87
Line 23g	53037	Occupational Hlth ~ FFS Office		0.00	0.00	0.00
Line 23o	53148	Ped Emerg Med ~ FFS Hosp		0.00	0.00	0.00
Line 23s	59600	IBNR + 59601		25,035,845.00	0.00	25,035,845.00
Line 23s		IBNR W/O		0.00	0.00	0.00
Line 23t	55900	Risk Share		0.00	0.00	0.00
Line 27	56085	Subrogation		-354,466.25	0.00	-354,466.25
Line 27a	56085	Recoveries		-404,821.67	0.00	-404,821.67
Line 5	52704	Other PCP ~ Capitation		0.00	0.00	0.00
Line 5	56019	Capitation ~ Specialist		0.00	0.00	0.00
Line 5	56019	Capitation ~ Specialist		0.00	0.00	0.00
Line 6	52000	Family Prac ~ FFS Office		0.00	0.00	0.00
Line 6	52001	Genl Prac ~ FFS Office		0.00	0.00	0.00
Line 6	52002	Internal Med - FFS Office		0.00	0.00	0.00
Line 6	52003	Pediatricians ~ FFS Office		0.00	0.00	0.00
Line 6	52004	Other PCP ~ FFS Office		0.00	0.00	0.00
Line 6	52301	Genl Prac ~ Other		7,216,794.05	0.00	7,216,794.05
Line 6	52303	Pediatricians ~ Other		0.00	0.00	0.00
Line 6	52304	Other PCP ~ Other		0.00	0.00	0.00
Line 6	52400	Do Not Use ~ IBNR ~ PCP		0.00	0.00	0.00
Line 6	53023	Gynechology ~ FFS Office		0.00	0.00	0.00
Line 6	53035	Obstetrics & Gynecology ~ FFS Office		0.00	0.00	0.00
Line 6	53119	Endocrinology ~ FFS Hosp		0.00	0.00	0.00
Line 6	53323	Gynecology ~ Other		0.00	0.00	0.00
Line 6	53329	Nephrology ~ Other		696,885.75	0.00	696,885.75
Line 6	53330	Neurology ~ Other		562,228.22	0.00	562,228.22
Line 6	53334	Obstetrics ~ Other		0.00	0.00	0.00
Line 6	53335	obgyn other		0.00	0.00	0.00
Line 6	53335	Obstetrics & Gynecology ~ Other		65,614.48	0.00	65,614.48
Line 6	56015	Capitation ~ Misc		0.00	0.00	0.00
Line 7	50000	I/P Hosp ~ Surgical		35,350.80	0.00	35,350.80
Line 7	50001	I/P Hosp ~ Medical		19,643,921.30	0.00	19,643,921.30
Line 7	50002	I/P Hosp ~ ICU/CCU		3,693,274.88	0.00	3,693,274.88
Line 7	50003	I/P Hosp ~ OB		0.00	0.00	0.00
Line 7	50004	I/P Hosp ~ Pediatrics		7,552,839.20	0.00	7,552,839.20
Line 7	50005	I/P Hosp ~ Other		7,002,134.52	0.00	7,002,134.52
Line 7	50100	Skilled Nursing Facility		0.00	0.00	0.00
Line 7	50404	Rehab		0.00	0.00	0.00
Line 7	52101	Genl Prac ~ FFS Hosp		214,083.18	0.00	214,083.18
Line 7	52102	Internal Med ~ FFS Hosp		0.00	0.00	0.00
Line 7	52104	Other PCP ~ FFS Hosp		0.00	0.00	0.00
Line 7	52205	Bonus Pool ~ Unallocated		0.00	0.00	0.00
Line 7	53078	surg gen - ffs hosp		0.00	0.00	0.00
Line 7	53105	Anesthesiology ~ FFS Hosp		0.00	0.00	0.00
Line 7	53108	Cardiovascular Disease ~ FFS Hosp		874,240.86	0.00	874,240.86
Line 7	53114	Dermatology ~ FFS Hosp		0.00	0.00	0.00
Line 7	53128	Med Oncology ~ FFS Hosp		0.00	0.00	0.00
Line 7	53129	Nephrology ~ FFS Hosp		0.00	0.00	0.00
Line 7	53134	Obstetrics ~ FFS Hosp		0.00	0.00	0.00
Line 7	53135	Obstetrics & Gynecology ~ FFS Hosp		0.00	0.00	0.00
Line 7	53138	Occupational Therapy ~ FFS ~ Hosp		30,245.13	0.00	30,245.13
Line 7	53140	Otolaryngology ~ FFS Hosp		14,123.93	0.00	14,123.93
Line 7	53160	Physical Therapy ~ FFS Hosp		99,186.19	0.00	99,186.19
Line 7	53178	Surg General ~ FFS Hosp		0.00	0.00	0.00
Line 7	53181	Surg Neurological ~ FFS Hosp		0.00	0.00	0.00
Line 7	53188	Urology ~ FFS Hosp		0.00	0.00	0.00
Line 7	53308	Cardiovascular Disease ~ Other		366,414.57	0.00	366,414.57
Line 7	53314	Dermatology ~ Other		17.08	0.00	17.08
Line 7	53314	Dermatology - Other		0.00	0.00	0.00
Line 7	53317	Diagnostic Radiology ~ Other		0.00	0.00	0.00
Line 7	53338	Occupational Therapy ~ Other		0.00	0.00	0.00
Line 7	53342	Pathology, Hematology ~ Other		0.00	0.00	0.00
Line 7	53360	Physical Therapy ~ Other		850,460.44	0.00	850,460.44
Line 7	53369	Pulmonary Disease ~ Other		144,328.29	0.00	144,328.29
Line 7	53378	Surg General ~ Other		8,360,447.95	0.00	8,360,447.95
Line 7	53383	Surg Oral & Maxillofacial Other		0.00	0.00	0.00
Line 7	53383	Surg Oral & Maxillofacial ~ Other		1,516,529.31	0.00	1,516,529.31
Line 7	53384	Surg Orthopedic ~ Other		0.00	0.00	0.00
Line 7	56065	Medical Supplies		732,963.41	0.00	732,963.41
Line 7	56070	Ortho & Prosthetics		443,668.10	0.00	443,668.10

Line 7	56105	Misc Med Expense	116,578.17	0.00	116,578.17
Line 7	56999	Do Not Use IBNR ~ Other Medical	0.00	0.00	0.00
Line 8	51000	Outpt Surg ~ Hosp	0.00	0.00	0.00
Line 8	51001	Outpt Clinics	0.00	0.00	0.00
Line 8	51003	Outpt Surg ~ Other	26,967.47	0.00	26,967.47
Line 9	53318	Emerg Med ~ Other	6,823.57	0.00	6,823.57
Line 9	56045	Emerg Room	6,341,718.30	0.00	6,341,718.30
N/A	50300	Do Not Use ~ IBNR ~ Hosp	0.00	0.00	0.00
N/A	50403	Detox	0.00	0.00	0.00
N/A	53000	Ab Imaging ~ FFS Office	0.00	0.00	0.00
N/A	53299	Bonus Pool ~ Specialist	0.00	0.00	0.00
N/A	53400	Do Not Use ~ IBNR ~ Specialist	0.00	0.00	0.00
N/A	55500	Stoploss Expense	0.00	0.00	0.00
N/A	56025	Case Mgmt Svcs	0.00	0.00	0.00
N/A	56030	Claims Contra - Allianz	0.00	0.00	0.00
N/A	56031	Corporate Division Medical Alloc	0.00	0.00	0.00
N/A	56077	Prior Period Reversals	0.00	0.00	0.00

TOTAL MEDICAL EXPENSES	116,822,599.24	0.00	116,822,599.24
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Pre 01-01-08 expenses not reflected on Income Stmt -19,226,871.00
0

TOTAL LOB EXPENSES	97,595,728.24
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Total Expenses on MLR	97,595,728.65
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Variance 0

MEDICAL TARGET REPORT 06/2008

For the year 1/08 - 12/31/08

UB 92 Payments by the Claims Processing System	39,042,524
HCFA1500 Payments by the Claims Processing System	35,466,362
Dental Payments by the Claims Processing System	0
Capitation Payments	0
Pharmacy Payments	0
Subcontractor Payments for Medical Services	93,123
Reinsurance Payment	0
Other Payments/Adjustments to Medical Costs	76,098
Less:	
BHO Capitation Revenue	0
Pharmacy Rebates	0
Recoveries not Reflected in Payments by the Claims System	162,042
Total Payments for the month	74,516,065
Remaining IBNR for the month	23,079,664
Payments and Remaining IBNR for the month	97,595,729

Medical Loss Ratio

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CASH FLOW

		1 Current Year To Date	2 Prior Year Ended December 31
Cash from Operations			
1.	Premiums collected net of reinsurance		
2.	Net investment income	1,425,155	2,594,584
3.	Miscellaneous income		3,653,634
4.	Total (Lines 1 to 3)	1,425,155	6,248,218
5.	Benefit and loss related payments	(129,519)	791,923
6.	Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7.	Commissions, expenses paid and aggregate write-ins for deductions	(26,435,111)	2,631,979
8.	Dividends paid to policyholders		
9.	Federal and foreign income taxes paid (recovered) net of \$.....0 tax on capital gains (losses)	(513,015)	862,425
10.	Total (Lines 5 through 9)	(27,077,645)	4,286,327
11.	Net cash from operations (Line 4 minus Line 10)	28,502,800	1,961,891
Cash from Investments			
12.	Proceeds from investments sold, matured or repaid:		
12.1	Bonds	24,212,514	21,056,223
12.2	Stocks		
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		
12.8	Total investment proceeds (Lines 12.1 to 12.7)	24,212,514	21,056,223
13.	Cost of investments acquired (long-term only):		
13.1	Bonds	54,386,976	24,306,582
13.2	Stocks		
13.3	Mortgage loans		
13.4	Real estate		
13.5	Other invested assets		
13.6	Miscellaneous applications		
13.7	Total investments acquired (Lines 13.1 to 13.6)	54,386,976	24,306,582
14.	Net increase (or decrease) in contract loans and premium notes		
15.	Net cash from investments (Line 12.8 minus Lines 13.7 and 14)	(30,174,462)	(3,250,359)
Cash from Financing and Miscellaneous Sources			
16.	Cash provided (applied):		
16.1	Surplus notes, capital notes		
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		
16.6	Other cash provided (applied)		
17.	Net cash from financing and miscellaneous sources (Lines 16.1 through 16.4 minus Line 16.5 plus Line 16.6)		
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)	(1,671,662)	(1,288,468)
19.	Cash, cash equivalents and short-term investments:		
19.1	Beginning of year	2,411,620	3,700,088
19.2	End of period (Line 18 plus Line 19.1)	739,958	2,411,620
Supplemental Disclosures of Cash Flow Information for Non-Cash Transactions:			
Description		Amount 1	Amount 2
20.0001	.....	

EXHIBIT OF PREMIUMS, ENROLLMENT AND UTILIZATION

	1 Total	Comprehensive (Hospital & Medical)		4 Medicare Supplement	5 Vision Only	6 Dental Only	7 Federal Employees Health Benefit Plan	8 Title XVIII Medicare	9 Title XIX Medicaid	10 Other
		2 Individual	3 Group							
Total Members at end of:										
1. Prior Year										
2. First Quarter										
3. Second Quarter										
4. Third Quarter										
5. Current Year										
6. Current Year Member Months										
Total Member Ambulatory Encounters for Period:										
7. Physician	412,617								412,617	
8. Non-Physician	241,102								241,102	
9. Total	653,719								653,719	
10. Hospital Patient Days Incurred	16,377								16,377	
11. Number of Inpatient Admissions	4,383								4,383	
12. Health Premiums Written (a)										
13. Life Premiums Direct										
14. Property/Casualty Premiums Written										
15. Health Premiums Earned										
16. Property/Casualty Premiums Earned										
17. Amount Paid for Provision of Health Care Services	(129,519)								(129,519)	
18. Amount Incurred for Provision of Health Care Services	(129,519)								(129,519)	

(a) For health premiums written: amount of Medicare Title XVIII exempt from state taxes or fees \$.....0.

STATEMENT AS OF June 30, 2008 OF THE Preferred Health Partnership of Tennessee, Inc.

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
NONE						
0899999 Accrued Medical Incentive Pool And Bonus Amounts						

UNDERWRITING AND INVESTMENT EXHIBIT

ANALYSIS OF CLAIMS UNPAID-PRIOR YEAR-NET OF REINSURANCE

	Claims Paid Year to Date		Liability End of Current Quarter		5	6
	1	2	3	4	Claims Incurred in Prior Years (Columns 1+3)	Estimated Claim Reserve and Claim Liability Dec.31 of Prior Year
	On Claims Incurred Prior to January 1 of Current Year	On Claims Incurred During the Year	On Claims Unpaid Dec.31 of Prior Year	On Claims Incurred During the Year		
1. Comprehensive (hospital & medical)						
2. Medicare Supplement						
3. Dental only						
4. Vision only						
5. Federal Employees Health Benefits Plan						
6. Title XVIII - Medicare						
7. Title XIX - Medicaid	(129,519)				(129,519)	
8. Other health						
9. Health subtotal (Lines 1 to 8)	(129,519)				(129,519)	
10. Healthcare receivables (a)						
11. Other non-health						
12. Medical incentive pools and bonus amounts						
13. Totals	(129,519)				(129,519)	

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

Notes to Financial Statement

1. Summary of Significant Accounting Policies
Not applicable
2. Accounting Changes and Corrections of Errors
Not applicable
3. Business Combinations and Goodwill
Not applicable
4. Discontinued Operations
Not applicable
5. Investments
Not applicable
6. Joint Ventures, Partnerships, and Limited Liability Companies
Not applicable
7. Investment Income
Not applicable
8. Derivative Instruments
Not applicable
9. Income Taxes
Not applicable
10. Information concerning Parent, Subsidiaries, and Affiliates
Not applicable
11. Debt
Not applicable
12. Retirement Plans, Deferred Compensation, Post employment benefits and Compensated Absences and Other Postretirement Benefit Plans.
Not applicable
13. Capital and Surplus, Shareholders' Dividend Restrictions and Quasi-Reorganizations
Not applicable
14. Contingencies
Not applicable
15. Leases
Not applicable
16. Information About Financial Instruments With Off-Balance Sheet Risk and Financial Instruments With Concentrations of Credit Risk
Not applicable
17. Sales, Transfer and Servicing of Financial Assets and Extinguishment of Liabilities
 - A-B. Not applicable
 - C. Wash Sales
Not applicable
18. Gain or Loss to the Reporting Entity from Uninsured Plans and the Uninsured Portion of Partially Insured Plans
Not applicable
19. Direct Premium Written/Produced by Managing General Agents/Third Party Administrators

Notes to Financial Statement

Not applicable

20. September 11 Events

Not applicable

21. Other Items

Not applicable

22. Events Subsequent

Not applicable

23. Reinsurance

Not applicable

24. Retrospectively Rated Contracts & Contracts Subject to Redetermination

Not applicable

25. Change in Incurred Claims and Claim Adjustment Expenses

Not applicable

26. Intercompany Pooling Arrangements

Not applicable

27. Structured Settlements

Not applicable

28. Health Care Receivables

Not applicable

29. Participating Policies

Not applicable

30. Premium Deficiency Reserves

Not applicable

31. Anticipated Salvage and Subrogation

Not applicable

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[] N/A[X]
- 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. 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[] N/A[X]
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.12/31/2005.....
- 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.12/31/2005.....
- 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).12/28/2006.....
- 6.4 By what department or departments?
TENNESSEE DEPT OF COMMERCE AND INSURANCE - TENNCARE DIVISION
- 6.5 Have any 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]
- 6.6 Have all of the recommendations within the latest financial examination report been complied with? Yes[] No[] N/A[X]
- 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
		Yes[] No[X]				

- 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[] No[X]
- 10.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: \$..... 0

INVESTMENT

- 11.1 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]
- 11.2 If yes, give full and complete information relating thereto:
- 12. Amount of real estate and mortgages held in other invested assets in Schedule BA: \$..... 0
- 13. Amount of real estate and mortgages held in short-term investments: \$..... 0
- 14.1 Does the reporting entity have any investments in parent, subsidiaries and affiliates? Yes[X] No[]
- 14.2 If yes, please complete the following:

GENERAL INTERROGATORIES (Continued)

		1	2
		Prior Year-End Book/Adjusted Carrying Value	Current Quarter Book/Adjusted Carrying Value
14.21	Bonds		32,325,000
14.22	Preferred Stock		
14.23	Common Stock		
14.24	Short-Term Investments		
14.25	Mortgages Loans on Real Estate		
14.26	All Other		
14.27	Total Investment in Parent, Subsidiaries and Affiliates (Subtotal Lines 14.21 to 14.26)		32,325,000
14.28	Total Investment in Parent included in Lines 14.21 to 14.26 above		

- 15.1 Has the reporting entity entered into any hedging transactions reported on Schedule DB?
 15.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? If no, attach a description with this statement.

Yes No
 Yes No N/A

16. 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 3, III Conducting Examinations, G - Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook?
 16.1 For all agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

Yes No

1	2
Name of Custodian(s)	Custodian Address
NORTHERN TRUST	PO BOX 75986 CHICAGO, IL 60675-5986

- 16.2 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	2	3
Name(s)	Location(s)	Complete Explanation(s)

- 16.3 Have there been any changes, including name changes, in the custodian(s) identified in 16.1 during the current quarter?
 16.4 If yes, give full and complete information relating thereto:

Yes No

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

- 16.5 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	2	3
Central Registration Depository	Name(s)	Address
108718	MARTIN AND COMPANY	TWO CENTRE SQUARE, SUITE 200, 625 S GAY ST
		KNOXVILLE, TN 37902

- 17.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed?
 17.2 If no, list exceptions:

Yes No

12 Schedule S Ceded Reinsurance NONE

13 Schedule T - Premiums and Other Consid. NONE

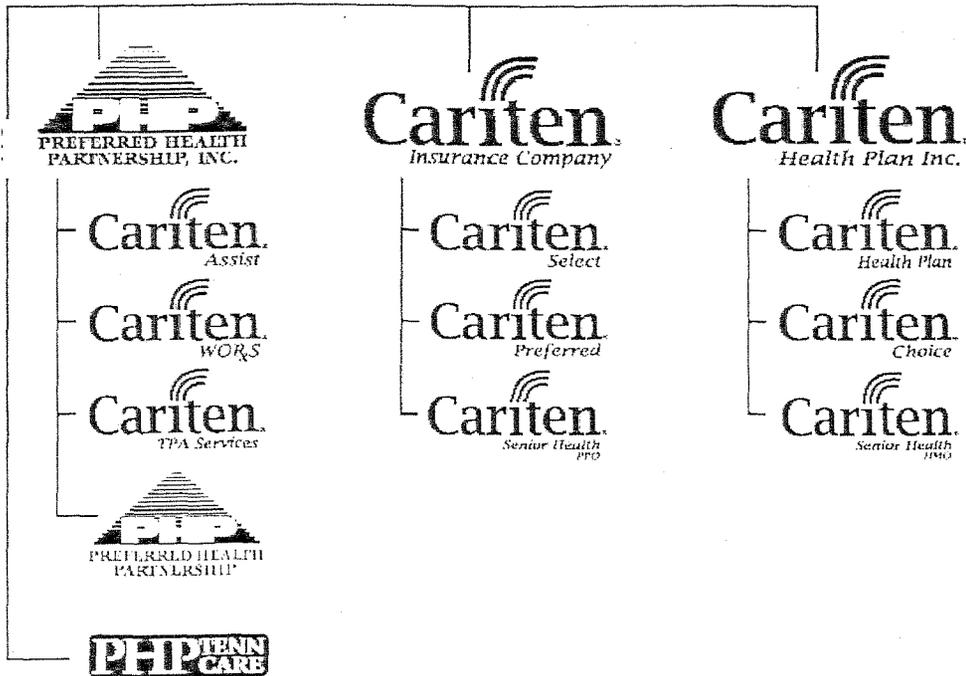
STATEMENT AS OF June 30, 2008 OF THE Preferred Health Partnership of Tennessee, Inc.

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER

MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART

Covenant
HEALTH



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 supplement 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 Supplement be filed with the state of domicile and the NAIC with this statement?

No

Explanations:

Bar Codes:

Medicare Part D Coverage Supplement



95749200838500002

2008

Document Code: 365

OVERFLOW PAGE FOR WRITE-INS

LIABILITIES, CAPITAL AND SURPLUS

	Current Period			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
2104. Reserve for At Risk Revenue	2,390,919	.....	2,390,919	1,643,136
2105. Unclaimed Property	118,692	.....	118,692	121,141
2197. Summary of remaining write-ins for Line 21 (Lines 2104 through 2196)	2,509,611	.....	2,509,611	1,764,277

SCHEDULE A - VERIFICATION

Real Estate

	1	2
	Year To Date	Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year		
2. Cost of acquired:		
2.1 Actual cost at time of acquisitions		
2.2 Additional investment made after acquisitions		
3. Current year change in encumbrances		
4. Total gain (loss) on disposals		
5. Deduct amounts received on disposals		
6. Total foreign exchange change in book/adjusted carrying value		
7. Deduct current year's other than temporary impairment recognized		
8. Deduct current year's depreciation		
9. Book/adjusted carrying value at the end of current period (Lines 1 + 2 + 3 + 4 - 5 + 6 - 7 - 8)		
10. Deduct total nonadmitted amounts		
11. Statement value at end of current period (Line 9 minus Line 10)		

NONE

SCHEDULE B - VERIFICATION

Mortgage Loans

	1	2
	Year To Date	Prior Year Ended December 31
1. Book value/recorded investment excluding accrued interest, December 31 of prior year		
2. Cost of acquired:		
2.1 Actual cost at time of acquisitions		
2.2 Additional investment made after acquisitions		
3. Capitalized deferred interest and other		
4. Accrual of discount		
5. Unrealized valuation increase (decrease)		
6. Total gain (loss) on disposals		
7. Deduct amounts received on disposals		
8. Deduct amortization of premium and mortgage interest points		
9. Total foreign exchange change in book value/recorded investment excluding accrued interest		
10. Deduct current year's other than temporary impairment recognized		
11. Book value/recorded investment excluding accrued interest at end of current period (Lines 1+2+3+4+5+6-7-8+9-10)		
12. Deduct total nonadmitted amounts		
13. Statement value at end of current period (Line 11 minus Line 12)		

NONE

SCHEDULE BA - VERIFICATION

Other Long-Term Invested Assets

Description	1	2
	Year To Date	Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year		
2. Cost of acquired:		
2.1 Actual cost at time of acquisitions		
2.2 Additional investment made after acquisitions		
3. Capitalized deferred interest and other		
4. Accrual of discount		
5. Unrealized valuation increase (decrease)		
6. Total gain (loss) on disposals		
7. Deduct amounts received on disposals		
8. Deduct amortization of premium and depreciation		
9. Total foreign exchange change in book/adjusted carrying value		
10. Deduct current year's other than temporary impairment recognized		
11. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5+6-7-8+9-10)		
12. Deduct total nonadmitted amounts		
13. Statement value at end of current period (Line 11 minus Line 12)		

NONE

SCHEDULE D - VERIFICATION

Bonds and Stocks

	1	2
	Year To Date	Prior Year Ended December 31
1. Book/adjusted carrying value of bonds and stocks, December 31 of prior year	54,143,000	51,260,404
2. Cost of bonds and stocks acquired	54,386,976	24,306,582
3. Accrual of discount	16,813	30,639
4. Unrealized valuation increase (decrease)		
5. Total gain (loss) on disposals	147,561	(71,466)
6. Deduct consideration for bonds and stocks disposed of	24,212,514	21,056,223
7. Deduct amortization of premium	151,731	326,935
8. Total foreign exchange change in book/adjusted carrying value		
9. Deduct current year's other than temporary impairment recognized		
10. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5+6-7+8-9)	84,330,106	54,143,000
11. Deduct total nonadmitted amounts		
12. Statement value at end of current period (Line 10 minus Line 11)	84,330,106	54,143,000

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	2	3	4	5	6	7	8
	Book/Adjusted Carrying Value Beginning of Current Quarter	Acquisitions During Current Quarter	Dispositions During Current Quarter	Non-Trading Activity During Current Quarter	Book/Adjusted Carrying Value End of First Quarter	Book/Adjusted Carrying Value End of Second Quarter	Book/Adjusted Carrying Value End of Third Quarter	Book/Adjusted Carrying Value December 31 Prior Year
BONDS								
1. Class 1 (a)	48,903,043	46,969,226	18,502,575	20,218	48,903,043	77,389,912		51,004,490
2. Class 2 (a)	6,951,096			(10,901)	6,951,096	6,940,195		4,638,510
3. Class 3 (a)								
4. Class 4 (a)								
5. Class 5 (a)								
6. Class 6 (a)								
7. Total Bonds	55,854,139	46,969,226	18,502,575	9,317	55,854,139	84,330,106		55,643,000
PREFERRED STOCK								
8. Class 1								
9. Class 2								
10. Class 3								
11. Class 4								
12. Class 5								
13. Class 6								
14. Total Preferred Stock								
15. Total Bonds & Preferred Stock	55,854,139	46,969,226	18,502,575	9,317	55,854,139	84,330,106		55,643,000

Book/Adjusted Carrying Value column for the end of the current reporting period includes the following amount of non-rated short-term and cash equivalent bonds by NAIC designation: NAIC 1 \$.....0; NAIC 2 \$.....0; NAIC 3 \$.....0; NAIC 4 \$.....0; NAIC 5 \$.....0; NAIC 6 \$.....0

00100

SI03	Schedule DA Part 1	NONE
SI03	Schedule DA Verification	NONE
SI04	Schedule DB Part F Section 1	NONE
SI05	Schedule DB Part F Section 2	NONE
SI06	Schedule E - Verification (Cash Equivalents)	NONE
E01	Schedule A Part 2	NONE
E01	Schedule A Part 3	NONE
E02	Schedule B Part 2	NONE
E02	Schedule B Part 3	NONE
E03	Schedule BA Part 2	NONE
E03	Schedule BA Part 3	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)
Bonds - U.S. Governments									
912828HV5	US TREAS NTS		05/14/2008	FIRST TENNESSEE	XXX	195,131	200,000.00	615	1
0399999 Subtotal - Bonds - U.S. Governments					XXX	195,131	200,000.00	615	XXX
Bonds - Political Subdivisions of States, Territories and Possessions									
499527AG4	KNOX CNTY HEALTH EDL		04/02/2008	NORTHERN TRUST	XXX	3,775,000	3,775,000.00		1FE
499527AH2	KNOX CNTY HEALTH EDL		04/03/2008	NORTHERN TRUST	XXX	1,575,000	1,575,000.00		1FE
499527AE9	KNOX CNTY HEALTH EDL		05/13/2008	NORTHERN TRUST	XXX	5,000,000	5,000,000.00		1FE
499527AF6	KNOX CNTY HEALTH EDL		05/16/2008	NORTHERN TRUST	XXX	9,825,000	9,825,000.00		1FE
499527AG4	KNOX CNTY HEALTH EDL		05/13/2008	NORTHERN TRUST	XXX	2,075,000	2,075,000.00		1FE
499527AH2	KNOX CNTY HEALTH EDL		05/16/2008	NORTHERN TRUST	XXX	5,125,000	5,125,000.00		1FE
586158MK0	MEMPHIS TENN ELEC SYS		06/19/2008	NORTHERN TRUST	XXX	1,600,320	1,500,000.00		1FE
499527AG4	KNOX CNTY HEALTH EDL		06/30/2008	NORTHERN TRUST	XXX	725,000	725,000.00		1FE
499527AH2	KNOX CNTY HEALTH EDL		06/30/2008	NORTHERN TRUST	XXX	9,425,000	9,425,000.00		1FE
499527AE9	KNOX CNTY HEALTH EDL		06/30/2008	NORTHERN TRUST	XXX	2,125,000	2,125,000.00		1FE
499527AF6	KNOX CNTY HEALTH EDL		06/30/2008	NORTHERN TRUST	XXX	3,000,000	3,000,000.00		1FE
2499999 Subtotal - Bonds - Political Subdivisions of States, Territories and Possessions					XXX	44,250,320	44,150,000.00		XXX
Bonds - Industrial and Miscellaneous (Unaffiliated)									
75913MAB5	REGIONS BK BIRMINGHAM AL		05/12/2008	NORTHERN TRUST	XXX	2,523,775	2,500,000.00		1FE
4599999 Subtotal - Bonds - Industrial and Miscellaneous (Unaffiliated)					XXX	2,523,775	2,500,000.00		XXX
6099997 Subtotal - Bonds - Part 3					XXX	46,969,226	46,850,000.00	615	XXX
6099998 Summary Item from Part 5 for Bonds (N/A to Quarterly)					XXX	XXX	XXX	XXX	XXX
6099999 Subtotal - Bonds					XXX	46,969,226	46,850,000.00	615	XXX
6599998 Summary Item from Part 5 for Preferred Stocks (N/A to Quarterly)					XXX	XXX	XXX	XXX	XXX
7299998 Summary Item from Part 5 for Common Stocks (N/A to Quarterly)					XXX	XXX	XXX	XXX	XXX
7399999 Subtotal - Preferred and Common Stocks					XXX	XXX	XXX	XXX	XXX
7499999 Total - Bonds, Preferred and Common Stocks					XXX	46,969,226	XXX	615	XXX

(a) For all common stock bearing the NAIC market indicator "U" provide: the number of such issues0.

SCHEDULE D - PART 4

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

1 CUSIP Identification	2 Description	3 F o r e i g n	4 Disposal Date	5 Name of Purchaser	6 Number of Shares of Stock	7 Consideration	8 Par Value	9 Actual Cost	10 Prior Year Book/ Adjusted Carrying Value	Change in Book/Adjusted Carrying Value					16 Book/ Adjusted Carrying Value at Disposal Date	17 Foreign Exchange Gain (Loss) on Disposal	18 Realized Gain (Loss) on Disposal	19 Total Gain (Loss) on Disposal	20 Bond Interest/ Stock Dividends Received During Year	21 Maturity Date	22 NAIC Designation or Market Indicator (a)	
										11 Unrealized Valuation Increase/ (Decrease)	12 Current Year's (Amortization)/ Accretion	13 Current Year's Other Than Temporary Impairment Recognized	14 Total Change in B./A.C.V. (11 + 12 - 13)	15 Total Foreign Exchange Change in B./A.C.V.								
Bonds - U.S. Governments																						
91282BAN0	US TREAS NTS		04/01/2008	MATURED	XXX	100,000	100,000.00	101,226	99,952	48			48		100,000			250	11/15/2007	1		
3134A4TE4	FHLMC		04/01/2008	MATURED	XXX	3,000,000	300,000.00	3,037,968	3,001,309	(1,309)			(1,309)		3,000,000			41,250	03/15/2006	1		
91282BAZ3	US TREAS NTS		06/01/2008	MATURED	XXX	200,000	200,000.00	200,000	200,000						200,000			3,063	05/15/2006	1		
0399999	Subtotal - Bonds - U.S. Governments				XXX	3,300,000	600,000.00	3,339,194	3,301,261	(1,261)			(1,261)		3,300,000			44,563		XXX	XXX	
Bonds - Political Subdivisions of States, Territories and Possessions																						
499527AE9	KNOX CNTY HEALTH EDL		06/17/2008	NORTHERN TRUST	XXX	2,500,000	2,500,000.00	2,500,000							2,500,000					01/01/2046	1FE	
499527AF6	KNOX CNTY HEALTH EDL		06/05/2008	NORTHERN TRUST	XXX	2,825,000	2,825,000.00	2,825,000							2,825,000					01/01/2046	1FE	
499527AF6	KNOX CNTY HEALTH EDL		06/19/2008	NORTHERN TRUST	XXX	5,000,000	5,000,000.00	5,000,000							5,000,000					01/01/2046	1FE	
2499999	Subtotal - Bonds - Political Subdivisions of States, Territories and Possessions				XXX	10,325,000	10,325,000.00	10,325,000							10,325,000					XXX	XXX	
Bonds - Industrial and Miscellaneous (Unaffiliated)																						
247025AD1	DELL COMPUTER CORP		04/15/2008	MATURED	XXX	1,550,000	1,550,000.00	1,557,037	1,555,278	(5,278)			(5,278)		1,550,000					04/15/2008	1FE	
758940AF7	REGIONS FINANCIAL CORP NT		05/12/2008	NORTHERN TRUST	XXX	2,577,575	2,500,000.00	2,513,850	2,504,423	(466)			(466)		2,503,957		73,618	73,618		03/01/2011	1FE	
867914AQ6	SUNTRUST BKS INC		06/01/2008	MATURED	XXX	750,000	750,000.00	813,465	796,899	(6,898)			(6,898)		750,000					06/01/2008	1FE	
4599999	Subtotal - Bonds - Industrial and Miscellaneous (Unaffiliated)				XXX	4,877,575	4,800,000.00	4,884,352	4,816,599	(12,642)			(12,642)		4,803,957		73,618	73,618		XXX	XXX	
6099997	Subtotal - Bonds - Part 4				XXX	18,502,575	15,725,000.00	18,548,546	8,117,860	(13,903)			(13,903)		18,428,957		73,618	73,618		44,563	XXX	
6099998	Summary Item from Part 5 for Bonds (N/A to Quarterly)				XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
6099999	Subtotal - Bonds				XXX	18,502,575	15,725,000.00	18,548,546	8,117,860	(13,903)			(13,903)		18,428,957		73,618	73,618		44,563	XXX	
6599998	Summary Item from Part 5 for Preferred Stocks (N/A to Quarterly)				XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
7299998	Summary Item from Part 5 for Common Stocks (N/A to Quarterly)				XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
7399999	Subtotal - Preferred and Common Stocks				XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
7499999	Total - Bonds, Preferred and Common Stocks				XXX	18,502,575	15,725,000.00	18,548,546	8,117,860	(13,903)			(13,903)		18,428,957		73,618	73,618		44,563	XXX	

(a) For all common stock bearing the NAIC market indicator "U" provide: the number of such issues0.

QE05

E06 Schedule DB Part A Section 1 NONE

E06 Schedule DB Part B Section 1 NONE

E07 Schedule DB Part C Section 1 NONE

E07 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	*
open depositories									
Cash on Deposit	First Tennessee Bank		4.000	3,749		267,842	216,009	569,465	X X X
Northern Trust	Chicago Illinois		4.900	17,586	4,227	1,674,302	86,363	170,493	X X X
0199998 Deposits in .....0 depositories that do not exceed the allowable limit in any one depository (See Instructions) - open depositories		X X X	X X X						X X X
0199999 Totals - Open Depositories		X X X	X X X	21,335	4,227	1,942,144	302,372	739,958	X X X
0299998 Deposits in .....0 depositories that do not exceed the allowable limit in any one depository (See Instructions) - suspended depositories		X X X	X X X						X X X
0299999 Totals - Suspended Depositories		X X X	X X X						X X X
0399999 Total Cash On Deposit		X X X	X X X	21,335	4,227	1,942,144	302,372	739,958	X X X
0499999 Cash in Company's Office		X X X	X X X	X X X	X X X				X X X
0599999 Total Cash		X X X	X X X	21,335	4,227	1,942,144	302,372	739,958	X X X

E09 Schedule E Part 2 Cash Equivalents NONE

Supp1 Medicare Part D Coverage Supplement NONE

STATEMENT AS OF June 30, 2008 of the PREFERRED HEALTH PARTNERSHIP OF TENNESSEE, INC.

EXHIBIT 2 - ACCIDENT AND HEALTH PREMIUMS DUE AND UNPAID

1 Name of Debtor	2 1-30 Days	3 31-60 Days	4 61-90 Days	5 Over 90 Days	6 Nonadmitted	7 Admitted
0199999 Total individuals						
0299998 Premium due and unpaid not individually listed						
0299999 Total group		NONE				
0399999 Premiums due and unpaid from Medicare entities						
0499999 Premiums due and unpaid from Medicaid entities						
0599999 Accident and health premiums due and unpaid (Page 2, Line 12)						

STATEMENT AS OF June 30, 2008 of the PREFERRED HEALTH PARTNERSHIP OF TENNESSEE, INC.

EXHIBIT 3 - HEALTH CARE RECEIVABLES

1 Name of Debtor	2 1-30 Days	3 31-60 Days	4 61-90 Days	5 Over 90 Days	6 Nonadmitted	7 Admitted
0199998 Subtotal - Pharmaceutical Rebate Receivables - Not Individually Listed						
0199999 Subtotal - Pharmaceutical Rebate Receivables						
0299998 Subtotal - Claim Overpayment Receivables - Not Individually Listed						
0299999 Subtotal - Claim Overpayment Receivables						
0399998 Subtotal - Loans and Advances to Providers - Not Individually Listed						
0399999 Subtotal - Loans and Advances to Providers		NONE				
0499998 Subtotal - Capitation Arrangements Receivables - Not Individually Listed						
0499999 Subtotal - Capitation Arrangements Receivables						
0599998 Subtotal - Risk Sharing Receivables - Not Individually Listed						
0599999 Subtotal - Risk Sharing Receivables						
0699998 Subtotal - Other Receivables - Not Individually Listed						
0699999 Subtotal - Other Receivables						
0799999 Gross health care receivables						

STATEMENT AS OF June 30, 2008 of the PREFERRED HEALTH PARTNERSHIP OF TENNESSEE, INC.

EXHIBIT 5 - AMOUNTS DUE FROM PARENT, SUBSIDIARIES AND AFFILIATES

1 Name of Affiliate	2 1-30 Days	3 31-60 Days	4 61-90 Days	5 Over 90 Days	6 Nonadmitted	Admitted	
						7 Current	8 Non-Current
Individually listed receivables							
Preferred Health Partnership Companies, Inc Cariten Insurance Company Cariten Health Plan, Inc.	0				0		0
0199999 - Total Individually Listed Receivables	0	0	0	0	0	0	0
0299999 - Receivables not individually listed							
0399999 - Total gross amounts receivable	0	0	0	0	0	0	0

Statement of Actuarial Opinion

OLIVER WYMAN Statement of Actuarial Opinion

Actuarial Certification Preferred Health Partnership of Tennessee, Inc. Actuarial Liabilities as of June 30, 2008

I, Glenn A. Giese, am a Principal with the firm of Oliver Wyman Actuarial Consulting, Inc. (Oliver Wyman). I am a Fellow of the Society of Actuaries and a member of the American Academy of Actuaries and meet the qualification standards for rendering opinions on Health Maintenance Organizations' and Health Plans' actuarial liabilities. I have been retained by Preferred Health Partnership of Tennessee, Inc. (the Company) to render an opinion on their June 30, 2008 actuarial liabilities.

I have undertaken an examination of the assumptions and methods used in developing the actuarial liabilities shown in the Company's June 30, 2008 annual statement prepared for filing with the State of Tennessee regulatory officials. These amounts are shown below:

Claims Unpaid (Page 3, Line 1)	\$0
Accrued Medical Incentive Pool and Bonus Payments (Page 3, Line 2)	\$0
Unpaid Claims Adjustment Expenses (Page 3, Line 3)	\$0
Aggregate Policy Reserves (Page 3, Line 4)	\$5,903,520
Aggregate Health Claim Reserves	\$0
Experience Rated Refund	\$0
Actuarial Liabilities included in Page 3, Line 21	\$12,476,375

It is my opinion that the actuarial liabilities shown above:

1. are in accordance with accepted actuarial standards, consistently applied and are fairly stated in accordance with sound actuarial principles,
2. are based on actuarial assumptions relevant to contract provisions and are appropriate to the purpose for which the statement was prepared,
3. meet the requirements of the laws of the State of Tennessee,

Statement of Actuarial Opinion

Actuarial Certification – Medical Services Report
Preferred Health Partnership of Tennessee, Inc.
Actuarial Liabilities as of June 30, 2008
Page 2

I considered the need to do cash flow testing in forming my opinion. I determined that cash flow testing was not necessary due to the short-term nature of the liabilities and the insensitivity of the liabilities to economic conditions.

The actuarial methods, considerations and analyses used in forming my opinion are in conformance with the appropriate Standards of Practice and Compliance Guidelines as promulgated by the Actuarial Standards Board and the American Academy of Actuaries.



July 28, 2008

Glenn A. Giese, FSA, MAAA

Date

Statement of Actuarial Opinion

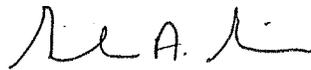
Actuarial Certification
Preferred Health Partnership of Tennessee, Inc.
Actuarial Liabilities as of June 30, 2008
Page 2

4. make good and sufficient provision for all unpaid claims and other actuarial liabilities of the Company under the terms of its contracts and arrangements,
5. are computed on the basis of assumptions consistent with those used in computing the corresponding items in the annual statement of the proceeding year-end, and
6. include appropriate provision for all actuarial items that ought to be established.

In arriving at my opinion I have relied on data prepared by Mr. Jeff Collake of the Company (see reliance letter attached.) In other respects, my examination included such review of the underlying assumptions and methods used and such tests of the calculations as I considered necessary.

I considered the need to do cash flow testing in forming my opinion. I determined that cash flow testing was not necessary due to the short-term nature of the liabilities and the insensitivity of the liabilities to economic conditions.

The actuarial methods, considerations and analyses used in forming my opinion are in conformance with the appropriate Standards of Practice and Compliance Guidelines as promulgated by the Actuarial Standards Board and the American Academy of Actuaries.



Glenn A. Giese, FSA, MAAA

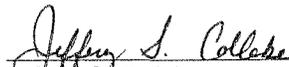
September 2, 2008

Date



Reliance Certification
Preferred Health Partnership of Tennessee

I, Jeffery S. Collake, Chief Financial Officer, for Preferred Health Partnership of Tennessee ("the Company"), hereby affirm that the records and data related to all inforce policies and contracts as of June 30, 2008, were prepared under my direction and to the best of my knowledge and belief are accurate and complete and are the same as the records and data which form the basis for the Company's 2008 Quarterly Statement.



Jeffery S. Collake
Chief Financial Officer
Preferred Health Partnership of TN

Date: 9/2/08

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