



# QUARTERLY STATEMENT

AS OF SEPTEMBER 30, 2009  
OF THE CONDITION AND AFFAIRS OF THE

## Premier Behavioral Systems of Tennessee, LLC

NAIC Group Code 0000 (Current Period), 0000 (Prior Period) NAIC Company Code 00000 Employer's ID Number 62-1641638

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

Country of Domicile United States

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

Incorporated/Organized 05/15/1996 Commenced Business 07/01/1996

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

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

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

Primary Location of Books and Records 222 Second Ave. N. Suite 220, Nashville, TN 37201 410-953-1643  
(Street and Number) (City, State and Zip Code) (Area Code) (Telephone Number)

Internet Web Site Address N/A

Statutory Statement Contact Michael Fotinos, 410-953-1643  
(Name) (Area Code) (Telephone Number) (Extension)  
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(E-Mail Address) (Fax Number)

### OFFICERS

Name	Title	Name	Title
Jonathan Rubin	Vice President and Treasurer	William R. Grimm	Director

### OTHER OFFICERS

### DIRECTORS OR TRUSTEES

Jonathan Rubin	William R. Grimm	Rene Lerer
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State of Connecticut  
 County of Hartford ss Avon

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

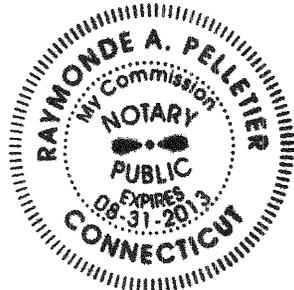
Jonathan Rubin  
 Vice President and Treasurer

William R. Grimm  
 Director

- 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 \_\_\_\_\_

Subscribed and sworn to before me this 9th day of November 2009

Raymond A. Pelletier



STATEMENT AS OF SEPTEMBER 30, 2009 OF THE Premier Behavioral Systems of Tennessee, LLC

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 .....	1,918,891		1,918,891	1,950,531
2. Stocks:				
2.1 Preferred stocks .....			0	0
2.2 Common stocks .....			0	0
3. Mortgage loans on real estate:				
3.1 First liens .....			0	0
3.2 Other than first liens .....			0	0
4. Real estate:				
4.1 Properties occupied by the company (less \$ ..... encumbrances).....			0	0
4.2 Properties held for the production of income (less \$ ..... encumbrances) .....			0	0
4.3 Properties held for sale (less \$ ..... encumbrances) .....			0	0
5. Cash (\$ .....18,925,283 ), cash equivalents (\$ .....0 ) and short-term investments (\$ ..... 0 ) .....	18,925,283		18,925,283	28,801,430
6. Contract loans (including \$ ..... premium notes)			0	0
7. Other invested assets .....	0		0	0
8. Receivables for securities .....			0	0
9. Aggregate write-ins for invested assets .....	0	0	0	0
10. Subtotals, cash and invested assets (Lines 1 to 9) .....	20,844,174	0	20,844,174	30,751,961
11. Title plants less \$ ..... charged off (for Title insurers only)			0	0
12. Investment income due and accrued .....	6,861		6,861	29,819
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection .....	306,559		306,559	1,538,661
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ ..... earned but unbilled premiums).....			0	0
13.3 Accrued retrospective premiums .....			0	0
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers .....			0	0
14.2 Funds held by or deposited with reinsured companies .....			0	0
14.3 Other amounts receivable under reinsurance contracts .....			0	0
15. Amounts receivable relating to uninsured plans .....			0	0
16.1 Current federal and foreign income tax recoverable and interest thereon .....			0	0
16.2 Net deferred tax asset.....			0	0
17. Guaranty funds receivable or on deposit .....			0	0
18. Electronic data processing equipment and software.....			0	0
19. Furniture and equipment, including health care delivery assets (\$ .....)			0	0
20. Net adjustment in assets and liabilities due to foreign exchange rates .....			0	0
21. Receivables from parent, subsidiaries and affiliates .....	152,787	152,787	0	0
22. Health care (\$ ..... ) and other amounts receivable.....			0	0
23. Aggregate write-ins for other than invested assets .....	0	0	0	0
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	21,310,382	152,787	21,157,594	32,320,441
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			0	0
26. Total (Lines 24 and 25)	21,310,382	152,787	21,157,594	32,320,441
<b>DETAILS OF WRITE-INS</b>				
0901. ....				
0902. ....				
0903. ....				
0998. Summary of remaining write-ins for Line 9 from overflow page .....	0	0	0	0
0999. Totals (Lines 0901 through 0903 plus 0998)(Line 9 above)	0	0	0	0
2301. Risk Share Receivable.....			0	0
2302. ASO Receivable.....			0	0
2303. ....				
2398. Summary of remaining write-ins for Line 23 from overflow page .....	0	0	0	0
2399. Totals (Lines 2301 through 2303 plus 2398)(Line 23 above)	0	0	0	0

## LIABILITIES, CAPITAL AND SURPLUS

	Current Period			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$ ..... reinsurance ceded)	4,511,715		4,511,715	6,434,188
2. Accrued medical incentive pool and bonus amounts			.0	.0
3. Unpaid claims adjustment expenses			.0	.0
4. Aggregate health policy reserves			.0	.0
5. Aggregate life policy reserves			.0	.0
6. Property/casualty unearned premium reserve			.0	.0
7. Aggregate health claim reserves			.0	.0
8. Premiums received in advance			.0	.0
9. General expenses due or accrued	112,275		112,275	85,010
10.1 Current federal and foreign income tax payable and interest thereon (including \$ ..... on realized gains (losses))			.0	.0
10.2 Net deferred tax liability			.0	.0
11. Ceded reinsurance premiums payable			.0	.0
12. Amounts withheld or retained for the account of others			.0	.0
13. Remittances and items not allocated			.0	.0
14. Borrowed money (including \$ ..... current) and interest thereon \$ ..... (including \$ ..... current)			.0	.0
15. Amounts due to parent, subsidiaries and affiliates	75,835		75,835	141,951
16. Payable for securities			.0	.0
17. Funds held under reinsurance treaties with (\$ ..... authorized reinsurers and \$ ..... unauthorized reinsurers)			.0	.0
18. Reinsurance in unauthorized companies			.0	.0
19. Net adjustments in assets and liabilities due to foreign exchange rates			.0	.0
20. Liability for amounts held under uninsured plans			.0	.0
21. Aggregate write-ins for other liabilities (including \$ ..... current)	12,255,364	.0	12,255,364	16,935,943
22. Total liabilities (Lines 1 to 21)	16,955,190	.0	16,955,190	23,597,092
23. Aggregate write-ins for special surplus funds	XXX	XXX	.0	.0
24. Common capital stock	XXX	XXX		.0
25. Preferred capital stock	XXX	XXX		.0
26. Gross paid in and contributed surplus	XXX	XXX	23,245,279	23,245,279
27. Surplus notes	XXX	XXX		.0
28. Aggregate write-ins for other than special surplus funds	XXX	XXX	.0	.0
29. Unassigned funds (surplus)	XXX	XXX	(19,042,875)	(14,521,930)
30. Less treasury stock, at cost:				
30.1 ..... shares common (value included in Line 24) \$ ..... )	XXX	XXX		.0
30.2 ..... shares preferred (value included in Line 25) \$ ..... )	XXX	XXX		.0
31. Total capital and surplus (Lines 23 to 29 minus Line 30)	XXX	XXX	4,202,404	8,723,349
32. Total liabilities, capital and surplus (Lines 22 and 31)	XXX	XXX	21,157,594	32,320,441
<b>DETAILS OF WRITE-INS</b>				
2101. Premium Tax Payable	(72,393)		(72,393)	48,677
2102. Risk Share Payable	12,201,227		12,201,227	16,763,187
2103. Stale Check Liability	126,531		126,531	124,079
2198. Summary of remaining write-ins for Line 21 from overflow page	.0	.0	.0	.0
2199. Totals (Lines 2101 thru 2103 plus 2198) (Line 21 above)	12,255,364	0	12,255,364	16,935,943
2301. ....	XXX	XXX		
2302. ....	XXX	XXX		
2303. ....	XXX	XXX		
2398. Summary of remaining write-ins for Line 23 from overflow page	XXX	XXX	.0	.0
2399. Totals (Lines 2301 thru 2303 plus 2398) (Line 23 above)	XXX	XXX	0	0
2801. ....	XXX	XXX		
2802. ....	XXX	XXX		
2803. ....	XXX	XXX		
2898. Summary of remaining write-ins for Line 28 from overflow page	XXX	XXX	.0	.0
2899. Totals (Lines 2801 thru 2803 plus 2898) (Line 28 above)	XXX	XXX	0	0

**STATEMENT OF REVENUE AND EXPENSES**

	Current Year To Date		Prior Year To Date	Prior Year Ended December 31
	1 Uncovered	2 Total	3 Total	4 Total
1. Member Months.....	XXX	564,027	2,279,263	2,657,890
2. Net premium income (including \$ ..... non-health premium income).....	XXX	31,838,014	70,263,207	88,108,209
3. Change in unearned premium reserves and reserve for rate credits .....	XXX		0	0
4. Fee-for-service (net of \$ ..... medical expenses) .....	XXX		0	0
5. Risk revenue .....	XXX		0	0
6. Aggregate write-ins for other health care related revenues .....	XXX	4,561,960	(1,737,451)	(1,840,811)
7. Aggregate write-ins for other non-health revenues .....	XXX	0	0	0
8. Total revenues (Lines 2 to 7) .....	XXX	36,399,974	68,525,756	86,267,398
<b>Hospital and Medical:</b>				
9. Hospital/medical benefits .....		20,915,147	30,374,267	39,184,400
10. Other professional services .....		12,945,919	25,783,413	31,941,864
11. Outside referrals .....			0	0
12. Emergency room and out-of-area .....			0	0
13. Prescription drugs .....			0	0
14. Aggregate write-ins for other hospital and medical.....	0	0	0	0
15. Incentive pool, withhold adjustments and bonus amounts.....			0	0
16. Subtotal (Lines 9 to 15) .....	0	33,861,066	56,157,681	71,126,264
<b>Less:</b>				
17. Net reinsurance recoveries .....			0	0
18. Total hospital and medical (Lines 16 minus 17) .....	0	33,861,066	56,157,681	71,126,264
19. Non-health claims (net).....			0	0
20. Claims adjustment expenses, including \$ 10,825 ..... cost containment expenses.....		318,380	702,632	881,082
21. General administrative expenses.....		3,509,012	7,401,645	9,330,364
22. Increase in reserves for life and accident and health contracts including \$ ..... increase in reserves for life only).....			0	0
23. Total underwriting deductions (Lines 18 through 22) .....	0	37,688,458	64,261,957	81,337,710
24. Net underwriting gain or (loss) (Lines 8 minus 23) .....	XXX	(1,288,484)	4,263,799	4,929,688
25. Net investment income earned .....		47,582	488,347	505,262
26. Net realized capital gains (losses) less capital gains tax of \$ .....			0	0
27. Net investment gains (losses) (Lines 25 plus 26) .....	0	47,582	488,347	505,262
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$ ..... ) (amount charged off \$ ..... ) .....			0	0
29. Aggregate write-ins for other income or expenses .....	0	0	0	0
30. Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29) .....	XXX	(1,240,902)	4,752,145	5,434,949
31. Federal and foreign income taxes incurred .....	XXX		0	0
32. Net income (loss) (Lines 30 minus 31) .....	XXX	(1,240,902)	4,752,145	5,434,949
<b>DETAILS OF WRITE-INS</b>				
0601. Risk Share Revenue.....	XXX	4,561,960	(1,737,451)	(1,840,811)
0602. ASO Revenue.....	XXX		0	0
0603. ....	XXX			
0698. Summary of remaining write-ins for Line 6 from overflow page .....	XXX	0	0	0
0699. Totals (Lines 0601 through 0603 plus 0698) (Line 6 above) .....	XXX	4,561,960	(1,737,451)	(1,840,811)
0701. ....	XXX			
0702. ....	XXX			
0703. ....	XXX			
0798. Summary of remaining write-ins for Line 7 from overflow page .....	XXX	0	0	0
0799. Totals (Lines 0701 through 0703 plus 0798) (Line 7 above) .....	XXX	0	0	0
1401. ....				
1402. ....				
1403. ....				
1498. Summary of remaining write-ins for Line 14 from overflow page .....	0	0	0	0
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above) .....	0	0	0	0
2901. ....				
2902. ....				
2903. ....				
2998. Summary of remaining write-ins for Line 29 from overflow page .....	0	0	0	0
2999. Totals (Lines 2901 through 2903 plus 2998) (Line 29 above) .....	0	0	0	0

**STATEMENT OF REVENUE AND EXPENSES (Continued)**

	1 Current Year to Date	2 Prior Year to Date	3 Prior Year
<b>CAPITAL AND SURPLUS ACCOUNT:</b>			
33. Capital and surplus prior reporting year.....	8,723,349	14,461,144	14,461,144
34. Net income or (loss) from Line 32.....	(1,240,902)	4,752,145	5,434,949
35. Change in valuation basis of aggregate policy and claim reserves.....		0	0
36. Change in net unrealized capital gains (losses) less capital gains tax of \$.....		0	0
37. Change in net unrealized foreign exchange capital gain or (loss).....		0	0
38. Change in net deferred income tax.....		0	0
39. Change in nonadmitted assets.....	19,958	(377,040)	(172,745)
40. Change in unauthorized reinsurance.....	0	0	0
41. Change in treasury stock.....		0	0
42. Change in surplus notes.....	0	0	0
43. Cumulative effect of changes in accounting principles.....		0	0
44. Capital Changes:			
44.1 Paid in.....		0	0
44.2 Transferred from surplus (Stock Dividend).....		0	0
44.3 Transferred to surplus.....		0	0
45. Surplus adjustments:			
45.1 Paid in.....		0	0
45.2 Transferred to capital (Stock Dividend).....	0	0	0
45.3 Transferred from capital.....		0	0
46. Dividends to stockholders.....	(3,300,000)	0	(11,000,000)
47. Aggregate write-ins for gains or (losses) in surplus.....	0	0	0
48. Net change in capital & surplus (Lines 34 to 47).....	(4,520,945)	4,375,106	(5,737,795)
49. Capital and surplus end of reporting period (Line 33 plus 48)	4,202,404	18,836,250	8,723,349
<b>DETAILS OF WRITE-INS</b>			
4701. ....			
4702. ....			
4703. ....			
4798. Summary of remaining write-ins for Line 47 from overflow page.....	0	0	0
4799. Totals (Lines 4701 through 4703 plus 4798) (Line 47 above)	0	0	0

## CASH FLOW

	1 Current Year To Date	2 Prior Year Ended December 31
<b>Cash from Operations</b>		
1. Premiums collected net of reinsurance.....	33,070,116	87,975,606
2. Net investment income.....	102,180	552,186
3. Miscellaneous income.....	0	0
4. Total (Lines 1 to 3).....	33,172,296	88,527,792
5. Benefit and loss related payments.....	36,101,919	76,341,014
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts.....	0	0
7. Commissions, expenses paid and aggregate write-ins for deductions.....	3,646,523	10,145,933
8. Dividends paid to policyholders.....	0	0
9. Federal and foreign income taxes paid (recovered) net of \$ ..... tax on capital gains (losses)	0	0
10. Total (Lines 5 through 9).....	39,748,443	86,486,947
11. Net cash from operations (Line 4 minus Line 10).....	(6,576,147)	2,040,845
<b>Cash from Investments</b>		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds.....	0	3,025,000
12.2 Stocks.....	0	0
12.3 Mortgage loans.....	0	0
12.4 Real estate.....	0	0
12.5 Other invested assets.....	0	0
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments.....	0	0
12.7 Miscellaneous proceeds.....	0	0
12.8 Total investment proceeds (Lines 12.1 to 12.7).....	0	3,025,000
13. Cost of investments acquired (long-term only):		
13.1 Bonds.....	0	1,987,039
13.2 Stocks.....	0	0
13.3 Mortgage loans.....	0	0
13.4 Real estate.....	0	0
13.5 Other invested assets.....	0	0
13.6 Miscellaneous applications.....	0	0
13.7 Total investments acquired (Lines 13.1 to 13.6).....	0	1,987,039
14. Net increase (or decrease) in contract loans and premium notes.....	0	0
15. Net cash from investments (Line 12.8 minus Line 13.7 and Line 14).....	0	1,037,961
<b>Cash from Financing and Miscellaneous Sources</b>		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes.....	0	0
16.2 Capital and paid in surplus, less treasury stock.....	0	0
16.3 Borrowed funds.....	0	0
16.4 Net deposits on deposit-type contracts and other insurance liabilities.....	0	0
16.5 Dividends to stockholders.....	3,300,000	11,000,000
16.6 Other cash provided (applied).....	0	0
17. Net cash from financing and miscellaneous sources (Line 16.1 through Line 16.4 minus Line 16.5 plus Line 16.6).....	(3,300,000)	(11,000,000)
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS</b>		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17).....	(9,876,147)	(7,921,194)
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year.....	28,801,430	36,722,624
19.2 End of period (Line 18 plus Line 19.1).....	18,925,283	28,801,430

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

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

**Premier Behavioral Health of TN, LLC.**  
**BHO TennCare Operations Statement of Revenue and Expenses**  
**For the Quarter Ending September 30, 2009**  
**Report 2A**

	Current Quarter Total	Year to Date Total
Member Months	141,041	564,027
<b>Revenues</b>		
TennCare Capitation	7,892,793	31,838,014
Risk Share Revenue	4,419,041	4,561,960
Investment (Interest)	13,615	47,582
<b>Total Revenues</b>	<b>12,325,449</b>	<b>36,447,556</b>
<b>Expenses</b>		
Mental Health & Substance Services		
Inpatient Psychiatric Facility services	1,891,445	7,369,837
Inpatient Substance Abuse Treatment and Detox	110,395	405,943
Outpatient Mental Health Services	3,937,385	12,992,288
Outpatient Substance Abuse Treatment and Detox	237,169	782,563
Housing/Residential Treatment	1,360,474	4,708,604
Specialized Crisis Services	250,679	725,443
Psychiatric Rehab and Support Services	83,624	242,000
Case Management	1,385,009	5,635,835
Forensics		
Other Judicial		
Pharmacy		
Lab Services	56,808	165,180
Transportation	276,907	833,373
Medical Incentive Pool and Withhold Adjustments		
Occupancy, Depreciation and Amortization		0
Other Mental Health and Substance Abuse Services		0
PCP and Specialists Services		
Subtotal	9,589,894	33,861,066
Reinsurance Expense Net of Recoveries		
Less:		
Copayments		
Subrogation		
Coordination of Benefits		
Subtotal		
<b>Total Medical and Substance Abuse</b>	<b>9,589,894</b>	<b>33,861,066</b>
<b>Claim Adjustment Expense</b>	<b>78,928</b>	<b>318,380</b>
Administration <sup>1</sup>		
Rent	10,037	40,487
Salaries and Wages	361,024	1,456,304
Contributions for benefit plans for employees		
Payments to employees under non-funded benefit plans		
Other employee welfare	1,087	4,385
Legal fees and expenses	4,145	16,718
Medical examination fees		
Utilization management		
Certifications and accreditation	31	125
Auditing, actuarial and other consulting services	52,358	198,241
Traveling expenses	13,171	53,128
Marketing and advertising	8,650	34,891
Postage, express, telegraph and telephone	16,112	64,994
Printing and stationary	19,903	102,929
Occupancy, depreciation and amortization	164,568	665,568
Rental of equipment	256	1,031
Outsourced services includes EDP, claims, and other services	(290)	(1,171)
Books and periodicals		
Boards, bureaus and association fees	2,156	8,696
Insurance, except on real estate		-
Collection and bank service charges	10,296	31,167
Group service and administration fees		
Reimbursements from fiscal intermediaries		
Real estate expenses	192	773
Real estate taxes		
Bad Debt Expense		
Taxes, licenses and fees:		
State and local insurance taxes		
State premium taxes	246,237	727,999
Insurance department licenses and fees		
Payroll taxes		
Other (excluding federal income and real estate taxes)	82,811	102,746
Investment expenses not included elsewhere		
<b>Total Administrative Expenses</b>	<b>992,741</b>	<b>3,509,012</b>
<b>Total Expenses</b>	<b>10,661,563</b>	<b>37,688,458</b>
<b>Net Income (Loss)</b>	<b>1,663,886</b>	<b>(1,240,902)</b>

<sup>1</sup> The ASO fee Administration expense breakout is assumed based upon current sub-contractor's expenses.

STATEMENT AS OF SEPTEMBER 30, 2009 OF THE Premier Behavioral Systems of Tennessee, LLC

<b>EXHIBIT OF PREMIUMS, ENROLLMENT AND UTILIZATION</b>										
	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							
<b>Total Members at end of:</b>										
1. Prior Year .....	64,573	0	0	0	0	0	0	0	64,573	0
2. First Quarter .....	72,588	0	0	0	0	0	0	0	72,588	0
3. Second Quarter .....	71,514	0	0	0	0	0	0	0	71,514	0
4. Third Quarter .....	0								0	
5. Current Year .....	0									
6. Current Year Member Months	564,027								564,027	
<b>Total Member Ambulatory Encounters for Period:</b>										
7. Physician .....	89,520								89,520	
8. Non-Physician .....	106,497								106,497	
9. Total .....	196,017	0	0	0	0	0	0	0	196,017	0
10. Hospital Patient Days Incurred	20,992								20,992	
11. Number of Inpatient Admissions	1,227								1,227	
12. Health Premiums Written .....	31,838,014								31,838,014	
13. Life Premiums Direct .....	0									
14. Property/Casualty Premiums Written .....	0									
15. Health Premiums Earned .....	31,838,014								31,838,014	
16. Property/Casualty Premiums Earned .....	0									
17. Amount Paid for Provision of Health Care Services .....	35,783,539								35,783,539	
18. Amount Incurred for Provision of Health Care Services	33,861,066								33,861,066	

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



**UNDERWRITING AND INVESTMENT EXHIBIT**  
**ANALYSIS OF CLAIMS UNPAID - PRIOR YEAR - NET OF REINSURANCE**

Line of Business	Claims Paid Year to Date		Liability End of Current Quarter		5 Claims Incurred in Prior Years (Columns 1 + 3)	6 Estimated Claim Reserve and Claim Liability Dec. 31 of Prior Year
	1	2	3	4		
	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) .....					0	0
2. Medicare Supplement .....					0	0
3. Dental Only .....					0	0
4. Vision Only .....					0	0
5. Federal Employees Health Benefits Plan .....					0	0
6. Title XVIII - Medicare .....					0	0
7. Title XIX - Medicaid .....	6,121,985	29,661,554	218,847	4,292,868	6,340,832	6,434,189
8. Other Health .....					0	0
9. Health Subtotal (Lines 1 to 8).....	6,121,985	29,661,554	218,847	4,292,868	6,340,832	6,434,189
10. Healthcare receivables (a) .....					0	0
11. Other non-health .....					0	0
12. Medical incentive pools and bonus amounts .....					0	0
13. Totals	6,121,985	29,661,554	218,847	4,292,868	6,340,832	6,434,189

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

## NOTES TO FINANCIAL STATEMENTS

### Note 1 - Summary of Significant Accounting Policies

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

### Note 2 - Accounting Changes and Corrections of Errors

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

### Note 3 - Business Combinations and Goodwill

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

### Note 4 - Discontinued Operations

No significant change.

### Note 5 - Investments

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

### Note 6 - Joint Ventures, Partnerships and Limited Liability Companies

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

### Note 7 - Investment Income

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

### Note 8 - Derivative Instruments

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

### Note 9 - Income Taxes

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

## NOTES TO FINANCIAL STATEMENTS

2. Amount of federal income taxes incurred in current year that are available for recoupment in the even of future net loss – No significant change.
- F. Consolidated federal income tax – No significant change.

### Note 10 - Information Concerning Parent, Subsidiaries and Affiliates

- A. Nature of relationship – No significant change.
- B. Description of transactions –
  - a. Accounts payable paid by the parent (Magellan Health Service) - \$14,679
  - b. Management fees paid to Magellan and AdvoCare of Tennessee (“AdvoCare”) – see below.
- C. Dollar amount of transactions – The Company paid \$2,865,421 in management fees to the parent for the nine months ended September 30, 2009.
- D. Amounts due to/from relates parties – Balances as of September 30, 2009
  - a. Due from TBH – \$152,787
  - b. Due to Advocare – (\$30,995)
  - c. Due to Magellan – (\$44,840)
- E. Guarantees or undertakings for benefit of affiliate – No significant change
- F. Material management or service contracts and cost sharing arrangements with related parties – No significant change.
- G. Common ownership or control – No significant change.
- H. No significant change
- I. Investment in SCA that exceeds 10% - No significant change.
- J. Investments in impaired SCA entities – No significant change.
- K. Investment in a foreign insurance subsidiary – No significant change.

### Note 11 - Debt

No significant change.

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

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

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

On July 29<sup>th</sup>, Premier paid a dividend of \$3.3 million to its parent Company. The transaction was approved by the TDCI.

### Note 14 - Contingencies

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

### Note 15 - Leases

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

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

No significant change.

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

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

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

- A. ASO Plans - No significant change.
- B. ASC Plans – No significant change.

## NOTES TO FINANCIAL STATEMENTS

- C. Medicare of Similarly Structured Cost Based Reimbursement contract – No significant change.

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

No significant change.

### Note 20 - Other Items

- A. Extraordinary items - No significant change.  
B. Troubled Debt Restructuring: Debtor - No significant change.  
C. Other Disclosures – No significant change.  
    a. In January 2008 TennCare issued an RFP for the management by managed care organizations of the integrated delivery of behavioral and physical health to TennCare enrollees in the East and West Grand Regions. The RFP set forth intended start dates of November 1, 2008 for the West Grand Region and January 1, 2009 for the East Grand Region. On April 22, 2008, the State announced the winning bidders to the RFP process. The Company was not a winning bidder. Accordingly, the Company ceased providing services in the East Grand and West Grand regions after the implementation dates for the new contracts, with the exception of TennCare Select Children, which it continued to manage through August 31, 2009. As of September 1, 2009, the Company no longer manages any TennCare recipients.  
    b. Effective February 2009, all TennCare Select members that was enrolled with Tennessee Behavioral Health, an affiliate of the Company, was moved to Premier.  
D. Uncollectible balance for assets covered under SSAP No. 6, SSAP No. 47, and SSAP No. 66 – No significant change  
E. Business Interruption Insurance Recoveries – No significant change.  
F. Hybrid Securities – No significant change.  
G. State Transferable tax credits – No significant change.  
H. Impact of Medicare Modernization Act – No significant change.

### Note 21 - Events Subsequent

None

### Note 22 - Reinsurance

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

### Note 23 - Retrospectively Rated Contracts & Contracts Subject to Redetermination

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

### Note 24 - Change in Incurred Losses and Loss Adjustment Expenses

Reserves as of December 31, 2008 were \$6,434,188. As of September 30, 2009, \$6,121,985 has been paid for incurred claims and claim adjustment expenses attributable to insured events of prior years. Reserves remaining for prior years are now \$218.847 as a result of re-estimation of unpaid claims and claim adjustment expenses. Therefore, there has been \$93,356 in favorable prior year development. The decrease is generally the result of ongoing analysis of recent loss development trends. Original estimates are increased or decreased as additional information becomes know regarding individual claims.

### Note 25 - Intercompany Pooling Arrangements

No significant change.

### Note 26 - Structured Settlements

No significant change.

### Note 27 - Health Care Receivables

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

### Note 28 - Participating Policies

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

## NOTES TO FINANCIAL STATEMENTS

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

### Note 29 - Premium Deficiency Reserves

No significant change.

### Note 30 - Anticipated Salvage and Subrogation

No significant change.

**GENERAL INTERROGATORIES**

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

**PART 1 - COMMON INTERROGATORIES  
GENERAL**

- 1.1 Did the reporting entity experience any material transactions requiring the filing of Disclosure of Material Transactions with the State of Domicile, as required by the Model Act? ..... Yes [ ] No [X]
- 1.2 If yes, has the report been filed with the domiciliary state? ..... Yes [ ] No [ ]
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? ..... Yes [ ] No [X]
- 2.2 If yes, date of change: .....
- 3. Have there been any substantial changes in the organizational chart since the prior quarter end? ..... Yes [ ] No [X]  
If yes, complete the Schedule Y - Part 1 - organizational chart.
- 4.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? ..... Yes [ ] No [X]
- 4.2 If yes, provide the name of entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

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

- 5. If the reporting entity is subject to a management agreement, including third-party administrator(s), managing general agent(s), attorney-in-fact, or similar agreement, have there been any significant changes regarding the terms of the agreement or principals involved? ..... Yes [ ] No [X] NA [ ]  
If yes, attach an explanation.
- 6.1 State as of what date the latest financial examination of the reporting entity was made or is being made. .... 06/30/2006
- 6.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. .... 04/20/2007
- 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). .... 04/20/2007
- 6.4 By what department or departments?  
Tennessee Department of Commerce and Insurance.....
- 6.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with Departments? ..... Yes [ ] No [ ] NA [X]
- 6.6 Have all of the recommendations within the latest financial examination report been complied with?..... Yes [ ] No [ ] NA [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

## GENERAL INTERROGATORIES

- 9.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards?..... Yes  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
- 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
- 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
- 10.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount:..... \$ .....

### 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
- 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: ..... \$ .....
13. Amount of real estate and mortgages held in short-term investments: ..... \$ .....
- 14.1 Does the reporting entity have any investments in parent, subsidiaries and affiliates? ..... Yes  No
- 14.2 If yes, please complete the following:
- |   | 1   |  | 2  |  |
|---|---|--|--|--|
|   | Prior Year-End<br>Book/Adjusted<br>Carrying Value |  | Current Quarter<br>Book/Adjusted<br>Carrying Value |  |
| 14.21 Bonds .....   | \$ .....  |  | \$ .....   |  |
| 14.22 Preferred Stock .....   | \$ .....  |  | \$ .....   |  |
| 14.23 Common Stock .....  | \$ .....  |  | \$ .....   |  |
| 14.24 Short-Term Investments .....  | \$ .....  |  | \$ .....   |  |
| 14.25 Mortgage Loans on Real Estate .....   | \$ .....  |  | \$ .....   |  |
| 14.26 All Other .....   | \$ .....  |  | \$ .....   |  |
| 14.27 Total Investment in Parent, Subsidiaries and Affiliates (Subtotal<br>Lines 14.21 to 14.26)..... | \$ .....0   |  | \$ .....0  |  |
| 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? ..... Yes  No
- 15.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? ..... Yes  No   
If no, attach a description with this statement.

## GENERAL INTERROGATORIES

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, F - Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook?.....

Yes [ ] No [X]

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

1 Name of Custodian(s)	2 Custodian Address

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 Name(s)	2 Location(s)	3 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? .....

Yes [ ] No [X]

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

1 Old Custodian	2 New Custodian	3 Date of Change	4 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 Central Registration Depository	2 Name(s)	3 Address

17.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed? .....

Yes [X] No [ ]

17.2 If no, list exceptions:

.....

**SCHEDULE S - CEDED REINSURANCE**

Showing All New Reinsurance Treaties - Current Year to Date

1 NAIC Company Code	2 Federal ID Number	3 Effective Date	4 Name of Reinsurer	5 Location	6 Type of Reinsurance Ceded	7 Is Insurer Authorized? (Yes or No)
			ACCIDENT AND HEALTH AFFILIATES			
			ACCIDENT AND HEALTH NON-AFFILIATES			
			LIFE AND ANNUITY AFFILIATES			
			LIFE AND ANNUITY NON-AFFILIATES			
			PROPERTY/CASUALTY AFFILIATES			
			PROPERTY/CASUALTY NON-AFFILIATES			
<b>NONE</b>						

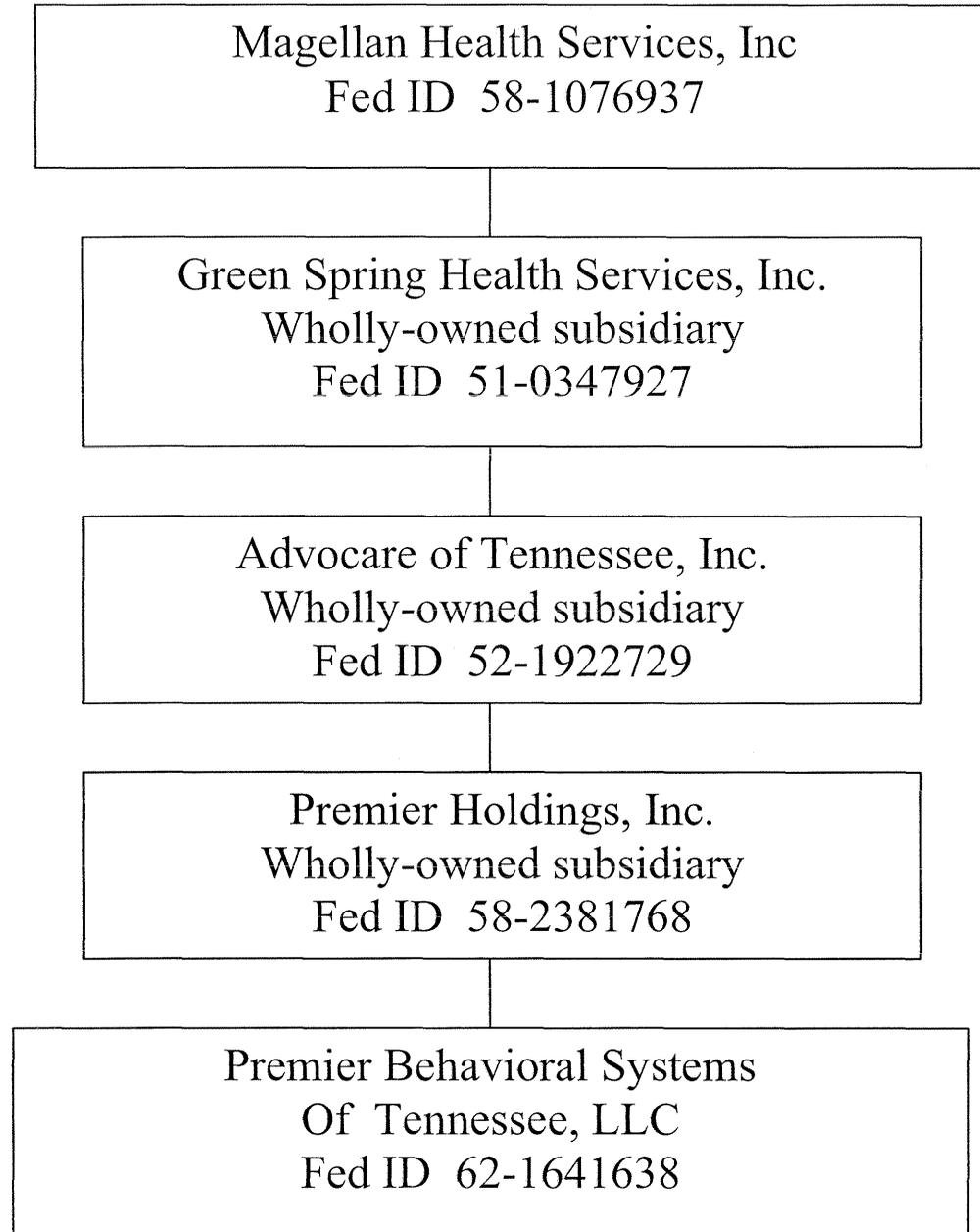
**SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS**

Current Year to Date - Allocated by States and Territories

States, Etc.	1 Active Status	Direct Business Only								
		2 Accident & Health Premiums	3 Medicare Title XVIII	4 Medicaid Title XIX	5 Federal Employees Health Benefit Program Premiums	6 Life & Annuity Premiums & Other Considerations	7 Property/Casualty Premiums	8 Total Columns 2 Through 7	9 Deposit-Type Contracts	
1. Alabama	AL								0	
2. Alaska	AK								0	
3. Arizona	AZ								0	
4. Arkansas	AR								0	
5. California	CA								0	
6. Colorado	CO								0	
7. Connecticut	CT								0	
8. Delaware	DE								0	
9. District of Columbia	DC								0	
10. Florida	FL								0	
11. Georgia	GA								0	
12. Hawaii	HI								0	
13. Idaho	ID								0	
14. Illinois	IL								0	
15. Indiana	IN								0	
16. Iowa	IA								0	
17. Kansas	KS								0	
18. Kentucky	KY								0	
19. Louisiana	LA								0	
20. Maine	ME								0	
21. Maryland	MD								0	
22. Massachusetts	MA								0	
23. Michigan	MI								0	
24. Minnesota	MN								0	
25. Mississippi	MS								0	
26. Missouri	MO								0	
27. Montana	MT								0	
28. Nebraska	NE								0	
29. Nevada	NV								0	
30. New Hampshire	NH								0	
31. New Jersey	NJ								0	
32. New Mexico	NM								0	
33. New York	NY								0	
34. North Carolina	NC								0	
35. North Dakota	ND								0	
36. Ohio	OH								0	
37. Oklahoma	OK								0	
38. Oregon	OR								0	
39. Pennsylvania	PA								0	
40. Rhode Island	RI								0	
41. South Carolina	SC								0	
42. South Dakota	SD								0	
43. Tennessee	TN	L		31,838,014				31,838,014		
44. Texas	TX								0	
45. Utah	UT								0	
46. Vermont	VT								0	
47. Virginia	VA								0	
48. Washington	WA								0	
49. West Virginia	WV								0	
50. Wisconsin	WI								0	
51. Wyoming	WY								0	
52. American Samoa	AS								0	
53. Guam	GU								0	
54. Puerto Rico	PR								0	
55. U.S. Virgin Islands	VI								0	
56. Northern Mariana Islands	MP								0	
57. Canada	CN								0	
58. Aggregate Other Alien	OT	XXX	0	0	0	0	0	0	0	
59. Subtotal		XXX	0	31,838,014	0	0	0	31,838,014	0	
60. Reporting entity contributions for Employee Benefit Plans		XXX						0		
61. Total (Direct Business)	(a) 1	0	0	31,838,014	0	0	0	31,838,014	0	
DETAILS OF WRITE-INS										
5801.		XXX								
5802.		XXX								
5803.		XXX								
5898. Summary of remaining write-ins for Line 58 from overflow page		XXX	0	0	0	0	0	0	0	
5899. Totals (Lines 5801 through 5803 plus 5898) (Line 58 above)		XXX	0	0	0	0	0	0	0	

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

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



## SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

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

RESPONSE

1. Will the Medicare Part D Coverage Statement be filed with the state of domicile and the NAIC with this statement?

.....NO.....

**Explanation:**

1.

**Bar Code:**

1.



**OVERFLOW PAGE FOR WRITE-INS**

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**SCHEDULE A - VERIFICATION**

Real Estate

	1 Year to Date	2 Prior Year Ended December 31
<b>NONE</b>		
1. Book/adjusted carrying value, December 31 of prior year	0	0
2. Cost of acquired:		
2.1 Actual cost at time of acquisition		0
2.2 Additional investment made after acquisition		0
3. Current year change in encumbrances		0
4. Total gain (loss) on disposals		0
5. Deduct amounts received on disposals		0
6. Total foreign exchange change in book/adjusted carrying value		0
7. Deduct current year's other than temporary impairment recognized		0
8. Deduct current year's depreciation		0
9. Book/adjusted carrying value at the end of current period (Lines 1+2+3+4-5+6-7-8)	0	0
10. Deduct total nonadmitted amounts	0	0
11. Statement value at end of current period (Line 9 minus Line 10)	0	0

**SCHEDULE B – VERIFICATION**

Mortgage Loans

	1 Year to Date	2 Prior Year Ended December 31
<b>NONE</b>		
1. Book value/recorded investment excluding accrued interest, December 31 of prior year	0	0
2. Cost of acquired:		
2.1 Actual cost at time of acquisition		0
2.2 Additional investment made after acquisition		0
3. Capitalized deferred interest and other		0
4. Accrual of discount		0
5. Unrealized valuation increase (decrease)		0
6. Total gain (loss) on disposals		0
7. Deduct amounts received on disposals		0
8. Deduct amortization of premium and mortgage interest points and commitment fees		0
9. Total foreign exchange change in book value/recorded investment excluding accrued interest		0
10. Deduct current year's other than temporary impairment recognized		0
11. Book value/recorded investment excluding accrued interest at end of current period (Lines 1+2+3+4+5+6-7-8+9-10)	0	0
12. Total valuation allowance		0
13. Subtotal (Line 11 plus Line 12)	0	0
14. Deduct total nonadmitted amounts	0	0
15. Statement value at end of current period (Line 13 minus Line 14)	0	0

**SCHEDULE BA – VERIFICATION**

Other Long-Term Invested Assets

	1 Year To Date	2 Prior Year Ended December 31
<b>NONE</b>		
1. Book/adjusted carrying value, December 31 of prior year	0	0
2. Cost of acquired:		
2.1 Actual cost at time of acquisition		0
2.2 Additional investment made after acquisition		0
3. Capitalized deferred interest and other		0
4. Accrual of discount		0
5. Unrealized valuation increase (decrease)		0
6. Total gain (loss) on disposals		0
7. Deduct amounts received on disposals		0
8. Deduct amortization of premium and depreciation		0
9. Total foreign exchange change in book/adjusted carrying value		0
10. Deduct current year's other than temporary impairment recognized		0
11. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5+6-7-8+9-10)	0	0
12. Deduct total nonadmitted amounts	0	0
13. Statement value at end of current period (Line 11 minus Line 12)	0	0

**SCHEDULE D – VERIFICATION**

Bonds and Stocks

	1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value of bonds and stocks, December 31 of prior year	1,950,532	3,023,046
2. Cost of bonds and stocks acquired		1,987,039
3. Accrual of discount		1,954
4. Unrealized valuation increase (decrease)		0
5. Total gain (loss) on disposals		0
6. Deduct consideration for bonds and stocks disposed of		3,025,000
7. Deduct amortization of premium	31,640	36,507
8. Total foreign exchange change in book/adjusted carrying value		0
9. Deduct current year's other than temporary impairment recognized		0
10. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9)	1,918,892	1,950,532
11. Deduct total nonadmitted amounts	0	0
12. Statement value at end of current period (Line 10 minus Line 11)	1,918,892	1,950,532

STATEMENT AS OF SEPTEMBER 30, 2009 OF THE Premier Behavioral Systems of Tennessee, LLC

**SCHEDULE D - PART 1B**

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

	1 Book/Adjusted Carrying Value Beginning of Current Quarter	2 Acquisitions During Current Quarter	3 Dispositions During Current Quarter	4 Non-Trading Activity During Current Quarter	5 Book/Adjusted Carrying Value End of First Quarter	6 Book/Adjusted Carrying Value End of Second Quarter	7 Book/Adjusted Carrying Value End of Third Quarter	8 Book/Adjusted Carrying Value December 31 Prior Year
<b>BONDS</b>								
1. Class 1 (a).....	1,929,554			(10,663)	1,940,101	1,929,554	1,918,891	1,950,531
2. Class 2 (a).....	0				0	0	0	0
3. Class 3 (a).....	0				0	0	0	0
4. Class 4 (a).....	0				0	0	0	0
5. Class 5 (a).....	0				0	0	0	0
6. Class 6 (a).....	0				0	0	0	0
7. Total Bonds	1,929,554	0	0	(10,663)	1,940,101	1,929,554	1,918,891	1,950,531
<b>PREFERRED STOCK</b>								
8. Class 1.....	0				0	0	0	0
9. Class 2.....	0				0	0	0	0
10. Class 3.....	0				0	0	0	0
11. Class 4.....	0				0	0	0	0
12. Class 5.....	0				0	0	0	0
13. Class 6.....	0				0	0	0	0
14. Total Preferred Stock	0	0	0	0	0	0	0	0
15. Total Bonds & Preferred Stock	1,929,554	0	0	(10,663)	1,940,101	1,929,554	1,918,891	1,950,531

(a) 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 \$.....; NAIC 2 \$.....; NAIC 3 \$.....; NAIC 4 \$.....; NAIC 5 \$.....; NAIC 6 \$.....

S102

Schedule DA - Part 1

**NONE**

Schedule DA - Verification

**NONE**

Schedule DB - Part F - Section 1

**NONE**

Schedule DB - Part F - Section 2

**NONE**

Schedule E Verification

**NONE**

Schedule A - Part 2

**NONE**

Schedule A - Part 3

**NONE**

Schedule B - Part 2

**NONE**

Schedule B - Part 3

**NONE**

Schedule BA - Part 2

**NONE**

Schedule BA - Part 3

**NONE**

Schedule D - Part 3

**NONE**

Schedule D - Part 4

**NONE**

Schedule DB - Part A - Section 1

**NONE**

Schedule DB - Part B - Section 1

**NONE**

Schedule DB - Part C - Section 1

**NONE**

Schedule DB - Part D - Section 1

**NONE**



Schedule E - Part 2 - Cash Equivalents

**NONE**

Statement as of September 30, 2009 of the Premier Behavioral Systems of TN, LLC

Accident and Health Premiums Due and Unpaid

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

Name of Debtor		1	2	3	4	5	6
	Not Currently Due	1-30 Days	31-60 Days	61-90 Days	Over 90 Days	Nonadmitted	Admitted
INDIVIDUALLY LIST ASSETS							
State of Tennessee	-	-	166,585	41,698	98,275	-	306,559
Subtotal- Individually Listed Receivables 0199999	-	-	166,585	41,698	98,275	-	306,559
Subtotal- Receivables not Individually Listed 0299999							
Subtotal- Gross Premium Receivable 0399999	-	-	166,585	41,698	98,275	-	306,559
Less- Allowance for Doubtful Accounts 0499999							
Total Premiums Receivable (Page 2, Line 12.1) 0599999	-	-	166,585	41,698	98,275	-	306,559

Statement as of September 30, 2009 of the Premier Behavioral Systems of TN, LLC

**HEALTH CARE RECEIVABLES**

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

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

Statement as of September 30, 2009 of the Premier Behavioral Systems of TN, LLC

Amounts due from Parent, Subsidiaries and Affiliates

Name of Debtor	1	2	3	4	5	Admitted	
	1-30 Days	31-60 Days	61-90 Days	Over 90 Days	Nonadmitted	6 Current	7 Non-Current
Tennessee Behavioral Health	-	-	4,075	148,712	152,787	-	-
0199999 Gross Amounts Due from Affiliates	-	-	4,075	148,712	152,787	-	-
0399999 Amounts Due from Affiliates	-	-	4,075	148,712	152,787	-	-

Statement as of September 30, 2009 of the Premier Behavioral Systems of TN, LLC

Amounts due to Parent, Subsidiaries and Affiliates

Name of Creditor	1 Description	2 Amount	2 Current	4 Non-Current
Magellan Health Services AdvoCare of Tennessee	Accounts Payable paid on behalf of Premier Management Fees	44,840 30,995	44,840 30,995	- -
		75,835	75,835	-
0199999 Gross Amounts Due to Affiliates		75,835	75,835	-
0399999 Amounts Due to Affiliates	-	75,835	75,835	-

MEDICAL LOSS RATIO REPORT - TOTAL  
MIDDLE WEST REGIONS

BHO

Premier Behavioral Systems of Tennessee LLC

Reporting Month Sep-09	For The Period 6/1 - 12/31/01	For the Year Ended 12/31 12/31/2002	For the Year Ended 12/31 12/31/2003	For the Year Ended 12/31 12/31/2004	For the Year Ended 12/31 12/31/2005	For the Year Ended 12/31 12/31/2006	For the Year Ended 12/31 12/31/2007	2008												For the Year Ended 12/31 12/31/2008	2009								For the Year Ended 12/31 12/31/2009
								Incurred Month													Incurred Month								
								January	February	March	April	May	June	July	August	September	October	November	December		January	February	March	April	May	June	July	August	
Enrollment								255,384	252,802	254,098	253,268	252,137	251,829	254,664	254,748	251,728	253,329	60,855	64,478	63,066	73,125	72,588	71,997	71,223	71,777	71,091	70,882		
TennCare Capitation Payment	130,816,666	264,254,732	260,988,285	238,225,334	225,818,984	227,301,451	129,739,487	7,785,157	7,834,463	7,915,305	7,996,501	8,031,783	8,101,420	7,634,916	7,652,787	7,699,900	7,795,478	4,691,535	4,751,165	87,890,410	3,421,030	4,084,322	4,094,955	4,115,185	4,119,493	4,109,936	4,039,320	3,977,493	31,961,7
<b>Payments for Mental Health and Substance Abuse Services for the Month</b>																													
Inpatient Payments by the Claims Processing System	27,858,863	54,016,085	44,893,508	39,881,333	32,913,863	42,569,182	36,149,903	2,564,475	2,308,589	2,505,156	2,499,402	2,634,407	2,510,778	2,625,908	2,742,438	2,537,041	2,589,567	1,427,466	1,077,034	28,022,241	1,119,104	1,436,013	1,575,527	1,462,891	1,591,063	1,424,837	1,431,209	1,208,202	11,249.7
Outpatient Payments by the Claims Processing System	5,418,756	11,893,225	11,974,575	11,567,763	10,186,271	8,393,623	5,219,810	328,534	312,863	322,596	350,098	356,616	364,837	380,690	389,856	397,692	422,039	236,330	237,767	4,099,916	245,174	288,201	318,230	320,494	290,539	327,981	320,052	288,598	2,399.4
Supported Housing Payments by the Claims Processing System	4,209,064	9,301,517	9,595,862	8,420,438	6,244,804	6,599,543	2,845,454	174,308	172,941	206,450	204,613	226,256	237,244	248,049	233,093	223,282	211,642	52,076	49,869	2,239,823	37,695	41,112	47,047	42,773	31,647	39,216	15,119	5,364	260.0
Intensive Outpatient Payments by the Claims Processing System	1,394,975	3,600,084	3,750,679	3,257,165	2,628,259	2,271,512	1,300,288	66,511	71,259	72,075	66,579	53,336	61,180	59,223	55,851	58,180	59,721	45,695	52,507	722,617	49,735	68,700	81,340	67,067	59,607	69,364	72,736	35,528	504.0
Partial Hospitalization Payments by the Claims Processing System	329,834	566,819	442,666	274,453	192,264	62,427	33,922	10,105	940	191	476	0	0	0	0	94	1,425	381	1,280	14,891	0	2,744	1,510	982	2,841	1,304	1,896	833	12.1
In Home Payments by the Claims Processing System	1,359,835	5,710,162	5,837,312	5,157,441	5,116,850	2,512,215	3,947,590	296,500	320,539	334,890	378,805	420,249	403,138	363,560	396,417	435,066	466,045	439,665	438,291	4,693,164	460,668	519,086	559,731	572,444	610,354	600,172	560,578	407,975	4,291.0
Transportation Payments by the Claims Processing System	2,927,224	6,600,646	6,345,339	5,932,602	5,455,214	5,295,179	2,474,261	104,294	109,540	106,259	149,775	142,448	147,303	162,727	137,145	151,842	166,828	62,024	69,047	1,509,233	0	0	0	0	0	0	0	0	0
Twenty-Three Hour Payments by the Claims Processing System	39,901	21,736	48,787	55,924	14,734	5,957	2,889	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
CMHC Capitation Payments	42,450,204	89,045,956	88,471,430	80,841,148	68,263,767	67,004,988	37,210,573	2,292,316	2,278,274	2,306,447	2,417,355	2,343,623	2,352,468	2,338,628	2,337,930	2,561,880	2,495,135	1,165,124	1,185,681	26,074,862	1,188,370	1,298,348	1,382,684	1,345,366	1,280,307	1,221,124	1,189,900	1,068,074	9,974.1
Other Capitation Payments	17,089,540	36,529,021	41,274,968	35,977,965	30,068,386	21,787,292	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Grant Payments	12,234,675	25,531,421	24,693,433	22,049,067	17,839,182	18,020,794	8,866,196	503,544	503,544	476,675	497,893	497,893	506,661	491,389	443,487	430,176	445,121	149,881	150,178	5,096,444	126,402	161,294	162,757	162,757	162,757	166,217	167,279	161,867	1,271.3
Non-FFS Inpatient	0	1,486,513	6,985,797	6,751,724	3,331,147	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Subcontractor Payments for Mental Health and Substance Abuse Services	2,547,160	2,309,729	1,100,976	956,799	747,361	705,142	401,949	26,022	24,925	24,990	24,862	24,779	25,465	24,624	24,494	25,315	24,905	5,286	5,941	261,608	81,987	95,493	91,967	92,684	96,150	92,886	147,103	122,128	820.3
Reinsurance Payment	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Payments/Adjustments to Mental Health and Substance Abuse Costs	377,003	1,333,140	2,752,340	2,496,931	231,621	65,718	119,393	1,551	600	(6,822)	2,402	3,832	3,182	6,163	2,163	11,974	1,957	4,427	3,062	34,491	15,730	8,021	1,056	23,742	(10,722)	364	497	1,647	40.3
Less:																													
Pharmacy Rebates	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Recoveries not Reflected in Payments by the Claims System	506,404	1,395,976	741,127	343,719	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Payments for the month	117,730,629	246,610,077	247,426,544	223,277,034	183,233,721	175,293,570	98,572,229	6,368,160	6,104,014	6,348,907	6,592,260	6,703,439	6,612,355	6,701,663	6,762,876	6,832,542	6,884,384	3,588,336	3,270,457	72,769,294	3,324,865	3,919,010	4,221,850	4,091,200	4,115,445	3,943,565	3,906,369	3,300,216	30,822.6
Remaining IBNR for the month	0	0	0	0	0	0	195	17	78	2,248	3,925	3,452	4,678	5,869	6,370	11,373	16,372	17,112	20,642	92,137	30,765	51,909	76,816	163,568	232,839	407,123	654,683	1,337,609	2,955.3
<b>Payments and Remaining IBNR for the month</b>	117,730,629	246,610,077	247,426,544	223,277,034	183,233,721	175,293,570	98,572,424	6,368,177	6,104,092	6,351,155	6,596,186	6,706,892	6,616,934	6,707,532	6,769,246	6,843,915	6,900,756	3,605,448	3,291,098	72,861,431	3,355,630	3,970,920	4,298,666	4,254,768	4,348,284	4,350,688	4,561,052	4,637,824	33,777.9
<b>Medical Loss Ratio</b>	90.0%	93.3%	94.8%	93.7%	81.1%	77.1%	76.0%	81.8%	77.9%	80.2%	82.5%	83.5%	81.7%	87.9%	88.5%	88.9%	88.5%	76.9%	69.3%	82.9%	98.1%	97.2%	105.0%	103.4%	105.6%	105.9%	112.9%	116.6%	105