

FORM A

STATEMENT REGARDING THE
ACQUISITION OF CONTROL OF OR MERGER WITH A DOMESTIC INSURER

ProCare Health Plan, Inc.
Name of Domestic Insurer

BY

Vanguard Health Management, Inc.
Name of Acquiring Person (Applicant)

Filed with the Insurance Department of the State of Michigan

(State of domicile of insurer being acquired)

Dated: June 21, 2012

Name, Title, address and telephone number of Individual to Whom Notices and Correspondence Concerning this Statement Should be Addressed:

Carrie Harris-Muller
Detroit Medical Center
3990 John R Street
Detroit, Michigan 48201-2018
313-745-7262

ITEM 1. METHOD OF ACQUISITION

State the name and address of the domestic insurer to which this application relates and a brief description of how control is to be acquired.

**Vanguard Health Management, Inc.
20 Burton Hills Blvd, Suite 100
Nashville, TN 37215**

Pursuant to a Stock Purchase Agreement, dated May 30, 2012, Vanguard Health Management, Inc. ("Applicant") will acquire 100% of the outstanding capital stock of ProCare HealthPlan, Inc. ("PCHP") from the Augustine K. Kole-James Administrative Trust UAD 6/30/2008 (the "Trust"), for a purchase price of \$6 million plus a payment equal to the value of PCHP's Net Equity, which is the amount by which PCHP's assets exceed PCHP's liabilities as of the Closing Date (the "Transaction"). The parties wish to close the Transaction on or before August 1, 2012, assuming all requisite conditions are met, including the receipt of all required governmental approvals.

ITEM 2. IDENTITY AND BACKGROUND OF THE APPLICANT

- (a) State the name and address of the applicant seeking to acquire control over the insurer.

Applicant is a Delaware corporation with principal offices located at 20 Burton Hills Blvd., Suite 100, Nashville, TN 37215.

- (b) If the applicant is not an individual, state the nature of its business operations for the past 5 years or for such lesser period as such person and any predecessors thereof shall have been in existence. Describe the business intended to be done by the applicant and the applicant's subsidiaries.

Applicant was incorporated on January 31, 1997 as a Delaware corporation and is the principal

corporate-level operating company for Vanguard Health Systems, Inc. ("Vanguard"), which is publicly traded on the New York Stock Exchange (Symbol: VHS). The Applicant operates, through its subsidiaries, 28 hospitals, four health plans, one risk based MSO and various outpatient providers. Vanguard's hospitals are located in Arizona, Illinois, Massachusetts, Michigan and Texas. In the fiscal year ended June 30, 2011, these subsidiaries provided the following:

- 223,793 hospital discharges
- 404,178 adjusted discharges (adjusted for outpatient volumes)
- 977,879 hospital patient days
- 49,813 surgeries
- 98,875 outpatient surgeries
- 924,848 emergency room visits

In addition to its hospital operations, Vanguard owns four health plans.

Phoenix Health Plan

Phoenix Health Plan (PHP) is a prepaid Medicaid managed health plan that currently serves nine counties throughout the state of Arizona. Vanguard acquired PHP in May 2001.

For the year ended June 30, 2011 and the six months ended December 31, 2011, Vanguard derived approximately \$777.6 million and \$343.9 million, respectively, of its total revenues from PHP. PHP had approximately 200,100 members as of December 31, 2011, and derives substantially all of its revenues through a contract with AHCCCS, which is Arizona's state Medicaid program. The contract requires PHP to arrange for healthcare services for enrolled Medicaid patients in exchange for monthly capitation payments and supplemental payments from AHCCCS. PHP subcontracts with physicians, hospitals and other healthcare providers to provide services to its members.

The current contract with AHCCCS commenced on October 1, 2008. AHCCCS has the option to renew the contract, in whole or in part, for an additional one-year period commencing on October 1, 2012.

Abrazo Advantage Health Plan

Effective January 1, 2006, Abrazo Advantage Health Plan (AHP) became a Medicare Advantage Prescription Drug Special Needs Plan provider under a contract with CMS that renews annually. This allows AAHP to offer Medicare and Part D drug benefit coverage for Medicare members and dual-eligible members (those that are eligible for Medicare and Medicaid). PHP had historically served dual-eligible members through its AHCCCS contract. As of December 31, 2011, approximately 2,600 members were enrolled in AAHP. For the year ended June 30, 2011 and the six months ended December 31, 2011, Vanguard derived approximately \$33.2 million and \$16.1 million, respectively, of its total revenues from AAHP. AAHP's current contract with CMS expires on December 31, 2012.

MacNeal Health Providers

The operations of MacNeal Health Providers (MHP) are somewhat integrated with Vanguard's MacNeal Hospital in Berwyn, Illinois. For the year ended June 30, 2011 and the six months ended December 31, 2011, Vanguard derived approximately \$58.7 million and \$28.8 million, respectively, of its total revenues from MHP. MHP generates revenues from its contracts with health maintenance organizations from whom it took assignment of capitated member lives as well as third party administration services for other providers. As of December 31, 2011, MHP had contracts in effect covering approximately 34,400 capitated member lives. Such capitation is limited to physician services and outpatient ancillary services and does not cover inpatient hospital services.

Valley Baptist Insurance Company

Vanguard acquired Valley Baptist Insurance Company (VBIC) effective as of October 1, 2011. As of December 31, 2011, VBIC served approximately 12,400 members, whose customers are primarily government-related organizations in south Texas that offer their members health maintenance organization and preferred provider organization products.

Vanguard's mission is "To help people achieve health for life" and its vision is "To create life-long relationships by changing the way health and health care are delivered in our communities."

The Applicant intends to continue to operate PCHP as a separate Michigan corporation with its own board of directors.

- (c) Furnish a chart or listing clearly presenting the identities of the interrelationships among the applicant and all affiliates of the applicant, including the ultimate controlling person(s). No affiliate need be identified if its total assets are equal to less than 1/2 of 1% of the total assets of the ultimate controlling person affiliated with the applicant. Indicate in such chart or listing the percentage of voting securities of each such person which is owned or controlled by the applicant or by any other such person. If control of any person is maintained other than by the ownership or control of voting securities, indicate the basis of such control. As to each person specified in such chart or listing indicate the type of organization (e.g. corporation, trust, partnership), primary business (e.g. holding company, insurance agency, manufacturer) and the state or other jurisdiction of domicile. If court proceedings involving a reorganization or liquidation are pending with respect to any such person, indicate which person, and set forth the title of the court, nature of proceedings and the date when commenced.

See Exhibit A for Applicant's Corporate Organization Chart. Vanguard is a publicly traded company that is listed on the New York Stock Exchange (symbol "VHS"). See Exhibit B for information concerning the ownership of Vanguard's common stock by certain stockholders.

As noted above, Applicant (Vanguard Health Management, Inc.) is acquiring 100% of the stock, and therefore PCHP shall be a subsidiary of Applicant.

There are no court proceedings involving a reorganization or liquidation pending with respect to the Applicant or its affiliated entities.

ITEM 3. IDENTITY AND BACKGROUND OF INDIVIDUALS ASSOCIATED WITH THE APPLICANT

State the following with respect to 1) the applicant if she or he is an individual, 2) if the applicant is not an individual, all persons who are, or who have been selected to be, directors, executive officers (or others who perform or will perform functions appropriate to those positions), or owners of 10% or more of the voting securities of the applicant, and 3) in all instances where individuals will be the direct or indirect source of funding for the acquisition:

- (a) Name and business address;
- (b) Present principal business activity, occupation or employment including position and office held and the name, principal business and address of any corporation or other organization in which such employment is carried on;
- (c) All occupations, positions, offices or employment during the last 5 years, giving the starting and ending dates of each and the name, principal business and address of any business corporation or other organization in which each such occupation, position, office or employment was carried on; if any such occupation, position, office or employment required licensing by or registration with any federal, state or municipal governmental agency, indicate such fact, the current status of such licensing or registration, and an explanation of any surrender, revocation, suspension or disciplinary proceedings in connection therewith.
- (d) Whether or not such person has ever been convicted in a criminal proceeding (excluding minor traffic violations) during the last 10 years and, if so, give the date, nature of conviction, name and

location of court, and penalty imposed or other disposition of the case. Whether or not such person has had any civil judgments against the person resulting in \$25,000 or more in civil fines or penalties or injunctive or other equitable relief.

- (e) Upon the request of the Commissioner, individuals shall provide fingerprint cards pursuant to Section 249a for state, multi-state, and federal criminal history record checks.

See Exhibit C for the responses to items (a), (b), (c) and (e).

None of such persons included on Exhibit C has been convicted in a criminal proceeding (excluding minor traffic violations) during the last 10 years, nor has any such person had any civil judgment outstanding against him or her resulting in \$25,000 or more in civil fines or penalties or injunctive or other equitable relief.

With regard to PCHP, Applicant intends to change the current officers and directors as follows: (i) with regard to the Board of Directors, the current enrollee will remain on the Board, and there will be two other directors: James H Spalding and Deborah Tannenbaum McCormick (see Exhibit C for their biographical information under Vanguard Health Management, Inc. Directors); and (ii) the officers will be changed such that the sole officer of PCHP shall be Carrie Harris-Muller (see also Exhibit C for her biographical information). Applicant envisions that over the course of the next twelve months the composition of the Board will be modified to add additional enrollees, community representatives and other persons with pertinent expertise and that additional officers of PCHP will be appointed.

ITEM 4. NATURE, SOURCE AND AMOUNT OF CONSIDERATION

- (a) Describe the nature, source and amount of funds or other considerations used or to be used in effecting the merger or other acquisition of control. Describe any transaction where funds were or are to be obtained for such purpose, including any pledge of the insurer's stock or pledge of the stock of any of its subsidiaries or controlling affiliates. If any part of the same is represented or is to be represented by funds or other consideration borrowed or otherwise obtained for the purpose of acquiring, holding or trading securities, furnish a description of the transaction, the names of the parties thereto, the relationship, if any, between the borrower and the lender, the amounts borrowed or to be borrowed, and copies of all agreements, promissory notes and security arrangements relating thereto.

The consideration to be paid upon closing of the Transaction is \$6,000,000 plus a payment equal to the value of PCHP's Net Equity, which is the amount by which PCHP's assets exceed PCHP's liabilities as of the Closing Date, subject to final purchase price adjustments. The purchase price and adjustments are described Sections 2, 3.6 and 3.7 of the Stock Purchase Agreement, which is included as Exhibit D.

The total purchase consideration will be paid in cash at the closing of the Transaction, subject to post-closing adjustments. Applicant has sufficient capital and surplus to pay the total purchase consideration in cash and still continue to maintain appropriate operational liquidity and risk based capital levels.

No borrowings will be required to fund the Transaction.

- (b) Explain the criteria used in determining the nature and amount of such consideration.

The Trust engaged a consultant, Health Management Associates ("HMA"), to assist the Trust in the sale of the PCHP stock. Applicant was solicited by HMA to submit a proposal for the purchase of the PCHP stock. Applicant was informed that a number of proposals were solicited and submitted to the Trust. In terms of determining the terms of the proposal, Applicant performed a comprehensive due diligence investigation and reviewed, among other things, the financial statements, operations and legal documents of PCHP. Applicant used the information gathered in this process and utilized its knowledge of relevant valuations when determining the amount of consideration for this Transaction. As a result, the basis and terms of the Stock Purchase Agreement, including the nature and amount of consideration, were determined by arm's-length negotiations between the parties and their respective advisors.

If the source of the consideration is a loan made in the lender's ordinary course of business and if the applicant wishes

the identity of the lender to remain confidential, the applicant must specifically request that the identity be kept confidential.

Not applicable.

ITEM 5. FUTURE PLANS FOR INSURER

- (a) Describe any plans or proposals which the applicant may have for the insurer to declare a dividend, (whether or not extraordinary), to liquidate the insurer, to sell its assets, to merge it with any person or persons, or to make any other material change in its business operations or corporate structure or management.

The Applicant does not have any current plans for PCHP to declare a dividend, to liquidate the insurer, to sell its assets, or to merge it with any person or persons. Applicant intends to enter into an administrative services agreement with an affiliate of the Trust, in order to ensure a smooth transition of operations from the Trust to the Applicant. Applicant also will enter into consulting arrangements with certain key personnel of PCHP. As soon as practicable, Applicant plans to deploy necessary organizational and management changes sufficient to achieve the following objectives: (i) ensure the ongoing provision of covered services to currently enrolled members, (ii) ensure full compliance with all state and federal regulatory requirements, including those deficiencies previously identified by the Michigan Department of Community Health, (iii) ensure timely processing and payment of provider claims, and (iv) expand the provider network.

- (b) Provide a 5 year business plan which describes the types of business to be written by the insurer, marketing plan, projected direct, assumed, ceded, and net written premiums by line, pro-forma statutory balance sheets and income statements. Also, describe proposed changes to the insurer's reinsurance program (if any), amount, timing and type of capital contributions (if any), proposed changes to the insurer's executive officers and directors, and compliance plan with the "books and records in Michigan" requirement of Section 5256.

As described above, Applicant plans to deploy necessary organizational and management changes sufficient to achieve the following objectives: (i) ensure the ongoing provision of covered services to currently enrolled members, (ii) ensure full compliance with all state and federal regulatory requirements, including those deficiencies previously identified by the Michigan Department of Community Health, (iii) ensure timely processing and payment of provider claims, and (iv) expand the provider network.

PCHP's primary line of business is to serve as a Medicaid HMO. Due to the contractual and regulatory marketing constraints, there are limited opportunities in the short run to change enrollment in the health plan. Over the longer term, through improvements in operations, and expanding the provider network, Applicant expects PCHP to be better able to compete with other Medicaid plans.

Applicant also plans to expand the services of PCHP by participating in state and federal initiatives for special needs populations, such as the Children's with Special Health Care Services program and the CMS demonstration program for Medicare and Medicaid "dual eligible" patients.

Applicant currently plans to retain the HMO Excess Reinsurance Agreement in effect, but will be reviewing that contract as part of its review of overall operations.

Additional capital contributions will be made by Applicant as required for purposes of stabilizing operations and maintaining provider payments for enrolled ProCare member covered services.

Applicant will retain all corporate records of ProCare at the principal office of ProCare.

Please see the attached five year strategic plan and pro forma projections and balance sheet set forth on Exhibit E.

ITEM 6. VOTING SECURITIES TO BE ACQUIRED

State the number of shares of the insurer's voting securities which the applicant, its affiliates and any person listed in Item 3 plan to acquire, and the terms of the offer, request, invitation, agreement or acquisition, and a statement as to the method by which the fairness of the proposal was arrived at.

Augustine K. Kole-James Administrative Trust UAD 6/30/2008 owns 60,000 shares of the common stock of PCHP, which constitutes 100% of the issued and outstanding capital stock PCHP. Applicant will acquire direct control of PCHP through the acquisition of all of the shares of capital stock from the Trust.

The Trust engaged a consultant, HMA, to assist the Trust in the sale of the PCHP stock. Applicant was solicited by HMA to submit a proposal for the purchase of the PCHP stock. Applicant was informed that a number of proposals were solicited and submitted to the Trust. In terms of determining the terms of the proposal, Applicant performed a comprehensive due diligence investigation and reviewed, among other things, the financial statements, operations and legal documents of PCHP. Applicant used the information gathered in this process and utilized its knowledge of relevant valuations when determining the amount of consideration for this Transaction. As a result, the basis and terms of the Stock Purchase Agreement, including the nature and amount of consideration, were determined by arm's-length negotiations between the parties and their respective advisors.

ITEM 7. OWNERSHIP OF VOTING SECURITIES

State the amount of each class of any voting security of the insurer which is beneficially owned or concerning which there is a right to acquire beneficial ownership by the applicant, its affiliates or any person listed in Item 3.

Except for the rights of the Applicant to acquire the common stock of PCHP as provided in the Stock Purchase Agreement, neither Applicant nor any of its affiliates nor any person listed in Item 3 beneficially owns or has any right to acquire beneficial ownership of any voting securities of PCHP at this time.

ITEM 8. CONTRACTS, ARRANGEMENTS, OR UNDERSTANDINGS WITH RESPECT TO VOTING SECURITIES OF THE INSURER

Give a full description of any contracts, arrangements or understandings with respect to any voting security of the insurer in which the applicant, its affiliates or any person listed in Item 3 is involved, including but not limited to transfer of any of the securities, joint ventures, loan or option arrangements, puts or calls, guarantees of loans, guarantees against loss or guarantees of profits, division of losses or profits, or the giving or withholding of proxies. Such description shall identify the persons with whom the contracts, arrangements or understanding have been entered into.

Except for the rights of the Applicant to acquire the common stock of PCHP as provided in the Stock Purchase Agreement, neither Applicant nor any of its affiliates nor any person listed in Item 3 beneficially owns or has any right to acquire beneficial ownership of any voting securities of PCHP at this time.

ITEM 9. RECENT PURCHASES OF VOTING SECURITIES

Describe any purchases of any voting securities of the insurer by the applicant, its affiliates or any person listed in Item 3 during the 12 calendar months preceding the filing of this statement. Include in the description the dates of purchase, the names of the purchasers, and the consideration paid or agreed to be paid therefor. State whether any shares so purchased are hypothecated.

There have been no prior purchases of the voting securities of PCHP by the Applicant, its affiliates or any person listed in Item 3 during the 12 calendar months preceding the filing of this Statement.

ITEM 10. RECENT RECOMMENDATIONS TO PURCHASE

Describe any recommendations to purchase any voting security of the insurer made by the applicant, its affiliates or any person listed in Item 3, or by anyone based upon interviews or at the suggestion of the applicant, its affiliates or any person listed in Item 3 during the 12 calendar months preceding the filing of this statement.

There have been no recommendations made by the Applicant, its affiliates or any person listed in Item 3 to purchase any voting security of PCHP during the 12 calendar months preceding the filing of this Statement.

ITEM 11. AGREEMENTS WITH BROKER-DEALERS

Describe the terms of any agreement, contract or understanding made with any broker-dealer as to solicitation of voting securities of the insurer for tender and the amount of any fees, commissions or other compensation to be paid to broker-dealers with regard thereto.

There are no agreements, arrangements or understandings made by the Applicant or any of its affiliates with any broker-dealer as to the solicitation of voting securities of PCHP.

ITEM 12. FINANCIAL STATEMENTS AND EXHIBITS

- (a) Financial statements and exhibits shall be attached to this statement as an appendix, but list under this item the financial statements and exhibits so attached.

EXHIBIT A – Applicant Corporate Organizational Chart

EXHIBIT B – List of Certain Beneficial Owners of Vanguard Health Systems, Inc.

EXHIBIT C – Responses to Item 3(a), (b), (c) AND (e)

EXHIBIT D – Stock Purchase Agreement by and among Vanguard Health Management, Inc. and Augustine K. Kole-James Administrative Trust UAD 6/30/2008, as the sole shareholder of ProCare Health Plan, Inc.

EXHIBIT E – Five Year Strategic Plan and Pro Forma Projections and Balance Sheet

EXHIBIT F – Financial Statements of Vanguard Health Systems, Inc.

- (b) The financial statements shall include the audited annual financial statements of the persons (both corporate and individual) identified in Item 2(c), including individuals who are applying to be the ultimate controlling persons, for the preceding 5 fiscal years (or for such lesser period as such applicant and its affiliates and any predecessors thereof shall have been in existence), and similar information covering the period from the end of such person's last fiscal year as of a date not earlier than 90 days prior to the filing of the statement. The statements may be prepared on either an individual basis, or, unless the Commissioner otherwise requires, on a consolidated basis if consolidated statements are prepared in the usual course of business. The consolidated financial statements shall include the consolidating work sheets.

The annual financial statements of the applicant corporate entity shall be accompanied by the certificate of an independent public accountant to the effect that such statements present fairly the financial positions of the applicant and the results of its operations for the year then ended, in conformity with generally accepted accounting principles or with requirements of insurance or other accounting principles prescribed or permitted under law. If the applicant is an insurer which is actively engaged in the business of insurance, the financial statements need not be certified, provided they are based on the Annual Statement of the person filed with the insurance department of the person's domiciliary state and are in accordance with the requirements of insurance or other accounting principles prescribed or permitted under the law and regulations of the state.

See the consolidated financial statements of Vanguard Health Systems, Inc. for the preceding five fiscal years as well as for the nine months ended March 31, 2012 attached as Exhibit F.

- (c) File as exhibits copies of all tender offers for, requests or invitations for, tenders of, exchange offers for, and agreements to acquire or exchange any voting securities of the insurer and (if distributed) of additional soliciting material relating thereto, any proposed employment, consultation, advisory, managing general agent, controlling producer, or management contracts concerning the insurer, annual reports and proxy statements to the stockholders of the insurer and the applicant for the last two fiscal years, and any additional documents or papers required Form A forms and instructions Section 4 and 6.

The Stock Purchase Agreement for the Transaction is attached to this Statement as Exhibit D.

ITEM 13. SIGNATURE AND CERTIFICATION

Signature and certification required as follows:

SIGNATURE

Pursuant to the requirements of Section 1311 of the Insurance Code of 1956, as amended, Vanguard Health Management, Inc. has caused this application to be duly signed on its behalf in the City of Nashville and State of Tennessee on the 21st day of June 2012.

Vanguard Health Management, Inc.

By: Robert F. Jay
Name: ROBERT F. JAY
Title: VICE PRESIDENT - DEVELOPMENT

Attest:

Janice H. Spalding
(Signature of Officer)

SECRETARY
(Title)

CERTIFICATION

The undersigned deposes and says that she or he has duly executed the attached application, dated June 21, 2012, for and on behalf of Vanguard Health Management, Inc. that she or he is the Vice President -- Development of such company and that she or he is authorized to execute and file such instrument. Deponent further says that she or he is familiar with the instrument and the contents thereof, and that the facts therein set forth are true to the best of his or her knowledge, information and belief.

(Signature) Robert F. Jay

(Type or print name beneath) ROBERT F. JAY