

MAXICARE HEALTH PLANS INC

Form 10-Q/A

April 15, 2002

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**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**Form 10-Q/A  
Amendment No. 1**

Quarterly report pursuant to Section 13 or 15(d) of the Securities Act of 1934 for the quarterly period ended September 30, 2001 or

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
Commission file number: 0-12024

**MAXICARE HEALTH PLANS, INC.**

(Exact name of registrant as specified in its charter)

Delaware

95-9615709

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(State or other jurisdiction of incorporation or organization)

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(I.R.S. Employer Identification No.)

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South Broadway Street, Los Angeles, California

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90015

(Address of principal executive offices)

(Zip Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13, or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Yes  No

Common Stock, \$.01 par value 9,741,926 shares outstanding as of November 12, 2001.

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## PART I: FINANCIAL INFORMATION

## Item 1: Financial Statements.

MAXICARE HEALTH PLANS, INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
(Amounts in thousands except par value)

	September 30, 2001	December 31, 2000
	(Unaudited)	
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 4,413	\$ 8,159
Marketable securities	327	2,078
Accounts receivable, net	1,157	10
Other current assets	1,714	660
	<u>7,611</u>	<u>10,907</u>
<b>PROPERTY AND EQUIPMENT</b>		
Furniture and equipment	2,544	2,430
Less accumulated depreciation and amortization	1,222	859
	<u>1,322</u>	<u>1,571</u>
<b>OTHER LONG-TERM ASSETS</b>		
Restricted investments		720
Net assets of discontinued operations		11,042
	<u>0</u>	<u>11,762</u>
<b>TOTAL ASSETS</b>	<b>\$ 8,933</b>	<b>\$ 24,240</b>
<b>CURRENT LIABILITIES</b>		
Estimated claims and other health care costs payable	\$ 2,794	\$ 2,420
Accounts payable	1,307	603
Deferred income	175	
Accrued salary expense	273	1,402
Other current liabilities	7,767	7,582
	<u>12,316</u>	<u>12,007</u>
<b>LONG-TERM LIABILITIES</b>	<b>3,816</b>	<b>5,092</b>
	<u>16,132</u>	<u>17,099</u>
<b>SHAREHOLDERS EQUITY</b>		
Common stock, \$.01 par value - 80,000 shares authorized, 9,742 shares issued and outstanding	98	98
Additional paid-in capital	283,466	283,442
Note receivable from shareholder	(2,887)	(2,842)
Accumulated deficit	(287,879)	(273,558)

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Accumulated other comprehensive income	<u>3</u>	<u>1</u>
TOTAL SHAREHOLDERS EQUITY (DEFICIT)	<u>(7,199)</u>	<u>7,141</u>
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	<u>\$ 8,933</u>	<u>\$ 24,240</u>

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MAXICARE HEALTH PLANS, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF OPERATIONS  
(Amounts in thousands except per share data)  
(Unaudited)

	For the three months ended September 30,		For the nine months ended September 30,	
	2001	2000	2001	2000
<b>Revenues</b>				
Premiums	\$ 1,018	\$ 648	\$ 2,067	\$ 1,715
Investment income	61	86	239	232
Inter-company service agreement income		2,330		8,353
Other income	155	(183)	816	157
	<u>1,234</u>	<u>2,881</u>	<u>3,122</u>	<u>10,457</u>
<b>Expenses</b>				
Health care expenses	791	454	1,730	1,552
Salary, general and administrative expenses	1,089	5,070	3,457	11,806
Depreciation and amortization	122	279	584	682
Charges for litigation and management settlements				
	<u>2,002</u>	<u>5,803</u>	<u>5,771</u>	<u>14,040</u>
Loss from continuing operations before income taxes	(768)	(2,922)	(2,649)	(3,583)
Income tax provision				
Loss from continuing operations	<u>(768)</u>	<u>(2,922)</u>	<u>(2,649)</u>	<u>(3,583)</u>
<b>Discontinued operations</b>				
Loss from discontinued operations		(4,862)	(28,095)	(8,831)
Write-off of excess of rehabilitated and bankrupt subsidiaries liabilities over assets			16,423	
Loss from discontinued operations		<u>(4,862)</u>	<u>(11,672)</u>	<u>(8,831)</u>
Net loss	<u>\$ (768)</u>	<u>\$ (7,784)</u>	<u>\$ (14,321)</u>	<u>\$ (12,414)</u>
Net loss per common share:				
Basic loss per common share:				
Continuing operations	<u>\$ (.08)</u>	<u>\$ (.78)</u>	<u>\$ (.27)</u>	<u>\$ (.98)</u>
Discontinued operations	<u>\$ .00</u>	<u>\$ (1.30)</u>	<u>\$ (1.20)</u>	<u>\$ (2.41)</u>
Weighted average number of common shares outstanding	<u>9,742</u>	<u>3,745</u>	<u>9,742</u>	<u>3,666</u>
Diluted loss per common share:				
Continuing operations	<u>\$ (.08)</u>	<u>\$ (.78)</u>	<u>\$ (.27)</u>	<u>\$ (.98)</u>
Discontinued operations Diluted Loss Per Common Share	<u>\$ .00</u>	<u>\$ (1.30)</u>	<u>\$ (1.20)</u>	<u>\$ (2.41)</u>

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Weighted average number of common and common dilutive potential shares outstanding	9,742	3,745	9,742	3,666
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MAXICARE HEALTH PLANS, INC.  
 CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY  
 (Amounts in thousands)  
 (Unaudited)

	Number of Common Shares	Common Stock	Additional Paid-in Capital	Other	Accumulated		Total
					Accumulated Deficit	Other Comprehensive Income	
Balances at December 31, 2000	9,742	\$ 98	\$ 283,442	\$(2,842)	\$(273,558)	\$ 1	\$ 7,141
Net loss					(14,321)		(14,321)
Other comprehensive income, net of tax, related to unrealized gains on marketable securities						2	2
Comprehensive loss							(14,319)
Warrants issued in connection with professional services contract			24				24
Note receivable from shareholder				(45)			(45)
Balances at September 30, 2001	9,742	\$ 98	\$ 283,466	\$(2,887)	\$(287,879)	\$ 3	\$ (7,199)



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**MAXICARE HEALTH PLANS, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Amounts in thousands)  
(Unaudited)

	For the nine months ended September 30,	
	2001	2000
<b>Cash Flows from Operating Activities:</b>		
Net loss	\$(14,321)	\$(12,414)
Adjustments to reconcile net loss to net cash used for operating activities:		
Depreciation and amortization	1,185	1,052
Benefit from deferred income taxes		(19)
Write-off of rehabilitated and bankrupt subsidiaries' liabilities over assets	(16,423)	
Changes in assets and liabilities (net of effect of rehabilitation and bankruptcy of subsidiaries):		
(Increase) decrease in accounts receivable	7,247	(3,507)
Increase (decrease) in estimated claims and other health care costs payable	(4,225)	15,819
Decrease in deferred income	(5,727)	(9,598)
Changes in other miscellaneous assets and liabilities	2,031	5,628
Net cash used for operating activities	(30,233)	(3,039)
<b>Cash Flows from Investing Activities:</b>		
Cash surrendered in rehabilitation and bankruptcy of subsidiaries	(42,040)	
Purchases of property and equipment and intangible assets	(5,256)	(1,295)
Decrease in restricted investments	708	1,843
Increase in long-term receivables		(486)
Proceeds from sales and maturities of marketable securities	1,211	4,483
Purchases of marketable securities	(299)	(3,533)
Net cash provided by (used for) investing activities	(45,676)	1,012
<b>Cash Flows from Financing Activities:</b>		
Issuance of common stock		1,000
Payments on capital lease obligations	(371)	(275)
Net cash provided by (used for) financing activities	(371)	725
Net decrease in cash and cash equivalents	(76,280)	(1,302)
Cash and cash equivalents at beginning of period	80,693	69,117
Cash and cash equivalents at end of period	\$ 4,413	\$ 67,815



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**MAXICARE HEALTH PLANS, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(Continued)**  
**(Amounts in thousands)**  
(Unaudited)

	<b>For the nine months ended September 30,</b>	
	<b>2001</b>	<b>2000</b>
Supplemental disclosures of cash flow information:		
Cash paid during the year for		
Interest	\$ 98	\$ 83
Supplemental schedule of non-cash investing ac		