

2012 ANNUAL REPORT

*Beyond a Quarter
Century of Service*

Preparing for the Future



Table of
contents

A message from the CEO 1
ChiroCare at a glance 2-3
2012 financial overview 4-5
2012 highlights 6-8
A Look Ahead, from the Chair of the Board 9

About Chiropractic Care of Minnesota, Inc. (CCMI)

CCMI, a nonprofit organization, has become a brand that symbolizes the standard of excellence among chiropractic practices. Since its beginnings as the nation’s first chiropractic network over 25 years ago, ChiroCare has remained at the forefront of managed chiropractic care. Our select network includes over 1,600 contracted providers throughout Minnesota and bordering areas of North Dakota, South Dakota, Iowa, Nebraska, and Wisconsin. The network currently makes high quality, value-based services available to approximately 1.5 million eligible members of ChiroCare’s contracted customers.

Clarity of mission and vision has led CCMI to develop ChiroCare into the Upper Midwest’s largest independent network of chiropractors. CCMI also offers AcuNet, a credentialed network of licensed acupuncturists serving the Upper Midwest states of Minnesota, Wisconsin, North Dakota, South Dakota, and Iowa.

CCMI: A Strong Finish to 2012 and A Great Start to 2013

The healthcare sector is going through the most dynamic, turbulent, and challenging period in history. No matter what the future holds, the healthcare landscape has been permanently altered, and Chiropractic Care of Minnesota, Inc. (CCMI) is engaged, involved, and included in these changes. Despite a tumultuous environment, CCMI delivered a strong performance in 2012 and we continue to plant the seeds of future progress by strengthening existing partnerships and forging new ones. As we close 2012, we can confidently state that CCMI finished the year stronger than it began. We attracted new talent and made organizational changes to create better alignment and leverage throughout CCMI.

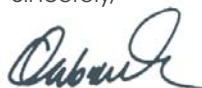
Organizations that thrive in tough, uncertain environments understand there are many keys to success—innovation, leadership, discipline, execution—but none more important than momentum. This does not happen by accident or come to those who wait for opportunities to tap them on the shoulder. Momentum is built with purpose and intention: brick-by-brick and step-by-step. Each success breeds confidence and contributes to the next.

In 2012, CCMI achieved solid results while delivering on its mission, vision, and values. We took major strides to position CCMI to achieve tomorrow's goals. We believe that by connecting with each major stakeholder, CCMI has now positioned itself for growth over the next five years. This also positions us to see changes on the horizon, anticipate their impact, and quickly identify future opportunities. It also puts CCMI in the right place to support their stakeholders and seize new opportunities.

I am energized about the future and CCMI's ability to adapt and emerge as even a stronger leader in low back and neck pain. Our success doesn't happen without strong leaders. Within this Annual Report you'll find that we achieved several exciting things in 2012—expanding the Active Care program, initiating an outcomes study, supporting our network and their patients, and refining the CCMI mission, vision, and values.


We have a lot of work to do in 2013 and beyond, and are positioned to do some great things. If you'd like to get involved with ChiroCare, Acunet, and CCMI, we'd love to consider you for future board openings, provider advisory council, or committee opportunities. For information on current opportunities, please visit chirocare.com or call our corporate office at 651-389-2006. As you review this report, please feel free to contact me directly with any recommendations you have regarding ChiroCare or to share your thoughts about how we may improve our program.

Sincerely,



Tabatha Erck, MPA
Chief Executive Officer



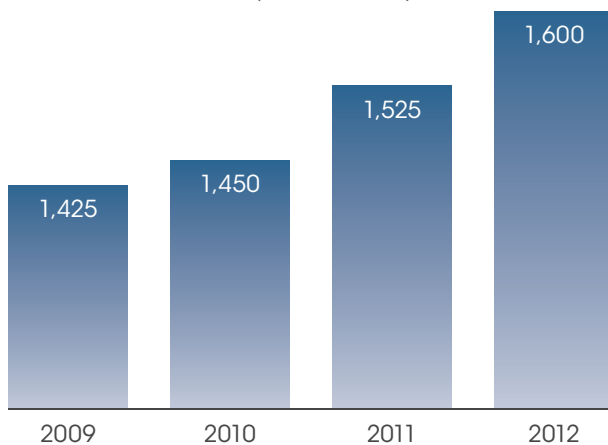


ChiroCare at
a glance

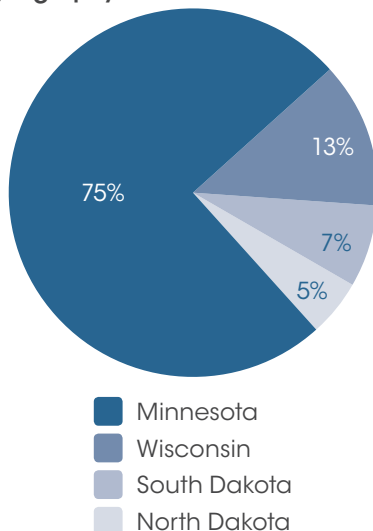
ChiroCare Practitioner Network

The ChiroCare network has grown steadily since 2009, from 1,425 to approximately 1,600 providers at the end of 2012. The ChiroCare network has chiropractors treating patients in four states: Minnesota, Wisconsin, South Dakota and North Dakota. On average, each practitioner provided over 350 chiropractic treatments on behalf of members of ChiroCare's contracted health plans.

ChiroCare providers (approximate)



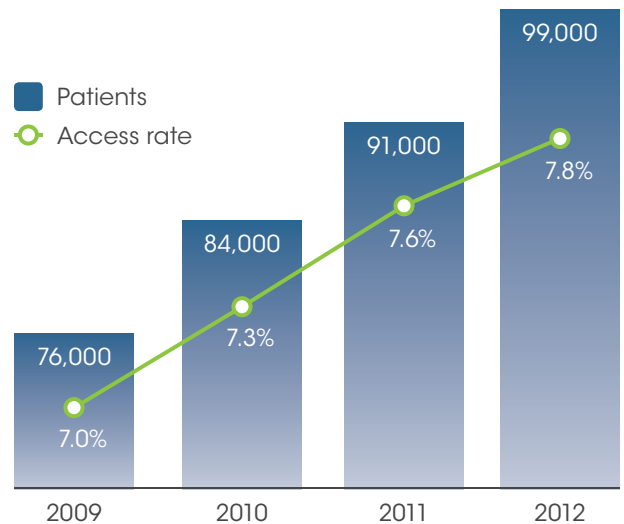
Network geography



During 2012, ChiroCare:

- Processed 575,000 claims
- Handled over 23,000 phone inquiries
- Customer service representatives answered the phone within 30 seconds over 95% of the time
- Credentialed 500 new or existing providers

Patients treated by chiropractors in the ChiroCare network



ChiroCare network chiropractors served nearly 100,000 patients who were part of plans managed by ChiroCare during 2012. The percentage of our health plan members that sought care from a ChiroCare doctor continues to rise, up to 7.8% in 2012 from 7.0% only three years earlier.

Statement of Assets, Liabilities and Net Assets

Current Assets	As of 12/31/2012	As of 3/31/2012
Cash	\$7,283,282	\$8,703,056
Receivables	1,435,000	—
Prepaid Expense	24,427	15,267
Total Current Assets	8,742,709	8,718,323
Fixed Assets	25,453	29,950
Other Assets	584,000	849,000
Total Assets	\$9,352,162	\$9,597,273

Liabilities and Net Assets	As of 12/31/2012	As of 3/31/2012
Accounts Payable	\$43,129	\$111,086
Unpaid Claims	3,452,425	3,068,498
Unearned Revenue	—	800,921
Income Taxes Payable	49,974	—
Total Liabilities	3,545,528	3,980,505
Net Assets	5,806,634	5,616,768
Total Liabilities and Net Assets	\$9,352,162	\$9,597,273

Statement of Operations

Revenue	9 months ending 12/31/2012		12 months ending 3/31/2012	
Service Fees	\$16,220,914	100.0%	\$19,554,530	99.8%
Interest Income	6,940	0.0%	32,876	0.2%
Total Revenue	\$16,227,854	100.0%	\$19,587,406	100.0%

Expenses	9 months ending 12/31/2012		12 months ending 3/31/2012	
Claims Expense	\$12,845,875	79.2%	\$13,614,884	69.5%
Education, Quality & Promotion	130,836	0.8%	637,749	3.3%
Operational Services	1,708,014	10.5%	2,219,857	11.3%
Administrative & Other	1,224,219	7.5%	1,380,903	7.0%
Income Taxes	129,044	0.8%	712,670	3.6%
Total Direct Expense	\$16,037,988	98.8%	\$18,566,063	94.8%

Net Income	\$189,866	1.2%	\$1,021,343	5.2%
-------------------	------------------	-------------	--------------------	-------------

Notes: Chiropractic Care of Minnesota, Inc. changed its fiscal year to a calendar year basis effective December 31, 2012. The figures for the current year represent nine months of activity as compared to twelve months in the prior year.

2012
highlights



Regional Involvement

ChiroCare continues to be actively involved in supporting chiropractic in the Midwest. ChiroCare has been invited and continues to participate in the healthcare community in a number of exciting ways, including the Minnesota Chamber on Healthcare and the Workers' Compensation Committees. We have been in conversation with the Minnesota Community Measurement to discuss representation of chiropractic within their organization.

Practice Support

In 2012, chiropractors shared some challenges they have regarding patient education and engagement, and we created toolkits to address those concerns. We learned that 90% of doctors in the ChiroCare network are individual practitioners who have limited time to produce patient education materials, so we created template documents on our website for practices to download and share with patients. In addition, we continue to offer other seminars and workshops on topics such as documentation and coding, HIPAA and compliance.

Active Care

ChiroCare continued to enhance tools to help chiropractic providers within our network deliver quality care and restore patients' functional level. We listened to and acted on feedback we received from doctors, insurance companies, and patients. The Active Care Certification program created in 2011 was a great success, and we have added the Perfect Fit Pro tool for providers who have been certified in our Active Care program. Perfect Fit Pro is an online exercise delivery system utilized by providers who wish to establish exercise programs for their patients. The Perfect Fit Pro system includes animation of exercises which are available online, in a printable version, and through a free mobile app.

Chiropractic Leadership Institute

One of the most exciting projects kicked off in 2012 was CCMI collaborating with the University of St. Thomas to create the Chiropractic Leadership Institute. This is the only program of its type in the United States, and the inaugural program was launched in April 2013. The purpose of the Chiropractic Leadership Institute is to help develop leaders in the chiropractic field who can spearhead chiropractic health initiatives and help others understand the importance of chiropractic. These leaders can then help represent the chiropractic profession in the ever-evolving healthcare arena. Chiropractic has had minimal representation in the past, and the need for strong leadership has never been greater. CCMI recognized this need and worked diligently with other leaders to bring the Chiropractic Leadership Institute to fruition. The University of St. Thomas, Northwestern Health Sciences University, and CCMI are collaborating on this project going forward.

Outcomes Study

CCMI initiated a program to collect outcomes data from some of its practitioner network in the 2nd quarter of 2012 to measure the level of improvement provided by chiropractic treatment for neck and back pain. Initial study results indicate significant improvement in the first four weeks of treatment. Additional information on the results of the study will be available on our website in late 2013.

2012 highlights

Electronic Health Records (EHR) Study

In 2011, CCMI began collaborations with other stakeholders to help determine how to best support EHR preparation. Based on that collaboration, CCMI organized the Minnesota Chiropractic Health Information Technology Taskforce (MNCHIT). MNCHIT includes members from the State of Minnesota, Northwestern Health Sciences University, Minnesota Chiropractic Association, and other payor entities. In a statewide survey, 67% of chiropractic offices reported not having an EHR; and 8% were in the process of implementation, but not yet using EHR. Of the survey respondents, only 25% of chiropractic offices had an EHR in operation. Since EHR is a federal and state expectation, we are working with MNCHIT and REACH/Stratis Health to pursue assistance for additional EHR initiatives.

ChiroCare Website

As a result of feedback from chiropractors in our network, patients/members, and payors, ChiroCare began working on an updated website in 2012. The new streamlined site launched in April 2013 and features expanded search capabilities for network providers, as well as enhanced content. We have maintained the areas our stakeholders indicated were helpful, and enhanced others. We also used the feedback to improve the provider search tool because we were told it was difficult to use. We will continue to enhance the tool as we receive more feedback from users because our goal is to make it easy for people in need to locate quality doctors of chiropractic within the ChiroCare network. Please visit our site at www.chirocare.com and let us know what you think!

Recognition

CCMI was nominated for an Innovation award through the HealthPartners' Partners in Excellence program and was recognized for our development and implementation of the Active Care Program. We are now on the National Association of Specialty Health Organizations (NASHO) Board of Directors and Chair NASHO's Complementary and Alternative Medicine committee. This provides CCMI the platform to have a national voice where we can raise awareness of the benefits of chiropractic treatment.

Acupuncture Network

CCMI has a strategic vision to be a leader in physical medicine and created AcuNet in 2012 and started recruiting licensed acupuncturists in the Upper Midwest region. All AcuNet practitioners must be certified by the National Certification Commission for Acupuncture and Oriental Medicine (NCCAOM) and licensed by their state's professional licensing board. This acupuncture network will utilize the same best-practice processes and approaches to provide professional improvement to licensed acupuncturists that we currently provide our chiropractic network.

A Look Ahead

In 2012, CCMI's management team has done a great job strengthening the organization, which has provided potential for growth in depth and breadth in 2013 and beyond. I have the utmost confidence in this team, and the unprecedented levels of accountability and ownership I have seen in this organization. I look forward to a bright future with CCMI. If you'd like to know anything about CCMI, please contact me at 651-389-2006. I'd be happy to speak with you.

During this past year, the Board reviewed and updated our mission, vision, and values. This helped to confirm that we are focusing on the key elements that ensure success today and support our communities in the future. The updated mission, vision, and values are as follows.

MISSION: To improve the quality of life of our communities by delivering high value healthcare networks and support services.

VISION: To be the leader in high quality physical medicine networks.

VALUES:

- **Excellence** – We enable the highest level of care and service while maximizing outcomes, quality, and cost-effectiveness.
- **Stewardship** – We are responsible stewards of the resources we manage and make use of—with full transparency and collaboration.
- **Integrity** – We are honest and responsible in conducting all aspects of our business. We adhere to the highest ethical standards and keep our promises.
- **Innovation** – We are committed to sustained leadership in health care through innovation, creativity, continuous improvement, and lifelong learning.

In 2012, we transitioned the CCMI Board of Directors from being a working board to a governing board, which is a huge step forward. This change will provide CCMI with valuable oversight and a focus on the future. In early 2013, the Board has culminated its efforts on CCMI's first-ever five-year strategic plan. The core strategies/themes include:

- Quality Improvement and continued adoption of best practices by network practitioners
- Customer satisfaction and customer expansion
- Evolution to meet the expectations of healthcare reform

I can assure you the Board of Directors is committed to cultivating an atmosphere of excellence and patient-centered care. The first quarter century has been filled with many successes, yet, more importantly, many lessons learned. It is these lessons that will guide us in the future, and allow us to continue working toward improving the quality of life of communities we serve. It has been an honor to serve as Chair of the Board and I have complete confidence in our Board and leadership team. I look forward to continuing to serve as Board Chair as CCMI continues to execute our strategic plan anchored in our mission and vision. I look forward to collaborative opportunities with our network providers, health plans, and the patient community.

Sincerely,



Dr. Steve Jobe, DC, MBA
Chair of the Board





Chiropractic Care of Minnesota, Inc.
1000 County Road E, Suite 230
Shoreview, MN 55126

chirocare.com