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

[X] 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
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
South Broadway Street, Los Angeles, California	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 [X] 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 [X] 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)	
CURRENT ASSETS		
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
TOTAL CURRENT ASSETS	7,611	10,907
PROPERTY AND EQUIPMENT		
Furniture and equipment	2,544	2,430
Less accumulated depreciation and amortization	1,222	859
NET PROPERTY AND EQUIPMENT	1,322	1,571
OTHER LONG-TERM ASSETS		
Restricted investments		720
Net assets of discontinued operations		11,042
TOTAL OTHER LONG-TERM ASSETS	0	11,762
TOTAL ASSETS	$ 8,933	$ 24,240
CURRENT LIABILITIES		
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
TOTAL CURRENT LIABILITIES	12,316	12,007
LONG-TERM LIABILITIES	3,816	5,092
TOTAL LIABILITIES	16,132	17,099
SHAREHOLDERS EQUITY		
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)

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

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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**
Revenues				
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
Total Revenues	1,234	2,881	3,122	10,457
Expenses				
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				
Total Expenses	2,002	5,803	5,771	14,040
Loss from continuing operations before income taxes	(768)	(2,922)	(2,649)	(3,583)
Income tax provision				
Loss from continuing operations	(768)	(2,922)	(2,649)	(3,583)
Discontinued operations				
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		(4,862)	(11,672)	(8,831)
Net loss	$ (768)	$(7,784)	$(14,321)	$(12,414)
Net loss per common share:				
Basic loss per common share:				
Continuing operations	$ (.08)	$ (.78)	$ (.27)	$ (.98)
Discontinued operations	$ .00	$ (1.30)	$ (1.20)	$ (2.41)
Weighted average number of common shares outstanding	9,742	3,745	9,742	3,666
Diluted loss per common share:				
Continuing operations	$ (.08)	$ (.78)	$ (.27)	$ (.98)
Discontinued operations Diluted Loss Per Common Share	$ .00	$ (1.30)	$ (1.20)	$ (2.41)

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 Deficit	Accumulated Other Comprehensive Income	Total
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**
Cash Flows from Operating Activities:		
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)
Cash Flows from Investing Activities:		
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
Cash Flows from Financing Activities:		
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)

	For the nine months ended September 30,	
	2001	**2000**
Supplemental disclosures of cash flow information:		
Cash paid during the year for Interest	$ 98	$ 83
Supplemental schedule of non-cash investing activities:		
Capital lease obligations incurred for purchase of property and equipment and intangible assets	$ 114	$ 813
Liabilities of rehabilitated and bankrupt subsidiaries	$ 101,405	
Assets of rehabilitated and bankrupt subsidiaries excluding cash	42,942	
Net liabilities of rehabilitated and bankrupt subsidiaries excluding cash	58,463	
Cash of rehabilitated and bankrupt subsidiaries surrendered	42,040	
Write-off of rehabilitated and bankrupt subsidiaries liabilities over assets	$ (16,423)	

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MAXICARE HEALTH PLANS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

Restatement/Reclassification

The accompanying financial statements reflect a restatement from those originally submitted for the third quarter and year-to-date as of September 30, 2001. The restatement is the result of the deconsolidation of the results of operations, cash flows, assets and liabilities of our California HMO effective May 25, 2001 (see Basis of Presentation). The deconsolidation is the result of the bankruptcy of the California HMO on that date. The statements originally filed included the results of operations, cash flows and assets and liabilities of the California HMO in consolidation subsequent to May 25, 2001. The net impact of the restatement is to reduce the loss reported for the quarter ended September 30, 2001 to $0.8 million from $3.6 million as originally reported. The impact upon the nine months ended September 30, 2001 is to reduce the loss reported to $14.3 million from $26.9 million.

The accompanying statements also reflect the accounting treatment of our managed care business as discontinued operations (see Discontinued Operations).

Additionally, portions of the Notes to the Consolidated Financial Statements and Management s Discussion and Analysis have been revised to reflect the termination of substantially all of our operations effective January 1, 2002.

Basis of Presentation

Maxicare Health Plans, Inc., a Delaware corporation (MHP), is a holding company that owns various subsidiaries, primarily in the field of managed care. MHP owns and operates an HMO in California (the California HMO).

Prior to May 4, 2001, MHP operated an HMO in Indiana (the Indiana HMO). The Indiana subsidiary owns Maxicare Life and Health Insurance Company, the indemnity provider underwriting the preferred provider organization (PPO), point of service (POS) and life insurance products offered by both our Indiana (PPO only) and California HMOs. The Indiana HMO is incorporated under the laws of the state of Indiana and is primarily regulated by the Indiana Department of Insurance. Maxicare Life and Health Insurance Company is incorporated under the laws of the state of Missouri and is primarily regulated by the Missouri Department of Insurance.

The California HMO is incorporated under the laws of the state of California and is primarily regulated by the California Department of Managed Health Care. On May 25, 2001 the California HMO filed for bankruptcy under Chapter 11 of the Federal Bankruptcy Act.

As of January 1, 2002, we will have no continuing operations.

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information. In the opinion of management, all adjustments considered necessary for a fair presentation, which consist solely of normal recurring adjustments, have been included. All significant intercompany balances and transactions have been eliminated.

Basis of Consolidation and Gain on Disposition of Subsidiaries

The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries. The consolidated financial statements include the operations and accounts of the Indiana HMO and Maxicare Life and Health Insurance Company only through May 3, 2001 and the California HMO only through May 24, 2001. The Consolidated Statements of Operations for the six months ended June 30, 2001 include a gain of $16.4 million realized by MHP in the second quarter of 2001 upon the Indiana Department of Insurance s placement of the Indiana HMO and its wholly-owned subsidiary, Maxicare Life and Health Insurance Company, into rehabilitation and the placement of the California HMO into Chapter 11 bankruptcy. This gain represents the extent to which consolidated losses of those entities through May 3, 2001 (the Indiana HMO and Maxicare Life and Health Insurance

Company) and May 24, 2001 (the California HMO) exceeded MHP s investment in those subsidiaries. The gain was recorded since MHP has no obligation to fund the losses of those subsidiaries to the extent such losses exceed MHP s investment in the subsidiaries.

All significant intercompany balances and transactions have been eliminated.

Discontinued Operations

The impact of the placement of the Indiana HMO (of which Maxicare Life and Health Insurance Company is a subsidiary) into rehabilitation on May 4, 2001 and the Bankruptcy filing of the California HMO on May 25, 2001 have effectively ended our involvement in the managed care industry. As a result, we have treated our HMO subsidiaries and Maxicare Life and Health Insurance Company as discontinued operations in the preparation of these financial statements (see Note 5 Discontinued Operations). Our remaining operations consist of Health Care Assurance Company, Ltd., (HCAC) a captive insurer that provides certain insurance coverage to MHP and its subsidiaries and our administration of the California Access for Infants and Mothers program (AIM) program through another of our subsidiaries. Although our remaining operations (parent, HCAC and the AIM program) are insignificant in size, financially dependent upon the operations of the California and Indiana HMOs, and may also be terminated, they represent services not intrinsically linked to the managed care industry and have been treated as continuing operations.

For further information on MHP and subsidiaries (collectively we or the Company) and its accounting policies refer to the consolidated financial statements and accompanying footnotes included in our annual report on Form 10-K for the year ended December 31, 2000.

NOTE 2 REVERSE STOCK SPLIT

On March 27, 2001, we effected a one-for-five reverse split of our common stock. All share and per share information included in this quarterly report on Form 10-Q have been retroactively adjusted to reflect the reverse stock split.

NOTE 3 REGULATORY ACTIONS/ BANKRUPTCY OF SUBSIDIARY

On May 4, 2001, the Commissioner of the Indiana Department of Insurance petitioned the Marion County Circuit Court to place our Indiana HMO into rehabilitation. This action was the result of claims that were substantially in excess of our estimates during the fourth quarter of 2000 and the first quarter of 2001. On May 24, 2001, the Missouri Department of Insurance placed Maxicare Life and Health Insurance Company under an Order of Administrative Supervision. On July 20, 2001, the California Department of Insurance (the CDOI) placed Maxicare Life and Health Insurance Company into conservatorship. Maxicare Life and Health Insurance Company has been ordered to cease writing new business by the Missouri Department of Insurance, CDOI and the Indiana Department of Insurance.

On May 25, 2001, the Department of Managed Health Care issued an order appointing a conservator for the California HMO. Also on that date, the California HMO filed for Chapter 11 bankruptcy protection. Effective June 5, 2001, the California HMO and the Department of Managed Health Care reached an agreement allowing the California HMO s bankruptcy filing to remain in effect with the recently appointed conservator relinquishing that position in order to act as Examiner of the Debtor (the Examiner). The agreement calls for any disputes between the California HMO and the Examiner to be resolved in Bankruptcy Court.

NOTE 4 LIQUIDITY AND GOING CONCERN ISSUES

The significant operating losses we experienced in 2000 and in the three prior years have continued in the first nine months of 2001 and resulted in the placement of our Indiana HMO and Maxicare Life and Health Insurance Company into rehabilitation and the bankruptcy of our California HMO. As a result of those continuing losses we had at September 30, 2001 a consolidated working capital deficiency of approximately $4.7 million, and a deficiency in stockholders equity of approximately $7.2 million.

MHP had approximately $150,000 in cash, cash equivalents and marketable securities at September 30, 2001. No funds were available for transfer to MHP from any operating subsidiary at that date. MHP has certain contractual undertakings for which it may be liable and there are various alleged claims that may be asserted against it, including, among others, undertakings to and/or purported claims against it by vendors to and former employees of its subsidiaries who have provided goods or services to those subsidiaries.

At April 1, 2001 a note held by MHP in the approximate amount of $2.9 million became due. The note, issued by a shareholder and former executive officer of MHP, had not been paid as of November 12, 2001. MHP commenced an action in California state court to collect on the note, and on October 18, 2001 the court granted summary adjudication in favor of MHP. Certain counterclaims of the former executive in that action remain pending. We cannot give assurance that we will recover all or a significant portion of this note. This note is presented as a reduction in shareholders equity in the consolidated balance sheets.

MHP also holds certain claims against the United States Office of Personnel Management in regards to the underpayment of amounts due closed subsidiaries of MHP for health care coverage provided to Federal employees. We have fully reserved for any of these potential recoveries due MHP in our consolidated balance sheets.

MHP has defaulted in making the October, 2001 payment of approximately $43,000 due a former executive under his consulting agreement with the company. Under that agreement, the former executive may elect to receive the present value of the remaining consulting fees due to him through June 30, 2003. The former executive has not to date made such election.

NOTE 5 DISCONTINUED OPERATIONS

As a result of the rehabilitation of the Indiana HMO and Maxicare Life and Health Insurance Company, and the bankruptcy of the California HMO, we have treated our HMO subsidiaries as discontinued operations. Accordingly, the operations of the Louisiana HMO through its sale date on August 1, 2000; the Indiana HMO and Maxicare Life and Health Insurance Company through its rehabilitation date of May 3, 2001; and the California HMO through its bankruptcy filing on May 25, 2001, are included in discontinued operations.

The operating results of the discontinued operations for nine months ended September 30, 2001 and 2000 are summarized as follows:

	2001	2000
Revenues	$237,243	$553,964
Expenses	265,338	562,795
Loss from discontinued operations	(28,095)	(8,831)
Write-off of excess of rehabilitated and bankrupt subsidiaries liabilities over assets Note 2	16,423	
Loss from discontinued operations	$ (11,672)	$ (8,831)

In 2000, expenses include $2.0 million and $2.5 million charges for losses associated with certain of our capitated provider arrangements in the second and third quarters, respectively.

The net assets (liabilities) of discontinued operations as of September 30, 2001 and December 31, 2000 are summarized as follows:

	September 30, 2001	December 31, 2000
Current assets	$	$ 110,497
Property and equipment		3,306
Long-term assets		6,370
Current liabilities		(109,131)

Net assets of discontinued operations	$ 0	$ 11,042

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NOTE 6 LEGAL PROCEEDINGS

On or about June 25, 2001, the Commissioner of the Indiana Department of Insurance, as the rehabilitator of the Indiana HMO, commenced an action in the Marion County Circuit Court of Indiana against MHP and the five directors of the Indiana HMO, one of whom is a director of MHP, alleging, in substance, that the directors had breached their fiduciary duty by failing to maintain a plan providing for continuation of care benefits in the event that the Indiana HMO was placed in receivership, and further alleging on various grounds that MHP is also liable for such failure. The complaint in the action asks for money damages but does not specify the amount of damages sought. No defendant has yet answered the complaint and no pre-trial discovery has been taken. MHP believes that the claims against it are without merit and intends to vigorously defend the suit.

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Item 2: Management s Discussion and Analysis of Financial Condition and Results of Operations.
RESULTS OF OPERATIONS

On May 4, 2001, the Commissioner of the Indiana Department of Insurance petitioned the Marion County Circuit Court to place our Indiana HMO into rehabilitation. Our Indiana HMO is the sole owner of Maxicare Life and Health Insurance Company, the indemnity provider underwriting the preferred provider organization (PPO), point of service (POS) and life insurance products offered by both our Indiana (PPO only) and California HMOs. The Indiana HMO is incorporated under the laws of the state of Indiana and is primarily regulated by the Indiana Department of Insurance. Maxicare Life and Health Insurance Company is incorporated under the laws of the state of Missouri and is primarily regulated by the Missouri Department of Insurance. On May 24, 2001, the Missouri Department of Insurance placed Maxicare Life and Health Insurance Company under an Order of Administrative Supervision. On July 20, 2001, the California Department of Insurance (the CDOI) placed Maxicare Life and Health Insurance Company into conservatorship. Maxicare Life and Health Insurance Company has been ordered to cease writing new business by the Missouri Department of Insurance, the CDOI and the Indiana Department of Insurance. As a result of these events, results for the quarter ended September 30, 2001 exclude Maxicare Life and Health Insurance Company and the Indiana HMO and results for the nine months ended September 30, 2001 include Maxicare Life and Health Insurance Company and the Indiana HMO only through May 3, 2001. Maxicare Life and Health Insurance Company will cease offering all products effective December 31, 2001.

Our California HMO is primarily regulated by the Department of Managed Health Care. On May 25, 2001, the Department of Managed Health Care issued an order appointing a conservator for the California HMO. Also on that date the California HMO filed for Chapter 11 bankruptcy protection. Effective June 5, 2001, the California HMO and the Department of Managed Health Care reached an agreement allowing the California HMO s bankruptcy filing to remain in effect with the recently appointed conservator relinquishing that position in order to act as Examiner of the Debtor (the Examiner). The agreement calls for any disputes between the California HMO and the Examiner to be resolved in Bankruptcy Court. As a result of these events, results for the nine months ended September 2001 include California only through May 24, 2001; and results for the quarter ended September 30, 2001 exclude the California HMO entirely.

The placement of the Indiana HMO into rehabilitation and the Bankruptcy filing of the California HMO have effectively ended our involvement in the managed care industry. As a result, we have treated our HMO subsidiaries and Maxicare Life and Health Insurance Company as discontinued operations in the preparation of our financial statements. Our remaining operations consist of Health Care Assurance Company, Ltd., (HCAC) a captive insurer that provides certain insurance coverage to MHP and its subsidiaries and our administration of the California Access for Infants and Mothers program (AIM) program through another of our subsidiaries. Although our remaining operations (parent, HCAC and the AIM program) are insignificant in size, financially dependent upon our California and Indiana HMOs, and may also be terminated, they represent services not intrinsically linked to the managed care industry and have been treated as continuing operations.

The California HMO terminated its Medicare line of business effective August 31, 2001. Effective November 30, 2001 the California HMO anticipates assigning its Medi-Cal contracts to other health plans. Effective December 31, 2001 the California HMO will cease offering its commercial products and has begun to allow employer groups that wish to do so to terminate their relationships with us immediately. At January 1, 2002, we will have no on going operations. As a result of these events, the California HMO will experience declining premium revenue in the fourth quarter of 2001 and will have no premium revenue thereafter.

We reported a net loss of $.8 million, or $.08 per share (basic and diluted), from continuing operations for the three months ended September 30, 2001. For the three months ended September 30, 2000 we had a net loss of $2.9 million, or $.78 per share (basic and diluted) from continuing operations. We sustained a loss of $2.6 million, or $.27 per share (basic and diluted), from continuing operations for the nine months ended September 30, 2001. For the nine months ended September 30, 2000 we had a net loss of $3.6 million, or $.98 per share (basic and diluted) from continuing operations. Results of discontinued operations for the nine months ended September 30, 2001 include a gain of $16.4 million realized by MHP upon the Indiana Department of Insurance s placement of the Indiana HMO and its wholly-owned subsidiary, Maxicare Life and Health Insurance Company, into rehabilitation and the bankruptcy of our California HMO. This gain represents the extent to which liabilities of those subsidiaries exceeded their assets at the date of rehabilitation (Indiana) or bankruptcy (California).

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LIQUIDITY AND CAPITAL RESOURCES

The significant operating losses we experienced in 2000 and in the three prior years have continued in the first nine months of 2001 and resulted in the placement of our Indiana HMO and Maxicare Life and Health Insurance Company into rehabilitation and the bankruptcy of our California HMO. As a result of those continuing losses we had at September 30, 2001, a consolidated working capital deficiency of approximately $4.7 million, and a deficiency in stockholders equity of approximately $7.2 million. As a result of these losses, which resulted in the placement of our Indiana HMO into rehabilitation and the bankruptcy of our California HMO, our operations will be discontinued as of December 31, 2001.

MHP had approximately $150,000 in cash, cash equivalents and marketable securities at September 30, 2001. No funds were available for transfer to MHP from any operating subsidiary at that date. MHP has certain contractual undertakings for which it may be liable and there are various alleged claims that may be asserted against it, including, among others, undertakings to and/or purported claims against it by vendors to and former employees of its subsidiaries who have provided goods or services to those subsidiaries.

MHP has defaulted in making the October, 2001 payment of approximately $43,000 due a former executive under his consulting agreement with the company. Under that agreement, the former executive may elect to receive the present value of the remaining consulting fees due to him through June 30, 2003. The former executive has not to date made such election.

Because of the discontinuation of our operations, we have no source of working capital. As a result of our significant liabilities, it may be necessary for us to seek protection under the Bankruptcy Code or otherwise terminate our business in a manner that does not provide any benefit to stockholders.

FORWARD LOOKING STATEMENTS

The statements in this Form 10-Q may be forward-looking statements that are subject to risks and uncertainties. In particular, statements in this Form 10-Q that state our intentions, beliefs, expectations, strategies, predictions or any other statements relating to our future activities or other future events or conditions are forward-looking statements. Forward-looking statements are subject to risks, uncertainties and other factors, many of which are beyond our control, including, but not limited to, those identified under Risk Factors and Management s Discussion and Analysis of Financial Conditions and Results of Operations in our Form 10-K for the year ended December 31, 2001 and Management s Discussion and Analysis of Financial Conditions and Results of Operations in this Form 10-Q, as well as those described in any other filings by us with the Securities and Exchange Commission, as well as general economic conditions, any one or more of which could cause actual results to differ materially from those stated in such statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

As of September 30, 2001, we had approximately $4.7 million in cash and cash equivalents and marketable securities. Marketable securities of $.3 million are classified as available-for-sale investments. Our investment policies emphasize return of principal and liquidity and are focused on fixed returns that limit volatility and risk of principal. Because of our investment policies, the primary market risk associated with our portfolio is interest rate risk. As of September 30, 2001, the Company did not have any outstanding bank borrowings or debt obligations.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MAXICARE HEALTH PLANS, INC.
(Registrant)

Date: April 12, 2002	/s/	Paul R. Dupee, Jr.
		Paul R. Dupee, Jr., Chief Executive Officer
Date: April 12, 2002	/s/	Joseph W. White
		Joseph W. White Chief Financial Officer