

THERAMATRIX PHYSICAL THERAPY PLAN, INC.

TheraMatrix Physical Therapy Plan, Inc. (TPTP) is an Alternative Health Care Financing and Delivery System (AFDS) that is authorized in Michigan to issue health maintenance contracts. The Certificate of Authority was granted to TPTP by the Michigan Office of Financial and Insurance Services (OFIS), effective October 2, 2006.

OFIS provides regulatory oversight for all AFDS, HMO and health insurance companies in Michigan. An AFDS is licensed under the state HMO enabling legislation and must meet all of the operational and legal requirements of an HMO except the scope of services. An AFDS scope of service is limited to a single specialty.

In Michigan, AFDS' exist for dental, optometric, mental health and podiatric services. TPTP is the first and only AFDS licensed in Michigan for the provision of outpatient physical therapy services to members on a prepaid, capitation basis.

The AFDS licensure process is lengthy and involves an in-depth and detailed application review. OFIS requirements involve a review of the AFDS organizational structure, marketing plan, information technology (IT), financial forecasts, and quality improvement plan. In order to receive an AFDS license, TPTP was also required to meet OFIS-mandated working capital, net worth and insolvency protection criteria. As a result of OFIS requirements, TPTP has in place and operational an IT infrastructure that is capable of powering national HMO plans.

Licensure as an AFDS allows TPTP to enter into full risk, capitation agreements with a variety of payers such as self-funded/self-insured employers, union trusts, VEBA's and other organizations. In this arrangement, the payer will enter into a capitation contract with TPTP and prepays a monthly premium based on a capitation rate(s) applied against the payer's membership level. TPTP assumes full risk for any program cost overruns and will have in place all necessary reserve funding to ensure long-term viability.