



December 22, 2004

Honorable Kenneth G. Vines
Insurance Commissioner
State of Wyoming
122 West 25th Street
Cheyenne, WY 82002-0440

Dear Commissioner Vines:

We are in receipt of the Examination report of WINhealth Partners as of December 31, 2003. We appreciate the opportunity to respond to the findings in the report and understand that this response will be incorporated as part of the permanent examination record.

Recommendation 1: It is recommended that the Company comply with its By-laws regarding the number of directors it has on its Board.

As of December 31, 2003, there were 11 directors serving on the WINhealth Partners board. This is primarily the result of the change in management that occurred at United Medical Center. The Bylaws require that one board member be the CEO of UMC. Jon Gates had resigned his position as CEO of UMC in 2002, and as is required by the Bylaws, it was anticipated that his replacement would assume his position as Vice Chairman of the WINhealth Partners' board. A position left open when another director moved was not filled immediately because of the possibility that Mr. Gates would remain on the board after the new CEO was hired, resulting in a full twelve-member board. The hiring of the UMC CEO was an 18-month process, as the first person that was hired did not remain in the position. Unfortunately this resulted in a shortage of directors on the WINhealth Partners' board during that period. The Governance Committee is developing a nominating procedure and appointment policy that will prohibit this problem from occurring in the future.

Recommendation 2: It is recommended that the Company review its fidelity bond coverage annually and make any required adjustments to coverage limits in order to comply with W.S. 26-34-107(b).

As was noted in the report, the aggregate liability limit was increased in January 2004 to be in compliance with the statute. The problem was a result of a delay in the annual review of coverage limits. This problem has been addressed by implementing an operating calendar on which the timing of this type of review has been scheduled and assigned to a specific individual.

Recommendation 3: It is recommended that the Company obtain the instructions and forms from the State Treasurer's Office and begin reporting unclaimed funds in accordance with Title 34, Chapter 24 of the Wyoming Statutes.

As a young company, this is the first time this statute has applied to our company and we were unaware of the details of the unclaimed funds reporting requirement. We have since implemented a procedure for identifying and reporting unclaimed funds and are now fully compliant with this statute.

Recommendation 4: It is recommended that the Company amend its privacy policy and send privacy notices to its customers annually.

Although the policy provided to you during the examination stated that notices are sent every three years, WINhealth Partners has had the practice of sending privacy notices annually. The policy was drafted using HIPAA guidelines and did not accurately reflect the state requirement. This error in the written policy has been corrected.

Recommendation 5: It is recommended that two people open the mail and that a deposit slip and all copies of checks be completed at this time. All unsigned checks should be logged and given to another person to be returned. The deposit should be made by someone not involved in the accounting for cash receipts. Check copies and backup documentation can be given to the finance department to perform the accounting function.

While the small size of the staff at WINhealth Partners does result in some limits to our ability to have the controls that can be established in a larger organization, we have always maintained a separation of duties which allows close monitoring of how monies are handled. However, as a result of this finding we have shifted additional responsibility to an individual outside the Finance department who handles the opening of mail and logging of checks.

Recommendation 6: It is recommended that all checks over \$10,000 be manually signed by the CEO and one Board member to comply with the Company's internal control procedures.

This is a standard internal procedure that is closely adhered to. The single check that you found without two signatures was an oversight and seems to be the only occurrence in the three year examination period.

Recommendation 7: It is recommended that the Company formalize its agreement with the local vendor. The agreement should specify the types of computers, cost and time frame for providing the computers, and any other necessary items that are required for the Company to continue its operations in the event of a disaster.

We will obtain a written agreement with the vendor, which documents our current understanding with them. Since the State does not have guidelines on which to base the content or scope of a disaster recovery plan we will present procedures to the Department for review and comment.

Thank you again for the opportunity to address the findings of the examination.

Sincerely,

Beth Wasson
Chief Executive Officer