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FORM 10-K

CAREADVANTAGE INC - CADV

Filed: March 31, 2010 (period: December 31, 2009)

Annual report which provides a comprehensive overview of the company for the past year

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2009

Commission file number **0-26168**

CAREADVANTAGE, INC.
(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

52-1849794

(I.R.S. Employer Identification Number)

485-C Route 1 South, Iselin, New Jersey

(Address of principal executive offices)

08830

(Zip Code)

Registrant's telephone number, including area code: **(732) 362-5000**

Securities registered pursuant to Section 12(b) of the Act: **None**

Securities registered pursuant to Section 12(g) of the Act: **Common Stock, par value \$.001 per share**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes No

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 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 submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No (Not Applicable)

Indicate by check mark if disclosures of delinquent filers pursuant to Item 405 of Regulation S-K (Section 229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. (See definition of "accelerated filer", "large accelerated filer", and "smaller reporting company" in Rule 12b-2 of the Exchange Act). (check one): Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

The aggregate market value of the registrant's outstanding voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter: **\$140,263.03**

The number of shares of the registrant's common stock outstanding as of February 22, 2010: **143,200,442**

Documents Incorporated by Reference

None

This Annual Report of CareAdvantage, Inc. (“CareAdvantage” or the “Company”) on Form 10-K contains forward-looking statements within the meaning of The Private Securities Litigation Reform Act of 1995. Readers of this report should be aware of the speculative nature of “forward-looking statements”. Statements that are not historical in nature, including the words “anticipate”, “estimate”, “should”, “expect”, “believe”, “intend”, and similar expressions, are based on current expectations, estimates and projections about (among other things) the industry and the markets in which the Company and its subsidiaries operate; they are not guarantees of future performance. Whether actual results will conform to expectations and predictions is subject to known and unknown risks and uncertainties, including risks and uncertainties discussed in this Form 10-K, particularly relating to revenues from performance-based services and re-negotiations of existing and new contracts with customers, general economic, market or business conditions; changes in our competitive position or competitive actions by other companies; changes in laws or regulations or policies of federal and state regulators and agencies; and other circumstances beyond the Company’s control. Consequently, all of the forward-looking statements made in this document are qualified by these cautionary statements, and there can be no assurance that the actual results anticipated will be realized, or if substantially realized, will have the expected consequences on the Company’s business or operations. For a more complete discussion of these and other risk factors, see Item 1A of Part I of this report. Except as required by applicable laws, we do not intend to publish updates or revisions of forward-looking statements it makes to reflect new information, future events or otherwise.

Except as expressly provided otherwise, the terms “CareAdvantage” and “Company” as used in this report refers to CareAdvantage, Inc. and the terms “we”, “us” and “our” refer collectively to CareAdvantage, Inc. and its consolidated subsidiaries.

PART I

ITEM 1. BUSINESS

Introduction and Background

CareAdvantage, Inc. (“CareAdvantage” or the “Company”) and its direct and indirect subsidiaries, CareAdvantage Health Systems, Inc. (“CAHS”) and Contemporary HealthCare Management, Inc. (“CHCM”), are in the business of providing healthcare consulting services, data warehousing and analytic services designed to enable integrated health care delivery systems, healthcare plans, employee benefit consultants, other care management organizations, self-insured employers and unions to reduce the costs, while improving the quality of medical services provided to the healthcare participants. The services include care management program enhancement services, executive and clinical management services, training programs, risk stratification and predictive modeling. The Company operates in one business segment.

As part of offering its healthcare consulting services, the Company has developed RightPath® Navigator (“RPNavigator”), a proprietary tool to help its customers better understand and forecast resource consumption, risk, and costs associated with their respective populations. In providing its services, the Company licenses RPNavigator to its customers and provides consulting services in connection with that licensing. The tool uses 3M Company’ (“3M”) Clinical Risk Groups (CRGs), a classification methodology that groups members according to risk related to the individual’s clinical history and demographic information. RPNavigator, offers customers:

- actionable financial and utilization data analytics;
- clinical analyses of health status and medical cost trends;
- identification of key management and quality opportunities;
- enhanced group-/segment-specific reporting;
- transparent methodology;
- measurement of internal and external vendors; and
- reduced dependence on internal resources to develop and produce required reports to accomplish these tasks.

With respect to RPNavigator license fees, most of the Company's customers that license RPNavigator are required, as part of their agreements with the Company, to receive consulting services from the Company. All contracts provide for licensing of RPNavigator and consulting services at a fixed monthly fee, a per member per month fee, or a combination of both. The Company earns the revenue from licensing and consulting services on a monthly basis and recognizes revenue from both services on a monthly basis at either a fixed monthly fee, a per member per month fee or a combination of both. Additionally, the Company provides separate consulting services on a fee for service basis. Revenue for these consulting services is recognized as the services are provided.

Prior to January 1, 2003, the Company provided certain health care cost containment services, including utilization review, case management and disease management and independent reviews. The Company provided these services principally to Horizon Blue Cross and Blue Shield of New Jersey, formerly known as Blue Cross Blue Shield of New Jersey, Inc. ("Horizon BCBSNJ"), which at the time was a major stockholder of the Company, and another Blue Cross Blue Shield organization. During 2002, the Company ceased providing these services to the other Blue Cross Blue Shield organization, and as of December 31, 2002, to Horizon BCBSNJ on account of Horizon BCBSNJ's termination of the Services Agreement as of that date. As a result, beginning January 1, 2003, the Company ceased offering these services to new customers, since it no longer maintained the employees and infrastructure necessary to support their delivery.

Management believes that the Company must continue the refinement of its current service lines in order to continue adding value to existing and potential customers. Management intends to continue its evaluation of each service in light of anticipated changes in the health care industry, the cost to enter each such service line as well as the availability and timeliness of competent resources. To further expand its line of services, the Company contemplates pursuing alternatives to its internal product and service development efforts by entering into strategic alliances and joint ventures.

The Company's executive offices are located at 485-C Route 1 South, Metropolitan Corporate Plaza, Iselin, New Jersey 08830 and its telephone number is (732) 362-5000.

Industry Overview: Consumerism, Health Care Expenditures and Managed Care

The American health care market continues to evolve within the environmental emphases on consumer choice, coverage and confidentiality protections, and is still battling the double challenge of accelerating costs and an aging population. Employer groups are still trying to find a balance, providing health insurance to employees in order to attract the highest quality human capital, while developing strategies to control escalating costs. In addition to the previous considerations, the latest emphasis is shifting towards the principle of data transparency and exchange of electronic health care information.

Data transparency and exchange have several key characteristics, which include easy accessibility, standardized performance metrics, nationally recognized/MD-approved set of rules governing claim coding/grouping procedures, automated data sharing/integration availability via the Internet, an underlying reward system using chronic disease in lieu of episodic management/efficiency and demonstration of intervention benefits in a credible way. The Health Information Technology for Economic and Clinical Health Act ("HITECH Act") and economic stimulus package go a long way toward providing protection for health information while creating standards for transfer/sharing of electronic health information. In addition is the creation of grants for the adoption of electronic health records (EHR) and health information exchanges.

The above focus of the marketplace points to an increased emphasis on health care quality and cost-benefit. Tools that provide clear and defensible information that is based on best practice and express results based on the relative severity of disease of the underlying population provide full and accurate disclosure. The Gartner Group has stated, "Without severity adjusted data, no comparison can be made between entities within any stakeholder category (e.g. hospital vs. hospital or MCO vs. MCO) because all differences may be completely attributable to variations among the types and intensities of diseases underlying the data."¹ Increasingly consumers, purchasers, insurers and providers will need tools that provide severity-adjusted data in order to provide a clear and accurate picture of health care quality attributable to different health plans and groups. These same tools are critical to identify best practices and test disease management activities and new treatment options.

Services and Products

The Company is a management consulting firm specializing in the improvement of health care delivery and quality while reducing unnecessary cost. The Company has a proven track record for detecting and reducing unnecessary utilization while optimizing program performance and quality of care. Program performance and quality of care are measured not only on the basis of reduced costs but also using the context of a population's relative disease burden/severity, the rate at which it has progressed and the degree to which the interventions of particular providers and programs have had an impact on that progression rate.

¹ The Gartner Report - The Gartner Group - 1999

CareAdvantage clients include health plans, employers, hospital systems, providers, state governments and other purchaser groups. For the past 15 years, the Company has worked with many leading health plans to develop effective, affordable and timely data-driven strategies that improve case, disease and utilization, as well as operations and network management. These strategies have helped CareAdvantage clients to more effectively:

- Identify and quantify disease burden and associated risk with their entire population and sub-populations;
- Improve member care quality through the defensible evaluation of health care providers and facilities;
- Facilitate provider cooperation and collaboration based on case mix and severity-adjusted data;
- Forecast resource consumption based on disease burden; and
- Optimize allocation of resources.

Recently, the Company has also assisted health plan clients with respect to further validating the value that they bring to purchasers and have had a demonstrable impact on sales retention and attraction of new sales. The RPNavigator suite of services that the Company offers our state government customers provides opportunities in transparency, improving quality, controlling costs and providing information to consumers and healthcare policymakers to make informed decisions.

In addition, this expertise has been applied to help employers assess the efficiency and effectiveness of their present health care insurers, carriers and supporting vendors. CareAdvantage achieves this by empowering employers with the information, skills and guidance necessary to facilitate future purchasing decisions and optimize managerial and administrative practices.

In order to deliver these solutions, CareAdvantage utilizes experienced health plan executives and medical directors as well as a wide range of care management operations, clinical data analysis and information technology (IT) subject-matter experts. It is this vast array of experience that enables CareAdvantage to benefit clients with objective and quantifiable insight to develop the strategies and tactical initiatives that combine care management processes with a deep understanding of medical and health care insurance-related best practices.

Operations

The Company utilizes a multi-disciplinary team approach in providing its management, data analysis and consulting services. The Company, through its employees and independent contractors, assesses care management operations, systems resources, integration and outcomes. Typically, assessment occurs on the client's site, through interviews and data analysis. At the center of CareAdvantage's data-driven analyses is RPNavigator, the next generation software solution. RPNavigator categorizes and quantifies a population's disease burden and provides a clear picture of the health status and severity associated with its clients' member populations. RPNavigator's underlying infrastructure incorporates classification methodologies from 3M Health Information Systems along with various analytical techniques to stratify the population and describe the individual member's associated risks in intuitive ways. It also enables the valid assessment of existing health care quality and cost as well as projection of future risk from a resource consumption, disease progression and mortality perspective. RPNavigator includes a data mining tool (RPN³) that employs multi-dimensional "cubes" (data structures) for online analytic processing (OLAP). RPN³ references the same data set within RPNavigator and allows power users additional flexibility in querying that data.

RPNavigator utilizes this information to stratify its clients' members, groups and providers through the use of a wide range of clinical and demographic descriptors to quantify their risk as well as evaluate the impact of key interventions and programs. These descriptors and the underlying logic increase the associated transparency of the resulting analyses and support the new direction of the industry. Among the benefits of this solution is the ability of CareAdvantage clients to:

- Access meaningful information via an Internet-based portal;
- Track population and member-related changes in disease status and severity over time;
- Compare client sub-populations;
- Profile provider using case mix and severity-adjusted techniques;
- Select and prioritize members who would best benefit from care management interventions;

- Understand adverse selection associated with existing and/or newly-obtained business as well as understand the impact of a plan's overall turnover in terms of stayers and leavers; and
- Reduce the dependence on internal resources to develop and produce required reports to accomplish these tasks.

There are several related efforts that result in additional sources of income for CareAdvantage, including:

- Developing new standardized analyses on a client-specific basis to meet a particular need for that client;
- Undertaking broader analytic consulting projects, using the methodology and logic within RPNavigator, on behalf of clients that need CareAdvantage's expertise in analyzing and interpreting the data;
- Offering experienced health care executives for care management program leadership, internal physician review services, and mentoring of less experienced health plan staff ("Executive and Clinical Management Services").

CareAdvantage also supports its clients through the provision of a wide range of consulting services to develop and implement the right solutions. These solutions provide the health care industry with strategies and tactical initiatives for effectively managing health care consumption, reducing costs and improving the quality and cost benefit of care.

For its services, the Company seeks to be compensated either (i) on a fee-for-service basis; (ii) per member per month (PMPM); or (iii) on the basis of a combination of both fee-for-service and PMPM.

Customers and Marketing

The Company currently provides its services to Blue Cross Blue Shield ("BCBS") organizations and other health plans, employers, organized labor, other health care purchasers and the State of Utah Department of Health pursuant to one or a combination of the compensation arrangements described above.

The Company markets its services to the health insurance industry, health service organizations, hospitals, insurance carriers, state governments, employers and unions.

Two customers, BCBS organizations, accounted for approximately 49% and 24% of license fees and services revenue for the year ended December 31, 2009.

Competition

The Company faces intense competition in a highly fragmented market of managed care services firms. Several managed care service firms currently provide and aggressively market services, which are in some respects similar to the Company's services. There are also a number of organizations developing a variety of approaches that are in competition with the Company's products and services. Some of the Company's competitors have substantially greater financial resources and employ substantially greater numbers of personnel.

The Company intends to compete by offering what it believes to be the most comprehensive approach in the marketplace to address the medical cost and quality of care issues. Further, it believes that its competitive position is enhanced by its ability to develop tailored programs for large clients.

Government Regulation

Health Care Regulation

Government regulation of health care cost containment services, such as those provided by the Company, is a changing area of law that varies from jurisdiction to jurisdiction and generally gives responsible administrative agencies broad discretion. The Company is subject to extensive and frequently changing federal, state and local laws and regulations concerning company licensure, conduct of operations, acquisitions of businesses operating within its industry, the employment of physicians and other licensed professionals by business corporations and the reimbursement for services. Regulatory compliance could have an adverse effect on the Company's present business and future growth by restricting or limiting the manner in which it can acquire businesses, market its services, and contract for services with other health care providers by limiting or denying licensure or by limiting its reimbursement for services provided.

It should be noted that in providing utilization review and case management services, the Company made recommendations regarding what is considered appropriate medical care based upon professional judgments and established protocols. However, the ultimate responsibility for all health care decisions is with the health care provider. Furthermore, the Company is not an insurer, and the ultimate responsibility for the payment of medical claims is with the insurer.

Although the Company is not a health care provider, it could have potential liability for adverse medical consequences. The Company could also become subject to claims based upon the denial of health care services and claims such as malpractice arising from the acts or omissions of health care professionals. Its exposure in this regard is substantially reduced since it ceased providing utilization review and case management services as of December 31, 2002. Nonetheless, until the applicable statutes of limitations have run, the Company retains exposure for past activities as well as on account of its continued internal physician review services offered as part of its Executive and Clinical Management Services.

The Company's operations in a particular state are typically subject to certification by the appropriate state agency. The Company has received or has filed the necessary application for such certification where required. In addition, various state and federal laws regulate the relationships between providers of health care services and physicians and other clinicians, including employment or service contracts, investment relationships and referrals for certain designated health services. These laws include the fraud and abuse provisions of the Medicare or Medicaid statutes, which prohibit the solicitation, payment, receipt or offering of any direct or indirect remuneration for the referral of Medicare or Medicaid patients or for the ordering or providing of Medicare or Medicaid covered services, items or equipment. Violations of these provisions may result in civil or criminal penalties for individuals or entities including exclusion from participation in the Medicare and Medicaid programs. Several states have adopted similar laws that cover patients in private programs as well as government programs. Because the anti-fraud and abuse laws have been broadly interpreted, they may limit the manner in which the Company can acquire businesses and market its services to, and contract for services with, other health care providers.

The Company's management believes that its present operations are in compliance with all applicable laws and regulations and that it maintains sufficient comprehensive general liability and professional liability insurance coverage to mitigate claims to which the Company may be subject in the future. The Company is unable to predict what, if any, government regulations affecting its business may be enacted in the future or how existing or future regulations may be interpreted. To maintain future compliance, it may be necessary for the Company to modify its services, products, structure or marketing methods. This could increase the cost of compliance or otherwise adversely affect the Company's operations, products, profitability or business prospects.

Health Information Security and Privacy Practices

The Health Insurance Portability and Accountability Act of 1996, as amended, ("HIPAA") is a federal law that affects the use, disclosure, transmission and storage of individually identifiable health information, referred to as "protected health information." HIPAA was enacted for the purpose of, among other things, protecting the privacy and security of protected health information. As directed by HIPAA, the Department of Health and Human Services ("DHHS") must promulgate standards or rules for certain electronic health transactions, code sets, data security, unique identification numbers and privacy of protected health information. DHHS has issued some of these rules in final form, while others remain in development. HIPAA and the standards promulgated by DHHS apply to certain health plans, healthcare clearinghouses and healthcare providers (referred to as "covered entities"), which includes some of our customers. The HITECH Act, which was enacted as part of the American Recovery and Reinvestment Act of 2009, requires hospitals and health care systems to make investments in their clinical information systems. Additionally, the HITECH Act significantly expanded HIPAA by extending the security standards of HIPAA to "business associates" of covered entities. Under the HITECH Act, business associates are required to establish administrative, physical and technical safeguards and are subject to direct penalties for violations. Our activities frequently entail us acting in the capacity of a business associate to the customers that we serve, and therefore we are covered by the patient privacy and security standards of HIPAA and subject to oversight by DHHS. We believe that we have taken all necessary steps to comply with HIPAA, as it applies to us as a business associate, but it is important to note that DHHS could, at any time in the future, adopt new rules or modify existing rules in a manner that could require us to change our systems or operations.

See the "Risk Factors" section in Item 1A herein for more information regarding the impact of privacy and security regulation on our Company.

Proposed Health Care Reform

If proposed federal and state health care reform initiatives are enacted, the payments for and the availability of health care services may be affected. Aspects of certain proposals, such as reductions in Medicare and Medicaid payments, could adversely affect the Company. The Company is unable to predict what impact, if any, future enacted health care reform legislation may have on its current and future business, and no assurance can be given that any such reforms will not have an adverse impact on its business operations or potential profitability.

On March 21, 2010, the U.S. House of Representatives passed the Patient Protection and Affordable Care Act of 2010 (the "Affordable Care Act"), which was signed into law by President Obama on March 23, 2010. Also, on March 25, 2010, both houses of the U.S. Congress passed the Health Care and Education Reconciliation Act of 2010 (the "Reconciliation Act"), which strike's out and modifies a number of tax and revenue provisions in the Affordable Care Act. These pieces of legislation are the most sweeping health system changes since the passage of Medicare in 1965. Prior to becoming law, the Reconciliation Act must be signed by the President. Just after President Obama signed the Affordable Care Act into law, Senator Jim DeMint introduced Senate Bill 3152, which, if adopted, would repeal the health care reform law. Additionally, on the same day, 14 states filed lawsuits challenging the constitutionality of the health care reform law. The status of the health care reform law is at present very uncertain and the Company cannot predict if or how Senate Bill 3152 (or any other legislation that may subsequently be introduced) or any of these lawsuits will impact the new legislation.

See the "Risk Factors" section in Item 1A herein for more information regarding the impact of the recently enacted health care law.

Employees

At December 31, 2009, we employed a total of 14 employees, of which 13 were employed on a full-time basis. Of the full-time employees, ten employees are engaged in servicing its clients and three are administrative support, finance and human resources personnel. None of the Company's employees are party to any collective bargaining agreements.

ITEM 1A. RISK FACTORS

Company Risk

The Company has a history of losses. At December 31, 2009, the Company had working capital of approximately \$417,000, stockholders' equity of approximately \$164,000 and an accumulated deficit of approximately \$24,399,000. At December 31, 2008, the Company had negative working capital of approximately \$240,000, stockholders' deficit of approximately \$379,000 and an accumulated deficit of approximately \$24,370,000. The losses in recent years were attributable in large part to legal fees incurred in protecting the Company's intellectual property, rent for space in excess of the Company's needs and the difficulty in obtaining revenue from a new product. Although we had net income of \$180,000 for the 12 months ended December 31, 2009, we may not be able to increase profitability on a quarterly or an annual basis in the future. If we experience net losses in future periods, we may not be able to timely satisfy our obligations.

We face aggressive competition because new competitors can enter our field easily. The Company faces intense competition in a highly fragmented market of managed care services and new competitors can enter our field easily. We believe our ability to compete will depend in part upon our ability to:

- continue upgrading technology to leading edge;
- respond effectively to technological changes;
- focus development efforts on data available in electronic health record environment; and
- meet the increasingly sophisticated needs of our customers.

Increased competition may result in price reductions, reduced gross margins, and loss of market share, any of which could have a material adverse effect on our results of operations. In addition, pricing, gross margin, and market share could be negatively impacted further as a greater number of available products in the marketplace increases the likelihood that product and service offerings in our markets become more fungible and price sensitive.

Due to increased merger and acquisition activity, we may face stronger competition in the future. Our industry, as well as many of our customers' industries (*i.e.*, health insurers and HMOs), have experienced significant merger and acquisition activity. Merger and acquisition activity may result in decreased opportunities to provide our services. The acquisition of a customer could reduce our revenue and have a negative impact on our results of operation and financial condition. A smaller overall market for our products and services could also result in lower revenue and margins.

Revenue from a limited number of customers comprises a significant portion of our total revenue. Two customers, BCBS organizations, accounted for approximately 49% and 24% of license fees and service revenue for the year ended December 31, 2009. If the BCBS customers terminate or modify existing contracts or experience business difficulties, it could adversely affect our operations.

We depend on effective information systems to deliver products and services to customers. We depend on effective information systems and have linked our computer systems with our customers' computer systems in order to conduct and deliver our products and services. Our information systems require an ongoing commitment of resources to maintain and enhance existing systems and develop new systems in order to keep pace with continuing changes in information processing technology, evolving industry standards, and changing customer preferences. Our failure to maintain effective and efficient information systems could cause loss of existing customers, difficulty in attracting new customers, customer disputes, regulatory problems and increases in administrative expenses.

Our RPNavigator tool is dependent upon third-party risk stratification software. The Company currently has a license from 3M to use its Clinical Risk Grouping Software™, which license expires on April 1, 2013, and renews automatically thereafter for successive one-year terms unless terminated by either party by written notice at least one year in advance. In the event that 3M terminates its license at the end of the term, the Company would be required to license other third-party risk stratification software and would be required to reconfigure RPNavigator to accommodate such other software. Moreover, although risk stratification software is available from other third parties, including Johns Hopkins University and/or its affiliates, the Company believes that the 3M software is more robust than its competitors because it considers the severity of illnesses and diseases. Because our RPNavigator tool depends on the integrity of third-party-risk stratification software, if the information contained in that software was found or perceived to be inaccurate, or if the information is generally perceived to be unreliable, we may not be able to maintain commercial acceptance.

The introduction of software products incorporating new technologies and the emergence of new industry standards could render the Company's existing software products less competitive, obsolete or unmarketable. There can be no assurance that the Company will be successful in developing and marketing new software products that respond to technological changes or evolving industry standards. If the Company is unable, for technological or other reasons, to develop and introduce new software products cost-effectively in a timely manner in response to changing market conditions or customer requirements, the Company's business, results of operations and financial condition may be adversely affected.

Developing or implementing new or updated software products and services may take longer and cost more than expected. The Company relies on a combination of internal development, strategic relationships, and licensing to develop its software products and services. The cost of developing new healthcare information services and technology solutions is inherently difficult to estimate. If the Company is unable to develop new or updated software products and services cost-effectively on a timely basis and implement them without significant disruptions to the existing systems and processes of the Company's customers, the Company may lose potential sales and harm its relationships with current or potential customers.

To succeed, we must maintain the confidential nature of criteria that we have acquired or developed for the delivery of health care services in medical specialty areas. The success of our knowledge and information-related business depends on our ability to maintain the ownership rights to our products. We rely on agreements with customers, confidentiality agreements with employees, trade secrets, trademarks and patents to protect our ownership rights. These legal protections and precautions may not prevent misappropriation of our intellectual property. In addition, substantial litigation regarding intellectual property rights exists in the software industry, and we expect software products to be increasingly subject to third-party infringement claims as the number of products and competitors in our industry segment grows.

Recently enacted health care reform legislation could adversely impact us. On March 21, 2010, the U.S. House of Representatives passed the Affordable Care Act, which was signed into law by President Obama on March 23, 2010. Also, on March 25, 2010, both houses of the U.S. Congress passed the Reconciliation Act, which strikes out and modifies a number of tax and revenue provisions in the Affordable Care Act. As stated previously in this report, these pieces of legislation are the most sweeping health system changes since the passage of Medicare in 1965. The Reconciliation Act must be signed by the President prior to its becoming effective. Just after President Obama signed the Affordable Care Act into law, Senator Jim DeMint introduced Senate Bill 3152, which, if adopted, would repeal the health care reform law. Additionally, on the same day, 14 states filed lawsuits challenging the constitutionality of the health care reform law. The status of the health care reform law is at present very uncertain and the Company cannot predict if or how Senate Bill 3152 (or any other legislation that may subsequently be introduced) or any of these lawsuits will impact the new legislation.

As they stand now, the Affordable Care Act and the Reconciliation Act completely reform the U.S. health care system. Among other things, the legislation significantly increases governmental involvement in healthcare, requires most Americans to carry health insurance coverage, with federal subsidies to help many afford the premiums (insurance companies would be barred from denying coverage to people with medical problems or charging them more); and completely overhauls the environment in which healthcare industry constituents operate. This legislation impacts most employers, virtually all tax payers and all segments of the health care industry. It is impossible to predict the ultimate impact that this new legislation will have on the health care industry. Possible outcomes may be that healthcare industry constituents may reduce their expenditures or postpone expenditure decisions, including expenditures for our product and service offerings. Such a response, and others that we cannot predict or foresee at this time, could have a significant and material adverse impact on our current and future business operations and, thus, our financial

condition and results of operations.

Federal and state laws that protect patient health information may increase our costs and limit our ability to collect and use that information. There is substantial state and federal regulation of the confidentiality of patient health information and the circumstances under which such information may be used by, disclosed to, or processed by us as a consequence of our contacts with various health plans and healthcare providers. Although compliance with these laws and regulations is presently the principal responsibility of the health plan, hospital, physician or other healthcare provider, regulations governing patient confidentiality rights are dynamic and rapidly evolving. As such, laws and regulations could be modified so that they could directly apply to us. Also, changes to the laws and regulations that would require us to change our systems and our methods may be made in the future, which could require significant expenditure of capital and decrease future business prospects. Furthermore, additional federal and state legislation governing the dissemination of patient health information may be proposed and adopted, which may also significantly affect our business. Finally, certain existing laws and regulations require healthcare entities to contractually pass on their obligations to other entities with which they do business; as such, we are indirectly impacted by various additional laws and regulations.

The Company and the healthcare industry generally are impacted by HIPAA, which mandates, among other things, the adoption of standards to enhance the efficiency and simplify the administration of the healthcare system. HIPAA is a federal law that affects the use, disclosure, transmission and storage of individually identifiable health information referred to as “protected health information.” These restrictions and requirements are set forth in the Privacy Rule and Security Rule portions of HIPAA. DHHS must promulgate standards or rules for certain electronic health transactions, code sets, data security, unique identification numbers, and privacy of protected health information. DHHS has issued some of these rules in final form, while others remain in development. In general, under these rules, we function as a “business associate” to some of our customers (who are considered to be “covered entities” under HIPAA). The two rules relevant to us and our customers—the Privacy Rule, and the Security Rule—are discussed below. It is important to note that DHHS could, at any time in the future, modify any existing final rule in a manner that could require us to change our systems or operations.

The Privacy Rule prohibits a covered entity from using or disclosing an individual’s protected health information unless the use or disclosure is authorized by the individual or is specifically required or permitted under the Privacy Rule. The Privacy Rule imposes a complex system of requirements on covered entities for complying with the basic standard. The Privacy Rule directly applies to covered entities which, in most instances, are required to execute a contract with any business associate that performs certain services on the covered entity’s behalf involving the exchange or creation of protected health information. Our health plan customers are covered entities, and to the extent that we are required by our customer contracts to ensure that we comply with various aspects of the Privacy Rule, we believe that we meet the requirements of the Privacy Rule. The Privacy Rule and other similar state healthcare privacy regulations could materially restrict the ability of healthcare providers and health plans to disclose protected health information from patient records using our products and services, or it could require us to make additional capital expenditures to be in compliance. Accordingly, the Privacy Rule and state privacy laws may significantly impact our products’ use in the healthcare delivery system and, therefore, decrease our revenue, increase working capital requirements and decrease future business prospects.

The Security Rule applies to the use, disclosure, transmission, storage and destruction of electronic protected health information by covered entities. The Security Rule requires that covered entities must implement administrative, technical and physical security measures to safeguard electronic protected health information. Also, as with the Privacy Rule, under the Security Rule, covered entities are required to contractually bind their business associates to certain aspects of the Security Rule. As such, where we function as a business associate to a customer that is a covered entity, we are required to enter into a business associate contract with that customer. Such agreements must, among other things, provide adequate written assurances:

- as to how we will use and disclose the protected health information;
- that we will implement reasonable administrative, physical and technical safeguards to protect such information from misuse;
- that we will enter into similar agreements with our agents and subcontractors that have access to the information;
- that we will report security incidents and other inappropriate uses or disclosures of the information; and
- that we will assist the covered entity with certain of its duties under the Privacy Rule.

With the enactment of the HITECH Act, the Privacy Rule and Security Rule of HIPAA have been modified and expanded. The HITECH Act applies certain of the HIPAA privacy and security requirements directly to business associates of covered entities. In other words, we must now directly comply with certain aspects of the Privacy and Security Rules, and are also subject to enforcement for a violation of HIPAA standards. Significantly, DHHS, as required by the HITECH Act, has issued a regulation setting forth new mandatory federal requirements for both covered entities and business associates regarding notification of breaches of security involving protected health information.

Any failure or perception of failure of our products or services to meet applicable HIPAA standards and related regulatory requirements could expose us to certain notification, penalty and/or enforcement risks and could adversely affect demand for our products and services, and force us to expend significant capital, research and development and other resources to modify our products or services to address the privacy and security requirements of our customers and HIPAA. The costs of complying with these contractual obligations, new legal and regulatory requirements, and the potential liability associated with the failure to do so could have a material adverse effect of on our business, financial condition and results of operations.

We believe our business practices and software offerings are consistent with the Privacy Rule and Security Rule, as modified by the HITECH Act. However, DHHS continues to publish change notices to the existing rules and propose new rules. There is no certainty that we will be able to respond to all such rules in a timely manner and our inability to do so could adversely affect our business.

A breach of security may cause the Company's customers to curtail or stop using the Company's services. Accidental or willful security breaches or other unauthorized access by third parties to the Company's information systems, the existence of computer viruses in the Company's data or software and misappropriation of the Company's proprietary information could expose the Company to a risk of information loss, litigation and other possible liabilities which may have a material adverse effect on the Company's business, financial condition and results of operations. If security measures are breached because of third-party action, employee error, malfeasance or otherwise, or if design flaws in the Company's software are exposed and exploited, and, as a result, a third party obtains unauthorized access to any customer data, the Company's relationships with its customers and its reputation will be damaged, the Company's business may suffer and the Company could incur significant liability. Because techniques used to obtain unauthorized access or to sabotage systems change frequently and generally are not recognized until launched against a target, the Company may be unable to anticipate these techniques or to implement adequate preventative measures.

Investment Risks

The market price of the Company's Common Stock has been extremely volatile. The market price of the Company's Common Stock has shown volatility and sensitivity in response to many factors, including general market trends, public communications regarding managed care, legislative or regulatory actions, health care cost trends, pricing trends, competition, earnings or membership reports of particular industry participants, and acquisition activity.

Because the Common Stock is traded in the over-the-counter market in the OTC Bulletin Board, our stock is illiquid. The Company's Common Stock is not listed on any exchange. Rather, shares of Common Stock are traded through The NASDAQ Stock Market's Over-the-Counter Bulletin Board, or "OTC Bulletin Board," in the over-the-counter market. The OTC Bulletin Board is a regulated quotation service that displays real-time quotes, last-sale prices and volume information in over-the-counter equity securities. It is a quotation medium for subscribing members, not an issuer listing service, and should not be confused with national stock exchanges such as The NASDAQ Stock Market. As a result, an investor may find it more difficult to dispose, or to obtain accurate quotations as to the value, of our Common Stock. Because our Common Stock is subject to federal securities rules affecting "penny stock," the market liquidity for our Common Stock is adversely affected.

The Common Stock is subject to additional sales practice requirements for low priced securities. The Company's Common Stock is currently subject to Rule 15c-9 under the Securities Exchange Act of 1934, which imposes additional sales practice requirements on broker-dealers that sell shares of the Common Stock to persons other than established customers and "accredited investors" or individuals with net worth in excess of \$1,000,000 or annual incomes exceeding \$200,000 or \$300,000 together with their spouses.

The rule:

- requires a broker-dealer to make a special suitability determination for the purchaser and have received the purchaser's written consent to the transaction prior to sale. Consequently, the rule may affect the ability of broker-dealers to sell the Company's Common Stock and may affect the ability of the Company's shareholders to sell any of their shares of Common Stock in the secondary market;

- generally defines a “penny stock” to be any non-NASDAQ equity security that has a market price less than \$5.00 per share or an exercise price of less than \$5.00 per share, subject to certain exceptions;
- requires broker-dealers to deliver, prior to a transaction in a “penny stock”, a risk disclosure document relating to the “penny stock” market.

Disclosure is also required to be made about compensation payable to both the broker-dealer and the registered representative and current quotations for the securities. In addition, the rule requires that broker-dealers deliver to customers monthly statements that disclose recent price information for the “penny stock” held in the account and information on the limited market in penny stocks. Because of these regulations, broker-dealers may encounter difficulties in their attempt to sell shares of the Company’s Common Stock, which may affect the ability of selling shareholders or other holders to sell their shares in the secondary market and have the effect of reducing the level of trading activity in the secondary market. These additional sales practice and disclosure requirements could impede the sale of the Common Stock. In addition, this rule may decrease the liquidity of the Company’s Common Stock, with a corresponding decrease in the price of our securities.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

The Company’s executive offices and operations, comprising approximately 28,000 square feet of office space, are located in Metropolitan Corporate Plaza in Iselin, New Jersey. The Company, through its subsidiary, CAHS, had executed a six-year lease for this facility commencing June 15, 1995, which was extended during 2000 for 10 additional years. The Company guaranteed CAHS’ obligations under the lease. The extended lease provides for an annual base rent of approximately \$668,000 with annual escalations based on increases in real estate taxes and operating expenses.

On January 10, 2005, the Company, through CAHS, entered into a Second Amendment to Lease Agreement commencing January 1, 2005 to provide for the reduction in base rent and the waiver of escalations based on increases in real estate taxes and operating expenses, and to provide the landlord with the option to recapture up to 50% of the leased premises at any time. (The landlord was granted the recapture option because when the Company ceased providing services to Horizon BCBSNJ, the Company no longer needed this space.) The expiration date of the lease, March 31, 2011, remained unchanged by this Second Amendment.

Under the Second Amendment to Lease Agreement, the Company is required to meet the following conditions: (1) the Company cannot assign the lease except for an assignment of the lease or a sublet provided under the original lease; (2) the Company cannot be in default under any terms and conditions of the original lease. In the event the Company fails to meet these conditions, the reduction in base rent, real estate taxes and operating expenses will be nullified and entirely forfeited, and the Company will be immediately required to pay the landlord additional rent for the difference in the base rent, and additional rent for all escalations provided in the Second Amendment to Lease Agreement and the original lease as extended. As of January 1, 2005, the additional rent attributable to the difference in base rent is \$1,257,000.

Effective April 19, 2007 (the “Recapture Date”), the landlord “recaptured” certain portions of the leased premises pursuant to the provisions of the Second Amendment to Lease Agreement. This recapture does not reduce or modify, in any respect, the Company’s obligations to pay to the landlord monthly rent or, in the event the Company fails to meet above conditions, additional rent. Effective as of the Recapture Date, the premises leased by the Company under the lease is deemed to be, and refers only to, 15,629 rentable square feet.

As of March 26, 2008, the Company and landlord entered into a Third Amendment of Lease which provided that the reduction in base rent and the waiver of escalations based on increases in real estate taxes and operating expenses shall be deemed to be amortized on a straight line basis over the period commencing January 1, 2005 and ending March 31, 2011.

Effective May 1, 2009, the Company signed a sublease agreement for approximately 3,700 square feet of its office space which calls for monthly rental payments of approximately \$7,000 to the Company from the sublessee. The term of the sublease runs 23 months through March 31, 2011. The sublease income does not cover the costs of the primary lease for the related space. Consequently, in accordance with ASC Topic 840, formerly FASB Technical Bulletin 79-15, *Accounting for Loss on a Sublease Not Involving the Disposal of a Segment*, the Company recognized a loss of approximately \$79,000, which is included in selling, general and administrative expense in the Company’s consolidated statement of operations.

Effective September 1, 2009, the Company signed a sublease agreement for approximately 600 square feet of its office space which calls for monthly rental payments of approximately \$1,200 to the Company from the sublessee. The term of the sublease runs 19 months through March 31, 2011. The sublease income does not cover the costs of the primary lease for the related space. Consequently, in accordance with ASC Topic 840, the Company recognized a loss of approximately \$11,000, which is included in selling, general and administrative expense in the Company's consolidated statement of operations.

At December 31, 2009, the additional rent that would be due if the Company failed to meet the conditions of the Second Amendment to Lease Agreement would be \$251,000. As a result of the execution of a new Office Lease (as described below) on January 18, 2010, there is no additional base rent that would be due at December 31 of the following year.

On January 18, 2010, the Company received delivery of an executed new Office Lease with its current landlord for 6,189 square feet of space in Building A at Woodbridge Corporate Plaza, 485 Route One South, Iselin, New Jersey, the same office park in which the Company presently maintains its offices in Building C. The new lease ("New Lease") is made as of December 28, 2009, and its term commences on April 1, 2010. The New Lease has a term of seventy-six months and a monthly base rent for lease months 1 to 12 of \$22,512.49, and for lease months 13 to 76 of \$14,441.00. In addition to the base rent, the Company is obligated to pay separately metered electric charges, and commencing January 1, 2011, a ratable portion of increases from 2010 in real estate taxes, operating expenses and certain utility charges. The New Lease provides the Company a credit of \$10,057.13 against the monthly base rent for lease months 1, 2, 7 and 14. In addition, the New Lease provides the Company an additional credit of \$8,379.67 per month during the twelve-month period commencing April 1, 2010. The New Lease does not initially provide for a security deposit; however, the Company is required to deliver to the landlord no later than January 15, 2011, the sum of \$10,000 to be held as a security deposit. Finally, the landlord will perform, at its expense, certain work in readying the leased premises for the Company's occupancy.

In connection with entering into the New Lease, the landlord and CAHS entered into a Surrender Agreement, delivered on January 18, 2010, and made as of December 28, 2009 (the "Surrender Agreement"), pursuant to which the landlord has agreed to terminate the existing lease as of March 31, 2010 (or the day before the commencement date of the New Lease, if later) (the "Surrender Date"), which existing lease would have otherwise expired on March 31, 2011. As of the date the New Lease commences, the security deposit of \$167,027.67 under the existing lease will be forfeited to the landlord. The Company and CAHS will continue to remain liable for all of their obligations under the existing lease through the Surrender Date and will continue to be responsible for the payment of all base rent and other amounts due under the existing lease through the Surrender Date.

Pursuant to the Surrender Agreement, (i) CAHS releases the landlord from all claims arising out of the existing lease, and (ii) upon CAHS's delivery of the premises to the landlord in accordance with the Surrender Agreement, and CAHS's timely payment of rent and other expenses owed to the Landlord under the existing lease through the Surrender Date, the landlord releases CAHS of all claims arising out of the existing lease.

Until January 31, 2010, the Company maintained rent-free operation offices in Vermont pursuant to an informal arrangement with its customer there, Blue Cross Blue Shield of Vermont.

ITEM 3. LEGAL PROCEEDINGS

Alan Fontes v. CareAdvantage, Inc., pending in Superior Court of New Jersey, Chancery Division, Monmouth County, was commenced in June 2004 by a former employee of the Company seeking compensation under various legal theories. In October 2005, the court dismissed the claim under all theories except express contract. The Company believes that Mr. Fontes's claim is without merit and is contesting the matter vigorously. Moreover, the Company filed a counterclaim for damages against Mr. Fontes claiming Mr. Fontes induced another employee to quit his employment with the Company and in October 2005, pursuant to court order, amended its counterclaim to seek equitable relief and damages against Mr. Fontes and Integrated eCare Solutions, LLC, claiming Mr. Fontes misappropriated and used certain Company property. This matter is presently being tried before a chancery judge; it is anticipated that the trial will conclude during 2010.

ITEM 4. [RESERVED]

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

The Company's Common Stock has traded in the over-the-counter market since June 12, 1995 and is currently quoted on the OTC Bulletin Board under the symbol "CADV". The following table shows the range of the high and low bid prices for each quarter of the Company's two most recent calendar years. The prices reflect inter-dealer prices, without retail mark-up, markdown or commission, and may not represent actual transactions.

Quarter Ended	2009		2008	
	High	Low	High	Low
March 31,	\$.004	\$.001	\$.014	\$.011
June 30,	\$.004	\$.001	\$.013	\$.003
September 30,	\$.014	\$.003	\$.010	\$.003
December 31,	\$.022	\$.008	\$.009	\$.001

Holdings

As of February 23, 2010, there were approximately 2,485 holders of record of the Company's Common Stock. No shares of the Company's preferred stock have been issued.

Dividends

During the two most recent fiscal years, the Company paid no cash dividends on its Common Stock. The payment of future dividends on its Common Stock is subject to the discretion of the Board of Directors, out of funds legally available for dividends, and is dependent on several factors, including the Company's earnings and capital needs.

Securities Authorized for Issuance Under Equity Compensation Plans

Information about the Company's equity compensation plans is contained in the table captioned "Equity Compensation Plans" in Item 12 of Part III of this Form 10-K, which table is incorporated herein by reference.

Issuer Purchases of Equity Securities

No shares of the Common Stock were purchased by or on behalf of the Company and its affiliates (as defined by Exchange Act Rule 10b-18) during the fourth quarter of 2009.

ITEM 6. SELECTED FINANCIAL DATA

The Company is a smaller reporting company and is not required to provide the information contemplated by this item.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Executive Overview

The Company and its direct and indirect subsidiaries, CAHS and CHCM, are in the business of providing healthcare consulting services designed to enable integrated health care delivery systems and other care management organizations to reduce the costs, while improving the quality, of medical services provided to their subscribers. The healthcare consulting services include care management program enhancement services, executive and clinical management services, and training programs. The Company's healthcare consulting services have been and continue to be provided to integrated health care delivery systems and other care management organizations. The Company operates in one business segment.

As part of the Company's offering of its healthcare consulting services, the Company has developed RPNavigator, a proprietary tool to help managed care plans and employers better understand and forecast resource consumption, risk, and costs associated with their respective populations. In providing its consulting services, the Company licenses RPNavigator to its customers. The Company recognizes revenue as services are performed or ratably under contract terms. For a further discussion of considerations relating to this business, see "Liquidity, Financial Condition and Capital Resources – General Overview".

Management believes it must continue to refine its current service lines in order to continue to add value to existing and potential customers. In addition, the Company intends to broaden the services offered with unique and complementary cost-containment strategies. Management intends to evaluate each service in light of anticipated changes in the health care industry, the cost to enter each such service line as well as the availability and timeliness of competent resources. To further expand its line of services, the Company contemplates pursuing alternatives to its internal product and service development efforts by entering into strategic alliances and joint ventures as well as through acquisitions.

Critical Accounting Policies

The Company's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. Management bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Estimates and assumptions about future events and their effects cannot be determined with certainty. These estimates may change as new events occur, as additional information is obtained and as the Company's operating environment changes. These changes have historically been minor and have been included in the consolidated financial statements as soon as they became known. In addition, management is periodically faced with uncertainties, the outcomes of which are not within the Company's control and will not be known for prolonged periods of time. Actual results may differ from these estimates under different assumptions or conditions.

Certain accounting policies have a significant impact on amounts reported in financial statements. A summary of those significant accounting policies can be found in Note B to the Company's financial statements

A critical accounting policy is one that is both important to the portrayal of the Company's financial condition or results of operations and requires significant judgment or a complex estimation process. The Company believes the following fit that definition:

Revenue recognition

With respect to RPNavigator license fees, most of the Company's customers licensing RPNavigator are required, as part of their agreements with the Company, to receive consulting services from the Company. All contracts provide for licensing of RPNavigator and consulting services at a fixed monthly fee, a per member per month fee, or a combination of both. The Company earns the revenue from licensing and consulting services on a monthly basis and recognizes revenue from both services on a monthly basis at either a fixed monthly fee, a per member per month fee or a combination of both. Additionally, the Company provides separate consulting services on a fee for service basis. Revenue for these consulting services is recognized as the services are provided.

Accounting for stock-based compensation

The Company accounts for stock-based compensation in accordance with ASC Topic 718, (Statement of Financial Accounting Standard No. 123R), "Share Based Payment", which requires that all equity-based payments, including grants of stock options, be recognized in the statement of operations as compensation expense, based on their fair values at the date of grant. Under the provisions of ASC Topic 718, the estimated fair value of options granted under the Company's Employee Stock Option Plan and Director Stock Option Plan are recognized as compensation expense over the service period which is generally the same as the option-vesting period.

For the purposes of determining estimated fair value under ASC Topic 718, the Company has computed the fair values of all equity-based compensation using the Black-Scholes option pricing model. This model requires the Company to make certain estimates and assumptions. The Company calculated expected volatility based on the Company's historical stock volatility. The computation of expected life is determined based on historical experience of similar awards, giving consideration to the contractual terms of the stock-based awards, vesting schedules and expectations of future employee behavior. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant. Under ASC Topic 718, forfeitures are estimated at the time of valuation and reduce expense ratably over the vesting period. This estimate is adjusted periodically based on the extent to which the actual forfeitures differ, or are expected to differ, from the previous estimate.

Recent Accounting Pronouncements

In April 2009, the Financial Accounting Standards Board (“FASB”) issued ASC 825-10, (Staff Position No. 107-1), “Interim Disclosures about Fair Value of Financial Instruments” (“FSP No. 107-1 and APB No. 28-1”). ASC 825-10 requires disclosing qualitative and quantitative information about the fair value of all financial instruments on a quarterly basis, including methods and significant assumptions used to estimate fair value during the period. These disclosures were previously required annually. The Company has been disclosing this information on a quarterly basis and the adoption did not have a material impact on the Company’s financial position and results of operations.

In May 2009, the FASB issued ASC 855-10, FASB No. 165, “Subsequent Events” (“SFAS 165”). ASC 855-10 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before the financial statements are issued or available to be issued. In February 2010, the FASB issued Accounting Standards Update (ASU) 2010-09, Subsequent Events (Topic 855) Amendments to Certain Recognition and Disclosure Requirements, to remove the requirement for Securities and Exchange Commission (SEC) filers to disclose the date through which an entity has evaluated subsequent events. This change removes potential conflicts with current SEC guidance. ASU 2010-09 also clarifies the intended scope of the reissuance disclosure provisions. ASU 2010-09 is effective upon issuance and its adoption had no impact on the Company’s financial condition, results of operations or cash flows.

In June 2009, the FASB issued ASC 105-10, FASB No. 168, “The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles”. This standard replaces SFAS No. 162, “The Hierarchy of Generally Accepted Accounting Principles”, and establishes only two levels of U.S. generally accepted accounting principles (“GAAP”), authoritative and nonauthoritative. The FASB Codification has become the sole source of authoritative, nongovernmental GAAP, except for the rules and interpretive releases of the SEC, which are sources of authoritative GAAP for SEC registrants. Effective September 30, 2009, all references made to GAAP in our consolidated financial statements will include the new Codification numbering system. The adoption of this pronouncement did not have any impact on the Company’s financial position and results of operations, as the Codification was not intended to change or alter existing GAAP.

In August 2009, the FASB issued Accounting Standards Update No. 2009-05, “Measuring Liabilities at Fair Value” (ASU 2009-05). ASU 2009-05 is an update to Accounting Standards Codification Topic 820, “Fair Value Measurements”. This update provides amendments to reduce potential ambiguity in financial reporting when measuring the fair value of liabilities and provides clarification that in circumstances in which a quoted price in an active market for the identical liability is not available, a reporting entity is required to measure fair value using one or more of the valuation techniques described in ASU 2009-05. The adoption of this pronouncement did not have any impact on the Company’s financial position and results of operations.

In October 2009, the FASB issued Accounting Standards Update No. 2009-13, “Multiple Deliverable Revenue Arrangements” (ASU 2009-13). ASU 2009-13 replaces EITF 00-21, and clarifies the criteria for separating revenue between multiple deliverables. This statement is effective for new revenue arrangements or materially modified arrangements in periods subsequent to adoption. Adoption is required for fiscal years beginning on or after June 15, 2010, but early adoption is allowed. We anticipate the adoption of this pronouncement will not have any impact on the Company’s financial position and results of operations.

Results of Operations—12 Months Ended December 31, 2009, Compared to 12 Months Ended December 31, 2008

The following discussion compares the Company’s results of operations for the 12 months ended December 31, 2009, with those for the 12 months ended December 31, 2008. The Company’s consolidated financial statements and notes thereto included elsewhere in this report contain detailed information that should be reviewed in conjunction with the following discussion.

Total revenues for the years ended December 31, 2009 and 2008 were approximately \$4,069,000 and \$3,824,000, respectively. The increase in revenues of approximately \$245,000 was primarily attributable to increased revenue of approximately \$229,000 from new business and approximately \$123,000 from increased services primarily with an existing customer, offset by decreased revenue of approximately \$107,000 in one-time engagements and consulting services that did not reoccur in 2009.

Cost of services:

Cost of services for the years ended December 31, 2009 and 2008 were approximately \$1,361,000 and \$1,546,000, respectively. The decrease in the cost of services of approximately \$185,000 was primarily due to decreases in personnel costs of approximately \$185,000 relating to terminated employees, decreases in travel costs of approximately \$8,000, offset by increases in professional costs of approximately \$8,000. The Company’s direct costs are mostly fixed with the exception of its costs associated with licensing fees. Any variation in direct costs is largely due to a change in licensing fees related to a change in license fee revenue. Other direct costs, such as personnel costs, may increase only if a large volume of increased business occurs where additional staffing would be required.

Operating Cost and Expenses

Selling, general and administrative:

Selling, general and administrative costs for the years ended December 31, 2009 and 2008 were \$2,440,000 and \$3,014,000, respectively. The decrease in selling, general and administrative costs of approximately \$574,000 is largely due to decreases in professional costs of approximately \$418,000, largely due to legal and consulting fees relating to Alan Fontes vs. CareAdvantage, Inc. litigation discussed in Item 3 of this report (including a settlement of legal fees of approximately \$120,000), facility costs of approximately \$91,000 due to subleasing space to a third party and amortization of loss on sublease, personnel costs of approximately \$65,000, travel costs of approximately \$10,000, and other general and administrative costs of approximately \$80,000 largely due to decreased insurance premiums and stock compensation charges, offset by an increase in costs due to a loss on sublease of approximately \$90,000.

Depreciation and amortization:

Depreciation and amortization for the year ended December 31, 2009 aggregated \$65,000 compared to \$70,000 for the year ended December 31, 2008. The decrease in depreciation and amortization costs of approximately \$5,000 is largely due to fully depreciated assets.

Interest expense:

Interest expense for the years ended December 31, 2009 and 2008 was \$21,000 and \$23,000, respectively. The decrease in interest expense of approximately \$2,000 is largely attributable to decreased interest on equipment capital leases.

Net income/(loss):

The Company had net income of \$180,000 for the year ended December 31, 2009, compared to a net loss of (\$832,000) for the year ended December 31, 2008. This increase in net income reflects new business of approximately \$240,000 and a decrease in professional costs of approximately \$418,000 largely related to Alan Fontes vs. CareAdvantage, Inc. litigation and decreased personnel costs due to employee terminations in 2008 of approximately \$250,000 offset by salary increases relating to market adjustments. The Company's net income for the twelve month period ended December 31, 2009 includes a loss on sublease of approximately \$90,000.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future material effect on the company's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital resources or capital reserves.

Liquidity, Financial Condition and Capital Resources

General Overview:

At December 31, 2009, the Company had cash of approximately \$510,000 and working capital of approximately \$417,000. At December 31, 2008, the Company's cash balance was \$88,000 and negative working capital was approximately \$240,000.

Financial Condition:

Net cash provided by/(used in) by operating activities amounted to approximately \$129,000 and (\$354,000) for the years ended December 31, 2009 and 2008, respectively. This increase in cash provided by operating activities is largely due to changes in operating assets and liabilities relating primarily to net proceeds from the sale of unregistered common stock to the Company's three directors and its general counsel of approximately \$352,000, deferred revenue of approximately \$200,000, non-cash charges of approximately \$74,000 and the Company's profit of \$180,000, offset by accounts payable decrease of approximately \$372,000 and approximately a \$154,000 decrease in deferred rent, offset with a loss on sublease of \$90,000.

Net cash used in investing activities amounted to approximately \$1,000 and \$4,000 for the years ended December 31, 2009 and 2008, respectively. This decrease in cash used is largely attributable to a decrease in capital purchases.

Net cash provided by/(used in) financing activities amounted to approximately \$294,000 and (\$62,000) for the years ended December 31, 2009 and 2008, respectively. This increase in cash provided is largely due to net proceeds of approximately \$352,000 from the sale of unregistered common stock to the Company's three directors and its general counsel, offset by repayment on capital leases.

The Company generates most of its revenue from the licensing of RPNavigator and providing consulting services in connection with that licensing. Based on cash on hand at December 31, 2009 and cash flow from operations based on a forecast prepared by management, which took into account executed contracts, and cost reductions planned and effectuated as of December 31, 2009, management expects the Company to be able to meet its obligations as they become due during the next 12 months. Such forecast includes contracts with new customers as well as expanding business with current customers that are expected to start in the next three to six months. However, there can be no assurances that management's plans, including projected revenue, will be attained. Although the Company has had a history of losses, for the 12 months ended December 31, 2009, it had net income of \$180,000.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is a smaller reporting company and is not required to provide the information contemplated by this item.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The Financial Statements and supplementary data required by this item can be found beginning on page F-1 immediately following the signatures to this annual report and are incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A(T). CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Senior management maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods provided in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including the Chief Executive Officer, who is also currently the acting Principal Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, senior management has recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and therefore has been required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

In accordance with Rule 13a-15(b) of the Exchange Act, as of the end of the fiscal year ended December 31, 2009, we carried out an evaluation under the supervision and with the participation of our management, including our Chief Executive Officer, who is also the acting Principal Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act. Based on that evaluation, our Chief Executive Officer has concluded that our disclosure controls and procedures are, in fact, effective at the reasonable assurance level.

Internal Control Over Financial Reporting

There were no changes in our internal controls over financial reporting during the quarter ended December 31, 2009 that have materially affected, or are reasonably likely to materially affect the Company's internal controls over financial reporting.

As required by Section 404 of the Sarbanes-Oxley Act of 2002, management has performed an evaluation and testing of the Company's internal control over financial reporting as of December 31, 2009. Management's report on the Company's internal control over financial reporting is included on the page that follows.

Management's Annual Report on Internal Control Over Financial Reporting

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, management is responsible for establishing and maintaining adequate internal control over financial reporting and for assessing the effectiveness of our internal control over financial reporting, as defined in Exchange Act Rule 13a-15(f) and 15d-15(f). Internal control over financial reporting refers to the process designed by, or under the supervision of, our Chief Executive Officer, who is also the acting Principal Financial Officer, to provide reasonable assurance to our management and Board of Directors and Audit Committee regarding the reliability of financial reporting and the fair presentation of published financial statements in accordance with U.S. generally accepted accounting principles, and includes those policies and procedures that:

- pertain to maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and disposition of our assets;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles and that our financial decisions are being made only in accordance with authorizations of our management and our Board of Directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized transactions relating to our assets that could have a material impact on our financial statements.

This annual report on Form 10-K does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting because management's report was not subject to attestation pursuant to temporary rules of the SEC that permit the Company to provide only this management's report.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. A control system, no matter how well designed and operated can provide only reasonable, but not absolute, assurance that the control system's objectives will be met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their cost.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2009. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control-Integrated Framework (the "COSO Framework").

Based on this assessment and on the foregoing criteria, management has concluded that, as of December 31, 2009, the Company's internal control over financial reporting is effective.

Respectfully,

/s/ Dennis J. Mouras

Dennis J. Mouras,
Chief Executive Officer and
Acting Principal Financial Officer

ITEM 9B. OTHER INFORMATION

On January 4, 2010, the Company received delivery of an Amended and Restated Services and License Agreement between the Company and Blue Cross Blue Shield of Vermont (“BCBSVT”) made as of January 1, 2010 (the “2010 Services and License Agreement”). The 2010 Services and License Agreement amends and restates (i) the Third Amended and Restated Service Agreement dated as of April 1, 2001, as amended, between the Company and BCBSVT (the “Service Agreement”), and (ii) the Services and License Agreement dated as of September 1, 2004, as amended, between the Company and BCBSVT (the “Service and License Agreement”). Pursuant to the 2010 Services and License Agreement, BCBSVT directly assumed the performance of certain consulting functions that had previously been performed by the Company pursuant to the Service Agreement, including BCBSVT’s assuming the responsibility for providing itself with a corporate medical director and other support functions. BCBSVT has agreed to pay a recruitment fee to the Company in the event BCBSVT directly hires certain of the Company’s staff that had been performing such services. The 2010 Services and License Agreement also reflects the reduced responsibilities of the Company to BCBSVT, provides specifically the services the Company will provide to BCBSVT, and memorializes certain informal agreements between the parties, including certain billing and payment practices. Additionally, the 2010 Services and License Agreement amends the Service and License Agreement to provide for RPNavigator updates six times per year rather than four times per year. Finally, the 2010 Services and License Agreement modifies the indemnification obligations of the parties to also provide that BCBSVT will indemnify the Company and its officers, directors, employees, ex-employees or agents from and against any and all claims resulting from any act or omissions of certain of the Company’s employees in connection with the Company’s services for BCBSVT.

In connection with the 2010 Services and License Agreement, the Company and BCBSVT entered into a letter agreement (the “Letter Agreement”) dated December 30, 2009, pursuant to which the Company agreed to provide the services of one of its employees from the period of January 1, 2010 to January 31, 2010.

A copy of the 2010 Services and License Agreement is filed as Exhibit 10.36 to this Annual Report on Form 10-K and a copy of the Letter Agreement is filed as Exhibit 10.37 to this Annual Report of Form 10-K.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The Company’s directors, executive officers and control persons as of December 31, 2009 are as follows:

<u>Name</u>	<u>Age</u>	<u>Positions with the Company</u>
David G. Noone ^(1,2)	56	Chairman of the Board of Directors
Dennis J. Mouras	53	Chief Executive Officer, President, acting Principal Financial Officer, and Director
David J. McDonnell ^(1,2)	67	Director

(1) Member of Compensation Committee.

(2) Member of Audit Committee.

There are no family relationships between any directors or executive officers of the Company.

All directors of the Company are elected by the stockholders of the Company or, in the case of a vacancy, are elected by the directors then in office to hold office until the next annual meeting of stockholders of the Company and until their successors are elected and qualify or until their earlier resignation or removal.

The following sets forth certain information with respect to each director and executive officer of the Company as of December 31, 2009:

David G. Noone has been a director of the Company since January 1999 and Chairman of the Board since July 30, 2002. He served as CEO of the Company from January 1999 until February 15, 2001, and was an employee of the Company engaged in identifying and pursuing strategic business combinations from February 15, 2001 to September 2001. Most recently, Mr. Noone is serving as the Local Census Office Manager, United States Bureau of the Census, Middlebury, Connecticut, where he has been employed since October 2009; previously he had been employed as Executive Director of Village at East Farms, Waterbury, Connecticut, from May 2007 through December 31, 2008. Prior to his service with the Company, Mr. Noone served from September 1995 to February 1997 as the President and Chief Executive Officer of Value Health International, a subsidiary of Value Health, Inc., where he was responsible for the migration of Managed Health Care strategies to emerging opportunity markets in Europe, Latin America and Asia. Mr. Noone's specific qualifications to serve as a director of the Company include his history with the Company as an executive and a director, his leadership experience and his background with Managed Health Care strategies.

Dennis J. Mouras has served as the Chief Executive Officer and a director of the Company since February 15, 2001. He has served as President and Chief Operating Officer of the Company since October 30, 2000, and as the Executive Vice President of Marketing and Sales of the Company from April 1999 to October 30, 2000. He has also served as Acting Principal Financial Officer since January 2003. Prior to that, Mr. Mouras served as President of Intracorp, Inc. from January 1997 to January 1999, and as President and General Manager of CIGNA Healthcare of Colorado from October 1994 to January 1997. Currently, Mr. Mouras is also the Vice President and 40% owner of Best View Farm Breeders LLC, Glenmoore, Pennsylvania, which conducts a horse breeding business. Mr. Mouras' role as the Chief Executive Officer and acting principal financial officer of the Company, as well as serving in various other capacities as an employee of the Company for the past 11 years, qualifies him to serve as a director of the Company.

David J. McDonnell, currently retired, has been a director of the Company since January 1997. He served from December 1993 to February 1997 as a director of Value Health, Inc., a company engaged in the health care service business. Prior to that, he was employed by Preferred Health Care Ltd., a behavioral managed care company, where he served as that company's Chief Executive Officer from 1988 to 1993, and its President from 1988 to 1992. Mr. McDonnell also served as Chairman of Preferred Health Care Ltd.'s Board of Directors from 1991 to 1993. Mr. McDonnell's specific qualifications to serve as a director of the Company include his extensive board experience and employment history in the health care services industry.

Audit Committee Financial Expert

The Board of Directors has determined that the Company does not have an "audit committee financial expert" as defined by Item 407 of the SEC's Regulation S-K. The Board of Directors believes that the Company's extremely small size, limited financial resources and limited activity make such a position unnecessary.

Compliance with Section 16(a) of the Securities Exchange Act of 1934:

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires the Company's executive officers and directors, and persons who own more than 10% of a registered class of the Company's equity securities, to file reports of ownership and changes in ownership with the Securities and Exchange Commission and NASDAQ, copies of which are required by regulation to be furnished to the Company. Based solely on review of the copies of such reports furnished to the Company, the Company believes that during fiscal year ended December 31, 2009, its executive officers, directors and ten percent (10%) beneficial owners complied with all the Section 16(a) filing requirements.

Code of Ethics

During the past several years, the Company's resources and operations were substantially curtailed. The Company currently has approximately 13 full-time employees, of which only one is a principal executive and financial officer, and has reduced its overhead expenses in order to operate within the constraints of its limited revenues. Because of the small staff, the involvement of management and the Board of Directors in the business and operations of the Company, and the internal policies of the Company, the Company has not adopted a separate code of ethics for principal executive and financial officers. We experience a limited number of financial transactions in our present operations, all of which are approved and executed by our chief executive officer, who is also currently acting as our principal financial officer. The Board of Directors and management have unequivocally set the tone for integrity and credibility in all aspects of the Company's operations. In view of the Company's very small size and the limited number of personnel who are responsible for its operations, a formal code of ethics is not necessary. Our Board of Directors periodically revisits this issue to determine if adoption of a code of ethics is appropriate. In the meantime, our management intends to promote honest and ethical conduct, full and fair disclosure in our reports to the SEC, and compliance with applicable governmental laws and regulations.

ITEM 11. EXECUTIVE COMPENSATION

Executive Compensation

The following table sets forth the total remuneration for services in all capacities awarded to, earned by, or paid to our Chief Executive Officer and President (the “named executive officer”) for each of the last two completed fiscal years. No other person who served as an executive officer during 2009 earned total compensation in excess of \$100,000 for 2009 (or would have earned in excess of such amount had they been an executive officer as of December 31, 2009). The Company does not maintain any nonequity incentive compensation plans or nonqualified deferred compensation plans.

Summary Compensation Table

Name and principal position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)(2)	Option awards (\$)(2)	All other Compensation (\$)(3)	Total (\$)
Dennis J. Mouras	2009	400,000	-	-	-	68,779	468,779
Chief Executive Officer & President (1)	2008	415,385	-	-	-	68,029	483,414

(1) Mr. Mouras also serves on the Board of Directors but receives no separate remuneration for such service.

(2) The Company calculates the value of equity awards using the provisions of ASC Topic 718, “Share Based Payment”. See Note B to the audited consolidated financial statements presented elsewhere in this annual report regarding assumptions underlying valuation of equity awards.

(3) Includes Company matching contributions to a 401(k) profit sharing/savings plan in the amount of \$7,350 for 2009 and \$6,600 for 2008, \$ 649 for both 2009 and 2008 related to imputed income for premiums paid for group term life insurance coverage and \$60,780 for both 2009 and 2008 for commuting allowances plus federal and state tax gross-ups therefor.

Mouras Employment Agreement

On October 25, 2000, the Company entered into an Employment Agreement with Dennis Mouras (the “Mouras Employment Agreement”), the current Chief Executive Officer and President and acting Principal Financial Officer. The Mouras Employment Agreement replaced an earlier agreement between Mr. Mouras and the Company during the time that Mr. Mouras served as the Company’s Executive Vice President of Marketing and Sales. The Mouras Employment Agreement had an initial one-year term, after which it renews automatically for successive one-year terms unless terminated by either party on at least 60 days notice prior to an anniversary date. The Mouras Employment Agreement initially provided for (a) an annual salary of \$285,000, (b) a grant of incentive stock options on October 26, 2000 pursuant to the Company’s Stock Option Plan for 2,500,000 shares, (c) six months of severance benefits if employment is terminated without cause, and (d) other benefits, including participation in the Company’s 401(k) plan, life insurance coverage, and medical insurance coverage available to all eligible employees. Under the Mouras Employment Agreement, Mr. Mouras waived unpaid sales commissions to which he was otherwise entitled under his prior agreement. The Mouras Employment Agreement also contains a non-solicitation restriction for one year after the termination of Mr. Mouras’ employment. On October 30, 2002, the Company amended the Mouras Employment Agreement by agreeing to increase to one year the severance that Mr. Mouras would be entitled to receive if his employment is terminated without cause. On November 11, 2005, the Company further amended the Mouras Employment Agreement by agreeing to increase the allowance for commuting paid Mr. Mouras to \$3,000 per month from \$1,500 per month, grossed-up in each case for federal and state income tax liability. On November 20, 2007, the Company further amended the Mouras Employment Agreement to increase the annual salary payable to Mr. Mouras to \$400,000 per year, effective as of the date of the amendment.

Stock Option Plan

The Company’s Restated and Amended Stock Option Plan for key employees was adopted on June 6, 1996 and was approved by the Company’s stockholders. This plan terminated pursuant to its terms on June 6, 2006. At December 31, 2009, the named executive officer did not hold any outstanding stock options or other equity award.

Benefits Upon Termination of Employment

Mr. Mouras’ amended Employment Agreement provides for a severance payment by the Company of 12-months salary in the event his employment is terminated by the Company without cause. This severance benefit would be paid out over 12 months. As of December 31, 2009, the total amount of severance benefits that could be paid to Mr. Mouras upon a termination of employment is \$400,000.

401(k) Plan

The Company maintains a 401(k) plan for employees who meet the eligibility requirements set forth in the plan. Pursuant to the plan, the Company provides a 50% matching contribution of the first 6% of each participant's contribution. All contributions by the Company must comply with the federal pension laws' non-discrimination requirements and the terms of the plan.

COMPENSATION OF DIRECTORS

The following table provides information about compensation paid to or earned by the Company's Directors during 2009 who were not named executive officers. Mr. Mouras does not receive director compensation.

<u>Name</u>	<u>Fees earned or paid in cash (\$)</u>	<u>Option awards \$(1)</u>	<u>All other compensation \$(2)</u>	<u>Total (\$)</u>
David J. McDonnell	\$ 4,800	-	\$ 874	\$ 5,674
David G. Noone	\$ 4,800	-	\$ 767	\$ 5,567

- (1) The Company calculates the value of equity awards using the provisions of ASC Topic 718, "Share Based Payment". See Note B to the audited consolidated financial statements presented elsewhere in this annual report regarding assumptions underlying valuation of equity awards. At December 31, 2009, each of Messrs. McDonnell and Noone held options outstanding to purchase 1,250,000 shares of Common Stock.
- (2) Amount reflects reimbursement for out-of-pocket expenses associated with attending meetings of the Board of Directors.

Directors' Fees

Directors who are not officers of the Company are paid \$1,200 for each meeting of the Board of Directors that they attend. Directors are also reimbursed for their reasonable out-of-pocket expenses for each attended meeting of the Board or any committee thereof. The Board held six meetings during 2009.

Directors Stock Option Plan

Until its termination on June 6, 2006, non-employee directors of the Company were eligible to receive stock options under the Company's Restated and Amended Directors' Stock Option Plan (the "Director Plan"). The Company adopted the Director Plan on June 6, 1996, which was amended on July 24, 1996 and the Director Plan, as amended, was approved by the stockholders on August 23, 1996. Thereafter, the Director Plan was further amended on January 26, 1999 with the stockholders approving that amendment on July 7, 1999.

The Director Plan contemplated the grant of non-qualified stock options and was administered by the Board of Directors, who had authority to determine: (i) the number of shares of the Company's Common Stock that could be purchased upon the exercise of options; (ii) the time or times when options became exercisable; (iii) the exercise price; and (iv) the duration of options, which could not exceed 10 years. The Director Plan reserved an aggregate of 2% of the Company's authorized number of shares of Common Stock for issuance. On January 19, 2001, the Company increased its authorized shares of Common Stock to 200,000,000 shares, so the number of shares reserved for issuance under the Director Plan was 4,000,000 shares.

All options granted under the Director Plan are exercisable during the option grantee's lifetime only by the option grantee (or his or her legal representative). In the event of termination of an option grantee's directorship, such person shall have three months from such date to exercise such option to the extent the option was exercisable as at the date of termination, but in no event subsequent to the option's expiration date. In the event of termination of an option grantee's directorship due to death, such person's legal representative shall have 12 months from such date to exercise such option to the extent the option was exercisable at the date of death, but in no event subsequent to the option's expiration date.

The Directors Plan contains anti-dilution provisions which provide that in the event of any change in the Company's outstanding capital stock by reason of stock dividend, recapitalization, stock split, combination, exchange of shares or merger or consolidation, the Board shall equitably adjust the aggregate number and kind of shares reserved for issuance, and for outstanding options, the number of shares covered by each option and the exercise prices per share.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth as of February 23, 2010 certain information regarding the beneficial ownership of the Company's Common Stock by (i) all persons known to the Company who own more than 5% of the outstanding Common Stock, (ii) each director, (iii) the named executive officer, and (iv) all executive officers and directors as a group. Unless otherwise indicated, the persons named in the table below have sole voting and investment power with respect to all shares of Common Stock shown as beneficially owned by them.

**Beneficial Ownership of Common Stock by
Certain Stockholders and Management**

Name of Beneficial Owner	Number of Shares Beneficially Owned (1)	Percent of Ownership (2)
Principal Holders:		
Credit Suisse Asset Management, LLC (3) (5)	7,536,204	5.26%
George Neidich (4) (9)	21,777,777	15.21%
Directors and Executive Officers		
David J. McDonnell (6) (9)	22,150,000	15.33%
David G. Noone (7) (9)	24,150,000	16.72%
Dennis J. Mouras (8) (9)	29,500,100	20.60%
All directors and executive officers as a group (3 persons) (9)	75,800,100	52.02%

* Less than 1%

(1) Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission, which generally attribute beneficial ownership of securities to persons who possess sole or shared voting or investment power with respect to those securities. Beneficial ownership includes the right to acquire shares within 60 days (such as through the exercise of stock options).

(2) The percent beneficially owned by any person or group who held options exercisable within 60 days has been calculated assuming all such options have been exercised in full and adding the number of shares subject to such options to the total number of shares issued and outstanding.

(3) The principal business address of Credit Suisse Asset Management, LLC, is 466 Lexington Avenue, New York, New York 10017.

(4) The principal business address of George Neidich, is 9301 Morison Lane, Great Falls, Virginia 22066.

(5) Information based on Schedule 13G filed by Credit Suisse Asset Management, LLC on December 22, 2004, with the Securities and Exchange Commission ("SEC").

(6) The business address of Mr. McDonnell, a director of the Company, is 301 Aqua Court, Naples, Florida 34102.

(7) The business address of Mr. Noone, a director of the Company, is 34 Sunset Hill Road, Redding, Connecticut, 06896.

(8) The business address of Mr. Mouras, Chief Executive Officer and director, is 485-C Route 1 South, Iselin, New Jersey 08830.

(9) 41,667 shares of Mr. Neidich's Common Stock, 1,250,000 shares of Mr. McDonnell's Common Stock, 1,250,000 shares of Mr. Noone's of Common Stock, and 2,500,000 shares of the Common Stock owned by all directors and executive officers as a group are issuable upon the exercise of stock options to purchase shares of Common Stock that were exercisable on February 23, 2010 or that will become exercisable within 60 days of such date.

Equity Compensation Plans

The following table sets forth the securities authorized for issuance under the Company's equity compensation plans as of December 31, 2009:

Plan category	(A) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(B) Weighted-average exercise price of, outstanding options, warrants and rights	(C) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (A))
Equity compensation plans approved by security holders	12,186,667	\$ 0.012	-
Equity compensation plans not approved by security holders	-	\$ -	-
Total	12,186,667	\$ 0.012	-

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Related Transactions since January 1, 2009

On September 9, 2009, the Company raised \$400,000 in capital in a private placement to fund certain expenses that became due and payable, and to help fund working capital. The private placement consisted of the sale of 80,000,000 shares of Common Stock of the Company to its three directors, Dennis J. Mouras (also the Company's Chief Executive Officer), David G. Noone, and David J. McDonnell, and its general counsel, George Neidich (the "Investors") at a purchase price of \$0.005 per share, the current market price per share of Common Stock, for an aggregate purchase price of \$400,000. Each Investor purchased 20,000,000 shares of Common Stock for \$100,000.

Additionally, during the year ended December 31, 2009, the Company paid legal fees in the amount of \$138,000 to George Neidich, the Company's general counsel and the beneficial owner of 15.21% of the Company's issued and outstanding shares of Common Stock.

Director Independence

The Company's Board of Directors has determined that David G. Noone and David J. McDonnell are "independent directors" as defined in NASDAQ Marketplace Rule 5605(2) (formerly Rule 4200(a)(15)).

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Audit and Non-Audit Fees

The following table shows the fees billed to the Company for the audit and other services provided by the Company's principal accountant, Eisner LLP, in 2009 and 2008:

Services Performed	2009	2008
Audit Fees (1)	\$ 97,600	\$ 97,600
Audit-Related Fees	-	-
Tax Fees (2)	15,200	15,200
All Other Fees	-	-
Total Fees	\$ 112,800	\$ 112,800

(1) Audit fees represent fees for professional services provided in connection with the audit of the Company's financial statements and review of the financial statements included in the Company's 10-K and 10-Q filings, and services that are normally provided in connections with statutory and regulatory filings or engagements.

(2) Tax fees are fees for professional services performed by Eisner LLP with respect to tax compliance, tax preparation, tax advice and tax planning in 2008 and 2009.

Pre-Approval of Audit and Non-Audit Services

The Audit Committee currently pre-approves all services provided by our independent registered public accounting firm. All of the above fees for 2009 and 2008 were pre-approved by the audit committee. No fees in 2009 or 2008 were paid to the independent registered public account firm pursuant to the “de minimis” exception to the foregoing pre-approval policy.

The Audit Committee has considered the nature and amount of fees billed by Eisner LLP and believes that the provision of services for activities unrelated to the audit is compatible with maintaining Eisner LLP’s independence.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a)(1), (2) and (c) Financial statements and schedules:

Report of Independent Registered Public Accounting Firm
Consolidated Balance Sheets at December 31, 2009 and 2008
Consolidated Statements of Operation — Years Ended December 31, 2009 and 2008
Consolidated Statements of Changes in Stockholders’ Equity — Years Ended December 31, 2009 and 2008
Consolidated Statements of Cash Flows — Years Ended December 31, 2009 and 2008
Notes to Consolidated Financial Statements for the years ended December 31, 2009 and 2008

(a)(3) and (b) Exhibits required to be filed by Item 601 of Regulation S-K:

The exhibits filed or furnished with this annual report are shown on the Exhibit Index that follows the signatures to this annual report, which index is incorporated herein by reference.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

CareAdvantage, Inc.
(Registrant)

Date: March 31, 2010

By: /s/ Dennis J. Mouras
Dennis J. Mouras, Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

Date: March 31, 2010

By: /s/ Dennis J. Mouras
Dennis J. Mouras, Chief Executive Officer, Director
and acting Principal Financial Officer and Accounting Officer

Date: March 31, 2010

By: /s/ David J. McDonnell
David J. McDonnell, Director

Date: March 31, 2010

By: /s/ David G. Noone
David G. Noone, Director

CAREADVANTAGE, INC.
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL
STATEMENTS

DECEMBER 31, 2009 AND 2008

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Consolidated Statements of Changes in Stockholders' Equity/(Deficit) for the years ended December 31, 2009 and 2008	F-5
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders
CareAdvantage, Inc.

We have audited the accompanying consolidated balance sheets of CareAdvantage, Inc. and subsidiary (the "Company") as of December 31, 2009 and 2008 and the related consolidated statements of operations, changes in stockholders' equity/(deficit) and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of CareAdvantage, Inc. and subsidiary as of December 31, 2009 and 2008 and the consolidated results of their operations and their consolidated cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

/s/ Eisner LLP

New York, New York
March 31, 2010

CareAdvantage, Inc. and Subsidiaries
Consolidated Balance Sheets

	December 31,	
	2009	2008
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 510,000	\$ 88,000
Accounts receivable	143,000	239,000
Prepaid expenses and other current assets	108,000	102,000
Security deposits	167,000	-
Total current assets	928,000	429,000
Property and equipment, at cost, net of accumulated depreciation	108,000	170,000
Intangible assets, net of accumulated amortization	2,000	4,000
Security deposits	-	167,000
Total Assets	\$ 1,038,000	\$ 770,000
LIABILITIES AND STOCKHOLDERS' EQUITY/(DEFICIT)		
Current liabilities:		
Accounts payable	\$ 82,000	\$ 454,000
Accrued compensation and related benefits	81,000	73,000
Accrued professional fees	65,000	50,000
Other current liabilities	1,000	1,000
Deferred revenue	231,000	33,000
Capital lease obligation – current	51,000	58,000
Total current liabilities	511,000	669,000
Long Term Liabilities:		
Capital Lease Obligation - Long Term	23,000	76,000
Deferred rent	340,000	404,000
Total long term liabilities	363,000	480,000
Total Liabilities	874,000	1,149,000
Commitments and contingencies (Note H)		
Stockholders' equity/(deficit):		
Preferred stock - par value \$.10 per share; authorized 10,000,000 shares; none issued		
Common stock - par value \$.001 per share, authorized 200,000,000 shares; issued 142,554,442 issued and outstanding at December 31, 2009 and 115,534,262 shares issued and 62,139,442 shares outstanding at December 31, 2008	143,000	115,000
Additional paid in capital	24,420,000	24,138,000
	(24,000)	(24,000)
Accumulated deficit	399,000)	370,000)
Treasury Stock at cost, 53,394,820 shares	-	(262,000)
Total stockholders' equity/(deficit)	164,000	(379,000)
Total Liabilities and Stockholders' Equity/(Deficit)	\$ 1,038,000	\$ 770,000

See notes to consolidated financial statements

CareAdvantage, Inc. and Subsidiaries
Consolidated Statements of Operations

	Year Ended	
	December 31,	
	2009	2008
License fees and service revenue	\$ 4,069,000	\$ 3,824,000
Cost of services	<u>1,361,000</u>	<u>1,546,000</u>
Gross profit	<u>2,708,000</u>	<u>2,278,000</u>
Operating expenses:		
Selling, general and administrative	2,440,000	3,014,000
Depreciation and amortization	<u>65,000</u>	<u>70,000</u>
Total operating expenses	<u>2,505,000</u>	<u>3,084,000</u>
Operating income/(loss)	203,000	(806,000)
Interest expense	<u>(21,000)</u>	<u>(23,000)</u>
Income/(loss) before provision for income taxes	182,000	(829,000)
Provision for income taxes	<u>2,000</u>	<u>3,000</u>
Net income/(loss)	<u>\$ 180,000</u>	<u>\$ (832,000)</u>
Net income/(loss) per share of common stock -		
Basic and diluted	<u>\$.00</u>	<u>\$ (.01)</u>
Weighted average number of common shares outstanding -		
Basic and diluted	<u>87,431,000</u>	<u>60,951,000</u>

See notes to consolidated financial statements

CareAdvantage, Inc. and Subsidiaries
Consolidated Statements of Changes in Stockholders' Equity/(Deficit)

	<u>Common Stock</u>				<u>Treasury Stock</u>			
	Number of Shares	Par Value Amount	Additional Paid In Capital	Accumulated Deficit	Number of Shares	Par Value Amount	Total Stockholder's (Deficit)/Equity	
Balance as of January 1, 2008	113,256,485	\$ 113,000	\$ 24,086,000	\$ (23,538,000)	\$ (53,394,820)	\$ (262,000)	\$ 399,000	
Grant of stock-based compensation	1,000,000	1,000	19,000				20,000	
Issuance of stock for services	1,277,777	1,000	1,000				2,000	
Stock-based compensation			32,000				32,000	
Net loss for the year ended December 31, 2008				(832,000)			(832,000)	
Balance as of January 1, 2009	115,534,262	\$ 115,000	\$ 24,138,000	\$ (24,370,000)	\$ (53,394,820)	\$ (262,000)	\$ (379,000)	
Stock grants	200,000	1,000					1,000	
Stock purchase	80,000,000	80,000	320,000				400,000	
Direct costs related to stock purchase			(48,000)				(48,000)	
Retirement of treasury stock	(53,394,820)	(53,000)		(209,000)	53,394,820	262,000	-	
Exercise of stock options	215,000		2,000				2,000	
Stock-based compensation			8,000				8,000	
Net income for the year ended December 31, 2009				180,000			180,000	
Balance as of December 31, 2009	142,554,442	\$ 143,000	\$ 24,420,000	\$ (24,399,000)	\$ 0	\$ 0	\$ 164,000	

See notes to consolidated financial statements

CareAdvantage, Inc. and Subsidiaries
Consolidated Statements of Cash Flows

	Year Ended December 31	
	2009	2008
Cash flows from operating activities:		
Net income/(loss)	\$ 180,000	\$ (832,000)
Adjustments to reconcile net loss to net cash (used in)/provided by operating activities:		
Depreciation and amortization	65,000	70,000
Stock based compensation	9,000	54,000
Deferred revenue	198,000	12,000
Deferred rent and other liabilities	(154,000)	(24,000)
Loss on sublease	90,000	-
Gain on settlement of accounts payable	(120,000)	-
Changes in:		
Accounts receivable	96,000	148,000
Prepaid expenses and other assets	(6,000)	46,000
Accounts payable	(252,000)	392,000
Accrued expenses and other liabilities	23,000	(220,000)
Net cash provided by/(used in) operating activities	129,000	(354,000)
Cash flows from investing activity:		
Capital expenditures	(1,000)	(4,000)
Net cash used in investing activities	(1,000)	(4,000)
Cash flows from financing activity:		
Net proceeds from sale of common stock	352,000	-
Proceeds from exercise of stock options, net of costs	2,000	-
Repayment of capital leases	(60,000)	(62,000)
Net cash provided by/(used) in financing activities	294,000	(62,000)
Net increase/(decrease) in cash and cash equivalents	422,000	(420,000)
Cash and cash equivalents - beginning of year	88,000	508,000
Cash and cash equivalents - end of year	\$ 510,000	\$ 88,000
Supplemental disclosures of cash flow information:		
Income taxes paid	\$ 2,000	\$ 3,000
Interest paid	\$ 21,000	\$ 23,000

See notes to consolidated financial statements

CareAdvantage, Inc. and Subsidiaries

NOTE A - BUSINESS AND BASIS OF PRESENTATION

[1] Business:

CareAdvantage, Inc. (the "Company") and its direct and indirect subsidiaries, CareAdvantage Health Systems, Inc. ("CAHS") and Contemporary HealthCare Management, Inc. ("CHCM"), are in the business of providing healthcare consulting services, data warehousing and analytic services designed to enable integrated health care delivery systems, healthcare plans, employee benefit consultants, other care management organizations, self insured employers and unions to reduce the costs, while improving the quality, of medical services provided to the healthcare participants. The services include care management program enhancement services, executive and clinical management services, training programs, risk stratification and predictive modeling. The Company operates in one business segment.

As part of offering its healthcare consulting services, the Company has developed RightPath® Navigator (RPNavigator), a proprietary tool to help its customers better understand and forecast resource consumption, risk, and costs associated with their respective populations. In providing its services, the Company licenses RPNavigator to its customers and provides consulting services in connection with that licensing.

[2] Basis of Presentation:

The financial statements have been prepared and presented assuming the Company will continue as a going concern. For the years ended December 31, 2009 and 2008, the Company incurred net income/(loss) of \$180,000 and (\$832,000), respectively, and it has an accumulated deficit as of December 31, 2009 of \$24,399,000. Additionally, the Company had \$510,000 of cash and cash equivalents at December 31, 2009, compared to \$88,000 at December 31, 2008, and working capital of approximately \$417,000 and stockholders equity of \$164,000 at December 31, 2009, compared to a negative working capital of approximately \$240,000 and a capital deficit of \$379,000 at December 31, 2008. The Company generates most of its revenue from the licensing of RPNavigator and providing consulting services in connection with that licensing. Based on cash and cash equivalents at hand at December 31, 2009 and a forecast prepared by management, management expects the Company to be able to meet its obligations as they become due during the next twelve months. Such forecast includes contracts with new customers as well as expanding business with current customers that are expected to start in the next three to six months. However, there can be no assurances that management's plans, including projected revenue, will be attained.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

[1] Principles of consolidation:

The consolidated financial statements include the accounts of the Company, and its wholly owned subsidiary, CAHS and CAHS's wholly owned subsidiary, CHCM. Intercompany accounts and transactions have been eliminated in consolidation.

[2] Revenue recognition:

With respect to RPNavigator license fees, all of the Company's customers licensing RPNavigator are required, as part of their agreements with the Company, to receive consulting services from the Company. All contracts provide for licensing of RPNavigator and consulting services at a fixed monthly fee, a per member per month fee, or a combination of both. The Company earns the revenue from licensing and consulting services on a monthly basis and recognizes revenue from both services on a monthly basis at either a fixed monthly fee, a per member per month fee or a combination of both. Additionally, the Company provides separate consulting services on a fee for service basis. Revenue for these consulting services is recognized as the services are provided.

[3] Depreciation and amortization:

Depreciation is computed by the straight-line method, over the estimated useful lives of the assets, which range from three to seven years. Leasehold improvements are amortized using the straight-line method over the remaining term of the related lease or the estimated useful life, whichever is shorter. Amortization of assets recorded under a capital lease is computed using the straight-line method and is included in depreciation expense. (See Note D)

Intangible assets, principally software development costs, are amortized over the expected useful lives of five to seven years on the straight-line method (see Note C). Amortization expense was \$2,000 for both years ended December 31, 2009 and 2008.

CareAdvantage, Inc. and Subsidiaries

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[4] Per share data:

Basic and diluted net loss per share has been computed based on the weighted average number of outstanding shares of common stock. Potentially dilutive securities where the exercise prices were greater than the average market price of the common stock during the period were excluded from the computation of basic loss per share because they had an anti-dilutive impact are as follows:

	December 31,	
	2009	2008
Total Potential Dilutive shares	12,187,000	12,766,000

[5] Concentration of credit risk/Fair value of financial instruments:

Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents and accounts receivable. The Company maintains its cash and cash equivalents balances in financial institutions. At times, the amount of cash maintained in a given financial institution may exceed the federally insured limits.

The fair value of the following instruments approximates their carrying values due to the short-term nature of such instruments: cash and cash equivalents; accounts receivable; accounts payable; and accrued liabilities.

[6] Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions, such as those estimates pertaining to stock based compensation, that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

[7] Cash and cash equivalents:

The Company considers all highly liquid investments which have maturities of three months or less when acquired, to be cash equivalents.

[8] Accounts Receivable and Allowance for Doubtful Accounts:

The Company shows accounts receivable amounts at their net realizable value, which reflects the invoiced amounts. The Company does not currently maintain an allowance for doubtful accounts based on management's consideration of historical collection experience and the characteristics of existing accounts. The Company has not had any accounts receivable allowances or write-offs for the accounting periods presented.

[9] Major customers:

Two customers, BCBS organizations, accounted for approximately 49% and 24%, respectively, of license fees and service revenue for the year ended December 31, 2009 and approximately 86% and 3% of accounts receivable, respectively. The same two customers, BCBS organizations, accounted for approximately 53% and 25%, respectively, of license fees and service revenue for the year ended December 31, 2008. If the BCBS customers terminate or modify existing contracts or experience business difficulties, it would adversely affect our results of operations.

[10] Stock-based compensation:

The Company recognizes stock-based compensation in accordance with FASB ASC Topic 718, "Share Based Payment", which requires that all equity-based payments, including grants of stock options, be recognized in the statement of operations as a compensation expense, based on their fair values at the date of grant. Under the provisions of FASB ASC Topic 718, the estimated fair value of options granted under the Company's Employee Stock Option Plan and Director Stock Option Plan are recognized as compensation expense over the option-vesting period; all outstanding stock options are fully exercisable.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[11] Recent Accounting Pronouncements

In April 2009, the Financial Accounting Standards Board (“FASB”) issued ASC 825-10, (Staff Position No. 107-1), “Interim Disclosures about Fair Value of Financial Instruments” (“FSP No. 107-1 and APB No. 28-1”). ASC 825-10 requires disclosing qualitative and quantitative information about the fair value of all financial instruments on a quarterly basis, including methods and significant assumptions used to estimate fair value during the period. These disclosures were previously required annually. The Company has been disclosing this information on a quarterly basis and the adoption did not have a material impact on the Company’s financial position and results of operations.

In May 2009, the FASB issued ASC 855-10, FASB No. 165, “Subsequent Events” (“SFAS 165”). ASC 855-10 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before the financial statements are issued or available to be issued. In February 2010, the FASB issued Accounting Standards Update (ASU) 2010-09, Subsequent Events (Topic 855) Amendments to Certain Recognition and Disclosure Requirements, to remove the requirement for Securities and Exchange Commission (SEC) filers to disclose the date through which an entity has evaluated subsequent events. This change removes potential conflicts with current SEC guidance. ASU 2010-09 also clarifies the intended scope of the reissuance disclosure provisions. ASU 2010-09 is effective upon issuance and its adoption had no impact on the Company’s financial condition, results of operations or cash flows.

In June 2009, the FASB issued ASC 105-10, FASB No. 168, “The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles”. This standard replaces SFAS No. 162, “The Hierarchy of Generally Accepted Accounting Principles”, and establishes only two levels of U.S. generally accepted accounting principles (“GAAP”), authoritative and nonauthoritative. The FASB Codification has become the sole source of authoritative, nongovernmental GAAP, except for the rules and interpretive releases of the SEC, which are sources of authoritative GAAP for SEC registrants. Effective September 30, 2009, all references made to GAAP in our consolidated financial statements will include the new Codification numbering system. The adoption of this pronouncement did not have any impact on the Company’s financial position and results of operations, as the Codification was not intended to change or alter existing GAAP.

In August 2009, the FASB issued Accounting Standards Update No. 2009-05, “Measuring Liabilities at Fair Value” (ASU 2009-05). ASU 2009-05 is an update to Accounting Standards Codification Topic 820, “Fair Value Measurements”. This update provides amendments to reduce potential ambiguity in financial reporting when measuring the fair value of liabilities and provides clarification that in circumstances in which a quoted price in an active market for the identical liability is not available, a reporting entity is required to measure fair value using one or more of the valuation techniques described in ASU 2009-05. The adoption of this pronouncement did not have any impact on the Company’s financial position and results of operations.

In October 2009, the FASB issued Accounting Standards Update No. 2009-13, “Multiple Deliverable Revenue Arrangements” (ASU 2009-13). ASU 2009-13 replaces EITF 00-21, and clarifies the criteria for separating revenue between multiple deliverables. This statement is effective for new revenue arrangements or materially modified arrangements in periods subsequent to adoption. Adoption is required for fiscal years beginning on or after June 15, 2010, but early adoption is allowed. We anticipate the adoption of this pronouncement will not have any impact on the Company’s financial position and results of operations.

CareAdvantage, Inc. and Subsidiaries

NOTE C - INTANGIBLE ASSETS

Intangible assets, net of accumulated amortization consist of the following at December 31, 2009 and 2008:

	December 31,	
	2009	2008
Trademark	\$ 3,000	\$ 3,000
Software development cost	304,000	304,000
	<u>307,000</u>	<u>307,000</u>
Less accumulated amortization	(305,000)	(303,000)
	<u>\$ 2,000</u>	<u>\$ 4,000</u>

Amortization expense for intangible assets for future years ending December 31 is as follows:

Year ending	Amortization Expense
2010	2,000
	<u>\$ 2,000</u>

[1] Trademark:

The trademark fees of \$3,000 are associated with RPNavigator.

[2] Software development costs:

Software development costs are capitalized beginning when project technological feasibility is established and concluding when the product is ready for release.

NOTE D - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2009 and 2008:

	December 31,	
	2009	2008
Computer equipment	\$ 717,000	\$ 716,000
Furniture and fixtures	1,000	1,000
Office machines and telephone equipment	64,000	64,000
Leasehold improvements	2,000	2,000
	<u>784,000</u>	<u>783,000</u>
Less accumulated depreciation and amortization	(676,000)	(613,000)
	<u>\$ 108,000</u>	<u>\$ 170,000</u>

Property and equipment, principally computer equipment costs, are depreciated over the expected useful lives of three to five years on the straight-line method. Depreciation expense was \$63,000 and \$68,000 for years ended December 31, 2009 and 2008, respectively. The above includes capital lease equipment with a net book value of approximately \$104,000 and \$161,000 at December 31, 2009 and 2008, respectively.

CareAdvantage, Inc. and Subsidiaries

NOTE E - CAPITAL LEASES

Future payments as of December 31, 2009 on the capital lease equipment are as follows:

Year Ending December 31,	Lease Obligation
2010	70,000
2011	38,000
	108,000
Less: amounts representing interest	34,000
Present value of minimum lease payments	74,000
Less: current portion of capital lease obligation	51,000
Long term portion of capital lease obligation	\$ 23,000

NOTE F - STOCKHOLDERS' EQUITY

[1] Preferred stock:

The preferred stock is issuable in such series and with such designations, preferences, conversion rights, cumulative, participating, optional or other rights, including voting rights, qualifications, limitations or restrictions thereof as determined by the Board of Directors of the Company. As such, the Board of Directors of the Company is entitled to authorize the creation and issuance of 10,000,000 shares of preferred stock in one or more series with such limitations and restrictions as may be determined in the Board's sole discretion, with no further authorization by stockholders required for the creation and issuance thereof.

[2] Stock option plans:

The Stock Option Plan (the "Plan") was administered by a Committee of the Board of Directors consisting of at least two members who are "outside directors" as defined in Section 162(m) of the Internal Revenue Code who are also "disinterested persons" as defined in regulations under the Securities and Exchange Act of 1934. Employees, officers, and other persons selected by the Committee were eligible to receive options under the Plan. On June 6, 2006, pursuant to its terms, the Plan terminated.

All options granted under the Plan are exercisable during the option grantee's lifetime only by the option holder (or his or her legal representative) and generally only while such option grantee is in the Company's employ. Unless the Committee otherwise provided, in the event an option grantee's employment is terminated other than by death or disability, such person would have three months from the date of termination to exercise such option to the extent the option was exercisable at such date, but in no event subsequent to the option's expiration date. Unless the Committee otherwise provided, in the event of termination of employment due to death or disability of the option grantee, such person (or such person's legal representative) would have 12 months from such date to exercise such option to the extent the option was exercisable at the date of termination, but in no event subsequent to the option's expiration date. A grantee may exercise an option by payment of the exercise price via any lawful method authorized by the Committee.

Pursuant to the terms of the Director Stock Option Plan (the "Director Plan"), the Board of Directors could grant non-qualified stock options to non-employee directors and determine: (i) the number of shares of the Company's common stock that may be purchased upon the exercise of such option; (ii) the time or times when the option becomes exercisable; (iii) the exercise price; and (iv) the duration of the option, which cannot exceed ten (10) years. Under the Director Plan, an aggregate of 2% of the Company's authorized number of shares of common stock were reserved for issuance. The Director Plan terminated on June 6, 2006 in accordance with its terms.

All options granted under the Director Plan are exercisable during the option grantee's lifetime only by the option grantee (or his or her legal representative). In the event of termination of an option grantee's directorship, such person shall have three months from such date to exercise such option to the extent the option was exercisable as at the date of termination, but in no event subsequent to the option's expiration date. In the event of termination of an option grantee's directorship due to death, such person's legal representative shall have 12 months from such date to exercise such option to the extent the option was exercisable at the date of death, but in no event subsequent to the option's expiration date.

CareAdvantage, Inc. and Subsidiaries

NOTE F - STOCKHOLDERS' EQUITY (CONTINUED)

The Plan and Director Plan provides that if at any time after the date of grant of an option, the Company shall, by stock dividend, split up, combination, reclassification or exchange, or through merger or consolidation or otherwise, change its shares of Common Stock into a different number or kind or class of shares or other securities or property, then the number of shares covered by such option and the price per share thereof shall be proportionately adjusted for any such change by the Committee or the Board whose determination thereon shall be conclusive.

The number of shares available for issuance upon exercise of outstanding options as of December 31, 2009 is 9,787,000 shares of Common Stock under the Plan and 2,400,000 shares of Common Stock under the Director Plan.

The following table summarizes information about stock options at December 31, 2009:

Exercise Price	Options Outstanding			Options Exercisable	
	Number Outstanding	Weighted Average Remaining Contractual Life In Years	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
\$.008	2,083,000	4.63		2,083,000	
\$.010	3,664,000	5.07		3,664,000	
\$.015	6,440,000	6.38		6,440,000	
	<u>12,187,000</u>		\$ 0.012	<u>12,187,000</u>	\$ 0.012

For the year ended December 31, 2009, the Company included approximately \$9,000 of equity-based compensation in its operating expenses (Selling, general and administrative) in the Company's statement of operations. For the year ended December 31, 2008, the Company included approximately \$54,000 of equity-based compensation in the statement of operations, of which approximately \$20,000 was related to a stock bonus grant of one million shares of common stock to an employee.

FASB ASC Topic 718 requires cash flows resulting from the tax benefits of tax deductions in excess of the compensation cost recognized for those options (excess tax benefits) to be classified as financing cash flows. The Company did not realize any tax benefits from stock options during the twelve months ended December 31, 2009 and 2008.

As of December 31, 2009, there was no unrecognized compensation cost related to non-vested share-based compensation arrangements granted under existing stock option plans.

The following table summarizes the activity of the Company's stock options for the years ended December 31, 2009 and December 31, 2008:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Number of shares under option:				
Outstanding at December 31, 2007	16,266,000	\$ 0.013		
Granted	-	\$		
Exercised	-	\$		
Canceled or expired	(3,500,000)	\$ 0.012		
Outstanding as of December 31, 2008	12,766,000	\$ 0.013		
Granted	-	\$		
Exercised	(215,000)	\$ 0.010		
Canceled or expired	(364,000)	\$ 0.031		
Outstanding as of December 31, 2009	<u>12,187,000</u>	\$ 0.012	5.68	\$ 9,983
Exercisable at December 31, 2009	12,187,000	\$ 0.012	5.68	\$ 9,983
Expected to vest after December 31, 2009	-	\$		\$

During the year ended December 31, 2009, the exercise of certain stock options resulted in the issuance of 215,000 shares of common stock for proceeds of \$2,000.

For the purposes of determining estimated fair value under ASC Topic 718, the Company has computed the fair values of all share-based compensation using the Black-Scholes option pricing mode. The Company calculated expected volatility based on the Company's historical stock volatility. There were no options granted during the years ended December 31, 2009 and 2008.

Under ASC Topic 718, forfeitures are estimated at the time of valuation and reduce expense ratably over the vesting period. This estimate is adjusted periodically based on the extent to which the actual forfeitures differ, or are expected to differ, from the previous estimate.

NOTE G - INCOME TAX

On January 1, 2007, the Company adopted ASC Topic 740, "Accounting for Uncertainty in Income Taxes - An interpretation of FASB Statement No. 109". ASC Topic 740 clarifies the accounting for uncertainties in income taxes recognized in a company's financial statements in accordance with ASC Topic 740 and prescribes a recognition threshold and measurement attributes for financial disclosure of tax positions taken or expected to be taken on a tax return. Additionally, ASC Topic 740 provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The adoption of ASC Topic 740 did not impact our financial position, results of operations or cash flows for the twelve months ended December 31, 2009 and 2008. We file income tax returns in the U.S. Federal jurisdiction and various state and local jurisdictions. Generally, our federal, state and local jurisdiction income tax returns for 2005 through 2008 remain subject to examination by various tax authorities.

Under the asset and liability method used by the Company as outlined in ASC Topic 740, "Accounting for Income Taxes", deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the consolidated financial statements' carrying amounts of existing assets and liabilities and their respective tax bases.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets at December 31, 2009 are as follows:

Noncurrent portion of deferred tax assets/(liabilities):	December 31,	
	2009	2008
Net operating loss carryforwards	\$ 5,865,000	\$ 8,117,000
Deferred rent	133,000	158,000
Tax/ book basis of fixed assets	316,000	325,000
Intangibles	11,000	35,000
Stock based compensation	94,000	91,000
Alternative minimum tax credit	55,000	55,000
Deferred tax assets	6,474,000	8,781,000
Valuation allowance	(6,474,000)	(8,781,000)
	\$ 0	\$ 0

The Company's deferred tax asset has been fully reserved, as its future realization cannot be determined. The Company has net federal operating loss carryforwards of approximately \$15,889,000 at December 31, 2009, expiring through 2028. Pursuant to Section 382 of the Internal Revenue Code, the carryforwards are subject to limitations on annual utilization based upon an ownership change that took place during 1996 and 2004. It is possible that the amount of the carryforward and its annual utilization may be reduced upon examination by the Internal Revenue Service. The valuation allowance on the Company's deferred tax asset decreased approximately \$2,307,000 for the year ended December 31, 2009 and increased approximately \$317,000 for the year ended December 31, 2008, respectively. The Company's deferred tax asset was reduced due to the expiration of its net federal operating loss carryforward applicable to 1994. The Company has provided 100% valuation allowance since it is more likely than not that the Company will utilize its NOL's prior to their expiration. The Company incurred state income tax of approximately \$2,000 and \$3,000 for the years ended December 31, 2009 and 2008, respectively.

CareAdvantage, Inc. and Subsidiaries

NOTE G - INCOME TAX (CONTINUED)

The difference between the federal statutory rate and the Company's effective tax rate is as follows:

	Year Ended December 31,	
	2009	2008
Income tax benefit at federal statutory rate	\$ 62,000	\$ (282,000)
Permanent differences	1,000	2,000
Change in valuation allowance	(2,307,000)	317,000
Tax effect of expired net operating loss carryforwards	2,243,000	-
State taxes, net of federal benefit	9,000	(41,000)
Other	(6,000)	7,000
	<u>\$ 2,000</u>	<u>\$ 3,000</u>

NOTE H - COMMITMENTS, CONTINGENCIES AND OTHER MATTERS

[1] Contingencies:

A legal action pending in Superior Court of New Jersey was commenced in June 2004 by a former employee of the Company seeking compensation under various legal theories. In October 2005, the court dismissed the claim under all theories except express contract. The Company believes that the plaintiff's claim is without merit and is contesting the matter vigorously. Moreover, the Company filed a counterclaim for damages against the plaintiff claiming the former employee induced another employee to quit employment with the Company and in October 2005, pursuant to court order, amended its counterclaim to seek equitable relief and damages against the plaintiff and a limited liability company of which the plaintiff is a member, claiming the plaintiff misappropriated and used certain Company property. This matter is presently being tried before a chancery judge; it is anticipated that the trial will conclude during 2010.

[2] Operating leases:

The Company's lease for both the current location and the office space that will be effective April 1, 2010 expires in March 2010 and July 31, 2016, respectively. Minimum annual lease payments for office space for future years ending December 31 are as follows:

Year Ending	Lease Obligation
2010	285,000
2011	162,000
2012	173,000
2013	173,000
2014	173,000
2015	173,000
2016	101,000
	<u>\$ 1,240,000</u>

Rent expense was \$426,000 and \$526,000 for each of the years ended December 31, 2009 and 2008, respectively.

NOTE H - COMMITMENTS, CONTINGENCIES AND OTHER MATTERS (CONTINUED)

On January 10, 2005, the Company, through CAHS, entered into a Second Amendment to Lease Agreement commencing January 1, 2005 to provide for the reduction in base rent and the waiver of escalations based on increases in real estate taxes and operating expenses, and to provide the landlord with the option to recapture up to 50% of the leased premises at any time. (The landlord was granted the recapture option because when the Company ceased providing services to Horizon BCBSNJ, the Company no longer needed this space.) The expiration date of the lease, March 31, 2011, remained unchanged by this Second Amendment.

Under the Second Amendment to Lease Agreement, the Company is required to meet the following conditions: (1) the Company cannot assign the lease except for an assignment of the lease or a sublet provided under the original lease; (2) the Company cannot be in default under any terms and conditions of the original lease. In the event the Company fails to meet these conditions, the reduction in base rent, real estate taxes and operating expenses will be nullified and entirely forfeited, and the Company will be immediately required to pay the landlord additional rent for the difference in the base rent, and additional rent for all escalations provided in the Second Amendment to Lease Agreement and the original lease as extended. As of January 1, 2005, the additional rent attributable to the difference in base rent is \$1,257,000.

Effective April 19, 2007 (the "Recapture Date"), the landlord "recaptured" certain portions of the leased premises pursuant to the provisions of the Second Amendment to Lease Agreement. This recapture does not reduce or modify, in any respect, the Company's obligations to pay to the landlord monthly rent or, in the event the Company fails to meet above conditions, additional rent. Effective as of the Recapture Date, the premises leased by the Company under the lease is deemed to be, and refers only to, 15,629 rentable square feet.

As of March 26, 2008, the Company and landlord entered into a Third Amendment of Lease which provided that the reduction in base rent and the waiver of escalations based on increases in real estate taxes and operating expenses shall be deemed to be amortized on a straight line basis over the period commencing January 1, 2005 and ending March 31, 2011.

Effective May 1, 2009, the Company signed a sublease agreement for approximately 3,700 square feet of its office space which calls for monthly rental payments of approximately \$7,000 to the Company from the sublessee. The term of the sublease runs 23 months through March 31, 2011. The sublease income does not cover the costs of the primary lease for the related space. Consequently, in accordance with ASC Topic 840, formerly FASB Technical Bulletin 79-15, *Accounting for Loss on a Sublease Not Involving the Disposal of a Segment*, during the year ended December 31, 2009, the Company recognized a loss of approximately \$79,000, which is included in selling, general and administrative expense.

Effective September 1, 2009, the Company signed a sublease agreement for approximately 600 square feet of its office space which calls for monthly rental payments of approximately \$1,200 to the Company from the sublessee. The term of the sublease runs 19 months through March 31, 2011. The sublease income does not cover the costs of the primary lease for the related space. Consequently, in accordance with ASC Topic 840, during the year ended December 31, 2009, the Company recognized a loss of approximately \$11,000, which is included in selling, general and administrative expense.

At December 31, 2009, the additional rent that would be due if the Company failed to meet the conditions of the Second Amendment to Lease Agreement would be \$251,000. As a result of the execution of a new Office Lease on January 18, 2010 (as described below), there is no additional base rent that would be due at December 31 of the following year.

On January 18, 2010, the Company received delivery of an executed new Office Lease with its current landlord for 6,189 square feet of space in Building A at Woodbridge Corporate Plaza, 485 Route One South, Iselin, New Jersey, the same office park in which the Company presently maintains its offices in Building C. The new lease ("New Lease") is made as of December 28, 2009, and its term commences on April 1, 2010. The New Lease has a term of seventy-six months and a monthly base rent for lease months 1 to 12 of \$22,512.49, and for lease months 13 to 76 of \$14,441.00. In addition to the base rent, the Company is obligated to pay separately metered electric charges, and commencing January 1, 2011, a ratable portion of increases from 2010 in real estate taxes, operating expenses and certain utility charges. The New Lease provides the Company a credit of \$10,057.13 against the monthly base rent for lease months 1, 2, 7 and 14. In addition, the New Lease provides the Company an additional credit of \$8,379.67 per month during the twelve-month period commencing April 1, 2010. The New Lease does not initially provide for a security deposit; however, the Company is required to deliver to the landlord no later than January 15, 2011, the sum of \$10,000 to be held as a security deposit. Finally, the landlord will perform, at its expense, certain work in readying the leased premises for the Company's occupancy.

NOTE H - COMMITMENTS, CONTINGENCIES AND OTHER MATTERS (CONTINUED)

In connection with entering into the New Lease, the landlord and CAHS, entered into a Surrender Agreement, delivered on January 18, 2010, and made as of December 28, 2009 (the "Surrender Agreement"), pursuant to which the landlord has agreed to terminate the existing lease as of March 31, 2010 (or the day before the commencement date of the New Lease, if later) (the "Surrender Date"), which existing lease would have otherwise expired on March 31, 2011. As of the date the New Lease commences, the security deposit of \$167,027.67 under the existing lease will be forfeited to the landlord. The Company and CAHS will continue to remain liable for all of their obligations under the existing lease through the Surrender Date and will continue to be responsible for the payment of all base rent and other amounts due under the existing lease through the Surrender Date.

Pursuant to the Surrender Agreement, (i) CAHS releases the landlord from all claims arising out of the existing lease, and (ii) upon CAHS's delivery of the premises to the landlord in accordance with the Surrender Agreement, and CAHS's timely payment of rent and other expenses owed to the Landlord under the existing lease through the Surrender Date, the landlord releases CAHS of all claims arising out of the existing lease.

As a result of the New Lease, in 2010 the Company will record a loss of approximately \$224,000, which includes the forfeiture of the security deposit of under the existing lease as described above.

[4] Employee benefit plans:

The Company administers a profit-sharing/savings plan pursuant to Section 401(k) of the Internal Revenue Code. The plan provides for a matching contribution by the Company up to a maximum level, which in no case exceeds 3% of the employees' compensation. Company contributions are fully vested immediately.

The Company's matching contribution was \$47,000 and \$54,000 for the years ended December 31, 2009 and 2008, respectively.

[5] Employee commitment:

As of October 25, 2000, the Company entered into an Employment Agreement with Dennis Mouras (the "Mouras Employment Agreement"), the current Chief Executive Officer and President. The Mouras Employment Agreement replaces an earlier agreement between Mr. Mouras and the Company during the time that Mr. Mouras served as the Company's Executive Vice President of Marketing and Sales. The Mouras Employment Agreement continues for a one-year term, after which it renews automatically for successive one-year terms unless terminated by either party on at least sixty days notice prior to an anniversary date. Under the Mouras Employment Agreement, Mr. Mouras is entitled to (a) an annual salary of \$285,000, (b) a grant of incentive stock options on October 26, 2000 pursuant to the Company's Stock Option Plan for 2,500,000 shares, and (c) other benefits, including participating in the Company's 401(k) plan, life insurance coverage, and medical insurance coverage available to all eligible employees. Under the Mouras Employment Agreement, Mr. Mouras waived unpaid sales commissions to which he was otherwise entitled under his prior agreement. The Mouras Employment Agreement also contains a non-solicitation restriction for one year after Mr. Mouras' employment. On October 30, 2002, the Company amended the Mouras Employment Agreement by agreeing to increase to one year (from six months) the severance that Mr. Mouras would be entitled to receive upon his termination from the Company without cause, and on November 11, 2005, the Company further amended the Mouras Employment Agreement by agreeing to increase the allowance for commuting paid Mr. Mouras to \$3,000 per month from \$1,500 per month grossed-up in each case for federal and state income tax liability. On November 20, 2007, the Company further amended the Mouras Employment Agreement to increase the annual salary payable to Mr. Mouras to \$400,000 per year, effective as of the date of the amendment.

Note I—Subscription of Common Stock:

On September 9, 2009, the Company raised \$352,000 (net of approximately \$48,000 in professional and consulting fees) in capital in a private placement of common stock to fund certain expenses that became due and payable, and to help fund working capital. The private placement to the Company's three directors, one of whom is also the Company's Chief Executive Officer, and general counsel consisted of the sale of 80,000,000 shares of common stock at a purchase price of \$0.005 per share, the market price per share, for an aggregate purchase price of \$400,000.

Note J – Settlement of Accounts Payable:

During the year ended December 31, 2009, the Company settled a claim for approximately \$305,000 in legal fees, including fees for legal services provided prior to the period, with a payment of \$185,000. This resulted in a \$120,000 reduction in legal expenses during the year ended December 31, 2009.

EXHIBIT INDEX

- 2.1 Deposit Agreement dated October 31, 1994 among Midlantic Bank, N.A., PMDX and the Registrant (incorporated by reference to Exhibit 2.1 filed with the Company's Registration Statement on Form S-1, File No. 33-89176).
 - 2.2 Certificate of Merger of Care Advantage Health Systems (f/k/a Advantage Health Systems, Inc.), a Georgia corporation into CareAdvantage Health Systems, Inc., a Delaware corporation (incorporated by reference to Exhibit 2.2 filed with the Company's Registration Statement on Form S-1, File No. 33-89176).
 - 3.1 Registrant's Certificate of Incorporation (incorporated by reference to Exhibit 3.1 filed with the Company's Registration Statement on Form S-1, File No. 33-89176).
 - 3.1(a) Amended and Restated Certificate of Incorporation (incorporated by reference to the Company's Information Statement dated September 1996).
 - 3.2 Registrant's By-Laws (incorporated by reference to Exhibit 3.2 filed with the Company's Registration Statement on Form S-1, File No. 33-89176).
 - 3.2(a) Amendment to the Registrant's Bylaws (incorporated by reference to Exhibit 3.2(a) filed with the Company's Form 10-KSB for the year ended December 31, 2006).
 - 10.1 Letter of intent dated September 30, 1994 between the Registrant and New Jersey BCBS, amendments thereto of December 29, 1994, February 27, 1995 and April 4, 1995 and Interim Services Agreement as of April 1, 1995 between the Registrant and New Jersey BCBS (incorporated by reference to Exhibit 10.12 filed with the Company's Registration Statement on Form S-1, File No. 33-89176).
 - 10.1 Lease Agreement dated April 14, 1995 between the Registrant and Metropolitan Life Insurance Company (incorporated by reference to Exhibit 10.13 filed with the Company's Registration Statement on Form S-1, File No. 33-89176).
 - 10.2 Letter of Intent dated January 2, 1996 between CW Ventures II, L.P., the Registrant and its CareAdvantage Health Systems, Inc. subsidiary (incorporated by reference to Exhibit 10.14 filed with the Company's Annual Report on Form 10-KSB for the year ended October 31, 1996).
 - 10.3 CW Exchangeable Note (incorporated by reference to Exhibit 10.16 filed with the Company's Annual Report on Form 10-KSB for the year ended October 31, 1996).
 - 10.4 Stock Acquisition Agreement dated February 22, 1996 among EHC, CHCM, CAHS and the Registrant (incorporated by reference to Exhibit 10.17 filed with the Company's Annual Report on Form 10-KSB for the year ended October 31, 1996).
 - 10.5 EHC Exchangeable Note (incorporated by reference to Exhibit 10.18 filed with the Company's Annual Report on Form 10-KSB for the year ended October 31, 1996).
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- 10.6 Stockholders' Agreement dated February 22, 1996 among EHC, CW Ventures and the Registrant (incorporated by reference to Exhibit 10.20 filed with the Company's Annual Report on Form 10-KSB for the year ended October 31, 1996).
 - 10.7 Promissory Note and Security Agreement, dated April 1, 1997, by CHCM in favor of Horizon BCBSNJ, in the original principal amount of \$1,862,823 (incorporated by reference to Exhibit 10(f)(3) filed with the Company's Form 10-QSB for the quarter ended April 30, 1997).
 - 10.8 Separation Agreement dated April 20, 1995 between PMDX and the Registrant (incorporated by reference to Exhibit 10.1 filed with the Company's Registration Statement on Form S-1, File No. 33-89176).
 - 10.9 Registrant's 1996 Stock Option Plan (incorporated by reference to the Company's Information Statement dated September 1996).
 - 10.10 Registrant's 1996 Director Stock Option Plan (incorporated by reference to the Company's Information Statement dated September 1996).
 - 10.11 Option Agreement between CW Ventures and Horizon BCBSNJ (incorporated by reference to Exhibit 5 of Schedule 13(d) of Horizon BCBSNJ respecting beneficial ownership of Common Stock of the Company dated June 1997).
 - 10.12 Settlement and Release Agreement entered into among Horizon BCBSNJ, the Company, CAHS, and CHCM, Enterprise Holding Company, Inc. ("EHC") and CW Ventures (incorporated by reference to Exhibit 10(a) filed with the Company's Form 10-QSB for the quarter ended July 31, 1998).
 - 10.13 Employment Agreement, effective as of April 19, 1999, between Dennis M. Mouras, and the Company, (incorporated by reference to Exhibit 10.40 filed with the Company's Form 10KSB for the year ended December 31, 1999).
 - 10.14 Settlement Agreement dated August 9, 2000 among the Company, Horizon Healthcare of New Jersey, Inc. and Allied Specialty Care Services, Inc. (incorporated by reference to Exhibit 10.1 filed with the Company's Form 10QSB for the quarter ended September 30, 2000).
 - 10.15 Satisfaction of Debt Agreement among Horizon Blue Cross Blue Shield of New Jersey, Horizon Healthcare of New Jersey, Inc., CareAdvantage Inc., CareAdvantage Health Systems, Inc. and Contemporary Healthcare Management, Inc. (incorporated by reference to Exhibit 10.1 filed on the Company's Form 8-K dated December 5, 2000 and filed on December 13, 2000).
 - 10.16 Amendment dated March 26, 2001 to Satisfaction of Debt Agreement dated as of November 1, 2000 among Horizon BCBSNJ, Horizon Healthcare of New Jersey, Inc., CareAdvantage, Inc., CareAdvantage Health Systems, Inc. and Contemporary HealthCare Management, Inc (incorporated by reference to Exhibit 10.1 filed with the Company's Form 10-QSB for the quarter ended March 31, 2001).
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- 10.17 Service Agreement dated as of January 1, 2000 between Blue Cross Blue Shield of Rhode Island, Coordinated Health Partners, Inc. and CareAdvantage Health Systems, Inc. (incorporated by reference to Exhibit 10.2 filed with the Company's Form 10-QSB for the quarter ended March 31, 2001).
- 10.18 Amendment dated as of August 9, 2001 to Satisfaction of Debt Agreement dated as of November 1, 2000 among Horizon BCBSNJ, Horizon Healthcare of New Jersey, Inc., CareAdvantage, Inc., CareAdvantage Health Systems, Inc. and Contemporary Healthcare Management, Inc. (incorporated by reference to Exhibit 10.1 filed with the Company's Form 10-QSB for the quarter ended June 30, 2001).
- 10.19 Settlement Agreement between CareAdvantage, Inc. and Horizon Blue Cross Blue Shield of New Jersey, effective as of October 1, 2004 (incorporated by reference to Exhibit 10.1 filed on the Company's Form 8-K filed on October 1, 2004).
- 10.20 Second Amendment to Lease Agreement between CareAdvantage Health Systems, Inc. and Corporate Plaza Associates, L.L.C. (incorporated by reference to Exhibit 10.1 filed on the Company's Form 8-K filed on January 11, 2005).
- 10.21 Services and License Agreement between the Company and Kaiser Foundation Health Plan of the Northwest ("Kaiser"), effective as of January 1, 2005 (incorporated by reference to Exhibit 10.49 filed with the Company's Form 10KSB for the year ended December 31, 2005. Portions of this exhibit (indicated by asterisks) have been omitted pursuant to a request for confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934).
- 10.22 Amendment to Employment Agreement between the Company and Dennis J. Mouras, dated as of November 11, 2005, and Employment Agreement between the Company and Dennis J. Mouras, dated as of October 25, 2000 (incorporated by reference to Exhibit 10.50 filed with the Company's Form 10-QSB for the quarter ended September 30, 2005).
- 10.23 First Amendment to Services and License Agreement between the Company and Kaiser Foundation Health Plan of the Northwest ("Kaiser"), effective as of January 1, 2006 (incorporated by reference to Exhibit 10.51 filed with the Company's Form 10KSB for the year ended December 31, 2005. Portions of this exhibit (indicated by asterisks) have been omitted pursuant to a request for confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934).
- 10.24 Second Amendment to Services and License Agreement between the Company and Kaiser, effective as of April 1, 2006 (incorporated by reference to Exhibit 10.52 filed with the Company's Form 10KSB for the year ended December 31, 2005. Portions of this exhibit (indicated by asterisks) have been omitted pursuant to a request for confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934).
- 10.25 Services and License Agreement between the Company and Blue Cross Blue Shield of Texas ("BCBSTX"), effective as of August 18, 2003 (incorporated by reference to Exhibit 10.53 filed with the Company's Form 10-QSB for the quarter ended June 30, 2006. Portions of this exhibit (indicated by asterisks) have been omitted pursuant to a request for confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934).
- 10.26 Amendment to Services and License Agreement between the Company and BCBSTX, effective as of June 1, 2006 (incorporated by reference to Exhibit 10.54 filed with the Company's Form 10-QSB for the quarter ended June 30, 2006. Portions of this exhibit (indicated by asterisks) have been omitted pursuant to a request for confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934).
- 10.27 Letter from Kaiser Foundation Health Plan of the Northwest terminating Services and License Agreement (incorporated by reference to Exhibit 10.1 filed on the Company's Form 8-K filed on October 3, 2006).
- 10.28 Amendment to Employment Agreement between the Company and Dennis J. Mouras, dated as of November 20, 2007 (incorporated by reference to Exhibit 10.1 filed on the Company's Form 8-K filed on November 26, 2007).
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- 10.29 Data Services License Agreement between the Registrant and 3M Company dated April 8, 2003, as amended (incorporated by reference to Exhibit 10.57 filed with the Company's Form 10KSB for the year ended December 31, 2007. Portions of this exhibit (indicated by asterisks) have been omitted pursuant to a request for confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934).
- 10.30 Services and License Agreement between the Company and Blue Cross Blue Shield of Vermont made as of September 1, 2004, as amended (incorporated by reference to Exhibit 10.58 filed with the Company's Form 10KSB for the year ended December 31, 2007. Portions of this exhibit (indicated by asterisks) have been omitted pursuant to a request for confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934).
- 10.31 Third Amended and Restated Service Agreement between the Company and Blue Cross Blue Shield of Vermont made as of April 1, 2001, as amended (incorporated by reference to Exhibit 10.59 filed with the Company's Form 10KSB for the year ended December 31, 2007. Portions of this exhibit (indicated by asterisks) have been omitted pursuant to a request for confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934).
- 10.32 Third Amendment of Lease Agreement between CareAdvantage Health Systems, Inc. and SMIII Woodbridge Plaza, LLC dated March 26, 2008 (incorporated by reference to Exhibit 10.60 filed with the Company's Form 10KSB for the year ended December 31, 2007).
- 10.33 Form of Subscription Agreement for Common Stock of the Company (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed on September 10, 2009).
- 10.34 Office Lease between SMIII Woodbridge Plaza, LLC and the Company, delivered on January 18, 2010 and made as of December 28, 2009 (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed on January 20, 2010).
- 10.35 Surrender Agreement between SMIII Woodbridge Plaza, LLC and CareAdvantage Health Systems, Inc., delivered on January 18, 2010 and made as of December 28, 2009 (incorporated by reference to Exhibit 10.2 to the Company's Form 8-K filed on January 20, 2010).
- 10.36 Amended and Restated Services and License Agreement between the Company and Blue Cross Blue Shield of Vermont made as of January 1, 2010. Portions of this exhibit (indicated by asterisks) have been omitted pursuant to a request for confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934.*
- 10.37 Letter Agreement between the Company and Blue Cross Blue Shield of Vermont made as of December 31, 2009. Portions of this exhibit (indicated by asterisks) have been omitted pursuant to a request for confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934.*
- 21 Subsidiaries of the Registrant*
- 23.1 Consent of Independent Auditors*
- 31 Certifications pursuant to Rule 13a-14(a), promulgated under the Securities Exchange Act of 1934, as amended, and Section 302 of the Sarbanes-Oxley Act of 2002*
- 32 Certifications pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 **

* filed herewith

** furnished herewith

**SERVICES AND LICENSE AGREEMENT
AMENDED AND RESTATED AS OF DECEMBER 2009**

AGREEMENT made as of the 1 st day of January 2010 (“Effective Date”), by CareAdvantage, Inc. (“CareAdvantage”), a Delaware corporation with its principal place of business at 485-C Route One South, Iselin, New Jersey 08830, and Blue Cross and Blue Shield of Vermont (“BCBSVT”), with its principal place of business at 445 Industrial Lane, Montpelier, Vermont 05602.

WHEREAS , CareAdvantage and BCBSVT are parties to (i) the Third Amended and Restated Service Agreement dated as of April 1, 2001, which agreement has been further amended from time-to-time (with such further amendments, the “Third Amended and Restated Agreement”), and (ii) the Services and License Agreement dated as of September 1, 2004, which agreement has been amended from time-to-time (with such further amendments, the “Service and License Agreement”);

WHEREAS , commencing on January 1, 2010 (“Commencement Date”), BCBSVT desires to assume directly the performance of certain functions that previously had been performed by CareAdvantage pursuant to the Third Amended and Restated Agreement and to employ directly certain CareAdvantage staff that previously had been performing such functions;

WHEREAS , the parties desire to amend as of the Commencement Date the Third Amended and Restated Agreement to reflect CareAdvantage’s reduced responsibilities as a result of BCBSVT’s assumption of the direct performance of certain functions that previously had been performed by CareAdvantage, and to explicitly provide for CareAdvantage’s performance of certain of responsibilities;

WHEREAS , the parties desire to amend as of the Commencement Date the Service and License Agreement to provide for RPNavigator updates six times per year, rather than four times per year;

WHEREAS , the parties desire to adjust their indemnification obligations as of the Commencement Date regarding with respect to CareAdvantage staff recruited by BCBSVT and certain CareAdvantage staff performing services on behalf of BCBSVT;

WHEREAS , the parties desire to provide for the payment prior to the Commencement Date of certain compensation to CareAdvantage with respect to BCBSVT’s recruitment of CareAdvantage’s staff;

WHEREAS , the parties desire to amend as of the Commencement Date the Third Amended and Restated Agreement and the Services and License Agreement to conform to certain informal agreements between the parties that have not been memorialized including but not limited to billing and payment practices;

WHEREAS , the parties desire to restate, as further amended, the Third Amended and Restated Agreement and the Services and License Agreement into this Services and License Agreement Amended and Restated as of December 2009 (the “Agreement”).

NOW, THEREFORE, in consideration of the premises the parties agree as follows:

1. RPNavigator Services and License

1.1 RPNavigator Definitions. As used in this Agreement, the terms below are defined as follows:

1.1.1 “BCBSVT Data” means data provided to CareAdvantage by BCBSVT pursuant to this Agreement.

1.1.2 “Covered Population” means the members eligible to participate in BCBSVT’s HMO,POS, PPO and ASO product lines. For the avoidance of doubt, Covered Population includes members of The Vermont Health Plan LCC (“TVHP”), a wholly-owned subsidiary of BCBSVT.

1.1.3 “Information” means all information made available through the Portal, including BCBSVT Data that is categorized, aggregated, displayed, arrayed, or otherwise made available through the Portal.

1.1.4 “PMPM” means Per Member Per Month.

1.1.5 “Portal” means CareAdvantage’s RPNavigator Secure Information Portal.

1.2 **RPNavigator Services.** During the term of this Agreement, CareAdvantage shall perform the services regarding RPNavigator (“RPNavigator Services”) described in Attachment 1.2.

1.3 **Grant of License.** Subject to the terms and conditions of this Agreement, during the term of this Agreement CareAdvantage grants BCBSVT the non-exclusive right to access and use the Portal. CareAdvantage will provide BCBSVT with accounts accessible solely by password for * (*) concurrent users. BCBSVT may purchase licenses for additional concurrent users for an additional annual fee of \$* per additional concurrent user.

1.4 **Portal Access.** BCBSVT shall be responsible for obtaining the requisite common carrier communication lines and Internet connections to access the Portal.

1.5 **Security.** CareAdvantage requires and enforces 128-bit encryption for web access to the Portal. CareAdvantage will limit access to the BCBSVT Data maintained at the Portal to those persons authorized by BCBSVT and provided a password by BCBSVT. BCBSVT shall be responsible for the confidentiality of passwords assigned to it and shall be solely responsible for any authorized or unauthorized access to BCBSVT Data using such passwords. In addition, BCBSVT shall be responsible for the configuration and maintenance of the web browser software.

1.6 **Ownership.** The Portal contains materials (including but not limited to programs, methods, design and screen formats) proprietary to CareAdvantage and/or to third parties (“Third Party Suppliers”) and licensed to CareAdvantage (collectively, “CareAdvantage Materials”). CareAdvantage and Third Party Suppliers retain title and ownership to the CareAdvantage Materials; provided, however, that in no event shall CareAdvantage Materials be deemed to include BCBSVT Data, which shall remain the sole property of BCBSVT.

1.7 **Proprietary Rights; Corporate Names.** BCBSVT understands and agrees that CareAdvantage and its Third Party Suppliers have proprietary rights in certain trademarks, service marks, trade names, corporate names and in the format of the reports used for displaying and arraying the BCBSVT Data (the “Intellectual Property”). BCBSVT agrees not to use the Intellectual Property in any way that would infringe the rights of CareAdvantage and its Third Party Suppliers. BCBSVT agrees not to alter, remove, or obscure any copyright notices or other proprietary notices on and in any part of the Portal and to include on and in any copies of reports printed from the Portal the following: “All copyrights in and to CRGs are owned by 3M. All rights reserved. All copyrights in and to the algorithms other than CRGs presented in this report, are owned by CareAdvantage, Inc. All rights reserved.”

1.8 **Authorized Use of Portal and Information.** BCBSVT is authorized to use the Portal and Information solely in accordance with this Agreement. BCBSVT is authorized to view the BCBSVT Data in any of the reports available at the Portal, to print any such report, and to use any such report solely for its own purposes in providing and administering health insurance and benefits (including but not limited to making copies of such reports and providing copies of such reports to its customers). Any other use of the Portal or Information by BCBSVT is prohibited and except as authorized herein, BCBSVT shall not transmit, divulge, or publish any part of the contents or substance of the Portal or in any way provide the Information, or any part thereof, to any other person; provided, however, that the foregoing shall not in any way limit BCBSVT’s use of the BCBSVT Data.

Portions of this page have been omitted pursuant to Confidential Treatment Request and filed separately with the Commission.

1.9 Warranties.

1.9.1 **Ownership.** CareAdvantage warrants that it is the owner of the Portal and that it has the full power, authority and right to license such Portal in the manner set forth in this Agreement. In the event any third party claims that the Portal infringes on any patent, copyright, trademark or trade secret, CareAdvantage will, at its option, defend BCBSVT against such claim, obtain the right to use such patent, copyright, trademark or trade secret, or refund any monies paid under this Agreement by BCBSVT for the period at issue on account of the license to use the Portal and the RPNavigator Services.

1.9.2 **No Other Warranties.** CareAdvantage shall furnish to BCBSVT access to and use of the Portal as promptly and accurately as is reasonably practicable. WITH RESPECT TO THE INFORMATION AND THE PORTAL, EXCEPT AS PROVIDED IN SECTION 1.9.1, THERE ARE NO WARRANTIES, EXPRESS OR IMPLIED, INCLUDING WITHOUT LIMITATION, THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE. No oral or written information or advice given by CareAdvantage, its agents, employees, affiliates, directors, or officers, shall create a warranty or in any way increase the scope of this warranty.

1.10 **Limitation of Liability.** The liability of any or all of CareAdvantage, its Third Party Suppliers and their respective affiliates, agents or licensors and any other person claiming through, on behalf of, or as harmed by BCBSVT, is limited to a refund of any monies paid under this Agreement by BCBSVT for the period at issue on account of the license to use the Portal and the RPNavigator Services. Neither CareAdvantage nor its Third Party Suppliers and their respective affiliates, agents or licensors shall be liable to BCBSVT or to any other person for indirect, punitive, special, consequential or incidental damages (including, but not limited to, loss of profits or anticipated profits, loss by reason of shutdown in operation or increased expenses of operation, or other indirect loss or damage) of any nature arising from any cause whatsoever, even if CareAdvantage, its Third Party Suppliers, or their respective affiliates, agents or licensors have been advised of the possibility of such damages.

2. RPathFinders

2.1 **License.** Subject to the terms and conditions of this Agreement, during the term of this Agreement CareAdvantage grants BCBSVT the non-exclusive right to use RPathFinders, only at BCBSVT's offices in the State of Vermont, and only in connection with its business of providing health care and managed care coverage.

2.2 **Ownership.** All rights to and in the RPathFinders, including, but not limited to, copyrights and trade secret rights, belong to CareAdvantage, who holds title to each copy of RPathFinders. BCBSVT shall not transfer or distribute RPathFinders to others, and the license granted hereunder shall automatically terminate in the event of such a transfer or distribution. BCBSVT shall not copy or modify RPathFinders, except that BCBSVT may copy RPathFinders for authorized use and for archival purposes so long as all copyright and other notices are reproduced and included on such copies.

2.3 **Term of License.** Upon termination of this Agreement for any reason, BCBSVT shall return all copies of RPathFinders to CareAdvantage. In addition, CareAdvantage may terminate the license granted pursuant to Section 2.1 of this Agreement (without terminating the Agreement) in the event BCBSVT breaches any of the terms and conditions contained in Section 2, upon which termination BCBSVT shall return all copies of RPathFinders to CareAdvantage. All provisions of Section 2 relating to disclaimers of warranties, limitation of liability, remedies, or damages, and CareAdvantage's proprietary rights shall survive termination of the license and/or Agreement.

2.4 Warranties.

2.4.1 **Ownership.** CareAdvantage warrants that it is the owner of RPathFinders and that it has the full power, authority and right to license RPathFinders in the manner set forth in this Agreement. In the event any third-party claims that the Portal infringes on any patent, copyright, trademark or trade secret, CareAdvantage will, at its option, defend BCBSVT against such claim, obtain the right to use such patent, copyright, trademark or trade secret, or refund any monies paid under this Agreement by BCBSVT for the period at issue on account of the license to use RPathFinders.

2.4.2 **No Other Warranties.** EXCEPT AS PROVIDED IN SECTION 2.4.1, THERE ARE NO WARRANTIES, EXPRESS OR IMPLIED, INCLUDING WITHOUT LIMITATION, THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE. No oral or written information or advice given by CareAdvantage, its agents, employees, affiliates, directors, or officers, shall create a warranty or in any way increase the scope of this warranty.

2.5 **Limitation of Liability.** The liability of any or all of CareAdvantage and its affiliates, agents or licensors and any other person claiming through, on behalf of, or as harmed by BCBSVT, is limited to a refund of any monies paid under this Agreement by BCBSVT for the period at issue on account of the license to use RPathFinders. Neither CareAdvantage nor its affiliates, agents or licensors shall be liable to BCBSVT or to any other person for indirect, punitive, special, consequential or incidental damages (including, but not limited to, loss of profits or anticipated profits, loss by reason of shutdown in operation or increased expenses of operation, or other indirect loss or damage) of any nature arising from any cause whatsoever, even if CareAdvantage, its affiliates, agents or licensors have been advised of the possibility of such damages.

2.6 **Sublicenses, etc. Void.** Any attempt by BCBSVT to sublicense, assign or transfer any of the rights, duties or obligations with respect to RPathFinders is void.

3. Services.

3.1 **Care Management Support Services.** During the term of this Agreement, CareAdvantage shall perform the care management support services (“Care Management Support Services”) described in Attachment 3.1.

3.2 **Additional Services.** At BCBSVT’s request, CareAdvantage shall perform such additional services as the parties may agree.

4. Compensation

4.1 **RPNavigator Services and License.** BCBSVT shall pay CareAdvantage as compensation for RPNavigator Services and the license to use the Portal \$* PMPM for each member in the Covered Population. CareAdvantage shall invoice BCBSVT for such compensation as of the first day of each month during the term of this Agreement, and BCBSVT shall remit the amount owing to CareAdvantage pursuant to this Section 4.1 no later than the last day of each such month. Payments made pursuant to the foregoing sentence shall be reconciled to the eligibility data for the Covered Population BCBSVT makes available to CareAdvantage each recurring update, and CareAdvantage shall pay any reconciling adjustment to BCBSVT within thirty (30) days of its making a determination that such adjustment is owing, and BCBSVT shall pay any reconciling adjustment to CareAdvantage within thirty (30) days of CareAdvantage’s notifying it in writing that such adjustment is owing.

4.2 **RPathFinders.** BCBSVT shall pay CareAdvantage the annual sum of \$* for the license to use RPathFinders. Compensation payable pursuant to this Section 4.2 shall be paid in twelve (12) equal monthly installments of \$*. CareAdvantage shall invoice BCBSVT for each installment as of the first day of each month during the term of this Agreement, and BCBSVT shall remit the amount owing to CareAdvantage pursuant to this Section 4.2 no later than the last day of each such month.

Portions of this page have been omitted pursuant to Confidential Treatment Request and filed separately with the Commission.

4.3 **Care Management Support Services.** BCBSVT shall pay CareAdvantage the annual sum of \$* for the Care management Support Services. Compensation payable pursuant to this Section 4.3 shall be paid in twelve (12) equal monthly installments of \$*. CareAdvantage shall invoice BCBSVT for each installment as of the first day of each month during the term of this Agreement, and BCBSVT shall remit the amount owing to CareAdvantage pursuant to this Section 4.1 no later than the last day of each such month.

4.4 **Recruitment Fees.** BCBSVT shall pay CareAdvantage a recruiting fee of \$* with respect to its recruitment of Linda Leu and \$* with respect to its recruitment of Stephen Perkins, M.D.; provided that said recruitment fee payment with respect to Dr. Perkins shall only be payable if BCBSVT actually hires Dr. Perkins prior to December 31, 2010. The recruitment fee for Ms. Leu is due and payable by December 31, 2009. The recruitment fee for Dr. Perkins will be due and payable within 30 days after his date of hire by BCBSVT (if he is, in fact, hired). This Section shall supersede Section 7.4 below with respect to Ms. Leu and Dr. Perkins.

4.5 **Additional Services.** BCBSVT shall pay CareAdvantage compensation for Additional Services in accordance with Attachment 4.5, or on such other terms as the parties may agree.

4.6 **Expenses.** BCBSVT shall reimburse CareAdvantage for CareAdvantage's reasonable out-of-pocket expenses incurred in providing services under this Agreement, including expenses for travel, lodging and meals. BCBSVT shall pay CareAdvantage within thirty (30) days of its receipt of CareAdvantage's invoice for such expenses.

4.7 **Adjustments.**

4.7.1. **On Account of Changes in Covered Population.** CareAdvantage's compensation under Section 4.1 has been determined by assuming that BCBSVT will provide a Covered Population of at least *. If the Covered Population increases beyond * members or decreases below * members, then at a party's request the parties agree to renegotiate in good faith the rate of the PMPM fees.

4.7.2 **Annual Adjustment.** Commencing January 1, 2011, and for each year thereafter that this Agreement remains in effect the fees set forth in Section 4.1, 4.2, 4.3 and Attachment 4.5 shall increase by such amount as the parties may agree.

5. **Term and Termination**

5.1 **Term.** The term of this Agreement shall terminate on December 31, 2010, and shall renew automatically for successive one (1) year terms, unless either party provides the other with written notice of nonrenewal not less than ninety (90) days prior to the end of the scheduled term.

5.2 **Termination.** In the event that either party materially defaults in the performance of any of its duties or obligations under this Agreement and does not substantially cure such default or defaults within 30 days after being given written notice specifying the default or defaults, then the non-defaulting party may terminate this Agreement immediately by giving notice to that effect to the defaulting party.

6. **Indemnification; Defense of Litigation**

6.1 **Indemnification.**

6.1.1 **Generally.** Each party hereto (as such, an "Indemnifying Party") agrees to indemnify, defend and hold harmless (collectively, "Indemnify") the other party and such other party's officers, directors, employees or agents (collectively, "Indemnified Parties") from and against any and all claims, suits, costs and expenses, including without limitation, costs of investigation and defense, incurred by such Indemnified Parties as a result of any willful misconduct or any negligent act or omission by the Indemnifying Party in connection with this Agreement. This provision is not intended to obligate CareAdvantage to Indemnify BCBSVT for claims under the terms of BCBSVT's health insurance policies or HMO agreements which BCBSVT would have been obligated to pay regardless of the misconduct or act or omission of CareAdvantage.

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6.1.2 **Indemnification re Certain Activities.** Notwithstanding any provision to the contrary in Section 6.1.1, BCBSVT agrees to Indemnify CareAdvantage and CareAdvantage's officers, directors, employees, ex-employees or agents (collectively, "CAI Indemnified Parties") from and against any and all claims, suits, costs and expenses, including without limitation, costs of investigation and defense, incurred by such CAI Indemnified Parties as a result of (a) any act or omission (i) by Stephen Perkins, M.D., that occurred in connection with CareAdvantage's services for BCBSVT at any time, or (ii) by Linda Leu that occurred in connection with CareAdvantage's services for BCBSVT prior to the Effective Date of this Agreement, (b) any act or omission by Richard Bernstein, M.D, that occurred in connection with CareAdvantage's services for BCBSVT prior to the Effective Date of this Agreement, and (c) any act or omission by *, M.D., or any substitute physician in the event *, M.D., is not available, that occurred in connection with CareAdvantage's services for BCBSVT at any time.

6.2 **Defense of Litigation.** Except as provided in Sections 1.9.1, 2.4.1 and 6.1, each party shall be responsible at its own expense for defending itself in any litigation brought against it, whether or not the other party is also a defendant, arising out of any aspect of activities undertaken in connection with this Agreement. Each party agrees to provide the other party information in its possession which is necessary to the other party's defense in such litigation.

6.3 **Survival.** The provisions of Section 6 shall survive the expiration or termination of this Agreement for any reason.

7. Additional Requirements.

7.1 **Independent Contractors.** The relationship of the parties under this Agreement shall be that of independent contractors. Neither shall have any claim under this Agreement or otherwise against the other party as a joint venturer or partner.

7.2 **Proprietary Rights.** Except as provided by Sections 1.7 and 2.2, neither party shall use the name, logos, trademarks, or servicemarks of the other without the other's prior written consent; provided, however, that CareAdvantage may include BCBSVT in any its list of its clients.

7.3 Confidentiality

7.3.1 **Generally.** Each party hereto hereby agrees that, during the term of this Agreement and after its termination, it shall (a) not, directly or indirectly, use (other than for the purposes contemplated hereby during the term), (b) keep secret and retain in strictest confidence, and (c) not disclose to any third party, Confidential Information as defined herein. Notwithstanding the foregoing, a party may disclose Confidential Information: (i) when compelled to do so by applicable law, and (ii) to those of such party's officers, directors, partners, employees and agents who have a "need to know."

7.3.2 **Definition and Obligation.** "Confidential Information" shall mean (a) RPathFinders, and any forms, policies, procedures, manuals and materials of any kind created, owned or provided by a party in connection with, or with respect to, the licenses or services, (b) any information or data relating to the licenses or services or this Agreement that is made available by a party to the other party and (i) is marked confidential, or at the time of its being made available, is otherwise indicated to be confidential, or (ii) within thirty (30) days after such information or data is first made available, is indicated in writing to be confidential, (c) any derivative works based on the materials, information or data described in subclauses (a) and (b) above, and (d) with respect to the confidentiality obligations hereunder of CareAdvantage only, (i) patient information, and (ii) any and all information or data (whether patient specific, account specific, aggregates thereof or otherwise) relating to the cost or utilization of health care services provided to, or received by an individual covered by any BCBSVT or TVHP health care benefit plan; provided, however, Confidential Information shall not mean information or data that (A) was previously known to the receiving party at the time of disclosure, (B) is publicly known through no act or omission by the receiving party, or (C) is disclosed to the receiving party by a third party having the legal right to make such disclosure.

Portions of this page have been omitted pursuant to Confidential Treatment Request and filed separately with the Commission.

7.4 **Non-solicitation.** During the term of this Agreement and for an additional period of two (2) years after its termination, each party agrees not to solicit, directly or indirectly, for employment or other relationship any employee or agent of the other party or its affiliates who performed services under this Agreement or became known to the other party through the relationship of the parties without the prior written consent of the other party. The parties acknowledge that damages for breach of this agreement under this Section 7.4 would be difficult to ascertain. Accordingly the parties agree that for any breach of this Section 7.4, the breaching party shall pay the other party liquidated damages in accordance with this Section. In the event that BCBSVT hires an employee or agent of CareAdvantage in violation of this Section 7.4, it shall pay CareAdvantage (a) \$300,000 in the case of a physician, (b) \$200,000 in the case of a nurse or other licensed professional, or (c) \$100,000 in the case of an employee or agent not covered by clauses (a) or (b) of this sentence; in the event that CareAdvantage hires an employee or agent of BCBSVT in violation of this Section 7.4, it shall pay BCBSVT an amount equal to the then current salary of the solicited employee plus twenty (20) percent, or in the case of an agent of BCBSVT, an amount equal to the outstanding contract value to be performed by such agent plus twenty (20) percent. In all cases the breaching party shall reimburse the other party its reasonable attorneys' fees incurred in enforcing this Section 7.4.

7.5 **No Guarantee of Medical Results.** Neither the execution of this Agreement nor the performance of any of its obligations constitutes an undertaking by CareAdvantage to guarantee the results of health care provider services or that such services will be rendered in accordance with generally accepted medical standards or procedures. The parties agree that CareAdvantage is not and shall not be deemed a health care provider as a result of the services provided pursuant to this Agreement, and that all decisions concerning the rendering of health care services are determined by the patient's physician, hospital or other health care provider and the patient.

7.6 **Business Associate Agreement.** The parties acknowledge that they have agreed on the terms of a Business Associate Agreement intended to take effect on the Effective Date and the parties agree to execute and deliver said Business Associate Agreement promptly upon executing and delivering this Agreement,

8. Miscellaneous

8.1 **Compliance with Laws.** Each party shall, throughout the term of this Agreement, use its best efforts to be in continuous compliance with all applicable laws.

8.2 **Notice.** All notices and other communications hereunder shall be in writing and shall be deemed to have been given upon receipt, and shall be addressed as follows:

If to BCBSVT: Blue Cross and Blue Shield of Vermont
445 Industrial Lane
Montpelier, Vermont 05602
Attention: Don C. George
President & Chief Executive Officer

If to CareAdvantage: CareAdvantage, Inc.
Metropolitan Corporate Center
485-C Route One South
Iselin, New Jersey 08830
Attention: Dennis Mouras,
President & Chief Executive Officer

or to such other address as any party hereto shall have designated to the other party in accordance with the provisions of this Agreement.

8.3 **Governing Law.** This Agreement shall be construed in accordance with and governed by the laws of the State of New Jersey without giving effect to the principles of conflicts of laws.

8.4 **Entire Agreement.** Except as provided herein, this Agreement and its attachments constitutes the entire agreement between the parties with respect to the subject matter hereof and except for rights and obligations that have accrued as of the Commencement Date, this Agreement supersedes the Third Amended and Restated Agreement and the Service and License Agreement; provided, however, that this Section 8.4 and Section 4.4 shall be effective upon the Effective Date. This Agreement may not be released, discharged, or modified except by an instrument in writing signed by a duly authorized representative of each of the parties.

8.5 **Binding Agreement; Assignability.** This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and permitted assigns and subcontractors. No party hereto shall sell, assign, transfer, convey, subcontract or otherwise dispose of its rights or obligations under, title to, or interest in, this Agreement, in whole or in part, to a third party other than a wholly-owned subsidiary without the prior written consent of the other party, which consent shall not be unreasonably withheld.

8.6 **Severability.** If any provision of this Agreement is determined by a court of competent jurisdiction to be invalid or unenforceable, such determination shall not affect the validity or enforceability of any other part or provision of this Agreement.

8.7 **Disputes.** In the event of any dispute between the parties hereto arising out of or concerning this Agreement, the parties agree to use their reasonable best efforts to resolve any such dispute amicably, in good faith, and expeditiously prior to resorting to litigation.

8.8 **Injunctive Relief.** The parties acknowledge that in the event of the breach of certain provisions of this Agreement, including Sections 1.6, 1.7, 2.2 and 7.3, they may not have an adequate remedy at law and will suffer irreparable damage and injury. Therefore, in addition to any other remedy available, each party agrees that if it violates any of such provisions, the non-breaching party shall be entitled to injunctive relief, without bond, from a court of competent jurisdiction.

8.9 **Waiver.** No waiver by any party of any breach of any provision of this Agreement shall constitute a waiver of any other breach of that or any other provision of this Agreement.

8.10 **Impossibility of Performance.** No party shall be deemed to be in violation of this Agreement if prevented from performing any obligation hereunder due to matters that are beyond its control, including without limitation acts of war or terrorism, strikes, riots, floods, storms, earthquakes, other elements or acts of God or the public enemy, utility or communication failures or delays, labor disputes, strikes, or shortages, equipment failures, or software malfunctions.

8.11 **Parties in Interest.** This Agreement is made for the exclusive benefit of the parties hereto, their successors and permitted assigns, and no person or entity other than CareAdvantage, BCBSVT, their successors or permitted assigns shall acquire or have any rights under or by virtue of this Agreement; except that the parties acknowledge that members of TVHP are included within the Covered Population and BCBSVT has the right to use the licenses and services hereunder for the benefit of TVHP and its members.

8.12. **Counterparts.** This Agreement may be executed in several counterparts, each of which is an original but all of which shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date set forth above.

CAREADVANTAGE, INC.

BLUE CROSS AND BLUE SHIELD OF VERMONT

BY: /s/ Dennis J. Mouras
TITLE: PRESIDENT & CHIEF EXECUTIVE OFFICER

BY: /s/ Don C. George
TITLE: PRESIDENT & CHIEF EXECUTIVE OFFICER

RPNAVIGATOR SERVICES

1. CareAdvantage will maintain a telephone support desk for technical and clinical inquiries 8:30 am through 5:30 pm, Eastern Time, during each business day.

2. On a bi-monthly basis, no later than February 15, April 15, June 15, August 15, and October 15 of each year, BCBSVT will provide CareAdvantage with paid claims data for all claims in the Covered Population. Within approximately four weeks of CareAdvantage's receipt of this data, CareAdvantage will:

- ∇ Load data into data processing environment
- ∇ Conduct technical and initial clinical review of data (review for completeness)
- ∇ Run data through conversion program
- ∇ Validate data conversion
- ∇ Prepare/run data files through CRG algorithms
- ∇ Validate CRG assignments (validity check)
- ∇ Conduct clinical analysis
- ∇ Program reports to generate analyses with updated data elements
- ∇ Review RPNavigator analyses results
- ∇ Move into production environment
- ∇ Deliver observations summary report with every other production release of RPNavigator (which includes changes from previous periods)

(The four-week schedule provided by Section 2 of this Attachment assumes that there has been no change in BCBSVT's claims system(s) and business rules from the previous data run. In the event of any such changes, the four-week schedule is subject to adjustment, and upon mutual agreement of the parties, any additional services required by CareAdvantage on account of such changes will be billed in accordance with Attachment 4.5.) In the event of any such changes and the parties' failure to agree on additional services thereby required, CareAdvantage may terminate this Agreement on fifteen (15) days' prior written notice.

CARE MANAGEMENT SUPPORT SERVICES

CareAdvantage, through its National Medical Director, *, M.D., or a substitute physician reasonably acceptable to BCBSVT, shall provide the following services:

1. **Internal First and Second Level Appeals.** Participate via telephone as a panel member in BCBSVT's internal first level appeals of adverse medical necessity determinations.
2. **Inter-Reviewer Reliability Audits.** Annual audit of completed cases, assessing physician inter-reviewer reliability.

The foregoing services shall be provided in accordance with the applicable timeframes established under Vermont laws and regulations.

Portions of this page have been omitted pursuant to Confidential Treatment Request and filed separately with the Commission.

FEES FOR ADDITIONAL SERVICES

<i>Consulting Level</i>	<i>Hourly Rates</i>	<i>Daily Rates</i>
Analyst	\$ *	\$ *
Consultant	\$ *	\$ *
Sr. Consultant	\$ *	\$ *
Manager	\$ *	\$ *
Sr. Manager	\$ *	\$ *
Director	\$ *	\$ *
Sr. Medical Director	\$ *	\$ *
Vice President	\$ *	\$ *
VP, National Medical Director	\$ *	\$ *

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CareAdvantage

485C Rt. 1 South
4th Floor, Suite 400
Iselin, NJ 08830-3037
Tel: 866-863-6555
732-362-5000
Fax: 732-362-5005
www.careadvantage.com

December 30, 2009

Via: U.S. Mail And Facsimile

Blue Cross and Blue Shield of Vermont
445 Industrial Lane
Montpelier, Vermont 05602
Attn: Don C. George
President and Chief Executive Officer

Dear Don:

This will confirm our agreement whereby CareAdvantage, from January 1, 2010 to January 31, 2010, will provide to Blue Cross and Blue Shield of Vermont ("BCBSVT") the services of Stephen Perkins, M.C., in exchange for BCBSVT's payment of \$*, which amount shall be paid without invoice no later than January 31, 2010.

Assuming that this letter accurately reflects our understanding, please countersign a copy and return it to me. Thank you.

Sincerely,

/s/ Dennis J. Mouras

Dennis J. Mouras
President & Chief Executive Officer

Agreed:

Blue Cross and Blue Shield of Vermont

By: /s/ Don C. George
Don C. George
President & Chief Executive Officer

Portions of this page have been omitted pursuant to Confidential Treatment Request and filed separately with the Commission.

EXHIBIT 21

SUBSIDIARIES OF THE REGISTRANT

<u>NAME</u>	<u>STATE OR OTHER JURISDICTION OF INCORPORATION</u>	<u>NAME UNDER WHICH BUSINESS IS CONDUCTED</u>
CareAdvantage Health Systems, Inc.	Delaware	CareAdvantage Health Systems, Inc.
Contemporary HealthCare Management, Inc.	New Jersey	Contemporary HealthCare Management, Inc

EXHIBIT 23.1

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM'S CONSENT

We hereby consent to the incorporation by reference in the Registration Statements (Nos. 333-134234 and 333-134233) on Form S-8 pertaining to the Stock Option Plan of CareAdvantage, Inc. and the Directors' Stock Option Plan of CareAdvantage, Inc. of our report dated March 31, 2010, with respect to our audit of the consolidated financial statements of CareAdvantage, Inc. included in the Annual Report on Form 10-K for the year ended December 31, 2009.

/s/ Eisner, LLP

New York, NY
March 31, 2010

**Certifications of the Chief Executive Officer and Principal Accounting Officer
Pursuant to Securities Exchange Act Rules 13a-1 and 15d-14
As adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Dennis J. Mouras, the Chief Executive Officer and acting Principal Accounting Officer, certify that:

1. I have reviewed this annual report on Form 10-K of CareAdvantage, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statement made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under my supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 31, 2010

/s/ Dennis J. Mouras

Chief Executive Officer and acting Principal Financial Officer

**Certification of Periodic Report by the Chief Executive Officer and Chief Financial Officer
Pursuant to 18 U.S.C. Section 1350
As adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

Pursuant to, and for purposes only of, 18 U.S.C. § 1350, I, Dennis J. Mouras, Chief Executive Officer and acting principal financial officer of CareAdvantage, Inc. (the "Company"), hereby certify that (i) the Annual Report of the Company on Form 10-K for the year ended December 31, 2009 filed with the Securities and Exchange Commission (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and (ii) information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 31, 2010

/s/ Dennis J. Mouras

Chief Executive Officer and acting Principal Financial Officer

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