

SIERRA HEALTH SERVICES INC  
Form 11-K  
June 27, 2006

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 11-K

(Mark One)

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

For the one day ended December 31, 2005

OR

TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 1-8865

A. Full title of the plan and the address of the plan, if different from that of the issuer name below:

SIERRA HEALTH AUTOMATIC RETIREMENT PLAN

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

SIERRA HEALTH SERVICES, INC.

2724 NORTH TENAYA WAY



SIERRA HEALTH AUTOMATIC RETIREMENT PLAN

TABLE OF CONTENTS

	<u>Page</u>
1	
Financial Statements: <u>Statements of Net Assets Available for Benefits at December 31, 2005 and December 30, 2005</u>	2
<u>Statements of Changes in Net Assets Available for Benefits For the One Day Ended December 31, 2005 and Year Ended December 30, 2005</u>	3
<u>Notes to Financial Statements</u>	4
Supplemental Schedule as of December 31, 2005:	
<u>Form 5500, Schedule H, Line 4i - Schedule of Assets (Held at End of Year)</u>	8

Table of Contents

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Trustees and Participants of  
Sierra Health Automatic Retirement Plan  
Las Vegas, Nevada

We have audited the accompanying statements of net assets available for benefits of Sierra Health Automatic Retirement Plan (the "Plan") as of December 31, 2005 and December 30, 2005, and the related statements of changes in net assets available for benefits for the one day period and year then ended, respectively. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Plan is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits 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 Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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, such financial statements present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2005 and December 30, 2005, and the changes in net assets available for benefits for the one day period and year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets (held at end of year) as of December 31, 2005 is presented for the purpose of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplemental schedule is the responsibility of the Plan's management. Such supplemental schedule has been subjected to the auditing procedures applied in our audit of the basic 2005 financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

/s/ Deloitte & Touche, LLP  
Las Vegas, Nevada  
June 26, 2006

Table of Contents

**SIERRA HEALTH AUTOMATIC RETIREMENT PLAN**

**Statements of Net Assets Available for Benefits at**

December 31,  
2005

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**December 30,  
2005**

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**ASSETS**

Participant-directed investments:

Mutual funds, at fair value

\$93,379,065 \$93,379,064

Investment contract, at contract value

23,798,438 23,798,438

Common stock, at fair value

14,597,395 14,597,395

Participant loans, at cost

1,927,031 1,927,031

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Total Investments

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133,701,929 133,701,929

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Receivables:

Employer contributions

234,297 234,297

Investment interest receivable

2,543

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Total Receivables

236,840

236,297

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Net Assets Available For Benefits \$ 133,938,769

\$ 133,936,226

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See accompanying Notes to Financial Statements.



Table of Contents

**SIERRA HEALTH AUTOMATIC RETIREMENT PLAN**

**Statements of Changes in Net Assets Available for Benefits**

For the One Day Ended December 31, 2005 and Year Ended December 30, 2005

	<b>December 31, 2005</b>	<b>December 30, 2005</b>
	<hr/>	<hr/>
<b>ADDITIONS:</b>		
Investment Income:		
Interest		
\$2,543	\$661,139	
Dividends		
1,289,543		
Net increase in fair value of common/collective trust funds		
261,677		
Net increase in fair value of common stock		
5,018,545		
Net increase in fair value of mutual funds		
6,053,674		
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Net Investment Income		
2,543	13,284,578	
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Contributions:

Employer

5,317,565

Participants

8,503,994

Rollovers

490,105

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Total Contributions

14,311,664

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Net Additions

2,543 27,596,242

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**DEDUCTIONS:**

Benefits paid to participants

(12,986,009)

Plan expenses

(60,396)

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Total Deductions

(13,046,405)

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Net Increase

2,543 14,549,837

**NET ASSETS AVAILABLE FOR BENEFITS:**

Beginning of period

133,936,226 119,386,389

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End Of Year

\$133,938,769 \$133,936,226

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See accompanying Notes to Financial Statements.



Table of Contents

**SIERRA HEALTH AUTOMATIC RETIREMENT PLAN**

**Notes to Financial Statements**

For the

One Day Ended December 31, 2005 and Year Ended December 30, 2005

**Note 1. Plan Description**

General Description - The Sierra Health Automatic Retirement Plan (the "Plan") is a qualified, defined contribution profit sharing/401(k) plan sponsored, managed, and administered by Sierra Health Services, Inc. (the "Company"). Prudential Financial ("Trustee") serves as trustee of the Plan. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974. A brief description of certain Plan provisions, as amended, follows. Participants should refer to the Plan agreement for a complete description of the Plan's provisions.

Contributions - Participants could contribute up to 25% of their eligible compensation during each payroll period in which the employee was an eligible participant. The Company makes matching contributions of 100% of a participant's contribution up to a maximum of 3% of the participant's eligible compensation. Participant contributions above 3% but not exceeding 9%, are matched 50% by the Company. The maximum Company contribution is 6% of a participant's eligible compensation. Participant and employer contributions are subject to Internal Revenue Service ("IRS") limits. Company matches are invested, based on participant selections, into the common trust funds. In accordance with the Economic Growth and Tax Relief Reconciliation Act of 2001, employees age 50 and older are permitted to make additional "catch up" contributions not to exceed \$4,000 in 2005. The Company does not match "catch up" contributions.

Vesting - Participants are immediately vested in their voluntary contributions and earnings thereon. Participants are also immediately vested in the first 4% of Company contribution made on their behalf. The remaining 2% of Company contribution vests based on years of service—one-third per year of service—and is fully vested after three years of service with the Company. If a participant becomes permanently disabled, their account is 100% vested without regard to years of service.

Eligibility - Effective November 1, 2005, all employees of the Company not covered by a collective bargaining agreement become participants in the Plan if they are age twenty-one or older, and after they have completed six consecutive months of employment and worked at least 1,000 hours in a one-year period. Prior to November 1, 2005 employees become participants after one year of service, defined as the first twelve consecutive months in which the employee worked at least 1,000 hours.

Participant Accounts - Each participant's account is credited with the participant's contribution, the Company's matching contribution and allocations of Plan earnings.

Payment of Benefits - Upon termination of employment, participants may elect to receive a lump-sum payment of their vested account balance, one of several annuity payment options, or may transfer their vested account balance to a tax-deferred account.

Termination of Plan - Although the Company has not indicated any intention to terminate the Plan, or contributions thereto, it may do so at any time. Upon termination or partial termination, each participant's account will become

100% vested.

Tax Status - In January 2005, the Plan received its latest determination letter from the IRS stating that the Plan, as then designed, was in compliance with the applicable requirements of the Internal Revenue Code ("IRC") and thus exempt from income taxes. The Plan has been amended since receiving the determination letter; however, the Plan administrator believes that the Plan is currently designed and being operated in compliance with the applicable requirements of the IRC. No provision for income taxes has been included in the financial statements.

Table of Contents

Plan Expenses - Plan expenses consist of loan fees and participant activity fees, which are charged directly to the participants' accounts. For the year ended December 30, 2005, the Company paid \$25,800 in administrative expenses not reimbursed by the Plan and not included in plan expenses.

Investment in Company Stock - Investments in Company common stock are unlimited. Any participant with an investment in the company stock exceeding 25% of their total portfolio received a quarterly letter from the Trustee advising the participant of the risks involved in investing primarily in one stock and recommending diversifying their portfolio.

Forfeitures - Forfeited accrued benefits may be used to reduce employer contributions. Total forfeitures used to reduce employer contributions for the year ended December 30, 2005 were \$151,967.

Fiscal Year End - Effective December 31, 2005, the Plan was amended to change its fiscal year end from December 30 to December 31.

**Note 2. Summary of Significant Accounting Policies**

Basis of Accounting - The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and are present on the accrual basis of accounting.

Use of 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 that affect reported amounts of net assets available for benefits and changes therein. Actual results could differ from those estimates. The Plan has investment securities, which, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of net assets available for plan benefits.

Investment Valuation and Income Recognition - The Plan's investments, except for the investment contract, are stated at fair value. Fair value is determined by the Trustee based upon quoted market prices which represent the net asset value of shares held by the Plan. The investment contract is carried at contract value, which represents contributions made under the contract, plus earnings, less Plan withdrawals and administrative expenses. The Company believes that contract value approximates fair value for the investment contract. Participant loans are valued at cost, which approximates fair value.

Purchases and sales of investments are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Unrealized gains and losses are recorded in the period in which they occur. The Trustee of the Plan holds all assets. The Company match is made in cash and is invested based upon employee selections.

Table of Contents

**Note 3. Investments**

Investments equal to 5% or more of the Plan's total net assets available for benefits at December 31, 2005 and December 30, 2005 were:

	<b>December 31, 2005</b>
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	<b>December 30, 2005</b>
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Prudential Guaranteed Income Fund	
\$23,798,438	\$ 23,798,438
Van Kampen Equity Income Fund	
19,253,534	19,253,534
Prudential Jennison Growth Fund	
18,326,707	18,326,707
Franklin Balance Sheet Investment Fund	
14,672,082	14,672,082
Sierra Health Services, Inc. Common Stock	
14,597,395	14,597,395
Van Kampen Comstock Fund	
12,898,575	12,898,575
PIMCO Total Return Fund	
9,137,972	9,137,972

**Note 4. Payment of Benefits**

Benefits payments to participants are recorded upon distribution. All participants who have elected to withdraw from the Plan have been paid prior to December 31 and 30, 2005.

**Note 5. Participant Loans**

Participants may borrow from their fund accounts up to \$50,000 or 50% of their vested account balance, whichever is less. Participant loans are collateralized by vested account balances and are repaid through payroll deductions over a term not exceeding five years. The term may be extended if the proceeds are used for the purchase of a primary residence. Loan maturities ranged from January 2006 to September 2025. The loans bear interest at 1% over the prime commercial rate on the first day of the month in which the loan is issued.

Fixed interest rates on outstanding loans ranged from 5.0% to 10.5%.

**Note 6. Related Party Transactions**

Certain Plan investments are shares of mutual funds managed by the Trustee; therefore, these transactions qualify as party-in-interest transactions. In addition, the Company's common stock qualifies as a party-in-interest transaction. At December 31, 2005 and December 30, 2005, the Plan held 441,125

split adjusted shares of the Company's common stock.

**Note 7. Investment Contract With Insurance Company**

In 2005, the Plan entered into a benefit-responsive investment contract with Prudential Financial. Prudential Financial maintains the contributions in a pooled separate account, which is credited with earnings on the underlying investments and charged with participant withdrawals and administrative expenses. The contract is included in the financial statements at contract value as reported to the Plan by Prudential Financial in accordance with Statement of Position 94-4, *Reporting of Investment Contracts Held by Health and Welfare Benefit Plans and Defined Contribution Pension Plans*. Contract value represents contributions made under the contract,

Table of Contents

plus earnings, less participant withdrawals and administrative expenses. Participants may ordinarily direct the withdrawal or transfer of all or a portion of their investment at contract value.

There are no reserves against contract value for credit risk of the contract issuer or otherwise. The average yield and crediting interest rate is determined semi-annually and was 3.9% for 2005. The crediting interest rate is based on the pool's past experience, expected cash flow and current and anticipated investment opportunities.

Table of Contents

**SIERRA HEALTH AUTOMATIC RETIREMENT PLAN**

**For**

Form 5500, Schedule H, Line 4i - Schedule of Assets (Held at End of Year)

**December 31,**

**2005**

(a)	(b)	(c)	(d)
Identity of Issue, Borrower, Lessor, or Similar Party		Description of Investment Including Rate of Interest, Collateral, Par, or Maturity Date	Current Value
Dreyfus MidCap Index Fund		Mutual Fund	\$ 819,589

\*

Dryden Short-term Corporate Bond Fund

Mutual Fund

2,336,658

EuroPacific Growth Fund

Mutual Fund

6,197,983

Fidelity Advisor Small Cap Fund

Mutual Fund

4,711,019

Franklin Balance Sheet Investment Fund

Mutual Fund

14,672,082

Franklin US Government Securities

Mutual Fund

261,125

PIMCO Real Return Fund

Mutual Fund

661,457

PIMCO Total Return Fund

Mutual Fund

9,137,972\*

Prudential Guaranteed Income Fund

Guaranteed Interest Contract (3.9% at December 31, 2005)

23,798,438

\*

Prudential Jennison Growth Fund

Mutual Fund

18,326,707

Vanguard Tru 500 Admiral Fund

Mutual Fund

4,102,364

Van Kampen Comstock Fund

Mutual Fund

12,898,575

Van Kampen Equity Income Fund

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Mutual Fund

19,253,534

\*

Sierra Health Services, Inc. Common Stock

Company Stock

14,597,395\*

Participant Loans

Notes at fixed interest rates ranging from 5.0% to 10.5%, maturities through September 2025

1,927,031

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Total

\$

133,701,929

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\* Party-in-interest

Table of Contents

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

**SIERRA HEALTH AUTOMATIC RETIREMENT PLAN**

(Name of Plan)

Date: June 27, 2006

/s/ MARC R. BRIGGS

Marc R. Briggs

Vice President of Finance,

Chief Accounting Officer