

**REPORT
 HIGHLIGHTS**
 FINANCIAL STATEMENT AUDIT

Subject

Maricopa County contracts with the Arizona Health Care Cost Containment System (AHCCCS) to provide medical services to indigents through its AHCCCS Health Plan and long-term care through its ALTCS Health Plan. The Plans are responsible for preparing financial statements, maintaining strong internal controls, and demonstrating compliance with its contractual arrangements with AHCCCS. As the auditors, our job is to determine whether the Health Plans met their responsibilities.

Our Conclusion

The information in the financial statements is fairly stated in all material respects and the financial statements can be relied on. Our audit also determined that the internal control system was adequate and the Plans' substantially complied with AHCCCS contract requirements. However, recommendations were made in our management letter for improving claims processing and record retention procedures.



2003

Year Ended June 2003

Plans Transferred Monies to County General Fund

During fiscal year 2003, the County transferred \$6.3 million from the AHCCCS Plan and \$15.5 million from the ALTCS Plan to the Maricopa County General Fund. The AHCCCS approved the transfer to cover the County's indigent costs over the years.

At June 30, 2003, the remaining net assets of \$13.6 million for the AHCCCS Plan and \$26.4 million for the ALTCS Plan were sufficient to meet the AHCCCS' requirement for financial reserves.

Over the past 5 years, the Plans have transferred \$114.8 million to the County General Fund.

Statements of Revenues, Expenses, and Changes in Net Assets
 Year Ended June 30, 2003
 (in millions)

	AHCCCS	ALTCS
Operating revenues	\$ 115.8	\$ 240.1
Operating expenses	<u>(109.1)</u>	<u>(233.0)</u>
Operating income	6.7	7.1
Nonoperating revenues	.4	1.6
Transfers out	<u>(6.3)</u>	<u>(15.5)</u>
Increase (decrease) in net assets	.8	(6.8)
Total net assets, July 1, 2002, as restated	<u>12.8</u>	<u>33.2</u>
Total net assets, June 30, 2003	<u>\$ 13.6</u>	<u>\$ 26.4</u>

Transfers to the County General Fund
 Past 5 Years



Plans Need to Improve Timeliness and Accuracy of Claims Processing

In November 2002, the Plans implemented a new claims processing system. By April 2003, the Plans had a backlog of unpaid claims that were not paid within required AHCCCS timelines. The backlog resulted from system programming problems that would not allow the release of individual claims for payment. Further, the case management system did not update the claims processing system for changes in the status of member accounts, including level of qualifying services, or service authorization dates. As a result, auditors noted an overpayment of \$3,699 for benefits a Plan member was not eligible to receive. However, our test work indicated that the paid claims processed through the new system were materially correct.

Finally, paid claims were not reported to AHCCCS within required timelines because the Plans' claims processing system did not use the AHCCCS assigned member identification numbers and, therefore, AHCCCS was unable to identify and accept the member information reported.

The Plans need to make the appropriate system modifications to ensure that current and accurate information is maintained about the Plans' members. Steps should also be taken to ensure claims are paid within 30 days of approval, and claims information is reported to AHCCCS within 120 days after their payment.

TO OBTAIN MORE INFORMATION

A copy of the full report can be obtained by calling
(602) 553-0333



or by visiting our Web site at:
www.auditor.gen.state.az.us

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Special Health Care Taxing District Could Take Over AHCCCS and ALTCS Health Plans

The Arizona State Legislature passed House Bill 2530 during the year ended June 30, 2003, to allow Maricopa County to ask its voters to decide in the November 2003 election whether to create a special health care taxing district to operate the Maricopa Integrated Health System (MIHS), which includes the Plans.

If the district is created, it will have the authority to levy taxes and an independent governing board will control its operations. Since the Plans are part of MIHS, the results of the election could significantly affect the Plans' future operations.

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Year Ended June 2003