

**STATE OF ARIZONA
DEPARTMENT OF ECONOMIC SECURITY
DIVISION OF DEVELOPMENTAL DISABILITIES
ALTCS CONTRACT
Report on Audit of Financial Statements
June 30, 2001**

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DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

**STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL**

WILLIAM THOMSON
DEPUTY AUDITOR GENERAL

Independent Auditors' Report

Members of the Arizona State Legislature

John L. Clayton, Director
Department of Economic Security

We have audited the accompanying financial statements of the State of Arizona, Department of Economic Security, Division of Developmental Disabilities, ALTCS Contract as of and for the year ended June 30, 2001, as listed in the table of contents. These financial statements are the responsibility of the Department and its Division of Developmental Disabilities' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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 audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of the Department of Economic Security, Division of Developmental Disabilities, ALTCS Contract are intended to present the financial position and results of operations of only that portion of the General Fund of the State of Arizona that is attributable to the transactions of the Department of Economic Security, Division of Developmental Disabilities, ALTCS Contract.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Department of Economic Security, Division of Developmental Disabilities, ALTCS Contract as of June 30, 2001, and the results of its operations for the year then ended in conformity with U.S. generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the financial statements of the Department of Economic Security, Division of Developmental Disabilities, ALTCS Contract taken as a whole. The accompanying financial information listed as supplementary schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the financial statements taken as a whole.

Debbie Davenport
Auditor General

September 27, 2001

**STATE OF ARIZONA
DEPARTMENT OF ECONOMIC SECURITY
DIVISION OF DEVELOPMENTAL DISABILITIES
ALTCS CONTRACT
Balance Sheet—Special Revenue Fund
June 30, 2001**

Assets	
Cash and investments held by the State Treasurer	\$55,861,039
Due from other state funds	<u>1,433,375</u>
Total assets	<u>\$57,294,414</u>
Liabilities and Fund Equity	
Liabilities:	
Accrued administrative and payroll costs	\$ 2,012,766
Accrued medical and health care claims	31,945,342
Due to other funds	<u>3,942,234</u>
Total liabilities	<u>37,900,342</u>
Fund equity:	
Fund balance	<u>19,394,072</u>
Total liabilities and fund equity	<u>\$57,294,414</u>

See accompanying notes to financial statements.

**STATE OF ARIZONA
DEPARTMENT OF ECONOMIC SECURITY
DIVISION OF DEVELOPMENTAL DISABILITIES
ALTCS CONTRACT
Statement of Revenues, Expenditures, and Changes in
Fund Balance—Special Revenue Fund
Year Ended June 30, 2001**

Revenues:	
Capitation	\$356,891,686
Ventilator dependent	6,241,024
Fee for service	91,379
Reinsurance	1,134,672
Interest	<u>2,849,702</u>
Total revenues	<u>367,208,463</u>
Expenditures:	
Aid to individuals	290,967,843
Allocated administrative expenditures	24,646,494
Case management	16,294,391
Professional and outside services	<u>3,074,073</u>
Total expenditures	<u>334,982,801</u>
Excess of revenues over expenditures	32,225,662
Other financial uses:	
Transfers to other State funds	<u>(10,478,153)</u>
Excess of revenues over expenditures and other financial uses	21,747,509
Fund deficit, July 1, 2000	<u>(2,353,437)</u>
Fund balance, June 30, 2001	<u>\$ 19,394,072</u>

See accompanying notes to financial statements.

**STATE OF ARIZONA
DEPARTMENT OF ECONOMIC SECURITY
DIVISION OF DEVELOPMENTAL DISABILITIES
ALTCS CONTRACT
Notes to Financial Statements
June 30, 2001**

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Department of Economic Security, Division of Developmental Disabilities, ALTCS Contract conform to U.S. generally accepted accounting principles applicable to governmental units adopted by the Governmental Accounting Standards Board. A summary of the Division's more significant accounting policies follows.

A. Reporting Entity

For financial reporting purposes, the Department of Economic Security, Division of Developmental Disabilities includes those portions of the State of Arizona's General Fund that are controlled by the Department of Economic Security. Further, the Division's ALTCS Contract includes those portions of the Department of Economic Security's General Fund that are controlled by the Division of Developmental Disabilities. Control by the Division of Developmental Disabilities was determined on the basis of accountability. Fiscal responsibility for the Division remains with the Department of Economic Security and, ultimately, with the State of Arizona. The Division of Developmental Disabilities is a contractor with the Arizona Health Care Cost Containment System (AHCCCS) to provide health care services to eligible enrollees of the AHCCCS Arizona Long-Term Care System (ALTCS) program for the developmentally disabled. This program provides inpatient and outpatient medical and nursing services in addition to managed institutional and home- and community-based long-term care services to eligible enrollees of the AHCCCS ALTCS program. The Division receives monthly premiums from the AHCCCS for all eligible enrollees under the AHCCCS ALTCS program for the developmentally disabled.

B. Fund Accounting

The Division's accounts are maintained in accordance with the principles of fund accounting to ensure that limitations and restrictions on the Division's available resources are observed. The principles of fund accounting require that resources be classified for accounting and reporting purposes into funds in accordance with the activities or objectives specified for those resources. Each fund is considered a separate accounting entity, and its operations are accounted for in a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures.

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ALTCS CONTRACT
Notes to Financial Statements
June 30, 2001**

The ALTCS Contract's financial transactions are recorded and reported using the flow of current financial resources measurement focus as a special revenue fund since the proceeds are from specific revenue sources that are legally restricted to expenditures for specified purposes.

Although the ALTCS Contract is considered a special revenue fund when reported on individually, it becomes a part of the Department of Economic Security's General Fund at the combined department level and a part of the State of Arizona's General Fund at the combined statewide level.

C. Basis of Accounting

The financial statements of the ALTCS Contract are presented on the modified accrual basis of accounting. Revenues are recognized when they become measurable and available to finance current-period expenditures. Expenditures are recognized when the related fund liability is incurred.

All ALTCS Contract revenues were susceptible to accrual.

D. Budgetary Accounting

Revenues and expenditures are not formally budgeted at the ALTCS Contract level. Consequently, a Statement of Revenues, Expenditures, and Changes in Fund Balance—Budget and Actual cannot be presented.

Note 2 - Cash and Investments Held by the State Treasurer

Cash and investments held by the State Treasurer represent the ALTCS Contract's portion of monies deposited with the State Treasurer. The Treasurer invests idle monies, on a pool basis, and distributes interest to the participating funds or programs. The ALTCS Contract's portion is not identified with specific investments and is not subject to custodial credit risk. Accordingly, the ALTCS Contract's portion of these deposits and investments is reported at fair value.

Note 3 - Due from Other State Funds

Amounts due from other state funds at June 30, 2001, include \$183,375 of interest earned and \$1,250,000 of capitation receivables due from the AHCCCS.

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ALTCS CONTRACT
Notes to Financial Statements
June 30, 2001**

Note 4 - Accrued Medical and Health Care Claims

Accrued medical and health care claims totaling \$31,945,342 include reported but unpaid claims (RBUC) of \$19,217,243 and estimated incurred but not reported (IBNR) medical claims of \$12,728,099.

Note 5 - Change in Funding Structure

Beginning in fiscal year 2000-2001, the ALTCS Contract no longer directly receives legislative appropriations to fund the State's matching requirements under the ALTCS program. Instead, DES transmits that long term care fund portion of legislative appropriations to AHCCCS. AHCCCS then funds the ALTCS Contract's activities entirely through matched (Title XIX and legislative appropriations) capitation, ventilator dependent, reinsurance, and fee for services payments. The ALTCS Contract reports the payments as revenues from those sources.

Note 6 - Acute Care Reinsurance

During the year ended June 30, 2001, the Division received reimbursement from the AHCCCS for acute care reinsurance expenditures incurred for enrollees for claims incurred in prior fiscal years. These revenues are recorded as fee for service and reinsurance revenues.

The Division subcontracts with various health plans to provide acute care services to ALTCS enrollees. These health plans must submit clean reinsurance claims to the Division within 12 months from the date of service.

The Division disbursed a total of \$2,950,804 to the health plans during the year ended June 30, 2001, and had RBUCs of \$598,573 and IBNR claims of \$1,173,878 for total acute care reinsurance expenditures of \$4,723,255, which has been included in aid to individuals expenditures.

Note 7 - Aid to Individuals Expenditures

Aid to individuals expenditures consists of the following expenditures summarized by type of service setting or service provided, as applicable.

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Notes to Financial Statements
June 30, 2001**

Institutional care:	
Skilled nursing	\$ 2,334,853
Intermediate (mentally retarded)	11,676,918
Institutional care RBUC	747,132
Institutional care IBNR	<u>370,383</u>
Total institutional care	<u>15,129,286</u>
Home- and community-based services (HCBS):	
State-operated group home	4,342,712
Vendor-operated group home	96,690,926
Adult developmental home	7,745,014
Home-based services	83,172,709
HCBS RBUC	17,319,119
HCBS IBNR	<u>8,224,644</u>
Total HCBS	<u>217,495,124</u>
Acute care:	
Acute care	43,748,315
Acute care RBUC	372,950
Acute care IBNR	1,115,489
Reinsurance	2,950,804
Reinsurance RBUC	598,573
Reinsurance IBNR	<u>1,173,878</u>
Total acute care	<u>49,960,009</u>
Other:	
Mental health	70,565
Ventilator dependent (including nonacute and acute care)	6,289,685
Other RBUC (ventilator dependent acute care)	179,469
Other IBNR (ventilator dependent including nonacute and acute care)	<u>1,843,705</u>
Total other	<u>8,383,424</u>
Total aid to individuals expenditures	<u>\$290,967,843</u>

Note 8 - Allocated Administrative Expenditures

During the year ended June 30, 2001, the Division of Developmental Disabilities, ALTCS Contract recorded allocated administrative charges of \$24,646,494 as expenditures for its share of services provided by the Department.

Note 9 - Transfers to Other State Funds

Transfers out during the year ended June 30, 2001, included \$3,702,808 to the AHCCCS; \$1,800,000 to the DES; \$4,300,000 to the Long-Term Care program; and \$675,345 to the Social Services Block Grant.

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Notes to Financial Statements
June 30, 2001**

Note 10 - Commitments and Contingencies

The State of Arizona has the ultimate fiscal responsibility for the ALTCS Contract. Accordingly, any claims requiring additional resources require the Arizona State Legislature's approval. While there is a possibility that claims could be asserted that would require additional resources to become available to the ALTCS Contract, in management's opinion, the possibility that valid claims will be asserted and their amounts cannot reasonably be estimated.

Note 11 - Risk Management

The Division is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; medical malpractice; and natural disasters. The Department is a participant in the State's self-insurance program, and in the opinion of the Division's management, any unfavorable outcomes from these risks would be covered by that self-insurance program. Accordingly, the Department has no risk of loss beyond adjustments to future years' premium payments to the State's self-insurance program. All estimated losses for unsettled claims and actions of the State are determined on an actuarial basis and are included in the *State of Arizona Comprehensive Annual Financial Report*.

Note 12 - Related Party Transactions

The ALTCS Contract reimbursed the Division of Developmental Disabilities for services provided to enrollees, as applicable. See the accompanying supplementary schedule, Related Party Transactions, for details.

Note 13 - Retirement Plan

Plan Description—The Division contributes to a cost-sharing multiple-employer defined benefit pension plan administered by the Arizona State Retirement System. Benefits are established by state statute and generally provide retirement, death, long-term disability, survivor, and health insurance premium benefits. The System is governed by the Arizona State Retirement System Board according to the provisions of Arizona Revised Statutes Title 38, Chapter 5, Article 2.

The System issues a comprehensive annual financial report that includes its financial statements and required supplementary information. The most recent report may be obtained by writing the System, 3300 North Central Avenue, PO Box 33910, Phoenix, AZ 85067-3910, or by calling (602) 240-2000 or (800) 621-3778.

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Notes to Financial Statements
June 30, 2001**

Funding Policy—The Arizona State Legislature establishes and may amend active plan members' and the Division's contribution rate. For the year ended June 30, 2001, active plan members and the Division were each required by statute to contribute at the actuarially determined rate of 2.66 percent (2.17 percent retirement and 0.49 percent long-term disability) of the members' annual covered payroll. The Division's contributions to the System for the years ended June 30, 2001, 2000, and 1999, were \$843,337, \$771,613, and \$941,448, respectively, which were equal to the required contributions for the year.

Note 14 - Subsequent Event

Supplemental Appropriations—During fiscal year 1997-1998, the Arizona State Legislature provided \$4,474,800 in supplemental appropriations to the Department of Economic Security. The Division used these monies to ensure that the State of Arizona contributed the proper amount of matching monies to the Arizona Health Care Cost Containment System (AHCCCS) for fiscal year 1996-1997. After the payment is approved by AHCCCS, the Division must revert all unused monies to the State's General Fund.

As of September 27, 2001, \$2,374,800 of the supplemental appropriations remains unused and is subject to reversion. It is the opinion of the Department's management that the AHCCCS will approve the reversion of these unused monies within the next 90 days.

Accounting System—In October 2001, the Division will implement its new acute care accounting system. The system was developed to increase accountability and to enhance Division and provider efficiency. During the year ended June 30, 2001, total administrative expenses include \$824,500 for the new accounting system.

Supplementary Schedules

**STATE OF ARIZONA
DEPARTMENT OF ECONOMIC SECURITY
DIVISION OF DEVELOPMENTAL DISABILITIES
ALTCS CONTRACT
Medical Claims Payable (RBUCs and IBNRs)
June 30, 2001**

Account	Reported But Unpaid Claims (RBUCs)				Total RBUCs (1)	IBNR (1)	Total RBUCs and IBNRs
	1-30 days	31-60 days	61-90 days	Over 90 days			
Institutional care	\$ 747,132				\$ 747,132	\$ 370,383	\$ 1,117,515
HCBS	17,319,119				17,319,119	8,224,644	25,543,763
Acute care	971,523				971,523	2,289,367	3,260,890
Other medical (2)	<u>179,469</u>				<u>179,469</u>	<u>1,843,705</u>	<u>2,023,174</u>
Total claims payable	<u>\$19,217,243</u>				<u>\$19,217,243</u>	<u>\$12,728,099</u>	<u>\$31,945,342</u>

(1) The RBUCs amount represents claims paid by the Division during their encumbrance period (i.e., fiscal year 2000-01 claims paid during July 2001). The remaining estimated medical claims payable are considered incurred but not reported (IBNR) claims.

(2) Other medical represents ventilator dependent payables.

**STATE OF ARIZONA
DEPARTMENT OF ECONOMIC SECURITY
DIVISION OF DEVELOPMENTAL DISABILITIES
ALTCS CONTRACT
Analysis of Profitability by Major Rate Code Classification
Year Ended June 30, 2001**

Revenues/Expenditures	Medicare	Non-Medicare	Total
Enrollees	2,251	10,116	12,367
Revenues:			
Capitation	\$86,428,460	\$270,463,226	\$356,891,686
Ventilator dependent	1,511,389	4,729,635	6,241,024
Fee for service	22,129	69,250	91,379
Reinsurance	274,784	859,888	1,134,672
Interest	<u>690,112</u>	<u>2,159,590</u>	<u>2,849,702</u>
Total revenues	<u>88,926,874</u>	<u>278,281,589</u>	<u>367,208,463</u>
Expenditures:			
Institutional care expenditures:			
Skilled nursing	1,667,832	667,021	2,334,853
Intermediate (mentally retarded)	5,746,211	5,930,707	11,676,918
Institutional care RBUC	408,211	338,921	747,132
Institutional care IBNR	<u>202,366</u>	<u>168,017</u>	<u>370,383</u>
Total institutional care	<u>8,024,620</u>	<u>7,104,666</u>	<u>15,129,286</u>
Home- and community-based services (HCBS) expenditures:			
Home health nurse	1,364,547	4,500,687	5,865,234
Home health aide	20,509	67,647	88,156
Homemaker	20,418	67,346	87,764
Respite care	3,036,255	10,014,485	13,050,740
Attendant care	3,317,181	10,941,064	14,258,245
Environmental modifications	218,119	719,423	937,542
Other	36,680,455	120,983,225	157,663,680
HCBS RBUC	4,029,293	13,289,826	17,319,119
HCBS IBNR	<u>1,913,463</u>	<u>6,311,181</u>	<u>8,224,644</u>
Total HCBS	<u>50,600,240</u>	<u>166,894,884</u>	<u>217,495,124</u>

(Continued)

**STATE OF ARIZONA
DEPARTMENT OF ECONOMIC SECURITY
DIVISION OF DEVELOPMENTAL DISABILITIES
ALTCS CONTRACT
Analysis of Profitability by Major Rate Code Classification
Year Ended June 30, 2001
(Continued)**

Revenues/Expenditures	Medicare	Non-Medicare	Total
Acute care expenditures:			
Acute care	\$10,594,529	\$ 33,153,786	\$ 43,748,315
Acute care RBUC	90,317	282,633	372,950
Acute care IBNR	270,138	845,351	1,115,489
Reinsurance	714,596	2,236,208	2,950,804
Reinsurance RBUC	144,956	453,617	598,573
Reinsurance IBNR	<u>284,278</u>	<u>889,600</u>	<u>1,173,878</u>
Total acute care	<u>12,098,814</u>	<u>37,861,195</u>	<u>49,960,009</u>
Other medical expenditures:			
Mental health	17,089	53,476	70,565
Ventilator dependent (including nonacute and acute care)	1,523,173	4,766,512	6,289,685
Other RBUC (ventilator dependent acute care)	43,462	136,007	179,469
Other IBNR (ventilator dependent including nonacute and acute care)	<u>446,490</u>	<u>1,397,215</u>	<u>1,843,705</u>
Total other medical	<u>2,030,214</u>	<u>6,353,210</u>	<u>8,383,424</u>
Total medical	<u>72,753,888</u>	<u>218,213,955</u>	<u>290,967,843</u>
Administrative expenditures:			
Allocated administrative expenditures	5,968,641	18,677,853	24,646,494
Case management	3,946,013	12,348,378	16,294,391
Professional and outside services	<u>744,448</u>	<u>2,329,625</u>	<u>3,074,073</u>
Total administrative	<u>10,659,102</u>	<u>33,355,856</u>	<u>44,014,958</u>
Total expenditures	<u>83,412,990</u>	<u>251,569,811</u>	<u>334,982,801</u>
Gain from operations	<u>\$ 5,513,884</u>	<u>\$ 26,711,778</u>	<u>\$ 32,225,662</u>

**STATE OF ARIZONA
DEPARTMENT OF ECONOMIC SECURITY
DIVISION OF DEVELOPMENTAL DISABILITIES
ALTCS CONTRACT
Utilization Data Report
Year Ended June 30, 2001**

	<u>Medicare</u>		<u>Non-Medicare</u>		<u>Total</u>	
	<u>Current</u>	<u>YTD</u>	<u>Current</u>	<u>YTD</u>	<u>Current</u>	<u>YTD</u>
A. Enrollees	2,251		10,116		12,367	
B. Member Months	3,226	20,239	20,755	63,321	23,981	83,560
Class 2 and 3	108	444	99	177	207	621
Intermediate care facility— mentally retarded	171	946	322	976	493	1,922
Home- and community-based services						
Group home	1,824	9,685	4,113	11,819	5,937	21,504
Adult developmental day	318	1,483	511	1,466	829	2,949
Home-based services	805	7,681	15,710	48,883	16,515	56,564
C. Institutional care						
1. Class 2 and 3						
a. Days of care	3,277	13,497	3,016	5,398	6,293	18,895
b. Average daily census	36.01	36.98	33.14	14.79	69.15	51.77
2. Intermediate care facility— mentally retarded						
a. Days of care	5,208	28,767	9,811	29,692	15,019	58,459
b. Average daily census	57.23	78.81	107.81	81.35	165.04	160.16
D. Home- and community-based services						
1. Group home						
a. Days of care	55,474	294,588	125,110	359,509	180,584	654,097
b. Average daily census	609.60	807.09	1,374.84	984.96	1,984.44	1,792.05
2. Adult developmental						
a. Days of care	9,679	45,107	15,534	44,588	25,213	89,695
b. Average daily census	106.36	123.58	170.70	122.16	277.06	245.74
3. Home-based services						
a. Days of care	24,480	233,623	477,850	1,486,853	502,330	1,720,476
b. Average daily census	269.01	640.06	5,251.10	4,073.57	5,520.11	4,713.63
E. Ventilator dependent	276	1,002	4,854	16,210	5,130	17,212
F. Acute patient day information						
1. Admissions	109	421	376	1,488	485	1,909
2. Patient days	633	1,886	1,844	8,004	2,477	9,890
3. Discharges	111	433	396	1,512	507	1,945
4. Discharge days	625	1,949	1,935	8,214	2,560	10,163
5. Average length of stay	5.63	4.50	4.89	5.43	5.05	5.23

**STATE OF ARIZONA
DEPARTMENT OF ECONOMIC SECURITY
DIVISION OF DEVELOPMENTAL DISABILITIES
ALTCS CONTRACT
Related Party Transactions
Year Ended June 30, 2001**

<u>Related Party and Relationship</u>	<u>Service Provided</u>	<u>Description of Transactions or Payment Terms Agreement</u>	<u>Amount</u>
Department of Economic Security, Division of Developmental Disabilities, Intermediate Care Facility/Mentally Retarded, State Facilities	Health and rehabilitative services and administrative costs	Allocated by Title XIX case management time reporting and member days count	\$ 6,837,027
Department of Economic Security, Division of Developmental Disabilities, State-Operated Group Homes, State Facilities	Health and rehabilitative services and administrative costs	Allocated by Title XIX case management time reporting and member days count	3,722,878
Department of Economic Security, Division of Developmental Disabilities, Targeted Case Management	HCBS and institutional services	Additional funds provided for authorized Title XIX services	1,250,000
Department of Economic Security, all other divisions	Administrative and fiscal services	Allocated departmental overhead costs	24,646,494

**STATE OF ARIZONA
DEPARTMENT OF ECONOMIC SECURITY
DIVISION OF DEVELOPMENTAL DISABILITIES
ALTCS CONTRACT
Lag Report for Institutional Care Payments
Year Ended June 30, 2001**

Quarter Service Provided

Quarter of Payment (1)	Current	1 st Prior	2 nd Prior	3 rd Prior	4 th Prior	5 th Prior	6 th Prior	7 th Prior	Total
Current	\$1,323,751	\$ 953,703	\$ 75,845	\$ 25,008	\$ 7,367	\$ 1,260			\$ 2,386,934
1 st Prior		1,186,554	981,690	62,852	6,692				2,237,788
2 nd Prior			1,175,676	771,186	27,880	927	\$ 2,576	\$ 123	1,978,368
3 rd Prior				1,148,470	626,309	56,592	5,855	2,558	1,839,784
4 th Prior					1,136,526	689,939	12,153	550	1,839,168
5 th Prior						1,129,816	695,050	35,253	1,860,119
6 th Prior							1,159,518	643,426	1,802,944
7 th Prior								1,233,537	1,233,537
Total	<u>\$1,323,751</u>	<u>\$2,140,257</u>	<u>\$2,233,211</u>	<u>\$2,007,516</u>	<u>\$1,804,774</u>	<u>\$1,878,534</u>	<u>\$1,875,152</u>	<u>\$1,915,447</u>	<u>\$15,178,642</u>
Total current year expense reported									\$15,129,286
Expense through 3 rd prior (1)									7,704,735
Adjustment (2)									(6,307,036)
Remaining liability									1,117,515

(1) Expense represents the Arizona Social Services and Information Statistical Tracking System's (ASSISTS) expenditures paid through the 3rd prior quarter of payment and service provided.

(2) Adjustment represents the Financial Management Cost System's Intermediate Care Facility—Mentally Retarded expenditures, net non-ASSISTS expenditure corrections.

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Lag Report for Home- and Community-Based Services Payments
Year Ended June 30, 2001**

Quarter Service Provided

<u>Quarter of Payment</u>	<u>Current</u>	<u>1st Prior</u>	<u>2nd Prior</u>	<u>3rd Prior</u>	<u>4th Prior</u>	<u>5th Prior</u>	<u>6th Prior</u>	<u>7th Prior</u>	<u>Total</u>
Current	\$36,828,617	\$20,676,822	\$ 949,494	\$ 292,852	\$ 269,892	\$ 124,567	\$ 78,568	\$ 55,833	\$ 59,276,645
1 st Prior		33,649,383	19,737,631	629,209	383,722	108,540	38,673	18,582	54,565,740
2 nd Prior			33,923,997	18,732,467	851,645	330,503	161,336	131,562	54,131,510
3 rd Prior				35,721,343	18,127,594	586,515	172,215	122,560	54,730,227
4 th Prior					34,353,074	18,118,861	574,191	303,226	53,349,352
5 th Prior						32,238,328	17,351,008	840,639	50,429,975
6 th Prior							32,191,748	17,745,837	49,937,585
7 th Prior								<u>32,085,487</u>	<u>32,085,487</u>
Total	<u>\$36,828,617</u>	<u>\$54,326,205</u>	<u>\$54,611,122</u>	<u>\$55,375,871</u>	<u>\$53,985,927</u>	<u>\$51,507,314</u>	<u>\$50,567,739</u>	<u>\$51,303,726</u>	<u>\$408,506,521</u>
Total current year expense reported									\$217,495,124
Expense through 3 rd prior (1)									201,141,815
Adjustment (2)									9,190,454
Remaining liability									25,543,763

(1) Expense represents the Arizona Social Services and Information Statistical Tracking System's (ASSISTS) expenditures paid through the 3rd prior quarter of payment and service provided.

(2) Adjustment represents the Financial Management Cost System's Home- and Community-Based Services and State Operated Group Home expenditures.

**STATE OF ARIZONA
DEPARTMENT OF ECONOMIC SECURITY
DIVISION OF DEVELOPMENTAL DISABILITIES
ALTCS CONTRACT
Listing of Plan Officers and Directors
Year Ended June 30, 2001**

<u>Name</u>	<u>Title</u>	<u>Other Relationship to Division</u>	<u>Type of Compensation</u>
Barber, Ron	Division of Developmental Disabilities, District II, Program Administrator	None	Salary
Buse, Bob	Division of Business and Technology Services, Acting Assistant Director	Related Party	(1)
Clayton, John	Department of Economic Security, Director	Related Party	(1)
Coulson, Louette	Division of Developmental Disabilities, Managed Care Program Administrator	None	Salary
Harmon, Robert	Superintendent, Arizona Training Program at Coolidge	None	Salary
Klaehn, Robert	Division of Developmental Disabilities, Medical Director	None	Salary
Koppelman, Michael	Department of Economic Security, Associate Director	Related Party	(1)
Laux, Patty	Division of Developmental Disabilities, District III, Program Manager	None	Salary
Lensch, Brian	Division of Developmental Disabilities, Deputy Assistant Director	None	Salary
Matzinger, Karl	Division of Business and Finance, Assistant Director	Related Party	(1)
Nelson, Laura	Division of Developmental Disabilities, Medical Director	None	Salary

(Continued)

**STATE OF ARIZONA
DEPARTMENT OF ECONOMIC SECURITY
DIVISION OF DEVELOPMENTAL DISABILITIES
ALTCS CONTRACT
Listing of Plan Officers and Directors
Year Ended June 30, 2001
(Continued)**

<u>Name</u>	<u>Title</u>	<u>Other Relationship to Division</u>	<u>Type of Compensation</u>
Rapoport, Ed	Division of Developmental Disabilities, Business Operations Administrator	None	Salary
Sikkema, Tim	Division of Developmental Disabilities, District VI, Community Program Administrator	None	Salary
Wagemann, Dianne	Division of Developmental Disabilities, District I, Program Administrator	None	Salary
Zaharia, Ric	Division of Developmental Disabilities, Assistant Director	None	Salary
Zepf, Laurie	Division of Developmental Disabilities, District IV, Program Manager	None	Salary

(1) Compensation is paid by other divisions of the Department of Economic Security.