



A REPORT
TO THE
ARIZONA LEGISLATURE

Financial Audit Division

Financial Statement Audit

Department of Economic Security

Division of Developmental
Disabilities ALTCS Contract
Year Ended June 30, 2008



Debra K. Davenport
Auditor General

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Department of Economic Security
Division of Developmental Disabilities
ALTCS Contract
Report on Audit of Financial Statements
Year Ended June 30, 2008

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

DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

WILLIAM THOMSON
DEPUTY AUDITOR GENERAL

Independent Auditors' Report

Members of the Arizona State Legislature

Tracy Wareing, 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, Arizona Long-Term Care System ALTCS Contract (ALTCS Contract), as of and for the year ended June 30, 2008, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the 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. 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 ALTCS Contract's financial statements are intended to present the financial position and the changes in financial position of only that portion of the governmental activities and major fund of the State of Arizona that is attributable to the transactions of the ALTCS Contract. They do not purport to, and do not, present fairly the financial position of the State of Arizona as of June 30, 2008, and the changes in its financial position, for the year then ended in conformity with U.S. generally accepted accounting principles.

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, 2008, and the changes in financial position thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the financial statements of the ALTCS Contract. The accompanying supplementary schedules listed in the table of contents are presented for purposes of additional analysis and are not required parts 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 stated in all material respects in relation to the financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2008, on our consideration of the ALTCS Contract's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Debbie Davenport
Auditor General

December 2, 2008

Department of Economic Security
 Division of Developmental Disabilities
 ALTCS Contract
 Balance Sheet—Special Revenue Fund
 June 30, 2008

Assets	
Cash and investments held by the State Treasurer	\$40,120,401
Due from other state funds	18,773,853
Due from providers	<u>5,589,742</u>
Total assets	<u>\$64,483,996</u>
Liabilities and Fund Balance	
Liabilities:	
Accrued administrative and payroll costs	\$ 3,972,474
Accrued medical and healthcare claims	63,444,277
Due to other state funds	<u>467,583</u>
Total liabilities	<u>67,884,334</u>
Fund balance:	
Fund deficit	<u>(3,400,338)</u>
Total liabilities and fund balance	<u>\$64,483,996</u>

See accompanying notes to financial statements.

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, 2008

Revenues:	
Capitation	\$835,199,918
Ventilator dependent	7,891,861
Fee for service	204,329
Investment earnings	<u>2,694,791</u>
Total revenues	<u>845,990,899</u>
Expenditures:	
Health and welfare:	
Aid to individuals	729,250,638
Allocated administrative expenditures	31,694,872
Case management	38,090,315
Professional and outside services	7,349,087
Premium tax	<u>17,227,745</u>
Total expenditures	<u>823,612,657</u>
Excess of revenues over expenditures	22,378,242
Other financing uses:	
Transfers to State General Fund	<u>(25,000,000)</u>
Net change in fund balance	(2,621,758)
Fund deficit, July 1, 2007	<u>(778,580)</u>
Fund deficit, June 30, 2008	<u>\$ (3,400,338)</u>

See accompanying notes to financial statements.

Department of Economic Security
Division of Developmental Disabilities
ALTCS Contract
Notes to Financial Statements
June 30, 2008

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Department of Economic Security (Department), Division of Developmental Disabilities (Division), Arizona Long-Term Care System ALTCS Contract (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 ALTCS Contract includes only that portion of the State's general fund that is attributable to the ALTCS Contract's transactions. The Division is responsible for administering the ALTCS Contract. Fiscal responsibility for the Division remains with the Department and, ultimately, with the State. The Division is a contractor with the Arizona Health Care Cost Containment System (AHCCCS) to provide medical and healthcare services to eligible enrollees of the AHCCCS Arizona Long-Term Care System (ALTCS) program for the developmentally disabled. This program provides in-patient and out-patient 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 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 balance, revenues, and expenditures.

The ALTCS Contract's financial transactions are reported 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 State's General Fund at the combined state-wide level.

Department of Economic Security
Division of Developmental Disabilities
ALTCS Contract
Notes to Financial Statements
June 30, 2008

C. Basis of Accounting

The ALTCS Contract financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when they become both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Division considers capitation revenues to be available if they are received within 90 days of the end of the current fiscal period, and considers all other revenues to be available if they are collected within 30 days of the end of the current fiscal period. All ALTCS Contract revenue sources are susceptible to accrual. Expenditures are recognized when the related fund liability is incurred.

D. Investment Earnings

Investment earnings is composed of interest earned on the ALTCS Contract's portion of monies deposited with the State Treasurer.

E. Incurred But Not Recorded (IBNR) Methodology

The liability and expenditures reported for IBNR medical claims are estimated using lag data provided by the Division's information systems, with adjustments as necessary for events that are outside the lag patterns. Amounts are based on historical expenditure patterns.

Note 2 - Cash and Investments Held by the State Treasurer

Arizona Revised Statutes (A.R.S.) requires state agencies' monies to be deposited with the State Treasurer, and further requires those deposits to be invested in various pooled funds. Cash and investments held by the State Treasurer represent the ALTCS Contract's portion of those monies. The State Treasurer invests idle monies of the state agencies in an internal investment pool (Pool 3) and distributes interest to the participants. Interest earned from these invested monies is allocated monthly based on the accounts average daily balance. Participant shares in the pool are purchased and sold based on the net asset value of the shares, and a participant's portion of the pool is not identified with specific investments. Accordingly, the ALTCS Contract's portion of these deposits and investments is reported at fair value, which approximates the value of the ALTCS Contract's pool shares.

The State Treasurer's internal investment pool 3 is not required to be registered and is not registered with the Securities and Exchange Commission under the Investment Company Act of 1940. The activities and performance of the pool is reviewed monthly by the State Board of Investment in accordance with A.R.S. §35-311.

Department of Economic Security
 Division of Developmental Disabilities
 ALTCS Contract
 Notes to Financial Statements
 June 30, 2008

At June 30, 2008, the ALTCS Contract's deposits with the State Treasurer were as follows:

	Amount
State Treasurer's investment pool 3	\$ 1,799,929
Cash deposits (projected liquidity needs)	<u>38,320,472</u>
	<u>\$40,120,401</u>

Credit Risk—Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. The State Treasurer's investment pool 3 is unrated.

Interest Rate Risk—Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As of June 30, 2008, the State Treasurer's weighted average to maturity of its pool 3 investments is .8 years.

Note 3 - Due from Other State Funds

Amounts due from other state funds at June 30, 2008, include \$125,341 of interest earned, \$18,542,995 of capitation receivables due from AHCCCS, and \$105,517 due from the Department of Economic Securities' General Fund for share of costs.

Note 4 - Due from Providers

The amount due from providers is \$5,589,742. Of that amount, \$3,296,968 resulted from overpayments made by the medical and long-term care service claims processing system implemented in February 2006. The remaining \$2,292,774 resulted from a health plan overbilling a reinsurance claim and the subsequent payment of that claim by the Division.

Note 5 - Accrued Medical and Healthcare Claims

Accrued medical and healthcare claims totaling \$63,444,277 include reported but unpaid claims (RBUC) of \$667,326 and estimated incurred but not reported (IBNR) medical claims of \$62,776,951. The RBUCs are identified for medical services only. The automated claims payment system for the other types of services does not have the capability to identify RBUCs. Therefore, the RBUCs for these services have been reported as IBNR medical claims.

Department of Economic Security
 Division of Developmental Disabilities
 ALTCS Contract
 Notes to Financial Statements
 June 30, 2008

Note 6 - Fund Deficit

The fund balance deficit at June 30, 2008, was \$3,400,338. For the fiscal year ended June 30, 2008, the Division estimated a shortfall of \$20.0 million and requested and received a supplemental appropriation of \$45 million that was reported as capitation revenue. However, pursuant to Laws 2008, Chapter 53, Section 13, the Division was required to transfer \$25 million from its long-term care system fund to the State General Fund during fiscal year 2007-2008. Deficits have occurred because annual appropriations have not fully funded the actuarially-determined capitation rate, and the entitlement nature of this program prevents the Division from arbitrarily reducing services to individuals with development disabilities. The deficit is expected to be corrected in future years as a result of legislative appropriations.

Note 7 - Acute Care Reinsurance

During the year ended June 30, 2008, the Division received reimbursements totaling \$4,866,890 from AHCCCS for acute care reinsurance expenditures for claims for enrollees incurred in prior fiscal years. These reimbursements are recorded as a reduction of aid to individuals expenditures.

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 \$6,933,054 to the health plans during the year ended June 30, 2008, and had IBNR claims of \$664,390 for total acute care reinsurance expenditures of \$7,597,444, which has been included in aid to individuals expenditures.

Note 8 - Aid to Individuals Expenditures

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

Institutional care:	
Skilled nursing	\$ 3,102,828
Institutional care class 4	8,277,476
Intermediate (mentally retarded)	14,533,284
Institutional care IBNR	<u>1,494,016</u>
Total institutional care	<u>27,407,604</u>

Department of Economic Security
Division of Developmental Disabilities
ALTCS Contract
Notes to Financial Statements
June 30, 2008

Home- and community-based services (HCBS):	
State-operated group home	\$ 7,146,956
Vendor-operated group home	210,486,992
Adult developmental home	25,948,027
Home-based services	285,364,361
HCBS IBNR	<u>58,049,160</u>
Total HCBS	<u>586,995,496</u>
Acute care:	
Acute care	92,499,075
Acute care RBUC	604,624
Acute care IBNR	2,099,484
Reinsurance	6,933,054
Reinsurance IBNR	664,390
Fee for service	3,033,502
Reinsurance reimbursement	<u>(4,866,890)</u>
Total acute care	<u>100,967,239</u>
Other:	
Ventilator dependent (including nonacute and acute care)	13,347,696
Other RBUC (ventilator dependent acute care)	62,702
Other IBNR (ventilator dependent nonacute and acute care)	<u>469,901</u>
Total other	<u>13,880,299</u>
Total aid to individuals expenditures	<u>\$729,250,638</u>

During the year ended June 30, 2008, the ALTCS Contract recorded allocated charges of \$26,391,376 as expenditures for direct care services including administrative costs provided to clients by the Division. The expenditures were charged to the ALTCS Contract as aid to individuals expenditures based on a federally approved cost allocation plan.

Note 9 - Allocated Administrative Expenditures

During the year ended June 30, 2008, the ALTCS Contract recorded allocated administrative charges of \$31,694,872 as expenditures for its share of services provided by the Department.

Note 10 - Premium Tax

A.R.S. §§36-2905 and 36-2944.01 require AHCCCS to pay a 2 percent premium tax on all capitation and other reimbursements paid to the ALTCS Contract. These premium taxes are included in capitation revenue when received from AHCCCS and are reported as expenditures when remitted to the Arizona Department of Insurance.

Department of Economic Security
Division of Developmental Disabilities
ALTCS Contract
Notes to Financial Statements
June 30, 2008

Note 11 - Transfers

Pursuant to Laws 2008, Chapter 53, Section 13, the Division was required to transfer \$25 million to the State General Fund during the year ended June 30, 2008.

Note 12 - Commitments and Contingencies

The State has the ultimate fiscal responsibility for the ALTCS Contract. Accordingly, any claims requiring additional resources require the 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 is low that valid claims will be asserted and claim amounts cannot reasonably be estimated.

Note 13 - 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 division management's opinion, 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 the State's unsettled claims and actions are determined on an actuarial basis and are included in the *State of Arizona Comprehensive Annual Financial Report*.

Note 14 - Related Party Transactions

During the year ended June 30, 2008, the ALTCS Contract reimbursed the Division for \$26,391,376 of health and rehabilitative services including administrative costs provided to enrollees, other department divisions for \$31,694,872 of administrative and fiscal services, and the Arizona Department of Insurance for \$17,227,745 of premium taxes due.

Supplementary Schedules

Department of Economic Security
Division of Developmental Disabilities
ALTCS Contract
Medical Claims Payable (RBUCs and IBNRs)
June 30, 2008

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						\$ 1,494,016	\$ 1,494,016
HCBS						58,049,160	58,049,160
Acute care	\$137,686	\$373,141	\$47,259	\$46,538	\$604,624	2,763,874	3,368,498
Other medical (2)	<u>47,755</u>	<u>8,117</u>	<u>3,330</u>	<u>3,500</u>	<u>62,702</u>	<u>469,901</u>	<u>532,603</u>
Total claims payable	<u>\$185,441</u>	<u>\$381,258</u>	<u>\$50,589</u>	<u>\$50,038</u>	<u>\$667,326</u>	<u>\$62,776,951</u>	<u>\$63,444,277</u>

(1) The RBUCs amount represents claims received but not paid by the Division as of June 30, 2008. The remaining estimated medical claims payable are considered incurred but not reported (IBNR) claims.

(2) "Other medical" represents ventilator-dependent payables.

Department of Economic Security
Division of Developmental Disabilities
ALTCS Contract
Lag Report for Institutional Care Payments
Year Ended June 30, 2008

Quarter in Which 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>Total</u>
Current	\$5,497,259	\$1,171,408	\$ 38,409	\$ 35,634	\$ 11,625	\$ 5,939	\$ 459	\$ 6,760,733
1 st Prior		5,934,275	1,342,073	86,137	38,504	8,073	6,915	7,415,977
2 nd Prior			5,710,700	1,302,906	247,668	107,943	35,317	7,404,534
3 rd Prior				5,535,416	886,332	33,739	41,310	6,496,797
4 th Prior					4,929,882	1,074,403	76,098	6,080,383
5 th Prior						5,376,791	1,280,814	6,657,605
6 th Prior							<u>4,967,790</u>	<u>4,967,790</u>
Total	<u>5,497,259</u>	<u>7,105,683</u>	<u>7,091,182</u>	<u>6,960,093</u>	<u>6,114,011</u>	<u>6,606,888</u>	<u>6,408,703</u>	<u>45,783,819</u>
Expenses reported	6,772,435	7,343,552	6,498,727	6,521,324	6,077,733	6,784,523	5,555,395	45,553,689
Adjustment		(106,565)	643,226	475,534	36,278	(177,635)	853,308	1,724,146
Remaining liability	<u>\$1,275,176</u>	<u>\$ 131,304</u>	<u>\$ 50,771</u>	<u>\$ 36,765</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 1,494,016</u>

Department of Economic Security
Division of Developmental Disabilities
ALTCS Contract
Lag Report for Home- and Community-Based Services Payments
Year Ended June 30, 2008

Quarter in Which 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>Total</u>
Current	\$ 97,406,553	\$ 52,777,442	\$ 959,199	\$ 541,395	\$ 499,303	\$ 335,434	\$ 258,591	\$152,777,917
1 st Prior		93,681,241	49,975,716	1,327,493	1,290,014	929,089	589,650	147,793,203
2 nd Prior			94,944,766	51,363,196	3,638,055	863,273	384,434	151,193,724
3 rd Prior				93,257,663	47,264,763	1,451,900	394,746	142,369,072
4 th Prior					86,945,255	48,329,777	2,519,441	137,794,473
5 th Prior						80,975,754	45,691,518	126,667,272
6 th Prior							<u>80,895,622</u>	<u>80,895,622</u>
Total	<u>97,406,553</u>	<u>146,458,683</u>	<u>145,879,681</u>	<u>146,489,747</u>	<u>139,637,390</u>	<u>132,885,227</u>	<u>130,734,002</u>	<u>939,491,283</u>
Expenses reported	158,656,545	146,887,405	140,539,314	140,680,245	128,361,037	129,628,318	126,671,750	971,424,614
Adjustment	<u>(6,788,405)</u>	<u>2,018,492</u>	<u>6,095,647</u>	<u>6,194,581</u>	<u>11,276,353</u>	<u>3,256,909</u>	<u>4,062,252</u>	<u>26,115,829</u>
Remaining liability	<u>\$ 54,461,587</u>	<u>\$ 2,447,214</u>	<u>\$ 755,280</u>	<u>\$ 385,079</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 58,049,160</u>

Department of Economic Security
Division of Developmental Disabilities
ALTCS Contract
Lag Report for Acute Care Payments
Year Ended June 30, 2008

Quarter in Which Service Provided

Quarter of Payment	<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>Total</u>
Current	\$23,279,738	\$ 602,158	\$ 135,195	\$ 50,221	\$ 26,682	\$ 18,741	\$ 6,481	\$ 24,119,216
1 st Prior		22,590,275	506,931	74,253	367,813	104,372	28,583	23,672,227
2 nd Prior			22,513,414	503,753	54,936	12,591	6,491	23,091,185
3 rd Prior				20,164,261	258,997	96,917	33,413	20,553,588
4 th Prior					19,954,731	571,777	297,523	20,824,031
5 th Prior						19,627,945	417,922	20,045,867
6 th Prior							19,127,715	19,127,715
Total	<u>23,279,738</u>	<u>23,192,433</u>	<u>23,155,540</u>	<u>20,792,488</u>	<u>20,663,159</u>	<u>20,432,343</u>	<u>19,918,128</u>	<u>151,433,829</u>
Expenses reported	28,977,922	29,615,885	26,044,481	21,195,840	24,729,913	23,400,969	20,964,422	174,929,432
Adjustment	<u>(4,666,570)</u>	<u>(5,278,279)</u>	<u>(2,293,086)</u>	<u>192,504</u>	<u>(4,066,754)</u>	<u>(2,968,626)</u>	<u>(1,046,294)</u>	<u>(20,127,105)</u>
Remaining liability	<u>\$ 1,031,614</u>	<u>\$ 1,145,173</u>	<u>\$ 595,855</u>	<u>\$ 595,856</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 3,368,498</u>

Department of Economic Security
Division of Developmental Disabilities
ALTCS Contract
Lag Report for Other Medical Payments
Year Ended June 30, 2008

Quarter in Which 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>Total</u>
Current	\$2,525,935	\$ 1,093,045	\$ 19,819	\$ 26,557	\$ 2,939	\$ 9,262	\$ 713	\$ 3,678,270
1 st Prior		2,430,745	929,270	94,533	21,958	28,159	6,387	3,511,052
2 nd Prior			1,954,339	1,745,924	9,680	5,865	5,946	3,721,754
3 rd Prior				3,696,293	60,370	2,856	44	3,759,563
4 th Prior					2,045,510	655,170	92,070	2,792,750
5 th Prior						1,057,141	1,451,423	2,508,564
6 th Prior							2,439,690	2,439,690
Total	<u>2,525,935</u>	<u>3,523,790</u>	<u>2,903,428</u>	<u>5,563,307</u>	<u>2,140,457</u>	<u>1,758,453</u>	<u>3,996,273</u>	<u>22,411,643</u>
Expenses reported	3,819,130	2,307,750	3,772,180	3,981,238	3,475,204	3,989,121	4,845,333	26,189,956
Adjustment	<u>(858,072)</u>	<u>1,266,530</u>	<u>(840,558)</u>	<u>1,600,865</u>	<u>(1,334,747)</u>	<u>(2,230,668)</u>	<u>(849,060)</u>	<u>(3,245,710)</u>
Remaining liability	<u>\$ 435,123</u>	<u>\$ 50,490</u>	<u>\$ 28,194</u>	<u>\$ 18,796</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 532,603</u>

Department of Economic Security
 Division of Developmental Disabilities
 ALTCS Contract
 Analysis of Profitability by Major Rate Code Classification
 Year Ended June 30, 2008
 (Continued)

	Medicare	Non-Medicare	Total
Administrative expenditures:			
Allocated administrative expenditures	\$ 4,774,860	\$ 26,920,012	\$ 31,694,872
Case management	5,738,339	32,351,976	38,090,315
Professional and outside services	1,107,146	6,241,941	7,349,087
Premium tax	<u>2,595,375</u>	<u>14,632,370</u>	<u>17,227,745</u>
Total administrative expenditures	<u>14,215,720</u>	<u>80,146,299</u>	<u>94,362,019</u>
Transfers out	<u>3,766,271</u>	<u>21,233,729</u>	<u>25,000,000</u>
Total expenditures	<u>124,045,022</u>	<u>724,567,635</u>	<u>848,612,657</u>
Gain (loss) from operations	<u>\$ (36,627,384)</u>	<u>\$ 34,005,626</u>	<u>\$ (2,621,758)</u>

Department of Economic Security
Division of Developmental Disabilities
ALTCS Contract
Utilization Data Report
Year Ended June 30, 2008

	<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	3,455		16,949		20,404	
B. Member months (unduplicated)	10,379	35,553	49,985	200,443	60,364	235,996
Institutional total	456	1,495	262	1,474	718	2,969
1. Level 2	122	453	77	372	199	825
2. Level 3	334	1,042	185	1,102	519	2,144
Home- and community-based services total	9,923	34,058	49,723	198,969	59,646	233,027
1. Group Home (DD)	3,615	12,323	3,834	17,670	7,449	29,993
2. Individual Home	4,843	17,214	37,603	148,946	42,446	166,160
3. Assisted Living Centers						
4. Other Adult Development Homes	940	2,577	988	3,383	1,928	5,960
5. Other Case Management Only	525	1,944	7,298	28,970	7,823	30,914
C. Ventilator dependent	21	64	345	1,353	366	1,417
D. Acute patient day information						
1. Admissions	15	42	280	597	295	639
2. Patient days	91	193	1,095	2,167	1,186	2,360
3. Discharges	15	42	280	597	295	639
4. Discharge days	91	193	1,095	2,167	1,186	2,360
5. Average length of stay	6.07	4.60	3.91	3.63	4.02	3.69

Department of Economic Security
Division of Developmental Disabilities
ALTCS Contract
Related Party Transactions
Year Ended June 30, 2008

<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	\$14,379,227
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	12,012,149
Department of Economic Security, all other divisions	Administrative and fiscal services	Allocated departmental overhead costs	31,694,872
Department of Insurance	Compliance with Arizona Revised Statutes §§36-2905 and 36-2944.01	Premium tax payments	17,227,745