



2010

Pima Health System and Services
Enterprise fund

Pima County, Arizona
For the Fiscal Year Ended June 30, 2010

PIMA COUNTY, ARIZONA
Pima Health System and Services - Enterprise Fund
Report on Audit of Financial Statements
For the Year Ended June 30, 2010

PIMA COUNTY, ARIZONA
Pima Health System and Services - Enterprise Fund
Report on Audit of Financial Statements
and Additional Information
June 30, 2010

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DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

Independent Auditors' Report

Members of the Arizona State Legislature

The Board of Supervisors of Pima County, Arizona

We have audited the accompanying financial statements of the Pima Health System and Services Enterprise Fund of Pima County as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the Pima Health System and Services Enterprise Fund's 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 Pima Health System and Services Enterprise Fund's financial statements are intended to present the financial position, and the changes in financial position and cash flows, of only that portion of the business-type activities and major fund of Pima County that is attributable to the Pima Health System and Services Enterprise Fund. They do not purport to, and do not, present fairly the financial position of Pima County as of June 30, 2010, and the changes in its financial position, or, where applicable, its cash flows 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 Pima Health System and Services Enterprise Fund as of June 30, 2010, and the changes in its financial position and its cash flows, 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 Pima Health System and Services Enterprise Fund. The accompanying financial information listed as additional information and Arizona Health Care Cost Containment System contracts 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 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 October 25, 2010, on our consideration of the Pima Health System and Services Enterprise Fund'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

October 25, 2010

FINANCIAL STATEMENTS

PIMA COUNTY, ARIZONA
Pima Health System and Services - Enterprise Fund
Statement of Net Assets
June 30, 2010

Assets

Current assets:

| | | |
|---------------------------|----|-------------------|
| Cash and cash equivalents | \$ | 35,325,598 |
| Receivables: | | |
| Accounts, net | | 426,459 |
| Reinsurance claims | | 3,725,384 |
| Grants | | 722,239 |
| Interest | | 41,592 |
| Due from: | | |
| Medicare | | 139,682 |
| Other Pima County funds | | 9,838 |
| Inventory of supplies | | 81,132 |
| Prepaid expenses | | <u>236,328</u> |
| Total current assets | | <u>40,708,252</u> |

Noncurrent assets:

| | | |
|---------------------------|----|-------------------|
| Capital assets: | | |
| Leasehold improvements | | 900,824 |
| Machinery and equipment | | 1,041,019 |
| Intangible | | 381,100 |
| Accumulated depreciation: | | |
| Leasehold improvements | | (657,989) |
| Machinery and equipment | | (851,922) |
| Intangible | | <u>(95,275)</u> |
| Capital assets, net | | <u>717,757</u> |
| Total assets | \$ | <u>41,426,009</u> |

Liabilities

Current liabilities:

| | | |
|--|----|-------------------|
| Accounts payable and accrued liabilities | \$ | 414,396 |
| Accrued medical and health care claims | | 20,173,275 |
| Accrued employee compensation | | 2,270,917 |
| Interest payable | | 1,951 |
| Deferred revenue | | 11,054 |
| Due to: | | |
| Other Pima County funds | | 842,786 |
| Other governments | | <u>1,565,389</u> |
| Total liabilities | | <u>25,279,768</u> |

Net Assets

| | | |
|----------------------------|----|--------------------------|
| Invested in capital assets | | 717,757 |
| Restricted for health care | | 15,942,886 |
| Unrestricted (deficit) | | <u>(514,402)</u> |
| Total net assets | \$ | <u><u>16,146,241</u></u> |

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Pima Health System and Services - Enterprise Fund
Statement of Revenues, Expenses and Changes in Net Assets
Year Ended June 30, 2010

| | |
|--|-----------------------------|
| Operating revenues: | |
| Capitation | \$ 194,573,340 |
| Reinsurance claims | 8,493,466 |
| Charges for services | 2,108,835 |
| Other | <u>2,655,531</u> |
| Total operating revenues | <u>207,831,172</u> |
| Operating expenses: | |
| Medical and health care | 181,306,470 |
| Case management (contracted and salaried) | 7,621,949 |
| General, fiscal, and administrative services | 4,430,707 |
| Depreciation | 243,752 |
| Other | <u>7,066,011</u> |
| Total operating expenses | <u>200,668,889</u> |
| Operating income | <u>7,162,283</u> |
| Nonoperating revenues (expenses): | |
| Grant revenue | 4,358,043 |
| Interest income | 506,182 |
| Interest expense | (13,855) |
| Premium tax | (4,117,238) |
| Gain on sale of capital assets | <u>1,338</u> |
| Total nonoperating revenues | <u>734,470</u> |
| Income before transfer | 7,896,753 |
| Transfer out to Pima County General Fund | <u>(1,000,000)</u> |
| Increase in net assets | 6,896,753 |
| Net assets, July 1, 2009 | <u>9,249,488</u> |
| Net assets, June 30, 2010 | <u><u>\$ 16,146,241</u></u> |

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Pima Health System and Services - Enterprise Fund
Statement of Cash Flows
Year Ended June 30, 2010

Cash flows from operating activities:

| | |
|--|-------------------|
| Cash receipts from: | |
| Contractors, patients and other payors | \$ 206,552,441 |
| Other Pima County funds for goods and services | 160,631 |
| Miscellaneous operations | 2,655,531 |
| Cash payments to: | |
| Providers for health care services | (164,858,699) |
| Employees for services | (28,572,735) |
| Other Pima County funds for goods and services | (5,453,043) |
| Net cash provided by operating activities | <u>10,484,126</u> |

Cash flows from noncapital financing activities:

| | |
|---|------------------|
| Cash transfer out to Pima County General Fund | (1,000,000) |
| Loans with other Pima County funds | (169,739) |
| Interest paid on short-term credit | (14,628) |
| Grant receipts | 4,532,780 |
| Premium tax payments | (4,117,238) |
| Net cash used for noncapital financing activities | <u>(768,825)</u> |

Cash flows from capital and related financing activities:

| | |
|--|------------------|
| Proceeds from sale of capital assets | 1,338 |
| Purchase of capital assets | (206,948) |
| Net cash used for capital and related financing activities | <u>(205,610)</u> |

Cash flow from investing activities:

| | |
|---|----------------|
| Interest received on cash and investments | 581,444 |
| Net cash provided by investing activities | <u>581,444</u> |

Net increase in cash and cash equivalents 10,091,135

Cash and cash equivalents, July 1, 2009 25,234,463

Cash and cash equivalents, June 30, 2010 \$ 35,325,598

(continued)

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Pima Health System and Services - Enterprise Fund
Statement of Cash Flows
Year Ended June 30, 2010

(continued)

**Reconciliation of operating income to net cash
provided by operating activities:**

| | | |
|---|----|-------------|
| Operating income | \$ | 7,162,283 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | |
| Depreciation | | 243,752 |
| Decrease (increase) in assets | | |
| Accounts receivable | | 1,013,482 |
| Reinsurance claims receivable | | 2,589,175 |
| Due from Medicare | | 2,726 |
| Inventory of supplies | | 8,211 |
| Prepaid expenses | | (225,092) |
| Increase (decrease) in liabilities | | |
| Accounts payable and accrued liabilities | | (262,630) |
| Accrued medical and health care claims | | 2,094,806 |
| Accrued employee compensation | | (74,635) |
| Due to other governments | | (2,078,052) |
| Deferred revenue | | 10,100 |
| Net cash provided by operating activities | \$ | 10,484,126 |

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Pima Health System and Services - Enterprise Fund
Notes to Financial Statements
June 30, 2010

Note 1 - Summary of Significant Accounting Policies

The accounting policies of Pima County (County) and its Pima Health System and Services Enterprise Fund (Fund) conform to U.S. generally accepted accounting principles (GAAP) applicable to governmental units as promulgated by the Governmental Accounting Standards Board (GASB) and the regulatory requirements of the State of Arizona. A summary of the County's significant accounting policies affecting the Fund follows.

During the year ended June 30, 2010, Pima County adopted early implementation of the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, however, GASB Statement No. 54 does not apply to the Fund.

A. Reporting Entity

The Fund is accounted for as an enterprise fund of Pima County, Arizona and the ultimate financial accountability for the Fund remains with Pima County. The Fund's management is responsible for overseeing the operations of Pima Health System (the AHCCCS contracts), Posada del Sol Nursing Home, the Grants and Community Services System, and other Pima County programs, whose activities are included in the accompanying financial statements.

The financial statements present only the Pima Health System and Services Enterprise Fund and are not intended to present the balances and activity of Pima County or its business-type activities and enterprise funds. The County and Pima Health System and Services is a contractor with the Arizona Health Care Cost Containment System (AHCCCS) to provide health care services to eligible enrollees of the AHCCCS Ambulatory and Arizona Long-Term Care System (ALTCS) programs. The Ambulatory program provides both inpatient and outpatient medical and nursing services to eligible enrollees of the Ambulatory program. The ALTCS 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 ALTCS program. The Fund also provides long-term care services to Posada del Sol Nursing Home residents who are primarily ALTCS enrollees. The Fund receives monthly premiums from AHCCCS for all eligible enrollees under the respective Ambulatory and ALTCS programs.

B. Fund Accounting

The Fund's accounts are maintained in accordance with the principles of fund accounting to ensure that limitations and restrictions on the Fund's available resources are observed. The principles of fund accounting require that the 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, net assets, revenues, and expenses.

The Fund's financial transactions are recorded and reported as an enterprise fund because its operations are financed and operated in a manner similar to private business enterprises. It is the intent of the Pima County Board of Supervisors that the costs (expenses including depreciation) of goods or services provided by the Fund on a continuing basis be financed or recovered primarily through contractual agreements and user charges.

C. Basis of Accounting

Basis of accounting relates to the timing of the measurements made, and determines when revenues and expenses are recognized in the accounts and reported in the financial statements. The financial statements of the Fund are reported using the economic resources measurement focus and are presented on the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows. When both restricted and unrestricted net assets are available to finance Fund expenses, restricted resources are used before unrestricted resources. Interfund transactions that would be treated as revenues or expenses if they involved parties external to the Fund are recorded in the appropriate revenue or expense accounts. Intrafund transactions within the Fund are eliminated for the financial statement presentation.

PIMA COUNTY, ARIZONA
Pima Health System and Services - Enterprise Fund
Notes to Financial Statements
June 30, 2010

Note 1 - Summary of Significant Accounting Policies (continued)

Unless they conflict with GASB pronouncements, the Fund follows Financial Accounting Standards Board Statements and Interpretations issued on or before November 30, 1989; Accounting Principles Board Opinions, and Accounting Research Bulletins. The Fund has chosen the option not to follow FASB statements and interpretations issued after November 30, 1989.

D. Basis of Presentation

The financial statements include a statement of net assets; a statement of revenues, expenses and changes in net assets; and a statement of cash flows. A statement of net assets provides information about the assets, liabilities, and net assets of the Fund at the end of the year. Assets and liabilities are classified as either current or noncurrent. Net assets are classified according to external restrictions or availability of assets to satisfy the Fund's obligations. Invested in capital assets, represents the cost of capital assets, net of accumulated depreciation. Restricted net assets represent grants, contracts, and other resources that have been externally restricted for specific purposes. Unrestricted net assets include all other net assets, including those that have been designated by management to be used for other than general operating purposes.

A statement of revenues, expenses and changes in fund net assets provides information about the Fund's financial activities during the year. Revenues and expenses are classified as either operating or nonoperating, and all changes in net assets are reported, including capital contributions and transfers. Operating revenues and expenses result from exchange transactions. Accordingly, capitation and other charges generated by the Fund for providing health care services are considered to be operating revenues. Other revenues used for health care, such as grants and interest earnings, are not generated from exchange transactions and are considered to be nonoperating revenues. Operating expenses include the costs of providing health care services, administrative expenses, and depreciation on capital assets. Other expenses, such as interest expense and AHCCCS premium taxes are considered to be nonoperating expenses.

A statement of cash flows provides information about the Fund's sources and uses of cash and cash equivalents during the year. Increases and decreases in cash and cash equivalents are classified as operating, noncapital financing, capital and related financing, or investing.

E. Capitation Receipts

The Fund receives from AHCCCS fixed capitation payments, generally in advance, based on certain rates for each AHCCCS member enrolled with the Fund. The Fund is required to provide all covered health care services to their members, regardless of the cost of care. If there are funds remaining, the Fund retains the funds as profit; if the costs are higher than the amount of capitation payments from AHCCCS, the Fund absorbs the loss. The Fund may recover certain losses for those cases eligible for reinsurance payments. Capitation premiums are recognized in accordance with the Fund's contract with AHCCCS.

Capitation is paid prospectively as well as for prior period coverage (PPC). The PPC period is from the first day of the month of application to the time of enrollment with a contracted health plan. The risk under PPC is shared by both the Fund and AHCCCS for the contract year ended September 30, 2010. AHCCCS reconciles the actual PPC medical costs to the PPC capitation paid during the year. The reconciliation limits the contractor's profits and losses to 2%. Except for Title XIX waiver members, effective October 1, 2002, the PPC rates were adjusted and the reconciliation of PPC costs was not performed for the contract year ended September 30, 2003. The PPC reconciliation was reinstated for the contract year ended September 30, 2004 and thereafter. At June 30, 2010, the Fund has \$260,694 of estimated settlement payments due to AHCCCS for the PPC reconciliation for contract years 2009 and 2010. The PPC 2008 contract year settlement closed during the fiscal year ending June 30, 2010. The accrued liability recorded in anticipation of this settlement (as of June 30, 2009) was in excess of the actual settlement by \$1,271,796. This excess accrued liability was eliminated and other operating revenue was increased in the accompanying Statement of Revenues, Expenses and Changes in Net Assets.

PIMA COUNTY, ARIZONA
Pima Health System and Services - Enterprise Fund
Notes to Financial Statements
June 30, 2010

Note 1 - Summary of Significant Accounting Policies (continued)

Additional capitation payments from AHCCCS include the Home and Community-Based Services (HCBS) Mix reconciliation. The HCBS Mix reconciliation is designed to limit the risk for both the Fund and AHCCCS of placement assumptions utilized in creating capitation rates. When computing capitation rates, AHCCCS assumes a certain percentage of members will be living in an HCBS setting as compared to a nursing facility. The accuracy of this assumption can materially affect the Fund's profitability. At June 30, 2010, the Fund has \$1,770,484 of estimated settlement payments due to AHCCCS for the HCBS Mix reconciliation for contract years 2009 and 2010.

F. Reinsurance Receipts

AHCCCS provides a stop-loss reinsurance program for the Fund for partial reimbursement of reinsurable covered medical services incurred for members with an acute medical condition. The program includes a deductible, which varies based on the Fund's enrollment and the eligibility category of the members. AHCCCS reimburses the Fund based on a coinsurance amount for reinsurable covered services incurred above the deductible.

The reinsurance program includes reinsurance reimbursement for covered organ transplantation. The reinsurance program also includes a special catastrophic reinsurance program which covers conditions such as certain traumatic brain injuries and certain blood related disorders. There is no deductible for catastrophic reinsurance cases and AHCCCS reimburses the Fund at a percentage of the Fund's paid amount, less the coinsurance amount, unless the costs are paid under a subcapitated arrangement. AHCCCS pays 85% (75% for traumatic brain injuries) of the Fund's paid amount up to \$650,000 and 100% thereafter for catastrophic reinsurance. Regular reinsurance provides partial reimbursement of reinsurance eligible covered services and AHCCCS will reimburse 75% of eligible costs above a certain deductible level. The deductible is the responsibility of the program contractor. For transplants, payment is limited to 85% of the AHCCCS contract amount for the transplant services rendered or 85% of the Fund's paid amount, whichever is lower.

Reinsurance claims receivable result from additional payments from the AHCCCS Administration to the Fund for certain enrollees whose qualifying medical expenses paid by the Fund during the year ended June 30, 2010, were in excess of specified deductible limits. Reinsurance claims receivables are stated at the amount management expects to collect. Management provides for probable uncollectible amounts through a charge to earnings and a credit to reinsurance claims receivable based on its assessment of the current status of individual balances. Balances which are still outstanding after management has used reasonable collection efforts are also written off through a charge to earnings and a credit to reinsurance claims receivable. Reinsurance claims receivable at June 30, 2010 are considered by management to be fully collectible and, accordingly, an allowance for doubtful accounts has not been provided.

G. Share of Costs

The Fund's members covered under the ALTCS program that do not meet certain eligibility criteria are required to pay for a portion of the care they receive. AHCCCS reduces the contracted capitation rate with the Fund by the estimated amount of participant shared costs. After contract year end, AHCCCS analyzes the amount that the Fund should have received from members for share of costs. If the Fund receives less money from the participants in payment of their share of the costs than AHCCCS anticipated, AHCCCS reimburses the Fund for the difference. The share of costs receivables are based on contract year which runs from October 1 to September 30. At June 30, 2010, the Fund had approximately \$736,140 due from AHCCCS related to share of costs. This amount is comprised of \$318,404 and \$417,736 due from AHCCCS for contract years 2009 and 2010 respectively. These amounts are netted with other accounts due to and from other governments, and are included in the overall amount due to other governments in the accompanying Statement of Net Assets.

Share of cost receivables are based on assumptions and estimates, and while management believes the receivable is reasonable, the ultimate share of cost payment for the 2009 through 2010 contract years may be less than or in excess of an amount estimated once AHCCCS completes the contract year reconciliations. Management provides for probable uncollectible amounts through a charge to earnings and a credit to the share of cost receivables based on its assessment

PIMA COUNTY, ARIZONA
Pima Health System and Services - Enterprise Fund
Notes to Financial Statements
June 30, 2010

Note 1 - Summary of Significant Accounting Policies (continued)

of the current status of individual balances. Balances which are still outstanding after management has used reasonable collection efforts are also written off through a charge to earnings and a credit to share of costs receivable. Share of costs receivable at June 30, 2010 are considered by management to be fully collectible and, accordingly, an allowance for doubtful accounts has not been provided.

H. Grant Revenues

Grants and assistance awards made on the basis of entitlement periods are recorded as grants receivable and revenues when entitlement occurs. Reimbursement grants are recorded as grants receivable and revenues as soon as all eligibility requirements have been met. Funding sources may, at their discretion, request reimbursement for expenses or return of funds, or both, if the Fund does not comply with the terms of the contract.

I. Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and cash and investments held by the Pima County Treasurer, in an investment pool. All investments are stated at fair value.

J. Accounts and Grants Receivable

Accounts receivable consist primarily of amounts due from third-party payers, providers for health care services provided to patients and recoupment from providers. Grants receivable consist primarily of amounts due directly from government agencies or passed through the Pima Council on Aging. These balances are stated at the amount management expects to collect. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual balances. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

At June 30, 2010, accounts receivable was net of an allowance for doubtful accounts of \$343,783. Grants receivable at June 30, 2010 are considered by management to be fully collectible and, accordingly, an allowance for doubtful accounts has not been provided.

K. Due to Other Governments

Due to other governments consists of amounts due to AHCCCS based on contractual agreement provisions of the Ambulatory and ALTCS programs. The largest component relates to the HCBS Mix reconciliation (see E).

L. Inventory of Supplies

Inventories consist of medical supplies and are recorded as assets when purchased and expensed when consumed. These inventories are stated at the lower of cost or market. Cost is determined using the first-in, first-out (FIFO) method.

M. Capital Assets

Purchased capital assets are capitalized at cost. Donated assets are capitalized at their estimated fair market value on the date received. The Fund capitalizes all land regardless of cost, buildings valued at \$100,000 and above and all machinery and equipment valued at \$5,000 and above. Depreciation of assets is charged as an expense against operations.

PIMA COUNTY, ARIZONA
Pima Health System and Services - Enterprise Fund
Notes to Financial Statements
June 30, 2010

Note 1 - Summary of Significant Accounting Policies (continued)

Assets are depreciated over their estimated useful lives using the straight-line method. The estimated useful lives are as follows:

| | |
|-------------------------|------------|
| Building improvements | 7-10 years |
| Machinery and equipment | 5-15 years |
| Intangibles | 5 years |

N. Medical and Health Care Claims Payable

The Fund is responsible for the cost of providing medical services on a fee-for-service basis to a majority of the health care service providers through which it contracts with the exception of three providers that have negotiated sub-capitation agreements. The Fund paid \$37,226 to these sub-capitated providers during fiscal year 2010.

In the accompanying financial statements, medical and health care claims expense includes claims paid, claims in process and pending, and the estimate made by management for incurred but not reported (IBNR) programmatic claims. These IBNR programmatic claims include charges by physicians, hospitals and other health care providers for services rendered to eligible members during the period for which claims have not yet been submitted.

The estimates for IBNR programmatic claims are developed using methods based upon historical data for payment patterns and other relevant factors. Such liabilities are necessarily based on assumptions and estimates, and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liability are continually reviewed, and adjustments are reflected in the period determined.

At June 30, 2010, medical and health care claims payable consists of estimates of \$18,137,905 in the ALTCS program, \$1,288,478 in the Ambulatory program and \$746,892 in the Grants and Community Service System.

O. Compensated Absences

Compensated absences consist of vacation leave and a calculated amount of sick leave earned by employees based on services already rendered.

Employees may accumulate up to 240 hours of vacation depending upon years of service, but any vacation hours in excess of the maximum amount that are unused at year-end are forfeited. Upon termination of employment, all unused and un-forfeited vacation benefits are paid to employees. Accordingly, vacation benefits are accrued as a liability in the financial statements.

Employees may accumulate up to 1,920 of sick hours. Generally, sick leave benefits provide for ordinary sick pay and are cumulative but are forfeited upon termination of employment. Sick leave benefits do not vest with employees; however, employees who are eligible to retire from County service into the Arizona State Retirement System, Public Safety Personnel Retirement Plan, or Corrections Officer Retirement Plan may request sick leave be converted to annual leave, on a predetermined conversion basis. An estimate of those retirement payouts is accrued as a liability.

P. Taxes

The Fund is an enterprise fund of Pima County and is not subject to income taxes. However, payments from AHCCCS for acute care, ventilator dependent care, and ALTCS care are subject to a premium tax of 2%. Total premium tax expense for the year ended June 30, 2010 was \$4,117,238 which is included in the non-operating expenses portion of the accompanying Statement of Revenues, Expenses and Changes in Net Assets. The Fund has \$20,350 due to the Arizona Department of Insurance at June 30, 2010. This amount is included in the due to other governments in the accompanying Statement of Net Assets.

PIMA COUNTY, ARIZONA
Pima Health System and Services - Enterprise Fund
Notes to Financial Statements
June 30, 2010

Note 1 - Summary of Significant Accounting Policies (continued)

Q. Management's Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at June 30, 2010, and the reported amounts of revenues and expenses during the fiscal year then ended. Actual results may differ from these estimates.

Note 2 - Cash and Investments

Cash and cash equivalents at June 30, 2010 were as follows:

| | |
|---|----------------------|
| Cash on hand | \$ 2,500 |
| Cash and investments in the Pima County Treasurer's Investment pool | <u>35,323,098</u> |
| Total | <u>\$ 35,325,598</u> |

Cash and investments in the Pima County Treasurer's investment pool represent a portion of the County Treasurer's pool portfolio. The pool's structure does not provide for shares. The Fund's portion in the pool is not identified with specific investments. Investment income is allocated to the Fund on a pro-rata basis.

Credit risk – Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. The County does not have a formal investment policy with respect to credit risk. The Pima County Treasurer's investment pool is unrated.

Interest rate risk – Interest rate risk is the risk that changes in interest rates will adversely affect an investment's fair value. The County does not have a formal investment policy with respect to interest rate risk. The Pima County Treasurer's investment pool had a weighted average maturity of 177 days at June 30, 2010.

Legal provisions – Arizona Revised Statutes authorize counties to invest public monies in the State Treasurer's investment pool; obligations issued or guaranteed by the United States or any of the senior debt of its agencies, sponsored agencies, corporations, sponsored corporations, or instrumentalities; specified state and local government bonds; interest earning investments such as savings accounts, certificates of deposit, and repurchase agreements in eligible depositories; and specified commercial paper, bonds, debentures, and notes issued by corporations organized and doing business in the United States. In addition, the County Treasurer may invest trust funds in fixed income securities of corporations doing business in the United States or District of Columbia.

Credit risk – Arizona Revised Statutes have the following requirements for credit risk:

1. Commercial paper must be rated P1 by Moody's investors service or A1 or better by Standard and Poor's rating service or their successors.
2. Corporate bonds, debentures, and notes must be rated A or better by Moody's investors service or Standard and Poor's rating service or their successors.
3. Fixed income securities must carry one of the two highest ratings by Moody's investors service and Standard and Poor's rating service or their successors. If only one of the above-mentioned services rates the security, it must carry the highest rating of that service. If a rating change occurs after purchase, it is not mandatory to sell the security.

Custodial credit risk – Arizona Revised Statutes require collateral for demand deposits, certificates of deposit, and repurchase agreements at 101 percent of all deposits not covered by federal depository insurance.

Concentration of credit risk – Arizona Revised Statutes do not include any requirements for concentration of credit risk.

PIMA COUNTY, ARIZONA
Pima Health System and Services - Enterprise Fund
Notes to Financial Statements
June 30, 2010

Note 2 - Cash and Investments (continued)

Interest rate risk – Arizona Revised Statutes require that public monies invested in securities and deposits have a maximum maturity of 5 years and that public operating fund monies invested in securities and deposits have a maximum maturity of 3 years. Investments in repurchase agreements must have a maximum maturity of 180 days.

Foreign currency risk – Arizona Revised Statutes do not allow foreign investments.

Note 3 - Capital Assets

Capital assets activity for the year ended June 30, 2010 was as follows:

| | <u>July 1, 2009</u> <u>Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>June 30, 2010</u> <u>Balance</u> |
|-----------------------------|---------------------------------------|--------------------|------------------|--|
| Leasehold improvements | \$ 693,876 | \$ 206,948 | | \$ 900,824 |
| Accumulated depreciation | <u>(610,462)</u> | <u>(47,527)</u> | | <u>(657,989)</u> |
| Net leasehold improvements | <u>83,414</u> | <u>159,421</u> | | <u>242,835</u> |
| | | | | |
| Machinery and equipment | 1,054,594 | | \$ (13,575) | 1,041,019 |
| Accumulated depreciation | <u>(745,492)</u> | <u>(120,005)</u> | <u>13,575</u> | <u>(851,922)</u> |
| Net machinery and equipment | <u>309,102</u> | <u>(120,005)</u> | | <u>189,097</u> |
| | | | | |
| Intangibles | 381,100 | | | 381,100 |
| Accumulated depreciation | <u>(19,055)</u> | <u>(76,220)</u> | | <u>(95,275)</u> |
| Net intangibles | <u>362,045</u> | <u>(76,220)</u> | | <u>285,825</u> |
| | | | | |
| Capital assets, net | <u>\$ 754,561</u> | <u>\$ (36,804)</u> | <u>\$</u> | <u>\$ 717,757</u> |

Note 4 - Claims, Judgments and Risk Management

Compliance with Laws and Regulations – The Fund is subject to numerous laws, regulations and oversight by the state and federal governments. These laws and regulations include, but are not necessarily limited to, matters such as government health care program participation requirements, reimbursement for member services and Medicaid fraud and abuse. Violations of these laws and regulations could result in expulsion from government health care programs, together with the imposition of significant financial sanctions. Compliance with such laws and regulations can be subject to future review and interpretation as well as regulatory actions unknown at this time.

The Fund has received final notices from AHCCCS of possible sanctions for each quarter, in fiscal year 2010. The sanctions are a result of pended encounters. As of June 30, 2010, there were 39,888 pended encounters with associated sanction amounts of \$564,130. It is unknown whether pended encounters were due to the Fund's or AHCCCS' system issues and AHCCCS has preliminarily waived the monetary sanctions as of June 30, 2010. The sanctions could be re-imposed if the Fund is unable to adjudicate all pended encounters once AHCCCS system issues are corrected. Fund management does not believe these sanctions will be re-imposed.

Self-insurance - The Fund 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 Fund is a participant in Pima County's self-insurance program, and in the opinion of the Fund's management, that self-insurance program would cover any unfavorable outcomes from these risks. Accordingly, the Fund has no risk of loss beyond adjustments to future years' premium payments to Pima County's self-insurance program. All estimated losses for unsettled claims and actions of the Fund are determined on an actuarial basis and are included in the *Pima County Comprehensive Annual Financial Report*. As of June 30, 2010, the Fund incurred \$805,926 in self-insurance expense,

PIMA COUNTY, ARIZONA
Pima Health System and Services - Enterprise Fund
Notes to Financial Statements
June 30, 2010

Note 4 - Claims, Judgments and Risk Management (continued)

of which \$264,196 is included in other operating expenses and \$541,730 in medical and health care claims, in the accompanying Statement of Revenues, Expenses and Changes in Net Assets.

Medical Malpractice - The Fund has obtained modified claims-made insurance policies to cover medical malpractice claims. Deductibles are the responsibility of Pima County through Risk Management and are \$1,000,000 per occurrence with an annual aggregate self insurance retention of \$5,000,000. The Fund's primary medical malpractice policy has a retroactive date of June 26, 1993. Settled claims have not exceeded insurance coverage in any of the prior three fiscal years.

Note 5 - Related Party Transactions

During the course of its operations, the Fund had numerous transactions with other Pima County funds to finance operations and provide services. During the year ended June 30, 2010, the Fund received capitation revenues totaling \$102,000 from Pima County departments for services provided to Pima County patients and other income totaling \$58,631 for claims processing services. The Fund incurred expenses totaling \$5,853,643 for the allocation of overhead, insurance premiums, and other charges for miscellaneous supplies and services from Pima County.

Of the \$842,786 balance in due to other Pima County funds, \$815,911 represents advances received from other County funds to eliminate cash overdrafts in the Fund's following programs:

| | | |
|----------------------------------|----|----------------|
| Grants/Community Services System | \$ | 362,760 |
| Other Pima County Programs | | <u>453,151</u> |
| Total | \$ | <u>815,911</u> |

The remaining \$26,875 was for miscellaneous services.

Note 6 - Retirement Plan

Plan Descriptions—The County contributes to a cost-sharing, multiple-employer defined benefit pension plan; a cost-sharing multiple-employer defined benefit health insurance premium plan; and a cost-sharing, multiple-employer defined benefit long-term disability plan administered by the *Arizona State Retirement System (ASRS)* that covers employees of the State of Arizona and employees of participating political subdivisions and school districts. Benefits are established by state statute and generally provide retirement, long-term disability, and health insurance premium benefits, including death and survivor benefits. The retirement benefits are generally paid at a percentage, based on years of service, of the retiree's average compensation. Long-term disability benefits vary by circumstance, but generally pay a percentage of the employee's monthly compensation. Health insurance premium benefits are generally paid as a flat dollar amount per month towards the retiree's health care insurance premiums, in amounts based on whether the benefit is for the retiree or for the retiree and his or her spouse. The ASRS is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2. The ASRS issues a publicly available financial report that may be obtained by writing or calling:

ASRS
3300 N. Central Avenue
P. O. Box 33910
Phoenix, AZ 85067-3910
(602) 240-2000 or 1-800-621-3778

Funding Policy—The Arizona State Legislature establishes and may amend active plan members' and the County's contribution rates. For the year ended June 30, 2010, active ASRS members were required by statute to contribute at the actuarially determined rate of 9.4 percent (9.0 percent for retirement and 0.4 percent for long-term disability) of the members' annual covered payroll and the County was required by statute to contribute at the actuarially determined rate of 9.4 percent (8.34 percent for retirement, 0.66 percent for health insurance premium, and 0.4 percent for long-term disability) of the members' annual covered payroll.

PIMA COUNTY, ARIZONA
Pima Health System and Services - Enterprise Fund
Notes to Financial Statements
June 30, 2010

Note 6 - Retirement Plan (continued)

The County's contributions for the current and two preceding years, all of which were equal to the required contributions, were as follows:

| Years ended June 30 | Retirement Fund | Health Benefit Supplement Fund | Long-Term Disability Fund |
|---------------------|-----------------|-----------------------------------|------------------------------|
| 2010 | \$ 1,779,021 | \$ 140,786 | \$ 85,325 |
| 2009 | \$ 1,960,018 | \$ 235,496 | \$ 122,654 |
| 2008 | \$ 2,395,671 | \$ 312,479 | \$ 148,799 |

Note 7 – Capitation

For the year ended June 30, 2010, capitation revenues consist of the following amounts:

| | |
|------------------------------|-----------------------|
| ALTCS long-term care | \$ 190,727,541 |
| AHCCCS ambulatory/acute care | 3,845,799 |
| Total | <u>\$ 194,573,340</u> |

GOVERNMENT AUDITING STANDARDS REPORT



DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

**Independent Auditors' Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

Members of the Arizona State Legislature

The Board of Supervisors of Pima County, Arizona

We have audited the financial statements of the Pima Health System and Services Enterprise Fund as of and for the year ended June 30, 2010, and have issued our report thereon dated October 25, 2010. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Fund's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Fund's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Recommendations as item 10-01 that we consider to be a significant deficiency in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards*, and which is described in the accompanying Schedule of Findings and Recommendations as item 10-01.

The Pima Health System and Services Enterprise Fund's response to the finding identified in our audit is presented on pages 20 and 21. We did not audit the Fund's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the members of the Arizona State Legislature, the Board of Supervisors of Pima County, the Fund's management, and others within the County and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

Debbie Davenport
Auditor General

October 25, 2010

Pima Health System and Services—Enterprise Fund
Schedule of Findings and Recommendations
Year Ended June 30, 2010

10-01

Pima Health System and Services Enterprise Fund should improve its internal controls over claims processing

Criteria: Pima County's management over the Fund is responsible for ensuring that medical claims are timely and accurately processed, paid, and submitted to the Arizona Health Care Cost Containment System (AHCCCS). Also, medical claims submitted to AHCCCS must include the appropriate pay rates, medical service and procedure codes, and other information AHCCCS requires or AHCCCS will pend rather than accept those claims as valid.

Condition and context: During fiscal year 2010, the Fund processed approximately 49,000 medical claims each month averaging approximately \$13 million. While testing a sample of the Fund's medical and healthcare claims, auditors noted claims that had not been submitted to AHCCCS and claims that were submitted with missing information or other errors that the Fund had not corrected. Based on data provided by AHCCCS, at June 30, 2010, the Fund had almost 15,000 claims totaling an estimated \$3,400,000 that were in pended status for more than 4 months, including over 3,500 for more than a year.

Effect: Because of these deficiencies, AHCCCS has assessed the Fund a potential sanction of \$564,130 as of June 30, 2010. However, AHCCCS acknowledges it may waive this sanction if the Fund shows continued improvement in submitting complete and accurate claims within the contractual timelines. In addition, until complete and accurate claims information is submitted to AHCCCS, the Fund cannot reasonably estimate the amount of reinsurance revenues to report in its financial statements. Further, AHCCCS evaluates the Fund's profit margins by comparing capitation revenues to medical claims expenses submitted to AHCCCS. If the profit margins exceed specified contractual thresholds, AHCCCS requires the Fund to pay back the excess profits. This analysis is based on the total dollar value of only those claims accurately submitted to AHCCCS. A high number of pended claims could result in larger perceived profits and thus, larger amounts to be paid back to AHCCCS.

This finding is a significant deficiency in the Fund's internal controls over claims processing and noncompliance with AHCCCS contractual requirements.

Cause: The County stated that it did not have sufficient resources to fully implement procedures over the Fund's claims-processing systems to ensure that all medical and healthcare claims were submitted to AHCCCS in a timely manner and that the claims information submitted was accurate and complete. Software purchased and implemented in the prior fiscal year to help correct deficiencies did not always properly interface with AHCCCS' system resulting in discrepancies.

Recommendation: To help ensure that the Fund submits accurate and complete medical and healthcare claims to AHCCCS in a timely manner and thereby minimizes sanctions and repayments, the Fund should continue to strengthen its internal control policies and procedures over its claims-processing systems by continuing to implement the following:

Pima Health System and Services—Enterprise Fund
Schedule of Findings and Recommendations
Year Ended June 30, 2010

- Assign experienced employees to identify all pended claims as well as claims never submitted and submit these claims to AHCCCS as soon as possible to reduce or avoid possible sanctions and liabilities.
- Have experienced employees analyze pended claims to determine the causes so that the Fund can make software or procedural changes to prevent future errors.
- Require appropriate supervisors to document, monitor, and review all software configuration changes and have independent users approve the changes.
- Assign employees to monitor claims held in AHCCCS' Transaction Insight software system and make the necessary corrections within 90 days after submission to help ensure that those claims are successfully submitted and not pended.
- Implement the claim reference number write-back program to identify in the Fund's QNXT claims-processing system those claims that were successfully processed by AHCCCS. This will help the Fund's employees better analyze which claims were pended and help them to more easily prepare required financial reports.

This finding is similar to a prior-year finding.



**PIMA COUNTY
DEPARTMENT OF FINANCE AND RISK MANAGEMENT**

Thomas E. Burke, Director

October 25, 2010

Ms. Debbie Davenport
Auditor General
2910 N. 44th Street, Suite 410
Phoenix, Arizona 85018

Dear Ms. Davenport,

The following corrective action plan has been prepared as recommended by Government Auditing Standards. Specifically, we are providing you with the name of the contact person responsible for corrective action, the corrective action planned, and the anticipated completion date.

Sincerely,

Thomas E. Burke,
Director

Contact Person -- Mary Fellows, Chief Financial Officer, Pima Health Systems and Services

Anticipated completion Date – July 31, 2011

Pima County has made significant progress over the past year in reducing the volume of pended encounters and the financial risks associated with improper encountering. The County developed and implemented internal control procedures which addressed all of the findings from the prior year and assigned significant resources to address the volume of pended encounters. Pended encounters decreased by over 106,000 from June 30, 2009 to June 30, 2010. The County agrees with the finding that there are still some deficiencies and has taken steps to address the issues raised. The County has taken the following corrective actions to address this finding:

- An Encounter Coordinator position was created and filled in the Claims division to coordinate staff and resources in the successful encountering of paid claims and the research and remediation of pended encounters.
- Experienced Claims Examiners have been trained to assist the Coordinator in the research and remediation of pended encounters and emphasis has been placed on identification of software and procedural modifications needed to avoid continued duplication of errors.
- The County initiated and put into place change management processes and has continued to enhance and monitor these processes during the fiscal year.
- The Encounter Coordinator is receiving additional training from AHCCCS on the use of the Transaction Insight portal and additional procedures are being written to ensure that the claims held in the portal are corrected within 90 days of submittal.
- The Claim Reference Number (CRN) write-back program will be fully implemented within the next 120 days.

ADDITIONAL INFORMATION

PIMA COUNTY, ARIZONA
Pima Health System and Services - Enterprise Fund
Combining Statement of Net Assets by Program
June 30, 2010

| | <u>AHCCCS</u> | | | | <u>Total</u> |
|--|---------------------------------|---|--|---------------------------------------|----------------------|
| | <u>Ambulatory Contracts</u> | <u>Long-Term Care Contracts (1)</u> | <u>Grants/ Community Services System</u> | <u>Other Pima County Programs</u> | |
| Assets | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | \$ 5,250,052 | \$ 30,074,546 | | \$ 1,000 | \$ 35,325,598 |
| Receivables: | | | | | |
| Accounts, net | 245,489 | 66,896 | | 114,074 | 426,459 |
| Reinsurance claims | 226,006 | 3,499,378 | | | 3,725,384 |
| Grants | | | \$ 722,239 | | 722,239 |
| Interest | 5,782 | 35,810 | | | 41,592 |
| Due from: | | | | | |
| Medicare | | 139,682 | | | 139,682 |
| Other Pima County funds | | 8,500 | | 1,338 | 9,838 |
| Inventory of supplies | | 81,132 | | | 81,132 |
| Prepaid expenses | | | | 236,328 | 236,328 |
| Total current assets | <u>\$ 5,727,329</u> | <u>\$ 33,905,944</u> | <u>\$ 722,239</u> | <u>\$ 352,740</u> | <u>\$ 40,708,252</u> |
| Noncurrent assets: | | | | | |
| Capital assets: | | | | | |
| Leasehold improvements | | | | 900,824 | 900,824 |
| Machinery and equipment | | | | 1,041,019 | 1,041,019 |
| Intangible | | | | 381,100 | 381,100 |
| Accumulated depreciation: | | | | | |
| Leasehold improvements | | | | (657,989) | (657,989) |
| Machinery and equipment | | | | (851,922) | (851,922) |
| Intangible | | | | (95,275) | (95,275) |
| Capital assets, net | | | | <u>717,757</u> | <u>717,757</u> |
| Total assets | <u>\$ 5,727,329</u> | <u>\$ 33,905,944</u> | <u>\$ 722,239</u> | <u>\$ 1,070,497</u> | <u>\$ 41,426,009</u> |
| Liabilities | | | | | |
| Current liabilities: | | | | | |
| Accounts payable and accrued liabilities | \$ 24,966 | \$ 386,856 | \$ 2,574 | | \$ 414,396 |
| Accrued medical and health care claims | 1,288,478 | 18,137,905 | 746,892 | | 20,173,275 |
| Accrued employee compensation | 3,946 | 2,254,488 | 12,483 | | 2,270,917 |
| Interest payable | | 1,660 | 291 | | 1,951 |
| Deferred revenue | | | 554 | 10,500 | 11,054 |
| Due to: | | | | | |
| Other Pima County funds | | 26,699 | 362,760 | 453,327 | 842,786 |
| Other governments | 284,455 | 1,280,934 | | | 1,565,389 |
| Total liabilities | <u>1,601,845</u> | <u>22,088,542</u> | <u>1,125,554</u> | <u>463,827</u> | <u>25,279,768</u> |
| Net Assets (Deficit) | | | | | |
| Invested in capital assets | | | | 717,757 | 717,757 |
| Restricted for health care | 4,125,484 | 11,817,402 | | | 15,942,886 |
| Unrestricted (deficit) | | | (403,315) | (111,087) | (514,402) |
| Total net assets (deficit) | <u>\$ 4,125,484</u> | <u>\$ 11,817,402</u> | <u>\$ (403,315)</u> | <u>\$ 606,670</u> | <u>\$ 16,146,241</u> |

(1) The financial position of the Posada del Sol Nursing Home and the ALTCS Contracts have been combined and are reported as the Long-Term Care Contracts program. The combination is presented on page 26.

PIMA COUNTY, ARIZONA
Pima Health System and Services - Enterprise Fund
Combining Statement of Revenues, Expenses and Changes in Net Assets by Program
Year Ended June 30, 2010

| | <u>AHCCCS</u> | | | | | <u>Total</u> |
|--|---------------------------------|---|--|---------------------------------------|-----------------------------------|----------------------|
| | <u>Ambulatory Contracts</u> | <u>Long-Term Care Contracts (1)</u> | <u>Grants/ Community Services System</u> | <u>Other Pima County Programs</u> | <u>Intrafund Eliminations</u> | |
| Operating revenues: | | | | | | |
| Capitation | \$ 3,845,799 | \$ 190,727,541 | | | | \$ 194,573,340 |
| Reinsurance claims | 719,701 | 7,773,765 | | | | 8,493,466 |
| Charges for services | | 2,109,415 | | | \$ (580) | 2,108,835 |
| Other | 1,670,763 | 842,706 | | \$ 385,814 | (243,752) | 2,655,531 |
| Total operating revenues | <u>6,236,263</u> | <u>201,453,427</u> | | <u>385,814</u> | <u>(244,332)</u> | <u>207,831,172</u> |
| Operating expenses: | | | | | | |
| Medical and health care | 2,994,949 | 175,059,212 | \$ 3,250,477 | 2,412 | (580) | 181,306,470 |
| Case management (contracted and salaried) | | 6,467,174 | 1,154,775 | | | 7,621,949 |
| General, fiscal, and administrative services | 88,386 | 3,997,252 | 335,499 | 9,570 | | 4,430,707 |
| Depreciation | | | | 243,752 | | 243,752 |
| Other | 194,566 | 7,095,450 | 6,752 | 12,995 | (243,752) | 7,066,011 |
| Total operating expenses | <u>3,277,901</u> | <u>192,619,088</u> | <u>4,747,503</u> | <u>268,729</u> | <u>(244,332)</u> | <u>200,668,889</u> |
| Operating income (loss) | <u>2,958,362</u> | <u>8,834,339</u> | <u>(4,747,503)</u> | <u>117,085</u> | | <u>7,162,283</u> |
| Nonoperating revenues (expenses): | | | | | | |
| Grant revenue | | | 4,358,043 | | | 4,358,043 |
| Interest income | 42,654 | 463,528 | | | | 506,182 |
| Interest expense | | | (13,855) | | | (13,855) |
| Premium tax | (118,357) | (3,998,881) | | | | (4,117,238) |
| Gain on sale of capital assets | | | | 1,338 | | 1,338 |
| Total nonoperating revenues (expenses), net | <u>(75,703)</u> | <u>(3,535,353)</u> | <u>4,344,188</u> | <u>1,338</u> | | <u>734,470</u> |
| Income (loss) before transfers | 2,882,659 | 5,298,986 | (403,315) | 118,423 | | 7,896,753 |
| Transfers in | | | 255,801 | | (255,801) | |
| Transfers out | (1,000,000) | (255,801) | | | 255,801 | (1,000,000) |
| Increase (decrease) in net assets | 1,882,659 | 5,043,185 | (147,514) | 118,423 | | 6,896,753 |
| Net assets (deficit), July 1, 2009 | 2,242,825 | 6,774,217 | (255,801) | 488,247 | | 9,249,488 |
| Net assets (deficit), June 30, 2010 | <u>\$ 4,125,484</u> | <u>\$ 11,817,402</u> | <u>\$ (403,315)</u> | <u>\$ 606,670</u> | <u>\$</u> | <u>\$ 16,146,241</u> |

(1) The financial positions of the Posada del Sol Nursing Home and the ALTCS Contracts have been combined and are reported as the Long-Term Care Contracts program. The combination is presented on page 27.

PIMA COUNTY, ARIZONA
Pima Health System and Services - Enterprise Fund
Combining Statement of Cash Flows by Program
Year Ended June 30, 2010

| | <u>AHCCCS</u> | | | | <u>Total</u> |
|--|---------------------------------|---|--|---|-----------------------------|
| | <u>Ambulatory Contracts</u> | <u>Long-Term Care Contracts (1)</u> | <u>Grants/ Community Services System</u> | <u>Other Pima County Programs</u> | |
| Cash flows from operating activities: | | | | | |
| Cash receipts from: | | | | | |
| Contractors, patients and other payors | \$ 3,965,750 | \$ 202,807,719 | \$ (400) | \$ (220,628) | \$ 206,552,441 |
| Other Pima County funds for goods and services | | | | 160,631 | 160,631 |
| Miscellaneous operations | 1,670,763 | 598,954 | | 385,814 | 2,655,531 |
| Cash payments to: | | | | | |
| Providers for health care services | (2,955,826) | (157,539,291) | (4,139,066) | (224,516) | (164,858,699) |
| Employees for services | (107,248) | (28,105,731) | (335,824) | (23,932) | (28,572,735) |
| Other Pima County funds for goods and services | (98,226) | (5,353,196) | | (1,621) | (5,453,043) |
| Net cash provided by (used for) operating activities | <u>2,475,213</u> | <u>12,408,455</u> | <u>(4,475,290)</u> | <u>75,748</u> | <u>10,484,126</u> |
| Cash flows from noncapital financing activities: | | | | | |
| Cash transfer with other Pima County funds | (1,000,000) | (255,801) | 255,801 | | (1,000,000) |
| Loans with other Pima County funds | | (2,598) | (297,003) | 129,862 | (169,739) |
| Interest paid on short-term credit | | 1,660 | (16,288) | | (14,628) |
| Grant receipts | | | 4,532,780 | | 4,532,780 |
| Premium tax payments | (118,357) | (3,998,881) | | | (4,117,238) |
| Net cash provided by (used for) noncapital financing activities | <u>(1,118,357)</u> | <u>(4,255,620)</u> | <u>4,475,290</u> | <u>129,862</u> | <u>(768,825)</u> |
| Cash flows from capital and related financing activities: | | | | | |
| Proceeds from sale of capital assets | | | | 1,338 | 1,338 |
| Purchase of capital assets | | | | (206,948) | (206,948) |
| Net cash used for capital and related financing activities | | | | <u>(205,610)</u> | <u>(205,610)</u> |
| Cash flow from investing activities: | | | | | |
| Interest received on cash and investments | 52,756 | 528,688 | | | 581,444 |
| Net cash provided by investing activities | <u>52,756</u> | <u>528,688</u> | | | <u>581,444</u> |
| Net increase in cash and cash equivalents | 1,409,612 | 8,681,523 | | | 10,091,135 |
| Cash and cash equivalents, July 1, 2009 | 3,840,440 | 21,393,023 | | 1,000 | 25,234,463 |
| Cash and cash equivalents, June 30, 2010 | <u>\$ 5,250,052</u> | <u>\$ 30,074,546</u> | <u>\$</u> | <u>\$ 1,000</u> | <u>\$ 35,325,598</u> |

(continued)

(1) The cash flows of the Posada del Sol Nursing Home and the ALTCS contract have been combined and are reported as the Long-Term Care Contracts program. The combination is on page 28 and 29.

PIMA COUNTY, ARIZONA
Pima Health System and Services - Enterprise Fund
Combining Statement of Cash Flows by Program
Year Ended June 30, 2010

(continued)

Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:

| | <u>AHCCCS</u> | | | | <u>Total</u> |
|---|---------------------------------|---|--|---------------------------------------|----------------------|
| | <u>Ambulatory Contracts</u> | <u>Long-Term Care Contracts (1)</u> | <u>Grants/ Community Services System</u> | <u>Other Pima County Programs</u> | |
| Operating income (loss) | \$ 2,958,362 | \$ 8,834,339 | \$ (4,747,503) | \$ 117,085 | \$ 7,162,283 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities: | | | | | |
| Depreciation | | | | 243,752 | 243,752 |
| Decrease/(increase) in assets | | | | | |
| Accounts receivable | 616,318 | 467,661 | | (70,497) | 1,013,482 |
| Reinsurance claims receivable | 1,380,639 | 1,208,536 | | | 2,589,175 |
| Due from Medicare | | 2,726 | | | 2,726 |
| Inventory of supplies | | 8,211 | | | 8,211 |
| Prepaid expenses | | | | (225,092) | (225,092) |
| Increase/(decrease) in liabilities | | | | | |
| Accounts payable and accrued liabilities | 10,296 | (274,753) | 1,827 | | (262,630) |
| Accrued medical and health care claims | 125,168 | 1,698,527 | 271,111 | | 2,094,806 |
| Accrued employee compensation | (18,863) | (55,447) | (325) | | (74,635) |
| Due to other governments | (2,596,707) | 518,655 | | | (2,078,052) |
| Deferred revenue | | | (400) | 10,500 | 10,100 |
| Net cash provided by (used for) operating activities | <u>\$ 2,475,213</u> | <u>\$ 12,408,455</u> | <u>\$ (4,475,290)</u> | <u>\$ 75,748</u> | <u>\$ 10,484,126</u> |

PIMA COUNTY, ARIZONA
Pima Health System and Services - Enterprise Fund
Combining Statement of Net Assets
Long-Term Care Contracts
Year Ended June 30, 2010

| Assets | ALTCS Contracts | Posada del Sol | Long-Term Care Contracts Total |
|--|-----------------------------|-----------------------------|---|
| | <u> </u> | <u> </u> | <u> </u> |
| Current assets: | | | |
| Cash and cash equivalents | \$ 29,435,968 | \$ 638,578 | \$ 30,074,546 |
| Receivables: | | | |
| Accounts | 24,459 | 42,437 | 66,896 |
| Reinsurance claims | 3,499,378 | | 3,499,378 |
| Interest | 35,810 | | 35,810 |
| Due from: | | | |
| Medicare | | 139,682 | 139,682 |
| Other Pima County funds | 8,500 | | 8,500 |
| Inventory of supplies | | 81,132 | 81,132 |
| Total assets | <u>\$ 33,004,115</u> | <u>\$ 901,829</u> | <u>\$ 33,905,944</u> |
| Liabilities | | | |
| Current Liabilities: | | | |
| Accounts payable and accrued liabilities | 338,008 | 48,848 | 386,856 |
| Accrued medical and health care claims | 18,137,905 | | 18,137,905 |
| Accrued employee compensation | 2,199,560 | 54,928 | 2,254,488 |
| Interest payable | | 1,660 | 1,660 |
| Due to: | | | |
| Other Pima County funds | 26,699 | | 26,699 |
| Other governments | 1,280,934 | | 1,280,934 |
| Total liabilities | <u>21,983,106</u> | <u>105,436</u> | <u>22,088,542</u> |
| Net Assets | | | |
| Restricted for health care | <u>11,021,009</u> | <u>796,393</u> | <u>11,817,402</u> |
| Total net assets | <u>\$ 11,021,009</u> | <u>\$ 796,393</u> | <u>\$ 11,817,402</u> |

PIMA COUNTY, ARIZONA
Pima Health System and Services - Enterprise Fund
Combining Statement of Revenues, Expenses and Changes in Net Assets
Long-Term Care Contracts
Year Ended June 30, 2010

| | <u>ALTCS Contracts</u> | <u>Posada del Sol</u> | <u>Intraprogram Eliminations</u> | <u>Long-Term Care Contracts Total</u> |
|--|----------------------------|-----------------------|--------------------------------------|---|
| Operating revenues: | | | | |
| Capitation | \$ 190,727,541 | | | \$ 190,727,541 |
| Reinsurance claims | 7,773,765 | | | 7,773,765 |
| Charges for services | | \$ 17,468,101 | \$ (15,358,686) | 2,109,415 |
| Other | 841,754 | 952 | | 842,706 |
| Total operating revenues | <u>199,343,060</u> | <u>17,469,053</u> | <u>(15,358,686)</u> | <u>201,453,427</u> |
| Operating expenses: | | | | |
| Medical and health care | 173,132,276 | 17,285,622 | (15,358,686) | 175,059,212 |
| Case management (contracted and salaried) | 6,467,174 | | | 6,467,174 |
| General, fiscal, and administrative services | 3,922,252 | 75,000 | | 3,997,252 |
| Other | 6,974,801 | 120,649 | | 7,095,450 |
| Total operating expenses | <u>190,496,503</u> | <u>17,481,271</u> | <u>(15,358,686)</u> | <u>192,619,088</u> |
| Operating income (loss) | <u>8,846,557</u> | <u>(12,218)</u> | | <u>8,834,339</u> |
| Nonoperating revenues (expenses): | | | | |
| Interest income | 451,310 | 12,218 | | 463,528 |
| Premium tax | (3,998,881) | | | (3,998,881) |
| Total nonoperating revenues (expenses), net | <u>(3,547,571)</u> | <u>12,218</u> | | <u>(3,535,353)</u> |
| Income before transfer | 5,298,986 | | | 5,298,986 |
| Transfer out | (255,801) | | | (255,801) |
| Increase in net assets | 5,043,185 | | | 5,043,185 |
| Net assets, July 1, 2009 | <u>5,977,824</u> | <u>796,393</u> | | <u>6,774,217</u> |
| Net assets, June 30, 2010 | <u>\$ 11,021,009</u> | <u>\$ 796,393</u> | <u>\$</u> | <u>\$ 11,817,402</u> |

See Independent Auditors' Report

PIMA COUNTY, ARIZONA
Pima Health System and Services - Enterprise Fund
Combining Statement of Cash Flows
Long-Term Care Contracts
Year Ended June 30, 2010

| | <u>ALTCS Contracts</u> | <u>Posada del Sol</u> | <u>Long-Term Care Contracts Total</u> |
|---|-----------------------------|--------------------------|---|
| Cash flows from operating activities: | | | |
| Cash receipts from: | | | |
| Contractors, patients and other payors | \$ 185,381,020 | \$ 17,426,699 | \$ 202,807,719 |
| Miscellaneous operations | 598,002 | 952 | 598,954 |
| Cash payments to: | | | |
| Providers for health care services | (153,862,238) | (3,677,053) | (157,539,291) |
| Employees for services | (15,116,845) | (12,988,886) | (28,105,731) |
| Other Pima County funds for goods and services | (4,565,900) | (787,296) | (5,353,196) |
| Net cash provided by (used for) operating activities | <u>12,434,039</u> | <u>(25,584)</u> | <u>12,408,455</u> |
| Cash flows from noncapital financing activities: | | | |
| Cash transfer with other Pima County funds | (255,801) | | (255,801) |
| Loan with other Pima County funds | (2,598) | | (2,598) |
| Interest paid on short-term credit | | 1,660 | 1,660 |
| Premium tax payments | (3,998,881) | | (3,998,881) |
| Net cash provided by (used for) noncapital financing activities | <u>(4,257,280)</u> | <u>1,660</u> | <u>(4,255,620)</u> |
| Cash flow from investing activities: | | | |
| Interest on cash and investments | 507,189 | 21,499 | 528,688 |
| Net cash provided by investing activities | <u>507,189</u> | <u>21,499</u> | <u>528,688</u> |
| Net increase (decrease) in cash and cash equivalents | 8,683,948 | (2,425) | 8,681,523 |
| Cash and cash equivalents, July 1, 2009 | 20,752,020 | 641,003 | 21,393,023 |
| Cash and cash equivalents, June 30, 2010 | <u><u>\$ 29,435,968</u></u> | <u><u>\$ 638,578</u></u> | <u><u>\$ 30,074,546</u></u> |

(continued)

PIMA COUNTY, ARIZONA
Pima Health System and Services - Enterprise Fund
Combining Statement of Cash Flows
Long-Term Care Contracts
Year Ended June 30, 2010

(continued)

**Reconciliation of operating income (loss) to net cash
provided by (used for) operating activities:**

| | ALTCS Contracts | Posada del Sol | Long-Term Care Contracts Total |
|---|----------------------------|-----------------------|---|
| Operating income (loss) | \$ 8,846,557 | \$ (12,218) | \$ 8,834,339 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities | | | |
| Decrease (increase) in assets | | | |
| Accounts receivable | 511,209 | (43,548) | 467,661 |
| Reinsurance claims receivable | 1,208,536 | | 1,208,536 |
| Due from Medicare | | 2,726 | 2,726 |
| Inventory of supplies | | 8,211 | 8,211 |
| Increase (decrease) in liabilities | | | |
| Accounts payable and accrued liabilities | (322,910) | 48,157 | (274,753) |
| Accrued medical and health care claims | 1,698,527 | | 1,698,527 |
| Accrued employee compensation | (26,535) | (28,912) | (55,447) |
| Due to other governments | 518,655 | | 518,655 |
| Net cash provided by (used for) operating activities | \$ 12,434,039 | \$ (25,584) | \$ 12,408,455 |

ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM CONTRACTS

PIMA COUNTY, ARIZONA
Pima Health System and Services - Enterprise Fund
Ambulatory Contract - Claims Lag Report
Hospital, Medical and Other - PPC and Prospective
Year Ended June 30, 2010

| Payment Qtr | Current | 1st Prior | 2nd Prior | 3rd Prior | 4th Prior | 5th Prior | 6th Prior* | Total |
|-------------------|---------|-----------|-----------|-----------|-----------|-----------|-------------|-------------|
| Current | 241,600 | 348,272 | 28,953 | 8,802 | 683 | (93) | (138,896) | 489,321 |
| 1st Prior | | 367,705 | 270,552 | 24,078 | 3,348 | (783) | (122,137) | 542,763 |
| 2nd Prior | | | 303,725 | 348,991 | 18,410 | 10,671 | (309,046) | 372,751 |
| 3rd Prior | | | | 364,377 | 422,759 | 56,375 | (197,586) | 645,925 |
| 4th Prior | | | | | 304,366 | 499,907 | 503,202 | 1,307,475 |
| 5th Prior | | | | | | 362,267 | 1,938,581 | 2,300,848 |
| 6th Prior* | | | | | | | 617,330,708 | 617,330,708 |
| Totals | 241,600 | 715,977 | 603,230 | 746,248 | 749,566 | 928,344 | 619,004,826 | 622,989,791 |
| Expense | 766,192 | 719,666 | 783,005 | 714,751 | 858,705 | 1,300,739 | 620,764,067 | 625,907,125 |
| Adjustment | - | 240,774 | (35,402) | 143,082 | 1,560 | (262,973) | (1,715,897) | (1,628,856) |
| Remaining | 524,592 | 244,463 | 144,373 | 111,585 | 110,699 | 109,422 | 43,344 | 1,288,478 |

* Amounts in this column or row include the amounts for the 6th prior period, and any earlier periods where the expenses reported exceed the payments made to date.

PIMA COUNTY, ARIZONA
Pima Health System and Services - Enterprise Fund
Ambulatory Contract - Profitability by Risk Group
Year Ended June 30, 2010

| Pima Health Plan Year Ending: 6/30/2010 Pima County | TANF < 1 MF | TANF 1-13 MF | TANF 14-44 F | TANF 14-44 M | TANF 45+ | SSI with Med | SSI with out Med | MED | Non - MED | SOBRA Family Planning | SOBRA Moms | State Only Transplants | Grand Total |
|---|------------------|-----------------|-----------------|-----------------|----------------|--------------------|------------------------|----------------|----------------|-----------------------------|-----------------|------------------------------|------------------|
| REVENUE & EXPENSES | | | | | | | | | | | | | |
| Member Months | | | | | | | | | | | | | |
| SOBRA FPS Mmbr Mths | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 52 | 0 | 0 | 52 |
| PPC Member Months | 1 | 13 | 16 | 9 | 2 | 63 | 2 | 0 | 18 | 0 | 0 | 0 | 124 |
| Pros. Member Months | 81 | 1,063 | 750 | 522 | 513 | 19,935 | 293 | 10 | 853 | 0 | 25 | 0 | 24,045 |
| Total Member Months | 82 | 1,076 | 766 | 531 | 515 | 19,998 | 295 | 10 | 871 | 52 | 25 | 0 | 24,221 |
| Pros. & FPS Mbr. Mths | 81 | 1,063 | 750 | 522 | 513 | 19,935 | 293 | 10 | 853 | 52 | 25 | 0 | 24,097 |
| Pros. & PPC Mbr. Mths | 82 | 1,076 | 766 | 531 | 515 | 19,998 | 295 | 10 | 871 | 0 | 25 | 0 | 24,169 |
| REVENUES | | | | | | | | | | | | | |
| 305 Capitation | 32,051 | 94,747 | 161,272 | 61,780 | 196,681 | 2,670,603 | 189,142 | 11,748 | 380,455 | 1,106 | 5,460 | 0 | 3,805,045 |
| 310 PPC Capitation | 988 | 786 | 3,998 | 1,891 | 836 | 9,170 | 817 | 0 | 15,722 | 0 | 0 | 0 | 34,208 |
| 315 Delivery Supplement | 0 | 0 | 0 | 0 | 0 | 6,683 | 0 | 0 | 0 | 0 | 8,300 | 0 | 14,983 |
| 321 TWG Settlement | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (125) | (8,312) | 0 | 0 | 0 | (8,437) |
| 322 PPC Settlement | 0 | 110,591 | 165,886 | 55,295 | 55,295 | 663,547 | 0 | 0 | 221,182 | 0 | 0 | 0 | 1,271,796 |
| 325 Investment Income | 158 | 1,899 | 1,342 | 917 | 946 | 35,184 | 533 | 14 | 1,509 | 102 | 50 | 0 | 42,654 |
| 330 Other Income | 730 | 9,838 | 6,799 | 4,876 | 4,330 | 191,899 | 2,762 | 103 | 8,126 | 242 | 163 | 0 | 229,868 |
| TOTAL REVENUES | 33,927 | 217,861 | 339,297 | 124,759 | 258,088 | 3,577,086 | 193,254 | 11,740 | 618,682 | 1,450 | 13,973 | 0 | 5,390,117 |
| EXPENSES | | | | | | | | | | | | | |
| Hospitalization | | | | | | | | | | | | | |
| 402 Hospital Inpatient | 17,171 | 0 | 51,631 | 28,166 | 15,166 | 545,028 | 175,758 | 0 | 11,198 | 0 | 19,178 | 0 | 863,296 |
| 404 Reserved | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 406 PPC-Hospital Inpatient | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 13,241 | 0 | 0 | 0 | 13,241 |
| Total Hospitalization | 17,171 | 0 | 51,631 | 28,166 | 15,166 | 545,028 | 175,758 | 0 | 24,439 | 0 | 19,178 | 0 | 876,537 |
| Medical Compensation | | | | | | | | | | | | | |
| 408 Primary Care Physician | 6,298 | 18,562 | 17,075 | 17,070 | 15,335 | 251,775 | 20,026 | 478 | 34,550 | 0 | 1,566 | 0 | 382,735 |
| 410 Referral Physician | 1,416 | 6,185 | 18,481 | 3,592 | 12,452 | 93,728 | 14,670 | 108 | 20,162 | 0 | 11,581 | 0 | 182,375 |
| 412 Other Professional | 1,036 | 3,686 | 3,917 | 2,604 | 3,093 | 36,069 | 19,924 | 18,511 | 13,044 | 0 | 380 | 0 | 102,264 |
| 414 PPC - Physician Services | 0 | 0 | 0 | 0 | 735 | 514 | 3,829 | 69 | 1,622 | 0 | 1,800 | 0 | 8,569 |
| Total Medical Comp | 8,750 | 28,433 | 39,473 | 23,266 | 31,615 | 382,086 | 58,449 | 19,166 | 69,378 | 0 | 15,327 | 0 | 675,943 |
| Other Medical Expenses | | | | | | | | | | | | | |
| 416 Emergency Facility Services | 1,976 | 7,057 | 13,581 | 7,697 | 3,031 | 32,903 | 2,358 | 0 | 12,589 | 0 | 0 | 0 | 81,192 |
| 418 Pharmacy | 490 | 8,877 | 10,845 | 10,271 | 46,645 | 97,896 | 24,920 | 703 | 51,157 | 91 | 127 | 0 | 252,022 |
| 420 Lab, X-ray, & Medical Imaging | 738 | 3,308 | 22,704 | 8,646 | 14,825 | 160,147 | 12,694 | 446 | 45,671 | 0 | 3,552 | 0 | 272,731 |
| 422 Outpatient Facility | 2,936 | 11,922 | 20,312 | 11,858 | 20,010 | 146,627 | 12,209 | 137 | 45,754 | 0 | 191 | 0 | 271,956 |
| 424 Durable Medical Equipment | 22 | 1,804 | 1,352 | 5,660 | 397 | 20,311 | 4,582 | 0 | 9,259 | 0 | 0 | 0 | 43,387 |
| 426 Dental | 0 | 36,245 | 4,867 | 9,143 | 2,019 | 41,020 | 960 | 0 | 8,154 | 0 | 389 | 0 | 102,797 |
| 428 Transportation | 471 | 1,169 | 18,196 | 15,584 | 2,821 | 299,225 | 2,124 | 66 | 8,899 | 0 | 0 | 0 | 348,555 |
| 430 Nursing Facility, Home Health Care | 0 | 0 | 0 | 0 | 0 | 46,239 | 1,027 | 0 | 0 | 0 | 0 | 0 | 47,266 |
| 432 Physical Therapy | 1,229 | 3,986 | 425 | 586 | 1,839 | 5,646 | 1,421 | 0 | 749 | 0 | 0 | 0 | 15,881 |
| 436 Miscellaneous Medical Expenses | 0 | 149 | 213 | 111 | 151 | 1,991 | 185 | 0 | 307 | 0 | 0 | 0 | 3,107 |
| 438 PPC-Other | 0 | 328 | 0 | 23 | 196 | 1,385 | 60 | 108 | 1,475 | 0 | 0 | 0 | 3,575 |
| Total Other Medical | 7,862 | 74,845 | 92,495 | 69,579 | 91,934 | 853,390 | 62,540 | 1,460 | 184,014 | 91 | 4,259 | 0 | 1,442,469 |
| TOTAL MEDICAL EXP | 33,783 | 103,278 | 183,599 | 121,011 | 138,715 | 1,780,504 | 296,747 | 20,626 | 277,831 | 91 | 38,764 | 0 | 2,994,949 |
| Less: | | | | | | | | | | | | | |
| 440 Reinsurance | (217,511) | (11,103) | (15,669) | (18,657) | (16,975) | (49,048) | (208,215) | (22,198) | (159,680) | 0 | 0 | (645) | (719,701) |
| 442 Third Party Liability | (420) | (26,343) | (3,503) | (48,127) | 0 | (6,605) | (25,193) | 0 | (57,398) | 0 | (1,510) | 0 | (169,099) |
| TOTAL NET MEDICAL EXP | (184,148) | 65,832 | 164,427 | 54,227 | 121,740 | 1,724,851 | 63,339 | (1,572) | 60,753 | 91 | 37,254 | (645) | 2,106,149 |
| TOTAL ADMIN EXP | | | | | | | | | | | | | |
| | 750 | 10,480 | 7,296 | 5,151 | 4,893 | 197,258 | 2,858 | 3,085 | 50,533 | 441 | 207 | 0 | 282,952 |
| TOTAL EXPENSES | (183,398) | 76,312 | 171,723 | 59,378 | 126,633 | 1,922,109 | 66,197 | 1,513 | 111,286 | 532 | 37,461 | (645) | 2,389,101 |
| Inc (loss) from operations | | | | | | | | | | | | | |
| Inc (loss) from operations | 217,325 | 141,549 | 167,574 | 65,381 | 131,455 | 1,654,977 | 127,057 | 10,227 | 507,396 | 918 | (23,488) | 645 | 3,001,016 |
| Non-operating inc (loss) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Inc (loss) before taxes | 217,325 | 141,549 | 167,574 | 65,381 | 131,455 | 1,654,977 | 127,057 | 10,227 | 507,396 | 918 | (23,488) | 645 | 3,001,016 |
| Income taxes | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Premium taxes | 7,019 | 3,488 | 5,703 | 2,459 | 5,446 | 67,806 | 9,812 | 888 | 15,325 | 27 | 372 | 12 | 118,357 |
| NET INCOME (LOSS) | 210,306 | 138,061 | 161,871 | 62,922 | 126,009 | 1,587,171 | 117,245 | 9,339 | 492,071 | 891 | (23,860) | 633 | 2,882,659 |

NOTE: Pima Health System had no members in Santa Cruz County during the fiscal year.

PIMA COUNTY, ARIZONA
Pima Health System and Services - Enterprise Fund
Ambulatory Contract - Officers and Directors
Year Ended June 30, 2010

| <u>Name</u> | <u>Title</u> | <u>Other relationship to plan</u> | <u>Type of compensation</u> |
|--------------------------|--|-----------------------------------|-----------------------------|
| Alvarez Hurley, Patricia | Plan Administrator | None | Salary |
| DiCicco, Melanie | Behavioral Health Manager | None | Salary |
| Estrada, Antonio | Operations Program Manager | None | Salary (1) |
| Eyde, Kathy | Preventative & Maternal Child Health Manager | None | Salary |
| Fellows, Mary | Chief Financial Officer | None | Salary (2) |
| Frederick, Pam | Quality Management Manager | None | Salary (1) |
| Henn, Therese | Utilization Management Manager | None | Salary (2) |
| Miller, Fred, M.D. | Medical Director | None | Salary |
| Piccirilli, Laura | Claims Manager | None | Salary |
| Rosales, Hilda | Member Services Manager | None | Salary |
| Rountree, Virginia | Corporate Compliance & Privacy Officer | None | Salary |
| Russell, Darla | Pharmacy Services Manager | None | Contracted |
| Summers, Steve | MIS Manager | None | Salary |
| Spendiarian, Andrea | Behavioral Health Manager | None | Salary |
| West, Kitley Ann | Grievance Coordinator | None | Salary |
| Adams, JoAnn | Quality Management Manager | None | Salary (2) |
| Clark, Hannah | Interim Utilization Management Manager | None | Salary (2) |

(1) Resigned or (2) changed positions during the period July 1, 2009 to June 30, 2010.

PIMA COUNTY, ARIZONA
Pima Health System and Services - Enterprise Fund
ALTCS - Claims Lag Report for Prospective Period Only
Year Ended June 30, 2010

A - INSTITUTIONAL PAYMENTS

| (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) |
|---|---------------------|------------|------------|------------|------------|------------|-------------|-------------|-------------|
| <-----QUARTER IN WHICH SERVICE PROVIDED-----> | | | | | | | | | |
| LINE | QUARTER OF PAYMENT | CURRENT | 1ST PRIOR | 2ND PRIOR | 3RD PRIOR | 4TH PRIOR | 5TH PRIOR | 6TH PRIOR | TOTAL |
| 1 | CURRENT | 14,587,775 | 5,762,265 | 51,299 | 7,049 | (189) | 42 | (7,259) | 20,400,982 |
| 2 | 1ST PRIOR | | 13,480,553 | 5,873,274 | 30,357 | 4,239 | - | (12,048) | 19,376,375 |
| 3 | 2ND PRIOR | | | 14,350,478 | 5,569,681 | 35,824 | 3,336 | 226 | 19,959,545 |
| 4 | 3RD PRIOR | | | | 14,332,868 | 5,747,286 | 71,423 | (8,900) | 20,142,677 |
| 5 | 4TH PRIOR | | | | | 15,737,252 | 6,489,985 | 90,746 | 22,317,983 |
| 6 | 5TH PRIOR | | | | | | 13,427,299 | 4,633,706 | 18,061,005 |
| 7 | 6TH PRIOR | | | | | | | 205,368,824 | 205,368,824 |
| 8 | TOTALS | 14,587,775 | 19,242,818 | 20,275,051 | 19,939,955 | 21,524,412 | 19,992,085 | 210,065,295 | 325,627,391 |
| 9 | EXP.REPORTED | 19,975,515 | 19,324,618 | 20,724,111 | 20,100,369 | 21,817,062 | 18,737,904 | 209,433,959 | 330,113,538 |
| 10 | ADJUSTMENT | (500,000) | (207,042) | 393,897 | 154,176 | 292,650 | (1,254,181) | (631,336) | (1,751,836) |
| 11 | REMAINING LIABILITY | 5,887,740 | 288,842 | 55,163 | 6,238 | - | - | - | 6,237,983 |

B - HCBS PAYMENTS

| (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) |
|---|---------------------|------------|------------|------------|------------|------------|-------------|-------------|-------------|
| <-----QUARTER IN WHICH SERVICE PROVIDED-----> | | | | | | | | | |
| LINE | QUARTER OF PAYMENT | CURRENT | 1ST PRIOR | 2ND PRIOR | 3RD PRIOR | 4TH PRIOR | 5TH PRIOR | 6TH PRIOR* | TOTAL |
| 1 | CURRENT | 8,812,716 | 5,652,039 | 47,664 | 7,947 | 1,190 | (469) | (863) | 14,520,224 |
| 2 | 1ST PRIOR | | 9,037,136 | 7,236,212 | 193,415 | 3,958 | - | 441 | 16,471,162 |
| 3 | 2ND PRIOR | | | 7,971,484 | 5,572,996 | 52,322 | 27,925 | (86,019) | 13,538,708 |
| 4 | 3RD PRIOR | | | | 9,248,137 | 5,829,709 | 62,103 | 74,712 | 15,214,661 |
| 5 | 4TH PRIOR | | | | | 8,110,560 | 5,282,130 | 172,579 | 13,565,269 |
| 6 | 5TH PRIOR | | | | | | 11,477,890 | 2,765,357 | 14,243,247 |
| 7 | 6TH PRIOR | | | | | | | 123,313,726 | 123,313,726 |
| 8 | TOTALS | 8,812,716 | 14,689,175 | 15,255,360 | 15,022,495 | 13,997,739 | 16,849,579 | 126,239,933 | 210,866,997 |
| 9 | EXP.REPORTED | 15,701,006 | 14,999,883 | 14,727,070 | 14,963,933 | 17,558,523 | 13,989,195 | 132,593,241 | 224,532,851 |
| 10 | ADJUSTMENT | 400,000 | 87,152 | (573,459) | (66,146) | 3,560,784 | (2,860,384) | 6,353,308 | 6,901,255 |
| 11 | REMAINING LIABILITY | 6,488,290 | 223,556 | 45,169 | 7,584 | - | - | - | 6,764,599 |

C - ACUTE PAYMENTS

| (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) |
|---|---------------------|-----------|-----------|-----------|-----------|-------------|-----------|------------|-------------|
| <-----QUARTER IN WHICH SERVICE PROVIDED-----> | | | | | | | | | |
| LINE | QUARTER OF PAYMENT | CURRENT | 1ST PRIOR | 2ND PRIOR | 3RD PRIOR | 4TH PRIOR | 5TH PRIOR | 6TH PRIOR* | TOTAL |
| 1 | CURRENT | 3,646,718 | 2,726,033 | 294,742 | (48,971) | 9,886 | 34,576 | 8,858 | 6,671,842 |
| 2 | 1ST PRIOR | | 3,681,140 | 3,386,485 | 309,897 | 16,188 | 4,706 | (10,138) | 7,388,278 |
| 3 | 2ND PRIOR | | | 3,806,335 | 3,108,636 | 315,740 | 19,954 | (39,281) | 7,211,384 |
| 4 | 3RD PRIOR | | | | 3,628,298 | 3,275,760 | 206,163 | (145,746) | 6,964,475 |
| 5 | 4TH PRIOR | | | | | 3,228,228 | 2,805,374 | 495,606 | 6,529,208 |
| 6 | 5TH PRIOR | | | | | | 2,057,784 | 4,186,375 | 6,244,159 |
| 7 | 6TH PRIOR | | | | | | | 64,508,563 | 64,508,563 |
| 8 | TOTALS | 3,646,718 | 6,407,173 | 7,487,562 | 6,997,860 | 6,845,802 | 5,128,557 | 69,004,237 | 105,517,909 |
| 9 | EXP.REPORTED | 7,346,331 | 7,613,880 | 7,495,826 | 7,053,723 | 3,850,743 | 7,140,855 | 68,544,985 | 109,046,343 |
| 10 | ADJUSTMENT | (300,000) | 529,568 | (184,962) | (10,033) | (3,006,222) | 2,012,298 | (459,252) | (1,418,603) |
| 11 | REMAINING LIABILITY | 3,999,613 | 677,139 | 193,226 | 65,896 | 11,163 | - | - | 4,947,037 |

D - OTHER MEDICAL PAYMENTS

| (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) |
|---|---------------------|---------|-----------|-----------|-----------|-----------|-----------|-------------|-------------|
| <-----QUARTER IN WHICH SERVICE PROVIDED-----> | | | | | | | | | |
| LINE | QUARTER OF PAYMENT | CURRENT | 1ST PRIOR | 2ND PRIOR | 3RD PRIOR | 4TH PRIOR | 5TH PRIOR | 6TH PRIOR* | TOTAL |
| 1 | CURRENT | - | - | - | 472 | 21 | - | (13,069) | (12,576) |
| 2 | 1ST PRIOR | | - | - | 15,994 | 2,890 | - | 37 | 18,921 |
| 3 | 2ND PRIOR | | | - | 354,417 | 2,851 | 17,520 | 11,734 | 386,522 |
| 4 | 3RD PRIOR | | | | 868,253 | 456,605 | (8,316) | 2,564 | 1,319,106 |
| 5 | 4TH PRIOR | | | | | 872,692 | 468,662 | 35,905 | 1,377,259 |
| 6 | 5TH PRIOR | | | | | | 885,087 | 526,230 | 1,411,317 |
| 7 | 6TH PRIOR | | | | | | | 15,519,179 | 15,519,179 |
| 8 | TOTALS | - | - | - | 1,239,136 | 1,335,059 | 1,362,953 | 16,082,580 | 20,019,728 |
| 9 | EXP. REPORTED | - | - | - | 1,248,694 | 1,286,761 | 1,289,807 | 14,835,611 | 18,660,873 |
| 10 | ADJUSTMENT | - | - | - | 9,558 | (48,298) | (73,146) | (1,246,969) | (1,358,855) |
| 11 | REMAINING LIABILITY | - | - | - | - | - | - | - | - |

*Amounts in the 6th prior column or row include the amounts for the 6th prior period, and any earlier periods.

PIMA COUNTY, ARIZONA
Pima Health System and Services - Enterprise Fund
ALTCS - Claims Lag Report for Prior Period Only
Year Ended June 30, 2010

| INSTITUTIONAL PAYMENTS | | | | | | | | | |
|---|---------------------|---------|-----------|-----------|-----------|-----------|-----------|------------|-----------|
| (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) |
| ←-----QUARTER IN WHICH SERVICE PROVIDED-----→ | | | | | | | | | |
| LINE | QUARTER OF PAYMENT | CURRENT | 1ST PRIOR | 2ND PRIOR | 3RD PRIOR | 4TH PRIOR | 5TH PRIOR | 6TH PRIOR* | TOTAL |
| 1 | CURRENT | 64,680 | 114,905 | 16,704 | - | 1,868 | | (1,582) | 196,575 |
| 2 | 1ST PRIOR | | 48,238 | 98,418 | 13,320 | 36 | - | - | 160,012 |
| 3 | 2ND PRIOR | | | 30,153 | 77,322 | 7,571 | - | - | 115,046 |
| 4 | 3RD PRIOR | | | | 90,057 | 110,555 | 8,833 | (3,416) | 206,029 |
| 5 | 4TH PRIOR | | | | | 47,708 | 134,316 | 26,060 | 208,084 |
| 6 | 5TH PRIOR | | | | | | 36,203 | 109,183 | 145,386 |
| 7 | 6TH PRIOR | | | | | | | 1,198,352 | 1,198,352 |
| 8 | TOTALS | 64,680 | 163,143 | 145,275 | 180,699 | 167,738 | 179,352 | 1,328,597 | 2,229,484 |
| 9 | EXP.REPORTED | 164,210 | 176,221 | 138,859 | 186,318 | 180,276 | 177,966 | 1,321,814 | 2,345,664 |
| 10 | ADJUSTMENT | | 21,942 | 7,297 | (5,619) | (12,538) | 1,386 | 6,783 | 19,251 |
| 11 | REMAINING LIABILITY | 99,530 | 35,020 | 881 | - | - | - | - | 135,431 |

| HCBS PAYMENTS | | | | | | | | | |
|---|---------------------|---------|-----------|-----------|-----------|-----------|-----------|------------|----------|
| (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) |
| ←-----QUARTER IN WHICH SERVICE PROVIDED-----→ | | | | | | | | | |
| LINE | QUARTER OF PAYMENT | CURRENT | 1ST PRIOR | 2ND PRIOR | 3RD PRIOR | 4TH PRIOR | 5TH PRIOR | 6TH PRIOR* | TOTAL |
| 1 | CURRENT | 3,152 | 11,718 | 3,098 | 972 | - | - | - | 18,940 |
| 2 | 1ST PRIOR | | 8,546 | 11,550 | 2,767 | - | - | - | 22,863 |
| 3 | 2ND PRIOR | | | 8,385 | 20,128 | 2,569 | 4,819 | 39 | 35,940 |
| 4 | 3RD PRIOR | | | | 13,519 | 28,641 | 2,232 | 852 | 45,244 |
| 5 | 4TH PRIOR | | | | | 15,977 | 47,026 | 4,485 | 67,488 |
| 6 | 5TH PRIOR | | | | | | 17,547 | 31,923 | 49,470 |
| 7 | 6TH PRIOR | | | | | | | 407,678 | 407,678 |
| 8 | TOTALS | 3,152 | 20,264 | 23,033 | 37,386 | 47,187 | 71,624 | 444,977 | 647,623 |
| 9 | EXP.REPORTED | 16,264 | 27,414 | 21,809 | 46,414 | 52,429 | 63,955 | 527,392 | 755,677 |
| 10 | ADJUSTMENT | | (2,361) | 1,918 | (9,028) | (5,242) | 7,669 | (82,415) | (89,459) |
| 11 | REMAINING LIABILITY | 13,112 | 4,789 | 694 | - | - | - | - | 18,595 |

| ACUTE PAYMENTS | | | | | | | | | |
|---|---------------------|---------|-----------|-----------|-----------|-----------|-----------|------------|---------|
| (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) |
| ←-----QUARTER IN WHICH SERVICE PROVIDED-----→ | | | | | | | | | |
| LINE | QUARTER OF PAYMENT | CURRENT | 1ST PRIOR | 2ND PRIOR | 3RD PRIOR | 4TH PRIOR | 5TH PRIOR | 6TH PRIOR* | TOTAL |
| 1 | CURRENT | 1,313 | 24,175 | 9,857 | 1,791 | (423) | - | (9,870) | 26,843 |
| 2 | 1ST PRIOR | | 13,369 | 26,504 | 11,157 | 876 | 787 | 1,778 | 54,471 |
| 3 | 2ND PRIOR | | | 886 | 23,973 | 64,958 | 3,565 | 2,265 | 95,647 |
| 4 | 3RD PRIOR | | | | 518 | 9,101 | 5,284 | 3,430 | 18,333 |
| 5 | 4TH PRIOR | | | | | 2,267 | 12,668 | 23,402 | 38,337 |
| 6 | 5TH PRIOR | | | | | | 1,388 | 21,898 | 23,286 |
| 7 | 6TH PRIOR | | | | | | | 446,493 | 446,493 |
| 8 | TOTALS | 1,313 | 37,544 | 37,247 | 37,439 | 76,779 | 23,692 | 489,396 | 703,410 |
| 9 | EXP.REPORTED | 29,677 | 43,312 | 63,710 | 61,355 | 33,954 | 24,574 | 392,936 | 649,518 |
| 10 | ADJUSTMENT | | (1,534) | (24,801) | (23,916) | 42,825 | (882) | 96,460 | 88,152 |
| 11 | REMAINING LIABILITY | 28,364 | 4,234 | 1,662 | - | - | - | - | 34,260 |

| OTHER MEDICAL PAYMENTS | | | | | | | | | |
|---|---------------------|---------|-----------|-----------|-----------|-----------|-----------|------------|--------|
| (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) |
| ←-----QUARTER IN WHICH SERVICE PROVIDED-----→ | | | | | | | | | |
| LINE | QUARTER OF PAYMENT | CURRENT | 1ST PRIOR | 2ND PRIOR | 3RD PRIOR | 4TH PRIOR | 5TH PRIOR | 6TH PRIOR* | TOTAL |
| 1 | CURRENT | | | | | | | | - |
| 2 | 1ST PRIOR | | | | | | | | - |
| 3 | 2ND PRIOR | | | | - | - | - | - | - |
| 4 | 3RD PRIOR | | | | - | - | - | - | - |
| 5 | 4TH PRIOR | | | | | | | | - |
| 6 | 5TH PRIOR | | | | | | | | 14,846 |
| 7 | 6TH PRIOR | | | | | | | | 10 |
| 8 | TOTALS | - | - | - | - | - | - | 14,856 | 14,856 |
| 9 | EXP. REPORTED | - | - | - | - | - | - | - | - |
| 10 | ADJUSTMENT | | | | | | | 14,856 | 14,856 |
| 11 | REMAINING LIABILITY | - | - | - | - | - | - | - | - |

*Amounts in the 6th prior column or row include the amounts for the 6th prior period, and any earlier periods.

PIMA COUNTY, ARIZONA
Pima Health System and Services - Enterprise Fund
ALTCS - Utilization Data Report - All Counties
Year Ended June 30, 2010

| ITEM DESCRIPTION | MEDICARE | | NON-MEDICARE | | TOTAL | |
|---|----------------|------------|----------------|------------|----------------|------------|
| | Current Period | Fiscal YTD | Current Period | Fiscal YTD | Current Period | Fiscal YTD |
| A. Enrollees (At End of Period) | 3,505 | 3,505 | 793 | 793 | 4,298 | 4,298 |
| B. Member Months (Unduplicated) Prospective Only | 10,477 | 31,384 | 2,369 | 6,992 | 12,846 | 38,376 |
| Institutional Member Months Total | - | - | - | - | - | - |
| 1. Level 1 | 1,443 | 4,429 | 181 | 554 | 1,624 | 4,983 |
| 2. Level 2 | 1,736 | 5,192 | 240 | 712 | 1,976 | 5,904 |
| 3. Level 3 | 501 | 1,443 | 134 | 398 | 635 | 1,841 |
| 4. Specialty: Wandering Dementia | - | - | - | - | - | - |
| 5. Specialty: SubAcute Medical | - | - | - | - | - | - |
| 6. Specialty: Behavioral Health | - | - | - | - | - | - |
| 7. Specialty: Respite Care | - | - | - | - | - | - |
| 8. Specialty: Ventilator | - | - | - | - | - | - |
| 9. Home and Community Based Services (HCBS) Total | - | - | - | - | - | - |
| a. Adult Foster Care | 165 | 465 | 20 | 56 | 185 | 521 |
| b. Assisted Living Home | 1,078 | 3,442 | 87 | 275 | 1,165 | 3,717 |
| c. Group Home (DD) | - | - | - | - | - | - |
| d. Individual Home | 4,958 | 14,664 | 1,502 | 4,396 | 6,460 | 19,060 |
| e. Assisted Living Center | 529 | 1,573 | 92 | 304 | 621 | 1,877 |
| f. Other (Specify) Group Home | 17 | 56 | 18 | 64 | 35 | 120 |
| 10. Acute Care | 50 | 120 | 95 | 233 | 145 | 353 |
| 11. Ventilator | - | - | - | - | - | - |
| 12. PPC | 256 | 771 | 21 | 53 | 277 | 824 |
| 13. Other (Specify) | - | - | - | - | - | - |
| Admissions | 228 | 617 | 177 | 465 | 405 | 1,082 |
| Patient Days | 1,220 | 3,267 | 1,029 | 2,696 | 2,249 | 5,963 |
| Discharges | 227 | 613 | 166 | 438 | 393 | 1,051 |
| Discharge Days | 1,210 | 3,244 | 933 | 2,517 | 2,143 | 5,761 |
| Average Length of Stay | 5.35 | 5.29 | 5.81 | 5.80 | 5.55 | 5.51 |
| Emergency Room Visits | 442 | 1,286 | 280 | 890 | 722 | 2,176 |

See Independent Auditors' Report

PIMA COUNTY, ARIZONA
Pima Health System and Services - Enterprise Fund
ALTCS - Federally Qualified Health Center (FQHC)/Rural Health Center (RHC) Reasonable Cost Reimbursement - Expenditures Paid
Year Ended June 30, 2010

| FQHC | Categorical | | | Categorical Linked Expansion | | Federal Non-Categorical Linked Expansion AC/MED | Federal Non-Categorical Linked Conversion AC/MED | ALTCS/ DD | Total |
|---|-------------|------|-----|------------------------------|-----|---|--|----------------|----------------|
| | SOBRA/ | AFDC | SSI | SOBRA/ AFDC | SSI | | | | |
| Chiricahua Community Health Center | - | - | - | - | - | - | - | - | - |
| Clinica Adelante, Inc | - | - | - | - | - | - | - | - | - |
| Copper Queen Health Center | - | - | - | - | - | - | - | - | - |
| Community Health Center of West Yavapai | - | - | - | - | - | - | - | - | - |
| Community Healthcare of Douglas | - | - | - | - | - | - | - | 933 | 933 |
| Copper Queen Health Center | - | - | - | - | - | - | - | - | - |
| Desert Senita Community Health Center (formerly Ajo Community Health Center) | - | - | - | - | - | - | - | 2,524 | 2,524 |
| El Rio Health Center | - | - | - | - | - | - | - | 72,091 | 72,091 |
| Canyonlands Community Health Center | - | - | - | - | - | - | - | - | - |
| Marana Community Health Center | - | - | - | - | - | - | - | 13,061 | 13,061 |
| Maricopa Integrated Health Systems Clinics | - | - | - | - | - | - | - | 155 | 155 |
| Mariposa Community Health Center (Family Health Center) | - | - | - | - | - | - | - | 15,861 | 15,861 |
| Mountain Park Community Health Center | - | - | - | - | - | - | - | - | - |
| Northern Cochise Community Hospital | - | - | - | - | - | - | - | 876 | 876 |
| North Country Community Health Center | - | - | - | - | - | - | - | - | - |
| Sun Life Family Health Center | - | - | - | - | - | - | - | - | - |
| Sunset Community Health Center (formerly Valley Health Center) | - | - | - | - | - | - | - | - | - |
| Superior Clinic (as Cobre Valley Hospital) | - | - | - | - | - | - | - | - | - |
| United Community Health Center | - | - | - | - | - | - | - | 3,159 | 3,159 |
| Lake Powell Community Health Center | - | - | - | - | - | - | - | - | - |
| Inter-Tribal Health Center | - | - | - | - | - | - | - | - | - |
| Native American Community Health Center | - | - | - | - | - | - | - | - | - |
| Native Americans for Community Action | - | - | - | - | - | - | - | - | - |
| Total Expenditures Paid | - | - | - | - | - | - | - | 108,660 | 108,660 |

PIMA COUNTY, ARIZONA
Pima Health System and Services - Enterprise Fund
ALTCS - Sub-Capitated Expenses Report
Year Ended June 30, 2010

| Account | Account Description | YTD Amount |
|--|--|---------------|
| Sub-Capitated Hospitalization Expenses: | | |
| 402 | Hospital Inpatient | - |
| 406 | PPC-Hospital Inpatient | - |
| | Total Sub-Capitated Hospitalization Expense: | - |
| Sub-Capitated Medical Compensation Expenses: | | |
| 408 | Primary Care Physician Services | 25,892 |
| 410 | Referral Physician Services | - |
| 412 | Other Professional | - |
| 416 | PPC-Physician Services | - |
| | Total Sub-Capitated Medical Compensation Expenses: | 25,892 |
| Sub-Capitated Other Medical Expenses: | | |
| 416 | Emergency Facility Services | - |
| 418 | Pharmacy | - |
| 420 | Lab, X-ray, & med image | - |
| 422 | Outpatient Facility | - |
| 424 | Durable Med Equip | - |
| 426 | Dental | - |
| 428 | Transportation | - |
| 430 | NF, Home HC | - |
| 432 | Physical Therapy | - |
| 436 | Miscellaneous Med Exp | - |
| 438 | PPC-Other | - |
| | Total Sub-Capitated Other Medical Expenses: | - |
| | Total Sub-Capitated Expenses: | \$ 25,892 |

Note: Account number as assigned by AHCCCS per *Financial Reporting Guide for ALTCS Program Contractors*

PIMA COUNTY, ARIZONA
Pima Health System and Services - Enterprise Fund
ALTCS - Analysis of Profitability by Major Rate Code Classification - All Counties
Year Ended June 30, 2010

| Account # | Account Description | Total Amount | Total PMPM |
|--|--------------------------------------|--------------|------------|
| Revenues: | | | |
| 300 | Capitation | 189,194,325 | 3,703.74 |
| 305 | PPC Capitation | 1,031,425 | 20.19 |
| 310 | Reinsurance | 7,773,765 | 152.18 |
| 315 | PPC - Reconciliation | - | - |
| 320 | Share of Cost (SOC) Reconciliation * | 501,791 | 9.82 |
| 325 | HCBS Placement Reconciliation * | (1,013,135) | (19.83) |
| 330 | HIV-AIDS /Supplement | - | - |
| 335 | Other AHCCCS Revenue (Report #4) | - | - |
| | Subtotal AHCCCS Revenue | 197,488,171 | 3,866.10 |
| 350 | Investment Income * | 451,310 | 8.84 |
| 360 | Third Party Liability Recoveries | 52,408 | 1.03 |
| 370 | Patient Contributions (MSOC) | 84,649 | 1.66 |
| 380 | Other Non-AHCCCS Income (Report #4) | 836,080 | 16.37 |
| | Subtotal Non-AHCCCS Revenue | 1,424,447 | 27.89 |
| | TOTAL REVENUES | 198,912,618 | 3,893.99 |
| Institutional Care Expenses: | | | |
| 400 | NF ICF & Bedholds | | |
| 402 | Level I | 30,471,370 | 596.52 |
| 404 | Level II | 34,572,907 | 676.81 |
| 406 | Level III | 15,080,336 | 295.22 |
| 408 | Institutional Care | - | - |
| 410 | PPC Institutional | 665,608 | 13.03 |
| 412 | Other Institutional Care (Report #4) | - | - |
| | TOTAL INSTITUTIONAL CARE | 80,790,221 | 1,581.58 |
| Home & Community Bases Services (HCBS)Expenses: | | | |
| 414 | Home Health Nurse | 5,098,432 | 99.81 |
| 416 | Home Health Aide | - | - |
| 418 | Personal Care | 3,090,865 | 60.51 |
| 420 | Homemaker | 946,635 | 18.53 |
| 422 | Home Delivered Meals | 315,941 | 6.18 |
| 424 | Respite Care | 487,065 | 9.53 |
| 426 | Attendant Care | 37,503,812 | 734.19 |
| 428 | Assisted Living Home | 9,285,619 | 181.78 |
| 429 | Assisted Living Center | 398,949 | 7.81 |
| 430 | Adult Day Health | 149,654 | 2.93 |
| 432 | Adult Foster Care | 1,397,522 | 27.36 |
| 434 | Group Respite | - | - |
| 436 | Hospice | 595,371 | 11.66 |
| 438 | Environmental Modifications | 119,713 | 2.34 |
| 443 | PPC HCBS | 111,901 | 2.19 |
| 444 | Other HCBS Costs (Report #4) | 1,002,315 | 19.62 |
| | TOTAL HCBS | 60,503,794 | 1,184.44 |
| Acute Care Expenses: | | | |
| 448 | Inpatient Services (Hosp.) | 7,828,557 | 153.25 |
| 450 | Primary Care Physician Services | 805,627 | 15.77 |
| 452 | Referral Physician Services | 4,012,745 | 78.55 |
| 454 | Emergency Services | 169,438 | 3.32 |
| 456 | Out Patient Facility | 469,302 | 9.19 |
| 458 | Prescription Drug | 5,653,636 | 110.68 |
| 460 | Lab/Radiology | 1,594,736 | 31.22 |
| 462 | Durable Medical Equipment | 3,249,261 | 63.61 |
| 464 | Dental | 169,688 | 3.32 |
| 466 | Transportation | 3,013,288 | 58.99 |
| 468 | Therapies | 593,572 | 11.62 |
| 470 | Outpatient Behavioral Health | 1,949,911 | 38.17 |
| 471 | PPC Acute Care | 198,054 | 3.88 |
| 472 | Other Acute Care Costs (Report #4) | - | - |
| | TOTAL ACUTE CARE | 29,707,815 | 581.57 |

(continued)

See Independent Auditors' Report

PIMA COUNTY, ARIZONA
Pima Health System and Services - Enterprise Fund
ALTCS - Analysis of Profitability by Major Rate Code Classification - All Counties
Year Ended June 30, 2010

(continued)

| Account # | Account Description | Total Amount | Total PMPM |
|--------------------------------------|---|--------------|------------|
| Other Medical Expenses: | | | |
| 474 | Ventilator Dependent * | 1,248,694 | 24.44 |
| 477 | PPC - Other | - | - |
| 479 | Other Medical (Report #4) | - | - |
| | TOTAL OTHER MEDICAL | 1,248,694 | 24.44 |
| 480 | Case Management | 6,467,174 | 126.60 |
| | TOTAL MEDICAL EXPENSE: | 178,717,698 | 3,498.64 |
| Administrative Expenses: | | | |
| 484 | Compensation | 3,997,253 | 78.25 |
| 488 | Data Processing | 228,992 | 4.48 |
| 490 | Management Fees | - | - |
| 492 | Interest Expense | - | - |
| 493 | Occupancy | 700,396 | 13.71 |
| 494 | Marketing | - | - |
| 495 | Depreciation | - | - |
| 496 | Other Administration (Report #4) | 5,970,412 | 116.88 |
| | TOTAL ADMINISTRATION | 10,897,053 | 213.32 |
| | TOTAL EXPENSE | 189,614,751 | 3,711.97 |
| | INCOME FROM OPERATIONS | 9,297,867 | 182.02 |
| 497 | Non-Operating Income (Loss) | - | - |
| | INCOME(LOSS) BEFORE TAXES | 9,297,867 | 182.02 |
| 498 | Provision for Premium Taxes | 3,998,881 | 78.28 |
| 499 | Provision for Income Taxes | - | - |
| | NET INCOME(LOSS) AFTER TAXES | 5,298,986 | 103.73 |
| CHANGES TO EQUITY/NET ASSETS: | | | |
| 530 | Equity/Net Assets at Beginning of Period | 6,774,217 | |
| 505 | Preferred Stock | | |
| 510 | Common Stock | | |
| 515 | Treasury Stock | | |
| 520 | Unrestricted Net Assets | | |
| 525 | Restricted Net Assets | | |
| 527 | Increase(Decrease) in Add'l Paid-in Capital | | |
| 528 | Increase(Decrease) in Contributed Capital | | |
| 530 | Increase(Decrease) in R/E Fund Balance | | |
| | A. Net Income (Loss) | 5,298,986 | |
| | B. Dividends to Stockholders | | |
| | C. Other: Transfer of equity to Pima County | (255,801) | |
| 530 | Equity/Net Assets at End of Period: | 11,817,402 | |

NOTES:

1. Beginning 10/1/09, AHCCCS changed its reporting requirements and expenses are no longer split between Dual and Non-Dual.
2. Beginning 10/1/09, AHCCCS changed its reporting requirements and Vent Dependent expenses are no longer reported as a separate item. The expenses in account 474 are for the period July 1, 2009 through September 30, 2009.

See Independent Auditors' Report

PIMA COUNTY, ARIZONA
Pima Health System and Services - Enterprise Fund
ALTCS - Officers and Directors
Year Ended June 30, 2010

| <u>Name</u> | <u>Title</u> | <u>Other relationship to plan</u> | <u>Type of compensation</u> |
|--------------------------|--|-----------------------------------|-----------------------------|
| Alvarez Hurley, Patricia | Plan Administrator | None | Salary |
| Berkowitz, Mona | Chief Deputy Director | None | Salary |
| Darovec, Constance | Home Care Support Services Manager | None | Salary |
| Estrada, Antonio | Operations Program Manager | None | Salary (1) |
| Fellows, Mary | Chief Financial Officer | None | Salary (2) |
| Frederick, Pam | Quality Management Manager | None | Salary (1) |
| Henn, Therese | Utilization Management Manager | None | Salary (2) |
| Miller, Fred, M.D. | Medical Director | None | Salary |
| Piccirilli, Laura | Claims Manager | None | Salary |
| Rosales, Hilda | Member Services Manager | None | Salary |
| Rountree, Virginia | Corporate Compliance & Privacy Officer | None | Salary |
| Russell, Darla | Pharmacy Services Manager | None | Contracted |
| Spendiarian, Andrea | Behavioral Health Manager | None | Salary |
| Summers, Steve | MIS Manager | None | Salary |
| Tiano, Alan | Provider Services Manager | None | Salary |
| West, Kitley Ann | Grievance Coordinator | None | Salary |
| Adams, JoAnn | Quality Management Manager | None | Salary (2) |
| Clark, Hannah | Interim Utilization Management Manager | None | Salary (2) |

(1) Resigned or (2) changed positions during the period July 1, 2009 to June 30, 2010.