

REPORT HIGHLIGHTS
FINANCIAL STATEMENT AUDIT

Subject

Maricopa County contracts with the Arizona Health Care Cost Containment System (AHCCCS) to provide services to indigents for medical services and long-term care. The County's contract for indigents' medical services is administered by the Maricopa County AHCCCS Health Plan. The contract for indigents' long-term care is administered by the Maricopa County ALTCS Health Plan.

The County is responsible for preparing and issuing the Plans' financial statements annually. The Plans' financial statements help demonstrate compliance with the County's contractual arrangements with AHCCCS. As the auditors, our job is to determine the County has met the AHCCCS' contractual compliance.

Our Conclusion

The information in the financial statements is reliable. The County maintained adequate internal controls over the Plans' financial transactions and complied with the AHCCCS' contract requirements.



2002

Year Ended June 30, 2002

Members Increased for AHCCCS Plan But Decreased for ALTCS Plan

AHCCCS Health Plan

The Maricopa County AHCCCS Health Plan provided more medical healthcare services to indigents in fiscal year 2002 than the year before because of significant increases in plan membership during the year.

The AHCCCS Plan's average monthly membership increased by 27% during the year because of population growth in Maricopa County and Proposition 204, a November 2000 voter initiative that made more people eligible for AHCCCS medical benefits.

The increased services resulted in approximately 28% and 23% increase in the Plan's operating revenues and expenses, respectively. Consequently, operating income increased by \$4.4 million compared to the prior year.

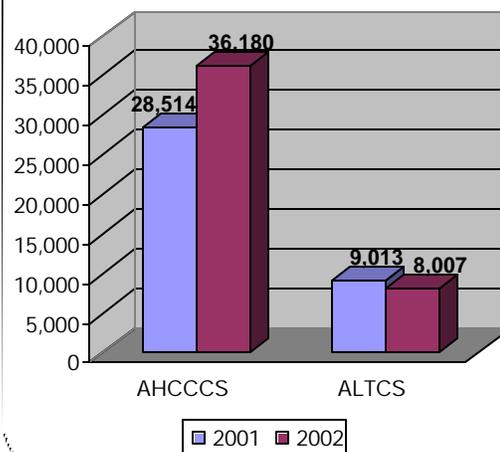
ALTCS Health Plan

The Maricopa County ALTCS Health Plan provided less long-term healthcare services to indigents in fiscal year 2002 than the year before because of an 11% decrease in plan membership during the year.

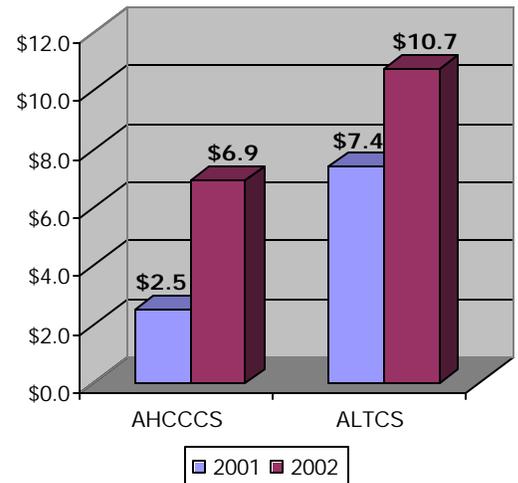
This decrease in the Plan's membership was caused by the addition of two contractors also providing ALTCS services in Maricopa County.

The decreased services resulted in approximately 6% decrease in the Plan's operating revenues and expenses. However, operating income increased by \$3.3 million compared to the prior year due to a change in the Plan's method of estimating the incurred but not reported medical expenses.

Average Monthly Members



Operating Income (In Millions)



Plans Transferred Monies to County General Fund

During fiscal year 2002, the County received the State AHCCCS Administration's permission to transfer \$17.3 million from the AHCCCS Plan and \$26.7 million from the ALTCS Plan to the County General Fund to recover County's indigent costs over the years.

At June 30, 2002, the remaining net assets of \$12.8 million for the AHCCCS Plan and \$33.3 million for the ALTCS Plan, were sufficient to meet the State AHCCCS Administration's requirement for financial reserves.

TO OBTAIN MORE INFORMATION

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



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

Contact person for this report:
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Other Pertinent Information

On July 1, 2002, the County Board of Supervisors discontinued its contract with the private sector company that had been managing, operating, and administering the AHCCCS and ALTCS Health Plans for the last five and one-half years. The Board then hired the chief executive officer and the chief financial officer as County employees.

Financial Reporting Changes

As a result of the implementing GASB Statement No. 34, the County made several accounting and reporting changes. Specifically, the County changed the financial statement presentation for its Proprietary Funds from a Balance Sheet to a Statement of Net Assets and a Statement of Revenues, Expenses, and Changes in Fund Equity to a Statement of Revenues, Expenses, and Changes in Fund Net Assets. In addition, both Plans' fund equity and its components have been relabeled as net assets.

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Year Ended June 30, 2002