Department of Economic Security
Division of Developmental Disabilities ALTCS Contract

REPORT HIGHLIGHTS
FINANCIAL STATEMENT AUDIT

Our Conclusion

The Department of Economic Security, Division of Developmental Disabilities (Division), is responsible for preparing annual financial statements for its Arizona Long Term Care System (ALTCS) Contract, maintaining effective internal controls, and being accountable for its use of public monies. Our Office is responsible for auditing the Division's ALTCS Contract's financial statements annually. Since the Division is a component of the State, the information in the financial statements will also be incorporated in the State of Arizona's Comprehensive Annual Financial Report. A summary of the Division's ALTCS Contract's financial statements is presented to the right.

Based on our audit, we issued a report that included our opinion on the Division's ALTCS Contract's financial statements and a report on its internal control and compliance. The information in its fiscal year 2014 financial statements is reliable. Our report on internal control and compliance did not include any reported deficiencies in the Division's internal control or compliance over financial reporting.

2014

Year Ended June 30, 2014

Financial information

The Department of Economic Security, Division of Developmental Disabilities (Division), is a contractor with the Arizona Health Care Cost Containment System (AHCCCS), Arizona's Medicaid agency, to administer a managed-care plan through its Arizona Long Term Care System (ALTCS). The Division's plan provides medical services and long-term healthcare services to eligible, developmentally disabled enrollees of the AHCCCS program. The Division's ALTCS Contract requires that it provide all covered healthcare services to those enrollees regardless of the cost of care.

Balance sheet—This statement reports the assets, liabilities, and fund balance of the Division's ALTCS Contract. The fund balance, or the difference between assets and liabilities, is one way to measure the Division's ALTCS Contract's financial health.

Statement of revenues, expenditures, and changes in fund balance—This statement reports information showing how the fund balance changed during the fiscal year. The change in fund balance indicates whether the Division's ALTCS Contract's financial health has improved or deteriorated as a result of current-year operations. The Division receives capitation revenue based on a fixed rate for each plan enrollee. If revenue exceeds the cost of care, the Division retains the monies for reserves or for legislatively authorized transfers that are required to be approved by AHCCCS. If costs exceed revenues, the Division absorbs the loss. During fiscal year 2014, the Division's ALTCS Contract's fund balance decreased by $11 million because costs exceed revenues by $6 million and transfers to other state funds totaled $5 million.

Balance sheet
As of June 30, 2014
(In millions)

Assets	
Cash on deposit with the State Treasurer	$17.0
Due from other state funds	67.7
Due from providers	.8
Total assets	$85.5
Liabilities and fund balance	
Liabilities	
Accrued administrative and payroll costs	$ 5.2
Accrued medical and healthcare claims	70.6
Due to other state funds	1.0
Due to providers	.8
Total liabilities	77.6
Fund balance	
Restricted for health and welfare	7.9
Total liabilities and fund balance	$85.5

Statement of revenues, expenditures, and changes in fund balance
For the year ended June 30, 2014
(In millions)

Revenues	
Capitation	$1,011.0
Investment earnings	.9
Total revenues	1,011.9
Expenditures	
Health and welfare	
Aid to individuals	900.2
Allocated administrative expenditures	44.6
Case management	47.2
Professional and outside services	4.9
Premium tax	21.0
Total expenditures	1,017.9
Deficiency of revenues under expenditures	(6.0)
Other financing uses	
Transfers to other state funds	(5.0)
Net change in fund balance	(11.0)
Fund balance—beginning	18.9
Fund balance—ending	$ 7.9

Department of Economic Security
Division of Developmental Disabilities ALTCS Contract

A copy of the Financial Audit Report is
available at: **www.azauditor.gov**
Contact person:
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Year Ended June 30, 2014