

2009

Pima Health System and Services

Enterprise Fund



Pima County, Arizona ✦
For the Fiscal Year Ended June 30, 2009 ✦

PIMA COUNTY, ARIZONA
Pima Health System and Services - Enterprise Fund
Report on Audit of Financial Statements
For the Year Ended June 30, 2009

PIMA COUNTY, ARIZONA
Pima Health System and Services - Enterprise Fund
Report on Audit of Financial Statements
and Additional Information
June 30, 2009

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DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

WILLIAM THOMSON
DEPUTY AUDITOR GENERAL

Independent Auditors' Report

Members of the Arizona State Legislature

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, 2009, 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 funds 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, 2009, and the changes in its financial position and its cash flows, 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, 2009, 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.

As described in Note 1, the Pima Health System and Services Enterprise Fund implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, for the year ended June 30, 2009, which represents a change in accounting principle.

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 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 26, 2009, 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 26, 2009

FINANCIAL STATEMENTS

PIMA COUNTY, ARIZONA
Pima Health System and Services - Enterprise Fund
Statement of Net Assets
June 30, 2009

Assets

Current assets:

Cash and cash equivalents	\$ 25,234,463
Receivables:	
Accounts, net	1,439,941
Reinsurance claims	6,314,559
Grants	896,976
Interest	116,854
Due from Medicare	142,408
Inventory of supplies	89,343
Prepaid expenses	<u>11,236</u>
 Total current assets	 <u>34,245,780</u>

Noncurrent assets:

Capital assets:

Leasehold improvements	693,876
Machinery and equipment	1,054,594
Intangible	381,100

Accumulated depreciation:

Leasehold improvements	(610,462)
Machinery and equipment	(745,492)
Intangible	<u>(19,055)</u>

Capital assets, net	<u>754,561</u>
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Total assets	<u>\$ 35,000,341</u>
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Liabilities

Current liabilities:

Accounts payable and accrued liabilities	\$ 677,026
Accrued medical and health care claims	18,078,469
Accrued employee compensation	2,345,552
Interest payable	2,724
Deferred revenue	954

Due to:

Other Pima County funds	1,002,687
Other governments	<u>3,643,441</u>

Total liabilities:	<u>25,750,853</u>
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Net Assets

Invested in capital assets	754,561
Restricted for health care	9,017,042
Unrestricted (deficit)	<u>(522,115)</u>
 Total net assets	 <u><u>\$ 9,249,488</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, 2009

Operating revenues:	
Capitation	\$ 211,235,426
Reinsurance claims	2,749,742
Charges for services	2,122,367
Other	<u>2,136,039</u>
Total operating revenues	<u>218,243,574</u>
Operating expenses:	
Medical and health care	199,621,448
Case management (contracted and salaried)	6,797,848
General, fiscal, and administrative services	5,667,477
Depreciation	233,496
Other	<u>8,066,977</u>
Total operating expenses	<u>220,387,246</u>
Operating loss	<u>(2,143,672)</u>
Nonoperating revenues (expenses):	
Grant revenue	4,613,310
Interest income	728,278
Interest expense	(13,680)
Premium tax	(4,403,305)
Loss on disposal of equipment	<u>(573)</u>
Total nonoperating revenues	<u>924,030</u>
Loss before transfer	(1,219,642)
Transfer out to Pima County General Fund	<u>(3,400,000)</u>
(Decrease) in net assets	(4,619,642)
Net assets, July 1, 2008	<u>13,869,130</u>
Net assets, June 30, 2009	<u><u>\$ 9,249,488</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, 2009

Cash flows from operating activities:

Cash receipts from:

Contractors, patients and other payors	\$ 221,649,803
Other Pima County funds for goods and services	357,934
Miscellaneous operations	1,778,105

Cash payments to:

Providers for health care services	(199,686,171)
Employees for services	(33,054,092)
Other Pima County funds for goods and services	(5,262,089)

Net cash used for operating activities	(14,216,510)
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Cash flow from noncapital financing activities:

Cash transfer out to Pima County General Fund	(3,400,000)
Loans with other Pima County funds	(83,250)
Interest paid on short-term credit	(15,941)
Grant receipts	4,360,953
Premium tax payments	(4,403,305)

Net cash used for noncapital financing activities	(3,541,543)
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Cash flow from capital and related financing activities:

Purchase of capital assets	(387,393)
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Net cash used for capital and related financing activities	(387,393)
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Cash flow from investing activities:

Interest received on cash and investments	755,529
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Net cash provided by investing activities	755,529
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Net decrease in cash and cash equivalents	(17,389,917)
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Cash and cash equivalents, July 1, 2008	42,624,380
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Cash and cash equivalents, June 30, 2009	\$ 25,234,463
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(continued)

PIMA COUNTY, ARIZONA
Pima Health System and Services - Enterprise Fund
Statement of Cash Flows
Year Ended June 30, 2009

(continued)

**Reconciliation of operating loss to net cash
used for operating activities:**

Operating loss	\$ (2,143,672)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	233,496
Decrease (increase) in assets	
Accounts receivable	(658,926)
Reinsurance claims receivable	4,294,326
Due from Medicare	143,524
Inventory of supplies	(7,937)
Prepaid expenses	2,616
Increase (decrease) in liabilities	
Accounts payable and accrued liabilities	(186,928)
Accrued medical and health care claims	(16,296,661)
Accrued employee compensation	(1,359,017)
Due to other governments	1,763,344
Deferred revenue	(675)
Net cash used for operating activities	<u>\$ (14,216,510)</u>

Noncash investing, capital and financing activities:

During the year ended June 30, 2009, the Fund retired equipment with a net book value of \$573.

PIMA COUNTY, ARIZONA
Pima Health System and Services - Enterprise Fund
Notes to Financial Statements
June 30, 2009

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, 2009, the Fund adopted early implementation of the provisions of GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. GASB Statement No. 51 requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. As a result of the implementation of GASB 51, the Fund has recorded, and presented separately, material intangible assets. The Fund did not have any intangible assets in prior years.

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.

On October 1, 2008, the ambulatory contract with AHCCCS was not renewed as a result of a competitive bidding process. However, PHS retained approximately 2,700 ambulatory members under a capped enrollment contract that were either dual-eligible (Medicaid and Medicare) or family members of PHS ALTCS members.

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

PIMA COUNTY, ARIZONA
Pima Health System and Services - Enterprise Fund
Notes to Financial Statements
June 30, 2009

Note 1 - Summary of Significant Accounting Policies (continued)

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.

Unless in 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. Generally, 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 operations 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 Revenues

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, 2009. 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, 2009, the Fund has \$3,039,352 of estimated settlement payments due to AHCCCS for the PPC reconciliation for contract years 2007, 2008 and 2009.

PIMA COUNTY, ARIZONA
Pima Health System and Services - Enterprise Fund
Notes to Financial Statements
June 30, 2009

Note 1 - Summary of Significant Accounting Policies (continued)

Similar risk sharing was in place for the contract year ended September 30, 2009 for medical costs incurred by contracted health plans for the Social Security Disability Insurance-Temporary Medical Coverage (SSDI-TMC) members. AHCCCS reconciles the contractor's prospective medical costs to prospective capitation. This group is not eligible for prior period coverage, supplemental payments or reinsurance. The reconciliation limits the contractor's profits or losses to 2%.

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, 2009, the Fund has \$757,349 of estimated settlement payments due to AHCCCS for the HCBS Mix reconciliation for contract years 2008 and 2009.

F. Reinsurance Revenues

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, 2009, 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, 2009 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, 2009, the Fund had approximately \$234,349 due to AHCCCS related to share of costs. This amount is comprised of \$52,225 and \$182,124 due to AHCCCS for contract years 2008 and 2009 respectively. The amount is included in 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, 2009

Note 1 - Summary of Significant Accounting Policies (continued)

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 2008 through 2009 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 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, 2009 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. Grantors 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 members 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, 2009, accounts receivable was net of an allowance for doubtful accounts of \$205,783. Grants receivable at June 30, 2009 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 Prior Period Coverage (PPC) 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.

PIMA COUNTY, ARIZONA
Pima Health System and Services - Enterprise Fund
Notes to Financial Statements
June 30, 2009

Note 1 - Summary of Significant Accounting Policies (continued)

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 and intangibles 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. 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
Intangible	20 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 \$356,175 to these sub-capitated providers during fiscal year 2009.

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, 2009, medical and health care claims payable consists of estimates of \$16,439,378 in the ALTCS program, \$1,163,310 in the Ambulatory program and \$475,781 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, 2009, was \$4,403,305 which is included in the non-operating expenses portion of the accompanying Statement of Revenues, Expenses, and Changes in Net Assets. The Fund has \$2,552 due to the

PIMA COUNTY, ARIZONA
Pima Health System and Services - Enterprise Fund
Notes to Financial Statements
June 30, 2009

Note 1 - Summary of Significant Accounting Policies (continued)

Arizona Department of Insurance at June 30, 2009. This amount is included in the due to other governments in the accompanying Statement of Net Assets.

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, 2009, 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, 2009 were as follows:

Cash on hand	\$ 2,500
Cash and investments in the Pima County Treasurer's investment pool	<u>25,231,963</u>
Total	<u>\$ 25,234,463</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 289 days at June 30, 2009.

Legal provisions – Arizona Revised Statutes authorize the County 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.

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, 2009

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, 2009, was as follows:

	July 1, 2008			June 30, 2009
	Balance	Increases	Decreases	Balance
Leasehold improvements	\$ 693,876			\$ 693,876
Accumulated depreciation	(518,984)	\$ (91,478)		(610,462)
Net leasehold improvements	<u>174,892</u>	<u>(91,478)</u>		<u>83,414</u>
Machinery and equipment	1,138,451	6,293	\$ (90,150)	1,054,594
Accumulated depreciation	(712,106)	(122,963)	89,577	(745,492)
Net machinery and equipment	<u>426,345</u>	<u>(116,670)</u>	<u>(573)</u>	<u>309,102</u>
Intangible		381,100		381,100
Accumulated depreciation		(19,055)		(19,055)
Net intangible		<u>362,045</u>		<u>362,045</u>
Capital assets, net	<u>\$ 601,237</u>	<u>\$ 153,897</u>	<u>\$ (573)</u>	<u>\$ 754,561</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 2009. The sanctions are a result of pended encounters. As of June 30, 2009, there were 74,100 pended encounters with associated sanction amounts of \$1,084,065. 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, 2009. 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. During the current fiscal year, the Fund purchased additional software to correct known encounter billing problems.

Interim reconciliations are performed for amounts Due to Other Governments in accordance with provisions of the Fund's AHCCCS contracts. The Fund has received preliminary notice of a maximum potential liability of approximately \$4,636,370 for contract year ended September 30, 2008 for estimated profit in excess of the risk thresholds for Title XIX waiver group (TWG) members and Prior Period Costs (PPC). A significant portion of the estimated profit is due to AHCCCS calculating profit without being able to include the pended encounters noted above. The liability of \$2,318,185 included in Due to other Governments reported at fiscal year end represents management's assessment of a probable payout associated with the \$4,636,370 maximum potential liability notice from AHCCCS.

PIMA COUNTY, ARIZONA
Pima Health System and Services - Enterprise Fund
Notes to Financial Statements
June 30, 2009

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

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, 2009, the Fund incurred \$881,723 in self-insurance expense, of which \$289,044 is included in other operating expenses and \$592,679 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, 2009, the Fund received capitation revenues totaling \$100,752 from Pima County departments for services provided to Pima County patients and other income totaling \$257,182 for claims processing services. The Fund incurred expenses totaling \$6,791,383 for the allocation of overhead, insurance premiums, and other charges for miscellaneous supplies and services from Pima County.

Of the \$1,002,687 balance in due to other Pima County funds, \$981,890 represents advances received from other County funds to eliminate cash overdrafts in the Fund's following programs:

Grants/Community Services System	\$	659,763
Other Pima County Programs		<u>322,127</u>
Total	\$	<u>981,890</u>

The remaining \$20,797 was for miscellaneous services.

Note 6 - Retirement Plan

Plan Descriptions—The Fund 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)*. The Plan 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 fixed 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 dependents. 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.

Funding Policy—The Arizona State Legislature establishes and may amend active plan members' and the Fund's contribution rates. For the year ended June 30, 2009, active ASRS members were required by statute to contribute at the actuarially determined rate of 9.45 percent (8.95 percent for retirement and 0.5 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 9.45 percent (7.99 percent for retirement, 0.96 percent for health insurance premium, and 0.5 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, 2009

Note 6 - Retirement Plan (continued)

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

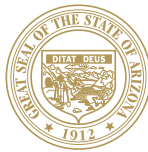
<u>Years ended June 30,</u>	<u>Retirement Fund</u>	<u>Health Benefit Supplement Fund</u>	<u>Long-Term Disability Fund</u>
2009	1,960,018	235,496	122,654
2008	2,395,671	312,479	148,799
2007	2,122,075	295,123	140,535

Note 7 – Capitation Revenues

For the year ended June 30, 2009, capitation revenues consist of the following amounts:

ALTCS long-term care	\$ 181,865,852
AHCCCS ambulatory/acute care	29,229,068
Pima County residual and other programs	<u>140,506</u>
Total	<u>\$ 211,235,426</u>

GOVERNMENT AUDITING STANDARDS REPORT



DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

WILLIAM THOMSON
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, 2009, and have issued our report thereon dated October 26, 2009. Our report was modified as to consistency because of the implementation of Governmental Accounting Standards Board Statement No. 51. 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Fund's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Pima Health System and Services Enterprise Fund's financial statements that is more than inconsequential will not be prevented or detected by the Fund's internal control. We consider item 09-01 described in the accompanying Schedule of Findings and Recommendations to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Fund's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

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 09-01.

The Pima Health System and Services Enterprise Fund's response to the finding identified in our audit is presented on page 20. 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, and the Fund's management, 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 26, 2009

Pima Health System and Services
Schedule of Findings and Recommendations
Year Ended June 30, 2009

09-01

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

Criteria: The Fund's management is responsible for ensuring that medical claims are timely and accurately processed, paid, and submitted to the Arizona Healthcare 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.

Condition and context: During fiscal year 2009, the Fund processed approximately 30,000 medical claims each month totaling on average approximately \$16 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 more than once. Also, auditors noted that claims were submitted with missing information or other errors that the Fund had not corrected. Further, at June 30, 2009, the Fund had over 200,000 claims totaling approximately \$94,679,000 in the pended status with AHCCCS. Of those claims, over 106,000 had not been submitted to AHCCCS within the required timelines. These claims were submitted to AHCCCS more than 4 months after they were paid, and some were paid over 365 days ago.

Effect: Because of these deficiencies, AHCCCS has assessed the Fund a potential sanction of \$1,084,065 as of June 30, 2009. 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 they are in excess of 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 properly submitted to AHCCCS. AHCCCS sent the Fund a preliminary notice of a maximum potential liability of \$4,636,370 for the contract year ended September 30, 2008. The Fund has until January 2010 to resubmit claims with errors and incomplete information, and submit all claims that had not been submitted for the contract year to reduce this potential liability.

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

Cause: The Fund lacked adequate policies and procedures over its 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 by January 2009 to help correct deficiencies did not always properly synchronize with AHCCCS' systems, resulting in discrepancies. Further, problems during the implementation of the new software resulted in the Fund's not submitting all claims and in some instances submitting duplicate claims. The problems with this software were not discovered until after its implementation, and the problems and causes were not immediately detected.

Pima Health System and Services
Schedule of Findings and Recommendations
Year Ended June 30, 2009

Recommendation: To help ensure the Fund submits all medical and healthcare claims to AHCCCS in a timely manner and that claims information submitted is accurate and complete, the Fund should continue to develop and revise its internal control policies and procedures over its claims processing systems by continuing to implement the following:

- Assign experienced staff to accurately identify all pended claims as well as claims never encountered and ensure these claims are successfully encountered and adjudicated with AHCCCS as soon as possible to reduce or avoid possible sanctions and liabilities.
- Assign experienced staff to analyze pended encounters to determine the cause of such pends so that software or procedural modifications can be made to correct and prevent future errors.
- Ensure all software modifications are accurately documented, reviewed by appropriate supervisors, and approved by independent users.
- Ensure that all new software is adequately tested for accurate results prior to being placed into the production environment.
- Assign staff to monitor claims held by AHCCCS and ensure any necessary corrections are made within 90 days of submittal.
- Implement the available MDE program to migrate successfully encountered claims data into the Fund's QNXT claims processing software to help with additional analysis of pended claims and to aid in the preparation of the required financial reports.



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

Thomas E. Burke, Director

October 26, 2009

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,

A handwritten signature in blue ink that reads "Thomas Burke".

Thomas Burke, Director
Department of Finance and Risk Management

09-01

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

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

Anticipated completion Date – December 31, 2009 to include all Internal Standards and Procedures

Pima County agrees with the finding and has taken steps to address the issues raised. Pima County has transferred management of the financial reporting requirements and claims unit to the Finance and Risk Management Department and transferred management of the PHS information technology to the County's Information Technology Department.

The County has taken the following corrective actions to address this finding:

- Purchased and are implementing an encountering software suite from Medical Data Express (MDE) to review PHS claims prior to payment, and correctly resolve any claims before submission that will not pass the AHCCCS edits.
- An Encounter Team within the Claims Division has been created and is daily reviewing pended encounters to clear the old encounters. A database has been developed by the PHS Information Technology Department to track and report pended encounters to the Encounter Team for remediation.
- The Encounter Team also reviews and aids in processing new pended encounters.
- An ongoing review is now being performed for all encounters pended in the AHCCCS Transaction Insight (TI) system to allow for the timely resolution of pended claims.
- Our QNXT Configuration Team continues to focus on issues that might affect new pended claims to determine the cause of such pends and to correct and prevent future errors.
- Internal Standards and Procedures are in the process of being developed for System Configuration, change management planning and monitoring the entire Encountering Process.

ADDITIONAL INFORMATION

PIMA COUNTY, ARIZONA
Pima Health System and Services - Enterprise Fund
Combining Statement of Net Assets by Program
June 30, 2009

	AHCCCS			Other Pima County Programs	Total
	Ambulatory Contracts	Long-Term Care Contracts (1)	Grants/Community Services System		
Assets					
Current assets:					
Cash and cash equivalents	\$ 3,840,440	\$ 21,393,023		\$ 1,000	\$ 25,234,463
Receivables:					
Accounts, net	861,807	534,557		43,577	1,439,941
Reinsurance claims	1,606,645	4,707,914			6,314,559
Grants			\$ 896,976		896,976
Interest	15,884	100,970			116,854
Due from Medicare		142,408			142,408
Inventory of supplies		89,343			89,343
Prepaid expenses				11,236	11,236
Total current assets	<u>\$ 6,324,776</u>	<u>\$ 26,968,215</u>	<u>\$ 896,976</u>	<u>\$ 55,813</u>	<u>\$ 34,245,780</u>
Noncurrent assets:					
Capital assets:					
Leasehold improvements				693,876	693,876
Machinery and equipment				1,054,594	1,054,594
Intangible				381,100	381,100
Accumulated depreciation:					
Leasehold improvements				(610,462)	(610,462)
Machinery and equipment				(745,492)	(745,492)
Intangible				(19,055)	(19,055)
Capital assets, net				754,561	754,561
Total assets	<u>\$ 6,324,776</u>	<u>\$ 26,968,215</u>	<u>\$ 896,976</u>	<u>\$ 810,374</u>	<u>\$ 35,000,341</u>
Liabilities					
Current liabilities:					
Accounts payable and accrued liabilities	\$ 14,670	\$ 661,609	\$ 747		\$ 677,026
Accrued medical and health care claims	1,163,310	16,439,378	475,781		18,078,469
Accrued employee compensation	22,809	2,309,935	12,808		2,345,552
Interest payable			2,724		2,724
Deferred revenue			954		954
Due to:					
Other Pima County funds		20,797	659,763	\$ 322,127	1,002,687
Other governments	2,881,162	762,279			3,643,441
Total liabilities	<u>4,081,951</u>	<u>20,193,998</u>	<u>1,152,777</u>	<u>322,127</u>	<u>25,750,853</u>
Net Assets (Deficit)					
Invested in capital assets				754,561	754,561
Restricted for health care	2,242,825	6,774,217			9,017,042
Unrestricted (deficit)			(255,801)	(266,314)	(522,115)
Total net assets (deficit)	<u>\$ 2,242,825</u>	<u>\$ 6,774,217</u>	<u>\$ (255,801)</u>	<u>\$ 488,247</u>	<u>\$ 9,249,488</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 24.

See Independent Auditors' Report

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, 2009

	<u>AHCCCS</u>			<u>Other Pima County Programs</u>	<u>Intrafund Eliminations</u>	<u>Total</u>
	<u>Ambulatory Contracts</u>	<u>Long-Term Care Contracts (1)</u>	<u>Grants/Community Services System</u>			
Operating revenues:						
Capitation	\$ 29,229,068	\$ 181,865,852		\$ 140,506		\$ 211,235,426
Reinsurance claims	(1,747,872)	4,497,614				2,749,742
Charges for services		2,135,528			\$ (13,161)	2,122,367
Other	1,104,819	767,930		496,786	(233,496)	2,136,039
Total operating revenues	<u>28,586,015</u>	<u>189,266,924</u>		<u>637,292</u>	<u>(246,657)</u>	<u>218,243,574</u>
Operating expenses:						
Medical and health care	29,264,614	166,765,836	\$ 3,343,355	260,804	(13,161)	199,621,448
Case management (contracted and salaried)		5,646,890	1,150,958			6,797,848
General, fiscal, and administrative services	769,034	4,394,430	357,060	146,953		5,667,477
Depreciation				233,496		233,496
Other	1,019,658	7,167,048	4,058	109,709	(233,496)	8,066,977
Total operating expenses	<u>31,053,306</u>	<u>183,974,204</u>	<u>4,855,431</u>	<u>750,962</u>	<u>(246,657)</u>	<u>220,387,246</u>
Operating income (loss)	<u>(2,467,291)</u>	<u>5,292,720</u>	<u>(4,855,431)</u>	<u>(113,670)</u>		<u>(2,143,672)</u>
Nonoperating revenues (expenses):						
Grant revenue			4,613,310			4,613,310
Interest income	217,361	510,917				728,278
Interest expense			(13,680)			(13,680)
Premium tax	(643,365)	(3,759,940)				(4,403,305)
Loss on disposal of equipment				(573)		(573)
Total nonoperating revenues (expenses), net	<u>(426,004)</u>	<u>(3,249,023)</u>	<u>4,599,630</u>	<u>(573)</u>		<u>924,030</u>
Income (loss) before transfers	(2,893,295)	2,043,697	(255,801)	(114,243)		(1,219,642)
Transfers in			465,433		(465,433)	
Transfers out	<u>(465,433)</u>	<u>(3,400,000)</u>			<u>465,433</u>	<u>(3,400,000)</u>
Increase (decrease) in net assets	(3,358,728)	(1,356,303)	209,632	(114,243)		(4,619,642)
Net assets (deficit), July 1, 2008	<u>5,601,553</u>	<u>8,130,520</u>	<u>(465,433)</u>	<u>602,490</u>		<u>13,869,130</u>
Net assets (deficit), June 30, 2009	<u>\$ 2,242,825</u>	<u>\$ 6,774,217</u>	<u>\$ (255,801)</u>	<u>\$ 488,247</u>	<u>\$</u>	<u>\$ 9,249,488</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 20.

PIMA COUNTY, ARIZONA
Pima Health System and Services - Enterprise Fund
Combining Statement of Cash Flows by Program
Year Ended June 30, 2009

	AHCCCS				
	Ambulatory Contracts	Long-Term Care Contracts (1)	Grants/Community Services System	Other Pima County Programs	Total
Cash flows from operating activities:					
Cash receipts from:					
Contractors, patients and other payors	\$ 31,417,331	\$ 189,810,242		\$ 422,230	\$ 221,649,803
Other Pima County funds for goods and services				357,934	357,934
Miscellaneous operations	1,104,819	534,434		138,852	1,778,105
Cash payments to:					
Providers for health care services	(46,110,311)	(149,007,539)	\$ (4,320,895)	(247,426)	(199,686,171)
Employees for services	(1,135,347)	(31,367,029)	(404,764)	(146,952)	(33,054,092)
Other Pima County funds for goods and services	(140,082)	(5,001,536)		(120,471)	(5,262,089)
Net cash provided by (used for) operating activities	<u>(14,863,590)</u>	<u>4,968,572</u>	<u>(4,725,659)</u>	<u>404,167</u>	<u>(14,216,510)</u>
Cash flows from noncapital financing activities:					
Cash transfer with other Pima County funds	(465,433)	(3,400,000)	465,433		(3,400,000)
Loans with other Pima County funds		18,310	(84,786)	(16,774)	(83,250)
Interest paid on short-term credit			(15,941)		(15,941)
Grant receipts			4,360,953		4,360,953
Premium tax payments	(643,365)	(3,759,940)			(4,403,305)
Net cash provided by (used for) noncapital financing activities	<u>(1,108,798)</u>	<u>(7,141,630)</u>	<u>4,725,659</u>	<u>(16,774)</u>	<u>(3,541,543)</u>
Cash flow from capital and related financing activities:					
Purchase of capital assets				(387,393)	(387,393)
Net cash used for capital and related financing activities	<u></u>	<u></u>	<u></u>	<u>(387,393)</u>	<u>(387,393)</u>
Cash flow from investing activities:					
Interest on cash and investments	271,878	483,651			755,529
Net cash provided by investing activities	<u>271,878</u>	<u>483,651</u>	<u></u>	<u></u>	<u>755,529</u>
Net decrease in cash and cash equivalents	<u>(15,700,510)</u>	<u>(1,689,407)</u>	<u></u>	<u></u>	<u>(17,389,917)</u>
Cash and cash equivalents, July 1, 2008	19,540,950	23,082,430		1,000	42,624,380
Cash and cash equivalents, June 30, 2009	<u>\$ 3,840,440</u>	<u>\$ 21,393,023</u>	<u>\$</u>	<u>\$ 1,000</u>	<u>\$ 25,234,463</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 26 and 27.

PIMA COUNTY, ARIZONA
Pima Health System and Services - Enterprise Fund
Combining Statement of Cash Flows by Program
Year Ended June 30, 2009

(continued)

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

	AHCCCS			Other Pima County Programs	
	Ambulatory Contracts	Long-Term Care Contracts (1)	Grants/ Community Services System		Total
Operating income (loss)	\$ (2,467,291)	\$ 5,292,720	\$ (4,855,431)	\$ (113,670)	\$ (2,143,672)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation				233,496	233,496
Decrease (increase) in assets					
Accounts receivable	(792,150)	(148,501)		281,725	(658,926)
Reinsurance claims receivable	3,151,292	1,143,034			4,294,326
Due from Medicare		143,524			143,524
Inventory of supplies		(7,937)			(7,937)
Prepaid expenses				2,616	2,616
Increase (decrease) in liabilities					
Accounts payable and accrued liabilities	(197,179)	9,504	747		(186,928)
Accrued medical and health care claims	(15,771,342)	(697,971)	172,652		(16,296,661)
Accrued employee compensation	(363,913)	(952,152)	(42,952)		(1,359,017)
Due to other governments	1,576,993	186,351			1,763,344
Deferred revenue			(675)		(675)
Net cash provided by (used for) operating activities	<u>\$ (14,863,590)</u>	<u>\$ 4,968,572</u>	<u>\$ (4,725,659)</u>	<u>\$ 404,167</u>	<u>\$ (14,216,510)</u>

Noncash investing, capital and financing activities:

During the year ended June 30, 2009, the Fund retired equipment with a net book value of \$573.

PIMA COUNTY, ARIZONA
Pima Health System and Services - Enterprise Fund
Combining Statement of Net Assets
Long-Term Care Contracts
June 30, 2009

	Posada Del Sol Nursing Home			Long-Term Care Contracts Total
	ALTCS Contracts	ALTCS Residents	Other Residents (1)	
Assets				
Current assets:				
Cash and cash equivalents	\$ 20,752,020	\$ 235,688	\$ 405,315	\$ 21,393,023
Receivables:				
Accounts, net	517,237	16,785	535	534,557
Reinsurance claims	4,707,914			4,707,914
Interest	97,699	3,170	101	100,970
Due from Medicare		142,408		142,408
Inventory of supplies		86,585	2,758	89,343
Total assets	<u>\$ 26,074,870</u>	<u>\$ 484,636</u>	<u>\$ 408,709</u>	<u>\$ 26,968,215</u>
Liabilities				
Current Liabilities:				
Accounts payable and accrued liabilities	640,173	20,774	662	661,609
Accrued medical and health care claims	16,439,378			16,439,378
Accrued employee compensation	2,235,093	72,532	2,310	2,309,935
Due to:				
Other Pima County Funds	20,123	653	21	20,797
Other Governments	762,279			762,279
Total liabilities:	<u>20,097,046</u>	<u>93,959</u>	<u>2,993</u>	<u>20,193,998</u>
Net Assets				
Restricted for health care	<u>5,977,824</u>	<u>390,677</u>	<u>405,716</u>	<u>6,774,217</u>
Total net assets	<u>\$ 5,977,824</u>	<u>\$ 390,677</u>	<u>\$ 405,716</u>	<u>\$ 6,774,217</u>

(1) The other residents column includes the financial position related to members enrolled in the System's AHCCCS Acute Care Contract program, other counties' ALTCS Contracts program, other providers' ambulatory programs, AHCCCS fee-for-service resident programs, commercial insurance programs, and private residents not enrolled in a program.

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, 2009

		Posada Del Sol Nursing Home			
	ALTCS Contracts	ALTCS Residents	Other Residents (1)	Intraprogram Eliminations	Long-Term Care Contracts Total
Operating revenues:					
Capitation	\$ 181,865,852				\$ 181,865,852
Reinsurance claims	4,497,614				4,497,614
Charges for services		\$ 16,841,538	\$ 1,065,911	\$ (15,771,921)	2,135,528
Other	743,049	24,113	768		767,930
Total operating revenues	187,106,515	16,865,651	1,066,679	(15,771,921)	189,266,924
Operating expenses:					
Medical and health care	164,600,809	16,486,675	1,087,243	(15,408,891)	166,765,836
Case management (contracted and salaried)	5,646,890				5,646,890
General, fiscal, and administrative services	4,389,893	137,985	4,537	(137,985)	4,394,430
Other	7,159,649	225,045	7,399	(225,045)	7,167,048
Total operating expenses	181,797,241	16,849,705	1,099,179	(15,771,921)	183,974,204
Operating income (loss)	5,309,274	15,946	(32,500)		5,292,720
Nonoperating revenues (expenses):					
Interest income	494,363	16,043	511		510,917
Premium tax	(3,759,940)				(3,759,940)
Total nonoperating revenues (expenses), net	(3,265,577)	16,043	511		(3,249,023)
Income (loss) before transfer	2,043,697	31,989	(31,989)		2,043,697
Transfer out	(3,400,000)				(3,400,000)
Increase (decrease) in net assets	(1,356,303)	31,989	(31,989)		(1,356,303)
Net assets, July 1, 2008	7,334,127	358,688	437,705		8,130,520
Net assets, June 30, 2009	\$ 5,977,824	\$ 390,677	\$ 405,716	\$	\$ 6,774,217

(1) The other residents column includes the financial position related to members enrolled in the System's AHCCCS Acute Care Contract program, other counties' ALTCS Contracts program, other providers' ambulatory programs, AHCCCS fee-for-service resident programs, commercial insurance programs and private residents not enrolled in a program.

PIMA COUNTY, ARIZONA
Pima Health System and Services - Enterprise Fund
Combining Statement of Cash Flows
Long-Term Care Contracts
Year Ended June 30, 2009

		Posada Del Sol Nursing Home		Long-Term Care Contracts
	ALTCS Contracts	ALTCS Residents	Other Residents (1)	Total
Cash flows from operating activities:				
Cash receipts from:				
Contractors, patients and other payors	\$ 173,805,788	\$ 16,004,454		\$ 189,810,242
Miscellaneous operations	534,434			534,434
Cash payments to:				
Providers for health care services	(132,832,753)	(16,174,786)		(149,007,539)
Employees for services	(30,350,737)	(984,925)	\$ (31,367)	(31,367,029)
Other Pima County funds for goods and services	(4,854,491)	(142,043)	(5,002)	(5,001,536)
Net cash provided by (used for) operating activities	<u>6,302,241</u>	<u>(1,297,300)</u>	<u>(36,369)</u>	<u>4,968,572</u>
Cash flows from noncapital financing activities:				
Cash transfer with Pima County funds	(3,400,000)			(3,400,000)
Loan with other Pima County funds	17,717	575	18	18,310
Premium tax payments	(3,759,940)			(3,759,940)
Net cash provided by (used for) noncapital financing activities	<u>(7,142,223)</u>	<u>575</u>	<u>18</u>	<u>(7,141,630)</u>
Cash flow from investing activities:				
Interest on cash and investments	467,980	15,187	484	483,651
Net cash provided by investing activities	<u>467,980</u>	<u>15,187</u>	<u>484</u>	<u>483,651</u>
Net decrease in cash and cash equivalents	(372,002)	(1,281,538)	(35,867)	(1,689,407)
Cash and cash equivalents, July 1, 2008	21,124,022	1,517,226	441,182	23,082,430
Cash and cash equivalents, June 30, 2009	<u><u>\$ 20,752,020</u></u>	<u><u>\$ 235,688</u></u>	<u><u>\$ 405,315</u></u>	<u><u>\$ 21,393,023</u></u>

(continued)

(1) The other residents column includes the financial position related to members enrolled in the System's AHCCCS Acute Care Contract program, other counties' ALTCS Contracts program, other providers' ambulatory programs, AHCCCS fee-for-service resident programs, commercial insurance programs, and private residents not enrolled in a program.

PIMA COUNTY, ARIZONA
Pima Health System and Services - Enterprise Fund
Combining Statement of Cash Flows
Long-Term Care Contracts
Year Ended June 30, 2009

(continued)

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

		Posada Del Sol Nursing Home		Long-Term Care Contracts
	ALTCS Contracts	ALTCS Residents	Other Residents (1)	Total
Operating income (loss)	\$ 5,309,274	\$ 15,946	\$ (32,500)	\$ 5,292,720
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities				
Decrease (increase) in assets				
Accounts receivable	(135,017)	(13,439)	(45)	(148,501)
Reinsurance claims receivable	1,143,034			1,143,034
Due from Medicare		143,524		143,524
Inventory of supplies		(7,692)	(245)	(7,937)
Increase (decrease) in liabilities				
Accounts payable and accrued liabilities	9,226	269	9	9,504
Accrued medical and health care claims	(697,971)			(697,971)
Accrued employee compensation	487,344	(1,435,908)	(3,588)	(952,152)
Due to other governments	186,351			186,351
Net cash provided by (used for) operating activities	\$ 6,302,241	\$ (1,297,300)	\$ (36,369)	\$ 4,968,572

(1) The other residents column includes the financial position related to members enrolled in the System's AHCCCS Acute Care Contract program, other counties' ALTCS Contracts program, other providers' ambulatory programs, AHCCCS fee-for-service resident programs, commercial insurance programs, and private residents not enrolled in a program.

ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM CONTRACTS

PIMA COUNTY, ARIZONA
Pima Health System and Services - Enterprise Fund
Ambulatory Contract - Claims Lag Report - Hospital
Year Ended June 30, 2009

Payment Qtr	Current	1st Prior	2nd Prior	3rd Prior	4th Prior	5th Prior	6th Prior*	Total
Current	31,150	111,853	22,120	55,361	128,416	-	24,787	373,687
1st Prior		15,233	57,938	442,056	125,017	157,109	15,531	812,884
2nd Prior			53,711	2,946,877	533,448	150,248	20,095	3,704,379
3rd Prior				2,351,470	2,934,578	1,068,344	81,902	6,436,294
4th Prior					2,091,223	4,197,644	1,657,255	7,946,122
5th Prior						2,001,736	3,852,026	5,853,762
6th Prior*							143,518,306	143,518,306
Totals	31,150	127,086	133,769	5,795,764	5,812,682	7,575,081	149,169,902	168,645,434
Expense	(2,797,760)	763,886	304,847	6,776,877	6,401,939	8,112,165	151,066,915	170,628,869
Adjustment	3,000,000	(503,286)	(125,569)	(945,438)	(580,111)	(533,797)	(1,897,013)	(1,585,214)
Remaining	171,090	133,514	45,509	35,675	9,146	3,287	-	398,221

* 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.

Amounts expressed in whole dollars, differences are due to rounding

PIMA COUNTY, ARIZONA
Pima Health System and Services - Enterprise Fund
Ambulatory Contract - Claims Lag Report - Medical
Year Ended June 30, 2009

Payment Qtr	Current	1st Prior	2nd Prior	3rd Prior	4th Prior	5th Prior	6th Prior*	Total
Current	94,608	174,534	6,232	17,456	12,859	1,325	515	307,529
1st Prior		162,354	181,387	315,695	139,311	14,765	(163,446)	650,066
2nd Prior			150,666	3,655,353	472,295	185,036	24,732	4,488,082
3rd Prior				5,110,197	2,504,503	469,444	36,920	8,121,064
4th Prior					5,437,444	3,703,929	361,981	9,503,354
5th Prior						3,681,476	2,600,242	6,281,718
6th Prior*							125,517,478	125,517,478
Totals	94,608	336,888	338,285	9,098,701	8,566,412	8,055,975	128,378,422	154,869,291
Expense	2,510,795	345,447	367,024	7,475,930	7,736,207	7,453,143	128,540,077	154,428,623
Adjustment	(2,178,345)	66,304	(8,919)	1,653,945	836,211	605,494	(161,655)	813,035
Remaining	237,842	74,863	19,820	31,174	6,006	2,662	0	372,367

* 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.

Amounts expressed in whole dollars, differences are due to rounding

PIMA COUNTY, ARIZONA
Pima Health System and Services - Enterprise Fund
Ambulatory Contract - Claims Lag Report - Other
Year Ended June 30, 2009

Payment Qtr	Current	1st Prior	2nd Prior	3rd Prior	4th Prior	5th Prior	6th Prior*	Total
Current	176,444	205,916	24,415	103,966	126,792	(42,270)	2,585	597,848
1st Prior		181,235	145,956	201,849	67,304	25,049	(39,579)	581,814
2nd Prior			183,302	3,582,144	446,694	148,896	62,229	4,423,265
3rd Prior				6,283,779	3,260,063	440,781	53,375	10,037,998
4th Prior					6,617,323	4,539,688	921,188	12,078,199
5th Prior						4,958,326	3,831,458	8,789,784
6th Prior*							205,760,426	205,760,426
Totals	176,444	387,151	353,673	10,171,738	10,518,176	10,070,470	210,591,682	242,269,334
Expense	1,141,491	181,262	409,102	9,402,616	10,214,848	10,505,047	211,831,398	243,685,764
Adjustment	(785,985)	276,312	(21,450)	835,034	337,552	(430,673)	(1,239,716)	(1,028,926)
Remaining	179,062	70,423	33,979	65,912	34,224	3,904	0	387,504

* 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.

Amounts expressed in whole dollars, differences are due to rounding

PIMA COUNTY, ARIZONA
Pima Health System and Services - Enterprise Fund
Ambulatory Contract - Profitability by Risk Group - TOTAL COUNTIES

Pima Health Plan Year Ending: 6/30/2009 Total Counties	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	SSDI-TMC with Med	SSDI-TMC with out Med	Grand Total
REVENUE & EXPENSES														
Member Months														
SOBRA FPS Mmbr Mths	0	0	0	0	0	0	0	0	0	623	0	0	0	623
PPC Member Months	4,707	30,122	15,239	7,500	3,570	87	127	26	57	540	0	66	0	2,449
Pros. Member Months	4,767	30,905	15,688	7,554	3,657	25,439	5,775	291	13,307	0	1,252	0	14	107,216
Total Member Months	4,767	30,905	15,688	7,754	3,657	25,566	5,801	348	13,847	623	1,318	0	14	110,288
Pros. & FPS Mmbr. Mths	4,707	30,122	15,239	7,500	3,570	25,439	5,775	291	13,307	623	1,252	0	14	107,839
Pros. & PPC Mmbr. Mths	4,767	30,905	15,688	7,754	3,657	25,566	5,801	348	13,847	0	1,318	0	14	109,665
REVENUES														
305 Capitation	2,422,222	3,317,101	3,532,289	1,105,484	1,396,254	3,988,861	4,124,976	213,630	5,810,342	8,069	289,739	0	5,349	26,214,316
310 PPC Capitation	114,341	70,677	155,887	77,445	51,105	21,947	13,430	202,394	771,971	0	22,670	0	0	1,501,867
312 Hospital Supplement	0	0	0	0	0	0	0	287,426	0	0	0	0	0	287,426
315 Delivery Supplement	0	0	846,609	0	0	7,521	7,069	0	35,726	0	1,379,684	0	0	2,276,609
320 HIV-AIDS Supplement	0	7,150	18,572	(20,904)	4,294	0	65,744	1,438	101,470	0	0	0	0	177,764
321 TWG Settlement	0	0	0	0	0	(444,952)	0	0	0	0	0	0	0	0
322 PPC Settlement	(21,188)	(254,258)	(233,070)	(42,376)	(63,565)	(444,952)	9,083	430	(127,129)	0	(42,376)	0	0	(1,228,914)
325 Investment Income	7,225	46,361	24,057	12,196	6,907	86,310	9,083	430	21,302	1,503	1,941	0	46	217,361
330 Other Income	5,282	31,803	24,335	17,269	23,373	662,193	8,844	0	25,120	8,477	1,629	0	0	808,325
TOTAL REVENUES	2,527,882	3,218,834	4,368,679	1,149,114	1,418,368	4,321,880	4,229,146	705,318	6,638,802	18,049	1,653,287	0	5,395	30,254,754
EXPENSES														
Hospitalization														
402 Hospital Inpatient	1,186,961	236,829	1,191,172	180,133	119,230	(2,103,128)	1,363,533	340,088	1,704,745	3,079	824,018	0	1,189	5,047,849
404 Hospital Risk Pool Expenses	0	0	0	0	0	0	0	0	0	0	0	0	0	0
406 PPC-Hospital Inpatient	197,027	14,668	25,479	25,444	11,307	372	40,378	349,867	547,533	0	20,921	0	0	1,232,996
TOTAL Hospitalization	1,383,988	251,497	1,216,651	205,577	130,537	(2,102,756)	1,403,911	689,955	2,252,278	3,079	844,939	0	1,189	6,280,845
Medical Compensation														
408 Primary Care Physician	270,542	861,961	604,072	177,773	232,872	646,464	366,343	23,877	829,489	1,227	34,018	0	4,708	4,053,346
410 Referral Physician	375,030	780,192	1,012,399	287,807	395,178	1,309,408	1,011,428	85,971	1,443,850	2,888	194,373	0	12,126	6,910,650
412 Physician Risk Pool Expenses	2,070	4,164	3,950	1,098	1,609	29,011	3,629	494	5,504	0	5,044	0	146	56,719
414 PPC - Physician Services	18,442	17,533	35,589	16,195	5,007	5,172	16,029	79,042	190,317	0	14,993	0	0	398,319
TOTAL Medical Comp	666,084	1,663,850	1,656,010	482,873	634,666	1,990,055	1,397,429	189,384	2,469,160	4,115	248,428	0	16,980	11,419,034
Other Medical Expenses														
416 Emergency Services	16,409	48,251	70,813	25,391	31,199	135,503	101,514	12,629	88,385	0	9,714	0	0	539,808
418 Pharmacy	20,018	321,674	341,780	267,635	163,463	173,735	925,818	57,155	902,159	5,018	32,714	3	4,370	3,215,542
420 Lab, X-ray, & Medical Imaging	46,380	156,530	569,695	127,321	198,458	389,189	540,233	51,710	858,016	841	111,234	0	3,042	3,052,649
422 Outpatient Facility	385	21,164	30,763	6,602	29,369	4,652	35,055	4,447	109,798	0	6,201	0	0	248,436
424 Durable Medical Equipment	44,983	76,217	60,155	48,227	51,822	82,520	299,827	39,945	249,294	0	3,021	0	2,683	958,694
426 Dental	7,036	817,721	219,817	102,900	36,449	111,227	72,916	5,416	115,271	1,149	50,080	0	601	1,540,583
428 Transportation	39,261	55,778	139,866	59,170	17,154	214,291	211,723	12,928	216,792	0	13,918	0	1,009	981,890
430 Nursing Facility, Home Health C	1,935	17,959	57,873	9,230	11,439	61,117	39,659	3,411	76,192	117	13,034	0	299	292,265
432 Physical Therapy	9,433	39,040	36,620	21,455	9,369	37,683	46,807	7,931	75,885	0	5,642	0	1,492	291,357
434 Other Risk Pool Expenses	0	0	0	0	0	0	0	0	0	0	0	0	0	0
436 Miscellaneous Medical Expenses	0	131	623	629	493	6,172	1,385	642	3,172	0	0	0	0	13,247
438 PPC-Other	3,016	13,994	45,777	13,119	6,611	4,390	9,993	115,583	200,375	0	17,406	0	0	430,264
TOTAL Other Medical	188,856	1,568,459	1,573,782	681,679	555,826	1,220,479	2,284,930	311,797	2,895,339	7,125	262,964	3	13,496	11,564,735
TOTAL MEDICAL EXP	2,238,928	3,483,806	4,446,443	1,370,129	1,321,029	1,107,778	5,086,270	1,191,136	7,616,777	14,319	1,356,331	3	31,665	29,264,614
Less:														
440 Reinsurance	323,725	2,365	57,713	132,087	51,843	(17,856)	694,091	127,136	276,143	75,545	25,080	0	0	1,747,872
441 PPC-Reinsurance	0	0	0	0	0	0	0	0	0	0	0	0	0	0
442 Third Party Liability	5,191	(3,871)	(67,538)	(58,506)	(6,458)	(5,075)	(24,186)	(26,207)	(107,061)	(452)	(2,331)	0	0	(296,494)
TOTAL NET MEDICAL EXP	2,567,844	3,482,300	4,436,618	1,443,710	1,366,414	1,084,847	5,756,175	1,292,065	7,785,859	89,412	1,379,080	3	31,665	30,715,992
TOTAL ADMIN EXP														
	54,179	349,809	179,303	88,703	44,114	345,883	66,245	52,515	585,746	7,749	14,402	0	44	1,788,692
TOTAL EXPENSES														
	2,622,023	3,832,109	4,615,921	1,532,413	1,410,528	1,430,730	5,822,420	1,344,580	8,371,605	97,161	1,393,482	3	31,709	32,504,684
Inc (loss) from operations	(94,141)	(613,275)	(247,242)	(383,299)	7,840	2,891,150	(1,593,274)	(639,262)	(1,732,803)	(79,112)	259,805	(3)	(26,314)	(2,249,930)
Non-operating inc (loss)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Inc (loss) before taxes	(94,141)	(613,275)	(247,242)	(383,299)	7,840	2,891,150	(1,593,274)	(639,262)	(1,732,803)	(79,112)	259,805	(3)	(26,314)	(2,249,930)
Income taxes	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Premium taxes	55,275	64,682	95,721	11,547	29,921	132,258	64,321	14,810	139,124	1,253	34,340	0	113	643,365
NET INCOME (LOSS)	(149,416)	(677,957)	(342,963)	(394,846)	(22,081)	2,758,892	(1,657,595)	(654,072)	(1,871,927)	(80,365)	225,465	(3)	(26,427)	(2,893,295)

Amounts expressed in whole dollars, differences are due to rounding

PIMA COUNTY, ARIZONA
Pima Health System and Services - Enterprise Fund
Ambulatory Contract - Profitability by Risk Group - PIMA COUNTY

Pima Health Plan Quarter Ended: 6/30/2009	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	SSDI-TMC	State Only Transplants	Grand Total
REVENUE & EXPENSES														
Pima County														
Member Months														
SOBRA FPS Mbr Mths	0	0	0	0	0	0	0	0	0	0	0	0	0	580
PPC Member Months	57	635	370	204	74	124	25	49	481	0	60	0	0	2,079
Pros. Member Months	4,062	24,833	12,180	5,992	2,696	23,606	5,124	272	11,724	0	1,089	0	14	91,592
Total Member Months	4,119	25,468	12,550	6,196	2,770	23,730	5,149	321	12,205	0	1,149	0	14	94,251
Pros. & FPS Mbr. Mths	4,062	24,833	12,180	5,992	2,696	23,606	5,124	272	11,724	580	1,089	0	14	92,172
Pros. & PPC Mbr. Mths	4,119	25,468	12,550	6,196	2,770	23,730	5,149	321	12,205	0	1,149	0	14	93,671
REVENUES														
305 Capitalization	2,088,734	2,733,379	2,823,487	880,847	1,053,577	3,667,078	3,660,129	199,887	5,123,053	7,457	252,046	0	5,349	22,495,023
310 PPC Capitalization	108,591	57,142	128,140	62,123	43,375	21,371	12,914	174,393	686,501	0	20,563	0	0	1,315,113
312 Hospital Supplement(Adj for CY)	0	0	0	0	0	0	0	265,316	0	0	0	0	0	265,316
315 Delivery Supplement	0	0	676,959	0	0	7,521	0	65,744	35,726	0	1,202,965	0	0	1,923,171
320 HIV-AIDS Supplement	0	7,150	18,572	(20,904)	4,294	0	0	1,438	101,470	0	0	0	0	177,764
321 TWG Settlement	0	0	0	0	0	0	0	0	0	0	0	0	0	0
322 PPC Settlement	(21,188)	(254,258)	(233,070)	(42,376)	(63,565)	(444,952)	0	(127,129)	0	(42,376)	0	0	0	(1,228,914)
325 Investment Income	6,287	38,635	19,607	10,002	5,635	83,620	8,121	402	18,999	1,440	1,704	0	46	194,498
330 Other Income	5,282	31,803	24,335	17,269	23,373	662,193	8,844	0	25,120	8,477	1,629	0	0	808,525
TOTAL REVENUES	2,187,706	2,613,851	3,458,030	906,961	1,066,689	3,996,831	3,755,752	641,436	5,863,740	17,374	1,436,531	0	5,395	25,950,296
EXPENSES														
Hospitalization														
402 Hospital Inpatient	1,075,439	210,843	1,126,193	145,342	95,503	(2,152,929)	1,242,399	331,003	1,635,173	3,079	798,023	0	1,189	4,511,257
404 Hospital Risk Pool Expenses	0	0	0	0	0	0	0	0	0	0	0	0	0	0
406 PPC-Hospital Inpatient	196,279	13,171	25,479	25,444	5,470	372	40,378	349,867	543,865	0	20,921	0	0	1,221,246
Total Hospitalization	1,271,718	224,014	1,151,672	170,786	100,973	(2,152,557)	1,282,777	680,870	2,179,038	3,079	818,944	0	1,189	5,732,503
Medical Compensation														
408 Primary Care Physician	239,007	780,967	541,675	158,951	198,932	635,079	347,808	23,481	781,904	1,190	32,784	0	4,708	3,746,486
410 Referral Physician	345,670	693,739	876,905	253,700	345,842	1,280,365	942,349	84,174	1,347,806	2,352	175,500	0	12,126	6,360,528
412 Other Professional	2,070	4,164	3,950	1,098	1,609	29,011	3,629	77,200	5,504	494	5,044	0	146	56,719
414 PPC - Physician Services	18,398	15,617	34,481	16,195	4,149	5,077	16,029	77,200	187,831	0	14,239	0	0	389,216
Total Medical Comp	605,145	1,494,487	1,457,011	429,944	550,532	1,949,532	1,399,815	185,349	2,323,045	3,542	227,567	0	16,980	10,552,949
Other Medical Expenses														
416 Emergency Facility Services	10,819	46,920	60,939	18,424	27,343	107,477	92,971	12,629	81,463	0	9,714	0	0	468,699
418 Pharmacy	18,190	289,458	299,831	248,516	126,162	170,261	763,914	56,492	838,485	4,964	31,176	3	4,370	2,851,822
420 Lab, X-ray, & Medical Imaging	42,617	133,336	504,803	108,629	155,041	367,120	500,812	51,116	806,955	841	105,553	0	3,042	2,779,865
422 Outpatient Facility	385	19,706	30,763	6,602	23,478	2,991	25,731	4,447	109,798	0	6,201	0	0	230,102
424 Durable Medical Equipment	42,574	59,172	55,666	35,464	35,220	79,290	274,719	39,945	234,348	0	2,814	0	2,683	861,895
426 Dental	5,410	726,671	185,502	89,370	33,139	109,088	66,151	4,873	105,273	938	45,087	0	601	1,372,111
428 Transportation	37,523	44,763	74,676	39,979	15,445	205,923	196,519	12,928	193,605	0	12,309	0	1,009	834,679
430 Nursing Facility, Home Health C	1,935	17,959	57,873	9,230	11,272	60,179	38,570	3,312	75,212	117	13,034	0	299	288,992
432 Physical Therapy	9,121	37,067	33,146	18,617	8,612	37,239	44,236	7,558	69,800	0	5,572	0	1,492	272,460
434 Other Risk Pool Expenses	0	0	0	0	0	0	0	0	0	0	0	0	0	0
436 Miscellaneous Medical Expenses	3,016	11,952	44,591	13,119	6,417	4,289	9,993	114,138	196,004	0	17,187	0	0	13,247
438 PPC-Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Other Medical	171,590	1,387,135	1,548,413	585,587	442,622	1,150,029	2,015,001	308,080	2,714,115	6,860	248,647	3	13,496	10,394,578
TOTAL MEDICAL EXP	2,048,453	3,105,636	3,957,096	1,189,317	1,094,127	947,004	4,607,593	1,174,299	7,216,198	13,481	1,295,158	3	31,665	26,680,030
Less:														
440 Reinsurance	323,725	2,365	57,713	132,087	51,843	(17,856)	694,091	127,136	276,143	75,545	25,080	0	0	1,747,872
441 Reserved	0	0	0	0	0	0	0	0	0	0	0	0	0	0
442 Third Party Liability	5,191	(3,871)	(67,558)	(58,506)	(6,458)	(5,075)	(24,186)	(26,207)	(107,061)	(452)	(2,331)	0	0	(296,494)
TOTAL NET MEDICAL EXP	2,377,369	3,104,130	3,947,271	1,262,898	1,139,512	924,073	5,277,498	1,275,228	7,385,280	88,574	1,317,907	3	31,665	28,131,408
TOTAL ADMIN EXP	45,036	275,508	135,940	67,326	31,724	320,239	57,023	46,711	515,496	7,139	12,091	0	44	1,514,277
TOTAL EXPENSES	2,422,405	3,379,638	4,083,211	1,330,224	1,171,236	1,244,312	5,334,521	1,321,939	7,900,776	95,713	1,329,998	3	31,709	29,645,685
Inc (loss) from operations	(234,699)	(765,787)	(625,181)	(423,263)	(104,547)	2,752,519	(1,578,769)	(680,503)	(2,037,036)	(78,339)	106,533	(3)	(26,314)	(3,695,389)
Non-operating inc (loss)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Inc (loss) before taxes	(234,699)	(765,787)	(625,181)	(423,263)	(104,547)	2,752,519	(1,578,769)	(680,503)	(2,037,036)	(78,339)	106,533	(3)	(26,314)	(3,695,389)
Income taxes	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Premium taxes	48,794	53,300	78,258	7,029	23,237	126,077	55,249	13,895	124,787	1,240	29,962	0	113	561,941
NET INCOME (LOSS)	(283,493)	(819,087)	(703,439)	(430,292)	(127,784)	2,626,442	(1,634,018)	(694,398)	(2,161,823)	(79,579)	76,571	(3)	(26,427)	(4,257,330)

Amounts expressed in whole dollars, differences are due to rounding

PIMA COUNTY, ARIZONA
Pima Health System and Services - Enterprise Fund
Ambulatory Contract - Profitability by Risk Group - SANTA CRUZ COUNTY

Pima Health Plan Quarter Ended: 6/30/2009 Santa Cruz 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	SSDI-TMC	State Only Transplants	Grand Total
REVENUE & EXPENSES														
Member Months														
SOBRA FPS Mbr. Mths	0	0	0	0	0	0	0	0	0	0	0	0	0	43
PPC Member Months	3	148	79	50	13	3	1	8	59	0	6	0	0	370
Pros. Member Months	645	5289	3,059	1,508	874	1,833	651	19	1,583	0	163	0	0	15,624
Total Member Months	648	5,437	3,138	1,558	887	1,836	652	27	1,642	43	169	0	0	16,037
Pros. & FPS Mbr. Mths	645	5,289	3,059	1,508	874	1,833	651	19	1,583	43	163	0	0	15,667
Pros. & PPC Mbr. Mths	648	5,437	3,138	1,558	887	1,836	652	27	1,642	0	169	0	0	15,994
REVENUES														
305 Capitation	333,488	583,722	708,802	224,637	342,677	321,783	464,847	13,743	687,289	612	37,693	0	0	3,719,293
310 PPC Capitation	5,750	13,535	27,747	15,322	7,730	576	516	28,001	85,470	0	2,107	0	0	186,754
312 Hospital Supplement(Adj for CY)	0	0	0	0	0	0	0	22,110	0	0	0	0	0	22,110
315 Delivery Supplement	0	0	169,650	0	0	0	7,069	0	0	0	176,719	0	0	353,438
320 HIV-AIDS Supplement	0	0	0	0	0	0	0	0	0	0	0	0	0	0
321 TWG Settlement	0	0	0	0	0	0	0	0	0	0	0	0	0	0
322 PPC Settlement	0	0	0	0	0	0	0	0	0	0	0	0	0	0
325 Investment Income	938	7,726	44,450	2,194	1,272	2,690	962	28	2,303	63	237	0	0	22,863
330 Other Income	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL REVENUES	340,176	604,983	910,649	242,153	351,679	325,049	473,394	63,882	775,062	675	216,756	0	0	4,304,458
EXPENSES														
Hospitalization														
402 Hospital Inpatient	111,522	25,986	64,979	34,791	23,727	49,801	121,134	9,085	69,572	0	25,995	0	0	536,592
404 Hospital Risk Pool Expenses	0	0	0	0	0	0	0	0	0	0	0	0	0	0
406 PPC-Hospital Inpatient	748	1,497	0	0	5,837	0	0	0	3,668	0	0	0	0	11,750
Total Hospitalization	112,270	27,483	64,979	34,791	29,564	49,801	121,134	9,085	73,240	0	25,995	0	0	548,342
Medical Compensation														
408 Primary Care Physician	31,535	80,994	62,397	18,822	33,940	11,385	18,535	396	47,585	37	1,234	0	0	306,860
410 Referral Physician	29,360	86,453	135,494	34,107	49,336	29,043	69,079	1,797	96,044	536	18,873	0	0	550,122
412 Other Professional	0	0	0	0	0	0	0	0	0	0	0	0	0	0
414 PPC - Physician Services	44	1,916	1,108	0	858	95	0	1,842	2,486	0	754	0	0	9,103
Total Medical Comp	60,939	169,363	198,999	52,929	84,134	40,523	87,614	4,035	146,115	573	20,861	0	0	866,085
Other Medical Expenses														
416 Emergency Facility Services	5,590	1,331	9,874	6,967	3,856	28,026	8,543	0	6,922	0	0	0	0	71,109
418 Pharmacy	1,828	32,216	41,949	19,119	37,301	3,474	161,904	663	63,674	54	1,538	0	0	363,720
420 Lab, X-ray, & Medical Imaging	3,763	23,194	64,892	18,692	43,417	22,069	39,421	594	51,061	0	5,681	0	0	272,784
422 Outpatient Facility	0	1,458	0	0	5,891	1,661	9,324	0	0	0	0	0	0	18,334
424 Durable Medical Equipment	2,409	17,045	44,889	12,763	16,602	3,230	25,108	0	14,946	0	207	0	0	96,799
426 Dental	1,626	91,050	34,315	13,522	3,310	2,139	6,765	543	9,998	211	4,993	0	0	168,472
428 Transportation	1,738	11,015	65,190	19,191	1,709	8,368	15,204	0	23,187	0	1,609	0	0	147,211
430 Nursing Facility, Home Health C	0	0	0	0	167	938	1,089	99	980	0	0	0	0	3,273
432 Physical Therapy	312	1,973	3,474	2,838	757	444	2,571	373	6,085	0	70	0	0	18,897
434 Other Risk Pool Expenses	0	0	0	0	0	0	0	0	0	0	0	0	0	0
436 Miscellaneous Medical Expenses	0	0	0	0	0	0	0	0	0	0	0	0	0	0
438 PPC-Other	0	2,042	1,186	0	194	101	0	1,445	4,371	0	219	0	0	9,558
Total Other Medical	17,266	181,324	225,369	93,092	113,204	70,450	269,929	3,717	181,224	265	14,317	0	0	1,170,157
TOTAL MEDICAL EXP	190,475	378,170	489,347	180,812	226,902	160,774	478,677	16,837	400,579	838	61,173	0	0	2,584,584
Less:														
440 Reinsurance	0	0	0	0	0	0	0	0	0	0	0	0	0	0
441 Reserved	0	0	0	0	0	0	0	0	0	0	0	0	0	0
442 Third Party Liability	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL NET MEDICAL EXP	190,475	378,170	489,347	180,812	226,902	160,774	478,677	16,837	400,579	838	61,173	0	0	2,584,584
TOTAL ADMIN EXP	9,143	74,301	43,363	21,377	12,390	25,644	9,222	5,804	70,250	610	2,311	0	0	274,415
TOTAL EXPENSES	199,618	452,471	532,710	202,189	239,292	186,418	487,899	22,641	470,829	1,448	63,484	0	0	2,858,999
Inc (loss) from operations	140,558	152,512	377,939	39,964	112,387	138,631	(14,505)	41,241	304,233	(773)	153,272	0	0	1,445,459
Non-operating inc (loss)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Inc (loss) before taxes	140,558	152,512	377,939	39,964	112,387	138,631	(14,505)	41,241	304,233	(773)	153,272	0	0	1,445,459
Income taxes	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Premium taxes	6,481	11,382	17,463	4,518	6,684	6,181	9,072	915	14,337	13	4,378	0	0	81,424
NET INCOME (LOSS)	134,077	141,130	360,476	35,446	105,703	132,450	(23,577)	40,326	289,896	(786)	148,894	0	0	1,364,035

Amounts expressed in whole dollars, differences are due to rounding

PIMA COUNTY, ARIZONA
Pima Health System and Services - Enterprise Fund
Ambulatory Contract - PPC Claims Lag Report - Hospital
Year Ended June 30, 2009

Payment Qtr	Current	1st Prior	2nd Prior	3rd Prior	4th Prior	5th Prior	6th Prior*	Total
Current	-	4,172	-	3,078	4,159	7,244	-	18,653
1st Prior		2,132	-	110,607	(41,143)	142,861	2,301	216,758
2nd Prior			-	241,866	161,009	31,423	(5,691)	428,607
3rd Prior				872,053	394,887	532,906	64,176	1,864,022
4th Prior					1,022,014	259,637	511,592	1,793,243
5th Prior						914,423	507,590	1,422,013
6th Prior*							28,028,177	28,028,177
Totals	-	6,304	-	1,227,604	1,540,926	1,888,494	29,108,145	33,771,473
Expense	-	6,304	-	1,226,692	2,397,713	1,230,104	28,811,193	33,672,006
Adjustment		-	-	3,035	(856,787)	658,390	296,952	101,590
Remaining	-	-	-	2,123	-	-	-	2,123

* 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.

Amounts expressed in whole dollars, differences are due to rounding

PIMA COUNTY, ARIZONA
Pima Health System and Services - Enterprise Fund
Ambulatory Contract - PPC Claims Lag Report - Medical
Year Ended June 30, 2009

Payment Qtr	Current	1st Prior	2nd Prior	3rd Prior	4th Prior	5th Prior	6th Prior*	Total
Current	661	1,673	39	(40)	233	(501)	(149)	1,916
1st Prior		688	542	21,114	9,126	(877)	(7,080)	23,513
2nd Prior			1,240	120,626	62,854	19,267	2,472	206,459
3rd Prior				294,197	130,331	103,955	34,886	563,369
4th Prior					462,026	45,564	96,081	603,671
5th Prior						284,016	165,740	449,756
6th Prior*							8,415,051	8,415,051
Totals	661	2,361	1,821	435,897	664,570	451,424	8,707,001	10,263,735
Expense	1,247	2,586	2,172	392,315	826,685	362,707	8,425,032	10,012,744
Adjustment		25	(351)	42,939	(161,463)	89,314	281,969	252,433
Remaining	586	250	-	(643)	652	597	-	1,442

* 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.

Amounts expressed in whole dollars, differences are due to rounding

PIMA COUNTY, ARIZONA
Pima Health System and Services - Enterprise Fund
Ambulatory Contract - PPC Claims Lag Report - Other
Year Ended June 30, 2009

Payment Qtr	Current	1st Prior	2nd Prior	3rd Prior	4th Prior	5th Prior	6th Prior*	Total
Current	1,503	1,760	96	2,218	1,373	804	88	7,842
1st Prior		625	128	12,142	1,273	3,765	(2,120)	15,813
2nd Prior			109	104,712	74,229	8,502	13,613	201,165
3rd Prior				253,395	134,002	110,594	40,990	538,981
4th Prior					378,206	38,616	106,061	522,883
5th Prior						260,405	349,117	609,522
6th Prior*							9,223,557	9,223,557
Totals	1,503	2,385	333	372,467	589,083	422,686	9,731,306	11,119,763
Expense	2,932	1,253	164	425,915	708,902	314,489	9,041,849	10,495,504
Adjustment		1,347	169	(53,386)	(120,369)	108,694	689,457	625,912
Remaining	1,429	215	-	62	(550)	497	-	1,653

* 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.

Amounts expressed in whole dollars, differences are due to rounding

PIMA COUNTY, ARIZONA
Pima Health System and Services - Enterprise Fund
Ambulatory Contract - Officers and Directors
Year Ended June 30, 2009

<u>NAME</u>	<u>TITLE</u>	OTHER RELATIONSHIP <u>TO PLAN</u>	TYPE OF <u>COMPENSATION</u>
Alvarez Hurley, Patricia	Plan Administrator	None	Salary (2)
DiCicco, Melanie	Behavioral Health Manager	None	Salary (1)
Estrada, Antonio	Operations Program Manager	None	Salary (2)
Eyde, Kathy	Preventative & Maternal Child Health Manager	None	Salary
Fellows, Mary	Interim Chief Financial Officer	None	Salary (2)
Fields, Karen	Plan Administrator	None	Salary (1)
Frederick, Pam	Quality Management Manager	None	Salary
Hall, Xenia	Claims Manager	None	Salary (1)
Hart, Mark	MIS Manager	None	Salary (2)
Henn, Therese	Utilization Management Manager	None	Salary (2)
Miller, Fred, M.D.	Medical Director	None	Salary (2)
Piccirilli, Laura	Claims Manager	None	Salary (2)
Rosales, Hilda	Member Services Manager	None	Salary (2)
Rountree, Virginia	Corporate Compliance & Privacy Office	None	Salary
Russell, Darla	Pharmacy Services Manager	None	Contracted
Russell, R. Mark, M.D.	Medical Director	None	Salary (1)
Summers, Steve	MIS Manager	None	Salary (2)
Spendiarian, Andrea	Behavioral Health Manager	None	Salary (2)
Stryker-Smit, Johanna	Pharmacy Services Manager	None	Salary (1)
Terry, Donna	Chief Financial Officer	None	Salary (1)
West, Kitley Ann	Grievance Coordinator	None	Salary
Wortman, Susan	Utilization Management Manager	None	Salary (1)

(1) Resigned or (2) changed positions during the period for July 1, 2008 to June 30, 2009.

PIMA COUNTY, ARIZONA
Pima Health System and Services - Enterprise Fund
ALTCS - Medical Claims Payable Report - (RBUCS)
Year Ended June 30, 2009

ACCOUNT	1-30 DAYS	31-60 DAYS	61-90 DAYS	OVER 90 DAYS	TOTAL RBUCs
Institutional Care	93,534	(24,861)	(23,152)	(39,398)	6,123
HCBS	2,662,591	(79,544)	(11,075)	(17,441)	2,554,531
Acute Care	1,299,247	(31,013)	(54,288)	(92,786)	1,121,160
Other Medical	250,721	(67,782)	(54,817)	(2,061)	126,061
Total Prospective	4,306,093	(203,200)	(143,332)	(151,686)	3,807,875
Total Prior Period Coverage	(924)	-	-	-	(924)
TOTAL CLAIMS PAYABLE	4,305,169	(203,200)	(143,332)	(151,686)	3,806,951

Amounts expressed in whole dollars, differences are due to rounding

PIMA COUNTY, ARIZONA
Pima Health System and Services - Enterprise Fund
ALTCS - Claims Lag Report for Prospective Period Only
Year Ended June 30, 2009

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	15,737,252	6,489,985	83,244	12,084	2,517	(1,968)	(5,131)	22,317,983
2	1ST PRIOR		13,427,299	4,515,746	46,654	29,991	25,118	16,197	18,061,005
3	2ND PRIOR			14,705,884	5,308,724	156,371	2,155	(3,879)	20,169,255
4	3RD PRIOR				13,949,728	4,850,884	213,593	33,038	19,047,243
5	4TH PRIOR					16,285,752	2,351,103	448,792	19,085,647
6	5TH PRIOR						15,281,268	1,859,878	17,141,146
7	6TH PRIOR							129,925,533	129,925,533
8	TOTALS	15,737,252	19,917,284	19,304,874	19,317,190	21,325,515	17,871,269	132,274,428	245,747,812
9	EXP. REPORTED	21,817,062	18,737,904	19,906,777	18,833,719	18,614,676	17,571,839	134,506,948	249,988,925
10	ADJUSTMENT	900,000	(1,302,909)	586,371	(483,471)	(2,710,839)	(299,430)	2,232,520	(1,077,758)
11	REMAINING LIABILITY	5,179,810	123,529	15,532	-	-	-	-	5,318,871
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	8,110,560	5,282,130	106,251	57,504	3,447	2,185	3,192	13,565,269
2	1ST PRIOR		11,477,890	2,326,553	284,058	130,294	18,378	6,074	14,243,247
3	2ND PRIOR			10,036,891	3,342,339	413,234	41,217	(43,600)	13,790,081
4	3RD PRIOR				8,599,720	5,528,877	305,663	27,805	14,462,065
5	4TH PRIOR					7,177,600	3,564,422	389,970	11,131,992
6	5TH PRIOR						8,038,738	2,805,398	10,844,136
7	6TH PRIOR							73,085,452	73,085,452
8	TOTALS	8,110,560	16,760,020	12,469,695	12,283,621	13,253,452	11,970,602	76,274,292	151,122,242
9	EXP. REPORTED	17,558,523	13,989,195	12,983,287	12,216,437	11,893,211	13,245,345	82,254,961	164,140,959
10	ADJUSTMENT	3,400,000	(2,936,871)	464,605	(73,672)	(1,360,241)	1,274,743	5,980,669	6,749,233
11	REMAINING LIABILITY	6,047,963	166,046	48,987	6,488	-	-	-	6,269,484
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	3,228,228	2,805,374	251,646	152,501	45,068	47,207	(816)	6,529,208
2	1ST PRIOR		2,057,784	3,896,083	258,571	105,868	96,472	(170,619)	6,244,159
3	2ND PRIOR			2,461,218	3,950,998	395,100	207,244	60,943	7,075,503
4	3RD PRIOR				1,869,499	3,366,640	679,817	72,951	5,988,907
5	4TH PRIOR					2,636,583	4,925,258	609,856	8,171,697
6	5TH PRIOR						2,496,407	2,176,418	4,672,825
7	6TH PRIOR							38,599,631	38,599,631
8	TOTALS	3,228,228	4,863,158	6,608,947	6,231,569	6,549,259	8,452,405	41,348,364	77,281,930
9	EXP. REPORTED	3,850,743	7,140,855	6,579,000	5,938,749	5,987,061	6,894,961	43,145,214	79,536,583
10	ADJUSTMENT	(3,000,000)	1,942,159	(194,272)	(344,920)	(586,555)	(1,557,444)	1,796,850	(1,944,182)
11	REMAINING LIABILITY	3,622,515	335,538	164,325	52,100	24,358	-	-	4,198,836
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	872,692	468,662	31,966	3,199	740	-	-	1,377,259
2	1ST PRIOR		885,087	475,978	36,490	14,576	(760)	(54)	1,411,317
3	2ND PRIOR			780,374	491,260	79,848	10,835	11,824	1,374,141
4	3RD PRIOR				809,588	587,460	60,101	10,071	1,467,220
5	4TH PRIOR					1,178,605	158,342	72,473	1,409,420
6	5TH PRIOR						542,811	1,155,872	1,698,683
7	6TH PRIOR							9,569,715	9,569,715
8	TOTALS	872,692	1,353,749	1,288,318	1,340,537	1,861,229	771,329	10,819,901	18,307,755
9	EXP. REPORTED	1,286,761	1,289,807	1,107,205	1,300,654	2,604,545	650,679	9,172,528	17,412,179
10	ADJUSTMENT	-	(80,149)	(183,280)	(39,883)	743,316	(120,650)	(1,647,373)	(1,328,019)
11	REMAINING LIABILITY	414,069	16,207	2,167	-	-	-	-	432,443

Amounts expressed in whole dollars, differences are due to rounding

See Independent Auditors' Report

PIMA COUNTY, ARIZONA
Pima Health System and Services - Enterprise Fund
ALTCS - Analysis of Profitability by Major Rate Code Classification - Total Counties
Year Ended June 30, 2009

Account #	Account Description	Dual Members Amount	Dual Members PMPM	Non-Dual Members Amount	Non-Dual Members PMPM	Total Amount	Total PMPM
Revenues:							
300	Capitation	136,157,086	3,650.62	44,983,036	1,206.08	181,140,122	4,856.70
305	PPC Capitation	908,240	24.35	85,877	2.30	994,117	26.65
310	Reinsurance	1,899,115	50.92	2,598,499	69.67	4,497,614	120.59
315	PPC - Reconciliation	-	-	-	-	-	-
320	Share of Cost (SOC) Reconciliation *	(231,397)	(6.20)	(54,872)	(1.47)	(286,269)	(7.67)
325	HCBS Placement Reconciliation *	(28,116)	(0.75)	(690)	(0.02)	(28,806)	(0.77)
330	HIV-AIDS /Supplement	14,943	0.40	2,938	0.08	17,881	0.48
335	Other AHCCCS Revenue (Report #4)	-	-	-	-	-	-
	Subtotal AHCCCS Revenue	138,719,871	3,719.34	47,614,788	1,276.64	186,334,659	4,995.98
350	Investment Income *	423,466	11.35	87,451	2.34	510,917	13.69
360	Third Party Liability Recoveries	55,920	1.50	(598)	(0.02)	55,322	1.48
370	Patient Contributions (MSOC)	46,485	1.25	9,639	0.26	56,124	1.51
380	Other Non-AHCCCS Income (Report #4)	471,138	12.63	100,495	2.69	571,633	15.32
	Subtotal Non-AHCCCS Revenue	997,009	26.73	196,987	5.27	1,193,996	32.00
	TOTAL REVENUES	139,716,880	3,746.07	47,811,775	1,281.91	187,528,655	5,027.98
Institutional Care Expenses:							
400	NF ICF & Bedholds	-	-	-	-	-	-
402	Level I	26,113,724	700.16	3,012,833	80.78	29,126,557	780.94
404	Level II	30,602,992	820.52	3,646,637	97.77	34,249,629	918.29
406	Level III	13,521,424	362.53	1,661,950	44.56	15,183,374	407.09
408	Institutional Care	-	-	-	-	-	-
410	PPC Institutional	579,496	15.54	56,840	1.52	636,336	17.06
412	Other Institutional Care (Report #4)	-	-	-	-	-	-
	TOTAL INSTITUTIONAL CARE	70,817,636	1,898.75	8,378,260	224.63	79,195,896	2,123.38
Home & Community Bases Services (HCBS) Expenses:							
414	Home Health Nurse	2,586,224	69.34	1,854,005	49.71	4,440,229	119.05
416	Home Health Aide	-	-	-	-	-	-
418	Personal Care	3,556,783	95.36	995,265	26.68	4,552,048	122.04
420	Homemaker	1,090,573	29.24	209,150	5.61	1,299,723	34.85
422	Home Delivered Meals	326,464	8.75	76,063	2.04	402,527	10.79
424	Respite Care	410,534	11.01	58,023	1.56	468,557	12.57
426	Attendant Care	24,400,388	654.22	6,169,089	165.40	30,569,477	819.62
428	Assisted Living Home	8,535,165	228.84	1,446,514	38.78	9,981,679	267.62
429	Assisted Living Center	1,625,843	43.59	-	-	1,625,843	43.59
430	Adult Day Health	181,510	4.87	19,297	0.52	200,807	5.39
432	Adult Foster Care	1,329,886	35.66	250,053	6.70	1,579,939	42.36
434	Group Respite	-	-	-	-	-	-
436	Hospice	193,113	5.18	286,210	7.67	479,323	12.85
438	Environmental Modifications	103,326	2.77	79,143	2.12	182,469	4.89
443	PPC HCBS	211,334	5.67	20,272	0.54	231,606	6.21
444	Other HCBS Costs (Report #4)	742,861	19.92	165,045	4.43	907,906	24.35
	TOTAL HCBS	45,294,004	1,214.42	11,628,129	311.76	56,922,133	1,526.18
Acute Care Expenses:							
448	Inpatient Services (Hosp.)	1,436,592	38.52	5,172,351	138.68	6,608,943	177.20
450	Primary Care Physician Services	255,466	6.85	510,870	13.70	766,336	20.55
452	Referral Physician Services	1,268,314	34.01	2,570,711	68.93	3,839,025	102.94
454	Emergency Services	210,612	5.65	(44,311)	(1.19)	166,301	4.46
456	Out Patient Facility	11,623	0.31	15,009	0.40	26,632	0.71
458	Prescription Drug	311,779	8.36	3,526,962	94.56	3,838,741	102.92
460	Lab/Radiology	250,521	6.72	943,183	25.29	1,193,704	32.01
462	Durable Medical Equipment	684,888	18.36	1,291,849	34.64	1,976,737	53.00
464	Dental	292,186	7.83	217,802	5.84	509,988	13.67
466	Transportation	1,604,165	43.01	771,535	20.69	2,375,700	63.70
468	Therapies	127,799	3.43	265,883	7.13	393,682	10.56
470	Outpatient Behavioral Health	898,013	24.08	915,545	24.55	1,813,558	48.63
471	PPC Acute Care	76,008	2.04	7,680	0.21	83,688	2.25
472	Other Acute Care Costs (Report #4)	-	-	-	-	-	-
	TOTAL ACUTE CARE	7,427,966	199.17	16,165,069	433.43	23,593,035	632.60
Other Medical Expenses:							
474	Ventilator Dependent	1,099,455	29.48	3,884,972	104.16	4,984,427	133.64
477	PPC - Other	-	-	-	-	-	-
479	Other Medical (Report #4)	-	-	-	-	-	-
	TOTAL OTHER MEDICAL	1,099,455	29.48	3,884,972	104.16	4,984,427	133.64
480	Case Management	4,683,126	125.56	963,764	25.84	5,646,890	151.40
	TOTAL MEDICAL EXPENSE:	129,322,187	3,467.38	41,020,194	1,099.82	170,342,381	4,567.20
Administrative Expenses:*							
484	Compensation	3,675,120	98.54	755,726	20.26	4,430,846	118.80
488	Data Processing	342,703	9.19	70,546	1.89	413,249	11.08
490	Management Fees	-	-	-	-	-	-
492	Interest Expense	-	-	-	-	-	-
493	Occupancy	1,308,944	35.10	270,624	7.26	1,579,568	42.36
494	Marketing	-	-	-	-	-	-
495	Depreciation	-	-	-	-	-	-
496	Other Administration (Report #4)	4,108,569	110.16	850,405	22.80	4,958,974	132.96
	TOTAL ADMINISTRATION	9,435,336	252.99	1,947,301	52.21	11,382,637	305.20
	TOTAL EXPENSE	138,757,523	3,720.37	42,967,495	1,152.03	181,725,018	4,872.40
	INCOME FROM OPERATIONS	959,357	25.70	4,844,280	129.88	5,803,637	155.58
497	Non-Operating Income (Loss)-Not reported above	-	-	-	-	-	-
	INCOME/(LOSS) BEFORE TAXES	959,357	25.70	4,844,280	129.88	5,803,637	155.58
498	Provision for Premium Taxes	3,116,682	83.56	643,258	17.25	3,759,940	100.81
499	Provision for Income Taxes	-	-	-	-	-	-
	NET INCOME/(LOSS) AFTER TAXES	(2,157,325)	(57.86)	4,201,022	112.63	2,043,697	54.77
CHANGES TO EQUITY/NET ASSETS:							
530	Equity/Net Assets at Beginning of Period					8,130,520	
520	Unrestricted Net Assets						
525	Restricted Net Assets						
530	Increase/(Decrease) in R/E Fund Balance						
	A. Net Income (Loss)					2,043,697	
	B. Dividends to Stockholders						
	C. Other: specify					(3,400,000)	
530	Equity/Net Assets at End of Period:					6,774,217	

Amounts expressed in whole dollars, differences are due to rounding

PIMA COUNTY, ARIZONA
Pima Health System and Services - Enterprise Fund
ALTCS - Utilization Data Report by County - All Counties
Year Ended June 30, 2009

ITEM DESCRIPTION	DUAL		NON-DUAL		TOTAL	
	Current Period	Fiscal YTD	Current Period	Fiscal YTD	Current Period	Fiscal YTD
A. Enrollees (At End of Period)	3,462	3,462	758	758	4,220	4,220
B. Member Months (Unduplicated) Prospective Only	10,058	30,848	2,172	6,450	12,230	37,298
Institutional Member Months Total						
1. Level 1	1,645	5,352	197	636	1,842	5,988
2. Level 2	1,693	4,900	213	549	1,906	5,449
3. Level 3	462	1,290	125	336	587	1,626
4. Specialty: Wandering Dementia	-	-	-	-	-	-
5. Specialty: SubAcute Medical	-	-	-	-	-	-
6. Specialty: Behavioral Health	-	-	-	-	-	-
7. Specialty: Respite Care	-	-	-	-	-	-
8. Home and Community Based Services (HCBS) Total						
a. Adult Foster Care	164	515	21	75	185	590
b. Assisted Living Home	1,124	3,342	84	246	1,208	3,588
c. Group Home (DD)	-	-	-	-	-	-
d. Individual Home	4,388	13,659	1,327	3,934	5,715	17,593
e. Assisted Living Center	513	1,496	111	313	624	1,809
f. Other (Specify) Group Home	17	51	21	56	38	107
9. Acute Care	29	133	51	190	80	323
10. Ventilator	23	110	22	115	45	225
11. PPC	246	721	34	72	280	793
12. Other (Specify)	-	-	-	-	-	-
Admissions	146	700	117	421	263	1,121
Patient Days	717	3,478	666	2,573	1,383	6,051
Discharges	146	684	117	395	263	1,079
Discharge Days	717	3,372	666	2,371	1,383	5,743
Average Length of Stay	4.91	4.97	5.69	6.11	5.26	5.40
Emergency Room Visits	350	1,460	225	741	575	2,201

PIMA COUNTY, ARIZONA
Pima Health System and Services - Enterprise Fund
ALTCS - Claims Lag Report for Prior Period Only
Year Ended June 30, 2009

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	47,708	134,316	27,656	1,988	176	(1,280)	(2,480)	208,084
2	1ST PRIOR		36,203	98,661	3,872	5,434	-	1,216	145,386
3	2ND PRIOR			24,577	84,624	7,885	6,592	(240)	123,438
4	3RD PRIOR				21,928	117,146	25,322	7,740	172,136
5	4TH PRIOR					94,702	1,376	26,918	122,996
6	5TH PRIOR						168,534	97,145	265,679
7	6TH PRIOR							514,103	514,103
8	TOTALS	47,708	170,519	150,894	112,412	225,343	200,544	644,402	1,551,822
9	EXP. REPORTED	180,276	177,966	142,451	135,643	196,227	173,108	674,385	1,680,056
10	ADJUSTMENT		2,485	8,962	(23,231)	29,116	27,436	(29,983)	14,785
11	REMAINING LIABILITY	132,568	9,932	519	-	-	-	-	143,019

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	15,977	47,026	4,478	-	-	7	-	67,488
2	1ST PRIOR		17,547	29,113	2,810	-	-	-	49,470
3	2ND PRIOR			21,970	36,127	1,220	2,048	-	61,365
4	3RD PRIOR				10,444	37,150	16,989	3,696	68,279
5	4TH PRIOR					35,196	3,965	7,317	46,478
6	5TH PRIOR						30,476	27,410	57,886
7	6TH PRIOR							173,670	173,670
8	TOTALS	15,977	64,573	55,561	49,381	73,566	53,485	212,093	524,636
9	EXP. REPORTED	52,429	63,955	53,022	62,200	71,935	60,007	280,228	643,776
10	ADJUSTMENT		1,925	2,781	(12,819)	1,631	(6,522)	(68,135)	(81,139)
11	REMAINING LIABILITY	36,452	1,307	242	-	-	-	-	38,001

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	2,267	12,668	8,834	14,279	281	8	-	38,337
2	1ST PRIOR		1,388	15,162	4,242	1,913	659	(78)	23,286
3	2ND PRIOR			5,498	25,267	6,905	614	142	38,426
4	3RD PRIOR				13,661	12,047	17,106	3,871	46,685
5	4TH PRIOR					3,906	11,021	329	15,256
6	5TH PRIOR						11,625	22,888	34,513
7	6TH PRIOR							311,613	311,613
8	TOTALS	2,267	14,056	29,494	57,449	25,052	41,033	338,765	508,116
9	EXP. REPORTED	33,954	24,574	41,080	(15,920)	82,245	32,765	252,766	451,464
10	ADJUSTMENT		(4,300)	(10,767)	73,369	(57,193)	8,268	85,999	95,376
11	REMAINING LIABILITY	31,687	6,218	819	-	-	-	-	38,724

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	14,846
7	6TH PRIOR							10	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.

Amounts expressed in whole dollars, differences are due to rounding

See Independent Auditors' Report

PIMA COUNTY, ARIZONA
Pima Health System and Services - Enterprise Fund
ALTCS - Officers and Directors
Year Ended June 30, 2009

<u>NAME</u>	<u>TITLE</u>	OTHER RELATIONSHIP <u>TO PLAN</u>	<u>TYPE OF COMPENSATION</u>
Alvarez Hurley, Patricia	Plan Administrator	None	Salary (2)
Berkowitz, Mona	Chief Deputy Director	None	Salary
Darovec, Constance	Home Care Support Services Manager	None	Salary (2)
Estrada, Antonio	Operations Program Manager	None	Salary (2)
Fellows, Mary	Interim Chief Financial Officer	None	Salary (2)
Fields, Karen	Plan Administrator	None	Salary (1)
Frederick, Pam	Quality Management Manager	None	Salary
Gwozdz, Ann	Home Care Support Services Manager	None	Salary (1)
Hall, Xenia	Claims Manager	None	Salary (1)
Hart, Mark	MIS Manager	None	Salary (2)
Henn, Therese	Utilization Management Manager	None	Salary (2)
Miller, Fred, M.D.	Medical Director	None	Salary (2)
Piccirilli, Laura	Claims Manager	None	Salary (2)
Rosales, Hilda	Member Services Manager	None	Salary (2)
Rountree, Virginia	Corporate Compliance & Privacy Officer	None	Salary
Russell, Darla	Pharmacy Services Manager	None	Contracted
Russell, R. Mark, M.D.	Medical Director	None	Salary (1)
Spendiarian, Andrea	Behavioral Health Manager	None	Salary
Stryker-Smit, Johanna	Pharmacy Services Manager	None	Salary (1)
Summers, Steve	MIS Manager	None	Salary (2)
Terry, Donna	Chief Financial Officer	None	Salary (1)
Tiano, Alan	Provider Services Manager	None	Salary (2)
West, Kitley Ann	Grievance Coordinator	None	Salary
Wortman, Susan	Utilization Management Manager	None	Salary (1)

(1) Resigned or (2) changed positions during the period for July 1, 2008 to June 30, 2009.