

Department of Economic Security Division of Developmental Disabilities ALTCS Contract

CONCLUSION: Based on our audit, we issued an opinion on the Department of Economic Security (Department), Division of Developmental Disabilities (Division) Arizona Long Term Care System (ALTCS) Contract's financial statements concluding that the information in those statements is reliable. We also issued a report over the Division's internal control and on compliance over financial reporting, which identified internal control findings and recommendations over financial reporting that are explained on the next page.

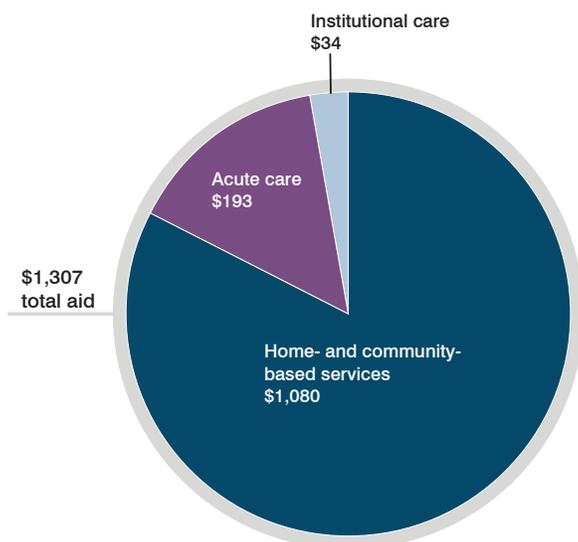
Division is a contractor with Arizona's Medicaid agency

The Division is a contractor with the Arizona Health Care Cost Containment System (AHCCCS), Arizona's Medicaid agency. The Division administers a managed-healthcare plan through the ALTCS Contract and provides medical services and long-term healthcare services to eligible enrollees of the AHCCCS program who are developmentally disabled. The Division's ALTCS Contract requires that it provide all covered healthcare services to eligible enrollees regardless of the cost of care. AHCCCS pays the Division's premiums based on a set amount for each eligible enrollee, also known as capitation payments. For the year ended June 30, 2018, the Division received over \$1.4 billion from AHCCCS and provided approximately \$1.3 billion in aid for eligible enrollees as shown in the chart below. The Division's ALTCS Contract's [Annual Financial Report](#) should be read to fully understand its financial information.

Division provided aid for eligible enrollees

Aid provided for eligible enrollees by aid type Fiscal year 2018

(In millions)



Aid type definitions

Home- and community-based services

Care for enrollees in state- and vendor-operated group homes, adult developmental homes, and through home-based services.

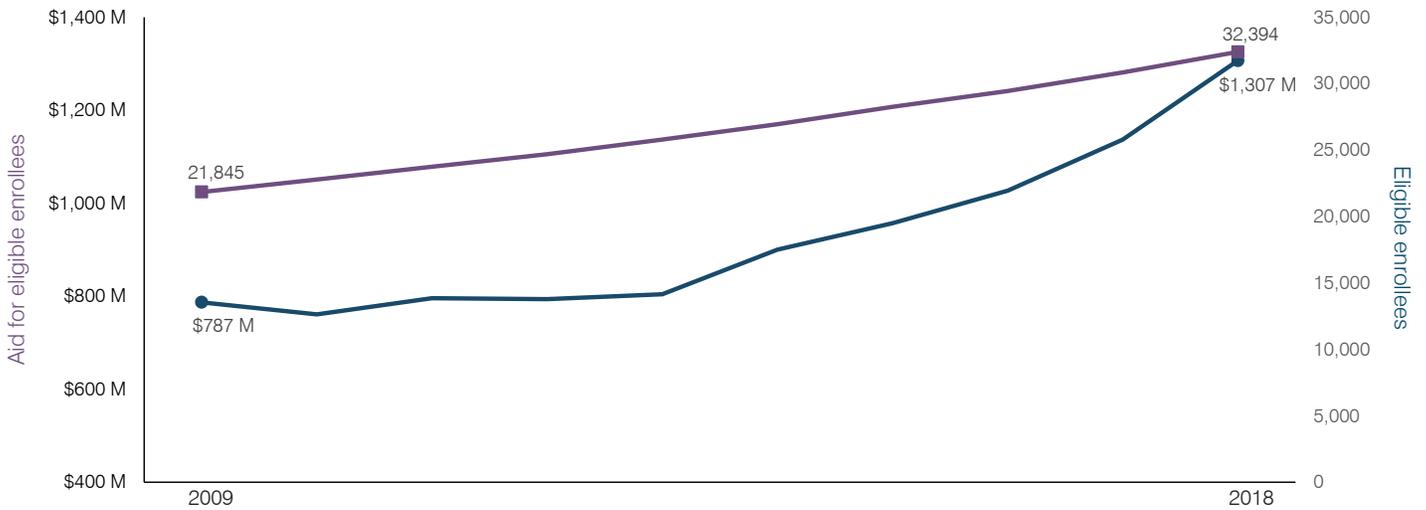
Acute care

Medical services not included in the other two aid types, such as hospital stays for an illness or surgery, doctor visits for various medical needs, or emergency room services.

Institutional care

Skilled nursing, institutional care, and intermediate care for enrollees who are intellectually or developmentally disabled.

Number of eligible enrollees and aid provided for them Fiscal years 2009 through 2018



Source: Auditor General staff summary of information obtained from the Division's ALTCS Contract's Annual Financial Report and the Division's enrollee data.

Audit findings and recommendations

Financial reporting internal controls

IT security findings and recommendations

We found that the Department did not have adequate policies and procedures over its IT systems and data to adequately identify and respond to risks and to prevent, detect, and respond to unauthorized or inappropriate access or use, manipulation, damage, or loss, including protecting sensitive data maintained for the Division's ALTCS Contract. To ensure its financial information and other sensitive data is protected, the Department needs to update and implement policies and procedures over its IT systems and data. We have reported similar IT security findings since fiscal year 2015. To obtain more information about these findings and recommendations and the Department's response, our full report on internal control and compliance is available within the [Annual Financial Report](#) starting on page 17.