



A REPORT  
TO THE  
ARIZONA LEGISLATURE

Financial Audit Division

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Financial Statement Audit

## Department of Economic Security

Division of Developmental  
Disabilities ALTCS Contract  
Year Ended June 30, 2004

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**Debra K. Davenport**  
Auditor General

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Department of Economic Security  
Division of Developmental Disabilities  
ALTCS Contract  
Report on Audit of Financial Statements  
June 30, 2004

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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

David A. Berns, Director  
Department of Economic Security

We have audited the accompanying financial statements of the State of Arizona, Department of Economic Security, Division of Developmental Disabilities, Arizona Long-Term Care System (ALTCS) Contract as of and for the year ended June 30, 2004, as listed in the table of contents. These financial statements are the responsibility of the Department and its Division of Developmental Disabilities' 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. 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 financial statements of the Department of Economic Security, Division of Developmental Disabilities, ALTCS Contract are intended to present the financial position and the changes in financial position of only that portion of the governmental activities and major fund activity of the State of Arizona that is attributable to the transactions of the Department of Economic Security, Division of Developmental Disabilities, ALTCS Contract. They do not purport to, and do not, present fairly the financial position of the State of Arizona as of June 30, 2004, and the changes in its financial position, for the year then ended in conformity with U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Department of Economic Security, Division of Developmental Disabilities, ALTCS Contract as of June 30, 2004, and the changes in financial position thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Department of Economic Security, Division of Developmental Disabilities, ALTCS Contract. The accompanying supplementary schedules listed in the table of contents are presented for purposes of additional analysis and are 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.

Debbie Davenport  
Auditor General

October 6, 2004

Department of Economic Security  
Division of Developmental Disabilities  
ALTCS Contract  
Balance Sheet—Special Revenue Fund  
June 30, 2004

Assets	
Cash and investments held by the State Treasurer	\$57,149,681
Due from other state funds	<u>5,122,809</u>
Total assets	<u>\$62,272,490</u>
Liabilities and Fund Balance	
Liabilities:	
Accrued administrative and payroll costs	\$ 2,011,006
Accrued medical and healthcare claims	47,149,790
Due to other state funds	<u>670,864</u>
Total liabilities	<u>49,831,660</u>
Unreserved fund balance	<u>12,440,830</u>
Total liabilities and fund balance	<u>\$62,272,490</u>

See accompanying notes to financial statements.

Department of Economic Security  
 Division of Developmental Disabilities  
 ALTCS Contract  
 Statement of Revenues, Expenditures, and Changes in  
 Fund Balance—Special Revenue Fund  
 Year Ended June 30, 2004

Revenues:	
Capitation	\$497,450,244
Ventilator dependent	10,230,366
Fee for service	23,468
Interest	<u>624,741</u>
Total revenues	<u>508,328,819</u>
Expenditures:	
Health and welfare:	
Aid to individuals	442,392,624
Allocated administrative expenditures	23,540,606
Case management	22,358,663
Professional and outside services	6,097,699
Premium tax	<u>7,874,663</u>
Total expenditures	<u>502,264,255</u>
Excess of revenues over expenditures	6,064,564
Other financing uses:	
Transfers to other state funds	<u>(624,931)</u>
Net change in fund balance	5,439,633
Fund balance, July 1, 2003	<u>7,001,197</u>
Fund balance, June 30, 2004	<u>\$ 12,440,830</u>

See accompanying notes to financial statements.

Department of Economic Security  
Division of Developmental Disabilities  
ALTCS Contract  
Notes to Financial Statements  
June 30, 2004

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Department of Economic Security, Division of Developmental Disabilities, Arizona Long-Term Care System (ALTCS) Contract conform to U.S. generally accepted accounting principles applicable to governmental units adopted by the Governmental Accounting Standards Board. A summary of the Division's more significant accounting policies follows.

A. Reporting Entity

For financial reporting purposes, the ALTCS Contract includes only that portion of the State of Arizona's general fund that is attributable to the transactions of the Department of Economic Security's Division of Developmental Disabilities ALTCS Contract. The Division of Developmental Disabilities is responsible for administering the ALTCS Contract. Fiscal responsibility for the Division remains with the Department of Economic Security and, ultimately, with the State of Arizona. The Division of Developmental Disabilities is a contractor with the Arizona Health Care Cost Containment System (AHCCCS) to provide medical and healthcare services to eligible enrollees of the AHCCCS ALTCS program for the developmentally disabled. This 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 AHCCCS ALTCS program. The Division receives monthly premiums from AHCCCS for all eligible enrollees under the AHCCCS ALTCS program for the developmentally disabled.

B. Fund Accounting

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

The ALTCS Contract's financial transactions are reported as a special revenue fund since the proceeds are from specific revenue sources that are legally restricted to expenditures for specified purposes.

Although the ALTCS Contract is considered a special revenue fund when reported on individually, it becomes a part of the State of Arizona's General Fund at the combined state-wide level.

Department of Economic Security  
Division of Developmental Disabilities  
ALTCS Contract  
Notes to Financial Statements  
June 30, 2004

### C. Basis of Accounting

The ALTCS Contract financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Division considers capitation revenues to be available if they are received within 90 days of the end of the current fiscal period, and considers all other revenues to be available if they are collected within 30 days of the end of the current fiscal period. Expenditures are recognized when the related fund liability is incurred.

All ALTCS Contract revenues were susceptible to accrual and have been recognized as revenues of the current fiscal period.

### D. Investment Income

Investment income is composed of interest, dividends, and net changes in fair value of investments on the ALTCS Contract's portion of monies deposited with the State Treasurer.

#### Note 2 - Cash and Investments Held by the State Treasurer

Cash and investments held by the State Treasurer represent the ALTCS Contract's portion of monies deposited with the State Treasurer. The Treasurer invests idle monies, on a pool basis, and distributes interest to the participating funds or programs. Interest earned from these invested monies is allocated monthly based on the average daily balance. The ALTCS Contract's portion is not identified with specific investments and is not subject to custodial credit risk. Accordingly, the ALTCS Contract's portion of these deposits and investments is reported at fair value.

#### Note 3 - Due from Other State Funds

Amounts due from other state funds at June 30, 2004, include \$62,769 of interest earned, \$4,206,653 of capitation receivables due from AHCCCS, and \$853,387 in share of costs receivable from the state-funded Long-Term Care program.

Department of Economic Security  
Division of Developmental Disabilities  
ALTCS Contract  
Notes to Financial Statements  
June 30, 2004

Note 4 - Accrued Medical and Healthcare Claims

Accrued medical and healthcare claims totaling \$47,149,790 includes reported but unpaid claims (RBUC) of \$2,722,078 and estimated incurred but not reported (IBNR) medical claims of \$44,427,712. The RBUCs are identified for medical services only. The automated claims payment system for the other types of services does not have the capability to identify RBUCs. Therefore, the RBUC claims for these services have been reported as IBNR.

Note 5 - Acute Care Reinsurance

During the year ended June 30, 2004, the Division received reimbursements totaling \$1,720,751 from AHCCCS for acute care reinsurance expenditures incurred for enrollees for claims incurred in prior fiscal years. These revenues are recorded as a reduction of aid to individuals expenditures.

The Division subcontracts with various health plans to provide acute care services to ALTCS enrollees. These health plans must submit clean reinsurance claims to the Division within 12 months from the date of service.

The Division disbursed a total of \$1,135,963 to the health plans during the year ended June 30, 2004, and had RBUCs of \$2,255,264 and IBNR claims of \$606,199 for total acute care reinsurance expenditures of \$3,997,426, which has been included in aid to individuals expenditures.

Note 6 - Aid to Individuals Expenditures

Aid to individuals expenditures consist of the following expenditures summarized by type of service setting or service provided, as applicable.

Department of Economic Security  
Division of Developmental Disabilities  
ALTCS Contract  
Notes to Financial Statements  
June 30, 2004

Institutional care:	
Skilled nursing	\$ 2,040,886
Intermediate (mentally retarded)	16,430,043
Institutional care IBNR	<u>1,010,379</u>
Total institutional care	<u>19,481,308</u>
Home- and community-based services (HCBS):	
State-operated group home	5,489,799
Vendor-operated group home	135,093,906
Adult developmental home	12,341,761
Home-based services	157,258,340
HCBS IBNR	<u>39,019,346</u>
Total HCBS	<u>349,203,152</u>
Acute care:	
Acute care	58,558,205
Acute care RBUC	210,569
Acute care IBNR	2,068,379
Reinsurance	1,135,963
Reinsurance RBUC	2,255,264
Reinsurance IBNR	606,199
Reinsurance reimbursement	<u>(1,720,751)</u>
Total acute care	<u>63,113,828</u>
Other:	
Ventilator dependent (including nonacute and acute care)	8,614,682
Other RBUC (ventilator dependent acute care)	256,245
Other IBNR (ventilator dependent nonacute and acute care)	<u>1,723,409</u>
Total other	<u>10,594,336</u>
Total aid to individuals expenditures	<u>\$442,392,624</u>

During the year ended June 30, 2004, the ALTCS Contract recorded allocated charges of \$17,083,578 as expenditures for direct care services provided to clients by the Division of Developmental Disabilities. The expenditures were charged to the ALTCS Contract as aid to individuals expenditures based on a federally approved cost allocation plan.

#### Note 7 - Allocated Administrative Expenditures

During the year ended June 30, 2004, the Division of Developmental Disabilities, ALTCS Contract recorded allocated administrative charges of \$23,540,606 as expenditures for its share of services provided by the Department.

Department of Economic Security  
Division of Developmental Disabilities  
ALTCS Contract  
Notes to Financial Statements  
June 30, 2004

Note 8 - Premium Tax

Starting October 1, 2003, A.R.S. §§36-2905 and 36-2994.01 required AHCCCS to pay a 2 percent premium tax on all capitation and other reimbursements paid to ALTCS. These premium taxes are included in capitation revenue and are remitted quarterly to the Arizona Department of Insurance.

Note 9 - Transfers to Other State Funds

Transfers out during the year ended June 30, 2004, included \$624,931 to the state-funded Long-Term Care program as authorized by AHCCCS.

Note 10 - Commitments and Contingencies

The fiscal year 2005 appropriations (Senate Bill 1402), as provided in the General Appropriation Act (Laws 2004, Chapter 275 [S.B. 1402]) require that \$3,844,200 in interest revenue and an additional \$3,000,000 from the fund balance be transferred from Long-Term Care to the state-funded Long-Term Care program in the Division of Developmental Disabilities. As of June 30, 2004, these transfers have not been made or recorded as payable pending approval by AHCCCS.

The State of Arizona has the ultimate fiscal responsibility for the ALTCS Contract. Accordingly, any claims requiring additional resources require the Arizona State Legislature's approval. While there is a possibility that claims could be asserted that would require additional resources to become available to the ALTCS Contract, in management's opinion, the possibility that valid claims will be asserted and their amounts cannot reasonably be estimated.

Note 11 - Risk Management

The Division 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 Department is a participant in the State's self-insurance program, and in the opinion of the Division's management, any unfavorable outcomes from these risks would be covered by that self-insurance program. Accordingly, the Department has no risk of loss beyond adjustments to future years' premium payments to the State's self-insurance program. All estimated losses for unsettled claims and actions of the State are determined on an actuarial basis and are included in the *State of Arizona Comprehensive Annual Financial Report*.

Department of Economic Security  
Division of Developmental Disabilities  
ALTCS Contract  
Notes to Financial Statements  
June 30, 2004

Note 12 - Related Party Transactions

The ALTCS Contract reimbursed the Division of Developmental Disabilities for services provided to enrollees, as applicable, and other department divisions for administrative and fiscal services. In addition, the ALTCS Contract paid for premium tax payments to the Arizona Department of Insurance. See the accompanying supplementary schedule, Related Party Transactions, for details.

Note 13 - Retirement Plan

**Plan Description**—The Division contributes to a cost-sharing multiple-employer defined benefit pension plan administered by the Arizona State Retirement System. Benefits are established by state statute and generally provide retirement, death, long-term disability, survivor, and health insurance premium benefits. The System is governed by the Arizona State Retirement System Board according to the provisions of Arizona Revised Statutes Title 38, Chapter 5, Article 2.

The System issues a comprehensive annual financial report that includes its financial statements and required supplementary information. The most recent report may be obtained by writing the Arizona State Retirement System, 3300 North Central Avenue, P.O. Box 33910, Phoenix, AZ 85067-3910 or by calling (602) 240-2000 or (800) 621-3778.

**Funding Policy**—The Arizona State Legislature establishes and may amend active plan members' and the Division's contribution rate. For the year ended June 30, 2004, active plan members and the Division were each required by statute to contribute at the actuarially determined rate of 5.70 percent (5.20 percent retirement and 0.50 percent long-term disability) of the members' annual covered payroll. The Division's contributions to the System for the years ended June 30, 2004, 2003, and 2002, were \$2,173,879, \$920,473, and \$884,303, respectively, which were equal to the required contributions for the year.

## Supplementary Schedules

Department of Economic Security  
Division of Developmental Disabilities  
ALTCS Contract  
Medical Claims Payable (RBUCs and IBNRs)  
June 30, 2004

Account	Reported But Unpaid Claims (RBUCs)				Total RBUCs (1)	IBNR (1)	Total RBUCs and IBNRs
	1-30 days	31-60 days	61-90 days	Over 90 days			
Institutional care						\$ 1,010,379	\$ 1,010,379
HCBS						39,019,346	39,019,346
Acute care	\$585,633	\$400,345	\$186,414	\$1,293,441	\$2,465,833	2,674,578	5,140,411
Other medical (2)	<u>192,719</u>	<u>53,346</u>	<u>6,314</u>	<u>3,866</u>	<u>256,245</u>	<u>1,723,409</u>	<u>1,979,654</u>
Total claims payable	<u>\$778,352</u>	<u>\$453,691</u>	<u>\$192,728</u>	<u>\$1,297,307</u>	<u>\$2,722,078</u>	<u>\$44,427,712</u>	<u>\$47,149,790</u>

- (1) The RBUCs amount represents claims received but not paid by the Division as of June 30, 2004. The remaining estimated medical claims payable are considered incurred but not reported (IBNR) claims.
- (2) Other medical represents ventilator dependent payables.

Department Of Economic Security  
Division of Developmental Disabilities  
ALTCS Contract  
Analysis of Profitability by Major Rate Code Classification  
Year Ended June 30, 2004

	Medicare	Non-Medicare	Total
Revenues:			
Capitation	\$61,758,264	\$445,945,814	\$507,704,078
Interest	<u>                    </u>	<u>        624,741</u>	<u>        624,741</u>
Total revenues	<u>  61,758,264</u>	<u>  446,570,555</u>	<u>  508,328,819</u>
Expenditures:			
Institutional care expenditures:			
Skilled nursing		2,334,502	2,334,502
Intermediate (mentally retarded)		<u>17,146,806</u>	<u>17,146,806</u>
Total institutional care expenditures		<u>  19,481,308</u>	<u>  19,481,308</u>
Home- and community-based services (HCBS) expenditures:			
Group homes – state-operated		5,560,034	5,560,034
Group homes – vendor-operated		152,395,084	152,395,084
Assisted living center		14,058,612	14,058,612
Other		<u>177,189,422</u>	<u>177,189,422</u>
Total HCBS expenditures		<u>  349,203,152</u>	<u>  349,203,152</u>
Acute care expenditures	<u>  64,834,579</u>		<u>  64,834,579</u>
Other medical expenditures:			
Ventilator dependent (including nonacute and acute care)	<u>        529,187</u>	<u>  10,065,149</u>	<u>  10,594,336</u>
Reduction to medical expenditures:			
Reinsurance	<u>        145,593</u>	<u>  1,575,158</u>	<u>  1,720,751</u>
Total aid to individuals (medical expenditures)	<u>  65,218,173</u>	<u>  377,174,451</u>	<u>  442,392,624</u>

(Continued)

Department of Economic Security  
 Division of Developmental Disabilities  
 ALTCS Contract  
 Analysis of Profitability by Major Rate Code Classification  
 Year Ended June 30, 2004  
 (Continued)

	Medicare	Non-Medicare	Total
Administrative expenditures:			
Allocated administrative expenditures	\$ 5,045,509	\$ 18,495,097	\$ 23,540,606
Case management	4,792,180	17,566,483	22,358,663
Professional and outside services	1,306,933	4,790,766	6,097,699
Premium tax	<u>1,687,793</u>	<u>6,186,870</u>	<u>7,874,663</u>
Total administrative expenditures	<u>12,832,415</u>	<u>47,039,216</u>	<u>59,871,631</u>
Total expenditures	<u>78,050,588</u>	<u>424,213,667</u>	<u>502,264,255</u>
Gain (loss) from operations	<u><u>\$(16,292,324)</u></u>	<u><u>\$ 22,356,888</u></u>	<u><u>\$ 6,064,564</u></u>

Department of Economic Security  
Division of Developmental Disabilities  
ALTCS Contract  
Utilization Data Report  
Year Ended June 30, 2004

	<u>Medicare</u>		<u>Non-Medicare</u>		<u>Total</u>	
	<u>Current</u>	<u>YTD</u>	<u>Current</u>	<u>YTD</u>	<u>Current</u>	<u>YTD</u>
A. Enrollees	3,401		12,489		15,890	
B. Member Months	10,112	45,495	36,737	166,769	46,849	212,264
Institutional total	444	1,950	303	1,334	747	3,284
1. Class 2 and 3	104	472	58	214	162	686
2. Intermediate care facility— mentally retarded	340	1,478	245	1,120	585	2,598
Home- and community-based services total	9,668	43,545	36,434	165,435	46,102	208,980
1. Group home	3,658	16,673	2,946	13,818	6,604	30,491
2. Adult developmental day	680	3,007	468	2,100	1,148	5,107
3. Home-based services	4,799	21,433	27,265	121,848	32,064	143,281
4. Other (case-managed only)	531	2,432	5,755	27,669	6,286	30,101
C. Ventilator dependent	15	57	235	1,084	250	1,141
D. Acute patient day information						
1. Admissions	36	183	504	2,246	540	2,429
2. Patient days	285	1,205	2,975	13,036	3,260	14,241
3. Discharges	33	180	510	2,257	543	2,437
4. Discharge days	308	1,236	3,278	13,450	3,586	14,686
5. Average length of stay	9.33	6.87	6.43	5.96	6.60	6.03

Department of Economic Security  
Division of Developmental Disabilities  
ALTCS Contract  
Related Party Transactions  
Year Ended June 30, 2004

<u>Related Party and Relationship</u>	<u>Service Provided</u>	<u>Description of Transactions or Payment Terms Agreement</u>	<u>Amount</u>
Department of Economic Security, Division of Developmental Disabilities, Intermediate Care Facility/Mentally Retarded, State Facilities	Health and rehabilitative services and administrative costs	Allocated by Title XIX case management time reporting and member days count	\$10,880,314
Department of Economic Security, Division of Developmental Disabilities, State-Operated Group Homes, State Facilities	Health and rehabilitative services and administrative costs	Allocated by Title XIX case management time reporting and member days count	6,203,264
Department of Economic Security, all other divisions	Administrative and fiscal services	Allocated departmental overhead costs	23,540,606
Department of Insurance	Compliance with Arizona Revised Statutes §§36-2905 and 36-2944.01	Premium tax payments	7,874,663

Department of Economic Security  
Division of Developmental Disabilities  
ALTCS Contract  
Lag Report for Institutional Care Payments  
Year Ended June 30, 2004

Quarter in which Service Provided

<u>Quarter of Payment</u>	<u>Current</u>	<u>1<sup>st</sup> Prior</u>	<u>2<sup>nd</sup> Prior</u>	<u>3<sup>rd</sup> Prior</u>	<u>4<sup>th</sup> Prior</u>	<u>5<sup>th</sup> Prior</u>	<u>6<sup>th</sup> Prior</u>	<u>Total</u>
Current	\$4,486,162	\$ 924,785	\$ 57,392	\$ 17,862	\$ 612	\$ 8,159		\$ 5,494,972
1 <sup>st</sup> Prior		4,601,530	909,441	39,934	6,718	6,249	\$ 114	5,563,986
2 <sup>nd</sup> Prior			3,832,413	754,365	35,573	110		4,622,461
3 <sup>rd</sup> Prior				4,035,555	1,086,021	24,448	3,344	5,149,368
4 <sup>th</sup> Prior					3,340,661	935,367	30,226	4,306,254
5 <sup>th</sup> Prior						3,479,017	1,015,909	4,494,926
6 <sup>th</sup> Prior							<u>3,323,307</u>	<u>3,323,307</u>
Total	<u>4,486,162</u>	<u>5,526,315</u>	<u>4,799,246</u>	<u>4,847,716</u>	<u>4,469,585</u>	<u>4,453,350</u>	<u>4,372,900</u>	<u>32,955,274</u>
Expenses reported	4,944,160	5,441,961	4,275,914	4,819,273	4,340,806	4,138,498	3,611,607	31,572,219
Adjustment	<u>526,136</u>	<u>102,726</u>	<u>531,205</u>	<u>28,443</u>	<u>128,779</u>	<u>314,852</u>	<u>761,293</u>	<u>2,393,434</u>
Remaining liability	<u>\$ 984,134</u>	<u>\$ 18,372</u>	<u>\$ 7,873</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 1,010,379</u>

Department of Economic Security  
Division of Developmental Disabilities  
ALTCS Contract  
Lag Report for Home- and Community-Based Services Payments  
Year Ended June 30, 2004

Quarter in which Service Provided

<u>Quarter of Payment</u>	<u>Current</u>	<u>1<sup>st</sup> Prior</u>	<u>2<sup>nd</sup> Prior</u>	<u>3<sup>rd</sup> Prior</u>	<u>4<sup>th</sup> Prior</u>	<u>5<sup>th</sup> Prior</u>	<u>6<sup>th</sup> Prior</u>	<u>Total</u>
Current	\$57,527,333	\$31,943,858	\$ 1,399,371	\$ 854,403	\$ 486,358	\$ 174,567	\$ 106,917	\$ 92,492,807
1 <sup>st</sup> Prior		54,598,989	32,022,008	2,005,089	868,593	278,406	162,475	89,935,560
2 <sup>nd</sup> Prior			53,402,192	32,634,078	1,673,905	700,543	229,091	88,639,809
3 <sup>rd</sup> Prior				52,605,016	29,519,064	1,436,741	419,881	83,980,702
4 <sup>th</sup> Prior					51,995,065	28,170,364	976,952	81,142,381
5 <sup>th</sup> Prior						49,160,651	27,553,298	76,713,949
6 <sup>th</sup> Prior							49,660,083	49,660,083
Total	<u>57,527,333</u>	<u>86,542,847</u>	<u>86,823,571</u>	<u>88,098,586</u>	<u>84,542,985</u>	<u>79,921,272</u>	<u>79,108,697</u>	<u>562,565,291</u>
Expenses reported	86,955,126	92,360,876	86,445,806	83,441,344	77,846,791	79,169,591	75,741,417	581,960,951
Adjustment	<u>4,609,237</u>	<u>(1,651,662)</u>	<u>1,193,714</u>	<u>4,657,242</u>	<u>6,696,194</u>	<u>751,681</u>	<u>3,367,280</u>	<u>19,623,686</u>
Remaining liability	<u>\$34,037,030</u>	<u>\$ 4,166,367</u>	<u>\$ 815,949</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 39,019,346</u>

Department of Economic Security  
Division of Developmental Disabilities  
ALTCS Contract  
Lag Report for Acute Care Payments  
Year Ended June 30, 2004

Quarter in which Service Provided

<u>Quarter of Payment</u>	<u>Current</u>	<u>1<sup>st</sup> Prior</u>	<u>2<sup>nd</sup> Prior</u>	<u>3<sup>rd</sup> Prior</u>	<u>4<sup>th</sup> Prior</u>	<u>5<sup>th</sup> Prior</u>	<u>6<sup>th</sup> Prior</u>	<u>Total</u>
Current	\$14,278,720	\$ 790,039	\$ 94,312	\$ 82,238	\$ 81,282	\$ 16,262	\$ 10,783	\$ 15,353,636
1 <sup>st</sup> Prior		14,127,910	425,815	281,366	169,080	44,668	8,928	15,057,767
2 <sup>nd</sup> Prior			13,765,987	469,263	442,544	308,034	26,854	15,012,682
3 <sup>rd</sup> Prior				13,612,421	1,189,602	239,856	164,571	15,206,450
4 <sup>th</sup> Prior					13,034,750	609,178	100,165	13,744,093
5 <sup>th</sup> Prior						13,232,711	529,059	13,761,770
6 <sup>th</sup> Prior							12,612,317	12,612,317
Total	<u>14,278,720</u>	<u>14,917,949</u>	<u>14,286,114</u>	<u>14,445,288</u>	<u>14,917,258</u>	<u>14,450,709</u>	<u>13,452,677</u>	<u>100,748,715</u>
Expenses reported	16,407,164	14,608,244	16,531,017	15,567,403	15,013,543	15,557,088	14,950,380	108,634,839
Adjustment	<u>381,237</u>	<u>2,539,248</u>	<u>(1,977,445)</u>	<u>(988,386)</u>	<u>(96,285)</u>	<u>(1,106,379)</u>	<u>(1,497,703)</u>	<u>(2,745,713)</u>
Remaining liability	<u>\$ 2,509,681</u>	<u>\$ 2,229,543</u>	<u>\$ 267,458</u>	<u>\$ 133,729</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 5,140,411</u>

Department of Economic Security  
Division of Developmental Disabilities  
ALTCS Contract  
Lag Report for Other Medical Payments  
Year Ended June 30, 2004

Quarter in which Service Provided

<u>Quarter of Payment</u>	<u>Current</u>	<u>1<sup>st</sup> Prior</u>	<u>2<sup>nd</sup> Prior</u>	<u>3<sup>rd</sup> Prior</u>	<u>4<sup>th</sup> Prior</u>	<u>5<sup>th</sup> Prior</u>	<u>6<sup>th</sup> Prior</u>	<u>Total</u>
Current	\$1,182,142	\$1,159,146	\$ 238,078	\$ 6,125	\$ 15,748	\$ 4,260		\$ 2,605,499
1 <sup>st</sup> Prior		1,220,086	1,356,474	173,688	57,441	21,824	\$ 7,427	2,836,940
2 <sup>nd</sup> Prior			1,375,837	1,064,792	198,003	15,213	1,514	2,655,359
3 <sup>rd</sup> Prior				839,821	696,130	426,452	15,299	1,977,702
4 <sup>th</sup> Prior					1,453,644	584,353	174,644	2,212,641
5 <sup>th</sup> Prior						631,946	1,367,039	1,998,985
6 <sup>th</sup> Prior							<u>1,936,391</u>	<u>1,936,391</u>
Total	<u>1,182,142</u>	<u>2,379,232</u>	<u>2,970,389</u>	<u>2,084,426</u>	<u>2,420,966</u>	<u>1,684,048</u>	<u>3,502,314</u>	<u>16,223,517</u>
Expenses reported	2,887,672	2,499,655	3,075,496	2,131,513	3,418,584	1,804,904	1,034,540	16,852,364
Adjustment	<u>(702,105)</u>	<u>223,681</u>	<u>217,785</u>	<u>262,146</u>	<u>(997,618)</u>	<u>(120,856)</u>	<u>2,467,774</u>	<u>1,350,807</u>
Remaining liability	<u>\$1,003,425</u>	<u>\$ 344,104</u>	<u>\$ 322,892</u>	<u>\$ 309,233</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 1,979,654</u>

Department of Economic Security  
 Division of Developmental Disabilities  
 ALTCS Contract  
 Listing of Plan Officers and Directors  
 Year Ended June 30, 2004

Name	Title	Other Relationship to Division	Type of Compensation
Barber, Ron	Division of Developmental Disabilities, District II, Program Administrator	None	Salary
Berns, David	Department of Economic Security, Director	Related Party	(1)
Bright, Todd	Department of Economic Security, Assistant Director	Related Party	(1)
Brent, Barbara	Division of Developmental Disabilities, Deputy Assistant Director	None	Salary
Buse, Bob	Department of Economic Security, Deputy Assistant Director	Related Party	(1)
Chavez, Nelba	Department of Economic Security, Deputy Director	Related Party	(1)
Coulson, Louette	Division of Developmental Disabilities, Managed Care Program Administrator	None	Salary
Gill, Mary	Department of Economic Security, Acting Director and Deputy Director	Related Party	(1)
Klaehn, Robert	Division of Developmental Disabilities, Medical Director	None	Salary
Laux, Patty	Division of Developmental Disabilities, District III, Program Administrator	None	Salary
Lensch, Brian	Division of Developmental Disabilities, ALTCS Program Administrator	None	Salary

(Continued)

Department of Economic Security  
 Division of Developmental Disabilities  
 ALTCS Contract  
 Listing of Plan Officers and Directors  
 Year Ended June 30, 2004  
 (Continued)

Name	Title	Other Relationship to Division	Type of Compensation
Nieto, Al	Division of Developmental Disabilities, District I, Program Administrator	None	Salary
Nelson, Laura	Division of Developmental Disabilities, Medical Director	None	Salary
Priniski, Joseph	Division of Developmental Disabilities, District V, Program Administrator	None	Salary
Rapoport, Ed	Division of Developmental Disabilities, Business Operations Administrator	None	Salary
Sikkema, Tim	Division of Developmental Disabilities, District VI, Program Administrator	None	Salary
Smith, Lynne	Department of Economic Security, Assistant Director	Related Party	(1)
Umbreit, Scott	Superintendent, Arizona Training Program at Coolidge	None	Salary
Wagemann, Dianne	Division of Developmental Disabilities, District I, Program Administrator	None	Salary
Zaharia, Ric	Division of Development Disabilities, Assistant Director	None	Salary

(1) Compensation is paid by other divisions of the Department of Economic Security.