Maricopa County, Arizona
Maricopa Managed Care Systems' MHP and ALTCS Funds
(Formerly titled Maricopa County AHCCCS and ALTCS Plans)
Report on Audit of Financial Statements
June 30, 2004

Maricopa Managed Care Systems
MHP and ALTCS Funds
Report on Audit of Financial Statements
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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
Maricopa County, Arizona

We were engaged to audit the accompanying financial statements of the Maricopa Managed Care Systems' Maricopa Health Plan (MHP) and Arizona Long-Term Care System (ALTCS) Funds 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 Systems' management.

As discussed in Note 1, the Maricopa Managed Care Systems' MHP and ALTCS Funds 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 Maricopa County that is attributable to the Systems' MHP and ALTCS Funds.

The Maricopa Managed Care Systems had inadequate internal controls for processing medical claims and accounting for prepayments made to medical providers. As a result, we could not rely on the Systems' financial reporting system to generate reliable information for medical expenses, prepaid expenses, and medical claims payable. Further, the Systems' records did not permit us to apply auditing procedures sufficient to determine whether the amounts reported for medical expenses, prepaid expenses, and medical claims payable in the financial statements were accurate. In addition, these control deficiencies affected the amounts reported for reinsurance revenues, reinsurance receivable, due from other county funds, and due to other county funds.

Since the Maricopa Managed Care Systems did not maintain adequate internal controls for processing medical claims and accounting for prepayments made to medical providers and we were not able to apply auditing procedures to satisfy ourselves as to the amounts reported for medical expenses, prepaid expenses, and medical claims payable, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements of the Maricopa Managed Care Systems' MHP and ALTCS Funds as of and for the year ended June 30, 2004.

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. Since we were unable to express, and did not express, an opinion on the financial statements, we do not express an opinion on these supplementary schedules.

Debbie Davenport
Auditor General

November 14, 2005

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Maricopa Managed Care Systems
MHP and ALTCS Funds
Statements of Net Assets—Enterprise Funds
June 30, 2004

	MHP Fund	ALTCS Fund
Assets		
Current assets:		
Cash and cash equivalents	$ 9,936,829	$40,811,335
Receivables:		
Capitation	10,045,899	5,759,764
Reinsurance	10,349,050	11,304,423
Other	146,305	257,193
Due from other county funds	7,421,090	6,076,944
Prepaid expenses	3,610,985	22,496,298
Total current assets	41,510,158	86,705,957
Noncurrent assets:		
Capital assets:		
Equipment	3,383,332	6,967,447
Less accumulated depreciation	3,383,332	3,654,012
Total noncurrent assets	0	3,313,435
Total assets	41,510,158	90,019,392
Liabilities		
Current liabilities:		
Medical claims payable	28,171,999	55,594,887
Accounts payable	262,922	1,829,526
Accrued liabilities	1,242,868	1,790,869
Due to other county funds	23,167,692	13,562,763
Total current liabilities	52,845,481	72,778,045
Net Assets		
Invested in capital assets		3,313,435
Restricted for health care purposes		13,927,912
Deficit	(11,335,323)	
Total net assets (deficit)	$(11,335,323)	$17,241,347

See accompanying notes to financial statements.

Maricopa Managed Care Systems
MHP and ALTCS Funds
Statements of Revenues, Expenses, and Changes in Fund Net Assets—Enterprise Funds
Year Ended June 30, 2004

	MHP Fund	ALTCS Fund
Operating revenues:		
Capitation	$120,686,035	$222,771,945
Reinsurance	6,999,092	10,965,624
Third party recoveries	416,849	272,466
Hospital supplement	4,115,709	
SOBRA supplement	5,158,597	
HIV-AIDS supplement	898,457	266,192
Patient contributions		93,964
Total operating revenues	138,274,739	234,370,191
Operating expenses:		
Hospital inpatient services	60,338,095	
Medical compensation	22,385,022	
Institutional care		125,324,784
Home and community-based services (HCBS)		63,577,891
Acute care		43,768,033
Other medical	65,383,806	6,107,451
Administrative	8,137,308	20,050,485
Depreciation		857,176
Bad debt	9,171,796	10,110,105
Total operating expenses	165,416,027	269,795,925
Operating loss	(27,141,288)	(35,425,734)
Nonoperating revenues (expenses):		
Investment income	232,698	354,789
Premium tax	(1,930,447)	(3,368,837)
Total net nonoperating expenses	(1,697,749)	(3,014,048)
Loss before transfers	(28,839,037)	(38,439,782)
Transfers in	3,894,421	29,289,813
Decrease in net assets	(24,944,616)	(9,149,969)
Total net assets, July 1, 2003	13,609,293	26,391,316
Total net assets (deficit), June 30, 2004	$ (11,335,323)	$ 17,241,347

See accompanying notes to financial statements.

Maricopa Managed Care Systems
MHP and ALTCS Funds
Statements of Cash Flows—Enterprise Funds
Year Ended June 30, 2004

	MHP Fund	ALTCS Fund
Cash flows from operating activities:		
Cash receipts from:		
Contractors	$126,549,556	$226,152,386
Third party insurers	416,849	272,466
Patients		93,964
Cash payments to:		
Providers for health care services	(119,339,617)	(229,664,571)
Suppliers and other county funds for goods and services	(2,897,412)	(4,827,273)
Employees for services	(5,684,946)	(15,228,334)
Net cash used for operating activities	(955,570)	(23,201,362)
Cash flows from noncapital financing activities:		
Cash transfer from County General Fund	1,750,000	27,500,000
Cash transfer to County General Fund	(6,333,433)	(15,540,587)
Reimbursements received from other county health plans	3,534,149	
Claims paid for other county health plans		(1,755,496)
Cash payments for premium tax	(1,927,658)	(3,382,676)
Net cash provided by (used for) noncapital financing activities	(2,976,942)	6,821,241
Cash flows from capital and related financing activities:		
Acquisition of capital assets		(757,612)
Net cash used for capital and related financing activities		(757,612)
Cash flows from investing and nonoperating activities:		
Interest receipts	294,394	511,542
Net cash provided by investing activities	294,394	511,542
Net decrease in cash and cash equivalents	(3,638,118)	(16,626,191)
Cash and cash equivalents, July 1, 2003	13,574,947	57,437,526
Cash and cash equivalents, June 30, 2004	$ 9,936,829	$ 40,811,335
Reconciliation of operating loss to net cash used for operating activities:		
Operating loss	$(27,141,288)	$(35,425,734)
Adjustments to reconcile operating loss to net cash used for operating activities:		
Depreciation		857,176
Net changes in assets and liabilities:		
Capitation receivable	(5,047,959)	(3,260,552)
Reinsurance receivable	(5,951,819)	(5,375,336)
Other receivables	26,032	55,265
Prepaid expenses	2,562,845	(15,359,889)
Medical claims payable	15,418,521	29,075,798
Accounts payable	(95,467)	1,069,119
Accrued liabilities	(308,556)	764,412
Due to other county funds	19,582,121	4,398,379
Net cash used for operating activities	$ (955,570)	$(23,201,362)

(Continued)

See accompanying notes to financial statements.

Maricopa Managed Care Systems
MHP and ALTCS Funds
Statements of Cash Flows—Enterprise Funds
Year Ended June 30, 2004
(Continued)

	MHP Fund	ALTCS Fund
The following noncash transactions occurred during the year ended June 30, 2004:		
Transfer in net assets from County General Fund	$ 2,144,421	$ 1,789,813
Due from other county funds	$ (2,144,421)	$ (1,789,813)

See accompanying notes to financial statements

Maricopa Managed Care Systems
MHP and ALTCS Funds
Notes to Financial Statements
June 30, 2004

Note 1 Summary of Significant Accounting Policies

The accounting policies of the Maricopa Managed Care Systems conform to generally accepted accounting principles applicable to governmental units adopted by the Governmental Accounting Standards Board. A summary of the Maricopa Managed Care Systems' significant accounting policies follows.

A. Reporting Entity

The Maricopa Managed Care Systems (formerly titled Maricopa County AHCCCS and ALTCS Plans) contract with the Arizona Health Care Cost Containment System (AHCCCS) Administration to provide health care services to eligible enrollees of the Acute Health Care and Arizona Long-Term Care System (ALTCS) programs. For financial reporting purposes, the Systems comprise the Maricopa Health Plan (MHP) Fund for the Acute Health Care program and the ALTCS Fund for the ALTCS program, which are accounted for as Enterprise Funds of Maricopa County, Arizona, (County) under the direction of administrators contracted by the County Board of Supervisors. However, ultimate fiscal responsibility for the Systems remains with the County. The MHP Fund accounts for both inpatient and outpatient medical and nursing services provided to eligible enrollees of the Acute Health Care program. The ALTCS Fund accounts for inpatient and outpatient medical and nursing services in addition to managed institutional, home, and community-based long-term care services provided to eligible ALTCS program enrollees. The Systems receive monthly capitation payments from the AHCCCS Administration for all eligible enrollees under the respective Acute Health Care and ALTCS programs.

B. Fund Accounting

The Systems' accounts are maintained in accordance with the principles of fund accounting to ensure that limitations and restrictions on the Systems' 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, net assets, revenues, and expenses. The Systems' financial transactions are recorded as enterprise funds since their operations

are financed and operated in a manner similar to private business enterprises, in which the intent of the Board of Supervisors is that the costs (expenses, including depreciation) of providing goods or services to the Systems enrollees on a continuing basis be financed or recovered primarily through user charges.

C. Basis of Presentation and Accounting

The financial statements include a statement of net assets; a statement of revenues, expenses, and changes in fund net assets; and a statement of cash flows.

A statement of net assets provides information about the assets, liabilities, and net assets at the end of the year. Assets and liabilities are classified as either current or noncurrent. Net assets are classified according to external donor restrictions or availability of assets to satisfy the Systems' obligations. Invested in capital assets net of related debt represents the value of capital assets, net of accumulated depreciation less any outstanding debt incurred to acquire or construct the asset. Restricted net assets represent contracts and other resources that have been externally restricted for health care 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 financial activities during the year. Revenues and expenses are classified as either operating or nonoperating, and all changes in net assets are reported, including transfers. Generally, capitation; reinsurance; third party recoveries; hospital, SOBRA and HIV-AIDS supplements; and patient contributions are considered to be operating revenues. Other revenues used for health care services, such as investment income, are not generated from operations and are considered to be non-operating revenues. Operating expenses include the costs of providing health care services, administrative expenses, and depreciation on capital assets. Premium tax is not for health care services and is considered to be a nonoperating expense.

A statement of cash flows provides information about the 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 financing, or investing.

The financial statements are presented on the accrual basis of accounting using the economic resources measurement focus. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

The Systems apply only those applicable Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The Systems have chosen the option not to follow FASB Statements and Interpretations issued after November 30, 1989.

D. Cash and Cash Equivalents

Cash and cash equivalents consist of cash and investments held by the Maricopa County Treasurer.

E. Capital Assets

Capital assets are recorded at actual cost and the capitalization threshold is $5,000 or more. Depreciation of such assets is charged as an expense against operations. These assets are depreciated over their estimated useful lives using the straight-line method. The estimated useful lives of equipment are 3 to 8 years.

F. Compensated Absences

Compensated absences consist of personal leave and a calculated amount of family medical leave as defined by the Federal Family and Medical Leave Act (FMLA), earned by employees based on services already rendered. The vested amount of personal leave is reported as an accrued liability in the MHP and ALTCS Funds' financial statements. Employees may accumulate up to 240 hours of personal leave depending on years of service, but any personal hours in excess of the maximum amount that are unused by the calendar year-end are converted to family medical leave. Generally, family medical leave benefits provide for qualifying FMLA events and are cumulative but do not vest with employees and therefore, are not accrued. However, upon retirement, employees with accumulated family medical leave in excess

of 1,000 hours are entitled to a $3,000 bonus. The total amount of such bonuses is immaterial, and therefore it is not reported in the accrued liability.

G. Investment Income

Investment income is composed of interest and net changes in the fair value of applicable investments.

Note 2 Cash and Cash Equivalents

Cash and cash equivalents consist of cash and investments held by the Maricopa County Treasurer and represent a portion of the County Treasurer's investment pool portfolios. This portion is not identified with specific investments and is not subject to custodial credit risk.

Note 3 Receivables

Capitation receivables result from revenues that are attributable to the year ended June 30, 2004, but not received until the subsequent fiscal year. Reinsurance receivables result from additional payments due from AHCCCS to the Systems for certain enrollees whose medical expenses paid by the Systems during the fiscal year were in excess of specified deductible limits.

Note 4 Due From Other County Funds

Due from other county funds at June 30, 2004, consist of the following (in thousands):

	MHP Fund	ALTCS Fund
Due from Maricopa Medical Center for goods and services provided	$ 13	$ 25
Due from County General Fund for net assets transfers	2,144	1,790
Due from other health plans for paid claims and advances made on behalf of other health plans	5,264	4,262
Total due from other county funds	$7,421	$6,077

Note 5 Prepaid Expenses

Prepaid expenses include advance payments and claims overpayments made to providers. During fiscal year 2004, the Systems advanced $52,088,230 to their providers for the Acute Health Care and ALTCS programs and Senior Select and Health Select Plans. In order to allocate the advances to the MHP and ALTCS Funds and other county health plan funds, the Systems estimated the amounts attributable to each fund based on the fund's outstanding medical claims payable balance.

For the MHP Fund, prepaid expenses consist of $3,123,561 of providers' credit balances and $487,424 of coordination of benefits (COB) and miscellaneous related recoveries. For the ALTCS Fund, the prepaid expenses at June 30, 2004, consist of $12,027,559 of nursing home advances, $13,838 of premium tax receivable (overpayment of premium tax), $9,143,063 of providers' credit balances and $1,311,838 of COB and miscellaneous related recoveries.

Note 6 Capital Assets

Capital asset activity for the year ended June 30, 2004, was as follows (in thousands):

	July 1, 2003	Increases	June 30, 2004
MHP Fund			
Equipment	$ 3,383	$ 0	$ 3,383
Accumulated depreciation	(3,383)	0	(3,383)
Total capital assets, net	$ 0	$ 0	$ 0
ALTCS Fund			
Equipment	$ 6,210	$ 758	$ 6,968
Accumulated depreciation	(2,797)	(857)	(3,654)
Total capital assets, net	$ 3,413	$ (99)	$ 3,314

Note 7 Medical Claims Payable

The medical claims payable balances at June 30, 2004, were based on the actual paid claims data through April 2005 (the most current data available at the time this report was prepared). The following table details the medical claims payable at June 30, 2004 (in thousands):

	MHP Fund	ALTCS Fund
Claims payments subsequent to year end	$ 25,262	$ 29,888
Settlements	410	23,707
Additional accrual	2,500	2,000
Total medical claims payable	$ 28,172	$ 55,595

Note 8 Due To Other County Funds

At June 30, 2004, the MHP and the ALTCS Funds owed $19,931,704 and $4,420,811, respectively, to the Maricopa County Medical Center as part of a claims settlement agreement. In addition, the MHP and the ALTCS Funds owed $3,235,988 and $9,141,952, respectively, to other county funds for paid claims and advances made to providers and administrative costs.

Note 9 Bad Debt Expense

In conjunction with the annual audit, the Systems identified duplicate payments through the AHCCCS duplicate encounter logic. Included in the fiscal year 2004 medical expenses, there are potential duplicate payments under investigation. Also, additional duplicate claim payments were identified that related to the fiscal year 2003 expenses. The Systems estimated potential duplicate payments of $9,171,796 and $10,110,105 for the MHP and ALTCS Funds, respectively, and reclassified these amounts from medical expenses to bad debt expenses in the Funds' fiscal year 2004 financial statements. The Systems have contracted with NuView Health Partner, Inc. to investigate and reclaim the identified duplicate payments.

Note 10 Related Party Transactions

The following is a summary of the significant related party transactions for the year ended June 30, 2004 (in thousands):

Name of Related Party	Description of Services	MHP Fund Expenses	ALTCS Fund Expenses
Maricopa County Medical Center	Inpatient, outpatient, and other services	$53,412	$20,157

Note 11 Provider Settlements

During fiscal year 2004, the Systems settled claims issues with a variety of providers. To determine a provider settlement for outstanding claims, a full review of claims and advance payments, as well as a check for duplicate claims payments was completed. The following table summarizes the claims settlements that were initiated in fiscal year 2004 and completed in fiscal year 2005 (in thousands):

	MHP Fund	ALTCS Fund
Maricopa Medical Center	$ 19,932	$ 4,421
Hospitals	916	-
Pharmacies	516	2,139
Maricopa Medical Center attendant care	-	10,362
Various nursing homes	-	(822)
Total	$21,364	$16,100

The above settled amounts are reported as medical expenses and medical claims payable or due to other county funds in the MHP and ALTCS Funds' fiscal year 2004 financial statements.

Note 12 Maricopa County Transfers

During fiscal year 2004, the MHP and ALTCS Funds experienced a negative equity per member position and AHCCCS requires the Systems to maintain a

ratio of $150 equity per AHCCCS Acute Health Care member and $2,000 equity per ALTCS member. As a result, the County transferred $3,894,421 to the MHP Fund and $29,289,813 to the ALTCS Fund in order for the Systems to meet the minimum requirements.

Note 13 Risk Management

The Systems are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Systems are a participant in the County's self-insurance program and in the opinion of the Systems' management, any unfavorable outcomes from these risks would be covered by that self-insurance program. Accordingly, the Systems have no risk of loss beyond adjustments to future years' premium payments to the County's self-insurance program. All estimated losses for unsettled claims and actions of the County are determined on an actuarial basis and are included in the *Maricopa County Comprehensive Annual Financial Report*.

Note 14 Retirement Plan

Plan Description – The Plans contribute to a cost-sharing multiple-employer defined benefit pension plan administered by the Arizona State Retirement System (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. A 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 Plans' contribution rates. For the year ended June 30, 2004, active plan members and the Plans were each required by statute to contribute at the actuarially determined rate of 5.7 percent (5.2 percent retirement and 0.5 percent long-term disability) of the members'

annual covered payroll. The Plans' contributions to the System for the years ended June 30, 2004, 2003, and 2002 were $818, $322, and $307 (in thousands), respectively, which were equal to the required contributions for the year.

Note 15 Subsequent Events

On May 25, 2005, the Maricopa County Board of Supervisors approved the process to transfer the AHCCCS Acute Health Care program and close the ALTCS program by September 30, 2005. On August 29, 2005, the Maricopa County Board of Supervisors approved the transfer and assignment of the AHCCCS Acute Health Care program to the Maricopa County Special Health Care District (District) effective October 1, 2005. All liabilities prior to the transfer to the District will remain with Maricopa County. In addition, the County discontinued the AHCCCS ALTCS program effective September 30, 2005, and all associated liabilities will remain with Maricopa County.

Supplementary Schedules

Maricopa Managed Care Systems
MHP and ALTCS Funds
AHCCCS Schedule 1
Medical Claims Payable (RBUCs and IBNR)
Year Ended June 30, 2004

Account	1 - 30	31 - 60	61 - 90	Over 90	Total RBUCS	IBNR	Total Payable
Hospital Inpatient	$ 239,443	$ 307,036	$ 382,038	$ 877,215	$ 1,805,732	$ 8,134,168	$ 9,939,900
Medical Compensation	123,792	158,737	197,513	453,520	933,562	3,393,725	4,327,287
Other Medical	369,446	473,737	589,460	1,353,486	2,786,129	9,840,549	12,626,678
Total Prospective	732,681	939,510	1,169,011	2,684,221	5,525,423	21,368,442	26,893,865
Total Prior Period Coverage (PPC)	33,317	26,173	38,350	190,603	288,443	989,691	1,278,134
Total Medical Claims Payable	$ 765,998	$ 965,683	$ 1,207,361	$ 2,874,824	$ 5,813,866	$ 22,358,133	$ 28,171,999

Note: This schedule does not include a medical claims liability of $19,931,704 owed to the Maricopa Medical Center as part of a claims settlement agreement. This liability is presented as due to other county funds on the financial statements.

Maricopa Managed Care Systems
MHP and ALTCS Funds
AHCCCS Schedule 2A
Lag Report for Hospital Inpatient Payments
Year Ended June 30, 2004

Quarter in which Service Provided

Quarter of Payment	Current	1st Prior	2nd Prior	3rd Prior	4th Prior	5th Prior	6th Prior	Total
Current	$ 1,128,770	$ 3,425,916	$ 1,004,507	$ 589,789	$ 200,049	$ (154,199)	$ (70,656)	$ 6,124,176
1st Prior	-	2,258,951	3,035,508	1,708,618	1,053,062	638,058	349,070	9,043,267
2nd Prior	-	-	1,510,783	3,082,267	2,067,302	1,565,468	1,209,644	9,435,464
3rd Prior	-	-	-	961,414	2,463,262	1,019,988	1,061,472	5,506,136
4th Prior	-	-	-	-	757,761	2,808,665	1,914,196	5,480,622
5th Prior	-	-	-	-	-	1,848,691	2,800,845	4,649,536
6th Prior	-	-	-	-	-	-	128,438,983	128,438,983
Totals	1,128,770	5,684,867	5,550,798	6,342,088	6,541,436	7,726,671	135,703,554	168,678,184
Expense Reported	20,143,429	10,117,722	8,928,805	7,421,032	6,962,398	6,834,099	132,941,145	193,348,630
Adjustments	(11,572,696)	(3,076,937)	(2,684,306)	(732,147)	(323,377)	896,509	2,762,408	(14,730,546)
Remaining Liability	$ 7,441,963	$ 1,355,918	$ 693,701	$ 346,797	$ 97,585	$ 3,937	$ (1)	$ 9,939,900

Maricopa Managed Care Systems
MHP and ALTCS Funds
AHCCCS Schedule 2B
Lag Report for Medical Compensation Payments
Year Ended June 30, 2004

	Quarter in which Service Provided							
Quarter of Payment	**Current**	**1st Prior**	**2nd Prior**	**3rd Prior**	**4th Prior**	**5th Prior**	**6th Prior**	**Total**
Current	$ 1,711,590	$ 2,197,969	$ 580,501	$ 276,016	$ 167,252	$ 40,792	$ (13,353)	$ 4,960,767
1st Prior	-	1,972,961	2,076,401	429,318	261,191	1,835	(156,477)	4,585,229
2nd Prior	-	-	2,462,192	3,574,071	1,311,072	(5,811)	(110,993)	7,230,531
3rd Prior	-	-	-	1,267,614	1,349,989	181,895	56,011	2,855,509
4th Prior	-	-	-	-	1,385,722	2,105,953	433,796	3,925,471
5th Prior	-	-	-	-	-	2,239,818	2,789,159	5,028,977
6th Prior	-	-	-	-	-	-	44,433,429	44,433,429
Totals	1,711,590	4,170,930	5,119,094	5,547,019	4,475,226	4,564,482	47,431,572	73,019,913
Expense Reported	4,342,619	7,416,940	4,017,750	4,421,034	5,154,522	4,322,965	53,843,307	83,519,137
Adjustments	803,153	(2,743,130)	1,354,057	1,243,738	(661,091)	243,070	(6,411,734)	(6,171,937)
Remaining Liability	$ 3,434,182	$ 502,880	$ 252,713	$ 117,753	$ 18,205	$ 1,553	$ 1	$ 4,327,287

Maricopa Managed Care Systems
MHP and ALTCS Funds
AHCCCS Schedule 2C
Lag Report for Other Medical Payments
Year Ended June 30, 2004

Quarter in which Service Provided

Quarter of Payment	Current	1st Prior	2nd Prior	3rd Prior	4th Prior	5th Prior	6th Prior	Total
Current	$ 5,146,011	$ 5,034,847	$ 1,945,439	$ 1,044,015	$ 495,530	$ 275,551	$ 48,873	$ 13,990,266
1st Prior	-	4,861,554	4,060,685	1,936,341	1,023,651	747,862	517,998	13,148,091
2nd Prior	-	-	5,972,890	5,842,556	2,729,954	809,294	462,810	15,817,504
3rd Prior	-	-	-	4,317,274	4,603,064	1,200,174	493,601	10,614,113
4th Prior	-	-	-	-	4,767,818	3,751,566	2,513,596	11,032,980
5th Prior	-	-	-	-	-	6,912,259	5,422,736	12,334,995
6th Prior	-	-	-	-	-	-	135,666,395	135,666,395
Totals	5,146,011	9,896,401	11,979,014	13,140,186	13,620,017	13,696,706	145,126,009	212,604,344
Expense Reported[1]	9,646,433	21,690,680	17,964,569	10,478,857	9,482,021	8,828,068	149,003,362	227,093,990
Adjustments	4,556,635	(9,959,288)	(5,049,301)	3,191,108	4,361,660	4,913,569	(3,877,351)	(1,862,968)
Remaining Liability	$ 9,057,057	$ 1,834,991	$ 936,254	$ 529,779	$ 223,664	$ 44,931	$ 2	$ 12,626,678

[1] The Expense Reported for the Current through 3rd Prior periods exclude subcapitation expenses of $2,456,653.

Maricopa Managed Care Systems
MHP and ALTCS Funds
AHCCCS Schedule 2D
Lag Report for PPC Hospital Inpatient Payments
Year Ended June 30, 2004

Quarter in which Service Provided

Quarter of Payment	Current	1st Prior	2nd Prior	3rd Prior	4th Prior	5th Prior	6th Prior	Total
Current	$ 260,391	$ 804,589	$ 163,323	$ 180,157	$ 39,353	$ 31,632	$ -	$ 1,479,445
1st Prior	-	337,187	731,695	701,866	620,744	202,362	41,437	2,635,291
2nd Prior	-	-	526,075	888,607	889,425	364,262	306,226	2,974,595
3rd Prior	-	-	-	280,502	519,091	142,564	195,367	1,137,524
4th Prior	-	-	-	-	125,609	808,483	613,125	1,547,217
5th Prior	-	-	-	-	-	259,743	614,298	874,041
6th Prior	-	-	-	-	-	-	8,540	8,540
Totals	260,391	1,141,776	1,421,093	2,051,132	2,194,222	1,809,046	1,778,993	10,656,653
Expense Reported	6,417,815	1,856,077	3,701,324	1,751,891	2,123,019	1,696,877	928,049	18,475,052
Adjustments	(5,726,233)	(597,864)	(2,220,658)	329,021	79,582	112,506	850,945	(7,172,701)
Remaining Liability	$ 431,191	$ 116,437	$ 59,573	$ 29,780	$ 8,379	$ 337	$ 1	$ 645,698

Maricopa Managed Care Systems
MHP and ALTCS Funds
AHCCCS Schedule 2E
Lag Report for PPC Medical Compensation Payments
Year Ended June 30, 2004

Quarter in which Service Provided

Quarter of Payment	Current	1st Prior	2nd Prior	3rd Prior	4th Prior	5th Prior	6th Prior	Total
Current	$ 80,821	$ 132,289	$ 54,932	$ 48,941	$ 33,336	$ 3,987	$ (651)	$ 353,655
1st Prior	-	20,951	159,080	79,681	70,869	17,347	(15,254)	332,674
2nd Prior	-	-	76,869	313,211	242,320	66,438	32,212	731,050
3rd Prior	-	-	-	12,989	39,048	52,446	13,145	117,628
4th Prior	-	-	-	-	40,106	123,404	120,223	283,733
5th Prior	-	-	-	-	-	57,146	226,271	283,417
6th Prior	-	-	-	-	-	-	56,418	56,418
Totals	80,821	153,240	290,881	454,822	425,679	320,768	432,364	2,158,575
Expense Reported	450,076	454,272	276,427	1,005,904	1,755,472	646,919	661,944	5,251,014
Adjustments	(180,204)	(252,651)	34,087	(541,097)	(1,326,792)	(325,927)	(229,580)	(2,822,164)
Remaining Liability	$ 189,051	$ 48,381	$ 19,633	$ 9,985	$ 3,001	$ 224	$ -	$ 270,275

Maricopa Managed Care Systems
MHP and ALTCS Funds
AHCCCS Schedule 2F
Lag Report for PPC Other Medical Payments
Year Ended June 30, 2004

Quarter in which Service Provided

Quarter of Payment	Current	1st Prior	2nd Prior	3rd Prior	4th Prior	5th Prior	6th Prior	Total
Current	$ 35,640	$ 156,061	$ 74,760	$ 16,493	$ 34,618	$ (42,399)	$ 4,137	$ 279,310
1st Prior	-	51,829	183,973	123,536	88,308	18,896	24,574	491,116
2nd Prior	-	-	75,454	384,232	277,463	112,342	51,298	900,789
3rd Prior	-	-	-	45,353	94,880	69,594	35,880	245,707
4th Prior	-	-	-	-	38,066	220,344	174,662	433,072
5th Prior	-	-	-	-	-	103,882	297,693	401,575
6th Prior	-	-	-	-	-	-	35,479	35,479
Totals	35,640	207,890	334,187	569,614	533,335	482,659	623,723	2,787,048
Expense Reported	397,767	1,164,755	718,403	865,689	1,518,873	813,614	446,857	5,925,958
Adjustments	(70,328)	(914,949)	(367,208)	(287,425)	(982,938)	(330,768)	176,867	(2,776,749)
Remaining Liability	$ 291,799	$ 41,916	$ 17,008	$ 8,650	$ 2,600	$ 187	$ 1	$ 362,161

Maricopa Managed Care Systems
MHP and ALTCS Funds
AHCCCS Schedule 3
Analysis of Profitability by Major Risk Group Classification
Year Ended June 30, 2004

Revenues / Expenses	SSI MED	SSI W/O	MED	NON-MED	SOBRA MOMS
Member Months	37,351	46,470	3,197	76,541	4,403
Revenues:					
Capitation	$ 8,248,704	$ 20,949,927	$ 1,590,500	$ 24,920,841	$ 596,534
PPC Capitation	(32,478)	81,872	1,001,636	2,094,483	140,892
Hospital Supplement	-	-	2,199,564	1,916,145	-
SOBRA Supplement	32,921	132,412	-	92,512	2,274,110
HIV-AIDS Supplement	217,027	252,050	15,777	386,132	25,302
TWG Settlement	-	-	1,429,595	2,924,594	-
PPC Settlement	-	-	-	-	-
Investment Income	18,032	45,178	672	32,852	1,725
Other Income	-	-	-	-	-
Total Operating and Nonoperating Revenues	8,484,206	21,461,439	6,237,744	32,367,559	3,038,563
Expenses:					
Medical:					
Hospital Inpatient	2,053,832	7,761,032	1,759,974	11,226,567	1,828,402
PPC - Hospital Inpatient	87,384	150,676	3,001,613	5,807,794	75,871
Total Hospital Inpatient	2,141,216	7,911,708	4,761,587	17,034,361	1,904,273
Medical Compensation:					
Primary Care Physician Services	485,348	1,626,508	427,743	2,869,818	507,603
Referral Physician Services	325,138	1,089,613	286,549	1,922,517	340,048
PPC - Physician Services	5,897	49,476	493,237	1,035,961	60,445
Total Medical Compensation	816,383	2,765,597	1,207,529	5,828,296	908,096

(Continued)

Maricopa Managed Care Systems
MHP and ALTCS Funds
AHCCCS Schedule 3
Analysis of Profitability by Major Risk Grop Classification
Year Ended June 30, 2004
(Continued)

Revenues / Expenses	TANF <1	TANF 1-13	TANF 14-44F	TANF 14-44M	TANF 45+	SOBRA FPS	TOTAL
Member Months	37,927	238,837	71,624	41,396	11,874	2,613	572,233
Revenues:							
Capitation	$ 13,541,534	$ 20,365,800	$ 10,361,090	$ 4,200,368	$ 3,667,387	$ 43,397	$ 108,486,082
PPC Capitation	2,849,534	534,247	845,180	230,559	99,840	-	7,845,765
Hospital Supplement	-	-	-	-	-	-	4,115,709
SOBRA Supplement	-	-	2,626,642	-	-	-	5,158,597
HIV-AIDS Supplement	-	-	1,301	-	868	-	898,457
TWG Settlement	-	-	-	-	-	-	4,354,189
PPC Settlement	-	-	-	-	-	-	-
Investment Income	38,925	52,057	24,475	10,540	8,119	123	232,698
Other Income	-	-	-	-	-	-	-
Total Operating and Nonoperating Revenues	16,429,993	20,952,104	13,858,688	4,441,467	3,776,214	43,520	131,091,497
Expenses:							
Medical:							
Hospital Inpatient	10,503,973	4,652,492	4,571,304	1,357,863	868,312	27,237	46,610,988
PPC - Hospital Inpatient	3,350,130	457,943	640,941	56,438	98,317	-	13,727,107
Total Hospital Inpatient	13,854,103	5,110,435	5,212,245	1,414,301	966,629	27,237	60,338,095
Medical Compensation:							
Primary Care Physician Services	2,148,011	2,008,999	1,465,273	295,115	264,532	(3,475)	12,095,475
Referral Physician Services	1,438,974	1,345,848	981,600	197,699	177,211	(2,329)	8,102,868
PPC - Physician Services	317,273	65,785	115,092	33,376	10,137	0	2,186,679
Total Medical Compensation	3,904,258	3,420,632	2,561,965	526,190	451,880	(5,804)	22,385,022

(Continued)

Maricopa Managed Care Systems
MHP and ALTCS Funds
AHCCCS Schedule 3
Analysis of Profitability by Major Risk Group Classification
Year Ended June 30, 2004
(Continued)

Revenues / Expenses	SSI MED	SSI W/O	MED	NON-MED	SOBRA MOMS
Other Medical:					
Emergency Services	$ 533,999	$ 1,514,806	$ 152,698	$ 2,568,499	$ 100,883
Pharmacy	823,406	1,041,587	114,738	1,392,012	80,702
Lab, X-ray and Medical Imaging	510,259	2,050,743	326,843	3,402,696	239,012
Outpatient Facility	627,371	1,100,649	81,110	1,526,239	78,306
Durable Medical Equipment	257,628	573,393	55,275	744,866	20,978
Dental	52,228	286,404	40,430	365,015	16,576
Transportation	474,816	810,576	64,817	847,867	69,134
NF, Home Health Care	575,771	680,074	116,445	597,943	6,080
Physical Therapy	6,961	14,567	2,616	26,378	433
Miscellaneous Medical Expenses	66,841	37,245	7,261	73,215	1,689
PPC - Other Medical Expenses	(24,222)	114,807	419,521	1,442,883	99,124
Total Other Medical Expenses	3,905,058	8,224,851	1,381,754	12,987,613	712,917
Total Medical Expenses	6,862,657	18,902,156	7,350,870	35,850,270	3,525,286
Less:					
Reinsurance	-	(1,233,188)	(858,478)	(1,216,481)	(90,816)
PPC - Reinsurance	-	(12,557)	-	(5,917)	-
Third Party Liability	(17,397)	(17,756)	(72,123)	(145,667)	(88)
Total Net Medical Expenses	6,845,260	17,638,655	6,420,269	34,482,205	3,434,382
Total Administrative Expenses	1,387,850	4,092,424	27,563	1,228,300	129,198
Total Expenses	8,233,110	21,731,079	6,447,832	35,710,505	3,563,580
Income (Loss) from Operations	251,096	(269,640)	(210,088)	(3,342,946)	(525,017)
Non-operating Income (Loss)	-	-	-	-	-
Income (Loss) Before Provision for Income Taxes	251,096	(269,640)	(210,088)	(3,342,946)	(525,017)
Provision for Income Taxes	-	-	-	-	-
Premium Tax Expense	131,704	347,996	61,931	475,757	41,593
Net Income (Loss)	$ 119,392	$ (617,636)	$ (272,019)	$ (3,818,703)	$ (566,610)

(Continued)

Maricopa Managed Care Systems
MHP and ALTCS Funds
AHCCCS Schedule 3
Analysis of Profitability by Major Risk Group Classification
Year Ended June 30, 2004
(Continued)

Revenues / Expenses	TANF <1	TANF 1-13	TANF 14-44F	TANF 14-44M	TANF 45+	SOBRA FPS	TOTAL
Other Medical:							
Emergency Services	$ 1,623,732	$ 4,242,370	$ 1,768,653	$ 716,052	$ 224,528	$ 25,265	$ 13,471,485
Pharmacy	747,568	4,209,023	1,324,856	758,733	241,921	51,013	10,785,559
Lab, X-ray and Medical Imaging	616,115	1,931,159	1,824,128	530,011	446,421	10,877	11,888,264
Outpatient Facility	407,275	1,430,815	854,141	393,206	330,338	12,058	6,841,508
Durable Medical Equipment	220,731	1,171,493	400,915	214,801	109,240	13,026	3,782,346
Dental	3,433	6,687,512	803,743	512,492	12,541	3,136	8,783,510
Transportation	252,792	754,365	391,489	153,565	92,250	4,716	3,916,387
NF, Home Health Care	57,336	83,976	124,959	91,089	30,116	480	2,364,269
Physical Therapy	(341)	12,041	10,695	6,042	4,197	(32)	83,557
Miscellaneous Medical Expenses	15,836	77,457	84,701	19,362	7,652	663	391,922
PPC - Other Medical Expenses	130,137	396,392	294,826	144,555	56,976	-	3,074,999
Total Other Medical Expenses	4,074,614	20,996,603	7,883,106	3,539,908	1,556,180	121,202	65,383,806
Total Medical Expenses	21,832,975	29,527,670	15,657,316	5,480,399	2,974,689	142,635	148,106,923
Less:							
Reinsurance	(2,377,045)	(416,166)	(185,878)	(214,161)	(157,895)	(140,754)	(6,890,862)
PPC - Reinsurance	(79,001)	(5,510)	(463)	-	(4,782)	-	(108,230)
Third Party Liability	(393)	(51,643)	(59,018)	(37,303)	(15,354)	(107)	(416,849)
Total Net Medical Expenses	19,376,536	29,054,351	15,411,957	5,228,935	2,796,658	1,774	140,690,982
Total Administrative Expenses	2,919,436	4,311,076	1,887,753	769,255	546,823	9,427	17,309,105
Total Expenses	22,295,972	33,365,427	17,299,710	5,998,190	3,343,481	11,201	158,000,087
Income (Loss) from Operations	(5,865,979)	(12,413,323)	(3,441,022)	(1,556,723)	432,733	32,319	(26,908,590)
Non-operating Income (Loss)	-	-	-	-	-	-	-
Income (Loss) Before Provision for Income Taxes	(5,865,979)	(12,413,323)	(3,441,022)	(1,556,723)	432,733	32,319	(26,908,590)
Provision for Income Taxes	-	-	-	-	-	-	-
Premium Tax Expense	216,913	322,039	206,617	68,300	56,981	616	1,930,447
Net Income (Loss)	$ (6,082,892)	$ (12,735,362)	$ (3,647,639)	$ (1,625,023)	$ 375,752	$ 31,703	$ (28,839,037)

Maricopa Managed Care Systems
MHP and ALTCS Funds
Acute Schedule 4
Officers and Directors
Year Ended June 30, 2004

Name	Title	Other Relationship to MCHP Plan	Type of Compensation
Jim Chisolm Maricopa Integrated Health System - Health Plans	Chief Executive Officer	None	Management Fee
Doug Womer Maricopa Integrated Health System - Health Plans	Chief Financial Officer	None	Management Fee
Edward Fenstermacher, MD Maricopa Integrated Health System - Health Plans	Health Plan Medical Director	None	Salary
Jean Wood Maricopa Intergrated Health System-Health Plans	Operations & Compliance Director	None	Salary

Maricopa Managed Care Systems
MHP and ALTCS Funds
ALTCS Schedule 1
Medical Claims Payable (RBUCs and IBNR)
Year Ended June 30, 2004

Account	1 - 30	31 - 60	61 - 90	Over 90	Total RBUCS	IBNR	Total Payable
Institutional Care	$ -	$ 15,577	$ 7,356	$ (238,845)	$ (215,912)	$ 16,491,385	$ 16,275,473
HCBS	1,500,088	1,502,371	1,553,852	3,296,162	7,852,473	15,336,550	23,189,023
Acute Care	409,763	1,388,275	549,638	1,447,296	3,794,972	8,607,886	12,402,858
Other Medical	17,382	45,540	31,576	110,024	204,522	1,987,115	2,191,637
Total Prospective	1,927,233	2,951,763	2,142,422	4,614,637	11,636,055	42,422,936	54,058,991
Total Prior Period Coverage (PPC)	1,018	3,433	1,660	20,172	26,283	1,509,613	1,535,896
Total Medical Claims Payable	$ 1,928,251	$ 2,955,196	$ 2,144,082	$ 4,634,809	$ 11,662,338	$ 43,932,549	$ 55,594,887

Maricopa Managed Care Systems
MHP and ALTCS Funds
ALTCS Schedule 2A
Lag Report for Institutional Care Payments
Year Ended June 30, 2004

Quarter in Which Service Provided

Quarter of Payment	Current	1st Prior	2nd Prior	3rd Prior	4th Prior	5th Prior	6th Prior	Total
Current	$ 16,639,176	$ 13,044,433	$ 3,137,731	$ 1,258,891	$ (639,622)	$ 649,226	$ 410,544	$ 34,500,379
1st Prior	-	12,515,980	12,719,771	2,815,949	669,959	(876,595)	529,801	28,374,865
2nd Prior	-	-	12,732,872	10,053,323	832,503	(320,748)	(13,000)	23,284,950
3rd Prior	-	-	-	13,494,353	19,625,441	561,132	295,472	33,976,398
4th Prior	-	-	-	-	8,330,217	14,222,726	302,855	22,855,798
5th Prior	-	-	-	-	-	15,536,661	10,368,304	25,904,965
6th Prior	-	-	-	-	-	-	20,767,094	20,767,094
Totals	16,639,176	25,560,413	28,590,374	27,622,516	28,818,498	29,772,402	32,661,070	189,664,449
Expense Reported	38,889,151	27,952,903	27,211,682	27,967,323	30,122,683	28,873,018	31,081,529	212,098,289
Adjustments	(11,152,649)	656,237	2,519,437	(85,413)	(745,036)	1,069,516	1,579,541	(6,158,367)
Remaining Liability	$ 11,097,326	$ 3,048,727	$ 1,140,745	$ 259,394	$ 559,149	$ 170,132	$ -	$ 16,275,473

Maricopa Managed Care Systems
MHP and ALTCS Funds
ALTCS Schedule 2B
Lag Report for Home and Community-Based Services (HCBS) Care Payments
Year Ended June 30, 2004

Quarter in Which Service Provided

Quarter of Payment	Current	1st Prior	2nd Prior	3rd Prior	4th Prior	5th Prior	6th Prior	Total
Current	$ 1,792,240	$ 3,967,399	$ 214,951	$ 274,899	$ 192,145	$ 113,470	$ (5,715)	$ 6,549,389
1st Prior	-	3,195,259	9,813,725	3,427,783	916,729	608,092	84,335	18,045,923
2nd Prior	-	-	1,472,043	7,093,188	1,373,050	184,548	(66,698)	10,056,131
3rd Prior	-	-	-	2,513,329	9,006,596	1,007,331	152,188	12,679,444
4th Prior	-	-	-	-	2,077,905	7,872,286	1,143,942	11,094,133
5th Prior	-	-	-	-	-	4,116,605	8,841,789	12,958,394
6th Prior	-	-	-	-	-	-	4,210,058	4,210,058
Totals	1,792,240	7,162,658	11,500,719	13,309,199	13,566,425	13,902,332	14,359,899	75,593,472
Expense Reported[1]	10,525,248	15,851,101	17,093,824	13,075,296	10,936,298	12,157,363	14,959,029	94,598,159
Adjustments	8,430,519	(4,701,339)	(4,243,664)	831,813	2,708,933	1,757,204	(599,130)	4,184,336
Remaining Liability	$ 17,163,527	$ 3,987,104	$ 1,349,441	$ 597,910	$ 78,806	$ 12,235	$ 0	$ 23,189,023

[1] The Expense Reported for the Current through 3rd Prior periods exclude subcapitation expenses of $7,249,734, environmental modification adjustment of $(68,550) and HCBS placement reconciliation adjustment of $(148,762).

Maricopa Managed Care Systems
MHP and ALTCS Funds
ALTCS Schedule 2C
Lag Report for Acute Care Payments
Year Ended June 30, 2004

Quarter in Which Service Provided

Quarter of Payment	Current	1st Prior	2nd Prior	3rd Prior	4th Prior	5th Prior	6th Prior	Total
Current	$ 5,443,149	$ 4,661,987	$ 1,367,543	$ 413,591	$ 287,633	$ 113,389	$ (130,955)	$ 12,156,337
1st Prior	-	5,275,164	3,330,885	1,124,251	790,318	661,018	465,109	11,646,745
2nd Prior	-	-	5,045,321	3,219,586	1,995,208	529,402	396,421	11,185,938
3rd Prior	-	-	-	4,303,940	3,001,405	630,879	718,880	8,655,104
4th Prior	-	-	-	-	4,001,471	3,343,215	1,845,850	9,190,536
5th Prior	-	-	-	-	-	4,583,216	3,881,443	8,464,659
6th Prior	-	-	-	-	-	-	4,210,872	4,210,872
Totals	5,443,149	9,937,151	9,743,749	9,061,368	10,076,035	9,861,119	11,387,620	65,510,191
Expense Reported[1]	17,033,611	11,535,448	5,094,155	8,814,565	9,282,854	8,972,835	7,101,717	67,835,185
Adjustments	(4,840,866)	1,366,359	6,329,008	932,373	1,065,505	939,582	4,285,903	10,077,864
Remaining Liability	$ 6,749,596	$ 2,964,656	$ 1,679,414	$ 685,570	$ 272,324	$ 51,298	$ -	$ 12,402,858

[1] The Expense Reported for the Current through 3rd Prior periods exclude subcapitation expenses of $498,019 and environmental modification adjustment of $68,550.

Maricopa Managed Care Systems
MHP and ALTCS Funds
ALTCS Schedule 2D
Lag Report for Other Medical Payments
Year Ended June 30, 2004

Quarter in Which Service Provided

Quarter of Payment	Current	1st Prior	2nd Prior	3rd Prior	4th Prior	5th Prior	6th Prior	Total
Current	$ 482,255	$ 458,255	$ 58,877	$ 75,721	$ 21,257	$ (3,330)	$ 7,654	$ 1,100,689
1st Prior	-	317,407	855,663	247,206	126,448	(343)	(19,517)	1,526,864
2nd Prior	-	-	187,581	558,528	91,957	129,454	9,655	977,175
3rd Prior	-	-	-	331,292	808,037	187,339	23,711	1,350,379
4th Prior	-	-	-	-	222,947	605,939	10,637	839,523
5th Prior	-	-	-	-	-	304,650	510,966	815,616
6th Prior	-	-	-	-	-	-	341,138	341,138
Totals	482,255	775,662	1,102,121	1,212,747	1,270,646	1,223,709	884,244	6,951,384
Expense Reported	1,755,617	1,832,495	1,110,962	1,277,177	1,333,133	1,135,440	1,132,971	9,577,795
Adjustments	(243,083)	(478,942)	339,001	92,136	3,395	101,446	(248,727)	(434,774)
Remaining Liability	$ 1,030,279	$ 577,891	$ 347,842	$ 156,566	$ 65,882	$ 13,177	$ -	$ 2,191,637

Maricopa Managed Care Systems
MHP and ALTCS Funds
ALTCS Schedule 2E
Lag Report for PPC Institutional Care Payments
Year Ended June 30, 2004

Quarter in Which Service Provided

Quarter of Payment	Current	1st Prior	2nd Prior	3rd Prior	4th Prior	5th Prior	6th Prior	Total
Current	$ 69,467	$ 236,860	$ 249,679	$ 123,272	$ 35,787	$ 29,313	$ (2,231)	$ 742,147
1st Prior	-	53,227	99,910	49,918	33,689	18,159	(980)	253,923
2nd Prior	-	-	101,874	89,701	57,245	(28,715)	(32,636)	187,469
3rd Prior	-	-	-	160,264	460,275	118,777	122,384	861,700
4th Prior	-	-	-	-	90,842	277,278	134,734	502,854
5th Prior	-	-	-	-	-	165,022	216,798	381,820
6th Prior	-	-	-	-	-	-	-	-
Totals	69,467	290,087	451,463	423,155	677,838	579,834	438,069	2,929,913
Expense Reported	742,148	234,106	1,018,519	1,308,952	837,859	310,116	379,761	4,831,461
Adjustments	(317,069)	422,766	(412,208)	(494,432)	(137,036)	270,799	58,308	(608,872)
Remaining Liability	$ 355,612	$ 366,785	$ 154,848	$ 391,365	$ 22,985	$ 1,081	$ -	$1,292,676

Maricopa Managed Care Systems
MHP and ALTCS Funds
ALTCS Schedule 2F
Lag Report for PPC Home and Community-Based Services (HCBS) Care Payments
Year Ended June 30, 2004

Quarter in Which Service Provided

Quarter of Payment	Current	1st Prior	2nd Prior	3rd Prior	4th Prior	5th Prior	6th Prior	Total
Current	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
1st Prior	-	-	-	-	-	-	-	-
2nd Prior	-	-	-	-	-	-	-	-
3rd Prior	-	-	-	-	-	-	-	-
4th Prior	-	-	-	-	-	-	-	-
5th Prior	-	-	-	-	-	-	-	-
6th Prior	-	-	-	-	-	-	-	-
Totals	-	-	-	-	-	-	-	-
Expense Reported	-	-	-	-	-	-	-	-
Adjustments	-	-	-	-	-	-	-	-
Remaining Liability	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

Maricopa Managed Care Systems
MHP and ALTCS Funds
ALTCS Schedule 2G
Lag Report for PPC Acute Care Payments
Year Ended June 30, 2004

Quarter in Which Service Provided

Quarter of Payment	Current	1st Prior	2nd Prior	3rd Prior	4th Prior	5th Prior	6th Prior	Total
Current	$ 13,458	$ 30,409	$ 4,308	$ (322)	$ 2,083	$ (193)	$ 38,846	$ 88,589
1st Prior	-	15,359	12,567	13,748	10,430	4,722	10,996	67,822
2nd Prior	-	-	19,440	16,333	13,359	53,925	20,782	123,839
3rd Prior	-	-	-	14,287	22,593	10,462	10,505	57,847
4th Prior	-	-	-	-	17,384	27,287	87,357	132,028
5th Prior	-	-	-	-	-	10,480	49,666	60,146
6th Prior	-	-	-	-	-	-	11,781	11,781
Totals	13,458	45,768	36,315	44,046	65,849	106,683	229,933	542,052
Expense Reported	357,936	52,409	161,426	151,914	244,697	59,596	55,458	1,083,436
Adjustments	(266,587)	73,697	(91,195)	(99,446)	(173,813)	47,323	174,475	(335,546)
Remaining Liability	$ 77,891	$ 80,338	$ 33,916	$ 8,422	$ 5,035	$ 236	$ -	$ 205,838

Maricopa Managed Care Systems
MHP and ALTCS Funds
ALTCS Schedule 2H
Lag Report for PPC Other Medical Payments
Year Ended June 30, 2004

Quarter in Which Service Provided

Quarter of Payment	Current	1st Prior	2nd Prior	3rd Prior	4th Prior	5th Prior	6th Prior	Total
Current	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
1st Prior	-	-	-	-	-	-	-	-
2nd Prior	-	-	-	-	-	-	-	-
3rd Prior	-	-	-	-	-	-	-	-
4th Prior	-	-	-	-	-	-	-	-
5th Prior	-	-	-	-	-	-	-	-
6th Prior	-	-	-	-	-	-	-	-
Totals	-	-	-	-	-	-	-	-
Expense Reported	94,558	(260)	9,728	27,174	23,764	(10,751)	3,855	148,068
Adjustments	(80,412)	14,850	(3,569)	(25,645)	(22,849)	10,794	(3,855)	(110,686)
Remaining Liability	$ 14,146	$ 14,590	$ 6,159	$ 1,529	$ 915	$ 43	$ -	$ 37,382

Maricopa Managed Care Systems
MHP and ALTCS Funds
ALTCS Schedule 3
Analysis of Profitability by Major Rate Code Classification
Year Ended June 30, 2004

Revenues / Expenses	Medicare	Non-Medicare	Total
Member Months	72,747	11,885	84,632
Revenues:			
Capitation	$ 187,197,245	$ 31,721,988	$ 218,919,233
Prior Period Coverage	3,492,049	417,277	3,909,326
HIV-AIDS Supplement	220,090	46,102	266,192
Investment Income	305,272	49,517	354,789
Patient Contributions	80,850	13,114	93,964
HCBS Placement Reconciliation	-	-	-
SOC Mix Reconciliation	77,393	14,654	92,047
Total Operating and Nonoperating Revenues	191,372,899	32,262,652	223,635,551
Expenses:			
Institutional Care:			
Skilled Nursing Care	70,156,233	10,475,411	80,631,644
Intermediate Care Facility	36,060,523	5,328,892	41,389,415
Incentive Pay	-	-	-
PPC Institutional	3,017,763	285,962	3,303,725
Total Institutional Care	109,234,519	16,090,265	125,324,784
HCBS Care:			
Home Health Nurse	6,835,192	1,111,049	7,946,241
Home Health Aide	848,509	137,900	986,409
Personal Care	615,189	99,980	715,169
Homemaker	126,401	20,542	146,943
Home Delivered Meals	1,980,676	321,900	2,302,576
Respite Care	-	-	-
Attendant Care	19,199,774	4,994,643	24,194,417
Adult Care Home	6,595,127	1,255,688	7,850,815
Adult Day Health	5,551,399	902,216	6,453,615
Adult Foster Care	4,972,786	2,078,764	7,051,550
Hospice	45,507	7,396	52,903
Environmental Modifications	50,584	17,966	68,550
HCBS Placement Reconciliation	130,545	18,217	148,762
Supportive Residential Living	5,159,475	649,128	5,808,603
Total HCBS Care	52,111,164	11,615,389	63,726,553

(Continued)

Maricopa Managed Care Systems
MHP and ALTCS Funds
ALTCS Schedule 3
Analysis of Profitability by Major Rate Code Classification
Year Ended June 30, 2004
(Continued)

Revenues / Expenses	Medicare	Non-Medicare	Total
Acute Care:			
Inpatient Services	$ 6,782,890	$ 5,476,504	$ 12,259,394
Primary Care Physician Services	1,417,553	1,167,033	2,584,586
Referral Physician Services	945,405	777,653	1,723,058
Emergency Services	879,955	417,632	1,297,587
Outpatient Facility	(4,554,179)	1,262,678	(3,291,501)
Prescription Drug	15,207,108	2,841,768	18,048,876
Lab/Radiology	804,558	868,305	1,672,863
Durable Medical Equipment	1,298,768	690,047	1,988,815
Dental	287,406	65,978	353,384
Transportation	1,878,818	667,898	2,546,716
Therapies	64,151	97,551	161,702
Outpatient Behavioral Health	1,508,384	2,094,489	3,602,873
PPC Acute Care	582,374	141,311	723,685
Other	30,412	65,583	95,995
Total Acute Care	27,133,603	16,634,430	43,768,033
Other Medical:			
Ventilator Dependent	2,367,960	3,608,291	5,976,251
PPC - other	59,730	71,470	131,200
Total Other Medical	2,427,690	3,679,761	6,107,451
Reductions to Medical Expenses:			
Reinsurance	-	(10,965,624)	(10,965,624)
Third Party Recoveries	(209,249)	(63,218)	(272,467)
Total Reductions to Medical Expenses	(209,249)	(11,028,842)	(11,238,091)
Total Net Medical Expenses	190,697,727	36,991,003	227,688,730
Administrative:			
Compensation	6,599,863	1,070,535	7,670,398
Case Management	6,486,517	1,052,150	7,538,667
Data Processing	289,814	47,010	336,824
Occupancy (Rent/Utilities)	674,634	109,429	784,063
Depreciation	737,541	119,633	857,174
Bad Debt Expense	8,694,692	1,415,415	10,110,107
Other	3,208,562	511,971	3,720,533
Total Administrative	26,691,623	4,326,143	31,017,766
Total Operating and Nonoperating Expenses	217,389,350	41,317,146	258,706,496
Net Loss Before Provision for Taxes	(26,016,451)	(9,054,494)	(35,070,945)
Premium Tax	(2,840,003)	(528,834)	(3,368,837)
Net Loss After Provision for Taxes	$ (28,856,454)	$ (9,583,328)	$ (38,439,782)

Maricopa Managed Care Systems
MHP and ALTCS Funds
ALTCS Schedule 4
Officers and Directors
Year Ended June 30, 2004

Name	Title	Other Relationship to MLTCP Plan	Type of Compensation
Jim Chisolm Maricopa Integrated Health System - Health Plans	Chief Executive Officer	None	Management Fee
Doug Womer Maricopa Integrated Health System - Health Plans	Chief Financial Officer	None	Management Fee
Edward Fenstermacher, MD Maricopa Integrated Health System - Health Plans	Health Plan Medical Director	None	Salary
Jean Wood Maricopa Integrated Health System - Health Plans	Operations & Compliance Director	None	Salary
Cindy Brennan (Acting) Maricopa Integrated Health System - Health Plans	Maricopa Long-Term Care Plan Director	None	Salary

Maricopa Managed Care Systems
MHP and ALTCS Funds
ALTCS Schedule 5
Utilization Data Report by County
Quarter Ended June 30, 2004
Year Ended June 30, 2004

	Medicare		Non-Medicare		Total	
	Current Period	YTD	Current Period	YTD	Current Period	YTD
A. Enrollees (At End of Period)	5,723		931		6,654	
B. Member Months (Unduplicated)						
Institutional						
1. Level 1	2,806	12,341	441	1,904	3,247	14,245
2. Level 2	3,611	14,947	568	2,308	4,179	17,255
3. Level 3	890	3,734	140	577	1,030	4,311
4. Home and Community-Based Services (HCBS)						
a. Adult Foster Care	691	2,807	108	432	799	3,239
b. Adult Care Home	1,135	4,413	177	679	1,312	5,092
c. Group Home (DD)	0	0	0	0	0	0
d. Individual Home	6,597	27,019	1,033	4,170	7,630	31,189
e. Other : SRL & BHII	1,002	4,155	158	641	1,160	4,796
5. Acute Care	51	276	171	701	222	977
6. Ventilator	96	362	17	57	113	419
7. Prior Period	350	1,621	55	250	405	1,871
8. Other : Unplaced or Deceased	285	1,072	44	166	329	1,238
C. Acute Patient Day Information						
1. Admissions	649	2,812	190	703	839	3,515
2. Patient Days	3,688	16,220	1,394	4,659	5,082	20,879
3. Discharges	694	2,982	204	757	898	3,739
4. Discharge Days	3,161	14,037	1,125	3,764	4,286	17,801
5. Average Length of Stay	14.0	4.7	17.0	5.0	4.8	4.8
D. Emergency Room Visits	1,048	3,168	309	798	1,357	3,966

Maricopa Managed Care Systems
MHP and ALTCS Funds
ALTCS Schedule 5
Utilization Data Report by County
Month Ended June 30, 2004
Year Ended June 30, 2004

	Medicare		Non-Medicare		Total	
	Current Period	YTD	Current Period	YTD	Current Period	YTD
A. Enrollees (At End of Period)	5,723		931		6,654	
B. Member Months (Unduplicated)						
Institutional						
1. Level 1	914	12,341	144	1,904	1,058	14,245
2. Level 2	1,189	14,947	188	2,308	1,377	17,255
3. Level 3	297	3,734	47	577	344	4,311
4. Home and Community-Based Services (HCBS)						
a. Adult Foster Care	225	2,807	35	432	260	3,239
b. Adult Care Home	382	4,413	60	679	442	5,092
c. Group Home (DD)	0	0	0	0	0	0
d. Individual Home	2,194	27,019	344	4,170	2,538	31,189
e. Other : SRL & BHII	336	4,155	53	641	389	4,796
5. Acute Care	30	276	60	701	90	977
6. Ventilator	32	362	6	57	38	419
7. Prior Period	122	1,621	19	250	141	1,871
8. Other : Unplaced or Deceased	88	1,072	14	166	102	1,238
C. Acute Patient Day Information						
1. Admissions	203	2,812	66	703	269	3,515
2. Patient Days	1,183	16,220	497	4,659	1,680	20,879
3. Discharges	219	2,982	69	757	288	3,739
4. Discharge Days	1,059	14,037	318	3,764	1,377	17,801
5. Average Length of Stay	4.8	4.7	4.6	5.0	4.8	4.8
D. Emergency Room Visits	342	3,168	100	798	442	3,966