

**REPORT
 HIGHLIGHTS**
 FINANCIAL STATEMENT AUDIT

Subject

Pima Health Care System issues financial statements annually. The System is responsible for preparing financial statements, maintaining strong internal controls, and demonstrating accountability for its use of public monies. The financial statements include services provided by Pima Health System and Kino Community Hospital.

Our Conclusion

The information in the financial statements is reliable. Our audit also determined that the System's internal controls over its financial transactions were adequate and the System substantially complied with the Arizona Health Care Cost Containment System's contract requirements. Our management letter describes an internal control recommendation.



2002

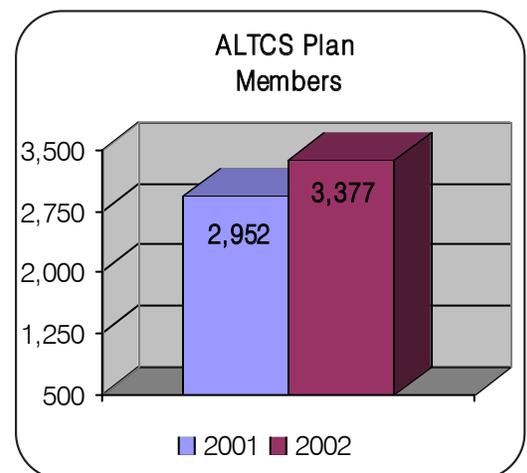
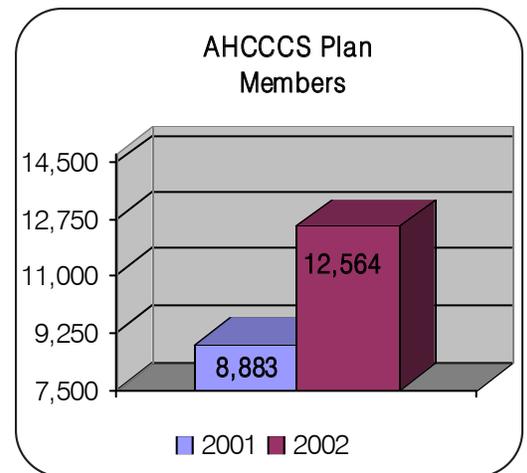
Year Ended June 30, 2002

Pima County's Health Plans Provide More Healthcare

Pima Health Care System's AHCCCS and ALTCS Plans provided more medical and long-term healthcare services to indigents than the year before because of significant increases in plan membership during the year.

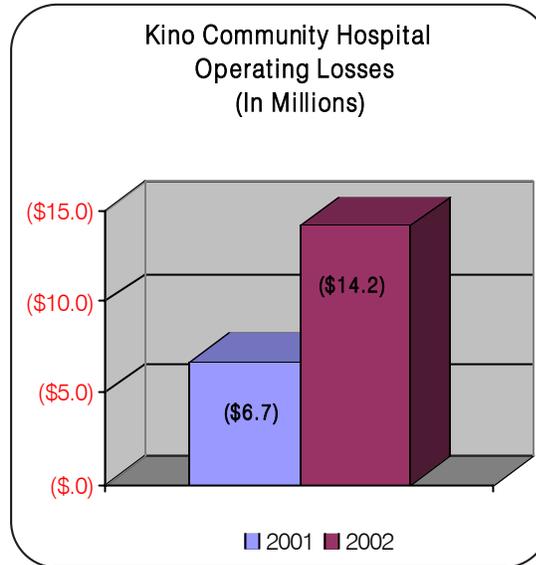
- The AHCCCS Plan's membership increased by 3,681 members or 40%, during the year because of Proposition 204, a November 2000 voter initiative that expanded eligibility for medical care.
- The ALTCS Plan's membership increased by 425 members or 14% during the year. Half of the increase resulted from the Plan becoming the long-term care provider for Santa Cruz County residents, and the remainder of the increase resulted from population growth in Pima County.

The increased services resulted in an approximately 15% increase in the System's operating revenues and expenses.



Disproportionate Share Revenues Eliminated

Kino Community Hospital has experienced operating losses over the past several years. This year, state laws required Pima County to return all of Kino Community Hospital's disproportionate share revenue to the State's general fund. This \$6.1 million reduction in operating revenues resulted in an additional increase in the Hospital's operating losses from the prior year.



TO OBTAIN MORE INFORMATION

A copy of the full report can be obtained by calling
(602) 553-0333



or by visiting our Web site at:
www.auditorgen.state.az.us

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Services Provided By Pima Health Care System

Pima Health Systems & Services

- Contracts with the Arizona Health Care Cost Containment System (AHCCCS) to provide medical and long-term care services to indigents.
- Administers grants and programs that provide care to the elderly, physically disabled, and indigents.
- Oversees a nursing home and an in-home healthcare provider. (The in-home healthcare provider closed on March 30, 2002.)

Kino Community Hospital

- Provides in-patient and out-patient medical, surgical, psychiatric, long-term care, and emergency services.

Other Pertinent Information

As a result of implementing GASB Statement No. 34 for the year ended June 30, 2002, the County has changed the financial statement presentation for its Proprietary Funds. From the Balance Sheet to the Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Fund Equity to the Statement of Revenues, Expenses, and Changes in Net Assets. In addition, the PHCS' beginning fund equity has been reclassified as total net assets, July 1, 2001, on the Statement of Revenues, Expenses, and Changes in Net Assets.

REPORT HIGHLIGHTS FINANCIAL STATEMENT AUDIT

Year Ended June 30, 2002