

**PIMA COUNTY, ARIZONA  
PIMA HEALTH CARE SYSTEM  
Report on Audit of Financial Statements  
June 30, 2003**

**PIMA HEALTH CARE SYSTEM**  
**Report on Audit of Financial Statements**  
**June 30, 2003**

<u>Table of Contents</u>	<u>Page</u>
Independent Auditors' Report	1
Statement of Net Assets—Enterprise Fund	2
Statement of Revenues, Expenses, and Changes in Net Assets—Enterprise Fund	3
Statement of Cash Flows—Enterprise Fund	4
Notes to Financial Statements	6
Supplementary Schedules	
Consolidating Statement of Net Assets by Program	16
Consolidating Statement of Revenues, Expenses, and Changes in Net Assets by Program	18
Consolidating Statement of Cash Flows by Program	20
Consolidating Statement of Net Assets—Long-Term Care Contracts	24
Consolidating Statement of Revenues, Expenses, and Changes in Net Assets—Long-Term Care Contracts	25
Consolidating Statement of Cash Flows—Long-Term Care Contracts	26
Arizona Health Care Cost Containment System Contract	
Risk Pool Receivable/Payable Report	29
Medical Claims Payable Report	30
Claims Lag Report:	
Hospital	31
Medical	32
Other	33
Profitability by Risk Group	34
Claims Lag Report for PPC:	
Inpatient	35
Physicians	36
Other	37
Officers and Directors	38
Summary Financial Data	39
Arizona Long-Term Care System Contract	
Risk Pool Receivable/Payable	40
Medical Claims Payable (RBUCs and IBNRs)	41
Claims Lag Report for Prospective Period Only:	
Institutional Care Payments	42
HCBS Payments	43
Acute Care Payments	44
Other Medical Payments	45
Analysis of Profitability by County by Major Rate Code Classification	46
Utilization Data Report by County	52
Utilization Data Report for All Counties	54
Claims Lag Report for PPC:	
Institutional Care Payments	55
Acute Care Payments	56
Other Medical Payments	57
Officers and Directors	58
Summary Financial Data	59

**PIMA HEALTH CARE SYSTEM**  
**Report on Audit of Financial Statements**  
**June 30, 2003**



**STATE OF ARIZONA  
OFFICE OF THE  
AUDITOR GENERAL**

**DEBRA K. DAVENPORT, CPA**  
AUDITOR GENERAL

**WILLIAM THOMSON**  
DEPUTY AUDITOR GENERAL

**Independent Auditors' Report**

Members of the Arizona State Legislature

The Board of Supervisors of Pima County, Arizona

We have audited the accompanying financial statements of the Pima Health Care System as of and for the year ended June 30, 2003, as listed in the table of contents. These financial statements are the responsibility of the Pima Health Care System's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. 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, Pima Health Care System's financial statements are intended to present the financial position, and the changes in financial position and cash flows, of only that portion of the business-type activities and major funds of the County that is attributable to the Pima Health Care System Fund. They do not purport to, and do not, present fairly the financial position of the County, and the changes in financial position and cash flows, in conformity with U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pima Health Care System as of June 30, 2003, and the changes in financial position and cash flows, 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 Pima Health Care System. The accompanying financial information listed as supplementary schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Debbie Davenport  
Auditor General

September 26, 2003

**PIMA HEALTH CARE SYSTEM**  
**Statement of Net Assets**  
**Enterprise Fund**  
**June 30, 2003**

Assets

Current assets:	
Cash and cash equivalents	\$ 23,747,536
Receivables:	
Accounts (net of allowances for uncollectibles and contractual and administrative adjustments)	7,342,635
Reinsurance claims	3,363,302
Interfund	299,272
Grants	1,123,580
Interest	36,154
Due from:	
Medicare	51,899
Other Pima County funds	2,000,000
Other governments	2,436,284
Inventory of supplies	820,351
Prepaid expenses	<u>1,064,210</u>
Total current assets	<u>42,285,223</u>

Noncurrent assets:

Capital assets:	
Land	250,000
Buildings and improvements	28,484,178
Leasehold improvements	904,198
Machinery and equipment	9,896,425
Accumulated depreciation:	
Buildings and improvements	(20,482,437)
Leasehold improvements	(452,737)
Machinery and equipment	<u>(7,705,282)</u>
Capital assets, net	<u>10,894,345</u>
Total assets	<u>53,179,568</u>

Liabilities

Current liabilities:	
Accounts payable and accrued liabilities	4,106,963
Accrued medical and health care claims	10,055,882
Accrued employee compensation	4,846,186
Interest payable	7,571
Deferred revenue	1,405
Due to:	
Medicare	321,335
Other Pima County funds	1,736,074
Due to other governments	<u>5,625,187</u>
Total liabilities	<u>26,700,603</u>

Net Assets

Invested in capital assets	10,894,345
Restricted for health care	13,216,839
Unrestricted	<u>2,367,781</u>
Total net assets	<u>\$26,478,965</u>

See accompanying notes to financial statements.

**PIMA HEALTH CARE SYSTEM**  
**Statement of Revenues, Expenses, and Changes in Net Assets**  
**Enterprise Fund**  
**Year Ended June 30, 2003**

Operating revenues:	
Patient service revenues:	
Daily hospital services	\$ 20,454,484
Ancillary services	<u>33,823,969</u>
Gross patient service revenues	<u>54,278,453</u>
Deductions from patient service revenues:	
Medicare contractual and administrative adjustments	(7,524,375)
Other contractual adjustments	<u>(14,107,393)</u>
Net patient service revenues	<u>32,646,685</u>
Capitation	152,361,400
Reinsurance claims	10,864,336
Disproportionate share settlement	23,799,200
Other	<u>4,505,562</u>
Deductions from operating revenues:	
Reimbursement of disproportionate share settlement to State General Fund	<u>(23,518,600)</u>
Total operating revenues	<u>200,658,583</u>
Operating expenses:	
Daily hospital services	10,235,600
Ancillary services	23,956,595
Medical and health care claims	147,006,491
Case management (contracted and salaried)	5,448,520
General, fiscal, and administrative services	23,218,379
Provision for doubtful accounts	6,202,787
Depreciation	1,384,596
Other	<u>4,235,383</u>
Total operating expenses	<u>221,688,351</u>
Operating loss	<u>(21,029,768)</u>
Nonoperating revenues (expenses):	
Grant revenue	4,605,417
Loss on disposal of equipment	(119,225)
Interest income	575,690
Interest expense	<u>(163,493)</u>
Total nonoperating revenues, net	<u>4,898,389</u>
Loss before capital contributions, extraordinary item, and transfers	<u>(16,131,379)</u>
Capital contributions	1,818,887
Extraordinary item—loss from State Treasurer's Local Government Investment Pool	(1,164,004)
Transfers in	23,065,424
Transfers out	<u>(7,992,756)</u>
Decrease in net assets	<u>(403,828)</u>
Total net assets, July 1, 2002	<u>26,882,793</u>
Total net assets, June 30, 2003	<u>\$ 26,478,965</u>

See accompanying notes to financial statements.

**PIMA HEALTH CARE SYSTEM**  
**Statement of Cash Flows**  
**Enterprise Fund**  
**Year Ended June 30, 2003**

Cash flows from operating activities:	
Cash receipts from:	
Contractors, patients, and other payors	\$ 187,505,077
Other Pima County funds for goods and services	6,471,700
Disproportionate share settlement	23,799,200
Miscellaneous operations	2,938,449
Cash payments to:	
Providers for health care services	(130,809,749)
Suppliers for goods and services	(25,425,455)
Employees for services	(58,493,728)
Other Pima County funds for goods and services	(3,489,229)
State General Fund for disproportionate share settlement	<u>(17,893,413)</u>
Net cash used for operating activities	<u>(15,397,148)</u>
Cash flows from noncapital financing activities:	
Cash transfers to other Pima County funds	(7,992,756)
Cash transfers from other Pima County funds	21,065,424
Loan proceeds from other Pima County funds	1,736,074
Loan payments to other Pima County funds	(12,574,070)
Interest paid on short-term credit	(175,869)
Grant receipts	4,210,876
Interest received from Medicare	<u>139</u>
Net cash provided by noncapital financing activities	<u>6,269,818</u>
Cash flows from capital and related financing activities:	
Purchases of capital assets	<u>(562,385)</u>
Net cash used for capital and related financing activities	<u>(562,385)</u>
Cash flows from investing activities:	
Interest received on cash and cash equivalents	568,497
Loss from State Treasurer's Local Government Investment Pool	<u>(1,164,004)</u>
Net cash used for investing activities	<u>(595,507)</u>
Net decrease in cash and cash equivalents	(10,285,222)
Cash and cash equivalents, July 1, 2002	<u>34,032,758</u>
Cash and cash equivalents, June 30, 2003	<u>\$ 23,747,536</u>

(Continued)

See accompanying notes to financial statements.

**PIMA HEALTH CARE SYSTEM**  
**Statement of Cash Flows**  
**Enterprise Fund**  
**Year Ended June 30, 2003**  
(Continued)

Reconciliation of operating loss to net cash used for operating activities:	
Operating loss	\$ (21,029,768)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	1,384,596
Provisions for doubtful accounts	6,202,787
Changes in assets and liabilities:	
Accounts receivable	(1,901,118)
Reinsurance claims receivable	(1,427,129)
Interfund receivables	502,072
Due from Medicare	1,440,931
Due from other governments	(1,230,384)
Inventory of supplies	(1,927)
Prepaid expenses	(940,448)
Accounts payable and accrued liabilities	335,647
Accrued medical and health care claims	(3,360,202)
Accrued employee compensation	15,008
Interfund payable	(22,553)
Due to Medicare	321,335
Due to other governments	<u>4,314,005</u>
Net cash used for operating activities	<u>\$ (15,397,148)</u>

The following noncash transactions occurred during the year ended June 30, 2003.

Disposal of equipment	\$ 1,541,314
Deletion of related accumulated depreciation	\$ 1,422,089
Loss on disposal of equipment	\$ 119,225
Capital contributions from private donors	\$ 5,778
Capital contributions from the Pima County Capital Projects Fund	\$ 1,813,109

See accompanying notes to financial statements.

Pima Health Care System  
Notes to Financial Statements  
June 30, 2003

**Note 1 - Summary of Significant Accounting Policies**

The financial statements of the Pima Health Care System (PHCS) have been prepared in a format that complies with the *Health Care Organizations Audit and Accounting Guide* of the American Institute of Certified Public Accountants and the regulatory reporting requirements of the State of Arizona. The accounting policies of PHCS conform to U.S. generally accepted accounting principles applicable to governmental units as promulgated by the Governmental Accounting Standards Board (GASB). A summary of PHCS' more significant accounting policies follows.

**A. Reporting Entity**

PHCS is administered through its two service entities, Pima Health System and Services (PHS&S) and Kino Community Hospital. PHS&S is responsible for overseeing the operations of Pima Health System (the AHCCCS contracts), Posada Del Sol Nursing Home, the Grants and Community Services System, and other Pima County programs. Kino Community Hospital (Hospital) is an acute care facility.

PHCS is accounted for as an enterprise fund of Pima County, Arizona and the ultimate financial accountability for PHCS remains with Pima County. The financial statements present only PHCS and are not intended to present the balances and activity of Pima County or its business-type activities and enterprise funds. PHCS is a contractor with the Arizona Health Care Cost Containment System (AHCCCS) Administration to provide health care services to eligible enrollees of the AHCCCS Ambulatory and Arizona Long-Term Care System (ALTCS) programs. The Ambulatory program provides both inpatient and outpatient medical and nursing services to eligible enrollees of the Ambulatory program. The ALTCS program provides inpatient and outpatient medical and nursing services in addition to managed institutional and home- and community-based long-term care services to eligible enrollees of the ALTCS program. PHCS receives monthly premiums from AHCCCS for all eligible enrollees under the respective Ambulatory and ALTCS programs. PHCS provides both inpatient and outpatient medical and nursing services to the general public, indigent patients of Pima County, and eligible enrollees of AHCCCS through Kino Community Hospital and Posada Del Sol Nursing Home.

**B. Fund Accounting**

PHCS' accounts are maintained in accordance with the principles of fund accounting to ensure that limitations and restrictions on PHCS' available resources are observed. The principles of fund accounting require that the resources be classified for accounting and reporting purposes into funds in accordance with the activities or objectives specified for those resources. Each fund is considered a separate accounting entity, and its operations are accounted for in a separate set of self-balancing accounts that comprise its assets, liabilities, net assets, revenues, and expenses. PHCS' financial transactions are recorded and reported as an enterprise fund since its operations are financed and operated in a manner similar to private business enterprises, in which the intent of the County Board of Supervisors is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The measurement focus of the fund is on the flow of economic resources. With this measurement focus, all assets and all liabilities associated with the operation of the PHCS are included on the statement of net assets. Net assets is segregated into invested in capital assets, restricted for health care, and unrestricted. The operating statement presents increases, such as revenues, and decreases, such as expenses, in net total assets.

Pima Health Care System  
Notes to Financial Statements  
June 30, 2003

PHCS follows Financial Accounting Standards Board Statements and Interpretations issued on or before November 30, 1989; Accounting Principles Board Opinions; and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

**C. Basis of Accounting**

Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied and determines when revenues and expenses are recognized in the accounts and reported in the financial statements. The financial statements of PHCS are presented on the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when they are incurred. PHCS funds certain programs with restricted and unrestricted resources. When both are available, PHCS applies restricted resources first.

Interfund transactions with other Pima County funds are recorded in the appropriate revenue or expense account. Intrafund transactions within PHCS are eliminated for the consolidated financial statement presentation.

**D. Basis of Presentation**

The financial statements include a statement of net assets; a statement of revenues, expenses, and changes in net assets; and a statement of cash flows. A statement of net assets provides information about the assets, liabilities, and net assets of PHCS 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 PHCS' obligations. Invested in capital assets represents the net value of capital assets. Restricted net assets represent grants, contracts, and other resources that have been externally restricted for specific purposes. Unrestricted net assets include all other net assets, including those that have been designated by management to be used for other than general operating purposes.

A statement of revenues, expenses, and changes in net assets provides information about PHCS' financial activities during the year. Revenues and expenses are classified as either operating or nonoperating, and all changes in net assets are reported, including capital contributions and transfers. Generally, patient service, capitation, and other charges generated by PHCS for providing health care are considered to be operating revenues. Other revenues used for health care, such as grants and interest earnings, are not generated from operations and are considered to be nonoperating revenues.

A statement of cash flows provides information about PHCS' 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.

Pima Health Care System  
Notes to Financial Statements  
June 30, 2003

**E. Cash and Cash Equivalents**

For purposes of the statement of cash flows, cash and cash equivalents consist of cash on hand, demand deposits, and cash and investments held by the Pima County Treasurer. All investments are stated at fair value.

**F. Accounts Receivable**

Accounts receivable include amounts due from self-pay patients and third-party payors for health care services provided to patients. The allowance for uncollectible accounts is based on management's evaluation of the collectibility of such accounts.

**G. Inventory of Supplies**

Inventories are recorded as assets when purchased and expensed when consumed. These inventories are stated at cost using the first-in, first-out method.

**H. Capital Assets**

As of June 30, 1977, capital assets (excluding Hospital land) of PHCS were valued at estimated historical cost based on an independent appraisal. Subsequent acquisitions and all other capital assets of PHCS are capitalized at cost. Donated assets are capitalized at their estimated fair market value on the date received. PHCS capitalizes all land and buildings regardless of cost and all other capital assets valued at \$5,000 and above. As of June 30, 2003, approximately 32 percent of net capital assets were valued at estimated historical cost. Depreciation of assets is charged as an expense against operations. Assets are depreciated over their estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings and improvements	10 to 40 years
Leasehold improvements	7 to 10 years
Machinery and equipment	5 to 25 years

**I. Accrued Medical and Health Care Claims**

Accrued medical and health care claims consist of estimates of incurred but not reported and reported but unpaid medical claims.

**J. Compensated Absences**

Compensated absences consist of annual leave and a calculated amount of sick leave earned by employees based on services already rendered. Employees may accumulate up to 240 hours of annual leave, but any annual leave hours in excess of the maximum amount that are unused at the end of the employee's anniversary year are forfeited. Upon termination of employment, all unused and unforfeited annual leave benefits are paid to employees. Generally, sick leave benefits provide for ordinary sick pay and are cumulative but are forfeited upon termination of employment. Because sick leave benefits do not vest with employees, a liability for sick leave benefits is not accrued in the financial statements. However, for employees who retire with 20 or more years of service, some accumulated sick leave benefits do vest based on various criteria and, therefore, are accrued.

Pima Health Care System  
Notes to Financial Statements  
June 30, 2003

**K. Patient Service Revenues**

Patient service revenues, including services provided to indigent patients of Pima County, are recorded at established rates regardless of whether collection in full is expected. Provisions for uncollectible accounts and contractual and administrative adjustments are recorded as deductions from patient service revenues.

The Hospital provides services to patients under a contractual agreement with the Medicare program. Amounts received from Medicare are determined based on a mix of prospectively determined payments and reimbursement of allowable expenses for patient service costs, capital costs, and medical education costs.

The Hospital also provides services to patients under agreements with AHCCCS and various Pima County departments. Payments for services under these agreements are based on discounted amounts from established rates for outpatient services or tiered per diem rates for inpatient services.

**L. Charity Care**

Since the Hospital is owned and operated by Pima County, it is prohibited by Arizona Revised Statutes from providing care to patients without charging them for such services. Accordingly, there is no charity care recognized for the year ended June 30, 2003. However, the Hospital, as a provider of care to indigent as well as nonindigent patients, does provide care to patients who may not be able to pay. Consequently, the charges (presented in revenues) for the unreimbursed care provided to these patients are included in the provision for doubtful accounts.

**M. Grant Revenues**

Grants and assistance awards made on the basis of entitlement periods are recorded as grants receivable and revenues when entitlement occurs. Reimbursement grants are recorded as grants receivable and revenues as soon as all eligibility requirements have been met.

**Note 2 - Cash and Cash Equivalents**

Cash and cash equivalents on the statement of net assets consist of \$9,240 of cash on hand and \$23,738,296 of cash and investments held by the Pima County Treasurer in its investment pool.

PHCS' cash and investments held by the Pima County Treasurer represent a portion of the County Treasurer's investment pool portfolios. The fair value of a participant's position in the pool approximates the value of that participant's pool shares. Those shares are not identified with specific investments and are not subject to custodial credit risk.

Pima Health Care System  
Notes to Financial Statements  
June 30, 2003

**Note 3 - Receivables**

**A. Accounts Receivable**

Accounts receivable are reported net of allowances for uncollectibles and contractual and administrative adjustments as follows:

	<u>Ambulatory Contracts Program</u>	<u>Long-Term Care Contracts Program</u>	<u>Kino Community Hospital</u>	<u>Total</u>
Gross accounts receivable	\$364,230	\$345,260	\$18,188,972	\$18,469,551
Less:				
Allowance for uncollectibles			6,543,489	6,543,489
Allowance for contractual and administrative adjustments	_____	_____	<u>5,012,338</u>	<u>4,583,427</u>
Net accounts receivable	<u>\$364,230</u>	<u>\$345,260</u>	<u>\$ 6,633,145</u>	<u>\$ 7,342,635</u>

**B. Reinsurance Claims Receivable**

Reinsurance claims receivable and revenues result from additional payments from the AHCCCS Administration to PHCS for certain enrollees whose medical expenses paid by PHCS during the year ended June 30, 2003, were in excess of specified deductible limits.

**Note 4 - Capital Assets**

Capital asset activity for the year ended June 30, 2003, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 250,000			<u>\$ 250,000</u>
Capital assets being depreciated:				
Buildings and improvements	27,446,562	\$1,741,809	\$ (704,193)	28,484,178
Accumulated depreciation	(20,608,225)	(516,146)	641,934	(20,482,437)
Net buildings and improvements				<u>8,001,741</u>
Leasehold improvements	444,924	459,274		904,198
Accumulated depreciation	(403,817)	(48,920)		(452,737)
Net leasehold improvements				<u>451,461</u>
Machinery and equipment	10,553,357	180,189	(837,121)	9,896,425
Accumulated depreciation	(7,665,908)	(819,529)	780,155	(7,705,282)
Net machinery and equipment				<u>2,191,143</u>
Total capital assets being depreciated, net				<u>10,644,345</u>
Total capital assets, net				<u><u>\$ 10,894,345</u></u>

Pima Health Care System  
Notes to Financial Statements  
June 30, 2003

**Note 5 - Due to Other Pima County Funds**

Due to other Pima County funds represents advances received from other County funds to eliminate cash overdrafts in the following PHCS' programs.

Grants/Community Services System	\$1,170,702
Other Pima County Programs	<u>565,372</u>
Total	<u>\$1,736,074</u>

**Note 6 - Interfund Transfers**

Interfund transfers are reported as either capital contributions, transfers in, or transfers out. Capital contributions are capital assets purchased by Pima County Capital Projects Fund general obligation bond monies and transferred to Kino Hospital. Transfers in are cash transfers from Pima County's General Fund to cover short-term cash deficits and to help defray the cost of providing medical services to patients that are uninsured or underinsured. Transfers out are cash transfers to Pima County's General Fund to pay part of the County's share of the total nonfederal part of Arizona's health care system.

**Note 7 - Capitation**

Capitation revenues comprise the following amounts.

ALTCS long-term care	\$106,242,758
AHCCCS acute care	42,345,363
ALTCS ventilator dependent	<u>3,773,279</u>
Total	<u>\$152,361,400</u>

**Note 8 - Disproportionate Share Settlement**

Section 1923 of the Social Security Act establishes federal requirements designed to aid entities that provide medical services to a disproportionate share of medically indigent patients. These requirements were met for the year ended June 30, 2003, through disproportionate share settlements established by Laws 2003, First Special Session, Chapter 1, Section 2. These laws appropriated disproportionate share settlement amounts for the year ended June 30, 2003, and directed AHCCCS to distribute such settlements to qualifying county operated hospitals based on various criteria and allocation processes. PHCS' share of the settlement for the year ended June 30, 2003, totaled \$23,799,200. However, pursuant to Laws 2002, Regular Session, Chapter 329, \$23,518,600 of PHCS' disproportionate share settlement was required to be reimbursed to the State General Fund. As of June 30, 2003, \$17,893,413 had been reimbursed, and \$5,625,187 was recorded as due to other governments.

Pima Health Care System  
Notes to Financial Statements  
June 30, 2003

**Note 9 - Related Party Transactions**

During the course of its operations, PHCS had numerous transactions with other Pima County funds to finance operations, provide services, and service debt. During the year ended June 30, 2003, patient service revenues included \$11,081,518 from Pima County departments for services provided to County patients. In addition, PHCS received interest income totaling \$575,551 from the Pima County Treasurer. PHCS incurred expenses totaling \$3,608,216 from Pima County for the allocation of overhead, insurance premiums, interest, and other miscellaneous supplies and services.

In addition, in 1977 Pima County allocated general obligation bond proceeds totaling \$20,750,000 to Kino Hospital to aid in the construction of hospital facilities. As of June 30, 2003, Kino Hospital has returned \$5,126,344. It is not probable that Pima County will require any further payments.

**Note 10 - Risk Management**

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

PHCS has obtained modified claims-made insurance policies to cover medical malpractice claims. Deductibles are the responsibility of Pima County through Risk Management and are \$1,000,000 per claim with an annual deductible aggregate of \$3,000,000. Medical malpractice coverage started on October 1, 1991, for operations at Kino Hospital and on October 1, 1993, for other PHCS entities. Claims occurring before these dates were Pima County's responsibility through Risk Management. Settled claims have not exceeded insurance coverage in any of the prior three fiscal years.

**Note 11 - Retirement Plan**

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

The ASRS issues a comprehensive annual financial report that includes financial statements and required supplementary information. The most recent report may be obtained by writing the ASRS, 3300 North Central Avenue, PO Box 33910, Phoenix, Arizona 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 PHCS' contribution rate. For the year ended June 30, 2003, active plan members and PHCS were

Pima Health Care System  
Notes to Financial Statements  
June 30, 2003

each required by statute to contribute at the actuarially determined rate of 2.49 percent (2.00 percent retirement and 0.49 percent long-term disability) of the members' annual covered payroll. PHCS' contributions to the ASRS for the years ended June 30, 2003, 2002, and 2001, were \$1,152,974, \$1,079,029, and \$1,017,993 respectively, which were equal to the required contributions for the year.

**Note 12 - Subsequent Events**

The Pima County Board of Supervisors approved contracts that will change the way Kino Community Hospital will operate in the future. On July 1, 2003, University Physicians, Inc. and El Rio Health Center began leasing the Hospital's ambulatory clinic building and its contents and also established their own physician practices on the Kino Community Hospital campus.

Because of reports of possible policy and procedure deficiencies, several regulatory agencies began conducting reviews of the Hospital's operations subsequent to the fiscal year-end. The Hospital has cooperated fully, and the Pima County Board of Supervisors has approved various contracts that address the regulatory issues within the Hospital's administration and services.

**Intentionally left blank**

## **Supplementary Schedules**

**PIMA HEALTH CARE SYSTEM**  
**Consolidating Statement of Net Assets by Program**  
**June 30, 2003**

	<b>AHCCCS</b>		
	<b>Ambulatory Contracts</b>	<b>Long-Term Care Contracts (1)</b>	<b>Kino Community Hospital</b>
<b>Assets</b>			
<b>Current assets:</b>			
Cash and cash equivalents	\$ 8,306,512	\$ 11,850,544	\$ 3,589,980
<b>Receivables:</b>			
Accounts (net of allowances for uncollectibles and contractual and administrative adjustments)	364,230	345,260	6,633,145
Reinsurance claims	1,078,847	2,284,455	
Interfund		15,442	259,929
Grants			49,447
Interest	16,155	19,999	
<b>Due from:</b>			
Medicare		51,899	
Other programs			767,060
Other Pima County funds			2,000,000
Other governments	35,700	2,400,584	
Inventory of supplies		95,379	724,972
Prepaid expenses			1,063,595
<b>Total current assets</b>	<b><u>9,801,444</u></b>	<b><u>17,063,562</u></b>	<b><u>15,088,128</u></b>
<b>Noncurrent assets:</b>			
<b>Capital assets:</b>			
Land			250,000
Buildings and improvements			28,484,178
Leasehold improvements			
Machinery and equipment			8,680,827
<b>Accumulated depreciation:</b>			
Buildings and improvements			(20,482,437)
Leasehold improvements			
Machinery and equipment			(7,052,603)
Capital assets, net	<u>-</u>	<u>-</u>	<u>9,879,965</u>
<b>Total assets</b>	<b><u>9,801,444</u></b>	<b><u>17,063,562</u></b>	<b><u>24,968,093</u></b>
<b>Liabilities</b>			
<b>Current liabilities:</b>			
Accounts payable and accrued liabilities	284,094	938,670	2,884,199
Accrued medical and health care claims	4,515,335	5,049,509	
Accrued employee compensation	164,245	1,929,254	2,722,989
Interest payable			5,138
Deferred revenue			
Due to other programs	399,029	368,031	
<b>Due to:</b>			
Medicare			321,335
Other Pima County funds			
Other governments			5,625,187
<b>Total liabilities</b>	<b><u>5,362,703</u></b>	<b><u>8,285,464</u></b>	<b><u>11,558,848</u></b>
<b>Net Assets</b>			
Invested in capital assets			9,879,965
Restricted for health care	4,438,741	8,778,098	
Unrestricted (deficit)			3,529,280
<b>Total net assets</b>	<b><u>\$ 4,438,741</u></b>	<b><u>\$ 8,778,098</u></b>	<b><u>\$ 13,409,245</u></b>

(1) The financial positions of the Posada Del Sol Healthcare Center and the ALTCS Contracts have been consolidated and are reported as the Long-Term Care Contracts program. The consolidation is presented on page 24.

<u>Grants/ Community Services System</u>	<u>Other Pima County Programs</u>	<u>Intrafund Eliminations</u>	<u>Total</u>
	\$ 500		\$ 23,747,536
			7,342,635
			3,363,302
	23,901		299,272
\$ 1,074,133			1,123,580
			36,154
			51,899
		\$ (767,060)	-
			2,000,000
			2,436,284
			820,351
	615		1,064,210
<u>1,074,133</u>	<u>25,016</u>	<u>(767,060)</u>	<u>42,285,223</u>
			250,000
			28,484,178
	904,198		904,198
	1,215,598		9,896,425
			(20,482,437)
	(452,737)		(452,737)
	(652,679)		(7,705,282)
<u>-</u>	<u>1,014,380</u>	<u>-</u>	<u>10,894,345</u>
<u>1,074,133</u>	<u>1,039,396</u>	<u>(767,060)</u>	<u>53,179,568</u>
			4,106,963
491,038			10,055,882
29,698			4,846,186
2,433			7,571
1,405			1,405
		(767,060)	-
			321,335
1,170,702	565,372		1,736,074
			5,625,187
<u>1,695,276</u>	<u>565,372</u>	<u>(767,060)</u>	<u>26,700,603</u>
			10,894,345
	1,014,380		13,216,839
(621,143)	(540,356)		2,367,781
<u>\$ (621,143)</u>	<u>\$ 474,024</u>	<u>\$ -</u>	<u>\$ 26,478,965</u>

**PIMA HEALTH CARE SYSTEM**  
**Consolidating Statement of Revenues, Expenses, and**  
**Changes in Net Assets by Program**  
**Year Ended June 30, 2003**

	<b>AHCCCS</b>		
	<b>Ambulatory Contracts</b>	<b>Long-Term Care Contracts (1)</b>	<b>Kino Community Hospital</b>
Operating revenues:			
Patient service revenues:			
Daily hospital services			\$ 22,088,316
Ancillary services			43,711,091
Gross patient service revenues	-	-	65,799,407
Deductions from patient service revenues:			
Medicare contractual and administrative adjustments			(7,524,375)
Other contractual adjustments			(16,847,920)
Net patient service revenues	-	-	41,427,112
Capitation	\$ 42,345,363	\$ 110,016,037	
Reinsurance claims	2,953,167	7,911,169	
Disproportionate share settlement			23,799,200
Other	113,446	2,984,416	1,022,072
Deductions from operating revenues:			
Reimbursement of disproportionate share settlement to State General Fund			(23,518,600)
Total operating revenues	45,411,976	120,911,622	42,729,784
Operating expenses:			
Daily hospital services			10,235,600
Ancillary services			23,956,595
Medical and health care claims	41,579,348	110,881,926	
Case management (contracted and salaried)		4,139,289	
General, fiscal, and administrative services	1,450,719	2,724,041	18,502,496
Provision for doubtful accounts			6,202,787
Depreciation			1,202,375
Other	1,373,815	2,856,593	
Total operating expenses	44,403,882	120,601,849	60,099,853
Operating income (loss)	1,008,094	309,773	(17,370,069)
Nonoperating revenues (expenses):			
Grant revenue			460,252
Loss on disposal of equipment			(119,225)
Interest income	253,742	321,809	139
Interest expense			(141,540)
Total nonoperating revenues, net	253,742	321,809	199,626
Income (loss) before capital contributions, extraordinary item, and transfers	1,261,836	631,582	(17,170,443)
Capital contributions			1,818,887
Extraordinary item—loss from State Treasurer's Local Government			
Investment Pool	(435,823)	(728,181)	
Transfers in		1,769,459	20,072,668
Transfers out	(3,692,023)	(4,300,733)	
Increase (decrease) in net assets	(2,866,010)	(2,627,873)	4,721,112
Total net assets (deficit), July 1, 2002	7,304,751	11,405,971	8,688,133
Total net assets (deficit), June 30, 2003	\$ 4,438,741	\$ 8,778,098	\$ 13,409,245

(1) The changes in financial positions of the Posada Del Sol Healthcare Center and the ALTCS Contracts have been consolidated and are reported as the Long-Term Care Contracts program. The consolidation is presented on page 25.

<u>Grants/ Community Services System</u>	<u>Other Pima County Programs</u>	<u>Intrafund Eliminations</u>	<u>Total</u>
		\$ (1,633,832)	\$ 20,454,484
		(9,887,122)	33,823,969
<u>-</u>	<u>-</u>	<u>(11,520,954)</u>	<u>54,278,453</u>
			(7,524,375)
		2,740,527	(14,107,393)
<u>-</u>	<u>-</u>	<u>(8,780,427)</u>	<u>32,646,685</u>
			152,361,400
			10,864,336
			23,799,200
\$ 4,640	\$ 380,988		4,505,562
			(23,518,600)
<u>4,640</u>	<u>380,988</u>	<u>(8,780,427)</u>	<u>200,658,583</u>
			10,235,600
			23,956,595
3,325,644		(8,780,427)	147,006,491
1,309,231			5,448,520
342,356	198,767		23,218,379
			6,202,787
	182,221		1,384,596
<u>4,975</u>	<u>380,988</u>	<u>(8,780,427)</u>	<u>4,235,383</u>
<u>4,982,206</u>	<u>380,988</u>	<u>(8,780,427)</u>	<u>221,688,351</u>
<u>(4,977,566)</u>	<u>-</u>	<u>-</u>	<u>(21,029,768)</u>
			4,605,417
4,145,165			(119,225)
			575,690
<u>(21,953)</u>	<u>-</u>	<u>-</u>	<u>(163,493)</u>
<u>4,123,212</u>	<u>-</u>	<u>-</u>	<u>4,898,389</u>
			1,818,887
			(1,164,004)
692,023	531,274		23,065,424
			(7,992,756)
<u>(162,331)</u>	<u>531,274</u>	<u>-</u>	<u>(403,828)</u>
<u>(458,812)</u>	<u>(57,250)</u>	<u>-</u>	<u>26,882,793</u>
\$ (621,143)	\$ 474,024	\$ -	\$ 26,478,965

**PIMA HEALTH CARE SYSTEM**  
**Consolidating Statement of Cash Flows by Program**  
**Year Ended June 30, 2003**

	<b>AHCCCS</b>		
	<b>Ambulatory Contracts</b>	<b>Long-Term Care Contracts (1)</b>	<b>Kino Community Hospital</b>
Cash flows from operating activities:			
Cash receipts from:			
Contractors, patients, and other payors	\$ 43,259,807	\$ 117,185,653	\$ 27,059,617
Other programs for medical and health care services		46,233	8,731,720
Other Pima County funds for goods and services			6,471,700
Disproportionate share settlement			23,799,200
Miscellaneous operations	113,446	1,316,302	1,022,072
Cash payments to:			
Providers for health care services	(36,606,771)	(89,615,310)	
Other programs for medical and health care services	(5,581,236)	(3,196,717)	
Suppliers for goods and services	(467,412)	(2,590,822)	(22,331,831)
Employees for services	(1,363,966)	(25,969,014)	(30,651,114)
Other Pima County funds for goods and services	(641,652)	(1,471,573)	(1,353,451)
State General Fund for disproportionate share settlement			(17,893,413)
Net cash provided by (used for) operating activities	<u>(1,287,784)</u>	<u>(4,295,248)</u>	<u>(5,145,500)</u>
Cash flows from noncapital financing activities:			
Cash transfers to other Pima County funds	(3,692,023)	(4,300,733)	
Cash transfers from other Pima County funds		1,769,459	18,072,668
Loan proceeds from other Pima County funds			
Loan payments to other Pima County funds		(1,769,459)	(9,581,314)
Interest paid on short-term credit			(156,349)
Grant receipts			442,820
Interest received from Medicare			139
Net cash provided by (used for) noncapital financing activities	<u>(3,692,023)</u>	<u>(4,300,733)</u>	<u>8,777,964</u>
Cash flows from capital and related financing activities:			
Purchases of capital assets		(467,174)	(49,062)
Proceeds from sale of capital assets		772,377	
Net cash provided by (used for) capital and related financing activities	<u>-</u>	<u>305,203</u>	<u>(49,062)</u>
Cash flows from investing activities:			
Interest received on cash and cash equivalents	251,567	314,398	
Loss from State Treasurer's Local Government Investment Pool	(435,823)	(728,181)	
Net cash provided by (used for) investing activities	<u>(184,256)</u>	<u>(413,783)</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(5,164,063)	(8,704,561)	3,583,402
Cash and cash equivalents, July 1, 2002	<u>13,470,575</u>	<u>20,555,105</u>	<u>6,578</u>
Cash and cash equivalents, June 30, 2003	<u>\$ 8,306,512</u>	<u>\$ 11,850,544</u>	<u>\$ 3,589,980</u>

(1) The cash flows of the Posada Del Sol Healthcare Center and the ALTCS Contract have been consolidated and are reported as the Long-Term Care Contracts program. The consolidation is presented on pages 26 and 27.

<u>Grants/ Community Services System</u>	<u>Other Pima County Programs</u>	<u>Intrafund Eliminations</u>	<u>Total</u>
			\$ 187,505,077
		\$ (8,777,953)	-
			6,471,700
			23,799,200
\$ 4,640	\$ 481,989		2,938,449
(4,587,668)			(130,809,749)
(6,468)	(28,922)	8,777,953	-
(329,742)	(179,892)		(25,425,455)
	(22,553)		(58,493,728)
			(3,489,229)
			(17,893,413)
<u>(4,919,238)</u>	<u>250,622</u>	<u>-</u>	<u>(15,397,148)</u>
			(7,992,756)
692,023	531,274		21,065,424
1,170,702	565,372		1,736,074
(692,023)	(531,274)		(12,574,070)
(19,520)			(175,869)
3,768,056			4,210,876
			139
<u>4,919,238</u>	<u>565,372</u>	<u>-</u>	<u>6,269,818</u>
	(818,526)	772,377	(562,385)
		(772,377)	-
<u>-</u>	<u>(818,526)</u>	<u>-</u>	<u>(562,385)</u>
	2,532		568,497
	-		(1,164,004)
<u>-</u>	<u>2,532</u>	<u>-</u>	<u>(595,507)</u>
-	-	-	(10,285,222)
	500		34,032,758
<u>\$ -</u>	<u>\$ 500</u>	<u>\$ -</u>	<u>\$ 23,747,536</u>

(Continued)

**PIMA HEALTH CARE SYSTEM**  
**Consolidating Statement of Cash Flows by Program**  
**Year Ended June 30, 2003**  
(Continued)

	<b>AHCCCS</b>		
	<b>Ambulatory Contracts</b>	<b>Long-Term Care Contracts (1)</b>	<b>Kino Community Hospital</b>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ 1,008,094	\$ 309,773	\$ (17,370,069)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation			1,202,375
Provisions for doubtful accounts			6,202,787
Changes in assets and liabilities:			
Accounts receivable	(334,932)	(110,563)	(1,455,623)
Reinsurance claims receivable	(356,909)	(1,070,220)	
Interfund receivables		(15,442)	541,415
Due from Medicare		27,475	1,413,456
Due from other governments	(35,700)	(1,194,684)	
Due from other programs			15,342
Inventory of supplies		(12,395)	10,468
Prepaid expenses			(940,820)
Accounts payable and accrued liabilities	264,751	665,431	(593,042)
Accrued medical and health care claims	(528,463)	(2,877,356)	
Accrued employee compensation	86,753	33,952	(118,311)
Interfund payable			
Due to Medicare			321,335
Due to other governments	(1,311,182)		5,625,187
Due to other programs	(80,196)	(51,219)	
Net cash provided by (used for) operating activities	<u>\$ (1,287,784)</u>	<u>\$ (4,295,248)</u>	<u>\$ (5,145,500)</u>

The following noncash transactions occurred during the year ended June 30, 2003.

Disposal of equipment	\$ 942,875	\$ 1,512,924
Deletion of related accumulated depreciation	\$ 170,498	\$ 1,393,699
Loss on disposal of equipment		\$ 119,225
Capital contributions from private donors		\$ 5,778
Capital contributions from the Pima County Capital Projects Fund		\$ 1,813,109

(1) The cash flows of the Posada Del Sol Healthcare Center and the ALTCS Contract have been consolidated and are reported as the Long-Term Care Contracts program. The consolidation is presented on pages 26 and 27.

<u>Grants/ Community Services System</u>	<u>Other Pima County Programs</u>	<u>Intrafund Eliminations</u>	<u>Total</u>
\$ (4,977,566)			\$ (21,029,768)
	\$ 182,221		1,384,596
			6,202,787
			(1,901,118)
			(1,427,129)
	(23,901)		502,072
			1,440,931
			(1,230,384)
	124,902	\$ (140,244)	-
			(1,927)
	372		(940,448)
(1,493)			335,647
47,207	(1,590)		(3,360,202)
12,614			15,008
	(22,553)		(22,553)
			321,335
			4,314,005
	(8,829)	140,244	-
<u>\$ (4,919,238)</u>	<u>\$ 250,622</u>	<u>\$ -</u>	<u>\$ (15,397,148)</u>
	\$ 28,390	\$ (942,875)	\$ 1,541,314
	\$ 28,390	\$ (170,498)	\$ 1,422,089
			\$ 119,225
			\$ 5,778
			\$ 1,813,109

**PIMA HEALTH CARE SYSTEM**  
**Consolidating Statement of Net Assets**  
**Long-Term Care Contracts**  
**June 30, 2003**

	<b>Posada Del Sol Nursing Home</b>			<b>Intraprogram Eliminations</b>	<b>Long-Term Care Contracts Total</b>
	<b>ALTCS Contracts</b>	<b>ALTCS Residents</b>	<b>Other Residents (1)</b>		
<b>Assets</b>					
Current assets:					
Cash and cash equivalents	\$ 11,860,479	\$ (10,363)	\$ 428		\$ 11,850,544
Receivables:					
Accounts (net of allowances for uncollectibles and contractual and administrative adjustments)	259,167		86,093		345,260
Reinsurance claims	2,284,455				2,284,455
Interfund			15,442		15,442
Interest	21,097	(1,043)	(55)		19,999
Due from:					
Medicare		51,899			51,899
Other programs		1,635,759		\$ (1,635,759)	-
Other governments	2,400,584				2,400,584
Inventory of supplies		90,610	4,769		95,379
Total assets	<u>16,825,782</u>	<u>1,766,862</u>	<u>106,677</u>	<u>(1,635,759)</u>	<u>17,063,562</u>
<b>Liabilities</b>					
Current Liabilities:					
Accounts payable and accrued liabilities	559,311	360,391	18,968		938,670
Accrued medical and health care claims	5,049,509				5,049,509
Accrued employee compensation	1,232,448	661,966	34,840		1,929,254
Due to other programs	2,002,807		983	(1,635,759)	368,031
Total liabilities	<u>8,844,075</u>	<u>1,022,357</u>	<u>54,791</u>	<u>(1,635,759)</u>	<u>8,285,464</u>
<b>Net Assets</b>					
Restricted for health care	<u>7,981,707</u>	<u>744,505</u>	<u>51,886</u>		<u>8,778,098</u>
Total net assets	<u>\$ 7,981,707</u>	<u>\$ 744,505</u>	<u>\$ 51,886</u>	<u>\$ -</u>	<u>\$ 8,778,098</u>

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

**PIMA HEALTH CARE SYSTEM**  
**Consolidating Statement of Revenues, Expenses,**  
**and Changes in Net Assets**  
**Long-Term Care Contracts**  
**Year Ended June 30, 2003**

	<b>Posada Del Sol Nursing Home</b>				<b>Long-Term Care Contracts Total</b>
	<b>ALTCS Contracts</b>	<b>ALTCS Residents</b>	<b>Other Residents (1)</b>	<b>Intraprogram Eliminations</b>	
Operating revenues:					
Capitation	\$ 110,016,037				\$ 110,016,037
Reinsurance claims	7,911,169				7,911,169
Charges for Services		\$ 10,146,766		\$ (10,146,766)	-
Other	<u>616,009</u>	<u>1,741,237</u>	<u>\$ 627,170</u>		<u>2,984,416</u>
Total operating revenues	<u>118,543,215</u>	<u>11,888,003</u>	<u>627,170</u>	<u>(10,146,766)</u>	<u>120,911,622</u>
Operating expenses:					
Medical and health care claims	108,579,210	8,245,723	561,479	(6,504,486)	110,881,926
Case management (contracted and salaried)	4,139,289				4,139,289
General, fiscal, and administrative services	2,724,041	2,073,754		(2,073,754)	2,724,041
Other	<u>2,856,593</u>	<u>1,568,526</u>		<u>(1,568,526)</u>	<u>2,856,593</u>
Total operating expenses	<u>118,299,133</u>	<u>11,888,003</u>	<u>561,479</u>	<u>(10,146,766)</u>	<u>120,601,849</u>
Operating income	<u>244,082</u>	<u>-</u>	<u>65,691</u>	<u>-</u>	<u>309,773</u>
Nonoperating revenues (expenses):					
Interest income (expense)	<u>387,500</u>	<u>(62,406)</u>	<u>(3,285)</u>		<u>321,809</u>
Total nonoperating revenues (expenses)	<u>387,500</u>	<u>(62,406)</u>	<u>(3,285)</u>	<u>-</u>	<u>321,809</u>
Income (loss) before extraordinary item and transfers	<u>631,582</u>	<u>(62,406)</u>	<u>62,406</u>	<u>-</u>	<u>631,582</u>
Extraordinary item—Loss from State Treasurer's Local Government Investment Pool	(728,181)				(728,181)
Transfers in		1,680,986	88,473		1,769,459
Transfers out	<u>(4,300,733)</u>				<u>(4,300,733)</u>
Increase (decrease) in net assets	<u>(4,397,332)</u>	<u>1,618,580</u>	<u>150,879</u>	<u>-</u>	<u>(2,627,873)</u>
Total net assets (deficit), July 1, 2002	<u>12,379,039</u>	<u>(874,075)</u>	<u>(98,993)</u>	<u>-</u>	<u>11,405,971</u>
Total net assets, June 30, 2003	<u>\$ 7,981,707</u>	<u>\$ 744,505</u>	<u>\$ 51,886</u>	<u>\$ -</u>	<u>\$ 8,778,098</u>

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

**PIMA HEALTH CARE SYSTEM**  
**Consolidating Statement of Cash Flows**  
**Long-Term Care Contracts**  
**Year Ended June 30, 2003**

	<b>Posada Del Sol Nursing Home</b>				<b>Long-Term Care Contracts Total</b>
	<b>ALTCS Contracts</b>	<b>ALTCS Residents</b>	<b>Other Residents (1)</b>	<b>Intraprogram Eliminations</b>	
<b>Cash flows from operating activities:</b>					
Cash receipts from:					
Contractors, patients and other payors	\$ 115,416,941	\$ 1,768,712			\$ 117,185,653
Other programs for medical and health care services		9,449,601	\$ 46,233	\$ (9,449,601)	46,233
Miscellaneous operations	616,009		700,293		1,316,302
Cash payments to:					
Providers for health care services	(87,960,557)	(1,562,696)	(92,057)		(89,615,310)
Other programs for medical and health care services	(12,646,318)			9,449,601	(3,196,717)
Suppliers for goods and services	(1,132,894)	(1,457,928)			(2,590,822)
Employees for services	(17,096,046)	(8,442,007)	(430,961)		(25,969,014)
Other Pima County funds for goods and services	(1,253,226)	(207,430)	(10,917)		(1,471,573)
Net cash provided by (used for) operating activities	<u>(4,056,091)</u>	<u>(451,748)</u>	<u>212,591</u>	<u>-</u>	<u>(4,295,248)</u>
<b>Cash flows from noncapital financing activities:</b>					
Cash transfers to other Pima County funds	(4,300,733)				(4,300,733)
Cash transfers from other Pima County funds		1,680,986	88,473		1,769,459
Loan payments to other Pima County funds		(1,680,986)	(88,473)		(1,769,459)
Net cash used for noncapital financing activities	<u>(4,300,733)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,300,733)</u>
<b>Cash flows from capital and related financing activities:</b>					
Purchases of capital assets			(467,174)		(467,174)
Proceeds from sale of capital assets			772,377		772,377
Net cash provided by capital and related financing activities	<u>-</u>	<u>-</u>	<u>305,203</u>	<u>-</u>	<u>305,203</u>
<b>Cash flows from investing activities:</b>					
Interest received on cash and cash equivalents	391,379	(73,379)	(3,602)		314,398
Loss from State Treasurer's Local Government Investment Pool	(728,181)				(728,181)
Net cash used for investing activities	<u>(336,802)</u>	<u>(73,379)</u>	<u>(3,602)</u>	<u>-</u>	<u>(413,783)</u>
Net increase (decrease) in cash and cash equivalents	(8,693,626)	(525,127)	514,192	-	(8,704,561)
Cash and cash equivalents, July 1, 2002	<u>20,554,105</u>	<u>514,764</u>	<u>(513,764)</u>		<u>20,555,105</u>
Cash and cash equivalents, June 30, 2003	<u>\$ 11,860,479</u>	<u>\$ (10,363)</u>	<u>\$ 428</u>	<u>\$ -</u>	<u>\$ 11,850,544</u>

(Continued)

(1) The other residents column includes the cash flows related to members enrolled in Pima Health System's AHCCCS Ambulatory Contracts program, other counties' ALTCS Contracts program, other providers' ambulatory programs, AHCCCS fee-for-service resident programs, commercial insurance programs, and private residents not enrolled in a program.

**PIMA HEALTH CARE SYSTEM**  
**Consolidating Statement of Cash Flows**  
**Long-Term Care Contracts**  
**Year Ended June 30, 2003**  
(Continued)

	<u>Posada Del Sol</u> <u>Nursing Home</u>				
	<u>ALTCS</u> <u>Contracts</u>	<u>ALTCS</u> <u>Residents</u>	<u>Other</u> <u>Residents (1)</u>	<u>Intraprogram</u> <u>Eliminations</u>	<u>Long-Term</u> <u>Care Contracts</u> <u>Total</u>
Reconciliation of operating income to net cash provided by (used for) operating activities:					
Operating income	\$ 244,082		\$ 65,691		\$ 309,773
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:					
Changes in assets and liabilities:					
Accounts receivable	(245,361)		134,798		(110,563)
Reinsurance claims receivable	(1,070,220)				(1,070,220)
Interfund receivables			(15,442)		(15,442)
Due from Medicare		\$ 27,475			27,475
Due from other governments	(1,194,684)				(1,194,684)
Due from other programs		(697,165)		\$ 697,165	-
Inventory of supplies		(10,203)	(2,192)		(12,395)
Accounts payable and accrued liabilities	470,473	181,522	13,436		665,431
Accrued medical and health care claims	(2,877,356)				(2,877,356)
Accrued employee compensation	(28,480)	46,623	15,809		33,952
Due to other programs	645,455		491	(697,165)	(51,219)
Net cash provided by (used for) operating activities	<u>\$ (4,056,091)</u>	<u>\$ (451,748)</u>	<u>\$ 212,591</u>	<u>\$ -</u>	<u>\$ (4,295,248)</u>

The following noncash transactions occurred during the year ended June 30, 2003.

Disposal of equipment	\$ 942,875	\$ 942,875
Deletion of related accumulated depreciation	\$ 170,498	\$ 170,498

(1) The other residents column includes the cash flows related to members enrolled in Pima Health System's AHCCCS Ambulatory Contracts program, other counties' ALTCS Contracts program, other providers' ambulatory programs, AHCCCS fee-for-service resident programs, commercial insurance programs, and private residents not enrolled in a program.

**Intentionally left blank**

**PIMA Health System**  
**Year Ended: 6/30/2003**  
**Risk Pool Receivable/ Payable Report**

Participant Name	Pool Type	Amount
<i>Account 135 - Risk Pool Receivable</i>		
<b>NONE</b>	<i>Hospital</i>	0
<b>NONE</b>	<i>Physician</i>	0
<b>NONE</b>	<i>Other</i>	0
<i>Subtotal</i>		\$ -
<i>Account 225 - Risk Pool Payable</i>		
<b>NONE</b>	<i>Hospital</i>	0
<b>NONE</b>	<i>Physician</i>	0
<b>NONE</b>	<i>Other</i>	0
<i>Subtotal</i>		\$ -
<i>Hospital Risk Pool Receivable/ Payable Balance</i>		\$ -
<i>Physician Risk Pool Receivable/ Payable Balance</i>		\$ -
<i>Other Risk Pool Receivable/ Payable Balance</i>		\$ -
<i>Total Net Risk Pool Receivable/ Payable Balance</i>		\$ -

**PIMA Health System**  
**Year Ended: 6/30/2003**  
**Medical Claims Payable Report**

<b>Payable Type</b>	<b>RBUCS 1-30</b>	<b>RBUCS 31-60</b>	<b>RBUCS 61-90</b>	<b>RBUCS Over 90</b>	<b>Total RBUCS</b>	<b>IBNR</b>	<b>Total Payable</b>
<i>Account: 220 - Medical Claims Payable</i>							
<i>Hospitalization</i>	581,699	2,382	0	2,332	586,413	1,368,018	1,954,431
<i>Medical</i>	429,129	15,045	8,548	7,534	460,256	554,325	1,014,581
<i>Other</i>	571,777	33,804	772	3,307	609,660	962,633	1,572,293
<i>Total Prospective</i>	1,582,605	51,231	9,320	13,173	1,656,329	2,884,976	4,541,305
<i>Total PPC</i>	173,697	1,488	0	1,185	176,370	196,689	373,059
<i>Total Payable</i>	\$ 1,756,302	\$ 52,719	\$ 9,320	\$ 14,358	\$ 1,832,699	\$ 3,081,665	\$ 4,914,364

**PIMA Health System**  
**Year Ended: 6/30/2003**  
**Claims Lag Report**  
**Expense Type: Hospital**

<b>Payment Qtr</b>	<b>Current</b>	<b>1st Prior</b>	<b>2nd Prior</b>	<b>3rd Prior</b>	<b>4th Prior</b>	<b>5th Prior</b>	<b>6th Prior*</b>	<b>Total</b>
<b>Current</b>	2,010,844	1,624,040	521,599	31,687	4,400	(1,898)	0	\$4,190,672
<b>1st Prior</b>		1,435,302	1,420,628	240,112	74,744	7,951	33,618	\$3,212,355
<b>2nd Prior</b>			1,388,652	1,109,993	281,459	16,389	22,147	\$2,818,640
<b>3rd Prior</b>				1,203,496	1,370,816	65,606	13,343	\$2,653,261
<b>4th Prior</b>					804,012	974,979	182,685	\$1,961,676
<b>5th Prior</b>						894,187	1,487,616	\$2,381,803
<b>6th Prior*</b>							26,395,298	\$26,395,298
<b>Totals</b>	2,010,844	3,059,342	3,330,879	2,585,288	2,535,431	1,957,214	28,134,707	\$43,613,705
<b>Expense</b>	3,673,851	3,606,720	2,948,403	2,246,211	2,057,691	2,374,769	30,163,620	\$47,071,265
<b>Adjustment</b>	0	(371,039)	442,568	370,654	492,165	(408,564)	(2,028,913)	(\$1,503,129)
<b>Remaining</b>	1,663,007	176,339	60,092	31,577	14,425	8,991	0	\$1,954,431

\* Amounts in this column or row include the amounts for the 6th prior period, and any earlier periods where the expenses reported exceed the payments made to date.

**PIMA Health System**  
**Year Ended: 6/30/2003**  
**Claims Lag Report**  
**Expense Type: Medical**

<b>Payment Qtr</b>	<b>Current</b>	<b>1st Prior</b>	<b>2nd Prior</b>	<b>3rd Prior</b>	<b>4th Prior</b>	<b>5th Prior</b>	<b>6th Prior*</b>	<b>Total</b>
<b>Current</b>	1,598,453	670,593	50,272	5,778	(650)	1,759	(90)	\$2,326,115
<b>1st Prior</b>		1,209,713	719,680	57,042	(4,452)	5,269	1,178	\$1,988,430
<b>2nd Prior</b>			903,440	817,352	29,449	10,241	2,151	\$1,762,633
<b>3rd Prior</b>				919,722	740,373	35,869	(1,130)	\$1,694,834
<b>4th Prior</b>					804,449	674,913	15,568	\$1,494,930
<b>5th Prior</b>						673,285	591,719	\$1,265,004
<b>6th Prior*</b>							21,652,053	\$21,652,053
<b>Totals</b>	1,598,453	1,880,306	1,673,392	1,799,894	1,569,169	1,401,336	22,261,449	\$32,183,999
<b>Expense</b>	2,208,906	2,247,933	1,622,460	1,633,090	1,440,128	1,365,740	20,535,292	\$31,053,549
<b>Adjustment</b>	0	(33,535)	98,687	180,564	135,264	37,894	1,726,157	\$2,145,031
<b>Remaining</b>	610,453	334,092	47,755	13,760	6,223	2,298	0	\$1,014,581

\* Amounts in this column or row include the amounts for the 6th prior period, and any earlier periods where the expenses reported exceed the payments made to date.

**PIMA Health System**  
**Year Ended: 6/30/2003**  
**Claims Lag Report**  
**Expense Type: Other**

<b>Payment Qtr</b>	<b>Current</b>	<b>1st Prior</b>	<b>2nd Prior</b>	<b>3rd Prior</b>	<b>4th Prior</b>	<b>5th Prior</b>	<b>6th Prior*</b>	<b>Total</b>
<b>Current</b>	3,192,504	1,245,091	102,681	22,880	4,338	(387)	(15,205)	\$4,551,902
<b>1st Prior</b>		2,887,177	1,185,305	37,232	19,179	(239)	(22,448)	\$4,106,206
<b>2nd Prior</b>			2,753,691	1,043,994	85,492	27,875	25,082	\$3,936,134
<b>3rd Prior</b>				2,367,833	1,301,427	74,691	9,409	\$3,753,360
<b>4th Prior</b>					2,306,272	1,151,401	28,038	\$3,485,711
<b>5th Prior</b>						2,585,722	484,151	\$3,069,873
<b>6th Prior*</b>							39,320,101	\$39,320,101
<b>Totals</b>	3,192,504	4,132,268	4,041,677	3,471,939	3,716,708	3,839,063	39,829,128	\$62,223,287
<b>Expense</b>	4,475,271	4,340,241	3,855,811	3,739,761	3,350,660	3,639,800	41,040,603	\$64,442,147
<b>Adjustment</b>	0	(80,467)	269,681	(215,648)	385,694	205,648	(1,211,475)	(\$646,567)
<b>Remaining</b>	1,282,767	127,506	83,815	52,174	19,646	6,385	0	\$1,572,293

\* Amounts in this column or row include the amounts for the 6th prior period, and any earlier periods where the expenses reported exceed the payments made to date.

Profitability by Risk Group

PIMA Health System Fiscal Year Ending 6/30/03 All Counties	TANF < 1 MF	TANF 1-13 MF	TANF 14-44 F	TANF 14-44 M	TANF 45+	TANF Total	SSI with Med	SSI with out Med	MED	Non - MED	SOBRA Family Planing	SOBRA Moms	Title XIX Total	KIDS CARE < 1 MF	KIDS CARE 1-13 MF	KIDS CARE/ HIFA 14-44 F	KIDS CARE/ HIFA 14-44 M	HIFA 45 +	Title XXI Total	Grand Total
<b>REVENUE &amp; EXPENSES</b>																				
<b>Member Months</b>																				
SOBRA FPS Mmbr Mths	0	0	0	0	0	0	0	0	0	0	1,413	0	1,413	0	0	0	0	0	0	1,413
PPC Member Months	252	2,723	1,804	903	212	5,894	200	142	133	2,747	0	429	9,545	0	0	0	0	0	0	9,545
Pros. Member Months	11,893	57,868	30,249	14,228	3,876	118,114	14,546	15,704	875	28,072	0	3,365	180,676	11	1,364	160	210	0	1,745	182,421
<b>Total Member Months</b>	<b>12,145</b>	<b>60,591</b>	<b>32,053</b>	<b>15,131</b>	<b>4,088</b>	<b>124,008</b>	<b>14,746</b>	<b>15,846</b>	<b>1,008</b>	<b>30,819</b>	<b>1,413</b>	<b>3,794</b>	<b>191,634</b>	<b>11</b>	<b>1,364</b>	<b>160</b>	<b>210</b>	<b>0</b>	<b>1,745</b>	<b>193,379</b>
Pros. & FPS Mbr. Mths	11,893	57,868	30,249	14,228	3,876	118,114	14,546	15,704	875	28,072	1,413	3,365	182,089	11	1,364	160	210	0	1,745	183,834
Pros. & PPC Mbr. Mths	12,145	60,591	32,053	15,131	4,088	124,008	14,746	15,846	1,008	30,819	0	3,794	190,221	11	1,364	160	210	0	1,745	191,966
<b>REVENUES</b>																				
305 Capitation	3,989,758	4,639,347	4,198,557	1,426,683	1,065,230	15,319,575	2,702,485	6,498,612	179,514	5,765,579	23,596	465,904	30,955,165	2,970	107,932	20,348	16,834	0	148,084	31,103,249
310 PPC Capitation	388,996	103,761	299,021	87,191	49,782	928,751	5,535	14,343	28,625	593,600	0	71,528	1,642,382	0	0	0	0	0	0	1,642,382
312 Hospital Supplement	0	0	0	0	0	0	0	28,877	1,163,679	3,061,941	0	0	4,254,497	0	0	0	0	0	0	4,254,497
315 SOBRA Supplement	0	0	815,634	0	0	815,634	0	28,047	0	44,715	0	2,101,896	2,990,292	0	0	0	0	0	0	2,990,292
320 HIV-AIDS Supplement	0	525	8,662	0	4,336	13,523	51,379	21,689	0	59,359	0	0	145,950	0	0	0	0	0	0	145,950
321 TWG Settlement	0	0	0	0	0	0	0	0	30,569	1,047,557	0	0	1,078,126	0	0	0	0	0	0	1,078,126
322 PPC Settlement	30,911	322,080	207,259	104,876	27,098	692,224	24,366	18,421	17,434	324,651	0	53,771	1,130,867	0	0	0	0	0	0	1,130,867
325 Investment Income	16,310	79,400	41,598	19,402	5,299	162,009	20,080	21,883	1,232	38,783	1,966	4,726	250,679	19	2,394	281	369	0	3,063	253,742
330 Other Income	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>TOTAL REVENUES</b>	<b>4,425,975</b>	<b>5,145,113</b>	<b>5,570,731</b>	<b>1,638,152</b>	<b>1,151,745</b>	<b>17,931,716</b>	<b>2,803,845</b>	<b>6,631,872</b>	<b>1,421,053</b>	<b>10,936,185</b>	<b>25,562</b>	<b>2,697,725</b>	<b>42,447,958</b>	<b>2,989</b>	<b>110,326</b>	<b>20,629</b>	<b>17,203</b>	<b>0</b>	<b>151,147</b>	<b>42,599,105</b>
<b>EXPENSES</b>																				
<b>Hospitalization</b>																				
402 Hospital Inpatient	1,884,339	237,001	1,213,337	175,297	221,764	3,731,738	276,510	3,587,690	615,797	3,130,427	0	1,130,101	12,472,263	0	2,922	0	0	0	2,922	12,475,185
404 Hosp Risk Pool Exp	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
406 PPC-Hospital Inpatient	239,569	28,526	165,673	43,129	102,314	579,211	2,110	11,896	522,475	977,925	0	54,392	2,148,009	0	0	0	0	0	0	2,148,009
<b>Total Hospitalization</b>	<b>2,123,908</b>	<b>265,527</b>	<b>1,379,010</b>	<b>218,426</b>	<b>324,078</b>	<b>4,310,949</b>	<b>278,620</b>	<b>3,599,586</b>	<b>1,138,272</b>	<b>4,108,352</b>	<b>0</b>	<b>1,184,493</b>	<b>14,620,272</b>	<b>0</b>	<b>2,922</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,922</b>	<b>14,623,194</b>
<b>Medical Compensation</b>																				
408 Primary Care Phy	302,208	1,311,760	671,210	297,404	95,092	2,677,674	278,136	368,681	18,771	619,155	23,347	65,900	4,051,664	453	30,260	3,398	4,197	0	38,308	4,089,972
410 Referral Phy	644,174	495,709	913,147	160,122	144,742	2,357,894	136,676	770,457	104,215	1,036,434	2,608	523,315	4,931,599	203	8,947	1,083	792	0	11,025	4,942,624
412 Phy Risk Pool Exp	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
414 PPC - Physician Services	89,642	19,053	75,029	20,576	5,288	209,588	4,672	2,480	139,321	207,279	0	33,759	597,099	0	0	0	0	0	0	597,099
<b>Total Medical Comp</b>	<b>1,036,024</b>	<b>1,826,522</b>	<b>1,659,386</b>	<b>478,102</b>	<b>245,122</b>	<b>5,245,156</b>	<b>419,484</b>	<b>1,141,618</b>	<b>262,307</b>	<b>1,862,868</b>	<b>25,955</b>	<b>622,974</b>	<b>9,580,362</b>	<b>656</b>	<b>39,207</b>	<b>4,481</b>	<b>4,989</b>	<b>0</b>	<b>49,333</b>	<b>9,629,695</b>
<b>Other Medical Expenses</b>																				
416 Emergency Services	118,352	299,179	243,463	71,578	24,059	756,631	80,203	187,144	8,422	283,193	0	23,813	1,339,406	133	5,686	246	1,089	0	7,154	1,346,560
418 Pharmacy	88,177	263,371	482,200	154,018	185,372	1,173,138	1,431,573	1,450,790	56,049	1,239,807	3,515	39,501	5,394,373	86	3,518	572	387	0	4,563	5,398,936
420 Lab, X-ray, & med image	102,252	237,478	784,579	159,641	178,221	1,462,171	141,450	834,911	52,582	1,160,308	191	196,497	3,848,110	0	6,762	1,720	240	0	8,722	3,856,832
422 Outpatient Facility	70,079	223,749	251,797	59,315	50,295	655,235	156,651	366,507	15,458	403,448	0	72,948	1,670,247	0	4,205	294	555	0	5,054	1,675,301
424 Durable Med Equip	32,247	154,819	173,195	52,777	24,452	437,490	75,591	186,243	8,762	261,842	153	27,596	997,677	0	3,538	641	129	0	4,308	1,001,985
426 Dental	215	1,039,334	182,060	108,642	6,814	1,337,065	20,617	43,616	7,661	73,890	0	13,296	1,496,135	0	28,431	2,606	4,905	0	35,942	1,532,077
428 Transportation	61,935	83,855	125,643	46,589	18,765	336,787	150,305	302,719	13,269	353,765	0	21,100	1,177,945	0	912	484	0	0	1,396	1,179,341
430 NF, Home HC	10,421	4,110	7,726	1,120	11,089	34,466	52,691	84,920	6,004	141,897	0	821	320,799	0	339	0	0	0	339	321,138
432 Physical Therapy	8,628	23,043	37,218	10,957	14,917	94,763	10,605	77,136	9,797	128,552	0	2,048	322,901	0	488	562	296	0	1,346	324,247
434 Other Risk Pool Exp	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
436 Miscellaneous Med Exp	4,119	109	16	0	0	4,244	12,719	0	0	349	0	0	17,312	0	0	0	0	0	0	17,312
438 PPC-Other	14,463	39,716	84,449	36,204	5,174	180,006	6,540	8,428	107,436	327,188	0	43,132	672,730	0	0	0	0	0	0	672,730
<b>Total Other Medical</b>	<b>510,888</b>	<b>2,368,763</b>	<b>2,372,346</b>	<b>700,841</b>	<b>519,158</b>	<b>6,471,996</b>	<b>2,138,945</b>	<b>3,542,414</b>	<b>285,440</b>	<b>4,374,229</b>	<b>3,859</b>	<b>440,752</b>	<b>17,257,635</b>	<b>219</b>	<b>53,879</b>	<b>7,125</b>	<b>7,601</b>	<b>0</b>	<b>68,824</b>	<b>17,326,459</b>
<b>TOTAL MEDICAL EXP</b>	<b>3,670,820</b>	<b>4,460,812</b>	<b>5,410,742</b>	<b>1,397,369</b>	<b>1,088,358</b>	<b>16,028,101</b>	<b>2,837,049</b>	<b>8,283,618</b>	<b>1,686,019</b>	<b>10,345,449</b>	<b>29,814</b>	<b>2,248,219</b>	<b>41,458,269</b>	<b>875</b>	<b>96,008</b>	<b>11,606</b>	<b>12,590</b>	<b>0</b>	<b>121,079</b>	<b>41,579,348</b>
<b>Less:</b>																				
440 Reinsurance	(254,882)	(128,752)	(104,610)	(32,249)	(9,787)	(530,280)	(389,041)	(889,439)	(315,028)	(727,223)	(3,585)	(17,726)	(2,872,322)	(111)	(13,815)	(1,621)	(2,127)	0	(17,674)	(2,889,996)
441 PPC-Reinsurance	(38,978)	0	(17,053)	(3,527)	(3,083)	(62,641)	0	0	0	0	0	(530)	(63,171)	0	0	0	0	0	0	(63,171)
442 Third Party Liability	(5,645)	(32,340)	(15,814)	(23,674)	(1,778)	(79,251)	(7,027)	(9,123)	(444)	(14,208)	(1,166)	(1,507)	(112,826)	(4)	(484)	(57)	(75)	0	(620)	(113,446)
<b>TOTAL NET MEDICAL EXP</b>	<b>3,371,315</b>	<b>4,299,720</b>	<b>5,273,265</b>	<b>1,337,919</b>	<b>1,073,710</b>	<b>15,355,929</b>	<b>2,440,981</b>	<b>7,385,056</b>	<b>1,370,547</b>	<b>9,604,018</b>	<b>25,063</b>	<b>2,228,356</b>	<b>38,409,950</b>	<b>760</b>	<b>81,709</b>	<b>9,928</b>	<b>10,388</b>	<b>0</b>	<b>102,785</b>	<b>38,512,735</b>
<b>TOTAL ADMIN EXP</b>																				
	182,910	889,988	465,035	218,990	59,640	1,816,563	223,482	240,945	13,409	431,271	21,684	51,565	2,798,919	161	20,022	2,349	3,083	0	25,615	2,824,534
<b>TOTAL EXPENSES</b>	<b>3,554,225</b>	<b>5,189,708</b>	<b>5,738,300</b>	<b>1,556,909</b>	<b>1,133,350</b>	<b>17,172,492</b>	<b>2,664,463</b>	<b>7,626,001</b>	<b>1,383,956</b>	<b>10,035,289</b>	<b>46,747</b>	<b>2,279,921</b>	<b>41,208,869</b>	<b>921</b>	<b>101,731</b>	<b>12,277</b>	<b>13,471</b>	<b>0</b>	<b>128,400</b>	<b>41,337,269</b>
Inc (loss) from operations	871,750	(44,595)	(167,569)	81,243	18,395	759,224	139,382	(994,129)	37,097	900,896	(21,185)	417,804	1,239,089	2,068	8,595	8,352	3,732	0	22,747	1,261,836
Non-operating inc (loss)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Inc (loss) before taxes	871,750	(44,595)	(167,569)	81,243	18,395	759,224	1													

Program Contractor Financial Reporting Systems - Report #12A - Claims Lag Report for PPC

Statement for Program Contractor 010124 & 010182 - **PIMA HEALTH PLAN Program Contractor**

For the fiscal year ending **6/30/03**

**Inpatient**

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
<-----QUARTER IN WHICH SERVICE PROVIDED----->									
LINE	QUARTER OF PAYMENT	CURRENT	1ST PRIOR	2ND PRIOR	3RD PRIOR	4TH PRIOR	5TH PRIOR	6TH PRIOR	TOTAL
1	CURRENT	388,099	86,361	55,198	7,772	10,378	329	10,395	558,532
2	1ST PRIOR		157,352	331,134	25,949	16,067	1,143	(1,765)	529,880
3	2ND PRIOR			99,657	325,322	70,532	8,681	1,850	506,042
4	3RD PRIOR				147,247	288,194	62,173	42,029	539,643
5	4TH PRIOR					286,756	94,786	86,564	468,106
6	5TH PRIOR						118,778	396,451	515,229
7	6TH PRIOR							1,152,953	1,152,953
8	TOTALS	388,099	243,713	485,989	506,290	671,927	285,890	1,688,477	4,270,385
9	EXPENSE REPORTED	598,120	464,943	545,127	539,819	465,296	456,129	1,336,444	4,405,878
10	ADJUSTMENT		197,263	59,138	33,529	(206,631)	170,239	(352,033)	(98,495)
11	REMAINING LIABILITY	210,021	23,967	-	-	-	-	-	233,988

Program Contractor Financial Reporting Systems - Report #12B - Claims Lag Report for PPC

Statement for Program Contractor 010124 & 010182 - **PIMA HEALTH PLAN Program Contractor**

For the fiscal year ending **6/30/03**

**Physicians**

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
<-----QUARTER IN WHICH SERVICE PROVIDED----->									
LINE	QUARTER OF PAYMENT	CURRENT	1ST PRIOR	2ND PRIOR	3RD PRIOR	4TH PRIOR	5TH PRIOR	6TH PRIOR	TOTAL
1	CURRENT	101,267	44,011	18,122	4,007	824	113	50	168,394
2	1ST PRIOR		43,861	96,775	12,867	5,279	562	1,469	160,813
3	2ND PRIOR			29,518	97,011	15,568	2,195	2,032	146,324
4	3RD PRIOR				40,113	65,834	10,873	7,421	124,241
5	4TH PRIOR					73,575	92,739	13,636	179,950
6	5TH PRIOR						33,624	67,069	100,693
7	6TH PRIOR							399,264	399,264
8	TOTALS	101,267	87,872	144,415	153,998	161,080	140,106	490,941	1,279,679
9	EXPENSE REPORTED	137,134	168,464	146,502	144,999	113,039	157,710	413,653	1,281,501
10	ADJUSTMENT		74,132	2,087	(8,999)	(48,041)	17,604	(77,288)	(40,505)
11	REMAINING LIABILITY	35,867	6,460	-	-	-	-	-	42,327

Program Contractor Financial Reporting Systems - Report #12C - Claims Lag Report for PPC

Statement for Program Contractor 010124 & 010182 - **PIMA HEALTH PLAN Program Contractor**

For the fiscal year ending **6/30/03**

**Other**

(1)            (2)            (3)            (4)            (5)            (6)            (7)            (8)            (9)            (10)  
 <-----QUARTER IN WHICH SERVICE PROVIDED----->

LINE	QUARTER OF PAYMENT	CURRENT	1ST PRIOR	2ND PRIOR	3RD PRIOR	4TH PRIOR	5TH PRIOR	6TH PRIOR	TOTAL
1	CURRENT	120,251	16,171	24,031	4,411	321	202	90	165,477
2	1ST PRIOR		32,824	96,945	20,820	2,747	515	376	154,227
3	2ND PRIOR			45,933	99,427	13,757	3,442	2,542	165,101
4	3RD PRIOR				34,359	95,937	19,170	7,753	157,219
5	4TH PRIOR					67,611	54,722	19,882	142,215
6	5TH PRIOR						28,905	66,605	95,510
7	6TH PRIOR							277,408	277,408
8	TOTALS	120,251	48,995	166,909	159,017	180,373	106,956	374,656	1,157,157
9	EXPENSE REPORTED	197,959	165,278	161,639	147,854	133,583	125,037	302,050	1,233,400
10	ADJUSTMENT		97,247	(5,270)	(11,163)	(46,790)	18,081	(72,606)	(20,501)
11	REMAINING LIABILITY	77,708	19,036	-	-	-	-	-	96,744

PIMA HEALTH PLAN  
OFFICERS AND DIRECTORS  
Year Ended June 30, 2003

<u>NAME</u>	<u>TITLE</u>	<u>OTHER RELATIONSHIP TO PLAN</u>	<u>TYPE OF COMPENSATION</u>
Baca, Corina	Grievance Coordinator	None	Salary (1)
DiCicco, Melanie	Behavioral Health Manager	None	Salary
Dinning, Jeanette	Utilization Management Manager	None	Salary (2)
Eyde, Kathy	Preventative & Maternal Child Health Manager	None	Salary
Frederick, Pam	Quality Management Manager	None	Salary
Hartsfield, Kelli	Grievance Coordinator	None	Salary (2)
Kaehler, Mary	Plan Administrator	None	Salary
Le Blanc, Marcia	Contracts, Provider & Member Services Manager	None	Salary
Newton, Marita	Corporate Compliance & Privacy Officer	None	Salary
Peterson, Timothy, M.D.	Medical Director	None	Salary
Russell, R. Mark, M.D.	Medical Director	None	Salary
Terry, Donna	Chief Financial Officer	None	Salary
Toro, Anthony	Claims Manager	None	Salary
Wortman, Susan	Utilization Management Manager	None	Salary (2)

---

(1) Resigned or (2) changed positions during the period for July 1, 2002 to June 30, 2003.

**PIMA HEALTH CARE SYSTEM**  
**AHCCCS Schedule 6**  
**Summary Financial Data (10)**  
**Year Ended June 30, 2003**

	<b>Total</b>	<b>Per Member Per Month</b>
Capitation revenues	\$ 42,345,363	\$ 218.98
Reinsurance claims revenue	2,953,167	15.27
Other income	113,446	0.59
Medical claims expense (1)	41,579,348	215.01
Net medical claims expense (2)	38,626,181	199.74
Expenses other than medical claims	2,824,534	14.61
Net income	1,261,836	6.53

	<b>Total</b>	<b>Per Enrollee</b>
Cash and cash equivalents	\$ 8,306,512	\$ 569.45
Total assets	9,801,444	671.93
Accrued medical and health care claims (3)	4,914,364	336.90
Non-medical payables	448,339	30.74
Net assets	4,438,741	304.29

	<b>Ratio</b>
Medical claims expense to total revenue	.92 to 1.00
Net medical claims expense to capitation revenue	.91 to 1.00
Expenses other than medical claims to total revenue	.06 to 1.00
Expenses other than medical claims to capitation revenue	.07 to 1.00
Net income to capitation revenues	.03 to 1.00
Current assets to current liabilities (working capital ratio)	1.83 to 1.00
Cash and cash equivalents to accrued medical and health care claims	1.69 to 1.00

	<b>Percent</b>
Operating margin (4)	8.78
Return on capitation revenues (5)	2.98
Return on equity (6)	28.43
Return on total assets (7)	12.87

	<b>Days</b>
Received but unpaid claims days outstanding (8)	17
Accrued medical and health care claims days outstanding (9)	45

- (1) Medical claims expenses includes \$1,562,852 in subcapitation expense.
- (2) Net medical claims expense represents medical claims expense net of reinsurance claims revenues.
- (3) Accrued medical and health care claims plus due to other programs. This amount includes \$1,832,699 in reported but unpaid claims.
- (4) Capitation revenues less net medical claims expense divided by capitation revenues.
- (5) Net income divided by capitation revenues.
- (6) Net income divided by net assets.
- (7) Net income divided by total assets.
- (8) Reported but unpaid claims divided by average daily medical claims expense net of subcapitation expense.
- (9) Accrued medical and health care claims divided by average daily medical expense net of subcapitation expense.
- (10) This schedule is presented for purposes of additional analysis and is not a required part of the annual supplementary schedules prescribed by the *AHCCCS Reporting Guide*.

Program Contractor Financial Reporting Systems - Report #4 Risk Pool Receivable/Payable

Statement for Program Contractor #110015 & #550013 - PIMA LONG TERM CARE

For the fiscal year ending **6/30/03**

Participant Name	Pool Type	Amount
Account: 135 - Risk Pool Receivable		
NONE		
	Subtotal	

Account: 225 - Risk Pool Payable		
NONE		
	Subtotal	
Total Net Risk Pool Receivable/Payable Balance:		

Program Contractor Financial Reporting Systems - Report #7 - Medical Claims Payable (RBUcs & IBNRs)

Statement for Program Contractor #110015 & #550013 - PIMA LONG TERM CARE

For the fiscal year ending **6/30/03**

<-----Reported But Unpaid Claims (RBUcs)----->							
ACCOUNT	1-30 DAYS	31-60 DAYS	61-90 DAYS	OVER 90 DAYS	TOTAL RBUcs	IBNR	TOTAL RBUcs & IBNRs
Institutional Care	188,894	1,100	-	-	189,994	2,791,098	2,981,092
HCBS	642,000	-	6,010	783	648,793	1,126,972	1,775,765
Acute Care	1,051,640	13,339	11,534	1,207	1,077,720	1,141,225	2,218,945
Other Medical	-	-	-	-	-	-	-
Total Prospective	1,882,534	14,439	17,544	1,990	1,916,507	5,059,295	6,975,802
Total Prior Period Coverage	24,880	127	24	-	25,031	51,483	76,514
<b>TOTAL CLAIMS PAYABLE</b>	<b>1,907,414</b>	<b>14,566</b>	<b>17,568</b>	<b>1,990</b>	<b>1,941,538</b>	<b>5,110,778</b>	<b>7,052,316</b>

Program Contractor Financial Reporting Systems - Report #8A - Claims Lag Report for Prospective Period Only

Statement for Program Contractor #110015 & #550013 - PIMA LONG TERM CARE

For the fiscal year ending **6/30/03**

**Institutional Care Payments**

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
←-----QUARTER IN WHICH SERVICE PROVIDED-----→									
LINE	QUARTER OF PAYMENT	CURRENT	1ST PRIOR	2ND PRIOR	3RD PRIOR	4TH PRIOR	5TH PRIOR	6TH PRIOR	TOTAL
1	CURRENT	12,713,318	3,257,592	29,028	8,697	(181)	(101)	-	16,008,353
2	1ST PRIOR		9,971,412	3,380,494	30,446	11,136	2,177	(182)	13,395,483
3	2ND PRIOR			9,374,279	3,560,763	70,674	20,246	8,498	13,034,460
4	3RD PRIOR				8,241,720	4,213,648	159,759	57,807	12,672,934
5	4TH PRIOR					9,040,623	3,392,880	105,312	12,538,815
6	5TH PRIOR						7,361,891	4,661,466	12,023,357
7	6TH PRIOR							7,351,703	7,351,703
8	TOTALS	12,713,318	13,229,004	12,783,801	11,841,626	13,335,900	10,936,852	12,184,604	87,025,105
9	EXPENSE REPORTED	15,350,340	12,874,207	13,028,507	11,755,047	12,797,504	11,392,072	11,493,388	88,691,065
10	ADJUSTMENT		(671,431)	226,849	(96,158)	(538,396)	455,220	(691,216)	(1,315,132)
11	REMAINING LIABILITY	2,637,022	316,634	17,857	9,579	-	-	-	2,981,092

**NOTE: At the present time we are not able to separate the IBNR for the Vent Dependent Members.**

REPORT #2 EXPENSES	\$	15,098,665
LESS: PPC		(150,875)
		14,947,790
VENT EXPENSES		402,550
	\$	15,350,340

Program Contractor Financial Reporting Systems - Report #8B - Claims Lag Report for Prospective period Only

Statement for Program Contractor #110015 & #550013 - PIMA LONG TERM CARE

For the fiscal year ending **6/30/03**

**HCBS PAYMENTS**

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
<-----QUARTER IN WHICH SERVICE PROVIDED----->									
LINE	QUARTER OF PAYMENT	CURRENT	1ST PRIOR	2ND PRIOR	3RD PRIOR	4TH PRIOR	5TH PRIOR	6TH PRIOR	TOTAL
1	CURRENT	5,899,392	1,711,162	21,905	195	294	80	-	7,633,028
2	1ST PRIOR		5,539,496	1,640,417	95,711	(2,742)	390	71	7,273,343
3	2ND PRIOR			4,814,100	1,983,302	67,151	1,726	2,627	6,868,906
4	3RD PRIOR				5,005,405	1,019,614	31,800	7,051	6,063,870
5	4TH PRIOR					6,196,218	488,469	43,416	6,728,103
6	5TH PRIOR						4,512,304	1,693,954	6,206,258
7	6TH PRIOR							5,022,843	5,022,843
8	TOTALS	5,899,392	7,250,658	6,476,422	7,084,613	7,280,535	5,034,769	6,769,962	45,796,351
9	EXPENSE REPORTED	7,482,254	6,400,266	6,651,576	7,074,480	7,604,996	6,089,661	5,814,204	47,117,437
10	ADJUSTMENT		(1,016,506)	148,365	(10,133)	324,461	1,054,892	(955,758)	(454,679)
11	REMAINING LIABILITY	1,582,862	166,114	26,789	-	-	-	-	1,775,765

**NOTE: At the present time we are not able to separate the IBNR for the Vent Dependent Members.**

REPORT #2 EXPENSES	\$	7,149,947
LESS: PPC		<u>          -</u>
		7,149,947
VENT EXPENSES		<u>    332,307</u>
	\$	7,482,254

Program Contractor Financial Reporting Systems - Report #8C - Claims Lag Report for Prospective Period Only

Statement for Program Contractor #110015 & #550013 - PIMA LONG TERM CARE

For the fiscal year ending **6/30/03**

**ACUTE CARE PAYMENTS**

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
←-----QUARTER IN WHICH SERVICE PROVIDED-----→									
LINE	QUARTER OF PAYMENT	CURRENT	1ST PRIOR	2ND PRIOR	3RD PRIOR	4TH PRIOR	5TH PRIOR	6TH PRIOR	TOTAL
1	CURRENT	6,221,464	1,243,740	529,153	102,019	45,717	86,982	(650)	8,228,425
2	1ST PRIOR		4,449,714	2,836,991	214,448	46,749	34,079	10,029	7,592,010
3	2ND PRIOR			4,812,599	1,037,143	250,497	45,378	25,394	6,171,011
4	3RD PRIOR				3,225,951	2,360,535	238,522	44,786	5,869,794
5	4TH PRIOR					2,830,960	1,924,359	168,748	4,924,067
6	5TH PRIOR						3,016,829	1,902,790	4,919,619
7	6TH PRIOR							2,856,960	2,856,960
8	TOTALS	6,221,464	5,693,454	8,178,743	4,579,561	5,534,458	5,346,149	5,008,057	40,561,886
9	EXPENSE REPORTED	8,150,449	7,197,425	6,389,511	5,505,575	5,519,018	4,394,632	5,114,821	42,271,431
10	ADJUSTMENT		1,286,920	(1,837,694)	901,567	(15,440)	(951,517)	106,764	(509,400)
11	REMAINING LIABILITY	1,928,985	217,051	48,462	24,447	-	-	-	2,218,945

**NOTE: At the present time we are not able to separate the IBNR for the Vent Dependent Members.**

REPORT #2 EXPENSES	\$	8,056,892
LESS: PPC		<u>(36,128)</u>
		8,020,764
VENT EXPENSES		<u>129,685</u>
	\$	8,150,449

Program Contractor Financial Reporting Systems - Report #8D - Claims Lag Report for Prospective Period Only

Statement for Program Contractor #110015 & #550013 - PIMA LONG TERM CARE

For the fiscal year ending **6/30/03**

**OTHER MEDICAL PAYMENTS**

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	
		<-----QUARTER IN WHICH SERVICE PROVIDED----->								
LINE	QUARTER OF PAYMENT	CURRENT	1ST PRIOR	2ND PRIOR	3RD PRIOR	4TH PRIOR	5TH PRIOR	6TH PRIOR	TOTAL	
1	CURRENT								-	
2	1ST PRIOR								-	
3	2ND PRIOR								-	
4	3RD PRIOR								-	
5	4TH PRIOR								-	
6	5TH PRIOR								-	
7	6TH PRIOR								-	
8	TOTALS	-	-	-	-	-	-	-	-	
9	EXPENSE REPORTED								-	
10	ADJUSTMENT								-	
11	REMAINING LIABILITY	-	-	-	-	-	-	-	-	

**NOTE: At the present time we are not able to separate the IBNR for the Vent Dependent Members.**

Program Contractor Financial Reporting Systems - Report #10 Analysis of Profitability by County by Major Rate Code Classification

Statement for Program Contractor #110015 & #550013 - PIMA LONG TERM CARE PIMA COUNTY

For the fiscal year ending **6/30/03**

Account #	Account Description	MEDICARE	NON-MEDICARE	TOTAL
<b>Revenues:</b>				
305	Capitation	80,166,865	22,042,444	102,209,309
310	PPC Capitation	1,207,534	101,596	1,309,130
320	HIV-AIDS /Supplement	54,577	15,007	69,584
325	Investment Income *	285,696	78,554	364,250
335	Patient Contributions	8,196	2,253	10,449
340	HCBS Placement Reconciliation *	-	-	-
345	Share of Cost (SOC) Reconciliation *	416,081	114,404	530,485
330	Other Income (Specify)	144,821	39,819	184,640
	<b>TOTAL REVENUES</b>	<b>\$ 82,283,770</b>	<b>\$ 22,394,077</b>	<b>\$ 104,677,847</b>

<b>Institutional Care Expenses:</b>				
400	Level I	16,243,317	3,093,965	19,337,282
402	Level II	19,072,969	3,234,597	22,307,566
404	Level III	6,138,329	917,221	7,055,550
406				
408				
410	PPC Institutional	484,670	82,195	566,865
412	Share of Cost (SOC) Reconciliation *	-	-	-
	<b>TOTAL INSTITUTIONAL CARE</b>	<b>\$ 41,939,285</b>	<b>\$ 7,327,978</b>	<b>\$ 49,267,263</b>

<b>Home &amp; Community Bases Services (HCBS)Expenses:</b>				
414	Home Health Nurse	726,025	852,290	1,578,315
416	Home Health Aide	6,159	5,685	11,844
418	Personal Care	2,630,800	785,824	3,416,624
420	Homemaker	822,662	192,970	1,015,632
422	Home Delivered Meals	226,217	67,571	293,788
424	Respite Care	578,497	192,833	771,330
426	Attendant Care	7,778,048	1,944,512	9,722,560
428	Assisted Living Home	1,873,472	468,368	2,341,840
430	Adult Day Health	141,860	23,094	164,954
432	Adult Foster Care	1,054,167	263,542	1,317,709
434	Group Respite	-	-	-
436	Hospice	8,413	201,907	210,320
438	Environmental Modifications	-	-	-
440	HCBS Placement Reconciliation *	(267,630)	(66,908)	(334,538)
442	Assisted Living Center	3,750,612	937,653	4,688,265
444	Other (Lifeline, Sheltered Employment)	93,519	23,379	116,898
	<b>TOTAL HCBS</b>	<b>\$ 19,422,821</b>	<b>\$ 5,892,720</b>	<b>\$ 25,315,541</b>

Program Contractor Financial Reporting Systems - Report #10 Analysis of Profitability by County by Major Rate Code Classification

Statement for Program Contractor #110015 & #550013 - PIMA LONG TERM CARE PIMA COUNTY

For the fiscal year ending **6/30/03**

Account #	Account Description	MEDICARE	NON-MEDICARE	TOTAL
<b>Acute Care Expenses:</b>				
448	Inpatient Services (Hosp.)	467,421	5,375,341	5,842,762
450	Primary Care Physician Services	500,852	852,802	1,353,654
452	Referral Physician Services	907,524	1,545,243	2,452,767
454	Emergency Services	106,356	90,600	196,956
456	Out Patient Facility	263,692	322,291	585,983
458	Prescription Drug	6,449,606	2,764,117	9,213,723
460	Lab/Radiology	281,176	723,025	1,004,201
462	Durable Medical Equipment	403,587	898,307	1,301,894
464	Dental	25,556	23,590	49,146
466	Transportation	1,398,687	821,451	2,220,138
468	Therapies	60,126	402,381	462,507
470	Outpatient Behavioral Health	286,289	608,364	894,653
471	PPC Acute Care	102,267	8,604	110,871
472	Other (Specify)	-	-	-
<b>TOTAL ACUTE CARE</b>		<b>\$ 11,253,139</b>	<b>\$ 14,436,116</b>	<b>\$ 25,689,255</b>

<b>Other Medical Expenses:</b>				
474	Ventilator Dependent	1,864,915	1,465,290	3,330,205
476	Risk Pool Adjustment	-	-	-
477	PPC - Other	-	-	-
479	Other (Specify)	-	-	-
<b>TOTAL OTHER MEDICAL</b>		<b>\$ 1,864,915</b>	<b>\$ 1,465,290</b>	<b>\$ 3,330,205</b>

<b>Reduction to Medical Expenses:</b>				
480	Reinsurance	3,955,585	3,955,584	7,911,169
481	PPC - Reinsurance	-	-	-
482	Third Party Liability Recoveries	81,693	326,774	408,467
<b>TOTAL REDUCTION TO MEDICAL EXPENSES</b>		<b>\$ 4,037,278</b>	<b>\$ 4,282,358</b>	<b>\$ 8,319,636</b>
<b>TOTAL MEDICAL EXPENSE:</b>		<b>\$ 70,442,882</b>	<b>\$ 24,839,746</b>	<b>\$ 95,282,628</b>

Program Contractor Financial Reporting Systems - Report #10 Analysis of Profitability by County by Major Rate Code Classification

Statement for Program Contractor #110015 & #550013 - PIMA LONG TERM CARE PIMA COUNTY

For the fiscal year ending **6/30/03**

Account #	Account Description	MEDICARE	NON-MEDICARE	TOTAL
Administrative Expenses:*				
484	Compensation	1,996,480	548,946	2,545,426
486	Case Management	3,051,843	839,126	3,890,969
488	Data Processing	166,484	45,776	212,260
490	Management Fees	-	-	-
492	Interest Expense	-	-	-
494	Occupancy	416,256	114,453	530,709
496	Depreciation	-	-	-
497	Other (Specify)	1,535,239	422,125	1,957,364
TOTAL ADMINISTRATION		\$ 7,166,302	\$ 1,970,426	\$ 9,136,728

TOTAL EXPENSE		\$ 77,609,184	\$ 26,810,172	\$ 104,419,356
INCOME FROM OPERATIONS		\$ 4,674,586	\$ (4,416,095)	\$ 258,491
498	Non-Operating Income (Loss)			
INCOME(LOSS) BEFORE INCOME TAXES		\$ 4,674,586	\$ (4,416,095)	\$ 258,491
499	Income Taxes			
NET INCOME(LOSS) AFTER INCOME TAXES		\$ 4,674,586	\$ (4,416,095)	\$ 258,491

Program Contractor Financial Reporting Systems - Report #10 Analysis of Profitability by County by Major Rate Code Classification

Statement for Program Contractor #110015 & #550013 - PIMA LONG TERM CARE SANTA CRUZ COUNTY

For the fiscal year ending **6/30/03**

Account #	Account Description	MEDICARE	NON-MEDICARE	TOTAL
<b>Revenues:</b>				
305	Capitation	4,488,750	1,340,796	5,829,546
310	PPC Capitation	27,099	2,581	29,680
320	HIV-AIDS /Supplement	3,420	1,022	4,442
325	Investment Income *	17,902	5,348	23,250
335	Patient Contributions	514	153	667
340	HCBS Placement Reconciliation *	-	-	-
345	Share of Cost (SOC) Reconciliation *	26,073	7,788	33,861
330	Other Income (Specify)	9,075	2,711	11,786
	<b>TOTAL REVENUES</b>	<b>\$ 4,572,833</b>	<b>\$ 1,360,399</b>	<b>\$ 5,933,232</b>

<b>Institutional Care Expenses:</b>				
400	Level I	793,846	223,906	1,017,752
402	Level II	1,110,632	313,255	1,423,887
404	Level III	414,229	116,834	531,063
406		-	-	-
408		-	-	-
410	PPC Institutional	28,223	7,960	36,183
412	Share of Cost (SOC) Reconciliation *	-	-	-
	<b>TOTAL INSTITUTIONAL CARE</b>	<b>\$ 2,346,930</b>	<b>\$ 661,955</b>	<b>\$ 3,008,885</b>

<b>Home &amp; Community Bases Services (HCBS)Expenses:</b>				
414	Home Health Nurse	36,611	12,203	48,814
416	Home Health Aide	1,770	-	1,770
418	Personal Care	108,193	34,166	142,359
420	Homemaker	45,970	7,484	53,454
422	Home Delivered Meals	49,944	10,230	60,174
424	Respite Care	67,705	17,998	85,703
426	Attendant Care	158,736	39,684	198,420
428	Assisted Living Home	38,234	9,559	47,793
430	Adult Day Health	-	-	-
432	Adult Foster Care	21,514	5,378	26,892
434	Group Respite	-	-	-
436	Hospice	-	20,801	20,801
438	Environmental Modifications	15,499	3,875	19,374
440	HCBS Placement Reconciliation *	(5,462)	(1,365)	(6,827)
442	Assisted Living Center	76,543	19,136	95,679
444	Other (Lifeline, Sheltered Employment)	1,909	477	2,386
	<b>TOTAL HCBS</b>	<b>\$ 617,166</b>	<b>\$ 179,626</b>	<b>\$ 796,792</b>

Program Contractor Financial Reporting Systems - Report #10 Analysis of Profitability by County by Major Rate Code Classification

Statement for Program Contractor #110015 & #550013 - PIMA LONG TERM CARE SANTA CRUZ COUNTY

For the fiscal year ending **6/30/03**

Account #	Account Description	MEDICARE	NON-MEDICARE	TOTAL
<b>Acute Care Expenses:</b>				
448	Inpatient Services (Hosp.)	43,369	137,335	180,704
450	Primary Care Physician Services	41,174	15,228	56,402
452	Referral Physician Services	74,605	27,594	102,199
454	Emergency Services	4,629	1,462	6,091
456	Out Patient Facility	16,831	20,572	37,403
458	Prescription Drug	349,152	135,781	484,933
460	Lab/Radiology	22,176	19,666	41,842
462	Durable Medical Equipment	20,535	19,730	40,265
464	Dental	1,003	-	1,003
466	Transportation	64,754	27,752	92,506
468	Therapies	964	18,307	19,271
470	Outpatient Behavioral Health	-	-	-
471	PPC Acute Care	5,162	492	5,654
472	Other (Specify)	-	-	-
<b>TOTAL ACUTE CARE</b>		<b>\$ 644,354</b>	<b>\$ 423,919</b>	<b>\$ 1,068,273</b>

<b>Other Medical Expenses:</b>				
474	Ventilator Dependent	-	102,996	102,996
476	Risk Pool Adjustment	-	-	-
477	PPC - Other	-	-	-
479	Other (Specify)	-	-	-
<b>TOTAL OTHER MEDICAL</b>		<b>\$ -</b>	<b>\$ 102,996</b>	<b>\$ 102,996</b>

<b>Reduction to Medical Expenses:</b>				
480	Reinsurance	-	-	-
481	PPC - Reinsurance	-	-	-
482	Third Party Liability Recoveries	-	-	-
<b>TOTAL REDUCTION TO MEDICAL EXPENSES</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>TOTAL MEDICAL EXPENSE:</b>		<b>\$ 3,608,450</b>	<b>\$ 1,368,496</b>	<b>\$ 4,976,946</b>

Program Contractor Financial Reporting Systems - Report #10 Analysis of Profitability by County by Major Rate Code Classification

Statement for Program Contractor #110015 & #550013 - PIMA LONG TERM CARE SANTA CRUZ COUNTY

For the fiscal year ending **6/30/03**

Account #	Account Description	MEDICARE	NON-MEDICARE	TOTAL
Administrative Expenses:*				
484	Compensation	125,105	37,369	162,474
486	Case Management	191,237	57,123	248,360
488	Data Processing	10,432	3,116	13,548
490	Management Fees	-	-	-
492	Interest Expense	-	-	-
494	Occupancy	26,084	7,791	33,875
496	Depreciation	-	-	-
497	Other (Specify)	96,202	28,736	124,938
TOTAL ADMINISTRATION		\$ 449,060	\$ 134,135	\$ 583,195

TOTAL EXPENSE		\$ 4,057,510	\$ 1,502,631	\$ 5,560,141
INCOME FROM OPERATIONS		\$ 515,323	\$ (142,232)	\$ 373,091
498	Non-Operating Income (Loss)			
INCOME(LOSS) BEFORE INCOME TAXES		\$ 515,323	\$ (142,232)	\$ 373,091
499	Income Taxes			
NET INCOME(LOSS) AFTER INCOME TAXES		\$ 515,323	\$ (142,232)	\$ 373,091

Program Contractor Financial Reporting Systems - Report #11A Utilization Data Report by County

Statement for Program Contractor #110015 & #550013 - PIMA LONG TERM CARE

For the fiscal year ending **6/30/03**

**Utilization Data Report by County - PIMA COUNTY**

ITEM DESCRIPTION	MEDICARE		NON-MEDICARE		TOTAL	
	Current Period	YTD	Current Period	YTD	Current Period	YTD
A. Enrollees (At End of Period)	2,708	2,708	759	759	3,467	3,467
B. Member Months (Unduplicated)	8,131	32,005	2,262	8,799	10,393	40,804
Institutional Member Months Total						
1. Level 1	1,552	6,327	246	1,009	1,798	7,336
2. Level 2	1,702	6,762	240	911	1,942	7,673
3. Level 3	367	1,455	99	382	466	1,837
4.						
5.						
6.						
7. Home and Community Based Services (HCBS) Total						
a. Adult Foster Care	213	835	50	234	263	1,069
b. Assisted Living Home	782	2,906	98	382	880	3,288
c. Group Home (DD)						
d. Individual Home	2,971	11,521	1,228	4,729	4,199	16,250
e. Assisted Living Centers	374	1,449	111	438	485	1,887
f. Other (Specify) Group Home	19	91	22	80	41	171
8. Acute Care	76	236	115	318	191	554
9. Ventilator	58	241	45	162	103	403
10. PPC	235	922	21	76	256	998
11. Other (Specify)						
C. Acute Patient Day Information						
a. Admissions	358	1,865	175	747	533	2,612
b. Patient Days	2,023	9,459	1,124	4,263	3,147	13,722
c. Discharges	380	1,871	184	742	564	2,613
d. Discharge Days	2,107	9,394	1,177	4,305	3,284	13,699
e. Average Length of Stay	5.54	5.02	6.40	5.80	5.82	5.24
D. Emergency Room Visits	289	2,674	103	1,078	392	3,752

Program Contractor Financial Reporting Systems - Report #11A Utilization Data Report by County

Statement for Program Contractor #110015 & #550013 - PIMA LONG TERM CARE

For the fiscal year ending **6/30/03**

**Utilization Data Report by County - SANTA CRUZ COUNTY**

ITEM DESCRIPTION	MEDICARE		NON-MEDICARE		TOTAL	
	Current Period	YTD	Current Period	YTD	Current Period	YTD
A. Enrollees (At End of Period)	170	170	54	54	224	224
B. Member Months (Unduplicated)	522	2,062	158	627	680	2,689
Institutional Member Months Total						
1. Level 1	48	210	12	40	60	250
2. Level 2	92	315	13	61	105	376
3. Level 3	15	62	15	50	30	112
4.						
5.						
6.						
7. Home and Community Based Services (HCBS) Total						
a. Adult Foster Care	-	-	-	-	-	-
b. Assisted Living Home	16	88	6	29	22	117
c. Group Home (DD)	-	-	-	-	-	-
d. Individual Home	342	1,370	108	435	450	1,805
e. Assisted Living Centers	7	8	-	2	7	10
f. Other (Specify) Group Home	-	-	-	-	-	-
8. Acute Care	2	7	-	-	2	7
9. Ventilator	-	-	3	6	3	6
10. PPC	4	43	2	5	6	48
11. Other (Specify)						
C. Acute Patient Day Information						
a. Admissions	13	64	-	-	13	64
b. Patient Days	27	161	-	25	27	186
c. Discharges	13	79	-	18	13	97
d. Discharge Days	29	184	-	35	29	219
e. Average Length of Stay	2.23	2.33		1.94	2.23	2.26
D. Emergency Room Visits	18	80	4	24	22	104

Program Contractor Financial Reporting Systems - Report #11B Utilization Data Report for all Counties

Statement for Program Contractor #110015 & #550013 - PIMA LONG TERM CARE

For the fiscal year ending **6/30/03**

**Utilization Data Report for all Counties**

ITEM DESCRIPTION	MEDICARE		NON-MEDICARE		TOTAL	
	Current Period	YTD	Current Period	YTD	Current Period	YTD
A. Enrollees (At End of Period)	2,878	2,878	813	813	3,691	3,691
B. Member Months (Unduplicated)	8,653	34,067	2,420	9,426	11,073	43,493
Institutional Member Months Total						
1. Level 1	1,600	6,537	258	1,049	1,858	7,586
2. Level 2	1,794	7,077	253	972	2,047	8,049
3. Level 3	382	1,517	114	432	496	1,949
4.						
5.						
6.						
7. Home and Community Based Services (HCBS) Total						
a. Adult Foster Care	213	835	50	234	263	1,069
b. Assisted Living Home	798	2,994	104	411	902	3,405
c. Group Home (DD)	-	-	-	-	-	-
d. Individual Home	3,313	12,891	1,336	5,164	4,649	18,055
e. Assisted Living Centers	381	1,457	111	440	492	1,897
f. Other (Specify) Group Home	19	91	22	80	41	171
8. Acute Care	78	243	115	318	193	561
9. Ventilator	58	241	48	168	106	409
10. PPC	239	965	23	81	262	1,046
11. Other (Specify)	-	-	-	-	-	-
C. Acute Patient Day Information						
a. Admissions	371	1,929	175	747	546	2,676
b. Patient Days	2,050	9,620	1,124	4,288	3,174	13,908
c. Discharges	393	1,950	184	760	577	2,710
d. Discharge Days	2,136	9,578	1,177	4,340	3,313	13,918
e. Average Length of Stay	5.44	4.91	6.40	5.71	5.74	5.14
D. Emergency Room Visits	307	2,754	107	1,102	414	3,856

Program Contractor Financial Reporting Systems - Report #12A - Claims Lag Report for PPC

Statement for Program Contractor #110015 & #550013 - PIMA LONG TERM CARE

For the fiscal year ending **6/30/03**

**Institutional Care Payments**

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
←-----QUARTER IN WHICH SERVICE PROVIDED-----→									
LINE	QUARTER OF PAYMENT	CURRENT	1ST PRIOR	2ND PRIOR	3RD PRIOR	4TH PRIOR	5TH PRIOR	6TH PRIOR	TOTAL
1	CURRENT	86,427	34,882	11,625	4,443	7,217	(446)	-	144,148
2	1ST PRIOR		30,549	59,731	19,819	16,579	867	(921)	126,624
3	2ND PRIOR			66,459	109,077	7,894	3,391	(1,548)	185,273
4	3RD PRIOR				54,559	104,137	18,299	12,925	189,920
5	4TH PRIOR					85,432	82,320	16,041	183,793
6	5TH PRIOR						46,588	85,456	132,044
7	6TH PRIOR							64,064	64,064
8	TOTALS	86,427	65,431	137,815	187,898	221,259	151,019	176,017	1,025,866
9	EXPENSE REPORTED	150,875	121,213	237,202	93,758	190,690	194,441	167,017	1,155,196
10	ADJUSTMENT	-	50,606	99,387	(94,140)	(30,569)	43,422	(9,000)	59,706
11	REMAINING LIABILITY	64,448	5,176	-	-	-	-	-	69,624

Program Contractor Financial Reporting Systems - Report #12B - Claims Lag Report for PPC

Statement for Program Contractor #110015 & #550013 - PIMA LONG TERM CARE

For the fiscal year ending **6/30/03**

**ACUTE CARE PAYMENTS**

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
<-----QUARTER IN WHICH SERVICE PROVIDED----->									
LINE	QUARTER OF PAYMENT	CURRENT	1ST PRIOR	2ND PRIOR	3RD PRIOR	4TH PRIOR	5TH PRIOR	6TH PRIOR	TOTAL
1	CURRENT	30,317	(63)	6,727	2,997	16,491	91	56	56,616
2	1ST PRIOR		544	13,055	5,114	1,033	1,333	918	21,997
3	2ND PRIOR			7,032	10,793	3,008	1,168	695	22,696
4	3RD PRIOR				1,510	5,649	5,100	2,034	14,293
5	4TH PRIOR					14,826	2,148	4,281	21,255
6	5TH PRIOR						2,158	8,515	10,673
7	6TH PRIOR							840	840
8	TOTALS	30,317	481	26,814	20,414	41,007	11,998	17,339	148,370
9	EXPENSE REPORTED	36,128	43,240	24,617	12,540	20,439	26,543	9,434	172,941
10	ADJUSTMENT	-	41,680	(2,197)	(7,874)	(20,568)	14,545	(7,905)	17,681
11	REMAINING LIABILITY	5,811	1,079	-	-	-	-	-	6,890

Program Contractor Financial Reporting Systems - Report #12C - Claims Lag Report for PPC

Statement for Program Contractor #110015 & #550013 - PIMA LONG TERM CARE

For the fiscal year ending **6/30/03**

**OTHER MEDICAL PAYMENTS**

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	
		←-----QUARTER IN WHICH SERVICE PROVIDED-----→								
LINE	QUARTER OF PAYMENT	CURRENT	1ST PRIOR	2ND PRIOR	3RD PRIOR	4TH PRIOR	5TH PRIOR	6TH PRIOR	TOTAL	
1	CURRENT								-	
2	1ST PRIOR								-	
3	2ND PRIOR								-	
4	3RD PRIOR								-	
5	4TH PRIOR								-	
6	5TH PRIOR								-	
7	6TH PRIOR								-	
8	TOTALS	-	-	-	-	-	-	-	-	
9	EXPENSE REPORTED								-	
10	ADJUSTMENT								-	
11	REMAINING LIABILITY	-	-	-	-	-	-	-	-	

**NOTE: At the present time we are not able to separate the IBNR for the Vent Dependent Members.**

PIMA LONG TERM CARE  
OFFICERS AND DIRECTORS  
Year Ended June 30, 2003

<u>NAME</u>	<u>TITLE</u>	<u>OTHER RELATIONSHIP TO PLAN</u>	<u>TYPE OF COMPENSATION</u>
Baca, Corina	Grievance Coordinator	None	Salary (1)
DiCicco, Melanie	Behavioral Health Manager	None	Salary (2)
Dinning, Jeanette	Utilization Management Manager	None	Salary (2)
Dorgan, Patricia	Assistant Director of Long Term Care	None	Salary
Frederick, Pam	Quality Management Manager	None	Salary
Hartsfield, Kelli	Grievance Coordinator	None	Salary (2)
Kaehler, Mary	Plan Administrator	None	Salary
Le Blanc, Marcia	Contracts, Provider & Member Services Manager	None	Salary
Newton, Marita	Corporate Compliance & Privacy Officer	None	Salary
Peterson, Timothy, M.D.	Medical Director	None	Salary
Roundtree, Virginia	Home Care Support Services Manager	None	Salary
Russell, R. Mark, M.D.	Medical Director	None	Salary
Shulman, Lynne	Behavioral Health Manager	None	Salary (2)
Terry, Donna	Chief Financial Officer	None	Salary
Toro, Anthony	Claims Manager	None	Salary
Wortman, Susan	Utilization Management Manager	None	Salary (2)

---

(1) Resigned or (2) changed positions during the period for July 1, 2002 to June 30, 2003.

**PIMA HEALTH CARE SYSTEM**  
**ALTCS Schedule 5**  
**Summary Financial Data (10)**  
**Year Ended June 30, 2003**

	<b>Total</b>	<b>Per Member Per Month</b>
Capitation revenues:		
Long-term care (11)	110,016,037	2,529.51
Reinsurance claims revenue	7,911,169	181.90
Other income	1,243,179	28.58
Medical claims expense (1)	110,881,926	2,549.42
Net medical claims expense (2)	102,488,264	2,356.43
Expenses other than medical claims	9,719,923	223.48
Net income	631,582	14.52

	<b>Total</b>	<b>Per Enrollee</b>
Cash and cash equivalents	11,850,544	3,210.66
Total assets	17,063,562	4,623.02
Accrued medical and health care claims (3)	5,417,540	1,467.77
Non-medical payables	2,867,924	777.00
Net assets	8,778,098	2,378.24

	<b>Ratio</b>
Medical claims expense to total revenue	.92 to 1.00
Net medical claims expense to capitation revenue	.92 to 1.00
Expenses other than medical claims to total revenue	.08 to 1.00
Expenses other than medical claims to capitation revenue	.09 to 1.00
Net income to capitation revenues	.01 to 1.00
Current assets to current liabilities (working capital ratio)	2.06 to 1.00
Cash and cash equivalents to accrued medical and health care claims	2.19 to 1.00

	<b>Percent</b>
Operating margin (4)	6.36
Return on capitation revenues (5)	0.58
Return on equity (6)	7.19
Return on total assets (7)	3.70

	<b>Days</b>
Received but unpaid claims days outstanding (8)	6
Accrued medical and health care claims days outstanding (9)	18

- (1) Medical claims expenses includes \$705,896 in subcapitation expense.
- (2) Net medical claims expense represents medical claims expense net of reinsurance claims, TPL, and HIV Supplement revenues.
- (3) Accrued medical and health care claims plus due to other programs less intrafund payables. This amount includes \$1,941,538 in reported but unpaid claims.
- (4) Capitation revenues less net medical claims expense divided by capitation revenues.
- (5) Net income divided by capitation revenues.
- (6) Net income divided by net assets.
- (7) Net income divided by total assets.
- (8) Reported but unpaid claims divided by average daily medical claims expense net of subcapitation expense.
- (9) Accrued medical and health care claims divided by average daily medical expense net of subcapitation expense.
- (10) This schedule is presented for purposes of additional analysis and is not a required part of the annual supplementary schedules prescribed by the *ALTCS Reporting Guide*.
- (11) Capitation revenues include \$564,346 attributable to the SOC Reconciliation.