



# Pima Health System And Services Enterprise Fund

For the Fiscal Year Ended June 30, 2007

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Pima County, Arizona

PIMA COUNTY, ARIZONA  
Pima Health System and Services Enterprise Fund  
Report on Audit of Financial Statements  
and Additional Information  
June 30, 2007

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## INDEPENDENT AUDITORS' REPORT

To the Members of the Arizona State Legislature and the Board of Supervisors of Pima County, Arizona

We have audited the accompanying financial statements of **Pima Health System and Services** at and for the year ended June 30, 2007. These financial statements are the responsibility of **Pima Health System and Services'** 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of **Pima Health System and Services** are intended to present the financial position, the changes in financial position and cash flows, where applicable, of only that portion of the business-type activities and the aggregate remaining fund information of Pima County that are attributable to the transactions of **Pima Health System and Services**. They do not purport to, and do not, present fairly the financial position of Pima County at June 30, 2007, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Pima Health System and Services** at June 30, 2007, and the changes in financial position and cash flows, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2007 on our consideration of **Pima Health System and Services'** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of **Pima Health System and Services**. The accompanying financial information listed as additional information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of **Pima Health System and Services** and Pima County and is not intended to be and should not be used by anyone other than these specified parties.

Phoenix, Arizona  
October 26, 2007

*Mayer Hoffman McCann P.C.*

## **BASIC FINANCIAL STATEMENTS**

PIMA COUNTY, ARIZONA  
Pima Health System and Services Enterprise Fund  
Statement of Net Assets  
June 30, 2007

**Assets**

Current assets:

Cash and cash equivalents	\$	20,546,209
Receivables:		
Accounts, net		752,025
Reinsurance claims		14,300,043
Grants		725,359
Interest		65,828
Due from:		
Medicare		127,403
Due from other programs		
Other Pima County funds		3,914
Other governments		2,122,664
Inventory of supplies		88,348
Prepaid expenses		11,236
		38,743,029
Total current assets		38,743,029

Noncurrent assets:

Capital assets:		
Leasehold improvements		693,876
Machinery and equipment		942,687
Capital in process		19,171
Accumulated depreciation:		
Leasehold improvements		(427,506)
Machinery and equipment		(601,096)
		627,132
Total noncurrent assets		627,132
Total assets		39,370,161

**Liabilities**

Current liabilities:

Accounts payable and accrued liabilities		753,261
Accrued medical and health care claims		25,779,634
Accrued employee compensation		2,280,281
Deferred revenue		789
Due to other Pima County funds		1,151,520
		29,965,485
Total current liabilities		29,965,485

**Net Assets**

Invested in capital assets		627,132
Restricted for health care		9,985,605
Unrestricted (deficit)		(1,208,061)
		9,404,676
Total net assets	\$	9,404,676

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA  
Pima Health System and Services Enterprise Fund  
Statement Revenues, Expenses, and Changes in Net Assets  
Year Ended June 30, 2007

<b>Operating revenues:</b>	
Capitation	\$ 241,429,191
Reinsurance claims	13,845,871
Charges for services	1,867,105
Other	979,835
	258,122,002
Total operating revenues	258,122,002
<b>Operating expenses:</b>	
Medical and health care claims	234,439,377
Case management (contracted and salaried)	6,490,032
General, fiscal, and administrative services	8,111,786
Depreciation	221,494
Other	7,519,636
	256,782,325
Total operating expenses	256,782,325
Operating income	1,339,677
<b>Nonoperating revenues (expenses):</b>	
Grant revenue	4,738,090
Loss on disposal of equipment	(145,769)
Interest income	1,028,703
Interest expense	(40,399)
Premium tax	(5,091,256)
	489,369
Total nonoperating revenues	489,369
Income before capital contributions	1,829,046
Capital contributions	16,298
Increase in net assets	1,845,344
Net assets, July 1, 2006	7,559,332
<b>Net assets, June 30, 2007</b>	<b>\$ 9,404,676</b>

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA  
Pima Health System and Services Enterprise Fund  
Statement of Cash Flows  
Year Ended June 30, 2007

**Cash flows from operating activities:**

Cash receipts from:	
Contractors, patients, and other payors	\$ 254,740,757
Miscellaneous operations	1,031,486
Cash payments to:	
Providers for health care services	(201,401,724)
Suppliers for goods and services	(8,518,236)
Employees for services	(38,181,874)
Net cash provided by operating activities	7,670,409

**Cash flows from noncapital financing activities:**

Loans with other Pima County funds	(513,590)
Grant receipts	4,902,188
Interest paid on short term credit	(35,145)
Premium tax payments	(5,091,256)
Net cash used for noncapital financing activities	(737,803)

**Cash flows from capital and related financing activities:**

Purchases of capital assets	(104,783)
Proceeds from capital contributions	16,298
Net cash used for capital and related financing activities	(88,485)

**Cash flows from investing activities:**

Interest received on cash and cash equivalents	962,889
Net cash provided by investing activities	962,889
Net increase in cash and cash equivalents	7,807,010
Cash and cash equivalents, July 1, 2006	12,739,199
<b>Cash and cash equivalents, June 30, 2007</b>	<b>20,546,209</b>

(continued)

PIMA COUNTY, ARIZONA  
Pima Health System and Services Enterprise Fund  
Statement of Cash Flows  
Year Ended June 30, 2007

(continued)

**Reconciliation of operating income to net cash provided by operating activities:**

Operating income	\$	1,339,677
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation		221,494
Changes in assets and liabilities:		
Decrease (increase) in assets:		
Accounts receivable		(28,246)
Reinsurance claims receivable		(399,205)
Due from Medicare		110,629
Due from other governments		(407,420)
Inventory of supplies		27,621
Prepaid expenses		(11,236)
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities		(157,335)
Accrued medical and health care claims		7,043,570
Accrued employee compensation		(68,082)
Deferred revenue		(1,058)
Net cash provided by operating activities	\$	7,670,409

**Noncash investing, capital and financing activities:**

During the year ended June 30, 2007, the Fund disposed of equipment with an original cost of \$867,102 and accumulated depreciation of \$721,333 for a loss on disposal of equipment of \$145,769.

PIMA COUNTY, ARIZONA  
Pima Health System and Services Enterprise Fund  
Notes to Financial Statements  
June 30, 2007

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

The accounting policies of Pima County (County) and its Pima Health System and Services Enterprise Fund (Fund) conform to U.S. generally accepted accounting principles (GAAP) applicable to governmental units as promulgated by the Governmental Accounting Standards Board (GASB) and the regulatory requirements of the State of Arizona. A summary of the County's significant accounting policies affecting the Fund follows.

**A. Reporting Entity**

The Fund is accounted for as an enterprise fund of Pima County, Arizona and the ultimate financial accountability for the Fund remains with Pima County. The Fund's management 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, whose activities are included in the accompanying financial statements.

The financial statements present only the Pima Health System and Services as an enterprise fund and are not intended to present the balances and activity of Pima County or its business-type activities and enterprise funds. The County and Pima Health System and Services is a contractor with the Arizona Health Care Cost Containment System (AHCCCS) 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. The Fund also provides long-term care services to Posada del Sol Nursing Home residents who are primarily ALTCS enrollees. The Fund receives monthly premiums from AHCCCS for all eligible enrollees under the respective Ambulatory and ALTCS programs.

**B. Fund Accounting**

The Fund's accounts are maintained in accordance with the principles of fund accounting to ensure that limitations and restrictions on the Fund's 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.

The Fund's financial transactions are recorded and reported as an enterprise fund because its operations are financed and operated in a manner similar to private business enterprises. It is the intent of the Pima County Board of Supervisors that the costs (expenses including depreciation) of goods or services provided by the Fund on a continuing basis be financed or recovered primarily through contractual agreements and user charges.

**C. Basis of Accounting**

Basis of accounting relates to the timing of the measurements made, and determines when revenues and expenses are recognized in the accounts and reported in the financial statements. The financial statements of the Fund are reported using the economic resources measurement focus and are presented on the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows. When both restricted and unrestricted net assets are available to finance Fund expenses, restricted resources are used before unrestricted resources. Interfund transactions that would be treated as revenues or expenses if they involved parties external to the County are recorded in the appropriate revenue or expense accounts. Intrafund transactions within the Fund are eliminated for the financial statement presentation.

Unless in conflict with GASB pronouncements, the Fund follows Financial Accounting Standards Board Statements and Interpretations issued on or before November 30, 1989; Accounting Principles Board Opinions, and Accounting Research Bulletins. The County has chosen the option not to follow FASB statements and interpretations issued after November 30, 1989.

PIMA COUNTY, ARIZONA  
Pima Health System and Services Enterprise Fund  
Notes to Financial Statements  
June 30, 2007

**Note 1 - Summary of Significant Accounting Policies (continued)**

**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 the Fund at the end of the year. Assets and liabilities are classified as either current or noncurrent. Net assets are classified according to external restrictions or availability of assets to satisfy the Fund's obligations. Invested in capital assets represents the cost of capital assets, net of accumulated depreciation. 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 fund net assets provides information about the Fund's 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, capitation and other charges generated by the Fund for providing health care services 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. Operating expenses include the costs of providing health care services, administrative expenses, and depreciation on capital assets. Other expenses, such as interest expense and AHCCCS premium taxes are considered to be nonoperating expenses.

A statement of cash flows provides information about the Fund's 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 and related financing, or investing.

**E. Capitation Receipts**

The Fund receives from AHCCCS fixed capitation payments, generally in advance, based on certain rates for each AHCCCS member enrolled with the Fund. The Fund is required to provide all covered health care services to their members, regardless of the cost of care. If there are funds remaining, the Fund retains the funds as profit; if the costs are higher than the amount of capitation payments from AHCCCS, the Fund absorbs the loss. The Fund may recover certain losses for those cases eligible for reinsurance payments. Capitation premiums are recognized in accordance with the Fund's contract with AHCCCS.

Capitation is paid prospectively as well as for prior period coverage (PPC). The PPC period is from the first day of the month of application to the time of enrollment with a contracted health plan. The risk under PPC is shared by both the Fund and AHCCCS for the contract year ended September 30, 2007. AHCCCS reconciles the actual PPC medical costs to the PPC capitation paid during the year. The reconciliation limits the contractor's profits and losses to 2%. Except for Title XIX waiver members, effective October 1, 2002, the PPC rates were adjusted and the reconciliation of PPC costs was not performed for the contract year ended September 30, 2003. The PPC reconciliation was reinstated for the contract year ended September 30, 2004 and thereafter. At June 30, 2007, the Fund has approximately \$981,000 of estimated settlement payments due to AHCCCS for the PPC reconciliation for contract years 2005, 2006 and 2007.

Similar risk sharing is in place for medical costs incurred by contracted health plans for the Title XIX Waiver Group (TWG) members. AHCCCS reconciles the contractor's PPC and prospective medical costs to PPC capitation, prospective capitation, hospitalized supplemental payments, delivery supplemental payments and HIV/AIDS supplemental payments paid to the contractor during the year. The reconciliation limits the contractor's profits or losses to 2%.

At June 30, 2007, the Fund has recorded a receivable from AHCCCS representing estimated settlement payments due for the TWG reconciliation of approximately \$3,172,000 for contract years ended September 30, 2005 and 2006. AHCCCS has discontinued this reconciliation beginning with contract year 2007. These receivables are stated at the amount management expects to collect. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual balances. Balances that are still outstanding after management has used reasonable collection efforts are written off through a

PIMA COUNTY, ARIZONA  
Pima Health System and Services Enterprise Fund  
Notes to Financial Statements  
June 30, 2007

**Note 1 - Summary of Significant Accounting Policies (continued)**

charge to the valuation allowance and a credit to these receivables. These receivables at June 30, 2007 are considered by management to be fully collectible and, accordingly, an allowance for doubtful accounts has not been provided.

Additional capitation payments from AHCCCS relate to the Human Immunodeficiency Virus (HIV) supplemental payment and the Home and Community-Based Services (HCBS). The HIV supplemental payment is paid to the Fund by AHCCCS to help offset the significant pharmaceutical expense the plan incurs for members with the virus. At June 30, 2007, the Fund has recorded a \$192,000 receivable from AHCCCS representing supplemental payments due for AHCCCS members afflicted with HIV/AIDS. The HCBS Mix reconciliation is designed to limit the risk for both the Fund and AHCCCS of placement assumptions utilized in creating capitation rates. When computing capitation rates, AHCCCS assumes a certain percentage of members will be living in an HCBS setting as compared to a nursing facility. The accuracy of this assumption can materially affect the Fund's profitability. At June 30, 2007, the Fund has approximately \$563,000 of estimated settlement payments due to AHCCCS for the HCBS Mix reconciliation for contract years 2006 and 2007.

**F. Reinsurance Receipts**

AHCCCS provides a stop-loss reinsurance program for the Fund for partial reimbursement of reinsurable covered medical services incurred for members with an acute medical condition. The program includes a deductible, which varies based on the Fund's enrollment and the eligibility category of the members. AHCCCS reimburses the Fund based on a coinsurance amount for reinsurable covered services incurred above the deductible.

The reinsurance program includes reinsurance reimbursement for covered organ transplantation. The reinsurance program also includes a special catastrophic reinsurance program, which covers conditions such as certain traumatic brain injuries, and certain blood related disorders. There is no deductible for catastrophic reinsurance cases and AHCCCS reimburses the Fund at a percentage of the Fund's paid amount, less the coinsurance amount, unless the costs are paid under a subcapitated arrangement. AHCCCS pays 85% (75% for traumatic brain injuries) of the Fund's paid amount up to \$650,000 and 100% thereafter for catastrophic reinsurance. Regular reinsurance provides partial reimbursement of reinsurance eligible covered services and AHCCCS will reimburse 75% of eligible costs above a certain deductible level. The deductible is the responsibility of the program contractor. For transplants, payment is limited to 85% of the AHCCCS contract amount for the transplant services rendered or 85% of the Fund's paid amount, whichever is lower.

Reinsurance claims receivable result from additional payments from the AHCCCS Administration to the Fund for certain enrollees whose qualifying medical expenses paid by the Fund during the year ended June 30, 2007, were in excess of specified deductible limits. Reinsurance claims receivables are stated at the amount management expects to collect. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual balances. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to reinsurance claims receivable. Reinsurance claims receivable at June 30, 2007 are considered by management to be fully collectible and, accordingly, an allowance for doubtful accounts has not been provided.

**G. Share of Costs**

The Fund's members covered under the ALTCS program who do not meet certain eligibility criteria are required to pay for a portion of the care they receive. AHCCCS reduces the contracted capitation rate with the Fund by the estimated amount of participant shared costs. After contract year end, AHCCCS analyzes the amount that the Fund should have received from members for share of costs. If the Fund receives less money from the participants in payment of their share of the costs than AHCCCS anticipated, AHCCCS reimburses the Fund for the difference. The share of costs receivables are based off of the contract year which runs from October 1 to September 30. At June 30, 2007, the Fund had approximately \$290,000 due from AHCCCS related to share of costs. This amount is comprised of approximately \$221,000, (\$164,000), \$177,000, \$351,000, and (\$295,000) due from (to) AHCCCS for contract years 2003, 2004, 2005, 2006 and 2007 respectively. The net amount is included in due from other governments in the accompanying statement of net assets.

PIMA COUNTY, ARIZONA  
Pima Health System and Services Enterprise Fund  
Notes to Financial Statements  
June 30, 2007

**Note 1 - Summary of Significant Accounting Policies (continued)**

Share of cost receivables are based on assumptions and estimates, and while management believes the receivable is reasonable, the ultimate share of cost payment for the 2003 through 2007 contract years may be less than or in excess of the amount estimated once AHCCCS completes the contract year reconciliations. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual balances. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to reinsurance claims receivable. Share of costs receivable at June 30, 2007 are considered by management to be fully collectible and, accordingly, an allowance for doubtful accounts has not been provided.

**H. 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. Funding sources may, at their discretion, request reimbursement for expenses or return of funds, or both, if the Fund does not comply with the terms of the contract.

**I. Cash and Cash Equivalents**

Cash and cash equivalents consist of cash on hand, cash and investments held by the Pima County Treasurer, investments with the State Treasurer, and deposits held in escrow accounts from both restricted and unrestricted sources. Unrestricted cash and cash equivalents consist of cash on hand, cash and investments held by the Pima County Treasurer in an investment pool, and investments with the State Treasurer. Restricted cash and cash equivalents consist of cash and investments held by the Pima County Treasurer in an investment pool, and deposits are held in escrow accounts. All investments are stated at fair value.

**J. Accounts and Grants Receivable**

Accounts receivable consist primarily of amounts due from third-party payors for health care services provided to patients. Grants receivable consist primarily of amounts due from government agencies. These balances are stated at the amount management expects to collect. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual balances. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

At June 30, 2007, accounts receivable was net of an allowance for doubtful accounts of approximately \$82,000. Grants receivable at June 30, 2007 are considered by management to be fully collectible and, accordingly, an allowance for doubtful accounts has not been provided.

**K. Due from Other Governments**

Due from other governments consists of amounts due from AHCCCS based on contractual agreement provisions of the Ambulatory and ALTCS programs. The largest component relates to the Title XIX waiver members reconciliation (see E).

**L. Inventory of Supplies**

Inventories consist of medical supplies and are recorded as assets when purchased and expensed when consumed. These inventories are stated at the lower of cost or market. Cost is determined using the first-in, first-out (FIFO) method.

**M. Capital Assets**

Purchased capital assets are capitalized at cost. Donated assets are capitalized at their estimated fair market value on the date received. The Fund capitalizes all land regardless of cost, buildings valued at \$100,000 and all machinery and

PIMA COUNTY, ARIZONA  
Pima Health System and Services Enterprise Fund  
Notes to Financial Statements  
June 30, 2007

**Note 1 - Summary of Significant Accounting Policies (continued)**

equipment valued at \$5,000 and above. 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:

Leasehold improvements	7-10 years
Machinery and equipment	5-15 years

**N. Medical and Health Care Claims Payable**

The Fund is responsible for the cost of providing medical services on a fee-for-service basis to a majority of the health care service providers through which it contracts with the exception of five providers that have negotiated sub-capitation agreements. The Fund paid approximately \$1.2 million to these sub-capitated providers during fiscal year 2007.

In the accompanying financial statements, medical and health care claims expense includes claims paid, claims in process and pending, and the estimate made by management for incurred but not reported (IBNR) programmatic claims. These IBNR programmatic claims include charges by physicians, hospitals and other health care providers for services rendered to eligible members during the period for which claims have not yet been submitted.

The estimates for IBNR programmatic claims are developed using methods based upon historical data for payment patterns and other relevant factors. Such liabilities are necessarily based on assumptions and estimates, and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liability are continually reviewed, and adjustments are reflected in the period determined.

At June 30, 2007, medical and health care claims payable consists of estimates of \$18,917,537 for incurred but not reported claims and \$6,862,097 for reported but unpaid claims in the AHCCCS Ambulatory and ALTCS programs and the Grants and Community Service System.

**O. Compensated Absences**

Compensated absences consist of vacation leave and a calculated amount of sick leave earned by employees based on services already rendered.

Employees may accumulate up to 240 hours of vacation depending upon years of service, but any vacation hours in excess of the maximum amount that are unused at year-end are forfeited. Upon termination of employment, all unused and unforfeited vacation benefits are paid to employees. Accordingly, vacation benefits are accrued as a liability in the financial statements.

Employees may accumulate up to 1,920 of sick hours. Generally, sick leave benefits provide for ordinary sick pay and are cumulative but are forfeited upon termination of employment. Sick leave benefits do not vest with employees; however, employees who are eligible to retire from County service into the Arizona State Retirement System, Public Safety Personnel Retirement Plan, or Corrections Officer Retirement Plan may request sick leave be converted to annual leave, on a predetermined conversion basis. An estimate of those retirement payouts is accrued as a liability.

**P. Taxes**

The Fund is an enterprise fund of Pima County and is not subject to income taxes. However, payments from AHCCCS for acute care, ventilator dependent care, and ALTCS care are subject to a premium tax of 2%. Total premium tax expense for the year ended June 30, 2007 was \$5,091,256, which is included in the nonoperating expenses portion of the accompanying Statement of Revenues, Expenses, and Changes in Net Assets. The Fund has \$447 due to the Arizona Department of Insurance at June 30, 2007. This amount is netted against due from other governments in the accompanying Statement of Net Assets.

PIMA COUNTY, ARIZONA  
Pima Health System and Services Enterprise Fund  
Notes to Financial Statements  
June 30, 2007

**Note 1 - Summary of Significant Accounting Policies (continued)**

**Q. Management’s Use of Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at June 30, 2007, and the reported amounts of revenues and expenses during the fiscal year then ended. Actual results may differ from these estimates.

**Note 2 - Cash and Investments**

Cash and cash equivalents at June 30, 2007 were as follows:

Cash on hand	\$ 2,000
Cash and investments in the Pima County Treasurer’s Investment pool	<u>20,544,209</u>
Total	<u>\$ 20,546,209</u>

Cash and investments in the Pima County Treasurer’s investment pool represent a portion of the County Treasurer’s pool portfolio. The pool’s structure does not provide for shares. The Fund’s portion in the pool is not identified with specific investments. Investment income is allocated to the Fund on a pro-rata basis.

**Credit risk** – Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. The County does not have a formal investment policy with respect to credit risk. The Pima County Treasurer’s investment pool is unrated.

**Interest rate risk** – Interest rate risk is the risk that changes in interest rates will adversely affect an investment’s fair value. The County does not have a formal investment policy with respect to interest rate risk. The Pima County Treasurer’s investment pool had a weighted average maturity of 119 days at June 30, 2007.

**Legal provisions** – Arizona Revised Statutes authorize counties to invest public monies in the State Treasurer’s investment pool; obligations issued or guaranteed by the United States or any of the senior debt of its agencies, sponsored agencies, corporations, sponsored corporations, or instrumentalities; specified state and local government bonds’ interest earning investments such as savings accounts, certificates of deposit, and repurchase agreements in eligible depositories; and specified commercial paper, bonds, debentures, and notes issued by corporations organized and doing business in the United States. In addition, the County Treasurer may invest trust funds in fixed income securities of corporations doing business in the United States or District of Columbia.

**Credit risk** – Arizona Revised Statutes have the following requirements for credit risk:

1. Commercial paper must be rated P1 by Moody’s investors service or A1 or better by Standard and Poor’s rating service.
2. Corporate bonds, debentures, and notes must be rated A or better by Moody’s investors service or Standard and Poor’s rating service.
3. Fixed income securities must carry one of the two highest ratings by Moody’s investors service and Standard and Poor’s rating service. If only one of the above-mentioned services rates the security, it must carry the highest rating of that service.

**Custodial credit risk** – Arizona Revised Statutes require collateral for demand deposits, certificates of deposit, and repurchase agreements at 101 percent of all deposits not covered by federal depository insurance.

**Concentration of credit risk** – Arizona Revised Statutes do not include any requirements for concentration of credit risk.

PIMA COUNTY, ARIZONA  
Pima Health System and Services Enterprise Fund  
Notes to Financial Statements  
June 30, 2007

**Note 2 - Cash and Investments (continued)**

**Interest rate risk** – Arizona Revised Statutes require that public monies invested in securities and deposits have a maximum maturity of 5 years and that public operating fund monies invested in securities and deposits have a maximum maturity of 3 years. Investments in repurchase agreements must have a maximum maturity of 180 days.

**Foreign currency risk** – Arizona Revised Statutes do not allow foreign investments.

**Note 3 - Capital Assets**

Capital assets activity for the year ended June 30, 2007 was as follows:

	<u>July 1, 2006</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2007</u> <u>Balance</u>
Leasehold improvements	\$ 1,116,257	\$ -	\$ (422,381)	\$ 693,876
Accumulated depreciation	<u>(740,015)</u>	<u>(96,069)</u>	<u>408,578</u>	<u>(427,506)</u>
Net leasehold improvements	<u>376,242</u>	<u>(96,069)</u>	<u>(13,803)</u>	<u>266,370</u>
Machinery and equipment	1,301,810	85,598	(444,721)	942,687
Accumulated depreciation	<u>(788,426)</u>	<u>(125,425)</u>	<u>312,755</u>	<u>(601,096)</u>
Net machinery and equipment	<u>513,384</u>	<u>(39,827)</u>	<u>(131,966)</u>	<u>341,591</u>
Capital in process	<u>-</u>	<u>19,171</u>	<u>-</u>	<u>19,171</u>
Capital assets, net	<u>\$ 889,626</u>	<u>\$ (116,725)</u>	<u>\$ (145,769)</u>	<u>\$ 627,132</u>

**Note 4 - Claims, Judgments and Risk Management**

**Compliance with Laws and Regulations** – The Fund is subject to numerous laws, regulations and oversight by the state and federal governments. These laws and regulations include, but are not necessarily limited to, matters such as government health care program participation requirements, reimbursement for member services and Medicaid fraud and abuse. Violations of these laws and regulations could result in expulsion from government health care programs, together with the imposition of significant financial sanctions. Management believes that the Fund is in compliance with fraud and abuse laws and regulations, as well as other applicable government laws and regulations. Compliance with such laws and regulations can be subject to future review and interpretation as well as regulatory actions unknown at this time.

**Self-insurance** - The Fund is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; medical malpractice; and natural disasters. The Fund is a participant in Pima County's self-insurance program, and in the opinion of the Fund's management, that self-insurance program would cover any unfavorable outcomes from these risks. Accordingly, the Fund 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 the Fund are determined on an actuarial basis and are included in the *Pima County Comprehensive Annual Financial Report*. As of June 30, 2007, the Fund incurred \$138,481 in self-insurance expense which is included in other operating expenses in the accompanying Statement of Revenues, Expenses, and Changes in Net Assets.

**Medical Malpractice** - The Fund 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. The Fund's medical malpractice coverage started on October 1, 1993. 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.

PIMA COUNTY, ARIZONA  
Pima Health System and Services Enterprise Fund  
Notes to Financial Statements  
June 30, 2007

**Note 5 - Related Party Transactions**

During the course of its operations, the Fund had numerous transactions with other Pima County funds to finance operations and provide services. During the year ended June 30, 2007, the Fund received capitation revenues totaling \$107,217 from Pima County departments for services provided to Pima County patients and other income totaling \$257,183 for claims processing services. In addition, the Fund received interest income totaling \$988,304 from the Pima County Treasurer. The Fund incurred expenses totaling \$5,004,939 for the allocation of overhead, insurance premiums, interest, and other charges for miscellaneous supplies and services from Pima County.

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

Grants/Community Services System	\$ 726,701
Other Pima County Programs	<u>424,819</u>
Total	<u>\$ 1,151,520</u>

**Note 6 - Retirement Plan**

Plan Description

The Fund contributes to 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 administers a cost-sharing multiple-employer defined benefit pension plan that covers general employees of the County. 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 publicly available financial report that includes its financial statements and required supplementary information. A report may be obtained by contacting the ASRS at 3300 North Central Avenue, P.O. Box 33910, Phoenix, AZ 85067-3910 or by calling (602) 240-2000.

Funding Policy

The retirement plan is funded by payroll deductions from eligible employees' gross wages and matching amounts contributed by the Fund. These amounts satisfy the statutory requirement that employees and the Fund contributions must cover the actuarially determined current service costs of the retirement plan, plus amortization over a 30-year period of the unfunded past service liability. The Arizona State Legislature establishes and may amend active plan members' and the Fund's contribution rate. Payroll deductions as a percentage of employee wages were 9.1% (8.6% for retirement and 0.5% for long-term disability) for 2007. The Fund's contributions to the ASRS were \$2,557,913 in 2007, \$1,983,861 in 2006 and \$1,430,006 in 2005, which were equal to the required contributions for the stated year. The 2007 amount is included in administrative services expense in the accompanying financial statements.

**Note 7 - Capitation**

For the year ended June 30, 2007, capitation revenues consist of the following amounts:

ALTCS long-term care	\$ 145,590,828
AHCCCS ambulatory/acute care	95,519,419
Pima County residual and other programs	<u>318,944</u>
Total	<u>\$ 241,429,191</u>

**GOVERNMENT AUDITING STANDARDS REPORT**



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Members of the Arizona State Legislature and the Board of Supervisors of Pima County, Arizona

**PIMA HEALTH SYSTEM AND SERVICES**

We have audited the financial statements of *Pima Health System and Services* at and for the year ended June 30, 2007, and have issued our report thereon dated October 26, 2007. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered *Pima Health System and Services'* internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the *Pima Health System and Services'* internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the *Pima Health System and Services'* internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent and detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

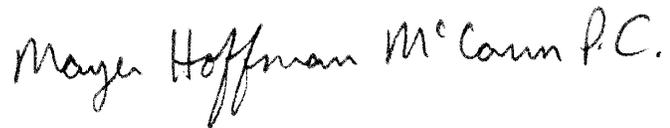
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether *Pima Health System and Services*' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of *Pima Health System and Services* and Pima County and is not intended to be and should not be used by anyone other than these specified parties.

Phoenix, Arizona  
October 26, 2007

Handwritten signature in black ink that reads "Mayer Hoffman McCann P.C." in a cursive script.

**ADDITIONAL INFORMATION**

PIMA COUNTY, ARIZONA  
Pima Health System and Services Enterprise Fund  
Combining Statement of Net Assets by Program  
June 30, 2007

	AHCCCS					Total
	Ambulatory Contracts	Long-Term Care Contracts (1)	Grants/ Community Services System	Other Pima County Programs	Intrafund Eliminations	
<b>Assets</b>						
<b>Current assets:</b>						
Cash and cash equivalents	\$ 9,625,692	\$ 10,919,517		\$ 1,000		\$ 20,546,209
Receivables:						
Accounts, net	113,820	384,509		253,696		752,025
Reinsurance claims	6,348,749	7,951,294				14,300,043
Grants			\$ 725,359			725,359
Interest	32,399	37,415	(3,986)			65,828
Due from:						
Medicare		127,403				127,403
Other Pima County funds				3,914		3,914
Other governments	2,592,853	(470,189)				2,122,664
Inventory of supplies		88,348				88,348
Prepaid expenses				11,236		11,236
Total current assets	<u>18,713,513</u>	<u>19,038,297</u>	<u>721,373</u>	<u>269,846</u>		<u>38,743,029</u>
<b>Noncurrent assets:</b>						
<b>Capital assets:</b>						
Leasehold improvements				693,876		693,876
Machinery and equipment				942,687		942,687
Capital in process				19,171		19,171
<b>Accumulated depreciation:</b>						
Leasehold improvements				(427,506)		(427,506)
Machinery and equipment				(601,096)		(601,096)
Total noncurrent assets, net				<u>627,132</u>		<u>627,132</u>
Total assets	<u>18,713,513</u>	<u>19,038,297</u>	<u>721,373</u>	<u>896,978</u>		<u>39,370,161</u>
<b>Liabilities</b>						
<b>Current liabilities:</b>						
Accounts payable and accrued liabilities	124,511	628,750				753,261
Accrued medical and health care claims	12,594,381	12,181,761	1,003,492			25,779,634
Accrued employee compensation	253,234	1,983,568	43,479			2,280,281
Deferred revenue			789			789
Due to other Pima County funds			726,701	424,819		1,151,520
Total current liabilities	<u>12,972,126</u>	<u>14,794,079</u>	<u>1,774,461</u>	<u>424,819</u>		<u>29,965,485</u>
<b>Net Assets</b>						
Invested in capital assets				627,132		627,132
Restricted for health care	5,741,387	4,244,218				9,985,605
Unrestricted (deficit)			(1,053,088)	(154,973)		(1,208,061)
Total net assets	<u>\$ 5,741,387</u>	<u>\$ 4,244,218</u>	<u>\$ (1,053,088)</u>	<u>\$ 472,159</u>		<u>\$ 9,404,676</u>

(1) The financial positions of the Posada Del Sol Nursing Home and the ALTCS Contracts have been combined and are reported as the Long-Term Care Contracts program. The combination is presented on page 19.

See Independent Auditors' Report

PIMA COUNTY, ARIZONA  
Pima Health System and Services Enterprise Fund  
Combining Statement of Revenues, Expenses, and  
Changes in Net Assets by Program  
Year Ended June 30, 2007

	AHCCCS					Total
	Ambulatory Contracts	Long-Term Care Contracts (1)	Grants/ Community Services System	Other Pima County Programs	Intrafund Eliminations	
<b>Operating revenues:</b>						
Capitation	\$ 95,519,419	\$ 145,590,828		\$ 318,944		\$ 241,429,191
Reinsurance claims	6,723,500	7,122,371				13,845,871
Charges for services		2,036,306			\$ (169,201)	1,867,105
Other	503,070	152,786		545,473	(221,494)	979,835
Total operating revenues	102,745,989	154,902,291		864,417	(390,695)	258,122,002
<b>Operating expenses:</b>						
Medical and health care claims	94,260,457	135,973,863	\$ 4,084,570	289,688	(169,201)	234,439,377
Case management (contracted and salaried)		5,287,528	1,202,504			6,490,032
General, fiscal, and administrative services	2,957,607	4,455,705	549,503	148,971		8,111,786
Depreciation				221,494		221,494
Other	3,036,891	4,690,521	18,679	(4,961)	(221,494)	7,519,636
Total operating expenses	100,254,955	150,407,617	5,855,256	655,192	(390,695)	256,782,325
Operating income (loss)	2,491,034	4,494,674	(5,855,256)	209,225		1,339,677
<b>Nonoperating revenues (expenses):</b>						
Grant revenue			4,738,090			4,738,090
Loss on disposal of equipment				(145,769)		(145,769)
Interest income	652,406	376,297				1,028,703
Interest expense			(40,399)			(40,399)
Premium tax	(2,016,121)	(3,075,135)				(5,091,256)
Total nonoperating revenues (expenses)	(1,363,715)	(2,698,838)	4,697,691	(145,769)		489,369
Income (loss) before capital contributions and transfers	1,127,319	1,795,836	(1,157,565)	63,456		1,829,046
Capital contributions				16,298		16,298
Transfers in			849,819			849,819
Transfers out	(849,819)					(849,819)
Increase (decrease) in net assets	277,500	1,795,836	(307,746)	79,754		1,845,344
Net assets, July 1, 2006	5,463,887	2,448,382	(745,342)	392,405		7,559,332
<b>Net assets, June 30, 2007</b>	<b>\$ 5,741,387</b>	<b>\$ 4,244,218</b>	<b>\$ (1,053,088)</b>	<b>\$ 472,159</b>	<b>\$</b>	<b>\$ 9,404,676</b>

(1) The changes in financial positions of the Posada Del Sol Nursing Home and the ALTCS Contracts have been combined and are reported as the Long-Term Care Contracts program. The combination is presented on page 21.

See Independent Auditors' Report

PIMA COUNTY, ARIZONA  
Pima Health System and Services Enterprise Fund  
Combining Statement of Cash Flows by Program  
Year Ended June 30, 2007

	AHCCCS					Total
	Ambulatory Contracts	Long-Term Care Contracts (1)	Grants/ Community Services System	Other Pima County Programs	Intrafund Eliminations	
<b>Cash flows from operating activities:</b>						
Cash receipts from:						
Contractors, patients, and other payors	\$ 99,671,903	\$ 154,749,910		\$ 318,944		\$ 254,740,757
Miscellaneous operations	503,070	204,437		323,979		1,031,486
Cash payments to:						
Providers for health care services	(89,991,690)	(106,356,604)	\$ (4,810,230)	(243,200)		(201,401,724)
Suppliers for goods and services	(2,930,394)	(5,572,582)	(15,260)			(8,518,236)
Employees for services	(3,643,686)	(33,845,168)	(544,050)	(148,970)		(38,181,874)
Net cash provided by (used for) operating activities	<u>3,609,203</u>	<u>9,179,993</u>	<u>(5,369,540)</u>	<u>250,753</u>		<u>7,670,409</u>
<b>Cash flows from noncapital financing activities:</b>						
Cash transfers with other Pima County funds	(849,819)		849,819			
Loans with other Pima County funds		(4,000)	(347,322)	(162,268)		(513,590)
Interest paid on short-term credit			(35,145)			(35,145)
Grant receipts			4,902,188			4,902,188
Premium tax payments	(2,016,121)	(3,075,135)				(5,091,256)
Net cash provided by (used for) noncapital financing activities	<u>(2,865,940)</u>	<u>(3,079,135)</u>	<u>5,369,540</u>	<u>(162,268)</u>		<u>(737,803)</u>
<b>Cash flows from capital and related financing activities:</b>						
Purchases of capital assets				(104,783)		(104,783)
Proceeds from capital contributions				16,298		16,298
Net cash used for capital and related financing activities				<u>(88,485)</u>		<u>(88,485)</u>
<b>Cash flows from investing activities:</b>						
Interest received on cash and cash equivalents	620,005	342,884				962,889
Net cash provided by investing activities	<u>620,005</u>	<u>342,884</u>				<u>962,889</u>
Net increase in cash and cash equivalents	1,363,268	6,443,742				7,807,010
Cash and cash equivalents, July 1, 2006	<u>8,262,424</u>	<u>4,475,775</u>		<u>1,000</u>		<u>12,739,199</u>
<b>Cash and cash equivalents, June 30, 2007</b>	<u>\$ 9,625,692</u>	<u>\$ 10,919,517</u>		<u>\$ 1,000</u>		<u>\$ 20,546,209</u>

(continued)

(1) The cash flows of the Posada Del Sol Nursong Home and the ALTCS Contract have been combined and are reported as the Long-Term Care Contracts program. The combination is presented on pages 22 and 23.

See Independent Auditors' Report

**PIMA COUNTY, ARIZONA**  
**Pima Health System and Services Enterprise Fund**  
**Combining Statement of Cash Flows by Program**  
**Year Ended June 30, 2007**

(continued)

	<b>AHCCCS</b>		<b>Grants/ Community Services System</b>	<b>Other Pima County Programs</b>	<b>Intrafund Eliminations</b>	<b>Total</b>
	<b>Ambulatory Contracts</b>	<b>Long-Term Care Contracts (1)</b>				
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>						
Operating income (loss)	\$ 2,491,034	\$ 4,494,674	\$ (5,855,256)	\$ 209,225		\$ 1,339,677
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:</b>						
Depreciation				221,494		221,494
<b>Changes in assets and liabilities:</b>						
Decrease (increase) in assets:						
Accounts receivable	117,308	23,176		(168,730)		(28,246)
Reinsurance claims receivable	(206,792)	(192,413)				(399,205)
Due from Medicare		110,629				110,629
Due from other governments	(2,481,530)	2,074,110				(407,420)
Inventory of supplies		27,621				27,621
Prepaid expenses				(11,236)		(11,236)
Increase (decrease) in liabilities:						
Accounts payable and accrued liabilities	27,213	(184,548)				(157,335)
Accrued medical and health care claims	3,704,633	2,857,617	481,320			7,043,570
Accrued employee compensation	(42,663)	(30,873)	5,454			(68,082)
Deferred revenue			(1,058)			(1,058)
<b>Net cash provided by (used for) operating activities</b>	<b>\$ 3,609,203</b>	<b>\$ 9,179,993</b>	<b>\$ (5,369,540)</b>	<b>\$ 250,753</b>		<b>\$ 7,670,409</b>

**Noncash investing, capital and financing activities:**

During the year ended June 30, 2007, the Fund disposed of equipment with an original cost of \$867,102 and accumulated depreciation of \$721,333 for a loss on disposal of equipment of \$145,769.

(1) The cash flows of the Posada Del Sol Nursong Home and the ALTCS Contract have been combined and are reported as the Long-Term Care Contracts program. The combination is presented on pages 22 and 23.

See Independent Auditors' Report

PIMA COUNTY, ARIZONA  
Pima Health System and Services Enterprise Fund  
Combining Statement of Net Assets  
Long-Term Care Contracts  
June 30, 2007

	<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 Care</u> <u>Contracts Total</u>
<b>Assets</b>					
Current assets:					
Cash and cash equivalents	\$ 9,302,674	\$ 1,184,087	\$ 432,756		\$ 10,919,517
Receivables:					
Accounts, net	127,501	226,659	30,349		384,509
Reinsurance claims	7,951,294				7,951,294
Interest	74,345	(27,242)	(9,688)		37,415
Due from:					
Medicare		127,403			127,403
Other governments	(482,856)		12,667		(470,189)
Inventory of supplies		85,821	2,527		88,348
Total current assets	<u>16,972,958</u>	<u>1,596,728</u>	<u>468,611</u>		<u>19,038,297</u>
<b>Liabilities</b>					
Current Liabilities:					
Accounts payable and accrued liabilities	205,896	410,760	12,094		628,750
Accrued medical and health care claims	12,181,761				12,181,761
Accrued employee compensation	1,137,476	821,894	24,198		1,983,568
Total current liabilities	<u>13,525,133</u>	<u>1,232,654</u>	<u>36,292</u>		<u>14,794,079</u>
<b>Net Assets</b>					
Restricted for health care	3,447,825	364,074	432,319		4,244,218
Unrestricted					
Total net assets	<u>\$ 3,447,825</u>	<u>\$ 364,074</u>	<u>\$ 432,319</u>		<u>\$ 4,244,218</u>

(1) The other residents column includes the financial position related to members enrolled in the System's AHCCCS Ambulatory Care Contract 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.

See Independent Auditors' Report

PIMA COUNTY, ARIZONA  
Pima Health System and Services Enterprise Fund  
Combining Statement of Revenues, Expenses,  
and Changes in Net Assets  
Long-Term Care Contracts  
Year Ended June 30, 2007

	Posada Del Sol Nursing Home				Long-Term Care Contracts Total
	ALTCS Contracts	ALTCS Residents	Other Residents (1)	Intraprogram Eliminations	
<b>Operating revenues:</b>					
Capitation	\$ 145,590,828				\$ 145,590,828
Reinsurance claims	7,122,371				7,122,371
Charges for services		\$ 16,726,946	\$ 609,787	\$ (15,300,427)	2,036,306
Other	89,481	61,495	1,810		152,786
Total operating revenues	<u>152,802,680</u>	<u>16,788,441</u>	<u>611,597</u>	<u>(15,300,427)</u>	<u>154,902,291</u>
<b>Operating expenses:</b>					
Medical and health care claims	133,908,168	9,921,161	292,099	(8,147,565)	135,973,863
Case management (contracted and salaried)	5,287,528				5,287,528
General, fiscal, and administrative services	4,315,425	4,764,609	140,280	(4,764,609)	4,455,705
Other	4,789,407	2,219,052	70,315	(2,388,253)	4,690,521
Total operating expenses	<u>148,300,528</u>	<u>16,904,822</u>	<u>502,694</u>	<u>(15,300,427)</u>	<u>150,407,617</u>
Operating income (loss)	<u>4,502,152</u>	<u>(116,381)</u>	<u>108,903</u>		<u>4,494,674</u>
<b>Nonoperating revenues (expenses):</b>					
Interest income	\$ 368,817	\$ 7,266	\$ 214		376,297
Premium tax	(3,075,135)				(3,075,135)
Total nonoperating revenues (expenses)	<u>(2,706,318)</u>	<u>7,266</u>	<u>214</u>		<u>(2,698,838)</u>
Increase (decrease) in net assets	<u>1,795,834</u>	<u>(109,115)</u>	<u>109,117</u>		<u>1,795,836</u>
Net assets, July 1, 2006	<u>1,651,991</u>	<u>473,189</u>	<u>323,202</u>		<u>2,448,382</u>
<b>Net assets, June 30, 2007</b>	<u><u>\$ 3,447,825</u></u>	<u><u>\$ 364,074</u></u>	<u><u>\$ 432,319</u></u>	<u><u>\$</u></u>	<u><u>\$ 4,244,218</u></u>

(1) The other residents column includes the financial position related to members enrolled in the System's AHCCCS Ambulatory Care Contract 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.

See Independent Auditors' Report

PIMA COUNTY, ARIZONA  
Pima Health System and Services Enterprise Fund  
Combining Statement of Cash Flows  
Long Term Care Contracts  
Year Ended June 30, 2007

	<u>Posada Del Sol Nursing Home</u>				<u>Long-Term Care Contracts Total</u>
	<u>ALTCS Contracts</u>	<u>ALTCS Residents</u>	<u>Other Residents (1)</u>	<u>Intraprogram Eliminations</u>	
<b>Cash flows from operating activities:</b>					
Cash receipts from:					
Contractors, patients, and other payors	\$ 137,211,875	\$ 16,705,390	\$ 832,645		\$ 154,749,910
Miscellaneous operations	141,132	61,495	1,810		204,437
Cash payments to:					
Providers for health care services	(96,143,344)	(9,921,161)	(292,099)		(106,356,604)
Suppliers for goods and services	(3,436,834)	(2,053,296)	(82,452)		(5,572,582)
Employees for services	(28,897,939)	(4,751,187)	(196,042)		(33,845,168)
Net cash provided by operating activities	<u>8,874,890</u>	<u>41,241</u>	<u>263,862</u>		<u>9,179,993</u>
<b>Cash flows from noncapital financing activities:</b>					
Loans with other Pima County funds	(4,000)				(4,000)
Premium tax payments	(3,075,135)				(3,075,135)
Net cash used for noncapital financing activities	<u>(3,079,135)</u>				<u>(3,079,135)</u>
<b>Cash flows from investing activities:</b>					
Interest received on cash and cash equivalents	298,473	34,509	9,902		342,884
Net cash provided by investing activities	<u>298,473</u>	<u>34,509</u>	<u>9,902</u>		<u>342,884</u>
Net increase in cash and cash equivalents	6,094,228	75,750	273,764		6,443,742
Cash and cash equivalents, July 1, 2006	<u>3,208,446</u>	<u>1,108,337</u>	<u>158,992</u>		<u>4,475,775</u>
<b>Cash and cash equivalents, June 30, 2007</b>	<u>\$ 9,302,674</u>	<u>\$ 1,184,087</u>	<u>\$ 432,756</u>		<u>\$ 10,919,517</u>

(continued)

(1) The other residents column includes the cash flows related to members enrolled in the System's AHCCCS Ambulatory Care Contract 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.

See Independent Auditors' Report

PIMA COUNTY, ARIZONA  
Pima Health System and Services Enterprise Fund  
Combining Statement of Cash Flows  
Long Term Care Contracts  
Year Ended June 30, 2007

(continued)

	<u>Posada Del Sol Nursing Home</u>				
	<u>ALTCS Contracts</u>	<u>ALTCS Residents</u>	<u>Other Residents (1)</u>	<u>Intraprogram Eliminations</u>	<u>Long-Term Care Contracts Total</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>					
Operating income (loss)	\$ 4,502,152	\$ (116,381)	\$ 108,903		\$ 4,494,674
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Changes in assets and liabilities:					
Decrease (increase) in assets:					
Accounts receivable	(52,542)	(151,897)	227,615		23,176
Reinsurance claims receivable	(192,413)				(192,413)
Due from Medicare		110,629			110,629
Due from other governments	2,086,777		(12,667)		2,074,110
Inventory of supplies		19,711	7,910		27,621
Increase (decrease) in liabilities:					
Accounts payable and accrued liabilities	(338,168)	165,757	(12,137)		(184,548)
Accrued medical and health care claims	2,857,617				2,857,617
Accrued employee compensation	11,467	13,422	(55,762)		(30,873)
Net cash provided by operating activities	<u>\$ 8,874,890</u>	<u>\$ 41,241</u>	<u>\$ 263,862</u>		<u>\$ 9,179,993</u>

(1) The other residents column includes the cash flows related to members enrolled in the System's AHCCCS Ambulatory Care Contract 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.

See Independent Auditors' Report

**ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM CONTRACTS**

**PIMA COUNTY, ARIZONA**  
**PIMA HEALTH SYSTEM AND SERVICES**  
**Ambulatory Care - Medical Claims Payable Report**  
**Year Ended June 30, 2007**

<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>	1,363,194	(121,910)	(20,603)	(151,469)	1,069,212	3,668,191	4,737,403
<i>Medical</i>	1,230,526	(13,986)	(9,694)	(40,545)	1,166,301	1,622,784	2,789,085
<i>Other</i>	1,621,873	(28,888)	(27,404)	(178,880)	1,386,701	2,078,017	3,464,718
<i>Total Prospective</i>	\$ 4,215,593	\$ (164,784)	\$ (57,701)	\$ (370,894)	\$ 3,622,214	\$ 7,368,992	\$ 10,991,206
<i>Total PPC</i>	515,244	25,932	(474)	(26,862)	513,840	1,089,335	1,603,175
<i>Total Payable</i>	\$ 4,730,837	\$ (138,852)	\$ (58,175)	\$ (397,756)	\$ 4,136,054	\$ 8,458,327	\$ 12,594,381

Amounts expressed in whole dollars, differences are due to rounding.

See Independent Auditors' Report

**PIMA COUNTY, ARIZONA**  
**PIMA HEALTH SYSTEM AND SERVICES**  
**Ambulatory Care - Claims Lag Report - Hospital**  
**Year Ended June 30, 2007**

<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>	2,318,419	3,058,310	457,807	(19,609)	12,376	4,999	2,860	5,835,162
<b>1st Prior</b>		2,671,846	3,167,916	386,883	27,664	(4,087)	33,788	6,284,010
<b>2nd Prior</b>			2,936,612	2,357,210	460,444	225,651	17,892	5,997,809
<b>3rd Prior</b>				2,390,603	1,794,372	268,304	218,146	4,671,425
<b>4th Prior</b>					3,195,910	2,913,198	1,473,931	7,583,039
<b>5th Prior</b>						2,993,859	4,986,789	7,980,648
<b>6th Prior*</b>							94,241,456	94,241,456
<b>Totals</b>	2,318,419	5,730,156	6,562,335	5,115,087	5,490,766	6,401,924	100,974,862	132,593,549
<b>Expense</b>	6,441,348	6,127,559	6,591,014	5,675,915	5,554,791	6,093,022	101,850,970	138,334,619
<b>Adjustment</b>	-	44,323	50,357	(512,148)	(30,678)	320,587	(876,108)	(1,003,667)
<b>Remaining</b>	4,122,929	441,726	79,036	48,680	33,347	11,685	-	4,737,403

\* 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.

Amounts expressed in whole dollars, differences are due to rounding.

See Independent Auditors' Report

**PIMA COUNTY, ARIZONA**  
**PIMA HEALTH SYSTEM AND SERVICES**  
**Ambulatory Care - Claims Lag Report - Medical**  
**Year Ended June 30, 2007**

<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>	3,693,004	1,732,311	93,476	147,029	2,205	(10,299)	(626)	5,657,100
<b>1st Prior</b>		4,210,588	1,995,618	139,001	7,053	11,224	(2,284)	6,361,200
<b>2nd Prior</b>			3,122,969	2,364,163	79,079	3,561	(1,869)	5,567,903
<b>3rd Prior</b>				3,346,097	1,490,605	90,437	(33,091)	4,894,048
<b>4th Prior</b>					3,657,541	2,583,375	291,214	6,532,130
<b>5th Prior</b>						3,258,522	3,505,747	6,764,269
<b>6th Prior*</b>							78,637,069	78,637,069
<b>Totals</b>	3,693,004	5,942,899	5,212,063	5,996,290	5,236,483	5,936,820	82,396,160	114,413,719
<b>Expense</b>	6,176,100	6,220,305	5,568,446	5,904,499	5,455,242	5,751,134	80,998,420	116,074,146
<b>Adjustment</b>		(121,001)	(278,977)	128,789	(193,697)	195,804	1,397,740	1,128,658
<b>Remaining</b>	2,483,096	156,405	77,406	36,998	25,062	10,118	0	2,789,085

\* 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.

Amounts expressed in whole dollars, differences are due to rounding.

See Independent Auditors' Report

**PIMA COUNTY, ARIZONA  
PIMA HEALTH SYSTEM AND SERVICES  
Ambulatory Care - Claims Lag Report - Other  
Year Ended June 30, 2007**

<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>	6,336,423	2,249,809	75,591	(531)	(11,945)	(3,203)	(2,749)	8,643,395
<b>1st Prior</b>		5,015,244	4,662,588	178,969	7,198	17,720	(7,894)	9,873,825
<b>2nd Prior</b>			5,081,869	3,899,935	133,238	(7,898)	3,139	9,110,283
<b>3rd Prior</b>				4,070,159	2,664,374	131,531	11,340	6,877,404
<b>4th Prior</b>					7,619,722	1,622,171	156,582	9,398,475
<b>5th Prior</b>						7,234,327	3,211,162	10,445,489
<b>6th Prior*</b>							132,926,051	132,926,051
<b>Totals</b>	6,336,423	7,265,053	9,820,048	8,148,532	10,412,587	8,994,648	136,297,631	187,274,922
<b>Expense</b>	9,386,398	7,717,001	9,255,930	8,490,366	10,356,445	8,982,612	137,770,147	191,958,899
<b>Adjustment</b>	0	(238,996)	685,789	(299,651)	81,547	24,568	(1,472,516)	(1,219,259)
<b>Remaining</b>	3,049,975	212,952	121,671	42,183	25,405	12,532	0	3,464,718

\* 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.

Amounts expressed in whole dollars, differences are due to rounding.

See Independent Auditors' Report

**PIMA COUNTY, ARIZONA - PIMA HEALTH SYSTEM AND SERVICES**  
**Ambulatory Care - Profitability by Risk Group - Total Counties**

Year Ending: 06/30/2007 Total Counties	TANF < 1 MF	TANF 1-13 MF	TANF 14-44 F	TANF 14-44 M	TANF 45+	SSI with Med	SSI with out Med	MED	Non - MED	SOBRA Family Planing	SOBRA Moms	SSDI-TMC with Med	SSDI-TMC with out Med	Grand Total
<b>REVENUE &amp; EXPENSES</b>														
<b>Member Months</b>														
SOBRA FPS Mmbr Mths	0	0	0	0	0	0	0	0	0	2,759	0	0	0	2,759
PPC Member Months	529	4,953	2,935	1,420	431	368	385	475	4,233	0	759	0	0	16,488
Pros. Member Months	17,980	115,479	56,743	28,656	11,356	32,033	21,721	1,680	45,095	0	4,657	1	88	335,489
<b>Total Member Months</b>	<b>18,509</b>	<b>120,432</b>	<b>59,678</b>	<b>30,076</b>	<b>11,787</b>	<b>32,401</b>	<b>22,106</b>	<b>2,155</b>	<b>49,328</b>	<b>2,759</b>	<b>5,416</b>	<b>1</b>	<b>88</b>	<b>354,736</b>
Pros. & FPS Mbr. Mths	17,980	115,479	56,743	28,656	11,356	32,033	21,721	1,680	45,095	2,759	4,657	1	88	338,248
Pros. & PPC Mbr. Mths	18,509	120,432	59,678	30,076	11,787	32,401	22,106	2,155	49,328	0	5,416	1	88	351,977
<b>REVENUES</b>														
305 Capitation	8,319,364	11,536,310	10,632,458	3,844,141	3,960,986	6,395,888	14,108,666	1,509,027	17,211,483	33,998	745,739	697	63,529	78,362,287
310 PPC Capitation	660,201	214,547	476,286	197,396	132,318	17,928	48,577	756,310	2,860,512	0	122,694	0	0	5,486,769
312 Hospital Supplement	0	0	0	0	0	73,137	0	2,171,016	0	0	0	0	0	2,244,153
315 SOBRA Supplement	0	0	2,567,967	0	0	17,543	123,168	6,279	108,986	0	3,791,473	0	0	6,615,416
320 HIV-AIDS Supplement	0	4,567	15,355	6,027	6,153	30,028	86,629	42,813	108,853	0	0	0	0	300,426
321 TWG Settlement	0	0	0	0	0	0	0	79,786	2,250,812	0	0	0	0	2,330,598
322 PPC Settlement	6,169	51,905	32,263	15,015	4,829	4,099	4,261	5,073	47,806	0	8,360	0	0	179,780
325 Investment Income	33,266	223,309	109,963	55,540	22,012	62,032	42,074	3,264	87,610	4,375	7,308	1	156	652,406
330 Other Income	713	4,216	2,016	1,006	361	1,131	871	64	1,726	107	176	0	4	12,391
<b>TOTAL REVENUES</b>	<b>9,021,210</b>	<b>12,034,854</b>	<b>13,836,307</b>	<b>4,119,126</b>	<b>4,126,659</b>	<b>6,601,787</b>	<b>14,414,246</b>	<b>4,573,632</b>	<b>22,677,789</b>	<b>38,480</b>	<b>4,675,750</b>	<b>699</b>	<b>63,689</b>	<b>96,184,226</b>
<b>EXPENSES</b>														
<b>Hospitalization</b>														
402 Hospital Inpatient	4,361,279	807,895	3,616,044	602,200	542,362	1,239,954	5,499,864	1,082,709	5,680,835	0	1,359,964	0	42,730	24,835,836
404 Hospital Risk Pool Expenses	0	0	0	0	0	0	0	0	0	0	0	0	0	0
406 PPC-Hospital Inpatient	436,423	62,865	209,652	123,729	61,390	18,775	36,442	1,685,935	3,200,182	0	124,080	0	0	5,959,474
<b>Total Hospitalization</b>	<b>4,797,703</b>	<b>870,760</b>	<b>3,825,696</b>	<b>725,929</b>	<b>603,752</b>	<b>1,258,730</b>	<b>5,536,306</b>	<b>2,768,644</b>	<b>8,881,017</b>	<b>0</b>	<b>1,484,043</b>	<b>0</b>	<b>42,730</b>	<b>30,795,310</b>
<b>Medical Compensation</b>														
408 Primary Care Physician	591,538	1,972,752	1,481,918	467,965	495,587	170,960	711,785	67,997	1,826,412	8,388	88,689	0	205	7,884,196
410 Referral Physician	1,711,597	2,233,584	3,420,132	687,744	728,289	849,213	2,831,966	297,719	3,571,460	11,474	799,440	0	16,171	17,158,789
412 Physician Risk Pool Expenses	0	0	0	0	0	0	0	0	0	0	0	0	0	0
414 PPC - Physician Services	116,930	41,673	113,089	52,312	16,250	5,239	21,656	451,315	731,792	0	66,458	0	0	1,616,715
<b>Total Medical Comp</b>	<b>2,420,064</b>	<b>4,248,009</b>	<b>5,015,140</b>	<b>1,208,022</b>	<b>1,240,126</b>	<b>1,025,412</b>	<b>3,565,406</b>	<b>817,031</b>	<b>6,129,664</b>	<b>19,862</b>	<b>954,587</b>	<b>0</b>	<b>16,377</b>	<b>26,659,700</b>
<b>Other Medical Expenses</b>														
416 Emergency Services	140,385	462,952	472,569	149,191	64,906	57,075	294,183	14,981	486,795	1,212	42,292	0	1,008	2,187,548
418 Pharmacy	209,121	1,170,010	1,178,174	476,459	627,567	261,287	3,888,437	226,210	3,288,911	9,110	67,189	0	52,833	11,455,309
420 Lab, X-ray, & Medical Imaging	176,263	579,625	2,158,047	436,307	586,784	395,099	1,761,875	201,368	2,579,592	3,638	466,476	0	19,139	9,364,213
422 Outpatient Facility	116,666	329,514	255,278	62,056	79,036	179,032	358,780	4,400	342,219	129	70,208	0	1,397	1,798,716
424 Durable Medical Equipment	77,284	194,062	311,990	133,404	82,927	152,162	738,980	73,859	802,813	0	39,770	0	8,070	2,615,321
426 Dental	793	2,371,743	362,000	254,085	21,219	52,399	98,474	11,656	178,006	0	21,840	0	155	3,372,370
428 Transportation	128,213	215,326	315,935	114,258	74,038	395,549	601,102	42,804	636,843	0	36,841	0	264	2,561,173
430 Nursing Facility, Home Health	19,673	3,481	28,040	419	28,366	226,434	277,413	53,581	291,919	0	4,882	0	0	934,207
432 Physical Therapy	18,001	76,800	61,657	47,458	27,876	19,502	89,945	7,999	188,644	0	1,567	0	1,833	541,282
434 Other Risk Pool Expenses	0	0	0	0	0	0	0	0	0	0	0	0	0	0
436 Miscellaneous Medical Expense	0	314	834	963	0	1,924	4,937	0	10,584	0	0	0	0	19,556
438 PPC-Other	31,652	56,323	236,357	65,303	21,920	16,845	28,969	521,549	890,376	0	86,463	0	0	1,955,757
<b>Total Other Medical</b>	<b>918,052</b>	<b>5,460,151</b>	<b>5,380,880</b>	<b>1,739,903</b>	<b>1,614,639</b>	<b>1,757,307</b>	<b>8,143,094</b>	<b>1,158,409</b>	<b>9,696,702</b>	<b>14,089</b>	<b>837,528</b>	<b>0</b>	<b>84,699</b>	<b>36,805,452</b>
<b>TOTAL MEDICAL EXP</b>	<b>8,135,819</b>	<b>10,578,921</b>	<b>14,221,716</b>	<b>3,673,853</b>	<b>3,458,517</b>	<b>4,041,449</b>	<b>17,244,806</b>	<b>4,744,083</b>	<b>24,707,383</b>	<b>33,951</b>	<b>3,276,158</b>	<b>0</b>	<b>143,806</b>	<b>94,260,462</b>
<b>Less:</b>														
440 Reinsurance	(299,760)	(359,424)	(181,147)	(174,981)	(57,343)	(21,271)	(2,531,426)	(1,466,060)	(1,580,416)	0	(51,672)	0	0	(6,723,500)
441 PPC-Reinsurance	0	0	0	0	0	0	0	0	0	0	0	0	0	0
442 Third Party Liability	(302)	(17,479)	(57,650)	(41,221)	(14,821)	(7,884)	(52,291)	(146,781)	(149,227)	(292)	(2,730)	0	0	(490,678)
<b>TOTAL NET MEDICAL EXP</b>	<b>7,835,757</b>	<b>10,202,017</b>	<b>13,982,919</b>	<b>3,457,651</b>	<b>3,386,353</b>	<b>4,012,293</b>	<b>14,661,089</b>	<b>3,131,243</b>	<b>22,977,740</b>	<b>33,659</b>	<b>3,221,757</b>	<b>0</b>	<b>143,806</b>	<b>87,046,284</b>
<b>TOTAL ADMIN EXP</b>														
	211,263	1,379,150	679,882	344,962	139,576	385,548	254,198	537,433	1,992,029	25,830	43,499	9	1,121	5,994,501
<b>TOTAL EXPENSES</b>	<b>8,047,020</b>	<b>11,581,168</b>	<b>14,662,801</b>	<b>3,802,613</b>	<b>3,525,929</b>	<b>4,397,841</b>	<b>14,915,287</b>	<b>3,668,676</b>	<b>24,969,769</b>	<b>59,490</b>	<b>3,265,256</b>	<b>9</b>	<b>144,927</b>	<b>93,040,785</b>
Inc (loss) from operations	974,190	453,686	(826,494)	316,512	600,730	2,203,946	(501,041)	904,956	(2,291,980)	(21,010)	1,410,494	690	(81,238)	3,143,441
Non-operating inc (loss)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Inc (loss) before taxes	974,190	453,686	(826,494)	316,512	600,730	2,203,946	(501,041)	904,956	(2,291,980)	(21,010)	1,410,494	690	(81,238)	3,143,441
Income taxes	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Premium taxes	187,862	244,723	280,383	85,609	83,770	131,220	340,189	119,570	445,523	638	95,360	13	1,264	2,016,123
<b>NET INCOME (LOSS)</b>	<b>786,328</b>	<b>208,963</b>	<b>(1,106,876)</b>	<b>230,903</b>	<b>516,961</b>	<b>2,072,725</b>	<b>(841,230)</b>	<b>785,386</b>	<b>(2,737,503)</b>	<b>(21,648)</b>	<b>1,315,134</b>	<b>677</b>	<b>(82,502)</b>	<b>1,127,319</b>

Amounts expressed in whole dollars, differences are due to rounding.

**PIMA COUNTY, ARIZONA - PIMA HEALTH SYSTEM AND SERVICES**  
**Ambulatory Care - Profitability by Risk Group - Pima County**

Year Ending: 06/30/2007 Pima County	TANF < 1 MF	TANF 1-13 MF	TANF 14-44 F	TANF 14-44 M	TANF 45+	SSI with Med	SSI with out Med	MED	Non - MED	SOBRA Family Planing	SOBRA Moms	SSDI-TMC with Med	SSDI-TMC with out Med	Grand Total
<b>REVENUE &amp; EXPENSES</b>														
<b>Member Months</b>														
SOBRA FPS Mmbr Mths	0	0	0	0	0	0	0	0	0	2,527	0	0	0	2,527
PPC Member Months	469	4,212	2,505	1,172	320	298	353	406	3,855	0	697	0	0	14,287
Pros. Member Months	15,750	93,356	44,910	22,376	7,991	25,109	19,281	1,411	38,748	0	4,140	1	85	273,158
<b>Total Member Months</b>	16,219	97,568	47,415	23,548	8,311	25,407	19,634	1,817	42,603	2,527	4,837	1	85	289,972
Pros. & FPS Mbr. Mths	15,750	93,356	44,910	22,376	7,991	25,109	19,281	1,411	38,748	2,527	4,140	1	85	275,685
Pros. & PPC Mbr. Mths	16,219	97,568	47,415	23,548	8,311	25,407	19,634	1,817	42,603	0	4,837	1	85	287,445
<b>REVENUES</b>														
305 Capitation	7,281,397	9,336,472	8,430,900	3,003,110	2,782,619	5,015,845	12,517,479	1,274,887	14,813,900	30,171	645,456	697	59,329	65,192,263
310 PPC Capitation	576,733	181,973	405,742	162,969	99,092	14,510	43,879	640,946	2,599,844	0	112,629	0	0	4,838,317
312 Hospital Supplement	0	0	0	0	0	73,137	0	1,981,141	0	0	0	0	0	2,054,278
315 SOBRA Supplement	0	0	2,290,947	0	0	17,543	96,491	6,279	89,780	0	3,279,869	0	0	5,780,909
320 HIV-AIDS Supplement	0	4,567	15,355	6,027	6,153	30,028	86,629	42,813	108,853	0	0	0	0	300,426
321 TWG Settlement	0	0	0	0	0	0	0	71,163	2,014,736	0	0	0	0	2,085,899
322 PPC Settlement	5,235	43,991	26,825	12,094	3,368	3,125	3,774	4,261	43,139	0	7,548	0	0	153,361
325 Investment Income	28,950	180,618	87,204	43,360	15,481	48,602	37,339	2,756	75,425	3,913	6,272	1	145	531,562
330 Other Income	713	4,216	2,016	1,006	361	1,131	871	64	1,726	107	176	0	4	12,391
<b>TOTAL REVENUES</b>	7,894,524	9,751,836	11,258,988	3,228,566	2,907,074	5,203,921	12,786,463	4,024,311	19,747,404	34,191	4,051,950	699	59,478	80,949,406
<b>EXPENSES</b>														
<b>Hospitalization</b>														
402 Hospital Inpatient	4,030,801	703,753	3,137,560	545,429	308,994	939,648	5,113,796	943,146	5,235,058	0	1,268,000	0	42,730	22,268,916
404 Hospital Risk Pool Expenses	0	0	0	0	0	0	0	0	0	0	0	0	0	0
406 PPC-Hospital Inpatient	350,583	58,424	174,237	98,809	61,390	8,778	36,442	1,559,421	3,063,916	0	126,387	0	0	5,538,387
<b>Total Hospitalization</b>	4,381,385	762,178	3,311,797	644,238	370,384	948,427	5,150,238	2,502,567	8,298,974	0	1,394,387	0	42,730	27,807,303
<b>Medical Compensation</b>														
408 Primary Care Physician	491,612	1,690,263	1,262,597	376,356	380,829	136,049	653,872	60,781	1,649,255	8,084	83,721	0	205	6,793,623
410 Referral Physician	1,555,122	1,803,710	2,876,040	561,504	495,010	695,355	2,627,836	265,418	3,168,562	10,621	722,686	0	16,079	14,797,944
412 Physician Risk Pool Expenses	0	0	0	0	0	0	0	0	0	0	0	0	0	0
414 PPC - Physician Services	98,203	35,935	105,306	41,138	14,605	5,727	17,032	407,913	698,888	0	60,054	0	0	1,484,801
<b>Total Medical Comp</b>	2,144,936	3,529,908	4,243,943	978,998	890,444	837,131	3,298,741	734,112	5,516,705	18,706	866,461	0	16,284	23,076,368
<b>Other Medical Expenses</b>														
416 Emergency Services	123,815	375,670	410,414	121,529	49,704	46,690	270,846	11,925	447,494	1,212	39,960	0	1,008	1,900,267
418 Pharmacy	191,250	909,113	1,032,360	412,223	518,926	210,170	3,124,571	215,095	3,013,530	8,693	58,929	0	52,282	9,747,141
420 Lab, X-ray, & Medical Imaging	158,268	446,753	1,829,619	341,115	446,939	314,947	1,630,338	182,213	2,301,503	3,501	427,457	0	19,100	8,101,754
422 Outpatient Facility	112,092	325,082	236,578	58,629	62,121	135,869	333,461	4,210	298,522	129	65,384	0	1,397	1,633,474
424 Durable Medical Equipment	60,259	138,148	247,531	102,381	56,965	84,946	678,566	65,142	732,459	0	37,879	0	8,070	2,212,345
426 Dental	793	1,869,702	284,953	201,975	17,279	43,523	89,920	9,399	164,051	0	20,456	0	155	2,702,205
428 Transportation	102,220	153,416	247,536	88,780	44,562	327,109	545,268	31,921	584,403	0	36,628	0	264	2,162,107
430 Nursing Facility, Home Health	17,016	3,481	22,557	419	22,169	175,846	266,508	41,866	279,370	0	4,882	0	0	834,114
432 Physical Therapy	16,962	68,260	48,970	34,649	16,103	15,231	84,286	7,954	172,751	0	1,561	0	1,833	468,561
434 Other Risk Pool Expenses	0	0	0	0	0	0	0	0	0	0	0	0	0	0
436 Miscellaneous Medical Expense	0	314	834	963	0	1,921	4,937	0	10,459	0	0	0	0	19,428
438 PPC-Other	15,171	47,815	223,894	54,540	21,701	14,179	28,674	446,671	846,283	0	84,075	0	0	1,783,003
<b>Total Other Medical</b>	797,846	4,337,755	4,585,245	1,417,202	1,256,469	1,370,430	7,057,375	1,016,396	8,850,825	13,536	777,210	0	84,109	31,564,399
<b>TOTAL MEDICAL EXP</b>	7,324,167	8,629,841	12,140,984	3,040,438	2,517,297	3,155,988	15,506,354	4,253,075	22,666,504	32,241	3,038,058	0	143,123	82,448,070
<b>Less:</b>														
440 Reinsurance	(299,760)	(359,424)	(181,147)	(174,981)	(57,343)	(21,271)	(2,531,426)	(1,466,060)	(1,580,416)	0	(51,672)	0	0	(6,723,500)
441 PPC-Reinsurance	0	0	0	0	0	0	0	0	0	0	0	0	0	0
442 Third Party Liability	(302)	(17,479)	(57,650)	(41,221)	(14,821)	(7,884)	(52,291)	(146,781)	(149,227)	(292)	(2,730)	0	0	(490,678)
<b>TOTAL NET MEDICAL EXP</b>	7,024,105	8,252,938	11,902,187	2,824,236	2,445,133	3,126,832	12,922,637	2,640,235	20,936,860	31,949	2,983,657	0	143,123	75,233,892
<b>TOTAL ADMIN EXP</b>														
	178,347	1,057,307	508,674	253,161	90,356	284,408	218,266	488,398	1,748,624	22,298	35,517	9	1,020	4,886,382
<b>TOTAL EXPENSES</b>	7,202,452	9,310,245	12,410,861	3,077,396	2,535,489	3,411,240	13,140,903	3,128,633	22,685,485	54,247	3,019,173	9	144,142	80,120,274
Inc (loss) from operations	692,072	441,591	(1,151,873)	151,169	371,586	1,792,681	(354,440)	895,678	(2,938,080)	(20,055)	1,032,777	690	(84,664)	829,132
Non-operating inc (loss)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Inc (loss) before taxes	692,072	441,591	(1,151,873)	151,169	371,586	1,792,681	(354,440)	895,678	(2,938,080)	(20,055)	1,032,777	690	(84,664)	829,132
Income taxes	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Premium taxes	165,362	199,982	229,248	68,024	59,505	103,590	307,775	108,606	391,661	573	82,983	13	1,180	1,718,500
<b>NET INCOME (LOSS)</b>	526,710	241,610	(1,381,121)	83,145	312,080	1,689,091	(662,215)	787,072	(3,329,741)	(20,628)	949,794	677	(85,844)	(889,368)

Amounts expressed in whole dollars, differences are due to rounding.

**PIMA COUNTY, ARIZONA - PIMA HEALTH SYSTEM AND SERVICES**  
**Ambulatory Care - Profitability by Risk Group - Santa Cruz County**

Pima Health Plan Fiscal Year Ending: 06/30/2007 Santa Cruz County	TANF < 1 MF	TANF 1-13 MF	TANF 14-44 F	TANF 14-44 M	TANF 45+	SSI with Med	SSI with out Med	MED	Non - MED	SOBRA Family Planing	SOBRA Moms	SSDI-TMC with Med	SSDI-TMC with out Med	Grand Total
<b>REVENUE &amp; EXPENSES</b>														
Member Months														
SOBRA FPS Mmbr Mths	0	0	0	0	0	0	0	0	0	232	0	0	0	232
PPC Member Months	60	741	430	248	111	70	32	69	378	0	62	0	0	2,201
Pros. Member Months	2,230	22,123	11,833	6,280	3,365	6,924	2,440	269	6,347	0	517	0	3	62,331
Total Member Months	2,290	22,864	12,263	6,528	3,476	6,994	2,472	338	6,725	232	579	0	3	64,764
Pros. & FPS Mbr. Mths	2,230	22,123	11,833	6,280	3,365	6,924	2,440	269	6,347	232	517	0	3	62,563
Pros. & PPC Mbr. Mths	2,290	22,864	12,263	6,528	3,476	6,994	2,472	338	6,725	0	579	0	3	64,532
<b>REVENUES</b>														
305 Capitation	1,037,967	2,199,839	2,201,558	841,031	1,178,367	1,380,043	1,591,187	234,139	2,397,583	3,827	100,283	0	4,200	13,170,024
310 PPC Capitation	83,469	32,574	70,544	34,427	33,226	3,418	4,698	115,364	260,668	0	10,065	0	0	648,452
312 Hospital Supplement	0	0	0	0	0	0	0	189,875	0	0	0	0	0	189,875
315 SOBRA Supplement	0	0	277,020	0	0	0	26,677	0	19,206	0	511,605	0	0	834,507
320 HIV-AIDS Supplement	0	0	0	0	0	0	0	0	0	0	0	0	0	0
321 TWG Settlement	0	0	0	0	0	0	0	8,624	236,075	0	0	0	0	244,699
322 PPC Settlement	933	7,914	5,438	2,922	1,461	974	487	812	4,667	0	812	0	0	26,419
325 Investment Income	4,317	42,691	22,759	12,180	6,531	13,430	4,734	507	12,186	461	1,036	0	11	120,844
330 Other Income	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>TOTAL REVENUES</b>	1,126,686	2,283,017	2,577,319	890,560	1,219,585	1,397,866	1,627,783	549,321	2,930,384	4,288	623,800	0	4,211	15,234,820
<b>EXPENSES</b>														
Hospitalization														
402 Hospital Inpatient	330,478	104,142	478,484	56,771	233,368	300,306	386,068	139,563	445,777	0	91,963	0	0	2,566,920
404 Hospital Risk Pool Expenses	0	0	0	0	0	0	0	0	0	0	0	0	0	0
406 PPC-Hospital Inpatient	85,840	4,441	35,416	24,920	0	9,997	0	126,514	136,266	0	(2,307)	0	0	421,087
<b>Total Hospitalization</b>	416,318	108,583	513,900	81,690	233,368	310,303	386,068	266,077	582,044	0	89,657	0	0	2,988,007
Medical Compensation														
408 Primary Care Physician	99,927	282,489	219,321	91,610	114,759	34,911	57,912	7,216	177,157	304	4,968	0	0	1,090,573
410 Referral Physician	156,474	429,874	544,092	126,240	233,279	153,858	204,130	32,301	402,897	853	76,754	0	93	2,360,845
412 Physician Risk Pool Expenses	0	0	0	0	0	0	0	0	0	0	0	0	0	0
414 PPC - Physician Services	18,727	5,738	7,784	11,174	1,645	(488)	4,623	43,402	32,904	0	6,404	0	0	131,914
<b>Total Medical Comp</b>	275,128	718,101	771,197	229,024	349,682	188,282	266,665	82,919	612,959	1,156	88,126	0	93	3,583,332
Other Medical Expenses														
416 Emergency Services	16,569	87,283	62,155	27,662	15,202	10,385	23,337	3,056	39,301	0	2,332	0	0	287,281
418 Pharmacy	17,871	260,897	145,814	64,237	108,642	51,117	763,866	11,116	275,381	417	8,260	0	552	1,708,168
420 Lab, X-ray, & Medical Imaging	17,995	132,872	328,429	95,191	139,845	80,151	131,536	19,155	278,089	137	39,019	0	39	1,262,459
422 Outpatient Facility	4,574	4,432	18,701	3,427	16,916	43,163	25,318	190	43,697	0	4,824	0	0	165,242
424 Durable Medical Equipment	17,025	55,914	64,459	31,024	25,962	67,216	60,414	8,717	70,354	0	1,891	0	0	402,976
426 Dental	0	502,041	77,047	52,110	3,940	8,875	8,555	2,258	13,955	0	1,385	0	0	670,165
428 Transportation	25,994	61,911	68,399	25,479	29,476	68,440	55,834	10,883	52,439	0	213	0	0	399,066
430 Nursing Facility, Home Health	2,657	0	5,483	0	6,196	50,588	10,905	11,715	12,549	0	0	0	0	100,093
432 Physical Therapy	1,039	8,539	12,687	12,808	11,773	4,272	5,659	45	15,893	0	6	0	0	72,721
434 Other Risk Pool Expenses	0	0	0	0	0	0	0	0	0	0	0	0	0	0
436 Miscellaneous Medical Expense	0	0	0	0	0	3	0	0	125	0	0	0	0	128
438 PPC-Other	16,481	8,507	12,462	10,763	219	2,667	295	74,878	44,093	0	2,388	0	0	172,754
<b>Total Other Medical</b>	120,206	1,122,396	795,635	322,700	358,170	386,876	1,085,719	142,012	845,877	554	60,317	0	590	5,241,053
<b>TOTAL MEDICAL EXP</b>	811,652	1,949,080	2,080,732	633,415	941,220	885,461	1,738,452	491,008	2,040,880	1,710	238,100	0	683	11,812,392
Less:														
440 Reinsurance	0	0	0	0	0	0	0	0	0	0	0	0	0	0
441 PPC-Reinsurance	0	0	0	0	0	0	0	0	0	0	0	0	0	0
442 Third Party Liability	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>TOTAL NET MEDICAL EXP</b>	811,652	1,949,080	2,080,732	633,415	941,220	885,461	1,738,452	491,008	2,040,880	1,710	238,100	0	683	11,812,392
<b>TOTAL ADMIN EXP</b>	32,916	321,843	171,208	91,802	49,220	101,140	35,932	49,035	243,405	3,533	7,983	0	101	1,108,119
<b>TOTAL EXPENSES</b>	844,568	2,270,923	2,251,940	725,217	990,440	986,601	1,774,384	540,044	2,284,284	5,243	246,083	0	784	12,920,511
Inc (loss) from operations	282,118	12,094	325,379	165,343	229,145	411,265	(146,601)	9,277	646,100	(954)	377,717	0	3,427	2,314,309
Non-operating inc (loss)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Inc (loss) before taxes	282,118	12,094	325,379	165,343	229,145	411,265	(146,601)	9,277	646,100	(954)	377,717	0	3,427	2,314,309
Income taxes	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Premium taxes	22,500	44,741	51,135	17,586	24,265	27,630	32,414	10,963	53,862	65	12,377	0	84	297,623
<b>NET INCOME (LOSS)</b>	259,618	(32,647)	274,244	147,758	204,880	383,634	(179,015)	(1,686)	592,237	(1,019)	365,340	0	3,342	2,016,686

Amounts expressed in whole dollars, differences are due to rounding.

**PIMA COUNTY, ARIZONA**  
**PIMA HEALTH SYSTEM AND SERVICES**  
**Ambulatory Care - PPC Claims Lag Report - Hospital**  
**Year Ended June 30, 2007**

<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>	866,377	296,153	179,157	14,198	217	-	(1,505)	1,354,597
<b>1st Prior</b>		900,647	378,506	237,546	61,023	57,181	(1,422)	1,633,481
<b>2nd Prior</b>			1,033,363	147,783	278,179	23,568	7,760	1,490,653
<b>3rd Prior</b>				1,016,798	(23,126)	149,717	126,150	1,269,539
<b>4th Prior</b>					894,902	424,995	397,682	1,717,579
<b>5th Prior</b>						1,299,420	566,010	1,865,430
<b>6th Prior*</b>							16,309,738	16,309,738
<b>Totals</b>	866,377	1,196,800	1,591,026	1,416,325	1,211,195	1,954,881	17,404,413	25,641,017
<b>Expense</b>	1,190,981	1,687,637	1,470,835	1,610,021	1,182,199	2,025,782	16,987,098	26,154,553
<b>Adjustment</b>		(311,139)	198,776	(156,789)	38,978	(65,889)	417,315	121,252
<b>Remaining</b>	324,604	179,698	78,585	36,907	9,982	5,012	-	634,788

\* 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.

Amounts expressed in whole dollars, differences are due to rounding.

See Independent Auditors' Report

**PIMA COUNTY, ARIZONA  
PIMA HEALTH SYSTEM AND SERVICES  
Ambulatory Care - PPC Claims Lag Report - Medical  
Year Ended June 30, 2007**

<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>	336,566	(22,518)	58,892	7,843	1,357	(12)	(517)	381,611
<b>1st Prior</b>		323,635	248,126	46,548	19,129	2,574	(160)	639,852
<b>2nd Prior</b>			221,933	66,914	54,515	7,321	(7,210)	343,473
<b>3rd Prior</b>				322,672	20,026	15,230	8,831	366,759
<b>4th Prior</b>					294,536	103,679	82,561	480,776
<b>5th Prior</b>						440,744	155,239	595,983
<b>6th Prior*</b>							4,758,464	4,758,464
<b>Totals</b>	336,566	301,117	528,951	443,977	389,563	569,536	4,997,208	7,566,918
<b>Expense</b>	431,333	423,357	302,045	459,980	359,537	549,711	5,016,646	7,542,609
<b>Adjustment</b>		(44,752)	248,951	(2,388)	35,244	19,825	(19,438)	237,442
<b>Remaining</b>	94,767	77,488	22,045	13,615	5,218	-	-	213,133

\* 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.

Amounts expressed in whole dollars, differences are due to rounding.

See Independent Auditors' Report

**PIMA COUNTY, ARIZONA**  
**PIMA HEALTH SYSTEM AND SERVICES**  
**Ambulatory Care - PPC Claims Lag Report - Other**  
**Year Ended June 30, 2007**

<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>	67,734	276,001	102,887	43,874	2,297	533	(54)	493,272
<b>1st Prior</b>		359,561	54,487	86,429	16,459	4,652	(79)	521,509
<b>2nd Prior</b>			226,984	117,781	49,699	9,287	4,723	408,474
<b>3rd Prior</b>				302,521	582,271	31,507	26,624	942,923
<b>4th Prior</b>					334,590	64,982	65,586	465,158
<b>5th Prior</b>						327,800	157,427	485,227
<b>6th Prior*</b>							4,760,541	4,760,541
<b>Totals</b>	67,734	635,562	384,358	550,605	985,316	438,761	5,014,768	8,077,104
<b>Expense</b>	583,963	580,514	357,278	434,002	417,657	462,836	4,950,460	7,786,710
<b>Adjustment</b>		252,828	50,337	129,881	572,369	(24,075)	64,308	1,045,648
<b>Remaining</b>	516,229	197,780	23,257	13,278	4,710	-	-	755,254

\* 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.

Amounts expressed in whole dollars, differences are due to rounding.

See Independent Auditors' Report

PIMA COUNTY, ARIZONA  
PIMA HEALTH SYSTEM AND SERVICES  
AMBULATORY CARE - OFFICERS AND DIRECTORS  
Year Ended June 30, 2007

<u>NAME</u>	<u>TITLE</u>	<u>OTHER RELATIONSHIP TO PLAN</u>	<u>TYPE OF COMPENSATION</u>
DiCicco, Melanie	Behavioral Health Manager	None	Salary
Eyde, Kathy	Preventative & Maternal Child Health Manager	None	Salary
Fields, Karen	Plan Administrator	None	Salary (2)
Frederick, Pam	Quality Management Manager	None	Salary
Hart, Mark	MIS Manager	None	Salary (2)
Hartsfield, Kelli	Grievance Coordinator	None	Salary
Kaehler, Mary	Plan Administrator	None	Salary (1)
Le Blanc, Marcia	Chief Operations Officer	None	Salary (2)
Peterson, Timothy, M.D.	Medical Director	None	Salary (1)
Roundtree, Virginia	Corporate Compliance & Privacy Officer	None	Salary
Russell, R. Mark, M.D.	Medical Director	None	Salary
Stryker-Smit, Johanna	Pharmacy Services Manager	None	Salary
Terry, Donna	Chief Financial Officer	None	Salary
Toro, Anthony	Claims Manager	None	Salary
Wortman, Susan	Utilization Management Manager	None	Salary

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(1) Resigned or (2) changed positions during the period for July 1, 2006 to June 30, 2007.

**PIMA COUNTY, ARIZONA**  
**PIMA HEALTH SYSTEM AND SERVICES**  
**ALTCS - Medical Claims Payable Report - (RBUCS)**  
**Year Ended June 30, 2007**

ACCOUNT	1-30 DAYS	31-60 DAYS	61-90 DAYS	OVER 90 DAYS	TOTAL RBUCs
Institutional Care	274,357	(39,263)	(37,408)	(36,421)	161,265
HCBS	1,399,712	(63,177)	(8,329)	(3,375)	1,324,831
Acute Care	955,379	96,910	(3,649)	(24,231)	1,024,409
Other Medical	187,928	(2,616)	(270)	(785)	184,257
Total Prospective	2,817,376	(8,146)	(49,656)	(64,812)	2,694,762
Total Prior Period Coverage	47,943	(6,347)	-	(10,315)	31,281
<b>TOTAL CLAIMS PAYABLE</b>	<b>2,865,319</b>	<b>(14,493)</b>	<b>(49,656)</b>	<b>(75,127)</b>	<b>2,726,043</b>

Amounts expressed in whole dollars, differences are due to rounding.

See Independent Auditors' Report

**PIMA COUNTY, ARIZONA**  
**PIMA HEALTH SYSTEM AND SERVICES**  
**ALTCS - Claims Lag Report for Prospective Period Only**  
**Year Ended June 30, 2007**

**A - INSTITUTIONAL 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	11,521,885	4,577,058	53,501	5,735	1,351	309	2,300	16,162,139
2	1ST PRIOR		13,074,998	3,255,005	58,486	1,664	2,100	(3,141)	16,389,112
3	2ND PRIOR			13,872,629	2,881,636	57,219	3,342	(504)	16,814,322
4	3RD PRIOR				13,128,488	3,682,614	80,988	18,478	16,910,568
5	4TH PRIOR					13,126,847	3,702,807	130,085	16,959,739
6	5TH PRIOR						12,223,093	3,955,534	16,178,627
7	6TH PRIOR							12,385,681	12,385,681
8	TOTALS	11,521,885	17,652,056	17,181,135	16,074,345	16,869,695	16,012,639	16,488,433	111,800,188
9	EXP. REPORTED	15,690,701	17,340,221	17,335,394	15,944,493	16,971,565	16,577,125	16,186,658	116,046,157
10	ADJUSTMENT		(1,106,656)	124,583	(142,569)	95,687	564,486	(301,775)	(766,244)
11	REMAINING LIABILITY	4,168,816	794,821	29,676	12,717	6,183	-	-	5,012,213

**B - 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	7,081,063	2,975,607	33,006	(822)	-	-	-	10,088,854
2	1ST PRIOR		8,188,994	2,745,264	69,216	4,230	756	-	11,008,460
3	2ND PRIOR			3,271,712	3,548,661	25,448	(914)	62	6,844,969
4	3RD PRIOR				7,191,030	1,182,043	73,267	5,890	8,452,230
5	4TH PRIOR					7,218,697	2,358,218	84,082	9,660,997
6	5TH PRIOR						6,059,279	3,646,523	9,705,802
7	6TH PRIOR							5,703,138	5,703,138
8	TOTALS	7,081,063	11,164,601	6,049,982	10,808,085	8,430,418	8,490,606	9,439,695	61,464,450
9	EXP. REPORTED	11,275,066	11,062,180	9,261,002	10,060,667	9,040,396	8,890,673	9,098,877	68,688,861
10	ADJUSTMENT		(361,227)	3,148,652	(764,585)	605,489	400,067	(340,818)	2,687,578
11	REMAINING LIABILITY	4,194,003	258,806	62,368	17,167	4,489	-	-	4,536,833

**C - ACUTE 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	2,132,976	2,057,706	13,207	(34,064)	(5,488)	1,910	23,225	4,189,472
2	1ST PRIOR		2,649,434	2,420,529	206,409	26,247	(61,567)	(1,135)	5,239,917
3	2ND PRIOR			2,372,407	2,757,062	297,108	88,187	8,600	5,523,364
4	3RD PRIOR				4,111,563	(163,474)	155,579	26,551	4,130,219
5	4TH PRIOR					2,883,375	2,718,482	347,188	5,949,045
6	5TH PRIOR						5,058,908	1,947,710	7,006,618
7	6TH PRIOR							3,182,156	3,182,156
8	TOTALS	2,132,976	4,707,140	4,806,143	7,040,970	3,037,768	7,961,499	5,534,295	35,220,791
9	EXP. REPORTED	3,753,475	5,253,554	4,610,419	6,202,839	4,804,697	7,872,152	7,804,435	40,301,571
10	ADJUSTMENT		305,425	(329,584)	(874,270)	1,742,350	(95,991)	2,268,450	3,016,380
11	REMAINING LIABILITY	1,620,499	240,989	133,860	36,139	24,579	6,644	1,690	2,064,400

**D - 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	1,048,674	381,105	7,578	6,353	242	(291)	10	1,443,671
2	1ST PRIOR		695,079	539,873	63,163	11,605	(14)	-	1,309,706
3	2ND PRIOR			152,459	882,223	36,687	260	-	1,071,629
4	3RD PRIOR				863,572	60,087	(118)	8,084	931,625
5	4TH PRIOR					1,119,241	221,016	24,488	1,364,745
6	5TH PRIOR						981,491	62,269	1,043,760
7	6TH PRIOR							788,685	788,685
8	TOTALS	1,048,674	1,076,184	699,910	1,815,311	1,227,862	1,202,344	883,536	7,953,821
9	EXP. REPORTED	1,263,577	914,430	1,561,041	1,071,966	1,231,111	1,236,530	1,063,205	8,341,860
10	ADJUSTMENT		(316,938)	803,648	(775,116)	(7,589)	29,568	179,669	(86,758)
11	REMAINING LIABILITY	214,903	155,184	57,483	31,771	10,838	4,618	-	474,797

Amounts expressed in whole dollars, differences are due to rounding.

**PIMA COUNTY, ARIZONA**  
**PIMA HEALTH SYSTEM AND SERVICES - ALTCS**  
**Analysis of Profitability by County by Major Rate Code Classification - Pima County**  
**Year Ended June 30, 2007**

Account #	Account Description	Dual Members Amount	Dual Members PMPM	Non-Dual Members Amount	Non-Dual Members PMPM	Total Amount	Total PMPM
<b>Revenues:</b>							
300	Capitation	103,786,092	2,359.47	34,154,760	776.47	137,940,851	3,135.95
305	PPC Capitation	1,090,333	24.79	80,297	1.83	1,170,630	26.61
310	Reinsurance	1,255,423	28.54	5,866,948	133.38	7,122,371	161.92
315	PPC - Reconciliation	-	-	-	-	-	-
320	Share of Cost (SOC) Reconciliation *	(1,021,933)	(23.23)	(199,511)	(4.54)	(1,221,444)	(27.77)
325	HCBS Placement Reconciliation *	(406,783)	(9.25)	(79,607)	(1.81)	(486,390)	(11.06)
330	HIV-AIDS /Supplement	57,317	1.30	11,267	0.26	68,584	1.56
335	Other AHCCCS Revenue (Report #4)	-	-	-	-	-	-
	Subtotal AHCCCS Revenue	104,760,449	2,381.62	39,834,154	905.59	144,594,603	3,287.21
350	Investment Income *	289,900	6.59	56,787	1.29	346,688	7.88
360	Third Party Liability Recoveries	-	-	-	-	-	-
370	Patient Contributions (MSOC)	34,073	0.77	6,672	0.15	40,745	0.93
380	Other Non-AHCCCS Income (Report #4)	36,237	0.82	7,132	0.16	43,369	0.99
	Subtotal Non-AHCCCS Revenue	360,210	8.19	70,591	1.60	430,802	9.79
	<b>TOTAL REVENUES</b>	<b>105,120,659</b>	<b>2,389.81</b>	<b>39,904,745</b>	<b>907.19</b>	<b>145,025,404</b>	<b>3,297.01</b>
<b>Institutional Care Expenses:</b>							
400	NF ICF & Bedholds	-	-	-	-	-	-
402	Level I	20,620,468	468.79	2,317,853	52.69	22,938,321	521.48
404	Level II	26,293,881	597.76	2,536,736	57.67	28,830,617	655.43
406	Level III	10,358,591	235.49	897,795	20.41	11,256,386	255.90
408	Institutional Care	-	-	-	-	-	-
410	PPC Institutional	496,413	11.29	22,721	0.52	519,134	11.80
412	Other Institutional Care (Report #4)	-	-	-	-	-	-
	<b>TOTAL INSTITUTIONAL CARE</b>	<b>57,769,353</b>	<b>1,313.33</b>	<b>5,775,104</b>	<b>131.29</b>	<b>63,544,457</b>	<b>1,444.62</b>
<b>Home &amp; Community Bases Services (HCBS)Expenses:</b>							
414	Home Health Nurse	1,739,280	39.54	1,104,879	25.12	2,844,158	64.66
416	Home Health Aide	8,552	0.19	5,707	0.13	14,260	0.32
418	Personal Care	3,964,156	90.12	1,389,142	31.58	5,353,298	121.70
420	Homemaker	1,209,747	27.50	217,451	4.94	1,427,198	32.45
422	Home Delivered Meals	290,031	6.59	73,464	1.67	363,495	8.26
424	Respite Care	633,083	14.39	95,492	2.17	728,575	16.56
426	Attendant Care	12,705,018	288.84	2,240,499	50.94	14,945,518	339.77
428	Assisted Living Home	5,360,952	121.65	620,666	14.11	5,971,618	135.76
429	Assisted Living Center	3,104,908	70.59	1,149,585	26.13	4,254,493	96.72
430	Adult Day Health	158,213	3.60	36,488	0.83	194,700	4.43
432	Adult Foster Care	905,514	20.59	245,401	5.58	1,150,916	26.16
434	Group Respite	-	-	-	-	-	-
436	Hospice	106,086	2.41	202,518	4.60	308,604	7.02
438	Environmental Modifications	27,285	0.62	11,523	0.26	38,808	0.88
443	PPC HCBS	104,228	2.37	6,727	0.15	110,956	2.52
444	Other HCBS Costs (Report #4)	365,057	8.30	55,587	1.26	420,644	9.56
	<b>TOTAL HCBS</b>	<b>30,672,112</b>	<b>697.30</b>	<b>7,455,129</b>	<b>169.48</b>	<b>38,127,240</b>	<b>866.78</b>
<b>Acute Care Expenses:</b>							
448	Inpatient Services (Hosp.)	1,296,351	29.47	3,952,848	89.86	5,249,199	119.34
450	Primary Care Physician Services	163,037	3.71	301,120	6.85	464,157	10.55
452	Referral Physician Services	1,060,856	24.12	1,788,598	40.66	2,849,454	64.78
454	Emergency Services	37,873	0.86	89,216	2.03	127,088	2.89
456	Out Patient Facility	138,176	3.14	140,167	3.19	278,343	6.33
458	Prescription Drug	656,209	14.92	3,373,561	76.69	4,029,770	91.61
460	Lab/Radiology	257,318	5.85	722,534	16.43	979,852	22.28
462	Durable Medical Equipment	452,981	10.30	1,055,997	24.01	1,508,978	34.31
464	Dental	48,613	1.11	25,347	0.58	73,960	1.68
466	Transportation	1,362,173	30.97	713,140	16.21	2,075,313	47.18
468	Therapies	83,729	1.90	201,860	4.59	285,589	6.49
470	Outpatient Behavioral Health	285,278	6.49	643,115	14.62	928,393	21.11
471	PPC Acute Care	170,238	3.87	11,178	0.25	181,416	4.12
472	Other Acute Care Costs (Report #4)	-	-	-	-	-	-
	<b>TOTAL ACUTE CARE</b>	<b>6,012,832</b>	<b>136.70</b>	<b>13,018,681</b>	<b>295.97</b>	<b>19,031,514</b>	<b>432.66</b>
<b>Other Medical Expenses:</b>							
474	Ventilator Dependent	1,413,835	32.14	3,287,270	74.73	4,701,105	106.87
477	PPC - Other	-	-	-	-	-	-
479	Other Medical (Report #4)	-	-	-	-	-	-
	<b>TOTAL OTHER MEDICAL</b>	<b>1,413,835</b>	<b>32.14</b>	<b>3,287,270</b>	<b>74.73</b>	<b>4,701,105</b>	<b>106.87</b>
480	Case Management	4,154,702	94.45	815,575	18.54	4,970,276	112.99
	<b>TOTAL MEDICAL EXPENSE:</b>	<b>100,022,834</b>	<b>2,273.92</b>	<b>30,351,759</b>	<b>690.02</b>	<b>130,374,593</b>	<b>2,963.93</b>
<b>Administrative Expenses:*</b>							
484	Compensation	3,345,147	76.05	711,351	16.17	4,056,499	92.22
488	Data Processing	429,132	9.76	90,403	2.06	519,535	11.81
490	Management Fees	-	-	-	-	-	-
492	Interest Expense	-	-	-	-	-	-
493	Occupancy	848,110	19.28	174,881	3.98	1,022,992	23.26
494	Marketing	-	-	-	-	-	-
495	Depreciation	-	-	-	-	-	-
496	Other Administration (Report #4)	2,446,884	55.63	512,634	11.65	2,959,518	67.28
	<b>TOTAL ADMINISTRATION</b>	<b>7,069,274</b>	<b>160.71</b>	<b>1,489,269</b>	<b>33.86</b>	<b>8,558,543</b>	<b>194.57</b>
	<b>TOTAL EXPENSE</b>	<b>107,092,108</b>	<b>2,434.63</b>	<b>31,841,028</b>	<b>723.87</b>	<b>138,933,136</b>	<b>3,158.50</b>
	<b>INCOME FROM OPERATIONS</b>	<b>(1,971,449)</b>	<b>(44.82)</b>	<b>8,063,717</b>	<b>183.32</b>	<b>6,092,268</b>	<b>138.50</b>
497	Non-Operating Income (Loss)-Not reported above	-	-	-	-	-	-
	<b>INCOME(LOSS) BEFORE TAXES</b>	<b>(1,971,449)</b>	<b>(44.82)</b>	<b>8,063,717</b>	<b>183.32</b>	<b>6,092,268</b>	<b>138.50</b>
498	Provision for Premium Taxes	2,115,985	48.10	804,899	18.30	2,920,884	66.40
499	Provision for Income Taxes	-	-	-	-	-	-
	<b>NET INCOME(LOSS) AFTER TAXES</b>	<b>(4,087,434)</b>	<b>(92.92)</b>	<b>7,258,818</b>	<b>165.02</b>	<b>3,171,384</b>	<b>72.10</b>

Amounts expressed in whole dollars, differences are due to rounding.

**PIMA COUNTY, ARIZONA**  
**PIMA HEALTH SYSTEM AND SERVICES - ALTCS**  
**Analysis of Profitability by County by Major Rate Code Classification - Santa Cruz County**  
**Year Ended June 30, 2007**

Account #	Account Description	Dual Members Amount	Dual Members PMPM	Non-Dual Members Amount	Non-Dual Members PMPM	Total Amount	Total PMPM
<b>Revenues:</b>							
300	Capitation	6,713,988	2,438.79	975,605	354.38	7,689,594	2,793.17
305	PPC Capitation	15,571	5.66	629	0.23	16,200	5.88
310	Reinsurance	-	-	-	-	-	-
315	PPC - Reconciliation	-	-	-	-	-	-
320	Share of Cost (SOC) Reconciliation *	(69,528)	(25.26)	(8,437)	(3.06)	(77,965)	(28.32)
325	HCBS Placement Reconciliation *	(27,912)	(10.14)	(3,134)	(1.14)	(31,046)	(11.28)
330	HIV-AIDS /Supplement	3,917	1.42	460	0.17	4,378	1.59
335	Other AHCCCS Revenue (Report #4)	-	-	-	-	-	-
	Subtotal AHCCCS Revenue	6,636,037	2,410.47	965,124	350.57	7,601,161	2,761.05
350	Investment Income *	19,855	7.21	2,274	0.83	22,129	8.04
360	Third Party Liability Recoveries	-	-	-	-	-	-
370	Patient Contributions (MSOC)	2,339	0.85	262	0.10	2,601	0.94
380	Other Non-AHCCCS Income (Report #4)	2,445	0.89	323	0.12	2,768	1.01
	Subtotal Non-AHCCCS Revenue	24,639	8.95	2,859	1.04	27,498	9.99
	<b>TOTAL REVENUES</b>	<b>6,660,675</b>	<b>2,419.42</b>	<b>967,983</b>	<b>351.61</b>	<b>7,628,659</b>	<b>2,771.03</b>
<b>Institutional Care Expenses:</b>							
400	NF ICF & Bedholds	-	-	-	-	-	-
402	Level I	1,069,214	388.38	16,833	6.11	1,086,047	394.50
404	Level II	1,437,719	522.24	115,797	42.06	1,553,516	564.30
406	Level III	605,856	220.07	40,066	14.55	645,922	234.62
408	Institutional Care	-	-	-	-	-	-
410	PPC Institutional	10,950	3.98	606	0.22	11,556	4.20
412	Other Institutional Care (Report #4)	-	-	-	-	-	-
	<b>TOTAL INSTITUTIONAL CARE</b>	<b>3,123,739</b>	<b>1,134.67</b>	<b>173,303</b>	<b>62.95</b>	<b>3,297,042</b>	<b>1,197.62</b>
<b>Home &amp; Community Bases Services (HCBS)Expenses:</b>							
414	Home Health Nurse	122,866	44.63	24,740	8.99	147,606	53.62
416	Home Health Aide	-	-	-	-	-	-
418	Personal Care	52,932	19.23	18,596	6.75	71,528	25.98
420	Homemaker	34,985	12.71	4,036	1.47	39,021	14.17
422	Home Delivered Meals	36,011	13.08	4,394	1.60	40,405	14.68
424	Respite Care	17,961	6.52	8,946	3.25	26,907	9.77
426	Attendant Care	2,519,013	915.01	292,365	106.20	2,811,378	1,021.21
428	Assisted Living Home	291,317	105.82	5,103	1.85	296,421	107.67
429	Assisted Living Center	26,784	9.73	28,095	10.21	54,879	19.93
430	Adult Day Health	4,518	1.64	(0)	(0.00)	4,518	1.64
432	Adult Foster Care	5,981	2.17	8,027	2.92	14,008	5.09
434	Group Respite	-	-	-	-	-	-
436	Hospice	9,713	3.53	16,041	5.83	25,754	9.36
438	Environmental Modifications	-	-	9,233	3.35	9,233	3.35
443	PPC HCBS	2,928	1.06	163	0.06	3,091	1.12
444	Other HCBS Costs (Report #4)	37,269	13.54	3,479	1.26	40,748	14.80
	<b>TOTAL HCBS</b>	<b>3,162,279</b>	<b>1,148.67</b>	<b>423,218</b>	<b>153.73</b>	<b>3,585,496</b>	<b>1,302.40</b>
<b>Acute Care Expenses:</b>							
448	Inpatient Services (Hosp.)	119,856	43.54	264,728	96.16	384,584	139.70
450	Primary Care Physician Services	8,832	3.21	11,489	4.17	20,321	7.38
452	Referral Physician Services	65,315	23.73	61,648	22.39	126,963	46.12
454	Emergency Services	7,332	2.66	3,906	1.42	11,238	4.08
456	Out Patient Facility	18,458	6.70	1,552	0.56	20,010	7.27
458	Prescription Drug	30,972	11.25	80,989	29.42	111,962	40.67
460	Lab/Radiology	24,385	8.86	38,624	14.03	63,009	22.89
462	Durable Medical Equipment	14,159	5.14	71,377	25.93	85,536	31.07
464	Dental	2,189	0.80	639	0.23	2,828	1.03
466	Transportation	105,979	38.50	26,101	9.48	132,080	47.98
468	Therapies	3,330	1.21	8,558	3.11	11,888	4.32
470	Outpatient Behavioral Health	17,236	6.26	779	0.28	18,015	6.54
471	PPC Acute Care	5,343	1.94	196	0.07	5,539	2.01
472	Other Acute Care Costs (Report #4)	-	-	-	-	-	-
	<b>TOTAL ACUTE CARE</b>	<b>423,385</b>	<b>153.79</b>	<b>570,585</b>	<b>207.26</b>	<b>993,970</b>	<b>361.05</b>
<b>Other Medical Expenses:</b>							
474	Ventilator Dependent	-	-	109,909	39.92	109,909	39.92
477	PPC - Other	-	-	-	-	-	-
479	Other Medical (Report #4)	-	-	-	-	-	-
	<b>TOTAL OTHER MEDICAL</b>	<b>-</b>	<b>-</b>	<b>109,909</b>	<b>39.92</b>	<b>109,909</b>	<b>39.92</b>
480	Case Management	283,991	103.16	33,260	12.08	317,252	115.24
	<b>TOTAL MEDICAL EXPENSE:</b>	<b>6,993,394</b>	<b>2,540.28</b>	<b>1,310,275</b>	<b>475.94</b>	<b>8,303,669</b>	<b>3,016.23</b>
<b>Administrative Expenses:*</b>							
484	Compensation	231,810	84.20	27,115	9.85	258,925	94.05
488	Data Processing	29,685	10.78	3,477	1.26	33,162	12.05
490	Management Fees	-	-	-	-	-	-
492	Interest Expense	-	-	-	-	-	-
493	Occupancy	58,683	21.32	6,614	2.40	65,297	23.72
494	Marketing	-	-	-	-	-	-
495	Depreciation	-	-	-	-	-	-
496	Other Administration (Report #4)	169,372	61.52	19,534	7.10	188,905	68.62
	<b>TOTAL ADMINISTRATION</b>	<b>489,550</b>	<b>177.82</b>	<b>56,740</b>	<b>20.61</b>	<b>546,290</b>	<b>198.43</b>
	<b>TOTAL EXPENSE</b>	<b>7,482,944</b>	<b>2,718.11</b>	<b>1,367,015</b>	<b>496.55</b>	<b>8,849,959</b>	<b>3,214.66</b>
	<b>INCOME FROM OPERATIONS</b>	<b>(822,268)</b>	<b>(298.68)</b>	<b>(399,032)</b>	<b>(144.94)</b>	<b>(1,221,300)</b>	<b>(443.63)</b>
497	Non-Operating Income (Loss)-Not reported above	-	-	-	-	-	-
	<b>INCOME(LOSS) BEFORE TAXES</b>	<b>(822,268)</b>	<b>(298.68)</b>	<b>(399,032)</b>	<b>(144.94)</b>	<b>(1,221,300)</b>	<b>(443.63)</b>
498	Provision for Premium Taxes	134,683	48.92	19,568	7.11	154,251	56.03
499	Provision for Income Taxes	-	-	-	-	-	-
	<b>NET INCOME(LOSS) AFTER TAXES</b>	<b>(956,951)</b>	<b>(347.60)</b>	<b>(418,600)</b>	<b>(152.05)</b>	<b>(1,375,551)</b>	<b>(499.66)</b>

Amounts expressed in whole dollars, differences are due to rounding.

**PIMA COUNTY, ARIZONA**  
**PIMA HEALTH SYSTEM AND SERVICES - ALTCS**  
**Utilization Data Report by County - All Counties**  
**Year Ended June 30, 2007**

ITEM DESCRIPTION	DUAL		NON-DUAL		TOTAL	
	Current Period	Fiscal YTD	Current Period	Fiscal YTD	Current Period	Fiscal YTD
A. Enrollees (At End of Period)	3,262	3,262	631	631	3,893	3,893
B. Member Months (Unduplicated)	9,807	39,237	1,855	7,503	11,662	46,740
Institutional Member Months Total						
1. Level 1	1,586	6,297	147	612	1,733	6,909
2. Level 2	1,860	7,698	154	669	2,014	8,367
3. Level 3	436	1,762	89	338	525	2,100
4. Specialty: Wandering Dementia						
5. Specialty: SubAcute Medical						
6. Specialty: Behavioral Health						
7. Speicality: Respite Care						
8. Home and Community Based Services (HCBS) Total	-	-	-	-	-	-
a. Adult Foster Care	163	610	33	155	196	765
b. Assisted Living Home	1,130	4,394	89	330	1,219	4,724
c. Group Home (DD)	-	-	-	-	-	-
d. Individual Home	4,047	16,227	1,076	4,285	5,123	20,512
e. Assisted Living Center	458	1,746	101	441	559	2,187
f. Other (Specify) Group Home	12	65	13	65	25	130
9. Acute Care	65	245	87	348	152	593
10. Ventilator	50	193	66	260	116	453
11. PPC	267	1,052	25	74	292	1,126
12. Other (Specify)	-	-	-	-	-	-
Admissions	154	787	163	709	317	1,496
Patient Days	996	5,362	912	4,244	1,908	9,606
Discharges	148	781	158	704	306	1,485
Discharge Days	962	5,328	885	4,217	1,847	9,545
Average Length of Stay	6.47	6.81	5.60	5.99	6.02	6.42
Emergency Room Visits	367	1,827	397	1,735	764	3,562

See Independent Auditors' Report

**PIMA COUNTY, ARIZONA**  
**PIMA HEALTH SYSTEM AND SERVICES - ALTCS**  
**Utilization Data Report by County - Pima County**  
**Year Ended June 30, 2007**

ITEM DESCRIPTION	DUAL		NON-DUAL		TOTAL	
	Current Period	Fiscal YTD	Current Period	Fiscal YTD	Current Period	Fiscal YTD
A. Enrollees (At End of Period)	3,049	3,049	609	609	3,658	3,658
B. Member Months (Unduplicated)	9,171	36,771	1,791	7,216	10,962	43,987
Institutional Member Months Total						
1. Level 1	1,529	6,083	147	607	1,676	6,690
2. Level 2	1,780	7,371	151	652	1,931	8,023
3. Level 3	410	1,644	89	333	499	1,977
4. Specialty: Wandering Dementia						
5. Specialty: SubAcute Medical						
6. Specialty: Behavioral Health						
7. Specialty: Respite Care						
8. Home and Community Based Services (HCBS) Total						
a. Adult Foster Care	160	601	33	155	193	756
b. Assisted Living Home	1,077	4,189	89	330	1,166	4,519
c. Group Home (DD)						
d. Individual Home	3,641	14,671	1,024	4,064	4,665	18,735
e. Assisted Living Center	455	1,734	98	430	553	2,164
f. Other (Specify) Group Home	12	65	13	65	25	130
9. Acute Care	57	220	84	331	141	551
10. Ventilator	50	193	63	249	113	442
11. PPC	264	1,028	25	72	289	1,100
12. Other (Specify)						
Admissions	143	729	159	664	302	1,393
Patient Days	916	4,952	888	3,954	1,804	8,906
Discharges	137	723	155	660	292	1,383
Discharge Days	882	4,918	865	3,931	1,747	8,849
Average Length of Stay	6.41	6.79	5.58	5.95	5.97	6.39
Emergency Room Visits	324	1,653	377	1,643	701	3,296

See Independent Auditors' Report

**PIMA COUNTY, ARIZONA**  
**PIMA HEALTH SYSTEM AND SERVICES - ALTCS**  
**Utilization Data Report by County - Santa Cruz County**  
**Year Ended June 30, 2007**

ITEM DESCRIPTION	DUAL		NON-DUAL		TOTAL	
	Current Period	Fiscal YTD	Current Period	Fiscal YTD	Current Period	Fiscal YTD
A. Enrollees (At End of Period)	213	213	22	22	235	235
B. Member Months (Unduplicated)	636	2,466	64	287	700	2,753
Institutional Member Months Total						
1. Level 1	57	214	-	5	57	219
2. Level 2	80	327	3	17	83	344
3. Level 3	26	118	-	5	26	123
4. Specialty: Wandering Dementia						
5. Specialty: SubAcute Medical						
6. Specialty: Behavioral Health						
7. Speicality: Respite Care						
8. Home and Community Based Services (HCBS) Total						
a. Adult Foster Care	3	9	-	-	3	9
b. Assisted Living Home	53	205	-	-	53	205
c. Group Home (DD)					-	-
d. Individual Home	406	1,556	52	221	458	1,777
e. Assisted Living Center	3	12	3	11	6	23
f. Other (Specify) Group Home	-	-	-	-	-	-
9. Acute Care	8	25	3	17	11	42
10. Ventilator	-	-	3	11	3	11
11. PPC	3	24	-	2	3	26
12. Other (Specify)						
Admissions	11	58	4	45	15	103
Patient Days	80	410	24	290	104	700
Discharges	11	58	3	44	14	102
Discharge Days	80	410	20	286	100	696
Average Length of Stay	7.27	7.07	6.00	6.44	6.93	6.80
Emergency Room Visits	43	174	20	92	63	266

See Independent Auditors' Report

**PIMA COUNTY, ARIZONA**  
**PIMA HEALTH SYSTEM AND SERVICES**  
**ALTCS - Claims Lag Report for Prior Period Only**  
**Year Ended June 30, 2007**

INSTITUTIONAL 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	94,081	2,275	11,630	2,492	3,558	185	-	114,221
2	1ST PRIOR		67,118	60,119	18,710	9,900	-	-	155,847
3	2ND PRIOR			-	-	5,439	4,090	(2,847)	6,682
4	3RD PRIOR				64,048	43,045	22,807	7,972	137,872
5	4TH PRIOR					117,794	36,972	25,225	179,991
6	5TH PRIOR						69,667	111,635	181,302
7	6TH PRIOR							47,152	47,152
8	TOTALS	94,081	69,393	71,749	85,250	179,736	133,721	189,137	823,067
9	EXP.REPORTED	131,955	161,840	76,185	160,710	147,840	199,175	185,689	1,063,394
10	ADJUSTMENT		69,878	(5,648)	72,126	(31,896)	65,454	(3,448)	166,466
11	REMAINING LIABILITY	37,874	22,569	10,084	3,334	-	-	-	73,861

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	103,334	(67,041)	6,335	-	-	-	-	42,628
2	1ST PRIOR		12,402	34,653	-	-	-	-	47,055
3	2ND PRIOR			-	-	-	-	-	-
4	3RD PRIOR				-	-	-	-	-
5	4TH PRIOR					-	-	-	-
6	5TH PRIOR						-	-	-
7	6TH PRIOR							-	-
8	TOTALS	103,334	(54,639)	40,988	-	-	-	-	89,683
9	EXP.REPORTED	114,063	43,530	40,988	-	-	-	-	198,581
10	ADJUSTMENT		94,937	-	-	-	-	-	94,937
11	REMAINING LIABILITY	10,729	3,232	-	-	-	-	-	13,961

ACUTE 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	13,252	(61)	8,212	260	713	10	-	22,386
2	1ST PRIOR		4,686	32,563	26,184	1,942	7,435	280	73,090
3	2ND PRIOR			27,806	105,456	19,993	2,760	15,451	171,466
4	3RD PRIOR				1,167	12,487	4,765	(457)	17,962
5	4TH PRIOR					20,772	(4,200)	3,616	20,188
6	5TH PRIOR						1,299	39,691	40,990
7	6TH PRIOR							4,986	4,986
8	TOTALS	13,252	4,625	68,581	133,067	55,907	12,069	63,567	351,068
9	EXP.REPORTED	15,764	52,286	95,542	24,363	23,899	43,197	45,856	300,907
10	ADJUSTMENT		45,808	25,984	(109,058)	(32,008)	31,128	(17,711)	(55,857)
11	REMAINING LIABILITY	2,512	1,853	977	354	-	-	-	5,696

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						-	10	10
7	6TH PRIOR							-	-
8	TOTALS	-	-	-	-	-	-	10	10
9	EXP. REPORTED	-	-	-	-	-	-	-	-
10	ADJUSTMENT		-	-	-	-	-	(10)	(10)
11	REMAINING LIABILITY	-	-	-	-	-	-	-	-

Amounts expressed in whole dollars, differences are due to rounding.

PIMA COUNTY, ARIZONA  
PIMA HEALTH SYSTEM AND SERVICES  
ALTCS - OFFICERS AND DIRECTORS  
Year Ended June 30, 2007

<u>NAME</u>	<u>TITLE</u>	<u>OTHER RELATIONSHIP TO PLAN</u>	<u>TYPE OF COMPENSATION</u>
Berkowitz, Mona	Assistant Director of Long Term Care	None	Salary (2)
Dorgan, Patricia	Assistant Director of Long Term Care	None	Salary (2)
Fields, Karen	Plan Administrator	None	Salary (2)
Frederick, Pam	Quality Management Manager	None	Salary
Gwozdz, Ann	Home Care Support Services Manager	None	Salary
Hart, Mark	MIS Manager	None	Salary (2)
Hartsfield, Kelli	Grievance Coordinator	None	Salary
Kaehler, Mary	Plan Administrator	None	Salary (1)
Le Blanc, Marcia	Chief Operations Officer	None	Salary (2)
Peterson, Timothy, M.D.	Medical Director	None	Salary (1)
Roundtree, Virginia	Corporate Compliance & Privacy Officer	None	Salary
Russell, R. Mark, M.D.	Medical Director	None	Salary
Spendiarian, Andrea	Behavioral Health Manager	None	Salary
Stryker-Smit, Johanna	Pharmacy Services Manager	None	Salary
Terry, Donna	Chief Financial Officer	None	Salary
Toro, Anthony	Claims Manager	None	Salary
Wortman, Susan	Utilization Management Manager	None	Salary

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(1) Resigned or (2) changed positions during the period for July 1, 2006 to June 30, 2007.