

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

Health Choice Arizona, Inc.
Years Ended September 30, 2022 and 2021
With Report of Independent Auditors

Ernst & Young LLP



Health Choice Arizona, Inc.

Financial Statements and Supplementary Information

Years Ended September 30, 2022 and 2021

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Report of Independent Auditors

The Board of Directors
Health Choice Arizona, Inc.

Opinion

We have audited the financial statements of Health Choice Arizona, Inc.(the Company), which comprise the balance sheets as of September 30, 2022 and 2021, and the related statements of operations, changes in equity, and cash flows for the years then ended, and the related notes (collectively referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company at September 30, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company’s ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental detailed balance sheet, supplemental detailed statement of operations, supplemental detailed statement of cash flows, sub-capitated expenses report, block purchases report, and supplemental schedule of activities are presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Ernst + Young LLP

March 8, 2023

Health Choice Arizona, Inc

Balance Sheets

	September 30	
	2022	2021
Assets		
Current assets:		
Cash and cash equivalents	\$ 253,545,867	\$ 103,312,824
Investments	30,380,228	–
Pharmacy rebate receivables	5,975,263	8,912,119
Private reinsurance receivables	7,393	301,810
Due from AHCCCS	33,010,654	25,474,144
Due from CMS, net	9,950,463	11,191,756
Note receivable from BCBSAZ	141,990,270	160,246,257
Other current assets, net	4,895,148	2,894,451
Total current assets	<u>479,755,286</u>	<u>312,333,361</u>
Goodwill	5,756,914	5,756,914
Deferred tax assets	101,007,324	108,446,076
Total assets	<u>\$ 586,519,524</u>	<u>\$ 426,536,351</u>
Liabilities and equity		
Current liabilities:		
Accounts payable and accrued expenses	\$ 4,465,502	\$ 1,596,655
Medical claims payable	118,407,689	99,526,000
Due to affiliates, net	37,559,890	12,347,560
Due to AHCCCS	81,042,210	27,262,710
Payable to providers	44,857,388	26,155,738
Deferred revenue	14,093,519	250,000
Federal taxes payable	4,789,276	5,345,720
Total liabilities	<u>305,215,474</u>	<u>172,484,383</u>
Equity:		
Retained earnings	<u>281,304,050</u>	<u>254,051,968</u>
Total equity	<u>281,304,050</u>	<u>254,051,968</u>
Total liabilities and equity	<u>\$ 586,519,524</u>	<u>\$ 426,536,351</u>

See accompanying notes.

Health Choice Arizona, Inc

Statements of Operations

	Year Ended September 30	
	2022	2021
Revenue:		
Capitation premiums	\$ 1,367,980,544	\$ 1,244,911,509
Delivery supplemental premiums	24,629,172	23,880,400
Health insurance provider fee revenue	–	5,983,333
Other grants and contracts revenue	28,902,946	26,082,284
Other revenue	1,402,720	4,716,481
Total revenue	1,422,915,382	1,305,574,007
Expenses:		
Medical expenses	1,212,658,447	1,118,548,403
Health insurance provider fee	–	5,318,972
Administrative expenses	119,837,178	105,240,705
Premium tax expense	27,617,573	28,423,498
Total expenses	1,360,113,198	1,257,531,578
Operating income	62,802,184	48,042,429
Non-operating income (expense):		
Interest income	1,583,065	1,773,449
Investment income	200,375	–
Community reinvestment expense	(2,717,418)	(1,800,073)
Other non-operating expenses	(2,007,146)	(2,466,936)
Income before income taxes	59,861,060	45,548,869
Income tax expense	12,608,978	10,604,496
Net income	\$ 47,252,082	\$ 34,944,373

See accompanying notes.

Health Choice Arizona, Inc

Statements of Changes in Equity

	Retained Earnings	Total
Balance at October 1, 2020	\$ 219,107,595	\$ 219,107,595
Net income	34,944,373	34,944,373
Balance at September 30, 2021	254,051,968	254,051,968
Equity distribution	(20,000,000)	(20,000,000)
Net income	47,252,082	47,252,082
Balance at September 30, 2022	<u>\$ 281,304,050</u>	<u>\$ 281,304,050</u>

See accompanying notes.

Health Choice Arizona, Inc

Statements of Cash Flows

	Year Ended September 30	
	2022	2021
Operating activities		
Net income	\$ 47,252,082	\$ 34,944,373
Adjustments to reconcile net income to net cash provided by operating activities:		
Change in unrealized loss	72,498	–
Changes in operating assets and liabilities:		
Health insurance provider fee receivable	–	17,950,000
Pharmacy rebate receivables	2,936,856	987,267
Private reinsurance receivables	294,417	(313,073)
Due from AHCCCS	(7,536,510)	(5,256,608)
Due from CMS, net	4,184,594	(1,769,141)
Note receivable	18,255,987	14,732,271
Other current assets, net	(2,000,697)	10,409,582
Deferred tax assets	7,438,752	8,214,836
Accounts payable and accrued expenses	2,868,847	(7,939,646)
Medical claims payable	18,881,689	(16,610,448)
Due to affiliates, net	25,212,330	(2,003,588)
Due to AHCCCS	53,779,500	25,755,540
Payable to providers	18,701,650	21,703,529
Deferred revenue	13,843,519	(199,713)
Federal taxes payable	(556,444)	2,389,660
Net cash provided by operating activities	<u>203,629,070</u>	<u>102,994,841</u>
Investing activities		
Sale of investments	8,848,394	–
Purchase of investments	(39,301,120)	–
Net cash used in investing activities	<u>(30,452,726)</u>	<u>–</u>
Financing activities		
Receipts from CMS contract deposits	30,684,649	27,334,132
Withdrawals from CMS contract deposits	(33,627,950)	(31,606,295)
Distribution to Parent	(20,000,000)	–
Net cash used in financing activities	<u>(22,943,301)</u>	<u>(4,272,163)</u>
Net increase in cash and cash equivalents	150,233,043	98,722,678
Cash and cash equivalents, beginning of year	103,312,824	4,590,146
Cash and cash equivalents, end of year	<u>\$ 253,545,867</u>	<u>\$ 103,312,824</u>

See accompanying notes.

Health Choice Arizona, Inc.

Notes to Combined Financial Statements

September 30, 2022

1. Organization

Health Choice Arizona, Inc. (the Company) is a wholly owned subsidiary of Veritage LLC (Veritage). Veritage is an Arizona limited liability company owned solely by Blue Cross Blue Shield of Arizona (BCBSAZ).

The Company is a managed care organization and insurer that delivers healthcare services to members through multiple health plans, accountable care networks and managed care solutions. The Company subcontracts with hospitals, physicians and other medical providers within Arizona and surrounding states to provide services to its members in the service area counties. The Company operates under three different contracts: Health Choice Arizona – Arizona Health Care Cost Containment System (AHCCCS) Complete Care (ACC), Health Choice Arizona – AHCCCS Regional Behavioral Health Authority (RBHA) and Health Choice Pathway (HCP).

The Company's ACC contract with AHCCCS was established to provide specified healthcare services to qualified Medicaid enrollees through contracts with providers. AHCCCS is the state agency that administers Arizona's Medicaid program, including the AHCCCS Complete Care program. The contract requires the Company to arrange for healthcare services for enrolled Medicaid patients in exchange for fixed monthly premiums, based on negotiated per capita member rates, and supplemental payments from AHCCCS. These services are provided regardless of the actual costs incurred to provide these services. The Company receives reinsurance and other supplemental payments from AHCCCS to cover certain costs of healthcare services that exceed defined thresholds. On March 5, 2018, the Company was awarded the ACC contract to provide integrated physical and behavioral health services to AHCCCS members in Apache, Coconino, Gila, Maricopa, Mohave, Navajo, Pinal, and Yavapai counties, beginning October 1, 2018. The ACC contract had an initial term of three years and two two-year options to extend the contract at the discretion of AHCCCS. The contract is terminable without cause on 90 days' written notice or for cause upon written notice if the Company fails to comply with any term or condition of the contract or fails to take corrective action as required to comply with the terms of the contract. Additionally, AHCCCS can terminate the contract in the event of the unavailability of state or federal funding.

Health Choice Arizona, Inc.

Notes to Combined Financial Statements (continued)

1. Organization (continued)

Through the RBHA contract, the Company provides high-quality physical and behavioral healthcare services to Medicaid eligible adults with serious mental illness (SMI) in Northern Arizona under the Regional Behavioral Health Authority. The contract was originally awarded to Health Choice Integrated Care, LLC (HCIC) on December 18, 2014. The contract between HCIC and the Arizona Department of Health Services (ADHS) was effective October 1, 2015, and had an initial three-year term with two two-year renewal options for the potential maximum length of seven years. Effective July 1, 2016, the contract with ADHS was transferred to the Company. Effective October 1, 2018, HCIC's contract with AHCCCS was extended and assigned to the Company. The Company and Northern Arizona Regional Behavioral Health Authority (NARBHA) provide governance of the RBHA contract. NARBHA provides assistance with community and government relations, community reinvestment, SMI, crisis management and other services delivered by the Company in accordance with AHCCCS rules and regulations. NARBHA receives 48% of the pre-tax profit related to the RBHA contract pursuant to an agreement between the Company and NARBHA. AHCCCS announced on November 15, 2021 that, effective October 1, 2022, the Company will no longer be a contracted managed care organization for the RBHA Program.

The Company operates a prepaid Medicare Advantage Prescription Drug (MAPD) Special Needs Plan (SNP), called Health Choice Pathway, through a contract with the Centers for Medicare & Medicaid Services (CMS). Effective January 1, 2006, the Company began providing coverage as a MAPD SNP provider pursuant to its contract with CMS. The contract allows the Company to offer Medicare and Part D drug benefit coverage for new and existing dual-eligible members. Dual-eligible members are those who are eligible for Medicare and Medicaid. The contract requires the Company to arrange for healthcare services for its enrollees in exchange for fixed monthly premiums, based on risk adjusted per capita rates from CMS.

The contract with CMS, which covers enrollees in Apache, Coconino, Gila, Maricopa, Mohave, Navajo, Pinal, and Yavapai counties, has been renewed for calendar year 2022 and 2021 and includes successive one-year renewal options at the discretion of CMS. The contract is terminable by CMS without cause on 90 days' written notice, or for cause upon written notice if the Company fails to comply with any term or condition of the contract or fails to take corrective action as required to comply with the terms of the contract.

Health Choice Arizona, Inc.

Notes to Combined Financial Statements (continued)

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The accompanying financial statements were prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates and are accounted for in the period identified.

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of cash balances on hand and deposited in financial institutions and are all highly liquid investments with a maturity of three months or less when purchased.

Investments

Fixed income securities are classified as trading and recorded at fair value with the investment income recognized in the statement of operations. The fixed income portfolio is invested primarily in corporate bonds, asset backed securities, municipal bonds, mortgage-backed securities. Interest on fixed-income securities is recognized in investment income on an accrual basis.

Pharmacy Rebate Receivables

The Company receives rebates from pharmaceutical companies based on the volume of drugs purchased. The Company records a receivable and a reduction of pharmacy expense for estimated rebates due based on purchase information. Pharmacy rebate receivables were \$6 million and \$9 million as of September 30, 2022 and 2021, respectively, and \$13 million and \$11 million was recognized as a reduction of pharmacy expense during the years ended September 30, 2022 and 2021, respectively.

Note Receivable

On December 31, 2019, BCBSAZ executed and delivered a Promissory Note as a contribution to capital and to meet Arizona's administrative rules and certain capital requirements and standards established by AHCCCS pursuant to ACOM 305. As of September 30, 2022 and 2021, the Company has a note receivable from BCBSAZ of \$142 million and \$160 million, respectively

Health Choice Arizona, Inc.

Notes to Combined Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

recorded on the accompanying balance sheets. Interest was accrued at the rate of 1.08% and 1.09% in 2022 and 2021, respectively. Payments of principal and accrued interest will be due and payable after the occurrence of a payment event, as defined in the Promissory Note, which includes a provision that the Company can draw upon the note receivable to meet its reasonable actual or expected financial needs. The Company drew \$18 million from the note during the year and settled against the outstanding receivable.

Subsequent to September 30, 2022, the Company requested approval from AHCCCS to distribute equity in the amount of \$50 million to BCBSAZ in October 2022. AHCCCS approved this equity distribution request in November 2022. As a result, the Company distributed \$50 million to BCBSAZ by reducing the note receivable effective November 30, 2022.

Due to Affiliates, Net

Due to affiliates, net of amounts due from affiliates, primarily represents the amount owed to the Management Company. The Management Company pays administrative expenses on behalf of the Company. Due to affiliates, net was \$38 million and \$12 million as of September 30, 2022 and 2021, respectively.

Goodwill

Pursuant to accounting guidance related to goodwill and other intangible assets, goodwill is not amortized but is subject to annual impairment reviews or more often if events or circumstances indicate it may be impaired. An impairment loss is recorded to the extent that the carrying amount of goodwill exceeds its implied fair value. The Company has completed its annual review of indicators of impairment for the 2022 and 2021 fiscal year, which resulted in no impairment.

Revenue Recognition

Capitation premiums are recognized as revenue in the month that members of the Company are entitled to healthcare services. The Company is required to provide all covered healthcare services to members, regardless of the cost of care. If there are funds remaining, the Company retains the funds as profit; if the costs are higher than the amount of capitation payments, the Company absorbs the loss.

Health Choice Arizona, Inc.

Notes to Combined Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Certain provisions of the ACC contract include a risk band, whereby the Company and AHCCCS share in the profits and losses of the contract, as defined in the contract (reconciliation revenue). Under the ACC contract, AHCCCS limits the profit that the Company may recognize at 4.0% and losses are capped at 2.0%.

AHCCCS contract revenue is also limited by the terms of the RBHA contract to a maximum profit percentage of 4.0%.

HCP capitation premiums are subject to an episodic/diagnostic risk factor adjustment. The Company estimates and records CMS settlement amounts and adjusts to actual amounts when the adjustment settlements are either received from CMS or the Company receives notification from CMS of such settlement amounts.

As a result of the variability of factors that determine such estimations, the actual amount of the CMS retroactive risk premium settlement adjustments could be materially more or less than the Company's estimates. The Company's risk adjustment payments are subject to review and audit by CMS, which can take several years to resolve completely. Any adjustment to premium revenue as a result of such review and audit is recorded when estimable. There can be no assurance that any retroactive adjustment to previously recorded revenue will not have a material effect on future results of operations.

Delivery supplemental premiums are payments received per newborn delivery under the ACC contract and are intended by AHCCCS to cover the cost of maternity care for qualified pregnant women. Such premiums are billed and recognized in the month that delivery occurs.

Total capitation premiums of \$1,368 million and \$1,245 million and delivery supplemental premiums of \$25 million and \$24 million were recognized during the years ended September 30, 2022 and 2021, respectively.

Under the RBHA contract, revenue from grants and contracts with funding agencies other than AHCCCS is recognized as revenue when contracted services are provided or when eligible costs are incurred. A receivable is recognized to the extent that grant and contract revenue earned exceeds cash advances. Funding sources may, at their discretion, request reimbursement for expenses or return of funds, or both, as a result of noncompliance by the Company with the terms of the contracts. Other grants and contracts revenue was \$29 million and \$26 million during the years ended September 30, 2022 and 2021, respectively.

Health Choice Arizona, Inc.

Notes to Combined Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Medical Expenses

Monthly capitation payments to primary care physicians and other healthcare providers are expensed in the month services are contracted to be performed. Amounts payable under these arrangements are included in the payable to provider liability. Medical expenses for non-capitated arrangements are accrued as services are rendered by hospitals, physicians and other healthcare providers during the year. Medical expense includes primary care and specialty physician services, as well as hospital inpatient, outpatient, and other ancillary services, such as radiology and lab. Medical expense is presented net of Third Party Liability (TPL) recoveries received.

TPL recoveries are payments received from a third party, such as an individual, entity, or program that is, or may be, liable to pay for any medical services provided to an AHCCCS member. AHCCCS is the payer of last resort when there is no other liable party. TPL recoveries are included as a reduction of medical expenses in the accompanying statements of operations.

Medical claims payable includes claims received but not paid and an estimate of claims incurred but not reported. Incurred but not reported claims are estimated using a combination of historical claims experience (including severity and payment lag time) and other actuarial analysis, including number of enrollees, age of enrollees, and certain enrollee health indicators to predict the cost of healthcare services provided to enrollees during any given period. While management believes that its estimation methodology effectively captures trends in medical claims costs, actual payments could differ significantly from estimates, given changes in the healthcare cost structure or adverse experience.

Reinsurance Recoveries

The Company recognizes reinsurance recoveries related to the ACC and RBHA contracts when healthcare costs exceed stated amounts as provided under the AHCCCS contract, including estimates of such costs at the end of each accounting period. Contractually, the Company is reimbursed by AHCCCS at a rate ranging from 75% to 100% for qualified healthcare costs for those members that exceed stated amounts of up to \$50,000, depending on the case type of the member. Qualified costs must be incurred during the contract year and are the lesser of the amount paid by the Company or the AHCCCS fee schedule.

Health Choice Arizona, Inc.

Notes to Combined Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

The Company subcontracts with a third-party reinsurance provider to cover non-drug healthcare costs that exceed stated amounts at a rate of 90% of qualified costs related to HCP members. Qualified costs must be incurred during the contract year, but costs incurred during the last month of the year may be carried forward to meet the following year's deductible if those costs were not already applied to a reinsurance case. Reinsurance is recognized under the contract with the reinsurer when healthcare costs exceed stated amounts as provided under the contract, including estimates of such costs at the end of each accounting period.

In the event that the reinsurer is unable to honor its reinsurance commitment, the Company may be responsible for excess costs incurred.

Due From CMS, Net

The Company receives Part D low income premium subsidy payments per member per month from CMS to cover beneficiary premiums that are not paid by qualifying low-income HCP enrollees. Such payments are recognized in the month that members are entitled to prescription drug coverage and are reported in capitation premiums in the accompanying statements of operations.

The Company receives Part D low income cost-sharing subsidy (LICS) payments per member per month from CMS to cover beneficiary cost sharing and deductible amounts that are not paid by qualifying low income HCP enrollees. The Company administers and pays the subsidized portion of the claims on behalf of CMS, and a settlement payment is made between CMS and the Company based on actual claims experience, subsequent to the end of the contract year. The Company is fully reimbursed by CMS for this contract element and, accordingly, there is no insurance risk to the Company. Amounts received for these subsidies are not reflected as premium revenue, but rather recognized as a reduction of medical expenses in the accompanying statements of operations. As of September 30, 2022 and 2021, a payable in the amount of approximately \$0.2 million and a receivable of \$0.1 million, respectively, was recorded in due from CMS, net in the accompanying balance sheets. Part D LICS subsidies from CMS totaling approximately \$18 million and \$17 million were recognized during the years ended September 30, 2022 and 2021, respectively, and are included as a reduction of medical expenses in the accompanying statements of operations.

Health Choice Arizona, Inc.

Notes to Combined Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

The Company receives Part D reinsurance payments per member per month to cover CMS's obligation to pay approximately 80% of the costs incurred by individual HCP members in excess of the individual annual out-of-pocket maximum. A settlement is made between CMS and the Company based on actual claims experience, subsequent to the end of the contract year. The Company is fully reimbursed by CMS for this contract element and, accordingly, there is no risk to the Company. Amounts received for these subsidies are not reflected as premium revenue, but rather recognized as a reduction of medical expenses in the accompanying statements of operations. Part D reinsurance recoveries from CMS totaling approximately \$16 million and \$15 million were recognized during the years ended September 30, 2022 and 2021, respectively, and are included as a reduction of medical expenses in the accompanying statements of operations. As of September 30, 2022 and 2021, a receivable in the amount of approximately \$1 million and \$1 million was recorded in due from CMS, net in the accompanying balance sheets.

After the conclusion of the contract year and the finalization of capitation and subsidy payment amounts, CMS will complete a final risk corridor reconciliation that limits profit or loss on Part D revenue. The risk corridor is designed to limit exposure to unexpected expenses not already included in the reinsurance subsidy or taken into account through risk adjusted rates. Profits or losses that differ by more than 5% from the targeted amount will be repaid or recouped according to stated percentages. Accordingly, as of September 30, 2022 and 2021, a settlement balance is recorded in the accompanying balance sheet in due from CMS of approximately \$7 million to reflect the estimated amount of the Part D risk settlement. The accompanying statements of operations includes an increase to capitation premiums of approximately \$5 million and \$2 million during the year ended September 30, 2022 and 2021, respectively.

Administrative Expenses

The primary components of administrative expenses are management fees and other miscellaneous expenses.

Other Non-Operating Expenses

NARBHA receives 48% of the pre-tax profit related to the RBHA contract pursuant to an agreement between the Company and NARBHA and is recorded as non-operating expenses in the accompanying statements of operations.

Health Choice Arizona, Inc.

Notes to Combined Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Income and Premium Taxes

Taxes are allocated to the Company from BCBSAZ pursuant to the asset and liability method, based on the amount for which the Company would have been liable if it were a separate taxpayer. The effect on deferred taxes of a change in tax rates is recognized in the accompanying statements of operations during the period in which the tax rate change becomes law.

The ACC and RBHA contracts are subject to a 2% premium tax on Title XIX and Title XXI payments received from AHCCCS. Total premium tax expense for the years ended September 30, 2022 and 2021, was approximately \$28 million.

Fair Value Measurements

Fair value is defined as an exit price representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, the Company utilizes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1. Pricing inputs into the determination of fair value are generally observable inputs, such as quoted prices in active markets. Financial assets in Level 1 include money market funds.

Level 2. Pricing inputs are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Financial assets in Level 2 include corporate bonds and U.S. government obligations.

Level 3. Pricing inputs are generally unobservable and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require management's judgment or estimation of assumptions that market participants would use in pricing the assets or liabilities. The fair values are, therefore, determined using factors that involve considerable judgment and interpretations, including, but not limited to, private and public comparable, third-party appraisals, discounted cash flow models, and fund manager estimates.

Health Choice Arizona, Inc.

Notes to Combined Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Assets and liabilities measured at fair value are based on one or more of the following three valuation techniques:

- (a) *Market approach.* Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.
- (b) *Cost approach.* Amount that would be required to replace the service capacity of an asset or liability (replacement cost).
- (c) *Income approach.* Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques, option pricing, and excess earnings models).

The following tables provide information as of September 30 about the fair value of the Company's cash equivalents and investments:

	2022			Total
	Level 1	Level 2	Level 3	
Cash equivalents:				
Money market funds	\$ 55,000,000	\$ –	\$ –	\$ 55,000,000
U.S. treasury bills	–	11,138,730	–	11,138,730
Commercial paper	–	7,146,383	–	7,146,383
	<u>55,000,000</u>	<u>18,285,113</u>	<u>–</u>	<u>73,285,113</u>
Investments:				
Corporate bonds	–	14,135,510	–	14,135,510
Asset backed securities	–	12,750,019	–	12,750,019
Government-issued commercial mortgage- backed	–	479,861	–	479,861
Municipal/provincial bonds	–	3,014,838	–	3,014,838
	<u>\$ 55,000,000</u>	<u>\$ 48,665,341</u>	<u>\$ –</u>	<u>\$ 103,665,341</u>

Health Choice Arizona, Inc.

Notes to Combined Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

New Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board (the FASB) issued Accounting Standards Update (ASU) ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which will change how entities account for credit losses for most financial assets, trade receivables, and reinsurance receivables. The standard will replace the existing incurred loss impairment model with a new current expected credit loss model that generally will result in earlier recognition of credit losses. The standard will apply to financial assets subject to credit losses, including loans measured at amortized cost, reinsurance receivables, and certain off-balance sheet credit exposures. ASU 2016-13 is effective for the Company for annual periods beginning after December 15, 2021, with early adoption permitted for annual periods beginning after December 15, 2018. The Company is currently evaluating the impact of this standard on its financial statements.

In January 2017, the FASB issued ASU 2017-04, *Intangible Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*, which removes the second step of the goodwill impairment test that requires a hypothetical purchase price allocation. A goodwill impairment will now be the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. ASU 2017-04 is effective for the Company for annual periods beginning after December 15, 2021, and will be applied prospectively. The Company does not expect the adoption of ASU 2017-04 to have any impact on its financial statements or disclosures.

Subsequent Events Consideration

The Company evaluated events and transactions occurring subsequent to September 30, 2022 through March 8, 2023, the date these financial statements were available to be issued. During this period, there are no subsequent events except disclosed in Note 2 to the financial statements.

Health Choice Arizona, Inc.

Notes to Combined Financial Statements (continued)

3. Transactions With Affiliates

The Company is party to a management agreement with the Management Company, a wholly owned subsidiary of Veritage, which manages the general and administrative functions related to the Company inclusive of payroll, facility and equipment leases, and related expenses. The fee is charged based on a percentage of capitation revenue less premium taxes, which was 7.50% for the ACC contract, 9.94% for the RBHA SMI contract, and 12.00% for the HCP contract for the year ended September 30, 2022. During the years ended September 30, 2022 and 2021, the Company recorded expenses of approximately \$117 million and \$104 million, respectively, for services provided by the Management Company, which are included in administrative expenses in the accompanying statements of operations, respectively.

4. Due From/to AHCCCS

The Company's contracts with AHCCCS require recurring settlements between the Company and AHCCCS.

The amounts due from AHCCCS are as follows:

	<u>ACC</u>	<u>RBHA</u>	<u>Total</u>
September 30, 2022			
Reinsurance receivable	\$ 12,987,159	\$ –	\$ 12,987,159
Value-based payment receivable	14,152,046	1,457,193	15,609,239
Capitation receivable	78,438	375,353	453,791
Delivery supplement receivable	430,474	–	430,474
APSI/COVID recon receivable	2,455,419	–	2,455,419
Non-TXIX receivable	–	1,074,572	1,074,572
	<u>\$ 30,103,536</u>	<u>\$ 2,907,118</u>	<u>\$ 33,010,654</u>
	<u>ACC</u>	<u>RBHA</u>	<u>Total</u>
September 30, 2021			
Reinsurance receivable	\$ 19,260,398	\$ –	\$ 19,260,398
Value-based payment receivable	3,942,577	988,775	4,931,352
Capitation receivable	303,954	164,604	468,558
Delivery supplement receivable	515,583	–	515,583
Non-TXIX receivable	–	298,253	298,253
	<u>\$ 24,022,512</u>	<u>\$ 1,451,632</u>	<u>\$ 25,474,144</u>

Health Choice Arizona, Inc.

Notes to Combined Financial Statements (continued)

4. Due From/to AHCCCS (continued)

The amounts due to AHCCCS are as follows:

	<u>ACC</u>	<u>RBHA</u>	<u>Total</u>
September 30, 2022			
Risk reconciliation	\$ 70,525,018	\$ –	\$ 70,525,018
Fixed administration expense reconciliation	2,421,310	–	2,421,310
Quality distribution	8,095,882	–	8,095,882
	<u>\$ 81,042,210</u>	<u>\$ –</u>	<u>\$ 81,042,210</u>
	<u>ACC</u>	<u>RBHA</u>	<u>Total</u>
September 30, 2021			
Risk reconciliation	\$ 22,928,915	\$ –	\$ 22,928,915
Fixed administration expense reconciliation	1,720,110	–	1,720,110
Quality distribution	2,613,685	–	2,613,685
	<u>\$ 27,262,710</u>	<u>\$ –</u>	<u>\$ 27,262,710</u>

5. Due From CMS, Net

The Company's contract with CMS requires recurring settlements between the Company and CMS. The amounts due from CMS as of September 30 are as follows:

	<u>2022</u>	<u>2021</u>
Capitation receivable	\$ 1,643,290	\$ 2,942,999
Part D reinsurance receivable	1,273,055	1,452,317
Part D cost share receivable	(189,082)	104,900
Part D risk reconciliation receivable	7,223,200	6,691,540
	<u>\$ 9,950,463</u>	<u>\$ 11,191,756</u>

Health Choice Arizona, Inc.

Notes to Combined Financial Statements (continued)

6. Liability for Medical Claims

Activity in the liability for medical claims payable for the years ended September 30, 2022 and 2021 is as follows:

Balance at October 1, 2020	\$ 113,128,265
Incurred related to:	
Current year	1,008,233,453
Prior years	<u>(3,571,604)</u>
Total incurred	<u>1,004,661,849</u>
Paid related to:	
Current year	(909,123,301)
Prior years	<u>(109,140,813)</u>
Total paid	<u>(1,018,264,114)</u>
Balance at September 30, 2021	99,526,000
Incurred related to:	
Current year	1,072,569,199
Prior years	<u>613,264</u>
Total incurred	<u>1,073,182,463</u>
Paid related to:	
Current year	(956,433,529)
Prior years	<u>(97,867,245)</u>
Total paid	<u>(1,054,300,774)</u>
Balance at September 30, 2022	<u><u>\$ 118,407,689</u></u>

During the years ended September 30, 2022 and 2021, the Company recognized an unfavorable development in medical claims expense of approximately \$0.6 million and favorable development of approximately \$4.0 million for prior periods, respectively. The change in medical claims expense is the result of ongoing analysis of loss development trends. Such adjustments are included in medical expenses in the accompanying statements of operations. Original estimates increased or decreased as additional information became known regarding individual claims.

Health Choice Arizona, Inc.

Notes to Combined Financial Statements (continued)

7. Income Taxes

The provision for income taxes consists of the following:

	September 30	
	2022	2021
Current:		
Federal	\$ 5,180,726	\$ 2,389,659
State and local	—	—
Deferred:		
Federal	7,428,252	8,214,837
State and local	—	—
Total Income Tax Expense	<u>\$ 12,608,978</u>	<u>\$ 10,604,496</u>

The Company's deferred tax assets and liabilities are as follows:

	September 30	
	2022	2021
Deferred tax assets	\$ 101,007,324	\$ 108,446,076
Deferred tax liabilities	—	—
Net deferred tax assets	<u>\$ 101,007,324</u>	<u>\$ 108,446,076</u>

For the years ended September 30, 2022 and 2021, \$99,948,087 and \$108,107,114, respectively, of the deferred tax assets (DTAs) is related to a tax intangible asset resulting from an IRC Section 338(h)(10) election made by the Company at the time it was acquired by Veritage. The remainder of the DTAs are related primarily to discounted medical claims payable. There were no deferred tax liabilities as of September 30, 2022 and 2021.

The statute of limitations for assessment by the Internal Revenue Service and state tax authorities is open for the tax years ended December 31, 2019 and subsequent years. The Company is not subject to state income taxes as it pays premium taxes on its premium revenue. The Company records interest and penalties as a component of income tax expense. No interest or penalties were recorded for the year ended September 30, 2022.

Health Choice Arizona, Inc.

Notes to Combined Financial Statements (continued)

8. Commitments and Contingencies

Professional, General, and Other Liability Insurance

The Company is subject to claims, lawsuits, regulatory audits, and other legal matters arising, for the most part, in the ordinary course of managing a health services business. The Company's contracts with AHCCCS requires the Company to maintain professional liability insurance, comprehensive general insurance, and automobile liability insurance coverage of at least \$1 million for each occurrence. During the years ended September 30, 2022 and 2021, the Company was covered under BCBSAZ's umbrella policy. BCBSAZ, on behalf of the Company, carries professional and general liability insurance in excess of self-insured retentions through an unrelated commercial insurance carrier in amounts that it believes to be sufficient for the Company, although some claims may exceed the scope of coverage in effect. BCBSAZ maintains reserves for professional and general liability claims.

Accordingly, no reserves for liability risks are recorded in the accompanying balance sheet. Professional and general liability insurance expense is included in the management fee charged by the Management Company for the years ended September 30, 2022 and 2021, which is included in administrative expenses in the accompanying statements of operations.

The Company is currently not a party to any such proceedings that, in the Company's opinion, would have a material adverse effect on the Company's financial condition, business or results of operations.

Performance Guarantee

If the Company fails to effectively manage healthcare costs, these costs may exceed the premiums received by the Company. The Company believes the capitated premiums, together with reinsurance and other supplemental premiums, are sufficient to pay for the services the Company is obligated to deliver. Pursuant to its contract with AHCCCS, the Company is required annually to provide a performance bond, in an acceptable form, to guarantee performance of the Company's obligations under its contract to provide and pay for the healthcare services. The amount of the performance guarantee that AHCCCS requires is generally based upon the membership in the Company and the related capitation paid to the Company. As of September 30, 2022 and 2021, the Company provided a performance bond in the form of surety bonds for the benefit of AHCCCS, totaling approximately \$119 million and \$110 million, respectively.

Health Choice Arizona, Inc.

Notes to Combined Financial Statements (continued)

8. Commitments and Contingencies (continued)

State and Federal Laws and Regulations

The Company is subject to state and federal laws and regulations. The CMS and AHCCCS have the right to audit the Company to determine the Company's compliance with such standards. The Company is required to file periodic reports with AHCCCS and to meet certain financial viability standards. The Company must also provide its enrollees with certain mandated benefits and must meet certain quality assurance and improvement requirements. The Company believes it is in compliance with these CMS and AHCCCS requirements. The Company must also comply with the electronic transactions regulations and privacy standards of the Health Insurance Portability and Accountability Act (HIPAA). The Company believes it is in compliance with the HIPAA security standards as set forth in 45 CFR Part 164. The Company has also complied with the requirements for health plans, as defined in 45 CFR Part 162.

9. Concentration of Credit Risk

The Company currently holds an ACC contract to provide services through September 30, 2023, and an RBHA contract through September 30, 2022, both with AHCCCS. The HCP contract is renewed annually by CMS and has been renewed through December 31, 2023.

Supplementary Information

Health Choice Arizona, Inc

Supplemental Detailed Balance Sheet

Year Ended September 30, 2022

	ACC	RBHA	HCP	Corporate and Other	HCA, Inc.
Assets					
Current assets:					
Cash and cash equivalents	\$ 254,957,990	\$ –	\$ (1,412,123)	\$ –	\$ 253,545,867
Investment	30,380,228	–	–	–	30,380,228
Pharmacy rebate receivables	749,664	28,656	5,196,943	–	5,975,263
Private reinsurance receivables	–	–	7,393	–	7,393
Due from AHCCCS	30,103,536	2,907,118	–	–	33,010,654
Due from CMS, net	–	–	9,950,463	–	9,950,463
Note receivable from BCBSAZ	117,896,028	14,108,271	9,985,971	–	141,990,270
Other current assets, net	3,940,352	126,838	827,958	–	4,895,148
Total current assets	438,027,798	17,170,883	24,556,605	–	479,755,286
Goodwill	5,756,914	–	–	–	5,756,914
Deferred tax assets	400,106	26,815	632,317	99,948,086	101,007,324
Total assets	<u>\$ 444,184,818</u>	<u>\$ 17,197,698</u>	<u>\$ 25,188,922</u>	<u>\$ 99,948,086</u>	<u>\$ 586,519,524</u>
Liabilities and equity					
Current liabilities:					
Accounts payable and accrued expenses	\$ 4,064,179	\$ 283,267	\$ 118,056	\$ –	\$ 4,465,502
Medical claims payable	96,813,914	4,285,942	17,307,833	–	118,407,689
Due to affiliates, net	89,359,386	(12,929,657)	(30,710,812)	(8,159,027)	37,559,890
Due to AHCCCS	81,042,210	–	–	–	81,042,210
Payable to providers	34,315,187	10,542,201	–	–	44,857,388
Deferred revenue	–	250,000	13,843,519	–	14,093,519
Federal taxes payable	14,999,371	821,704	3,246,500	(14,278,299)	4,789,276
Total liabilities	320,594,247	3,253,457	3,805,096	(22,437,326)	305,215,474
Equity:					
Retained earnings	123,590,571	13,944,241	21,383,826	122,385,412	281,304,050
Total equity	123,590,571	13,944,241	21,383,826	122,385,412	281,304,050
Total liabilities and equity	<u>\$ 444,184,818</u>	<u>\$ 17,197,698</u>	<u>\$ 25,188,922</u>	<u>\$ 99,948,086</u>	<u>\$ 586,519,524</u>

Health Choice Arizona, Inc

Supplemental Detailed Statement of Operations

Year Ended September 30, 2022

	ACC	RBHA	HCP	Corporate and Other	HCA, Inc.
Revenue:					
Capitation premiums	\$ 1,090,858,130	\$ 143,137,819	\$ 133,984,595	\$ –	\$ 1,367,980,544
Delivery supplemental premiums	24,629,172	–	–	–	24,629,172
Health insurance provider fee revenue	–	–	–	–	–
Other grants and contracts revenue	–	28,902,946	–	–	28,902,946
Other revenue	1,402,720	–	–	–	1,402,720
Total revenue	1,116,890,022	172,040,765	133,984,595	–	1,422,915,382
Expenses:					
Medical expenses	951,132,455	147,887,599	113,638,393	–	1,212,658,447
Health insurance provider fee	–	–	–	–	–
Administrative expenses	88,141,474	17,148,958	14,546,746	–	119,837,178
Premium tax expense	24,764,484	2,853,089	–	–	27,617,573
Total expenses	1,064,038,413	167,889,646	128,185,139	–	1,360,113,198
Operating income	52,851,609	4,151,119	5,799,456	–	62,802,184
Non-operating income (expense):					
Interest income	1,307,522	151,959	123,584	–	1,583,065
Investment income	200,375	–	–	–	200,375
Community reinvestment expense	(2,607,199)	(110,219)	–	–	(2,717,418)
Other non-operating expenses	–	(2,007,146)	–	–	(2,007,146)
Income before income taxes	51,752,307	2,185,713	5,923,040	–	59,861,060
Income tax expense	10,906,186	458,954	1,243,838	–	12,608,978
Net income	\$ 40,846,121	\$ 1,726,759	\$ 4,679,202	\$ –	\$ 47,252,082

Health Choice Arizona, Inc

Supplemental Detailed Statement of Cash Flows

Year Ended September 30, 2022

	ACC	RBHA	HCP	Corporate and Other	HCA, Inc.
Operating activities					
Net income	\$ 40,846,121	\$ 1,726,759	\$ 4,679,202	\$ –	\$ 47,252,082
Adjustments to reconcile net income to net cash provided by operating activities:					
Unrealized loss	72,498	–	–	–	72,498
Pharmacy rebate receivables	218,187	82,451	2,636,218	–	2,936,856
Private reinsurance receivables	–	–	294,417	–	294,417
Due from AHCCCS	(6,081,024)	(1,455,486)	–	–	(7,536,510)
Due from CMS, net	–	–	4,184,594	–	4,184,594
Note receivable	12,579,987	(151,892)	5,827,892	–	18,255,987
Other current assets, net	(1,475,376)	(67)	(525,254)	–	(2,000,697)
Deferred tax assets	(130,582)	(2,471)	(587,223)	8,159,028	7,438,752
Accounts payable and accrued expenses	3,277,522	(448,867)	40,192	–	2,868,847
Medical claims payable	15,793,501	(60,831)	3,149,019	–	18,881,689
Due to affiliates, net	57,909,617	(1,681,555)	(22,856,704)	(8,159,028)	25,212,330
Due to AHCCCS	53,779,500	–	–	–	53,779,500
Payable to providers	15,943,389	2,758,261	–	–	18,701,650
Deferred revenue	–	–	13,843,519	–	13,843,519
Federal taxes payable	2,160,352	(766,302)	(1,950,494)	–	(556,444)
Net cash provided by operating activities	194,893,692	–	8,735,378	–	203,629,070
Investing activities					
Sale of investments	8,848,394	–	–	–	8,848,394
Purchase of investments	(39,301,120)	–	–	–	(39,301,120)
Net cash used in investing activities	(30,452,726)	–	–	–	(30,452,726)
Financing activities					
Receipts from CMS contract deposits	–	–	30,684,649	–	30,684,649
Withdrawals from CMS contract deposits	–	–	(33,627,950)	–	(33,627,950)
Return of capital	(14,000,000)	–	(6,000,000)	–	(20,000,000)
Net cash used in financing activities	(14,000,000)	–	(8,943,301)	–	(22,943,301)
Net increase in cash and cash equivalents	150,440,966	–	(207,923)	–	150,233,043
Cash and cash equivalents, beginning of year	104,517,024	–	(1,204,200)	–	103,312,824
Cash and cash equivalents, end of year	\$ 254,957,990	\$ –	\$ (1,412,123)	\$ –	\$ 253,545,867

Health Choice Arizona, Inc
 AHCCCS Complete Care Program
 Sub-Capitated Expenses Report
 Contract Year Ended September 30, 2022

Account	Account Description	YTD Amount
	Sub-capitated hospitalization expenses	
50105-01	Hospital inpatient	\$ —
50110-01	Hospital inpatient-behavioral health services	—
50115-01	Reserved	—
	Total sub-capitated hospitalization expenses	<u>—</u>
	Sub-capitated medical compensation expenses	
50205-01	Primary care physician services	16,553,712
50210-01	Behavioral health physician services	—
50215-01	Referral physician services	—
50220-01	PH FQHC/RHC services	—
50225-01	Other professional services	—
50230-01	Reserved	—
	Total sub-capitated medical compensation expenses	<u>16,553,712</u>
	Sub-capitated other medical expenses	
50305-01	Emergency facility services	—
50310-01	PH pharmacy	—
50315-01	Laboratory, radiology and medical imaging	21,818,779
50320-01	Outpatient facility	—
50325-01	Durable medical equipment	3,952,473
50330-01	Dental	—
50335-01	Transportation	10,065,722
50340-00	Nursing facility, home health care	3,189,236
50345-01	Therapies	—
50350-01	Alternative payment model performance based payments to providers	—
50355-01	Behavioral health day program	—
50355-05	Behavioral health case management services	—
50355-06	Peer/family support	—
50355-07	Support services	—
50355-10	Behavioral health crisis intervention services	—
50355-11	Living skills training	—
50355-12	Supported employment	—
50355-15	Behavioral health rehabilitation services	—

Health Choice Arizona, Inc
 AHCCCS Complete Care Program
 Sub-Capitated Expenses Report (continued)
 Contract Year Ended September 30, 2022

Account	Account Description	YTD Amount
	Sub-capitated other medical expenses (continued)	
50355-20	Behavioral health residential services	\$ —
50355-21	Counseling	—
50355-22	Assessment, evaluation and screening	—
50355-23	Treatment services	—
50355-25	All other behavioral health services	—
50360-01	Reserved	—
50370-01	Other medical expenses	—
	Total sub-capitated other medical expenses	<u>39,026,210</u>
	Total sub-capitated expenses	<u><u>\$ 55,579,922</u></u>

Health Choice Arizona, Inc
 AHCCCS Complete Care Program
 Block Purchase Report
 Contract Year Ended September 30, 2022

Account	Account Description	YTD Amount
	Hospitalization block purchases	
50105-01	Hospital inpatient	\$ 1,515,469
50110-01	Hospital inpatient – behavioral health services	1,095,802
50115-01	Reserved	–
	Total sub-capitated hospitalization expense	<u>2,611,271</u>
	Sub-capitated medical compensation expenses	
50205-01	Primary care physician services	531,201
50210-01	Behavioral health physician services	2,478,077
50215-01	Referral physician services	–
50220-01	PH FQHC/RHC services	–
50225-01	Other professional services	54,594
50230-01	Reserved	–
	Total sub-capitated medical compensation expenses	<u>3,063,872</u>
	Sub-capitated other medical expenses	
50305-01	Emergency facility services	–
50310-01	PH pharmacy	–
50315-01	Laboratory, radiology and medical imaging	4,284
50320-01	Outpatient facility	–
50325-01	Durable medical equipment	–
50330-01	Dental	–
50335-01	Transportation	1,146,755
50340-00	Nursing facility, home health care	1,298,731
50345-01	Therapies	–
50350-01	Alternative payment model performance based payments to providers	–
50355-01	Behavioral health day program	14
50355-05	Behavioral health case management services	5,037,833
50355-06	Peer/family support	1,218,429
50355-07	Support services	–
50355-10	Behavioral health crisis intervention services	3,560
50355-11	Living skills training	5,850,789
50355-12	Supported employment	266,628
50355-15	Behavioral health rehabilitation services	61,751
50355-20	Behavioral health residential services	3,361,037

Health Choice Arizona, Inc
 AHCCCS Complete Care Program
 Block Purchase Report (continued)
 Contract Year Ended September 30, 2022

Account	Account Description	YTD Amount
	Sub-capitated other medical expenses (continued)	
50355-21	Counseling	\$ 7,793,184
50355-22	Assessment, evaluation and screening	4,280,131
50355-23	Treatment services	22,877
50355-25	All other behavioral health services	-
50360-01	Reserved	-
50370-01	Other medical expenses	319,198
	Total sub-capitated other medical expenses	<u>30,665,201</u>
	Total sub-capitated expenses	<u><u>\$ 36,340,344</u></u>

Health Choice Arizona, Inc
 AHCCCS Complete Care Program
 Block Purchase Report
 Contract Year Ended September 30, 2021

Account	Account Description	YTD Amount
	Hospitalization block purchases	
50105-01	Hospital inpatient	\$ 2,349,637
50110-01	Hospital inpatient – behavioral health services	1,497,371
50115-01	Reserved	–
	Total sub-capitated hospitalization expense	<u>3,847,008</u>
	Sub-capitated medical compensation expenses	
50205-01	Primary care physician services	708,723
50210-01	Behavioral health physician services	2,710,261
50215-01	Referral physician services	–
50220-01	PH FQHC/RHC services	–
50225-01	Other professional services	40,367
50230-01	Reserved	–
	Total sub-capitated medical compensation expenses	<u>3,459,351</u>
	Sub-capitated other medical expenses	
50305-01	Emergency facility services	–
50310-01	PH pharmacy	–
50315-01	Laboratory, radiology and medical imaging	5,509
50320-01	Outpatient facility	–
50325-01	Durable medical equipment	–
50330-01	Dental	–
50335-01	Transportation	1,761,811
50340-00	Nursing facility, home health care	1,382,181
50345-01	Therapies	–
50350-01	Alternative payment model performance based payments to providers	–
50355-01	Behavioral health day program	–
50355-05	Behavioral health case management services	7,444,810
50355-06	Peer/family support	1,435,767
50355-07	Support services	–
50355-10	Behavioral health crisis intervention services	660
50355-11	Living skills training	6,532,119
50355-12	Supported employment	375,987
50355-15	Behavioral health rehabilitation services	111,382
50355-20	Behavioral health residential services	3,905,790

Health Choice Arizona, Inc
 AHCCCS Complete Care Program

Block Purchase Report (continued)

Contract Year Ended September 30, 2021

Account	Account Description	YTD Amount
	Sub-capitated other medical expenses (continued)	
50355-21	Counseling	\$ 9,721,006
50355-22	Assessment, evaluation and screening	4,689,835
50355-23	Treatment services	11,623
50355-25	All other behavioral health services	-
50360-01	Reserved	-
50370-01	Other medical expenses	-
	Total sub-capitated other medical expenses	<u>37,378,480</u>
	Total sub-capitated expenses	<u><u>\$ 44,684,839</u></u>

Health Choice Arizona, Inc
Regional Behavioral Health Authority Program

Block Expense Report

Contract Year Ended September 30, 2022

Account	Account Description	YTD Amount
Behavioral health		
60199-01	Total treatment services	\$ 5,071,663
60299-01	Total rehabilitation services	4,857,854
60399-01	Total medical services	1,315,668
60499-01	Total support services	10,364,466
60599-01	Total crisis intervention services	10,701,508
60699-01	Total inpatient services	4,753,606
60799-01	Total residential services	6,739,760
60899-01	Total behavioral health day program	-
60999-01	Total prevention services	-
61099-01	Total Pharmacy Expense	-
61100-01	PPC BH title XIX	-
61105-01	Other service expenses not rpt'd above	-
61205-01	BH FQHC/RHC services	-
	Total behavioral health expenses	<u>43,804,525</u>
Physical health		
Hospitalization expenses		
50105-01	Hospital inpatient	-
50110-01	Behavioral health hospital inpatient	-
	Total hospitalization expenses	<u>-</u>
Medical compensation expenses		
50205-01	Primary care physician services	-
50210-01	Behavioral health physician services	-
50215-01	Referral physician services	-
50220-01	PH FQHC/RHC services	-
50225-01	Other professional services	-
	Total medical compensation expenses	<u>-</u>
Other medical expenses		
50305-01	Emergency facility services	-
50310-01	PH pharmacy	-
50315-01	Laboratory, radiology and medical imaging	-
50320-01	Outpatient facility	-
50325-01	Durable medical equipment	-

Health Choice Arizona, Inc
Regional Behavioral Health Authority Program
Block Expense Report (continued)
Contract Year Ended September 30, 2022

Account	Account Description	YTD Amount
	Other medical expenses (continued)	
50330-01	Dental	\$ —
50335-01	Transportation	—
50340-01	Nursing facility, home health care	—
50345-01	Therapies	—
50350-01	Alternative payment model performance based payments to providers	—
50370-10	Other medical expenses	—
	Total other medical expenses	<u>—</u>
	Total physical health expenses	<u><u>\$ —</u></u>

Health Choice Arizona, Inc
Regional Behavioral Health Authority Program
Sub-Capitated Expense Report
Contract Year Ended September 30, 2022

Account	Account Description	YTD Amount
Behavioral health		
60199-01	Total treatment services	\$ -
60299-01	Total rehabilitation services	-
60399-01	Total medical services	-
60499-01	Total support services	-
60599-01	Total crisis intervention services	-
60699-01	Total inpatient services	-
60799-01	Total residential services	-
60899-01	Total behavioral health day program	-
60999-01	Total prevention services	-
61099-01	Total Pharmacy Expense	-
61100-01	PPC BH title XIX	-
61105-01	Other service expenses not rpt'd above	-
61205-01	BH FQHC/RHC services	-
	Total behavioral health expenses	<hr/> -
Physical health		
Hospitalization expenses		
50105-01	Hospital inpatient	-
50110-01	Behavioral health hospital inpatient	-
	Total hospitalization expenses	<hr/> -
Medical compensation expenses		
50205-01	Primary care physician services	-
50210-01	Behavioral health physician services	-
50215-01	Referral physician services	-
50220-01	PH FQHC/RHC services	-
50225-01	Other professional services	-
	Total medical compensation expenses	<hr/> -
Other medical expenses		
50305-01	Emergency facility services	-
50310-01	PH pharmacy	76,861
50315-01	Laboratory, radiology and medical imaging	156,592
50320-01	Outpatient facility	-
50325-01	Durable medical equipment	95,255

Health Choice Arizona, Inc
Regional Behavioral Health Authority Program
Sub-Capitated Expense Report (continued)
Contract Year Ended September 30, 2022

Account	Account Description	YTD Amount
	Other medical expenses (continued)	
50330-01	Dental	\$ —
50335-01	Transportation	341,292
50340-01	Nursing facility, home health care	—
50350-01	Alternative payment model performance based payments to providers	—
50350-01	Alternative payment model performance based payments to providers	—
50370-10	Other medical expenses	—
	Total other medical expenses	<u>670,000</u>
	Total physical health expenses	<u>\$ 670,000</u>

Health Choice Arizona, Inc
Regional Behavioral Health Authority Program
Sub-Capitated and Block Expense Report
Contract Year Ended September 30, 2021

Account	Account Description	TXIX/XXI CMDP	TXIX/XXI SMI	TXIX/XXI Other Child (Crisis)	TXIX/XXI Other Adult (Crisis)	Total
Sub-capitated behavioral health expenses						
60199-01	Total treatment services	\$ 1,195,395	\$ 6,326,874	\$ -	\$ -	\$ 7,522,269
60299-01	Total rehabilitation services	878,530	5,649,457	-	-	6,527,987
60399-01	Total medical services	59,056	1,545,799	-	-	1,604,855
60499-01	Total support services	2,456,030	12,828,562	-	-	15,284,592
60599-01	Total crisis intervention services	-	-	772,572	9,748,849	10,521,421
60699-01	Total inpatient services	189	5,733,204	-	-	5,733,393
60799-01	Total residential services	60,482	6,595,708	-	-	6,656,190
60899-01	Total behavioral health day program	-	-	-	-	-
60999-01	Total prevention services	-	-	-	-	-
61099-01	Total Pharmacy Expense	-	-	-	-	-
61100-01	PPC BH title XIX	-	-	4,487	117,288	121,775
61105-01	Other service expenses not rpt'd above	-	-	-	-	-
61205-01	BH FQHC/RHC services	-	-	-	-	-
	Total Sub-capitated behavioral health expenses	4,649,682	38,679,604	777,059	9,866,137	53,972,482
Sub-capitated hospitalization expenses						
50105-01	Hospital inpatient	-	-	-	-	-
50110-01	Behavioral health hospital inpatient	-	-	-	-	-
	Total sub-capitated hospitalization expenses	-	-	-	-	-
Sub-capitated medical compensation expenses						
50205-01	Primary care physician services	-	-	-	-	-
50210-01	Behavioral health physician services	-	-	-	-	-
50215-01	Referral physician services	-	-	-	-	-
50220-01	PH FQHC/RHC services	-	-	-	-	-
50225-01	Other professional services	-	-	-	-	-
	Total sub-capitated medical compensation expenses	-	-	-	-	-
Sub-capitated other medical expenses						
50305-01	Emergency facility services	-	-	-	-	-
50310-01	PH pharmacy	-	74,250	-	-	74,250
50315-01	Laboratory, radiology and medical imaging	-	94,146	-	-	94,146
50320-01	Outpatient facility	-	-	-	-	-
50325-01	Durable medical equipment	-	92,020	-	-	92,020
50330-01	Dental	-	-	-	-	-
50335-01	Transportation	-	325,481	-	-	325,481
50340-01	Nursing facility, home health care	-	-	-	-	-
50345-01	Therapies	-	-	-	-	-
50350-01	Alternative payment model performance based payments to providers	-	-	-	-	-
50370-10	Other medical expenses	-	-	-	-	-
	Total other medical expenses	-	585,897	-	-	585,897
	Total physical health expenses	\$ 4,649,682	\$ 39,265,501	\$ 777,059	\$ 9,866,137	\$ 54,558,379

Health Choice Arizona, Inc
Regional Behavioral Health Authority Program
Supplemental Schedule of Activities
Year Ended September 30, 2022

*DISCLOSED ON SCHEDULE A

		TXIX/XXI	TXIX/XXI	Total	NTXIX/XXI	NTXIX/XXI	NTXIX/XXI	NTXIX/XXI	Supported	Housing				Other		Total	Total	Mgmt &				
		SMI	Crisis (24 Hours)	TXIX/XXI	Crisis	SMI Services	Other	SMI Housing	Housing	Trust Fund	MHBG SED	MHBG SMI	MHBG FEP	SABG	Federal	County	PASRR	NTXIX/XXI	NTXIX/XXI	Gen	Total	
00999	Total Member Months																					
Revenue																						
40105-01	Capitation	\$ 128,336,382	\$ 14,318,080	\$ 142,654,462	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 142,654,462	\$ 142,654,462
40115-01	Alternative payment model initiatives																					
	reconciliation/settlement	1,245,001	-	1,245,001	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,245,001	1,245,001
40135-01	Title XIX/XXI reconciliation settlement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
40145-01	Other reconciliation settlements*	36,248	447,110	483,358	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	483,358	483,358
40160-01	Reserved for Future Use	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
40205-01	Non-title XIX/XXI revenue	-	-	-	2,356,440	6,404,528	1,656,893	-	-	-	1,467,761	680,174	498,119	3,667,260	7,816,578	1,200,000	900	25,748,653	25,748,653	1,909,291	27,657,944	27,657,944
40210-01	Specialty and other grants*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
40215-01	Non-title XIX/XXI profit limit	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
40305-01	Investment income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
40310-01	Other income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	151,959	151,959
49999	Total revenue	\$ 129,617,631	\$ 14,765,190	\$ 144,382,821	\$ 2,356,440	\$ 6,404,528	\$ 1,656,893	\$ -	\$ -	\$ -	\$ 1,467,761	\$ 680,174	\$ 498,119	\$ 3,667,260	\$ 7,816,578	\$ 1,200,000	\$ 900	\$ 25,748,653	\$ 170,131,474	\$ 2,061,250	\$ 172,192,724	
Expenses																						
Behavioral health medical expenses																						
60105-01	Treatment services																					
	Counseling																					
	a Counseling, individual	\$ 3,198,572	\$ -	\$ 3,198,572	\$ 2,518	\$ 913,398	\$ 212,934	\$ -	\$ -	\$ -	\$ 337,187	\$ -	\$ -	\$ 466,162	\$ -	\$ 744	\$ -	\$ 1,932,943	\$ 5,131,515	\$ -	\$ 5,131,515	
	b Counseling, family	55,361	-	55,361	-	7,659	6,524	-	-	-	47,851	-	-	16,030	-	-	-	78,064	133,425	-	133,425	
	c Counseling, group	543,537	-	543,537	1,005	63,664	42,833	-	-	-	16,189	-	-	63,949	-	-	-	187,640	731,177	-	731,177	
60105-05	Assessment, evaluation and screening	2,150,954	-	2,150,954	84,799	383,099	120,272	-	-	-	144,402	60,399	-	230,473	-	86,272	-	1,109,716	3,260,670	164,250	3,424,920	
60105-10	Other professional	234,595	-	234,595	-	-	1,850	-	-	-	16,480	-	-	-	-	-	-	18,330	252,925	-	252,925	
60199	Total treatment services	6,183,019	-	6,183,019	88,322	1,367,820	384,413	-	-	-	562,109	60,399	-	776,614	-	87,016	-	3,326,693	9,509,712	164,250	9,673,962	
	Rehabilitation services																					
60205-01	Living skills training	4,193,269	-	4,193,269	220	528,082	114,756	-	-	-	278,004	83,256	-	287,014	-	-	-	1,291,332	5,484,601	-	5,484,601	
60205-05	Cognitive rehabilitation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
60205-10	Health promotion	78,908	-	78,908	-	5,233	1,027	-	-	-	151	825	-	41,887	-	-	-	49,123	128,031	-	128,031	
60205-15	Supported employment services	969,907	-	969,907	-	74,018	12,011	-	-	-	2,450	11,670	-	38,443	-	-	-	138,592	1,108,499	-	1,108,499	
60299	Total rehabilitation services	5,242,084	-	5,242,084	220	607,333	127,794	-	-	-	280,605	95,751	-	367,344	-	-	-	1,479,047	6,721,131	-	6,721,131	
	Medical services																					
60305-01	Medication services	177,862	-	177,862	-	1,047	181,576	-	-	-	-	165	-	509	-	-	-	183,297	361,159	-	361,159	
60305-05	Medical management	1,902,659	-	1,902,659	198,515	256,242	218,327	-	-	-	54,859	40,399	-	93,343	-	5,465	-	867,150	2,769,809	-	2,769,809	
60305-10	Laboratory, radiology & medical imaging	44,141	-	44,141	-	-	2,472	-	-	-	-	-	-	89	-	-	-	2,561	46,702	-	46,702	
60305-15	Electro-convulsive therapy	58,218	-	58,218	-	-	-	-	-	-	-	-	-	-	-	-	-	-	58,218	-	58,218	
60399	Total medical services	2,182,880	-	2,182,880	198,515	257,289	402,375	-	-	-	54,859	40,564	-	93,941	-	5,465	-	1,053,008	3,235,888	-	3,235,888	
	Support services																					
60405-01	Case management	6,160,309	-	6,160,309	92,915	1,054,008	176,680	-	-	-	223,524	166,173	-	346,953	-	12,428	-	2,072,681	8,232,990	-	8,232,990	
60405-05	Personal care services	177,659	-	177,659	-	61,820	-	-	-	-	-	9,746	-	-	-	-	-	71,566	249,225	-	249,225	
60405-10	Family support	10,090	-	10,090	-	245	1,529	-	-	-	17,624	39	-	252	-	-	-	19,689	29,779	-	29,779	
60405-15	Peer support	3,084,536	-	3,084,536	-	438,947	16,330	-	-	-	1,405	69,204	-	121,149	-	-	-	647,035	3,731,571	-	3,731,571	
60405-20	Therapeutic foster care/therapeutic home	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
60405-21	Adult Behavioral Health Therapeutic Home	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
60405-25	Unskilled respite care	9,805	-	9,805	-	252	31,439	-	-	-	36,318	40	-	-	-	-	-	68,049	77,854	-	77,854	
60405-30	Supported housing*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
60405-35	Reserved for future use	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
60405-40	Transportation	2,212,953	-	2,212,953	11,950	176,936	116,743	-	-	-	22,316	27,895	-	62,639	-	-	-	418,479	2,631,432	-	2,631,432	
60499	Total support services	11,655,352	-	11,655,352	104,865	1,732,208	342,721	-	-	-	301,187	273,097	-	530,993	-	12,428	-	3,297,499	14,952,851	-	14,952,851	

Health Choice Arizona, Inc
Regional Behavioral Health Authority Program
Supplemental Schedule of Activities (continued)

Year Ended September 30, 2022

*DISCLOSED ON SCHEDULE A (continued)

	TXIX/XXI SMI	TXIX/XXI Crisis (24 Hours)	Total TXIX/XXI	NTXIX/XXI Crisis	NTXIX/XXI SMI Services	NTXIX/XXI Other	NTXIX/XXI SMI Housing	Supported Housing	Housing Trust Fund	MHBG SED	MHBG SMI	MHBG FEP	SABG	Other Federal	County	PASRR	Total NTXIX/XXI	Total TXIX/XXI and NTXIX/XXI	Mgmt & Gen	Total
Crisis intervention services																				
60505-01	\$ -	\$ 8,059,312	\$ 8,059,312	\$ 677,110	\$ 83,409	\$ 32,879	\$ -	\$ -	\$ -	\$ 20,626	\$ 5,600	\$ -	\$ 112,590	\$ -	\$ 731	\$ -	\$ 932,945	\$ 8,992,257	\$ -	\$ 8,992,257
60505-05	220	3,057,608	3,057,828	151,988	34,070	20,365	-	-	-	447	5,371	-	226,506	-	1,908	-	440,655	3,498,483	42,140	3,540,623
60505-10	-	1,417,464	1,417,464	421,759	1,584	1,510	-	-	-	767	250	-	4,973	-	-	-	430,843	1,848,307	-	1,848,307
60599	220	12,534,384	12,534,604	1,250,857	119,063	54,754	-	-	-	21,840	11,221	-	344,069	-	2,639	-	1,804,443	14,339,047	42,140	14,381,187
Inpatient services																				
Hospital																				
60605-01																				
a	8,590,892	-	8,590,892	104,574	-	17,552	-	-	-	-	-	-	-	-	858,970	-	981,096	9,571,988	1,402,649	10,974,637
b	216,112	-	216,112	13,508	-	-	-	-	-	-	-	-	-	-	-	-	13,508	229,620	-	229,620
60605-05																				
Sub acute facility																				
a	3,476,842	-	3,476,842	342,321	-	2,489	-	-	-	-	-	-	-	-	-	-	344,810	3,821,652	-	3,821,652
b	183,350	-	183,350	51,956	-	6,556	-	-	-	-	-	-	19,129	-	-	-	77,641	260,991	-	260,991
60605-10																				
Residential Treatment Center (RTC)																				
a	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
b	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
60605-15	386,550	-	386,550	12,786	-	2,880	-	-	-	4,211	-	-	-	-	152,482	-	172,359	558,909	94,823	653,732
60699	12,853,746	-	12,853,746	525,145	-	29,477	-	-	-	4,211	-	-	19,129	-	1,011,452	-	1,589,414	14,443,160	1,497,472	15,940,632
Residential services																				
60705-01	21,567,684	-	21,567,684	-	96,921	188,099	-	-	-	35,767	15,281	-	662,099	-	-	-	998,167	22,565,851	-	22,565,851
60705-05	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
60705-10	-	-	-	-	-	-	-	-	-	13,265	-	-	53,294	-	-	-	66,559	66,559	-	66,559
60799	21,567,684	-	21,567,684	-	96,921	188,099	-	-	-	49,032	15,281	-	715,393	-	-	-	1,064,726	22,632,410	-	22,632,410
Behavioral health day program																				
60805-01	226	-	226	-	-	-	-	-	-	-	-	-	-	-	-	-	-	226	-	226
60805-05	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
60805-10	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
60899	226	-	226	-	-	-	-	-	-	-	-	-	-	-	-	-	-	226	-	226
Prevention services																				
60905-01	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
60905-05	-	-	-	-	-	-	-	-	-	-	-	-	70,151	-	-	-	70,151	70,151	-	70,151
60999	-	-	-	-	-	-	-	-	-	-	-	-	70,151	-	-	-	70,151	70,151	-	70,151
Pharmacy expenses																				
61005-01	13,720,337	-	13,720,337	-	1,711,533	4,550	-	-	-	22,485	104,417	-	113,066	-	-	-	1,956,051	15,676,388	-	15,676,388
61099	13,720,337	-	13,720,337	-	1,711,533	4,550	-	-	-	22,485	104,417	-	113,066	-	-	-	1,956,051	15,676,388	-	15,676,388
61100-01	-	165,519	165,519	-	-	-	-	-	-	-	-	-	-	-	-	-	-	165,519	-	165,519
61105-01	-	-	-	-	-	-	-	-	-	-	-	439,937	208,225	7,193,811	-	900	7,842,873	7,842,873	-	7,842,873
61205-01	97,053	-	97,053	-	-	-	-	-	-	-	-	-	-	-	-	-	-	97,053	-	97,053
61299	73,502,601	12,699,903	86,202,504	2,167,924	5,892,167	1,534,183	-	-	-	1,296,328	600,730	439,937	3,238,925	7,193,811	1,119,000	900	23,483,905	109,686,409	1,703,862	111,390,271
61305-01	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
69998	73,502,601	12,699,903	86,202,504	2,167,924	5,892,167	1,534,183	-	-	-	1,296,328	600,730	439,937	3,238,925	7,193,811	1,119,000	900	23,483,905	109,686,409	1,703,862	111,390,271
59999	36,865,544	-	36,865,544	-	-	-	-	-	-	-	-	-	-	-	-	-	-	36,865,544	-	36,865,544
69999	110,368,145	12,699,903	123,068,048	2,167,924	5,892,167	1,534,183	-	-	-	1,296,328	600,730	439,937	3,238,925	7,193,811	1,119,000	900	23,483,905	146,551,953	1,703,862	148,255,815

Health Choice Arizona, Inc
Regional Behavioral Health Authority Program
Supplemental Schedule of Activities (continued)
Year Ended September 30, 2022

*DISCLOSED ON SCHEDULE A (continued)

	TXIX/XXI SMI	TXIX/XXI Crisis (24 Hours)	Total TXIX/XXI	NTXIX/XXI Crisis	NTXIX/XXI SMI Services	NTXIX/XXI Other	NTXIX/XXI SMI Housing	Supported Housing	Housing Trust Fund	MHBG SED	MHBG SMI	MHBG FEP	SABG	Other Federal	County	PASRR	Total NTXIX/XXI	Total TXIX/XXI and NTXIX/XXI	Mgmt & Gen	Total
70105-01	\$ (358,861)	\$ -	\$ (358,861)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (358,861)	\$ -	\$ (358,861)
70205-02	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
70305-01	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
70310-05	(9,355)	-	(9,355)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(9,355)	-	(9,355)
70310-10	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
85999	\$ 109,999,929	\$ 12,699,903	\$ 122,699,832	\$ 2,167,924	\$ 5,892,167	\$ 1,534,183	\$ -	\$ -	\$ -	\$ 1,296,328	\$ 600,730	\$ 439,937	\$ 3,238,925	\$ 7,193,811	\$ 1,119,000	\$ 900	\$ 23,483,905	\$ 146,183,737	\$ 1,703,862	\$ 147,887,599
Physical Health (PH) medical expenses																				
Hospitalization																				
50105-01	\$ 4,591,347	\$ -	\$ 4,591,347	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,591,347	\$ -	\$ 4,591,347
50110-01	106,305	-	106,305	-	-	-	-	-	-	-	-	-	-	-	-	-	-	106,305	-	106,305
50199	4,697,652	-	4,697,652	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,697,652	-	4,697,652
Medical compensation																				
50205-01	2,348,227	-	2,348,227	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,348,227	-	2,348,227
50210-01	1,272,747	-	1,272,747	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,272,747	-	1,272,747
50215-01	1,046,796	-	1,046,796	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,046,796	-	1,046,796
50220-01	1,013,320	-	1,013,320	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,013,320	-	1,013,320
50225-01	3,094,036	-	3,094,036	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,094,036	-	3,094,036
50299	8,775,126	-	8,775,126	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8,775,126	-	8,775,126
Other medical expenses																				
50305-01	3,353,569	-	3,353,569	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,353,569	-	3,353,569
50310-01	9,604,398	-	9,604,398	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9,604,398	-	9,604,398
50315-01	707,315	-	707,315	-	-	-	-	-	-	-	-	-	-	-	-	-	-	707,315	-	707,315
50320-01	3,279,062	-	3,279,062	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,279,062	-	3,279,062
50325-01	106,116	-	106,116	-	-	-	-	-	-	-	-	-	-	-	-	-	-	106,116	-	106,116
50330-01	132,210	-	132,210	-	-	-	-	-	-	-	-	-	-	-	-	-	-	132,210	-	132,210
50335-01	4,299,734	-	4,299,734	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,299,734	-	4,299,734
50340-00	631,962	-	631,962	-	-	-	-	-	-	-	-	-	-	-	-	-	-	631,962	-	631,962
50345-01	453	-	453	-	-	-	-	-	-	-	-	-	-	-	-	-	-	453	-	453
50350-01	1,263,047	-	1,263,047	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,263,047	-	1,263,047
50370-01	14,900	-	14,900	-	-	-	-	-	-	-	-	-	-	-	-	-	-	14,900	-	14,900
50399	23,392,766	-	23,392,766	-	-	-	-	-	-	-	-	-	-	-	-	-	-	23,392,766	-	23,392,766
59999	\$ 36,865,544	\$ -	\$ 36,865,544	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 36,865,544	\$ -	\$ 36,865,544

Health Choice Arizona, Inc
Regional Behavioral Health Authority Program
Supplemental Schedule of Activities (continued)
Year Ended September 30, 2022

*DISCLOSED ON SCHEDULE A (continued)

	TXIX/XXI	TXIX/XXI	Total	NTXIX/XXI	NTXIX/XXI	NTXIX/XXI	NTXIX/XXI	Supported	Housing					Other			Total	Total	Mgmt &	
	SMI	Crisis	TXIX/XXI	Crisis	SMI Services	Other	SMI Housing	Housing	Trust Fund	MHBG SED	MHBG SMI	MHBG FEP	SABG	Federal	County	PASRR	NTXIX/XXI	TXIX/XXI and	Gen	Total
		(24 Hours)																NTXIX/XXI		
Administrative expenses																				
80105-01 Compensation	\$ 4,352,677	\$ 524,003	\$ 4,876,680	\$ 57,980	\$ 151,332	\$ 40,887	\$ -	\$ -	\$ -	\$ 36,155	\$ 16,785	\$ 12,292	\$ 90,079	\$ 192,886	\$ 29,612	\$ 25	\$ 628,033	\$ 5,504,713	\$ 47,113	\$ 5,551,826
80205-01 Occupancy	475,894	58,902	534,796	6,808	17,771	4,801	-	-	-	4,246	1,971	1,473	10,578	22,650	3,477	3	73,778	608,574	5,533	614,107
80305-01 Depreciation	26,608	3,398	30,006	381	994	268	-	-	-	237	110	86	591	1,266	194	-	4,127	34,133	309	34,442
80405-01 Care management/care coordination	2,909,175	356,173	3,265,348	41,620	108,634	29,350	-	-	-	25,954	12,048	8,924	64,661	138,461	21,257	17	450,926	3,716,274	33,821	3,750,095
80505-01 Professional and outside services	3,869,139	390,007	4,259,146	59,645	155,683	42,061	-	-	-	37,195	17,267	12,070	92,566	198,429	30,463	19	645,398	4,904,544	48,469	4,953,013
80605-01 Office supplies and equipment	626,259	89,907	716,166	8,959	23,386	6,318	-	-	-	5,587	2,594	2,299	14,020	29,807	4,576	4	97,550	813,716	7,281	820,997
80705-01 Travel	28,239	3,288	31,527	404	1,055	285	-	-	-	252	117	86	628	1,344	206	-	4,377	35,904	328	36,232
80805-01 Repair and maintenance	16,967	1,975	18,942	243	634	171	-	-	-	151	70	51	377	808	124	-	2,629	21,571	197	21,768
80905-01 Bank service charge	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
81005-01 Insurance	215,723	25,914	241,637	3,086	8,055	2,176	-	-	-	1,925	893	654	4,795	10,267	1,576	1	33,428	275,065	2,508	277,573
81105-01 Marketing	33,699	3,973	37,672	482	1,258	340	-	-	-	301	140	102	749	1,604	246	-	5,222	42,894	392	43,286
81205-01 Interest expense	9,759	-	9,759	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9,759	-	9,759
81305-01 Pharmacy benefit manager expenses	258,374	30	258,404	-	21,741	-	-	-	-	206	-	-	1,353	-	-	-	23,300	281,704	-	281,704
81405-01 Fraud reduction expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
81505-01 Third party activities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
81605-01 Sub capitation/block administrative	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
81705-01 Health care quality improvement	584,193	72,010	656,203	8,358	21,815	5,894	-	-	-	5,212	2,419	1,812	12,985	27,804	4,269	3	90,571	746,774	6,792	753,566
82505-01 Interpretation/translation services	1	36	37	550	3	-	-	-	-	-	-	-	-	-	-	-	553	590	-	590
83005-01 Other administrative expenses*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
83999 Subtotal administrative expenses	13,406,707	1,529,616	14,936,323	188,516	512,361	132,551	-	-	-	117,421	54,414	39,849	293,382	625,326	96,000	72	2,059,892	16,996,215	152,743	17,148,958
83105-01 Non-title XIX/XXI encounter evaluation sanctions*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
83205-01 Admin expenses from specialty and other grants*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
84999 Total administrative expense	\$ 13,406,707	\$ 1,529,616	\$ 14,936,323	\$ 188,516	\$ 512,361	\$ 132,551	\$ -	\$ -	\$ -	\$ 117,421	\$ 54,414	\$ 39,849	\$ 293,382	\$ 625,326	\$ 96,000	\$ 72	\$ 2,059,892	\$ 16,996,215	\$ 152,743	\$ 17,148,958
86999 Total expenses	\$ 123,406,636	\$ 14,229,519	\$ 137,636,155	\$ 2,356,440	\$ 6,404,528	\$ 1,666,734	\$ -	\$ -	\$ -	\$ 1,413,749	\$ 655,144	\$ 479,786	\$ 3,532,307	\$ 7,819,137	\$ 1,215,000	\$ 972	\$ 25,543,797	\$ 163,179,952	\$ 1,856,605	\$ 165,036,557
87999 Profit (Loss) from operations	\$ 6,210,995	\$ 535,671	\$ 6,746,666	\$ -	\$ -	\$ (9,841)	\$ -	\$ -	\$ -	\$ 54,012	\$ 25,030	\$ 18,333	\$ 134,953	\$ (2,559)	\$ (15,000)	\$ (72)	\$ 204,856	\$ 6,951,522	\$ 204,645	\$ 7,156,167
88999 Profit (Loss) from non-operating*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,007,146)	(2,007,146)
89999 Profit/(Loss) before taxes	\$ 6,210,995	\$ 535,671	\$ 6,746,666	\$ -	\$ -	\$ (9,841)	\$ -	\$ -	\$ -	\$ 54,012	\$ 25,030	\$ 18,333	\$ 134,953	\$ (2,559)	\$ (15,000)	\$ (72)	\$ 204,856	\$ 6,951,522	\$ (1,802,501)	\$ 5,149,021
90105-01 Income taxes	\$ 534,708	\$ 46,173	\$ 580,881	\$ -	\$ -	\$ (848)	\$ -	\$ -	\$ -	\$ 4,656	\$ 2,158	\$ 1,580	\$ 11,633	\$ (221)	\$ (1,293)	\$ (7)	\$ 17,658	\$ 598,539	\$ (139,585)	\$ 458,954
90205-01 Premium taxes	2,566,727	286,362	2,853,089	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,853,089	-	2,853,089
90305-01 Reserved for future use	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
99999 Net profit/(loss)	\$ 3,109,560	\$ 203,136	\$ 3,312,696	\$ -	\$ -	\$ (8,993)	\$ -	\$ -	\$ -	\$ 49,356	\$ 22,872	\$ 16,753	\$ 123,320	\$ (2,338)	\$ (13,707)	\$ (65)	\$ 187,198	\$ 3,499,894	\$ (1,662,916)	\$ 1,836,978
990105-01 Community reinvestment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 110,219	\$ 110,219
990205-01 Non covered services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
999999 Net profit/(loss) after CRI and non covered services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,499,894	\$ (1,773,135)	\$ 1,726,759

*Disclose on Schedule A

Health Choice Arizona, Inc
Regional Behavioral Health Authority Program
Supplemental Schedule of Activities
Year Ended September 30, 2022

	TXIX/XXI SMI	TXIX/XXI Crisis (24 Hours)	Total TXIX/XXI	NTXIX/XXI Crisis	NTXIX/XXI SMI Services	NTXIX/XXI Other	NTXIX/XXI SMI Housing	Supported Housing	Housing Trust Fund	MHBG SED	MHBG SMI	MHBG FEP	SABG	Other Federal	County	PASRR	Total NTXIX/XXI	Total TXIX/XXI NTXIX/XXI	Mgmt & Gen	Total
Disclosure of NTXIX/XXI other and other Federal AHCCCS Revenue on line 40205-01																				
SOR	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 87,059	\$ -	\$ -	\$ 87,059
SOR II	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6,884,962	-	-	6,884,962
COVID-19 Parent	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	123,568	-	-	123,568
COVID-19 Supplemental	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	96,683	-	-	96,683
SUDS	-	-	-	-	-	1,297,790	-	-	-	-	-	-	-	-	-	-	1,297,790	-	-	1,297,790
CBHSF	-	-	-	-	-	359,103	-	-	-	-	-	-	-	-	-	-	359,103	-	-	359,103
SABG CRRSAA	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	503,408	-	-	503,408
MHBG CRRSAA	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	120,898	-	-	120,898
Title 36	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,909,291	1,909,291
Total - NTXIX/XXI other and other federal column	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,656,893	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,816,578	\$ -	\$ -	\$ 9,473,471
Disclosure of other reconciliation settlements on line 40145-01																				
FY22 PPC settlement	\$ -	\$ 167,337	\$ 167,337	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 167,337
FY21 PPC settlement	-	43,410	43,410	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	43,410
FY20 PPC settlement	-	236,363	236,363	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	236,363
COVID-19 Vaccine	36,248	-	36,248	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	36,248
Total - Other Reconciliations	\$ 36,248	\$ 447,110	\$ 483,358	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 483,358
Disclosure of speciality and other grants reported on line 40210-01																				
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total speciality and other grants revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Disclosure of supported housing on reported on line 60405-30																				
Rent subsidy	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Management fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Utility payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other/repairs & maintenance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Damages	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deposits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Property acquisition	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Eviction prevention	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Construction/improvements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing trust fund - construction/improvements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total supported housing	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Disclosure of other services on line 61105-01																				
First Episode of Psychosis (FEP)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 439,937	\$ -	\$ -	\$ -	\$ -	\$ 439,937	\$ 439,937	\$ -	\$ 439,937
SABG Oxford house	-	-	-	-	-	-	-	-	-	-	-	-	208,225	-	-	-	208,225	208,225	-	208,225
SOR	-	-	-	-	-	-	-	-	-	-	-	-	-	82,704	-	-	82,704	82,704	-	82,704
SOR II	-	-	-	-	-	-	-	-	-	-	-	-	-	6,120,118	-	-	6,120,118	6,120,118	-	6,120,118
SOR II- Oxford house	-	-	-	-	-	-	-	-	-	-	-	-	-	213,996	-	-	213,996	213,996	-	213,996
COVID-19 Parent	-	-	-	-	-	-	-	-	-	-	-	-	-	113,682	-	-	113,682	113,682	-	113,682
COVID-19 Supplemental	-	-	-	-	-	-	-	-	-	-	-	-	-	88,949	-	-	88,949	88,949	-	88,949
SABG CRRSAA	-	-	-	-	-	-	-	-	-	-	-	-	-	463,136	-	-	463,136	463,136	-	463,136
MHBG CRRSAA	-	-	-	-	-	-	-	-	-	-	-	-	-	111,226	-	-	111,226	111,226	-	111,226
PASRR	-	-	-	-	-	-	-	-	-	-	-	-	-	-	900	900	900	-	900	
Total other services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 439,937	\$ 208,225	\$ 7,193,811	\$ -	\$ 900	\$ 7,842,873	\$ 7,842,873	\$ -	\$ 7,842,873

Health Choice Arizona, Inc

Regional Behavioral Health Authority Program

Supplemental Schedule of Activities (continued)

Year Ended September 30, 2022

	TXIX/XXI SMI	TXIX/XXI Crisis (24 Hours)	Total TXIX/XXI	NTXIX/XXI Crisis	NTXIX/XXI SMI Services	NTXIX/XXI Other	NTXIX/XXI SMI Housing	Supported Housing	Housing Trust Fund	MHBG SED	MHBG SMI	MHBG FEP	SABG	Other Federal	County	PASRR	Sub-Total	Sub-Total	Mgmt & Gen	Total	
Disclosure of speciality and other grants on line 61305-01																					
Total speciality and other grants expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Disclosure of other admin expenses on line 83005-01																					
Total other admin expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Disclosure of non-title XIX/XXI encounter evaluation reported on line 83105-01																					
Total non-title XIX/XXI encounter evaluation sanctions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Disclosure of administrative expenses from specialty and other grants on line 83205-01																					
Total adm expenses from specialty and other grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Disclosure of non-operating line 88999-01																					
NARBHA institute expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (2,007,146)	\$ (2,007,146)
Total non-operating	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (2,007,146)	\$ (2,007,146)

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