## FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Health Choice Arizona, Inc. Years Ended September 30, 2024 and 2023 With Report of Independent Auditors



# Financial Statements and Supplementary Information

Years Ended September 30, 2024 and 2023

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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, 2024 and 2023, and the related statements of operations and comprehensive income, 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, 2024 and 2023, 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 and comprehensive income, 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 are 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.

March 28, 2025

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## **Balance Sheets**

	Year Ended September 30 2024 2023					
Assets						
Current assets:						
Cash and cash equivalents	\$	131,292,881	\$	290,177,422		
Short-term investments	·	10,173,569		65,325,278		
Pharmacy rebate receivables		7,846,535		6,154,322		
Private reinsurance receivables		209,424		42,369		
Due from AHCCCS		29,556,798		41,710,900		
Due from CMS, net		882,787		3,846,613		
Note receivable from BCBSAZ		38,349,201		97,457,472		
Other current assets, net		42,397,082		31,583,413		
Federal taxes receivable		4,668,232		_		
Total current assets		265,376,509		536,297,789		
		, ,				
Long-term investments		168,259,387		_		
Goodwill		5,756,914		5,756,914		
Net deferred tax assets		83,732,678		92,822,542		
Total assets	\$	523,125,488	\$	634,877,245		
Liabilities and equity						
Current liabilities:						
Accounts payable and accrued expenses	\$	17,620,812	\$	1,598,225		
Medical claims payable		118,453,319		111,992,198		
Due to affiliates, net		35,660,263		45,779,735		
Due to AHCCCS		48,030,466		110,142,122		
Payable to providers		27,859,577		48,126,782		
Deferred revenue		812,500		15,459,706		
Federal taxes payable		_		9,825,804		
Total liabilities		248,436,937		342,924,572		
Equity:		252 400 0 6		201 072 247		
Retained earnings		273,489,968		291,972,245		
Accumulated other comprehensive income (loss)		1,198,583		(19,572)		
Total equity		274,688,551	<u></u>	291,952,673		
Total liabilities and equity	\$	523,125,488	\$	634,877,245		

See accompanying notes.

## Statements of Operations and Comprehensive Income

	Year Ended September 30				
	2024	2023			
Revenue:					
Capitation premiums	\$ 1,191,759,173	\$ 1,271,246,824			
Delivery supplemental premiums	25,392,698	26,697,747			
Other grants and contracts revenue	2,633	3,676,694			
Total revenue	1,217,154,504	1,301,621,265			
Expenses:					
Medical expenses	1,051,546,014	1,093,389,784			
Administrative expenses	113,997,613	118,622,714			
Premium tax expense	20,920,580	23,645,207			
Total expenses	1,186,464,207	1,235,657,705			
Operating income	30,690,297	65,963,560			
Non-operating income (expense):					
Interest income	12,834,534	5,400,395			
Investment income	10,694,812	8,824,542			
Community reinvestment expense	(2,531,941)	(3,139,524)			
Other non-operating expenses	(261,920)	(203,874)			
Income before income taxes	51,425,782	76,845,099			
Income tax expense	10,799,788	16,176,904			
Net income	40,625,994	60,668,195			
Other comprehensive income (loss):					
Unrealized investment gain (loss)	1,541,968	(26,687)			
Less: effect of income taxes	(323,813)	7,115			
Other comprehensive income (loss), net of tax	1,218,155	(19,572)			
Comprehensive income	\$ 41,844,149	\$ 60,648,623			

See accompanying notes.

## Statements of Changes in Equity

	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Equity
Balance at October 1, 2022	\$ 281,304,050	\$ -	\$ 281,304,050
Equity distribution	(50,000,000)	_	(50,000,000)
Net income	60,668,195	_	60,668,195
Other comprehensive loss	<u> </u>	(19,572)	(19,572)
Balance at September 30, 2023	291,972,245	(19,572)	291,952,673
Equity distribution	(59,108,271)	_	(59,108,271)
Net income	40,625,994	_	40,625,994
Other comprehensive income	_	1,218,155	1,218,155
Balance at September 30, 2024	\$ 273,489,968	\$ 1,198,583	\$ 274,688,551

See accompanying notes.

## Statements of Cash Flows

	Year Ended September 30				
	2024	2023			
Operating activities					
Net income	\$ 40,625,994 \$	60,668,195			
Adjustments to reconcile net income to net cash					
provided by operating activities:					
Investment (income) loss	(1,482,220)	22,095			
Changes in operating assets and liabilities:					
Pharmacy rebate receivables	(1,692,213)	(179,059)			
Private reinsurance receivables	(167,055)	(34,976)			
Due from AHCCCS	12,154,102	(8,700,246)			
Due from CMS, net	4,150,242	5,483,155			
Note receivable from BCBSAZ	59,108,271	44,532,798			
Other current assets, net	(10,813,669)	(26,688,265)			
Deferred tax assets	8,766,051	8,184,782			
Accounts payable and accrued expenses	16,022,587	(2,867,277)			
Medical claims payable	6,461,121	(6,415,491)			
Due to affiliates, net	(10,119,472)	8,219,845			
Due to AHCCCS	(62,111,656)	29,099,912			
Payable to providers	(20,267,205)	3,269,394			
Deferred revenue	(14,647,206)	1,366,187			
Federal taxes receivable/payable	(14,494,036)	5,036,528			
Net cash provided by operating activities	11,493,636	120,997,577			
Investing activities					
Sale of investments	126,354,884	32,918,695			
Purchase of investments	(236,438,374)	(67,905,412)			
Net cash used in investing activities	(110,083,490)	(34,986,717)			
· ·		,			
Financing activities					
Receipts from CMS contract deposits	33,849,173	34,006,157			
Withdrawals from CMS contract deposits	(35,035,589)	(33,385,462)			
Distribution to Parent	(59,108,271)	(50,000,000)			
Net cash used in financing activities	(60,294,687)	(49,379,305)			
-					
Net (decrease) increase in cash and cash equivalents	(158,884,541)	36,631,555			
Cash and cash equivalents, beginning of year	290,177,422	253,545,867			
Cash and cash equivalents, end of year	\$ 131,292,881 \$	290,177,422			

See accompanying notes.

#### Notes to Combined Financial Statements

September 30, 2024

#### 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) in which Prosano, Inc. is the ultimate parent company.

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. Effective October 1, 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. The ACC contract had an initial term of three years through September 30, 2021 and two two-year options to extend the contract through September 30, 2025 at the discretion of AHCCCS. Effective October 1, 2020, the contract was extended an additional two-year option through September 30, 2027. 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.

Through the RBHA contract, the Company provided 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. Effective October 1, 2022, the Company is no longer a contracted managed care organization for the RBHA Program. The Company experienced RBHA program related run out activities in 2023 and 2024.

### Notes to Combined Financial Statements (continued)

#### 1. Organization (continued)

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 through December 31, 2025, 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.

### 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.

### Notes to Combined Financial Statements (continued)

#### 2. Summary of Significant Accounting Policies (continued)

#### **Investments**

Short-term investments generally include investments in bonds whose remaining maturities are one year or less. Money market mutual funds and bonds with maturities at acquisition of three months or less are included in cash and cash equivalents.

The fixed income portfolio is invested primarily in corporate bonds, asset backed securities, municipal bonds, and mortgage-backed securities. Interest on fixed income securities is recognized in investment income on an accrual basis. Fixed income securities are classified as either trading or available-for-sale. For fixed income securities classified as trading, unrealized gains and losses are recorded in investment income within net income. For fixed income securities classified as available-for-sale, unrealized gains and losses are recorded as a component of other comprehensive income. Realized gains and losses are determined on the basis of the cost or amortized cost of the specific securities sold. Realized gains and losses on fixed-income securities are recognized in investment income.

### **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 \$8 million and \$6 million as of September 30, 2024 and 2023, respectively, and \$16 million and \$17 million was recognized as a reduction of pharmacy expense during the years ended September 30, 2024 and 2023, 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, 2024 and 2023, the Company has a note receivable from BCBSAZ of \$38 million and \$97 million, respectively recorded on the accompanying balance sheets. Interest was accrued at the rate of 6.33% and 4.08% in 2024 and 2023, 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.

### Notes to Combined Financial Statements (continued)

#### 2. Summary of Significant Accounting Policies (continued)

The Company obtained approval from AHCCCS to distribute equity in the amount of \$50 million in December 2023. The Company obtained approval from AHCCCS to distribute equity in the amount of \$50 million in December 2023 and \$9 million in July 2024 to BCBSAZ.

#### Due to Affiliates, Net

Due to affiliates, net of amounts due from affiliates, primarily represents the amount owed to Health Choice Management Company (the Management Company), a wholly owned subsidiary of Veritage. The Management Company pays administrative expenses on behalf of the Company. Due to affiliates, net was \$36 million and \$46 million as of September 30, 2024 and 2023, 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 2024 and 2023 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.

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%.

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.

### Notes to Combined Financial Statements (continued)

#### 2. Summary of Significant Accounting Policies (continued)

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 \$1,192 million and \$1,271 million and delivery supplemental premiums of \$25 million and \$27 million were recognized during the years ended September 30, 2024 and 2023, respectively.

### **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.

### Notes to Combined Financial Statements (continued)

#### 2. Summary of Significant Accounting Policies (continued)

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 \$150,000, depending on the case type of the member. Effective October 1, 2023, reinsurance attachment points increased to \$150,000 from \$75,000. 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.

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.

### Notes to Combined Financial Statements (continued)

#### 2. Summary of Significant Accounting Policies (continued)

#### **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, 2024 and 2023, a receivable in the amount of approximately \$2 million and a payable in the amount of approximately \$0.5 million, respectively, was recorded in due from CMS, net in the accompanying balance sheets. Part D LICS subsidies from CMS totaling approximately \$21 million and \$19 million were recognized during the years ended September 30, 2024 and 2023, respectively, and are included as a reduction of medical expenses in the accompanying statements of operations.

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 \$17 million and \$15 million were recognized during the years ended September 30, 2024 and 2023, respectively, and are included as a reduction of medical expenses in the accompanying statements of operations. As of September 30, 2024 and 2023, a payable in the amount of approximately \$5 million and \$3 million was recorded in due from CMS, net in the accompanying balance sheets.

### Notes to Combined Financial Statements (continued)

#### 2. Summary of Significant Accounting Policies (continued)

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, 2024 and 2023, a settlement balance is recorded in the accompanying balance sheet in due from CMS of approximately \$1 million and \$6 million, respectively, to reflect the estimated amount of the Part D risk settlement.

#### **Administrative Expenses**

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

#### **Income and Premium Taxes**

Income taxes are allocated to the Company from Blue Cross & Blue Shield of Arizona, Inc., 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 statement 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, 2024 and 2023, was approximately \$21 million and \$24 million, respectively.

#### **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:

## Notes to Combined Financial Statements (continued)

#### 2. Summary of Significant Accounting Policies (continued)

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.

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).

## Notes to Combined Financial Statements (continued)

## 2. Summary of Significant Accounting Policies (continued)

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

	2024							
	Level 1			Level 2		Level 3		Total
Cash equivalents: Money market funds	\$ 134,359,1	56	¢		\$			\$ 134,359,156
Total			Ψ		Ψ		_	
Total	134,359,1	<b>30</b>		_			_	134,359,156
Investments:								
Corporate bonds		_		59,373,691		,	_	59,373,691
Asset backed securities		_		59,154,827			_	59,154,827
Government-issued commercial mortgage-				, ,				, ,
backed		_		10,305,344		,	-	10,305,344
U.S treasury bills		_		49,599,094		,	_	49,599,094
Total	\$	_	\$	178,432,956	\$		_	\$ 178,432,956
			2023					
	Level 1			Level 2		Level 3		Total
Cash equivalents:								
Money market funds	\$ 160,753,6	67	\$		\$			\$ 160,753,667
U.S. treasury bills	\$ 100,733,0	07	Ψ	23,542,180	Ψ		_	23,542,180
Commercial paper	12 064 9	- 62		25,342,160			_	
	13,964,8			22.542.190			_	13,964,863
Total	174,718,5	30		23,542,180			_	198,260,710
Investments:								
Corporate bonds		_		22,322,800			_	22,322,800
Asset backed securities		_		31,913,270			_	31,913,270
Government-issued commercial mortgage-				51,715,275				21,510,210
backed		_		3,003,118			_	3,003,118
Municipal/provincial bonds		_		8,086,090			_	8,086,090
Total	\$	_	\$	65,325,278	\$		_	\$ 65,325,278

## Notes to Combined Financial Statements (continued)

## 2. Summary of Significant Accounting Policies (continued)

The following tables summarizes the Company's investments as of September 30, 2024 and 2023.

	2024								
_		Cost or Amortized Cost	zed Unrealized Unrealized			Fair Value			
Investments:							_		
Corporate bonds	\$	58,597,145	\$	782,918	\$	(6,372) \$	59,373,691		
Asset backed securities		58,718,538		458,998		(22,709)	59,154,827		
Government-issued commercial mortgage-									
backed		10,308,715		15,804		(19,175)	10,305,344		
U.S. treasury bills		49,286,187		385,724		(72,817)	49,599,094		
•	\$	176,910,585	\$	1,643,444	\$	(121,073) \$	178,432,956		

	2023									
		Cost or		Gross		Gross	_			
		Amortized	I	U <b>nrealized</b>	1	Unrealized	Fair			
		Cost		Gains		Losses	Value			
Investments:							_			
Corporate bonds	\$	22,356,853	\$	15,963	\$	(50,016) \$	22,322,800			
Asset backed securities		31,910,048		59,132		(55,910)	31,913,270			
Government-issued										
commercial mortgage-										
backed		3,000,044		3,074		_	3,003,118			
Municipal/provincial bonds		8,100,000		883		(14,793)	8,086,090			
	\$	65,366,945	\$	75,052	\$	(120,719) \$	65,325,278			
		•		·		·	<del></del>			

## Notes to Combined Financial Statements (continued)

## 2. Summary of Significant Accounting Policies (continued)

The contractual maturities of the Company's investments as of September 30, 2024, are summarized below.

	Amortized Cost	Fair Value
Due in one year or less	\$ 10,131,264	\$ 10,173,569
Due after one year through five years	140,898,028	142,316,580
Due after five years through ten years	14,691,757	14,763,320
Due after ten years	11,189,536	11,179,487
Total	\$ 176,910,585	\$ 178,432,956

Gross realized gains and losses from sales of available-for-sale securities are calculated under the specific identification method and are included in investment income.

The Company has determined that unrealized losses as of September 30, 2024, primarily resulted from fluctuating interest rates, rather than a deterioration of the credit worthiness of the issuers. Therefore, the Company determined that an allowance for credit losses was not needed. So long as the Company maintains the intent and ability to hold these securities, it is unlikely to experience losses. In the event that the Company disposes of these securities before maturity, realized losses, if any, are expected to be immaterial.

The following table summarizes those available-for-sale investments that have been in a continuous loss position for less than 12 months, and those that have been in a continuous loss position for 12 months or more as of September 30, 2024 and 2023.

	In a Continu	s Loss Posit	tion for Less	In	a Continu	iou	s Loss Posit	ion for More	
	than 12 Mon	ths a	as of Septer	nber 30, 2024	tha	n 12 Mon	ths	as of Septer	nber 30, 2024
				Total					Total
		$\mathbf{U}_{1}$	nrealized	Number of			τ	Inrealized	Number of
	Fair Value		Losses	Positions	Fa	air Value		Losses	Positions
Investments:									
Corporate bonds	\$ 5,409,007	\$	(6,372)	10	\$	-	\$	_	_
Asset backed securities	8,877,018		(22,271)	10		279,651		(438)	4
Government-issued commercial									
mortgage-backed	4,832,644		(19,175)	6		-		_	_
U.S. treasury bills	23,034,375		(72,817)	6		_		_	_
Total	\$42,153,044	\$	(120,635)	32	\$	279,651	\$	(438)	4

## Notes to Combined Financial Statements (continued)

### 2. Summary of Significant Accounting Policies (continued)

				tion for Less nber 30, 2023	In a Continuous Loss Position for M than 12 Months as of September 30, 2				
	Fair Value	U	nrealized Losses	Total Number of Positions	Fair	Value	Unrealized Losses	Total Number of Positions	
Investments:									
Corporate bonds	\$ 19,827,815	\$	(40,835)	35	\$	_	\$ -	_	
Asset backed securities	29,471,009		(41,503)	44		_	_	_	
Government-issued commercial									
mortgage-backed	3,003,119		_	_		_	_	_	
U.S. treasury bills	8,089,090		(14,793)	9		_	_	_	
Total	\$ 60,391,033	\$	(97,131)	88	\$	_	\$ -	_	

Proceeds from disposals of available-for-sale securities, and related gross realized gains and losses on those disposals were as follows:

	 2024
Proceeds from sales of available-for-sale securities Proceeds from maturities, redemptions, calls, and pay downs Total	 53,292,399 58,157,392 21,449,791
Disposals of available-for-sale securities: Gross realized gains Gross realized losses Net realized gains on available-for-sale securities	\$ 214,104 (3,020) 211,084

#### **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

## Notes to Combined Financial Statements (continued)

#### 2. Summary of Significant Accounting Policies (continued)

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, 2022, with early adoption permitted for annual periods beginning after December 15, 2018. The Company adopted the standard, and there was no material impact on its financial statements or disclosures.

#### **Subsequent Events Consideration**

The Company evaluated events and transactions occurring subsequent to September 30, 2024 through March 28, 2025, the date these financial statements were available to be issued. During this period, the Company requested approval from AHCCCS to distribute equity in the amount of \$38 million to BCBSAZ in December 2024. AHCCCS approved this equity distribution on December 19, 2024.

#### 3. Transactions With Affiliates

The Company is party to a management agreement with the Management Company, 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 AHCCCS established administration rates included in the capitation payment for ACC and the administration rate included in the capitation payment for services provided under contract with CMS for HCP. During the years ended September 30, 2024 and 2023, the Company recorded expenses of approximately \$112 million and \$116 million, respectively, for services provided by the Management Company, which are included in administrative expenses in the accompanying statements of operations, respectively.

## Notes to Combined Financial Statements (continued)

### 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:

	ACC	RBHA	Total
September 30, 2024			_
Reinsurance receivable	\$ 14,607,734	\$ _	\$ 14,607,734
Value-based payment receivable	13,587,589	_	13,587,589
Capitation receivable	913,421	_	913,421
Delivery supplement receivable	79,442	_	79,442
APSI/COVID recon receivable	 368,612	_	368,613
	\$ 29,556,798	\$ _	\$ 29,556,798
			_
	 ACC	RBHA	Total
September 30, 2023			
Reinsurance receivable	\$ 24,002,182	\$ _	\$ 24,002,182
Value-based payment receivable	15,233,007	804,964	16,037,971
Capitation receivable	275,439	_	275,439
Delivery supplement receivable	510,200	_	510,200
APSI/COVID recon receivable	675,068	_	675,068
Non-TXIX receivable	 _	210,040	210,040
	\$ 40,695,896	\$ 1,015,004	\$ 41,710,900

The amounts due to AHCCCS are as follows:

	ACC	RBHA	Total
September 30, 2024 Risk reconciliation	\$ 47,675,850 \$	- \$	47,675,850
Fixed administration expense reconciliation	(843,196)	_	(843,196)
Quality distribution	1,197,812	_	1,197,812
	\$ 48,030,466 \$	- \$	48,030,466

## Notes to Combined Financial Statements (continued)

## 4. Due From/to AHCCCS (continued)

	ACC	<b>RBHA</b>	Total
September 30, 2023			_
Risk reconciliation	\$ 105,095,529	\$ -	\$ 105,095,529
Fixed administration expense			
reconciliation	885,510	_	885,510
Quality distribution	4,461,083	_	4,461,083
	\$ 110,142,122	\$ -	\$ 110,142,122

## 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:

 2024	2023
\$ 14,653 \$	1,910,168
(4,874,168)	(3,311,558)
2,354,146	(456,116)
1,388,156	5,704,119
2,000,000	_
\$ 882,787 \$	3,846,613
	\$ 14,653 \$ (4,874,168) 2,354,146 1,388,156 2,000,000

## 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, 2024 and 2023, is as follows:

Balance at October 1, 2022	\$ 118,407,689
Incurred related to:	
Current year	1,020,660,491
Prior years	(10,349,835)
Total incurred	1,010,310,656
Paid related to:	
Current year	(911,009,948)
Prior years	(105,716,199)
Total paid	(1,016,726,147)
Balance at September 30, 2023	111,992,198
Incurred related to:	
Current year	1,083,803,553
Prior years	(18,501,565)
Total incurred	1,065,301,988
Paid related to:	
Current year	(966,818,893)
Prior years	(92,021,974)
Total paid	(1,058,840,867)
Balance at September 30, 2024	\$ 118,453,319

During the years ended September 30, 2024 and 2023, the Company recognized a favorable development in medical claims expense of approximately \$19 million and \$10 million in 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.

## Notes to Combined Financial Statements (continued)

#### 7. Income Taxes

The provision for income taxes consists of the following:

	September 30					
	 2024	2023				
Current:						
Federal	\$ 2,033,738 \$	7,992,122				
State and local	_	_				
Deferred:						
Federal	8,766,050	8,184,782				
State and local	 _					
Total income tax expense	\$ 10,799,788 \$	16,176,904				

Other Comprehensive income reflects \$324,000 of income tax expense associated with net unrealized gains (losses).

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

	September 30
	2024 2023
Deferred tax assets Deferred tax liabilities	<b>\$ 84,056,491</b> \$ 92,822,542 (323,813) -
Net deferred tax assets	<b>\$ 83,732,678</b> \$ 92,822,542

For the year ended September 30, 2024, \$84 million 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.

The statute of limitations for assessment by the Internal Revenue Service and state tax authorities is open for the tax years ended December 31, 2021, 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, 2024.

### 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, 2024 and 2023, the Company was covered as an additional insured under Prosano, Inc.'s policies. Prosano, Inc., 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. Prosano, Inc. 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, 2024 and 2023, 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, 2024 and 2023, the Company provided a performance bond in the form of surety bonds for the benefit of AHCCCS, totaling approximately \$112 million and \$129 million, respectively.

### 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.

#### **Community Reinvestment Program**

The company approved a Community Reinvestment program, as described in their contract with AHCCCS. Under the program, the Company will place a minimum of 6% of its after tax profits into the program. For the year ended September 30, 2024 and 2023, the Company had met or exceeded that amount. The program funds community projects that enhance the lives of people in the communities in the Company's geographic service areas.

#### 9. Concentration of Credit Risk

The Company currently holds an ACC contract to provide services through September 30, 2025, with AHCCCS. The HCP contract is renewed annually by CMS and has been renewed through December 31, 2025.

**Supplementary Information** 

## Supplemental Detailed Balance Sheet

Year Ended September 30, 2024

							Corporate		
		ACC		RBHA		HCP	and Other		HCA, Inc.
Assets									
Current assets:									
Cash and cash equivalents	\$	133,001,164	\$	- :	\$	(1,708,283)	\$ -	\$	131,292,881
Short-term investment		10,173,569		_		_	_		10,173,569
Pharmacy rebate receivables		948,406		_		6,898,129	_		7,846,535
Private reinsurance receivables		_		_		209,424	_		209,424
Due from AHCCCS		29,556,798		_		_	_		29,556,798
Due from CMS, net		_		_		882,787	_		882,787
Note receivable from BCBSAZ		38,349,201		_		_	_		38,349,201
Other current assets, net		39,403,372		_		2,993,710	_		42,397,082
Federal taxes receivable		(54,316)		(31,487)		1,271,936	3,482,099		4,668,232
Total current assets		251,378,194		(31,487)		10,547,703	3,482,099		265,376,509
Long-term investments		168,259,387		_		_	_		168,259,387
Goodwill		5,756,914		_		_	_		5,756,914
Net deferred tax assets		7,872		_		84,275	83,640,531		83,732,678
Total assets	\$	425,402,367	\$	(31,487)	\$	10,631,978	\$ 87,122,630	\$	523,125,488
Liabilities and equity									
Current liabilities:									
Accounts payable and accrued expenses	\$	16,498,227	\$		\$	1,122,585	\$ -	\$	17,620,812
Medical claims payable	Ψ	99,954,632	Ψ	_ '	Ψ	18,498,687	Ψ	Ψ	118,453,319
Due to affiliates, net		90,600,670		(331,305)		(19,096,320)	(35,512,782)		35,660,263
Due to AHCCCS		48,030,466		(331,303)		(17,070,320)	(33,312,762)		48,030,466
Payable to providers		26,151,746				1,707,831			27,859,577
Deferred revenue		20,131,740				562,500	250,000		812,500
Total liabilities		281,235,741		(331,305)		2,795,283	(35,262,782)		248,436,937
Total habilities		201,233,741		(331,303)		2,773,283	(33,202,762)		240,430,737
Equity:									
Retained earnings		142,968,043		299,818		7,836,695	122,385,412		273,489,968
Accumulated other comprehensive income		1,198,583		_		_	_		1,198,583
Total equity		144,166,626		299,818		7,836,695	122,385,412		274,688,551
Total liabilities and equity	\$	425,402,367	\$	(31,487)	\$	10,631,978	\$ 87,122,630	\$	523,125,488

## Supplemental Detailed Statement of Operations and Comprehensive Income

## Year Ended September 30, 2024

					Corporate				
	ACC		RBHA		НСР	í	and Other		HCA, Inc.
Revenue:									
Capitation premiums	\$ 1,033,558,709	\$	51,758	\$	157,034,002	\$	1,114,704	\$ 1	,191,759,173
Delivery supplemental premiums	25,392,698		_		_		_		25,392,698
Other grants and contracts revenue			2,633		_		_		2,633
Total revenue	1,058,951,407		54,391		157,034,002		1,114,704	1	,217,154,504
Expenses:									
Medical expenses	915,152,852		(69,394)		135,430,423		1,032,133	1	,051,546,014
Administrative expenses	93,532,585		245		20,382,212		82,571		113,997,613
Premium tax expense	20,920,569		11		_		_		20,920,580
Total expenses	1,029,606,006		(69,138)		155,812,635		1,114,704	1	,186,464,207
Operating income	29,345,401		123,529		1,221,367		_		30,690,297
Non-operating income (expense):									
Interest income	12,347,473		479,890		7,171		_		12,834,534
Investment income	10,694,812		_		_		_		10,694,812
Community reinvestment expense	(2,514,841)		(17,100)		_		_		(2,531,941)
Other non-operating expenses			(261,920)		_		_		(261,920)
Income before income taxes	49,872,845		324,399		1,228,538		=		51,425,782
Income tax expense	10,473,671		68,124		257,993		=		10,799,788
Net income	39,399,174		256,275		970,545		_		40,625,994
Other comprehensive income (loss)									
Unrealized investment gain	1,541,968		_		_		_		1,541,968
Less: effect of income taxes	(323,813)		_		_		_		(323,813)
Other comprehensive income (loss), net of tax	1,218,155		_		-		-		1,218,155
Comprehensive income	\$ 40,617,329	\$	256,275	\$	970,545	\$		\$	41,844,149

## Supplemental Detailed Statement of Cash Flows

Year Ended September 30, 2024

							Corporate	
Operating activities		ACC		RBHA		НСР	and Other	HCA, Inc.
Operating activities Net income	\$	39,399,174	\$	256,275	\$	970,545	\$	\$ 40,625,994
Adjustments to reconcile net income to	Ф	39,399,174	Ф	230,273	Ф	970,343	\$	\$ 40,023,994
3								
net cash provided by operating activities:		(1.492.220)						(1.492.220)
Investment (income) loss Changes in operating assets and liabilities:		(1,482,220)		_		_	_	(1,482,220)
Pharmacy rebate receivables		42.050				(1.725.162)		(1 (02 212)
Private reinsurance receivables		42,950		_		(1,735,163)	_	(1,692,213)
		11 120 000		1 015 004		(167,055)	_	(167,055)
Due from AHCCCS		11,139,098		1,015,004		4 150 242	_	12,154,102
Due from CMS, net		46.546.026		10 100 271		4,150,242	_	4,150,242
Note receivable from BCBSAZ		46,546,826		12,108,271		453,174	_	59,108,271
Other current assets, net		(9,730,498)		1 126		(1,083,171)	0.150.020	(10,813,669)
Deferred tax assets		4,221		1,126		601,676	8,159,028	8,766,051
Accounts payable and		15 001 000		(60, 40.4)		1 000 002		16,000,505
accrued expenses		15,091,009		(69,404)		1,000,982	_	16,022,587
Medical claims payable		3,358,205		(69,118)		3,172,034	-	6,461,121
Due to affiliates, net		(16,247,730)		(87,058)		25,160,044	(18,944,728)	(10,119,472)
Due to AHCCCS		(62,111,656)		_			-	(62,111,656)
Payable to providers	(	(19,542,970)		(718,272)		(5,963)	_	(20,267,205)
Deferred revenue		_		_		(14,647,206)	_	(14,647,206)
Federal taxes receivable/payable		(19,086,206)		(328,554)		(5,864,976)	10,785,700	(14,494,036)
Net cash provided (used) by operating activities	(	(12,619,797)		12,108,270		12,005,163	-	11,493,636
Investing activities								
Sale of investments		26,354,884		_		_	_	126,354,884
Purchase of investments		236,438,374)				_	_	(236,438,374)
Net cash used in investing activities	(1	10,083,490)		-		=	=	(110,083,490)
Financing activities								
Receipts from CMS contract deposits		=		=		33,849,173	_	33,849,173
Withdrawals from CMS contract deposits		_		_		(35,035,589)	_	(35,035,589)
Distribution to Parent	(	(36,000,001)		(12,108,270)		(11,000,000)		(59,108,271)
Net cash used in financing activities	(	(36,000,001)		(12,108,270)		(12,186,416)	=	(60,294,687)
Net decrease in cash and cash equivalents Cash and cash equivalents,	(1	58,703,288)		_		(181,253)	-	(158,884,541)
beginning of year	2	91,704,452		_		(1,527,030)	_	290,177,422
Cash and cash equivalents, end of year		33,001,164	\$	_	\$	(1,708,283)	\$ -	\$ 131,292,881

## AHCCCS Complete Care Program

## Sub-Capitated Expenses Report

## Contract Year Ended September 30, 2024

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	
	Sub-capitated medical compensation expenses	
50205-01	Primary care physician services	12,913,586
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	12,913,586
	Sub-capitated other medical expenses	
50305-01	Emergency facility services	_
50310-01	PH pharmacy	_
50315-01	Laboratory, radiology and medical imaging	16,089,717
50320-01	Outpatient facility	_
50325-01	Durable medical equipment	913,173
50330-01	Dental	_
50335-01	Transportation	7,936,274
50340-00	Nursing facility, home health care	1,707,568
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	_

## AHCCCS Complete Care Program

## Sub-Capitated Expenses Report (continued)

## Contract Year Ended September 30, 2024

Account		YTD
Description		Amount
Sub-capitated other medical expenses (continued)		
Behavioral health residential services	\$	_
Counseling		_
Assessment, evaluation and screening		_
Treatment services		_
All other behavioral health services		_
Reserved		_
Other medical expenses		_
Total sub-capitated other medical expenses		26,646,732
Total sub-capitated expenses	\$	39,560,318
	Sub-capitated other medical expenses (continued) Behavioral health residential services Counseling Assessment, evaluation and screening Treatment services All other behavioral health services Reserved Other medical expenses Total sub-capitated other medical expenses	Sub-capitated other medical expenses (continued) Behavioral health residential services Counseling Assessment, evaluation and screening Treatment services All other behavioral health services Reserved Other medical expenses Total sub-capitated other medical expenses

### AHCCCS Complete Care Program

## Sub-Capitated and Block Expenses Report

#### Contract Year Ended September 30, 2024

Account	Description	Age <1	Age 1-20	Age 21+	Duals	SSI w/o Med	Prop 204 Childless Adults	Expansion Adults	TXIX/XXI SMI	TXIX/XXI Crisis (24 Hours)	Title XIX/XXI Total	State Only Transplant	Grand Total
	Behavioral health												
	Sub-capitated expenses												
60199	Total treatment services	\$ -	S –	s - :	s – \$	- 1	S - S	_	\$ -	\$ -	\$	- \$ -	\$ -
60299	Total rehabilitation services	_	_	_	_	-	-	-	-	_			-
60399	Total medical services	_	-	-	-	-	-	_	-	_			-
60499	Total support services	_	-	-	-	-	-	_	-	_			-
60599	Total crisis intervention services	-	-	_	-	-	=-	-	-	_			-
60699	Total inpatient services	_	_	_	_	-	-	-	-	_			-
60799	Total residential services	_	-	-	-	-	-	_	-	_			-
60899	Total behavioral health day program	_	-	-	-	-	-	_	-	_			-
60999	Total HIV services	-	-	_	-	-	=-	-	-	_			-
61099	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 sub-capitated behavioral health expenses		-	-	-	-	-	-	_	-			
	Block expenses												
60199	Total treatment services												
60299	Total rehabilitation services	_	_	_	_	_	_	_	_	_		_	_
60399	Total medical services	_	_	_	_	_	_	_	_	_		_	_
60499	Total support services												
60599	Total crisis intervention services	_	_	_	_	_	_	_	_	_		_	_
60699	Total inpatient services	_	_	_	_	_	_	_	_	_		_	_
60799	Total residential services	_	_	_	_	_	_	_	_	_		_	_
60899	Total behavioral health day program	_	_	_	_	_	_	_	_	_			_
60999	Total HIV services	_	_	_	_	_	_	_	_	_			_
61099	Total pharmacy sxpense	_	_	_	_	_	_	_	_	_		_	_
61100-01	PPC BH title XIX	_	_	_	_	_	_	_	_	_			_
61105-01	Other service expenses not rpt'd above	_	_	_	_	_	_	_	_	_			_
61205-01	BH FQHC/RHC services	_	_	_	_	_	_	_	_	_			_
	Total block behavioral health expenses		_	_	_	_	_	_	_	_			
	<u>.</u>												
	Physical health												
	Sub-capitated expenses												
	Hospitalization expenses:												
50105-01	Hospital inpatient												
	Total hospitalization expense	_	-	-	_	-	-	_	-	_			-
	Medical compensation expenses:										-		
50205-01	Primary care physician services	494,958	11,720,437	226,518	2,887	148,616	272,614	47,556	-	_	12,913,58	6 –	12,913,586
50215-01	Referral physician services		–	-					-	_			
50220-01	PH FQHC/RHC services	-	_	-	_	-	-	-	-	_			-
50225-01	Other professional services	_	_	_	_	_	_	_	_	_			_
	Total medical compensation expenses	494,958	11,720,437	226,518	2,887	148,616	272,614	47,556	_	-	12,913,58	6 –	12,913,586

## AHCCCS Complete Care Program

## Sub-Capitated and Block Expenses Report (continued)

### As of September 30, 2024

							Prop 204 Childless	Expansion	TXIX/XXI	TXIX/XXI Crisis (24	Title XIX/XXI	State Only	
Account	Description	Age <1	Age 1-20	Age 21+	Duals	SSI w/o Med	Adults	Adults	SMI	Hours)	Total	Transplant	Grand Total
	Other medical expenses:												
50305-01	Emergency facility services	s - s	- S	- \$		\$ -	\$ -	S -	\$ -	\$ -	\$ -	\$ -	\$ -
50310-01	Pharmacy	_	_	_	_	=	_	_	_	_	=	_	=
50315-01	Laboratory, radiology and medical imaging	232,453	2,207,902	4,517,320	67,335	1,439,454	6,655,139	970,114	_	_	16,089,717	-	16,089,717
50320-01	Outpatient facility	_	_	_	_			_	_	_	-	-	_
50325-01	Durable med equipment	21,872	381,361	156,690	41,055	27,958	244,633	39,604	_	_	913,173	-	913,173
50330-01	Dental	_	_	_	_		_	_	_	_	_	-	_
50335-01	Transportation	186,966	3,241,985	1,359,862	348,482	247,321	2,194,068	357,590	_	_	7,936,274	-	7,936,274
50340-00	Nursing facility, home health care	40,918	713,351	289,890	75,989	51,907	461,454	74,059	_	_	1,707,568	_	1,707,568
50345-01	Therapies				_				_	_		_	
50350-01	Alternative payment model performance based payments to providers	_	_	_	_	=	_	_	_	_	-	_	-
50370-01	Other medical expenses	_	_	_	_	=	_	_	_	_	-	_	-
	Total other medical expenses	482,209	6,544,599	6,323,762	532,861	1,766,640	9,555,294	1,441,367	_	_	26,646,732	_	26,646,732
	Total sub-capitated physical health expenses	977,167	18,265,036	6,550,280	535,748	1,915,256	9,827,908	1,488,923	-	-	39,560,318	-	39,560,318
	Block expenses												
	Hospitalization expenses:												
50105-01	Hospital inpatient	_	_	_	_	_	_	_	_	_	_	-	_
	Total hospitalization expense	-	_	-	-	_	-	-	_	-	_	-	-
	Medical compensation expenses:										_		
50205-01	Primary care physician services	-	-	-	_	=	-	-	-	_	-	-	-
50215-01	Referral physician services	-	-	-	_	=	-	-	-	_	-	-	-
50220-01	PH FQHC/RHC services	_	-	-	_	-	-	-	-	-	-	-	-
50225-01	Other professional services	_	_	-	_	-	_	-	-	-	-	-	-
	Total medical compensation expenses	-	-	-	-	-	-	-	-	-	-	-	-
	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 med equipment	-	-	-	_	=	-	-	-	_	-	-	-
50330-01	Dental	-	-	-	_	=	-	-	-	_	-	-	-
50335-01	Transportation	-	-	-	_	=	-	-	-	_	-	-	-
50340-00	Nursing facility, home health care	-	-	-	_	=	-	-	-	_	-	-	-
50345-01	Therapies	-	-	-	_	=	-	-	-	_	-	-	-
50350-01	Alternative payment model performance based payments to providers	_	_	-	-	-	_	-	_	_	-	-	_
50370-01	Other medical expenses	_	_	-	-	-	_	-	_	_	-	-	_
	Total other medical expenses		-	-	-	-	-	-	-	-	=	-	-
	Total block physical health expenses	S - S	- \$	- \$		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

## AHCCCS Complete Care Program

## Sub-Capitated Expenses Report

## Contract Year Ended September 30, 2023

Account	Account Description	YTD Amount
Account	Description	Amount
	Sub-capitated hospitalization expenses	
50105-01	Hospital inpatient	\$ -
50110-01	Hospital inpatient-behavioral health services	_
50115-01	Reserved	
	Total sub-capitated hospitalization expenses	
	Sub-capitated medical compensation expenses	
50205-01	Primary care physician services	23,958,761
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	23,958,761
	Sub-capitated other medical expenses	
50305-01	Emergency facility services	_
50310-01	PH pharmacy	_
50315-01	Laboratory, radiology and medical imaging	23,176,494
50320-01	Outpatient facility	_
50325-01	Durable medical equipment	4,061,292
50330-01	Dental	_
50335-01	Transportation	9,293,796
50340-00	Nursing facility, home health care	3,221,827
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	_

## AHCCCS Complete Care Program

## Sub-Capitated Expenses Report (continued)

## Contract Year Ended September 30, 2023

	Account	YTD
Account	Description	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	 39,753,408
	Total sub-capitated expenses	\$ 63,712,170

## AHCCCS Complete Care Program

### Sub-Capitated and Block Expenses Report

Contract Year Ended September 30, 2023

Account	Description	Age <1	Age 1-20	Age 21+	Duals S	SSI w/o Med	Prop 204 Childless Adults	Expansion Adults	TXIX/XXI SMI	TXIX/XXI Crisis (24 Hours)	Title XIX/XXI Total	State Only Transplant	Grand Total
	•												
	Behavioral health												
	Sub-capitated expenses												
60199	Total treatment services	\$ - 5	\$ - :	\$ - 5	S – S	- 5	\$	\$ -	\$ -	\$ -	\$	- \$ -	\$ -
60299	Total rehabilitation services	_	_	-	_	_	_	-	-	_			-
60399	Total medical services	=	_	_	_	-	_	_	-	_			_
60499	Total support services	_	_	-	-	_	_	_	_	_	-		-
60599	Total crisis intervention services	_	-	-	-	-	-	-	-	-	-	-	-
60699	Total inpatient services	_	-	-	-	-	-	-	-	-	-	-	-
60799	Total residential services	_	-	-	-	-	_	-	-	-	-		-
60899	Total behavioral health day program	_	-	-	-	-	-	-	-	-			-
60999	Total HIV services	_	-	-	-	_	_	-	-	-			-
61099	Total pharmacy expense	_	_	-	_	_	_	_	_	_			_
61100-01	PPC BH title XIX	=	_	-	-		_	-	_	-		-	-
61105-01	Other service expenses not rpt'd above	=	_	-	-		_	-	_	-		-	-
61205-01	BH FOHC/RHC services												
	Total sub-capitated behavioral health expenses	=	=	_	-	-	_	-	-	-		_	-
	Block expenses												
60199	Total treatment services	_	_	_	_	_	_	_	_	_			_
60299	Total rehabilitation services	_	_	_	_	_	_	_	_	_			_
60399	Total medical services	_	_	-	_		_	_	_	_			-
60499	Total support services	_	_	_	_	_	_	_	_	_			_
60599	Total crisis intervention services	_	_	_	_	_	_	_	_	_			_
60699	Total inpatient services	_	_	_	_	_	_	_	_	_			_
60799	Total residential services	_	_	_	_	_	_	_	_	_		_	_
60899	Total behavioral health day program	_	_	_	_		_	_	_	_		_	_
60999	Total HIV services	_	_	_	_	_	_	_	_	_		_	_
61099	Total pharmacy expense	_	_	_	_	_	_	_	_	_		_	_
61100-01	PPC BH title XIX	_	_	_	_	_	_	_	_	_		_	_
61105-01	Other service expenses not rpt'd above	_	_	_	_	_	_	_	_	_		_	_
61205-01	BH FOHC/RHC services		_	_	_	_	_	_	_	_			
	Total block behavioral health expenses	=	=	-	-	-	-	-	-	-	-		=
	Physical health												
	Sub-capitated expenses												
	Hospitalization expenses:												
50105-01	Hospital inpatient	_	_	_	_	_	_	_	_	_			_
	Total hospitalization expense		-	-	-	-	-	-	-	-			-
	Medical compensation expenses:												
50205-01	Primary care physician services	705,316	16,253,339	2,450,517	207,535	834,493	2,340,289	1,167,272			23,958,76	ı	23,958,761
50205-01	Referral physician services	705,510	10,233,339	2,730,31/	201,333	ور ד, דرن	2,370,203	1,107,272	_	_	25,756,70	. –	23,730,701
50220-01	PH FQHC/RHC services	-	_	_	_	_	_	_	_	_	-	-	_
		-	_	_	_	_	-	_	-	_		-	_
50225-01	Other professional services												

## AHCCCS Complete Care Program

### Sub-Capitated and Block Expenses Report (continued)

## As of September 30, 2023

Account	Description	Age <1	Age 1-20	Age 21+	Duals	SSI w/o Med	Prop 204 Childless Adults	Expansion Adults	TXIX/XXI SMI	TXIX/XXI Crisis (24 Hours)	Title XIX/XXI Total	State Only Transplant	Grand Total
	Other medical expenses:												
50305-01	Emergency facility services	s – s	- 5	S - 5	s –	s –	\$ -	s _	\$ -	s –	s –	s _	\$ -
50310-01	Pharmacy	<b>y</b> – <b>y</b>		, - ,	-		φ –	<b>J</b> –			Φ –	<b>J</b> –	
50315-01	Laboratory, radiology and medical imaging	301,438	5,091,486	5,974,491	312,105	1,691,196	8,263,654	1,542,124	_	_	23,176,494	_	23,176,494
50320-01	Outpatient facility	301,436	3,071,400	J,7/4,471 —	512,105	1,051,150	8,203,034	1,342,124	_	_	23,170,474	_	23,170,434
50325-01	Durable med equipment	75,604	1,495,028	713,503	186,994	124,948	1,227,939	237,276	_	_	4,061,292	_	4,061,292
50330-01	Dental Dental	75,004	1,475,020	713,303	-	124,240	1,227,737	257,270	_	_	4,001,272	_	4,001,272
50335-01	Transportation	263,355	3,598,394	1,752,099	346,496	263,667	2,142,820	926,965	_	_	9,293,796	_	9,293,796
50340-00	Nursing facility, home health care	96,606	1,306,769	614,273	122,412	137,427	733,165	211,175	_	_	3,221,827	_	3,221,827
50345-01	Therapies	70,000	1,500,707	-	122,412	137,427	755,105	211,173			3,221,027		3,221,027
50350-01	Alternative payment model performance based payments to providers	_	_	_	_	_	_	_	_	_	_	_	_
50370-01	Other medical expenses	_	_	_	_	_	_	_	_	_	_	_	_
30370-01	Total other medical expenses	737,003	11,491,677	9,054,366	968,007	2,217,238	12,367,578	2,917,540			39,753,409		39,753,409
	Total sub-capitated physical health expenses	1,442,319	27,745,016	11,504,883	1,175,542	3,051,731	14,707,867	4,084,812			63,712,170		
	Total sub-capitated physical health expenses	1,442,519	27,743,010	11,304,003	1,173,342	3,031,731	14,707,007	4,004,012	_	_	05,712,170	_	03,/12,1/0
	Block expenses												
	Hospitalization expenses:												
50105-01	Hospital inpatient												
	Total hospitalization expense	-	-	-	_	-	-	_	-	_	-	-	_
	Medical compensation expenses:										-		
50205-01	Primary care physician services	-	-	_	_	_	_	-	-	_	-	_	_
50215-01	Referral physician services	-	-	_	_	_	_	-	-	_	-	_	_
50220-01	PH FQHC/RHC services	-	_	_	_	_	-	-	_	-	-	_	_
50225-01	Other professional services												
	Total medical compensation expenses	_	=	_	-	_	_	_	_	_	_	_	_
	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 med equipment	=	_	_	_		_	_	-	_	_	-	_
50330-01	Dental	=	_	_	_		_	_	-	_	_	-	_
50335-01	Transportation	_	_	_	_	_	_	_	_	_	_	_	_
50340-00	Nursing facility, home health care	_	_	_	-	-	_	_	-	_	_	-	_
50345-01	Therapies	_	_	_	_	_	_	_	_	_	_	_	_
50350-01	Alternative payment model performance based payments to providers	_	_	_	_	_	_	_	_	_	_	_	_
50370-01	Other medical expenses	_	-	_	_	-	_	_	_	_	_	-	_
	Total other medical expenses		_	_	_	_	-	_	_	_	_	_	
	Total block physical health expenses	s - s		s - 5			s –	•	\$ -	\$ -	\$ -		s -
	Total block physical neutin expenses	3 - 3	- ;	<b>,</b> - 3	, –	<b>.</b>	<b>.</b>	. –	. –	. –	J –	<b>.</b>	J –

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