MERCY CARE

FINANCIAL STATEMENTS, SUPPLEMENTAL INFORMATION, ADDITIONAL INFORMATION AND UNIFORM GUIDANCE SUPPLEMENTAL REPORTS

Years Ended June 30, 2024 and 2023

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Years Ended June 30, 2024 and 2023

CONTENTS

CBIZ CPAs

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of

MERCY CARE

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Mercy Care, which comprise the statements of financial position as of June 30, 2024 and 2023, and the related statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Mercy Care as of June 30, 2024 and 2023, and the changes in its net assets 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") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Mercy Care 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 from 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 Mercy Care's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' 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 from material misstatement, whether due to fraud or error, and to issue an auditors' 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 and *Government Auditing Standards* 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 and *Government Auditing Standards*, 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 Mercy Care'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 Mercy Care'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.

Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is 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 GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2024, on our consideration of Mercy Care's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Mercy Care's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Mercy Care's internal control over financial reporting and compliance.

CBIZ CPAs P.C.[1]

December 19, 2024

[1] *In certain jurisdictions, CBIZ CPAs P.C. operates under its previous name, Mayer Hoffman McCann P.C.*

MERCY CARE

STATEMENTS OF FINANCIAL POSITION

June 30, 2024 and 2023
(In thousands)

ASSETS

	2024	2023
CURRENT ASSETS		
Cash and cash equivalents	$ 380,450	$ 620,505
Short-term investments	87,636	82,070
Receivables:		
Reinsurance receivables, net of allowance for doubtful accounts of $10,276 and $11,104 at June 30, 2024 and 2023, respectively	28,463	22,369
Reconciliation receivables	67,085	49,735
Capitation and supplemental receivables	34,658	39,631
Pharmacy rebate receivable	26,284	25,427
Third party liability receivable, net of allowance for doubtful accounts of $702 and $1,560 at June 30, 2024 and 2023, respectively	5,806	4,753
Interest receivable	2,985	2,739
Provider advances, net of allowance for doubtful accounts of $1,219 and $829 at June 30, 2024 and 2023, respectively	20,069	7,809
Other receivables	32,910	22,692
Grant receivable	4,148	6,296
Due from Aetna receivable	2,529	1,664
Prepaid assets	862	829
TOTAL CURRENT ASSETS	693,885	886,519
RECONCILIATION RECEIVABLES, net of current portion	39,392	39,300
LONG-TERM INVESTMENTS	541,941	489,328
TOTAL ASSETS	1,275,218	1,415,147

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Claims payable	339,074	362,972
Payable to providers	182,057	28,601
Reconciliation payables	148,786	328,420
Grant payables	2,485	1,999
Due to Aetna	12,320	84,348
Deferred revenue	1,182	45,702
Other current liabilities	19,482	27,905
TOTAL CURRENT LIABILITIES	705,386	879,947
RECONCILIATION PAYABLE, net of current portion	1,323	57,193
TOTAL LIABILITIES	706,709	937,140
NET ASSETS WITHOUT DONOR RESTRICTIONS	568,509	478,007
TOTAL LIABILITIES AND NET ASSETS	$ 1,275,218	$ 1,415,147

See Notes to Financial Statements

MERCY CARE

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Years Ended June 30, 2024 and 2023
(In thousands)

	2024	2023
OPERATING REVENUES		
Capitation premiums	$ 4,472,586	$ 4,703,559
Delivery supplement	47,560	52,298
Grants	179,562	167,547
Reconciliations	59,462	(98,623)
Other, net	614	67
TOTAL OPERATING REVENUES	4,759,784	4,824,848
HEALTH CARE EXPENSES		
Hospitalization	459,355	487,045
Medical compensation	507,855	501,293
Ancillary and other medical services	2,828,608	2,779,967
Institutional	264,698	239,899
Home and community based services	297,356	278,610
Less: net third party liablity recoveries	(7,126)	(4,527)
Less: net reinsurance recoveries	(92,400)	(94,477)
TOTAL HEALTH CARE EXPENSES	4,258,346	4,187,810
GENERAL AND ADMINISTRATIVE EXPENSES	337,194	405,147
PREMIUM TAX EXPENSE	91,808	91,126
TOTAL EXPENSES	4,687,348	4,684,083
OPERATING INCOME	72,436	140,765
NONOPERATING INCOME (EXPENSE)		
Investment income	49,969	28,191
Investment fees	(2,099)	(1,925)
Community reinvestment	(6,849)	(10,822)
TOTAL NONOPERATING INCOME	41,021	15,444
CHANGE IN NET ASSETS PRIOR TO UNREALIZED GAINS	113,457	156,209
UNREALIZED GAINS ON INVESTMENTS	37,045	29,561
CHANGE IN NET ASSETS PRIOR TO DISTRIBUTIONS	150,502	185,770
DISTRIBUTION TO SPONSOR ORGANIZATIONS	(60,000)	(120,000)
NET ASSETS, BEGINNING OF YEAR	478,007	412,237
NET ASSETS, END OF YEAR	$ 568,509	$ 478,007

See Notes to Financial Statements

MERCY CARE

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2024 and 2023
(In thousands)

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 150,502	$ 185,769
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Bad debt expense	(1,296)	(1,934)
Net unrealized gains on investments	(37,045)	(29,561)
Net realized losses on investments	20,660	12,605
Change in operating assets and liabilities:		
Decrease (increase) in:		
Reinsurance receivables	(5,266)	(9,809)
Reconciliation receivables	(17,442)	4,148
Capitation and supplemental receivables	4,973	(20,239)
Pharmacy rebate receivable	(857)	(6,276)
Third-party liability receivable	(195)	373
Interest receivable	(246)	(1,480)
Provider advances	(12,650)	114
Other receivables	(10,218)	(5,378)
Due from Aetna	(865)	(1,664)
Grant receivable	2,148	12,687
Prepaid assets	(33)	(48)
Increase (decrease) in:		
Claims payable	(23,898)	(5,555)
Grant payable	486	(871)
Payable to providers	153,456	16,498
Reconciliation payable	(235,504)	32,414
Due to Aetna	(72,028)	63,295
Deferred revenue	(44,520)	39,782
Other current liabilities	(8,423)	7,135
Net cash provided by (used in) operating activities	(138,261)	292,005
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(341,090)	(302,369)
Proceeds from sale of investments	299,296	280,637
Net cash used in investing activities	(41,794)	(21,732)
CASH FLOWS FROM INVESTING ACTIVITIES		
Distributions to Sponsor Organizations	(60,000)	(120,000)
Net cash used in financing activities	(60,000)	(120,000)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(240,055)	150,273
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	620,505	470,232
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 380,450	$ 620,505

See Notes to Financial Statements

(1) Plan operations and significant accounting policies

Company operations - Mercy Care (the Plan) is a nonprofit corporation, whose primary sponsor organizations are CommonSpirit Health (Dignity) and Ascension, collectively the "Sponsors." Mercy Care provides medical care under various contracts with the Arizona Health Care Cost Containment System (AHCCCS), a department of the state of Arizona charged with administering healthcare for the state's indigent population. Mercy Care provides medical coverage under the AHCCCS contract for the following populations:

- AHCCCS Complete Care (ACC) (effective October 1, 2018) – Integrated physical and behavioral healthcare for members eligible under Title XIX Medicaid and Title XXI program requirements
- Arizona Long Term Care System (ALTCS) - Provide institutional care, home and community-based services and behavioral health services to long term care members
- Arizona Department of Economic Security, Division of Developmental Disabilities (DES/DDD) - provide medical services to eligible members
- Regional Behavioral Health Authority (RBHA) - behavioral healthcare services to Medicaid eligible adults with serious mental illness
- Department of Child Services (DCS), Comprehensive Health Plan (CHP) (effective April 1, 2021) – integrated physical and behavioral health for children in foster care eligible under Title XIX Medicaid and Title XXI program requirements

In July 2020, Mercy Care was selected to provide physical and behavioral healthcare services through the Comprehensive Health Plan statewide. The Comprehensive Health Plan integrates physical and behavioral healthcare under a unified model of care for DCS members. The DCS healthcare model is based on the fundamentals of the AHCCCS Complete Care program offering an integrated delivery model for a more cohesive healthcare system for members incentivizing quality healthcare outcomes with value-based purchasing and leveraged health information technology for improved care coordination. Mercy Care began administering the Comprehensive Medical and Dental Plan contract on April 1, 2021. The contract is a three-year agreement, with the possibility of two two-year extensions and three one-year extensions totaling ten years. As of June 30, 2024, Mercy Care is in the first two-year extension period.

In March 2018, Mercy Care was selected to provide physical and behavioral healthcare services through the AHCCCS Complete Care program in the Central and South regions of Arizona. The AHCCCS Complete Care program integrates physical and behavioral healthcare contacts under managed care plans for the majority of the AHCCCS members. The integrated delivery model offers a more cohesive healthcare system for members incentivizing quality healthcare outcomes with value-based purchasing and leveraged health information technology for improved care coordination. Additionally, integrating physical health and behavioral healthcare contracts will drive strategic, innovative healthcare initiatives forward. The Plan operated the Complete Care contract effective October 1, 2018 as well as the remainder of the RBHA contract with AHCCCS to provide physical and behavioral health services to the seriously mentally ill and other defined populations within Maricopa County through September 30, 2022.

In November 2021, Mercy Care was awarded the Central Region Competitive Contract Expansion (CCE) for Behavioral Health Services in the State of Arizona. This contract award allows Mercy Care to continue to serve the central counties: Maricopa, Pinal, and Gila, with the delivery of integrated behavioral health for Medicaid-eligible members with a designation of severe mental illness (SMI), the non-title population with a designation of SMI, court-ordered evaluations, grants administration, and crisis services for the entire central region.

(1) Plan operations and significant accounting policies (continued)

Effective October 1, 2022, the current AHCCCS Complete Care program was replaced with the CCE that is all inclusive of RBHA services. The new contract replaces the former AHCCCS Complete Care program and the RBHA contracts with combined services for a period of five years through September 30, 2027. In connection with the commencement of the Complete Care contract, Mercy Care sold a 0.5% nonvoting interest in the Plan to Equality Health Foundation in return for a $1.5 million promissory note.

Mercy Care operates a Medicare Advantage plan with the Centers for Medicare and Medicaid Services (CMS), offering medical and prescription drug benefits to qualified members. Medicare Advantage operates as a special needs plan under CMS guidelines. The populations covered under Medicare Advantage are members who are eligible for both Medicare and Medicaid coverage.

Mercy Care has had a plan management services agreement with Aetna since 2007, which is a continuation of the agreement held with Schaller Anderson, L.L.C. since 2001. The new contract became effective August 15, 2016. The current contract became effective July 1, 2022 and continues through the expiration or termination of the ACC contract with AHCCCS or through September 30, 2027. Mercy Maricopa Integrated Care ("MMIC") entered into a five-year management agreement with Aetna effective May 1, 2013, which was assumed by Mercy Care upon the merger of MMIC into Mercy Care on July 1, 2018. The RBHA management agreement automatically renews for a second five-year term and thereafter for successive one-year periods. A new agreement became effective July 1, 2022 and includes RBHA and DCS contracts and is in effect for an initial period of six years through June 30, 2028. The contract will automatically renew for successive three-year terms. The new contract replaced the MMIC prior management agreement with Aetna effective May 1, 2013, which was assumed by Mercy Care upon the merger of MMIC into Mercy Care on July 1, 2018. New Service Lines will require a written amendment that includes Base Monthly Management Fee and any other amendment to the agreement reasonably necessary to contemplate the New Service Lines, including, without limitation, appropriate Performance Metrics. Under the terms of the agreements, Mercy Care pays a monthly fee to Aetna, as defined in the agreements, to cover the employee salary and benefit costs and general and administrative expenses incurred to operate the organization. Mercy Care incurred management fees per the management agreements of approximately $290,875,000 and $291,101,000 for the years ended June 30, 2024 and June 30, 2023, respectively. This amount is included in general and administrative expenses in the accompanying statements of activities and changes in net assets. At June 30, 2024 and 2023, respectively, net management fees due to Aetna from Mercy Care total approximately $1,867,000 and $1,836,000, and are included in the net Due to Aetna in the accompanying statements of financial position.

Mercy Care's management agreement provides for a share of risk of the results of operations. Subject to certain performance measures, amounts will either be due from or due to Aetna. At June 30, 2024 and 2023, the amount Due to Aetna includes $9,989,000 and $80,356,000, respectively, for the share of risk related to the Plan's performance not included in management fees.

The significant accounting policies followed by Mercy Care are summarized below:

Basis of presentation - The accompanying financial statements have been prepared in accordance with Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC) 954-205, *Healthcare Entities - Presentation of Financial Statements*. The Plan's financial statements are also presented in accordance with FASB ASC 958-205, *Not-for-Profit Entities - Presentation of Financial Statements.* Under FASB ASC 958-205, the Plan is required to report information regarding their financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. As of June 30, 2024 and 2023, there were no net assets with donor restrictions.

(1) Plan operations and significant accounting policies (continued)

Management's use of estimates - The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates potentially susceptible to change in the near term include the claims payable liability and reconciliation receivables and payables.

Cash and cash equivalents - Cash includes cash deposits in banks and cash equivalents. The Plan considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. Amounts at each institution are insured in limited amounts by the Federal Deposit Insurance Corporation (FDIC).

Capitation premiums - The Plan receives from AHCCCS, DES/DDD, DCS/CHP and CMS fixed capitation payments, generally in advance, based on certain rates for each member enrolled with the Plan. The Plan is required to provide all covered healthcare services to their members, regardless of the cost of care. If there are funds remaining, the Plan retains the funds as profit; if the costs are higher than the amount of capitation payments, the Plan absorbs the loss. Capitation premiums are recognized in the month that enrollees are entitled to healthcare services. Certain provisions of the AHCCCS ACC-RBHA, DES/DDD, DCS/CHP and ALTCS contracts include a risk band whereby Mercy Care and the AHCCCS programs share in the profits and losses of the contract, as defined in the respective contracts (reconciliation revenue). Mercy Care has recorded an estimate of the reconciliation revenue, or contra-revenue, within other revenue in the accompanying statements of activities and changes in net assets, based on the operational performance of the AHCCCS ACC-RBHA, ALTCS, DES/DDD and DCS/CHP lines of business from year to year. The Plan may also recover certain losses for those cases eligible for reinsurance payments.

Capitation is paid prospectively as well as for prior period coverage (PPC) under the AHCCCS ACC-RBHA and ALTCS contracts. The PPC period is the period of time prior to the member's enrollment, during which a member is eligible for covered services. The timeframe is from the effective date of eligibility to the day a member is enrolled with a contractor. The risk under PPC is shared by both the Plan and AHCCCS for the contract years ended September 30, 2024 and 2023. AHCCCS reconciles the actual PPC medical costs to the PPC capitation paid during the contract year.

The Plan shares risk with AHCCCS, DES/DDD and DCS/CHP for specific populations as follows:

- ACC Prospective
- ACC Prior Period Coverage
- ALTCS Prospective
- ALTCS Prior Period Coverage
- Share of Cost
- RBHA Title XIX/XXI
- DDD
- CHP

(1) Plan operations and significant accounting policies (continued)

Profits in excess of the percentages set forth by the contract will be recouped by AHCCCS. Losses in excess of the percentages set forth by the contract will be paid to the Plan. As of June 30, 2024, the Plan has recorded an estimated receivable from AHCCCS of approximately $102,001,000 and an estimated payable to AHCCCS of approximately $150,109,000 which is included in reconciliation receivables and reconciliation payables, respectively, in the accompanying statements of financial position. As of June 30, 2023, the Plan has recorded an estimated receivable from AHCCCS of approximately $76,773,000 and an estimated payable to AHCCCS of approximately $379,830,000 which is included in reconciliation receivables and reconciliation payables, respectively. Reconciliation receivable and payable amounts pertaining to separate contracts cannot be offset against reconciliation receivable and payable balances of a different contract, and as such, amounts have been presented separately as payable and receivable balances in the accompanying statements of financial position. The reconciliation receivables and payables are classified as current and noncurrent based on the expected timing of settlement of the estimate with AHCCCS.

AHCCCS subjects 1% of gross prospective capitation of ACC contractors in Arizona to measurements based on each contractor's performance on selected Quality Management Performance Measures as determined by AHCCCS. The program is an effort to encourage activity for AHCCCS contractors in the area of quality improvement, particularly those initiatives that are conducive to improved health outcomes and cost savings. As of June 30, 2024 and 2023, the Plan anticipates achieving the required targets and accordingly, has not recorded a liability for the performance measures.

Capitation and supplemental and reconciliation receivables are stated at the amount management expects to collect. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual balances. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to capitation and supplemental and reconciliation receivables. Capitation and supplemental and reconciliation receivables at June 30, 2024 and 2023 are considered by management to be fully collectible and, accordingly, an allowance for doubtful accounts has not been provided.

Mercy Care receives a majority of its revenue from its contracts with AHCCCS. Operating revenue includes funding in the form of capitation revenue, which is recognized over the applicable coverage period on a per member basis for covered members. Under this arrangement, Mercy Care is paid a per member fee for all enrolled members, and this fee is recorded as revenue in the month in which members are entitled to services. Any fees received prior to the month of service are recorded as deferred revenue. Capitation, grant and other revenues including reinsurance recoveries and third-party liability recoveries less reconciliation revenue totaled approximately $4,700,000,000 and $4,924,000,000 for the years ended June 30, 2024 and 2023, respectively.

Revenue recognition - Mercy Care adopted ASU No. 2014-09, Revenue from Contracts with Customers (ASC 606) for the year ended June 30, 2020 forward. The Plan's capitation arrangements, including PPC coverage and other modifications to monthly membership, are accounted for in accordance with ASC 606. Under each contract with AHCCCS, DES and DCS, including ACC-RBHA, ALTCS, MCA, DDD and CHP, Mercy Care is paid a per member per month capitation premium to manage the overall care of the specific members of the contracts, which represents Mercy Care's sole performance obligation under each contract. The per member per month capitation rate is a fixed fee per member with no implicit or explicit price concessions. Capitation revenue is recognized over the applicable coverage period for covered members, using an over-time recognition convention. Revenue is recorded by Mercy Care based upon the estimated amounts management expects to collect.

(1) Plan operations and significant accounting policies (continued)

Mercy Care's contracts contain certain variable consideration components, including risk sharing, or profit corridor, with AHCCCS for each contract, along with the 1% of capitation at risk based on performance measures. Both components are directly related to the performance of each contract and the estimated variable consideration is determined monthly based on historical trends, contract performance, claims activity and other operating data available to date. Management records the variable consideration in the period when the estimate is determined, as long as a significant reversal of the estimate is not considered probable. Management has recorded estimated receivables and payables for the AHCCCS and CMS risk share, or profit corridor, reconciliations as of June 30, 2024 and 2023 as a significant reversal of the estimate is not considered probable.

Grant revenue - The RBHA contract is partially funded by state, county and block grants (non-title revenue), which represent annual appropriations. Mercy Care recognizes revenue under the RBHA contract from this funding ratably over the period to which the funding applies. The Plan adopted FASB Accounting Standards Update (ASU) No. 2018-08, Not-For-Profit Entities (Topic 958) effective July 1, 2019. ASU 2018-08 clarifies the characterization of grants and similar contracts with governmental agencies as either reciprocal transactions (exchanges) or nonreciprocal transactions (contributions). In accordance with ASU 2018-08, Mercy Care has determined that all of the grant funding received from AHCCCS represents nonreciprocal transactions and is appropriately classified as contributions. ASU 2018-08 also provided additional guidance to distinguish between conditional and unconditional contributions. The Plan evaluates the contributions for criteria indicating the existence of measurable barriers to entitlement for the Plan or the right of return to AHCCCS. Revenue related to grant funds determined to have conditions require Mercy Care to recognize revenue when the barriers are overcome. Revenue related to grant funds determined not to have conditions are recognized ratably over the period which the funding applies. Non-Title revenues, including block grants, and other totaled approximately $176,041,000 and $162,643,000 for the years ended June 30, 2024 and 2023, respectively. Based on the requirements of Mercy Care in its contracts with AHCCCS, grant revenue subject to conditions for the year ended June 30, 2024 and 2023 totaled $18,715,000 and $15,142,000, respectively. Mercy Care has determined that the conditions for the revenue recorded have been met as of June 30, 2024 and 2023.

Deferred revenue consists of grant payments from multiple grantors which exceeded the amounts earned by Mercy Care. Deferred revenue for the RBHA contract totaled approximately $1,182,000 and $4,718,000 at June 30, 2024 and 2023, respectively.

Delivery supplement - As part of the AHCCCS ACC contract, AHCCCS supplements capitation premiums with lump-sum payments for births by women eligible under the Medicaid program. This delivery supplement represents childbirth delivery reimbursement which is recorded when the delivery occurs. Effective October 1, 2022, the AHCCCS rate increased from $6,600 to $7,200 per each birth. Delivery revenue of approximately $47,560,000 and $52,298,000 was recognized for the years ended June 30, 2024 and 2023, respectively. As of June 30, 2024 and 2023, approximately $915,000 and $2,487,000 respectively, was due from AHCCCS related to delivery supplement which is included in capitation and supplemental receivables in the accompanying statements of financial position.

Premium taxes - Mercy Care is subject to a 2% tax on all payments received from AHCCCS for premiums, reinsurance, and reconciliations, excluding Non-Title XIX/XXI payments, which are remitted directly to the Arizona Department of Insurance (ADOI).

(1) Plan operations and significant accounting policies (continued)

Reinsurance – AHCCCS, DES/DDD and DCS/CHP provide a stop-loss reinsurance program for the Plan for partial reimbursement of reinsurable covered medical services incurred for members. The program includes a deductible, which varies based on the Plan's enrollment and the eligibility category of the members. AHCCCS, DES/DDD and DCS/CHP reimburse the Plan based on a coinsurance amount for reinsurable covered services incurred above the deductible. Mercy Care contracts with commercial reinsurers to provide reinsurance for the Medicare Advantage Plan. Reinsurance recoveries are stated at the actual and estimated amounts due to Mercy Care pursuant to the AHCCCS ACC-RBHA, ALTCS, DES/DDD, DCS/CHP and Medicare Advantage Plan contracts. Reinsurance recoveries have been offset against healthcare expenses in the accompanying statements of activities and changes in net assets.

Below are the reinsurance thresholds by line of business:

Line of Business	Annual Deductible Effective October 1, 2023	Annual Deductible Effective October 1, 2022	Coinsurance
ACC-RBHA	$ 150,000	$ 75,000	75%
DES/DDD	150,000	75,000	75%
DCS/CHP	150,000	75,000	75%
ALTCS w/ Medicare	150,000	75,000	75%
ALTCS w/o Medicare	150,000	75,000	75%

Line of Business	Annual Deductible Effective January 1, 2024	Annual Deductible Effective January 1, 2023	Coinsurance
Mercy Care Medicare Advantage	$ 900,000	$ 700,000	90%

To be eligible for reinsurance billing, qualified healthcare expenses must be incurred during the contract year. Reinsurance is recorded based on actual billed reinsurance claims adjusted for medical cost completion factors and historical collection experience. Reinsurance is subject to review by AHCCCS, DES/DDD, DCS/CHP and the Medicare Advantage Plan's commercial reinsurer, and as a result, there is at least a reasonable possibility that recorded reinsurance will change by a material amount in the near future.

Reinsurance receivables represent the expected payment from AHCCCS, DES/DDD, DCS/CHP and the Medicare Advantage Plan's commercial insurer to the Company for certain enrollees whose qualifying medical expenses paid by Mercy Care were in excess of specified deductible limits. Reinsurance receivables are stated at the amount management expects to collect. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual balances. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to reinsurance receivables. At June 30, 2024 and 2023, gross reinsurance receivables totaled approximately $38,739,000 and $33,473,000, respectively. Mercy Care also had an allowance for doubtful accounts of approximately $10,276,000 and $11,104,000 at June 30, 2024 and 2023, respectively.

(1) Plan operations and significant accounting policies (continued)

Pharmacy rebate receivable - The Plan receives rebates from pharmaceutical companies based on the volume of drugs purchased. The Plan records a receivable and a reduction of healthcare expenses for estimated rebates due based on purchase information. During the years ended June 30, 2024 and 2023, healthcare expenses were reduced by approximately $42,599,000 and $47,938,000 for rebates, respectively. Pharmacy rebates receivable totaled approximately $26,284,000 and $25,427,000 at June 30, 2024 and 2023, respectively. Management believes the pharmacy rebate receivable at June 30, 2024 and 2023 is fully collectible and accordingly, an allowance has not been established.

Third-party liability receivable - In cases such as motor vehicle accidents and worker's compensation claims, a third-party insurer may be liable for a claim. When Mercy Care pays claims on behalf of its members and determines a third-party insurance company is ultimately responsible for that claim, it estimates a receivable and recoups the claim cost from the third-party insurer. Mercy Care has hired an asset recovery company to manage the third-party receivable collections. Third-party liability receivables are stated at the amount management expects to collect and is compared to the annual recoveries received. Recovery rates are updated periodically and confirmed by the vendor. At June 30, 2024 and 2023, gross third-party liability receivables totaled approximately $6,508,000 and $6,313,000, respectively. Mercy Care also had an allowance for doubtful accounts of approximately $702,000 and $1,560,000 at June 30, 2024 and 2023, respectively.

Provider advances - Upon request, Mercy Care may advance monies to high-volume providers based on cash flow needs and timing of claims payments. Advances are stated at the amount management expects to collect or offset against future claims. Advances are non-interest bearing and are expected to be settled within 12 months. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual balances. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowances and a credit to provider advances receivable.

On February 21, 2024, Change Healthcare (CHC), owned by parent company Optum, experienced a cyber-attack that took the CHC system offline. Much of the Mercy Care provider network utilizes CHC as their claims clearing house as well as Mercy Care's weekly claim payment processing vendor. Based on the potential for widespread disruption to health care transactions, Mercy Care took action to mitigate the impacts to the community by issuing provider advances of approximately $64,700,000 in the months of March and April 2024. All advances have executed agreements with stipulations for repayment and advances over $50,000 have received AHCCCS approval. As per their signed agreements, providers had 30 days after their claims submissions recommenced to fully refund Mercy Care for the advances. Providers were notified on April 15, 2024 to repay Mercy Care by May 15, 2024, or the advance amount would be recouped from future claim payments. As of June 30, 2024, approximately $59,241,000 has been collected and management deems that all remaining advances are fully recoverable, and no additional allowances were recorded. At June 30, 2024 and 2023, Mercy Care gross provider advances receivable totaled approximately $21,288,000 and $8,638,000, respectively. Mercy Care had an allowance for doubtful provider advances, not related to the CHC advances, of approximately $1,219,000 and $829,000 at June 30, 2024 and 2023, respectively.

(1) Plan operations and significant accounting policies (continued)

Risk share settlement - The risk share settlement receivable represents the CMS risk adjustment for the Medicare Advantage, Medicare Part C, enrollees. CMS performs a risk adjustment each year using health status indicators to correlate payment to the health acuity of the member and consequently establishes incentives for plans to enroll and treat less healthy Medicare beneficiaries. Management estimates the expected impact from the CMS rate risk adjustment on the Plan's enrolled population for each contract year. As of June 30, 2024, and 2023, the Plan has recorded an estimated current receivable from CMS of approximately $8,713,000 and $12,722,000, respectively, which are included in capitation and supplement receivables in the accompanying statements of financial position. Risk share settlement receivables at June 30, 2024 and 2023 are considered by management to be fully collectible and accordingly, an allowance for doubtful accounts has not been established.

Management estimates expected risk share settlements to be paid to or received from CMS in connection with the pharmacy component of Medicare Advantage, Medicare Part D. This balance is reviewed and monitored by management and adjusted as necessary as experience develops or new information becomes available. Such adjustments are netted against the capitation premiums on the statements of activities and changes in net assets. Net amounts recorded under this program totaled approximately $3,417,000 and $1,895,000 for the years ended June 30, 2024 and 2023, respectively, which are included as capitation premiums in the accompanying statements of activities and changes in net assets. As of June 30, 2024, the Plan recorded a receivable of $9,713,000 for Medicare Part D settlements relating to contract year 2023, and $2,436,000 relating to contract year 2024, which is included in capitation receivable in the accompanying statement of financial position totaling an estimated receivable from CMS of approximately $12,149,000. The settlement for contract year 2022 was completed in January 2024 with CMS paying Mercy Care approximately $10,529,000. As of June 30, 2024, $2,133,000 of the Medicare Part D estimated settlements related to contract year 2018 were presented as a long-term reconciliation receivable based on the expected timing of final settlement. The settlements for calendar years 2024 and 2023 are expected to be finalized in fiscal 2025.

AHCCCS at times performs a review of the Medicaid program rates for its enrollees and assesses the appropriateness of rates applied to services for those enrollees. The risk adjustment of capitation payments modifies revenue to contractors based on the health status of their covered population relative to the average health status of the population. To estimate the impact to its capitation rates for the open contract years, the Plan performed an analysis of the impact of the published rate change for its enrolled populations based on member months during those years. As of June 30, 2024 and 2023, the Plan has not recorded any estimates related to risk adjustment.

Premium deficiency reserve - Mercy Care evaluates possible losses on its contracts through the end of each contract year. If necessary, a premium deficiency reserve is recorded within claims payable on the statements of financial position. For the years ended June 30, 2024 and 2023, Mercy Care recorded a premium deficiency reserve of $1,253,000 and $0, respectively for expected losses within its Medicare contract for the contract years ending December 31, 2024 and 2023, respectively.

Healthcare service cost recognition - The costs of providing hospitalization, medical compensation, ancillary and other medical services, institutional, and home and community-based services are accrued in the period in which the service is provided to eligible recipients based in part on estimates, including an accrual for services incurred but not yet reported.

(1) Plan operations and significant accounting policies (continued)

Mercy Care contracts with various providers for the provision of a full range of integrated healthcare services to eligible adults and children for Title XIX, Title XXI, and Non-Title programs, and physical healthcare services to Seriously Mental Ill Title XIX eligible adults. Healthcare services are purchased under fee-for-service or block purchase arrangements. Fee-for-service contract expenses are accrued as incurred. Healthcare services provided under block purchase arrangements are accrued based upon contract terms. From time to time, Mercy Care amends the provider contracts. The effects of these amendments are recorded in the period in which the amendment was executed.

Mercy Care's estimates for unreported claims payable is developed using actuarial methods based on historical experience and are continually reviewed by management and adjusted as necessary based on current claims data, and medical cost completion factors. Such adjustments are included in healthcare expenses in the statements of activities and changes in net assets in each period when necessary. While management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. There is at least a reasonable possibility that the recorded estimates will change by a material amount in the near future.

As part of AHCCCS' Alternative Payment Model (APM) (formerly Value-Based Purchasing Initiative), and in accordance with the AHCCCS contract, Mercy Care has agreements with certain providers that provide for the establishment of a pool into which Mercy Care places funds based on the performance of the provider as defined in the contract. Mercy Care manages the disbursement of the funds from this account as well as reviews the utilization and designated quality scores based on members assigned to the provider. Mercy Care APM expense totaled approximately $22,037,000 and $42,408,000 for the years ended June 30, 2024 and 2023, respectively, and is included within healthcare expenses in the accompanying statements of activities and changes in net assets. Mercy Care accrued approximately $27,032,000 and $26,573,000 as of June 30, 2024 and 2023, respectively, which is included in payable to providers in the accompanying statements of financial position.

Payable to providers - Mercy Care compensates providers for authorized healthcare and substance abuse services to covered beneficiaries. Mercy Care used a variety of methods to estimate the amount payable to providers including authorization for services to be provided, payments to be made under contract arrangements currently in force, and correspondence with significant providers to ascertain the level of care being provided to beneficiaries for which a claim has not yet been submitted. As of June 30, 2024, Mercy Care recorded a payable of approximately $145,120,000 related to AHCCCS pass thru Health II and Nursing Facility Enhanced payments to be disbursed in a future month.

Investments and restricted securities - Investments and restricted securities are recorded in accordance with FASB ASC 958-320, *Investments-Debt Securities* and FASB ASC 958-321, *Investments - Equity Securities*. The Plan reports investments in equity securities that have readily determinable fair values, and all investments in debt securities at fair value based on quoted market prices. Investment securities without quoted market prices are valued at estimated fair value using appropriate valuation methods that consider the underlying assets. The Plan's investment portfolio is managed by professional investment managers within guidelines established by the Company's Board of Directors which, as a matter of policy, limits the amounts which may be invested in any one issuer or type of investment.

(1) Plan operations and significant accounting policies (continued)

Investment securities in general, are exposed to various risks, such as interest rate, credit, global economic events and overall market volatility. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the near term could materially affect account balances and the amounts reported in the accompanying financial statements.

Fair value measurement - FASB ASC 820, *Fair Value Measurement*, establishes a common definition for the fair value to be applied to accounting principles generally accepted in the United States of America requiring use of fair value, establishes a framework for measuring fair value, and expands disclosures about such fair value measurements. FASB ASC 820 also establishes a hierarchy for ranking the quality and reliability of the information used to determine fair values by requiring that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

Level 1: Unadjusted quoted market prices in active markets for identical assets or liabilities.

Level 2: Unadjusted quoted prices in active markets for similar assets or liabilities, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.

Level 3: Unobservable inputs for the asset or liability.

Investment income - Investment income consists of interest, dividends, and realized gains and losses on investments. Interest is recognized on the accrual basis, and dividends are recorded as earned on the ex-dividend date. Interest income on mortgage-backed and asset-backed securities is determined on the effective yield method based on estimated principal repayments. Accrual of income is suspended for bonds and mortgage loans that are in default or when the receipt of interest payments is in doubt. Accrual of income has not been suspended for any bonds or mortgage loans during the years ended June 30, 2024 and 2023. The Plan has a policy to review and identify investments with declines in value that would be considered to be other-than-temporary. Such other-than-temporary declines, if significant, are accounted for as realized losses in the statements of activities and changes in net assets (See Note 3).

Income taxes - Mercy Care qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (the Code) and, therefore, there is no provision for income taxes included in the accompanying financial statements. Income determined to be unrelated business taxable income would be taxable.

FASB ASC 740-10, *Income Taxes*, relates to the accounting for uncertainty in income taxes which requires the application of a “more likely than not” threshold recognition and de-recognition of uncertain tax positions in operations in the year of such change. The Plan evaluates their uncertain tax positions, if any, on a continual basis through review of their policies and procedures, review of their regular tax filings, and discussions with outside experts. At June 30, 2024 and 2023, the Plan did not have any uncertain tax positions.

Mercy Care Returns of Organization Exempt from Income Tax (Form 990) for 2021, 2022 and 2023 are subject to examination by the IRS, generally for the three years after they were filed. As of the date of this report, the fiscal 2024 tax return for Mercy Care had not yet been filed.

Performance indicator - The statements of activities and changes in net assets include the performance indicator operating income (loss). The performance indicator excludes investment income and fees and net unrealized investment gains/losses, which is consistent with industry practice.

Subsequent events - The Company has evaluated subsequent events through December 19, 2024, which is the date the financial statements were available to be issued.

(2) Reconciliations

The Plan's AHCCCS contract revenue is limited by the terms of the individual line of business contract to a maximum profit/loss percentage. Profits and losses related to capitation payments from AHCCCS have a maximum percentage able to be recognized under the contract, and as a result any profits or losses greater than this limit will result in a receivable or payable to/from AHCCCS. Reconciliation balances are recorded as a net receivable or payable on the statements of financial position by line of business. A summary of the balances by line of business at June 30 is as follows (in thousands):

	2024		2023	
	Reconciliation Receivable	Reconciliation Payable	Reconciliation Receivable	Reconciliation Payable
ACC-RBHA	$ 51,425	$ 129,751	$ 49,834	$ 302,252
ALTCS	19,635	13,456	15,391	22,332
DDD	14,326	6,580	9,810	4,943
DCS	16,615	322	1,738	50,303
Total	102,001	150,109	76,773	379,830
Less current portion	(67,085)	(148,786)	(49,735)	(328,420)
Non-current portion	$ 34,916	$ 1,323	$ 27,038	$ 51,410

As of June 30, 2024, $2,133,000 of the Medicare Part D estimated settlements related to contract year 2018 were presented as a long-term reconciliation receivable based on the expected timing of final settlement. The settlements for calendar years 2024 and 2023 are expected to be finalized in fiscal 2025. As of June 30, 2024, Mercy Care has recorded a receivable for settled under-encounters with payment plans that exceed one year for the contract year 2021 of approximately $2,343,000 and is included within long term receivable in the accompanying statement of financial position.

(3) Investments

The cost and fair value of the Plan's investments by type at June 30 are as follows (in thousands):

	2024		2023	
	Cost	Fair Value	Cost	Fair Value
Short-term:				
Marketable equity securities	$ 78,976	$ 78,976	$ 72,888	$ 72,888
Money Market Instruments	-	-	-	-
Corporate bonds	9,213	8,660	9,812	9,182
	88,189	87,636	82,700	82,070
Long-term:				
Marketable equity securities	164,513	242,987	165,686	216,810
U.S. Government securities	186,524	183,067	171,628	162,353
Corporate bonds	67,110	64,992	68,737	63,847
Mortgage-backed securities	51,702	50,895	48,156	46,318
	469,849	541,941	454,207	489,328
	$ 558,038	$ 629,577	$ 536,907	$ 571,398

Management continually reviews their investment portfolio and evaluates whether declines in the fair value of securities should be considered other-than-temporary. Factored into this evaluation are the general market conditions, the issuer's financial condition and near-term prospects, conditions in the issuer's industry, the recommendation of advisors and the length of time and extent to which the market value has been less than cost. During the years ended June 30, 2024 and 2023, the Plan recorded no losses for other-than-temporary declines in the fair value of investments.

(3) Investments (continued)

The following table summarizes the unrealized losses on investments held at June 30, 2024 (in thousands):

Description of securities	Less than twelve months		Twelve months or longer		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
U.S. Government securities	$ -	$ -	$ 124,860	$ 4,216	$ 124,860	$ 4,216
Marketable equity securities	-	-	19,084	2,046	19,084	2,046
Corporate bonds	7,409	573	40,295	2,423	47,704	2,996
Mortgage-backed securities	-	-	24,958	1,029	24,958	1,029
Total	$ 7,409	$ 573	$ 209,197	$ 9,714	$ 216,606	$ 10,287

The following table summarizes the unrealized losses on investments held at June 30, 2023 (in thousands):

Description of securities	Less than twelve months		Twelve months or longer		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
U.S. Government securities	$ -	$ -	$ 155,591	$ 9,413	$ 155,591	$ 9,413
Marketable equity securities	-	-	30,980	4,473	30,980	4,473
Corporate bonds	12,757	1,344	56,926	4,202	69,683	5,546
Mortgage-backed securities	-	-	41,666	1,862	41,666	1,862
Total	$ 12,757	$ 1,344	$ 285,163	$ 19,950	$ 297,920	$ 21,294

Investments classified as long-term are based on management's intent to hold such investments. Long-term investments can be liquidated without significant penalty typically within twenty-four hours and are considered short-term for purposes of calculating current ratios under AHCCCS reporting guidelines.

(4) Fair value measurement

The following table sets forth by level, within the fair value hierarchy, the Plan's investments at fair value as of June 30, 2024 (in thousands):

	Level 1	Level 2	Level 3	Total
Investments:				
U.S. Government securities	$ -	$ 183,067	$ -	$ 183,067
Marketable equity securities				
U.S. large cap	242,987	-	-	242,987
Money market mutual funds	62,649	-	-	62,649
Other	16,327	-	-	16,327
Total marketable equity securities	321,963	-	-	321,963
Corporate bonds	-	71,552	-	71,552
Mortgage-backed securities	-	52,995	-	52,995
Total Investments	$ 321,963	$ 307,614	$ -	$ 629,577

The following table sets forth by level, within the fair value hierarchy, the Plan's investments at fair value as of June 30, 2023 (in thousands):

	Level 1	Level 2	Level 3	Total
Investments:				
U.S. Government securities	$ -	$ 162,353	$ -	$ 162,353
Marketable equity securities				
U.S. large cap	216,809	-	-	216,809
Money market mutual funds	59,367	-	-	59,367
Other	13,520	-	-	13,520
Total marketable equity securities	289,696	-	-	289,696
Corporate bonds	-	73,030	-	73,030
Mortgage-backed securities	-	46,319	-	46,319
Total Investments	$ 289,696	$ 281,702	$ -	$ 571,398

Restricted securities, which consist of U.S. Treasury notes, are valued using proprietary models incorporating live data from active market makers and inter-dealer brokers as reported on electronic communication networks. The valuation models incorporate benchmark yields, reported trades, broker/dealer quotes, bids, offers and other data.

(5) Claims payable

At June 30, 2024 and 2023, claims outstanding to third parties for healthcare services provided to members, including estimates for incurred but not reported claims, were approximately $339 million and $363 million, respectively. The balances were certified by an actuary. Activity in the liability for claims payable and healthcare expense for the years ended June 30, 2024 and 2023 is as follows (in thousands):

	2024	2023
Claims unpaid at beginning of year prior to reinsurance recoverable	$ 385,343	$ 389,392
Reinsurance recoverable, beginning of year	(22,371)	(20,865)
Claims unpaid, beginning of year	362,972	368,527
Incurred related to:		
Current year	4,076,819	3,904,945
Prior years	(48,265)	(84,059)
Total incurred	4,028,554	3,820,886
Paid related to:		
Current year	(3,708,218)	(3,518,820)
Prior years	(315,772)	(285,250)
Total paid	(4,023,990)	(3,804,070)
Claims unpaid at end of year prior to reinsurance recoverable	367,536	385,343
Reinsurance recoverable, end of year	(28,463)	(22,371)
Claims unpaid, end of year	$ 339,074	$ 362,972

Estimates for incurred claims are based on historical enrollment, cost trends, and consider operational changes. Future actual results will typically differ from the estimates. Differences could be due to factors such as an overall change in medical expenses per member or a change in client mix affecting medical costs due to the addition of new members.

The liability for Mercy Care claims unpaid at June 30, 2023 was more than the actual claims incurred related to fiscal year 2023 and prior by approximately $1,064,000 or 0.29% of Mercy Care claims unpaid. The primary drivers for the claim development variations include member mix changes, changes in anticipated member utilization, a shift in costs due to the end of the public health emergency (PHE), speed of claims processing, and initiative levels to recoup provider overpayments.

Estimated third-party subrogation, net of allowances, included as a reduction to medical and hospital expenses in the accompanying statements of activities and changes in net assets at June 30, 2024 and 2023 totaled approximately $7,126,000 and $4,527,000 respectively.

(6) Related party transactions

In September 2015, Tenet Healthcare Corporation, Dignity Health and Ascension Health finalized a joint venture to own and operate Carondelet Health Network in Tucson, Arizona. Tenet Healthcare Corporation is the majority partner at 60% ownership share and Dignity Health and Ascension Health each having a 20% ownership share. In July 2022, Dignity Health and Ascension Health sold all their ownership shares in Carondelet Health Network to Tenet Healthcare Corporation. Mercy Care paid approximately $291,213,000 in 2024 and $290,859,000 in 2023 to Dignity Health, Ascension, Equality Health and its affiliates for services provided to members. These balances include net prospective provider advance payments made to Dignity. Provider advances to Dignity amounted to approximately $54,917,000 and $59,858,000 for years ending June 30, 2024 and 2023. During the year ended June 30, 2024, Mercy Care made distributions to Dignity and Ascension Health of $29,850,000 each and $300,000 to Equality Health. During the year ended June 30, 2023, Mercy Care made distributions to Dignity and Ascension Health of $59,700,000 each and $600,000 to Equality Health.

(7) Commitments and contingencies

Performance bonds - Mercy Care obtains unsecured surety bonds to satisfy the AHCCCS ACC-RBHA, ALTCS, DES/DDD, DCS/CHP and Medicare performance bond requirements. Effective October 1, 2022, AHCCCS ACC and RBHA lines of business were combined into one performance bond. The following table sets forth the Mercy Care contract requirement and the Performance Bond amounts at June 30, 2024:

Line of Business	AHCCCS Minimum Requirement	Performance Bond Amount	Effective Date
ACC-RBHA	90% of Capitation Revenue	$ 275,000,000	10/1/2023
ALTCS	90% of Capitation Revenue	$ 65,000,000	10/1/2023
DDD	90% of Capitation Revenue	$ 22,000,000	4/1/2024
Medicare	$1,050 PMPM	$ 17,000,000	1/1/2024
DCS	90% of Capitation Revenue	$ 14,000,000	10/1/2023

Litigation - Periodically, Mercy Care is involved in litigation and claims arising in the normal course of operations. In the opinion of management, based on consultation with legal counsel, losses, if any, from these matters are covered by insurance or are immaterial. Management believes that any resulting liability will not materially affect Mercy Care's financial position.

Liability insurance - Mercy Care maintains directors and officers, errors and omissions, and cyber liability insurance coverage under claims-made policies. Each policyholder is insured for losses up to $30 million per claim and in the aggregate under each of its directors and officers liability policy and $20 million per claim and in the aggregate under each of its errors and omissions and cyber liability policies. Claims reported endorsement (tail) coverage is available if the policy is not renewed to cover claims incurred but not reported. Mercy Care anticipates that renewal coverage will be available at expiration of the current policy. Aetna maintains the general liability coverage for Mercy Care and is insured for losses up to $1 million per claim and $2 million in the aggregate under its general liability policy.

Healthcare regulation - The healthcare industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, and government healthcare program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that Mercy Care is in compliance with fraud and abuse laws and regulations, as well as other applicable government laws and regulations. Compliance with such laws and regulations can be subject to future reviews and interpretation as well as regulatory actions unknown or unasserted at this time.

(7) Commitments and contingencies (continued)

Health reform legislation at both the federal and state levels continues to evolve. Changes continue to impact existing and future laws and rules. Such changes may impact the way the Plan does business, restrict revenue and enrollment growth in certain products and market segments, restrict growth rates for certain products and market segments, increase medical, administrative and capital costs, and expose the Plan to increased risk of loss or further liabilities. Mercy Care's operating results, financial position and cash flows could be adversely impacted by such changes.

Community reinvestment program - In accordance with the AHCCCS contract, Mercy Care has approved a Community Reinvestment program. Under the program, Mercy Care will demonstrate a commitment to the local communities in which it operates through community reinvestment activities including contributing 6% of its annual profits for ACC-RBHA, ALTCS, DDD/DES and DCS/CHP to community reinvestment. The program funds community projects that enhance the lives of people in the communities in Mercy Care's geographic service area. These funds are for projects and services not eligible for service or prevention dollars.

For the years ended June 30, 2024 and 2023, Mercy Care approved amounts of approximately $6,849,000 and $10,822,000, respectively, to be spent on various healthcare community projects. These amounts are included in nonoperating expenses in the accompanying statements of activities and changes in net assets. At June 30, 2024 and 2023, respectively, Mercy Care has recorded a liability for unspent Community Reinvestment program funds of approximately $9,436,000 and $17,103,000, which is included in other current liabilities in the accompanying statements of financial position.

Contract compliance - Under the terms of the AHCCCS and Medicare Advantage contracts, Mercy Care is required to meet certain financial covenants for both AHCCCS and CMS products, as applicable.

In accordance with the AHCCCS Contract, Mercy Care is required to maintain certain minimum financial reporting and viability measures.

Mercy Care's contract contains various quarterly financial performance requirements, including a required minimum liquidity ratio, an administrative cost percentage, and service expense percentages. As of June 30, 2024, all lines of business were in compliance with the AHCCCS requirements.

Should Mercy Care be in default of any material obligations under the AHCCCS contract, AHCCCS may, at its discretion, in addition to other remedies, either adjust the amount of future payments or withhold future payment until satisfactory resolution of the default or exception. Further, if monies are not appropriated by the State or are not otherwise available, the AHCCCS contract may be cancelled upon written notice until such monies are so appropriated or available.

(7) Commitments and contingencies (continued)

Mercy Care is required to meet quarterly and contract year end minimum encounter submission percentages or be subject to sanction by AHCCCS. Typically, Mercy Care has up to eight months after the contract period end to meet the minimum number of encounters. Through the date of this report, AHCCCS has not yet completed its encounter evaluation assessment for the contract years ended September 30, 2024 and 2023. As of June 30, 2024, Mercy Care anticipates meeting the required encounter threshold for the contract years ending September 30, 2024 and 2023.

Accordingly, as of June 30, 2024, Mercy Care has not recorded a liability associated with an encounter sanction. As of June 30, 2023, Mercy Care anticipated meeting the required encounter threshold for the contract year ending September 30, 2023 for non-title block funding. For title block funding for the contract year ended June 30, 2023, Mercy Care expected any under-encounter for title block funding to not be payable back to AHCCCS and accordingly, as of June 30, 2023, Mercy Care had not recorded a liability associated with an encounter sanction.

In January 2022, AHCCCS communicated to Mercy Care the intention to collect under encountered title block funding for contract years ending June 30, 2020 and 2021. Due to the COVID19 pandemic, AHCCCS instructed Mercy Care not to actively pursue provider repayment until the public health emergency had ended and AHCCCS communicated to Mercy Care in September 2023 that provider collections could resume for under-encountered providers. As of June 30, 2024 the remaining contract year 2020 and 2021 receivable balance is approximately $11,499,000, which Mercy Care expects to receive from providers. As of June 30, 2024, Mercy Care has recorded net receivables for under encounters from providers for the contract years ending September 30, 2022 and September 30, 2023, respectively, of approximately $7,627,000 and $8,934,000 which Mercy Care expects to receive from providers. The majority of the receivables for contract years 2020, 2021, 2022 and 2023 are included within other accounts receivable and $2,343,000 has been included within long term receivable due to executed payment agreements that exceed one year. As of June 30, 2024, Mercy Care has recorded a current liability for provider over-encounters of approximately $2,802,000 and $470,000 for contract years ending 2022 and 2023 to be disbursed at a future date dependent on provider receivables received for those contract years.

AHCCCS has a right to sanction Mercy Care for other matters of non-compliance of the AHCCCS contract, as determined by AHCCCS. Mercy Care received total sanctions for the years ended June 30, 2024 and 2023 of $8,600 and $6,000, respectively.

COVID-19 Pandemic - On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus as a “pandemic”. First identified in late 2019 and known now as COVID-19, the outbreak has impacted thousands of individuals worldwide. In response, many countries have implemented measures to combat the outbreak which have impacted global business operations. The federal public health emergency ended on May 11, 2023. Mercy Care’s operations for the year’s ended June 30, 2024 and 2023 have not been significantly impacted; however, Mercy Care continues to monitor the situation. No impairments were recorded for the year’s ended June 30, 2024 and 2023 as no triggering events or changes in circumstances had occurred as of year-end; however, due to significant uncertainty surrounding the situation, management's judgment regarding this could change in the future.

(8) Concentration of credit risk

Mercy Care's future contract awards are contingent upon the continuation of the AHCCCS ACC-RBHA and ALTCS, DES/DDD and DCS/CHP programs by the State of Arizona and Mercy Care's ability and desire to retain its status as a Contractor under these programs. The AHCCCS ACC contract is effective through September 30, 2022. Effective October 2022, the previous AHCCCS Complete Care program was replaced with a comprehensive service agreement that is all inclusive of RBHA services. The new contract replaces the former AHCCCS Complete Care program and the RBHA contracts with combined services for a period of five years through September 30, 2027.

Mercy Care was awarded a new ALTCS contract effective October 1, 2018, for an initial period of three years with three renewal periods: one renewal of two years, and two renewals of one year each. Mercy Care is currently in the second renewal period of two years through September 30, 2024. In December 2023, AHCCCS elected not to renew Mercy Care's ALTCS contract for the year ended September 30, 2025. Mercy Care appealed the decision and on August 9, 2024 the Administrative Law Judge (ALJ) recommended that the appeal be granted, the ALTCS procurement cancelled, and a new Request for Proposal issued. On September 9, 2024 AHCCCS notified Mercy Care that the current ALTCS contract will be extended to September 30, 2025.

The DES/DDD contract was renewed through September 30, 2025. Mercy Care's Medicare Advantage contract is renewed annually by CMS. Mercy Care's RBHA contract with AHCCCS has been renewed through September 30, 2027 in the form of a new contract structure under AHCCCS (see Note 1).

Mercy Care was awarded a new DCS/CHP contract effective April 1, 2022, for an initial period of three years with five renewal periods: two renewals of two years, and three renewals of one year each.

Failure to renew these contracts could have a significant impact on operations.

(9) Functional expenses

The costs of providing Mercy Care's various programs and other activities have been reported on a functional basis in the accompanying statements of activities and changes in net assets. The presentation of functional expenses below presents the natural classification detail of expense by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to program and supporting services on the basis of program membership and other appropriate allocation methods. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of Mercy Care and are allocated based on program membership or other appropriate indicators.

(9) Functional expenses (continued)

The following table summarizes the functional expenses at June 30, 2024 (in thousands):

	Program Services	Management & General	Total Expenses
Hospitalization	$ 459,355	$ -	$ 459,355
Medical compensation	507,855	-	507,855
Ancillary and other medical services	2,828,608	-	2,828,608
Institutional	264,698	-	264,698
Home and community-based services	297,356	-	297,356
Premium tax expense	-	91,808	91,808
Management fees	-	300,865	300,865
Other Expenses	-	36,329	36,329
Total Expenses	$ 4,357,873	$ 429,001	$ 4,786,874

The following table summarizes the functional expenses at June 30, 2023 (in thousands):

	Program Services	Management & General	Total Expenses
Hospitalization	$ 487,045	$ -	$ 487,045
Medical compensation	501,293	-	501,293
Ancillary and other medical services	2,779,967	-	2,779,967
Institutional	239,899	-	239,899
Home and community-based services	278,610	-	278,610
Premium tax expense	-	91,126	91,126
Management fees	-	371,456	371,456
Other Expenses	-	33,691	33,691
Total Expenses	$ 4,286,814	$ 496,273	$ 4,783,087

(10) Liquidity and Availability of Resources

Mercy Care monitors its cash position on a monthly basis to ensure the fulfillment of all obligations. As part of the Mercy Care's liquidity plan, excess cash is invested according to Mercy Care's investment policy. As of June 30, 2024, Mercy Care's financial assets available within one year of the statement of financial position date for general expenditures are as follows (in thousands):

Cash and equivalents	$ 380,450
Receivables	224,937
Investments	629,577
Financial assets available to meet cash needs for general expenditure within one year	$ 1,234,964

While a portion of Mercy Care's investments are classified as long-term in the accompanying statements of financial position based on management's intent, the investments could be readily liquidated without significant penalty to fund operating cash flow needs, except as noted above.

SUPPLEMENTAL INFORMATION

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION

To the Board of Directors of

MERCY CARE

We have audited the financial statements of ***Mercy Care*** as of and for the year ended June 30, 2024, and our report thereon dated December 19, 2024, which contained an unmodified opinion on those financial statements, appears on pages 1 - 2. We previously audited the financial statements of Mercy Care as of and for the year ended June 30, 2023, and our report thereon dated December 13, 2023, contained an unmodified opinion. Our audits were performed for the purpose of forming opinions on the June 30, 2024 and 2023 financial statements as a whole. The accompanying supplemental statement of activities for the year ended June 30, 2024, supplemental schedule of activities – schedule A disclosure for the year ended June 30, 2024, supplemental sub-capitated expenses report for the contract year ended September 30, 2023 and medical loss ratio report for the contact year ended September 30, 2023 (collectively, the "supplemental information") on pages 26 through 42 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 for the years ended June 30, 2024 and 2023. The information has been subjected to the auditing procedures applied in the audits of the 2024 and 2023 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2024 and 2023 financial statements or to the 2024 and 2023 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional information on pages 26 through 42 is fairly stated in all material respects in relation to the June 30, 2024 and 2023 financial statements as a whole.

CBIZ CPAs P.C.[1]

December 19, 2024

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Phoenix, AZ 85016

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[1] *In certain jurisdictions, CBIZ CPAs P.C. operates under its previous name, Mayer Hoffman McCann P.C.*

MERCY CARE

SUPPLEMENTAL INFORMATION

SUB-CAPITATED AND BLOCK EXPENSES REPORT

Contract Year Ended September 30, 2023

Account	Account Description	ACC-RBHA											ALTCS			DDD			MCA	DCS-CHP						
		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 Total	Non-Title XIX/XXI Total	ACC-RBHA Total	Duals	Non-Duals	ALTCS Total	Duals	SSI w/o Med	DDD Total	MCA Total	Age <1	Age 1-20	SSI w/o Med	Title XIX/XXI Total	Non-Title XIX/XXI Total	DCS-CHP Total	Mercy Care Total
Sub-Capitated and Block Behavioral Health Expenses:																										
60199	Total Treatment Services								$ 21,280,611		$ 21,280,611	$ 14,335,750	$ 35,616,361													$ 35,616,361
60299	Total Rehabilitation Services								26,191,149		26,191,149	6,028,940	32,220,089													32,220,089
60399	Total Medical Services								33,625,168		33,625,168	6,199,566	39,824,734													39,824,734
60499	Total Support Services								47,130,246		47,130,246	23,502,805	70,633,051													70,633,051
60599	Total Crisis Intervention Services								-	116,467,696	116,467,696	28,067,154	144,534,850													144,534,850
60699	Total Inpatient Services								6,447,940		6,447,940	4,128,916	10,576,856													10,576,856
60799	Total Residential Services								1,276,975		1,276,975	11,405,734	12,682,709													12,682,709
60899	Total Behavioral Health Day Program								822,188		822,188	310,474	1,132,662													1,132,662
60999	Total HIV Services								-		-	904,682	904,682													904,682
61099	Total Pharmacy Expense								-		-	-	-													-
61100-01	PPC BH Title XIX								-		-	-	-													-
61105-01	Other BH Services Not Rpt'd Above								-		-	-	-													-
61205-01	BH FQHC/RHC Services								-		-	-	-													-
	Total Sub-Capitated and Block Behavioral Health Expenses:	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 136,774,276	$ 116,467,696	$ 253,241,972	$ 94,884,021	$ 348,125,993	$ -	$ -	$ -	$ -	$ -	$ -	$ -						$ -	$ 348,125,993
Sub-Capitated Hospitalization Expenses:																										
50105-01	Hospital Inpatient													144,794	40,466	185,260										185,260
	Total Sub-Capitated Hospitalization Expenses:	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -			$ -	$ 144,794	$ 40,466	$ 185,260	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 185,260
Sub-Capitated Medical Compensation Expenses:																										
50205-01	Primary Care Physician Services	200,578	3,302,193	1,275,511	386,717	193,187	1,944,218	125,598			7,428,001		7,428,001	-	-	-	-	-	-	10,442					-	7,438,443
50215-01	Referral Physician Services																									-
50220-01	PH FQHC/RHC Services																									-
50225-01	Other Professional Services																									-
	Total Sub-Capitated Medical Compensation Expenses:	$ 200,578	$ 3,302,193	$ 1,275,511	$ 386,717	$ 193,187	$ 1,944,218	$ 125,598	$ -	$ -	$ 7,428,001		$ 7,428,001	$ -	$ -	$ -	$ -	$ -	$ -	$ 10,442	$ -	$ -	$ -	$ -	$ -	$ 7,438,443
Sub-Capitated Other Medical Expenses:																										
50305-01	Emergency Facility Services																									-
50310-01	PH Pharmacy																									-
50315-01	Laboratory, Radiology and Medical Imaging	447,136	8,568,984	3,302,507	982,055	527,637	4,224,017	1,082,574	1,339,672		20,474,582		20,474,582	375,520	106,403	481,923	141,879	656,003	797,882	492,068	45,303	441,021	16,458	502,783	31,887	534,670	22,781,125
50320-01	Outpatient Facility																									-
50325-01	Durable Medical Equipment	35,697	688,709	265,935	75,920	39,353	339,099	89,279	-		1,533,992		1,533,992	146,523	40,819	187,342	1,222,344	5,396,809	6,619,153		6,479	68,704	2,486	77,669	4,557	82,226	8,422,714
50330-01	Dental	1,300,754	25,245,136	-	2,783,203	1,441,722	12,391,665	3,273,007	992,391		47,427,878		47,427,878	571,136	159,676	730,812	409,094	1,806,095	2,215,188	4,048,355	241,717	2,365,011	82,857	2,689,585	192,477	2,882,062	57,304,295
50335-01	Transportation																									-
50340-00	Nursing Facility, Home Health Care																-	5,451	5,451	4,271,429							4,276,880
50345-01	Therapies																									-
50350-01	Alternative Payment Model Performance Based Payments to Providers																									-
50350-10	Differential Adjusted Payments to Providers	63,039	1,217,739	466,328	136,850	73,712	550,859	174,181	598,938		3,281,646		3,281,646	180,787	51,614	232,401	347	110,632	110,980	-	8,639	78,466	2,560	89,665	-	89,665	3,714,692
50370-01	Other Medical Expenses	195,458	3,787,134	-	191	45,219	219,371	36,322	15,695		4,299,390		4,299,390	754,107	216,360	970,467	743	208,376	209,119		40,820	403,591	14,107	458,518	25,639	484,157	5,963,133
	Total Sub-Capitated Other Medical Expenses:	$ 2,042,084	$ 39,507,702	$ 4,034,770	$ 3,978,219	$ 2,127,643	$ 17,725,011	$ 4,655,363	$ 2,946,696	$ -	$ 77,017,488	$ -	$ 77,017,488	$ 2,028,074	$ 574,871	$ 2,602,945	$ 1,774,407	$ 8,183,366	$ 9,957,773	$ 8,811,851	$ 342,958	$ 3,356,793	$ 118,469	$ 3,818,219	$ 254,561	$ 4,072,780	$ 102,462,838
	Total Sub-Capitated Expenses:	$ 2,242,662	$ 42,809,894	$ 5,310,281	$ 4,364,936	$ 2,320,830	$ 19,669,229	$ 4,780,961	$ 139,720,973	$ 116,467,696	$ 337,687,462	$ 94,884,021	$ 432,571,483	$ 2,172,868	$ 615,336	$ 2,788,205	$ 1,774,407	$ 8,183,366	$ 9,957,773	$ 8,822,293	$ 342,958	$ 3,356,793	$ 118,469	$ 3,818,219	$ 254,561	$ 4,072,780	$ 458,212,534

Paragraph 3.05: NTXIX/XXI State Fiscal Year Income Statement

Contractor Name: Mercy Care
State Fiscal Year as of: 6/30/2024

		NTXIX/XXI Crisis	NTXIX/XXI SMI Services	NTXIX/XXI Other	Housing Trust Fund	MHBG SED	MHBG SMI	MHBG FEP/ESMI	SUPTRS	Other Federal	County	PASRR	Total NTXIX/XXI	Mgmt & Gen	Grand Total
00999	**Total Member Months**														
	REVENUE														
40205-01	Non-Title XIX/XXI Revenue*	8,918,387	29,027,763	7,276,753	0	7,983,302	5,132,308	1,663,970	20,361,325	17,051,440	77,771,809	63,600	**175,250,656**	0	**175,250,656**
40210-01	Specialty and Other Grants*	0	0	0	0	0	0	0	0	0	0	0	**0**	0	**0**
40215-01	Non-Title XIX/XXI Profit Limit	0	0	0	0	0	0	0	0	0	0	0	**0**	0	**0**
40305-01	Investment Income	0	0	0	0	0	0	0	0	0	0	0	**0**	0	**0**
40310-01	Other Income*	0	0	0	0	0	0	0	0	0	0	0	**0**	0	**0**
49999	**TOTAL REVENUE**	**8,918,387**	**29,027,763**	**7,276,753**	**0**	**7,983,302**	**5,132,308**	**1,663,970**	**20,361,325**	**17,051,440**	**77,771,809**	**63,600**	**175,250,656**	**0**	**175,250,656**
	EXPENSES														
	Behavioral Health (BH) Medical Expenses:														
	Treatment Services														
60105-01	Counseling	0	22,577	0	0	2,626,645	2,532,976	0	1,433,028	0	1,569,859	0	**8,185,086**	0	**8,185,086**
60105-05	Assessment, Evaluation and Screening	0	62,883	0	0	799,218	627,861	0	697,980	0	3,917,321	0	**6,105,263**	0	**6,105,263**
60105-10	Other Professional	0	4,193	1,271,219	0	29,479	0	0	178,953	0	1,781,692	0	**3,265,536**	0	**3,265,536**
60199	**Total Treatment Services**	**0**	**89,653**	**1,271,219**	**0**	**3,455,343**	**3,160,837**	**0**	**2,309,961**	**0**	**7,268,872**	**0**	**17,555,885**	**0**	**17,555,885**
	Rehabilitation Services														
60205-01	Living Skills Training	0	57,147	158,431	0	787,691	55,174	0	12,943	0	2,239,309	0	**3,310,694**	0	**3,310,694**
60205-05	Cognitive Rehabilitation	0	0	0	0	0	0	0	0	0	0	0	**0**	0	**0**
60205-10	Health Promotion	0	30,159	0	0	81,337	447,998	0	21,486	0	1,089,069	0	**1,670,049**	0	**1,670,049**
60205-15	Supported Employment Services	0	29,759	0	0	0	55,019	0	39,991	0	1,038,545	0	**1,163,315**	0	**1,163,315**
60299	**Total Rehabilitation Services**	**0**	**117,065**	**158,431**	**0**	**869,028**	**558,191**	**0**	**74,420**	**0**	**4,366,924**	**0**	**6,144,058**	**0**	**6,144,058**
	Medical Services														
60305-01	Medication Services	0	2,583	0	0	0	0	0	3,571,190	0	217,901	0	**3,791,674**	0	**3,791,674**
60305-05	Medical Management	0	25,606	243,329	0	1,133	30,767	0	347,909	0	945,472	0	**1,594,216**	0	**1,594,216**
60305-10	Laboratory, Radiology and Medical Imaging	0	2,362	0	0	17	0	0	544,353	0	246,977	0	**793,709**	0	**793,709**
60305-15	Electro-Convulsive Therapy	0	0	0	0	0	0	0	0	0	0	0	**0**	0	**0**
60399	**Total Medical Services**	**0**	**30,551**	**243,329**	**0**	**1,150**	**30,767**	**0**	**4,463,452**	**0**	**1,410,350**	**0**	**6,179,599**	**0**	**6,179,599**
	Support Services														
60405-01	Case Management	0	1,439,228	477,549	0	1,989,710	496,515	0	798,454	0	11,642,976	0	**16,844,433**	0	**16,844,433**
60405-05	Personal Care Services	0	19,208	0	0	79	36,356	0	40	0	670,012	0	**725,694**	0	**725,694**
60405-10	Family Support	0	1,097	29,829	0	296,637	17,533	0	0	0	64,682	0	**409,778**	0	**409,778**
60405-15	Peer Support	0	39,948	5,241	0	15,035	33,162	0	696,484	0	1,427,181	0	**2,217,050**	0	**2,217,050**
60405-20	Therapeutic Foster Care	0	0	0	0	0	0	0	0	0	0	0	**0**	0	**0**
60405-21	Adult Behavioral Health Therapeutic Home	0	0	0	0	0	0	0	0	0	0	0	**0**	0	**0**
60405-25	Unskilled Respite Care	0	603	0	0	27,891	0	0	0	0	21,030	0	**49,524**	0	**49,524**
60405-30	Supported Housing*	0	0	0	0	0	0	0	0	0	0	0	**0**	0	**0**
60405-40	Transportation	0	68,284	0	0	13,587	14,725	0	82,463	0	3,160,497	0	**3,339,556**	0	**3,339,556**
60499	**Total Support Services**	**0**	**1,568,367**	**512,618**	**0**	**2,342,938**	**598,292**	**0**	**1,577,440**	**0**	**16,986,378**	**0**	**23,586,034**	**0**	**23,586,034**
	Crisis Intervention Services														
60505-01	Crisis Intervention - Mobile	2,465,646	8,497	0	0	0	0	0	4,934	0	8,021,191	0	**10,500,268**	0	**10,500,268**
60505-05	Crisis Intervention - Stabilization	4,223,694	164,125	4,600,000	0	0	0	0	70,979	0	4,319,103	0	**13,377,900**	0	**13,377,900**
60505-10	Crisis Intervention - Telephone	1,544,206	0	0	0	0	0	0	0	0	1,969,185	0	**3,513,391**	0	**3,513,391**
60599	**Total Crisis Intervention Services**	**8,233,546**	**172,622**	**4,600,000**	**0**	**0**	**0**	**0**	**75,913**	**0**	**14,309,478**	**0**	**27,391,559**	**0**	**27,391,559**
	Inpatient Services														
60605-01	Hospital	0	0	0	0	0	0	0	0	0	21,573,728	0	**21,573,728**	0	**21,573,728**
60605-05	Sub acute Facility	0	110,051	0	0	0	0	0	0	0	3,838,710	0	**3,948,761**	0	**3,948,761**
60605-10	Residential Treatment Center (RTC)	0	0	0	0	0	0	0	0	0	0	0	**0**	0	**0**
60605-15	Inpatient Services, Professional	0	0	0	0	0	0	0	0	0	0	0	**0**	0	**0**
60699	**Total Inpatient Services**	**0**	**110,051**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**25,412,438**	**0**	**25,522,489**	**0**	**25,522,489**
	Residential Services														
60705-01	Behavioral Health Residential Facilities	0	21,719	0	0	0	179,644	0	4,455,134	0	757,599	0	**5,414,096**	0	**5,414,096**
60705-10	Room and Board	0	1,596,575	0	0	309,336	21,374	0	2,391,811	0	0	0	**4,319,097**	0	**4,319,097**
60799	**Total Residential Services**	**0**	**1,618,295**	**0**	**0**	**309,336**	**201,018**	**0**	**6,846,945**	**0**	**757,599**	**0**	**9,733,193**	**0**	**9,733,193**
	Behavioral Health Day Program														
60805-01	Supervised Day Program	0	6,363	5,627	0	0	0	0	0	0	222,721	0	**234,710**	0	**234,710**
60805-05	Therapeutic Day Program	0	950	0	0	0	682	0	31,132	0	35,085	0	**67,849**	0	**67,849**
60805-10	Medical Day Program	0	0	0	0	0	0	0	0	0	0	0	**0**	0	**0**
60899	**Total Behavioral Health Day Program**	**0**	**7,313**	**5,627**	**0**	**0**	**682**	**0**	**31,132**	**0**	**257,806**	**0**	**302,559**	**0**	**302,559**
	HIV Services														
60905-05	HIV	0	0	0	0	0	0	0	873,333	0	0	0	**873,333**	0	**873,333**
60999	**Total HIV Services**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**873,333**	**0**	**0**	**0**	**873,333**	**0**	**873,333**
	BH Pharmacy Expenses														
61005-01	BH Pharmacy Expense	0	20,622,639	662	0	0	0	0	0	0	0	0	**20,623,301**	0	**20,623,301**
61099	**Total Pharmacy Expense**	**0**	**20,622,639**	**662**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**20,623,301**	**0**	**20,623,301**
61100-01	PPC BH Title XIX	0	0	0	0	0	0	0	0	0	0	0	**0**	0	**0**
61105-01	Other BH Service Expenses Not Reported Above*	0	2,446,314	0	0	80,686	798,381	1,540,713	2,141,288	15,782,064	0	63,600	**22,853,045**	0	**22,853,045**
61205-01	BH FQHC/RHC Services	0	0	0	0	0	0	0	0	0	0	0	**0**	0	**0**
61299	**Subtotal BH Medical Expenses**	**8,233,546**	**26,782,868**	**6,791,886**	**0**	**7,058,480**	**5,348,169**	**1,540,713**	**18,393,885**	**15,782,064**	**70,769,844**	**63,600**	**160,765,055**	**0**	**160,765,055**
61305-01	Specialty and Other Grant Expenses*	0	0	0	0	0	0	0	0	0	0	0	**0**	0	**0**
69998	**Total BH Medical Expenses**	**8,233,546**	**26,782,868**	**6,791,886**	**0**	**7,058,480**	**5,348,169**	**1,540,713**	**18,393,885**	**15,782,064**	**70,769,844**	**63,600**	**160,765,055**	**0**	**160,765,055**
	Less:														
70105-01	Reinsurance Recoveries	0	0	0	0	0	0	0	0	0	0	0	**0**	0	**0**
70205-02	Third Party Liability	0	0	0	0	0	0	0	0	0	0	0	**0**	0	**0**
70305-01	Claims Overpayment Recoveries	0	0	0	0	0	0	0	0	0	0	0	**0**	0	**0**
70310-05	Pharmacy Rebates	0	(19,299)	0	0	0	0	0	0	0	0	0	**(19,299)**	0	**(19,299)**
70310-10	Pharmacy Performance Guarantees	0	0	0	0	0	0	0	0	0	0	0	**0**	0	**0**
85999	**Total Net Medical Expense**	**8,233,546**	**26,763,569**	**6,791,886**	**0**	**7,058,480**	**5,348,169**	**1,540,713**	**18,393,885**	**15,782,064**	**70,769,844**	**63,600**	**160,745,756**	**0**	**160,745,756**

	Administrative Expenses:														
80105-01	Compensation	152,286	503,483	120,226	0	117,177	94,937	17,351	336,408	282,268	1,285,444	0	**2,909,579**	0	**2,909,579**
80205-01	Occupancy	6,293	20,807	4,968	0	4,842	3,923	717	13,902	11,665	53,122	0	**120,240**	0	**120,240**
80305-01	Depreciation	4	14	3	0	3	3	0	10	8	37	0	**84**	0	**84**
80405-01	Care Management/Care Coordination	95,878	316,987	75,693	0	73,773	59,771	10,924	211,799	177,713	809,300	0	**1,831,837**	0	**1,831,837**
80505-01	Professional and Outside Services	362,494	1,198,464	286,179	0	278,921	225,983	41,300	800,767	671,895	3,059,800	0	**6,925,802**	0	**6,925,802**
80605-01	Office Supplies and Equipment	20,185	66,734	15,935	0	15,531	12,583	2,300	44,589	37,413	170,379	0	**385,649**	0	**385,649**
80705-01	Travel	2,627	8,685	2,074	0	2,021	1,638	299	5,803	4,869	22,175	0	**50,192**	0	**50,192**
80805-01	Repair and Maintenance	0	0	0	0	0	0	0	0	0	0	0	**0**	0	**0**
80905-01	Bank Service Charge	0	0	0	0	0	0	0	0	0	0	0	**0**	0	**0**
81005-01	Insurance	55	181	43	0	42	34	6	121	101	461	0	**1,043**	0	**1,043**
81105-01	Marketing	130	430	103	0	100	81	15	287	241	1,098	0	**2,486**	0	**2,486**
81205-01	Interest Expense	0	0	0	0	0	0	0	0	0	0	0	**0**	0	**0**
81305-01	Pharmacy Benefit Manager Expenses	0	0	0	0	0	0	0	0	0	0	0	**0**	0	**0**
81405-01	Fraud Reduction Expenses	0	0	0	0	0	0	0	0	0	0	0	**0**	0	**0**
81505-01	Third Party Activities	0	0	0	0	0	0	0	0	0	0	0	**0**	0	**0**
81605-01	Sub Capitation Block Administration	0	0	0	0	0	0	0	0	0	0	0	**0**	0	**0**
81705-01	Health Care Quality Improvement	23,558	77,887	18,598	0	18,127	14,686	2,684	52,041	43,666	198,853	0	**450,101**	0	**450,101**
81810-01	Program Integrity Fraud, Waste and Abuse Prevention	0	0	0	0	0	0	0	0	0	0	0	**0**	0	**0**
82505-01	Interpretation/Translation Services	21,330	70,522	16,840	0	16,413	13,298	2,430	47,120	39,537	180,049	0	**407,538**	0	**407,538**
83005-01	Other Administrative Expenses*	0	0	0	0	0	0	0	0	0	0	0	**0**	0	**0**
83999	**Subtotal Administrative Expenses**	**684,841**	**2,264,194**	**540,663**	**0**	**526,950**	**426,937**	**78,026**	**1,512,846**	**1,269,376**	**5,780,717**	**0**	**13,084,550**	**0**	**13,084,550**
83105-01	Non-Title XIX/XXI Encounter Valuation Sanctions*	0	0	0	0	0	0	0	0	0	0	0	**0**	0	**0**
83205-01	Admin Expenses from Specialty and Other Grants*	0	0	0	0	0	0	0	0	0	0	0	**0**	0	**0**
84999	**Total Administrative Expense**	**684,841**	**2,264,194**	**540,663**	**0**	**526,950**	**426,937**	**78,026**	**1,512,846**	**1,269,376**	**5,780,717**	**0**	**13,084,550**	**0**	**13,084,550**
86999	**Total Expenses**	**8,918,387**	**29,027,763**	**7,332,549**	**0**	**7,585,430**	**5,775,106**	**1,618,739**	**19,906,731**	**17,051,440**	**76,550,561**	**63,600**	**173,830,306**	**0**	**173,830,306**
87999	**Profit (Loss) from Operations**	0	0	(55,797)	0	397,872	(642,798)	45,231	454,594	0	1,221,248	0	**1,420,350**	0	**1,420,350**
88999-01	Non-Operations - Investment Income	0	0	0	0	0	0	0	0	0	0	0	**0**	0	**0**
88999-02	Non-Operations - Other	0	0	0	0	0	0	0	0	0	0	0	**0**	0	**0**
88999	**Profit (Loss) from Non-Operations**	0	0	0	0	0	0	0	0	0	0	0	**0**	0	**0**
89999	**Profit/(Loss) Before Taxes**	0	0	(55,797)	0	397,872	(642,798)	45,231	454,594	0	1,221,248	0	**1,420,350**	0	**1,420,350**
90105-01	Income Taxes	0	0	0	0	0	0	0	0	0	0	0	**0**	0	**0**
90205-01	Premium Taxes	0	0	0	0	0	0	0	0	0	0	0	**0**	0	**0**
99999	**Net Profit/(Loss)**	**0**	**0**	**(55,797)**	**0**	**397,872**	**(642,798)**	**45,231**	**454,594**	**0**	**1,221,248**	**0**	**1,420,350**	**0**	**1,420,350**
990105-01	Community Reinvestment	0	0	0	0	0	0	0	0	0	0	0	**0**	0	**0**
990205-01	Non-Covered Services	0	0	0	0	0	0	0	0	0	0	0	**0**	0	**0**
990305-01	Unreimbursed Performance Based Payments	0	0	0	0	0	0	0	0	0	0	0	**0**	0	**0**
990405-01	Value-Added Services	0	0	0	0	0	0	0	0	0	0	0	**0**	0	**0**
999999	**Net Profit/(Loss) After 990xxx-xx Accounts**	**0**	**0**	**(55,797)**	**0**	**397,872**	**(642,798)**	**45,231**	**454,594**	**0**	**1,221,248**	**0**	**1,420,350**	**0**	**1,420,350**

Disclose on Schedule A

Paragraph 3.05: NTXIX/XXI State Fiscal Year Income Statement Schedule A Disclosure

Contractor Name: Mercy Care
State Fiscal Year as of: 6/30/2024

	NTXIX/XXI Crisis	NTXIX/XXI SMI Services	NTXIX/XXI Other	Housing Trust Fund	MHBG SED	MHBG SMI	MHBG FEP/EMSI	SUPTRS	Other Federal	County	PASRR	Total NTXIX/XXI	Mgmt & Gen	Grand Total
Disclosure of NTXIX/XXI Other, Other Federal and Mgmt & Gen AHCCCS Revenue reported on line 40205-01														
SUDS			241,937									$ 241,937		$ 241,937
Childrens Behavioral Health			2,034,816									$ 2,034,816		$ 2,034,816
Health Care Crisis Wraparound			5,000,000									$ 5,000,000		$ 5,000,000
CRRSAA-MHBG FEP									645,970			$ 645,970		$ 645,970
CRRSAA-MHBG SED									1,034,020			$ 1,034,020		$ 1,034,020
CRRSAA-MHBG SMI									1,779,866			$ 1,779,866		$ 1,779,866
CRRSAA-SABG GS									4,584,987			$ 4,584,987		$ 4,584,987
CRRSAA-SABG PPW									1,283,871			$ 1,283,871		$ 1,283,871
ER-COVID Supplement									9,000			$ 9,000		$ 9,000
State Opioid Response SOR III									6,340,549			$ 6,340,549		$ 6,340,549
SABG ASAM									18,057			$ 18,057		$ 18,057
MHBG CRISIS 911									6,060			$ 6,060		$ 6,060
MHBG CRISIS ANNUAL FUND									1,210,380			$ 1,210,380		$ 1,210,380
ARPA-SUBG									138,679.07			$ 138,679		$ 138,679
												$ 0		$ 0
Total NTXIX/XXI Other and Other Federal Column	$ 0	$ 0	$ 7,276,753	$ 0	$ 0	$ 0	$ 0	$ 0	$ 17,051,440	$ 0	$ 0	$ 24,328,192	$0	$ 24,328,192
Disclosure of Specialty and Other Grants Reported on line 40210-01														
												$ 0		$ 0
												$ 0		$ 0
												$ 0		$ 0
Total Specialty and Other Grants	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$0	$ 0
Disclosure of Other Income Reported on line 40310-01														
												$ 0		$ 0
												$ 0		$ 0
												$ 0		$ 0
Total Other Income	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$0	$ 0
Disclosure of Supported Housing Reported on line 60405-30														
Rental Subsidy												$ 0		$ 0
Management Fees												$ 0		$ 0
Utility Payments												$ 0		$ 0
Repair & Maintenance												$ 0		$ 0
Damages												$ 0		$ 0
Deposits												$ 0		$ 0
Start UP												$ 0		$ 0
Eviction Prevention												$ 0		$ 0
												$ 0		$ 0
Housing Trust Fund - Construction/Improvements												$ 0		$ 0
												$ 0		$ 0
Total Supported Housing	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$0	$ 0
Disclosure of Non-Title XIX/XXI Other Services Reported on line 61105-01														
PASRR											63,600	$ 63,600		$ 63,600
FEP Grant Expense							1,540,713					$ 1,540,713		$ 1,540,713
MHBG CJET						798,381						$ 798,381		$ 798,381
ARPA-MHBG												$ 0		$ 0
ARPA-SUBG									128,407			$ 128,407		$ 128,407
CRRSAA-MHBG FEP									598,120			$ 598,120		$ 598,120
CRRSAA-MHBG SED									957,426			$ 957,426		$ 957,426
CRRSAA-MHBG SMI									1,648,025			$ 1,648,025		$ 1,648,025
CRRSAA-SABG GS									4,333,627			$ 4,333,627		$ 4,333,627
CRRSAA-SABG PPW									1,067,702			$ 1,067,702		$ 1,067,702
ER-COVID									51,170			$ 51,170		$ 51,170
ER-COVID SUPP									(22,000)			$ (22,000)		$ (22,000)
SUBG ASAM									16,720			$ 16,720		$ 16,720
SOR III									5,934,709			$ 5,934,709		$ 5,934,709
SOR II									(6,460)			$ (6,460)		$ (6,460)
NT SMI - Non Encounterable Behavioral Health Coordinators		150,000										$ 150,000		$ 150,000
NT SMI - Non Encounterable Connections Conference		83,987										$ 83,987		$ 83,987
NT SMI - Non Encounterable HMIS		6,386										$ 6,386		$ 6,386
NT SMI - Non Encounterable WICHE		15,000										$ 15,000		$ 15,000
NT SMI - Non Encounterable Tobacco Treatment Specialist Training Accreditation		1,000										$ 1,000		$ 1,000
NT SMI - Non Encounterable TLP		1,899,942										$ 1,899,942		$ 1,899,942
NT SMI - Non Encounterable Applied Suicide Intervention Skills Training		0										$ 0		$ 0
NT SMI - Non Encounterable Dental Kits		9,998										$ 9,998		$ 9,998
NT SMI - Non Encounterable Hotel Assistance		0										$ 0		$ 0
NT SMI - Non Encounterable Peer Based Doula Support Program		20,000										$ 20,000		$ 20,000
NT SMI - Non Encounterable Start-Up Boxes		250,000										$ 250,000		$ 250,000
NT SMI - Non Encounterable Tablets		10,000										$ 10,000		$ 10,000
SFY2024 MHBG Crisis Annual Funds									1,069,008			$ 1,069,008		$ 1,069,008
SUPTRS Outreach								996,406				$ 996,406		$ 996,406
Oxford House								653,212				$ 653,212		$ 653,212
Barbell Saves								491,670				$ 491,670		$ 491,670
MHBG SED Non Encounterable Outreach Positions					(138,672)							$ (138,672)		$ (138,672)
MHBG CRISIS 911 DIVERSION									5,611			$ 5,611		$ 5,611
MHBG SED Out of Home Placement (OOH)					219,358							$ 219,358		$ 219,358
												$ 0		$ 0
												$ 0		$ 0
Total Other Services	$ 0	$ 2,446,314	$ 0	$ 0	$ 80,686	$ 798,381	$ 1,540,713	$ 2,141,288	$ 15,782,064	$ 0	$ 63,600	$ 22,853,045	$0	$ 22,853,045

Disclosure of Specialty and Other Grants Reported on line 61305-01														
												$ 0		$ 0
												$ 0		$ 0
												$ 0		$ 0
Total Specialty and Other Grants Expenses	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$0	$ 0
Disclosure of Non-Title XIX/XXI Other Admin Expenses Reported on line 83005-01														
												$ 0		$ 0
												$ 0		$ 0
												$ 0		$ 0
Total Non-Title XIX/XXI Other Admin Expenses	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$0	$ 0
Disclosure of Non-Title XIX/XXI Encounter Valuation Reported on line 83105-01														
												$ 0		$ 0
												$ 0		$ 0
												$ 0		$ 0
Total Non-Title XIX/XXI Encounter Valuation Sanctions	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$0	$ 0
Specialty and Other Grants Reported on line 83205-01														
												$ 0		$ 0
												$ 0		$ 0
												$ 0		$ 0
Total Adm Expenses from Specialty and Other Grants Expenses	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$0	$ 0

Paragraph 4.19: Medical Loss Ratio Report

Contractor Name: Mercy Care - ACC-RBHA — For additional MLR guidance please refer to AHCCCS' website.
Contract Year End: 9/30/2023

NOTES: Do not duplicate any amounts in multiple lines.
GAAP Basis (Columns H - L) should agree to the submitted financial statements.
USE FOR ANNUAL REPORT ONLY[1,2] - Adjustment columns should report prior year adjustments (Column M) and true up any estimates (Column N) to present on an incurred date of service basis. Any adjustments to be deducted should be entered as a negative number.

							GAAP Basis							Incurred Basis	
							Dec-22	Mar-23	Jun-23	Sep-23	CYE 23	Annual Adjustments[1]	Annual Adjustments[2]	Restated CYE23	
						Member Months	5,664,393	5,751,287	5,562,708	5,180,231	22,158,619	-	-	22,158,619	
MLR Category	Citation	Format of Amount to be Entered	Line #	Detail	Specific Applicability to Line of Business	Financial Statement Account # (If applicable)									
Premium Revenue				**Revenue**											
				Include											
	42 CFR§438.8(f)(2)(i)	+	1	Prospective Capitation	ALL	40105-01	$ 801,817,892	$ 813,248,166	$ 783,057,881	$ 745,600,221	$ 3,143,724,161	$ -	$ -	$ 3,143,724,161	Include full capitation including 1% withhold payment. Exclude State Directed Payments revenue (reported in line 16) and risk adjustment revenue (reported in line 6).
	42 CFR§438.8(f)(2)(iii)	+/-	2	APM 1% Withhold Settlement 42 CFR 438.6(b)(3) and Performance Based Payments (PBP) reimbursed by AHCCCS	ACC/ALTCS (ACOM 306) ALL - PBP	40115-01	$ 6,856,426	$ 20,043,795	$ 5,166,186	$ 4,966,147	$ 37,032,554	$ -	$ (17,067,989)	$ 19,964,565	Include Alternative Payment Model (APM) settlements related to Withholds, Incentives (see ACOM 306) and Performance Based Payments (see ACOM 307). Unearned withhold should be deducted. Earned incentive
	42 CFR§438.8(f)(2)(ii)	+	3	Delivery Supplement	ACC/ALTCS	40120-01	$ 13,822,977	$ 12,464,468	$ 14,452,710	$ 11,481,192	$ 52,221,348	$ -	$ -	$ 52,221,348	
	42 CFR§438.8(f)(2)(iv)	+	4	Unpaid Cost Sharing Amounts	ALL		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	Include unpaid cost-sharing amounts that could have been collected from enrollees under the contract, except those amounts that can be shown it made a reasonable, but unsuccessful, effort to collect.
	42 CFR§438.8(f)(2)(v)	+/-	5	Changes to Unearned Premium Reserves	ALL		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	Include adjustments to Deferred Revenue
	42 CFR§438.8 (f)(2)(vi)	+/-	6	Risk Adjustment **(Footnote Suspended)**	ACC	40105-01; Footnote (Suspended)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	Include amounts for risk adjustment after adjusted amounts are computed or amounts that can be reasonably estimated and accrued.
		+/-	7	Prospective Tiered	ACC/ACC-RBHA/ALTCS	40125-01, 40130-01, 40135-01	$ (54,441,575)	$ (47,215,508)	$ 9,622,512	$ 15,366,600	$ (76,667,972)	$ -	$ 25,087,608	$ (51,580,364)	
		+/-	8	Reserved			$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
		+/-	9	Other Reconciliation Settlements	ACC/ACC-RBHA/ALTCS	40145-01	$ (41,201)	$ (430,317)	$ 1,718,591	$ 1,520,472	$ 2,767,545		$ (2,449,101)	$ 318,443	Include other reconciliation settlements like APSI settlement (see ACOM 325). Do not include monthly premium component of APSI.
		+/-	10	Share of Cost (SOC) Settlement	ALTCS	40150-01	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
		+/-	11	Reserved			$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
		+	12	Reserved			$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
		+	13	**Other Income**	ALL	40310-01	$ 20,000	$ -	$ -	$ -	$ 20,000	$ -	$ -	$ 20,000	Other income should not include any types of non-operating income such as gain on sale, etc.
		+	14	Patient Contributions	ALTCS	40315-01	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
		+/-	15	Other Accruals (Explain below)	ALL		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
	42 CFR§438.8(f)(2)(i)	+	16	State Directed Payments Revenue	ALL		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	If the State Directed Payment process takes almost a year or more, plans should use the most accurate available information for MLR reporting. Include Rural, Nursing Facility, APSI, PSI, HEATHII, ARP and Targeted Investments State Directed Payments.
			17	**Total Premium Revenue**		Should agree to 40105-01 through 40315-01	**$ 768,034,519**	**$ 798,110,605**	**$ 814,017,880**	**$ 778,934,632**	**$ 3,159,097,635**	**$ -**	**$ 5,570,518**	**$ 3,164,668,153**	
Taxes, Licensing and Regulatory Fees				**Taxes, Licensing and Regulatory Fees**											
		+	18	Federal Income & Federal Tax (include Tax Benefit)	ACC/ACC-RBHA/ALTCS	90105-01	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	Exclude Federal income taxes and tax benefit on investment income, capital gains and Federal employment taxes.
	42 CFR§438.8(f)(3)(iii)	+	19	Premium Tax	ALL	90205-01	$ 19,412,922	$ 19,165,027	$ 18,972,741	$ 17,940,393	$ 75,491,082	$ -	$ -	$ 75,491,082	
		+	20	Reserved			$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
	42 CFR§438.8(f)(3)	+	21	Other Federal, State, Local Taxes and Licensing and Regulatory Fees	ALL		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
	42 CFR§438.8(f)(3)	+	22	Community Benefit Expenses (otherwise exempt from Federal income tax) and Community Reinvestment Expenses meeting requirements of 45 CFR 158.162c	ACC/ACC-RBHA/ALTCS	990105-01	$ 1,429,634	$ 3,037,343	$ 2,802,220	$ 2,048,227	$ 9,317,424	$ -	$ -	$ 9,317,424	Limited to 3% of earned premium
			23	**Total Taxes, Licensing and Regulatory Fees**			**$ 20,842,556**	**$ 22,202,369**	**$ 21,774,961**	**$ 19,988,620**	**$ 84,808,506**	**$ -**	**$ -**	**$ 84,808,506**	
				Incurred Claims											
				Include											
	42 CFR§438.8(e)(2)(i)(A) & 42 CFR§438.230(c)(2)(1)	+	24	Include paid claims to providers/subcontractors for Medicaid covered services to Medicaid enrollees. Exclude sub-capitation/block payments related to delegated managed care administrative expenses. The costs of the delegated managed care activities cannot be included in the managed care plan's medical loss ratio calculation. Contractors who have providers/subcontractors with delegated managed care activities must include these costs in admin unless they are quality improvement activities which should be reported in the Expenditures for Activities that Improve Health Care Quality Section.	ALL	50105-01 through 50350-01, 50370-01; 60105-01 through 61305-01 (ACC-RBHA)	$ 662,536,075	$ 699,308,348	$ 700,970,895	$ 697,604,912	$ 2,760,420,229	$ -	$ 4,349,201	$ 2,764,769,431	Total reported in lines 24 and 25 should equal the total reported in the income statement for Account #'s 50105-01 to 50360-01 and 50370-01 (60105 through 61305 for RBHAs). For ALTCS/EPD and DDD LOBs: exclude Account # 50365-01 - ALTCS Case Management which should be reported in lines 59-64, as appropriate. The majority of the items explicitly requested to be quantified on a subsequent line in the Incurred Claims section are not to be reported in line 24.
	42 CFR§438.8(e)(2)(i)(G)	+	25	Changes in other claims-related reserves (Change in unpaid claims between the prior year's and the current year's unpaid claims (i.e., RBUC) and change in claims incurred but not reported (IBNR) from the prior year to the current year)	ALL	Change in A/C 20120-01	$ 27,231,730	$ 6,111,028	$ 5,414,787	$ (1,699,639)	$ 37,057,906	$ -	$ -	$ 37,057,906	Report changes each quarter from the prior Contract year RBUCS and IBNR
	42 CFR§438.8(e)(2)(i)(C)	+	26	Provider Withholds from Payments	ALL		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	

Incurred Claims	42 CFR§438.8(e)(2)(iii)(A)	+	27	Provider Incentive/Bonus Payments (Include Unreimbursed PBP)	ALL		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	Include Incentives or bonuses to providers that are not included as part of APM Performance Based Payments. Also include Unreimbursed PBP.
	42 CFR§438.8(e)(2) (iii)(B)	-	28	Payments recovered through Fraud Recovery efforts less related expenses	ALL	81405-01	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	Report total Fraud Recoveries reduced by Fraud Recovery Expenses. ***The amount of Fraud Recovery expenses must not include Fraud Prevention Activities.***
	42 CFR§438.8(e)(2)(i)(H)	+	29	Contingent Benefits/ Medical claim portion of lawsuits	ALL		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
	42 CFR§438.3(e)(1)(i)	+	30	Value Added Services (Explain below)	ALL		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	Include those services provided in addition to those covered under the state plan for which costs are not included in capitation payments (i.e., services not covered by AHCCCS). These expenses should improve health and reduce costs, including interventions intended to address social determinants of health. Exclude community benefit expenses or expenses paid with Community Reinvestment funds (reported in line #22).
	42 CFR§438.8(e)(2)(i)(A)	+	31	Provider Payments Attributable to State Directed Payments	ALL		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	If the State Directed Payment process takes almost a year or more, plans should use the most accurate available information for MLR reporting. Include Rural, Nursing Facility, APSI, PSI, HEATHII, ARP and Targeted Investments State Directed Payments.
				Deduct											
	42 CFR§438.8(e)(2)(vi)	-	32	Reinsurance Recoveries	ALL	70105-01	$ (13,602,663)	$ (16,670,083)	$ (15,340,662)	$ (11,606,579)	$ (57,219,986)	$ -	$ 5,254,984	$ (51,965,002)	Amount should be generally stated as a negative number.
	42 CFR§438.8(e)(2)(ii)(A)	-	33	Provider/Subcontractor Overpayment Recoveries	ALL	70305-01	$ (6,104,593)	$ (5,251,624)	$ (6,015,130)	$ (5,799,420)	$ (23,170,767)	$ -	$ -	$ (23,170,767)	Amount should be generally stated as a negative number.
	42 CFR§438.8(e)(2)(ii)(B)	-	34	Rx Rebates (received/accrued)	ALL	70310-05	$ (4,830,323)	$ (1,543,561)	$ (2,132,092)	$ (1,651,699)	$ (10,157,675)	$ -	$ -	$ (10,157,675)	Amount should be generally stated as a negative number.
		-	35	Pharmacy Performance Guarantee	ALL	70310-10	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	Amount should be generally stated as a negative number.
	42 CFR§438.8(e)(2) (i) (D)(E)	-	36	TPL, COB, Subrogation Recoveries and recoverable COB claims	ALL	70205-02	$ (885,590)	$ (847,832)	$ (2,105,140)	$ (1,535,586)	$ (5,374,147.39)	$ -	$ -	$ (5,374,147)	Amount should be generally stated as a negative number.
			37	**Total Incurred Claims**			**$ 664,344,635**	**$ 681,106,276**	**$ 680,792,659**	**$ 675,311,990**	**$ 2,701,555,560**	**$ -**	**$ 9,604,185**	**$ 2,711,159,745**	
Non-Claims Costs (Administrative Expenditures)				**Non-Claims Costs**											
		+	38	Compensation	ALL	80105-01	$ 10,959,977	$ 13,180,042	$ 16,591,052	$ 14,429,652	$ 55,160,723	$ -	$ -	$ 55,160,723	Exclude Compensation classified as Health Care Quality Improvement expenses (reported in lines 59 -64).
		+	39	Occupancy	ALL	80205-01	$ 251,793	$ 1,596,013	$ 1,008,947	$ 949,601	$ 3,806,354	$ -	$ -	$ 3,806,354	
		+	40	Depreciation	ALL	80305-01	$ 347	$ 388	$ 458	$ 381	$ 1,575	$ -	$ -	$ 1,575	
		+	41	Care Management/Care Coordination not included in Health Care Quality Improvement Expenses	ALL	80405-01	$ 7,412,507	$ 8,320,933	$ 10,820,533	$ 7,587,068	$ 34,141,040	$ -	$ -	$ 34,141,040	
		+	42	Professional and Outside Services	ALL	80505-01	$ 31,810,015	$ 30,674,507	$ 44,258,962	$ 26,343,144	$ 133,086,628	$ -	$ -	$ 133,086,628	Exclude expenses classified as Health Care Quality Improvement expenses (reported in lines 59-64) or as Fraud, Waste and Abuse expenses (reported in line 66).
		+	43	Office Supplies and Equipment	ALL	80605-01	$ 2,894,287	$ 2,458,999	$ 2,187,270	$ 2,868,236	$ 10,408,793	$ -	$ -	$ 10,408,793	
		+	44	Travel	ALL	80705-01	$ 256,704	$ (52,758)	$ 390,931	$ 182,236	$ 777,113	$ -	$ -	$ 777,113	
		+	45	Repair and Maintenance	ALL	80805-01	$ -	$ 141,036	$ (84,475)	$ -	$ 56,561	$ -	$ -	$ 56,561	
		+	46	Bank Service Charge	ALL	80905-01	$ 281,790	$ 283,060	$ 282,037	$ 285,886	$ 1,132,773	$ -	$ -	$ 1,132,773	
		+	47	Insurance	ALL	81005-01	$ 203,006	$ 212,478	$ 213,215	$ 212,315	$ 841,015	$ -	$ -	$ 841,015	
		+	48	Marketing	ALL	81105-01	$ 969,573	$ (332,002)	$ 33,198	$ 247,164	$ 917,932	$ -	$ -	$ 917,932	
		+	49	Interest Expense	ALL	81205-01	$ 85,254	$ 101,919	$ 102,377	$ 93,780	$ 383,330	$ -	$ -	$ 383,330	
		+	50	Pharmacy Benefit Manager Expenses	ALL	81305-01	$ 2,454,612	$ 2,460,783	$ 2,481,489	$ 2,311,476	$ 9,708,360	$ -	$ -	$ 9,708,360	
	42 CFR§ 438.8(e)(2)(v)(A)(1)	+	51	Amounts paid to third party vendors for secondary network savings	ALL	81505-01	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
	42 CFR§ 438.8(e)(2)(v)(A)(1)	+	52	Amounts paid to third party vendors for network development, administrative fees, claims processing, and utilization management.	ALL	81505-01	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	The portion of the sub-capitation/block payment that is explicitly attributable to the provision of administrative services, or delegated managed care activities, and associated reporting requirements by the provider unless the provider/subcontractor provides Medicaid-covered services directly to Medicaid enrollees, and if the functions are performed by the provider/subcontractor's own employees, and not through a contracted network of providers should be included in this line and excluded from line 24.
	42 CFR§ 438.8(e)(2)(v)(A)(3)	+	53	Amounts paid, including amounts paid to a provider, for professional or administrative services that do not represent compensation or reimbursement for covered services provided to an enrollee. (e.g., Non-Medical (Administrative component) of Sub-Capitated or Block Payments)	ALL	81605-01	$ -	$ -	$ -	$ 5,978,711	$ 5,978,711	$ -	$ -	$ 5,978,711	The portion of the sub-capitation/block payment that is explicitly attributable to the provision of administrative services, or delegated managed care activities, and associated reporting requirements by the provider unless the provider/subcontractor provides Medicaid-covered services directly to Medicaid enrollees, and if the functions are performed by the provider/subcontractor's own employees, and not through a contracted network of providers should be included in this line and excluded from line 24.
		+	54	Interpretation/Translation Services	ALL	82505-01	$ 640,197	$ 482,014	$ 2,101,402	$ 1,722,791	$ 4,946,404	$ -	$ -	$ 4,946,404	
		+	55	Other Administrative Expenses	ALL	83005-01	$ 271,483	$ (1,465,922)	$ 6,959,809	$ (933,350)	$ 4,832,020	$ -	$ -	$ 4,832,020	
	42 CFR§ 438.8(e)(2)(v)(A)(4)	+	56	Fines and penalties assessed by regulatory authorities	ALL	Footnote 13	$ 4,060	$ -	$ -	$ -	$ 4,060	$ -	$ -	$ 4,060	Include AHCCCS sanctions
		+	57	Loss Adjustment Expense			$ -	$ -	$ -	$ -	$ -		$ -	$ -	Loss Adjustment Expense is considered a cost-containment expense and should be reported as a non-claims cost. It should not be included in the numerator (including Incurred Claims or Health Care Quality).
			58	**Total Non-Claims Costs**			**$ 58,495,605**	**$ 58,061,491**	**$ 87,347,203**	**$ 62,279,093**	**$ 266,183,392**	**$ -**	**$ -**	**$ 266,183,392**	

Expenditures for activities that improve health care quality	42 CFR§438.8(e)(3)			**Health Care Quality Improvement and Other Expenses**												For ALTCS/EPD and DDD LOBs: Account # 50365-01 - ALTCS Case Management should be reported in lines 59-64 below, as appropriate.
	45 CFR§158.150(b)(1)	+	59	Improvement of health outcomes	ALL	81705-01	$ 167,548	$ 379,378	$ 355,198	$ 325,406	$ 1,227,529	$ -	$ -	$ 1,227,529		
	45 CFR§158.150(b)(2)	+	60	Activities to prevent hospital readmission	ALL	81705-01	$ 139,623	$ 316,148	$ 295,998	$ 271,172	$ 1,022,941	$ -	$ -	$ 1,022,941		
	45 CFR§158.150(b)(2)(iii)	+	61	Improvement of patient safety and reduce medical errors	ALL	81705-01	$ 111,699	$ 252,918	$ 236,798	$ 216,937	$ 818,353	$ -	$ -	$ 818,353		
	45 CFR§158.150(b)(2)(iv)(4)	+	62	Wellness and health promotion activities	ALL	81705-01	$ 488,682	$ 1,106,518	$ 1,035,993	$ 949,101	$ 3,580,293	$ -	$ -	$ 3,580,293		
	45 CFR§158.150(b)(2)(v) & 45 CFR§158.151	+	63	Health information technology expenses related to improving health care quality	ALL	81705-01	$ 209,435	$ 474,222	$ 443,997	$ 406,757	$ 1,534,411	$ -	$ -	$ 1,534,411		
	42 CFR§438.8(e)(3)(ii) & 42 CFR§438.358(b) and (c).	+	64	Activities related to external quality review	ALL	81705-01	$ 279,247	$ 632,296	$ 591,996	$ 542,343	$ 2,045,882	$ -	$ -	$ 2,045,882		
			65	**Total Health Care Quality Improvement and Other Expenses**			**$ 1,396,233**	**$ 3,161,481**	**$ 2,959,980**	**$ 2,711,716**	**$ 10,229,409**	**$ -**	**$ -**	**$ 10,229,409**		
Expenditures related to activities compliant with 42 CFR § 438.608(a)(1) through (5), (7), (8) and (b).	42 CFR§438.8(e)(4) & 45 CFR§158.150(c)(8)	+	66	Program Integrity: Fraud, Waste, and Abuse Prevention Expenses	ALL	81810-01	$ 134,386	$ 244,473	$ 225,655	$ 193,361	$ 797,875	$ -	$ -	$ 797,875		Improvements to infrastructure that prevents fraud, waste and abuse **on a** going forward **basis**.
Credibility Adjustment	42 CFR§438.8(h)	+	67	Credibility Adjustment (If applicable)	CHP and small non-LTSS[2] MCOs between 5,400 and 380,000 **Annual** Member Months		0.0%	0.0%	0.0%	0.0%	0.0%			0.0%		If an MCO's annual member months are determined to be partially-credible, the credibility adjustment factor must be manually entered as calculated using the guidance in the Credibility Adjustment tab.
MLR Calculations				**Numerator**												
			68	Incurred Claims			$ 664,344,635	$ 681,106,276	$ 680,792,659	$ 675,311,990	$ 2,701,555,560	$ -	$ 9,604,185	$ 2,711,159,745		
			69	Expenditures for activities that improve health care quality			$ 1,396,233	$ 3,161,481	$ 2,959,980	$ 2,711,716	$ 10,229,409	$ -	$ -	$ 10,229,409		
			70	Total			$ 665,740,868	$ 684,267,756	$ 683,752,638	$ 678,023,706	$ 2,711,784,969	$ -	$ 9,604,185	$ 2,721,389,154		
				Denominator												
			71	Premium Revenue			$ 768,034,519	$ 798,110,605	$ 814,017,880	$ 778,934,632	$ 3,159,097,635	$ -	$ 5,570,518	$ 3,164,668,153		
			72	Taxes, licensing and regulatory fees			$ 20,842,556	$ 22,202,369	$ 21,774,961	$ 19,988,620	$ 84,808,506	$ -	$ -	$ 84,808,506		
			73	Total			$ 747,191,963	$ 775,908,235	$ 792,242,919	$ 758,946,012	$ 3,074,289,129	$ -	$ 5,570,518	$ 3,079,859,647		
			74	**Medical Loss Ratio**			89.1%	88.2%	86.3%	89.3%	88.2%			88.4%		
			75	**Medical Loss Ratio with Credibility Adjustment**			89.1%	88.2%	86.3%	89.3%	88.2%			88.4%		
Methodology(ies) for allocation of expenditures.	42 CFR§438.8(g) 42 CFR§438.8(k)(vii)		76	Please describe methodology(ies) for allocation of expenditures: The management fee is a percentage of revenue paid to Aetna Medicaid Administrators for managing Mercy Care and to pay for all operating expenses of the plan. Quarterly, Aetna Medicaid Administrators provides the Essbase report which is a summary of Mercy Care expenses in total by category that are covered by the management fee. Mercy Care matches the categories to the Financial Reporting Guide administrative expense categories and calculates a percentage of the total by reporting category. The percentages are applied to the total Management fee to calculate the dollars by category of service. The allocated expenses are added to the plan expenses to equal the Administrative Expense for the quarter. Total expenses for each category are allocated by funding source (Title and Non-Title) using revenue paid to Mercy Care by each Title and Non-Title funding source.											**Each expense must be included under only one type of expense.** If a portion of the expense fits under the definition of, or criteria for, one type of expense and the remainder fits into a different type of expense, the expense must be pro-rated between types of expenses. Expenses that benefit multiple contracts must be reported on a pro-rata basis. Allocation to each category must be based on a generally accepted accounting method that is expected to yield the most accurate results. Shared expenses, including expenses under the terms of a management contract, must be apportioned pro rata to the contract incurring the expense. Expenses that relate solely to the operation of a reporting entity, such as personnel costs associated with the adjusting and paying of claims, must be borne solely by the reporting entity and are not to be apportioned to the other entities.
Explanations	Accrued Revenue		77	There is no accrued revenue.												
	Value-Added Services		78	There are no Value Added Services included.												
			79													
			80													
			81													
			82													
			83													
Aggregation Method	42 CFR§438.8(h)(4)(i); 42 CFR§438.8(k)(xii)		84	Please describe aggregation methodology: All funding sources for the Title XIX/XXI funding are included in the total MLR amounts.												AHCCCS requires that the MLR be calculated as one aggregate value representing all risk groups/populations and GSAs. AHCCCS reserves the right to modify this requirement and obtain MLR information on a risk group and/or GSA specific basis.

Updated March 2023

[1] Annual Adjustments Column: ***USE FOR ANNUAL REPORT ONLY*** - Adjustment column should report **prior year audit adjustments**. Any adjustments to be deducted should be entered as a negative number.

[2] Annual Adjustments Column: ***USE FOR ANNUAL REPORT ONLY*** - Adjustment column should **true up any estimates** to present on an incurred date of service basis. Any adjustments to be deducted should be entered as a negative number.

[3] LTSS: Long-Term Services and Supports.

Paragraph 4.19: Medical Loss Ratio Report

Contractor Name: Mercy Care - ALTCS
Contract Year End: 9/30/2023

For additional MLR guidance please refer to AHCCCS' website.

NOTES: Do not duplicate any amounts in multiple lines.
GAAP Basis (Columns H - L) should agree to the submitted financial statements.

USE FOR ANNUAL REPORT ONLY[1,2] - Adjustment columns should report prior year adjustments (Column M) and true up any estimates (Column N) to present on an incurred date of service basis. Any adjustments to be deducted should be entered as a negative number.

							GAAP Basis							Incurred Basis	
							Dec-22	Mar-23	Jun-23	Sep-23	CYE 23	Annual Adjustments[1]	Annual Adjustments[2]	Restated CYE23	
						Member Months	32,535	31,947	32,042	32,015	128,539	-	-	128,539	
MLR Category	**Citation**	**Format of Amount to be Entered**	**Line #**	**Detail**	**Specific Applicability to Line of Business**	**Financial Statement Account # (If applicable)**									
Premium Revenue				**Revenue**											
				Include											
	42 CFR§438.8(f)(2)(i)	+	1	Prospective Capitation	ALL	40105-01	$ 190,739,199	$ 189,220,431	$ 189,984,641	$ 189,523,806	$ 759,468,077	$ -	$ -	$ 759,468,077	Include full capitation including 1% withhold payment. Exclude State Directed Payments revenue (reported in line 16) and risk adjustment revenue (reported in line 6).
	42 CFR§438.8(f)(2)(iii)	+/-	2	APM 1% Withhold Settlement 42 CFR 438.6(b)(3) and Performance Based Payments (PBP) reimbursed by AHCCCS	ACC/ALTCS (ACOM 306) ALL - PBP	40115-01	$ 1,178,414	$ 1,235,451	$ 2,699,099	$ 282,941	$ 5,395,906	$ -	$ (528,716)	$ 4,867,190	Include Alternative Payment Model (APM) settlements related to Withholds, Incentives (see ACOM 306) and Performance Based Payments (see ACOM 307). Unearned withhold should be deducted. Earned incentive should be added.
	42 CFR§438.8(f)(2)(ii)	+	3	Delivery Supplement	ACC/ALTCS	40120-01	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
	42 CFR§438.8(f)(2)(iv)	+	4	Unpaid Cost Sharing Amounts	ALL		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	Include unpaid cost-sharing amounts that could have been collected from enrollees under the contract, except those amounts that can be shown it made a reasonable, but unsuccessful, effort to collect.
	42 CFR§438.8(f)(2)(v)	+/-	5	Changes to Unearned Premium Reserves	ALL		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	Include adjustments to Deferred Revenue
	42 CFR§438.8 (f)(2)(vi)	+/-	6	Risk Adjustment **(Footnote Suspended)**	ACC	40105-01; Footnote (Suspended)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	Include amounts for risk adjustment after adjusted amounts are computed or amounts that can be reasonably estimated and accrued.
		+/-	7	Prospective Tiered	ACC/ACC-RBHA/ALTCS	40125-01, 40130-01, 40135-01	$ (5,978,990)	$ (1,728,738)	$ (1,433,714)	$ 2,073,809	$ (7,067,633)	$ -	$ 2,574,724	$ (4,492,909)	
		+/-	8	Reserved			$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
		+/-	9	Other Reconciliation Settlements	ACC/ACC-RBHA/ALTCS	40145-01	$ 8,292	$ 1,243	$ 22,458	$ 6,909	$ 38,902	$ -	$ (21,751)	$ 17,151	Include other reconciliation settlements like APSI settlement (see ACOM 325). Do not include monthly premium component of APSI.
		+/-	10	Share of Cost (SOC) Settlement	ALTCS	40150-01	$ 2,359,161	$ 2,201,328	$ 1,977,488	$ 2,233,204	$ 8,771,181	$ -	$ (165,048)	$ 8,606,133	
		+/-	11	Reserved			$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
		+	12	Reserved			$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
		+	13	**Other Income**	ALL	40310-01	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	Other income should not include any types of non-operating income such as gain on sale, etc.
		+	14	Patient Contributions	ALTCS	40315-01	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
		+/-	15	Other Accruals (Explain below)	ALL		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
	42 CFR§438.8(f)(2)(i)	+	16	State Directed Payments Revenue	ALL		$ 6,969,571	$ 30,950,547	$ 41,292,676	$ 24,169,590	$ 103,382,384	$ -	$ -	$ 103,382,384	If the State Directed Payment process takes almost a year or more, plans should use the most accurate available information for MLR reporting. Include Rural, Nursing Facility, APSI, PSI, HEATHII, ARP and Targeted Investments State Directed Payments.
			17	**Total Premium Revenue**		Should agree to 40105-01 through 40315-01	**$ 195,275,647**	**$ 221,880,261**	**$ 234,542,649**	**$ 218,290,259**	**$ 869,988,817**	**$ -**	**$ 1,859,208**	**$ 871,848,025**	
Taxes, Licensing and Regulatory Fees				**Taxes, Licensing and Regulatory Fees**											
	42 CFR§438.8(f)(3)(iii)	+	18	Federal Income & Federal Tax (include Tax Benefit)	ACC/ACC-RBHA/ALTCS	90105-01	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	Exclude Federal income taxes and tax benefit on investment income, capital gains and Federal employment taxes.
		+	19	Premium Tax	ALL	90205-01	$ 4,047,838	$ 4,432,988	$ 4,724,346	$ 4,329,252	$ 17,534,425	$ -	$ -	$ 17,534,425	
		+	20	Reserved			$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
	42 CFR§438.8(f)(3)	+	21	Other Federal, State, Local Taxes and Licensing and Regulatory Fees	ALL		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
	42 CFR§438.8(f)(3)	+	22	Community Benefit Expenses (otherwise exempt from Federal income tax) and Community Reinvestment Expenses meeting requirements of 45 CFR 158.162c	ACC/ACC-RBHA/ALTCS	990105-01	$ 534,929	$ 302,160	$ 486,760	$ 3,385	$ 1,327,234	$ -	$ -	$ 1,327,234	Limited to 3% of earned premium
			23	**Total Taxes, Licensing and Regulatory Fees**			**$ 4,582,768**	**$ 4,735,148**	**$ 5,211,106**	**$ 4,332,637**	**$ 18,861,659**	**$ -**	**$ -**	**$ 18,861,659**	

Contractor Name: Mercy Care - ALTCS
Contract Year End: 9/30/2023

For additional MLR guidance please refer to AHCCCS' website.

NOTES: Do not duplicate any amounts in multiple lines.
GAAP Basis (Columns H - L) should agree to the submitted financial statements.
USE FOR ANNUAL REPORT ONLY[1,2] - Adjustment columns should report prior year adjustments (Column M) and true up any estimates (Column N) to present on

							GAAP Basis							Incurred Basis	
							Dec-22	Mar-23	Jun-23	Sep-23	CYE 23	Annual Adjustments[1]	Annual Adjustments[2]	Restated CYE23	
Incurred Claims				**Incurred Claims**											
				Include											
	42 CFR§438.8(e)(2)(i)(A) & 42 CFR§438.230(c)(2)(1)	+	24	Include paid claims to providers/subcontractors for Medicaid covered services to Medicaid enrollees. Exclude sub-capitation/block payments related to delegated managed care administrative expenses. The costs of the delegated managed care activities cannot be included in the managed care plan's medical loss ratio calculation. Contractors who have providers/subcontractors with delegated managed care activities must include these costs in admin unless they are quality improvement activities which should be reported in the Expenditures for Activities that Improve Health Care Quality Section.	ALL	50105-01 through 50350-01, 50370-01; 60105-01 through 61305-01 (ACC-RBHA)	$ 168,398,816	$ 180,207,087	$ 170,220,833	$ 171,999,904	$ 690,826,640	$ -	$ 7,059,245	$ 697,885,885	Total reported in lines 24 and 25 should equal the total reported in the income statement for Account #'s 50105-01 to 50360-01 and 50370-01 (60105 through 61305 for RBHAs). For ALTCS/EPD and DDD LOBs: exclude Account # 50365-01 - ALTCS Case Management which should be reported in lines 59-64, as appropriate. The majority of the items explicitly requested to be quantified on a subsequent line in the Incurred Claims section are not to be reported in line 24.
	42 CFR§438.8(e)(2)(i)(G)	+	25	Changes in other claims-related reserves (Change in unpaid claims between the prior year's and the current year's unpaid claims (i.e., RBUC) and change in claims incurred but not reported (IBNR) from the prior year to the current year)	ALL	Change in A/C 20120-01	$ (2,646,722)	$ (3,798,536)	$ (165,582)	$ 6,754,628	$ 143,787	$ -	$ -	$ 143,787	Report changes each quarter from the prior Contract year RBUCS and IBNR
	42 CFR§438.8(e)(2)(i)(C)	+	26	Provider Withholds from Payments	ALL		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
	42 CFR§438.8(e)(2)(iii)(A)	+	27	Provider Incentive/Bonus Payments (include Unreimbursed PBP)	ALL		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	Include Incentives or bonuses to providers that are not included as part of APM Performance Based Payments. Also include Unreimbursed PBP.
	42 CFR§438.8(e)(2) (iii)(B)	-	28	Payments recovered through Fraud Recovery efforts less related expenses	ALL	81405-01	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	Report total Fraud Recoveries reduced by Fraud Recovery Expenses. ***The amount of Fraud Recovery expenses must not include Fraud Prevention Activities.***
	42 CFR§438.8(e)(2)(i)(H)	+	29	Contingent Benefits/ Medical claim portion of lawsuits	ALL		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
	42 CFR§438.3(e)(1)(i)	+	30	Value Added Services (Explain below)	ALL		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	Include those services provided in addition to those covered under the state plan for which costs are not included in capitation payments (i.e., services not covered by AHCCCS). These expenses should improve health and reduce costs, including interventions intended to address social determinants of health. Exclude community benefit expenses or expenses paid with Community Reinvestment funds (reported in line #22).
	42 CFR§438.8(e)(2)(i)(A)	+	31	Provider Payments Attributable to State Directed Payments	ALL		$ 6,969,571	$ 30,950,547	$ 41,292,677	$ 24,169,590	$ 103,382,384	$ -	$ -	$ 103,382,384	If the State Directed Payment process takes almost a year or more, plans should use the most accurate available information for MLR reporting. Include Rural, Nursing Facility, APSI, PSI, HEATHII, ARP and Targeted Investments State Directed Payments.
				Deduct											
	42 CFR§438.8(e)(2)(vi)	-	32	Reinsurance Recoveries	ALL	70105-01	$ (2,940,436)	$ (5,332,627)	$ (3,898,598)	$ (2,596,586)	$ (14,768,247)	$ -	$ 935,751	$ (13,832,495)	Amount should be generally stated as a negative number.
	42 CFR§438.8(e)(2)(ii)(A)	-	33	Provider/Subcontractor Overpayment Recoveries	ALL	70305-01	$ (294,259)	$ (159,535)	$ (207,880)	$ (278,939)	$ (940,613)	$ -	$ -	$ (940,613)	Amount should be generally stated as a negative number.
	42 CFR§438.8(e)(2)(ii)(B)	-	34	Rx Rebates (received/accrued)	ALL	70310-05	$ (147,191)	$ (47,817)	$ (62,949)	$ (52,941)	$ (310,898)	$ -	$ -	$ (310,898)	Amount should be generally stated as a negative number.
		-	35	Pharmacy Performance Guarantee	ALL	70310-10	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	Amount should be generally stated as a negative number.
	42 CFR§438.8(e)(2) (i) (D)(E)	-	36	TPL, COB, Subrogation Recoveries and recoverable COB claims	ALL	70205-02	$ (99,260)	$ (6,790)	$ 25,362	$ (77,483)	$ (158,171.38)	$ -	$ -	$ (158,171)	Amount should be generally stated as a negative number.
			37	**Total Incurred Claims**			**$ 169,240,518**	**$ 201,812,328**	**$ 207,203,862**	**$ 199,918,174**	**$ 778,174,881**	**$ -**	**$ 7,994,997**	**$ 786,169,878**	
Non-Claims Costs (Administrative Expenditures)				**Non-Claims Costs**											
		+	38	Compensation	ALL	80105-01	$ 1,471,326	$ 1,642,682	$ 3,335,740	$ 2,709,461	$ 9,159,209	$ -	$ -	$ 9,159,209	Exclude Compensation classified as Health Care Quality Improvement expenses (reported in lines 59 -64).
		+	39	Occupancy	ALL	80205-01	$ 61,001	$ 246,448	$ 268,188	$ 243,276	$ 818,912	$ -	$ -	$ 818,912	
		+	40	Depreciation	ALL	80305-01	$ 84	$ 88	$ 109	$ 98	$ 379	$ -	$ -	$ 379	
		+	41	Care Management/Care Coordination not included in Health Care Quality Improvement Expenses	ALL	80405-01	$ 918,866	$ 1,029,484	$ 807,424	$ 510,927	$ 3,266,701	$ -	$ -	$ 3,266,701	
		+	42	Professional and Outside Services	ALL	80505-01	$ 3,821,615	$ 3,975,152	$ 6,482,875	$ 3,884,626	$ 18,164,268	$ -	$ -	$ 18,164,268	Exclude expenses classified as Health Care Quality Improvement expenses (reported in lines 59-64) or as Fraud, Waste and Abuse expenses (reported in line 66).
		+	43	Office Supplies and Equipment	ALL	80605-01	$ 333,367	$ 330,087	$ 393,609	$ 524,731	$ 1,581,794	$ -	$ -	$ 1,581,794	
		+	44	Travel	ALL	80705-01	$ 56,023	$ 15,796	$ 59,386	$ 46,687	$ 177,893	$ -	$ -	$ 177,893	
		+	45	Repair and Maintenance	ALL	80805-01	$ -	$ 19,554	$ -	$ -	$ 19,554	$ -	$ -	$ 19,554	
		+	46	Bank Service Charge	ALL	80905-01	$ 65,625	$ 65,000	$ 65,000	$ 65,400	$ 261,025	$ -	$ -	$ 261,025	
		+	47	Insurance	ALL	81005-01	$ 45,590	$ 47,849	$ 48,089	$ 47,959	$ 189,487	$ -	$ -	$ 189,487	
		+	48	Marketing	ALL	81105-01	$ 237,398	$ 72,561	$ 8,739	$ 29,526	$ 348,223	$ -	$ -	$ 348,223	
		+	49	Interest Expense	ALL	81205-01	$ 114,721	$ 60,036	$ 46,367	$ 120,333	$ 341,457	$ -	$ -	$ 341,457	
		+	50	Pharmacy Benefit Manager Expenses	ALL	81305-01	$ 150,294	$ 162,856	$ 145,689	$ 144,509	$ 603,348	$ -	$ -	$ 603,348	
	42 CFR§ 438.8(e)(2)(v)(A)(1)	+	51	Amounts paid to third party vendors for secondary network savings	ALL	81505-01	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
	42 CFR§ 438.8(e)(2)(v)(A)(1)	+	52	Amounts paid to third party vendors for network development, administrative fees, claims processing, and utilization management.	ALL	81505-01	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	The portion of the sub-capitation/block payment that is explicitly attributable to the provision of administrative services, or delegated managed care activities, and associated reporting requirements by the provider unless the provider/subcontractor provides Medicaid-covered services directly to Medicaid enrollees, and if the functions are performed by the provider/subcontractor's own employees, and not through a contracted network of providers should be included in this line and excluded from line 24.
	42 CFR§ 438.8(e)(2)(v)(A)(3)	+	53	Amounts paid, including amounts paid to a provider, for professional or administrative services that do not represent compensation or reimbursement for covered services provided to an enrollee. (e.g., Non-Medical (Administrative component) of Sub-Capitated or Block Payments)	ALL	81605-01	$ -	$ -	$ -	$ 104,804	$ 104,804	$ -	$ -	$ 104,804	The portion of the sub-capitation/block payment that is explicitly attributable to the provision of administrative services, or delegated managed care activities, and associated reporting requirements by the provider unless the provider/subcontractor provides Medicaid-covered services directly to Medicaid enrollees, and if the functions are performed by the provider/subcontractor's own employees, and not through a contracted network of providers should be included in this line and excluded from line 24.
		+	54	Interpretation/Translation Services	ALL	82505-01	$ 18,462	$ 134,715	$ 114,989	$ 79,998	$ 348,164	$ -	$ -	$ 348,164	
		+	55	Other Administrative Expenses	ALL	83005-01	$ 8,500	$ 82,018	$ 23,433	609	$ 114,560	$ -	$ -	$ 114,560	
	42 CFR§ 438.8(e)(2)(v)(A)(4)	+	56	Fines and penalties assessed by regulatory authorities	ALL	Footnote 13	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	Include AHCCCS sanctions

Contractor Name: Mercy Care - ALTCS
Contract Year End: 9/30/2023

For additional MLR guidance please refer to AHCCCS' website.

							GAAP Basis							Incurred Basis	
							Dec-22	Mar-23	Jun-23	Sep-23	CYE 23	Annual Adjustments[1]	Annual Adjustments[2]	Restated CYE23	
		+	57	Loss Adjustment Expense			$ -	$ -	$ -		$ -		$ -	$ -	Loss Adjustment Expense is considered a cost-containment expense and should be reported as a non-claims cost. It should not be included in the numerator (including Incurred Claims or Health Care Quality).
			58	**Total Non-Claims Costs**			**$ 7,302,871**	**$ 7,884,325**	**$ 11,799,637**	**$ 8,512,943**	**$ 35,499,776**	**$ -**	**$ -**	**$ 35,499,776**	
Expenditures for activities that improve health care quality	42 CFR§438.8(e)(3)			**Health Care Quality Improvement and Other Expenses**											For ALTCS/EPD and DDD LOBs: Account # 50365-01 - ALTCS Case Management should be reported in lines 59-64 below, as appropriate.
	45 CFR§158.150(b)(1)	+	59	Improvement of health outcomes	ALL	81705-01	$ 687,987	$ 714,756	$ 724,241	$ 709,423	$ 2,836,407	$ -	$ -	$ 2,836,407	
	45 CFR§158.150(b)(2)	+	60	Activities to prevent hospital readmission	ALL	81705-01	$ 573,322	$ 595,630	$ 603,534	$ 591,186	$ 2,363,672	$ -	$ -	$ 2,363,672	
	45 CFR§158.150(b)(2)(iii)	+	61	Improvement of patient safety and reduce medical errors	ALL	81705-01	$ 458,658	$ 476,504	$ 482,827	$ 472,949	$ 1,890,938	$ -	$ -	$ 1,890,938	
	45 CFR§158.150(b)(2)(iv)(4)	+	62	Wellness and health promotion activities	ALL	81705-01	$ 2,006,628	$ 2,084,704	$ 2,112,370	$ 2,069,151	$ 8,272,854	$ -	$ -	$ 8,272,854	
	45 CFR§158.150(b)(2)(v) & 45 CFR§158.151	+	63	Health information technology expenses related to improving health care quality	ALL	81705-01	$ 859,984	$ 893,445	$ 905,302	$ 886,779	$ 3,545,509	$ -	$ -	$ 3,545,509	
	42 CFR§438.8(e)(3)(ii) & 42 CFR§438.358(b) and (c).	+	64	Activities related to external quality review	ALL	81705-01	$ 1,146,645	$ 1,191,259	$ 1,207,069	$ 1,182,372	$ 4,727,345	$ -	$ -	$ 4,727,345	
			65	**Total Health Care Quality Improvement and Other Expenses**			**$ 5,733,224**	**$ 5,956,297**	**$ 6,035,343**	**$ 5,911,861**	**$ 23,636,725**	**$ -**	**$ -**	**$ 23,636,725**	
Expenditures related to activities compliant with 42 CFR § 438.608(a)(1) through (5), (7), (8) and	42 CFR§438.8(e)(4) & 45 CFR§158.150(c)(8)	+	66	Program Integrity: Fraud, Waste, and Abuse Prevention Expenses	ALL	81810-01	$ 35,707	$ 45,938	$ 54,514	$ 49,537	$ 185,696	$ -	$ -	$ 185,696	Improvements to infrastructure that prevents fraud, waste and abuse **on a** going forward **basis**.
Credibility Adjustment	42 CFR§438.8(h)	+	67	Credibility Adjustment (If applicable)	CHP and small non-LTSS[2] MCOs between 5,400 and 380,000 **Annual** Member Months		0.0%	0.0%	0.0%	0.0%	0.0%			0.0%	If an MCO's annual member months are determined to be partially-credible, the credibility adjustment factor must be manually entered as calculated using the guidance in the Credibility Adjustment tab.
MLR Calculations				**Numerator**											
			68	Incurred Claims			$ 169,240,518	$ 201,812,328	$ 207,203,862	$ 199,918,174	$ 778,174,881	$ -	$ 7,994,997	$ 786,169,878	
			69	Expenditures for activities that improve health care quality			$ 5,733,224	$ 5,956,297	$ 6,035,343	$ 5,911,861	$ 23,636,725	$ -	$ -	$ 23,636,725	
			70	Total			$ 174,973,742	$ 207,768,625	$ 213,239,205	$ 205,830,034	$ 801,811,606	$ -	$ 7,994,997	$ 809,806,602	
				Denominator											
			71	Premium Revenue			$ 195,275,647	$ 221,880,261	$ 234,542,649	$ 218,290,259	$ 869,988,817	$ -	$ 1,859,208	$ 871,848,025	
			72	Taxes, licensing and regulatory fees			$ 4,582,768	$ 4,735,148	$ 5,211,106	$ 4,332,637	$ 18,861,659	$ -	$ -	$ 18,861,659	
			73	Total			$ 190,692,880	$ 217,145,114	$ 229,331,542	$ 213,957,622	$ 851,127,158	$ -	$ 1,859,208	$ 852,986,366	
			74	**Medical Loss Ratio**			91.8%	95.7%	93.0%	96.2%	94.2%			94.9%	
			75	**Medical Loss Ratio with Credibility Adjustment**			91.8%	95.7%	93.0%	96.2%	94.2%			94.9%	
Methodology(ies) for allocation of expenditures.	42 CFR§438.8(g) 42 CFR§438.8(k)(vii)		76	Please describe methodology(ies) for allocation of expenditures: The management fee is a percentage of revenue paid to Aetna Medicaid Administrators for managing Mercy Care and to pay for all operating expenses of the plan. Quarterly, Aetna Medicaid Administrators provides the Essbase report which is a summary of Mercy Care expenses in total by category that are covered by the management fee. Mercy Care matches the categories to the Financial Reporting Guide administrative expense categories and calculates a percentage of the total by reporting category. The percentages are applied to the total Management fee to calculate the dollars by category of service. The allocated expenses are added to the plan expenses to equal the Administrative Expense for the quarter. Total expenses for each category are allocated by risk group using revenue paid to Mercy Care by risk group.									**Each expense must be included under only one type of expense.** If a portion of the expense fits under the definition of, or criteria for, one type of expense and the remainder fits into a different type of expense, the expense must be pro-rated between types of expenses. Expenses that benefit multiple contracts must be reported on a pro-rata basis. Allocation to each category must be based on a generally accepted accounting method that is expected to yield the most accurate results. Shared expenses, including expenses under the terms of a management contract, must be apportioned pro rata to the contract incurring the expense. Expenses that relate solely to the operation of a reporting entity, such as personnel costs associated with the adjusting and paying of claims, must be borne solely by the reporting entity and are not to be apportioned to the other entities.
Explanations	Accrued Revenue		77	There is no accrued revenue.											
	Value-Added Services		78	There are no Value Added Services included.											
			79												
			80												
			81												
			82												
			83												
Aggregation Method	42 CFR§438.8(h)(4)(i); 42 CFR§438.8(k)(xii)		84	Please describe aggregation methodology: All risk groups for this line of business are included in the total MLR amounts.											AHCCCS requires that the MLR be calculated as one aggregate value representing all risk groups/populations and GSAs. AHCCCS reserves the right to modify this requirement and obtain MLR information on a risk group and/or GSA specific basis.

NOTES: Do not duplicate any amounts in multiple lines.
GAAP Basis (Columns H - L) should agree to the submitted financial statements.

USE FOR ANNUAL REPORT ONLY[1,2] - Adjustment columns should report prior year adjustments (Column M) and true up any estimates (Column N) to present on

Updated March 2023

[1] Annual Adjustments Column: ***USE FOR ANNUAL REPORT ONLY*** - Adjustment column should report **prior year audit adjustments**. Any adjustments to be deducted should be entered as a negative number.
[2] Annual Adjustments Column: ***USE FOR ANNUAL REPORT ONLY*** - Adjustment column should **true up any estimates** to present on an incurred date of service basis. Any adjustments to be deducted should be entered as a negative number.
[3] LTSS: Long-Term Services and Supports.

Paragraph 4.19: Medical Loss Ratio Report

Contractor Name: Mercy Care - DCS-CHP **For additional MLR guidance please refer to AHCCCS' website.**
Contract Year End: 9/30/2023

NOTES: Do not duplicate any amounts in multiple lines.
GAAP Basis (Columns H - L) should agree to the submitted financial statements.
USE FOR ANNUAL REPORT ONLY[1,2] - Adjustment columns should report prior year adjustments (Column M) and true up any estimates (Column N) to present on an incurred date of service basis. Any adjustments to be deducted should be entered as a negative number.

							GAAP Basis							Incurred Basis	
							Dec-22	Mar-23	Jun-23	Sep-23	CYE 23	Annual Adjustments[1]	Annual Adjustments[2]	Restated CYE23	
						Member Months	38,064	35,025	32,875	32,347	138,311	-	-	138,311	
MLR Category	Citation	Format of Amount to be Entered	Line #	Detail	Specific Applicability to Line of Business	Financial Statement Account # (If applicable)									
Premium Revenue				**Revenue**											
				Include											
	42 CFR§438.8(f)(2)(i)	+	1	Prospective Capitation	ALL	40105-01	$ 44,848,247	$ 40,135,333	$ 38,504,478	$ 38,093,336	$ 161,581,394	$ -	$ -	$ 161,581,394	Include full capitation including 1% withhold payment. Exclude State Directed Payments revenue (reported in line 16) and risk adjustment revenue (reported in line 6).
	42 CFR§438.8(f)(2)(iii)	+/-	2	APM 1% Withhold Settlement 42 CFR 438.6(b)(3) and Performance Based Payments (PBP) reimbursed by AHCCCS	ACC/ALTCS (ACOM 306) ALL - PBP	40115-01	$ -	$ 788,058	$ 854,182	$ (34,793)	$ 1,607,448	$ -	$ (543,540)	$ 1,063,908	Include Alternative Payment Model (APM) settlements related to Withholds, Incentives (see ACOM 306) and Performance Based Payments (see ACOM 307). Unearned withhold should be deducted. Earned incentive should be added.
	42 CFR§438.8(f)(2)(ii)	+	3	Delivery Supplement	ACC/ALTCS	40120-01	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
	42 CFR§438.8(f)(2)(iv)	+	4	Unpaid Cost Sharing Amounts	ALL		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	Include unpaid cost-sharing amounts that could have been collected from enrollees under the contract, except those amounts that can be shown it made a reasonable, but unsuccessful, effort to collect.
	42 CFR§438.8(f)(2)(v)	+/-	5	Changes to Unearned Premium Reserves	ALL		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	Include adjustments to Deferred Revenue
	42 CFR§438.8 (f)(2)(vi)	+/-	6	Risk Adjustment **(Footnote Suspended)**	ACC	40105-01; Footnote (Suspended)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	Include amounts for risk adjustment after adjusted amounts are computed or amounts that can be reasonably estimated and accrued.
		+/-	7	Prospective Tiered	ACC/ACC-RBHA/ALTCS	40125-01, 40130-01, 40135-01	$ 25,151	$ (198,081)	$ 755,094	$ 234,769	$ 816,934	$ -	$ (816,934)	$ -	
		+/-	8	Reserved			$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
		+/-	9	Other Reconciliation Settlements	ACC/ACC-RBHA/ALTCS	40145-01	$ 15,374	$ 894,023	$ (869,436)	$ (657,978)	$ (618,018)	$ -	$ 633,714	$ 15,696	Include other reconciliation settlements like APSI settlement (see ACOM 325). Do not include monthly premium component of APSI.
		+/-	10	Share of Cost (SOC) Settlement	ALTCS	40150-01	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
		+/-	11	Reserved			$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
		+	12	Reserved			$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
		+	13	**Other Income**	ALL	40310-01	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	Other income should not include any types of non-operating income such as gain on sale, etc.
		+	14	Patient Contributions	ALTCS	40315-01	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
		+/-	15	Other Accruals (Explain below)	ALL		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
	42 CFR§438.8(f)(2)(i)	+	16	State Directed Payments Revenue	ALL		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	If the State Directed Payment process takes almost a year or more, plans should use the most accurate available information for MLR reporting. Include Rural, Nursing Facility, APSI, PSI, HEATHII, ARP and Targeted Investments State Directed Payments.
			17	**Total Premium Revenue**		Should agree to 40105-01 through 40315-01	**$ 44,888,771**	**$ 41,619,333**	**$ 39,244,318**	**$ 37,635,334**	**$ 163,387,756**	**$ -**	**$ (726,759)**	**$ 162,660,998**	
Taxes, Licensing and Regulatory Fees				**Taxes, Licensing and Regulatory Fees**											
	42 CFR§438.8(f)(3)(iii)	+	18	Federal Income & Federal Tax (include Tax Benefit)	ACC/ACC-RBHA/ALTCS	90105-01	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	Exclude Federal income taxes and tax benefit on investment income, capital gains and Federal employment taxes.
		+	19	Premium Tax	ALL	90205-01	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
		+	20	Reserved			$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
	42 CFR§438.8(f)(3)	+	21	Other Federal, State, Local Taxes and Licensing and Regulatory Fees	ALL		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
	42 CFR§438.8(f)(3)	+	22	Community Reinvestment Expenses meeting requirements of 45 CFR 158.162c	ACC/ACC-RBHA/ALTCS	990105-01	$ 82,204	$ 21,038	$ 78,207	$ (6,114)	$ 175,334	$ -	$ -	$ 175,334	Limited to 3% of earned premium
			23	**Total Taxes, Licensing and Regulatory Fees**			**$ 82,204**	**$ 21,038**	**$ 78,207**	**$ (6,114)**	**$ 175,334**	**$ -**	**$ -**	**$ 175,334**	
Incurred Claims				**Incurred Claims**											
				Include											
	42 CFR§438.8(e)(2)(i)(A) & 42 CFR§438.230(c)(2)(1)	+	24	Include paid claims to providers/subcontractors for Medicaid covered services to Medicaid enrollees. Exclude sub-capitation/block payments related to delegated managed care administrative expenses. The costs of the delegated managed care activities cannot be included in the managed care plan's medical loss ratio calculation. Contractors who have providers/subcontractors with delegated managed care activities must include these costs in admin unless they are quality improvement activities which should be reported in the Expenditures for Activities that Improve Health Care Quality Section.	ALL	50105-01 through 50350-01, 50370-01; 60105-01 through 61305-01 (ACC-RBHA)	$ 38,984,250	$ 39,417,668	$ 35,699,244	$ 36,005,310	$ 150,106,473	$ -	$ 2,663,565	$ 152,770,037	Total reported in lines 24 and 25 should equal the total reported in the income statement for Account #'s 50105-01 to 50360-01 and 50370-01 (60105 through 61305 for RBHAs). For ALTCS/EPD and DDD LOBs; exclude Account # 50365-01 - ALTCS Case Management which should be reported in lines 59-64, as appropriate. The majority of the items explicitly requested to be quantified on a subsequent line in the Incurred Claims section are not to be reported in line 24.
	42 CFR§438.8(e)(2)(i)(G)	+	25	Changes in other claims-related reserves (Change in unpaid claims between the prior year's and the current year's unpaid claims (i.e., RBUC) and change in claims incurred but not reported (IBNR) from the prior year to the current year)	ALL	Change in A/C 20120-01	$ 1,661,739	$ (493,064)	$ 251,205	$ 29,001	$ 1,448,881	$ -	$ -	$ 1,448,881	Report changes each quarter from the prior Contract year RBUCS and IBNR
	42 CFR§438.8(e)(2)(i)(C)	+	26	Provider Withholds from Payments	ALL		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
	42 CFR§438.8(e)(2)(iii)(A)	+	27	Provider Incentive/Bonus Payments (Include Unreimbursed PBP)	ALL		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	Include Incentives or bonuses to providers that are not included as part of APM Performance Based Payments. Also include Unreimbursed PBP.
	42 CFR§438.8(e)(2) (iii)(B)	-	28	Payments recovered through Fraud Recovery efforts less related expenses	ALL	81405-01	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	Report total Fraud Recoveries reduced by Fraud Recovery Expenses. ***The amount of Fraud Recovery expenses must not include Fraud Prevention Activities.***
	42 CFR§438.8(e)(2)(i)(H)	+	29	Contingent Benefits/ Medical claim portion of lawsuits	ALL		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
	42 CFR§438.3(e)(1)(i)	+	30	Value Added Services (Explain below)	ALL		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	Include those services provided in addition to those covered under the state plan for which costs are not included in capitation payments (i.e., services not covered by AHCCCS). These expenses should improve health and reduce costs, including interventions intended to address social determinants of health. Exclude community benefit expenses or expenses paid with Community Reinvestment funds (reported in line #22).
	42 CFR§438.8(e)(2)(i)(A)	+	31	Provider Payments Attributable to State Directed Payments	ALL		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	If the State Directed Payment process takes almost a year or more, plans should use the most accurate available information for MLR reporting. Include Rural, Nursing Facility, APSI, PSI, HEATHII, ARP and Targeted Investments State Directed Payments.

			Deduct												
42 CFR§438.8(e)(2)(vi)	-	32	Reinsurance Recoveries	ALL	70105-01	$ (642,444)	$ (708,708)	$ (1,029,085)	$ (514,351)	$ (2,894,588)	$ -	$ (1,040,998)	$ (3,935,586)	Amount should be generally stated as a negative number.
42 CFR§438.8(e)(2)(ii)(A)	-	33	Provider/Subcontractor Overpayment Recoveries	ALL	70305-01	$ (5,047)	$ (8,665)	$ (5,532)	$ (51,739)	$ (70,983)	$ -	$ -	$ (70,983)	Amount should be generally stated as a negative number.
42 CFR§438.8(e)(2)(ii)(B)	-	34	Rx Rebates (received/accrued)	ALL	70310-05	$ (18,428)	$ (6,852)	$ (9,395)	$ (7,585)	$ (42,260)	$ -	$ -	$ (42,260)	Amount should be generally stated as a negative number.
	-	35	Pharmacy Performance Guarantee	ALL	70310-10	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	Amount should be generally stated as a negative number.
42 CFR§438.8(e)(2) (i) (D)(E)	-	36	TPL, COB, Subrogation Recoveries and recoverable COB claims	ALL	70205-02	$ -	$ (3,621)	$ (278)	$ (13,375)	$ (17,273.75)	$ -	$ -	$ (17,274)	Amount should be generally stated as a negative number.
		37	**Total Incurred Claims**			**$ 39,980,071**	**$ 38,196,759**	**$ 34,906,159**	**$ 35,447,261**	**$ 148,530,250**	**$ -**	**$ 1,622,567**	**$ 150,152,816**	
			Non-Claims Costs												
	+	38	Compensation	ALL	80105-01	$ 528,735	$ 505,697	$ 623,643	$ 382,888	$ 2,040,963	$ -	$ -	$ 2,040,963	Exclude Compensation classified as Health Care Quality Improvement expenses (reported in lines 59 -64).
	+	39	Occupancy	ALL	80205-01	$ 67,344	$ 64,410	$ 79,432	$ 48,768	$ 259,954	$ -	$ -	$ 259,954	
	+	40	Depreciation	ALL	80305-01	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
	+	41	Expenses	ALL	80405-01	$ 2,180,370	$ 2,085,368	$ 2,571,749	$ 1,578,935	$ 8,416,422	$ -	$ -	$ 8,416,422	
	+	42	Professional and Outside Services	ALL	80505-01	$ 322,531	$ 308,478	$ 380,426	$ 233,564	$ 1,245,000	$ -	$ -	$ 1,245,000	Exclude expenses classified as Health Care Quality Improvement expenses (reported in lines 59-64) or as Fraud, Waste and Abuse expenses (reported in line 66).
	+	43	Office Supplies and Equipment	ALL	80605-01	$ 13,021	$ 12,454	$ 15,359	$ 9,430	$ 50,264	$ -	$ -	$ 50,264	
	+	44	Travel	ALL	80705-01	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
	+	45	Repair and Maintenance	ALL	80805-01	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
	+	46	Bank Service Charge	ALL	80905-01	$ 34,723	$ 34,036	$ 37,551	$ 30,375	$ 136,686	$ -	$ -	$ 136,686	
	+	47	Insurance	ALL	81005-01	$ 16,491	$ 16,026	$ 17,232	$ 14,771	$ 64,520	$ -	$ -	$ 64,520	
	+	48	Marketing	ALL	81105-01	$ 243,507	$ 230,512	$ 285,066	$ 175,350	$ 934,434	$ -	$ -	$ 934,434	
	+	49	Interest Expense	ALL	81205-01	$ 39,782	$ 18,868	$ 24,732	$ 20,331	$ 103,713	$ -	$ -	$ 103,713	
	+	50	Pharmacy Benefit Manager Expenses	ALL	81305-01	$ 42,219	$ 50,675	$ 51,667	$ 49,558	$ 194,118	$ -	$ -	$ 194,118	
42 CFR§ 438.8(e)(2)(v)(A)(1)	+	51	Amounts paid to third party vendors for secondary network savings	ALL	81505-01	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
42 CFR§ 438.8(e)(2)(v)(A)(1)	+	52	Amounts paid to third party vendors for network development, administrative fees, claims processing, and utilization management.	ALL	81505-01	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	The portion of the sub-capitation/block payment that is explicitly attributable to the provision of administrative services, or delegated managed care activities, and associated reporting requirements by the provider unless the provider/subcontractor provides Medicaid-covered services directly to Medicaid enrollees, and if the functions are performed by the provider/subcontractor's own employees, and not through a contracted network of providers should be included in this line and excluded from line 24.
42 CFR§ 438.8(e)(2)(v)(A)(3)	+	53	Amounts paid, including amounts paid to a provider, for professional or administrative services that do not represent compensation or reimbursement for covered services provided to an enrollee. (e.g., Non-Medical (Administrative component) of Sub-Capitated or Block Payments)	ALL	81605-01	$ -	$ -	$ -	$ 364,831	$ 364,831	$ -	$ -	$ 364,831	The portion of the sub-capitation/block payment that is explicitly attributable to the provision of administrative services, or delegated managed care activities, and associated reporting requirements by the provider unless the provider/subcontractor provides Medicaid-covered services directly to Medicaid enrollees, and if the functions are performed by the provider/subcontractor's own employees, and not through a contracted network of providers should be included in this line and excluded from line 24.
	+	54	Interpretation/Translation Services	ALL	82505-01	$ -	$ 9,288	$ 7,331	$ 3,946	$ 20,564	$ -	$ -	$ 20,564	
	+	55	Other Administrative Expenses	ALL	83005-01	$ 15,597	$ 20,840	$ 20,371	$ 11,295	$ 68,103	$ -	$ -	$ 68,103	
42 CFR§ 438.8(e)(2)(v)(A)(4)	+	56	Fines and penalties assessed by regulatory authorities	ALL	Footnote 13	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	Include AHCCCS sanctions
	+	57	Loss Adjustment Expense			$ -	$ -	$ -	$ -	$ -		$ -	$ -	Loss Adjustment Expense is considered a cost-containment expense and should be reported as a non-claims cost. It should not be included in the numerator (including Incurred Claims or Health Care Quality).
		58	**Total Non-Claims Costs**			**$ 3,504,319**	**$ 3,356,652**	**$ 4,114,559**	**$ 2,924,041**	**$ 13,899,571**	**$ -**	**$ -**	**$ 13,899,571**	
	42 CFR§438.8(e)(3)		**Health Care Quality Improvement and Other Expenses**											For ALTCS/EPD and DDD LOBs: Account # 50365-01 - ALTCS Case Management should be reported in lines 59-64 below, as appropriate.
	45 CFR§158.150(b)(1)	+	59	Improvement of health outcomes	ALL	81705-01	$ 3,569	$ 3,742	$ 4,616	$ 2,833	$ 14,761	$ -	$ -	$ 14,761	
	45 CFR§158.150(b)(2)	+	60	Activities to prevent hospital readmission	ALL	81705-01	$ 2,974	$ 3,119	$ 3,846	$ 2,361	$ 12,300	$ -	$ -	$ 12,300	
	45 CFR§158.150(b)(2)(iii)	+	61	Improvement of patient safety and reduce medical errors	ALL	81705-01	$ 2,379	$ 2,495	$ 3,077	$ 1,889	$ 9,840	$ -	$ -	$ 9,840	
	45 CFR§158.150(b)(2)(iv)(4)	+	62	Wellness and health promotion activities	ALL	81705-01	$ 13,423	$ 10,915	$ 13,459	$ 8,264	$ 46,061	$ -	$ -	$ 46,061	
	45 CFR§158.150(b)(2)(iv)(A)(1) & 45 CFR§158.151	+	63	Health information technology expenses related to improving health care quality	ALL	81705-01	$ 4,461	$ 4,678	$ 5,769	$ 3,542	$ 18,450	$ -	$ -	$ 18,450	
	42 CFR§438.8(e)(3)(ii) & 42 CFR§438.358(b) and (c).	+	64	Activities related to external quality review	ALL	81705-01	$ 5,949	$ 6,237	$ 7,692	$ 4,722	$ 24,600	$ -	$ -	$ 24,600	
			65	**Total Health Care Quality Improvement and Other Expenses**			**$ 32,756**	**$ 31,185**	**$ 38,459**	**$ 23,612**	**$ 126,012**	**$ -**	**$ -**	**$ 126,012**	
Expenditures related to activities compliant with 42 CFR § 438.608(a)(1) through (5), (7), (8) and (b).	42 CFR§438.8(e)(4) & 45 CFR§158.150(c)(8)	+	66	Program Integrity: Fraud, Waste, and Abuse Prevention Expenses	ALL	81810-01	$ 1,565	$ 1,641	$ 2,024	$ 1,243	$ 6,474	$ -	$ -	$ 6,474	Improvements to infrastructure that prevents fraud, waste and abuse **on a** going forward **basis**.
Credibility Adjustment	42 CFR§438.8(h)	+	67	Credibility Adjustment (If applicable)	LTSS[2] MCOs between 5,400 and 380,000 **Annual** Member Months		0.4%	0.4%	0.4%	0.4%	0.4%			0.4%	If an MCO's annual member months are determined to be partially-credible, the credibility adjustment factor must be manually entered as calculated using the guidance in the Credibility Adjustment tab.
			Numerator												
			68	Incurred Claims			$ 39,980,071	$ 38,196,759	$ 34,906,159	$ 35,447,261	$ 148,530,250	$ -	$ 1,622,567	$ 150,152,816	
			69	Expenditures for activities that improve health care quality			$ 32,756	$ 31,185	$ 38,459	$ 23,612	$ 126,012	$ -	$ -	$ 126,012	
			70	Total			$ 40,012,827	$ 38,227,944	$ 34,944,618	$ 35,470,873	$ 148,656,262	$ -	$ 1,622,567	$ 150,278,828	
			Denominator												
			71	Premium Revenue			$ 44,888,771	$ 41,619,333	$ 39,244,318	$ 37,635,334	$ 163,387,756	$ -	$ (726,759)	$ 162,660,998	
			72	Taxes, licensing and regulatory fees			$ 82,204	$ 21,038	$ 78,207	$ (6,114)	$ 175,334	$ -	$ -	$ 175,334	
			73	Total			$ 44,806,568	$ 41,598,295	$ 39,166,111	$ 37,641,449	$ 163,212,422	$ -	$ (726,759)	$ 162,485,663	
			74	**Medical Loss Ratio**			89.3%	91.9%	89.2%	94.2%	91.1%			92.5%	
			75	**Medical Loss Ratio with Credibility Adjustment**			89.7%	92.3%	89.6%	94.6%	91.5%			92.9%	

Non-Claims Costs (Administrative Expenditures)

Expenditures for activities that improve health care quality

MLR Calculations

Methodology(ies) for allocation of expenditures.	42 CFR§438.8(g) 42 CFR§438.8(k)(vii)		76	Please describe methodology(ies) for allocation of expenditures: The management fee is a percentage of revenue paid to Aetna Medicaid Administrators for managing Mercy Care and to pay for all operating expenses of the plan. Quarterly, Aetna Medicaid Administrators provides the Essbase report which is a summary of Mercy Care expenses in total by category that are covered by the management fee. Mercy Care matches the categories to the Financial Reporting Guide administrative expense categories and calculates a percentage of the total by reporting category. The percentages are applied to the total Management fee to calculate the dollars by category of service. The allocated expenses are added to the plan expenses to equal the Administrative Expense for the quarter. Total expenses for each category are allocated by risk group using revenue paid to Mercy Care.	**Each expense must be included under only one type of expense.** If a portion of the expense fits under the definition of, or criteria for, one type of expense and the remainder fits into a different type of expense, the expense must be pro-rated between types of expenses. Expenses that benefit multiple contracts must be reported on a pro-rata basis. Allocation to each category must be based on a generally accepted accounting method that is expected to yield the most accurate results. Shared expenses, including expenses under the terms of a management contract, must be apportioned pro rata to the contract incurring the expense. Expenses that relate solely to the operation of a reporting entity, such as personnel costs associated with the adjusting and paying of claims, must be borne solely by the reporting entity and are not to be apportioned to the other entities.
Explanations	Accrued Revenue		77	There is no accrued revenue.	
	Value-Added Services		78	There are no Value Added Services included.	
			79		
			80		
			81		
			82		
			83		
Aggregation Method	42 CFR§438.8(h)(4)(i); 42 CFR§438.8(k)(xii)		84	Please describe aggregation methodology: All funding sources for this line of business are included in the total MLR amounts.	AHCCCS requires that the MLR be calculated as one aggregate value representing all risk groups/populations and GSAs. AHCCCS reserves the right to modify this requirement and obtain MLR information on a risk group and/or GSA specific basis.

Updated March 2023

[1] Annual Adjustments Column: ***USE FOR ANNUAL REPORT ONLY*** - Adjustment column should report **prior year audit adjustments**. Any adjustments to be deducted should be entered as a negative number.

[2] Annual Adjustments Column: ***USE FOR ANNUAL REPORT ONLY*** - Adjustment column should **true up any estimates** to present on an incurred date of service basis. Any adjustments to be deducted should be entered as a negative number.

[3] **LTSS:** Long-Term Services and Supports.

Paragraph 4.19: Medical Loss Ratio Report

Contractor Name: Mercy Care - DDD — For additional MLR guidance please refer to AHCCCS' website.
Contract Year End: 9/30/2023

MLR Category	Citation	Format of Amount to be Entered	Line #	Detail	Specific Applicability to Line of Business	Financial Statement Account # (If applicable)	GAAP Basis Dec-22	GAAP Basis Mar-23	GAAP Basis Jun-23	GAAP Basis Sep-23	GAAP Basis CYE 23	Annual Adjustments[1]	Annual Adjustments[2]	Incurred Basis Restated CYE23	NOTES: Do not duplicate any amounts in multiple lines. GAAP Basis (Columns H - L) should agree to the submitted financial statements. *USE FOR ANNUAL REPORT ONLY*[1,2] - Adjustment columns should report prior year adjustments (Column M) and true up any estimates (Column N) to present on an incurred date of service basis. Any adjustments to be deducted should be entered as a negative number.
				Member Months			47,229	48,064	48,960	49,975	194,229	-	-	194,229	
Premium Revenue				**Revenue**											
				Include											
	42 CFR§438.8(f)(2)(i)	+	1	Prospective Capitation	ALL	40105-01	$ 49,645,833	$ 50,462,305	$ 51,733,465	$ 52,975,403	$ 204,817,007	$ -	$ -	$ 204,817,007	Include full capitation including 1% withhold payment. Exclude State Directed Payments revenue (reported in line 16) and risk adjustment revenue (reported in line 6).
	42 CFR§438.8(f)(2)(iii)	+/-	2	APM 1% Withhold Settlement 42 CFR 438.6(b)(3) and Performance Based Payments (PBP) reimbursed by AHCCCS	ACC/ALTCS (ACOM 306) ALL - PBP	40115-01	$ 243,148	$ 381,176	$ 1,047,859	$ 34,446	$ 1,706,629	$ -	$ (185,025)	$ 1,521,604	Include Alternative Payment Model (APM) settlements related to Withholds, Incentives (see ACOM 306) and Performance Based Payments (see ACOM 307). Unearned withhold should be deducted. Earned incentive should be added.
	42 CFR§438.8(f)(2)(ii)	+	3	Delivery Supplement	ACC/ALTCS	40120-01	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
	42 CFR§438.8(f)(2)(iv)	+	4	Unpaid Cost Sharing Amounts	ALL		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	Include unpaid cost-sharing amounts that could have been collected from enrollees under the contract, except those amounts that can be shown it made a reasonable, but unsuccessful, effort to collect.
	42 CFR§438.8(f)(2)(v)	+/-	5	Changes to Unearned Premium Reserves	ALL		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	Include adjustments to Deferred Revenue
	42 CFR§438.8 (f)(2)(vi)	+/-	6	Risk Adjustment **(Footnote Suspended)**	ACC	40105-01; Footnote (Suspended)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	Include amounts for risk adjustment after adjusted amounts are computed or amounts that can be reasonably estimated and accrued.
		+/-	7	Prospective Tiered	ACC/ACC-RBHA/ALTCS	40125-01, 40130-01, 40135-01	$ (659,076)	$ 1,019,011	$ 4,503,055	$ 2,915,948	$ 7,778,938	$ -	$ 527,950	$ 8,306,888	
		+/-	8	Reserved			$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
		+/-	9	Other Reconciliation Settlements	ACC/ACC-RBHA/ALTCS	40145-01	$ 5,017	$ 2,573	$ 67,355	$ 9,005	$ 83,950	$ -	$ (43,150)	$ 40,800	Include other reconciliation settlements like APSI settlement (see ACOM 325). Do not include monthly premium component of APSI.
		+/-	10	Share of Cost (SOC) Settlement	ALTCS	40150-01	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
		+/-	11	Reserved			$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
		+	12	Reserved			$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
		+	13	**Other Income**	ALL	40310-01	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	Other income should not include any types of non-operating income such as gain on sale, etc.
		+	14	Patient Contributions	ALTCS	40315-01	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
		+/-	15	Other Accruals (Explain below)	ALL		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
	42 CFR§438.8(f)(2)(i)	+	16	State Directed Payments Revenue	ALL		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	If the State Directed Payment process takes almost a year or more, plans should use the most accurate available information for MLR reporting. Include Rural, Nursing Facility, APSI, PSI, HEATHII, ARP and Targeted Investments State Directed Payments.
			17	**Total Premium Revenue**		Should agree to 40105-01 through 40315-01	**$ 49,234,922**	**$ 51,865,065**	**$ 57,351,734**	**$ 55,934,802**	**$ 214,386,524**	**$ -**	**$ 299,775**	**$ 214,686,299**	
Taxes, Licensing and Regulatory Fees				**Taxes, Licensing and Regulatory Fees**											
	42 CFR§438.8(f)(3)(iii)	+	18	Federal Income & Federal Tax (include Tax Benefit)	ACC/ACC-RBHA/ALTCS	90105-01	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	Exclude Federal income taxes and tax benefit on investment income, capital gains and Federal employment taxes.
		+	19	Premium Tax	ALL	90205-01	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
		+	20	Reserved			$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
	42 CFR§438.8(f)(3)	+	21	Other Federal, State, Local Taxes and Licensing and Regulatory Fees	ALL		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
	42 CFR§438.8(f)(3)	+	22	Community Benefit Expenses (otherwise exempt from Federal income tax) and Community Reinvestment Expenses meeting requirements of 45 CFR 158.162c	ACC/ACC-RBHA/ALTCS	990105-01	$ 90,427	$ (90,427)	$ -	$ -	$ -	$ -	$ -	$ -	Limited to 3% of earned premium
			23	**Total Taxes, Licensing and Regulatory Fees**			**$ 90,427**	**$ (90,427)**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	
Incurred Claims				**Incurred Claims**											
				Include											
	42 CFR§438.8(e)(2)(i)(A) & 42 CFR§438.230(c)(2)(1)	+	24	Include paid claims to providers/subcontractors for Medicaid covered services to Medicaid enrollees. Exclude sub-capitation/block payments related to delegated managed care administrative expenses. The costs of the delegated managed care activities cannot be included in the managed care plan's medical loss ratio calculation. Contractors who have providers/subcontractors with delegated managed care activities must include these costs in admin unless they are quality improvement activities which should be reported in the Expenditures for Activities that Improve Health Care Quality Section.	ALL	50105-01 through 50350-01, 50370-01; 60105-01 through 61305-01 (ACC-RBHA)	$ 48,070,000	$ 55,406,781	$ 58,203,092	$ 57,037,119	$ 218,716,992	$ -	$ 3,093,888	$ 221,810,880	Total reported in lines 24 and 25 should equal the total reported in the income statement for Account #'s 50105-01 to 50360-01 and 50370-01 (60105 through 61305 for RBHAs). For ALTCS/EPD and DDD LOBs: exclude Account # 50365-01 - ALTCS Case Management which should be reported in lines 59-64, as appropriate. The majority of the items explicitly requested to be quantified on a subsequent line in the Incurred Claims section are not to be reported in line 24.
	42 CFR§438.8(e)(2)(i)(G)	+	25	Changes in other claims-related reserves (Change in unpaid claims between the prior year's and the current year's unpaid claims (i.e., RBUC) and change in claims incurred but not reported (IBNR) from the prior year to the current year)	ALL	Change in A/C 20120-01	$ 613,304	$ (219,556)	$ 19,705	$ 116,863	$ 530,315	$ -	$ -	$ 530,315	Report changes each quarter from the prior Contract year RBUCS and IBNR
	42 CFR§438.8(e)(2)(i)(C)	+	26	Provider Withholds from Payments	ALL		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
	42 CFR§438.8(e)(2)(iii)(A)	+	27	Provider Incentive/Bonus Payments (Include Unreimbursed PBP)	ALL		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	Include Incentives or bonuses to providers that are not included as part of APM Performance Based Payments. Also include Unreimbursed PBP.
	42 CFR§438.8(e)(2) (iii)(B)	-	28	Payments recovered through Fraud Recovery efforts less related expenses	ALL	81405-01	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	Report total Fraud Recoveries reduced by Fraud Recovery Expenses. ***The amount of Fraud Recovery expenses must not include Fraud Prevention Activities.***
	42 CFR§438.8(e)(2)(i)(H)	+	29	Contingent Benefits/ Medical claim portion of lawsuits	ALL		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
	42 CFR§438.3(e)(1)(i)	+	30	Value Added Services (Explain below)	ALL		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	Include those services provided in addition to those covered under the state plan for which costs are not included in capitation payments (i.e., services not covered by AHCCCS). These expenses should improve health and reduce costs, including interventions intended to address social determinants of health. Exclude community benefit expenses or expenses paid with Community Reinvestment funds (reported in line
	42 CFR§438.8(e)(2)(i)(A)	+	31	Provider Payments Attributable to State Directed Payments	ALL		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	If the State Directed Payment process takes almost a year or more, plans should use the most accurate available information for MLR reporting. Include Rural, Nursing Facility, APSI, PSI, HEATHII, ARP and Targeted Investments State Directed Payments.

				Deduct												
	42 CFR§438.8(e)(2)(vi)	-	32	Reinsurance Recoveries	ALL	70105-01	$ (4,910,936)	$ (3,107,936)	$ (3,020,272)	$ (3,345,990)	$ (14,385,134)	$ -	$ 2,874,434	$ (11,510,700)	Amount should be generally stated as a negative number.
	42 CFR§438.8(e)(2)(ii)(A)	-	33	Provider/Subcontractor Overpayment Recoveries	ALL	70305-01	$ (414,472)	$ (455,871)	$ (468,918)	$ (302,626)	$ (1,641,887)	$ -	$ -	$ (1,641,887)	Amount should be generally stated as a negative number.
	42 CFR§438.8(e)(2)(ii)(B)	-	34	Rx Rebates (received/accrued)	ALL	70310-05	$ (76,794)	$ (25,447)	$ (33,500)	$ (28,174)	$ (163,915)	$ -	$ -	$ (163,915)	Amount should be generally stated as a negative number.
		-	35	Pharmacy Performance Guarantee	ALL	70310-10	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	Amount should be generally stated as a negative number.
	42 CFR§438.8(e)(2) (i) (D)(E)	-	36	TPL, COB, Subrogation Recoveries and recoverable COB claims	ALL	70205-02	$ (12,878)	$ (2,605)	$ (62,180)	$ (9,051)	$ (86,713.79)	$ -	$ -	$ (86,714)	Amount should be generally stated as a negative number.
			37	**Total Incurred Claims**			**$ 43,268,224**	**$ 51,595,367**	**$ 54,637,926**	**$ 53,468,141**	**$ 202,969,658**	**$ -**	**$ 5,968,321**	**$ 208,937,979**	
				Non-Claims Costs												
		+	38	Compensation	ALL	80105-01	$ 905,005	$ 512,404	$ 853,943	$ 1,022,058	$ 3,293,410	$ -	$ -	$ 3,293,410	Exclude Compensation classified as Health Care Quality Improvement expenses (reported in lines 59 -64).
		+	39	Occupancy	ALL	80205-01	$ 20,138	$ 42,550	$ 60,604	$ 68,282	$ 191,575	$ -	$ -	$ 191,575	
		+	40	Depreciation	ALL	80305-01	$ 28	$ 15	$ 25	$ 27	$ 95	$ -	$ -	$ 95	
		+	41	Care Management/Care Coordination not included in Health Care Quality Improvement Expenses	ALL	80405-01	$ 565,190	$ 321,128	$ 551,079	$ 545,559	$ 1,982,956	$ -	$ -	$ 1,982,956	
		+	42	Professional and Outside Services	ALL	80505-01	$ 2,350,655	$ 1,239,974	$ 2,198,460	$ 1,890,955	$ 7,680,044	$ -	$ -	$ 7,680,044	expenses (reported in lines 59-64) or as Fraud, Waste and Abuse expenses (reported in line 66).
		+	43	Office Supplies and Equipment	ALL	80605-01	$ 110,052	$ 56,991	$ 88,946	$ 147,281	$ 403,270	$ -	$ -	$ 403,270	
		+	44	Travel	ALL	80705-01	$ 18,495	$ 2,727	$ 13,420	$ 13,104	$ 47,746	$ -	$ -	$ 47,746	
		+	45	Repair and Maintenance	ALL	80805-01	$ -	$ 3,376	$ -	$ -	$ 3,376	$ -	$ -	$ 3,376	
		+	46	Bank Service Charge	ALL	80905-01	$ 18,000	$ 18,000	$ 18,000	$ 18,000	$ 72,000	$ -	$ -	$ 72,000	
		+	47	Insurance	ALL	81005-01	$ 13,854	$ 15,386	$ 15,497	$ 15,532	$ 60,269	$ -	$ -	$ 60,269	
		+	48	Marketing	ALL	81105-01	$ 73,999	$ 11,901	$ 2,938	$ 2,950	$ 91,788	$ -	$ -	$ 91,788	
		+	49	Interest Expense	ALL	81205-01	$ 11,431	$ 12,206	$ 15,133	$ 20,835	$ 59,606	$ -	$ -	$ 59,606	
		+	50	Pharmacy Benefit Manager Expenses	ALL	81305-01	$ 191,674	$ 192,251	$ 188,557	$ 183,326	$ 755,807	$ -	$ -	$ 755,807	
	42 CFR§ 438.8(e)(2)(v)(A)(1)	+	51	Amounts paid to third party vendors for secondary network savings	ALL	81505-01	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
	42 CFR§ 438.8(e)(2)(v)(A)(1)	+	52	Amounts paid to third party vendors for network development, administrative fees, claims processing, and utilization management.	ALL	81505-01	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	The portion of the sub-capitation/block payment that is explicitly attributable to the provision of administrative services, or delegated managed care activities, and associated reporting requirements by the provider unless the provider/subcontractor provides Medicaid-covered services directly to Medicaid enrollees, and if the functions are performed by the provider/subcontractor's own employees, and not through a contracted network of providers should be included in this line and excluded from line 24.
	42 CFR§ 438.8(e)(2)(v)(A)(3)	+	53	Amounts paid, including amounts paid to a provider, for professional or administrative services that do not represent compensation or reimbursement for covered services provided to an enrollee. (e.g., Non-Medical (Administrative component) of Sub-Capitated or Block Payments)	ALL	81605-01	$ -	$ -	$ -	$ 1,005,808	$ 1,005,808	$ -	$ -	$ 1,005,808	The portion of the sub-capitation/block payment that is explicitly attributable to the provision of administrative services, or delegated managed care activities, and associated reporting requirements by the provider unless the provider/subcontractor provides Medicaid-covered services directly to Medicaid enrollees, and if the functions are performed by the provider/subcontractor's own employees, and not through a contracted network of providers should be included in this line and excluded from line 24.
		+	54	Interpretation/Translation Services	ALL	82505-01	$ 9,297	$ 33,987	$ 20,861	$ 20,979	$ 85,124	$ -	$ -	$ 85,124	
		+	55	Other Administrative Expenses	ALL	83005-01	$ 36,895	$ 33,845	$ 10,984	$ (14,278)	$ 67,445	$ -	$ -	$ 67,445	
	42 CFR§ 438.8(e)(2)(v)(A)(4)	+	56	Fines and penalties assessed by regulatory authorities	ALL	Footnote 13	$ 605	$ -	$ 940	$ 940	$ 2,485	$ -	$ -	$ 2,485	Include AHCCCS sanctions
		+	57	Loss Adjustment Expense			$ -	$ -	$ -	$ -	$ -		$ -	$ -	Loss Adjustment Expense is considered a cost-containment expense and should be reported as a non-claims cost. It should not be included in the numerator (including Incurred Claims or Health Care Quality).
			58	**Total Non-Claims Costs**			**$ 4,325,317**	**$ 2,496,743**	**$ 4,039,387**	**$ 4,941,358**	**$ 15,802,804**	**$ -**	**$ -**	**$ 15,802,804**	
	42 CFR§438.8(e)(3)			**Health Care Quality Improvement and Other Expenses**												For ALTCS/EPD and DDD LOBs: Account # 50365-01 - ALTCS Case Management should be reported in lines 59-64 below, as appropriate.
	45 CFR§158.150(b)(1)	+	59	Improvement of health outcomes	ALL	81705-01	$ 14,697	$ 12,308	$ 19,391	$ 23,399	$ 69,794	$ -	$ -	$ 69,794	
	45 CFR§158.150(b)(2)	+	60	Activities to prevent hospital readmission	ALL	81705-01	$ 12,247	$ 10,257	$ 16,159	$ 19,499	$ 58,162	$ -	$ -	$ 58,162	
	45 CFR§158.150(b)(2)(iii)	+	61	Improvement of patient safety and reduce medical errors	ALL	81705-01	$ 9,798	$ 8,205	$ 12,927	$ 15,599	$ 46,530	$ -	$ -	$ 46,530	
	45 CFR§158.150(b)(2)(iv)(4)	+	62	Wellness and health promotion activities	ALL	81705-01	$ 42,865	$ 35,899	$ 56,557	$ 68,246	$ 203,567	$ -	$ -	$ 203,567	
	45 CFR§158.150(b)(2)(v) & 45 CFR§158.151	+	63	Health information technology expenses related to improving health care quality	ALL	81705-01	$ 18,371	$ 15,385	$ 24,239	$ 29,248	$ 87,243	$ -	$ -	$ 87,243	
	42 CFR§438.8(e)(3)(ii) & 42 CFR§438.358(b) and (c).	+	64	Activities related to external quality review	ALL	81705-01	$ 24,494	$ 20,513	$ 32,318	$ 38,998	$ 116,324	$ -	$ -	$ 116,324	
			65	**Total Health Care Quality Improvement and Other Expenses**			**$ 122,471**	**$ 102,567**	**$ 161,591**	**$ 194,990**	**$ 581,620**	**$ -**	**$ -**	**$ 581,620**	
	42 CFR§438.8(e)(4) & 45 CFR§158.150(c)(8)	+	66	Program Integrity: Fraud, Waste, and Abuse Prevention Expenses	ALL	81810-01	$ 11,788	$ 7,931	$ 12,319	$ 13,904	$ 45,942	$ -	$ -	$ 45,942	Improvements to infrastructure that prevents fraud, waste and abuse **on a** going forward **basis**.
	42 CFR§438.8(h)	+	67	Credibility Adjustment (If applicable)	CHP and small non-LTSS[2] MCOs between 5,400 and 380,000 **Annual** Member Months		0.0%	0.0%	0.0%	0.0%	0.0%			0.0%	If an MCO's annual member months are determined to be partially-credible, the credibility adjustment factor must be manually entered as calculated using the guidance in the Credibility Adjustment tab.
				Numerator												
			68	Incurred Claims			$ 43,268,224	$ 51,595,367	$ 54,637,926	$ 53,468,141	$ 202,969,658	$ -	$ 5,968,321	$ 208,937,979	
			69	Expenditures for activities that improve health care quality			$ 122,471	$ 102,567	$ 161,591	$ 194,990	$ 581,620	$ -	$ -	$ 581,620	
			70	Total			$ 43,390,695	$ 51,697,934	$ 54,799,517	$ 53,663,131	$ 203,551,278	$ -	$ 5,968,321	$ 209,519,599	
				Denominator												
			71	Premium Revenue			$ 49,234,922	$ 51,865,065	$ 57,351,734	$ 55,934,802	$ 214,386,524	$ -	$ 299,775	$ 214,686,299	
			72	Taxes, licensing and regulatory fees			$ 90,427	$ (90,427)	$ -	$ -	$ -	$ -	$ -	$ -	
			73	Total			$ 49,144,495	$ 51,955,493	$ 57,351,734	$ 55,934,802	$ 214,386,524	$ -	$ 299,775	$ 214,686,299	
			74	**Medical Loss Ratio**			88.3%	99.5%	95.5%	95.9%	94.9%			97.6%	
			75	**Medical Loss Ratio with Credibility Adjustment**			88.3%	99.5%	95.5%	95.9%	94.9%			97.6%	

Non-Claims Costs (Administrative Expenditures)

Expenditures for activities that improve health care quality

Expenditures related to activities compliant with 42 CFR § 438.608(a)(1) through (5), (7), (8) and (b).

Credibility Adjustment

MLR Calculations

Methodology(ies) for allocation of expenditures.	42 CFR§438.8(g) 42 CFR§438.8(k)(vii)		76	Please describe methodology(ies) for allocation of expenditures: The management fee is a percentage of revenue paid to Aetna Medicaid Administrators for managing Mercy Care and to pay for all operating expenses of the plan. Quarterly, Aetna Medicaid Administrators provides the Essbase report which is a summary of Mercy Care expenses in total by category that are covered by the management fee. Mercy Care matches the categories to the Financial Reporting Guide administrative expense categories and calculates a percentage of the total by reporting category. The percentages are applied to the total Management fee to calculate the dollars by category of service. The allocated expenses are added to the plan expenses to equal the Administrative Expense for the quarter. Total expenses for each category are allocated by risk group using revenue paid to Mercy Care.	**Each expense must be included under only one type of expense.** If a portion of the expense fits under the definition of, or criteria for, one type of expense and the remainder fits into a different type of expense, the expense must be pro-rated between types of expenses. Expenses that benefit multiple contracts must be reported on a pro-rata basis. Allocation to each category must be based on a generally accepted accounting method that is expected to yield the most accurate results. Shared expenses, including expenses under the terms of a management contract, must be apportioned pro rata to the contract incurring the expense. Expenses that relate solely to the operation of a reporting entity, such as personnel costs associated with the adjusting and paying of claims, must be borne solely by the reporting entity and are not to be apportioned to the other entities.
Explanations	Accrued Revenue		77	There is no accrued revenue.		
	Value-Added Services		78	There are no Value Added Services included.		
			79			
			80			
			81			
			82			
			83			
Aggregation Method	42 CFR§438.8(h)(4)(i); 42 CFR§438.8(k)(xii)		84	Please describe aggregation methodology: All funding sources for this line of business are included in the total MLR amounts.	AHCCCS requires that the MLR be calculated as one aggregate value representing all risk groups/populations and GSAs. AHCCCS reserves the right to modify this requirement and obtain MLR information on a risk group and/or GSA specific basis.

Updated March 2023

[1] Annual Adjustments Column: ***USE FOR ANNUAL REPORT ONLY*** - Adjustment column should report **prior year audit adjustments**. Any adjustments to be deducted should be entered as a negative number.

[2] Annual Adjustments Column: ***USE FOR ANNUAL REPORT ONLY*** - Adjustment column should **true up any estimates** to present on an incurred date of service basis. Any adjustments to be deducted should be entered as a negative number.

[3] **LTSS:** Long-Term Services and Supports.

ADDITIONAL INFORMATION

INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION

To the Board of Directors of

MERCY CARE

We have audited the financial statements of ***Mercy Care*** as of and for the year ended June 30, 2024, and our report thereon dated December 19, 2024, which contained an unmodified opinion on those financial statements, appears on pages 1 - 2. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The additional information on pages 44 and 45 is presented for purposes of additional analysis and is not a required part of the financial statements. The information has been subjected to the auditing procedures applied in the audit 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 additional information on pages 44 and 45 is fairly stated in all material respects in relation to the financial statements as a whole.

CBIZ CPAs P.C.[1]

December 19, 2024

4722 N. 24th St., Suite 300
Phoenix, AZ 85016

Phone: 602.264.6835
Fax: 602.265.7631
cbizcpas.com

[1] *In certain jurisdictions, CBIZ CPAs P.C. operates under its previous name, Mayer Hoffman McCann P.C.*

MERCY CARE

ADDITIONAL INFORMATION

STATEMENT OF FINANCIAL POSITION

June 30, 2024
(In thousands)

A S S E T S

	ACC-RBHA	DES/DDD	DCS/CHP	ALTCS	Medicare	City of Phx	Total
CURRENT ASSETS							
Cash and cash equivalents	$ 290,289	$ (13,245)	$ (252)	$ 89,973	$ 15,297	$ (1,612)	$ 380,450
Short-term investments	59,831	4,648	2,887	13,988	6,282	-	87,636
Receivables:	-	-	-	-	-	-	
Reinsurance receivables, net	15,488	5,932	2,898	4,145	-	-	28,463
Reconciliation receivables	37,418	11,328	1,319	17,020	-	-	67,085
Capitation and supplemental receivables	4,706	9,278	-	292	20,382	-	34,658
Pharmacy rebate receivable	5,543	252	72	416	20,001	-	26,284
Third-party liability receivable, net	5,102	62	-	480	162	-	5,806
Interest receivable	2,015	162	101	488	219	-	2,985
Provider advances, net	12,214	931	558	3,156	3,210	-	20,069
Other receivables	32,814	11	(1)	85	1	-	32,910
Risk share settlement, current portion	-	-	-	-	-	-	-
Grant receivable	2,003	-	-	-	-	2,145	4,148
Due From Aetna	2,103	34	331	24	37	-	2,529
Prepaid assets	581	44	28	137	72	-	862
TOTAL CURRENT ASSETS	470,107	19,437	7,941	130,204	65,663	533	693,885
RECONCILIATION RECEIVABLES, LT	16,350	2,999	15,296	2,614	2,133	-	39,392
LONG-TERM INVESTMENTS	365,089	29,565	18,362	88,968	39,957	-	541,941
TOTAL ASSETS	$ 851,546	$ 52,001	$ 41,599	$ 221,786	$ 107,753	$ 533	$ 1,275,218

L I A B I L I T I E S A N D N E T A S S E T S

CURRENT LIABILITIES							
Claims payable	$ 201,653	$ 27,569	$ 13,966	$ 67,410	$ 28,476	$ -	$ 339,074
Payable to providers	158,624	940	217	20,335	1,941	-	182,057
Reconciliation payable	129,751	6,580	322	12,133	-	-	148,786
Grant payable	1,992	-	-	-	-	493	2,485
Deferred revenue	1,182	-	-	-	-	-	1,182
Due to Aetna	9,668	278	3	176	2,144	51	12,320
Other current liabilities	16,714	160	150	2,194	264	-	19,482
TOTAL CURRENT LIABILITIES	519,584	35,527	14,658	102,248	32,825	544	705,386
RECONCILIATION PAYABLE, LT	-	-	-	1,323	-	-	1,323
TOTAL LIABILITIES	519,584	35,527	14,658	103,571	32,825	544	706,709
NET ASSETS WITHOUT DONOR RESTRICTIONS	331,962	16,474	26,941	118,215	74,928	(11)	568,509
TOTAL LIABILITIES AND NET ASSETS	$ 851,546	$ 52,001	$ 41,599	$ 221,786	$ 107,753	$ 533	$ 1,275,218

MERCY CARE

ADDITIONAL INFORMATION

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended June 30, 2024
(In thousands)

	ACC-RBHA	DES/DDD	DCS/CHP	ALTCS	Medicare	City of Phx	Total
OPERATING REVENUES							
Capitation premiums	$ 2,961,730	$ 244,089	$ 141,786	$ 770,452	$ 354,529	$ -	$ 4,472,586
Delivery supplement	47,560	-	-	-	-	-	47,560
Grants	176,041	-	-	-	-	3,521	179,562
Reconciliation	31,919	2,880	17,038	7,625	-	-	59,462
Other	614	-	-	-	-	-	614
TOTAL OPERATING REVENUES	3,217,864	246,969	158,824	778,077	354,529	3,521	4,759,784
HEALTH CARE EXPENSES							
Hospitalization	294,007	34,534	7,005	29,180	94,629	-	459,355
Medical compensation	422,731	15,707	13,397	19,723	36,297	-	507,855
Ancillary and other medical services	2,183,539	205,698	132,067	112,368	191,735	3,201	2,828,608
Institutional	-	-	-	264,698	-	-	264,698
Home and community based services	-	-	-	297,356	-	-	297,356
Less: net third party liability recoveries	(6,470)	(30)	(45)	(338)	(243)	-	(7,126)
Less: net reinsurance recoveries	(52,151)	(17,016)	(5,106)	(16,078)	(2,049)	-	(92,400)
TOTAL HEALTH CARE EXPENSES	2,841,656	238,893	147,318	706,909	320,369	3,201	4,258,346
GENERAL AND ADMINISTRATIVE EXPENSES	231,669	20,462	11,725	46,607	26,454	277	337,194
PREMIUM TAX EXPENSE	73,920	-	-	17,888	-	-	91,808
TOTAL EXPENSES	3,147,245	259,355	159,043	771,404	346,823	3,478	4,687,348
OPERATING INCOME (LOSS)	70,619	(12,386)	(219)	6,673	7,706	43	72,436
NONOPERATING INCOME (EXPENSE)							
Investment income	33,726	2,715	1,687	8,171	3,670	-	49,969
Investment fees	(1,417)	(114)	(71)	(343)	(154)	-	(2,099)
Community reinvestment	(5,889)	-	(86)	(874)	-	-	(6,849)
TOTAL NONOPERATING INCOME (EXPENSE)	26,420	2,601	1,530	6,954	3,516	-	41,021
CHANGE IN NET ASSETS PRIOR TO UNREALIZED GAINS (LOSSES) ON INVESTMENTS	97,039	(9,785)	1,311	13,627	11,222	43	113,457
UNREALIZED GAINS (LOSSES) ON INVESTMENTS	24,787	2,291	1,225	6,345	2,397	-	37,045
CHANGE IN NET ASSETS PRIOR TO DISTRIBUTION TO SPONSOR ORGANIZATIONS	121,826	(7,494)	2,536	19,972	13,619	43	150,502
DISTRIBUTION TO SPONSORS	(60,000)	-	-	-	-	-	(60,000)
EQUITY TRANSFERS	(10,000)	10,000	-	-	-	-	-
NET ASSETS, BEGINNING OF YEAR	280,136	13,968	24,405	98,243	61,309	(54)	478,007
NET ASSETS END OF YEAR	$ 331,962	$ 16,474	$ 26,941	$ 118,215	$ 74,928	$ (11)	$ 568,509

UNIFORM GUIDANCE
SUPPLEMENTAL REPORTS

MERCY CARE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2024

Federal Grantor / Pass-Through Agency / Program or Cluster Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Health and Human Services				
Passed Through Arizona Health Care Cost Containment System:				
Substance Abuse Block Grant	93.959	11356415170214	$ 18,393,885	$ 19,906,731
COVID-19 - Coronavirus Response and Relief Supplemental Appropriations Act Grant	93.959	11356415170214	5,434,127	5,868,858
COVID-19 - American Rescue Plan Act - Substance Use Prevention Treatment Recovery Service Block Grant (ARPA SUPTRS/SUBG)	93.959	11356415170214	14,201	15,337
Substance Abuse Block Grant ASAM Continuum	93.959	11356415170214	16,720	18,057
Subtotal Block Grants for Prevention and Treatment of Substance Abuse (93.959)			23,858,933	25,808,983
Mental Health Block Grant				
SMI - Non-Title XIX	93.958	11356415170214	5,348,169	6,553,646
Children - Non-Title XIX	93.958	11356415170214	6,862,480	7,389,430
First Episode of Psychosis	93.958	11356415170214	777,963	840,200
Crisis 5% Set-Aside	93.958	11356415170214	1,069,008	1,210,380
COVID-19 - Coronavirus Response and Relief Supplemental Appropriations Act Grant	93.958	11356415170214	3,257,149	3,517,721
Subtotal Block Grants for Community Mental Health Services (93.958)			17,314,769	19,511,377
Opioid STR	93.788	11356415170214	4,786,738	5,169,677
Total Passed-Through Arizona Health Care Cost Containment System			45,960,440	50,490,037
Passed Through the City of Phoenix:				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	Unknown	2,708,966	2,979,863
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 48,669,406	$ 53,469,900

See Independent Auditors' Report
See Accompanying Notes to the Schedule of Expenditures of Federal Awards

MERCY CARE

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2024

(1) Basis of presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of ***Mercy Care*** under programs of the federal government for the year ended June 30, 2024. The information in the Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of ***Mercy Care***, it is not intended to and does not present the financial position, changes in net assets or cash flows of ***Mercy Care***.

(2) Summary of significant accounting policies

Expenditures reported on the Schedule of Expenditures of Federal Awards are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. ***Mercy Care*** has not elected to use the ten percent de minimis indirect cost rate allowed under the Uniform Guidance.

(3) Assistance listing numbers

The program titles and assistance listing numbers were obtained from the 2024 Catalog of Federal Domestic Assistance.

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

To the Board of Directors of

MERCY CARE

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of ***Mercy Care***, which comprise the statement of financial position as of June 30, 2024, and the related statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 19, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered ***Mercy Care's*** internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of ***Mercy Care's*** internal control. Accordingly, we do not express an opinion on the effectiveness of ***Mercy Care's*** internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of ***Mercy Care's*** internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering ***Mercy Care's*** internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CBIZ CPAs P.C.[1]

December 19, 2024

[1] *In certain jurisdictions, CBIZ CPAs P.C. operates under its previous name, Mayer Hoffman McCann P.C.*

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors of

MERCY CARE

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited ***Mercy Care's*** compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Mercy Care's major federal programs for the year ended June 30, 2024. ***Mercy Care's*** major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, ***Mercy Care*** complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with GAAS; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to ***Mercy Care's*** federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether to do with fraud or error, and express an opinion on ***Mercy Care's*** compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about ***Mercy Care's*** compliance with the requirements of each major program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 ***Mercy Care's*** compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of ***Mercy Care's*** internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of ***Mercy Care's*** internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

CBIZ CPAs P.C.[1]

December 19, 2024

[1] *In certain jurisdictions, CBIZ CPAs P.C. operates under its previous name, Mayer Hoffman McCann P.C.*

MERCY CARE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2024

Section I – Summary of Auditors' Results

Financial Statements

1. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified
2. Internal control over financial reporting:
   a. Material weakness(es) identified? No
   b. Significant deficiency(ies) identified? None reported
3. Noncompliance material to financial statements noted? No

Federal Awards

1. Internal control over major federal program:
   a. Material weakness(es) identified? No
   b. Significant deficiency(ies) identified? None reported
2. Type of Auditor's report issued on compliance for major federal program: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No
4. Identification of major federal programs:

Assistance Listing Number	Name of Federal Program or Cluster
93.958	Block Grants for Community Mental Health Services
93.959	Block Grants for Prevention and Treatment of Substance Abuse
21.027	Coronavirus State and Local Fiscal Recovery Funds

5. Dollar threshold used to distinguish between type A and type B programs: $1,604,097
6. Auditee qualified as a low-risk auditee? Yes

MERCY CARE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2024

Section II – Financial Statement Findings

None noted

Section III – Federal Award Findings

None noted

Section IV – Prior Audit Findings

None