MERCY CARE

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

Years Ended June 30, 2021 and 2020

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Years Ended June 30, 2021 and 2020

CONTENTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of

MERCY CARE

We have audited the accompanying financial statements of ***Mercy Care***, which comprise the statements of financial position as of June 30, 2021 and 2020, 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ***Mercy Care*** as of June 30, 2021 and 2020 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.

Other Matters

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of ***Mercy Care*** 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 Principals 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 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 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 November 10, 2021, 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, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Mayer Hoffman McCann P.C.

November 10, 2021

MERCY CARE

STATEMENTS OF FINANCIAL POSITION

June 30, 2021 and 2020
(In thousands)

ASSETS

		2021		2020
CURRENT ASSETS				
Cash and cash equivalents	$	226,978	$	136,873
Short-term investments		81,566		51,388
Receivables:				
Reinsurance receivables, net of allowance for doubtful accounts of $15,323 and $16,672 at June 30, 2021 and 2020, respectively		47,115		56,545
Reconciliation receivables		82,199		76,015
Capitation and supplemental receivables		1,220		1,145
Pharmacy rebate receivable		20,650		31,732
Third-party liability receivable, net of allowance for doubtful accounts of $0 and $967 at June 30, 2021 and 2020, respectively		7,296		5,517
Interest receivable		1,267		1,011
Provider advances, net of allowance for doubtful accounts of $1,199 and $1,064 at June 30, 2021 and 2020, respectively		8,226		6,726
Other receivables		8,022		5,557
Risk share settlement, current portion		13,394		10,342
Grant receivable		2,095		3,079
Prepaid assets		1,636		1,562
TOTAL CURRENT ASSETS		501,664		387,492
RECONCILIATION RECEIVABLES, net of current portion		20,632		11,400
LONG-TERM INVESTMENTS		496,579		360,354
TOTAL ASSETS		1,018,875		759,246

LIABILITIES AND NET ASSETS

		2021		2020
CURRENT LIABILITIES				
Claims payable		367,075		271,629
Payable to providers		22,618		24,136
Reconciliation payables		128,791		9,732
Grant payables		1,425		1,171
Due to Aetna		7,999		9,673
Deferred revenue		835		84
Other current liabilities		13,444		12,391
TOTAL CURRENT LIABILITIES		542,187		328,816
RECONCILIATION PAYABLE, net of current portion		60,176		64,698
TOTAL LIABILITIES		602,363		393,514
NET ASSETS WITHOUT DONOR RESTRICTIONS		416,512		365,732
TOTAL LIABILITIES AND NET ASSETS	$	1,018,875	$	759,246

See Notes to Financial Statements

MERCY CARE

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Years Ended June 30, 2021 and 2020
(In thousands)

	2021	2020
OPERATING REVENUES		
Capitation premiums	$ 3,990,834	$ 3,625,003
Delivery supplement	45,521	46,242
Grants	160,226	156,550
Other, net	(76,462)	(45,658)
TOTAL OPERATING REVENUES	4,120,119	3,782,137
HEALTH CARE EXPENSES		
Hospitalization	523,977	449,688
Medical compensation	430,753	347,845
Ancillary and other medical services	2,333,779	2,184,645
Institutional	198,699	222,245
Home and community based services	239,498	245,017
Less: net third-party liablity recoveries	(7,205)	(7,017)
Less: net reinsurance recoveries	(95,126)	(101,578)
TOTAL HEALTH CARE EXPENSES	3,624,375	3,340,845
GENERAL AND ADMINISTRATIVE EXPENSES	328,248	319,820
PREMIUM TAX EXPENSE	78,276	67,518
TOTAL EXPENSES	4,030,899	3,728,183
OPERATING INCOME	89,220	53,954
NONOPERATING INCOME (EXPENSE)		
Investment income	29,610	14,675
Investment fees	(1,915)	(1,428)
Community reinvestment	(5,799)	(2,176)
TOTAL NONOPERATING INCOME	21,896	11,071
CHANGE IN NET ASSETS PRIOR TO UNREALIZED GAINS	111,116	65,025
UNREALIZED GAINS ON INVESTMENTS	38,950	16,372
CHANGE IN NET ASSETS PRIOR TO DISTRIBUTIONS	150,066	81,397
DISTRIBUTION TO SPONSOR ORGANIZATIONS	(99,500)	(59,700)
REPAYMENT OF NOTE RECEIVABLE FROM MEMBER	214	214
NET ASSETS, BEGINNING OF YEAR	365,732	343,821
NET ASSETS, END OF YEAR	$ 416,512	$ 365,732

See Notes to Financial Statements

MERCY CARE

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2021 and 2020
(In thousands)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 150,066	$ 81,397
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Bad debt expense	(2,181)	(3,839)
Net unrealized gains on investments	(38,950)	(16,372)
Net realized gains on investments	(22,237)	(6,579)
Change in operating assets and liabilities:		
Decrease (increase) in:		
Reinsurance receivables	10,779	(28,374)
Reconciliation receivables	(6,184)	(6,816)
Capitation and supplemental receivables	(75)	1,305
Pharmacy rebate receivable	11,082	(12,280)
Third-party liability receivable	(812)	453
Interest receivable	(256)	(51)
Provider advances	(1,635)	1,042
Other receivables	(2,465)	3,051
Risk share settlement, net	(16,806)	(2,060)
Grant receivable	984	(231)
Prepaid assets	(74)	108
Increase (decrease) in:		
Claims payable	95,446	(345)
Grant payable	254	1,171
Payable to providers	(1,518)	(1,910)
Reconciliation payable	119,059	58,059
Due to Aetna	(1,674)	6,387
Deferred revenue	751	(137)
Other current liabilities	1,053	(2,246)
Net cash provided by operating activities	294,607	71,733
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(291,989)	(280,222)
Proceeds from sale of investments	186,773	224,492
Net cash used in investing activities	(105,216)	(55,730)
CASH FLOWS FROM INVESTING ACTIVITIES		
Distributions to Sponsor Organizations	(99,500)	(59,700)
Repayment received on note receivable from member	214	214
Net cash used in financing activities	(99,286)	(59,486)
NET CHANGE IN CASH AND CASH EQUIVALENTS	90,105	(43,483)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	136,873	180,356
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 226,978	$ 136,873

See Notes to Financial Statements

(1) Plan operations and significant accounting policies

Company operations - Mercy Care (the Plan) is a nonprofit corporation, whose 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 health care 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 health care services to Medicaid eligible adults with serious mental illness
- Department of Child Services (DCS), Comprehensive Medical and Dental Program (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 Medical and Dental Program statewide. The Comprehensive Medical and Dental Program integrates physical and behavioral health care 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 health care system for members incentivizing quality health care outcomes with value-based purchasing and leveraged health information technology for improved care coordination. Mercy Care began administering the Comprehensive Medical and Dental Program 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.

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 health care contacts under managed care plans for the majority of the AHCCCS members. The integrated delivery model offers a more cohesive health care system for members incentivizing quality health care 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 health care initiatives forward. Mercy Care began administering the Complete Care contract on October 1, 2018. The contract is a three-year agreement, with the possibility of three two-year extensions. As of October 1, 2021 the contract has entered the 1st extension period of the contract.

The Plan operates 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. Additionally, 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. The promissory note dated January 1, 2020 is payable in seven annual installments of $214,286 plus interest at 3% per year, maturing January 2026. As of June 30, 2021, Mercy Care has received $503,143 under the promissory note which included $74,571 in interest.

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.

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

Mercy Care has had a management 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 and effective November 17, 2020 the first amendment to the contract continues through the expiration or termination of the ACC contract with AHCCCS or through September 30, 2023. 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. Under the terms of the agreements, Mercy Care pays a monthly fee to Aetna, as defined in the agreement, 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 $300,045,000 and $276,791,000 for the years ended June 30, 2021 and June 30, 2020, respectively. This amount is included in general and administrative expenses in the accompanying statements of activities and changes in net assets. At June 30, 2021 net management fees due to Aetna from Mercy Care total approximately $2,512,000 and are included in the net Due to Aetna in the accompanying statement of financial position. As of June 30, 2020, net management fees paid in advance and due from Aetna to Mercy Care totaled approximately $3,364,000, 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. Additionally, the management agreement provides for supplemental compensation to be paid to Aetna upon meeting certain performance measures. At June 30, 2021 and 2020, the amount Due to Aetna includes $3,469,000 and $11,152,000 respectively, for the share of risk related to the Plan’s performance. On November 17, 2020, the management agreement amendment states that Aetna agrees to relinquish $10,000,000 of the fiscal year 2020 plan risk share resulting in $1,152,000 paid to Aetna at December 31, 2020. At June 30, 2021 and 2020, Due to Aetna included $1,542,000 and $1,550,000 respectively, of supplemental compensation measured based on the performance of the Plan. The RBHA management agreement does not provide for a share of the risk of the results from operations.

The significant accounting policies followed by Mercy Care, referred to in these financial statements as the “Plan”, 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, *Health Care 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, 2021 and 2020, there were no net assets with donor restrictions.

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. A material estimate potentially susceptible to change in the near term relates to the claims payable liability.

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).

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

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 health care 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 health care services. Certain provisions of the AHCCCS Acute/ACC, 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, within other revenue in the accompanying statements of activities and changes in net assets, based on the operational performance of the AHCCCS ACC, ALTCS, RBHA, DES/DDD and DCS/CHP lines of business. 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 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, 2021 and 2020. 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

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, 2021, the Plan has recorded an estimated receivable from AHCCCS of approximately $100,697,000 and an estimated payable to AHCCCS of approximately $188,967,000 which is included in reconciliation receivables and reconciliation payables, respectively. As of June 30, 2020, the Plan has recorded an estimated receivable from AHCCCS of approximately $85,282,000 and an estimated payable to AHCCCS of approximately $74,430,000 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 a 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. As a result of claim experience due to the COVID-19 pandemic the estimated reconciliation payable is higher than prior fiscal year.

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

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, 2021, and 2020, 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, 2021 and 2020 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 totaled approximately $4,222,450,000 and $3,890,732,000 for the years ended June 30, 2021 and 2020, respectively.

Revenue recognition - Mercy Care adopted ASU No. 2014-09, *Revenue from Contracts with Customers* (ASC 606) for the year ended June 30, 2020. 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, ALTCS, MCA, DDD, CHP and RBHA, 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.

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, 2021 and 2020 as a significant reversal of the estimate is not considered probable.

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

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, totaled approximately $160,226,000 and $156,550,000 for the years ended June 30, 2021 and 2020, respectively. Based on the requirements of Mercy Care in its contracts with AHCCCS, grant revenue subject to conditions for the year ended June 30, 2021 and 2020 totaled $8,408,000 and $7,422,000, respectively. Mercy Care has determined that the conditions for the revenue recorded have been met as of June 30, 2021 and 2020.

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 $835,000 and $84,000 at June 30, 2021 and 2020, 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. Delivery revenue of approximately $45,521,000 and $46,242,000 was recognized for the years ended June 30, 2021 and 2020, respectively. As of June 30, 2021 and 2020, approximately $499,100 and $327,000, 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 NXIX/XXI payments, which are remitted directly to the Arizona Department of Insurance (ADOI).

Reinsurance - AHCCCS and DES/DDD 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 and DES/DDD 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 Acute/ACC, DES/DDD, ALTCS, DCS/CHP and Medicare Advantage Plan contracts. Reinsurance recoveries have been offset against health care expenses in the accompanying statements of activities and changes in net assets.

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

Below are the reinsurance thresholds by line of business:

Line of Business	Annual Deductible Effective October 1, 2021	Annual Deductible Effective October 1, 2020	Coinsurance
AHCCCS Acute/ACC – Prospective Only	$ 35,000	$ 35,000	75%
DES/DDD	50,000	50,000	75%
DCS/CHP – effective April 1, 2021	35,000	NA	75%
ALTCS w/Medicare	20,000	20,000	75%
ALTCS w/o Medicare	30,000	30,000	75%
RBHA SMI Membership	35,000	35,000	75%

Line of Business	Annual Deductible Effective January 1, 2021	Annual Deductible Effective January 1, 2020	Coinsurance
Mercy Care Medicare Advantage	$ 700,000	$ 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, 2021 and 2020, gross reinsurance receivables totaled approximately $62,438,000 and $73,217,000, respectively. Mercy Care also had an allowance for doubtful accounts of approximately $15,323,000 and $16,672,000 at June 30, 2021 and 2020, respectively.

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 health care expenses for estimated rebates due based on purchase information. During the years ended June 30, 2021 and 2020, health care expenses were reduced by approximately $35,087,000 and $35,413,000 for rebates, respectively. Pharmacy rebates receivable totaled approximately $20,650,000 and $31,732,000 at June 30, 2021 and 2020, respectively. Management believes the pharmacy rebate receivable at June 30, 2021 and 2020 is fully collectible and accordingly, an allowance has not been established.

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

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, 2021 and 2020, gross third-party liability receivables totaled approximately $7,296,000 and $6,484,000, respectively. Mercy Care also had an allowance for doubtful accounts of approximately $0 and $967,000 at June 30, 2021 and 2020, 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. At June 30, 2021 and 2020, Mercy Care gross provider advances receivable totaled approximately $9,425,000 and $7,790,000, respectively. Mercy Care had an allowance for doubtful provider advances of approximately $1,199,000 and $1,064,000 at June 30, 2021 and 2020, respectively.

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, 2021, and 2020, the Plan has recorded an estimated current receivable from CMS of approximately $13,394,000 and $10,342,000, respectively. Risk share settlement receivables at June 30, 2021 and 2020 are considered by management to be fully collectible and accordingly, an allowance for doubtful accounts has not been provided.

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 $14,502,000 and $15,411,000 for the years ended June 30, 2021 and 2020, respectively, which are included as capitation premiums in the accompanying statements of activities and changes in net assets. As of June 30, 2021, the Plan recorded a receivable of $4,727,000 for Medicare Part D settlements relating to contract year 2020, and $7,212,000 relating to contract year 2021, which is included in capitation receivable in the accompanying statement of financial position. The settlement for contract year 2019 was completed in November 2020 with CMS recouping from Mercy Care approximately $5,830,000. As of June 30, 2021, $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 2021 and 2020 are expected to be finalized in fiscal 2022. As of June 30, 2020, the Plan recorded $6,171,000 for Medicare Part D settlements relating to contract year 2019, which is included in other current liabilities in the accompanying statement of financial position.

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

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, 2021 and 2020, 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 year ended June 30, 2021, Mercy Care recorded $4,242,000 for expected losses within its Medicare contract. No premium deficiency reserve was recorded for the year ended June 30, 2020.

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.

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 health care 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 $24,027,000 and $27,732,000 for the years ended June 30, 2021 and 2020, respectively, and is included within health care expenses in the accompanying statements of activities and changes in net assets. Mercy Care accrued approximately $21,082,000 and $23,914,000 as of June 30, 2021 and 2020, 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.

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

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.

Investment securities in general, are exposed to various risks, such as interest rate, credit, 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 measurements - FASB ASC 820, *Fair Value Measurements*, establishes a common definition for 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, 2021 and 2020. 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, 2021 and 2020, the Plan did not have any uncertain tax positions.

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

Mercy Care Returns of Organization Exempt from Income Tax (Form 990) for 2018, 2019, and 2020 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 2021 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 November 10, 2021, which is the date the financial statements were available to be issued.

(2) Reconciliation

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):

	2021		2020	
	Reconciliation Receivable	Reconciliation Payable	Reconciliation Receivable	Reconciliation Payable
ACC	$ 47,900	$ 104,909	$ 40,726	$ 55,953
ALTCS	37,277	6,281	15,827	1,111
DDD	1,197	8,948	532	5,133
DCS	700	-	-	-
RBHA	13,623	68,829	28,197	12,233
Total	100,697	188,967	85,282	74,430
Less current portion	(82,199)	(128,791)	(76,015)	(9,732)
Non-current portion	$ 18,498	$ 60,176	$ 9,267	$ 64,698

(3) Investments

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

	2021		2020	
	Cost	Fair Value	Cost	Fair Value
Short-term:				
Marketable equity securities	$ 69,565	$ 69,564	$ 48,139	$ 48,319
Money Market Instruments	1,500	1,500	-	-
Corporate bonds	10,466	10,502	3,082	3,069
	81,531	81,566	51,221	51,388
Long-term:				
Marketable equity securities	155,500	229,809	128,730	158,232
U.S. Government securities	124,573	125,126	103,557	108,371
Corporate bonds	95,556	95,550	60,772	62,311
Mortgage-backed securities	46,059	46,094	31,312	31,440
	421,688	496,579	324,371	360,354
	$ 503,219	$ 578,145	$ 375,592	$ 411,742

(3) Investments (continued)

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, 2021 and 2020, the Plan recorded no losses for other-than-temporary declines in the fair value of investments.

The following table summarizes the unrealized losses on investments held at June 30, 2021 (in thousands):

	Less than twelve months		Twelve months or longer		Total	
Description of securities	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
U.S. Government securities	$ -	$ -	$ 59,201	$ 723	$ 59,201	$ 723
Marketable equity securities	-	-	4,648	209	4,648	209
Corporate bonds	3,829	34	57,014	711	60,843	745
Mortgage-backed securities	-	-	26,986	263	26,986	263
Preferred securities	-	-	-	-	-	-
Total	$ 3,829	$ 34	$ 147,849	$ 1,906	$ 151,678	$ 1,940

The following table summarizes the unrealized losses on investments held at June 30, 2020 (in thousands):

	Less than twelve months		Twelve months or longer		Total	
Description of securities	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
U.S. Government securities	$ -	$ -	$ 3,191	$ 32	$ 3,191	$ 32
Marketable equity securities	-	-	28,796	3,423	28,796	3,423
Corporate bonds	1,347	29	5,213	92	6,560	121
Mortgage-backed securities	-	-	6,451	295	6,451	295
Preferred securities	-	-	-	-	-	-
Total	$ 1,347	$ 29	$ 43,651	$ 3,842	$ 44,998	$ 3,871

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 measurements

The following table sets forth by level, within the fair value hierarchy, the Plan's investments at fair value as of June 30, 2021 (in thousands):

	Level 1	Level 2	Level 3	Total
Investments:				
U.S. Government securities	$ -	$ 125,126	$ -	$ 125,126
Marketable equity securities				
U.S. large cap	229,809	-	-	229,809
Money market mutual funds	57,020	-	-	57,020
Other	14,044	-	-	14,044
Total marketable equity securities	300,873	-	-	300,873
Corporate bonds	-	106,052	-	106,052
Mortgage-backed securities	-	46,094	-	46,094
Total investments	$ 300,873	$ 277,272	$ -	$ 578,145

The following table sets forth by level, within the fair value hierarchy, the Plan's investments at fair value as of June 30, 2020 (in thousands):

	Level 1	Level 2	Level 3	Total
Investments:				
U.S. Government securities	$ -	$ 108,371	$ -	$ 108,371
Marketable equity securities				
U.S. large cap	158,232	-	-	158,232
Money market mutual funds	36,809	-	-	36,809
Other	11,510	-	-	11,510
Total marketable equity securities	206,551	-	-	206,551
Corporate bonds	-	65,379	-	65,379
Mortgage-backed securities	-	31,441	-	31,441
Total investments	$ 206,551	$ 205,191	$ -	$ 411,742

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, 2021 and 2020, claims outstanding to third parties for health care services provided to members, including estimates for incurred but not reported claims, were approximately $367 million and $272 million, respectively. The balances were certified by an actuary. Activity in the liability for claims payable and health care expense for the years ended June 30, 2021 and 2020 is as follows (in thousands):

	2021	2020
Claims unpaid at beginning of year prior to reinsurance recoverable	$ 328,174	$ 297,922
Reinsurance recoverable, beginning of year	(56,545)	(25,948)
Claims unpaid, beginning of year	271,629	271,974
Incurred related to:		
Current year	3,297,110	3,053,399
Prior years	(43,480)	(41,198)
Total incurred	3,253,630	3,012,201
Paid related to:		
Current year	(2,881,184)	(2,721,816)
Prior years	(229,885)	(234,185)
Total paid	(3,111,069)	(2,956,001)
Claims unpaid at end of year prior to reinsurance recoverable	414,190	328,174
Reinsurance recoverable, end of year	(47,115)	(56,545)
Claims unpaid, end of year	$ 367,075	$ 271,629

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, 2020 was more than the actual claims incurred related to fiscal year 2020 and prior by approximately $220,000 or 0.08% 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 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, 2021 and 2020 totaled approximately $7,205,000 and $7,017,000 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 2020, Dignity Health and Ascension Health sold all ownership share in Tenet Healthcare Corporation. Mercy Care paid approximately $241,690,000 in 2021 and $242,217,000 in 2020 to Dignity Health and its affiliates. These balances include net prospective provider advance payments made to Dignity. Provider advances to Dignity amounted to approximately $5,148,000 and $4,129,000 at June 30, 2021 and 2020, respectively. During the year ended June 30, 2021 Mercy Care made distributions to Dignity and Ascension Health of $49,750,000 each and $500,000 to Equality Health. The $500,000 to Equality Health was applied to the note receivable for the 0.5% member interest.

(7) Commitments and contingencies

Performance bonds - Mercy Care obtains unsecured surety bonds to satisfy the AHCCCS ACC, ALTCS, DES/DDD, RBHA and Medicare performance bond requirements. The following table sets forth the Mercy Care contract requirement and the Performance Bond amounts at June 30, 2021:

Line of Business	AHCCCS Minimum Requirement	Performance Bond Amount		Effective Date
ACC	90% of Capitation Revenue	$	145,000,000	10/1/2020
ALTCS	90% of Capitation Revenue	$	58,000,000	10/1/2020
DDD	90% of Capitation Revenue	$	14,500,000	10/1/2020
Medicare	$1,050 PMPM	$	18,200,000	1/1/2021
DCS	90% of Capitation Revenue	$	18,500,000	4/1/2021
RBHA	90% of Capitation Revenue	$	91,000,000	10/1/2020

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 maintain 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 $10 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, ALTCS and RBHA 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, 2021 and June 30, 2020, Mercy Care approved amounts that resulted in grants to providers of approximately $5,799,000 and $2,176,000, to be spent on various healthcare community projects. These amounts are included in non-operating expenses in the accompanying statements of activities and changes in net assets. At June 30, 2021 and 2020, respectively, Mercy Care has recorded a liability for unspent Community Reinvestment program funds of approximately $7,011,000 and $2,298,000, 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, 2021 and 2020, Mercy Care was in compliance with these 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.

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, 2021 and 2020. As of June 30, 2021, Mercy Care anticipates meeting the required encounter threshold for the contract years ending September 30, 2021 and 2020. Accordingly, as of June 30, 2021, Mercy Care has not recorded a liability associated with an encounter sanction. As of June 30, 2020, Mercy Care anticipated meeting the required encounter threshold for the contract year ending September 30, 2020. Accordingly, as of June 30, 2020, Mercy Care has not recorded a liability associated with an encounter sanction.

(7) Commitments and contingencies (continued)

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, 2021 and 2020 of $38,000 and $203,000, 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. Mercy Care’s operations for the year’s ended June 30, 2021 and 2020 have not been significantly impacted; however, Mercy Care continues to monitor the situation. No impairments were recorded for the year’s ended June 30, 2021 and 2020 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. The COVID-19 outbreak has triggered volatility in financial markets and a negative impact on the global economy. The extent of the impact of COVID-19 on Mercy Care’s operational and financial performance will depend on certain developments and the financial markets volatility may have an adverse impact on Mercy Care’s investment portfolio depending on the duration and severity of the pandemic.

(8) Concentration of credit risk

Mercy Care’s future contract awards are contingent upon the continuation of the AHCCCS ACC, DES/DDD, DCS/CHP, ALTCS and RBHA 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, 2021 with three (3) two-year options to extend, not to exceed a total contracting period of nine years per the AHCCCS amendment effective October 1, 2020.

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. The DES/DDD contract was renewed through September 30, 2022. Mercy Care’s Medicare Advantage contract is renewed annually by CMS. Mercy Care’s RBHA contract with AHCCCS has been renewed through September 30, 2022. On August 4, 2021, AHCCCS published the notice of competitive contract expansion as a request for proposal to provide RBHA contract services beginning October 1, 2022. With the competitive contract expansion, AHCCCS intends to expand the provision of services for one AHCCCS Complete Care (ACC) Contractor in each Geographic Service Area (GSA) to include integrated services for Title XIX/XXI eligible individuals with a Serious Mental Illness (SMI) designation utilizing a competitive process called a Competitive Contract Expansion (CCE). The effective date for this change will be October 1, 2022. The Contract expansion will also include administration of Non-Title XIX/XXI funded services including but not limited to: crisis services, grant funded services, and Court Ordered Evaluations (COE). Mercy Care submitted its proposal to AHCCCS on October 4, 2021. AHCCCS expects to award the contract by November 15, 2021.

Mercy Care was awarded a new DCS/CHP contract effective April 1, 2021, for an initial period of three years with five renewal periods: two renewal 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.

The following table summarizes the functional expenses at June 30, 2021 (in thousands):

	Program Services	Management & General	Total Expenses
Hospitalization	$ 523,977	$ -	$ 523,977
Medical compensation	430,753	-	430,753
Ancillary and other medical services	2,333,779	-	2,333,779
Institutional	198,699	-	198,699
Home and community based services	239,498	-	239,498
Premium tax expense	-	78,276	78,276
Management fees	-	295,055	295,055
Other expenses	-	33,193	33,193
Total expenses	$ 3,726,706	$ 406,524	$ 4,133,230

The following table summarizes the functional expenses at June 30, 2020 (in thousands):

	Program Services	Management & General	Total Expenses
Hospitalization	$ 449,688	$ -	$ 449,688
Medical compensation	347,845	-	347,845
Ancillary and other medical services	2,184,645	-	2,184,645
Institutional	222,245	-	222,245
Home and community based services	245,017	-	245,017
Premium tax expense	-	67,518	67,518
Management fees	-	289,415	289,415
Other expenses	-	30,405	30,405
Total expenses	$ 3,449,440	$ 387,338	$ 3,836,778

(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, 2021, 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 cash equivalents	$	226,978
Receivables		191,484
Investments		578,145
Financial assets available to meet cash needs for general expenditure within one year	$	996,607

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

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INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION

To the Board of Directors of

MERCY CARE

Report on Supplemental Information

We have audited the accompanying supplemental statement of activities and supplemental statement of activities - schedule A as defined in the Regional Behavioral Health Authority contract between ***Mercy Care*** and AHCCCS, for the year ended June 30, 2021 (collectively, the "Supplemental Information").

Management's Responsibility for the Supplemental Information

Management is responsible for the preparation and fair presentation of the supplemental information in accordance with the AHCCCS contracts; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of supplemental information that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the supplemental information based on our audit. We conducted our audit in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the supplemental information is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the supplemental information. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the supplemental information, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the supplemental information in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the supplemental information.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the supplemental information including the supplemental statement of activities and supplemental statement of activities - schedule A for the year ended June 30, 2021, referred to above present fairly, in all material respects, the activities of ***Mercy Care*** for the year ended June 30, 2021, as defined in the AHCCCS contract referred to in the first paragraph.

This report is intended solely for the information and use of the Board of Directors, management of ***Mercy Care***, others within the entity and AHCCCS, and is not intended to be and should not be used by anyone other than these specified parties.

Mayer Hoffman McCann P.C.

November 10, 2021

Mercy Care

Statement Of Activities

Fiscal Year Ending June 30, 2021

	Member Months	TXIX/XXI CMDP Child	TXIX/XXI SMI	TXIX/XXI Other Child (Crisis)	TXIX/XXI Other Adult (Crisis)	Total TXIX/XXI	NTXIX/XXI Crisis	NTXIX/XXI SMI Services	NTXIX/XXI Other	NTXIX/XXI SMI Housing	Supported Housing	Housing Trust Fund	MHBG SED	MHBG SMI	MHBG FEP	SABG	Other Federal	County	PASRR	Total NTXIX/XXI	Total TXIX/XXI and NTXIX/XXI	Mgmt & Gen	Grand Total
00999	**Total Member Months**	72,849	308,271	5,990,555	7,364,703	13,736,378																	
	REVENUE																						
40105-01	Capitation	$ 62,755,500	$ 796,637,529	$ 5,732,526	$ 92,125,245	$ 957,250,800	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 957,250,800	$ -	$ 957,250,800
40115-01	Alternative Payment Model Initiatives Reconciliation/Settlement	-	2,498,569	-	-	2,498,569	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,498,569	-	2,498,569
40135-01	Title XIX/XXI Reconciliation Settlement	-	(45,402,281)	-	-	(45,402,281)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(45,402,281)	-	(45,402,281)
40145-01	Other Reconciliation Settlements*	-	(108,244)	706,580	-	598,337	-	-	-	-	-	-	-	-	-	-	-	-	-	-	598,337	-	598,337
40160-01	Health Insurance Provider Fee Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
40205-01	Non-Title XIX/XXI Revenue	-	-	-	-	-	8,928,536	28,216,098	468,828	19,584,663	2,814,144	-	5,961,908	3,999,763	448,186	17,188,547	8,890,752	63,330,198	89,700	159,921,324	159,921,324	-	159,921,324
40210-01	Specialty and Other Grants*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
40215-01	Non-Title XIX/XXI Profit Limit	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
40305-01	Investment Income	-	1,895,941	-	-	1,895,941	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,895,941	-	1,895,941
40310-01	Other Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	394,354	394,354
49999	**TOTAL REVENUE**	62,755,500	755,521,516	6,439,106	92,125,245	916,841,366	8,928,536	28,216,098	468,828	19,584,663	2,814,144	-	5,961,908	3,999,763	448,186	17,188,547	8,890,752	63,330,198	89,700	159,921,324	1,076,762,691	394,354	1,077,157,045
	EXPENSES																						
	Behavioral Health (BH) Medical Expenses:																						
	Treatment Services																						
60105-01	Counseling																						
	a Counseling, Individual	3,809,272	15,712,776	-	-	19,522,048	-	363,904	-	-	-	-	1,684,269	1,816,873	-	674,974	-	1,321,342	-	5,861,361	25,383,410	-	25,383,410
	b Counseling, Family	2,181,607	379,820	-	-	2,561,427	-	12,596	-	-	-	-	326,211	20,095	-	14,984	-	142,707	-	516,594	3,078,021	-	3,078,021
	c Counseling, Group	323,891	2,130,728	-	-	2,454,619	-	75,504	-	-	-	-	283,094	168,568	-	269,375	-	578,885	-	1,375,426	3,830,044	-	3,830,044
60105-05	Assessment, Evaluation and Screening	3,235,430	19,419,258	-	-	22,654,689	-	1,726,673	-	-	-	-	601,391	155,887	-	369,934	-	4,205,043	-	7,058,929	29,713,618	-	29,713,618
60105-10	Other Professional	262,457	9,539,958	-	-	9,802,415	-	76,646	57,823	-	-	-	21,660	-	-	730,366	-	841,912	-	1,728,407	11,530,822	-	11,530,822
60199	**Total Treatment Services**	9,812,657	47,182,541	-	-	56,995,198	-	2,255,323	57,823	-	-	-	2,916,625	2,161,423	-	2,059,634	-	7,089,890	-	16,540,717	73,535,915	-	73,535,915
	Rehabilitation Services																						
60205-01	Living Skills Training	6,469,065	23,515,383	-	-	29,984,448	-	906,664	271	-	-	-	500,873	122,493	-	37,779	-	1,503,961	-	3,072,042	33,056,490	-	33,056,490
60205-05	Cognitive Rehabilitation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
60205-10	Health Promotion	140,170	9,148,563	-	-	9,288,733	-	379,738	-	-	-	-	50,700	358,279	-	10,646	-	552,432	-	1,351,795	10,640,528	-	10,640,528
60205-15	Supported Employment Services	69,197	10,904,796	-	-	10,973,993	-	581,614	-	-	-	-	4,061	40,730	-	3,015	-	778,197	-	1,407,617	12,381,610	-	12,381,610
60299	**Total Rehabilitation Services**	6,678,432	43,568,742	-	-	50,247,174	-	1,868,017	271	-	-	-	555,634	521,502	-	51,440	-	2,834,590	-	5,831,453	56,078,628	-	56,078,628
	Medical Services																						
60305-01	Medication Services	-	1,705,449	-	-	1,705,449	-	63,271	-	-	-	-	-	3,538	-	1,782,669	-	1,240,367	-	3,089,845	4,795,294	-	4,795,294
60305-05	Medical Management	3,950	5,847,420	-	-	5,851,371	-	475,693	359,369	-	-	-	549	27,694	-	314,454	-	725,063	-	1,902,822	7,754,193	-	7,754,193
60305-10	Laboratory, Radiology and Medical Imaging	9,770	826,523	-	-	836,293	-	38,963	-	-	-	-	-	-	-	218,866	-	365,169	-	622,998	1,459,291	-	1,459,291
60305-15	Electro-Convulsive Therapy	87,330	725,561	-	-	812,891	-	-	-	-	-	-	-	-	-	-	-	-	-	-	812,891	-	812,891
60399	**Total Medical Services**	101,050	9,104,954	-	-	9,206,004	-	577,926	359,369	-	-	-	549	31,232	-	2,315,989	-	2,330,599	-	5,615,665	14,821,669	-	14,821,669
	Support Services																						
60405-01	Case Management	12,150,200	80,269,008	-	-	92,419,208	-	5,634,025	19,375	-	-	-	1,476,059	652,406	-	500,718	-	8,416,175	-	16,698,759	109,117,966	-	109,117,966
60405-05	Personal Care Services	5,302	16,201,140	-	-	16,206,442	-	355,521	-	-	-	-	-	87,214	-	-	-	473,907	-	916,642	17,123,083	-	17,123,083
60405-10	Family Support	1,254,699	468,057	-	-	1,722,756	-	40,193	19	-	-	-	180,439	3,862	-	735	-	105,531	-	330,778	2,053,534	-	2,053,534
60405-15	Peer Support	19,893	6,395,660	-	-	6,415,553	-	418,043	2,951	-	-	-	120,569	15,633	-	50,940	-	613,955	-	1,222,091	7,637,644	-	7,637,644
60405-20	Home Care Training to Home Care Client	2,335,216	773,532	-	-	3,108,748	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,108,748	-	3,108,748
60405-25	Unskilled Respite Care	441,629	1,710,911	-	-	2,152,540	-	2,458	-	-	-	-	1,091	-	-	-	-	3,246	-	6,794	2,159,334	-	2,159,334
60405-30	Supported Housing*	-	-	-	-	-	-	-	-	17,759,463	2,598,018	-	-	-	-	-	-	-	-	20,357,481	20,357,481	-	20,357,481
60405-35	Reserved for Future Use																						
60405-40	Transportation	975,201	25,458,739	-	-	26,433,940	-	888,972	5,406	-	-	-	2,943	14,998	-	90,258	-	2,324,753	-	3,327,330	29,761,270	-	29,761,270
60499	**Total Support Services**	17,182,141	131,277,046	-	-	148,459,187	-	7,339,211	27,750	17,759,463	2,598,018	-	1,781,101	774,112	-	642,651	-	11,937,567	-	42,859,874	191,319,061	-	191,319,061
	Crisis Intervention Services																						
60505-01	Crisis Intervention - Mobile	421,816	515,329	4,896,542	4,681,502	10,515,190	1,965,715	979	-	-	-	-	-	-	-	11,575	-	1,078,637	-	3,056,906	13,572,095	-	13,572,095
60505-05	Crisis Intervention - Stabilization	-	9,082,649	2,867	60,888,585	69,974,100	4,232,967	125,815	-	-	-	-	-	-	-	166,495	-	2,479,339	-	7,004,617	76,978,717	-	76,978,717
60505-10	Crisis Intervention - Telephone	-	700,439	-	3,958,125	4,658,564	2,044,142	130,944	-	-	-	-	-	-	-	-	-	1,286,149	-	3,461,236	8,119,800	-	8,119,800
60599	**Total Crisis Intervention Services**	421,816	10,298,416	4,899,409	69,528,212	85,147,854	8,242,824	257,739	-	-	-	-	-	-	-	178,070	-	4,844,125	-	13,522,758	98,670,612	-	98,670,612
	Inpatient Services																						
60605-01	Hospital																						
	a Psychiatric (Provider Types 02 & 71)	4,764,738	87,257,117	-	-	92,021,855	-	-	-	-	-	-	-	-	-	-	-	23,423,479	-	23,423,479	115,445,334	-	115,445,334
	b Detoxification (Provider Types 02 & 71)	15,884	760,395	-	-	776,279	-	-	-	-	-	-	-	-	-	-	-	-	-	-	776,279	-	776,279
60605-05	Sub acute Facility																						
	a Psychiatric (Provider Types B5 & B6)	282,171	24,209,979	-	-	24,492,151	-	512,378	-	-	-	-	-	-	-	-	-	1,575,284	-	2,087,662	26,579,813	-	26,579,813
	b Detoxification (Provider Types B5 & B6)	-	602,104	-	-	602,104	-	6,299	-	-	-	-	-	-	-	-	-	406,882	-	413,182	1,015,286	-	1,015,286
60605-10	Residential Treatment Center (RTC)																						
	a Psychiatric - Secure & Non-Secure Provider Types 78,B1,B2,B3)	6,247,848	39,334	-	-	6,287,182	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6,287,182	-	6,287,182
	b Detoxification - Secure & Non-Secure (Provider Types (78,B1,B2,B3)	1,082	-	-	-	1,082	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,082	-	1,082
60605-15	Inpatient Services, Professional	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
60699	**Total Inpatient Services**	11,311,724	112,868,929	-	-	124,180,653	-	518,677	-	-	-	-	-	-	-	-	-	25,405,646	-	25,924,323	150,104,976	-	150,104,976
	Residential Services																						
60705-01	Behavioral Health Residential Facilities	2,661,454	57,727,444	-	-	60,388,898	-	222,784	-	-	-	-	-	-	-	5,097,702	-	294,274	-	5,614,761	66,003,659	-	66,003,659
60705-05	Reserved for Future Use																						
60705-10	Room and Board	-	-	-	-	-	-	2,832,603	-	-	-	-	10,984	-	-	3,025,685	-	-	-	5,869,272	5,869,272	-	5,869,272
60799	**Total Residential Services**	2,661,454	57,727,444	-	-	60,388,898	-	3,055,387	-	-	-	-	10,984	-	-	8,123,387	-	294,274	-	11,484,032	71,872,930	-	71,872,930
	Behavioral Health Day Program																						
60805-01	Supervised Day Program	-	644,893	-	-	644,893	-	44,092	8,973	-	-	-	663	-	-	-	-	61,511	-	115,238	760,131	-	760,131
60805-05	Therapeutic Day Program	18,285	515,935	-	-	534,220	-	19,536	-	-	-	-	-	1,018	-	6,689	-	35,988	-	63,231	597,451	-	597,451
60805-10	Medical Day Program	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
60899	**Total Behavioral Health Day Program**	18,285	1,160,828	-	-	1,179,114	-	63,628	8,973	-	-	-	663	1,018	-	6,689	-	97,499	-	178,469	1,357,582	-	1,357,582
	Prevention Services																						
60905-01	Prevention	-	-	-	-	-	-	-	-	-	-	-	-	-	-	821,106	-	-	-	821,106	821,106	-	821,106
60905-05	HIV	-	-	-	-	-	-	-	-	-	-	-	-	-	-	907,262	-	-	-	907,262	907,262	-	907,262
60999	**Total Prevention Services**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,728,368	-	-	-	1,728,368	1,728,368	-	1,728,368
	BH Pharmacy Expenses																						
61005-01	BH Pharmacy Expense	1,494,414	95,392,753	-	-	96,887,167	-	9,825,446	1,056	-	-	-	-	-	-	-	-	-	-	9,826,502	106,713,669	-	106,713,669
61099	**Total Pharmacy Expense**	1,494,414	95,392,753	-	-	96,887,167	-	9,825,446	1,056	-	-	-	-	-	-	-	-	-	-	9,826,502	106,713,669	-	106,713,669
61100-01	PPC BH Title XIX	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
61105-01	Other Service Expenses Not Reported Above*	-	2,172,034	-	-	2,172,034	-	336,970	-	340,771	-	-	24,638	177,095	415,826	295,944	7,868,170	-	89,700	9,549,114	11,721,148	376,737	12,097,885
61205-01	BH FQHC/RHC Services	125,663	890,710	-	-	1,016,372	-	0	-	-	-	-	-	-	-	-	-	0	-	0	1,016,372	-	1,016,372
61299	**Subtotal BH Medical Expenses**	49,807,636	511,644,397	4,899,409	69,528,212	635,879,654	8,242,824	26,098,323	455,242	18,100,234	2,598,018	-	5,290,193	3,666,382	415,826	15,402,172	7,868,170	54,834,190	89,700	143,061,275	778,940,929	376,737	779,317,666
61305-01	Specialty and Other Grant Expenses*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
69998	**Total BH Medical Expenses**	49,807,636	511,644,397	4,899,409	69,528,212	635,879,654	8,242,824	26,098,323	455,242	18,100,234	2,598,018	-	5,290,193	3,666,382	415,826	15,402,172	7,868,170	54,834,190	89,700	143,061,275	778,940,929	376,737	779,317,666
59999	**Total PH Medical Expenses (details below)**	613,009	168,052,627	-	-	168,665,635	-	-	-	-	-	-	-	-	-	-	-	-	-	-	168,665,635	-	168,665,635
69999	**Total BH and PH Medical Expenses**	50,420,645	679,697,023	4,899,409	69,528,212	804,545,290	8,242,824	26,098,323	455,242	18,100,234	2,598,018	-	5,290,193	3,666,382	415,826	15,402,172	7,868,170	54,834,190	89,700	143,061,275	947,606,564	376,737	947,983,302
70105-01	Less: Reinsurance	-	(10,972,069)	-	-	(10,972,069)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(10,972,069)	-	(10,972,069)
70205-02	Less: Third Party Liability	-	(481,700)	-	-	(481,700)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(481,700)	-	(481,700)
70305-01	Less: Claims Overpayment Recoveries	-	(4,928,297)	-	-	(4,928,297)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(4,928,297)	-	(4,928,297)
70310-05	Less: Pharmacy Rebates	(22,057)	(854,462)	-	-	(876,519)	-	(68,896)	-	-	-	-	-	-	-	-	-	-	-	(68,896)	(945,414)	-	(945,414)
70310-10	Less: Pharmacy Performance Guarantees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
85999	**Total Net Medical Expense**	50,398,588	662,460,495	4,899,409	69,528,212	787,286,704	8,242,824	26,029,428	455,242	18,100,234	2,598,018	-	5,290,193	3,666,382	415,826	15,402,172	7,868,170	54,834,190	89,700	142,992,379	930,279,083	376,737	930,655,821

See Independent Auditors' Report on Supplemental Information
Amounts expressed in whole dollars, differences are due to rounding

Mercy Care

Statement Of Activities

Fiscal Year Ending June 30, 2020

	Member Months	TXIX/XXI CMDP Child	TXIX/XXI SMI	TXIX/XXI Other Child (Crisis)	TXIX/XXI Other Adult (Crisis)	Total TXIX/XXI	NTXIX/XXI Crisis	NTXIX/XXI SMI Services	NTXIX/XXI Other	NTXIX/XXI SMI Housing	Supported Housing	Housing Trust Fund	MHBG SED	MHBG SMI	MHBG SMI	SABG	Other Federal	County	PASRR	Total NTXIX/XXI	Total TXIX/XXI and NTXIX/XXI	Mgmt & Gen	Grand Total
00999	**Total Member Months**	72,849	308,271	5,990,555	7,364,703	11,744,897																	
	Physical Health (PH) Medical Expenses																						
	Hospitalization																						
50105-01	Hospital Inpatient	-	31,511,871	-	-	31,511,871	-	-	-	-	-	-	-	-	-	-	-	-	-	-	31,511,871	-	31,511,871
50110-01	Behavioral Health Hospital Inpatient	-	1,859	-	-	1,859	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,859	-	1,859
50199	**Total Hospitalization**	-	31,513,731	-	-	31,513,731														-	31,513,731	-	31,513,731
	Medical Compensation																						
50205-01	Primary Care Physician Services	613,009	30,256,208	-	-	30,869,216	-	-	-	-	-	-	-	-	-	-	-	-	-	-	30,887,248	-	30,887,248
50210-01	Behavioral Health Physician Services	-	438,095	-	-	438,095	-	-	-	-	-	-	-	-	-	-	-	-	-	-	438,095	-	438,095
50215-01	Referral Physician Services	-	5,503,001	-	-	5,503,001	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,503,001	-	5,503,001
50220-01	PH FQHC/RHC Services	-	0	-	-	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0	-	0
50225-01	Other Professional Services	-	5,673,589	-	-	5,673,589	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,673,589	-	5,673,589
50299	**Total Medical Compensation**	613,009	41,870,893	-	-	42,483,901														-	42,501,933	-	42,501,933
	Other Medical Expenses																						
50305-01	Emergency Facility Services	-	8,301,725	-	-	8,301,725	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8,301,725	-	8,301,725
50310-01	PH Pharmacy	-	47,485,884	-	-	47,485,884	-	-	-	-	-	-	-	-	-	-	-	-	-	-	47,485,884	-	47,485,884
50315-01	Laboratory, Radiology & Medical Imaging	-	3,916,946	-	-	3,916,946	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,916,946	-	3,916,946
50320-01	Outpatient Facility	-	15,515,050	-	-	15,515,050	-	-	-	-	-	-	-	-	-	-	-	-	-	-	15,515,050	-	15,515,050
50325-01	Durable Medical Equipment	-	201,558	-	-	201,558	-	-	-	-	-	-	-	-	-	-	-	-	-	-	201,558	-	201,558
50330-01	Dental	-	651,176	-	-	651,176	-	-	-	-	-	-	-	-	-	-	-	-	-	-	651,176	-	651,176
50335-01	Transportation	-	7,256,350	-	-	7,256,350	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7,256,350	-	7,256,350
50340-00	Nursing Facility, Home Health Care	-	948,510	-	-	948,510	-	-	-	-	-	-	-	-	-	-	-	-	-	-	948,510	-	948,510
50345-01	Therapies	-	8,303	-	-	8,303	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8,303	-	8,303
50350-01	Alternative Payment Model Performance Based Payments to Providers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
50370-01	Other Medical Expenses	-	10,382,501	-	-	10,382,501	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10,382,501	-	10,382,501
50399	**Total Other Medical Expenses**	-	94,668,003	-	-	94,668,003	-	-	-	-	-	-	-	-	-	-	-	-	-	-	94,668,003	-	94,668,003
59999	**Total Physical Health Expense**	613,009	168,052,627	-	-	168,665,635	-	-	-	-	-	-	-	-	-	-	-	-	-	-	168,683,667	-	168,683,667
	Administrative Expenses:																						
80105-01	Compensation	1,460,149	17,345,895	163,137	2,084,869	21,054,050	207,219	661,359	11,139	449,016	65,376	-	135,685	89,486	11,538	397,378	207,068	1,456,400	-	3,691,664	24,745,714	-	24,745,714
80205-01	Occupancy	84,046	995,344	9,361	119,608	1,208,358	11,894	37,963	641	25,775	3,753	-	7,768	5,225	557	22,797	11,890	83,596	-	211,859	1,420,217	-	1,420,217
80305-01	Depreciation	4	43	-	5	52	1	2	0	1	0	-	0	0	0	1	1	4	-	9	61	-	61
80405-01	Care Management/Care Coordination	624,287	7,600,910	71,485	914,790	9,211,472	90,596	288,908	4,760	196,127	28,555	-	60,468	40,653	4,458	174,394	90,239	636,505	-	1,615,662	10,827,134	-	10,827,134
80505-01	Professional and Outside Services	1,910,006	23,861,971	224,182	2,872,617	28,868,777	283,485	903,291	14,553	613,137	89,268	-	192,750	131,478	12,590	547,735	281,469	1,990,977	-	5,060,732	33,929,509	-	33,929,509
80605-01	Office Supplies and Equipment	143,752	1,715,730	16,136	206,265	2,081,882	20,487	65,376	1,097	44,385	6,462	-	13,464	8,979	1,050	39,316	20,459	143,979	-	365,053	2,446,935	-	2,446,935
80705-01	Travel	3,205	37,952	357	4,561	46,074	454	1,448	24	983	143	-	296	198	23	869	453	3,187	-	8,078	54,152	-	54,152
80805-01	Repair and Maintenance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
80905-01	Bank Service Charge	-	532,344	-	-	532,344	-	-	-	-	-	-	-	-	-	-	-	-	-	-	532,344	-	532,344
81005-01	Insurance	4,469	222,329	504	6,438	233,739	639	2,039	34	1,384	202	-	421	280	34	1,227	638	4,491	-	11,390	245,130	-	245,130
81105-01	Marketing	83,695	1,130,652	8,765	111,609	1,334,721	11,203	35,836	639	24,338	3,544	-	6,949	4,616	527	21,261	11,293	78,818	-	199,026	1,533,747	-	1,533,747
81205-01	Interest	-	169,995	-	-	169,995	-	-	-	-	-	-	-	-	-	-	-	-	-	-	169,995	-	169,995
81305-01	Pharmacy Benefit Manager Expenses	-	2,709,134	-	-	2,709,134	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,709,134	-	2,709,134
81405-01	Fraud Reduction Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
81505-01	Third Party Activities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
81605-01	Sub Capitation Block Administration	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
81705-01	Health Care Quality Improvement	263,555	3,241,120	30,482	390,291	3,925,448	38,597	123,043	2,009	83,525	12,161	-	25,958	17,418	1,962	74,410	38,395	271,131	-	688,607	4,614,055	-	4,614,055
82505-01	Interpretation/Translation Services	145,582	1,773,509	16,679	213,453	2,149,225	21,138	67,406	1,110	45,759	6,662	-	14,114	9,463	1,067	40,693	21,053	148,506	-	376,970	2,526,195	-	2,526,195
83005-01	Other Administrative Expenses*	-	362,881	-	-	362,881	-	-	-	-	-	-	-	-	-	-	-	-	-	-	362,881	30,139	393,020
83999	**Subtotal Administrative Expenses**	4,722,750	61,699,808	541,089	6,924,506	73,888,152	685,712	2,186,670	36,006	1,484,429	216,126	-	457,874	307,797	33,806	1,320,080	682,957	4,817,593	-	12,229,050	86,117,203	30,139	86,147,342
83105-01	Non-Title XIX/XXI Encounter Valuation Sanctions*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
83205-01	Admin Expenses from Specialty and Other Grants*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
84999	**Total Administrative Expense**	4,722,750	61,699,808	541,089	6,924,506	73,888,152	685,712	2,186,670	36,006	1,484,429	216,126	-	457,874	307,797	33,806	1,320,080	682,957	4,817,593	-	12,229,050	86,117,203	30,139	86,147,342
86999	**Total Expenses**	55,121,338	724,160,303	5,440,498	76,452,718	861,174,857	8,928,536	28,216,098	491,248	19,584,663	2,814,144	-	5,748,067	3,974,178	449,632	16,722,252	8,551,127	59,651,783	89,700	155,221,429	1,016,396,286	406,876	1,016,803,162
87999	**Profit (Loss) from Operations**	7,634,162	31,361,213	998,608	15,672,527	55,666,510	-	(0)	(22,420)	0	-	-	213,840	25,585	(1,446)	466,295	339,626	3,678,415	-	4,699,895	60,366,405	(12,522)	60,353,882
88999	Profit (Loss) from Non-Operating*	-	5,230,284	-	-	5,230,284	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,230,284	-	5,230,284
89999	**Profit/(Loss) Before Taxes**	7,634,162	36,591,497	998,608	15,672,527	60,896,794	-	(0)	(22,420)	0	-	-	213,840	25,585	(1,446)	466,295	339,626	3,678,415	-	4,699,895	65,596,689	(12,522)	65,584,166
90105-01	Income Taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
90205-01	Premium Taxes	1,261,423	16,649,336	114,703	1,842,505	19,867,968	-	-	-	-	-	-	-	-	-	-	-	-	-		19,867,968	-	19,867,968
90305-01	Health Insurance Provider Fee	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		-	-	-
99999	**Net Profit/(Loss)**	6,372,739	19,942,161	883,904	13,830,022	41,028,826	-	-	(22,420)	-	-	-	213,840	25,585	(1,446)	466,295	339,626	3,678,415	-	4,699,895	45,728,721	(12,522)	45,716,199
990105-01	Community Reinvestment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,502,283	2,502,283
990205-01	Non Covered Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
999999	**Net Profit/(Loss) After CRI and Non Covered Services**	6,372,739	19,942,161	883,904	13,830,022	41,028,826	-	-	(22,420)	-	-	-	213,840	25,585	(1,446)	466,295	339,626	3,678,415	-	4,699,895	45,728,721	(2,514,805)	43,213,916

*Disclose on Schedule A

Mercy Care

Statement of Activities

Schedule A Disclosure

Fiscal Year Ending June 30, 2021

	TXIX/XXI CMDP Child	TXIX/XXI SMI	TXIX/XXI Other Child (Crisis)	TXIX/XXI Other Adult (Crisis)	NTXIX/XXI Crisis	NTXIX/XXI SMI Services	NTXIX/XXI Other	NTXIX/XXI SMI Housing	Supported Housing	Housing Trust Fund	MHBG SED	MHBG SMI	SABG	Other Federal	County	PASRR	Sub-Total	Mgmt & Gen	Total
DISCLOSURE OF NTXIX/XXI OTHER and OTHER FEDERAL AHCCCS REVENUE on line 40205-01																			
SUDS							$ 468,828							$ -			$ 468,828		$ 468,828
Opioid STR							-							-			-		-
State Opioid Response (SOR)							-							2,409,014			2,409,014		2,409,014
State Opioid Response (SOR) Supplement														2,579,227			2,579,227		2,579,227
State Opioid Response SOR II														3,625,508			3,625,508		3,625,508
ER-COVID														206,803			206,803		206,803
ER-COVID Supplement														70,200			70,200		70,200
							-										-		-
Total - NTXIX/XXI Other and OTHER FEDERAL Column	-	-	-	-	-	-	468,828	-	-	-	-	-	-	8,890,752	-	-	9,359,581	-	9,359,581
DISCLOSURE OF OTHER RECONCILIATION SETTLEMENTS ON LINE 40145-01																			
APSI - CYE19	-	(108,244)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(108,244)	-	(108,244)
BH PPC - CYE19	-	-	33,151	-	-	-	-	-	-	-	-	-	-	-	-	-	33,151	-	33,151
BH PPC - CYE20	-	-	259,280	-	-	-	-	-	-	-	-	-	-	-	-	-	259,280	-	259,280
BH PPC - CYE21			414,149														414,149	-	414,149
Total - Other Reconciliations	-	(108,244)	706,580	-	-	-	-	-	-	-	-	-	-	-	-	-	598,337	-	598,337
DISCLOSURE OF SPECIALTY AND OTHER GRANTS REPORTED ON LINE 40210-01																			
																	-		-
																	-		-
																	-		-
																	-		-
Total Specialty and Other Grants Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DISLOSURE OF SUPPORTED HOUSING ON REPORTED ON LINE 60405-30																			
Rental Subsidy	-	-	-	-	-	-	-	11,862,007	1,735,283	-	-	-	-	-	-	-	13,597,290		13,597,290
Management Fees	-	-	-	-	-	-	-	3,834,042	560,879	-	-	-	-	-	-	-	4,394,922		4,394,922
Utility Payments	-	-	-	-	-	-	-	629,514	92,091	-	-	-	-	-	-	-	721,605		721,605
Repair & Maintenance	-	-	-	-	-	-	-	197,176	28,845	-	-	-	-	-	-	-	226,021		226,021
Damages	-	-	-	-	-	-	-	469,083	68,622	-	-	-	-	-	-	-	537,705		537,705
Deposits	-	-	-	-	-	-	-	606,905	88,784	-	-	-	-	-	-	-	695,689		695,689
Start UP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		-
Eviction Prevention	-	-	-	-	-	-	-	160,735	23,514	-	-	-	-	-	-	-	184,249		184,249
Housing Trust Fund - Construction/Improvements																	-		-
Total Supported Housing	-	-	-	-	-	-		17,759,463	2,598,018	-	-	-	-	-	-	-	20,357,481	-	20,357,481
DISCLOSURE OF OTHER SERVICES ON LINE 61105-01																			
Alternative Payment Model - Behavioral Health	-	2,172,034	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,172,034		2,172,034
PASRR	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	89,700	89,700		89,700
NT SMI - Non Encounterable Gym Membership	-	-	-	-	-	(1,000)	-	-	-	-	-	-	-	-	-	-	(1,000)		(1,000)
NT SMI - Non Encounterable Coordinated Entry Position	-	-	-	-	-	150,000	-	-	-	-	-	-	-	-	-	-	150,000		150,000
NT SMI - Non Encounterable Connections Conference	-	-	-	-	-	34,745	-	-	-	-	-	-	-	-	-	-	34,745		34,745
NT SMI - Non Encounterable HMIS	-	-	-	-	-	4,097	-	-	-	-	-	-	-	-	-	-	4,097		4,097
NT SMI - Non Encounterable WICHE	-	-	-	-	-	10,000	-	-	-	-	-	-	-	-	-	-	10,000		10,000
NT SMI - Non Encounterable Health Equity Training	-	-	-	-	-	10,000	-	-	-	-	-	-	-	-	-	-	10,000		10,000
NT SMI - Non Encounterable Eviction Prevention	-	-	-	-	-	-	-	340,771	-	-	-	-	-	-	-	-	340,771		340,771
NT SMI - Non Encounterable Peer Based Doula Support Progr	-	-	-	-	-	19,128	-	-	-	-	-	-	-	-	-	-	19,128		19,128
NT SMI - Non Encounterable Health Equity and Community Int	-	-	-	-	-	110,000	-	-	-	-	-	-	-	-	-	-	110,000		110,000
FEP Grant Expense	-	-	-	-	-		-	-	-	-	-	592,921	-	-	-	-	592,921		592,921
Opioid STR	-	-	-	-	-	-	-	-	-	-	-	-		(10,294)	-	-	(10,294)		(10,294)
State Opioid Response (SOR)	-	-	-	-	-	-	-	-	-	-	-	-		2,032,846	-	-	2,032,846		2,032,846
State Opioid Response (SOR) Supplement	-	-	-	-	-	-	-	-	-	-	-	-		2,231,813	-	-	2,231,813		2,231,813
State Opioid Response SOR II	-	-	-	-	-	-	-	-	-	-	-	-		3,357,320	-	-	3,357,320		3,357,320
ER-COVID	-	-	-	-	-		-	-	-	-	-	-	-	191,485	-	-	191,485		191,485
ER-COVID Supplement	-	-	-	-	-		-	-	-	-	-	-	-	65,000	-	-	65,000		65,000
ADES - ESG Housing Grant	-	-	-	-	-		-	-	-	-	-	-	-	-	-	-	0	376,737	376,737
Oxford House	-	-	-	-	-		-	-	-	-	-	-	295,944	-	-	-	295,944		295,944
MHBG SED Non Encounterable Outreach Positions	-	-	-	-	-	-	-	-	-	-	24,638	-	-	-	-	-	24,638		24,638
																	-		-
																	-		-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Other Services	-	2,172,034	-	-	-	336,970	-	340,771	-	-	24,638	592,921	295,944	7,868,170	-	89,700	11,721,148	376,737	12,097,885

Mercy Care

Statement of Activities

Schedule A Disclosure

60705-10

	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	Sub-Total	Mgmt & Gen	Total
DISCLOSURE OF SPECIALTY AND OTHER GRANTS ON LINE 61305-01																			
																	-		-
																	-		-
																	-		-
Total Specialty and Other Grants Expenses	-	-	-	-	-	-		-	-	-	-	-	-	-	-	-	-	-	-
DISCLOSURE OF OTHER ADMIN EXPENSES ON LINE 83005-01																			
Meeting Expense	-	1,200	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,200		1,200
Dues/Board Effect	-	360,918	-	-	-	-	-	-	-	-	-	-	-	-	-	-	360,918		360,918
Sanctions - AHCCCS	-	762	-	-	-	-	-	-	-	-	-	-	-	-	-	-	762		762
ADES - ESG Housing Grant Admin	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	30,139	30,139
																	-		
Total Other Admin Expenses	-	362,881	-	-	-	-	-	-	-	-	-	-	-	-	-	-	362,881	30,139	393,020
DISCLOSURE OF NON-TITLE XIX/XXI ENCOUNTER VALUATION SANCTIONS ON LINE 83105-01																			
																	-		-
Total Non-Title XIX/XXI Encounter Valuation Sanctions	-	-	-	-	-	-		-	-	-	-	-	-	-	-	-	-	-	-
DISCLOSURE OF ADMINISTRATIVE EXPENSES FROM SPECIALTY AND OTHER GRANTS ON LINE 83205-01																			
																			-
																			-
																			-
																			-
Total Adm Expenses from Specialty and Other Grants	-	-	-	-	-	-		-	-	-	-	-	-	-	-	-	-	-	-
DISCLOSURE OF NON-OPERATING LINE 88999-01																			
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment Income	-	5,230,284	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,230,284	-	5,230,284
Total Non-Operating	-	5,230,284	-	-	-	-		-	-	-	-	-	-	-	-	-	5,230,284	-	5,230,284

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INDEPENDENT AUDITORS' REPORT ON MEDICAL LOSS RATIO REPORTS

To the Board of Directors of

MERCY CARE

Report on Medical Loss Ratio Reports

We have audited the accompanying medical loss ratio reports as defined in the Complete Care, ALTCS, DDD and Regional Behavioral Health Authority contracts between ***Mercy Care*** and AHCCCS, for the contract year ended September 30, 2020.

Management's Responsibility for the Medical Loss Ratio Reports

Management is responsible for the preparation and fair presentation of the medical loss ratio reports in accordance with the AHCCCS contracts; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the medical loss ratio reports that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the medical loss ratio reports based on our audit. The medical loss ratio reports for the contract year ended September 30, 2020 include certain information that was previously audited in connection with our audits of the ***Mercy Care*** June 30, 2021 and 2020 financial statements. Our opinion, insofar as it relates to the amounts previously audited in connection with our audits of the ***Mercy Care*** June 30, 2021 and 2020 financial statements, is based solely on our reports dated November 10, 2021 and November 20, 2020 on the financial statements of ***Mercy Care*** for the years ended June 30, 2021 and 2020, respectively.

We conducted our audit in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the medical loss ratio reports are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the supplemental information. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the medical loss ratio reports, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the medical loss ratio reports in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the medical loss ratio reports.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, based on our audits and our reports on ***Mercy Care's*** financial statements for the years ended June 30, 2021 and 2020, the medical loss ratio reports for the contract year ended September 30, 2020 referred to above present fairly, in all material respects, the activities of ***Mercy Care*** for the contract year ended September 30, 2020, as defined in the AHCCCS contracts referred to in the first paragraph.

This report is intended solely for the information and use of the Board of Directors, management of ***Mercy Care***, others within the entity and AHCCCS, and is not intended to be and should not be used by anyone other than these specified parties.

Mayer Hoffman McCann P.C.

November 10, 2021

Medical Loss Ratio Report - DDD
MCO: **Mercy Care**

Contract Year End **9/30/2020**

NOTES: Do not duplicate any amounts in multiple lines.
GAAP Basis (Columns H - L) should agree to the submitted financial statements. **Audit Adjustments should be included in the Annual Adjustments column.**
USE FOR ANNUAL REPORT ONLY[1] - Adjustments column should report prior year adjustments and 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.

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-19	GAAP Basis Mar-20	GAAP Basis Jun-20	GAAP Basis Sep-20	GAAP Basis CYE 20	Annual Adjustments[1]	Incurred Basis Restated CYE20	Notes
						Member Months	$ 41,045	$ 41,481	$ 42,076	42,454	167,055.52	-	167,055.52	
Premium Revenue				**Revenue**										
				Include										
	42 CFR§438.8(f)(2)(i)	+	1	Prospective Capitation	ALL	40105-01	$ 32,888,960	$ 33,911,353	$ 35,612,009	$ 35,873,106	$ 138,285,428	$ 25,422	$ 138,310,851	Include full capitation including 1% withhold payment. Exclude pass-through payments revenue (reported in line 16) and risk adjustment revenue (reported in line 16).
	42 CFR§438.8(f)(2)(ii)	+	2	Delivery Supplement	ACC/ALTCS	40120-01	$ -	$ -			$ -	$ -	$ -	
	42 CFR§438.8(f)(2)(iii)	+/-	3	APM 1% Withhold Settlement 42 CFR 438.6(b)(3) and Performance Based Payments (PBP)	ACC/ALTCS (ACOM 306) ALL - PBP	40115-01	$ -	$ -	$ 323,038	$ 268,558	$ 591,596	$ 402,667	$ 994,263	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)(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.
	43 CFR§438.8(f)(2)(v)	+/-	5	Changes to Unearned Premium Reserves	ALL		$ -	$ -			$ -	$ -	$ -	Include adjustments to Deferred Revenue.
	43 CFR§438.8 (f)(2)(vi)	+/-	6	Risk Adjustment **(Suspended)**	ACC	40105-01; Footnote 20	$ -	$ -			$ -	$ -	$ -	Include amounts for risk adjustment after adjusted amounts are computed or amounts that can be reasonably estimated and accrued.
		+/-	7	Prospective Tiered or Title XIX/XXI Reconciliation Settlement	ACC/RBHA	40125-01, 40130-01, 40135-01	$ (1,977,115)	$ 32,614	$ (3,188,804)	$ 336,359	$ (4,796,946)	$ (2,373,107)	$ (7,170,053)	
		+/-	8	PPC Settlement	ACC/ALTCS/ CMDP	40140-01	$ -	$ -			$ -	$ -	$ -	
		+/-	9	HCBS Settlement	ALTCS	40155-01	$ -	$ -			$ -	$ -	$ -	
		+/-	10	Share of Cost (SOC) Settlement	ALTCS	40150-01	$ -	$ -			$ -	$ -	$ -	
		+/-	11	APSI Settlement	ACC	40145-01	$ 84,593	$ 7,691	$ 226	$ (530)	$ 91,979	$ (91,979)	$ -	Include APSI settlement (see ACOM 325). Do not include monthly premium component of APSI.
		+	12	Reinsurance	ACC/ALTCS/ RBHA/CMDP	70105-01	$ 3,462,875	$ 2,061,287	$ 631,060	$ 2,620,585	$ 8,775,807	$ (1,642,656)	$ 7,133,151	Amount should generally be stated as a positive number.
		+	13	Health Insurance Providers Fee (HIPF) Revenue	ACC/ALTCS/ RBHA	40160-01	$ -				$ -	$ -	$ -	
		+	14	Patient Contributions	ALTCS	40315-01	$ -				$ -	$ -	$ -	
		+/-	15	Other Accruals (Explain below)	ALL		$ -				$ -	$ -	$ -	
				Deduct										
	42 CFR§438.8(f)(2)(i)	-	16	Pass - Through Payments Revenue	ACC/ALTCS		$ -				$ -	$ -	$ -	Include Rural (ACC), Nursing Facility (ALTCS) and Targeted Investments (ACC/RBHA) Pass - Through Payments (if impacting income statement).
			17	**Total Premium Revenue**		Should agree to (40105-01 through 40160-01) +40315-01 + 70105-01	**$ 34,459,313**	**$ 36,012,945**	**$ 33,377,529**	**$ 39,098,078**	**$ 142,947,864**	**$ (3,679,653)**	**$ 139,268,212**	
Taxes, Licensing and Regulatory Fees				**Taxes, Licensing and Regulatory Fees**										
	42 CFR§438.8(f)(3)(iii)	+	18	Federal Income Tax & Federal Tax (include Tax Benefit)	ACC/ALTCS/ RBHA	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	Health Insurance Providers Fee (HIPF)	ACC/ALTCS /RBHA	90305-01	$ -	$ -	$ -		$ -	$ -	$ -	
	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/ALTCS/ RBHA	990105-01	$ -	$ -	$ -		$ -	$ -	$ -	Limited to 3% of earned premium
			23	**Total Taxes, Licensing and Regulatory Fees**			**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	
Incurred Claims				**Incurred Claims**										
				Include										
	42 CFR§438.8(e)(2)(i)(A) & 42 CFR§438.230(c)(2)(1)	+	24	Paid Claims - Exception for Subcontractors who provide Medicaid-covered services directly to Medicaid enrollees. The costs of the delegated managed care activities cannot be included in the managed care plan's medical loss ratio calculation. Contractors who have subcontractors with delegated managed care activities must include these costs in admin unless they are quality improvement activities.	ALL	50105-01 through 50360-01; 50370-01; 60105-01 through 61305-01 (RBHA)	$ 29,843,497	$ 33,522,971	$ 31,918,931	$ 34,978,465	$ 130,263,865	$ -	$ 130,263,865	Total reported in lines 24 and 25 should equal the total reported in the income statement for Account #'s 50105-01 to 50370-01 (and 60105 through 61305 for RBHAs). For ALTCS/EPD and DDD LOBs: exclude Account # 50365-01 - ALTCS Case Management which should be reported in lines 56-61, 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.
	41 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	$ 1,937,780	$ 77,619	$ 2,164,515	$ 1,547,943	$ 5,727,857	$ 940,648	$ 6,668,505	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	Footnote 16	$ -	$ -			$ -	$ -	$ -	
	42 CFR§438.8(e)(2)(iii)(A)	+	27	Provider Incentive/Bonus Payments	ALL	Footnote 16	$ -	$ -			$ -	$ -	$ -	Include Incentives or bonuses to providers that are not included as part of APM Performance Based Payments
	42 CFR§438.8(e)(2) (iii)(B)	-	28	Payments recovered through Fraud Reduction efforts	ALL	81405-01	$ 2,183	$ (3,845)	$ -	$ -	$ (1,662)	$ 1,662	$ -	Report total Fraud Reduction Recoveries reduced by Fraud Reduction Expenses. The amount of Fraud Reduction expenses must not include Fraud Prevention Activities.
	42 CFR§438.8(e)(2)(i)(H)	+	29	Contingent Benefits/ Medical claim portion of lawsuits	ALL		$ -				$ -	$ -	$ -	
		+	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 # 23).

				Deduct										
	42 CFR§438.8(e)(2)(ii)(A)	-	31	Provider/Subcontractor Overpayment Recoveries	ALL	70305-01	$ (45,483)	$ (42,787)	$ (34,971)	$ (119,564)	$ (242,805)	$ -	$ (242,805)	Amount should be generally stated as a negative number.
	42 CFR§438.8(e)(2)(ii)(B)	-	32	Rx Rebates (received/accrued)	ALL	50310-05; 61005-05	$ (128,750)	$ (112,597)	$ (41,584)	$ (127,832)	$ (127,832)	$ -	$ (127,832)	Amount should be generally stated as a negative number.
		-	33	Pharmacy Performance Guarantee	ALL	50310-10; 61005-10	$ -	$ -	$ -	$ -	$ -		$ -	Amount should be generally stated as a negative number.
	42 CFR§438.8(e)(2) (i) (D)(E)	-	34	TPL, COB, Subrogation Recoveries and recoverable COB claims	ALL	70205-02	$ (2,474)	$ (2,831)	$ (61,291)	$ (3,382)	$ (69,977)	$ -	$ (69,977)	Amount should be generally stated as a negative number.
			35	**Total Incurred Claims**			**$ 31,606,753**	**$ 33,438,531**	**$ 33,945,600**	**$ 36,275,631**	**$ 135,266,515**	**$ 942,310**	**$ 136,208,825**	
Non-Claims Costs (Administrative Expenditures)				**Non-Claims Costs**										
		+	36	Compensation	ALL	80105-01	$ 658,012	$ 719,231	$ 751,249	$ 681,324	$ 2,809,816	$ -	$ 2,809,816	Exclude Compensation classified as Health Care Quality Improvement expenses (reported in lines 57 - 62).
		+	37	Occupancy	ALL	80205-01	$ 56,585	$ 56,060	$ 54,101	$ 52,840	$ 219,586	$ -	$ 219,586	
		+	38	Depreciation	ALL	80305-01	$ 1	$ 4	$ 2	$ 2	$ 8	$ -	$ 8	
		+	39	Care Management/Care Coordination not included in Health Care Quality Improvement Expenses	ALL	80405-01	$ 319,181	$ 332,792	$ 306,279	$ 360,669	$ 1,318,920	$ -	$ 1,318,920	
		+	40	Professional and Outside Services	ALL	80505-01	$ 1,128,786	$ 1,163,795	$ 964,713	$ 1,384,198	$ 4,641,491	$ -	$ 4,641,491	Exclude expenses classified as Health Care Quality Improvement
		+	41	Office Supplies and Equipment	ALL	80605-01	$ 73,267	$ 72,503	$ 78,107	$ 76,099	$ 299,976	$ -	$ 299,976	
		+	42	Travel	ALL	80705-01	$ 12,194	$ 8,128	$ 5,586	$ 1,902	$ 27,810	$ -	$ 27,810	
		+	43	Repair and Maintenance	ALL	80805-01	$ 61	$ -	$ 157	$ 495	$ 713	$ -	$ 713	
		+	44	Bank Service Charge	ALL	80905-01	$ 16,500	$ 16,500	$ 20,439	$ 17,813	$ 71,252	$ -	$ 71,252	
		+	45	Insurance	ALL	81005-01	$ 2,184	$ 2,194	$ 2,150	$ 5,402	$ 11,930	$ -	$ 11,930	
		+	46	Marketing	ALL	81105-01	$ 29,823	$ 25,965	$ 25,606	$ 16,560	$ 97,955	$ -	$ 97,955	
		+	47	Interest Expense	ALL	81205-01	$ 6,818	$ 12,436	$ 22,697	$ 15,699	$ 57,649	$ -	$ 57,649	
		+	48	Pharmacy Benefit Manager Expenses	ALL	81305-01	$ 205,291	$ 210,138	$ 167,835	$ 162,653	$ 745,917	$ -	$ 745,917	
		+	49	Other Administrative Expenses	ALL	83005-01	$ 37,023	$ (145,048)	$ 733,172	$ 412,501	$ 1,037,648	$ -	$ 1,037,648	
	42 CFR§ 438.8(e)(2)(v)(A)(1)	+	50	Amounts paid to third party vendors for secondary network savings	ALL	81505-01	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
	42 CFR§ 438.8(e)(2)(v)(A)(2)	+	51	Amounts paid to third party vendors for network development, administrative fees, claims processing, and utilization management	ALL	81505-01	$ -				$ -	$ -	$ -	Any portion of the sub-capitation/block payment arrangement payment that is explicitly attributed to the provision of administrative services by the provider should be included in this line and excluded from line 24.
	42 CFR§ 438.8(e)(2)(v)(A)(3)	+	52	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	$ -	$ -	$ -		$ -	$ -	$ -	Any portion of the sub-capitation/block payment arrangement payment that is explicitly attributed to the provision of administrative services by the provider should be included in this line and excluded from line 24.
	42 CFR§ 438.8(e)(2)(v)(A)(4)	+	53	Fines and penalties assessed by regulatory authorities	ALL	Footnote 16	$ 920	$ -	$ -	$ (1,035)	$ (115)	$ -	$ (115)	Include AHCCCS sanctions
	42 CFR§438.8(e)(2)(v)(C).	+	54	Pass - Through Payments	ACC/ALTCS		$ -				$ -	$ -	$ -	Include Rural (ACC), Nursing Facility (ALTCS) and Targeted Investments (ACC/RBHA) Pass - Through Payments (if impacting income statement)
		+	55	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).
			56	**Total Non-Claims Costs**			**$ 2,546,645**	**$ 2,474,697**	**$ 3,132,094**	**$ 3,187,123**	**$ 11,340,558**	**$ -**	**$ 11,340,558**	
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 57-62 below, as appropriate.
	45 CFR§158.150(b)(1)	+	57	Improvement of health outcomes	ALL	81705-01	$ 12,691	$ 13,893	$ 14,739	$ 13,522	$ 54,845	$ -	$ 54,845	
	45 CFR§158.150(b)(2)	+	58	Activities to prevent hospital readmission	ALL	81705-01	$ 10,576	$ 11,578	$ 12,282	$ 11,268	$ 45,704	$ -	$ 45,704	
	45 CFR§158.150(b)(2)(iii)	+	59	Improvement of patient safety and reduce medical errors	ALL	81705-01	$ 8,461	$ 9,262	$ 9,826	$ 9,014	$ 36,563	$ -	$ 36,563	
	45 CFR§158.150(b)(2)(iv)(4)	+	60	Wellness and health promotion activities	ALL	81705-01	$ 37,016	$ 40,522	$ 42,989	$ 39,438	$ 159,965	$ -	$ 159,965	
	45 CFR§158.150(b)(2)(v) & 45 CFR§158.151	+	61	Health information technology expenses related to improving health care quality	ALL	81705-01	$ 15,864	$ 17,367	$ 18,424	$ 16,902	$ 68,556	$ -	$ 68,556	
	42 CFR§438.8(e)(3)(ii) & 42 CFR§438.358(b) and (c).	+	62	Activities related to external quality review	ALL	81705-01	$ 21,152	$ 23,155	$ 24,565	$ 22,536	$ 91,408	$ -	$ 91,408	
			63	**Total Health Care Quality Improvement and Other Expenses**			**$ 105,760**	**$ 115,777**	**$ 122,825**	**$ 112,680**	**$ 457,042**	**$ -**	**$ 457,042**	
													$ -	
Expenditures related to activities compliant with § 438.608(a)(1) through (5), (7), (8) and (b).	42 CFR§438.8(e)(4) & 45 CFR§158.150(c)(8)	+	64	Program Integrity: Fraud, Waste, and Abuse Prevention Expenses	ALL		$ -	$ 6,453	$ 6,397	$ 6,646	$ 19,496	$ -	$ 19,496	
Credibility Adjustment	42 CFR§438.8(h)	+	65	Credibility Adjustment (If applicable)	CMDP and small non-LTSS 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**										
			66	Incurred Claims			$ 31,606,753	$ 33,438,531	$ 33,945,600	$ 36,275,631	$ 135,266,515	$ 942,310	$ 136,208,825	
			67	Expenditures for activities that improve health care quality			$ 105,760	$ 115,777	$ 122,825	$ 112,680	$ 457,042	$ -	$ 457,042	
			68	Total			$ 31,712,514	$ 33,554,308	$ 34,068,425	$ 36,388,311	$ 135,723,558	$ 942,310	$ 136,665,868	
				Denominator										
			69	Premium Revenue			$ 34,459,313	$ 36,012,945	$ 33,377,529	$ 39,098,078	$ 142,947,864	$ (3,679,653)	$ 139,268,212	
			70	Taxes, licensing and regulatory fees			$ -	$ -	$ -	$ -	$ -	$ -	$ -	
			71	Total			$ 34,459,313	$ 36,012,945	$ 33,377,529	$ 39,098,078	$ 142,947,864	$ (3,679,653)	$ 139,268,212	
			72	**Medical Loss Ratio**			0.920288624	0.931729099	1.020699441	0.930693085	0.949461949	-0.256086625	0.981314156	
			73	**Medical Loss Ratio with Credibility Adjustment**			92.0%	93.2%	102.1%	93.1%	94.9%	-25.6%	98.1%	
Methodology(ies) for allocation of expenditures.	42 CFR§438.8(g) 42 CFR§438.8(k)(vii)		74	Please describe methodology(ies) for allocation of expenditures:										**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		75											
	Value-Added Services		76											
			77											
			78											
			79											
			80											
			81											
Aggregation Method	42 CFR§438.8(h)(4)(i); 42 CFR§438.8(k)(xii)		82	Please describe aggregation methodology:										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 12/13/2019

[1] Annual Adjustments Column: **USE FOR ANNUAL REPORT ONLY** - Adjustments column should report prior year adjustments and 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.

Medical Loss Ratio Report - ACC
MCO: **Mercy Care**

Contract Year End **9/30/2020**

MLR Category	Citation	Format of Amount to be Entered	Line #	Detail	Specific Applicability to Line of Business	Financial Statement Account # (If applicable)	Dec-19 (GAAP Basis)	Mar-20 (GAAP Basis)	Jun-20 (GAAP Basis)	Sep-20 (GAAP Basis)	CYE 20 (GAAP Basis)	Annual Adjustments[1]	Restated CYE20 (Incurred Basis)	NOTES: Do not duplicate any amounts in multiple lines. GAAP Basis (Columns H - L) should agree to the submitted financial statements. Audit Adjustments should be included in the Annual Adjustments column. USE FOR ANNUAL REPORT ONLY[1] - Adjustments column should report prior year adjustments and 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.
						Member Months	1,003,872.95	991,952.88	1,030,658.22	1,063,417.89	4,089,901.95	-	4,089,901.95	
Premium Revenue				**Revenue**										
				Include										
	42 CFR§438.8(f)(2)(i)	+	1	Prospective Capitation	ALL	40105-01	$ 392,628,153	$ 390,396,674	$ 407,067,182	$ 420,560,375	$ 1,610,652,385	$ 7,872,836	$ 1,618,525,221	Include full capitation including 1% withhold payment. Exclude pass-through payments revenue (reported in line 16) and risk adjustment revenue (reported in line 16).
	42 CFR§438.8(f)(2)(ii)	+	2	Delivery Supplement	ACC/ALTCS	40120-01	$ 12,474,902	$ 10,921,732	$ 10,514,481	$ 11,581,972	$ 45,493,087	$ 186,903	$ 45,679,989	
	42 CFR§438.8(f)(2)(iii)	+/-	3	APM 1% Withhold Settlement 42 CFR 438.6(b)(3) and Performance Based Payments (PBP)	ACC/ALTCS (ACOM 306) ALL - PBP	40115-01	$ 5,269,802	$ 2,471,052	$ 1,057,914	$ 3,286,756	$ 12,085,525	$ 9,066,970	$ 21,152,495	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)(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.
	43 CFR§438.8(f)(2)(v)	+/-	5	Changes to Unearned Premium Reserves	ALL		$ -	$ -	$ -	$ -	$ -		$ -	Include adjustments to Deferred Revenue.
	43 CFR§438.8 (f)(2)(vi)	+/-	6	Risk Adjustment **(Suspended)**	ACC	40105-01; Footnote 20	$ -	$ -	$ -	$ -	$ -		$ -	Include amounts for risk adjustment after adjusted amounts are computed or amounts that can be reasonably estimated and accrued.
		+/-	7	Prospective Tiered or Title XIX/XXI Reconciliation Settlement	ACC/RBHA	40125-01, 40130-01, 40135-01	$ (1,439,694)	$ (7,036,649)	$ (40,170,643)	$ (24,014,380)	$ (72,661,366)	$ (10,365,338)	$ (83,026,704)	
		+/-	8	PPC Settlement	ACC/ALTCS/ CMDP	40140-01	$ 214,661	$ -	$ -	$ (248,867)	$ (34,206)	$ 34,206	$ -	
		+/-	9	HCBS Settlement	ALTCS	40155-01	$ -	$ -	$ -	$ -	$ -		$ -	
		+/-	10	Share of Cost (SOC) Settlement	ALTCS	40150-01	$ -	$ -	$ -	$ -	$ -		$ -	
		+/-	11	APSI Settlement/Other Reconciliation Amounts	ACC	40145-01	$ 874,190	$ (19,291)	$ (165,809)	$ 3,412,186	$ 4,101,277	$ (4,760,533)	$ (659,256)	Include APSI settlement (see ACOM 325). Do not include monthly premium component of APSI.
		+	12	Reinsurance	ACC/ALTCS/ RBHA/CMDP	70105-01	$ 18,472,491	$ 16,815,190	$ 10,230,352	$ 11,384,933	$ 56,902,966	$ (3,310,144)	$ 53,592,822	Amount should generally be stated as a positive number.
		+	13	Health Insurance Providers Fee (HIPF) Revenue	ACC/ALTCS/ RBHA	40160-01	$ -	$ -	$ -	$ -	$ -		$ -	
		+	14	Patient Contributions	ALTCS	40165-01	$ -	$ -	$ -	$ -	$ -		$ -	
		+/-	15	Other Accruals (Explain below)	ALL		$ -	$ -	$ -	$ -	$ -		$ -	
				Deduct										
	42 CFR§438.8(f)(2)(i)	-	16	Pass - Through Payments Revenue	ACC/ALTCS		$ -	$ -	$ -	$ -	$ -	$ -	$ -	Include Rural (ACC), Nursing Facility (ALTCS) and Targeted Investments (ACC/RBHA) Pass - Through Payments (if impacting income statement).
			17	**Total Premium Revenue**		Should agree to (40105-01 through 40160-01) +40165-01 + 70105-01	**$ 428,494,505**	**$ 413,548,709**	**$ 388,533,477**	**$ 425,962,976**	**$ 1,656,539,667**	**$ (1,275,100)**	**$ 1,655,264,567**	
							0							
Taxes, Licensing and Regulatory Fees				**Taxes, Licensing and Regulatory Fees**										
	42 CFR§438.8(f)(3)(iii)	+	18	Federal Income Tax & Federal Tax (include Tax Benefit)	ACC/ALTCS/ RBHA	90105-01	$ -	$ -	$ -	$ -	$ -	$ -	$ -	Exclude Federal income taxes and tax benefit on investment income, capital gains and Federal employment taxes.
		+	19	Premium Tax	ALL	90205-01	$ 8,853,842	$ 8,551,368	$ 9,455,234	$ 10,155,045	$ 37,015,488	$ -	$ 37,015,488	
		+	20	Health Insurance Providers Fee (HIPF)	ACC/ALTCS /RBHA	90305-01	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
	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/ALTCS/ RBHA	990105-01	$ -	$ -	$ -	$ -	$ -	$ -	$ -	Limited to 3% of earned premium
			23	**Total Taxes, Licensing and Regulatory Fees**			**$ 8,853,842**	**$ 8,551,368**	**$ 9,455,234**	**$ 10,155,045**	**$ 37,015,488**	**$ -**	**$ 37,015,488**	
urred Claims				**Incurred Claims**										
				Include										
	42 CFR§438.8(e)(2)(i)(A) & 42 CFR§438.230(c)(2)(1)	+	24	Paid Claims - Exception for Subcontractors who provide Medicaid-covered services directly to Medicaid enrollees. The costs of the delegated managed care activities cannot be included in the managed care plan's medical loss ratio calculation. Contractors who have subcontractors with delegated managed care activities must include these costs in admin unless they are quality improvement activities.	ALL	50105-01 through 50360-01; 50370-01; 60105-01 through 61305-01 (RBHA)	$ 384,287,527	$ 358,827,254	$ 330,786,406	$ 369,745,735	$ 1,443,646,922	$ (9,814,144)	$ 1,433,832,779	Total reported in lines 24 and 25 should equal the total reported in the income statement for Account #'s 50105-01 to 50370-01 (and 60105 through 61305 for RBHAs). For ALTCS/EPD and DDD LOBs: exclude Account # 50365-01 - ALTCS Case Management which should be reported in lines 56-61, 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.
	41 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	$ (5,238,301)	$ 11,687,427	$ 1,199,881	$ 1,199,881	$ 8,848,887		$ 8,848,887	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	Footnote 16	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
	42 CFR§438.8(e)(2)(iii)(A)	+	27	Provider Incentive/Bonus Payments	ALL	Footnote 16	$ -	$ -	$ -	$ -	$ -	$ -	$ -	Include Incentives or bonuses to providers that are not included as part of APM Performance Based Payments
	42 CFR§438.8(e)(2) (iii)(B)	-	28	Payments recovered through Fraud Reduction efforts	ALL	81405-01	$ 28,181	$ (66,461)	$ -	$ -	$ (38,280)		$ (38,280)	Report total Fraud Reduction Recoveries reduced by Fraud Reduction Expenses. The amount of Fraud Reduction expenses must not include Fraud Prevention Activities.
	42 CFR§438.8(e)(2)(i)(H)	+	29	Contingent Benefits/ Medical claim portion of lawsuits	ALL		$ -	$ -	$ -	$ -	$ -	$ -	$ -	

Inc		+	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 # 23).
				Deduct										
	42 CFR§438.8(e)(2)(ii)(A)	-	16	Provider/Subcontractor Overpayment Recoveries	ALL	70305-01	$ (2,562,447)	$ (2,545,893)	$ (2,607,640)	$ (2,982,396)	$ (10,698,376)	$ -	$ (10,698,376)	Amount should be generally stated as a negative number.
	42 CFR§438.8(e)(2)(ii)(B)	-	32	Rx Rebates (received/accrued)	ALL	50160-05; 61005-05	$ (1,887,209)	$ (1,422,929)	$ (462,557)	$ (1,222,185)	$ (1,222,185)	$ -	$ (1,222,185)	Amount should be generally stated as a negative number.
		-	33	Pharmacy Performance Guarantee	ALL	50160-10; 61005-10	$ -	$ -	$ -	$ -	$ -		$ -	Amount should be generally stated as a negative number.
	42 CFR§438.8(e)(2) (i) (D)(E)	-	34	TPL, COB, Subrogation Recoveries and recoverable COB claims	ALL	70205-02	$ (1,099,881)	$ (1,005,429)	$ (1,798,337)	$ (2,005,599)	$ (5,909,246)	$ -	$ (5,909,246)	Amount should be generally stated as a negative number.
			35	**Total Incurred Claims**			**$ 373,527,870**	**$ 365,473,969**	**$ 327,117,753**	**$ 364,735,436**	**$ 1,430,855,027**	$ (9,814,144)	**$ 1,421,040,884**	
Non-Claims Costs (Administrative Expenditures)				**Non-Claims Costs**										
		+	36	Compensation	ALL	80105-01	$ 8,494,379	$ 8,560,335	$ 9,030,484	$ 7,810,730	$ 33,895,928	$ -	$ 33,895,928	Exclude Compensation classified as Health Care Quality Improvement expenses (reported in lines 57 - 62).
		+	37	Occupancy	ALL	80205-01	$ 730,469	$ 667,224	$ 650,327	$ 605,765	$ 2,653,785	$ -	$ 2,653,785	
		+	38	Depreciation	ALL	80305-01	$ 7	$ 46	$ 21	$ 20	$ 94	$ -	$ 94	
		+	39	Care Management/Care Coordination not included in Health Care Quality Improvement Expenses	ALL	80405-01	$ 4,120,355	$ 3,960,907	$ 3,681,663	$ 4,134,726	$ 15,897,650	$ -	$ 15,897,650	
		+	40	Professional and Outside Services	ALL	80505-01	$ 14,603,433	$ 14,178,436	$ 11,618,446	$ 15,902,960	$ 56,303,274	$ -	$ 56,303,274	expenses (reported in lines through 62-) or as Fraud, Waste and Abuse
		+	41	Office Supplies and Equipment	ALL	80605-01	$ 1,043,546	$ 959,470	$ 1,131,961	$ 872,402	$ 4,007,379	$ -	$ 4,007,379	
		+	42	Travel	ALL	80705-01	$ 157,416	$ 96,739	$ 67,143	$ 21,809	$ 343,107	$ -	$ 343,107	
		+	43	Repair and Maintenance	ALL	80805-01	$ 791	$ -	$ 1,888	$ 5,675	$ 8,354	$ -	$ 8,354	
		+	44	Bank Service Charge	ALL	80905-01	$ 191,260	$ 191,260	$ 191,260	$ 192,212	$ 765,992	$ -	$ 765,992	
		+	45	Insurance	ALL	81005-01	$ 92,340	$ 89,976	$ 89,714	$ 92,657	$ 364,687	$ -	$ 364,687	
		+	46	Marketing	ALL	81105-01	$ 402,166	$ 286,178	$ 319,054	$ 195,265	$ 1,202,663	$ -	$ 1,202,663	
		+	47	Interest Expense	ALL	81205-01	$ 87,967	$ 69,691	$ 97,467	$ 71,525	$ 326,649	$ -	$ 326,649	
		+	48	Pharmacy Benefit Manager Expenses	ALL	81305-01	$ 2,056,450	$ 1,956,110	$ 1,533,195	$ 1,480,866	$ 7,026,621	$ -	$ 7,026,621	
		+	49	Other Administrative Expenses	ALL	83005-01	$ 4,604,635	$ 2,394,832	$ 13,150,756	$ 7,080,364	$ 27,230,588	$ -	$ 27,230,588	
	42 CFR§ 438.8(e)(2)(v)(A)(1)	+	50	Amounts paid to third party vendors for secondary network savings	ALL	81505-01	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
	42 CFR§ 438.8(e)(2)(v)(A)(2)	+	51	Amounts paid to third party vendors for network development, administrative fees, claims processing, and utilization management	ALL	81505-01	$ -	$ -	$ -		$ -	$ -	$ -	Any portion of the sub-capitation/block payment arrangement payment that is explicitly attributed to the provision of administrative services by the provider should be included in this line and excluded from line 24.
	42 CFR§ 438.8(e)(2)(v)(A)(3)	+	52	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	$ -	$ -	$ -	$ -	$ -	$ -	$ -	Any portion of the sub-capitation/block payment arrangement payment that is explicitly attributed to the provision of administrative services by the provider should be included in this line and excluded from line 24.
	42 CFR§ 438.8(e)(2)(v)(A)(4)	+	53	Fines and penalties assessed by regulatory authorities	ALL	Footnote 16	$ 4,260	$ -	$ -	$ -	$ 4,260	$ -	$ 4,260	Include AHCCCS sanctions
	42 CFR§438.8(e)(2)(v)(C).	+	54	Pass - Through Payments	ACC/ALTCS		$ -	$ -	$ -		$ -	$ -	$ -	Include Rural (ACC), Nursing Facility (ALTCS) and Targeted Investments (ACC/RBHA) Pass - Through Payments (if impacting income statement)
		+	55	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).
			56	**Total Non-Claims Costs**			**$ 36,589,472**	**$ 33,411,204**	**$ 41,563,380**	**$ 38,466,976**	**$ 150,031,033**	**$ -**	**$ 150,031,033**	
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 57-62 below, as appropriate.
	45 CFR§158.150(b)(1)	+	57	Improvement of health outcomes	ALL	81705-01	$ 163,833	$ 167,843	$ 177,172	$ 155,012	$ 663,860	$ -	$ 663,860	
	45 CFR§158.150(b)(2)	+	58	Activities to prevent hospital readmission	ALL	81705-01	$ 136,528	$ 139,869	$ 147,643	$ 129,177	$ 553,216	$ -	$ 553,216	
	45 CFR§158.150(b)(2)(iii)	+	59	Improvement of patient safety and reduce medical errors	ALL	81705-01	$ 109,222	$ 111,895	$ 118,115	$ 103,341	$ 442,573	$ -	$ 442,573	
	45 CFR§158.150(b)(2)(iv)(4)	+	60	Wellness and health promotion activities	ALL	81705-01	$ 477,847	$ 489,541	$ 516,751	$ 452,118	$ 1,936,258	$ -	$ 1,936,258	
	45 CFR§158.150(b)(2)(v) & 45 CFR§158.151	+	61	Health information technology expenses related to improving health care quality	ALL	81705-01	$ 204,792	$ 209,803	$ 221,465	$ 193,765	$ 829,825	$ -	$ 829,825	
	42 CFR§438.8(e)(3)(ii) & 42 CFR§438.358(b) and (c).	+	62	Activities related to external quality review	ALL	81705-01	$ 273,055	$ 279,738	$ 295,286	$ 258,353	$ 1,106,433	$ -	$ 1,106,433	
			63	**Total Health Care Quality Improvement and Other Expenses**			$ 1,365,277	$ 1,398,689	$ 1,476,432	$ 1,291,767	$ 5,532,164	$ -	$ 5,532,164	
													$ -	
Expenditures related to activities compliant with § 438.608(a)(1) through (5), (7), (8) and (b).	42 CFR§438.8(e)(4) & 45 CFR§158.150(c)(8)	+	64	Program Integrity: Fraud, Waste, and Abuse Prevention Expenses	ALL		$ -	$ 76,799	$ 76,900	$ 76,187	$ 229,887	$ -	$ 229,887	
Credibility Adjustment	42 CFR§438.8(h)	+	65	Credibility Adjustment (If applicable)	CMDP and small non-LTSS MCOs between 5,400 and 380,000 annual Member Months		$ -	$ -	$ -	$ -	$ -		$ -	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**								
			66	Incurred Claims	$ 373,527,870	$ 365,473,969	$ 327,117,753	$ 364,735,436	$ 1,430,855,027	$ (9,814,144)	$ 1,421,040,884	
			67	Expenditures for activities that improve health care quality	$ 1,365,277	$ 1,398,689	$ 1,476,432	$ 1,291,767	$ 5,532,164	$ -	$ 5,532,164	
			68	Total	$ 374,893,147	$ 366,872,657	$ 328,594,184	$ 366,027,203	$ 1,436,387,192	$ (9,814,144)	$ 1,426,573,048	
				Denominator								
			69	Premium Revenue	$ 428,494,505	$ 413,548,709	$ 388,533,477	$ 425,962,976	$ 1,656,539,667	$ (1,275,100)	$ 1,655,264,567	
			70	Taxes, licensing and regulatory fees	$ 8,853,842	$ 8,551,368	$ 9,455,234	$ 10,155,045	$ 37,015,488	$ -	$ 37,015,488	
			71	Total	$ 419,640,663	$ 404,997,341	$ 379,078,243	$ 415,807,931	$ 1,619,524,179	$ (1,275,100)	$ 1,618,249,079	
			72	**Medical Loss Ratio**	0.893367063	0.90586436	0.866824172	0.880279513	0.886919263	7.696765825	0.881553444	
			73	**Medical Loss Ratio with Credibility Adjustment**	89.3%	90.6%	86.7%	88.0%	88.7%	769.7%	88.2%	
Methodology(ies) for allocation of expenditures.	42 CFR§438.8(g) 42 CFR§438.8(k)(vii)		74	Please describe methodology(ies) for allocation of expenditures:								**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		75									
	Value-Added Services		76									
			77									
			78									
			79									
			80									
			81									
Aggregation Method	42 CFR§438.8(h)(4)(i); 42 CFR§438.8(k)(xii)		82	Please describe aggregation methodology:								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 12/13/2019

[1] Annual Adjustments Column: **USE FOR ANNUAL REPORT ONLY** - Adjustments column should report prior year adjustments and 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.

Medical Loss Ratio Report - ALTCS

MCO: Mercy Care

Contract Year End 9/30/2020

NOTES: Do not duplicate any amounts in multiple lines.

GAAP Basis (Columns H - L) should agree to the submitted financial statements. **Audit Adjustments should be included in the Annual Adjustments column.**

USE FOR ANNUAL REPORT ONLY[1] - Adjustments column should report prior year adjustments and 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.

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-19	GAAP Basis Mar-20	GAAP Basis Jun-20	GAAP Basis Sep-20	GAAP Basis CYE20	Annual Adjustments[1]	Incurred Basis Restated CYE20	Notes
						Member Months	38,875.96	38,421.38	37,814.76	36,375.88	151,487.99	-	-	
				Revenue										
				Include										
Premium Revenue	42 CFR§438.8(f)(2)(i)	+	1	Prospective Capitation	ALL	40105-01	$ 172,805,151	$ 173,663,930	$ 171,080,647	$ 164,787,037	$ 682,336,766	$ (1,990,933)	$ 680,345,833	Include full capitation including 1% withhold payment. Exclude pass-through payments revenue (reported in line 16) and risk adjustment revenue (reported in line 16).
	42 CFR§438.8(f)(2)(ii)	+	2	Delivery Supplement	ACC/ALTCS	40120-01	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
	42 CFR§438.8(f)(2)(iii)	+/-	3	APM 1% Withhold Settlement 42 CFR 438.6(b)(3) and Performance Based Payments (PBP)	ACC/ALTCS (ACOM 306) ALL - PBP	40115-01	$ 1,056,061	$ (1,863,077)	$ 1,246,164	$ 3,517,337	$ 3,956,485	$ 52,949	$ 4,009,435	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)(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.
	43 CFR§438.8(f)(2)(v)	+/-	5	Changes to Unearned Premium Reserves	ALL		$ -	$ -	$ -	$ -	$ -	$ -	$ -	Include adjustments to Deferred Revenue.
	43 CFR§438.8 (f)(2)(vi)	+/-	6	Risk Adjustment (Footnote Suspended)	ACC	40105-01; Footnote 20 (Suspended)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	Include amounts for risk adjustment after adjusted amounts are computed or amounts that can be reasonably estimated and accrued.
		+/-	7	Prospective Tiered or Title XIX/XXI Reconciliation Settlement	ACC/RBHA	40125-01, 40130-01, 40135-01	$ (1,280,805)	$ (4,466,282)	$ (204,412)	$ 1,935,998	$ (4,015,502)	$ 18,740,103	$ 14,724,601	
		+/-	8	PPC Settlement	ACC/ALTCS/ CMDP	40140-01	$ 177,519	$ -	$ -	$ -	$ 177,519	$ (177,519)	$ -	
		+/-	9	HCBS Settlement	ALTCS	40155-01	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
		+/-	10	Share of Cost (SOC) Settlement	ALTCS	40150-01	$ (142,095)	$ (31,351)	$ 1,067,754	$ 299,614	$ 1,193,922	$ (806,047)	$ 387,875	
		+/-	11	Other Reconciliation/Settlements	ACC/RBHA	40145-01	$ -	$ -	$ -	$ -	$ -	$ -	$ -	Include APSI settlement (see ACOM 325). Do not include monthly
		+	12	Reinsurance	ACC/ALTCS/ RBHA/CMDP	70105-01	$ 3,829,808	$ 4,768,584	$ 5,681,850	$ 6,225,635	$ 20,505,877	$ (861,711)	$ 19,644,166	Amount should generally be stated as a positive number.
		+	13	Health Insurance Providers Fee (HIPF) Revenue	ACC/ALTCS/ RBHA	40160-01	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
		+	14	Patient Contributions	ALTCS	40315-01	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
		+/-	15	Other Accruals (Explain below)	ALL		$ -	$ -	$ -	$ -	$ -	$ -	$ -	
				Deduct										
	42 CFR§438.8(f)(2)(i)	-	16	Pass - Through Payments Revenue	ACC/ALTCS		$ -	$ -	$ -	$ -	$ -	$ -	$ -	Include Rural (ACC), Nursing Facility (ALTCS) and Targeted Investments (ACC/RBHA) Pass - Through Payments (if impacting income statement).
			17	**Total Premium Revenue**		Should agree to (40105-01 through 40315-01) + 70105-01	**$ 176,445,638**	**$ 172,071,804**	**$ 178,872,004**	**$ 176,765,621**	**$ 704,155,067**	**$ 14,956,842**	**$ 719,111,909**	
Taxes, Licensing and Regulatory Fees				**Taxes Licensing and Regulatory Fees**										
	42 CFR§438.8(f)(3)(iii)	+	18	Federal Income Tax & Federal Tax (include Tax Benefit)	ACC/ALTCS/ RBHA	90105-01	$ -	$ -	$ -	$ -	$ -	$ -	$ -	Exclude Federal income taxes and tax benefit on investment income, capital gains and Federal employment taxes.
		+	19	Premium Tax	ALL	90205-01	$ 3,917,861	$ 3,745,572	$ 3,864,573	$ 3,684,532	$ 15,212,538	$ -	$ 15,212,538	
		+	20	Health Insurance Providers Fee (HIPF)	ACC/ALTCS /RBHA	90305-01	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
	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/ALTCS/ RBHA	990105-01	$ -	$ -	$ -	$ -	$ -	$ -	$ -	Limited to 3% of earned premium
			23	**Total Taxes, Licensing and Regulatory Fees**			**$ 3,917,861**	**$ 3,745,572**	**$ 3,864,573**	**$ 3,684,532**	**$ 15,212,538**	**$ -**	**$ 15,212,538**	
Incurred Claims				**Incurred Claims**										
				Include										
	42 CFR§438.8(e)(2)(i)(A) & 42 CFR§438.230(c)(2)(1)	+	24	Paid Claims - Exception for Subcontractors who provide Medicaid-covered services directly to Medicaid enrollees. The costs of the delegated managed care activities cannot be included in the managed care plan's medical loss ratio calculation. Contractors who have subcontractors with delegated managed care activities must include these costs in admin unless they are quality improvement activities.	ALL	50105-01 through 50360-01; 50370-01; 60105-01 through 61305-01 (RBHA)	$ 158,120,264	$ 163,538,331	$ 155,775,236	$ 154,671,000	$ 632,104,831	$ -	$ 632,104,831	
	41 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	$ 778,516	$ 298,134	$ (969,233)	$ 4,927,769	$ 5,035,186	$ 704,814	$ 5,739,999	
	42 CFR§438.8(e)(2)(i)(C)	+	26	Provider Withholds from Payments	ALL	Footnote 16	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
	42 CFR§438.8(e)(2)(iii)(A)	+	27	Provider Incentive/Bonus Payments	ALL	Footnote 16	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
	42 CFR§438.8(e)(2) (iii)(B)	-	28	Payments recovered through Fraud Reduction efforts	ALL	81405-01	$ 8,829	$ (20,022)	$ -	$ -	$ (11,194)	$ 11,194	$ -	
	42 CFR§438.8(e)(2)(i)(H)	+	29	Contingent Benefits/ Medical claim portion of lawsuits	ALL		$ -	$ -	$ -	$ -	$ -	$ -	$ -	
			30	Value Added Services (Explain below)	ALL		$ -	$ -	$ -	$ -	$ -	$ -	$ -	

				Deduct										
	42 CFR§438.8(e)(2)(ii)(A)	-	31	Provider/Subcontractor Overpayment Recoveries	ALL	70305-01	$ (277,326)	$ (184,757)	$ (479,749)	$ (464,343)	$ (1,406,175)	$ -	$ (1,406,175)	
	42 CFR§438.8(e)(2)(ii)(B)	-	32	Rx Rebates (received/accrued)	ALL	50310-05; 61005-05	$ (184,041)	$ (139,079)	$ (45,859)	$ (122,902)	$ (491,882)	$ -	$ (491,882)	
		-	33	Pharmacy Performance Guarantee	ALL	50310-10; 61005-10	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
	42 CFR§438.8(e)(2) (i) (D)(E)	-	34	TPL, COB, Subrogation Recoveries and recoverable COB claims	ALL	70205-02	$ (143,841)	$ 11,328	$ (169,748)	$ (258,325)	$ (560,585)	$ -	$ (560,585)	
			35	**Total Incurred Claims**			**$ 158,302,400**	**$ 163,503,936**	**$ 154,110,646**	**$ 158,753,199**	**$ 634,670,181**	**$ 716,007**	**$ 635,386,188**	
Non-Claims Costs (Administrative Expenditures)				**Non-Claims Costs**						0				
		+	36	Compensation	ALL	80105-01	$ 836,216	$ 816,972	$ 943,400	$ 696,023	$ 3,292,611	$ -	$ 3,292,611	
		+	37	Occupancy	ALL	80205-01	$ 228,848	$ 211,535	$ 229,138	$ 186,456	$ 855,976	$ -	$ 855,976	
		+	38	Depreciation	ALL	80305-01	$ 2	$ 15	$ 7	$ 6	$ 30	$ -	$ 30	
		+	39	Care Management/Care Coordination not included in Health Care Quality Improvement Expenses	ALL	80405-01	$ 405,622	$ 378,017	$ 384,617	$ 368,450	$ 1,536,706	$ -	$ 1,536,706	
		+	40	Professional and Outside Services	ALL	80505-01	$ 1,434,486	$ 1,321,950	$ 1,211,462	$ 1,414,062	$ 5,381,960	$ -	$ 5,381,960	
		+	41	Office Supplies and Equipment	ALL	80605-01	$ 296,312	$ 273,583	$ 330,813	$ 268,527	$ 1,169,236	$ -	$ 1,169,236	
		+	42	Travel	ALL	80705-01	$ 49,317	$ 30,670	$ 23,657	$ 6,713	$ 110,357	$ -	$ 110,357	
		+	43	Repair and Maintenance	ALL	80805-01	$ 248	$ -	$ 665	$ 1,747	$ 2,660	$ -	$ 2,660	
		+	44	Bank Service Charge	ALL	80905-01	$ 82,500	$ 88,344	$ 85,422	$ 85,422	$ 341,688	$ -	$ 341,688	
		+	45	Insurance	ALL	81005-01	$ 32,955	$ 32,401	$ 33,231	$ 33,923	$ 132,510	$ -	$ 132,510	
		+	46	Marketing	ALL	81105-01	$ 139,554	$ 98,679	$ 107,420	$ 58,861	$ 404,513	$ -	$ 404,513	
		+	47	Interest Expense	ALL	81205-01	$ 134,446	$ 116,201	$ 57,617	$ 56,481	$ 364,745	$ -	$ 364,745	
		+	48	Pharmacy Benefit Manager Expenses	ALL	81305-01	$ 165,357	$ 178,840	$ 156,701	$ 142,269	$ 643,167	$ -	$ 643,167	
		+	49	Other Administrative Expenses	ALL	83005-01	$ (119,706)	$ (913,597)	$ 4,035,487	$ 1,683,546	$ 4,685,730	$ -	$ 4,685,730	
	42 CFR§ 438.8(e)(2)(v)(A)(1)	+	50	Amounts paid to third party vendors for secondary network savings	ALL	81505-01	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
	42 CFR§ 438.8(e)(2)(v)(A)(2)	+	51	Amounts paid to third party vendors for network development, administrative fees, claims processing, and utilization management	ALL	81505-01	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
	42 CFR§ 438.8(e)(2)(v)(A)(3)	+	52	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	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
	42 CFR§ 438.8(e)(2)(v)(A)(4)	+	53	Fines and penalties assessed by regulatory authorities	ALL	Footnote 16	$ 1,675	$ 1,305	$ -	$ -	$ 2,980	$ -	$ 2,980	
	42 CFR§438.8(e)(2)(v)(C).	+	54	Pass - Through Payments	ACC/ALTCS		$ -	$ -	$ -	$ -	$ -	$ -	$ -	
		+	55	Loss Adjustment Expense			$ -	$ -	$ -	$ -	$ -	$ -	$ -	
			56	**Total Non-Claims Costs**			**$ 3,687,830**	**$ 2,634,913**	**$ 7,599,639**	**$ 5,002,486**	**$ 18,924,868**	**$ -**	**$ 18,924,868**	
Expenditures for activities that improve health care quality	42 CFR§438.8(e)(3)			**Health Care Quality Improvement and Other Expenses**					File needs to be updated.					
	45 CFR§158.150(b)(1)	+	57	Improvement of health outcomes	ALL	81705-01	$ 752,232	$ 754,422	$ 785,482	$ 777,632	$ 3,069,769	$ -	$ 3,069,769	
	45 CFR§158.150(b)(2)	+	58	Activities to prevent hospital readmission	ALL	81705-01	$ 626,860	$ 628,685	$ 654,569	$ 648,027	$ 2,558,140	$ -	$ 2,558,140	
	45 CFR§158.150(b)(2)(iii)	+	59	Improvement of patient safety and reduce medical errors	ALL	81705-01	$ 501,488	$ 502,948	$ 523,655	$ 518,421	$ 2,046,512	$ -	$ 2,046,512	
	45 CFR§158.150(b)(2)(iv)(4)	+	60	Wellness and health promotion activities	ALL	81705-01	$ 2,194,011	$ 2,200,397	$ 2,290,990	$ 2,268,093	$ 8,953,492	$ -	$ 8,953,492	
	45 CFR§158.150(b)(2)(v) & 45 CFR§158.151	+	61	Health information technology expenses related to improving health care quality	ALL	81705-01	$ 940,291	$ 943,027	$ 981,853	$ 972,040	`	$ -	$ -	
	42 CFR§438.8(e)(3)(ii) & 42 CFR§438.358(b) and (c).	+	62	Activities related to external quality review	ALL	81705-01	$ 1,253,721	$ 1,257,370	$ 1,309,137	$ 1,296,053	$ 5,116,281	$ -	$ 5,116,281	
			63	**Total Health Care Quality Improvement and Other Expenses**			**$ 6,268,604**	**$ 6,286,849**	**$ 6,545,685**	**$ 6,480,266**	**$ 25,581,404**	**$ -**	**$ 25,581,404**	
Expenditures related to activities compliant with § 438.608(a)(1) through (5), (7), (8) and (b).	42 CFR§438.8(e)(4) & 45 CFR§158.150(c)(8)	+	64	Program Integrity: Fraud, Waste, and Abuse Prevention Expenses	ALL		$ -	$ 24,103	$ 27,095	$ 23,451	$ 74,649	$ -	$ 74,649	
Credibility Adjustment	42 CFR§438.8(h)	+	65	Credibility Adjustment (If applicable)	CMDP and small non-LTSS MCOs between 5,400 and 380,000 annual Member Months		$ -	$ -	$ -	$ -	$ -	$ -	$ -	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**										
			66	Incurred Claims			$ 158,302,400	$ 163,503,936	$ 154,110,646	$ 158,753,199	$ 634,670,181	$ 716,007	$ 635,386,188	
			67	Expenditures for activities that improve health care quality			$ 6,268,604	$ 6,286,849	$ 6,545,685	$ 6,480,266	$ 25,581,404	$ -	$ 25,581,404	
			68	Total			$ 164,571,004	$ 169,790,785	$ 160,656,332	$ 165,233,465	$ 660,251,585	$ 716,007	$ 660,967,593	
				Denominator										
			69	Premium Revenue			$ 176,445,638	$ 172,071,804	$ 178,872,004	$ 176,765,621	$ 704,155,067	$ 14,956,842	$ 719,111,909	
			70	Taxes, licensing and regulatory fees			$ 3,917,861	$ 3,745,572	$ 3,864,573	$ 3,684,532	$ 15,212,538	$ -	$ 15,212,538	
			71	Total			$ 172,527,777	$ 168,326,232	$ 175,007,431	$ 173,081,089	$ 688,942,529	$ 14,956,842	$ 703,899,371	
			72	**Medical Loss Ratio**			0.953881203	1.008700678	0.917997201	0.954659268	0.958355099	0.047871558	0.939008642	
			73	**Medical Loss Ratio with Credibility Adjustment**			95.4%	100.9%	91.8%	95.5%	95.8%	4.8%	93.9%	

Methodology(ies) for allocation of expenditures.	42 CFR§438.8(g) 42 CFR§438.8(k)(vii)		74	Please describe methodology(ies) for allocation of expenditures:	**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		75		
	Value-Added Services		76		
			77		
			78		
			79		
			80		
			81		
Aggregation Method	42 CFR§438.8(h)(4)(i); 42 CFR§438.8(k)(xii)		82	Please describe aggregation methodology:	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 12/13/2019

[1] Annual Adjustments Column: **USE FOR ANNUAL REPORT ONLY** - Adjustments column should report prior year adjustments and 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.

Paragraph 4.19
Mercy Care

Medical Loss Ratio Report - RBHA

Contract Year End September 30, 2020

NOTES: Do not duplicate any amounts in multiple lines.

							GAAP Basis						Incurred Basis	
							Dec-19	Mar-20	Jun-20	Sep-20	CYE 20	Annual Adjustments[1]	Restated CYE20	***USE FOR ANNUAL REPORT ONLY***[1] - Adjustments column should report prior year adjustments and 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.
						Member Months	2,931,672.86	2,906,718.51	3,049,090.17	3,204,602.55	12,092,084.10	-	-	
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	215,063,451	216,386,234	223,050,160	229,165,013	883,664,858	(810,077)	882,854,781	Include full capitation including 1% withhold payment. Exclude pass-through payments revenue (reported in line 16) and risk adjustment revenue (reported in line 16).
	42 CFR§438.8(f)(2)(ii)	+	2	Delivery Supplement	ACC/ALTCS	40120-01	-	-	-	-	-	-	-	
	42 CFR§438.8(f)(2)(iii)	+/-	3	APM 1% Withhold Settlement 42 CFR 438.6(b)(3) and Performance Based Payments (PBP)	ACC/ALTCS (ACOM 306) ALL - PBP	40115-01	(3,048,301)	2,652,342	2,221,070	418,155	2,243,267	1,228,718	3,471,985	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)(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.
	43 CFR§438.8(f)(2)(v)	+/-	5	Changes to Unearned Premium Reserves	ALL		-	-	-	-	-	-	-	Include adjustments to Deferred Revenue.
	43 CFR§438.8 (f)(2)(vi)	+/-	6	Risk Adjustment **(Suspended)**	ACC	40105-01; Footnote 20	-	-	-	-	-	-	-	Include amounts for risk adjustment after adjusted amounts are computed or amounts that can be reasonably estimated and accrued.
		+/-	7	Prospective Tiered or Title XIX/XXI Reconciliation Settlement	ACC/RBHA	40125-01, 40130-01, 40135-01	(7,088,500)	1,642,327	(5,833,601)	614,529	(10,665,246)	(18,557,398)	(29,222,644)	
		+/-	8	PPC Settlement	ACC/ALTCS/ CMDP	40140-01	-	-	-	-	-	-	-	
		+/-	9	HCBS Settlement	ALTCS	40155-01	-	-	-	-	-	-	-	
		+/-	10	Share of Cost (SOC) Settlement	ALTCS	40150-01	-	-	-	-	-	-	-	
		+/-	11	Other Reconciliation Settlements	ACC/RBHA	40145-01	523,143	(1,104,358)	441,953	245,800	106,538	1,376,134	1,482,671	Include APSI settlement (see ACOM 325). Do not include monthly premium component of APSI. Includes BH PPC Recon
		+	12	Reinsurance	ACC/ALTCS/RBH A/CMDP	70105-01	2,863,199	(191,259)	691,110	3,211,566	6,574,616	6,872,178	13,446,794	Amount should generally be stated as a positive number.
		+	13	Health Insurance Providers Fee (HIPF) Revenue	ACC/ALTCS/ RBHA	40160-01	-	-	-	-	-	-	-	
		+	14	Patient Contributions	ALTCS	40315-01	-	-	-	-	-	-	-	
		+/-	15	Other Accruals (Explain below)	ALL		-	-	-	-	-	-	-	
				Deduct										
	42 CFR§438.8(f)(2)(i)	-	16	Pass - Through Payments Revenue	ACC/ALTCS		-	-	-	-	-	-	-	Include Rural (ACC), Nursing Facility (ALTCS) and Targeted Investments (ACC/RBHA) Pass - Through Payments (if impacting income statement).
			17	**Total Premium Revenue**		Should agree to (40105-01 through 40160-01) + 40315-01+70105-01	**208,312,991**	**219,385,287**	**220,570,692**	**233,655,063**	**881,924,033**	**(9,890,446)**	872,033,587	
Taxes, Licensing and Regulatory Fees				**Taxes, Licensing and Regulatory Fees**										
	42 CFR§438.8(f)(3)(iii)	+	18	Federal Income Tax & Federal Tax (include Tax Benefit)	ACC/ALTCS/ RBHA	90105-01	-	-	-	-	-	-	-	Exclude Federal income taxes and tax benefit on investment income, capital gains and Federal employment taxes.
		+	19	Premium Tax	ALL	90205-01	4,313,344	4,339,843	4,478,632	5,160,398	18,292,217	-	18,292,217	
		+	20	Health Insurance Providers Fee (HIPF)	ACC/ALTCS /RBHA	90305-01	-	-	-	-	-	-	-	
	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/ALTCS/ RBHA	990105-01				-	-	-	-	Limited to 3% of earned premium
			23	**Total Taxes, Licensing and Regulatory Fees**			**4,313,344**	**4,339,843**	**4,478,632**	**5,160,398**	**18,292,217**	**-**	18,292,217	
				Incurred Claims										
				Include										
	42 CFR§438.8(e)(2)(i)(A) & 42 CFR§438.230(c)(2)(1)	+	24	Paid Claims - Exception for Subcontractors who provide Medicaid-covered services directly to Medicaid enrollees. The costs of the delegated managed care activities cannot be included in the managed care plan's medical loss ratio calculation. Contractors who have subcontractors with delegated managed care activities must include these costs in admin unless they are quality improvement activities.	ALL	50105-01 through 50360-01; 50370-01; 60105-01 through 61305-01 (RBHA)	185,719,007	199,932,949	199,284,895	212,773,103	797,709,955	-	797,709,955	Total reported in lines 24 and 25 should equal the total reported in the income statement for Account #'s 50105-01 to 50370-01 (and 60105-01 through 61305-01 for RBHAs). For ALTCS/EPD and DDD LOBs: exclude Account # 50365-01 - ALTCS Case Management which should be reported in lines 56-61, 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.***

Incurred Claims	41 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	$ (3,682,227)	$ (79,353)	$ 1,480,805	$ (7,515,990)	$ (9,796,764)	$ (9,531,865)	$ (19,328,629)	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	Footnote 16	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
	42 CFR§438.8(e)(2)(iii)(A)	+	27	Provider Incentive/Bonus Payments	ALL	Footnote 16	$ -	$ -	$ -	$ -	$ -	$ -	$ -	Include Incentives or bonuses to providers that are not included as part of APM Performance Based Payments
	42 CFR§438.8(e)(2)(iii)(B)	-	28	Payments recovered through Fraud Reduction efforts	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		$ -	$ -	$ -	$ -	$ -	$ -	$ -	
		+	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 # 23).
				Deduct										
	42 CFR§438.8(e)(2)(ii)(A)	-	31	Provider/Subcontractor Overpayment Recoveries	ALL	70305-01	$ (1,271,770)	$ (1,446,800)	$ (1,113,996)	$ (1,244,507)	$ (5,077,073)	$ -	$ (5,077,073)	Amount should be generally stated as a negative number.
	42 CFR§438.8(e)(2)(ii)(B)	-	32	Rx Rebates (received/accrued)	ALL	50310-05; 61005-05	$ (515)	$ (360,066)	$ (137,714)	$ (330,303)	$ (828,598)	$ -	$ (828,598)	Amount should be generally stated as a negative number.
		-	33	Pharmacy Performance Guarantees	ALL	50310-10; 61005-10	$ -	$ -	$ -	$ -	$ -		$ -	Amount should be generally stated as a negative number.
	42 CFR§438.8(e)(2) (i)(D)(E)	-	34	TPL, COB, Subrogation Recoveries and recoverable COB claims	ALL	70205-02	$ 103,723	$ (249,187)	$ 86,714	$ (612,228)	$ (670,979)	$ -	$ (670,979)	Amount should be generally stated as a negative number.
			35	**Total Incurred Claims**			**$ 180,868,219**	**$ 197,797,544**	**$ 199,600,704**	**$ 203,070,075**	**$ 781,336,541**	$ (9,531,865)	$ 771,804,676	
				Non-Claims Costs										
Non-Claims Costs (Administrative Expenditures)		+	36	Compensation	ALL	80105-01	$ (1,918,631)	$ 4,542,164	$ 6,857,627	$ 3,942,830	$ 13,423,990	$ -	$ 13,423,990	Exclude Compensation classified as Health Care Quality Improvement expenses (reported in lines 57 - 62).
		+	37	Occupancy	ALL	80205-01	$ 763,944	$ 331,518	$ 430,582	$ 345,219	$ 1,871,263	$ -	$ 1,871,263	
		+	38	Depreciation	ALL	80305-01	$ 7	$ 69	$ (26)	$ 11	$ 61	$ -	$ 61	
		+	39	Care Management/Care Coordination not included in Health Care Quality Improvement Expenses	ALL	80405-01	$ 2,040,934	$ 2,196,314	$ 2,133,986	$ 2,356,336	$ 8,727,570	$ -	$ 8,727,570	
		+	40	Professional and Outside Services	ALL	80505-01	$ 14,460,087	$ 7,517,675	$ 4,452,841	$ 9,046,807	$ 35,477,410	$ -	$ 35,477,410	Exclude expenses classified as Health Care Quality Improvement expenses (reported in lines through 62-) or as Fraud, Waste and Abuse expenses (reported in line 64).
		+	41	Office Supplies and Equipment	ALL	80605-01	$ 80,292	$ 427,622	$ 787,626	$ 497,172	$ 1,792,713	$ -	$ 1,792,713	
		+	42	Travel	ALL	80705-01	$ 41,366	$ (6,375)	$ (1,609)	$ 12,429	$ 45,811	$ -	$ 45,811	
		+	43	Repair and Maintenance	ALL	80805-01	$ (1,787)	$ (836)	$ 4,454	$ 3,234	$ 5,066	$ -	$ 5,066	
		+	44	Bank Service Charge	ALL	80905-01	$ 117,000	$ 128,687	$ 122,844	$ 122,844	$ 491,375	$ -	$ 491,375	
		+	45	Insurance	ALL	81005-01	$ 38,185	$ 54,557	$ 58,958	$ 55,112	$ 206,812	$ -	$ 206,812	
		+	46	Marketing	ALL	81105-01	$ 302,330	$ 119,732	$ 304,070	$ 136,638	$ 862,771	$ -	$ 862,771	
		+	47	Interest Expense	ALL	81205-01	$ 44,179	$ 49,095	$ 84,258	$ 22,157	$ 199,690	$ -	$ 199,690	
		+	48	Pharmacy Benefit Manager Expenses	ALL	81305-01	$ 771,679	$ 825,309	$ 730,274	$ 683,239	$ 3,010,502	$ -	$ 3,010,502	
		+	49	Other Administrative Expenses	ALL	83005-01	$ (999,406)	$ 848,632	$ 362,866	$ 604,363	$ 816,456	$ -	$ 816,456	
	438.8(e)(2)(v)(A)(1)	+	50	Amounts paid to third party vendors for secondary network savings	ALL	81505-01	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
	42 CFR§ 438.8(e)(2)(v)(A)(2)	+	51	Amounts paid to third party vendors for network development, administrative fees, claims processing, and utilization management	ALL	81505-01	$ -	$ -	$ -	$ -	$ -	$ -	$ -	Any portion of the sub-capitation/block payment arrangement payment that is explicitly attributed to the provision of administrative services by the provider should be included in this line and excluded from line 24.
	42 CFR§ 438.8(e)(2)(v)(A)(3)	+	52	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	$ -	$ -	$ -	$ -	$ -	$ -	$ -	Any portion of the sub-capitation/block payment arrangement payment that is explicitly attributed to the provision of administrative services by the provider should be included in this line and excluded from line 24.
	42 CFR§ 438.8(e)(2)(v)(A)(4)	+	53	Fines and penalties assessed by regulatory authorities	ALL	Footnote 16	$ -	$ -	$ -	$ 762	$ 762	$ -	$ 762	Include AHCCCS sanctions
	42 CFR§438.8(e)(2)(v)(C).	+	54	Pass - Through Payments	ACC/ALTCS		$ -	$ -	$ -	$ -	$ -	$ -	$ -	Include Rural (ACC), Nursing Facility (ALTCS) and Targeted Investments (ACC/RBHA) Pass - Through Payments (if impacting income statement)
		+	55	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).
			56	**Total Non-Claims Costs**			$ 15,740,183	$ 17,034,164	$ 16,328,751	$ 17,829,153	$ 66,932,251	$ -	$ 66,932,251	

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 57-62 below, as appropriate.
	45 CFR§158.150(b)(1)	+	57	Improvement of health outcomes	ALL	81705-01	$ 136,118	$ 100,694	$ 152,143	$ 88,340	$ 477,295	$ -	$ 477,295	
	45 CFR§158.150(b)(2)	+	58	Activities to prevent hospital readmission	ALL	81705-01	$ 113,432	$ 83,912	$ 126,785	$ 73,616	$ 397,746	$ -	$ 397,746	
	CFR§158.150(b)(2)(iii)	+	59	Improvement of patient safety and reduce medical errors	ALL	81705-01	$ 90,745	$ 67,130	$ 101,428	$ 58,893	$ 318,196	$ -	$ 318,196	
	CFR§158.150(b)(2)(iv)(4)	+	60	Wellness and health promotion activities	ALL	81705-01	$ 397,011	$ 293,692	$ 443,749	$ 257,657	$ 1,392,110	$ -	$ 1,392,110	
	& 45 CFR§158.151	+	61	quality	ALL	81705-01	$ 170,148	$ 125,868	$ 190,178	$ 110,425	$ 596,618	$ -	$ 596,618	
	42 CFR§438.358(b) and	+	62	Activities related to external quality review	ALL	81705-01	$ 226,864	$ 167,824	$ 253,571	$ 147,233	$ 795,491	$ -	$ 795,491	
			63	**Total Health Care Quality Improvement and Other Expenses**			$ 1,134,318	$ 839,119	$ 1,267,855	$ 736,164	$ 3,977,456	$ -	$ 3,977,456	
Expenditures related to activities compliant with § 438.608(a)(1) through (5), (7), (8) and (b).	42 CFR§438.8(e)(4) & 45 CFR§158.150(c)(8)	+	64	Program Integrity: Fraud, Waste, and Abuse Prevention Expenses	ALL		$ (44,934)	$ 18,589	$ 66,036	$ 43,418	$ 83,109	$ -	$ 83,109	
Credibility Adjustment	42 CFR§438.8(h)	+	65	Credibility Adjustment (If applicable)	CMDP and small non-LTSS 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**										
			66	Incurred Claims			$ 180,868,219	$ 197,797,544	$ 199,600,704	$ 203,070,075	$ 781,336,541	$ (9,531,865)	$ 771,804,676	
			67	Expenditures for activities that improve health care quality			$ 1,134,318	$ 839,119	$ 1,267,855	$ 736,164	$ 3,977,456	$ -	$ 3,977,456	
			68	Total			$ 182,002,537	$ 198,636,663	$ 200,868,558	$ 203,806,239	$ 785,313,997	$ (9,531,865)	$ 775,782,132	
				Denominator										
			69	Premium Revenue			$ 208,312,991	$ 219,385,287	$ 220,570,692	$ 233,655,063	$ 881,924,033	$ (9,890,446)	$ 872,033,587	
			70	Taxes, licensing and regulatory fees			$ 4,313,344	$ 4,339,843	$ 4,478,632	$ 5,160,398	$ 18,292,217	$ -	$ 18,292,217	
			71	Total			$ 203,999,647	$ 215,045,443	$ 216,092,061	$ 228,494,665	$ 863,631,816	$ (9,890,446)	$ 853,741,370	
			72	**Medical Loss Ratio**			0.892170839	0.923696218	0.929550848	0.89195185	0.909315732	0.963744726	0.908685181	
			73	**Medical Loss Ratio with Credibility Adjustment**			89.2%	92.4%	93.0%	89.2%	90.9%	96.4%	90.9%	
Methodology(ies) for allocation of expenditures.	42 CFR§438.8(g) 42 CFR§438.8(k)(vii)		74	Please describe methodology(ies) for allocation of expenditures:										**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		75											
	Value-Added Services		76											
			77											
			78											
			79											
			80											
			81											
Aggregation Method	42 CFR§438.8(h)(4)(i); 42 CFR§438.8(k)(xii)		82	Please describe aggregation methodology:										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 12/13/2019

[1] Annual Adjustments Column: **USE FOR ANNUAL REPORT ONLY** - Adjustments column should report prior year adjustments and 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.

ADDITIONAL INFORMATION

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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, 2021, and our report thereon dated November 10, 2021, 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 45 and 46 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 is fairly stated in all material respects in relation to the financial statements as a whole.

Mayer Hoffman McCann P.C.

November 10, 2021

MERCY CARE

ADDITIONAL INFORMATION

STATEMENT OF FINANCIAL POSITION

June 30, 2021
(In thousands)

A S S E T S

	ACC	DES/DDD	DCS/CHP	ALTCS	Medicare	RBHA	Total
CURRENT ASSETS							
Cash and cash equivalents	$ 102,160	$ 7,345	$ 30,936	$ 18,060	$ 1,069	$ 67,408	$ 226,978
Short-term investments	35,437	3,141	1,052	13,010	7,935	20,991	81,566
Receivables:							
Reinsurance receivables, net	27,318	2,468	1,327	5,894	-	10,108	47,115
Reconciliation receivables	35,440	807	-	35,118	-	10,834	82,199
Capitation and supplemental receivables	1,897	-	-	(30)	(880)	233	1,220
Pharmacy rebate receivable	3,051	483	3	716	15,911	486	20,650
Third-party liability receivable	4,747	-	-	825	1,307	417	7,296
Interest receivable	551	49	16	202	123	326	1,267
Provider advances, net	5,809	611	42	802	490	472	8,226
Other receivables	491	12	(1)	-	4	7,516	8,022
Risk share settlement, current portion	-	-	-	-	13,394	-	13,394
Grant receivable	-	-	-	-	-	2,095	2,095
Prepaid assets	228	24	23	98	60	1,203	1,636
TOTAL CURRENT ASSETS	217,129	14,940	33,398	74,695	39,413	122,089	501,664
RECONCILIATION RECEIVABLES, LT	12,460	390	700	2,159	2,133	2,790	20,632
LONG-TERM INVESTMENTS	215,744	19,123	6,405	79,207	48,304	127,796	496,579
TOTAL ASSETS	$ 445,333	$ 34,453	$ 40,503	$ 156,061	$ 89,850	$ 252,675	$ 1,018,875

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

	ACC	DES/DDD	DCS/CHP	ALTCS	Medicare	RBHA	Total
CURRENT LIABILITIES							
Claims payable	$ 168,052	$ 15,123	$ 29,352	$ 61,472	$ 41,745	$ 51,331	$ 367,075
Payable to providers	8,467	432	-	4,417	1,712	7,590	22,618
Reconciliation payable	96,634	6,505	-	2,133	-	23,519	128,791
Grant payable	-	-	-	-	-	1,425	1,425
Due to Aetna	4,529	72	405	853	141	1,999	7,999
Deferred revenue	-	-	-	-	-	835	835
Other current liabilities	5,264	50	9	1,881	256	5,984	13,444
TOTAL CURRENT LIABILITIES	282,946	22,182	29,766	70,756	43,854	92,683	542,187
RECONCILIATION PAYABLE, LT	8,275	2,443	-	4,148	-	45,310	60,176
TOTAL LIABILITIES	291,221	24,625	29,766	74,904	43,854	137,993	602,363
NET ASSETS WITHOUT DONOR RESTRICTIONS	154,112	9,828	10,737	81,157	45,996	114,682	416,512
TOTAL LIABILITIES AND NET ASSETS	$ 445,333	$ 34,453	$ 40,503	$ 156,061	$ 89,850	$ 252,675	$ 1,018,875

MERCY CARE

ADDITIONAL INFORMATION

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended June 30, 2021
(In thousands)

	ACC	DES/DDD	DCS/CHP	ALTCS	Medicare	RBHA	Total
OPERATING REVENUES							
Capitation premiums	$ 1,759,663	$ 157,314	$ 52,435	$ 654,211	$ 409,960	$ 957,251	$ 3,990,834
Delivery supplement	45,521	-	-	-	-	-	45,521
Grants	-	-	-	-	-	160,226	160,226
Other	(30,230)	(3,150)	700	(1,566)	-	(42,216)	(76,462)
TOTAL OPERATING REVENUES	1,774,954	154,164	53,135	652,645	409,960	1,075,261	4,120,119
HEALTH CARE EXPENSES							
Hospitalization	267,277	22,208	30,005	38,799	119,187	46,501	523,977
Medical compensation	321,685	10,797	1,723	18,883	42,284	35,381	430,753
Ancillary and other medical services	1,012,199	124,029	19,080	108,053	210,191	860,227	2,333,779
Institutional	-	-	-	198,699	-	-	198,699
Home and community based services	-	-	-	239,498	-	-	239,498
Less: net third-party liability recoveries	(5,441)	(51)	-	(486)	(745)	(482)	(7,205)
Less: net reinsurance recoveries	(54,061)	(8,388)	(1,327)	(20,357)	(21)	(10,972)	(95,126)
TOTAL HEALTH CARE EXPENSES	1,541,659	148,595	49,481	583,089	370,896	930,655	3,624,375
GENERAL AND ADMINISTRATIVE EXPENSES	152,454	11,994	4,237	36,798	36,618	86,147	328,248
PREMIUM TAX EXPENSE	43,855	-	-	14,553	-	19,868	78,276
TOTAL EXPENSES	1,737,968	160,589	53,718	634,440	407,514	1,036,670	4,030,899
OPERATING INCOME (LOSS)	36,986	(6,425)	(583)	18,205	2,446	38,591	89,220
NONOPERATING INCOME (EXPENSE)							
Investment income	12,862	1,140	382	4,722	2,880	7,624	29,610
Investment fees	(832)	(74)	(25)	(305)	(186)	(493)	(1,915)
Community reinvestment	(2,081)	-	-	(1,216)	-	(2,502)	(5,799)
TOTAL NONOPERATING INCOME	9,949	1,066	357	3,201	2,694	4,629	21,896
CHANGE IN NET ASSETS PRIOR TO UNREALIZED GAINS (LOSSES) ON INVESTMENTS	46,935	(5,359)	(226)	21,406	5,140	43,220	111,116
UNREALIZED GAINS ON INVESTMENTS	17,384	1,749	963	5,504	3,550	9,800	38,950
CHANGE IN NET ASSETS PRIOR TO DISTRIBUTION TO SPONSOR ORGANIZATIONS	64,319	(3,610)	737	26,910	8,690	53,020	150,066
DISTRIBUTION TO SPONSORS	(59,700)	-	-	-	(9,950)	(29,850)	(99,500)
EQUITY TRANSFERS	(5,000)	9,000	10,000	-	-	(14,000)	-
REPAYMENT OF NOTE RECEIVABLE FROM MEMBER	214	-	-	-	-	-	214
NET ASSETS, BEGINNING OF YEAR	154,279	4,438	-	54,247	47,256	105,512	365,732
NET ASSETS END OF YEAR	$ 154,112	$ 9,828	$ 10,737	$ 81,157	$ 45,996	$ 114,682	$ 416,512

UNIFORM GUIDANCE
SUPPLEMENTAL REPORTS

MERCY CARE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2021

Federal Grantor / Pass-Through Agency / Program or Cluster Title	**Federal CFDA Number**	**Pass-through Entity Identifying Number**	**Passed Through to Subrecipients**	**Federal Expenditures**
U.S. Department of Health and Human Services				
Arizona Health Care Cost Containment System:				
Substance Abuse Block Grant	93.959	11356415170214	$ 15,402,172	$ 16,722,252
Mental Health Block Grant				
SMI - Non-Title XIX	93.958	11356415170214	3,489,287	3,781,710
Children - Non-Title XIX	93.958	11356415170214	5,290,193	5,748,067
First Episode of Psychosis	93.958	11356415170214	592,921	642,100
Subtotal Mental Health Block Grant (93.958)			9,372,401	10,171,877
Substance Abuse and Mental Health Services, Projects of Regional and National Significance				
Arizona State Opioid Response Grant	93.788	11356415170214	1,973,802	2,131,706
Arizona State Opioid Response Supplemental Grant	93.788	11356415170214	2,197,775	2,373,597
Arizona State Opioid Response II Grant	93.788	11356415170214	3,356,952	3,625,508
Emergency COVID-19 Grant	93.665	11356415170214	256,485	277,003
Subtotal Substance Abuse and Mental Health Services			7,785,014	8,407,814
Total Passed-Through Arizona Health Care Cost Containment System			32,559,587	35,301,943
Arizona Department of Economic Security:				
Emergency Solutions Grant - COVID	14.231	18660047191E8	366,000	395,682
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 32,925,587	$ 35,697,625

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, 2021

(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, 2021. 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) Catalog of Federal Domestic Assistance (CFDA) numbers

The program titles and CFDA numbers were obtained from the 2021 Catalog of Federal Domestic Assistance.

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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*** (the "Organization"), which comprise the statement of financial position as of June 30, 2021, 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 November 10, 2021.

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.

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.

Mayer Hoffman McCann P.C.

November 10, 2021

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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

We have audited ***Mercy Care's*** compliance with the types of compliance requirements described in the U.S. Office of Management and Budget ("OMB") Compliance Supplement that could have a direct and material effect on ***Mercy Care's*** major federal programs for the year ended June 30, 2021. ***Mercy Care's*** major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for ***Mercy Care's*** major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about ***Mercy Care's*** compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal programs. However, our audit does not provide a legal determination of ***Mercy Care's*** compliance.

Opinion on Major Federal Programs

In our opinion, ***Mercy Care*** complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of ***Mercy Care*** is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered ***Mercy Care's*** internal control over compliance with the types of requirements that could have a direct and material effect on the major federal programs to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal programs 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of ***Mercy Care's*** 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

Mayer Hoffman McCann P.C.

November 10, 2021

MERCY CARE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2021

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:

CFDA 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

5. Dollar threshold used to distinguish between type A and type B programs:	$1,070,929
6. Auditee qualified as a low-risk auditee?	Yes

MERCY CARE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2021

Section II – Financial Statement Findings

None noted

Section III – Federal Award Findings

None noted

Section IV – Prior Audit Findings

None