MERCY MARICOPA INTEGRATED CARE

FINANCIAL STATEMENTS,
SUPPLEMENTAL SCHEDULES AND
UNIFORM GUIDANCE SUPPLEMENTAL REPORTS

Years Ended June 30, 2018 and 2017

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CONTENTS

4722 North 24th Street, Suite 300 ■ Phoenix, AZ 85016
Main: 602.264.6835 ■ Fax: 602.265.7631 ■ www.mhmcpa.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of

MERCY MARICOPA INTEGRATED CARE

We have audited the accompanying financial statements of ***Mercy Maricopa Integrated Care***, which comprise the statements of financial position as of June 30, 2018 and 2017, 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 audits 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 Maricopa Integrated Care*** as of June 30, 2018 and 2017, 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 audits were conducted for the purpose of forming an opinion on the financial statements of ***Mercy Maricopa Integrated 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 5, 2018, on our consideration of ***Mercy Maricopa Integrated 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 Maricopa Integrated Care's*** internal control over financial reporting and compliance.

Mayer Hoffman McCann P.C.

November 5, 2018

MERCY MARICOPA INTEGRATED CARE

STATEMENTS OF FINANCIAL POSITION

June 30, 2018 and 2017

A S S E T S

	2018	2017
CURRENT ASSETS		
Cash and cash equivalents	$ 187,682,004	$ 249,915,962
Receivables:		
Pharmacy rebate receivables	744,556	1,571,275
Provider advances, net of allowance for doubtful accounts of $970,194 and $207,132, respectively	1,249,719	1,826,759
Other accounts receivable, net of allowance for doubtful accounts of $64,067, and $47,272, respectively	2,754,576	1,034,639
Reinsurance receivables	59,002	-
Due from AHCCCS	26,179,364	284,845
Due from Aetna	-	48,972
Prepaid assets	1,341,010	1,362,097
TOTAL CURRENT ASSETS	220,010,231	256,044,549
RESTRICTED SECURITIES	436,821	438,076
CAPITALIZED SOFTWARE COSTS, net	576,812	1,345,895
TOTAL ASSETS	$ 221,023,864	$ 257,828,520

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

	2018	2017
CURRENT LIABILITIES		
Claims payable	$ 63,727,656	$ 65,541,496
Payable to providers	19,380,113	20,843,211
Due to AHCCCS	1,820	15,690,554
Due to Aetna	321,608	-
Deferred revenue	463,193	3,795,312
Other current liabilities	1,280,981	2,961,029
TOTAL CURRENT LIABILITIES	85,175,371	108,831,602
UNRESTRICTED NET ASSETS		
Controlling interest	118,971,218	130,147,379
Noncontrolling interest - District	16,877,275	18,849,539
TOTAL UNRESTRICTED NET ASSETS	135,848,493	148,996,918
TOTAL LIABILITIES AND NET ASSETS	$ 221,023,864	$ 257,828,520

MERCY MARICOPA INTEGRATED CARE

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Years Ended June 30, 2018 and 2017

	2018	2017
OPERATING REVENUES		
Arizona Health Care Cost Containment System contract revenues	$ 1,424,568,435	$ 1,313,048,824
Centers for Medicare and Medicaid Services contract revenues	-	(59,342)
TOTAL OPERATING REVENUES	1,424,568,435	1,312,989,482
HEALTH CARE EXPENSES	1,304,147,891	1,177,271,424
GENERAL AND ADMINISTRATIVE EXPENSES	109,479,567	102,619,039
PREMIUM TAX EXPENSE	25,036,015	23,436,724
LESS:REINSURANCE RECOVERIES	(944,242)	-
TOTAL EXPENSES	1,437,719,231	1,303,327,187
OPERATING INCOME (LOSS)	(13,150,796)	9,662,295
NONOPERATING INCOME		
Investment income	3,630	3,085
TOTAL NONOPERATING INCOME	3,630	3,085
CHANGE IN NET ASSETS PRIOR TO UNREALIZED LOSSES AND CHANGE IN NET ASSETS ATTRIBUTABLE TO DISTRICT	(13,147,166)	9,665,380
UNREALIZED LOSSES ON INVESTMENTS	(1,259)	(1,924)
CHANGE IN NET ASSETS PRIOR TO CHANGE IN NET ASSETS ATTRIBUTABLE TO DISTRICT	(13,148,425)	9,663,456
CHANGE IN NET ASSETS ATTRIBUTABLE TO DISTRICT	1,972,264	(1,449,518)
CHANGE IN NET ASSETS ATTRIBUTABLE TO CONTROLLING INTEREST	(11,176,161)	8,213,938
NET ASSETS, BEGINNING OF YEAR	148,996,918	139,333,462
NET ASSETS, END OF YEAR	$ 135,848,493	$ 148,996,918

MERCY MARICOPA INTEGRATED CARE

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets prior to change in net assets attributable to District	$ (13,148,425)	$ 9,663,456
Adjustments to reconcile change in net assets prior to change in net assets attributable to District to net cash (used in) provided by operating activities:		
Amortization expense	769,083	769,083
Provision for bad debts	779,853	254,440
Net unrealized losses on investments	1,259	1,924
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Pharmacy rebate receivables	826,719	1,156,226
Provider advances	(186,022)	(1,232,157)
Other accounts receivable	(1,736,732)	(967,539)
Reinsurance receivables	(59,002)	-
Risk share settlement	-	1,095,606
Due from AHCCCS	(25,894,519)	9,019,110
Due from Aetna	48,972	1,376,570
Prepaid assets	21,087	6,305,102
Increase (decrease) in:		
Claims payable	(1,813,840)	8,128,130
Payable to providers	(1,463,098)	2,519,227
Due to AHCCCS	(15,688,734)	(20,466,400)
Due to Aetna	321,608	-
Deferred revenue	(3,332,119)	(1,872,316)
Other current liabilities	(1,680,048)	(1,153,530)
Net cash (used in) provided by operating activities	(62,233,958)	14,596,932
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of restricted securities	-	520,000
Purchase of restricted securities	-	(440,000)
Net cash provided by investing activities	-	80,000
NET CHANGE IN CASH AND CASH EQUIVALENTS	(62,233,958)	14,676,932
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	249,915,962	235,239,030
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 187,682,004	$ 249,915,962

See Notes to Financial Statements

(1) Organization operations and significant accounting policies

Organization operations - Effective January 22, 2013, ***Mercy Maricopa Integrated Care*** (Mercy Maricopa or the Organization), was incorporated in the State of Arizona with a dissolution date of the later of December 31, 2021 or six months after the expiration of the Regional Behavioral Health Authority (RBHA) contract. The initial members of Mercy Maricopa are Southwest Catholic Health Network Corporation dba Mercy Care Plan (SCHN), Dignity Health (Dignity), Carondelet Health Network (Carondelet), and Maricopa County Special Health Care District (District). The by-laws provide that Mercy Maricopa shall have one class of members initially; however, the current members may decide to create additional classes of membership or to add new members with unanimous consent of existing members. Relative interests of the members and the formula for distributions to members effective September 9, 2013 is as follows:

SCHN	85%
District	15%

The agreements also provide that SCHN serve as the managing member of Mercy Maricopa.

The Organization was formed to provide physical and behavioral health care services on an integrated basis to Medicaid eligible adults with serious mental illness, and to operate as the RBHA to coordinate the delivery of health care services to eligible persons in Maricopa County, Arizona. Mercy Maricopa was initially funded through a $30 million capital contribution from SCHN and a $10 million capital contribution from District. SCHN contributed additional capital totaling $25 million during each of the years ended June 30, 2015 and 2014. No additional capital contributions were made during the years ended June 30, 2016, 2017 or 2018.

On March 25, 2013, Mercy Maricopa was awarded a $3 billion three year contract with the Arizona Department of Health Services (ADHS) to serve as the designated RBHA for the geographical service area (GSA) of Maricopa County. This new contract was to take effect October 1, 2013; however, the prior contract holder filed a legal challenge and requested and received a stay order requiring the contract to remain with the prior contract holder until the legal challenge had been decided. On December 3, 2013, the Deputy Director of the Arizona Department of Administration issued an Order affirming the Arizona Department of Health Services award of the GSA 6 Integrated Care RBHA contract to Mercy Maricopa effective April 1, 2014. Effective July 1, 2016 the contract with ADHS was transferred to the Arizona Health Care Cost Containment System (AHCCCS). The Organization's contract with AHCCCS has been renewed through September 30, 2020. Failure to renew this contract could have a significant impact on operations. Subsequent to June 30, 2018, in connection with the merger described in Note 7, the Organization's AHCCCS contract was assumed by SCHN.

Mercy Maricopa is responsible for managing and maintaining an organized, comprehensive integrated healthcare delivery system for the benefit of eligible members within its assigned geographical service area.

The Organization also operated a Medicare Advantage Plan (Medicare Advantage) with the Centers for Medicare and Medicaid Services (CMS), offering medical and prescription drug benefits to qualified members. Medicare Advantage operated as a special needs plan under CMS guidelines. The populations covered under Medicare Advantage were members who were eligible for both Medicare and Medicaid coverage. Mercy Maricopa did not renew its Medicare Advantage Plan with CMS and discontinued the plan effective December 31, 2015. The results of the Medicare Advantage Plan were minimal during fiscal year 2017 through the closure of the claims window on June 30, 2017.

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

The Organization entered into a five year management agreement with Aetna effective May 1, 2013. The agreement automatically renews for a second five year term and thereafter for successive one-year periods. SCHN also contracts with Aetna separately to provide management services. Under the terms of Mercy Maricopa's management agreement, the Organization 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 Maricopa incurred management fees per the management agreement of $107,173,390 and $98,856,304 for the years ended June 30, 2018 and 2017, respectively. These amounts are included in general and administrative expenses in the accompanying statements of activities and changes in net assets. As a result of the timing of payments and the estimation process, Mercy Maricopa had underpaid management fees to Aetna of $409,276 resulting in a payable to Aetna at June 30, 2018 and was owed $74,055 based on overpayment of management fees to Aetna at June 30, 2017, which is included in Due to Aetna and Due from Aetna, respectively, in the accompanying statements of financial position.

The significant accounting policies followed by the Organization 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 Organization'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 Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. As of June 30, 2018 and 2017, there were no temporarily restricted or permanently restricted net assets.

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 particularly 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. Mercy Maricopa 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).

Revenue recognition - Mercy Maricopa receives substantially all of its revenue from its contract 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, the Organization 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 and other revenues from AHCCCS totaled $1,276,172,762 and $1,171,836,212 for the years ended June 30, 2018 and 2017, respectively.

The AHCCCS contract is partially funded by state, county and block grants (non-title revenue), which represent annual appropriations. Mercy Maricopa recognizes revenue from this funding ratably over the period to which the funding applies. Non-Title revenues, including block grants, totaled $148,395,673 and $141,212,612 for the years ended June 30, 2018 and 2017, respectively.

Deferred revenue consists of grant payments from multiple grantors which exceeded the amounts earned by Mercy Maricopa. Deferred revenue totaled $463,193 and $3,795,312 at June 30, 2018 and 2017, respectively.

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

The AHCCCS contract revenue is limited by the terms of the AHCCCS 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 Due to AHCCCS or a Due from AHCCCS, respectively.

The Title XIX/XXI capitation profits and losses are considered on a contract year which runs from October through September. For the contract periods April 1, 2014 through September 30, 2015 and October 1, 2015 through September 30, 2016, the maximum profit/loss limit was four percent. For the contract period October 1, 2016 through September 30, 2017, the maximum profit/loss percentage was decreased to one percent. For the contract period October 1, 2017 through September 30, 2018, the maximum profit percentage was increased to four percent and the maximum loss was decreased to one half of one percent. Any contract periods not described below had results which were within the allowable profit/loss percentages within the respective contract period and no amounts were recorded as Due to or Due from AHCCCS. Under Title XIX/XXI, Mercy Maricopa also makes payments to providers upon completion of contracted goals/measures in accordance with the Value Based Purchasing (“VBP”) strategy selected for the contract. This is a non-encounterable payment and does not reflect payment for direct medical service to a member. Payment is reimbursed by AHCCCS after the completion of the contract period in recognition of successful performance measurement. These expected reimbursements were recorded within Due from AHCCCS.

The Non-Title profits and losses are considered on a state fiscal year which runs from July through June. Profits related to non-title revenue have a maximum percentage able to be recognized, and as a result any profits greater than this limit will result in a Due to AHCCCS. Losses under the non-title portion of the contract will not be reimbursed by AHCCCS.

At June 30, the Due to AHCCCS included the following amounts related to the applicable profit/loss corridor:

	2018	2017
Contract Year:		
Title XIX/XXI – April 1, 2014 through September 30, 2015	$ -	$ 12,412,226
Non-Title – July 1, 2016 through June 30, 2017	-	3,278,328
Balance at June 30	$ -	$ 15,690,554

At June 30, the Due from AHCCCS included the following amounts related to the applicable profit/loss corridor:

	2018	2017
Contract Year:		
Title XIX/XXI – October 1, 2016 through September 30, 2017	$ (1,473,725)	$ -
Title XIX/XXI – October 1, 2017 through September 30, 2018	5,725,681	-
Balance at June 30	$ 4,251,956	$ -

At June 30, the Due from AHCCCS also included the following amounts related to the applicable VBP Strategy:

	2018	2017
Contract Year:		
Title XIX/XXI – October 1, 2016 through September 30, 2017	$ 2,600,911	$ -
Title XIX/XXI – October 1, 2017 through September 30, 2018	9,673,835	-
Balance at June 30	$ 12,274,746	$ -

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

The Due to AHCCCS related to the contract year ended September 30, 2015 was dismissed by AHCCCS in fiscal year 2018 and was recognized as revenue. The Due to AHCCCS related to the contract year ended June 30, 2017 was eliminated in fiscal year 2018 as a result of further runout of claims which resulted in the contract year no longer having a profit greater than the applicable limit. As of June 30, 2018, for the contract year ended September 30, 2017, as a result of further runout of claims, Mercy Maricopa recorded an estimated Due from AHCCCS of $1,127,186.

At June 30, 2018, in addition to the amounts noted above, the Due from AHCCCS included approximately $9.65 million due for the provision of housing and other services, reimbursement payments related to the Arizona Opioid State Targeted Response grant and capitation payments under the Organization's contract. At June 30, 2017, Due from AHCCCS consisted primarily of amounts due for the provision of housing and other services. The receivables are stated at the amount management expects to collect. The Organization establishes an allowance for doubtful accounts, if necessary, based upon factors including credit risk, historical trends, and other information. As of June 30, 2018 and 2017, amounts Due from AHCCCS are considered by management to be fully collectible and, accordingly, an allowance for doubtful accounts has not been provided.

Reinsurance - The Organization contracts with a commercial reinsurer to provide a stop-loss reinsurance program for partial reimbursement of reinsurable covered medical services incurred for members. The program includes a deductible of $500,000 and has an annual reinsurance limit of $2,000,000 per member. The commercial reinsurer reimburses the Organization based on a coinsurance amount for reinsurable covered services incurred above the deductible of 90%. Reinsurance is stated at the actual and estimated amounts due to the Organization pursuant to the contract. For the years ended June 30, 2018 and 2017, Mercy Maricopa recognized reinsurance recoveries of $944,242 and $0, respectively. Reinsurance recoveries have been offset against health care expenses in the accompanying statements of activities and changes in net assets. At June 30, 2018 and 2017, reinsurance receivables totaled $59,002 and $0, respectively. At June 30, 2018 and 2017, management believes the reinsurance receivables are fully collectible and accordingly, an allowance has not been established.

Pharmacy rebates - Mercy Maricopa receives rebates from pharmaceutical companies based on the volume of drugs purchased. Mercy Maricopa records a receivable and a reduction of health care expenses for estimated rebates due based on purchase information. During the years ended June 30, 2018 and 2017, health care expenses were reduced by $148,765 and $399,268 for rebates, respectively. At June 30, 2018 and 2017, management believes the pharmacy rebate receivables are fully collectible and accordingly, an allowance has not been established.

Provider advances - Upon request, Mercy Maricopa, in accordance with AHCCCS contract limitations, 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 allowance and a credit to provider advances receivable. As of June 30, 2018 and 2017, provider advances receivable are net of an allowance for doubtful accounts of $970,194 and $207,132, respectively. At June 30, 2018 and 2017, one provider represented approximately 66% and 74% of gross provider advances, respectively.

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

Restricted securities - Mercy Maricopa accounts for its investments in accordance with FASB ASC 958-320, *Not-for-Profit Entities - Investments - Debt and Equity Securities*. Under FASB ASC 958-320, Mercy Maricopa is required to report investments in equity securities that have readily determinable fair values, and all investments in debt securities, at fair value. The fair value of investments is based on quoted market prices. At July 1, 2016, restricted securities consisted of U.S. Treasury notes held by a bank required to remain in trust by the State of Arizona, Department of Insurance (ADOI) for the duration of the Organization's contract with AHCCCS. As of March 2017, this security was no longer required due to the surrender of Mercy Maricopa's Health Care Services Organization license with ADOI. The ADOI did require a security deposit for remaining claims on the Medicare Advantage Plan. At June 30, 2018 and 2017, the security deposit consists of a U.S. Treasury note held by a bank in trust by the State of Arizona. The Organization may not make withdrawals on the account without prior approval from the ADOI. The purchases and sales of restricted securities are recorded on a trade-date basis. Interest is recognized on the accrual basis.

Healthcare service cost recognition - Mercy Maricopa 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 Maricopa amends the provider contracts. The effects of these amendments are recorded in the period in which the amendment was executed.

The estimate for claims payable is developed using actuarial methods based on enrollment data, utilization statistics, and authorized health care services. The estimate for claims payable is 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 Maricopa has agreements with certain providers that provide for the establishment of a pool into which Mercy Maricopa places funds based on the performance of the provider as defined in the contract. Mercy Maricopa 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. APM expense totaled $5,919,767 and $16,053,727 for the years ended June 30, 2018 and 2017, respectively, and are included within health care expenses in the accompanying statements of activities and changes in net asset. At June 30, 2018 and 2017, APM payable to providers totaling $13,686,377 and $10,742,925, respectively, are included in payable to providers in the accompanying statements of financial position.

Premium deficiency reserve - Mercy Maricopa 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. Mercy Maricopa has no estimated amounts recorded for premium deficiency reserves as of June 30, 2018 and 2017.

Expense allocation - Certain direct and indirect administrative expenses are incurred which benefit more than one program. Such common expenses are allocated based upon an AHCCCS approved cost allocation plan as submitted by Mercy Maricopa, which is primarily based upon enrollment, claims and costs by lines of business.

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

Payable to providers - Mercy Maricopa compensates providers for authorized healthcare and substance abuse services to covered beneficiaries. Mercy Maricopa uses a variety of methods to estimate the amount payable to providers including authorizations 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.

Capitalized software costs - Research and development costs are charged to expense as incurred. However, the costs incurred for the development or purchase of computer software that relate to the implementation of the claims processing system are capitalized when technological feasibility has been established. These capitalized costs are subject to an ongoing assessment of recoverability based on anticipated useful lives and changes in hardware and software technologies. Costs that are capitalized include direct labor and related overhead.

Amortization of capitalized software development costs begins when the product is available for release and installation. Amortization is provided on a straight-line method over periods not exceeding five to seven years. Unamortized capitalized software development costs determined to be in excess of net realizable value of the product is expensed immediately. Capitalized software cost totaled $3,845,414 at June 30, 2018 and 2017. Effective April 1, 2014, the software was completed and placed into service, at which time Mercy Maricopa commenced amortization. Amortization expense totaled $769,083 for each of the years ended June 30, 2018 and 2017. Accumulated amortization was $3,268,602 and $2,499,519 as of June 30, 2018 and 2017, respectively.

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.

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. These valuation inputs are considered Level 2.

Income taxes - Mercy Maricopa 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 Organization evaluates its uncertain tax positions, if any, on a continual basis through review of its policies and procedures, review of its regular tax flings, and discussions with outside experts. At June 30, 2018 and 2017, the Organization did not have any uncertain tax positions.

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

Mercy Maricopa's Federal Exempt Organization Business Income Tax Returns (Form 990) for 2015, 2016, and 2017 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 2018 tax returns had not yet been filed.

Mercy Maricopa is subject to a 2% premium tax on all payments received from AHCCCS for premiums, reinsurance, and reconciliations which are remitted by Mercy Maricopa directly to the ADOI. Premium tax expense for the years ended June 30, 2018 and 2017 totaled $25,036,015 and $23,436,724, respectively. At June 30, 2018 and 2017, premium tax payable totaled $403,759 and $443,891, respectively, and is included in other current liabilities in the accompanying statements of financial position.

Performance indicator - The statements of activities and changes in net assets includes the performance indicator operating income (loss). The performance indicator excludes nonoperating income, which is consistent with industry practice.

Recent accounting pronouncements - In May 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* that will supersede most current revenue recognition guidance, including industry-specific guidance. The core principle of the new guidance is that an entity will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include the capitalization and amortization of certain contract costs, ensuring the time value of money is considered in the transaction price, and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. Additionally, the guidance requires disclosures related to the nature, amount, timing, and uncertainty of revenue that is recognized.

In August 2015, the FASB issued FASB ASU No. 2015-14, *Revenue from Contracts with Customers (Topic 606)*, which changed the effective date of the provisions of FASB ASU No. 2014-09. As a result, the new effective dates for public business entities, certain not-for-profit entities, and certain employee benefit plans to apply the guidance in FASB ASU No. 2014-09 is for annual reporting periods beginning after December 15, 2017. All other entities should apply the guidance in FASB ASU No. 2014-09 to annual reporting periods beginning after December 15, 2018. Earlier application is permitted only as of annual reporting periods beginning after December 15, 2016. Transition to the new guidance may be done using either a full or modified retrospective method. The Organization is currently evaluating the full effect that the adoption of this standard will have on the financial statements.

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows* (*Topic 230*). This ASU requires that a statement of cash flows explain the change during the period in the total cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The amendments in the ASU do not provide a definition of restricted cash or restricted cash equivalents. The ASU is effective for all nonpublic business entities for fiscal years beginning after December 15, 2018. Early adoption is permitted. The Organization is evaluating the full effect that the adoption of this standard will have on the financial statements.

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

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958), Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 improves the current net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. ASU 2016-14 is effective for annual financial statements issued for fiscal years beginning after December 15, 2017. Early adoption is permitted. The amendments of this ASU are to be applied on a retrospective basis in the year that the ASU is first applied. The Organization is currently evaluating the full effect that the adoption of this standard will have on the financial statements.

Reclassifications - Certain prior year amounts have been reclassified for consistency with the current year presentation in the financial statements. These reclassifications had no effect on the reported statements of activities and changes in net assets.

Subsequent events - The Organization has evaluated subsequent events through November 5, 2018, which is the date the financial statements were available to be issued.

(2) Claims payable

At June 30, 2018 and 2017 claims outstanding to third parties for health care services provided to members, including estimates for incurred but not reported claims, were approximately $64 million and $66 million, respectively. The balances at June 30, 2018 and 2017 were certified by an actuary. Activity in the liability for claims payable and health care expense for the years ended June 30, 2018 and 2017 is as follows:

	2018	2017
Claims unpaid at beginning of year prior to reinsurance recoverable	$ 65,541,496	$ 57,413,366
Reinsurance recoverable, beginning of year	-	-
Claims unpaid, beginning of year	65,541,496	57,413,366
Incurred related to:		
Current year	487,360,555	416,485,526
Prior years	2,219,055	6,782,008
Total incurred	489,579,610	423,267,534
Paid related to:		
Current year	(424,437,979)	(352,839,722)
Prior years	(66,896,469)	(62,299,682)
Total paid	(491,334,448)	(415,139,404)
Claims unpaid at end of year prior to reinsurance recoverable	63,786,658	65,541,496
Reinsurance recoverable, end of year	(59,002)	-
Claims unpaid, end of year	$ 63,727,656	$ 65,541,496

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 claims payable at June 30, 2017 was less than the actual claims incurred related to fiscal year 2017 and prior by approximately $2.2 million or 3%. The primary drivers for unfavorable claim development include member mix changes, higher than anticipated member utilization and enrollment growth. Mercy Maricopa continues to incur claims for prior periods. The claims payable is adjusted each period end as more information becomes available.

(2) Claims payable (continued)

The liability for claims payable at June 30, 2016 was less than the actual claims incurred related to fiscal year 2016 and prior by approximately $6.8 million or 12%. The primary drivers for unfavorable claim development include member mix changes and higher than anticipated member utilization.

(3) District noncontrolling interest

During the period from formation (January 22, 2013) through June 30, 2015, District contributed $10 million towards the funding of the Organization.

In accordance with the membership agreement, any time after three years from the commencement of the RBHA contract (April 1, 2014), District may require that Mercy Maricopa purchase the membership interest of District. The purchase price of District's membership interest under the District put option shall be the sum of District's capital contributions to Mercy Maricopa, without interest, and any remaining accrued or deferred distributions to District (a 15% relative interest), plus interest, if any. As a result, $16,877,275 (the $10 million, plus District's share of the changes in Mercy Maricopa's net assets since formation of $6,877,275) and $18,849,539 was included as a noncontrolling interest within unrestricted net assets, in the accompanying statements of financial position at June 30, 2018 and 2017, respectively.

On March 30, 2018, District notified Mercy Maricopa that District elected to exercise the $10 million put option effective July 1, 2018. Subsequent to June 30, 2018 the $10 million was paid to District. At that time, the remaining noncontrolling interest totaling $6,877,275 at June 30, 2018 was reclassified from noncontrolling to controlling unrestricted net assets.

(4) 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. The Organization paid $14,684,811 in 2018 and $14,090,541 in 2017 to Dignity and its affiliates, $30,118 in 2018 and $83,638 in 2017 to Ascension Health and its affiliates and $61,654,387 in 2018 and $51,316,305 in 2017 to District for behavioral health and other medical services provided to its members.

(5) Commitments and contingencies

Performance bonds - In accordance with the terms of its contract with AHCCCS, Mercy Maricopa is required to post a performance bond with AHCCCS equal to 80% of the expected monthly Title capitation and Non-Title payments, as specified in the contract. The amount of the bond is subject to adjustment as certain conditions change and its method of calculation is specified in the contract. The performance bond must be maintained to guarantee payment of Mercy Maricopa's obligations under the contract. For the year ended June 30, 2018, the performance bond requirement was $81,647,187, and was met through the purchase of three performance bonds totaling $90,000,000, which expire September 30, 2018 (See Note 7).

Litigation - Periodically, the Organization 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, if any, will not materially affect the Organization's financial position.

(5) Commitments and contingencies (continued)

Liability insurance - Mercy Maricopa maintains directors and officers, errors and omissions, and cyber liability insurance coverage under claims-made policies. Mercy Maricopa is insured for losses up to $20 million per claim and in the aggregate under its directors and officers liability policy. Mercy Maricopa is insured for losses up to $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.

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, 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 the Organization 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.

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 Organization 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 Organization to increased risk of loss or further liabilities. The Organization’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 Maricopa has approved a Community Reinvestment program. Under the program, Mercy Maricopa will demonstrate a commitment to the local communities in which it operates through community reinvestment activities including contributing 6% of its annual profits to community reinvestment. The program funds community projects that enhance the lives of people in the communities in Mercy Maricopa’s geographic service area. These funds are for projects and services not eligible for service or prevention dollars from Mercy Maricopa.

For the years ended June 30, 2018 and 2017, Mercy Maricopa approved amounts that resulted in grants to providers of $1,654,949 and $481,506, respectively, to be spent on various healthcare community projects. These amounts are included in general and administrative expenses in the accompanying statements of activities and changes in net assets. At June 30, 2018 and 2017, Mercy Maricopa had not yet spent all of the funds appropriated. Accordingly, at June 30, 2018 and 2017, Mercy Maricopa has recorded a liability for unspent Community Reinvestment program funds of $827,189 and $2,517,142, respectively, which is included in other current liabilities in the accompanying statements of financial position.

(6) Contract requirements

In accordance with the AHCCCS contract, the Organization is required to maintain certain minimum financial reporting and viability measures.

The Organization must maintain unrestricted minimum capitalization of at least 90% of the monthly capitation and block payments received under the Contract. As of June 30, 2018 and 2017, the Organization was in compliance with this requirement.

(6) Contract requirements (continued)

The 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, 2018 and 2017, the Organization was in compliance with these requirements.

As discussed in Note 1, the Organization is limited by the terms of its contract with AHCCCS to profit that can be earned under the various programs.

Should the Organization be in default of any material obligations under the 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 Contract may be cancelled upon written notice until such monies are so appropriated or available.

Mercy Maricopa is required to meet quarterly and contract year end minimum encounter submission percentages, or be subject to sanction by AHCCCS. Typically, Mercy Maricopa has up to eight months after the contract period end to meet the minimum number of encounters. For the year ended June 30, 2017, Mercy Maricopa anticipated meeting the required encounter threshold for the contract period from October 1, 2016 through September 30, 2017. Accordingly as of June 30, 2017, Mercy Maricopa did not record a liability associated with an encounter sanction. Through the date of this report, AHCCCS has not yet completed its encounter evaluation assessment for the contract year ended September 30, 2017. However, management continues to anticipate meeting the required encounter threshold. As of June 30, 2018, Mercy Maricopa anticipates meeting the required encounter threshold for the contract period from October 1, 2017 through September 30, 2018. Accordingly, as of June 30, 2018, Mercy Maricopa has not recorded a liability associated with an encounter sanction.

AHCCCS has a right to sanction Mercy Maricopa for other matters of non-compliance of the Contract, as determined by AHCCCS. Mercy Maricopa received no sanctions from AHCCCS for the years ended June 30, 2018 and 2017.

(7) Subsequent events

On November, 2, 2017, AHCCCS released the AHCCCS Complete Care Request for Proposal (RFP) which will integrate physical and behavioral health care contacts under managed care plans for the majority of the 1.9 million AHCCCS members. The integrated delivery model will offer a more cohesive health care system for members incentivizing quality health care outcomes with alternative payment models, and leverage health information technology for improved care coordination. Additionally, integrating physical health and behavioral healthcare contracts will drive strategic, innovative health care initiatives forward. SCHN submitted a bid as an integrated plan in response to the RFP in January 2018. In March 2018, SCHN was selected to provide physical and behavioral healthcare services through the AHCCCS Complete Care program in the Central and South regions. The three year contract agreement, with the possibility of two two-year extensions, commenced on October 1, 2018.

In conjunction with the Organization's acquisition of District's noncontrolling interest (see Note 3), Mercy Maricopa merged into SCHN effective July 1, 2018 to form a combined Organization operating as Mercy Care. Mercy Care operates the Complete Care contract effective October 1, 2018 as well as the remainder of the Mercy Maricopa 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, 2020.

SUPPLEMENTAL SCHEDULES

4722 North 24th Street, Suite 300 ■ Phoenix, AZ 85016
Main: 602.264.6835 ■ Fax: 602.265.7631 ■ www.mhmcpa.com

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL SCHEDULES

To the Board of Directors of

MERCY MARICOPA INTEGRATED CARE

Report on Supplemental Schedules

We have audited the accompanying supplemental schedule of activities, supplemental schedule of activities – disclosures, and sub-capitated expenses report, collectively, the supplemental schedules, as defined in the contract dated October 1, 2017, between ***Mercy Maricopa Integrated Care*** and the Arizona Health Care Cost Containment System (AHCCCS) for the year ended June 30, 2018.

Management's Responsibility for the Supplemental Schedules

Management is responsible for the preparation and fair presentation of these supplemental schedules 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 the supplemental schedules that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these supplemental schedules 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 schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the supplemental schedules. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the supplemental schedules, 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 schedules 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 schedules.

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 schedule of activities, supplemental schedule of activities – disclosures, and sub-capitated expenses report referred to above present fairly, in all material respects, the activities of ***Mercy Maricopa Integrated Care*** for the year ended June 30, 2018, as defined in the 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 Maricopa Integrated 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 5, 2018

MERCY MARICOPA INTEGRATED CARE
SCHEDULE 1 - SUPPLEMENTAL SCHEDULE OF ACTIVITIES
Year Ended June 30, 2018

	Member Months	TXIX/XXI Non CMDP Child	TXIX CMDP Child	TXIX DD Child	TXIX/XXI GMH/SA Non Dual	TXIX DD Adult	TXIX SMI Integrated	TXIX SMI Non Integrated	Total TXIX/XXI	NTXIX/XXI Crisis	NTXIX/XXI SMI	NTXIX/XXI Other	Supported Housing	Housing Trust Fund (formerly known as SB1616 Housing)	MHBG SED	MHBG SMI	SABG	Other Federal	County	PASRR	Total NTXIX/XXI	Total TXIX/XXI and NTXIX/XXI	Mgmt & Gen	Total	MMA	Grand Total
00105	**Prospective Member Months**	5,372,675	107,785	101,086	5,046,513	97,107	261,404	5,681	**10,992,252**																	
00205	**PPC Member Months**	-	-	-	-	-	-	-	-																	
00999	**Total Member Months**	5,372,675	107,785	101,086	5,046,513	97,107	261,404	5,681	**10,992,252**																	
	REVENUE																									
40105	Prospective Capitation	$ 175,489,873	$ 70,740,845	$ 23,169,610	$ 331,710,773	$ 14,588,037	$ 618,482,401	$ 13,052,295	$ 1,247,233,834	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,247,233,834	$ -	$ 1,247,233,834	$ -	$ 1,247,233,834
40110	PPC Capitation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
40135	Title XIX/XXI Reconciliation Settlement	-	-	-	-	-	28,938,928	-	28,938,928	-	-	-	-	-	-	-	-	-	-	-	-	28,938,928	-	28,938,928	-	28,938,928
40145	PCP Parity Cost Settlement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
40160	Health Insurance Providers Fee Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
40205	Non-Title XIX/XXI Revenue	-	-	-	-	-	-	-	-	8,935,499	46,406,062	1,594,918	6,076,537	18	2,790,046	3,284,545	20,218,397	1,994,616	55,365,926	138,900	146,805,464	146,805,464	-	146,805,464	-	146,805,464
40210	Specialty and Other Grants*	-	-	-	-	-	-	-	-	-	-	1,460,107	-	-	-	-	-	-	-	-	1,460,107	1,460,107	-	1,460,107	-	1,460,107
40215	Non-Title XIX/XXI Profit Limit	-	-	-	-	-	-	-	-	0	(0)	-	-	-	-	-	-	-	-	-	(0)	(0)	-	(0)	-	(0)
40305	Investment Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
40310	Other Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
49999	**TOTAL REVENUE**	175,489,873	70,740,845	23,169,610	331,710,773	14,588,037	647,421,329	13,052,295	1,276,172,762	8,935,499	46,406,062	3,055,025	6,076,537	18	2,790,046	3,284,545	20,218,397	1,994,616	55,365,926	138,900	148,265,570	1,424,438,332	-	1,424,438,332	-	1,424,438,332
	EXPENSES																									
	Behavioral Health (BH) Medical Expenses:																									
	Treatment Services																									
60105-1	Counseling																									
	a Counseling, Individual	8,310,723	5,788,159	164,833	11,441,292	472,130	10,423,805	212,364	36,813,305	-	-	-	-	-	156,469	87,699	944,820	-	663,355	-	1,852,343	38,665,647	-	38,665,647	-	38,665,647
	b Counseling, Family	7,418,735	3,626,934	142,617	443,210	89,352	688,538	17,681	12,427,066	-	-	-	-	-	91,019	12,359	44,150	-	108,483	-	256,011	12,683,077	-	12,683,077	-	12,683,077
	c Counseling, Group	1,977,651	895,038	22,516	11,461,891	54,096	3,879,446	114,852	18,405,491	-	-	-	-	-	18,647	176,035	2,459,178	-	355,608	-	3,009,468	21,414,959	-	21,414,959	-	21,414,959
60105-5	Assessment, Evaluation and Screening	13,419,541	7,226,844	308,580	19,960,925	1,470,878	10,230,845	569,580	53,187,194	-	605,331	-	-	-	473,910	326,864	1,617,471	-	1,349,854	-	4,373,430	57,560,624	-	57,560,624	-	57,560,624
60105-10	Other Professional	543,354	129,755	4,971	930,912	82,373	592,156	68,875	2,352,395	-	2,232,516	-	-	-	28,835	-	150,779	-	3,642,668	-	6,054,799	8,407,193	-	8,407,193	-	8,407,193
60199	**Total Treatment Services**	31,670,004	17,666,730	643,517	44,238,229	2,168,830	25,814,789	983,351	123,185,451	-	2,837,847	-	-	-	768,880	602,957	5,216,398	-	6,119,968	-	15,546,050	138,731,501	-	138,731,501	-	138,731,501
	Rehabilitation Services																									
60205-1	Living Skills Training	22,307,193	15,135,653	1,311,435	2,207,070	903,265	24,850,875	763,406	67,478,897	(0)	1,447,382	-	-	-	259,947	90,903	200,118	-	1,640,120	-	3,638,472	71,117,369	-	71,117,369	-	71,117,369
60205-5	Cognitive Rehabilitation	-	-	-	-	-	383	-	383	-	-	-	-	-	-	-	-	-	-	-	-	383	-	383	-	383
60205-10	Health Promotion	2,541,842	1,033,952	21,250	1,973,100	48,282	7,600,941	250,169	13,469,536	(0)	769,193	-	-	-	139,797	34,617	204,150	-	841,868	-	1,989,626	15,459,162	-	15,459,162	-	15,459,162
60205-15	Supported Employment Services	159,170	129,935	931	1,260,521	69,614	10,452,245	523,411	12,595,828	-	951,965	-	-	-	265	20,254	29,425	-	1,016,708	-	2,018,617	14,614,444	-	14,614,444	-	14,614,444
60299	**Total Rehabilitation Services**	25,008,205	16,299,539	1,333,616	5,440,690	1,021,161	42,904,444	1,536,987	93,544,643	(0)	3,168,540	-	-	-	400,010	145,774	433,693	-	3,498,697	-	7,646,714	101,191,358	-	101,191,358	-	101,191,358
	Medical Services																									
60305-1	Medication Services	50	-	4	7,582,912	26	951,997	5,545	8,540,535	-	3	-	-	-	-	741	2,777,919	-	6,319	-	2,784,982	11,325,517	-	11,325,517	59,531	11,385,047
60305-5	Medical Management	5,298,055	1,394,747	190,594	10,964,506	1,516,718	27,429,148	730,352	47,524,118	-	580,036	-	-	-	116,906	291,202	1,625,884	-	740,201	-	3,354,228	50,878,346	-	50,878,346	-	50,878,346
60305-10	Laboratory, Radiology and Medical Imaging	113,262	31,789	21,886	450,925	24,950	3,073,125	12,073	3,728,011	-	1,322	-	-	-	-	65	62,551	-	1,929	-	65,868	3,793,878	-	3,793,878	-	3,793,878
60305-15	Electro-Convulsive Therapy	3,955	-	-	336,573	1,814	1,290,816	32,254	1,665,412	-	-	-	-	-	-	-	-	-	-	-	-	1,665,412	-	1,665,412	-	1,665,412
60399	**Total Medical Services**	5,415,322	1,426,536	212,484	19,334,916	1,543,507	32,745,086	780,224	61,458,075	-	581,360	-	-	-	116,906	292,008	4,466,355	-	748,449	-	6,205,078	67,663,153	-	67,663,153	59,531	67,722,684
	Support Services																									
60405-1	Case Management	26,384,707	27,192,479	852,372	13,596,644	2,043,967	55,448,198	2,192,848	127,711,214	(0)	6,561,707	-	-	-	1,101,096	1,023,983	1,637,409	-	7,821,988	-	18,146,183	145,857,397	-	145,857,397	-	145,857,397
60405-5	Personal Care Services	877,537	143,453	329,227	437,628	14,435	14,281,583	546,467	16,630,330	-	420,746	-	-	-	-	50,972	9,066	-	443,611	-	924,394	17,554,724	-	17,554,724	-	17,554,724
60405-10	Family Support	4,262,447	2,078,979	333,472	137,138	31,039	251,289	12,856	7,107,220	-	34,161	-	-	-	34,840	6,279	19,839	-	40,366	-	135,484	7,242,704	-	7,242,704	-	7,242,704
60405-15	Peer Support	390,096	94,490	7,213	1,919,329	120,655	6,939,002	279,972	9,750,758	(0)	660,188	-	-	-	28,757	107,012	374,405	-	827,045	-	1,997,406	11,748,165	-	11,748,165	-	11,748,165
60405-20	Home Care Training to Home Care Client	979,563	3,766,711	193,929	-	-	540,641	-	5,480,844	-	-	-	-	-	-	-	-	-	-	-	-	5,480,844	-	5,480,844	-	5,480,844
60405-25	Unskilled Respite Care	3,765,607	1,354,430	36,156	307,096	-	368,298	14,609	5,846,195	-	3,644	-	-	-	-	-	11,273	-	3,823	-	18,740	5,864,935	-	5,864,935	-	5,864,935
60405-30	Supported Housing*	-	-	-	-	-	-	-	-	-	12,731,418	1,040,146	5,715,588	-	-	-	-	-	-	-	19,487,152	19,487,152	-	19,487,152	-	19,487,152
60405-35	Reserved for Future Use																									
60405-40	Transportation	8,048,293	2,630,433	815,438	17,160,624	266,235	44,389,538	659,754	73,970,316	-	1,660,117	-	-	-	13,681	113,856	258,346	-	2,318,319	-	4,364,320	78,334,636	-	78,334,636	-	78,334,636
60499	**Total Support Services**	44,708,250	37,260,977	2,567,807	33,558,459	2,476,330	122,218,549	3,706,505	246,496,878	(0)	22,071,979	1,040,146	5,715,588	-	1,178,374	1,302,102	2,310,338	-	11,455,152	-	45,073,680	291,570,558	-	291,570,558	-	291,570,558
	Crisis Intervention Services																									
60505-1	Crisis Intervention - Mobile	5,265,837	5,698,465	1,227,942	8,642,544	-	4,364,002	-	25,198,789	2,606,795	-	-	-	-	-	-	-	-	4,050,398	-	6,657,193	31,855,982	-	31,855,982	-	31,855,982
60505-5	Crisis Intervention - Stabilization	1,689,350	558,391	66,224	40,064,231	-	24,422,893	-	66,801,089	3,766,216	134,201	244,367	-	-	-	-	-	-	3,187,491	-	7,332,275	74,133,364	-	74,133,364	-	74,133,364
60505-10	Crisis Intervention - Telephone	-	-	-	1,856,809	-	2,744,255	-	4,601,064	1,863,750	-	-	-	-	-	-	-	-	1,507,686	-	3,371,436	7,972,500	-	7,972,500	-	7,972,500
60599	**Total Crisis Intervention Services**	6,955,187	6,256,855	1,294,166	50,563,583	-	31,531,150	-	96,600,942	8,236,760	134,201	244,367	-	-	-	-	-	-	8,745,576	-	17,360,904	113,961,846	-	113,961,846	-	113,961,846
	Inpatient Services																									
60605-1	Hospital																									
	a Psychiatric (Provider Types 02 & 71)	27,372,268	12,219,806	3,860,764	78,295,831	930,549	58,432,248	2,845,069	183,956,534	-	-	-	-	-	-	-	-	-	12,256,674	-	12,256,674	196,213,208	-	196,213,208	-	196,213,208
	b Detoxification (Provider Types 02 & 71)	16,749	12,543	-	7,125,719	-	440,737	12,512	7,608,261	-	-	-	-	-	-	-	-	-	3,636	-	3,636	7,611,896	-	7,611,896	-	7,611,896
60605-5	Sub acute Facility																									
	a Psychiatric (Provider Types B5 & B6)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	b Detoxification (Provider Types B5 & B6)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
60605-10	Residential Treatment Center (RTC)																									
	Psychiatric - Secure & Non-Secure Provider a Types 78,B1,B2,B3)	58,401	177,049	-	-	-	-	-	235,450	-	-	-	-	-	-	-	-	-	-	-	-	235,450	-	235,450	-	235,450
	Detoxification - Secure & Non-Secure (Provider b Types (78,B1,B2,B3)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
60605-15	Inpatient Services, Professional	2,123,061	490,753	204,486	8,561,151	62,921	8,979,683	162,102	20,584,157	-	-	-	-	-	-	-	-	-	-	-	-	20,584,157	-	20,584,157	-	20,584,157
60699	**Total Inpatient Services**	29,570,479	12,900,151	4,065,250	93,982,701	993,470	67,852,668	3,019,683	212,384,401	-	-	-	-	-	-	-	-	-	12,260,309	-	12,260,309	224,644,710	-	224,644,710	-	224,644,710
	Residential Services																									
60705-1	Behavioral Health Residential Facilities	2,774,860	3,520,840	112,723	17,562,899	1,421	44,934,887	931,216	69,838,847	-	-	-	-	-	-	-	3,603,870	-	487,755	-	4,091,625	73,930,473	-	73,930,473	-	73,930,473
60705-5	Reserved for Future Use																									
60705-10	Room and Board	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8,824,480	-	8,824,480	8,824,480	-	8,824,480	-	8,824,480
60799	**Total Residential Services**	2,774,860	3,520,840	112,723	17,562,899	1,421	44,934,887	931,216	69,838,847	-	-	-	-	-	-	-	3,603,870	-	9,312,235	-	12,916,105	82,754,953	-	82,754,953	-	82,754,953
	Behavioral Health Day Program																									
60805-1	Supervised Day Program	-	-	-	19,298	5,482	2,157,382	31,348	2,213,510	-	253,418	-	-	-	-	-	-	-	265,876	-	519,294	2,732,804	-	2,732,804	-	2,732,804
60805-5	Therapeutic Day Program	168,563	93,468	350	552,291	7,407	871,765	9,468	1,703,314	-	66,278	-	-	-	-	256,467	67,902	-	69,553	-	460,200	2,163,514	-	2,163,514	-	2,163,514
60805-10	Medical Day Program	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
60899	**Total Behavioral Health Day Program**	168,563	93,468	350	571,589	12,889	3,029,147	40,816	3,916,823	-	319,696	-	-	-	-	256,467	67,902	-	335,429	-	979,494	4,896,317	-	4,896,317	-	4,896,317
	Prevention Services																									
60905-1	Prevention	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	845,445	-	-	-	845,445	845,445	-	845,445	-	845,445
60905-5	HIV	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,027,205	-	-	-	1,027,205	1,027,205	-	1,027,205	-	1,027,205
60999	**Total Prevention Services**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,872,649	-	-	-	1,872,649	1,872,649	-	1,872,649	-	1,872,649
	BH Pharmacy Expenses																									
61005-1	BH Pharmacy Expense	15,395,141	2,335,650	2,703,658	31,527,376	3,733,914	66,341,785	1,941,708	123,979,231	-	13,544,672	-	-	-	-	-	-	-	-	-	13,544,672	137,523,903	-	137,523,903	506	137,524,409
61005-5	BH Pharmacy Rebates	24,887	4,804	8,096	25,423	8,125	61,332	7,627	140,294	-	29,165	-	-	-	-	-	-	-	-	-	29,165	169,459	-	169,459	(20,693)	148,765
61099	**Total Pharmacy Expense**	15,420,028	2,340,454	2,711,753	31,552,800	3,742,039	66,403,116	1,949,335	124,119,524	-	13,573,837	-	-	-	-	-	-	-	-	-	13,573,837	137,693,361	-	137,693,361	(20,187)	137,673,174
61105	Other Service Expenses Not Reported Above*	578,132	808,218	-	768,249	-	3,765,168	-	5,919,767	-	-	340,239	-	-	-	321,241	-	1,847,066	-	138,900	2,647,446	8,567,213	-	8,567,213	-	8,567,213
61205	BH FQHC/RHC Services	684,385	17,476	18,836	3,179,351	4,241	5,454,755	5,343	9,364,387	-	-	-	-	-	-	-	-	-	-	-	-	9,364,387	-	9,364,387	-	9,364,387
61299	**Subtotal BH Medical Expenses**	162,953,416	98,591,244	12,960,504	300,753,467	11,963,887	446,653,760	12,953,461	1,046,829,739	8,236,760	42,687,460	1,624,752	5,715,588	-	2,464,169	2,920,550	17,971,207	1,847,066	52,475,816	138,900	136,082,267	1,182,912,006	-	1,182,912,006	39,344	1,182,951,350
61305	Specialty and Other Grant Expenses*	-	-	-	-	-	-	-	-	-	-	1,417,957	-	-	-	-	-	-	-	-	1,417,957	1,417,957	-	1,417,957	-	1,417,957
69998	**Total BH Medical Expenses**	162,953,416	98,591,244	12,960,504	300,753,467	11,963,887	446,653,760	12,953,461	1,046,829,739	8,236,760	42,687,460	3,042,710	5,715,588	-	2,464,169	2,920,550	17,971,207	1,847,066	52,475,816	138,900	137,500,224	1,184,329,964	-	1,184,329,964	39,344	1,184,369,307
59999	**Total PH Medical Expenses (details below)**	379,852	151,545	193,043	5,341,721	147,586	112,860,629	-	119,074,376	-	-	-	-	-	-	-	-	-	-	-	-	119,074,376	-	119,074,376	-	119,074,376
69999	**Total BH and PH Medical Expenses**	163,333,268	98,742,788	13,153,547	306,095,188	12,111,474	559,514,389	12,953,461	1,165,904,116	8,236,760	42,687,460	3,042,710	5,715,588	-	2,464,169	2,920,550	17,971,207	1,847,066	52,475,816	138,900	137,500,224	1,303,404,340	-	1,303,404,340	39,344	1,303,443,684
70105	Less: Reinsurance	-	-	-	-	-	(944,242)	-	(944,242)	-	-	-	-	-	-	-	-	-	-	-	-	(944,242)	-	(944,242)	-	(944,242)
70205	Less: Third Party Liability	-	-	-	(84,022)	-	(318,284)	-	(402,307)	-	(126)	-	-	-	-	-	-	-	-	-	(126)	(402,433)	-	(402,433)	-	(402,433)
85999	**Total Net Medical Expense**	163,333,268	98,742,788	13,153,547	306,011,166	12,111,474	558,251,863	12,953,461	1,164,557,567	8,236,760	42,687,334	3,042,710	5,715,588	-	2,464,169	2,920,550	17,971,207	1,847,066	52,475,816	138,900	137,500,098	1,302,057,665	-	1,302,057,665	39,344	1,302,097,009

MERCY MARICOPA INTEGRATED CARE
SCHEDULE 1 - SUPPLEMENTAL SCHEDULE OF ACTIVITIES
Year Ended June 30, 2018

	Physical Health (PH) Medical Expenses																									
	Hospitalization																									
50105	Hospital Inpatient	-	-	-	203,503	-	30,150,544	-	30,354,047	-	-	-	-	-	-	-	-	-	-	-	-	30,354,047	-	30,354,047	-	30,354,047
50110	Hospital Inpatient - Behavioral Health Services	298,131	138,905	187,259	2,326,003	142,939	2,158,122	-	5,251,358	-	-	-	-	-	-	-	-	-	-	-	-	5,251,358	-	5,251,358	-	5,251,358
50115	PPC - Hospital Inpatient	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
50199	**Total Hospitalization**	298,131	138,905	187,259	2,529,505	142,939	32,308,666	-	35,605,406												-	35,605,406	-	35,605,406	-	35,605,406
	Medical Compensation																									
50205	Primary Care Physician Services	20,574	2,750	872	36,103	70	2,753,242	-	2,813,611	-	-	-	-	-	-	-	-	-	-	-	-	2,813,611	-	2,813,611	-	2,813,611
50210	Behavioral Health Physician Services	-	-	-	-	-	1,802	-	1,802	-	-	-	-	-	-	-	-	-	-	-	-	1,802	-	1,802	-	1,802
50215	Referral Physician Services	-	-	-	29,944	-	5,769,251	-	5,799,195	-	-	-	-	-	-	-	-	-	-	-	-	5,799,195	-	5,799,195	-	5,799,195
50220	PH FQHC/RHC Services	-	-	-	-	-	12	-	12	-	-	-	-	-	-	-	-	-	-	-	-	12	-	12	-	12
50225	Other Professional Services	21,193	9,889	1,930	2,471,472	4,576	7,321,473	-	9,830,533	-	-	-	-	-	-	-	-	-	-	-	-	9,830,533	-	9,830,533	-	9,830,533
50230	PPC - Physician Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
50235	PCP Parity Enhanced Payment Expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
50299	**Total Medical Compensation**	41,767	12,639	2,801	2,537,520	4,646	15,845,780	-	18,445,153	-	-	-	-	-	-	-	-	-	-	-	-	18,445,153	-	18,445,153	-	18,445,153
	Other Medical Expenses																									
50305	Emergency Facility Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
50310-1	PH Pharmacy	-	-	-	-	-	37,809,863	-	37,809,863	-	-	-	-	-	-	-	-	-	-	-	-	37,809,863	-	37,809,863	-	37,809,863
50310-5	PH Pharmacy Rebates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
50315	Laboratory, Radiology & Medical Imaging	-	-	21	23,815	-	2,852,762	-	2,876,598	-	-	-	-	-	-	-	-	-	-	-	-	2,876,598	-	2,876,598	-	2,876,598
50320	Outpatient Facility	39,954	-	2,962	209,574	2	18,291,209	-	18,543,700	-	-	-	-	-	-	-	-	-	-	-	-	18,543,700	-	18,543,700	-	18,543,700
50325	Durable Medical Equipment	-	-	-	-	-	85,563	-	85,563	-	-	-	-	-	-	-	-	-	-	-	-	85,563	-	85,563	-	85,563
50330	Dental	-	-	-	3,343	-	230,886	-	234,229	-	-	-	-	-	-	-	-	-	-	-	-	234,229	-	234,229	-	234,229
50335	Transportation	-	-	-	1,920	-	53,293	-	55,213	-	-	-	-	-	-	-	-	-	-	-	-	55,213	-	55,213	-	55,213
50340-00	Nursing Facility, Home Health Care	-	-	-	-	-	463,655	-	463,655	-	-	-	-	-	-	-	-	-	-	-	-	463,655	-	463,655	-	463,655
50345	Therapies	-	-	-	1,418	-	102,281	-	103,699	-	-	-	-	-	-	-	-	-	-	-	-	103,699	-	103,699	-	103,699
50350	Alternative Payment Model Performance Based Payments to Providers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
50360	PPC, Other Medical Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
50370	Other Medical Expenses	-	-	-	34,627	-	4,816,670	-	4,851,297	-	-	-	-	-	-	-	-	-	-	-	-	4,851,297	-	4,851,297	-	4,851,297
50399	**Total Other Medical Expenses**	39,954	-	2,983	274,696	2	64,706,183	-	65,023,817	-	-	-	-	-	-	-	-	-	-	-	-	65,023,817	-	65,023,817	-	65,023,817
59999	**Total Physical Health Expense**	379,852	151,545	193,043	5,341,721	147,586	112,860,629	-	119,074,376	-	-	-	-	-	-	-	-	-	-	-	-	119,074,376	-	119,074,376	-	119,074,376
	Administrative Expenses:																									
80105	Compensation	9,448,210	3,808,546	1,248,570	17,861,933	785,433	34,922,932	702,985	68,778,608	490,562	2,548,282	86,769	277,023	33	153,284	180,452	1,110,792	-	3,041,786	-	7,888,983	76,667,591	-	76,667,591	-	76,667,591
80205	Occupancy	3,834	1,545	507	7,248	319	14,171	285	27,908	199	1,034	35	112	0	62	73	451	-	1,234	-	3,201	31,109	-	31,109	-	31,109
80305	Depreciation	96,546	58,412	7,867	181,231	7,165	330,504	7,646	689,371	4,850	25,127	1,655	3,375	-	1,454	1,723	10,576	-	30,961	-	79,721	769,092	-	769,092	(9)	769,083
80405	Care Management/Care Coordination	1,849,067	745,354	244,352	3,495,680	153,714	6,834,612	137,578	13,460,357	96,006	498,713	16,981	54,215	6	29,999	35,315	217,388	-	595,294	-	1,543,918	15,004,275	-	15,004,275	-	15,004,275
80505	Professional and Outside Services	508,353	204,915	67,178	961,046	42,260	1,878,998	37,823	3,700,573	26,394	137,108	4,669	14,905	2	8,247	9,709	59,765	-	163,661	-	424,460	4,125,032	-	4,125,032	-	4,125,032
80605	Office Supplies and Equipment	711,305	286,725	93,998	1,344,729	59,131	2,629,160	52,924	5,177,973	36,932	191,847	6,532	20,856	2	11,540	13,585	83,626	-	229,000	-	593,919	5,771,892	-	5,771,892	-	5,771,892
80705	Travel	42,486	17,126	5,614	80,320	3,532	157,039	3,161	309,278	2,206	11,459	390	1,246	0	689	811	4,995	-	13,678	-	35,475	344,753	-	344,753	-	344,753
80805	Repair and Maintenance	157	63	21	296	13	579	12	1,141	8	42	1	5	0	3	3	18	-	50	-	131	1,272	-	1,272	-	1,272
80905	Bank Service Charge	157	95	13	295	12	538	12	1,122	8	41	3	5	-	2	3	17	-	50	-	130	1,251	-	1,251	-	1,251
81005	Insurance	142,337	80,312	13,055	267,571	10,820	495,106	11,134	1,020,335	7,198	37,317	2,211	4,814	0	2,177	2,576	15,823	-	45,682	-	117,798	1,138,133	-	1,138,133	-	1,138,133
81105	Marketing	70,652	35,621	7,545	133,096	5,558	251,493	5,426	509,390	3,609	18,721	930	2,271	0	1,105	1,305	8,023	-	22,702	-	58,666	568,056	-	568,056	-	568,056
81205	Interest	9,881	5,260	1,324	29,467	335	56,974	1,289	104,530	-	3,340	-	-	-	-	-	-	-	-	-	3,340	107,869	-	107,869	-	107,869
81305	Pharmacy Benefit Manager Expenses	97,168	14,742	17,064	198,989	23,567	657,365	12,255	1,021,151	-	85,489	-	-	-	-	-	-	-	-	-	85,489	1,106,640	-	1,106,640	-	1,106,640
83005	Other Administrative Expenses*	593,886	242,161	77,787	1,122,565	49,248	2,354,332	44,253	4,484,232	30,812	160,048	5,563	17,490	2	9,619	11,325	69,711	-	191,180	-	495,751	4,979,983	-	4,979,983	(15)	4,979,968
83999	**Subtotal Administrative Expenses**	13,574,038	5,500,878	1,784,895	25,684,465	1,141,105	50,583,803	1,016,783	99,285,967	698,784	3,718,568	125,740	396,316	46	218,180	256,882	1,581,185	-	4,335,279	-	11,330,981	110,616,948	-	110,616,948	(24)	110,616,924
83105	Encounter Evaluation Sanctions*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
83205	Admin Expenses from Specialty and Other Gran	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
84999	**Total Administrative Expense**	13,574,038	5,500,878	1,784,895	25,684,465	1,141,105	50,583,803	1,016,783	99,285,967	698,784	3,718,568	125,740	396,316	46	218,180	256,882	1,581,185	-	4,335,279	-	11,330,981	110,616,948	-	110,616,948	(24)	110,616,924
86999	**Total Expenses**	176,907,306	104,243,666	14,938,442	331,695,631	13,252,579	608,835,666	13,970,244	1,263,843,534	8,935,544	46,405,902	3,168,450	6,111,904	46	2,682,349	3,177,431	19,552,392	1,847,066	56,811,095	138,900	148,831,079	1,412,674,613	-	1,412,674,613	39,320	1,412,713,933
87999	**Profit (Loss) from Operations**	(1,417,433)	(33,502,821)	8,231,168	15,142	1,335,458	38,585,664	(917,950)	12,329,228	(45)	160	(113,425)	(35,367)	(28)	107,697	107,113	666,005	147,551	(1,445,169)	-	(565,509)	11,763,719	-	11,763,719	(39,320)	11,724,399
88999	Profit (Loss) from Non-Operating*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	160,820	160,820	3,630	164,450
89999	**Profit/(Loss) Before Taxes**	(1,417,433)	(33,502,821)	8,231,168	15,142	1,335,458	38,585,664	(917,950)	12,329,228	(45)	160	(113,425)	(35,367)	(28)	107,697	107,113	666,005	147,551	(1,445,169)	-	(565,509)	11,763,719	160,820	11,924,539	(35,689)	11,888,849
90105	Income Taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
90205	Premium Taxes	3,515,611	1,418,523	443,411	6,591,735	291,759	12,518,253	256,723	25,036,015	-	-	-	-	-	-	-	-	-	-	-		25,036,015	-	25,036,015	-	25,036,015
90305	Health Insurance Providers Fee	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
99999	**Net Profit/(Loss)**	$ (4,933,045)	$ (34,921,343)	$ 7,787,757	$ (6,576,593)	$ 1,043,699	$ 26,067,410	$ (1,174,672)	$ (12,706,787)	$ (45)	$ 160	$ (113,425)	$ (35,367)	$ (28)	$ 107,697	$ 107,113	$ 666,005	$ 147,551	$ (1,445,169)	$ -	$ (565,509)	$ (13,272,296)	$ 160,820	$ (13,111,476)	$ (35,689)	$ (13,147,165)

*Disclose on Schedule A

MERCY MARICOPA INTEGRATED CARE
SCHEDULE 2 - SUPPLEMENTAL SCHEDULE OF ACTIVITIES - DISCLOSURES
Year Ended June 30, 2018

	TXIX/XXI Non CMDP Child	TXIX CMDP Child	TXIX DD Child	TXIX/XXI GMH/SA Non Dual	TXIX DD Adult	TXIX SMI Integrated	TXIX SMI Non Integrated	NTXIX/XXI Crisis	NTXIX/XXI SMI	NTXIX/XXI Other	Supported Housing	Housing Trust Fund (formerly known as SB1616 Housing)	MHBG SED	MHBG SMI	SABG	Other Federal	County	PASRR	Sub-Total	Mgmt & Gen	Total
DISCLOSURE OF NTXIX/XXI OTHER and OTHER FEDERAL AHCCCS REVENUE																					
City of Phoenix LARC	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 100,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 100,000	$ -	$ 100,000
One Time Housing Funding	-	-	-	-	-	-	-	-	-	1,091,413	-	-	-	-	-	-	-	-	1,091,413	-	1,091,413
SUDS	-	-	-	-	-	-	-	-	-	367,458	-	-	-	-	-	-	-	-	367,458	-	367,458
CABHI States Enhancement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	50,471	-	-	50,471	-	50,471
Opioid STR	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	405,004	-	-	405,004	-	405,004
MAT-PDOA Criminal Justice Grant	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,539,142	-	-	1,539,142	-	1,539,142
Audit Adjustment FY 2017	-	-	-	-	-	-	-	-	-	36,047	-	-	-	-	-	-	-	-	36,047	-	36,047
Total - NTXIX/XXI Other and OTHER FEDERAL Column	-	-	-	-	-	-	-	-	-	1,594,918	-	-	-	-	-	1,994,616	-	-	3,589,534	-	3,589,534
DISCLOSURE OF SPECIALTY AND OTHER GRANTS REPORTED ON LINE 40210																					
																			0		
HIE Connectivity Funding	-	-	-	-	-	-	-	-	-	1,460,775	-	-	-	-	-	-	-	-	1,460,775	-	1,460,775
LARC Renovation	-	-	-	-	-	-	-	-	-	(668)	-	-	-	-	-	-	-	-	(668)	-	(668)
Total Specialty and Other Grants Revenue	-	-	-	-	-	-	-	-	-	1,460,107	-	-	-	-	-	-	-	-	1,460,107	-	1,460,107
DISLOSURE OF SUPPORTED HOUSING ON REPORTED ON LINE 60405-30																					
Rent Subsidy	-	-	-	-	-	-	-	-	10,050,254	-	1,553,095	-	-	-	-	-	-	-	11,603,349	-	11,603,349
Management Fees	-	-	-	-	-	-	-	-	3,625,948	-	560,328	-	-	-	-	-	-	-	4,186,276	-	4,186,276
Utility Payments	-	-	-	-	-	-	-	-	658,009	-	101,684	-	-	-	-	-	-	-	759,693	-	759,693
Other/Repairs & Maintenance	-	-	-	-	-	-	-	-	548,960	-	84,832	-	-	-	-	-	-	-	633,792	-	633,792
Damages	-	-	-	-	-	-	-	-	345,138	-	53,335	-	-	-	-	-	-	-	398,474	-	398,474
Deposits	-	-	-	-	-	-	-	-	582,785	-	90,059	-	-	-	-	-	-	-	672,844	-	672,844
Start Up	-	-	-	-	-	-	-	-	30,767	-	4,754	-	-	-	-	-	-	-	35,521	-	35,521
Eviction Prevention	-	-	-	-	-	-	-	-	204,702	-	31,633	-	-	-	-	-	-	-	236,335	-	236,335
One Time Housing Block Funding	-	-	-	-	-	-	-	-	-	1,004,100	-	-	-	-	-	-	-	-	1,004,100	-	1,004,100
Audit Adjustment FY 2017	-	-	-	-	-	-	-	-	(3,315,145)	36,047	3,235,866	-	-	-	-	-	-	-	(43,232)	-	(43,232)
Total Supported Housing	-	-	-	-	-	-	-	-	12,731,418	1,040,146	5,715,588	-	-	-	-	-	-	-	19,487,152	-	19,487,152
DISCLOSURE OF OTHER SERVICES ON LINE 61105																					
Alternative Payment Model - Behavioral Health	578,132	808,218	-	768,249	-	3,765,168	-	-	-	-	-	-	-	-	-	-	-	-	5,919,767	-	5,919,767
PASRR	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	138,900	138,900	-	138,900
FEP Grant Expense	-	-	-	-	-	-	-	-	-	-	-	-	-	321,241	-	-	-	-	321,241	-	321,241
MAT-PDOA Criminal Justice Grant	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	375,259	-	-	375,259	-	375,259
Opioid STR	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,425,131	-	-	1,425,131	-	1,425,131
CABHI States Enhancement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	46,675	-	-	46,675	-	46,675
SUDS	-	-	-	-	-	-	-	-	-	340,239	-	-	-	-	-	-	-	-	340,239	-	340,239
Total Other Services	578,132	808,218	-	768,249	-	3,765,168	-	-	-	340,239	-	-	-	321,241	-	1,847,066	-	138,900	8,567,213	-	8,567,213
DISCLOSURE OF SPECIALTY AND OTHER GRANTS ON LINE 61305																					
HIE Connectivity Expenses	-	-	-	-	-	-	-	-	-	1,418,625	-	-	-	-	-	-	-	-	1,418,625	-	1,418,625
LARC Renovation	-	-	-	-	-	-	-	-	-	(668)	-	-	-	-	-	-	-	-	(668)	-	(668)
Total Specialty and Other Grants Expenses	-	-	-	-	-	-	-	-	-	1,417,957	-	-	-	-	-	-	-	-	1,417,957	-	1,417,957
DISCLOSURE OF OTHER ADMIN EXPENSES ON LINE 83005																					
Reinsurance Premium	-	-	-	-	-	162,921	-	-	-	-	-	-	-	-	-	-	-	-	162,921	-	162,921
Meeting Expense	3,971	2,403	324	7,455	295	13,595	314	199	1,034	68	139	-	60	71	435	-	1,274	-	31,635	-	31,635
Dues and Filing Fees	9,735	5,890	793	18,274	722	33,326	771	489	2,534	167	340	-	147	174	1,066	-	3,122	-	77,550	-	77,550
Interpretative Services	580,180	233,869	76,670	1,096,836	48,231	2,142,670	43,168	30,124	156,481	5,328	17,011	-	9,413	11,081	68,210	-	186,785	-	4,706,055	-	4,706,055
AHCCCS Sanction	-	-	-	-	-	1,820	-	-	-	-	-	-	-	-	-	-	-	-	1,820	-	1,820
Audit Adjustment FY 2017	-	-	-	-	-	-	-	-	-	-	-	2	-	-	-	-	-	-	2	-	2
Total Other Admin Expenses	593,886	242,161	77,787	1,122,565	49,248	2,354,332	44,253	30,812	160,048	5,563	17,490	2	9,619	11,325	69,711	-	191,180	-	4,979,983	-	4,979,983
DISCLOSURE OF ENCOUNTER EVALUTION SANCTIONS ON LINE 83105																					
Total Encounter Evaluation Sanctions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DISCLOSURE OF ADMINISTRATIVE EXPENSES FROM SPECIALTY AND OTHER GRANTS ON LINE 83205																					
																					0
Total Adm Expenses from Specialty and Other Grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DISCLOSURE OF NON-OPERATING LINE 88999																					
																					0
TCPI - CMS Grant	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10,816	10,816
Community Reinvestment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	35,004	35,004
RBHA Assessed Sanctions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	115,000	115,000
Total Non-Operating	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	160,820	160,820

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

MERCY MARICOPA INTEGRATED CARE

SCHEDULE 3 - SUB-CAPITATED EXPENSES REPORT

Year Ended June 30, 2018

Account	Account Description		
Sub-Capitated Behavioral Health Expenses:			
60199	Total Treatment Services	$	123,050,174
60299	Total Rehabilitation Services		97,325,328
60399	Total Medical Services		51,224,824
60499	Total Support Services		212,293,458
60599	Total Crisis Intervention Services		113,961,846
60699	Total Inpatient Services		11,600,325
60799	Total Residential Services		13,251,157
60899	Total Behavioral Health Day Program		4,889,476
60999	Total Prevention Services		1,872,649
61099	Total Pharmacy Expense		-
61105	Other Service Expenses not Reported Above		-
61205	BH FQHC/RHC Services		-
	Total Sub-Capitated Behavioral Health Expenses:	$	629,469,237
Sub-Capitated Hospitalization Expenses:			
50105	Hospital Inpatient	$	-
50110	Hospital Inpatient, BH Principal Diagnosis		-
50115	Hospital Inpatient, PPC		-
	Total Sub-Capitated Hospitalization Expenses:	$	-
Sub-Capitated Medical Compensation Expenses:			
50205	Primary Care Physician Services	$	-
50210	Physician Services, BH Principle Diagnosis		-
50215	Referral Physician Services		-
50220	PH FQHC/RHC Services		-
50225	Other Professional		-
50230	PPC-Physician Services		-
50235	PCP Parity Enhanced Payment Expense		-
	Total Sub-Capitated Medical Compensation Expenses:	$	-
Sub-Capitated Other Medical Expenses:			
50305	Emergency Facility Services	$	-
50310-1	PH Pharmacy		-
50310-5	less: PH Pharmacy Rebates		-
50315	Laboratory, Radiology & Medical Imaging		-
50320	Outpatient Facility		-
50325	Durable Med Equipment		85,563
50330	Dental		-
50335	Transportation		-
50340-00	Nursing Facility, Home Health Care		-
50345	Therapies		-
50350	Alternative Payment Model Performance Based Payments to Providers		-
50360	PPC, Other Medical Expenses		-
50370	Other Medical Expenses		8,607
	Total Sub-Capitated Other Medical Expenses:	$	94,170
	Total Sub-Capitated Expenses:	$	629,563,407

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

UNIFORM GUIDANCE
SUPPLEMENTAL REPORTS

MERCY MARICOPA INTEGRATED CARE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2018

Federal Grantor / Pass-Through Grantor / 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 Pass-through Programs From:				
Arizona Health Care Cost Containment System:				
Block Grants for Prevention and Treatment of Substance Abuse	93.959	11356415170214	$ 17,919,545	$ 19,552,392
Block Grants for Community Mental Health Services				
SMI - Non-Title XIX	93.958	11356415170214	2,599,308	2,821,580
Children - Non-Title XIX	93.958	11356415170214	2,464,169	2,683,390
First Episode of Psychosis	93.958	11356415170214	321,241	346,941
Subtotal Block Grants for Community Mental Health Services (93.958)			5,384,718	5,851,911
Substance Abuse and Mental Health Services, Projects of Regional and National Significance	93.243	11356415170214	388,179	421,934
Arizona Opioid State Targeted Response Grant	93.788	11356415170214	1,425,132	1,539,142
Total Passed-Through Arizona Health Care Cost Containment System			25,117,574	27,365,379
Centers for Medicare and Medicaid Services (CMS) and Arizona Heath-e Connection				
ACA - Transforming Clinical Practice Initiative: Practice Transformation Networks (PTNs)	93.638	68660047917631	-	119,287
Total U.S. Department of Health and Human Services			25,117,574	27,484,666
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 25,117,574	$ 27,484,666

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

(1) Basis of presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of ***Mercy Maricopa Integrated Care*** under programs of the federal government for the year ended June 30, 2018. 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 Maricopa Integrated Care***, it is not intended to and does not present the financial position, changes in net assets or cash flows of ***Mercy Maricopa Integrated Care***.

(2) Summary of significant accounting policies

Expenditures reported on the Schedule 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 Maricopa Integrated 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 2018 Catalog of Federal Domestic Assistance.

4722 North 24th Street, Suite 300 ■ Phoenix, AZ 85016
Main: 602.264.6835 ■ Fax: 602.265.7631 ■ www.mhmcpa.com

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 MARICOPA INTEGRATED 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 Maricopa Integrated Care*** (the "Organization"), which comprise the statement of financial position as of June 30, 2018, 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 5, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered ***Mercy Maricopa Integrated 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 Maricopa Integrated Care's*** internal control. Accordingly, we do not express an opinion on the effectiveness of ***Mercy Maricopa Integrated 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. 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 Maricopa Integrated 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 Maricopa Integrated 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 Maricopa Integrated Care's*** internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mayer Hoffman McCann P.C.

November 5, 2018

4722 North 24th Street, Suite 300 ■ Phoenix, AZ 85016
Main: 602.264.6835 ■ Fax: 602.265.7631 ■ www.mhmcpa.com

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 MARICOPA INTEGRATED CARE

Report on Compliance for Each Major Federal Program

We have audited ***Mercy Maricopa Integrated 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 each of ***Mercy Maricopa Integrated Care's*** major federal programs for the year ended June 30, 2018. ***Mercy Maricopa Integrated 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 each of ***Mercy Maricopa Integrated 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 Maricopa Integrated 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 each major federal program. However, our audit does not provide a legal determination of ***Mercy Maricopa Integrated Care's*** compliance.

Opinion on Each Major Federal Program

In our opinion, ***Mercy Maricopa Integrated Care*** complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of ***Mercy Maricopa Integrated 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 Maricopa Integrated Care's*** internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 Maricopa Integrated 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 5, 2018

MERCY MARICOPA INTEGRATED CARE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2018

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 programs:	
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 programs:	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
93.788	Arizona Opioid State Targeted Response Grant
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:	$824,540
6. Auditee qualified as a low-risk auditee?	Yes

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2018

Section II – Financial Statement Findings

None

Section III – Federal Award Findings

None

Corrective Action Plan and Summary Schedule of Prior Audit Findings

Corrective Action Plan

N/A

Summary Schedule of Prior Audit Findings

Item:	**2017-001**
Criteria or Specific Requirement:	Accounting principles generally accepted in the United States of America require that liabilities and expenses be stated at the amount management expects to incur.
Condition:	***Mercy Maricopa Integrated Care's*** fiscal year 2017 financial statements include a misstatement of the provider incentive liability which had not been corrected by management, as the amount was not deemed to be material by ***Mercy Maricopa Integrated Care*** management. As part of ***Mercy Maricopa Integrated Care's*** contracts with providers, ***Mercy Maricopa Integrated Care*** has agreed to pay providers certain incentives based on the performance of the provider, as defined in the contract. Incentive awards are based on utilization and designated quality scores based on member assigned to the provider. During the year ended June 30, 2017, certain errors were identified in the estimation of the provider incentive liabilities. The errors resulted from inadequate internal controls surrounding the evaluation of the provider incentives and communication between the group responsible for estimating the provider incentives and the accounting and financial reporting team. This was deemed to be a significant deficiency in internal controls.
Current Status:	Corrective action taken.

4350 E. Cotton Center Blvd., Bldg. D, Phoenix, AZ 85040