



ANNUAL MEDICAL LOSS RATIO REPORT

Banner University Family Care
AHCCCS Complete Care Program
Year Ended September 30, 2023
With Report of Independent Accountants



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Banner University Family Care
AHCCCS Complete Care Program
Annual Medical Loss Ratio Report

September 30, 2023

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Report of Independent Accountants

The Board of Directors
Banner University Family Care

We have examined the accompanying Annual Medical Loss Ratio Report of Banner University Family Care related to the Arizona Health Care Cost Containment System (AHCCCS) Complete Care (ACC) plan (the Subject Matter) for the contract year ended September 30, 2023. Banner University Family Care's management is responsible for the Annual Medical Loss Ratio Report in accordance with the criteria set forth in the Financial Reporting Guide for AHCCCS Complete Care Contractor (the Criteria). Our responsibility is to express an opinion on the Subject Matter based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants (AICPA). Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Subject Matter is in accordance with the criteria, in all material respects. An examination involves performing procedures to obtain evidence about the Subject Matter. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the Subject Matter, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion. Our examination does not address other criteria beyond those set forth in the Financial Reporting Guide.

We are required to be independent of Banner University Family Care and to meet our other ethical responsibilities, as applicable for examination engagements set forth in the Preface: Applicable to All Members and Part 1 – Members in Public Practice of the Code of Professional Conduct established by the AICPA.

Information shown in the schedule referred to above was prepared for the purpose of complying with the Criteria and is not intended to be a complete presentation in conformity with generally accepted accounting principles.

The Member Months reported on the Annual Medical Loss Ratio Report has not been subjected to the procedures applied in the examination, and accordingly, we express no opinion on it.

In our opinion, the accompanying Annual Medical Loss Ratio Report for the contract year ended September 30, 2023, is presented in accordance with the criteria set forth in the Financial Reporting Guide, in all material respects.

This report is intended solely for the information and use of Banner University Family Care and AHCCCS for monitoring of the Annual Medical Loss Ratio and is not intended to be and should not be used by anyone other than those specified parties.

A handwritten signature in black ink that reads 'Ernst & Young LLP'.

September 2, 2025

Banner University Family Care
 AHCCCS Complete Care Program
 Annual Medical Loss Ratio Report
 Contract Year Ended September 30, 2023

		Incurred Basis
		CYE23
	Member Months	3,662,919
	Revenue	
	Include	
1	Prospective Capitation	\$ 1,486,990,964
2	APM 1% Withhold Settlement 42 CFR 438.6(b)(3) and Performance Based Payments (PBP) reimbursed by AHCCCS	\$ 21,305,249
3	Delivery Supplement	\$ 37,595,468
4	Unpaid Cost Sharing Amounts	\$ –
5	Changes to Unearned Premium Reserves	\$ –
6	Risk Adjustment (Footnote Suspended)	\$ –
7	Prospective Tiered	\$ (64,434,285)
8	Reserved	\$ –
9	Other Reconciliation Settlements	\$ 991,201
10	Share of Cost (SOC) Settlement	\$ –
11	Reserved	\$ –
12	Reserved	\$ –
13	Other Income	\$ –
14	Patient Contributions	\$ –
15	Other Accruals (Explain below)	\$ –
16	State Directed Payments Revenue	\$ 338,630,902
17	Total Premium Revenue	\$ 1,821,079,499
	Taxes, Licensing and Regulatory Fees	
18	Federal Income Tax & Federal Tax (include Tax Benefit)	\$ –
19	Premium Tax	\$ 31,362,847
20	Reserved	\$ –
21	Other Federal, State, Local Taxes and Licensing and Regulatory Fees	\$ –
22	Community Benefit Expenses (otherwise exempt from Federal income tax) and Community Reinvestment Expenses meeting requirements of 45 CFR 158.162c	\$ 5,896,539
23	Total Taxes, Licensing and Regulatory Fees	\$ 37,259,386

Banner University Family Care
 AHCCCS Complete Care Program
 Annual Medical Loss Ratio Report (continued)

Contract Year Ended September 30, 2023

		Incurred Basis
		CYE23
Detail		
Incurred Claims		
Include		
24	Include paid claims to providers/subcontractors for Medicaid covered services to Medicaid enrollees. Exclude sub-capitation/block payments related to delegated managed care administrative expenses. The costs of the delegated managed care activities cannot be included in the managed care plan's medical loss ratio calculation. Contractors who have providers/subcontractors with delegated managed care activities must include these costs in admin unless they are quality improvement activities which should be reported in the Expenditures for Activities that Improve Health Care Quality Section.	\$ 1,298,461,057
25	Changes in other claims-related reserves (Change in unpaid claims between the prior year's and the current year's unpaid claims (i.e., RBUC) and change in claims incurred but not reported (IBNR) from the prior year to the current year)	\$ (1,651,890)
26	Provider Withholds from Payments	\$ -
27	Provider Incentive/Bonus Payments (include Unreimbursed PBP)	\$ -
28	Payments recovered through Fraud Recovery efforts less related expenses	\$ 423,300
29	Contingent Benefits/ Medical claim portion of lawsuits	\$ -
30	Value Added Services (Explain below)	\$ -
31	Provider Payments Attributable to State Directed Payments	\$ 338,630,902
Deduct		
32	Reinsurance Recoveries	\$ (38,229,604)
33	Provider/Subcontractor Overpayment Recoveries	\$ (10,274,018)
34	Rx Rebates (received/accrued)	\$ 1,953,077
35	Pharmacy Performance Guarantee	\$ (10,832,221)
36	TPL, COB, Subrogation Recoveries and recoverable COB claims	\$ (1,924,522)
37	Total Incurred Claims	\$ 1,576,556,081

Banner University Family Care

AHCCCS Complete Care Program
Annual Medical Loss Ratio Report (continued)

Contract Year Ended September 30, 2023

		Incurring Basis
		CYE23
Detail		
Non-Claims Costs		
38	Compensation	\$ 49,572,653
39	Occupancy	\$ 675,945
40	Depreciation	\$ 455,640
41	Care Management/Care Coordination not included in Health Care Quality Improvement Expenses	\$ 495,117
42	Professional and Outside Services	\$ 27,188,873
43	Office Supplies and Equipment	\$ 448,536
44	Travel	\$ 270,439
45	Repair and Maintenance	\$ 21,315,584
46	Bank Service Charge	\$ -
47	Insurance	\$ 624,586
48	Marketing	\$ 515,450
49	Interest Expense	\$ 2,167,247
50	Pharmacy Benefit Manager Expenses	\$ 2,396,772
51	Amounts paid to third party vendors for secondary network savings	\$ 4,805,987
52	Amounts paid to third party vendors for network development, administrative fees, claims processing, and utilization management.	\$ -
53	Amounts paid, including amounts paid to a provider, for professional or administrative services that do not represent compensation or reimbursement for covered services provided to an enrollee. (e.g., Non-Medical (Administrative component) of Sub-Capitated or Block Payments)	\$ 4,775,684
54	Interpretation/Translation Services	\$ 341,746
55	Other Administrative Expenses	\$ 3,298,140
56	Fines and penalties assessed by regulatory authorities	\$ 1,540
57	Loss Adjustment Expense	\$ 2,979,892
58	Total Non-Claims Costs	\$ 122,329,831

Banner University Family Care

AHCCCS Complete Care Program
Annual Medical Loss Ratio Report (continued)

Contract Year Ended September 30, 2023

		Incurring Basis
		CYE23
Detail		
Health Care Quality Improvement and Other Expenses		
59	Improvement of health outcomes	\$ 191,953
60	Activities to prevent hospital readmission	\$ --
61	Improvement of patient safety and reduce medical errors	\$ --
62	Wellness and health promotion activities	\$ --
63	Health information technology expenses related to improving health care quality	\$ --
64	Activities related to external quality review	\$ --
65	Total Health Care Quality Improvement and Other Expenses	\$ 191,953
66	Program Integrity: Fraud, Waste, and Abuse Prevention Expenses	\$ --
67	Credibility Adjustment (If applicable)	0.0%
Numerator		
68	Incurred Claims	\$ 1,576,556,081
69	Expenditures for activities that improve health care quality	\$ 191,953
70	Total	\$ 1,576,748,034
Denominator		
71	Premium Revenue	\$ 1,821,079,499
72	Less: taxes, licensing and regulatory fees	\$ 37,259,386
73	Total	\$ 1,783,820,113
74	Medical Loss Ratio	88.4%
75	Medical Loss Ratio with Credibility Adjustment	88.4%

Banner University Family Care
AHCCCS Complete Care Program
Notes to Annual Medical Loss Ratio Report
Year Ended September 30, 2023

1. Organization

Banner University Family Care (BUFC) provides health-plan services to enrollees under contracts with the Arizona Health Cost Containment System (AHCCCS) in various counties in Arizona. Banner Health is the sole corporate member of BUFC.

2. Medical Loss Ratio

The Plan is required by the contract with AHCCCS to maintain a minimum medical loss ratio (MLR) for each contract year of at least 85%. The MLR numerator is defined by the Financial Reporting Guide for AHCCCS Complete Care Contractor as incurred claims and expenditures for activities that improve health care quality and the denominator is defined as premium revenue less taxes and licensing and regulatory fees. The accompanying annual MLR report is as of the contract year ending September 30, 2023.

Incurred claims represent all claims with dates of service from October 1, 2022 through September 30, 2023 (the Contract Year). This includes actual claims related to the Contract Year that were paid through December 31, 2023, as well as an estimate for unpaid claims as of December 31, 2023 of \$21,262,000. Premium revenue includes the revenue related to the Contract Year. This excludes any settlements recorded in the Contract Year related to prior contract years. Reinsurance recoveries are presented as premium revenue as opposed a reduction of incurred claims, as compared to the presentation in the Audited Financial Statements.

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