COMPREHENSIVE HEALTH PLAN FUND
A PROPRIETARY FUND OF THE STATE OF
ARIZONA DEPARTMENT OF CHILD SAFETY

FINANCIAL STATEMENTS
AND OTHER INFORMATION

Year Ended September 30, 2023

COMPREHENSIVE HEALTH PLAN FUND
A PROPRIETARY FUND OF THE STATE OF ARIZONA DEPARTMENT OF CHILD SAFETY

FINANCIAL STATEMENTS AND OTHER INFORMATION

Year Ended September 30, 2023

INDEX

INDEPENDENT AUDITORS' REPORT

To the Director of the

ARIZONA DEPARTMENT OF CHILD SAFETY
(Comprehensive Health Plan Fund)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the proprietary fund of the ***Comprehensive Health Plan*** ("CHP") Fund, a proprietary fund of the State of Arizona Department of Child Safety ("DCS") as of and for the year ended September 30, 2023, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the ***Comprehensive Health Plan*** Fund, a proprietary fund of the State of Arizona Department of Child Safety as of September 30, 2023, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the ***Comprehensive Health Plan*** Fund, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1, the financial statements of the ***Comprehensive Health Plan*** Fund present only the financial information of the ***Comprehensive Health Plan*** Fund, a proprietary fund of the State of Arizona Department of Child Safety and do not purport to, and do not, present fairly the financial position of the State of Arizona Department of Child Safety as of September 30, 2023, the changes in its net position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Mayer Hoffman McCann P.C.
An Independent CPA Firm
4722 N. 24th Street, Suite 300
Phoenix, AZ 85016

Phone: 602.264.6835
Fax: 602.265.7631
mhmcpa.com

A member of Kreston Global – a global network of accounting firms

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the ***Comprehensive Health Plan*** Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Management has omitted management's discussion and analysis and certain pension required supplementary information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Management is responsible for the other information. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the ***Comprehensive Health Plan*** Fund's financial statements. The Listing of Plan Officers and Directors and the Claims Lag Report are presented for the purposes of additional analysis and are not a required part of the financial statements. In connection with the audit of the financial statements, we are responsible to read the Listing of Plan Officers and Directors and Claims Lag Report and consider whether a material inconsistency exists between the Listing of Plan Officers and Directors, Claims Lag Report and the financial statements. We did not note any material inconsistencies. The Listing of Plan Officers and Directors and Claims Lag Report has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 28, 2024 on our consideration of the ***Comprehensive Health Plan*** Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the ***Comprehensive Health Plan*** Fund's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the ***Comprehensive Health Plan*** Fund's internal control over financial reporting and compliance.

Mayer Hoffman McCann P.C.

May 28, 2024

COMPREHENSIVE HEALTH PLAN FUND
A PROPRIETARY FUND OF THE STATE OF
ARIZONA DEPARTMENT OF CHILD SAFETY

STATEMENT OF NET POSITION - PROPRIETARY FUND

September 30, 2023

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	$ 3,200,641
Reconciliations receivable	40,959,933
Reinsurance receivable	2,763,482
Capitation receivable	18,973
Other contract receivables	354,238
TOTAL ASSETS	$ 47,297,267
LIABILITIES	
CURRENT LIABILITIES	
Due to AHCCCS	$ 39,402,137
Due to Mercy Care	4,658,985
Payables to providers	1,082,979
Accrued administrative expenses	1,158,816
TOTAL LIABILITIES	46,302,917
NET POSITION	
Restricted	994,350
TOTAL LIABILITIES AND NET POSITION	$ 47,297,267

COMPREHENSIVE HEALTH PLAN FUND
A PROPRIETARY FUND OF THE STATE OF
ARIZONA DEPARTMENT OF CHILD SAFETY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - PROPRIETARY FUND

Year Ended September 30, 2023

REVENUES	
Capitation	$ 169,676,037
Reconciliation settlements	758,651
TOTAL REVENUES	170,434,688
SUB-CAPITATED HEALTH CARE EXPENSES	143,054,599
ADMINISTRATIVE EXPENSES	24,836,769
PREMIUM TAX	3,614,060
TOTAL EXPENSES	171,505,428
CHANGE IN NET POSITION	(1,070,740)
OTHER NONCAPITAL FINANCING SOURCES	
Transfer in from Arizona Department of Child Safety General Fund	1,500,000
NET POSITION, BEGINNING OF YEAR	565,090
NET POSITION, END OF YEAR	$ 994,350

COMPREHENSIVE HEALTH PLAN FUND
A PROPRIETARY FUND OF THE STATE OF ARIZONA DEPARTMENT OF CHILD SAFETY

STATEMENT OF CASH FLOWS - PROPRIETARY FUND

Year Ended September 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from AHCCCS	$ 162,953,198
Payments of health care expenses	(136,617,773)
Payments of administrative expenses	(24,746,015)
Premium taxes paid	(3,614,060)
Net cash used in operating activities	(2,024,650)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfer in from Arizona Department of Child Safety General Fund	1,500,000
NET CHANGE IN CASH AND CASH EQUIVALENTS	(524,650)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,725,291
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 3,200,641
RECONCILIATION OF CHANGE IN NET POSITION TO NET CASH USED IN OPERATING ACTIVITIES	
Change in net position	$ (1,070,740)
Adjustments to reconcile change in net position to net cash used in operating activities:	
Changes in operating assets and liabilities:	
Reconciliations receivable	5,178,988
Capitation receivable	235,847
Reinsurance receivables	(1,263,482)
Other contract receivables	(354,238)
Due to AHCCCS	(9,042,808)
Due to Mercy Care	3,158,985
Accrued administrative expenses	90,754
Sub-capitation payable	1,082,979
Medical claims payable	(40,935)
NET CASH USED IN OPERATING ACTIVITIES	$ (2,024,650)

NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2023

(1) Description of reporting entity and summary of significant accounting policies

The accounting policies of the ***Comprehensive Health Plan ("CHP")*** Fund, a proprietary fund of the State of Arizona Department of Child Safety ("DCS"), conform to the accounting principles generally accepted in the United States of America applicable to governmental units. The financial statements of CHP, as a proprietary fund of DCS, are not intended to represent the related financial statement information of the primary government.

In January 2014, the Governor of Arizona signed Executive Order 2014-01 establishing a separate Child Safety and Family Services Division as a standalone, independent department which reports directly to the Governor. This event shifted control and financial responsibility of CHP Fund, a proprietary fund of DCS to DCS.

CHP is a health plan established by Arizona Revised Statutes ("ARS") §8-512 to provide comprehensive medical and dental care for children who are (a) placed in a foster home, (b) in the custody of DCS and placed with a relative, in a certified adoptive home prior to the final order of adoption, or in an independent living program as provided in ARS §8-512; and (c) in the custody of the Arizona Department of Juvenile Correction or the Administrative Office of the Courts/Juvenile Probation Office and placed in foster care. These services are provided to eligible children in all 15 Arizona counties through an intergovernmental agreement between DCS and the Arizona Health Care Cost Containment System ("AHCCCS"). CHP has operated as an acute care health plan since 1972. CHP has contracted with AHCCCS to provide health care services to children determined to be eligible enrollees of CHP. These health care services include inpatient, outpatient, dental and other medical services, including pharmacy, laboratory, and physical therapy.

In July 2020, DCS entered into an agreement with Mercy Care, a local, not-for-profit company that has been serving AHCCCS members in Arizona since 1985 to provide physical and behavioral health services for children enrolled with CHP. The agreement has an initial term of three years with the possibility of extensions for two additional (2) two year periods and three additional single year periods, for a total contract length not to exceed ten years. This collaboration creates innovation in child welfare that draws upon CHP's knowledge and experience around the unique needs of children and families involved in foster care and Mercy Care's knowledge and experience in physical and behavioral health care and service delivery. Under the new partnership, the provider network is comprehensive and designed to meet the physical and behavioral health needs of the children in child welfare throughout the state.

Effective April 1, 2021, Mercy Care is responsible for the administration and provision of integrated physical health and behavioral health services. Mercy Care, in close collaboration with CHP, provides for the delivery of these integrated services as required by the contract, including but not limited to, Network Development and Management, Claims/Encounter processing, Utilization Management, Care Management, Care Coordination, Member Services, and Grievance and Appeals (both member and provider). In fulfilling its responsibilities, Mercy Care collaborates closely with CHP to create a health care delivery system that provides the highest quality of services for Arizona's children and youth in foster care. Pursuant to the agreement with Mercy Care, CHP pays Mercy Care a per member per month capitation rate as set by AHCCCS, representing a portion of the per member per month funding received from AHCCCS by CHP. Payables to providers recorded by CHP subsequent to the effective date of the Mercy Care agreement typically relate to non-revenue cash inflows from AHCCCS that are entirely directed by AHCCCS on use that were not remitted to the providers chosen by AHCCCS prior to fiscal year end.

(1) Description of reporting entity and summary of significant accounting policies (continued)

For financial reporting purposes, CHP is considered a proprietary fund of DCS. Control and fiscal accountability of CHP rests with DCS and, ultimately, with the State of Arizona. CHP becomes part of DCS' activity which is reported in the State's general fund and government-wide financial statements within the State's Annual Comprehensive Financial Report. DCS will continue to fund the operations and cash flows of CHP, as necessary.

Fund accounting - CHP's accounts are maintained in accordance with the principles of fund accounting to ensure that limitations and restrictions on CHP's available resources are observed. The principles of fund accounting require that the resources be classified for accounting and reporting purposes into funds in accordance with the activities or objectives specified for those resources. Each fund is considered a separate accounting entity, and its operations are accounted for in a separate set of self-balancing accounts that comprises its assets, liabilities, net position, revenues, and expenses, as appropriate.

Measurement focus and basis of accounting - Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating revenues of CHP include capitation revenues net of risk share settlements. Operating expenses for CHP include the sub-capitated expenses paid to Mercy Care, other medical expenses, administrative expenses and premium taxes. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. CHP has no non-operating revenues and expenses for the year ended September 30, 2023.

Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied, and determines when revenues and expenses are recognized in the accounts and reported in the financial statements. CHP's financial transactions are recorded and reported using the economic resources measurement focus and the accrual basis of accounting. Proprietary fund revenues are recognized when they are earned, and expenses are recognized when they are incurred.

CHP has neither adopted a minimum fund balance policy nor any agency specific policy for the order of spending fund balances; rather, CHP follows the policies of DCS and adheres to the purpose of legislative appropriations or Federal grant regulations.

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

Cash and cash equivalents - All of the cash and cash equivalents maintained by CHP are held by the State of Arizona Office of the Treasurer ("Treasurer") with other State monies in an internal cash and investment pool. Amounts held by the Treasurer are recorded at fair value and totaled $3,200,641 at September 30, 2023.

(1) Description of reporting entity and summary of significant accounting policies (continued)

The State is statutorily limited (by ARS §35-312 and §35-313) to certain investment types. Additionally, State statutes require investments made to be in accordance with the “Prudent Person” rule. This rule imposes the responsibility of making investments with the judgment and care that persons of ordinary prudence would exercise in the management of their own affairs when considering both the probable safety of their capital and the probable income from that capital. The Treasurer issues a separately published Annual Financial Report that provides additional information relative to the Treasurer’s total investment activities.

Capitation premiums - CHP receives from AHCCCS fixed capitation payments based on certain rates for each member enrolled with CHP. CHP is required to provide all covered health care services to their members, regardless of the cost of care and does so through its contract with Mercy Care. Capitation premiums are recognized over the applicable coverage period on a per member basis for covered members in the month that enrollees are entitled to health care services

Capitation is paid prospectively as well as for prior period coverage (“PPC”) under the AHCCCS contract. The PPC period is the period of time prior to the member’s enrollment, during which a member is eligible for covered services. The timeframe is from the effective date of eligibility to the day a member is enrolled with a contractor.

Capitation receivables, if any, are stated at the amount management expects to collect. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual balances. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to capitation receivables. Management expects to collect the capitation receivable balance in full and accordingly, no provision for uncollectible accounts is recorded.

Reconciliation settlements - AHCCCS has a risk sharing program which includes reconciliation settlements, which impact revenue and are due to, or from, AHCCCS based on predetermined profit/loss thresholds. Prior to the contract year ended September 30, 2022, CHP and AHCCCS reconciled the results of the risk sharing program for all contract years. If the profit or loss was less than or equal to 2% of the prospective capitation revenues, then CHP’s share was 100%. If the profit was less than or equal to 6%, then CHP’s share was 100% of the amount less than or equal to 6%. If the profit was over 6%, then CHP’s share of the profits over 6% was 0%, for a maximum share of 6% of total profits. If the losses were in excess of 2%, then CHP’s share over 2% of the losses was 0%, for a maximum share of 2% of total losses. Profits in excess of the percentages set forth by the contract were subject to recoupment by AHCCCS. Losses in excess of the percentages set forth by the contract were subject to payment to CHP. Effective for the period from April 1, 2021 through September 30, 2021 and thereafter, CHP no longer reconciles with AHCCCS for risk sharing related to its contract with AHCCCS. Rather, CHP reconciles with Mercy Care pursuant to the contract between CHP and Mercy Care.

As of September 30, 2022, CHP had recorded a payable to AHCCCS for the 2021 risk share settlement in the approximate amount of $2,306,000. In June 2023, CHP and AHCCCS settled the risk share calculation for the contract period from October 1, 2020 through March 31, 2021 for approximately $2,530,000, which was recouped by AHCCCS from CHP in September 2023. The difference of $224,000 was recorded by CHP as a decrease in reconciliation settlement revenue in the accompanying statement of revenues, expenses and changes in net position – proprietary fund for the year ended September 30, 2023.

(1) Description of reporting entity and summary of significant accounting policies (continued)

Effective with the commencement of the CHP contract with Mercy Care, the sharing of risk commenced between CHP and Mercy Care based on Mercy Care's contract performance. CHP and Mercy Care will reconcile Mercy Care's prospective and PPC service cost expenses to prospective and PPC net capitation paid to Mercy Care for each contract year. If the profit under the Mercy Care contract is over 4%, then CHP's share of the profits over 4% is 100%. If the losses are in excess of 1%, then CHP's share of the losses over 1% is 100%.

The total of risk share settlement receivable due from Mercy Care for contracts years ended September 30, 2023, 2022 and 2021 totals $39,246,630 and is reflected within reconciliations receivable in the accompanying statement of net position – proprietary fund as of September 30, 2023. That balance at September 30, 2023 is comprised of the following:

As of September 30, 2022, CHP had recorded an estimated receivable from Mercy Care for the contract year 2021 risk share reconciliation of $14,139,239. CHP and Mercy Care settled the risk share reconciliation for the contract year ended September 30, 2021 in March 2023 for $15,245,243. The difference of $1,106,004 was recorded by CHP as a reduction of health care expenses in the accompanying statement of revenues, expenses and changes in net position – proprietary fund for the year ended September 30, 2023. This change in estimate which resulted in an increase in the risk share settlement receivable from Mercy Care from September 30, 2022 to the time the contract year 2021 risk share reconciliation was settled was due to further claims runout and performance by Mercy Care. CHP recouped $7,622,621 of the contract year 2021 settlement with Mercy Care in July 2023. The remaining $7,622,421 to be recouped from Mercy Care in fiscal 2024 is included reconciliations receivable in the accompanying statement of net position – proprietary fund as of September 30, 2023.

As of September 30, 2022, CHP recorded an estimated receivable from Mercy Care for the contract year 2022 risk share reconciliation of $31,999,682 resulting from Mercy Care exceeding the maximum profit for the contract year ended September 30, 2022. As of September 30, 2023, CHP revised its estimated a risk share settlement receivable from Mercy Care to be $30,349,780. The decrease of $1,649,902 was recorded by CHP as an increase of health care expenses in the accompanying statement of revenues, expenses and changes in net position – proprietary fund for the year ended September 30, 2023. This change in estimate which resulted in a decrease in the risk share settlement receivable from Mercy Care from September 30, 2022 to September 30, 2023 was due to further claims runout and performance by Mercy Care. In May 2024, CHP and Mercy Care agreed to settle the risk share reconciliation for the contract year 2022 in the amount of $30,714,734. The settlement of the receivable from Mercy Care is expected to be completed in May 2024.

The risk share reconciliation between CHP and Mercy Care for the contract year ended September 30, 2023 has not yet been settled. As of September 30, 2023, CHP has estimated a risk share settlement receivable from Mercy Care of $1,274,429 resulting from Mercy Care exceeding the maximum profit for the contract year ended September 30, 2023. CHP has also recorded a risk share receivable for the value based purchasing risk share reconciliation with Mercy Care for contract year 2023 in the amount of $1,713,303.

(1) Description of reporting entity and summary of significant accounting policies (continued)

The risk share reconciliation between CHP and Mercy Care is subject to approval by AHCCCS. Upon settlement of the risk share settlement between CHP and Mercy Care and approval by AHCCCS, any amounts due to Mercy Care will be funded by AHCCCS through CHP and any amounts due from Mercy Care will be recouped by CHP and remitted to AHCCCS. Accordingly, as of September 30, 2023, CHP has recorded an amount due to AHCCCS totaling $39,402,137 representing the expected amount due from Mercy Care to CHP, plus premium tax amounts, to reconcile risk sharing for the contract years ended September 30, 2023, 2022 and 2021 which is ultimately required to be remitted to AHCCCS. The estimated risk share reconciliation amount for contract year 2023, and the changes in the estimates during the year ended September 30, 2023 for contract years 2022 and 2021 are recorded as a net reduction of reconciliation settlement revenue in the accompanying statement of revenues, expenses and changes in net position – proprietary fund for the year ended September 30, 2023. Management expects to fully collect on the receivable from Mercy Care and as such, no allowance for uncollectible accounts has been recorded as of September 30, 2023.

Premium deficiency reserve - CHP assesses the profitability of contracts for providing health care services when operating results or forecasts indicate probable future losses. Losses are determined by comparing anticipated premiums to the total of estimated health care related costs, less reinsurance recoveries, if any, and the cost of maintaining the contract. Losses, if any, would be recognized in the period the loss is determined and classified as health care services expenses. At September 30, 2023, CHP did not report a premium deficiency reserve for its AHCCCS contract.

Health care expenses - Pursuant to the agreement with Mercy Care, CHP pays Mercy Care a per member per month sub-capitation rate as set by AHCCCS, representing a portion of the per member per month funding received from AHCCCS by CHP. Under its agreement with Mercy Care, Mercy Care provides for the delivery of these integrated services as required by the contract, including but not limited to, Network Development and Management, Claims/Encounter processing, Utilization Management, Care Management, Care Coordination, Member Services, and Grievance and Appeals (both member and provider), regardless of the cost of care. Sub-capitation health care expenses are recorded in accordance with the terms of the Mercy Care agreement. As of September 30, 2023, CHP recorded approximately $4,659,000 due to Mercy Care for sub-capitation payments. Included in the $4,659,000 due to Mercy Care at September 30, 2023 is approximately $1,680,000 of certain value based purchasing risk share reconciliations with Mercy Care for contract years 2022 and 2023.

Reinsurance - Reinsurance and other reductions of the costs of providing care are managed by Mercy Care and are recorded by Mercy Care. Reinsurance payments due to Mercy Care are funded by CHP through CHP's AHCCCS funding. The receipt and payment of the reinsurance payments are all recorded within sub-capitation expenses in the accompanying statement of revenues, expenses and changes in net position – proprietary fund. As of September 30, 2023, CHP recorded a reinsurance receivable from AHCCCS totaling approximately $2,763,000 in the accompanying statement of net position – proprietary fund, for reinsurance recoveries approved by AHCCCS to be paid to Mercy Care. A corresponding due to Mercy Care of approximately $2,763,000 was recorded at September 30, 2023.

(1) Description of reporting entity and summary of significant accounting policies (continued)

Premium taxes - CHP is subject to a 2% tax on all payments received from AHCCCS for premiums, reinsurance and reconciliations which are remitted directly to the Arizona Department of Insurance and Finance Institutions ("AZDIFI").

Fund balance classifications - Fund balances for proprietary funds require the difference between the proprietary fund's assets and deferred outflows of resources and its liabilities and deferred inflows of resources be reported in the statement of net position to be labeled net position and to be displayed in three components: net investment in capital assets, restricted, and unrestricted. Restricted assets are those assets with restrictions on their use that are externally imposed (by creditors, grantors, contributors, or the laws or regulations of other governments) or that are imposed by the government's own constitutional provisions or enabling legislation. CHP's net position each year is restricted by the grantor (AHCCCS) for the provision of health care services. Accordingly, CHP has reported its net position as restricted at September 30, 2023. The fund balance is in its own sub-fund classification and is considered proprietary as funds cannot be used for any other purpose other than cost related to Medicaid services as outlined in the contract between CHP and AHCCCS. For the funds to be used for any other purpose, approval by AHCCCS or the State Legislature is required. The net position is restricted at 100% of the balance. In September 2023, DCS approved a transfer of fund balance from the General Fund to the Comprehensive Health Plan Fund of $1,500,000.

Subsequent events - CHP has evaluated subsequent events through May 28, 2024, which is the date the financial statements were available to be issued.

(2) Administrative services

Certain direct, indirect and administrative expenses are incurred at DCS, which benefit CHP. Such common expenses are allocated based upon a DCS approved cost allocation plan, which is primarily based on enrollment, claims and costs by fund. Administrative expenses for the year ended September 30, 2023 includes direct CHP costs as well as certain allocated costs which are paid to DCS for shared expenses such as information technology, support services, legislative affairs, general counsel, quality improvement, field operations and office administration. CHP recorded administrative expenses totaling $24,836,769 for the year ended September 30, 2023. Of this amount, $10,512,889 represents CHP's allocated share of services provided by DCS. The remaining $14,323,880 represents Care Management/Care Coordination fees at $8,106,200 and Sub Capitation Block Administration Fees at $6,217,680 paid to Mercy Care.

(3) Retirement plan

Plan description - CHP contributes to a cost-sharing multiple-employer defined benefit pension plan administered by the Arizona State Retirement System ("ASRS"). Benefits are established by state statute and generally provide retirement, death, long-term disability, survivor, and health insurance premium benefits. ASRS is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2. As CHP's financial statements are fund-based statements, net pension liability is not reported. The net pension liability rests with DCS.

ASRS issues a comprehensive annual financial report that includes financial statements and required supplementary information. The most recent report may be obtained by writing ASRS at 3300 North Central Avenue, PO Box 33910, Phoenix, AZ 85067-3910 or by calling (602) 240-2000 or (800) 621-3778.

(3) Retirement plan (continued)

Funding policy - The Arizona State Legislature establishes and may amend active plan members' and CHP's contribution rates. For the nine months ended June 30, 2023, active plan members and CHP were each required by statute to contribute at the actuarially determined rate of 12.17 percent (12.03 percent retirement and 0.14 percent long-term disability) of the member's annual covered payroll. As of July 1, 2023, the total contribution rate of the ASRS Retirement Pension & Health Insurance Benefit for both the employer and the employee increased slightly from 12.03% to 12.14% for fiscal year 2024. The Long Term Disability Income Plan increased slightly from 0.14 percent to 0.15 percent for both the employer and the employee for fiscal year 2024. The combined contribution rates total 12.29% for fiscal year 2024. CHP's contributions to ASRS for the year ended September 30, 2023 totaled $555,517 which was equal to the required contributions for the period. These expenses are included in administrative expenses in the accompanying statement of revenues, expenses and changes in net position – proprietary fund.

(4) Commitments and contingencies

Risk management - CHP is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; medical malpractice; and natural disasters. DCS is a participant in the State of Arizona's ("State") self-insurance program, and in the opinion of CHP's management, any unfavorable outcomes from these risks would be covered by that self-insurance program. Accordingly, DCS has no risk of loss beyond adjustments to future years' premium payments to the State's self-insurance program. All estimated losses for unsettled claims and actions of the State are determined on an actuarial basis and are included in the *State of Arizona Annual Comprehensive Financial Report*.

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 CHP 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 CHP does business, restrict revenue and enrollment growth, restrict revenue growth rates, increase medical, administrative and capital costs, and expose CHP to increase risk of loss or further liabilities. CHP's operating results, financial position and cash flows could be adversely impacted by such changes.

(5) Contract requirements

In accordance with its contract with AHCCCS, CHP is required to maintain certain minimum financial reporting and viability measures. Financial measures include the maintenance of a current ratio of at least 1.0, a medical expense ratio of at least 85% and an administrative cost percentage of no more than 15%. CHP must also meet various quarterly financial viability standards and performance guidelines. As of September 30, 2023, CHP was in compliance with the administrative cost percentage and medical expense ratio. As of September 30, 2023, CHP was not in compliance with the current ratio requirement.

(5) Contract requirements (continued)

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

AHCCCS has a right to sanction CHP for matters of non-compliance of the AHCCCS contract, as determined by AHCCCS. During fiscal 2023, CHP received notification of sanctions levied by AHCCCS for the contract years ended September 30, 2023 and 2022. The sanctions received during fiscal 2023 totaled $878,035 and were fully waived by AHCCCS during fiscal 2023. No sanctions against CHP remain.

(6) Concentration of credit risk

CHP's future contract awards are contingent upon the continuation of the AHCCCS program by the State of Arizona and CHP's ability and desire to retain its status as a Contractor under the AHCCCS program. The initial term of the AHCCCS contract was through September 30, 2021. Effective October 1, 2021, CHP has commenced the first of two (2) two-year options to extend. The contract is not to exceed a total contracting period of seven years. Failure to renew this contract could have a significant impact on operations.

OTHER INFORMATION

COMPREHENSIVE HEALTH PLAN FUND
A PROPRIETARY FUND OF THE STATE OF ARIZONA DEPARTMENT OF CHILD SAFETY

OTHER INFORMATION

LISTING OF PLAN OFFICERS AND DIRECTORS

Year Ended September 30, 2023

Name	Title	Other Relationship to Program	Type of Compensation
Mouw, Karla	Comprehensive Health Plan – Chief Executive Officer	None	Salary
Park, Sara, M.D.	Comprehensive Health Plan – Chief Medical Officer	None	Salary
LaCorte, Michael D.D.S.	Comprehensive Health Plan – Chief Quality Officer	None	Salary
Winfrey, Jason	Comprehensive Health Plan – Chief Operations Officer	None	Salary
Harri, Theresa	Comprehensive Health Plan – Chief Financial Officer	None	Salary
Dong, Ivy	Comprehensive Health Plan – Pharmacy Director	None	Salary
Perry, Sara	Comprehensive Health Plan – Chief Health Services Officer	None	Salary
Piper, Audra	Comprehensive Health Plan – Health Plan Operations Administrator	None	Salary
Seeger, Sean	Comprehensive Health Plan – Network Administrator	None	Salary
Cearlock, Amelio	Comprehensive Health Plan – System of Care Coordinator	None	Salary
Urbina, Marta	Comprehensive Health Plan – Resource Coordination Administrator	None	Salary
Kiersecker, Rachel	Comprehensive Health Plan – Health Plan Project Coordinator	None	Salary

Paragraph 4.07: Claims Lag Report

Contractor Name: Department of Child Safety Comprehensive Health Plan
as of: 9/30/2023

Expense Type: Hospital, Medical and Other (PPC and Prospective)

	Claim Quarter									
Payment Quarter	Current	1st Prior	2nd Prior	3rd Prior	4th Prior	5th Prior	6th Prior	7th Prior	Before 7th Prior*	Total
Current	26,568,224									26,568,224
1st Prior		34,497,776								34,497,776
2nd Prior			36,432,535							36,432,535
3rd Prior				40,359,505						40,359,505
4th Prior					45,176,755			505		45,177,260
5th Prior						46,313,502		9,139		46,322,641
6th Prior							46,583,636	74,877		46,658,513
7th Prior								255,082,718		255,082,718
Actual Paid Adj.	28,579,907	(6,452,070)	(14,574,043)	(2,047,207)	30,489,751	14,434,059	8,201	48,924,576		99,363,174
Total Paid	55,148,131	28,045,706	21,858,492	38,312,297	75,666,506	60,747,561	46,591,837	304,091,816	-	630,462,346
Ultimate Adj.		(753,121)	148,665	(1,407,872)	619,205	174,878	(540,339)	(386,807)		(2,145,391)
IBNR	1,098,423	4,313,682	(148,665)	1,407,872	(619,205)	(174,878)	540,339	386,807		
RBUC Payable	-	-	-	-	-	-	-	-		
Claims Ultimate	56,246,554	31,606,267	21,858,492	38,312,298	75,666,506	60,747,561	46,591,837	304,091,816	-	635,121,330
Claims Payable	1,098,423	3,560,561	-	0	-	-	-	-	-	4,658,984

* Amounts in this column or row include include all previous quarters with remaining claims reserved/estimated claims payable

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 Director of the

ARIZONA DEPARTMENT OF CHILD SAFETY
(Comprehensive Health Plan Fund),

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 the ***Comprehensive Health Plan*** ("CHP") Fund, a proprietary fund of the State of Arizona Department of Child Safety ("DCS") which comprise the statement of net position – proprietary fund as of September 30, 2023 and the related statements of revenues, expenses and changes in net position – proprietary fund and cash flows – proprietary fund for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 28, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered ***CHP's*** internal control over financial reporting (internal control) as a basis for designing 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 ***CHP's*** internal control. Accordingly, we do not express an opinion on the effectiveness of ***CHP's*** internal control.

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

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

Mayer Hoffman McCann P.C.
An Independent CPA Firm
4722 N. 24th Street, Suite 300
Phoenix, AZ 85016

Phone: 602.264.6835
Fax: 602.265.7631
mhmcpa.com

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether ***CHP'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 financial statements. 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 ***CHP's*** internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering ***CHP's*** internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mayer Hoffman McCann P.C.

May 28, 2024

COMPREHENSIVE HEALTH PLAN FUND
A PROPRIETARY FUND OF THE STATE OF ARIZONA DEPARTMENT OF CHILD SAFETY

SCHEDULE OF FINDINGS AND RESPONSES

Year Ended September 30, 2023

None Noted

INDEPENDENT AUDITORS' REPORT ON MEDICAL LOSS RATIO REPORT

To the Director of the

ARIZONA DEPARTMENT OF CHILD SAFETY
(Comprehensive Health Plan Fund)

We have audited the financial statements of the proprietary fund of the ***Comprehensive Health Plan*** ("CHP") Fund, a proprietary fund of the State of Arizona Department of Child Safety ("DCS") as of and for the year ended September 30, 2023, and our report thereon dated May 28, 2024, which contained an unmodified opinion on those financial statements, appears on pages 1 - 2. Our audit was performed for the purpose of forming an opinion on the September 30, 2023 financial statements as a whole. The accompanying Medical Loss Ratio Report for the year ended September 30, 2023 on pages 21 through 22 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 for the year ended September 30, 2023. 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 Medical Loss Ratio Report is fairly stated in all material respects in relation to the financial statements as a whole.

Mayer Hoffman McCann P.C.

May 28, 2024

Mayer Hoffman McCann P.C.
An Independent CPA Firm
4722 N. 24th Street, Suite 300
Phoenix, AZ 85016

Phone: 602.264.6835
Fax: 602.265.7631
mhmcpa.com

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Paragraph 4.19
Medical Loss Ratio Report
MCO Name:

For additional MLR guidance please refer to AHCCCS' website.

Contract Year End: 9/30/2023

	GAAP Basis							Incurred Basis	
	Dec-22	Mar-23	Jun-23	Sep-23	CYE 23	Annual Adjustments[1]	Annual Adjustments[2]	Restated CYE23	**NOTES: Do not duplicate any amounts in multiple lines.** GAAP Basis (Columns H - L) should agree to the submitted financial statements. ***USE FOR ANNUAL REPORT ONLY***[1,2] - Adjustment columns should report prior year adjustments (Column M) and true up any estimates (Column N) to present on an incurred date of service basis. Any adjustments to be deducted should be entered as a negative number.
Member Months	34,928	32,524	30,574	30,154	128,180	-	-	128,180	

MLR Category	Citation	Format of Amount to be Entered	Line #	Detail	Specific Applicability to Line of Business	Financial Statement Account # (If applicable)	Dec-22	Mar-23	Jun-23	Sep-23	CYE 23	Annual Adjustments[1]	Annual Adjustments[2]	Restated CYE23	Notes
Premium Revenue				**Revenue**											
				Include											
	42 CFR§438.8(f)(2)(i)	+	1	Prospective Capitation	ALL	40105-01	$ 47,003,656	$ 42,536,313	$ 40,550,996	$ 39,585,071	$ 169,676,037	$ -	$ -	$ 169,676,037	Include full capitation including 1% withhold payment. Exclude State Directed Payments revenue (reported in line 16) and risk adjustment revenue (reported in line 6).
	42 CFR§438.8(f)(2)(iii)	+/-	2	APM 1% Withhold Settlement 42 CFR 438.6(b)(3) and Performance Based Payments (PBP) reimbursed by AHCCCS	ACC/ALTCS (ACOM 306) ALL - PBP	40115-01	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	Include Alternative Payment Model (APM) settlements related to Withholds, Incentives (see ACOM 306) and Performance Based Payments (see ACOM 307). Unearned withhold should be deducted. Earned incentive should be added.
	42 CFR§438.8(f)(2)(ii)	+	3	Delivery Supplement	ACC/ALTCS	40120-01	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
	42 CFR§438.8(f)(2)(iv)	+	4	Unpaid Cost Sharing Amounts	ALL		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	Include unpaid cost-sharing amounts that could have been collected from enrollees under the contract, except those amounts that can be shown it made a reasonable, but unsuccessful, effort to collect.
	42 CFR§438.8(f)(2)(v)	+/-	5	Changes to Unearned Premium Reserves	ALL		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	Include adjustments to Deferred Revenue
	42 CFR§438.8 (f)(2)(vi)	+/-	6	Risk Adjustment **(Footnote Suspended)**	ACC	40105-01; Footnote 20 (Suspended)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	Include amounts for risk adjustment after adjusted amounts are computed or amounts that can be reasonably estimated and accrued.
		+/-	7	Prospective Tiered or Title XIX/XXI Reconciliation Settlement	ACC /ALTCS /RBHA	40125-01, 40130-01, 40135-01	$ (1,857,276)	$ (15,163,966)	$ (6,988,254)	$ 23,054,843	$ (954,652)	$ -	$ -	$ (954,652)	
		+/-	8	Reserved			$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
		+/-	9	Other Reconciliation Settlements	ACC/ ALTCS /RBHA	40145-01	$ -	$ -	$ -	$ -	$ -	$ 1,713,303	$ -	$ 1,713,303	Include APSI settlement (see ACOM 325). Do not include monthly premium component of APSI.
		+/-	10	Share of Cost (SOC) Settlement	ALTCS	40150-01	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
		+/-	11	HCBS Settlement	ALTCS	40155-01	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
		+	12	Reserved			$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
		+	13	**Other Income**	ALL	40310-01	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	Other income should not include any types of non-operating income such as gain on sale, etc.
		+	14	Patient Contributions	ALTCS	40315-01	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
		+/-	15	Other Accruals (Explain below)	ALL		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
	42 CFR§438.8(f)(2)(i)	+	16	State Directed Payments Revenue	ALL		$ 3,614,990	$ 3,028,107	$ 7,489,474	$ 4,389,906	$ 18,522,476	$ -	$ -	$ 18,522,476	If the State Directed Payment process takes almost a year or more, plans should use the most accurate available information for MLR reporting. Include Rural, Nursing Facility, APSI, PSI, HEATHII, ARP and Targeted Investments State Directed Payments.
			17	**Total Premium Revenue**		Should agree to 40105-01 through 40315-01	**$ 48,761,370**	**$ 30,400,454**	**$ 41,052,216**	**$ 67,029,820**	**$ 187,243,861**	**$ 1,713,303**	**$ -**	**$ 188,957,164**	
Taxes, Licensing and Regulatory Fees				**Taxes, Licensing and Regulatory Fees**											
	42 CFR§438.8(f)(3)(iii)	+	18	Federal Income & Federal Tax (include Tax Benefit)	ACC/ALTCS/ RBHA	90105-01	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	Exclude Federal income taxes and tax benefit on investment income, capital gains and Federal employment taxes.
		+	19	Premium Tax	ALL	90205-01	$ 1,034,208	$ 954,169	$ 949,360	$ 676,323	$ 3,614,060	$ -	$ -	$ 3,614,060	
		+	20	Reserved			$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
	42 CFR§438.8(f)(3)	+	21	Other Federal, State, Local Taxes and Licensing and Regulatory Fees	ALL		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
	42 CFR§438.8(f)(3)	+	22	Community Benefit Expenses (otherwise exempt from Federal income tax) and Community Reinvestment Expenses meeting requirements of 45 CFR 158.162c	ACC/ALTCS/ RBHA	990105-01	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	Limited to 3% of earned premium
			23	**Total Taxes, Licensing and Regulatory Fees**			**$ 1,034,208**	**$ 954,169**	**$ 949,360**	**$ 676,323**	**$ 3,614,060**	**$ -**	**$ -**	**$ 3,614,060**	
				Incurred Claims											
				Include											
	42 CFR§438.8(e)(2)(i)(A) & 42 CFR§438.230(c)(2)(1)	+	24	Medicaid-covered services directly to Medicaid enrollees. The costs of the delegated managed care activities cannot be included in the managed care plan's medical loss ratio calculation. Contractors who have subcontractors with delegated managed care activities must include these costs in admin unless they are quality improvement activities.	ALL	50105-01 through 50360-01, 50370-01; 60105-01 through 61305-01 (RBHA)	$ 39,512,260	$ 21,757,785	$ 27,733,844	$ 57,401,252	$ 146,405,141	$ (1,500,000)		$ 144,905,141	income statement for Account #'s 50105-01 to 50360-01 and 50370-01 (60105 through 61305 for RBHAs). For ALTCS/EPD and DDD LOBs: exclude Account # 50365-01 - ALTCS Case Management which should be reported in lines 59-64, as appropriate. The majority of the items explicitly requested to be quantified on a subsequent line in the Incurred Claims section are not to be reported in line 25.
	42 CFR§438.8(e)(2)(i)(G)	+	25	Changes in other claims-related reserves (Change in unpaid claims between the prior year's and the current year's unpaid claims (i.e., RBUC) and change in claims incurred but not reported (IBNR) from the prior year to the current year)	ALL	Change in A/C 20120-01	$ (1,199,963)	$ 100,707	$ 3,872,423	$ 332,189	$ 3,105,357	$ 13,113		$ 3,118,470	Report changes each quarter from the prior Contract year RBUCS and IBNR
	42 CFR§438.8(e)(2)(i)(C)	+	26	Provider Withholds from Payments	ALL		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
	42 CFR§438.8(e)(2)(iii)(A)	+	27	Provider Incentive/Bonus Payments include Unreimbursed Ex	ALL		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	APM Performance Based Payments. Also, include Unreimbursed PBP Expenses.

Incurred Claims	42 CFR§438.8(e)(2) (iii)(B)	-	28	Payments recovered through Fraud Recovery efforts less related expenses	ALL	81405-01	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	Report total Fraud Recoveries reduced by Fraud Recovery Expenses. ***The amount of Fraud Recovery expenses must not include Fraud Prevention Activities.***
	42 CFR§438.8(e)(2)(i)(H)	+	29	Contingent Benefits/ Medical claim portion of lawsuits	ALL		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
		+	30	Value Added Services (Explain below)	ALL		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	Include those services provided in addition to those covered under the state plan for which costs are not included in capitation payments (i.e., services not covered by AHCCCS). These expenses should improve health and reduce costs, including interventions intended to address social determinants of health. Exclude community benefit expenses or expenses paid with Community Reinvestment funds (reported in line #22).
	42 CFR§438.8(e)(2)(i)(A)	+	31	Provider Payments Attributable to State Directed Payments	ALL		$ 3,606,583	$ 2,824,846	$ 7,410,191	$ 3,702,393	$ 17,544,012	$ -	$ -	$ 17,544,012	If the State Directed Payment process takes almost a year or more, plans should use the most accurate available information for MLR reporting. Include Rural, Nursing Facility, APSI, PSI, HEATHII, ARP and Targeted Investments State Directed Payments.
				Deduct											
	42 CFR§438.8(e)(2)(vi)	-	32	Reinsurance Recoveries	ALL	70105-01	$ (1,205,729)	$ (1,138,991)	$ (3,699,031)	$ (384,018)	$ (6,427,770)	**$ 1,500,000**		$ (4,927,770)	Amount should be generally stated as a negative number.
	42 CFR§438.8(e)(2)(ii)(A)	-	33	Provider/Subcontractor Overpayment Recoveries	ALL	70305-01	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	Amount should be generally stated as a negative number.
	42 CFR§438.8(e)(2)(ii)(B)	-	34	Rx Rebates (received/accrued)	ALL	70310-05	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	Amount should be generally stated as a negative number.
		-	35	Pharmacy Performance Guarantee	ALL	70310-10	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	Amount should be generally stated as a negative number.
	42 CFR§438.8(e)(2) (i) (D)(E)	-	36	TPL, COB, Subrogation Recoveries and recoverable COB cla	ALL	70205-02	$ (3,237)	$ (15,141)	$ (16,767)	$ (6,099)	$ (41,244)	$ -	$ -	$ (41,244)	Amount should be generally stated as a negative number.
			37	**Total Incurred Claims**			**$ 40,709,914**	**$ 23,529,205**	**$ 35,300,660**	**$ 61,045,717**	**$ 160,585,497**	**$ 13,113**		**$ 160,598,609**	
Non-Claims Costs (Administrative Expenditures)				**Non-Claims Costs**											
		+	38	Compensation	ALL	80105-01	$ 1,401,697	$ 1,533,941	$ 1,897,338	$ 1,737,418	$ 6,570,394	$ -	$ -	$ 6,570,394	Exclude Compensation classified as Health Care Quality Improvement expenses (reported in lines 59-64).
		+	39	Occupancy	ALL	80205-01	$ 138,424	$ 146,711	$ 136,556	$ 115,141	$ 536,832	$ -	$ -	$ 536,832	
		+	40	Depreciation	ALL	80305-01	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
		+	41	Care Management/Care Coordination not included in Health Care Quality Improvement Expenses	ALL	80405-01	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
		+	42	Professional and Outside Services	ALL	80505-01	$ 292,395	$ 289,710	$ 194,518	$ 431,226	$ 1,207,849	$ -	$ -	$ 1,207,849	Exclude expenses classified as Health Care Quality Improvement expenses (reported in lines 59-64) or as Fraud, Waste and Abuse expenses (reported in line 66).
		+	43	Office Supplies and Equipment	ALL	80605-01	$ 7,855	$ 12,500	$ 8,635	$ 7,756	$ 36,746	$ -	$ -	$ 36,746	
		+	44	Travel	ALL	80705-01	$ 10,754	$ 10,313	$ 12,706	$ 12,905	$ 46,678	$ -	$ -	$ 46,678	
		+	45	Repair and Maintenance	ALL	80805-01	$ 7,384	$ 7,708	$ 5,561	$ 10,091	$ 30,744	$ -	$ -	$ 30,744	
		+	46	Bank Service Charge	ALL	80905-01	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
		+	47	Insurance	ALL	81005-01	$ -	$ -	$ -	$ 360,977	$ 360,977	$ -	$ -	$ 360,977	
		+	48	Marketing	ALL	81105-01	$ 7,777	$ 6,258	$ 5,367	$ 6,570	$ 25,973	$ -	$ -	$ 25,973	
		+	49	Interest Expense	ALL	81205-01	$ 57	$ -	$ -	$ -	$ 57	$ -	$ -	$ 57	
		+	50	Pharmacy Benefit Manager Expenses	ALL	81305-01	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
	42 CFR§ 438.8(e)(2)(v)(A)(1)	+	51	Amounts paid to third party vendors for secondary network sa	ALL	81505-01	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
	42 CFR§ 438.8(e)(2)(v)(A)(1)	+	52	Amounts paid to third party vendors for network development, administrative fees, claims processing, and utilization management.	ALL	81505-01	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	Any portion of the sub-capitation/block payment arrangement that is explicitly attributed to the provision of administrative services by the provider should be included in this line and excluded from line 24.
	42 CFR§ 438.8(e)(2)(v)(A)(3)	+	53	Amounts paid, including amounts paid to a provider, for professional or administrative services that do not represent compensation or reimbursement for covered services provided to an enrollee. (e.g., Non-Medical (Administrative component) of Sub-Capitated or Block Payments)	ALL	81605-01	$ 1,717,582	$ 1,565,050	$ 1,480,672	$ 1,454,376	$ 6,217,679	$ -	$ -	$ 6,217,679	Any portion of the sub-capitation/block payment arrangement payment that is explicitly attributed to the provision of administrative services by the provider should be included in this line and excluded from line 24.
		+	54	Interpretation/Translation Services	ALL	82505-01	$ 2,478	$ 242	$ 1,530	$ 1,047	$ 5,297	$ -	$ -	$ 5,297	
		+	55	Other Administrative Expenses	ALL	83005-01	$ 32,245	$ 29,706	$ 124,974	$ 123,022	$ 309,947	$ -	$ -	$ 309,947	
	42 CFR§ 438.8(e)(2)(v)(A)(4)	+	56	Fines and penalties assessed by regulatory authorities	ALL	Footnote 16	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	Include AHCCCS sanctions
		+	57	Loss Adjustment Expense			$ -	$ -	$ -	$ -	$ -		$ -	$ -	Loss Adjustment Expense is considered a cost-containment expense and should be reported as a non-claims cost. It should not be included in the numerator (including Incurred Claims or Health Care Quality).
			58	**Total Non-Claims Costs**			**$ 3,618,648**	**$ 3,602,139**	**$ 3,867,856**	**$ 4,260,529**	**$ 15,349,171**	**$ -**	**$ -**	**$ 15,349,171**	
Expenditures for activities that improve health care quality	42 CFR§438.8(e)(3)			**Health Care Quality Improvement and Other Expenses**											For ALTCS/EPD and DDD LOBs: Account # 50365-01 - ALTCS Case Management should be reported in lines 59-64 below, as appropriate.
	45 CFR§158.150(b)(1)	+	59	Improvement of health outcomes	ALL	81705-01	$ 2,575,360	$ 2,321,341	$ 2,306,600	$ 2,180,550	$ 9,383,852	$ -	$ -	$ 9,383,852	
	45 CFR§158.150(b)(2)	+	60	Activities to prevent hospital readmission	ALL	81705-01	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
	45 CFR§158.150(b)(2)(iii)	+	61	Improvement of patient safety and reduce medical errors	ALL	81705-01	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
	45 CFR§158.150(b)(2)(iv)(4)	+	62	Wellness and health promotion activities	ALL	81705-01	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
	45 CFR§158.150(b)(2)(v) & 45 CFR§158.151	+	63	Health information technology expenses related to improving health care quality	ALL	81705-01	$ -	$ -	$ 66,297	$ 37,447	$ 103,744	$ -	$ -	$ 103,744	
	42 CFR§438.8(e)(3)(ii) & 42 CFR§438.358(b) and (c).	+	64	Activities related to external quality review	ALL	81705-01	$ -	$ -		$ -	$ -	$ -	$ -	$ -	
			65	**Total Health Care Quality Improvement and Other Expenses**			**$ 2,575,360**	**$ 2,321,341**	**$ 2,372,897**	**$ 2,217,998**	**$ 9,487,596**	**$ -**	**$ -**	**$ 9,487,596**	
Expenditures related to activities compliant with 42 CFR § 438.608(a)(1) through (5), (7), (8) and (b).	42 CFR§438.8(e)(4) & 45 CFR§158.150(c)(8)	+	66	Program Integrity: Fraud, Waste, and Abuse Prevention Expenses	ALL		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	Improvements to infrastructure that prevents fraud, waste and abuse **on a going forward basis**.

Credibility Adjustment	42 CFR§438.8(h)	+	67	Credibility Adjustment (If applicable)	CHP and small non-LTSS[2] MCOs between 5,400 and 380,000 **Annual** Member Months		0.4%	0.5%	0.5%	0.5%	1.8%			1.8%	If an MCO's annual member months are determined to be partially-credible, the credibility adjustment factor must be manually entered as calculated using the guidance in the Credibility Adjustment tab.
MLR Calculations				**Numerator**											
			68	Incurred Claims			$ 40,709,914	$ 23,529,205	$ 35,300,660	$ 61,045,717	$ 160,585,497	$ 13,113		$ 160,598,609	
			69	Expenditures for activities that improve health care quality			$ 2,575,360	$ 2,321,341	$ 2,372,897	$ 2,217,998	$ 9,487,596	$ -	$ -	$ 9,487,596	
			70	Total			$ 43,285,274	$ 25,850,546	$ 37,673,558	$ 63,263,715	$ 170,073,092	$ 13,113		$ 170,086,205	
				Denominator											
			71	Premium Revenue			$ 48,761,370	$ 30,400,454	$ 41,052,216	$ 67,029,820	$ 187,243,861	$ 1,713,303	$ -	$ 188,957,164	
			72	Taxes, licensing and regulatory fees			$ 1,034,208	$ 954,169	$ 949,360	$ 676,323	$ 3,614,060	$ -	$ -	$ 3,614,060	
			73	Total			$ 47,727,162	$ 29,446,285	$ 40,102,856	$ 66,353,497	$ 183,629,801	$ 1,713,303	$ -	$ 185,343,103	
			74	**Medical Loss Ratio**			90.7%	87.8%	93.9%	95.3%	92.6%			91.8%	
			75	**Medical Loss Ratio with Credibility Adjustment**			91.1%	88.3%	94.4%	95.8%	94.4%			93.6%	
Methodology(ies) for allocation of expenditures.	42 CFR§438.8(g) 42 CFR§438.8(k)(vii)		76	Please describe methodology(ies) for allocation of expenditures: **The Department of Child Safety Comprehensive Health Plan (DCS CHP) does not have multiple contracts and does not allocate expenses across multiple types of expense. DCS CHP reports each expense under only one type of expense.**											**Each expense must be included under only one type of expense.** If a portion of the expense fits under the definition of, or criteria for, one type of expense and the remainder fits into a different type of expense, the expense must be pro-rated between types of expenses. Expenses that benefit multiple contracts must be reported on a pro-rata basis. Allocation to each category must be based on a generally accepted accounting method that is expected to yield the most accurate results. Shared expenses, including expenses under the terms of a management contract, must be apportioned pro rata to the contract incurring the expense. Expenses that relate solely to the operation of a reporting entity, such as personnel costs associated with the adjusting and paying of claims, must be borne solely by the reporting entity and are not to be apportioned to the other entities.
Explanations			77												
			78												
			79												
			80												
			81												
			82												
			83												
Aggregation Method	42 CFR§438.8(h)(4)(i); 42 CFR§438.8(k)(xii)		84	Please describe aggregation methodology: **The Department of Child Safety Comprehensive Health Plan (DCS CHP) is not required to report financial information by risk group/populations and by GSA. DCS CHP calculates the MLR as one aggregate value.**											AHCCCS requires that the MLR be calculated as one aggregate value representing all risk groups/populations and GSAs. AHCCCS reserves the right to modify this requirement and obtain MLR information on a risk group and/or GSA specific basis.

Updated March 2023

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

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

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