Financial Statements and Supplementary Information

Banner University Family Care
Years Ended December 31, 2025 and 2024
With Reports of Independent Auditors

Banner University Family Care

Financial Statements and Supplementary Information

Years Ended December 31, 2025 and 2024

Contents

Ernst & Young LLP
101 E. Washington Street
Suite 910
Phoenix, AZ 85004

Tel: +1 602 322 3000
ey.com

Report of Independent Auditors

The Board of Directors
Banner University Family Care

Opinion

We have audited the financial statements of Banner University Family Care (the Company), which comprise the balance sheets as of December 31, 2025 and 2024, and the related statements of revenues, expenses, and changes in net assets and cash flows for the years then ended, and the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's 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 of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, 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 Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying financial information of the AHCCCS Acute (collectively the Acute-Care and ACC Contracts) and ALTC Contracts, and the detail of sub-capitated expenses is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with 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.

Ernst & Young LLP

June 16, 2026

Banner University Family Care

Balance Sheets

	December 31	
	2025	2024
Assets		
Current assets:		
Cash	**$ 468,304,542**	$ 486,336,263
Reinsurance receivable	**18,551,159**	18,382,940
Pharmacy rebate receivable	**994,871**	1,348,150
Reconciliation receivable	**5,068,976**	246,820
Other current assets	**49,874,944**	21,372,679
Total current assets	**542,794,492**	527,686,852
Reconciliation receivable, less current portion	**4,438,614**	1,404,514
Other non-current assets	**933,947**	1,310,776
Total assets	**$ 548,167,053**	$ 530,402,142
Liabilities and net assets		
Current liabilities:		
Accounts payable and accrued expenses	**$ 29,122,433**	$ 19,667,086
Due to affiliates, net	**30,409,991**	20,431,335
Medical claims payable	**173,822,800**	187,227,685
Reconciliation payable	**1,693,486**	49,578,505
Alternative payment model	**15,437,877**	24,954,638
State directed program liabilities	**862,151**	741,155
Other current liabilities	**5,839,193**	3,605,095
Total current liabilities	**257,187,931**	306,205,499
Reconciliation payable, less current portion	**7,815,352**	846,235
Other non-current liabilities	**575,572**	966,440
Total liabilities	**265,578,855**	308,018,174
Net assets	**282,588,198**	222,383,968
Total liabilities and net assets	**$ 548,167,053**	$ 530,402,142

See accompanying notes.

Banner University Family Care

Statements of Revenues, Expenses, and Changes in Net Assets

	Year Ended December 31	
	2025	**2024**
Revenue		
Capitation premiums	**$ 1,843,435,792**	$ 1,850,481,048
Delivery supplemental premiums	**31,365,713**	34,995,525
Reconciliation settlements, net	**8,228,273**	16,181,636
Alternative payment model	**24,079,722**	21,929,412
Investment income, net	**23,461,424**	31,776,517
Other revenue	**1,379,947**	1,250,384
Total revenues	**1,931,950,871**	1,956,614,522
Expenses		
Hospital and other medical services	**1,461,248,784**	1,480,720,506
Pharmacy, net of rebates	**264,638,345**	268,105,218
Less: reinsurance recoveries	**(68,092,924)**	(59,963,743)
Total health care expenses	**1,657,794,205**	1,688,861,981
General and administrative	**159,625,391**	149,981,000
Case management services	**12,923,658**	14,631,015
Premium tax	**38,934,991**	38,363,793
Total operating expenses	**1,869,278,245**	1,891,837,789
Operating income	**62,672,626**	64,776,733
Community reinvestment expense	**2,468,396**	5,070,885
Net income	**60,204,230**	59,705,848
Net assets, beginning of period	**222,383,968**	162,678,120
Net assets, end of period	**$ 282,588,198**	$ 222,383,968

See accompanying notes.

Banner University Family Care

Statements of Cash Flows

	Year Ended December 31 2025	2024
Operating activities		
Net income	**$ 60,204,230**	$ 59,705,848
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Changes in assets and liabilities:		
Reinsurance receivable	**(168,219)**	(2,509,830)
Pharmacy rebate receivable	**353,279**	1,240,062
Reconciliation receivable	**(7,856,256)**	(1,561,459)
Other assets	**(28,125,436)**	778,459
Accounts payable and accrued expenses	**9,455,347**	1,811,545
Due to affiliates, net	**9,978,656**	(4,582,517)
Medical claims payable	**(13,404,885)**	10,505,435
Reconciliation payable	**(40,915,902)**	(142,312,454)
Alternative payment model payable	**(9,516,761)**	(12,530,674)
Other liabilities	**1,964,226**	(41,128,721)
Net cash used in operating activities	**(18,031,721)**	(130,584,306)
Net decrease in cash	**(18,031,721)**	(130,584,306)
Cash at beginning of period	**486,336,263**	616,920,569
Cash at end of period	**$ 468,304,542**	$ 486,336,263

See accompanying notes.

1. Description of Business

Organizational Structure

Banner University Family Care (BUFC) provides health plan services to enrollees under contracts with the Arizona Health Care Cost Containment System (AHCCCS), Arizona's Medicaid program for individuals with lower income, in the following counties in southern Arizona: Cochise, Gila, Graham, Greenlee, La Paz, Maricopa, Pima, Pinal, Santa Cruz and Yuma. Banner Health (Banner) is the sole corporate member of BUFC.

All of BUFC's revenues, except for investment income, are earned under its AHCCCS contracts (the Plans), which are subject to periodic renewal. The annual AHCCCS contract year for the Plans is from October 1 through September 30. Members under the Plans receive coordination of care between providers within the same network. The BUFC financial statements include the financial activity associated with the following AHCCCS contracts:

- BUFC has been awarded an AHCCCS Complete Care (ACC) contract effective through September 30, 2028. ACC is a health plan that provides integrated care, both physical and behavioral health services.

- BUFC has been awarded an AHCCCS Arizona Long Term Care System (ALTCS) contract effective through September 30, 2028. ALTCS is a State of Arizona Medicaid program that provides long term care services, at little or no cost to financially and medically eligible Arizona residents who are aged, blind, disabled, or have a developmental disability. Services may be provided in a health institution or in a home or community-based setting.

Both contracts include defined risk reconciliations whereby AHCCCS limits the profit that BUFC may recognize at 4.25% and losses are capped at 2.5% of capitation revenue (Note 3).

Continuation of the Plans is dependent upon governmental policies. The loss of these contracts would have an adverse effect on BUFC's future operations.

2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value of Financial Instruments

The carrying amounts of current assets and current liabilities approximate fair value due to the short-term nature of these accounts.

Liquidity

As of December 31, 2025 and 2024, the total current assets represent financial assets available for general expenditure within one year of the respective balance sheet dates.

BUFC maintains cash in bank accounts that frequently exceed federally insured limits, including interest-bearing deposit accounts.

Revenue

BUFC records revenue from AHCCCS in the form of capitation premiums, delivery supplemental premiums, reconciliation settlements and alternative payment model settlements. Revenue is recorded at the estimated transaction price based on the terms outlined in the ACC and ALTCS contracts. BUFC evaluates whether an implicit price concession should be included in the estimate of the transaction price based on historical collection experience. Subsequent changes to the estimate of the transaction price are recorded as adjustments to revenue in the period of the change. Revenue is recognized as performance obligations are satisfied, which primarily relate to the monthly period in which health care coverage is provided to the enrollees.

2. Summary of Significant Accounting Policies (continued)

Capitation Premiums

Capitation premiums include amounts earned under contracts to members of the Plans. Monthly capitation premiums are recognized as revenue in the period to which health care coverage relates. In December 2025, AHCCCS approved an amended premium capitation rate increase, retroactively effective to October 1, 2025.

BUFC received capitation payments for Prior Period Coverage (PPC) separately from its prospective capitation payments. PPC capitation payments are intended to cover health care costs incurred by individuals while waiting for enrollment in the Plan. PPC revenues are recognized in the month in which the member is eligible for coverage under the Plan.

Capitation rates are subject to periodic changes in member risk factor adjustment scores for certain diagnosis and procedural codes, resulting in changes to capitation revenue and additional payments from, or to, AHCCCS. BUFC recognizes such changes for the Plans when the amounts become determinable and supportable, and collectability is reasonably assured.

Delivery Supplemental Premiums

Delivery supplemental premiums are recognized upon the delivery of a child by a member assigned to BUFC ACC contract during a prospective enrollment period. This supplemental payment does not include payment for deliveries of those members who deliver in a prior coverage period.

Reconciliation Settlements

The Plans are subject to settlement with AHCCCS based on the Plans' net income or loss realized by BUFC for each contract year and based on a formula defined by the related AHCCCS contracts. This reconciliation settlement for contract year 2025, represents 25% of the Plans' profit in excess of 2% to 4% of capitation revenue, 75% of the Plans' profit in excess of 4% to 7% of capitation revenue, 100% of the Plans' profit in excess of 7% of capitation revenue, and 25% of the Plans' loss in excess of 1% to 2% of capitation revenue, 50% of the Plans' loss in excess of 2% to 3% of capitation revenue, 75% of the Plans' loss in excess of 3% to 4% of capitation revenue, and 100% of the Plans' loss in excess of 4% of capitation revenue. The reconciliation settlement for contract year 2024, represents 50% of the Plans' profit in excess of 2% to 6% of capitation revenue, 100% of the Plans' profit in excess of 6% of capitation revenue, and 100% of the Plans' loss in excess of 2% capitation revenue. The reconciliation receivable or liability is subject to review prior to settlement with AHCCCS once claim payment activity has been completed, and no earlier than 15 months subsequent to the end of the contract year.

2. Summary of Significant Accounting Policies (continued)

Through December 31, 2025, AHCCCS has settled the reconciliation balances with BUFC for ACC and ALTCS plans through the annual contract periods ending September 30, 2023 and September 30, 2022, respectively. BUFC recorded an increase to revenue of approximately $6,110,000 and $5,645,000 for the years ended December 31, 2025 and 2024, respectively, relating to the settlement of prior reconciliation contract years. Because the reconciliation settlements are estimates subject to change based on claims experience, there is a possibility that recorded reconciliation settlements will change by a material amount in the near term.

Alternative Payment Model

AHCCCS has developed an Alternative Payment Model (APM) policy with multiple initiatives designed to drive innovative arrangements that will further enhance cost control and result in quality improvements for contractors. BUFC is required to participate in AHCCCS' APM quality measure performance (QMP) incentive program. This arrangement, as delineated by AHCCCS, incorporates a withhold arrangement of 1% of the Plan's capitation revenue, excluding delivery supplemental premiums and PPC capitation premiums. A portion of, or all of, the withheld amount will be paid to BUFC for performance on select quality metrics per the APM policy subsequent to the completion of the contract year and AHCCCS computation of the performance measures. BUFC records a reduction in capitation premium revenue and APM liability for the 1% withheld amount. BUFC recognizes adjustments for expected settlement of the APM liability for the Plans when the amounts become estimable and probable. As of December 31, 2025 and 2024, the APM liability associated with QMP is $4,076,537 and $5,730,744, respectively.

BUFC has also established quality initiatives to reduce costs, improve health outcomes, and improve access to care with providers. BUFC records these performance-based payments within APM liability and associated costs within health care expenses. As of December 31, 2025 and 2024, the APM liability associated with provider performance-based payments is $11,361,340 and $19,223,894, respectively.

Reductions of Health Expenditures

Reinsurance recoveries and pharmacy rebates are recorded as reductions to health care expenditures.

2. Summary of Significant Accounting Policies (continued)

Reinsurance is a stop loss program provided by AHCCCS for the partial reimbursement of certain covered medical service costs incurred by a member beyond an annual deductible. Reinsurance recoveries represent management's estimate of the medical claims cost recoverable under its reinsurance contract with AHCCCS. Reinsurance receivables (Note 4) are calculated based on the identification of qualifying incurred inpatient and pharmacy expenses and a percentage of estimated inpatient and other pharmaceutical costs incurred but not yet reported for each contract year.

BUFC estimates the amounts to be received in pharmacy rebates based on contractual arrangements with the drug manufacturers.

Medical Claims Payable

The costs of hospital and medical services provided to members served under the Plans are recognized in the period in which care is provided. Unpaid claims adjustment expenses represent an estimate of the cost to process the incurred but not reported (IBNR) claims and are included in medical claims payable (Note 5). The liability is estimated using historical claims payments and other relevant information, including the regulatory environment and economic conditions. Estimates are adjusted based upon changes in assumptions, and such adjustments are reflected in current operations. Given the inherent variability of such estimates, the actual liability could differ significantly from the amounts recorded.

Premium Deficiency Reserves

BUFC performs periodic analysis of its expected future health care costs and maintenance costs to determine whether such costs will exceed anticipated future revenues under its contracts. Should expected costs exceed anticipated revenues, a premium deficiency reserve is recognized. Investment income is not included in the calculation to estimate premium deficiency reserves. As of December 31, 2025 and 2024, no premium deficiency reserve was recorded.

General and Administrative Expenses

General and administrative expenses are recognized as incurred for the management of the Plans. The costs charged represent costs that directly relate to the AHCCCS program and a corporate allocation from Banner for general and administrative expenses. Corporate allocation expenses are repaid by BUFC through intercompany settlements to Banner. These settlements are reflected as due to affiliates, net (Note 7) on the accompanying balance sheets.

2. Summary of Significant Accounting Policies (continued)

Premium Tax Expense

The state of Arizona imposes a premium tax on capitation payments paid to BUFC by AHCCCS. BUFC receives the premium tax from AHCCCS and remits the entire amount to the appropriate taxing authority. BUFC includes the taxes collected as capitation revenues and taxes remitted as a premium tax expense on the accompanying statements of revenues, expenses, and changes in net assets.

Risk Management

BUFC is exposed to various risks of loss from torts, business interruption, errors and omissions, and natural disasters. Additional insurance coverage is purchased by Banner for claims arising from such matters. BUFC receives reinsurance coverage from AHCCCS to reduce the risk of catastrophic loss on services provided under the Plans. The gross capitation rates were reduced by the reinsurance cost. Under the AHCCCS program, risk of loss for inpatient claims is generally limited to an annual deductible of $150,000 per member per policy year for the ACC and ALTCS contracts, effective October 1, 2024. Eligible claims in excess of the deductible are generally paid at 75%, depending on the type of claim, with no maximum annual benefit. Eligible reinsurance claims are reported in the accompanying financial statements as a reduction of health care expenses at the amount expected to be collected from AHCCCS.

Subsequent Events

Subsequent events have been evaluated through June 16, 2026, the date the accompanying financial statements were available to be issued. There were no subsequent events requiring recognition or disclosure in the financial statements.

3. Other Current Assets

Other current assets consist of the following at December 31:

	2025	2024
Capitation premium receivables	**$ 36,772,524**	$ 1,846,354
Due from providers	**6,769,441**	17,677,334
Prepaids and other	**6,332,979**	1,848,991
	$ 49,874,944	$ 21,372,679

4. Reinsurance Receivable

BUFC recorded reinsurance receivable as of December 31 related to the following contract years:

	2025
September 30, 2024	**$ (1,241)**
September 30, 2025	**9,477,437**
September 30, 2026	**9,074,963**
	$ 18,551,159

	2024
September 30, 2023	$ 287,790
September 30, 2024	10,315,862
September 30, 2025	7,779,288
	$ 18,382,940

5. Medical Claims Payable

Medical claims payable consists of the following at December 31:

	2025	2024
Claims payable	**$ 69,248,222**	$ 57,190,382
Provisions for claims incurred but not yet reported	**104,574,578**	130,037,303
	$ 173,822,800	$ 187,227,685

The following is a reconciliation of the medical claims payable for the years ended December 31:

	2025	2024
Beginning balance	**$ 187,227,685**	$ 176,722,250
Incurred:		
Current	**1,444,104,746**	1,449,450,343
Prior	**(18,861,801)**	609,658
Total	**1,425,242,945**	1,450,060,001
Paid:		
Current	**1,274,013,846**	1,262,222,658
Prior	**164,633,984**	177,331,908
Total	**1,438,647,830**	1,439,554,566
Ending balance	**$ 173,822,800**	$ 187,227,685

Total incurred claims in the table above excludes $300,644,184 and $298,765,723 of health care expense for the years ended December 31, 2025 and 2024, respectively, as this activity is associated with accounts payable and accrued expenses on the accompanying balance sheets. Amounts incurred related to prior years vary from previously estimated liabilities as the claims are ultimately adjudicated and paid. Liabilities at any year end are continually reviewed and re-estimated as information regarding actual claim payments becomes known. This information is compared with the originally established liability at year end. Negative amounts reported for incurred, related to prior years, result from claims being adjudicated and paid for amounts less than originally estimated. Positive amounts reported for incurred, related to prior years, result from claims being adjudicated and paid for amounts greater than originally estimated.

6. Functional Expense

The following statement of functional expenses reports BUFC's operating expenses by natural classification:

	Year Ended December 31	
	2025	**2024**
Medical claims costs	**$ 1,657,794,205**	$ 1,688,861,981
Salaries and benefits	**72,106,748**	48,816,711
Supplies	**27,598,913**	27,520,734
Professional fees	**23,384,760**	38,978,885
Depreciation	**1,431,097**	492,790
Interest expense	**670,838**	1,464,221
Administrative fees and other	**34,433,035**	32,707,659
Case management services	**12,923,658**	14,631,015
Premium tax	**38,934,991**	38,363,793
Total operating expenses	**$ 1,869,278,245**	$ 1,891,837,789

BUFC operating expenditures include allocations of Banner expenditures related to general and administrative functions necessary to operate Banner's insurance programs. Banner allocates expenditures based on plan enrollment and revenues. The allocated expenditures include costs associated with case management services, salary and benefits, information technology, patient financial services, accounting, human resources, and other overhead-type services.

7. Related-Party Transactions

BUFC purchases physician and hospital-based health care services for its members from its affiliates. During the years ended December 31, 2025 and 2024, BUFC paid claims for medical expenses to its affiliates totaling approximately $198,745,000 and $212,125,000, respectively.

BUFC purchases administrative services from Banner, which are recognized as general and administrative expenses through allocations from Banner and affiliated entities (Note 6). For the years ended December 31, 2025 and 2024, BUFC incurred approximately $145,961,000 and $140,234,000, respectively, of such expenditures.

8. State Directed Payments

BUFC receives state directed funds from AHCCCS for which BUFC acts as an administrator and will pass-through funds to specific provider populations as directed by AHCCCS. This includes activities related to Rural Hospital Enhancement Payments, Nursing Facility Enhanced Payments, Access to Professional Services Initiatives (APSI), Pediatric Services Initiatives (PSI), Hospital Enhanced Access Leading to Health Improvements Initiative (HEALTHII), Home and Community Based Services Directed Payments (HCBS), American Rescue Plan Act (ARPA), Safety Net Services initiative (SNSI) and Targeted Investment Program.

Quarterly reporting to AHCCCS requires that state directed pass-through funds are presented on gross basis within total revenues and expenses. As BUFC does not have control over services related to these funds, related revenue and expense is recorded on a net basis in accordance with accounting principles generally accepted in the United States of America, and, therefore, not presented separately within the statements of revenues, expenses, and changes in net assets. For the years ended December 31, 2025, and 2024, BUFC state directed pass-through funding was $649,931,700 and $365,594,258, respectively.

9. Income Taxes

BUFC is a nonprofit corporation exempt from income taxes under Internal Revenue Code Section 501(c)(3). BUFC has not recorded any expense or accrued for any related expense for any uncertain tax positions. BUFC's 2022 through 2025 tax years remain subject to examination for federal income tax purposes, whereas the 2021 through 2025 tax years remain subject to examination for state taxing jurisdictions in which BUFC operates.

10. Commitments and Contingencies

Performance Measures

BUFC's contracts with AHCCCS require BUFC to be in compliance with certain financial and nonfinancial performance measures, as well as certain prerequisites to maintain BUFC's eligibility as a party to the Plans. Management believes that BUFC is in compliance with AHCCCS's performance measures. Compliance with these measures can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

10. Commitments and Contingencies (continued)

Performance Bond

BUFC secured annual performance bonds of $122,000,000 and $43,000,000 with an unrelated third-party insurance company to satisfy the contractual obligations of the ACC and ALTCS, respectively, as prescribed by AHCCCS. The current performance bonds expire September 30, 2026.

Health Care Regulatory Environment

The health care 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 health care program participation requirements, reimbursement for patient services, and Medicaid fraud and abuse. Government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs, together with the imposition of significant fines and penalties. Management believes that BUFC is in compliance with fraud and abuse, as well as other applicable government laws and regulations. Compliance with such laws and regulations can be subject to future review and interpretation, as well as regulatory actions unknown or unasserted at this time.

Supplementary Information

Banner University Family Care

Balance Sheet – ACC and ALTCS Contracts

December 31, 2025

	ACC	ALTCS	Total
Assets			
Current assets:			
Cash	$ 338,777,005	$ 129,527,537	$ 468,304,542
Reinsurance receivable	16,375,138	2,176,021	18,551,159
Pharmacy rebate receivable	971,812	23,059	994,871
Reconciliation receivable	5,068,976	–	5,068,976
Other current assets	42,518,142	7,356,802	49,874,944
Total current assets	403,711,073	139,083,419	542,794,492
Reconciliation receivable, less current portion	4,438,614	–	4,438,614
Other non-current assets	913,467	20,480	933,947
Total assets	$ 409,063,154	$ 139,103,899	$ 548,167,053
Liabilities and net assets			
Current liabilities:			
Accounts payable and accrued expenses	$ 21,978,177	$ 7,144,256	$ 29,122,433
Due to affiliates, net	18,381,379	12,028,612	30,409,991
Medical claims payable	117,801,100	56,021,700	173,822,800
Reconciliation payable	–	1,693,486	1,693,486
Alternative payment model	13,960,090	1,477,787	15,437,877
State directed program liabilities	447,536	414,615	862,151
Other current liabilities	3,678,552	2,160,641	5,839,193
Total current liabilities	176,246,834	80,941,097	257,187,931
Reconciliation payable, less current portion	5,838,547	1,976,805	7,815,352
Other non-current liabilities	562,951	12,621	575,572
Total liabilities	182,648,332	82,930,523	265,578,855
Net assets	226,414,822	56,173,376	282,588,198
Total liabilities and net assets	$ 409,063,154	$ 139,103,899	$ 548,167,053

Banner University Family Care

Statement of Revenues, Expenses, and Changes in Net Assets – ACC and ALTCS Contracts

Year Ended December 31, 2025

	ACC	ALTCS	Total
Revenue			
Capitation premiums	$1,344,614,916	$ 498,820,876	$1,843,435,792
Delivery supplemental premiums	31,365,713	–	31,365,713
Reconciliation settlements, net	8,368,839	(140,566)	8,228,273
Alternative payment model	18,918,242	5,161,480	24,079,722
Investment income, net	18,122,115	5,339,309	23,461,424
Other revenue	1,122,724	257,223	1,379,947
Total revenues	1,422,512,549	509,438,322	1,931,950,871
Expenses			
Hospital and other medical services	1,037,400,967	423,847,817	1,461,248,784
Pharmacy, net of rebates	247,066,116	17,572,229	264,638,345
Less: reinsurance recoveries	(60,051,456)	(8,041,468)	(68,092,924)
Total health care expenses	1,224,415,627	433,378,578	1,657,794,205
General and administrative	127,666,913	31,958,478	159,625,391
Case management services	–	12,923,658	12,923,658
Premium tax	28,723,250	10,211,741	38,934,991
Total operating expenses	1,380,805,790	488,472,455	1,869,278,245
Operating income	41,706,759	20,965,867	62,672,626
Community reinvestment expense	1,185,614	1,282,782	2,468,396
Net income	$ 40,521,145	$ 19,683,085	$ 60,204,230
Net assets, beginning of period	185,893,677	36,490,291	222,383,968
Net assets, end of period	$ 226,414,822	$ 56,173,376	$ 282,588,198

Banner University Family Care

Statement of Cash Flows – ACC and ALTCS Contracts

Year Ended December 31, 2025

	ACC	ALTCS	Total
Operating activities			
Net income	$ 40,521,145	$ 19,683,085	$ 60,204,230
Adjustments to reconcile net income to net cash (used in) provided by operating activities:			
Changes in assets and liabilities:			
Reinsurance receivable	(601,905)	433,686	(168,219)
Pharmacy rebate receivable	(112,023)	465,302	353,279
Reconciliation receivable	(7,856,256)	–	(7,856,256)
Other assets	(24,064,103)	(4,061,333)	(28,125,436)
Accounts payable and accrued expenses	6,035,127	3,420,220	9,455,347
Due to affiliates, net	2,762,212	7,216,444	9,978,656
Medical claims payable	(18,299,445)	4,894,560	(13,404,885)
Reconciliation payable	(41,056,467)	140,565	(40,915,902)
Alternative payment model payable	(8,355,922)	(1,160,839)	(9,516,761)
Other liabilities	(413,603)	2,377,829	1,964,226
Net cash (used in) provided by operating activities	(51,441,240)	33,409,519	(18,031,721)
Net (decrease) increase in cash	(51,441,240)	33,409,519	(18,031,721)
Cash at beginning of period	390,218,245	96,118,018	486,336,263
Cash at end of period	$ 338,777,005	$ 129,527,537	$ 468,304,542

Banner University Family Care

AHCCCS Long Term Care Services (ALTCS)
Sub-Capitated / Block Purchases Expenses Report

Contract Year Ended September 30, 2025

Account #	Account Description	Dual Amount	Non Dual Amount	CYTD Amount
Sub-capitated expenses				
50205-01	Primary Care Physician Services	$ 196,854	$ 51,168	$ 248,022
50330-01	Dental	477,788	122,215	600,003
50335-01	Transportation	669,166	3,145,756	3,814,922
Total sub-capitated expenses		$ 1,343,808	$ 3,319,139	$ 4,662,947
Sub-capitation administrative expenses				
81605-011	Sub Capitation Block Administrative	$ 332,211	$ 73,314	$ 405,525
Total Block, Subcapitated and Administration Expenses		$ 1,676,019	$ 3,392,453	$ 5,068,472

Banner University Family Care

AHCCCS Complete Care Program (ACC)
Sub-Capitated Expenses Detail

Contract Year Ended September 30, 2025

Account	Account Description	Age <1	Age 1-20	Age 21+	Duals	SSI w/o Med	Prop 204 Childless Adults	Expansion Adults	Grand Total
Sub-capitated medical compensation expenses									
50205-01	Primary Care Physician Services	$ 86,137	$ 1,333,228	$ 701,827	$ 535,883	$ 322,078	$ 683,291	$ 437,826	$ 4,100,270
Total sub-capitated medical compensation expenses		$ 86,137	$ 1,333,228	$ 701,827	$ 535,883	$ 322,078	$ 683,291	$ 437,826	$ 4,100,270
Sub-capitated other medical expenses									
50330-01	Dental	$ 1,625,123	$24,193,089	$ 1,694,913	$ 834,530	$ 701,306	$ 3,742,693	$ 275,079	$33,066,733
50335-01	Transportation	327,602	5,070,793	2,192,976	1,068,639	416,013	2,452,877	1,173,398	12,702,298
Total sub-capitated other medical expenses		1,952,725	29,263,882	3,887,889	1,903,169	1,117,319	6,195,570	1,448,477	45,769,031
Total sub-capitated expenses		$ 2,038,862	$30,597,110	$ 4,589,716	$ 2,439,052	$ 1,439,397	$ 6,878,861	$ 1,886,303	$49,869,301
Sub-capitation administrative expenses									
81605-011	Sub Capitation Block Administrative	$ 226,621	$ 3,402,085	$ 510,653	$ 271,458	$ 160,180	$ 764,841	$ 210,248	$ 5,546,086
Total Block, Subcapitated and Administration Expenses		$ 2,265,483	$33,999,195	$ 5,100,369	$ 2,710,510	$ 1,599,577	$ 7,643,702	$ 2,096,551	$55,415,387

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