

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

Health Choice Arizona, Inc.
Year Ended September 30, 2025
With Report of Independent Auditors

Health Choice Arizona, Inc.

Financial Statements and
Supplementary Information

Year Ended September 30, 2025

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

Tel: +1 602 322 3000
ey.com

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Report of Independent Auditors

The Board of Directors
Health Choice Arizona, Inc.

Opinion

We have audited the financial statements of Health Choice Arizona, Inc. (the Company), which comprise the consolidated balance sheet as of September 30, 2025, and the related statement of operations and comprehensive income, changes in equity and cash flows for the year 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 September 30, 2025, and the result of its operations 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 (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.



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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



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Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental detailed balance sheet, supplemental detailed statement of cash flows, sub-capitated expenses report, block purchases report, and supplemental schedule of activities are 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

March 31, 2026

Health Choice Arizona, Inc.

Balance Sheet

As of September 30, 2025

Assets

Current assets:

Cash and cash equivalents	\$ 76,516,180
Short-term investments	1,250,933
Pharmacy rebate receivables	13,061,405
Private reinsurance receivables	274,559
Due from AHCCCS	48,738,809
Other current assets, net	41,706,593
Federal taxes receivable	12,399,947
Total current assets	<u>193,948,426</u>

Long-term investments	118,174,628
Goodwill	5,756,914
Net deferred tax assets	75,746,693
Total assets	<u><u>\$ 393,626,661</u></u>

Liabilities and equity

Current liabilities:

Accounts payable and accrued expenses	\$ 8,633,952
Medical claims payable	127,838,591
Due to affiliates, net	31,138,411
Due to AHCCCS	1,407,343
Due to CMS, net	3,606,748
Payable to providers	30,509,218
Deferred revenue	250,000
Total liabilities	<u>203,384,263</u>

Equity:

Retained earnings	189,426,583
Accumulated other comprehensive income	815,815
Total equity	<u>190,242,398</u>
Total liabilities and equity	<u><u>\$ 393,626,661</u></u>

See accompanying notes.

Health Choice Arizona, Inc.

Statements of Operations and Comprehensive Income

Year Ended September 30, 2025

Revenue:	
Capitation premiums	\$ 1,200,114,615
Delivery supplemental premiums	<u>23,710,374</u>
Total revenue	1,223,824,989
Expenses:	
Medical expenses	1,099,292,756
Administrative expenses	118,185,535
Premium tax expense	<u>20,432,616</u>
Total expenses	<u>1,237,910,907</u>
Operating loss	(14,085,918)
Non-operating income (expense):	
Interest income	7,028,995
Investment income	8,914,959
Community reinvestment expense	(236,372)
Other non-operating income	<u>25,375</u>
Income before income taxes	1,647,039
Income tax expense	<u>361,224</u>
Net income	<u>1,285,815</u>
Other comprehensive (loss) income:	
Unrealized investment loss	(489,720)
Less: effect of income taxes	<u>106,952</u>
Other comprehensive loss, net of tax	<u>(382,768)</u>
Comprehensive income	<u><u>\$ 903,047</u></u>

See accompanying notes.

Health Choice Arizona, Inc.

Statement of Changes in Equity

	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Equity
Balance at October 1, 2024	\$ 273,489,968	\$ 1,198,583	\$ 274,688,551
Equity distribution	(88,349,200)	–	(88,349,200)
Equity contribution	3,000,000		3,000,000
Net income	1,285,815	–	1,285,815
Other comprehensive loss	–	(382,768)	(382,768)
Balance at September 30, 2025	<u>\$ 189,426,583</u>	<u>\$ 815,815</u>	<u>\$ 190,242,398</u>

See accompanying notes.

Health Choice Arizona, Inc.

Statements of Cash Flows

Year Ended September 30, 2025

Operating activities

Net income	\$ 1,285,815
Adjustments to reconcile net income to net cash provided by operating activities:	
Investment income	(809,594)
Changes in operating assets and liabilities:	
Pharmacy rebate receivables	(5,214,870)
Private reinsurance receivables	(65,135)
Due from AHCCCS	(19,182,011)
Other current assets, net	690,489
Deferred tax assets	7,985,985
Accounts payable and accrued expenses	(8,986,860)
Medical claims payable	9,385,272
Due to affiliates, net	(4,521,852)
Due to AHCCCS	(46,623,123)
Due to CMS, net	1,371,216
Payable to providers	2,649,641
Deferred revenue	(562,500)
Federal taxes receivable/payable	(7,731,715)
Net cash used in operating activities	<u>(70,329,242)</u>

Investing activities

Sale of investments	351,156,628
Purchase of investments	(291,722,406)
Net cash provided by investing activities	<u>59,434,222</u>

Financing activities

Receipts from CMS contract deposits	26,059,109
Withdrawals from CMS contract deposits	(22,940,790)
Distributions to Parent	(50,000,000)
Contribution from Parent	3,000,000
Net cash used in financing activities	<u>(43,881,681)</u>

Net decrease in cash and cash equivalents	(54,776,701)
Cash and cash equivalents, beginning of year	131,292,881
Cash and cash equivalents, end of year	<u>\$ 76,516,180</u>

See accompanying notes.

Health Choice Arizona, Inc.

Notes to Financial Statements

September 30, 2025

1. Organization

Health Choice Arizona, Inc. (the Company) is a wholly owned subsidiary of Veritage LLC (Veritage). Veritage is an Arizona limited liability company owned solely by Blue Cross Blue Shield of Arizona (BCBSAZ) in which Prosano, Inc. is the ultimate parent company.

The Company is a managed care organization and insurer that delivers healthcare services to members through multiple health plans, accountable care networks and managed care solutions. The Company subcontracts with hospitals, physicians and other medical providers within Arizona and surrounding states to provide services to its members in the service area counties. The Company operates under two different contracts: Health Choice Arizona – Arizona Health Care Cost Containment System (AHCCCS) Complete Care (ACC) and Health Choice Pathway (HCP).

The Company's ACC contract with AHCCCS was established to provide specified healthcare services to qualified Medicaid enrollees through contracts with providers. AHCCCS is the state agency that administers Arizona's Medicaid program, including the AHCCCS Complete Care program. The contract requires the Company to arrange for healthcare services for enrolled Medicaid patients in exchange for fixed monthly premiums, based on negotiated per capita member rates, and supplemental payments from AHCCCS. These services are provided regardless of the actual costs incurred to provide these services. The Company receives reinsurance and other supplemental payments from AHCCCS to cover certain costs of healthcare services that exceed defined thresholds. Effective October 1, 2018, the Company was awarded the ACC contract to provide integrated physical and behavioral health services to AHCCCS members in Apache, Coconino, Gila, Maricopa, Mohave, Navajo, Pinal, and Yavapai counties. The ACC contract had an initial term of three years through September 30, 2021 and two two-year options to extend the contract through September 30, 2025 at the discretion of AHCCCS. Effective October 1, 2020, the contract was extended an additional two-year option through September 30, 2027. The contract is terminable without cause on 90 days' written notice or for cause upon written notice if the Company fails to comply with any term or condition of the contract or fails to take corrective action as required to comply with the terms of the contract. Additionally, AHCCCS can terminate the contract in the event of the unavailability of state or federal funding.

Health Choice Arizona, Inc.

Notes to Financial Statements (continued)

1. Organization (continued)

Through the Health Choice Arizona – AHCCCS Regional Behavioral Health (RBHA) contract, the Company provided high-quality physical and behavioral healthcare services to Medicaid eligible adults with serious mental illness (SMI) in Northern Arizona under the Regional Behavioral Health Authority. Effective October 1, 2022, the Company is no longer a contracted managed care organization for the RBHA Program. The Company experienced RBHA program related run out activities in 2025. The Company operates a prepaid Medicare Advantage Prescription Drug (MAPD) Special Needs Plan (SNP), called Health Choice Pathway, through a contract with the Centers for Medicare & Medicaid Services (CMS). Effective January 1, 2006, the Company began providing coverage as a MAPD SNP provider pursuant to its contract with CMS. The contract allows the Company to offer Medicare and Part D drug benefit coverage for new and existing dual-eligible members. Dual-eligible members are those who are eligible for Medicare and Medicaid. The contract requires the Company to arrange for healthcare services for its enrollees in exchange for fixed monthly premiums, based on risk adjusted per capita rates from CMS.

The contract with CMS, which covers enrollees in Apache, Coconino, Gila, Maricopa, Mohave, Navajo, Pinal, and Yavapai counties, has been renewed through December 31, 2026, and includes successive one-year renewal options at the discretion of CMS. The contract is terminable by CMS without cause on 90 days' written notice, or for cause upon written notice if the Company fails to comply with any term or condition of the contract or fails to take corrective action as required to comply with the terms of the contract.

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The accompanying financial statements were prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates and are accounted for in the period identified.

Health Choice Arizona, Inc.

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of cash balances on hand and deposited in financial institutions and are all highly liquid investments with a maturity of three months or less when purchased.

Investments

Short-term investments generally include investments in bonds whose remaining maturities are one year or less. Money market mutual funds and bonds with maturities at acquisition of three months or less are included in cash and cash equivalents.

The fixed income portfolio is invested primarily in corporate bonds, asset backed securities, municipal bonds, and mortgage-backed securities. Interest on fixed income securities is recognized in investment income on an accrual basis. Fixed income securities are classified as either trading or available-for-sale. For fixed income securities classified as trading, unrealized gains and losses are recorded in investment income within net income. For fixed income securities classified as available-for-sale, unrealized gains and losses are recorded as a component of other comprehensive income. Realized gains and losses are determined on the basis of the cost or amortized cost of the specific securities sold. Realized gains and losses on fixed-income securities are recognized in investment income.

Pharmacy Rebate Receivables

The Company receives rebates from pharmaceutical companies based on the volume of drugs purchased. The Company records a receivable and a reduction of pharmacy expense for estimated rebates due based on purchase information. Pharmacy rebate receivables were \$13 million as of September 30, 2025, and \$25 million was recognized as a reduction of pharmacy expense during the year ended September 30, 2025.

Health Choice Arizona, Inc.

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Due to Affiliates, Net

Due to affiliates, net of amounts due from affiliates, primarily represents the amount owed to Health Choice Management Company (the Management Company), a wholly owned subsidiary of Veritage. The Management Company pays administrative expenses on behalf of the Company. Due to affiliates, net was \$31 million as of September 30, 2025.

Goodwill

Pursuant to accounting guidance related to goodwill and other intangible assets, goodwill is not amortized but is subject to annual impairment reviews or more often if events or circumstances indicate it may be impaired. An impairment loss is recorded to the extent that the carrying amount of goodwill exceeds its implied fair value. The Company has completed its annual review of indicators of impairment for the 2025 fiscal year, which resulted in no impairment.

Revenue Recognition

Capitation premiums are recognized as revenue in the month that members of the Company are entitled to healthcare services. The Company is required to provide all covered healthcare services to members, regardless of the cost of care. If there are funds remaining, the Company retains the funds as profit; if the costs are higher than the amount of capitation payments, the Company absorbs the loss.

Certain provisions of the ACC contract include a risk band, whereby the Company and AHCCCS share in the profits and losses of the contract, as defined in the contract (reconciliation revenue). Under the ACC contract, AHCCCS limits the profit that the Company may recognize at 4.25% and losses are capped at 2.5% for the year ended September 30, 2025.

HCP capitation premiums are subject to an episodic/diagnostic risk factor adjustment. The Company estimates and records CMS settlement amounts and adjusts to actual amounts when the adjustment settlements are either received from CMS or the Company receives notification from CMS of such settlement amounts.

Health Choice Arizona, Inc.

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

As a result of the variability of factors that determine such estimations, the actual amount of the CMS retroactive risk premium settlement adjustments could be materially more or less than the Company's estimates. The Company's risk adjustment payments are subject to review and audit by CMS, which can take several years to resolve completely. Any adjustment to premium revenue as a result of such review and audit is recorded when estimable. There can be no assurance that any retroactive adjustment to previously recorded revenue will not have a material effect on future results of operations.

Delivery supplemental premiums are payments received per newborn delivery under the ACC contract and are intended by AHCCCS to cover the cost of maternity care for qualified pregnant women. Such premiums are billed and recognized in the month that delivery occurs.

Total capitation premiums of \$1.2 billion and delivery supplemental premiums of \$24 million were recognized during the year ended September 30, 2025.

Medical Expenses

Monthly capitation payments to primary care physicians and other healthcare providers are expensed in the month services are contracted to be performed. Amounts payable under these arrangements are included in the payable to provider liability. Medical expenses for non-capitated arrangements are accrued as services are rendered by hospitals, physicians and other healthcare providers during the year. Medical expense includes primary care and specialty physician services, as well as hospital inpatient, outpatient, and other ancillary services, such as radiology and lab. Medical expense is presented net of Third Party Liability (TPL) recoveries received.

TPL recoveries are payments received from a third party, such as an individual, entity, or program that is, or may be, liable to pay for any medical services provided to an AHCCCS member. AHCCCS is the payer of last resort when there is no other liable party. TPL recoveries are included as a reduction of medical expenses in the accompanying statement of operations.

Health Choice Arizona, Inc.

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Medical claims payable includes claims received but not paid and an estimate of claims incurred but not reported. Incurred but not reported claims are estimated using a combination of historical claims experience (including severity and payment lag time) and other actuarial analysis, including number of enrollees, age of enrollees, and certain enrollee health indicators to predict the cost of healthcare services provided to enrollees during any given period. While management believes that its estimation methodology effectively captures trends in medical claims costs, actual payments could differ significantly from estimates, given changes in the healthcare cost structure or adverse experience.

Reinsurance Recoveries

The Company recognizes reinsurance recoveries related to the ACC contract when healthcare costs exceed stated amounts as provided under the AHCCCS contract, including estimates of such costs at the end of each accounting period and is recorded in due from AHCCCS on the corresponding balance sheet. Contractually, the Company is reimbursed by AHCCCS at a rate ranging from 75% to 100% for qualified healthcare costs for those members that exceed stated amounts of up to \$150,000, depending on the case type of the member. Qualified costs must be incurred during the contract year and are the lesser of the amount paid by the Company or the AHCCCS fee schedule.

The Company subcontracts with a third-party reinsurance provider to cover non-drug healthcare costs that exceed stated amounts at a rate of 90% of qualified costs related to HCP members. Qualified costs must be incurred during the contract year, but costs incurred during the last month of the year may be carried forward to meet the following year's deductible if those costs were not already applied to a reinsurance case. Reinsurance is recognized under the contract with the reinsurer when healthcare costs exceed stated amounts as provided under the contract, including estimates of such costs at the end of each accounting period and is recorded in private reinsurance receivables on the corresponding balance sheet.

In the event that the reinsurer is unable to honor its reinsurance commitment, the Company may be responsible for excess costs incurred.

Health Choice Arizona, Inc.

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Due To CMS, Net

The Company receives Part D low-income premium subsidy payments per member per month from CMS to cover beneficiary premiums that are not paid by qualifying low-income HCP enrollees. Such payments are recognized in the month that members are entitled to prescription drug coverage and are reported in capitation premiums in the accompanying statement of operations.

The Company receives Part D low-income cost-sharing subsidy (LICS) payments per member per month from CMS to cover beneficiary cost sharing and deductible amounts that are not paid by qualifying low-income HCP enrollees. The Company administers and pays the subsidized portion of the claims on behalf of CMS, and a settlement payment is made between CMS and the Company based on actual claims experience, subsequent to the end of the contract year. The Company is fully reimbursed by CMS for this contract element and, accordingly, there is no insurance risk to the Company. Amounts received for these subsidies are not reflected as premium revenue but are recognized as a reduction of medical expenses in the accompanying statement of operations. As of September 30, 2025, a receivable in the amount of approximately \$2 million was recorded in due to CMS, net in the accompanying balance sheet. Part D LICS subsidies from CMS totaling approximately \$11 million were recognized during the year ended September 30, 2025, and is included as a reduction of medical expenses in the accompanying statement of operations.

The Company receives Part D reinsurance payments per member per month to cover CMS's obligation to pay approximately 20% for applicable drugs and 40% for non-applicable drugs for the year ended September 30, 2025 of the costs incurred by individual HCP members in excess of the individual annual out-of-pocket maximum. A settlement is made between CMS and the Company based on actual claims experience, subsequent to the end of the contract year. The Company is fully reimbursed by CMS for this contract element and, accordingly, there is no risk to the Company. Amounts received for these subsidies are not reflected as premium revenue but are recognized as a reduction of medical expenses in the accompanying statement of operations. Part D reinsurance recoveries from CMS totaling approximately \$10 million were recognized during the year ended September 30, 2025, and are included as a reduction of medical expenses in the accompanying statement of operations. As of September 30, 2025, a payable in the amount of approximately \$2 million was recorded in due to CMS, net in the accompanying balance sheet.

Health Choice Arizona, Inc.

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Effective January 1, 2025, CMS established the manufacturer drug discount program where manufacturers are required to provide a 10% discount on applicable drugs during the initial coverage phase and a 20% discount during the catastrophic coverage phase. The Company receives prospective payments based on the manufacturer discount estimate by number of beneficiaries enrolled in the plan. Such payments are recognized in the month the members are entitled to prescription drug coverage. Manufacturer drug discount program amounts totaling approximately \$5 million were recognized during the year ended September 30, 2025 and recognized as a reduction of medical expenses in the accompanying statement of operations.

After the conclusion of the contract year and the finalization of capitation and subsidy payment amounts, CMS will complete a final risk corridor reconciliation that limits profit or loss on Part D revenue. The risk corridor is designed to limit exposure to unexpected expenses not already included in the reinsurance subsidy or taken into account through risk adjusted rates. Profits or losses that differ by more than 5% from the targeted amount will be repaid or recouped according to stated percentages. Accordingly, as of September 30, 2025, a settlement balance of approximately \$3.3 million due to CMS is recorded in the accompanying balance sheet in due to CMS, net to reflect the estimated amount of the Part D risk settlement.

Administrative Expenses

The primary components of administrative expenses are management fees and other miscellaneous expenses.

Income and Premium Taxes

Income taxes are allocated to the Company from Blue Cross & Blue Shield of Arizona, Inc., pursuant to the asset and liability method, based on the amount for which the Company would have been liable if it were a separate taxpayer. In the event of a taxable loss, the tax benefit would be allocated to the Company from Blue Cross & Blue Shield of Arizona, Inc. The effect on deferred taxes of a change in tax rates is recognized in the statement of operations during the period in which the tax rate change becomes law.

The ACC contract is subject to a 2% premium tax on Title XIX and Title XXI payments received from AHCCCS. Total premium tax expense for the year ended September 30, 2025 was approximately \$20 million.

Health Choice Arizona, Inc.

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Fair Value Measurements

Fair value is defined as an exit price representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, the Company utilizes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1. Pricing inputs into the determination of fair value are generally observable inputs, such as quoted prices in active markets. Financial assets in Level 1 include money market funds.

Level 2. Pricing inputs are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Financial assets in Level 2 include corporate bonds and U.S. government obligations.

Level 3. Pricing inputs are generally unobservable and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require management's judgment or estimation of assumptions that market participants would use in pricing the assets or liabilities. The fair values are, therefore, determined using factors that involve considerable judgment and interpretations, including, but not limited to, private and public comparable, third-party appraisals, discounted cash flow models, and fund manager estimates.

Assets and liabilities measured at fair value are based on one or more of the following three valuation techniques:

- (a) *Market approach.* Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.
- (b) *Cost approach.* Amount that would be required to replace the service capacity of an asset or liability (replacement cost).

Health Choice Arizona, Inc.

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

(c) *Income approach.* Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques, option pricing, and excess earnings models).

The following tables provide information as of September 30, 2025 about the fair value of the Company's cash equivalents and investments:

	Level 1	Level 2	Level 3	Total
Cash equivalents:				
Money market funds	\$ 2,222,317	\$ —	\$ —	\$ 2,222,317
Total	2,222,317	—	—	2,222,317
Investments:				
Corporate bonds	—	37,477,336	—	37,477,336
Asset backed securities	—	30,698,112	—	30,698,112
Government-issued commercial mortgage- backed	—	25,294,156	—	25,294,156
U.S treasury bills	—	25,955,957	—	25,955,957
Total	\$ —	\$119,425,561	\$ —	\$ 119,425,561

Health Choice Arizona, Inc.

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

The following tables summarizes the Company's investments as of September 30, 2025.

	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Investments:				
Corporate bonds	\$ 36,979,089	\$ 502,883	\$ (4,636)	\$ 37,477,336
Asset backed securities	30,338,785	368,686	(9,359)	30,698,112
Government-issued commercial mortgage- backed	25,164,490	157,658	(27,992)	25,294,156
U.S. treasury bills	25,910,522	72,988	(27,553)	25,955,957
	<u>\$ 118,392,886</u>	<u>\$ 1,102,215</u>	<u>\$ (69,540)</u>	<u>\$ 119,425,561</u>

The contractual maturities of the Company's investments as of September 30, 2025 are summarized below.

	Amortized Cost	Fair Value
Due in one year or less	\$ 4,266,296	\$ 4,283,065
Due after one year through five years	106,592,343	107,511,260
Due after five years through ten years	4,018,732	4,092,933
Due after ten years	3,515,515	3,538,303
Total	<u>\$ 118,392,886</u>	<u>\$ 119,425,561</u>

Gross realized gains and losses from sales of available-for-sale securities are calculated under the specific identification method and are included in investment income.

Health Choice Arizona, Inc.

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

The Company has determined that unrealized losses as of September 30, 2025, primarily resulted from fluctuating interest rates, rather than a deterioration of the credit worthiness of the issuers. Therefore, the Company determined that an allowance for credit losses was not needed. So long as the Company maintains the intent and ability to hold these securities, it is unlikely to experience losses. In the event that the Company disposes of these securities before maturity, realized losses, if any, are expected to be immaterial.

The following table summarizes those available-for-sale investments that have been in a continuous loss position for less than 12 months, and those that have been in a continuous loss position for 12 months or more as of September 30, 2025.

	In a Continuous Loss Position for Less than 12 Months			In a Continuous Loss Position for More than 12 Months		
	Fair Value	Unrealized Losses	Total Number of Positions	Fair Value	Unrealized Losses	Total Number of Positions
Investments:						
Corporate bonds	\$ 2,764,288	\$ (4,636)	5	\$ —	\$ —	—
Asset backed securities	1,512,209	(9,359)	2	—	—	—
Government-issued commercial mortgage-backed	3,382,055	(27,992)	6	—	—	—
U.S. treasury bills	5,831,389	(27,553)	2	—	—	—
Total	\$ 13,489,941	\$ (69,540)	15	\$ —	\$ —	—

Proceeds from disposals of available-for-sale securities, and related gross realized gains and losses on those disposals were as follows for the year ended September 30, 2025:

Proceeds from sales of available-for-sale securities	\$ 340,635,739
Proceeds from maturities, redemptions, calls, and pay downs	10,520,889
Total	<u>\$ 351,156,628</u>
Disposals of available-for-sale securities:	
Gross realized gains	\$ 1,306,228
Gross realized losses	(666,870)
Net realized gains on available-for-sale securities	<u>\$ 639,358</u>

Health Choice Arizona, Inc.

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Subsequent Events Consideration

The Company evaluated events and transactions occurring subsequent to September 30, 2025 through March 31, 2026, the date these financial statements were available to be issued. There were no subsequent events that required recognition or disclosure in the financial statements.

3. Related-Party Transactions

The Company is party to a management agreement with the Management Company, which manages the general and administrative functions related to the Company inclusive of payroll, facility and equipment leases, and related expenses. The fee is charged based on AHCCCS established administration rates included in the capitation payment for ACC and the administration rate included in the capitation payment for services provided under contract with CMS for HCP. During the year ended September 30, 2025, the Company recorded expenses of approximately \$116 million for services provided by the Management Company, which are included in administrative expenses in the accompanying statement of operations.

The Company obtained approval from AHCCCS to distribute equity in the amount of \$38 million in December 2024, which settled as a non-cash transaction to reduce the remaining balance on a promissory note receivable from BCBSAZ and to reduce equity, and \$50 million in June 2025, which was paid in cash. In September 2025, the Company received a cash contribution of \$3 million from Veritage.

Health Choice Arizona, Inc.

Notes to Financial Statements (continued)

4. Due From AHCCCS

The Company's contracts with AHCCCS require recurring settlements between the Company and AHCCCS.

The amounts due from AHCCCS are as follows as of September 30, 2025:

	<u>ACC</u>
Risk reconciliation	\$ 19,105,062
Fixed administration expense reconciliation	3,167,182
Reinsurance receivable	12,202,048
Value-based payment receivable	13,221,826
Capitation receivable	492,962
Delivery supplement receivable	492,384
APSI/COVID recon receivable	57,345
	<u>\$ 48,738,809</u>

The amounts due to AHCCCS are as follows as of September 30, 2025:

	<u>ACC</u>
Sanction	\$ 300,000
Quality distribution	1,107,343
	<u>\$ 1,407,343</u>

Health Choice Arizona, Inc.

Notes to Financial Statements (continued)

5. Due To CMS, Net

The Company's contract with CMS requires recurring settlements between the Company and CMS. The amounts due from CMS as of September 30 are as follows:

Capitation payable	\$ (30,023)
Part D reinsurance payable	(2,115,382)
Part D cost share receivable	2,184,916
Part D risk reconciliation payable	(3,343,282)
Manufacturers discount drug program payable	(5,139,926)
Risk adjustment factor receivable	4,836,949
	<u>\$ (3,606,748)</u>

6. Liability for Medical Claims

Activity in the liability for medical claims payable for the year ended September 30, 2025 is as follows:

Balance at October 1, 2024	\$ 118,453,319
Incurred related to:	
Current year	1,134,862,765
Prior years	(10,651,398)
Total incurred	<u>1,124,211,367</u>
Paid related to:	
Current year	(1,007,584,973)
Prior years	(107,241,122)
Total paid	<u>(1,114,826,095)</u>
Balance at September 30, 2025	<u>\$ 127,838,591</u>

During the year ended September 30, 2025, the Company recognized a favorable development in medical claims expense of approximately \$10.7 million for prior periods. The change in medical claims expense is the result of ongoing analysis of loss development trends. Such adjustments are included in medical expenses in the accompanying statement of operations. Original estimates increased or decreased as additional information became known regarding individual claims.

Health Choice Arizona, Inc.

Notes to Financial Statements (continued)

7. Income Taxes

The provision for income taxes consists of the following as of September 30, 2025:

Current:	
Federal	\$ (7,768,988)
State and local	—
Deferred:	
Federal	8,130,212
State and local	—
Total income tax expense	<u>\$ 361,224</u>

Other comprehensive income reflects \$217,000 of income tax expense/(benefit) associated with net unrealized gains (losses) for the year ended September 30, 2025.

The Company's deferred tax assets and liabilities are as follows as of September 30, 2025:

Deferred tax assets	\$ 75,963,555
Deferred tax liabilities	<u>(216,862)</u>
Net deferred tax assets	<u>\$ 75,746,693</u>

As of September 30, 2025, \$75 million of the deferred tax assets (DTAs) is related to a tax intangible asset resulting from an IRC Section 338(h)(10) election made by the Company at the time it was acquired by Veritage. The remainder of the DTAs is related primarily to discounted medical claims payable and unearned premiums.

The statute of limitations for assessment by the Internal Revenue Service and state tax authorities is open for the tax year ended December 31, 2021, and subsequent years. The Company is not subject to state income taxes as it pays premium taxes on its premium revenue. The Company records interest and penalties as a component of income tax expense. No interest or penalties were recorded for the year ended September 30, 2025.

Health Choice Arizona, Inc.

Notes to Financial Statements (continued)

8. Commitments and Contingencies

Professional, General, and Other Liability Insurance

The Company is subject to claims, lawsuits, regulatory audits, and other legal matters arising, for the most part, in the ordinary course of managing a health services business. The Company's contracts with AHCCCS requires the Company to maintain professional liability insurance, comprehensive general insurance, and automobile liability insurance coverage of at least \$1 million for each occurrence. During the year ended September 30, 2025, the Company was covered as an additional insured under Prosano, Inc.'s policies. Prosano, Inc., on behalf of the Company, carries professional and general liability insurance in excess of self-insured retentions through an unrelated commercial insurance carrier in amounts that it believes to be sufficient for the Company, although some claims may exceed the scope of coverage in effect. Prosano, Inc. maintains reserves for professional and general liability claims.

Accordingly, no reserves for liability risks are recorded in the accompanying balance sheet. Professional and general liability insurance expense is included in the management fee charged by the Management Company for the year ended September 30, 2025 which is included in administrative expenses in the accompanying statement of operations.

The Company is currently not a party to any such proceedings that, in the Company's opinion, would have a material adverse effect on the Company's financial condition, business or results of operations.

Performance Guarantee

If the Company fails to effectively manage healthcare costs, these costs may exceed the premiums received by the Company. The Company believes the capitated premiums, together with reinsurance and other supplemental premiums, are sufficient to pay for the services the Company is obligated to deliver. Pursuant to its contract with AHCCCS, the Company is required annually to provide a performance bond, in an acceptable form, to guarantee performance of the Company's obligations under its contract to provide and pay for the healthcare services. The amount of the performance guarantee that AHCCCS requires is generally based upon the membership in the Company and the related capitation paid to the Company. As of September 30, 2025, the Company provided a performance bond in the form of surety bonds for the benefit of AHCCCS, totaling approximately \$118 million.

Health Choice Arizona, Inc.

Notes to Financial Statements (continued)

8. Commitments and Contingencies (continued)

State and Federal Laws and Regulations

The Company is subject to state and federal laws and regulations. The CMS and AHCCCS have the right to audit the Company to determine the Company's compliance with such standards. The Company is required to file periodic reports with AHCCCS and to meet certain financial viability standards. The Company must also provide its enrollees with certain mandated benefits and must meet certain quality assurance and improvement requirements. The Company believes it is in compliance with these CMS requirements. The Company is out of compliance with the AHCCCS equity per member standard as of 9/30/2025 on the HCP line of business. HCP was back in compliance as of November 30, 2025. The Company must also comply with the electronic transactions regulations and privacy standards of the Health Insurance Portability and Accountability Act (HIPAA). The Company believes it is in compliance with the HIPAA security standards as set forth in 45 CFR Part 164. The Company has also complied with the requirements for health plans, as defined in 45 CFR Part 162.

Community Reinvestment Program

The company approved a Community Reinvestment program, as described in their contract with AHCCCS. Under the program, the Company will place a minimum of 4% of its after-tax profits into the program. For the year ended September 30, 2025, the Company had met or exceeded that amount. The program funds community projects that enhance the lives of people in the communities in the Company's geographic service areas.

9. Concentration of Credit Risk

The Company currently holds an ACC contract to provide services through September 30, 2027, with AHCCCS. The HCP contract is renewed annually by CMS and has been renewed through December 31, 2026.

Supplementary Information

Health Choice Arizona, Inc.

Supplemental Detailed Balance Sheet

Year Ended September 30, 2025

	ACC	RBHA	HCP	Corporate and Other	HCA, Inc.
Assets					
Current assets:					
Cash and cash equivalents	\$ 77,922,733	\$ –	\$ (1,406,553)	\$ –	\$ 76,516,180
Short-term investments	1,250,933	–	–	–	1,250,933
Pharmacy rebate receivables	3,004,532	–	10,056,873	–	13,061,405
Private reinsurance receivables	–	–	274,559	–	274,559
Due from AHCCCS	48,738,809	–	–	–	48,738,809
Other current assets, net	30,047,503	–	11,659,090	–	41,706,593
Federal taxes receivable	(1,662,921)	(29,661)	2,440,901	11,651,628	12,399,947
Total current assets	159,301,589	(29,661)	23,024,870	11,651,628	193,948,426
Long-term investments	118,174,628	–	–	–	118,174,628
Goodwill	5,756,914	–	–	–	5,756,914
Net deferred tax assets	196,014	–	79,675	75,471,004	75,746,693
Total assets	\$ 283,429,145	\$ (29,661)	\$ 23,104,545	\$ 87,122,632	\$ 393,626,661
Liabilities and equity					
Current liabilities:					
Accounts payable and accrued expenses	\$ 6,517,807	\$ –	\$ 2,116,145	\$ –	\$ 8,633,952
Medical claims payable	107,328,747	–	20,509,844	–	127,838,591
Due to affiliates, net	76,790,088	(322,610)	(9,816,287)	(35,512,780)	31,138,411
Due to AHCCCS	1,407,343	–	–	–	1,407,343
Due to CMS, net	–	–	3,606,748	–	3,606,748
Payable to providers	26,777,587	–	3,731,631	–	30,509,218
Deferred revenue	–	–	–	250,000	250,000
Total liabilities	218,821,572	(322,610)	20,148,081	(35,262,780)	203,384,263
Equity:					
Retained earnings	63,791,758	292,949	2,956,464	122,385,412	189,426,583
Accumulated other comprehensive income	815,815	–	–	–	815,815
Total equity	64,607,573	292,949	2,956,464	122,385,412	190,242,398
Total liabilities and equity (deficit)	\$ 283,429,145	\$ (29,661)	\$ 23,104,545	\$ 87,122,632	\$ 393,626,661

Health Choice Arizona, Inc.

Supplemental Detailed Statement of Operations and Comprehensive Income (Loss)

Year Ended September 30, 2025

	ACC	RBHA	HCP	Corporate and Other	HCA, Inc.
Revenue:					
Capitation premiums	\$ 1,033,492,350	\$ (3,692)	\$ 165,404,344	\$ 1,221,613	\$ 1,200,114,615
Delivery supplemental premiums	23,710,374	–	–	–	23,710,374
Total revenue	1,057,202,724	(3,692)	165,404,344	1,221,613	1,223,824,989
Expenses:					
Medical expenses	949,102,621	5,074	149,053,938	1,131,123	1,099,292,756
Administrative expenses	96,200,043	–	21,895,002	90,490	118,185,535
Premium tax expense	20,432,616	–	–	–	20,432,616
Total expenses	1,065,735,280	5,074	170,948,940	1,221,613	1,237,910,907
Operating loss	(8,532,556)	(8,766)	(5,544,596)	–	(14,085,918)
Non-operating income (expense):					
Interest income	7,028,995	–	–	–	7,028,995
Investment income	8,914,959	–	–	–	8,914,959
Community reinvestment expense	(236,372)	–	–	–	(236,372)
Other non-operating expenses	25,304	71	–	–	25,375
Income (loss) before income taxes	7,200,330	(8,695)	(5,544,596)	–	1,647,039
Income tax expense (benefit)	1,527,415	(1,826)	(1,164,365)	–	361,224
Net income (loss)	5,672,915	(6,869)	(4,380,231)	–	1,285,815
Other comprehensive income (loss)					
Unrealized investment loss	(489,720)	–	–	–	(489,720)
Less: effect of income taxes	106,952	–	–	–	106,952
Other comprehensive loss, net of tax	(382,768)	–	–	–	(382,768)
Comprehensive income (loss)	\$ 5,290,147	\$ (6,869)	\$ (4,380,231)	\$ –	\$ 903,047

Health Choice Arizona, Inc.

Supplemental Detailed Statement of Cash Flows

Year Ended September 30, 2025

	ACC	RBHA	HCP	Corporate and Other	HCA, Inc.
Operating activities					
Net income	\$ 5,672,915	\$ (6,869)	\$ (4,380,231)	\$ –	\$ 1,285,815
Adjustments to reconcile net income to net cash provided by operating activities:					
Investment income	(809,594)	–	–	–	(809,594)
Changes in operating assets and liabilities:					
Pharmacy rebate receivables	(2,056,126)	–	(3,158,744)	–	(5,214,870)
Private reinsurance receivables	–	–	(65,135)	–	(65,135)
Due from AHCCCS	(19,182,011)	–	–	–	(19,182,011)
Due from CMS, net	–	–	–	–	–
Other current assets, net	9,355,869	–	(8,665,380)	–	690,489
Deferred tax assets	(188,142)	–	4,600	8,169,527	7,985,985
Accounts payable and accrued expenses	(9,980,420)	–	993,560	–	(8,986,860)
Medical claims payable	7,374,115	–	2,011,157	–	9,385,272
Due to affiliates, net	(13,810,582)	8,695	9,280,033	2	(4,521,852)
Due to AHCCCS	(46,623,123)	–	–	–	(46,623,123)
Due to CMS, net	–	–	1,371,216	–	1,371,216
Payable to providers	625,841	–	2,023,800	–	2,649,641
Deferred revenue	–	–	(562,500)	–	(562,500)
Federal taxes receivable/payable	1,608,605	(1,826)	(1,168,965)	(8,169,529)	(7,731,715)
Net cash used in operating activities	(68,012,653)	–	(2,316,589)	–	(70,329,242)
Investing activities					
Sale of investments	351,156,628	–	–	–	351,156,628
Purchase of investments	(291,722,406)	–	–	–	(291,722,406)
Net provided by investing activities	59,434,222	–	–	–	59,434,222
Financing activities					
Receipts from CMS contract deposits	–	–	26,059,109	–	26,059,109
Withdrawals from CMS contract deposits	–	–	(22,940,790)	–	(22,940,790)
Distributions to Parent	(46,500,000)	–	(3,500,000)	–	(50,000,000)
Contribution from Parent	–	–	3,000,000	–	3,000,000
Net cash provided by (used in) financing activities	(46,500,000)	–	2,618,319	–	(43,881,681)
Net increase (decrease) in cash and cash equivalents	(55,078,431)	–	301,730	–	(54,776,701)
Cash and cash equivalents, beginning of year	133,001,164	–	(1,708,283)	–	131,292,881
Cash and cash equivalents, end of year	\$ 77,922,733	\$ –	\$ (1,406,553)	\$ –	\$ 76,516,180

Health Choice Arizona, Inc.
 AHCCCS Complete Care Program
 Sub-Capitated Expenses Report
 Contract Year Ended September 30, 2025

Account	Account Description	YTD Amount
	Sub-capitated hospitalization expenses	
50105-01	Hospital inpatient	\$ —
50110-01	Hospital inpatient-behavioral health services	—
50115-01	Reserved	—
	Total sub-capitated hospitalization expenses	<u>—</u>
	Sub-capitated medical compensation expenses	
50205-01	Primary care physician services	5,696,686
50210-01	Behavioral health physician services	—
50215-01	Referral physician services	—
50220-01	PH FQHC/RHC services	—
50225-01	Other professional services	—
50230-01	Reserved	—
	Total sub-capitated medical compensation expenses	<u>5,696,686</u>
	Sub-capitated other medical expenses	
50305-01	Emergency facility services	—
50310-01	PH pharmacy	—
50315-01	Laboratory, radiology and medical imaging	9,241,039
50320-01	Outpatient facility	—
50325-01	Durable medical equipment	—
50330-01	Dental	—
50335-01	Transportation	2,393,266
50340-00	Nursing facility, home health care	—
50345-01	Therapies	—
50350-01	Alternative payment model performance based payments to providers	—
50355-01	Behavioral health day program	—
50355-05	Behavioral health case management services	—
50355-06	Peer/family support	—
50355-07	Support services	—
50355-10	Behavioral health crisis intervention services	—
50355-11	Living skills training	—
50355-12	Supported employment	—
50355-15	Behavioral health rehabilitation services	—

Health Choice Arizona, Inc.

AHCCCS Complete Care Program

Sub-Capitated Expenses Report (continued)

Contract Year Ended September 30, 2025

Account	Account Description	YTD Amount
	Sub-capitated other medical expenses (continued)	
50355-20	Behavioral health residential services	\$ —
50355-21	Counseling	—
50355-22	Assessment, evaluation and screening	—
50355-23	Treatment services	—
50355-25	All other behavioral health services	—
50360-01	Reserved	—
50370-01	Other medical expenses	—
	Total sub-capitated other medical expenses	<u>11,634,305</u>
	Total sub-capitated expenses	<u>\$ 17,330,991</u>

Health Choice Arizona, Inc.

AHCCCS Complete Care Program

Sub-Capitated and Block Expenses Report

Contract Year Ended September 30, 2025

Account	Description	Age <1	Age 1-20	Age 21+	Duals	SSI w/o Med	Prop 204 Childless Adults	Expansion Adults	TXIX/XXI SMI	TXIX/XXI Crisis (24 Hours)	Title XIX/XXI Total	State Only Transplant	Grand Total
Behavioral health													
Sub-capitated expenses													
60199	Total treatment services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
60299	Total rehabilitation services	-	-	-	-	-	-	-	-	-	-	-	-
60399	Total medical services	-	-	-	-	-	-	-	-	-	-	-	-
60499	Total support services	-	18,204	152,342	11,777	62,788	380,236	24,672	-	-	650,019	-	650,019
60599	Total crisis intervention services	-	-	-	-	-	-	-	-	-	-	-	-
60699	Total inpatient services	-	-	-	-	-	-	-	-	-	-	-	-
60799	Total residential services	-	-	-	-	-	-	-	-	-	-	-	-
60899	Total behavioral health day program	-	-	-	-	-	-	-	-	-	-	-	-
60999	Total HIV services	-	-	-	-	-	-	-	-	-	-	-	-
61099	Total pharmacy expense	-	-	-	-	-	-	-	-	-	-	-	-
61100-01	PPC BH title XIX	-	-	-	-	-	-	-	-	-	-	-	-
61105-01	Other service expenses not rpt'd above	-	-	-	-	-	-	-	-	-	-	-	-
61205-01	BH FQHC/RHC services	-	-	-	-	-	-	-	-	-	-	-	-
Total sub-capitated behavioral health expenses		-	18,204	152,342	11,777	62,788	380,236	24,672	-	-	650,019	-	650,019
Block expenses													
60199	Total treatment services	-	-	-	-	-	-	-	-	-	-	-	-
60299	Total rehabilitation services	-	-	-	-	-	-	-	-	-	-	-	-
60399	Total medical services	-	-	-	-	-	-	-	-	-	-	-	-
60499	Total support services	-	-	-	-	-	-	-	-	-	-	-	-
60599	Total crisis intervention services	-	-	-	-	-	-	-	-	-	-	-	-
60699	Total inpatient services	-	-	-	-	-	-	-	-	-	-	-	-
60799	Total residential services	-	-	-	-	-	-	-	-	-	-	-	-
60899	Total behavioral health day program	-	-	-	-	-	-	-	-	-	-	-	-
60999	Total HIV services	-	-	-	-	-	-	-	-	-	-	-	-
61099	Total pharmacy expense	-	-	-	-	-	-	-	-	-	-	-	-
61100-01	PPC BH title XIX	-	-	-	-	-	-	-	-	-	-	-	-
61105-01	Other service expenses not rpt'd above	-	-	-	-	-	-	-	-	-	-	-	-
61205-01	BH FQHC/RHC services	-	-	-	-	-	-	-	-	-	-	-	-
Total block behavioral health expenses		-	-	-	-	-	-	-	-	-	-	-	-
Physical health													
Sub-capitated expenses													
<i>Hospitalization expenses:</i>													
50105-01	Hospital inpatient	-	-	-	-	-	-	-	-	-	-	-	-
<i>Total hospitalization expense</i>		-	-	-	-	-	-	-	-	-	-	-	-
<i>Medical compensation expenses:</i>													
50205-01	Primary care physician services	119,537	2,335,288	959,797	531,463	196,032	1,333,688	220,881	-	-	5,696,686	-	5,696,686
50215-01	Referral physician services	-	-	-	-	-	-	-	-	-	-	-	-
50220-01	PH FQHC/RHC services	-	-	-	-	-	-	-	-	-	-	-	-
50225-01	Other professional services	-	-	-	-	-	-	-	-	-	-	-	-
<i>Total medical compensation expenses</i>		119,537	2,335,288	959,797	531,463	196,032	1,333,688	220,881	-	-	5,696,686	-	5,696,686

Health Choice Arizona, Inc.

AHCCCS Complete Care Program

Sub-Capitated and Block Expenses Report (continued)

As of September 30, 2025

Account	Description	Age <1	Age 1-20	Age 21+	Duals	SSI w/o Med	Prop 204 Childless Adults	Expansion Adults	TXIX/XXI SMI	TXIX/XXI Crisis (24 Hours)	Title XIX/XXI Total	State Only Transplant	Grand Total
<i>Other medical expenses:</i>													
50305-01	Emergency facility services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
50310-01	Pharmacy	-	-	-	-	-	-	-	-	-	-	-	-
50315-01	Laboratory, radiology and medical imaging	210,319	2,717,653	2,147,142	269	627,328	3,057,693	480,635	-	-	9,241,039	-	9,241,039
50320-01	Outpatient facility	-	-	-	-	-	-	-	-	-	-	-	-
50325-01	Durable med equipment	-	-	-	-	-	-	-	-	-	-	-	-
50330-01	Dental	-	-	-	-	-	-	-	-	-	-	-	-
50335-01	Transportation	59,661	1,005,413	406,969	104,817	78,687	632,793	104,926	-	-	2,393,266	-	2,393,266
50340-00	Nursing facility, home health care	-	-	-	-	-	-	-	-	-	-	-	-
50345-01	Therapies	-	-	-	-	-	-	-	-	-	-	-	-
50350-01	Alternative payment model performance based payments to providers	-	-	-	-	-	-	-	-	-	-	-	-
50370-01	Other medical expenses	-	-	-	-	-	-	-	-	-	-	-	-
	<i>Total other medical expenses</i>	269,980	3,723,066	2,554,111	105,086	706,015	3,690,486	585,561	-	-	11,634,305	-	11,634,305
	Total sub-capitated physical health expenses	389,517	6,058,354	3,513,908	636,549	902,047	5,024,174	806,442	-	-	17,330,991	-	17,330,991
Block expenses													
<i>Hospitalization expenses:</i>													
50105-01	Hospital inpatient	-	-	-	-	-	-	-	-	-	-	-	-
	<i>Total hospitalization expense</i>	-	-	-	-	-	-	-	-	-	-	-	-
<i>Medical compensation expenses:</i>													
50205-01	Primary care physician services	-	-	-	-	-	-	-	-	-	-	-	-
50215-01	Referral physician services	-	-	-	-	-	-	-	-	-	-	-	-
50220-01	PH FQHC/RHC services	-	-	-	-	-	-	-	-	-	-	-	-
50225-01	Other professional services	-	-	-	-	-	-	-	-	-	-	-	-
	<i>Total medical compensation expenses</i>	-	-	-	-	-	-	-	-	-	-	-	-
<i>Other medical expenses:</i>													
50305-01	Emergency facility services	-	-	-	-	-	-	-	-	-	-	-	-
50310-01	PH pharmacy	-	-	-	-	-	-	-	-	-	-	-	-
50315-01	Laboratory, radiology and medical imaging	-	-	-	-	-	-	-	-	-	-	-	-
50320-01	Outpatient facility	-	-	-	-	-	-	-	-	-	-	-	-
50325-01	Durable med equipment	-	-	-	-	-	-	-	-	-	-	-	-
50330-01	Dental	-	-	-	-	-	-	-	-	-	-	-	-
50335-01	Transportation	-	-	-	-	-	-	-	-	-	-	-	-
50340-00	Nursing facility, home health care	-	-	-	-	-	-	-	-	-	-	-	-
50345-01	Therapies	-	-	-	-	-	-	-	-	-	-	-	-
50350-01	Alternative payment model performance based payments to providers	-	-	-	-	-	-	-	-	-	-	-	-
50370-01	Other medical expenses	-	-	-	-	-	-	-	-	-	-	-	-
	<i>Total other medical expenses</i>	-	-	-	-	-	-	-	-	-	-	-	-
	Total block physical health expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Health Choice Arizona, Inc.
 AHCCCS Complete Care Program
 Sub-Capitated Expenses Report
 Contract Year Ended September 30, 2024
 As of September 30, 2025

Account	Account Description	YTD Amount
	Sub-capitated hospitalization expenses	
50105-01	Hospital inpatient	\$ —
50110-01	Hospital inpatient-behavioral health services	—
50115-01	Reserved	—
	Total sub-capitated hospitalization expenses	<u>—</u>
	Sub-capitated medical compensation expenses	
50205-01	Primary care physician services	7,049,464
50210-01	Behavioral health physician services	—
50215-01	Referral physician services	—
50220-01	PH FQHC/RHC services	—
50225-01	Other professional services	—
50230-01	Reserved	—
	Total sub-capitated medical compensation expenses	<u>7,049,464</u>
	Sub-capitated other medical expenses	
50305-01	Emergency facility services	—
50310-01	PH pharmacy	—
50315-01	Laboratory, radiology and medical imaging	16,089,717
50320-01	Outpatient facility	—
50325-01	Durable medical equipment	913,173
50330-01	Dental	—
50335-01	Transportation	7,936,274
50340-00	Nursing facility, home health care	1,707,568
50345-01	Therapies	—
50350-01	Alternative payment model performance based payments to providers	—
50355-01	Behavioral health day program	—
50355-05	Behavioral health case management services	—
50355-06	Peer/family support	—
50355-07	Support services	—
50355-10	Behavioral health crisis intervention services	—
50355-11	Living skills training	—
50355-12	Supported employment	—
50355-15	Behavioral health rehabilitation services	—

Health Choice Arizona, Inc.

AHCCCS Complete Care Program

Sub-Capitated Expenses Report (continued)

Contract Year Ended September 30, 2024

As of September 30, 2025

Account	Account Description	YTD Amount
	Sub-capitated other medical expenses (continued)	
50355-20	Behavioral health residential services	\$ —
50355-21	Counseling	—
50355-22	Assessment, evaluation and screening	—
50355-23	Treatment services	—
50355-25	All other behavioral health services	—
50360-01	Reserved	—
50370-01	Other medical expenses	—
	Total sub-capitated other medical expenses	<u>26,646,732</u>
	Total sub-capitated expenses	<u>\$ 33,696,196</u>

Health Choice Arizona, Inc.

AHCCCS Complete Care Program

Sub-Capitated and Block Expenses Report

Contract Year Ended September 30, 2024

As of September 30, 2025

Account	Description	Age <1	Age 1-20	Age 21+	Duals	SSI w/o Med	Prop 204 Childless Adults	Expansion Adults	TXIX/XXI SMI	TXIX/XXI Crisis (24 Hours)	Title XIX/XXI Total	State Only Transplant	Grand Total
Behavioral health													
Sub-capitated expenses													
60199	Total treatment services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
60299	Total rehabilitation services	-	-	-	-	-	-	-	-	-	-	-	-
60399	Total medical services	-	-	-	-	-	-	-	-	-	-	-	-
60499	Total support services	-	-	-	-	-	-	-	-	-	-	-	-
60599	Total crisis intervention services	-	-	-	-	-	-	-	-	-	-	-	-
60699	Total inpatient services	-	-	-	-	-	-	-	-	-	-	-	-
60799	Total residential services	-	-	-	-	-	-	-	-	-	-	-	-
60899	Total behavioral health day program	-	-	-	-	-	-	-	-	-	-	-	-
60999	Total HIV services	-	-	-	-	-	-	-	-	-	-	-	-
61099	Total pharmacy expense	-	-	-	-	-	-	-	-	-	-	-	-
61100-01	PPC BH title XIX	-	-	-	-	-	-	-	-	-	-	-	-
61105-01	Other service expenses not rpt'd above	-	-	-	-	-	-	-	-	-	-	-	-
61205-01	BH FQHC/RHC services	-	-	-	-	-	-	-	-	-	-	-	-
Total sub-capitated behavioral health expenses													
Block expenses													
60199	Total treatment services	-	-	-	-	-	-	-	-	-	-	-	-
60299	Total rehabilitation services	-	-	-	-	-	-	-	-	-	-	-	-
60399	Total medical services	-	-	-	-	-	-	-	-	-	-	-	-
60499	Total support services	-	-	-	-	-	-	-	-	-	-	-	-
60599	Total crisis intervention services	-	-	-	-	-	-	-	-	-	-	-	-
60699	Total inpatient services	-	-	-	-	-	-	-	-	-	-	-	-
60799	Total residential services	-	-	-	-	-	-	-	-	-	-	-	-
60899	Total behavioral health day program	-	-	-	-	-	-	-	-	-	-	-	-
60999	Total HIV services	-	-	-	-	-	-	-	-	-	-	-	-
61099	Total pharmacy expense	-	-	-	-	-	-	-	-	-	-	-	-
61100-01	PPC BH title XIX	-	-	-	-	-	-	-	-	-	-	-	-
61105-01	Other service expenses not rpt'd above	-	-	-	-	-	-	-	-	-	-	-	-
61205-01	BH FQHC/RHC services	-	-	-	-	-	-	-	-	-	-	-	-
Total block behavioral health expenses													
Physical health													
Sub-capitated expenses													
<i>Hospitalization expenses:</i>													
50105-01	Hospital inpatient	-	-	-	-	-	-	-	-	-	-	-	-
<i>Total hospitalization expense</i>													
<i>Medical compensation expenses:</i>													
50205-01	Primary care physician services	261,807	6,368,525	139,574	1,779	81,336	167,978	28,465	-	-	7,049,464	-	7,049,464
50215-01	Referral physician services	-	-	-	-	-	-	-	-	-	-	-	-
50220-01	PH FQHC/RHC services	-	-	-	-	-	-	-	-	-	-	-	-
50225-01	Other professional services	-	-	-	-	-	-	-	-	-	-	-	-
<i>Total medical compensation expenses</i>													
		261,807	6,368,525	139,574	1,779	81,336	167,978	28,465	-	-	7,049,464	-	7,049,464

Health Choice Arizona, Inc.

AHCCCS Complete Care Program

Sub-Capitated and Block Expenses Report (continued)

Contract Year Ended September 30, 2024

As of September 30, 2025

Account	Description	Age <1	Age 1-20	Age 21+	Duals	SSI w/o Med	Prop 204 Childless Adults	Expansion Adults	TXIX/XXI SMI	TXIX/XXI Crisis (24 Hours)	Title XIX/XXI Total	State Only Transplant	Grand Total
<i>Other medical expenses:</i>													
50305-01	Emergency facility services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
50310-01	Pharmacy	-	-	-	-	-	-	-	-	-	-	-	-
50315-01	Laboratory, radiology and medical imaging	232,453	2,207,902	4,517,320	67,335	1,439,454	6,655,139	970,114	-	-	16,089,717	-	16,089,717
50320-01	Outpatient facility	-	-	-	-	-	-	-	-	-	-	-	-
50325-01	Durable med equipment	21,872	381,361	156,690	41,055	27,958	244,633	39,604	-	-	913,173	-	913,173
50330-01	Dental	-	-	-	-	-	-	-	-	-	-	-	-
50335-01	Transportation	186,966	3,241,985	1,359,862	348,482	247,321	2,194,068	357,590	-	-	7,936,274	-	7,936,274
50340-00	Nursing facility, home health care	40,918	713,351	289,890	75,989	51,907	461,454	74,059	-	-	1,707,568	-	1,707,568
50345-01	Therapies	-	-	-	-	-	-	-	-	-	-	-	-
50350-01	Alternative payment model performance based payments to providers	-	-	-	-	-	-	-	-	-	-	-	-
50370-01	Other medical expenses	-	-	-	-	-	-	-	-	-	-	-	-
	<i>Total other medical expenses</i>	482,209	6,544,599	6,323,762	532,861	1,766,640	9,555,294	1,441,367	-	-	26,646,732	-	26,646,732
	Total sub-capitated physical health expenses	744,016	12,913,124	6,463,336	534,640	1,847,976	9,723,272	1,469,832	-	-	33,696,196	-	33,696,196
Block expenses													
<i>Hospitalization expenses:</i>													
50105-01	Hospital inpatient	-	-	-	-	-	-	-	-	-	-	-	-
	<i>Total hospitalization expense</i>	-	-	-	-	-	-	-	-	-	-	-	-
<i>Medical compensation expenses:</i>													
50205-01	Primary care physician services	-	-	-	-	-	-	-	-	-	-	-	-
50215-01	Referral physician services	-	-	-	-	-	-	-	-	-	-	-	-
50220-01	PH FQHC/RHC services	-	-	-	-	-	-	-	-	-	-	-	-
50225-01	Other professional services	-	-	-	-	-	-	-	-	-	-	-	-
	<i>Total medical compensation expenses</i>	-	-	-	-	-	-	-	-	-	-	-	-
<i>Other medical expenses:</i>													
50305-01	Emergency facility services	-	-	-	-	-	-	-	-	-	-	-	-
50310-01	PH pharmacy	-	-	-	-	-	-	-	-	-	-	-	-
50315-01	Laboratory, radiology and medical imaging	-	-	-	-	-	-	-	-	-	-	-	-
50320-01	Outpatient facility	-	-	-	-	-	-	-	-	-	-	-	-
50325-01	Durable med equipment	-	-	-	-	-	-	-	-	-	-	-	-
50330-01	Dental	-	-	-	-	-	-	-	-	-	-	-	-
50335-01	Transportation	-	-	-	-	-	-	-	-	-	-	-	-
50340-00	Nursing facility, home health care	-	-	-	-	-	-	-	-	-	-	-	-
50345-01	Therapies	-	-	-	-	-	-	-	-	-	-	-	-
50350-01	Alternative payment model performance based payments to providers	-	-	-	-	-	-	-	-	-	-	-	-
50370-01	Other medical expenses	-	-	-	-	-	-	-	-	-	-	-	-
	<i>Total other medical expenses</i>	-	-	-	-	-	-	-	-	-	-	-	-
	Total block physical health expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -