MERCY MARICOPA INTEGRATED CARE

FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES

For the Eighteen Months Ended September 30, 2015

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of

MERCY MARICOPA INTEGRATED CARE

We have audited the accompanying financial statements of ***Mercy Maricopa Integrated Care***, which comprise the statement of financial position as of September 30, 2015, and the related statements of activities and changes in net assets and cash flows for the eighteen months ended September 30, 2015, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ***Mercy Maricopa Integrated Care*** as of September 30, 2015, and the changes in its net assets and its cash flows for the eighteen months ended September 30, 2015 in accordance with accounting principles generally accepted in the United States of America.

Mayer Hoffman McCann P.C.

Phoenix, Arizona
February 12, 2016

MERCY MARICOPA INTEGRATED CARE

STATEMENT OF FINANCIAL POSITION

September 30, 2015

A S S E T S

CURRENT ASSETS	
Cash and cash equivalents	$ 177,496,868
Receivables:	
Pharmacy rebate receivables	2,229,015
Risk share settlement	1,463,115
Other accounts receivable	2,410,730
Due from ADHS	21,835,577
Due from Aetna	1,124,607
Prepaid assets	748,211
TOTAL CURRENT ASSETS	207,308,123
RESTRICTED SECURITIES	519,886
CAPITALIZED SOFTWARE COSTS, net	2,691,790
TOTAL ASSETS	$ 210,519,799

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

CURRENT LIABILITIES	
Claims payable	$ 50,411,613
Payable to providers	12,294,088
Due to ADHS	20,045,259
Other current liabilities	2,896,246
TOTAL CURRENT LIABILITIES	85,647,206
DUE TO DISTRICT	15,230,961
TOTAL LIABILITIES	100,878,167
UNRESTRICTED NET ASSETS	109,641,632
TOTAL LIABILITIES AND NET ASSETS	$ 210,519,799

See Notes to Financial Statements

MERCY MARICOPA INTEGRATED CARE

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Eighteen Months Ended September 30, 2015

OPERATING REVENUES	
Arizona Department of Health Services contract revenues	$ 1,590,654,118
Centers for Medicare and Medicaid Services contract revenues	41,781,430
Reinsurance	754,159
TOTAL OPERATING REVENUES	1,633,189,707
HEALTH CARE EXPENSES	1,455,936,653
GENERAL AND ADMINISTRATIVE EXPENSES	130,309,590
TOTAL EXPENSES	1,586,246,243
OPERATING INCOME	46,943,464
NONOPERATING INCOME	
Investment income	6,213
TOTAL NONOPERATING INCOME	6,213
CHANGE IN NET ASSETS PRIOR TO UNREALIZED GAINS ON INVESTMENTS	46,949,677
UNREALIZED LOSSES ON INVESTMENTS	(1,393)
CHANGE IN NET ASSETS PRIOR TO CAPITAL CONTRIBUTIONS AND CHANGE IN NET ASSETS ATTRIBUTABLE TO DISTRICT	46,948,284
CONTRIBUTIONS FROM MEMBER ORGANIZATION	37,500,000
CHANGE IN NET ASSETS ATTRIBUTABLE TO DISTRICT	(7,042,451)
CHANGE IN NET ASSETS	77,405,833
NET ASSETS, BEGINNING OF PERIOD	32,235,799
NET ASSETS, END OF PERIOD	$ 109,641,632

See Notes to Financial Statements

MERCY MARICOPA INTEGRATED CARE

STATEMENT OF CASH FLOWS

For the Eighteen Months Ended September 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets prior to capital contributions and amount attributable to District	$ 46,948,284
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Amortization	1,153,624
Net unrealized losses on investments	1,393
Net realized gain on investments	(975)
Changes in operating assets and liabilities:	
Decrease (increase) in:	
Pharmacy rebate receivables	(2,229,015)
Risk share settlement	(1,463,115)
Other accounts receivable	(2,410,730)
Due from ADHS	(21,835,577)
Due from Aetna	(2,707,244)
Prepaid assets	(748,211)
Increase (decrease) in:	
Claims payable	50,411,613
Payable to providers	12,294,088
Due to ADHS	20,045,259
Other current liabilities	2,896,246
Net cash provided by operating activities	102,355,640
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sale of restricted securities	520,975
Purchase of restricted securities	(520,000)
Net cash provided by investing activities	975
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from Aetna management agreement	727,966
Payments to Aetna	(5,613,599)
Collection on amounts due from District	5,000,000
Contributions from member organization	37,500,000
Net cash provided by financing activities	37,614,367
NET CHANGE IN CASH AND CASH EQUIVALENTS	139,970,982
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	37,525,886
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 177,496,868

See Notes to Financial Statements

(1) Organization operations and significant accounting policies

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

SCHN	85%
District	15%

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

The Organization was formed to provide physical and behavioral health care services on an integrated basis to Medicaid eligible adults with serious mental illness, and to operate as the RBHA to coordinate the delivery of health care services to eligible persons in Maricopa County, Arizona. Mercy Maricopa was initially funded through a $30 million capital contribution from SCHN and a $10 million capital contribution from District. SCHN contributed additional capital totaling $37,500,000 during the eighteen months ended September 30, 2015.

On March 25, 2013, Mercy Maricopa was awarded a $3 billion three year contract with the Arizona Department of Health Services (ADHS) to serve as the designated RBHA for the geographical service area (GSA) of Maricopa County. This new contract was to take effect October 1, 2013; however, the prior contract holder filed a legal challenge and requested and received a stay order requiring the contract to remain with the prior contract holder until the legal challenge had been decided. On December 3, 2013, the Deputy Director of the Arizona Department of Administration issued an Order affirming the Arizona Department of Health Services award of the GSA 6 Integrated Care RBHA contract to Mercy Maricopa effective April 1, 2014. The Organization’s contract expires September 30, 2016 and has two optional one year extensions.

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

The Organization also operates a Medicare Advantage Plan (Medicare Advantage) with the Centers for Medicare and Medicaid Services (CMS), offering medical and prescription drug benefits to qualified members. Medicare Advantage operates as a special needs plan under CMS guidelines. The populations covered under Medicare Advantage are members who are eligible for both Medicare and Medicaid coverage.

The Organization entered into a five year management agreement with Aetna effective May 1, 2013. The agreement automatically renews for a second five year term and thereafter for successive one-year periods. SCHN also contracts with Aetna separately to provide management services. Under the terms of Mercy Maricopa’s management agreement, the Organization pays a monthly fee to Aetna, as defined in the agreement, to cover the employee salary and benefit costs and general and administrative expenses incurred to operate the Organization. Mercy Maricopa incurred management fees per the management agreement of $125,410,736 for the eighteen months ended September 30, 2015. These amounts are included in general and administrative expenses in the accompanying statement of activities and changes in net assets. At September 30, 2015, there were no unpaid management fees. At September 30, 2015, $1,124,607 was due from Aetna for miscellaneous reimbursable costs and management fees to be refunded.

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

Concurrent with the management agreement, the Organization executed a letter of agreement that remained in effect until the one year anniversary of the start date of the ADHS contract (April 1, 2014). Under the terms of the letter of agreement, Aetna assumed the costs incurred by the Organization in pursuit of any protest filed in connection with the ADHS contract and any defense thereof. In addition, Aetna paid for certain implementation costs, as defined in the letter of agreement, to cover employee salary and benefit costs and general and administrative expense incurred as start-up expenses. Upon termination of the letter of agreement, the Organization reimbursed Aetna an amount equal to the lesser of the implementation costs incurred or $20 million. For the eighteen months ended September 30, 2015, Aetna paid implementation costs totaling $727,966. During the eighteen months ended September 30, 2015, upon a full reconciliation of implementation costs, Aetna reduced the amount due from Mercy Maricopa by $1,582,636 of previously billed implementation costs. Total amounts repaid to Aetna in accordance with the agreement for implementation costs totaled $5,613,599 for the eighteen months ended September 30, 2015. No amounts were due to Aetna at September 30, 2015 for implementation costs.

The significant accounting policies followed by the Organization are summarized below:

Basis of presentation - The accompanying financial statements have been prepared in accordance with Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC) 954-205, *Health Care Entities – Presentation of Financial Statements*. The Organization's financial statements are also presented in accordance with FASB ASC 958-205, *Not-for-Profit Entities – Presentation of Financial Statements.* Under FASB ASC 958-205, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. As of September 30, 2015, there were no temporarily restricted or permanently restricted net assets.

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

Cash and cash equivalents - Cash includes cash deposits in banks and cash equivalents. Mercy Maricopa considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. Amounts at each institution are insured in limited amounts by the Federal Deposit Insurance Corporation (FDIC).

Revenue recognition - Mercy Maricopa receives substantially all of its revenue from its contracts with ADHS and CMS. Operating revenue includes funding in the form of capitation revenue, which is recognized over the applicable coverage period on a per member basis for covered members. Under this arrangement, the Organization is paid a per member fee for all enrolled members, and this fee is recorded as revenue in the month in which members are entitled to services. Any fees received prior to the month of service are recorded as deferred revenue. Capitation revenues from ADHS and CMS totaled $1,450,929,045 for the eighteen months ended September 30, 2015. The ADHS contract is partially funded by federal, state, county and block grants (non-title revenue), which represent annual appropriations. Mercy Maricopa recognizes revenue from this funding ratably over the period to which the funding applies. Non-Title revenues, including block grants, totaled $202,258,058 for the eighteen months ended September 30, 2015. ADHS contract revenue is also limited by the terms of the ADHS contract to a maximum profit percentage of four percent. ADHS contract revenue that cannot be recognized due to the profit limits for the contract period of April 1, 2014 through September 30, 2015 totaled $20,751,555 for the eighteen months ended September 30, 2015, which represents a reduction in operating revenue. Additionally, $553 of supportive housing funding had not been earned as of September 30, 2015. During the eighteen months ended September 30, 2015 AHDS recouped $706,849 of the total and the remaining $20,045,259 is included in Due to ADHS on the accompanying statement of financial position at September 30, 2015.

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

Due from ADHS - At September 30, 2015, due from ADHS consists primarily of amounts due for the provisions of housing and other services and for capitation payments under the Organization's contract. Amounts due from AHDS are stated at the amount management expects to collect. The Organization establishes an allowance for doubtful accounts, if necessary, based upon factors including credit risk, historical trends, and other information. As of September 30, 2015, amounts due from ADHS are considered by management to be fully collectible and, accordingly, an allowance for doubtful accounts has not been provided.

Reinsurance revenue - The Organization contracts with a commercial reinsurer to provide reinsurance for the Medicare Advantage Plan to provide a stop-loss reinsurance program for partial reimbursement of reinsurable covered medical services incurred for members, effective from April 1, 2014 through September 30, 2015. The program includes a deductible of $500,000 and has an annual reinsurance limit of $2,000,000 per member. The commercial reinsurer reimburses the Organization based on a coinsurance amount for reinsurable covered services incurred above the deductible of 90%. Reinsurance revenue is stated at the actual and estimated amounts due to the Organization pursuant to the Medicare Advantage Plan contract. Revenue recognized under the reinsurance contract totaled $754,159 for the eighteen months ended September 30, 2015. At September 30, 2015, there were no reinsurance receivables.

Pharmacy rebate receivables - Mercy Maricopa receives rebates from pharmaceutical companies based on the volume of drugs purchased. Mercy Maricopa records a receivable and a reduction of health care expenses for estimated rebates due based on purchase information. During the eighteen months ended September 30, 2015, health care expenses were reduced by $4,631,863 for pharmacy rebates. At September 30, 2015, management believes the pharmacy rebate receivables are fully collectible and accordingly, an allowance has not been established.

Risk share settlement - The risk share settlement includes expected payments to be paid to or received from CMS in connection with the pharmacy component of Medicare Advantage, Medicare Part D. This balance is reviewed and monitored by management and adjusted as necessary as experience develops or new information becomes available. Such adjustments are netted against revenues on the statement of activities and changes in net assets. The pharmacy risk share settlement for calendar year 2015 and 2014, recorded at September 30, 2015, is expected to be finalized in late 2016 and 2015. Amounts earned under this program totaled $1,463,115 for the eighteen months ended September 30, 2015, which are included in revenues in the accompanying statement of activities and changes in net assets. The risk share settlement receivable balance is considered by management to be fully collectible and, accordingly, an allowance for doubtful accounts has not been provided.

Restricted securities - Mercy Maricopa accounts for its investments in accordance with FASB ASC 958-320, *Not-for-Profit Entities – Investments – Debt and Equity Securities*. Under FASB ASC 958-320, Mercy Maricopa is required to report investments in equity securities that have readily determinable fair values, and all investments in debt securities, at fair value. The fair value of investments is based on quoted market prices. At September 30, 2015, restricted securities consists of U.S. Treasury notes held by a bank required to remain in trust by the State of Arizona, Department of Insurance for the duration of the Organization's contract with ADHS. The Organization may not make withdrawals on the account without prior approval from the State of Arizona, Department of Insurance. The purchases and sales of restricted securities are recorded on a trade-date basis. Interest is recognized on the accrual basis.

Premium deficiency reserve - Mercy Maricopa evaluates possible losses on its contracts through the end of each contract year. If necessary, a premium deficiency reserve is recorded within claims payable on the statement of financial position. As of September 30, 2015, Mercy Maricopa recorded a premium deficiency reserve of $360,152 for probable losses within its CMS contract through the end of the contract year ending December 31, 2015.

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

Healthcare service cost recognition - Mercy Maricopa contracts with various providers for the provision of a full range of integrated healthcare services to eligible adults and children for Title XIX, Title XXI, and Non-Title programs, and physical healthcare services to Seriously Mental Ill Title XIX eligible adults. Healthcare services are purchased under fee-for-service or block purchase arrangements. Fee-for-service contract expenses are accrued as incurred. Healthcare services provided under block purchase arrangements are accrued based upon contract terms. From time to time, Mercy Maricopa amends the provider contracts. The effects of these amendments are recorded in the period in which the amendment was executed.

The estimate for claims payable is developed using actuarial methods based on enrollment data, utilization statistics, and authorized health care services. The estimate for claims payable is continually reviewed by management and adjusted as necessary based on current claims data, and medical cost completion factors. Such adjustments are included in health care expenses in the statement of activities and changes in net assets in each period when necessary. While management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. There is at least a reasonable possibility that the recorded estimates will change by a material amount, in the near future.

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

Payable to providers - Mercy Maricopa compensates providers for authorized healthcare and substance abuse services to covered beneficiaries. Mercy Maricopa used a variety of methods to estimate the amount payable to providers including authorizations for services to be provided, payments to be made under contract arrangements currently in force, and correspondence with significant providers to ascertain the level of care being provided to beneficiaries for which a claim has not yet been submitted.

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

Amortization of capitalized software development costs begins when the product is available for release and installation. Amortization is provided on a straight-line method over periods not exceeding five to seven years. Unamortized capitalized software development costs determined to be in excess of net realizable value of the product is expensed immediately. Capitalized software cost totaled $3,845,414 at September 30, 2015. Effective April 1, 2014, the software was completed and placed into service, at which time Mercy Maricopa commenced amortization. Amortization expense totaled $1,153,624 for the eighteen months ended September 30, 2015. Accumulated amortization was $1,153,624 as of September 30, 2015.

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

Fair value measurements - FASB ASC 820, *Fair Value Measurements*, establishes a common definition for fair value to be applied to accounting principles generally accepted in the United States of America requiring use of fair value, establishes a framework for measuring fair value, and expands disclosures about such fair value measurements. FASB ASC 820 also establishes a hierarchy for ranking the quality and reliability of the information used to determine fair values by requiring that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

Level 1: Unadjusted quoted market prices in active markets for identical assets or liabilities.

Level 2: Unadjusted quoted prices in active markets for similar assets or liabilities, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.

Level 3: Unobservable inputs for the asset or liability.

U.S. Treasury notes are valued using proprietary models incorporating live data from active market makers and inter-dealer brokers as reported on electronic communication networks. The valuation models incorporate benchmark yields, reported trades, broker/dealer quotes, bids, offers and other data. These valuation inputs are considered Level 2.

For financial investments not addressed previously and not reported at fair value, the carrying amounts approximate fair value because of the short maturities of the following: cash and cash equivalents, receivables, due from ADHS, claims payable, payable to providers, due to ADHS, and other current liabilities.

Income taxes - Mercy Maricopa qualifies as a tax exempt organization under Section 501(c)(3) of the Internal Revenue Code (the Code) and, therefore, there is no provision for income taxes included in the accompanying financial statements. Income determined to be unrelated business taxable income (UBTI) would be taxable.

FASB ASC 740-10, *Income Taxes*, relates to the accounting for uncertainty in income taxes which requires the application of a “more likely than not” threshold recognition and de-recognition of uncertain tax positions in operations in the year of such change. The Organization evaluates its uncertain tax positions, if any, on a continual basis through review of its policies and procedures, review of its regular tax flings, and discussions with outside experts. At September 30, 2015, the Organization did not have any uncertain tax positions.

Mercy Maricopa’s Federal Exempt Organization Business Income Tax Returns (Form 990) for 2013 and 2014 are subject to examination by the IRS, generally for the three years after they were filed. As of the date of this report, the fiscal 2015 tax return had not yet been filed.

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

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

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

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

Subsequent events - The Organization has evaluated subsequent events through February 12, 2016, which is the date the financial statements were available to be issued.

(2) Claims payable

At September 30, 2015, claims outstanding to third parties for health care services provided to members, including estimates for incurred but not reported claims, totaled approximately $50.4 million. The balances at September 30, 2015 were certified by an actuary. Activity in the liability for claims payable and health care expense for the eighteen months ended September 30, 2015 is as follows:

Balance at April 1	$ -
Incurred related to:	
Current year	471,559,690
Prior years	-
Total incurred	471,559,690
Paid related to:	
Current year	(421,148,077)
Prior years	-
Total paid	(421,148,077)
Balance at September 30	$ 50,411,613

Estimates for incurred claims are based on historical enrollment, cost trends, and consider operational changes. Future actual results will typically differ from the estimates. Differences could be due to factors such as an overall change in medical expenses per member or a change in client mix affecting medical costs due to the addition of new members.

(3) Due to/from District

During the period from formation (January 22, 2013) through June 30, 2013, District contributed $5 million towards the initial funding of the Organization. Additionally, in accordance with a promissory note agreement between Mercy Maricopa and District dated September 9, 2013, District agreed to pay Mercy Maricopa an additional $5 million for a total of $10 million contributed. The promissory note was due April 1, 2015, one year after the implementation of the RBHA contract for GSA 6 was awarded to Mercy Maricopa. The promissory note bore no interest through the maturity date and was unsecured. The promissory note was collected in full prior to September 30, 2015.

In accordance with the membership agreement, any time after three years from the commencement of the ADHS RBHA contract (April 1, 2014), District may require that Mercy Maricopa purchase the membership interest of District. The purchase price of District's membership interest under the District put option shall be the sum of District's capital contributions to Mercy Maricopa, without interest, and any remaining accrued or deferred distributions to District (a 15% relative interest), plus interest, if any. As a result of the put option within the membership agreement, $15,230,961 (the $10 million District contributed, plus District's share of the changes in Mercy Maricopa's net assets since formation of $5,230,961) is presented as a long-term liability, included in Due to District, within the accompanying statement of financial position at September 30, 2015.

(4) Related party transactions

For the eighteen months ended September 30, 2015 the Organization received capital contributions from SCHN in the amount of $37,500,000. Additionally, for the eighteen months ended September 30, 2015 the Organization received payment on the amount due from District totaling $5 million.

Dignity and Carondelet are the sponsor organizations of SCHN. The Organization paid $10,227,835 to Dignity, $749,145 to Carondelet and $42,992,818 to District during the eighteen months ended September 30, 2015 for behavioral health and other medical services provided to its members.

(5) Commitments and contingencies

Performance bonds - In accordance with the terms of its contract with ADHS, Mercy Maricopa is required to post a performance bond with ADHS equal to 80% of the expected monthly Title capitation and Non-Title payments, as specified in the contract. The amount of the bond is subject to adjustment as certain conditions change and its method of calculation is specified in the contract. The performance bond must be maintained to guarantee payment of Mercy Maricopa's obligations under the contract. The performance bond requirement was $72,065,503 for the eighteen months ended September 30, 2015. The performance bond requirement was met through the purchase of three performance bonds totaling $72,100,000 at September 30, 2015.

Litigation - Periodically, the Organization is involved in litigation and claims arising in the normal course of operations. In the opinion of management based on consultation with legal counsel, losses, if any, from these matters are covered by insurance or are immaterial. Management believes that the resulting liability, if any, will not materially affect the Organization's financial position.

On March 25, 2013, the Organization was awarded a contract with ADHS covering the GSA of Maricopa County. This new contract was to take effect October 1, 2013; however, the prior contract holder filed a legal challenge and requested and received a stay order requiring the contract to remain with the prior contract holder until the legal challenge had been decided. On December 3, 2013, the Deputy Director of the Arizona Department of Administration issued an Order affirming the ADHS award of the GSA 6 Integrated Care RBHA contract to Mercy Maricopa effective April 1, 2014.

(5) Commitments and contingencies (continued)

Liability insurance - Mercy Maricopa maintains directors and officers, errors and omissions, and cyber liability insurance coverage under claims-made policies. Mercy Maricopa is insured for losses up to $20 million per claim and in the aggregate under its directors and officers liability policy. Mercy Maricopa is insured for losses up to $10 million per claim and in the aggregate under each of its errors and omissions and cyber liability policies. Claims reported endorsement (tail) coverage is available if the policy is not renewed to cover claims incurred but not reported. Mercy Maricopa anticipates that renewal coverage will be available at expiration of the current policy.

Healthcare regulation - The healthcare industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Organization is in compliance with fraud and abuse laws and regulations, as well as other applicable government laws and regulations. Compliance with such laws and regulations can be subject to future reviews and interpretation as well as regulatory actions unknown or unasserted at this time.

Health reform legislation at both the federal and state levels continues to evolve. Changes continue to impact existing and future laws and rules. Such changes may impact the way the Organization does business, restrict revenue and enrollment growth in certain products and market segments, restrict growth rates for certain products and market segments, increase medical, administrative and capital costs, and expose the Organization to increased risk of loss or further liabilities. The Organization’s operating results, financial position and cash flows could be adversely impacted by such changes.

Community reinvestment program - Mercy Maricopa has approved a Community Reinvestment program. Under the program, Mercy Maricopa will place 5% of its total change in net assets for the purposes of community reinvestment. The program funds community projects that enhance the lives of people in the communities in Mercy Maricopa’s geographic service area. These funds are for projects and services not eligible for service or prevention dollars from Mercy Maricopa.

For the eighteen months ended September 30, 2015, Mercy Maricopa approved amounts that resulted in expenses of $2,614,928, to be spent on various healthcare community projects. These amounts are included in general and administrative expenses in the accompanying statements of activities and changes in net assets. At September 30, 2015, Mercy Maricopa had not yet spent all of the funds appropriated. Accordingly, at September 30, 2015, Mercy Maricopa has recorded a liability for unspent community reinvestment program funds of $2,614,928, which is included in other current liabilities in the accompanying statement of financial position.

(6) Contract requirements

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

The Organization must maintain unrestricted minimum capitalization of at least 90% of the monthly capitation and block payments received under the Contract. As of September 30, 2015, the Organization was in compliance with this requirement.

The Contract contains various quarterly financial performance requirements, including a required minimum liquidity ratio, an administrative cost percentage, and service expense percentages. As of September 30, 2015 the Organization was in compliance with these requirements.

(6) Contract requirements (continued)

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

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

Mercy Maricopa is required to meet quarterly and contract year end minimum encounter submission percentages, or be subject to sanction by ADHS. Typically, Mercy Maricopa has up to eight months after the contract period end to meet the minimum number of encounters. Mercy Maricopa anticipates meeting required encounter threshold for the eighteen month contract period from April 1, 2014 through September 30, 2015 for Title XIX funding. Mercy Maricopa received a waiver of any sanction for encounter valuation for the eighteen month contract period from April 1, 2014 through September 30, 2015 for Non-Title funding. Accordingly, as of September 30, 2015, Mercy Maricopa has not recorded a liability associated with an encounter sanction.

ADHS has a right to sanction Mercy Maricopa for other matters of non-compliance of the Contract, as determined by ADHS. Mercy Maricopa received sanctions of $130,720 from ADHS for the eighteen months ended September 30, 2015. Sanctions are included in Mercy Maricopa’s management agreement with Aetna and as such, no additional expense is reflected in the accompanying financial statements.

(7) Concentration of credit risk

Mercy Maricopa currently holds a contract with the ADHS to provide services through September 2016, with two additional one year renewal options. The Medicare Advantage contract is renewed annually by CMS (See Note 8). Failure to renew these contracts could have a significant impact on operations.

(8) Subsequent events

Mercy Maricopa has not renewed its Medicare Advantage Plan with CMS and is discontinuing the plan effective December 31, 2015. For the eighteen months ended September 30, 2015, capitation revenue for the Medicare Advantage Plan totaled $41,781,430 and the net loss of the program was approximately $2,700,000.

Effective October 1, 2015, due to changes in the RBHA contracts with ADHS, Mercy Maricopa will no longer provide General Mental Health and Substance Abuse services to the dually eligible membership population. The General Mental Health and Substance Abuse dually eligible members are estimated to total 57,000 with annualized revenue of approximately $27,000,000.

SUPPLEMENTAL SCHEDULES

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INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL SCHEDULES

To the Board of Directors of

MERCY MARICOPA INTEGRATED CARE

Report on the Supplemental Schedules

We have audited the accompanying supplemental schedule of activities and supplemental schedules of activities - disclosures on pages 16 to 19 (as defined in the contract dated April 1, 2014, between ***Mercy Maricopa Integrated Care*** and the Arizona Department of Health Services – Division of Behavioral Health Services (the "ADHS-DBHS")) of ***Mercy Maricopa Integrated Care*** for the eighteen months ended September 30, 2015.

Management's Responsibility for the Supplemental Schedules

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

Auditors' Responsibility

Our responsibility is to express an opinion on these supplemental schedules based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the supplemental schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the supplemental schedules. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the supplemental schedules, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the supplemental schedules in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the supplemental schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the supplemental schedule of activities and supplemental schedule of activities - disclosures referred to above present fairly, in all material respects, the activities of ***Mercy Maricopa Integrated Care*** for the eighteen months ended September 30, 2015, as defined in the contract referred to in the first paragraph.

This report is intended solely for the information and use of the Board of Directors, management of ***Mercy Maricopa Integrated Care***, others within the entity, the state of Arizona and the ADHS-DBHS, and is not intended to be and should not be used by anyone other than these specified parties.

Mayer Hoffman McCann P.C.

Phoenix, Arizona
February 12, 2016

MERCY MARICOPA INTEGRATED CARE
STATEMENT OF ACTIVITIES
CONTRACT YEAR TO DATE AS OF: September 30, 2015

***DISCLOSE ON SCHEDULE A**

Code	Description	TXIX/XXI Non CMDP Child	TXIX/XXI CMDP Child	TXIX/XXI DD Child	TXIX/XXI GMH/SA	TXIX/XXI DD Adult	TXIX/XXI SMI Integrated	TXIX/XXI SMI Non Integrated	NTXIX/XXI Crisis	NTXIX/XXI SMI	NTXIX/XXI Other	Supported Housing for TXIX SMI	SB1616 Housing	MHBG SED	MHBG SMI	SABG	Other Federal	County	PASRR/ ADOH	Sub-Total	Mgmt & Gen	ADHS Total	Medicare	Total
	REVENUE																							
401	**Revenue Under ADHS Contract**																							
a	ADHS Revenue	190,672,931	132,811,715	13,047,889	270,308,681	19,332,502	776,156,890	6,812,679	14,238,480	74,373,204	300,000	3,292,901	602,481	4,208,691	4,342,302	28,873,539	-	71,716,325	73,800	1,611,165,010	-	1,611,165,010	-	1,611,165,010
b	Reconciliation Settlement/Profit Risk Adjustment	-	-	-	-	-	(19,325,597)	-	(114,044)	(1,134,012)	-	(13,909)	-	-	-	-	-	(163,993)	-	(20,751,555)	-	(20,751,555)	-	(20,751,555)
402	Specialty & Other Grants*	-	-	-	4,328	-	-	-	-	-	236,335	-	-	-	-	-	-	-	-	240,663	-	240,663	-	240,663
403	Interest/Investment Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6,213	6,213
404	CMS Revenue																						41,781,430	41,781,430
490	**TOTAL REVENUE**	190,672,931	132,811,715	13,047,889	270,313,009	19,332,502	756,831,293	6,812,679	14,124,436	73,239,192	536,335	3,278,992	602,481	4,208,691	4,342,302	28,873,539	-	71,552,332	73,800	1,590,654,118	-	1,590,654,118	41,787,643	1,632,441,761
	EXPENSES																							
	Service Expenses:																							
501	**Treatment Services**																							
a	Counseling																							
#	Counseling, Individual	8,829,234	7,192,527	198,912	10,906,148	644,161	9,319,427	173,777	-	-	-	-	-	267,011	242,054	807,115	-	71,712	-	38,652,078	-	38,652,078	-	38,652,078
#	Counseling, Family	9,750,109	5,433,986	285,655	577,488	102,184	353,200	7,840	-	-	-	-	-	219,420	532	191,723	-	13,661	-	16,935,798	-	16,935,798	-	16,935,798
#	Counseling, Group	2,280,563	1,057,142	18,683	10,592,982	29,348	2,909,868	36,972	-	-	-	-	-	51,608	1,065,200	2,068,497	-	119,127	-	20,229,990	-	20,229,990	-	20,229,990
b	Assessment, Evaluation and Screening	14,579,137	10,314,184	387,426	17,347,298	1,525,713	11,294,881	269,667	-	2,476,068	-	-	-	815,670	348,086	1,284,379	-	1,213,763	-	61,856,272	-	61,856,272	-	61,856,272
c	Other Professional	1,230,635	352,787	23	164,849	-	18,623	29	-	-	-	-	-	100,478	1,941	197,130	-	-	-	2,066,495	-	2,066,495	-	2,066,495
d	**Total Treatment Services**	36,669,678	24,350,626	890,699	39,588,765	2,301,406	23,895,999	488,285	-	2,476,068	-	-	-	1,454,187	1,657,813	4,548,844	-	1,418,263	-	139,740,633	-	139,740,633	-	139,740,633
502	**Rehabilitation Services**																							
a	Living Skills Training	23,217,040	16,861,738	2,307,579	2,023,561	312,824	28,437,232	333,832	-	2,731,670	-	-	-	290,991	93,455	40,906	-	296,186	-	76,947,014	-	76,947,014	-	76,947,014
b	Cognitive Rehabilitation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
c	Health Promotion	1,630,581	550,084	21,634	996,389	95,459	8,444,098	75,214	-	1,660,417	-	-	-	107,877	41,946	54,342	-	157,965	-	13,836,006	-	13,836,006	-	13,836,006
d	Supported Employment Services	217,334	73,913	888	3,310,287	370,638	24,046,887	431,355	-	6,264,630	-	-	-	29,010	3,774	38,836	-	562,871	-	35,350,423	-	35,350,423	-	35,350,423
e	**Total Rehabilitation Services**	25,064,955	17,485,735	2,330,101	6,330,237	778,921	60,928,217	840,401	-	10,656,717	-	-	-	427,878	139,175	134,084	-	1,017,022	-	126,133,443	-	126,133,443	-	126,133,443
503	**Medical Services**																							
a	Medication Services	16	-	-	6,975,091	-	1,123,454	11,877	-	9,228	-	-	-	-	17,519	1,662,355	-	142,918	-	9,942,458	-	9,942,458	-	9,942,458
b	Medical Management	6,588,129	1,845,653	252,530	8,624,569	1,430,612	31,290,257	310,964	-	7,324,777	-	-	-	177,326	66,747	805,899	-	865,689	-	59,583,152	-	59,583,152	-	59,583,152
c	Laboratory, Radiology & Medical Imaging	186,425	47,956	17,391	1,610,074	35,519	4,444,734	56,909	-	185,339	-	-	-	-	-	119,971	-	406,296	-	7,110,614	-	7,110,614	-	7,110,614
d	Electro-Convulsive Therapy	-	-	-	278,256	-	813,821	38,226	-	-	-	-	-	-	-	-	-	-	-	1,130,303	-	1,130,303	-	1,130,303
e	**Total Medical Services**	6,774,570	1,893,609	269,921	17,487,990	1,466,131	37,672,266	417,976	-	7,519,344	-	-	-	177,326	84,266	2,588,225	-	1,414,903	-	77,766,527	-	77,766,527	-	77,766,527
504	**Support Services**																							
a	Case Management	36,636,000	32,047,430	1,777,702	15,262,988	1,830,445	77,288,611	1,150,460	-	22,570,836	-	-	-	1,528,351	1,085,858	1,061,462	-	3,245,810	-	195,485,953	-	195,485,953	10,085,973	205,571,926
b	Personal Care Services	39,579	15,755	7,200	6,834,355	94,680	29,737,100	329,340	-	1,194,268	-	-	-	128	298,061	2,188,481	-	1,047,785	-	41,786,732	-	41,786,732	-	41,786,732
c	Family Support	5,373,312	2,992,689	436,261	66,013	26,555	448,086	9,178	-	45,167	-	-	-	167,141	20,241	21,959	-	4,816	-	9,611,418	-	9,611,418	-	9,611,418
d	Peer Support	109,116	58,207	6,268	1,380,357	112,316	11,358,874	137,874	-	2,926,000	-	-	-	529	52,593	149,255	-	362,288	-	16,653,677	-	16,653,677	-	16,653,677
e	Home Care Training to Home Care Client	1,255,801	5,726,678	255,148	13,296	-	522,606	10,279	-	-	-	-	-	-	-	-	-	-	-	7,783,808	-	7,783,808	-	7,783,808
f	Unskilled Respite Care	4,401,086	1,235,012	54,264	114,355	611	357,488	4,065	-	4,457	-	-	-	4,854	9,334	6,019	-	4,302	-	6,195,847	-	6,195,847	-	6,195,847
g	Supported Housing*	-	-	-	-	-	-	-	-	2,999,166	-	3,023,613	559,997	-	-	-	-	6,475,010	-	13,057,786	-	13,057,786	-	13,057,786
h	Flex Fund Services	-	-	-	-	-	-	-	-	-	-	-	-	114,625	17,267	-	-	360,757	-	492,649	-	492,649	-	492,649
i	Transportation	5,355,706	2,367,550	235,451	12,660,707	239,810	47,697,909	1,316,973	-	3,368,745	-	-	-	64,820	101,335	246,084	-	1,511,042	-	75,166,132	-	75,166,132	-	75,166,132
j	**Total Support Services**	53,170,600	44,443,321	2,772,294	36,332,071	2,304,417	167,410,674	2,958,169	-	33,108,639	-	3,023,613	559,997	1,880,448	1,584,689	3,673,260	-	13,011,810	-	366,234,002	-	366,234,002	10,085,973	376,319,975
505	**Crisis Intervention Services**																							
a	Crisis Intervention - Mobile	5,307,873	6,087,015	1,733,535	14,915,883	-	11,966,277	-	5,100,713	-	-	-	-	-	-	303,122	-	8,004,313	-	53,418,731	-	53,418,731	-	53,418,731
b	Crisis Intervention - Stabilization	1,682,593	732,828	207,714	30,929,361	-	21,912,462	-	5,906,771	98,431	277,518	-	-	-	-	5,796,210	-	6,277,553	-	73,821,441	-	73,821,441	-	73,821,441
c	Crisis Intervention - Telephone	-	-	-	2,827,697	-	3,937,250	-	2,020,297	-	-	-	-	-	-	-	-	2,145,866	-	10,931,110	-	10,931,110	-	10,931,110
d	**Total Crisis Intervention Services**	6,990,466	6,819,843	1,941,249	48,672,941	-	37,815,989	-	13,027,781	98,431	277,518	-	-	-	-	6,099,332	-	16,427,732	-	138,171,282	-	138,171,282	-	138,171,282
506	**Inpatient Services**																							
a	Hospital																							
#	Psychiatric (Provider Types 02 & 71)	22,576,453	12,605,092	2,519,427	62,529,819	1,019,719	61,013,867	6,788,651	-	-	-	-	-	-	-	-	-	8,546,286	-	177,599,314	-	177,599,314	-	177,599,314
#	Detoxification (Provider Types 02 & 71)	62,056	23,371	2,425	2,717,510	-	389,706	10,005	-	-	-	-	-	-	-	-	-	-	-	3,205,073	-	3,205,073	-	3,205,073
b	Sub acute Facility																							
#	Psychiatric (Provider Types B5 & B6)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
#	Detoxification (Provider Types B5 & B6)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
c	Residential Treatment Center (RTC)																							
#	Psychiatric - Secure & Non-Secure Provider Types 78,B1,B2,B3)	339,724	-	611,073	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	950,797	-	950,797	-	950,797
#	Detoxification - Secure & Non-Secure (Provider Types (78,B1,B2,B3)	-	360	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	360	-	360	-	360
d	Inpatient Services, Professional	1,460,651	532,276	120,686	5,828,254	48,437	8,493,019	326,121	-	-	-	-	-	-	-	-	-	330,774	-	17,140,218	-	17,140,218	-	17,140,218
e	**Total Inpatient Services**	24,438,884	13,161,099	3,253,611	71,075,583	1,068,156	69,896,592	7,124,777	-	-	-	-	-	-	-	-	-	8,877,060	-	198,895,762	-	198,895,762	-	198,895,762
507	**Residential Services**																							
a	Behavioral Health Residential Facilities	2,925,156	4,584,231	121,174	16,882,920	31,626	52,614,163	1,776,805	-	-	-	-	-	-	-	3,015,785	-	1,400,686	-	83,352,546	-	83,352,546	-	83,352,546
b	Reserved for Future Use																			-		-	-	-
c	Room and Board	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	16,003,881	-	16,003,881	-	16,003,881	-	16,003,881
d	**Total Residential Services**	2,925,156	4,584,231	121,174	16,882,920	31,626	52,614,163	1,776,805	-	-	-	-	-	-	-	3,015,785	-	17,404,567	-	99,356,427	-	99,356,427	-	99,356,427
508	**Behavioral Health Day Program**																							
a	Supervised Day Program	-	-	-	207,540	2,705	4,081,033	23,633	-	1,349,605	-	-	-	-	-	-	-	119,581	-	5,784,097	-	5,784,097	-	5,784,097
b	Therapeutic Day Program	590,025	316,198	615	930,961	11,464	2,140,788	37,558	-	2,165	-	-	-	-	230,231	285,885	-	4,479	-	4,550,369	-	4,550,369	-	4,550,369
c	Medical Day Program	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
d	**Total Behavioral Health Day Program**	590,025	316,198	615	1,138,501	14,169	6,221,821	61,191	-	1,351,770	-	-	-	-	230,231	285,885	-	124,060	-	10,334,466	-	10,334,466	-	10,334,466
509	**Prevention Services**																							
a	Prevention	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,409,490	-	-	-	4,409,490	-	4,409,490	-	4,409,490
b	HIV	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,109,247	-	-	-	1,109,247	-	1,109,247	-	1,109,247
c	**Total Prevention Services**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,518,737	-	-	-	5,518,737	-	5,518,737	-	5,518,737
510	**Pharmacy Expenses**																							
a	Pharmacy Expense	17,163,796	2,955,885	4,530,476	34,931,867	5,233,077	55,402,997	2,016,443	-	12,467,995	-	-	-	-	-	-	-	4,747,744	-	139,450,280	-	139,450,280	9,745,754	149,196,034
b	**Less** Pharmacy Rebate Received	(256,491)	(41,196)	(60,207)	(411,021)	(67,700)	(1,097,562)	(57,151)	-	(177,592)	-	-	-	-	-	-	-	(54,024)	-	(2,222,944)	-	(2,222,944)	(2,408,920)	(4,631,864)
c	Pharmacy Rebate Related Expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
d	**Total Pharmacy Expense**	16,907,305	2,914,689	4,470,269	34,520,846	5,165,377	54,305,435	1,959,292	-	12,290,403	-	-	-	-	-	-	-	4,693,720	-	137,227,336	-	137,227,336	7,336,834	144,564,170
511	Other ADHS Service Expenses Not Rpt'd Above*	87,479	68,634	9,623	5,695,146	9,376	2,002,334	-	-	27,946	-	-	-	-	-	-	-	210,581	73,800	8,184,919	-	8,184,919	-	8,184,919
512	FQHC/RHC Expenses	14,200	752	-	79,929	-	591,162	-	-	-	-	-	-	-	-	-	-	-	-	686,043	-	686,043	-	686,043
513	**Subtotal Behavioral Health Service Expenses**	173,633,318	116,038,737	16,059,556	277,804,929	13,139,579	513,354,652	15,626,896	13,027,781	67,529,318	277,518	3,023,613	559,997	3,939,839	3,696,174	25,864,152	-	64,599,718	73,800	1,308,249,577	-	1,308,249,577	17,422,807	1,325,672,384
520	Specialty and Other Grant Expenses*	-	-	-	4,327	-	-	-	-	-	232,964	-	-	-	-	-	-	-	-	237,291	-	237,291	-	237,291
540	**Total Behavioral Health Services Expense**	173,633,318	116,038,737	16,059,556	277,809,256	13,139,579	513,354,652	15,626,896	13,027,781	67,529,318	510,482	3,023,613	559,997	3,939,839	3,696,174	25,864,152	-	64,599,718	73,800	1,308,486,868	-	1,308,486,868	17,422,807	1,325,909,675
580	**Total Physical Health Services Expense**						106,317,488													106,317,488		106,317,488	23,703,347	130,020,835
585	**Total Service Expense**	173,633,318	116,038,737	16,059,556	277,809,256	13,139,579	619,672,140	15,626,896	13,027,781	67,529,318	510,482	3,023,613	559,997	3,939,839	3,696,174	25,864,152	-	64,599,718	73,800	1,414,804,356	-	1,414,804,356	41,126,154	1,455,930,510
589	Less: Third Party Liability	-	-	-	1,143	-	47,627	-	-	-	-	-	-	-	-	-	-	-	-	48,770	-	48,770	8,978	57,748
590	**Net Total Service Expense**	173,633,318	116,038,737	16,059,556	277,808,113	13,139,579	619,624,513	15,626,896	13,027,781	67,529,318	510,482	3,023,613	559,997	3,939,839	3,696,174	25,864,152	-	64,599,718	73,800	1,414,755,586	-	1,414,755,586	41,117,176	1,455,872,762
599	**Gross Profit/(Loss) from Operations**	17,039,613	16,772,978	(3,011,667)	(7,495,104)	6,192,923	137,206,780	(8,814,217)	1,096,655	5,709,874	25,853	255,379	42,484	268,852	646,128	3,009,387	-	6,952,614	-	175,898,532	-	175,898,532	670,467	176,568,999

NOTE: The Supplemental Schedule of Activities and Supplemental Schedule of Activities – Disclosures were prepared using an ADHS approved allocation plan, as submitted to ADHS by Mercy Maricopa

MERCY MARICOPA INTEGRATED CARE
STATEMENT OF ACTIVITIES
CONTRACT YEAR TO DATE AS OF: September 30, 2015

***DISCLOSE ON SCHEDULE A**

		TXIX/XXI Non CMDP Child	TXIX/XXI CMDP Child	TXIX/XXI DD Child	TXIX/XXI GMH/SA	TXIX/XXI DD Adult	TXIX/XXI SMI Integrated	TXIX/XXI SMI Non Integrated	NTXIX/XXI Crisis	NTXIX/XXI SMI	NTXIX/XXI Other	Supported Housing for TXIX SMI	SB1616 Housing	MHBG SED	MHBG SMI	SABG	Other Federal	County	PASRR/ ADOH	Sub-Total	Mgmt & Gen	ADHS Total	Medicare	Total
Administrative Expenses:																								
601	Compensation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
602	Management Fee	14,617,094	10,197,597	1,002,044	20,739,524	1,484,688	58,118,702	465,237	1,080,197	5,617,174	23,396	251,868	42,840	321,604	325,130	2,214,090	-	5,492,241	-	121,993,426	-	121,993,426	3,286,590	125,280,016
603	Professional & Outside Services	19,148	12,797	1,771	30,636	1,449	68,331	1,723	1,437	7,447	56	333	62	434	408	2,852	-	7,124	-	156,008	-	156,008	4,534	160,542
604	Interpreter/Translation Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
605	Occupancy	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
606	Depreciation	137,593	91,953	12,726	220,145	10,412	491,012	12,383	10,323	53,513	405	2,396	444	3,122	2,929	20,496	-	51,191	-	1,121,043	-	1,121,043	32,581	1,153,624
607	Care Management	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
608	All Other Operating Expenses not reported above	138,648	76,262	10,752	209,089	8,049	435,317	68,959	9,189	51,902	302	1,790	331	3,956	2,859	18,706	-	51,577	-	1,087,688	-	1,087,688	80,710	1,168,398
610	**Subtotal Administrative Expenses**	14,912,483	10,378,609	1,027,293	21,199,394	1,504,598	59,113,362	548,302	1,101,146	5,730,036	24,159	256,387	43,677	329,116	331,326	2,256,144	-	5,602,133	-	124,358,165	-	124,358,165	3,404,415	127,762,580
650	Encounter Evaluation Sanctions*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
651	Administrative Expenses from Specialty and Othe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
690	**Total Administrative Expense**	14,912,483	10,378,609	1,027,293	21,199,394	1,504,598	59,113,362	548,302	1,101,146	5,730,036	24,159	256,387	43,677	329,116	331,326	2,256,144	-	5,602,133	-	124,358,165	-	124,358,165	3,404,415	127,762,580
700	**Profit (Loss) from Operations**	2,127,130	6,394,369	(4,038,960)	(28,694,498)	4,688,325	78,093,418	(9,362,519)	(4,491)	(20,162)	1,694	(1,008)	(1,193)	(60,264)	314,802	753,243	-	1,350,481	-	51,540,367	-	51,540,367	(2,733,948)	48,806,419
710	Profit (Loss) from Other, Non-ADHS, Non-Operating & Unrelated Business*	-	-	-	-	-	754,159	-	-	-	-	-	-	-	-	-	-	-	-	754,159	(2,610,901)	(1,856,742)	-	(1,856,742)
720	**Net Pre-Tax Profit/(Loss)**	2,127,130	6,394,369	(4,038,960)	(28,694,498)	4,688,325	78,847,577	(9,362,519)	(4,491)	(20,162)	1,694	(1,008)	(1,193)	(60,264)	314,802	753,243	-	1,350,481	-	52,294,526	(2,610,901)	49,683,625	(2,733,948)	46,949,677
750	**Income Tax**																							
a	ADHS Income Tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
b	Non ADHS Income Tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
799	**Total Income Taxes**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
800	**Net After-Tax Profit/(Loss)**	2,127,130	6,394,369	(4,038,960)	(28,694,498)	4,688,325	78,847,577	(9,362,519)	(4,491)	(20,162)	1,694	(1,008)	(1,193)	(60,264)	314,802	753,243	-	1,350,481	-	52,294,526	(2,610,901)	49,683,625	(2,733,948)	46,949,677

***Disclose on Schedule A**

Physical Health Services

		TXIX/XXI SMI Integrated	Medicare
	EXPENSES		
550	**Hospitalization**		
a	Hospital Inpatient	30,902,922	15,589,848
b	**Total Hospitalization**	30,902,922	15,589,848
560	**Medical Compensation**		
a	Primary Care Physician	2,908,917	-
b	Referral Physician	6,978,879	-
c	Other Professional	7,037,858	-
d	**Total Medical Compensation**	16,925,654	-
570	**Other Medical Expenses**		
a	Emergency Facility Services	115,465	-
b	Pharmacy	31,319,456	8,113,499
c	less: Pharmacy Rebates	-	-
d	Lab, X-ray, & Medical Imaging	3,579,879	-
e	Outpatient Facility	20,953,362	-
f	Durable Medical Equipment	-	-
g	Dental	180,019	-
h	Transportation	47,585	-
i	Nursing Facility, Home Health Care	628,707	-
j	Physical Therapy	80,985	-
k	Shared Savings Arrangements	-	-
l	Miscellaneous Medical Expenses	1,583,454	-
m	**Total Other Medical Expenses**	58,488,912	8,113,499
580	**Total Physical Health Services Expense**	106,317,488	23,703,347

NOTE: The Supplemental Schedule of Activities and Supplemental Schedule of Activities – Disclosures were prepared using an ADHS approved allocation plan, as submitted to ADHS by Mercy Maricopa

MERCY MARICOPA INTEGRATED CARE
SUPPLEMENTAL SCHEDULE - STATEMENT OF ACTIVITIES - DISCLOSURES
CONTRACT YEAR TO DATE AS OF: September 30, 2015

Schedule A Disclosure

	TXIX/XXI Non CMDP Child	TXIX/XXI CMDP Child	TXIX/XXI DD Child	TXIX/XXI GMH/SA	TXIX/XXI DD Adult	TXIX/XXI SMI Integrated	TXIX/XXI SMI Non Integrated	NTXIX/XXI Crisis	NTXIX/XXI SMI	NTXIX/XXI Other	Supported Housing for TXIX SMI	SB1616 Housing	MHBG SED	MHBG SMI	SABG	Other Federal	County	PASRR/ ADOH	Sub-Total	Mgmt & Gen	ADHS Total
DISCLOSURE OF PCP PARITY, NTXIX/XXI OTHER and OTHER FEDERAL ADHS REVENUE																					
City of Phoenix LARC	-	-	-	-	-	-	-	-	-	300,000	-	-	-	-	-	-	-	-	300,000	-	300,000
PCP Parity	531	-	-	-	-	19,951	-	-	-	-	-	-	-	-	-	-	-	-	20,482	-	20,482
Total - PCP Parity, NTXIX/XXI Other and OTHER FEDERAL Colun	531	-	-	-	-	19,951	-	-	-	300,000	-	-	-	-	-	-	-	-	320,482	-	320,482
DISCLOSURE OF SPECIALTY AND OTHER GRANTS REPORTED ON LINE 402																					
Mental Health First Aid	-	-	-	-	-	-	-	-	-	45,511	-	-	-	-	-	-	-	-	45,511	-	45,511
LARC Improvements	-	-	-	-	-	-	-	-	-	190,824	-	-	-	-	-	-	-	-	190,824	-	190,824
Involuntary Commitment Training Grant	-	-	-	4,328	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,328	-	4,328
Total Other Grants	-	-	-	4,328	-	-	-	-	-	236,335	-	-	-	-	-	-	-	-	240,663	-	240,663
DISLOSURE OF SUPPORTED HOUSING ON LINE 504g:																					
Rent Subsidy	-	-	-	-	-	-	-	-	2,140,483	-	1,175,628	-	-	-	-	-	2,516,593	-	5,832,704	-	5,832,704
Management Fees	-	-	-	-	-	-	-	-	629,793	-	947,931	-	-	-	-	-	2,030,485	-	3,608,209	-	3,608,209
Utility Payments	-	-	-	-	-	-	-	-	-	-	298,431	-	-	-	-	-	639,245	-	937,676	-	937,676
Other/Repairs & Maintenance	-	-	-	-	-	-	-	-	-	-	444,756	-	-	-	-	-	952,675	-	1,397,431	-	1,397,431
Damages	-	-	-	-	-	-	-	-	16,628	-	132,612	-	-	-	-	-	284,057	-	433,297	-	433,297
Deposits	-	-	-	-	-	-	-	-	212,262	-	18,768	-	-	-	-	-	40,203	-	271,233	-	271,233
Start Up Boxes	-	-	-	-	-	-	-	-	-	-	5,416	-	-	-	-	-	11,600	-	17,016	-	17,016
Eviction Prevention	-	-	-	-	-	-	-	-	-	-	71	-	-	-	-	-	152	-	223	-	223
SB1616 Housing - Construction/Improvements	-	-	-	-	-	-	-	-	-	-	-	559,997	-	-	-	-	-	-	559,997	-	559,997
Total Supported Housing	-	-	-	-	-	-	-	-	2,999,166	-	3,023,613	559,997	-	-	-	-	6,475,010	-	13,057,786	-	13,057,786
DISCLOSURE OF ALL OTHER ADHS Services Expenses ON LINE 511																					
PASRRR	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	73,800	73,800	-	73,800
Physical Health Expenses - OPS400	87,479	68,634	9,623	5,132,638	9,376	-	-	-	27,946	-	-	-	-	-	-	-	210,581	-	5,546,277	-	5,546,277
Pilot Performance Incentive	-	-	-	-	-	854,449	-	-	-	-	-	-	-	-	-	-	-	-	854,449	-	854,449
Block Expansion Incentive	-	-	-	369,175	-	819,175	-	-	-	-	-	-	-	-	-	-	-	-	1,188,350	-	1,188,350
Block Transition Incentive	-	-	-	-	-	295,377	-	-	-	-	-	-	-	-	-	-	-	-	295,377	-	295,377
Crisis Respite Incentive	-	-	-	33,333	-	33,333	-	-	-	-	-	-	-	-	-	-	-	-	66,666	-	66,666
Intake Providers Incentive	-	-	-	160,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	160,000	-	160,000
Total All Other Behavioral Health Services	87,479	68,634	9,623	5,695,146	9,376	2,002,334	-	-	27,946	-	-	-	-	-	-	-	210,581	73,800	8,184,919	-	8,184,919
DISCLOSURE OF SERVICES EXPENSES FROM NON ADHS SOURCES ON LINE 520																					
Mental Health First Aid	-	-	-	-	-	-	-	-	-	42,140	-	-	-	-	-	-	-	-	42,140	-	42,140
LARC Improvements	-	-	-	-	-	-	-	-	-	190,824	-	-	-	-	-	-	-	-	190,824	-	190,824
Involuntary Commitment Grant	-	-	-	4,327	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,327	-	4,327
Total Service Expenses Non ADHS Sources	-	-	-	4,327	-	-	-	-	-	232,964	-	-	-	-	-	-	-	-	237,291	-	237,291
DISCLOSURE OF ALL OTHER OPERATING ON LINE 608																					
Board Meeting Expenses	306	204	27	488	23	1,091	28	23	119	1	5	1	7	7	46	-	114	-	2,490	-	2,490
Dues & Filing Fees	5,992	4,005	554	9,587	453	21,382	539	450	2,330	18	104	19	136	128	893	-	2,229	-	48,819	-	48,819
Travel	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Repairs & Maintenance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Training	560	375	52	896	42	1,998	50	42	218	2	10	2	13	12	83	-	208	-	4,563	-	4,563
Bank Service Charges	150	100	14	240	13	535	13	11	58	-	3	-	3	3	22	-	56	-	1,221	-	1,221
RFP Expenses	(101,642)	(67,927)	(9,401)	(162,624)	(7,692)	(362,717)	(9,148)	(7,626)	(39,530)	(299)	(1,770)	(328)	(2,306)	(2,164)	(15,140)	-	(37,815)	-	(828,129)	-	(828,129)
Office Equip	5,912	3,951	547	9,460	447	21,099	532	444	2,299	17	103	19	134	126	881	-	2,200	-	48,171	-	48,171
Marketing	1,000	669	93	1,601	76	3,570	90	75	389	3	17	3	23	21	149	-	372	-	8,151	-	8,151
Promotions & Sponsorships	39,223	26,212	3,628	62,756	2,967	139,970	3,531	2,942	15,254	115	684	127	890	835	5,842	-	14,593	-	319,569	-	319,569
Insurance - General Liab	151,269	101,093	13,991	242,026	11,447	539,816	13,614	11,350	58,832	445	2,634	488	3,432	3,220	22,533	-	56,279	-	1,232,469	-	1,232,469
Interest on Claims	9,291	5,238	1,213	24,476	224	63,563	1,733	-	2,645	-	-	-	-	-	-	-	11,261	-	119,644	-	119,644
Sanctions	26,587	2,342	34	20,183	49	5,010	57,977	1,478	9,288	-	-	-	1,624	671	3,397	-	2,080	-	130,720	-	130,720
Total All Other Operating	138,648	76,262	10,752	209,089	8,049	435,317	68,959	9,189	51,902	302	1,790	331	3,956	2,859	18,706	-	51,577	-	1,087,688	-	1,087,688
	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0				

NOTE: The Supplemental Schedule of Activities and Supplemental Schedule of Activities – Disclosures were prepared using an ADHS approved allocation plan, as submitted to ADHS by Mercy Maricopa

MERCY MARICOPA INTEGRATED CARE
SUPPLEMENTAL SCHEDULE - STATEMENT OF ACTIVITIES - DISCLOSURES
CONTRACT YEAR TO DATE AS OF: September 30, 2015

Schedule A Disclosure

	TXIX/XXI Non CMDP Child	TXIX/XXI CMDP Child	TXIX/XXI DD Child	TXIX/XXI GMH/SA	TXIX/XXI DD Adult	TXIX/XXI SMI Integrated	TXIX/XXI SMI Non Integrated	NTXIX/XXI Crisis	NTXIX/XXI SMI	NTXIX/XXI Other	Supported Housing for TXIX SMI	SB1616 Housing	MHBG SED	MHBG SMI	SABG	Other Federal	County	PASRR/ ADOH	Sub-Total	Mgmt & Gen	ADHS Total
DISCLOSURE OF ENCOUNTER EVALUTION SANCTIONS ON LINE 650																					
Itemization of Items Reported on Line 650	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Encounter Evaluation Sanctions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DISCLOSURE OF ADMINISTRATIVE EXPENSES FROM SPECIALTY AND OTHER GRANTS ON LINE 651																					
Itemization of Items Reported on Line 651	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Adm Expenses from Specialty and Other Grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DISCLOSURE OF OTHER, NON-ADHS, NON-OPERATING AND UNRELATED BUSINESS EXPENSES LINE 710																					
Community Reinvestment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,614,928)	(2,614,928)
RHBA Assessed Sanctions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,027	4,027
Reinsurance Revenue	-	-	-	-	-	754,159	-	-	-	-	-	-	-	-	-	-	-	-	754,159	-	754,159
Total Other, Non-ADHS, Non-Operating and Unrelated Business	-	-	-	-	-	754,159	-	-	-	-	-	-	-	-	-	-	-	-	754,159	(2,610,901)	(1,856,742)

EXPENSES LINE 501C Expenses for TXIX Child, TXIX CMDP & DD Child, TXXI Child & TXIX GMHSA reported on this line were not for traditional healing or Auricular Acupuncture.

EXPENSES LINE 570I - MISCELLANEOUS MEDICAL EXP TXIX/XXI SMI Integrated Miscellaneous Medical are Outpatient expenses not specifically identified in any other service expense category.

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