



**HEALTH NET ACCESS, INC. D/B/A
ARIZONA COMPLETE HEALTH – COMPLETE CARE PLAN**

Regional Behavioral Health Authority Contract

Contract Year Ended September 30, 2021

(With Independent Auditors' Report Thereon)

**HEALTH NET ACCESS, INC. D/B/A
ARIZONA COMPLETE HEALTH – COMPLETE CARE PLAN**

Regional Behavioral Health Authority Contract

Contract Year Ended September 30, 2021

Table of Contents

	Page(s)
Independent Auditors' Report	1–2
Statement of Activities – Regional Behavioral Health Authority	3–4
Notes to Financial Statement	5–7
Supplemental Information	
Schedule 1 – Statement of Activities – Disclosure	8
Schedule 2 – Sub-Capitated Expense Report	9
Schedule 3 – Block Expenses Report	10



KPMG LLP
Suite 900
10 South Broadway
St. Louis, MO 63102-1761

Independent Auditors' Report

The Board of Directors and Stockholder
Health Net Access, Inc. d/b/a Arizona Complete Health – Complete Care Plan:

Opinion

We have audited the Statement of Activities – Regional Behavioral Health Authority of Health Net Access, Inc. d/b/a Arizona Complete Health – Complete Care Plan (the Company) for the contract year ended September 30, 2021 and the related notes (the financial statement).

In our opinion, the accompanying financial statement presents fairly, in all material respects, the financial position of the Company under its Regional Behavioral Health Authority (RBHA) contract with Arizona Health Care Cost Containment System (AHCCCS) for the contract year ended September 30, 2021, 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 Auditors' Responsibilities for the Audit of the Financial Statement 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

We draw attention to Basis of Presentation note to the financial statement, which describes that the accompanying financial statement was prepared to present the activities of the Company pursuant to its RBHA contract with AHCCCS, and is not intended to be a complete presentation of the Company's operations. Our opinion is not modified with respect to this matter.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information included in Schedule 1 – Statement of Activities – Disclosure, Schedule 2 – Sub-Capitated Expense Report, and Schedule 3 – Block Expenses Report, is presented for purposes of additional analysis. 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 statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, 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 statement as a whole.

Restriction of Use

Our report is intended solely for the information and use of the Company and AHCCCS and is not intended to be and should not be used by anyone other than these specified parties.



Responsibilities of Management for the Financial Statement

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

Auditors' Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 statement.

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 statement, 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 statement.
- 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 statement.
- 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.

KPMG LLP

St. Louis, Missouri
May 23, 2022

**HEALTH NET ACCESS, INC. D/B/A
ARIZONA COMPLETE HEALTH – COMPLETE CARE PLAN**

Notes to Financial Statement

September 30, 2021

(1) Organization

Health Net Access, Inc. dba Arizona Complete Health – Complete Care Plan (the “Company” or the “Plan”) was incorporated in Arizona on April 23, 2013, and commenced operations on October 1, 2013. The Company is regulated by the Arizona Health Care Cost Containment System (“AHCCCS”).

Effective October 1, 2018, Cenpatico of Arizona, Inc. d/b/a Cenpatico Integrated Care (“Cenpatico”), a related party under common control, received approval from AHCCCS to assign the remaining term of the Southern Arizona Regional Behavioral Health Authority (“RBHA”) contract to the Company. The Company began administering the Cenpatico RBHA contract on October 1, 2018. Under the RBHA contract, the Company is responsible for managing and maintaining an organized, comprehensive integrated healthcare delivery system for the benefit of eligible members within its geographic service area through September 30, 2021. Pursuant to the assignment of the RBHA contract from Cenpatico, the Company is obligated only for the activities under the contract effective October 1, 2018 and forward. Obligations under the contract for periods prior to October 1, 2018 are the responsibility of Cenpatico.

(2) Basis of Presentation

The statement of activities and related supplemental schedules have been prepared in accordance with Arizona Health Care Cost Containment System (AHCCCS) Financial Reporting Guide for RBHA Contractors (the Guide). The statement of activities only presents the activity of the Company related to its Regional Behavioral Health Authority (RBHA) contract with AHCCCS, and as such, is not a complete presentation of the activities of the Company.

The Guide requires the financial information to be prepared on an accrual basis and in accordance with U.S. generally accepted accounting principles (GAAP). The required presentation of the statement of activities and supplemental schedules and related presentation is required by the Guide.

(3) Revenue Recognition

Revenue includes the following amounts:

Prospective Capitation – Prospective capitation premiums are based on multi-year contracts with AHCCCS to provide care.

Reconciliation Settlements – AHCCCS has risk sharing programs which include reconciliation settlements, which impact revenue, and are due to, or from, AHCCCS, based on predetermined profit/(loss) thresholds before income tax.

Non-Title XIX/XXI Revenue – Non-Title XIX/XXI revenue is accrued and recognized based on the current AHCCCS Allocation Schedule and as documented by Contractor Expenditure Reports.

AHCCCS contract revenue is also limited by the terms of the RBHA contract to a maximum profit percentage of 4%.

(4) Health Care Services

The cost of health care services is recognized in the period in which services are provided and includes an estimate of the cost of services that have been incurred but not yet reported. Such costs include payments

**HEALTH NET ACCESS, INC. D/B/A
ARIZONA COMPLETE HEALTH – COMPLETE CARE PLAN**

Notes to Financial Statement

September 30, 2021

to primary care physicians, specialists, hospitals, outpatient care facilities, pharmaceuticals, and other medical services and the costs associated with managing the extent of such care. The Company's health care costs can also include, from time to time, remediation of certain claims as a result of periodic reviews by various regulatory agencies.

The Company estimates the amount of the provision for health care service costs incurred but not reported and the unpaid loss adjustment expenses using standard actuarial methodologies based upon historical data, including the period between the date services are rendered and the date claims are received and paid, denied claim activity, expected medical cost inflation, seasonality patterns, and changes in membership. The estimates for service costs incurred but not reported are made on an accrual basis and adjusted in future periods as required. Any adjustments to the prior period estimates are included in the current period. Such estimates are subject to the impact of changes in the regulatory environment and economic conditions. Given the inherent variability of such estimates, the actual liability could differ significantly from the amounts provided. While the ultimate amounts of claims and losses paid are dependent on future developments, management is of the opinion that the recorded medical claims payable is adequate to cover such costs.

Under the RBHA contract, the Company contracts with various at-risk 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 XIX programs, and physical healthcare services to Seriously Mentally Ill Title XIX eligible adults. Health care 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, the Company amends their provider contracts. The effects of these amendments are recorded in the period in which the amendment was executed.

The Company contracts with various providers, including medical groups, to provide professional care to certain of its enrollees on a capitated or fixed fee per member per month basis. Additionally, the Company also contracts with hospitals, physicians, and other providers of health care, pursuant to discounted fee-for-service arrangements, hospital per diem arrangements, and case rate arrangements, under which providers bill the Company for each individual service provided to enrollees.

Amounts incurred related to prior periods represents the change in medical claims payable attributable to the difference between the original estimate of incurred claims for prior periods and the revised estimate. In developing the revised estimate, there have been no changes in the approach used to determine the key actuarial assumptions, which are the completion factor and medical cost trend. The degree of uncertainty in the estimates of incurred claims is greater for the most recent months' incurred services. Revised estimates for prior periods are determined in each month based on the most recent updates of paid claims for prior periods.

(5) Expense Allocation

Certain direct, indirect and expenses are incurred which benefit more than one program. Such common expenses are allocated based upon an AHCCCS approved cost allocation plan as submitted by the Company, which is primarily based upon enrollment, claims and costs by lines of business, which is consistent with 2 CFR Part 200 Subpart E, Cost Principles for Non-Profit Organizations.

**HEALTH NET ACCESS, INC. D/B/A
ARIZONA COMPLETE HEALTH – COMPLETE CARE PLAN**

Notes to Financial Statement

September 30, 2021

(6) Premium Taxes

The Company is subject to a 2% premium tax on payments received from AHCCCS for premiums, reinsurance and reconciliations.

(7) Subsequent Events

In connection with the preparation of the financial statements, the Company evaluated subsequent events after the financial statement date of December 31, 2021 through May 23, 2022, which is the date the financial statements were available to be issued.

**HEALTH NET ACCESS, INC. D/B/A
ARIZONA COMPLETE HEALTH – COMPLETE CARE PLAN**

Schedule 2 – Sub-Capitated Expense Report

Contract Year Ended September 30, 2021

Account	Expenses	TXIX/XXI CMDP Child	TXIX/XXI SMI	TXIX/XXI Only child (Crisis)	TXIX/XXI Only adult (Crisis)	Title XIX/XXI Total
Behavioral Health:						
60199-01	Total Treatment Services	\$ —	—	—	—	—
60299-01	Total Rehabilitation Services	—	—	—	—	—
60399-01	Total Medical Services	—	—	—	—	—
60499-01	Total Support Services	—	—	—	—	—
60599-01	Total Crisis Intervention Services	—	—	—	—	—
60699-01	Total Inpatient Services	—	—	—	—	—
60799-01	Total Residential Services	—	—	—	—	—
60899-01	Total Behavioral Health Day Program	—	—	—	—	—
60999-01	Total Prevention Services	—	—	—	—	—
61099-01	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	<u>\$ —</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

Account	Description	TXIX/XXI SMI
Physical Health:		
Hospitalization Expenses:		
50105-01	Hospital Inpatient	\$ —
50110-01	Behavioral Health Hospital Inpatient	—
	Total Hospitalization Expense	<u>—</u>
Medical Compensation Expenses:		
50205-01	Primary Care Physician Services	—
50210-01	Behavioral Health Physician Services	—
50215-01	Referral Physician Services	—
50220-01	PH FQHC/RHC Services	—
50225-01	Other Professional Services	775,592
	Total Medical Compensation Expenses:	<u>775,592</u>
Other Medical Expenses:		
50305-01	Emergency Facility Services	—
50310-01	PH Pharmacy	—
50315-01	Laboratory, Radiology & Medical Imaging	864,392
50320-01	Outpatient Facility	—
50325-01	Durable Med Equipment	—
50330-01	Dental	572,815
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	—
	Total Other Medical Expenses	<u>1,437,207</u>
	Total Sub-Capitated Physical Health Expenses	<u>\$ 2,212,799</u>

See accompanying independent auditors' report.

**HEALTH NET ACCESS, INC. D/B/A
ARIZONA COMPLETE HEALTH – COMPLETE CARE PLAN**

Schedule 3 – Block Expenses Report

Contract Year Ended September 30, 2021

Account	Expenses	TXIX/XXI CMDP Child	TXIX/XXI SMI	TXIX/XXI Only child (Crisis)	TXIX/XXI Only adult (Crisis)	Title XIX Total
Behavioral Health:						
60199-01	Total Treatment Services	\$ 14,028	2,135,202	—	—	2,149,230
60299-01	Total Rehabilitation Services	53,039	1,416,768	—	—	1,469,807
60399-01	Total Medical Services	11,528	924,770	—	—	936,298
60499-01	Total Support Services	221,989	4,058,506	—	—	4,280,495
60599-01	Total Crisis Intervention Services	1,411,695	7,699,349	7,070,440	23,307,444	39,488,927
60699-01	Total Inpatient Services	—	508,729	—	—	508,729
60799-01	Total Residential Services	—	447,888	—	—	447,888
60899-01	Total Behavioral Health Day Program	—	236,769	—	—	236,769
60999-01	Total Prevention Services	—	—	—	—	—
61099-01	Total Pharmacy Expense	—	—	—	—	—
61100-01	PPC BH Title XIX	—	—	—	—	—
61105-01	Other Service Expenses Not Rpt'd Above	34,000	211,855	34,000	—	279,855
61205-01	BH FQHC/RHC Services	—	—	—	—	—
	Total Block BH Service Expense	<u>\$ 1,746,278</u>	<u>17,639,837</u>	<u>7,104,440</u>	<u>23,307,444</u>	<u>49,797,998</u>

Account	Description	TXIX/XXI SMI
Physical Health:		
Hospitalization Expenses:		
50105-01	Hospital Inpatient	\$ —
50110-01	Behavioral Health Hospital Inpatient	—
	Total Hospitalization Expense	—
Medical Compensation Expenses:		
50205-01	Primary Care Physician Services	—
50210-01	Behavioral Health Physician Services	—
50215-01	Referral Physician Services	—
50220-01	PH FQHC/RHC Services	—
50225-01	Other Professional Services	—
	Total Medical Compensation Expenses	—
Other Medical Expenses:		
50305-01	Emergency Facility Services	—
50310-01	PH Pharmacy	—
50315-01	Laboratory, Radiology & 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	—
	Total Other Medical Expenses	—
	Total Sub-Capitated PH Expenses	<u>\$ —</u>

See accompanying independent auditors' report.