

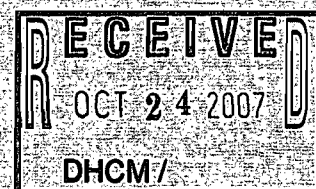
COCHISE HEALTH SYSTEMS

Financial Statements

and

Supplemental Information

June 30, 2007



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Independent Auditors' Report

The Board of Supervisors of
Cochise County, Arizona

We have audited the accompanying financial statements of Cochise Health Systems (the Plan), a proprietary fund of Cochise County, Arizona, as of June 30, 2007, as listed in the table of contents. These financial statements are the responsibility of the Plan's management. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only Cochise Health Systems and do not purport to, and do not, present fairly the financial position of Cochise County, Arizona, as of June 30, 2007, and the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cochise Health Systems as of June 30, 2007, and the changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic financial statements of the Plan taken as a whole. The accompanying supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Festery & Chapman P.C.

October 19, 2007

Cochise Health Systems

STATEMENT OF NET ASSETS
Enterprise Fund

June 30, 2007

ASSETS

Current assets:

Cash and cash equivalents	\$ 11,686,643
Capitation receivable from AHCCCS	39,080
Reinsurance receivable	703,095
Other receivables	1,890
Current portion of prepaid rent	<u>25,000</u>
Total current assets	12,455,708

Noncurrent assets:

Capital assets:

Furniture, equipment and vehicles	157,474
Accumulated depreciation	<u>(110,729)</u>
	46,745

Non-current portion of prepaid rent	<u>25,000</u>
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Total assets	<u>12,527,453</u>
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LIABILITIES AND EQUITY

Current liabilities:

AHCCCS member care liabilities	2,951,023
Capitation and reconciliations payable to AHCCCS	530,469
Accounts payable	215,545
Accrued payroll and related expenses	<u>202,200</u>

Total current liabilities	3,899,237
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Net assets

Invested in capital assets	46,745
Restricted for health care	1,830,000
Unrestricted	<u>6,751,471</u>

Total net assets	<u>\$ 8,628,216</u>
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The accompanying notes are an integral part of this statement.

Cochise Health Systems

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
ENTERPRISE FUND

Year Ended June 30, 2007

Operating revenues:	
Capitation and share of cost reconciliation	\$ 31,256,787
PPC capitation	197,040
Reinsurance	1,857,002
Third party liability recoveries	1,155
Patient contributions	19,448
Other	<u>24,097</u>
Total operating revenues	33,355,529
Operating expenses:	
Acute Care:	
Hospitalization	574,667
Primary care physician	345,870
Outpatient facility	260,005
Referral physician services	412,313
Pharmacy	564,809
Lab and radiology	113,994
Transportation	945,307
Therapies	102,863
Emergency services	184,497
Durable medical equipment	529,237
Outpatient behavioral health	105,048
PPC Acute Care	74,458
Dental	45,974
Other Acute Care Costs	<u>29,632</u>
Total acute care	<u>4,288,674</u>
Institutional care:	
Nursing home ICF and bedholds	6,363,688
SNF Level I	4,365,648
SNF Level II	1,061,742
SNF Level III	1,858,971
Institutional care	585,027
PPC institutional expenses	<u>134,771</u>
Total institutional care	<u>\$ 14,369,847</u>

(Continued)

The accompanying notes are an integral part of this statement.

Cochise Health Systems

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
ENTERPRISE FUND

Year Ended June 30, 2007
(Continued)

Home and community based services:	
Home health nurse	\$ 350,856
Home health aide	7,596
Personal care	101,295
Homemaker	216,457
Home delivered meals	140,017
Respite care	9,489
Attendant care	3,989,023
Assisted living home	801,785
Adult day care	10,534
Adult foster care	93,413
Hospice	9,761
Environmental modifications	71,484
HCBS placement reconciliation	(30,356)
Assisted living center	529,941
PPC HCBS	<u>2,797</u>
Total home and community based services	<u>6,304,092</u>
Case management:	
Case management payroll and payroll related	1,058,512
Case management, other	<u>16,436</u>
Total case management	<u>1,074,948</u>
Other medical expenses:	
Ventilator dependent	<u>151,971</u>
Total other medical expenses	<u>151,971</u>
Total medical expenses	<u>26,189,532</u>

(Continued)

The accompanying notes are an integral part of this statement.

Cochise Health Systems

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
ENTERPRISE FUND

Year Ended June 30, 2007
(Continued)

Administration expenses:	
Administrative payroll and payroll related	\$ 1,519,691
Data processing	68,000
Professional fees	80,993
Occupancy	33,600
Other	1,010,064
Depreciation	<u>10,539</u>
Total administration expenses	<u>2,722,887</u>
Total operating expenses	<u>28,912,419</u>
Operating income	<u>4,443,110</u>
Nonoperating revenues (expenses)	
Interest income	532,804
Premium tax	<u>(695,585)</u>
Total nonoperating revenues (expenses), net	<u>(162,781)</u>
Income before transfers	4,280,329
Transfers to Cochise County	<u>(2,000,000)</u>
Increase in net assets	2,280,329
Total net assets, July 1, 2006	<u>6,347,887</u>
Total net assets, June 30, 2007	<u>\$ 8,628,216</u>

The accompanying notes are an integral part of this statement.

Cochise Health Systems

STATEMENT OF CASH FLOWS
Enterprise Fund

Year Ended June 30, 2007

Cash flows from operating activities:	
Cash received from:	
Contractors, patients, and other payors	\$ 33,660,316
Miscellaneous operations	43,545
Cash payments to:	
Providers for health care services	(25,702,225)
Suppliers for goods and services	(1,163,447)
Employees for services	<u>(1,502,811)</u>
Net cash provided by operating activities	5,335,378
Cash flows from noncapital financing activities:	
Cash transfers to other Cochise County funds	(2,000,000)
Premium tax payments	<u>(695,585)</u>
Net cash used for noncapital financing activities	(2,695,585)
Cash flows from capital financing activities:	
Purchase of land, machinery, plant and equipment	<u>(16,183)</u>
Net cash used for capital financing activities	(16,183)
Cash flows from investing activities:	
Interest received on cash and cash equivalents	<u>532,804</u>
Net cash provided by investing activities	<u>532,804</u>
Net increase in cash and cash equivalents	3,156,414
Cash and cash equivalents at July 1, 2006	<u>8,530,229</u>
Cash and cash equivalents at June 30, 2007	<u>\$ 11,686,643</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 4,443,110
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	10,539
Amortization of prepaid rent	25,000
Changes in assets and liabilities:	
Reinsurance receivable	167,503
Receivable from AHCCCS	180,711
Other receivables	118
AHCCCS member care liabilities	176,423
Capitation and reconciliations payable to AHCCCS	310,884
Accounts payable and accrued administrative expenses	<u>21,090</u>
Total adjustments	<u>892,268</u>
Net cash provided by operating activities	<u>\$ 5,335,378</u>
Supplemental disclosure:	
Interest paid	none

The accompanying notes are an integral part of this statement.

Cochise Health Systems

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE 1 - GENERAL PLAN DESCRIPTION

The financial statements presented are for Cochise Health Systems (the Plan), which is a division of Cochise County Department of Aging and Social Services. No other County operations are included in these financial statements. The Plan is party to an Arizona Long-Term Care System (ALTCS) contract for Cochise County residents that was awarded to Cochise County on November 1, 1993, and the Graham and Greenlee Counties' ALTCS contracts that were awarded to Cochise County on December 13, 1999, and October 1, 2001, respectively. These contracts are administered under the auspices of the Arizona Health Care Cost Containment System (AHCCCS). The Plan provides acute medical care, long-term institutional care, and home and community based services for physically disabled and elderly persons who are AHCCCS members and are at risk of institutionalization.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Fund

A Fund is described as an independent fiscal and accounting entity with a self-balancing set of accounts used to record assets, related liabilities, reserves and equities which are segregated for the purpose of carrying on activities of the reporting entity.

Proprietary (Enterprise) Fund

This fund type is used to account for operations that are financed and operated in a manner similar to private business enterprises, in which the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Basis of Accounting

The financial statements were prepared using the accrual basis of accounting, following accounting principles generally accepted in the United States of America as they apply to enterprise funds of state and local governments, and following the reporting guidelines as established by AHCCCS.

Cochise Health Systems

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTANT POLICIES – CONTINUED

Pronouncements of GASB and FASB

Government Accounting Standards Board (GASB) Statement No. 20 states that Financial Accounting Standards Board (FASB) and its predecessor body pronouncements issued before November 30, 1989, continue to be applicable to Enterprise Funds unless they conflict with or contradict GASB guidance.

Enterprise Funds may take either of the following approaches to FASB guidance issued subsequent to November 30, 1989.

1. An entity may elect to continue to follow FASB guidance that does not conflict with or contradict GASB guidance. If this election is made, it must be followed consistently. It would not be appropriate to follow some FASB pronouncements issued subsequent to the cutoff date, but not others.
2. An entity may elect not to subject itself to FASB guidance issued subsequent to the cutoff date. In that case, even FASB amendments of guidance issued prior to the cutoff date would not be applicable to proprietary operations.

The Plan has elected to subject itself to FASB guidance issued subsequent to November 30, 1989.

Use of Estimates

In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure 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

For purposes of the statement of cash flows, the Plan considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. All of the Plan's monies are under the direct supervision of the Cochise County Treasurer's Office and were fully collateralized or invested in the Arizona State Treasurer's Local Government Investment Pool (LGIP).

Cochise Health Systems

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTANT POLICIES - CONTINUED

Revenue Recognition

a. Capitation Revenue

The Plan receives capitation payments under the AHCCCS contract based on member months equivalents. At the beginning of each month, the Plan receives capitation based on the number of members enrolled for that month. As members are added or removed from enrollment, capitation is adjusted for the remaining portion of the month. At any given time, capitation may be due to or due from AHCCCS. Capitation revenue is recognized in the month that members are entitled to long-term and acute health care services. The Plan is required to provide those services to its members, regardless of the cost of care provided.

b. Reinsurance Revenue

The Plan is entitled to receive reinsurance revenue from AHCCCS for a percentage of costs incurred for in-patient hospital care and certain other medical expenses in excess of a stated deductible per member per contract year.

c. Share of Cost Adjustment

Per the contract with AHCCCS, members with income in excess of standards set by AHCCCS are to pay a portion of their covered expenses. This is known as a Share of Cost (SOC). A portion of the Plan's capitation is based on assumed SOC per member per month. If actual assigned SOC is less than assumed SOC, AHCCCS has agreed to reimburse the Plan. If actual assigned SOC is greater than assumed SOC, the Plan has agreed to reimburse AHCCCS. The SOC adjustment is based on current assigned SOC information from AHCCCS.

Cochise Health Systems

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTANT POLICIES - CONTINUED

Furniture, Equipment and Vehicles

Furniture, equipment and vehicles in excess of \$5,000 are recorded at cost and depreciated using straight-line and accelerated methods over the estimated useful lives of the assets ranging from 3-7 years.

Income Taxes

The Plan is a division of a governmental entity, and as such does not pay income taxes. Therefore, no provision for income taxes has been made in these statements.

Medical Expenses

All medical expenses are reported net of Medicare payments

NOTE 3 - BONDING MECHANISM

On September 20, 1993, the Cochise County Board of Supervisors adopted Resolution 93-99 pledging to provide financial backing as an ALTCS program contractor, in the event of a default by the Plan. On November 22, 1999, the Cochise County Board of Supervisors adopted Resolution 99-80 amending Resolution 93-99 to include the addition of Graham County in the Cochise County ALTCS program service area. Effective October 1, 2001 Resolution 01-61 was adopted by the Board of Supervisors amending the previous resolutions to include Greenlee County.

NOTE 4 - RETIREMENT PLAN

Plan Description

The Plan contributes to the Arizona State Retirement System (ASRS), which administers a cost-sharing multiple-employer defined benefit pension plan that covers general employees of Cochise County. The ASRS is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2. Benefits are established by state statute and generally provide retirement, death, long-term disability, survivor, and health insurance premium benefits.

Cochise Health Systems

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2007

NOTE 4 - RETIREMENT PLAN-CONTINUED

The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. A report may be obtained by writing or calling:

ASRS
 3300 N. Central Avenue
 P.O. Box 33910
 Phoenix, AZ 85067-3910
 (602) 240-2000 or (800) 621-3778

Funding Policy

The Arizona State Legislature establishes and may amend active plan members' and the Plan's contribution rates.

For the ASRS fiscal year ended June 30, 2007, active ASRS members and the Plan were each required by statute to contribute at the actuarially determined rate of 9.1 percent (8.6 percent retirement and 0.5 percent long-term disability) of the members' annual covered payroll. The Plan's contributions to ASRS for the year ended June 30, 2007, were \$172,679, which was equal to the required contributions for the year.

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2007, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Furniture and equipment	\$ 73,167		\$ 29,613	\$ 43,554
Vehicles	97,737	\$ 16,183		113,920
Less accumulated depreciation	<u>(129,803)</u>	<u>(10,539)</u>	<u>(29,613)</u>	<u>(110,729)</u>
Total capital assets, net	<u>\$ 41,101</u>	<u>\$ 5,744</u>	<u>\$ 0</u>	<u>\$ 46,745</u>

Cochise Health Systems

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2007

NOTE 6 – CLAIMS PAYABLE

The Plan utilizes a computerized authorization system to aid in the determination of received but unpaid claims (RBUCs) and to prevent unauthorized services from being rendered. Providers are required to obtain authorization before services are rendered for most services provided. The Plan then uses historical analysis reports from their computer system to generate lag reports. These lag reports are used to estimate incurred but not reported claims (IBNRs). IBNRs are then added to RBUCs to determine claims payable. In addition incentives of up to 2% of claims paid to institutional care providers can be earned and are accrued as claims payable.

Claims payable at June 30, 2007, consisted of the following:

Reported but unpaid claims	\$ 601,634
Institutional care incentives	40,000
Incurred but not reported claims	<u>2,309,389</u>
Total claims payable	<u>\$ 2,951,023</u>

NOTE 7 - RESTRICTED NET ASSETS

Per the contract with AHCCCS, the Plan is required to retain in equity an amount equal to \$2,000 per enrolled member at year-end. Restricted retained earnings totaled \$1,830,000 at June 30, 2007. The balance of any equity may be distributed after the issuance of the audited financial statements, with AHCCCS's permission. During the year ended June 30, 2007, the Plan transferred \$2,000,000 to Cochise County's general fund.

Cochise Health Systems

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2007

NOTE 8 - OTHER ADMINISTRATION

Following is a summary of other administration expenses for the year ended June 30, 2007:

Office supplies	\$ 30,949
Insurance	25,600
Minor equipment	32,422
Telephone	17,121
Travel and training	8,449
Dues and licenses	22,059
County overhead	827,184
Postage	12,196
Printing	14,112
Equipment lease	14,946
Other	<u>5,026</u>
	<u>\$ 1,010,064</u>

NOTE 9 - RELATED PARTY TRANSACTIONS

The Plan occupies Cochise County office space, for which it incurred rent expense of \$25,000 for the year ended June 30, 2007. At June 30, 2007, the Plan had prepaid its rent to the County in the amount of \$50,000. In addition, the Plan incurred administration fees from the County of \$827,184 for the year ended June 30, 2007. At June 30, 2007 the Plan owed the County \$199,196. The Plan's employees are employees of the County and are subject to all rules and regulations of Cochise County.

NOTE 10 - CAPITATION AND RECONCILIATIONS PAYABLE TO AHCCCS

The amounts due AHCCCS at June 30, 2007, are as follows:

HCBS	\$ 72,783
Share of Cost	394,318
PPC	<u>63,368</u>
Total	<u>\$ 530,469</u>

SUPPLEMENTAL INFORMATION

Program Contractor Financial Reporting Systems - Report #1 Statement of Financial Position, Net Assets or Balance Sheet

Program Contractor **Cochise Health Systems**

Quarter Ending 06/30/07

Fiscal Year Ending 06/30/07

Account #	Account Description	Balance
Current Assets:		
105	Cash and Cash Equivalents	11,686,643
110	Short-Term Investments (Report #3)	-
115	Capitation Receivable from AHCCCS	39,080
120	Reinsurance Receivable from AHCCCS:	703,095
125	Investment Income Receivable	-
130	Current Due from Affiliates	-
135	Other Current Receivables (Report #3)	(392,428)
140	Other Current Assets (Report #3)	25,000
Total Current Assets:		\$ 12,061,390
Other Assets:		
145	General Performance Bond (Report #3)	-
150	Restricted Cash and Other Assets	-
155	Long-Term Investments (Report #3)	-
160	Non-Current Due from Affiliates	-
165	Other Non-Current Assets (Report #3)	25,000
Total Other Assets:		\$ 25,000
PROPERTY AND EQUIPMENT:		
170	Land	-
175	Buildings	-
180	Leasehold Improvements	-
185	Furniture & Equipment	43,454
190	Other Property & Equipment (Report #3)	114,020
195	Accumulated Depreciation & Amortization	(110,729)
Net Property & Equipment:		\$ 46,745
Total Assets:		\$ 12,133,135
Current Liabilities:		
205	Accounts Payable	215,545
210	Accrued Administrative Expenses	202,200
215	Capitation Payable	-
220	IBNR Medical Claims Payable (Report #6)	2,404,285
222	RBUCs Medical Claims Payable (Report #5)	506,738
225	Other Current Payables (Report #3)	136,151
230	Current Portion of Long-Term Debt (Report #3)	-
235	Current Due to Affiliates	-
240	Other Current Liabilities (Report #3)	40,000
Total Current Liabilities:		\$ 3,504,919
Other Liabilities:		
245	Non-Current Portion of Long-Term Debt (Report #3)	-
250	Non-Current Due to Affiliates	-
255	Other Non-Current Liabilities (Report #3)	-
Total Other Liabilities:		\$ -
Total Liabilities:		\$ 3,504,919
Equity/Net Assets(Liabilities):		
505	Preferred Stock	-
510	Common Stock	-
515	Treasury Stock	-
520	Unrestricted Net Assets	-
525	Restricted Net Assets	-
527	Additional Paid-in Capital	-
528	Contributed Capital	-
530	Retained Earnings/Net Assets(Liabilities)	8,628,216
Net Property & Equipment:		\$ 8,628,216
Total Liability & Equity:		\$ 12,133,135

Program Contractor Cochise Health Systems

Quarter Ending 06/30/07
Fiscal Year Ending 06/30/07

Account #	Account Description	CURRENT QUARTER		YEAR TO DATE	
		Total Amount	Total PMPM	Total Amount	Total PMPM
Revenues:					
300	Capitation	7,926,169.00	2,900	31,495,279	2,885.59
305	PPC Capitation	27,175.00	10	197,039	18.05
310	Reinsurance	632,912.00	232	1,857,002	170.14
315	PPC - Reconciliation	-	-	-	-
320	Share of Cost (SOC) Reconciliation *	130,536.00	48	(238,495)	(21.85)
325	HCBS Placement Reconciliation *	-	-	20,481	1.88
330	HIV-AIDS /Supplement	-	-	-	-
335	Other AHCCCS Revenue (Report #4)	-	-	3,615	0.33
	Subtotal AHCCCS Revenue	8,716,792	3,189	33,334,921	3,054
350	Investment Income *	238,186.00	87	532,804	48.82
360	Third Party Liability Recoveries	-	-	1,155	0.11
370	Patient Contributions (MSOC)	4,868	2	19,448	1.78
380	Other Non-AHCCCS Income (Report #4)	-	-	-	-
	Subtotal Non-AHCCCS Revenue	243,054	89	553,407	51
	TOTAL REVENUES	8,959,846	3,278	33,888,328	3,105
Institutional Care Expenses:					
400	NF ICF & Bedholds	1,641,249	600	6,398,601	586.24
402	Level I	1,048,116	383	4,365,647	399.98
404	Level II	315,025	115	1,061,742	97.28
406	Level III	452,448	166	1,858,971	170.32
408	Institutional Care	131,696	48	550,114	50.40
410	PPC Institutional	48,350	18	134,772	12.35
412	Other Institutional Care (Report #4)	-	-	-	-
	TOTAL INSTITUTIONAL CARE	3,636,884	1,331	14,369,847	1,317
Home & Community Based Services (HCBS) Expenses:					
414	Home Health Nurse	99,036	36	350,856	32.15
416	Home Health Aide	1,479	1	7,596	0.70
418	Personal Care	26,243	10	101,295	9.28
420	Homemaker	62,022	23	216,457	19.83
422	Home Delivered Meals	35,561	13	140,017	12.83
424	Respite Care	3,507	1	9,489	0.87
426	Attendant Care	1,146,223	419	3,989,023	365.47
428	Assisted Living Home	229,295	84	801,785	73.46
429	Assisted Living Center	111,575	41	529,941	48.55
430	Adult Day Health	3,583	1	10,534	0.97
432	Adult Foster Care	7,355	3	93,413	8.56
434	Group Respite	-	-	-	-
436	Hospice	331	0	9,761	0.89
438	Environmental Modifications	3,625	1	71,484	6.55
443	PPC HCBS	-	-	2,797	0.26
444	Other HCBS Costs (Report #4)	(28,674)	(10)	(30,356)	(2.78)
	TOTAL HCBS	1,701,161	622	6,304,092	578
Acute Care Expenses:					
448	Inpatient Services (Hosp.)	110,411	40	574,667	52.65
450	Primary Care Physician Services	84,187	31	345,869	31.69
452	Referral Physician Services	126,540	46	412,313	37.78
454	Emergency Services	7,449	3	184,496	16.90
456	Out Patient Facility	148,672	54	260,005	23.82
458	Prescription Drug	147,250	54	564,809	51.75
460	Lab/Radiology	23,863	9	113,994	10.44
462	Durable Medical Equipment	131,959	48	529,239	48.49
464	Dental	7,973	3	45,974	4.21
466	Transportation	275,530	101	945,307	86.61
468	Therapies	20,557	8	102,863	9.42
470	Outpatient Behavioral Health	42,463	16	105,048	9.62
471	PPC Acute Care	42,810	16	74,458	6.82
472	Other Acute Care Costs (Report #4)	(13,357)	(5)	29,632	2.71
	TOTAL ACUTE CARE	1,156,307	423	4,288,674	393

Account #	Account Description	Total Amount	Total PMPM	Total Amount	Total PMPM
Other Medical Expenses:					
474	Ventilator Dependent	10,552	4	151,971	13.92
477	PPC - Other	-	-	-	-
479	Other Medical (Report #4)	-	-	-	-
	TOTAL OTHER MEDICAL	10,552	4	151,971	14
480	Case Management	280,079	102	1,074,948	98.49
	TOTAL MEDICAL EXPENSE:	6,784,983	2,482	28,189,532	2,399
Administrative Expenses:*					
484	Compensation	356,781	131	1,519,690	139.23
488	Data Processing	18,000	7	67,999	6.23
490	Management Fees	43,694	16	80,992	7.42
492	Interest Expense	-	-	-	-
493	Occupancy	8,741	3	33,598	3.08
494	Marketing	-	-	-	-
495	Depreciation	3,102	1	10,539	0.97
496	Other Administration (Report #4)	225,956	83	1,010,064	92.54
	TOTAL ADMINISTRATION	656,254	240	2,722,882	249
	TOTAL EXPENSE	7,441,237	2,722	28,912,414	2,648.95
	INCOME FROM OPERATIONS	1,518,609	556	4,975,914	455.89
497	Non-Operating Income (Loss)				
	INCOME(LOSS) BEFORE TAXES	1,518,609	556	4,975,914	455.89
498	Provision for Premium Taxes	171,920	63	695,586	63.73
499	Provision for Income Taxes				
	NET INCOME(LOSS) AFTER TAXES	1,346,689	493	4,280,328	392.16
CHANGES TO EQUITY/NET ASSETS:					
530	Equity/Net Assets at Beginning of Period	9,281,527	10,986	6,347,888	581.59
505	Preferred Stock				
510	Common Stock				
515	Treasury Stock				
520	Unrestricted Net Assets				
525	Restricted Net Assets				
527	Increase(Decrease) in Add'l Paid-in Capital				
528	Increase(Decrease) in Contributed Capital				
530	Increase(Decrease) in R/E Fund Balance				
	A. Net Income (Loss)	1,346,689	493	4,280,328	392.16
	B. Dividends to Stockholders				
	C. Other: specify	(2,000,000)	(732)	(2,000,000)	(183.24)
530	Equity/Net Assets at End of Period:	8,628,216	3,157	8,628,216	790.52

Program Contractor Financial Reporting Systems - Report #3 Investments and Balance Sheet "Other Account" Details

Program Contractor **Cochise Health Systems**

Quarter Ending 06/30/07

Fiscal Year Ending 06/30/07

Investments

Investment Description	Category	Type	Amortized Cost	Market Value	Carrying Value
Account: 110 - Short-Term Investments					
		Bond/Note			
		Stock			-
		Subtotal:	\$ -	\$ -	\$ -
Account: 145 - General Performance Bond					
		Bond/Note			-
		Subtotal:	\$ -	\$ -	\$ -
Account: 155 - Long-Term Investments					
		Bond/Note			
		Stock			
		Mutual Fund			
		Subtotal:	\$ -	\$ -	\$ -
		Total:	\$ -	\$ -	\$ -

Other Assets

Account: #135 - Other Current Receivables		
SOC Reconciliation		(394,318)
Drug Rebate Due		1,890
	Subtotal:	(392,428)
Account: #140 - Other Current Assets		
Current portion Prepaid Rent		25,000
	Subtotal:	25,000
Account: #165 - Other Non - Current Assets		
Prepaid Rent		25,000
	Subtotal:	25,000
Account: #190 - Other Property and Equipment		
	Subtotal:	-
	Total :	(342,428)

Other Liabilities

Account: #225 - Other Current Payables		
PPC Reconciliation		63,368
HCBS Reconciliation		72,783
	Subtotal:	136,151
Account: #240 - Other Current Liabilities		
Other Medical Liabilities - Bonus Pool		40,000
	Subtotal:	40,000
Account: #255 - Other Non - Current Liabilities		
		-
	Subtotal:	-
	Total :	176,151

Long Term Debt

Account: #230 - Current Portion of Long Term Debt		
		-
	Subtotal:	-
Account: #245 - Non-Current Portion of Long Term Debt		
		-
	Subtotal:	-
	Total :	-

Program Contractor Financial Reporting Systems - Report #5 - Medical Claims Payable RBUCs

Program Contractor Cochise Health Systems
Quarter Ending 06/30/07
Fiscal Year Ending 06/30/07

ACCOUNT	1-30 DAYS	31-60 DAYS	61-90 DAYS	OVER 90 DAYS	TOTAL RBUCs
Institutional Care	64,885	-	-	109	64,994
HCBS	239,603	204	-		239,807
Acute Care	198,526	357	-	109	198,992
Other Medical	2,945				2,945
Total Prospective	505,959	561	-	218	506,738
Total Prior Period Coverage	94,896	-	-	-	94,896
TOTAL CLAIMS PAYABLE	600,855	561	-	218	601,634

Program Contractor Cochise Health Systems

Quarter Ending **06/30/07**

Fiscal Year Ending **06/30/07**

A - INSTITUTIONAL PAYMENTS

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
← QUARTER IN WHICH SERVICE PROVIDED →									
LINE	QUARTER OF PAYMENT	CURRENT	1ST PRIOR	2ND PRIOR	3RD PRIOR	4TH PRIOR	5TH PRIOR	6TH PRIOR	TOTAL
1	CURRENT	2,355,375	1,327,087	18,263	-				3,700,725
2	1ST PRIOR		2,209,098	1,283,687	28,552	764	-	-	3,522,101
3	2ND PRIOR			2,203,310	1,090,345	50,172	6,087	-	3,349,914
4	3RD PRIOR				2,294,016	1,111,591	19,660	943	3,426,210
5	4TH PRIOR					2,144,891	1,183,716	6,914	3,335,521
6	5TH PRIOR						2,150,863	1,163,465	3,314,328
7	6TH PRIOR							2,147,897	2,147,897
8	TOTALS	2,355,375	3,536,185	3,505,260	3,412,913	3,307,418	3,360,326	3,319,219	22,796,696
9	EXP. REPORTED	3,588,534	3,736,125	3,528,640	3,396,864	3,164,787	3,275,122	3,463,189	24,153,261
10	ADJUSTMENT	-	-	-	-	-	-	(286,488)	(286,488)
11	REMAINING LIABILITY	1,233,159	199,940	23,380	(16,049)	(142,631)	(85,204)	(142,518)	1,070,077

B - HCBS PAYMENTS

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
← QUARTER IN WHICH SERVICE PROVIDED →									
LINE	QUARTER OF PAYMENT	CURRENT	1ST PRIOR	2ND PRIOR	3RD PRIOR	4TH PRIOR	5TH PRIOR	6TH PRIOR	TOTAL
1	CURRENT	836,499	727,846	37,231	6,162				1,607,738
2	1ST PRIOR		673,662	658,584	58,379	1,394	-	-	1,392,019
3	2ND PRIOR			532,349	438,534	20,135	4,686	-	995,704
4	3RD PRIOR				821,671	640,516	50,917	617	1,513,721
5	4TH PRIOR					806,353	532,815	8,840	1,348,008
6	5TH PRIOR						792,156	583,307	1,375,463
7	6TH PRIOR							735,610	735,610
8	TOTALS	836,499	1,401,508	1,228,164	1,324,746	1,468,398	1,360,574	1,328,374	8,968,263
9	EXP. REPORTED	1,729,835	1,633,904	1,433,516	1,567,231	1,244,314	1,454,369	1,358,773	10,421,942
10	ADJUSTMENT	(241,791)	(125,113)	-	-	(92,906)	-	(192,230)	(652,040)
11	REMAINING LIABILITY	651,545	107,283	205,352	242,485	(316,990)	73,795	(161,831)	801,639

C - ACUTE PAYMENTS

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
← QUARTER IN WHICH SERVICE PROVIDED →									
LINE	QUARTER OF PAYMENT	CURRENT	1ST PRIOR	2ND PRIOR	3RD PRIOR	4TH PRIOR	5TH PRIOR	6TH PRIOR	TOTAL
1	CURRENT	653,266	432,502	109,866	19,299				1,214,933
2	1ST PRIOR		501,073	532,030	139,896	28,037	-	-	1,200,836
3	2ND PRIOR			411,344	510,757	100,032	17,787	-	1,039,920
4	3RD PRIOR				507,583	585,081	136,378	28,509	1,257,551
5	4TH PRIOR					528,801	659,188	85,548	1,273,537
6	5TH PRIOR						722,430	693,544	1,415,974
7	6TH PRIOR							1,051,098	1,051,098
8	TOTALS	653,266	933,575	1,053,240	1,177,335	1,241,951	1,535,783	1,858,699	8,453,849
9	EXP. REPORTED	1,156,306	1,249,869	893,756	930,651	930,651	1,630,243	1,997,235	8,788,711
10	ADJUSTMENT		-	-	606,605	-	-	-	606,605
11	REMAINING LIABILITY	503,040	316,294	(159,484)	359,921	(311,300)	94,460	138,536	941,467

D - OTHER MEDICAL PAYMENTS

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
← QUARTER IN WHICH SERVICE PROVIDED →									
LINE	QUARTER OF PAYMENT	CURRENT	1ST PRIOR	2ND PRIOR	3RD PRIOR	4TH PRIOR	5TH PRIOR	6TH PRIOR	TOTAL
1	CURRENT	8,029	25,327	4,066	540				37,964
2	1ST PRIOR		2,229	29,435	21,605	3,887	-	-	57,156
3	2ND PRIOR			10,646	15,529	7,765	1,353	-	35,293
4	3RD PRIOR				32,167	28,307	3,217	643	64,334
5	4TH PRIOR					24,629	24,105	3,638	52,372
6	5TH PRIOR						23,715	23,211	46,926
7	6TH PRIOR							68,536	68,536
8	TOTALS	8,029	27,556	44,149	69,841	64,588	52,390	96,028	362,581
9	EXP. REPORTED	10,552	26,261	10,846	104,312	85,467	59,133	68,954	365,525
10	ADJUSTMENT		-	-	-	-	-	-	-
11	REMAINING LIABILITY	2,523	(1,295)	(33,303)	34,471	20,879	6,743	(27,074)	2,944

Program Contractor Cochise Health Systems

Quarter Ending 06/30/07

Fiscal Year Ending 06/30/07

Utilization Data Report for Contractor (Cochise)

ITEM DESCRIPTION	MEDICARE		NON-MEDICARE		TOTAL	
	Current Period	YTD	Current Period	YTD	Current Period	Contract YTD
A. Enrollees (At End of Period)	679		91		770	
B. Member Months (Unduplicated)	2,041	8,179	266	1,092	2,308	9,271
Institutional Member Months Total	811	3,262	62	195	873	3,457
1. Level 1	387	1,502	24	59	411	1,561
2. Level 2	276	1,132	10	35	286	1,167
3. Level 3	40	171	14	53	54	224
4. Specialty: Wandering Dementia	70	297	1	4	71	301
5. Specialty: SubAcute Medical	2	9	1	4	3	13
6. Specialty: Behavioral Health	31	140	10	35	41	175
7. Speicality: Respite Care	5	11	2	4	7	16
8. Home and Community Based Services (HCBS) Total	1,220	4,866	201	883	1,421	5,749
a. Adult Foster Care	3	9	-	-	3	9
b. Assisted Living Home	76	412	10	62	87	474
c. Group Home (DD)	6	18	3	9	9	27
d. Individual Home	1,032	4,134	178	781	1,210	4,915
e. Assisted Living Center	95	262	7	24	102	286
f. Other (Specify) Group Home	7	31	3	7	10	38
9. Acute Care	7	29	3	11	10	40
10. Ventilator	3	12	-	3	3	15
11. PPC	13	127	1	10	13	137
12. Other (Specify)	0	10	0	0	0	10
Admissions	120	453	12	62	132	515
Patient Days	726	2,603	113	420	839	3,023
Discharges	126	475	13	68	139	543
Discharge Days	730	2,827	104	643	834	3,470
Average Length of Stay	5.79	5.95	8.00	9.46	6.00	6.39
Emergency Room Visits	163	557	28	113	191	670

Program Contractor Cochise Health Systems

Quarter Ending 06/30/07

Fiscal Year Ending 06/30/07

Utilization Data Report by County (Graham)

	MEDICARE		NON-MEDICARE		TOTAL	
	Current Period	YTD	Current Period	YTD	Current Period	Contract YTD
A. Enrollees (At End of Period)	117		13		130	
B. Member Months (Unduplicated)	350	1,325	36	158	385	1,484
Institutional Member Months Total	185	706	9	45	194	751
1. Level 1	121	441	3	12	124	453
2. Level 2	29	134	3	19	32	153
3. Level 3	6	27	-	-	6	27
4. Specialty: Wandering Dementia	25	84	-	2	25	86
5. Specialty: SubAcute Medical	0	0	0	0	1	1
6. Specialty: Behavioral Health	3	18	3	12	6	30
7. Speicality: Respite Care	1	3	-	-	1	3
8. Home and Community Based Services (HCBS) Total	154	588	26	108	180	697
a. Adult Foster Care	-	-	-	-	-	-
b. Assisted Living Home	12	26	-	-	12	26
c. Group Home (DD)	-	-	-	-	-	-
d. Individual Home	142	562	26	108	168	671
e. Assisted Living Center	-	-	-	-	-	-
f. Other (Specify) Group Home	-	-	-	-	-	-
9. Acute Care	8	18	-	4	8	22
10. Ventilator	3	12	-	-	3	12
11. PPC	4	46	1	1	5	47
12. Other (Specify)	-	1	1	1		2
Admissions	23	61	10	28	33	89
Patient Days	110	252	79	180	189	432
Discharges	24	61	9	25	33	86
Discharge Days	108	257	67	147	175	404
Average Length of Stay	4.50	4.21	7.44	5.88	5.30	4.70
Emergency Room Visits	37	102	7	26	44	128

Program Contractor Cochise Health Systems
Quarter Ending 06/30/07
Fiscal Year Ending 06/30/07
Utilization Data Report by County (Greenlee)

ITEM DESCRIPTION	MEDICARE		NON-MEDICARE		TOTAL	
	Current Period	YTD	Current Period	YTD	Current Period	Contract YTD
A. Enrollees (At End of Period)	13		2		15	
B. Member Months (Unduplicated)	35	133	5	27	40	160
Institutional Member Months Total	13	55	-	8	13	63
1. Level 1	11	52	-	1	11	53
2. Level 2	2	3	-	7	2	10
3. Level 3	-	-	-	-	-	-
4. Specialty: Wandering Dementia	-	-	-	-	-	-
5. Specialty: SubAcute Medical	-	-	-	-	-	-
6. Specialty: Behavioral Health	-	-	-	-	-	-
7. Speicality: Respite Care	-	-	-	-	-	-
8. Home and Community Based Services (HCBS) Total	22	78	5	19	27	97
a. Adult Foster Care	-	-	-	-	-	-
b. Assisted Living Home	1	2	-	-	1	2
c. Group Home (DD)	-	-	-	-	-	-
d. Individual Home	18	66	5	19	23	85
e. Assisted Living Center	-	-	-	-	-	-
f. Other (Specify) Group Home	3	10	-	-	3	10
9. Acute Care	-	-	-	-	-	-
10. Ventilator	-	-	-	-	-	-
11. PPC	1	1	-	-	1	1
12. Other (Specify)	-	-	-	-	-	-
Admissions	1	6	1	1	2	7
Patient Days	10	31	4	4	14	35
Discharges	1	6	1	1	2	7
Discharge Days	10	31	4	4	14	35
Average Length of Stay	-	5.17	-	-	-	5.00
Emergency Room Visits	-	-	-	-	-	-

Program Contractor Cochise Health Systems
Quarter Ending 06/30/07
Fiscal Year Ending 06/30/07
Utilization Data Report by County (Combined)

ITEM DESCRIPTION	MEDICARE		NON-MEDICARE		TOTAL	
	Current Period	YTD	Current Period	YTD	Current Period	Contract YTD
A. Enrollees (At End of Period)	809		106		915	
B. Member Months (Unduplicated)	2,427	9,638	307	1,277	2,733	10,915
Institutional Member Months Total	1,010	4,023	71	248	1,081	4,271
1. Level 1	520	1,994	27	72	547	2,066
2. Level 2	307	1,269	13	61	320	1,330
3. Level 3	46	198	14	53	60	251
4. Specialty: Wandering Dementia	95	381	1	6	95	387
5. Specialty: SubAcute Medical	2	9	1	4	4	14
6. Specialty: Behavioral Health	34	158	13	47	47	205
7. Specialty: Respite Care	6	14	2	4	8	19
8. Home and Community Based Services (HCBS) Total	1,396	5,533	232	1,011	1,628	6,543
a. Adult Foster Care	3	9	-	-	3	9
b. Assisted Living Home	89	440	10	62	100	502
c. Group Home (DD)	6	18	3	9	9	27
d. Individual Home	1,193	4,763	209	908	1,402	5,671
e. Assisted Living Center	95	262	7	24	102	286
f. Other (Specify) Group Home	10	41	3	7	13	48
9. Acute Care	15	47	3	15	18	62
10. Ventilator	6	24	-	3	6	27
11. PPC	18	174	1	11	19	185
12. Other (Specify)	0	11	1	1	0	11
Admissions	144	520	23	91	167	611
Patient Days	846	2,886	196	604	1,042	3,490
Discharges	151	542	23	94	174	636
Discharge Days	848	3,115	175	794	1,023	3,909
Average Length of Stay	5.62	5.75	7.61	8.45	5.88	6.15
Emergency Room Visits	200	659	35	139	235	798

**FQHC Reasonable Cost Reimbursement
Member Months**

HEALTH PLAN:
QUARTER ENDING:

Cochise Health Systems
6/30/2007

6.1.8

FQHC	Categorical			Categorical Linked Expansion		Federal Non-Categorical Linked Expansion AC/MED	Federal Non-Categorical Linked Conversion AC/MED	ALTCS/ DD	Total
	SOBRA/ AFDC	AFDC	SSI	SOBRA/ AFDC	SSI				
Chiricahua Community Health Center								198	198
Copper Queen Medical Associates RHC								90	90
Community Healthcare of Douglas								104	104
Morenci Health Care								16	16
									0
									0
									0
									0
									0
									0
									0
									0
									0
									0
									0
									0
									0
Total Member Months								408	408

Health plans and Program Contractors will be responsible for maintaining a detailed listing, by month of members submitted. Listing should include member's name, AHCCCS ID#, primary care physician, FQHC assigned to, and date code. This list may be subject to AHCCCS review.

**HIV/AIDS Supplemental Payment Report
For Acute Care and Program Contractors**

HEALTH PLAN/ PROGRAM

CONTRACTOR: Cochise Health Systems

6.1.9

QUARTER ENDING: 6/30/2007

MONTH	Categorical			Categorical Linked Expansion			Non-Categorical	Federal Non-Categorical Linked Expansion NON-MED/MED	Federal Non-Categorical Linked Conversion NON-MED/MED	KidsCare	KidsCare	ALTCS/ DD	TOTAL
	SOBRA/	TANF	SSI	SOBRA/	TANF	SSI							
October-06												0	0
November-06												0	0
December-06												0	0
Total												0	0

LISTING OF PLAN OFFICERS AND DIRECTORS

STATEMENT AS OF JUNE 30, 2007 OF COCHISE HEALTH SYSTEMS

<u>Name, Title</u>	<u>Other Relationship to Plan</u>	<u>Type of Compensation (if applicable)</u>
Mary Gomez, Director	None	Salary
Dr. Rhema Sayers, M.D., Medical Director	None	Salary, as used
Richard Searle, Cochise County Board of Supervisors	None	None
Pat Call, Cochise County Board of Supervisors	None	None
Paul Newman, Cochise County Board of Supervisors	None	None

Note: Type of compensation may include, but is not limited to, salary, contract, director's fees, bonuses, etc.