

FINANCIAL STATEMENTS AND  
OTHER FINANCIAL INFORMATION

Southwest Catholic Health Network Corporation  
Years Ended June 30, 2007 and 2006

Southwest Catholic Health Network Corporation

Financial Statements and  
Other Financial Information

Years Ended June 30, 2007 and 2006

**Contents**

Report of Independent Auditors.....	1
Audited Financial Statements	
Statements of Financial Position.....	2
Statements of Activities and Changes in Net Assets .....	3
Statements of Cash Flows.....	4
Notes to Financial Statements.....	5
Other Financial Information	
Report of Independent Auditors on Other Financial Information .....	16
Details of Statement of Financial Position.....	17
Details of Statement of Activities and Changes in Net Assets .....	18

## Report of Independent Auditors

The Board of Directors  
Southwest Catholic Health Network Corporation

We have audited the accompanying statements of financial position of Southwest Catholic Health Network Corporation (SCHN) as of June 30, 2007 and 2006, and the related statements of activities and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of SCHN's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of SCHN's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of SCHN's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southwest Catholic Health Network Corporation as of June 30, 2007 and 2006, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

*Ernst + Young LLP*

November 12, 2007

Southwest Catholic Health Network Corporation

Statements of Financial Position

*(In thousands)*

	June 30	
	2007	2006
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 118,790	\$ 92,298
Short-term investments	45,018	31,913
Reinsurance receivables	45,499	40,160
Reconciliation receivables, net of allowance for doubtful accounts of \$7,130 and \$2,120 as of June 30, 2007 and 2006, respectively	53,739	21,469
Capitation and supplement receivables	5,438	3,948
Interest receivable	931	686
Provider advances, net of allowance for doubtful accounts of \$1,470 and \$2,390 as of June 30, 2007 and 2006, respectively	15,382	16,408
Due from Schaller Anderson of Arizona	-	704
Other current assets	4,801	5,328
Total current assets	289,598	212,914
Long-term investments	121,515	105,345
Pension asset	261	29
Total assets	\$ 411,374	\$ 318,288
<b>Liabilities and net assets</b>		
Current liabilities:		
Medical claims payable	\$ 239,390	\$ 214,819
Deferred revenue	19,099	19,950
Due to Schaller Anderson of Arizona	269	-
Other current liabilities	4,871	5,399
Current portion of risk share settlement	16,477	-
Total current liabilities	280,106	240,168
Risk share settlement, net of current portion	1,390	8,469
Net assets	129,878	69,651
Total liabilities and net assets	\$ 411,374	\$ 318,288

*See accompanying notes.*

Southwest Catholic Health Network Corporation

Statements of Activities and Changes in Net Assets

(In thousands)

	Years Ended June 30	
	2007	2006
Revenue:		
Capitation premiums	\$ 1,405,169	\$ 1,183,880
Delivery/hospital/HIV-AIDS supplement	90,288	84,233
Reinsurance	123,620	64,348
Other, primarily third-party recoveries	3,674	4,158
Total revenue	<u>1,622,751</u>	<u>1,336,619</u>
Health care expenses:		
Hospitalization	448,599	345,344
Medical compensation	225,554	191,356
Ancillary and other medical services	536,358	451,555
Institutional	138,144	111,297
Home and community based services	89,611	82,080
Total health care expenses	<u>1,438,266</u>	<u>1,181,632</u>
General and administrative expenses	119,309	97,960
Premium tax expense	26,081	23,906
Total expenses	<u>1,583,656</u>	<u>1,303,498</u>
Operating income	39,095	33,121
Nonoperating gains (losses):		
Investment income	16,566	10,291
Other	(726)	(494)
Total nonoperating income	<u>15,840</u>	<u>9,797</u>
Excess of revenue over expenses	54,935	42,918
Minimum pension obligation	(67)	562
Equity distributions to sponsor organizations	-	(20,000)
Net change in unrealized gains (losses) on investments	5,359	(723)
Increase in net assets	<u>60,227</u>	<u>22,757</u>
Net assets at beginning of year	69,651	46,894
Net assets at end of year	<u>\$ 129,878</u>	<u>\$ 69,651</u>

See accompanying notes.

Southwest Catholic Health Network Corporation

Statements of Cash Flows

*(In thousands)*

	Years Ended June 30	
	2007	2006
<b>Operating activities</b>		
Increase in net assets	\$ 60,227	\$ 22,757
Equity distributions to sponsor organizations	-	20,000
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Pension asset	(232)	(1,163)
Net unrealized gains (losses) on investments	(5,359)	723
Changes in operating assets and liabilities:		
Reinsurance receivables	(5,339)	10,761
Reconciliation receivables	(32,270)	(9,783)
Capitation and supplement receivables	(1,490)	1,239
Interest receivable	(245)	(194)
Provider advances	1,026	(6,397)
Due to/from Schaller Anderson of Arizona	973	(581)
Other current assets	527	(1,619)
Medical claims payable	24,571	71,038
Deferred revenue	(851)	19,950
Risk share settlement	9,398	8,469
Other current liabilities	(528)	5,205
Net cash provided by operating activities	50,408	140,405
<b>Investing activities</b>		
Purchases of investments	(137,621)	(116,622)
Proceeds from sale of investments	113,705	66,180
Net cash used in investing activities	(23,916)	(50,442)
<b>Financing activities</b>		
Equity distributions to sponsor organizations	-	(20,000)
Net cash used in financing activities	-	(20,000)
Increase in cash and cash equivalents	26,492	69,963
Cash and cash equivalents at beginning of year	92,298	22,335
Cash and cash equivalents at end of year	\$ 118,790	\$ 92,298

*See accompanying notes.*

# Southwest Catholic Health Network Corporation

## Notes to Financial Statements

June 30, 2007

### **1. Description of Business**

Southwest Catholic Health Network Corporation (SCHN, or the Plan) is a nonprofit corporation, exempt from federal and state income taxes, whose sponsor organizations are Catholic Healthcare West Arizona (CHW Arizona) and Carondelet Health Care Corporation of Arizona (Carondelet), collectively the “sponsors.”

SCHN provides medical care under contract with the Arizona Health Care Cost Containment System (AHCCCS), the State of Arizona’s Medicaid system. SCHN is also under contract with the AHCCCS Health Care Group (HCG) to provide medical care to qualified commercial small businesses, and the Arizona Long Term Care System (ALTCS) to provide institutional care, home and community based services and behavioral health services to the long term care members. SCHN also provides medical care to qualified members through a contract with the Arizona Department of Economic Security Division of Developmental Disabilities (DES/DDD).

Effective January 1, 2006 SCHN entered into 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. Virtually all of the members of Medicare Advantage receive their Medicaid benefits through one of SCHN’s AHCCCS contracts.

SCHN has entered into a management agreement with Schaller Anderson of Arizona (SAA). Under the terms of the agreement, SCHN pays a monthly fee to SAA, as defined in the agreement, to cover the employee salary and benefit costs and general and administrative expenses incurred to operate the Plan.

### **2. Significant Accounting Policies**

#### **Cash and Cash Equivalents**

Cash and cash equivalents include short-term money market accounts, and investments with a maturity from date of purchase of three months or less.

## Southwest Catholic Health Network Corporation

### Notes to Financial Statements (continued)

#### 2. Significant Accounting Policies (continued)

##### Investments

SCHN's investment portfolio is managed by professional investment managers within guidelines established by SCHN's Board of Directors which, as a matter of policy, limits the amounts which may be invested in any one issuer or type of investment. Investments in equity securities and preferred securities with readily determinable fair values, and all investments in debt securities and mortgage backed securities are measured at fair value in the statements of financial position. Fair value is based on quoted market prices. SCHN classifies its investments in marketable equity securities as other than trading because they are held for an indefinite period of time and the terms of the investment manager agreements limit the ability of the managers to execute investment transactions.

Investment income (including realized gains and losses on investments, interest and dividends) is included in the excess of revenue over expenses. Unrealized gains and losses on investments are excluded from the excess of revenue over expenses and are reflected as a change in net assets. SCHN has a policy to review and identify investments with declines in value that would be considered to be other-than-temporary. Such other-than-temporary declines, if significant, are accounted for as realized losses.

##### Revenue Recognition

Capitation Premiums: Capitation premiums are recognized in the month that enrollees are entitled to health care services. Certain provisions of the AHCCCS Acute, HCG, and ALTCS contracts include a risk band whereby SCHN and the AHCCCS programs share in the profits and losses of the contract, as defined in the respective contracts (reconciliation revenue). SCHN has recorded an estimate of the reconciliation revenue, within capitation premiums, based on the operational performance of the AHCCCS Acute, HCG and ALTCS lines of business.

Delivery/Hospital/HIV-AIDS Supplement: Delivery supplemental revenue is reimbursement from AHCCCS intended to cover the cost of maternity care. Such premiums are recognized in the month that the delivery occurs.

Hospital supplemental revenue is reimbursement from AHCCCS for certain members who are in an inpatient setting on the date of application for AHCCCS eligibility. This additional one-time reimbursement is intended to help the Plan defray medical costs associated with inpatient stays. Such premiums are recognized in the month that SCHN is informed of the patients' eligibility and services are rendered.

## Southwest Catholic Health Network Corporation

### Notes to Financial Statements (continued)

#### 2. Significant Accounting Policies (continued)

HIV-AIDS supplemental revenue is reimbursement from AHCCCS intended to help defray the costs of HIV/AIDS drugs. Such premiums are recognized in the month that services are rendered.

Reinsurance: Reinsurance revenue is stated at the actual and estimated amounts due to SCHN pursuant to the AHCCCS Acute, DES/DDD, HCG, ALTCS and Medicare Advantage Plan contracts. Below are the reinsurance thresholds by line of business:

<u>Line of Business</u>	<u>Annual Deductible</u>	<u>Coinsurance</u>
AHCCCS Acute – Prospective Only	\$ 20,000	75%
Title XIX Waiver Group – Prospective Only	15,000	75
DES/DDD	20,000	75
DES/DDD Ventilator Dependent	No deductible	100
HCG	125,000	90
ALTCS w/Medicare	20,000	75
ALTCS w/o Medicare	30,000	75
Medicare Advantage	125,000	90

To be eligible for reinsurance billing, qualified healthcare expenses must be incurred during the contract year. Reinsurance revenue is recorded based on actual billed reinsurance claims adjusted for medical cost completion factors and SCHN's historical collection experience. Reinsurance revenue is subject to review by AHCCCS, and as a result, there is at least a reasonable possibility that recorded reinsurance revenue will change by a material amount in the near future.

#### Accounts Receivable Allowances

The provision for bad debts is based upon management's assessment of historical and expected net collections considering historical business and economic conditions. Periodically throughout the year, management assesses the adequacy of the allowance for doubtful accounts based upon historical write-off experience by plan year. The results of this review are used to make any modifications to the provision for bad debts to establish an appropriate allowance for doubtful accounts.

## Southwest Catholic Health Network Corporation

### Notes to Financial Statements (continued)

#### 2. Significant Accounting Policies (continued)

##### Deferred Revenue

Medicare Advantage capitation premiums received in the month prior to enrollee coverage are deferred and recognized in revenue in the succeeding month.

##### Risk Share Settlement

The risk share settlement represents expected payments to be paid to CMS in connection with the pharmacy component of Medicare Advantage. 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 the capitation premiums on the statements of activities and changes in net assets. The pharmacy risk share settlement, recorded at June 30, 2007, is expected to be finalized as follows:

- Calendar year 2006 will be finalized in late 2007, recorded as a current liability
- Calendar year 2007 will be finalized in late 2008, recorded as a long term liability

##### Health Care Expenses

Expenses for hospitalization, medical compensation, ancillary and other medical services, institutional, and home and community based services include management's estimates for incurred but unreported claims for healthcare services rendered by providers during the year. These estimates are based on SCHN experience and are 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 statements of activities and changes in net assets. There is at least a reasonable possibility that the recorded estimates will change by a material amount, in the near future.

## Southwest Catholic Health Network Corporation

### Notes to Financial Statements (continued)

#### 2. Significant Accounting Policies (continued)

##### Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. Excess of revenues over expenses increased by approximately \$10,400,000, for the year ended June 30, 2007 as a result of a change in estimate to the June 30, 2006 reinsurance receivables allowance due to improved collections.. Excess of revenues over expenses increased by approximately \$10,000,000 for the year ended June 30, 2006 as a result of a change in estimate to the June 30, 2005 medical claim payable and reinsurance receivables.

##### Reclassifications

Certain reclassifications have been made to the 2006 financial statements to conform to the 2007 financial statement presentation.

##### Premium Deficiency Reserve

As a result of continuing operating losses sustained, incurred from one component of the AHCCCS contract, for which the annual premium is not sufficient to cover the operating losses, SCHN recorded a premium deficiency reserve of \$5,800,000. Management believes the reserve is adequate to cover future losses through the end of the current contract year ending September 30, 2007. The premium deficiency reserve is recorded within claims liability on the statements of financial position as of June 30, 2007.

#### 3. Other Current Assets

Other current assets consist of the following at June 30:

	<u>2007</u>	<u>2006</u>
	<i>(In Thousands)</i>	
Pharmacy rebates	\$ 2,089	\$ 3,112
Receivables from third party payers	2,057	1,635
Prepaid expenses and other	655	581
	<u>\$ 4,801</u>	<u>\$ 5,328</u>

Southwest Catholic Health Network Corporation

Notes to Financial Statements (continued)

**4. Investments**

The cost and fair value of SCHN's investments by type at June 30 are as follows:

	2007		2006	
	Cost	Fair Value	Cost	Fair Value
	<i>(In Thousands)</i>			
Short-term:				
Mutual funds	\$ 25,766	\$ 25,766	\$ 23,065	\$ 23,066
Corporate bonds	7,808	7,824	6,109	5,892
U.S. Government securities	11,354	11,428	2,962	2,955
	44,928	45,018	32,136	31,913
Long-term:				
Marketable equity securities	47,650	57,193	43,159	47,960
U.S. Government securities	27,715	27,383	28,280	27,761
Corporate bonds	13,176	13,092	15,011	14,738
Mortgage-backed securities	20,888	20,439	13,492	13,078
Preferred securities	3,492	3,408	1,855	1,808
	112,921	121,515	101,797	105,345
	\$ 157,849	\$ 166,533	\$ 133,933	\$ 137,258

Investment income for the years ended June 30 is comprised of the following:

	2007	2006
		<i>(In Thousands)</i>
Revenue (included in nonoperating investment income):		
Interest income	\$ 11,782	\$ 7,265
Realized gains on sales of investments	4,784	3,026
	\$ 16,566	\$ 10,291
Other changes in net assets:		
Net change in unrealized gains (losses) on investments	\$ 5,359	\$ (723)

Southwest Catholic Health Network Corporation

Notes to Financial Statements (continued)

**4. Investments (continued)**

Management continually reviews its investment portfolio and evaluates whether declines in the fair value of securities should be considered other-than-temporary. Factored into this evaluation are the general market conditions, the issuer's financial condition and near-term prospects, conditions in the issuer's industry, the recommendation of advisors, the length of time and extent to which the market value has been less than cost, and SCHN's ability and intent to hold these investments until recovery of fair value. During the years ended June 30, 2007 and 2006, SCHN did not record a realized loss for other-than-temporary declines in the fair value of investments.

The following table summarizes the unrealized losses on investments held at June 30, 2007 (in thousands):

Description of Securities	Less than Twelve Months		Twelve Months or Longer		Total	
	Unrealized		Unrealized		Unrealized	
	Fair Value	Losses	Fair Value	Losses	Fair Value	Losses
U.S. Government securities	\$ 13,265	\$ 192	\$ 7,534	\$ 242	\$ 20,799	\$ 434
Marketable equity securities	10,903	572	1,097	54	12,000	626
Corporate bonds	3,880	48	5,392	156	9,272	204
Mortgage-backed securities	9,027	266	8,869	215	17,896	481
Preferred securities	1,584	53	1,250	39	2,834	92
Total	\$ 38,659	\$ 1,131	\$ 24,142	\$ 706	\$ 62,801	\$ 1,837

The following table summarizes the unrealized losses on investments held at June 30, 2006 (in thousands):

Description of Securities	Less than Twelve Months		Twelve Months or Longer		Total	
	Unrealized		Unrealized		Unrealized	
	Fair Value	Losses	Fair Value	Losses	Fair Value	Losses
U.S. Government securities	\$ 20,098	\$ 229	\$ 3,919	\$ 306	\$ 24,017	\$ 535
Marketable equity securities	11,697	883	2,451	699	14,148	1,582
Corporate bonds	10,931	150	7,945	341	18,876	491
Mortgage-backed securities	6,754	168	6,074	246	12,828	414
Preferred securities	-	-	1,291	61	1,291	61
Total	\$ 49,480	\$ 1,430	\$ 21,680	\$ 1,653	\$ 71,160	\$ 3,083

## Southwest Catholic Health Network Corporation

### Notes to Financial Statements (continued)

#### **4. Investments (continued)**

Long-term investments can be liquidated without significant penalty within twenty-four hours, and are considered short-term for purposes of calculating current ratios under AHCCCS reporting guidelines.

#### **5. Related Party Transactions**

SCHN paid approximately \$95,091,000 in 2007 and \$78,350,000 in 2006 to CHW Arizona and approximately \$31,248,000 in 2007 and \$20,657,000 in 2006 to Carondelet for hospitalization and other medical services provided to its members. These balances include net prospective provider advance payments made to CHW Arizona and Carondelet. In June 2006, SCHN paid out equity distributions of \$10,000,000 each to CHW Arizona and Carondelet. On July 20, 2007, the Finance Committee approved equity distributions of \$19,000,000 each to CHW Arizona and Carondelet which are expected to be paid in September 2007.

#### **6. Leases**

SCHN has an agreement to lease certain office space in Phoenix. During the term of the SAA agreement, SAA is responsible for reimbursing SCHN for the lease payments. The lease agreement contains scheduled rent escalations, and the lease has an option to renew the lease for five years. SCHN will allow the lease to expire in January 2008. Future minimum lease payments through the end of the lease term amount to \$890,000.

Rent expense was approximately \$1,578,000 in 2007 and \$1,681,000 in 2006.

#### **7. Retirement Benefits**

SCHN has a noncontributory defined benefit pension plan (Pension Plan) covering all eligible employees. All employees were covered on the first day of the month coincident with the completion of one year of service. Plan benefits were based on the employee's career compensation.

Southwest Catholic Health Network Corporation

Notes to Financial Statements (continued)

**7. Retirement Benefits (continued)**

Effective May 31, 2002, the defined benefit pension plan was frozen based on salaries earned through April 30, 2002. SCHN will continue to make annual contributions to the defined benefit pension plan in amounts sufficient to meet the minimum funding requirements of the Employment Retirement Income Security Act (ERISA). In July 2006, the Board of Directors of SCHN voted to terminate the Pension Plan. The Pension Plan will be fully funded, and vested amounts distributed, during fiscal year 2008.

On June 30, 2007, SCHN adopted the recognition and disclosure provisions of FAS 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans an amendment of FASB Statements No. 87, 88, 106, and 132(R)* (FAS 158). FAS 158 required SCHN to recognize the funded status (i.e., the difference between the fair value of plan assets and the projected benefit obligation) of its defined pension plan in the June 30, 2007 statement of financial position. The adoption of FAS 158 did not have any affect on the recognition of the funded status of the Pension Plan.

SCHN uses a measurement date of July 1 for the Pension Plan. The amount due Plan participants at termination will likely differ from the projected benefit obligation reflected in the table below. The following table sets forth the pension plan funded status as provided by independent actuaries at July 1:

	2007	2006
	<i>(In Thousands)</i>	
Projected benefit obligation	\$ 3,667	\$ 3,379
Fair value of plan assets	3,928	3,408
Funded status of the plan	\$ 261	\$ 29
 Components of net periodic benefit cost:		
Interest cost	\$ 228	\$ 218
Expected return on plan assets	(326)	(285)
Recognized net actuarial loss	19	17
Total net periodic pension cost	\$ (79)	\$ (50)
 Unrecognized net actuarial loss	 \$ 1,010	 \$ 893
Employer contributions	\$ 300	\$ 600
Benefits paid	\$ 111	\$ 158

## Southwest Catholic Health Network Corporation

### Notes to Financial Statements (continued)

#### 7. Retirement Benefits (continued)

Weighted-average assumptions used to determine net periodic pension cost were as follows as of June 30:

	<u>2007</u>	<u>2006</u>
Discount rate	6.25%	6.50%
Expected return on plan assets	8.00%	8.00%

Due to the planned termination of the Pension Plan in fiscal year 2008, SCHN has liquidated the Plan's assets. Accordingly, all Plan assets are held in cash and cash equivalents at June 30, 2007.

SCHN anticipates making a \$225,000 contribution to the Pension Plan during 2008.

#### 8. Commitments and Contingencies

At June 30, 2007 and 2006, SCHN has irrevocable standby letters of credit to satisfy the AHCCCS Acute, DES/DDD and ALTCS general performance bond requirements. Total amounts available are \$61,650,000 at June 30, 2007. No draws have been made on the letter of credit as of June 30, 2007. The letters of credit are collateralized by investments of SCHN. To meet Medicare requirements, SCHN has entered into a note agreement with CHW Arizona and Carondelet which allows SCHN to draw, upon demand, up to a combined maximum amount of \$10,000,000. There were no draws on the note agreement as of June 30, 2007.

Under the terms of the AHCCCS contract, SCHN is required to meet certain financial covenants. As of June 30, 2007, SCHN is in compliance with the AHCCCS covenants with the exception of the current ratio under the HCG. SCHN obtained a waiver for a current ratio noncompliance from HCG.

SCHN is involved in litigation and regulatory investigations arising in the ordinary course of business. In the opinion of management, after consultation with legal counsel, these matters are expected to be resolved without material adverse effect on SCHN's financial position.

SCHN is involved in grievances associated with its operations. Included in these matters is a grievance filed by various hospitals challenging payments they are receiving from the State of Arizona and health plans under the AHCCCS reimbursement system, which was implemented on March 1, 1993. The hospitals seek retrospective and prospective relief. SCHN has denied liability in this matter on the basis that the rates are imposed by AHCCCS. Management believes that any resulting liability, if any, will not materially affect SCHN's financial position.

## Southwest Catholic Health Network Corporation

### Notes to Financial Statements (continued)

#### **8. Commitments and Contingencies**

Future contract awards are contingent upon the continuation of the AHCCCS Acute, DES/DDD, HCG, and ALTCS programs by the State of Arizona and SCHN's ability and desire to retain its status as a contractor under these programs. The AHCCCS Acute contract expires on September 30, 2007, with one one-year renewal option. The renewal option was exercised on October 1, 2007. The ALTCS contract expires on September 30, 2009, with two one-year renewal options. The DES/DDD contract expires on September 30, 2007 with annual renewal options. The DES/DDD contract was renewed on October 1, 2007 for one year. The HCG contract expires June 30, 2008. The Medicare Advantage contract is renewed annually by CMS.

## Other Financial Information



Report of Independent Auditors  
On Other Financial Information

The Board of Directors  
Southwest Catholic Health Network Corporation

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The following financial information included on pages 17 and 18 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

*Ernst & Young LLP*

November 12, 2007

Southwest Catholic Health Network Corporation

Details of Statement of Financial Position

Year Ended June 30, 2007

	AHCCCS	DES/DDD	HCG	ALTCS	Medicare	Total
	<i>(In thousands)</i>					
<b>Assets</b>						
<b>Current assets:</b>						
Cash and cash equivalents	\$ 23,673	\$ -	\$ -	\$ -	\$ 95,117	\$ 118,790
Short-term investments	23,831	2,379	1,464	14,750	2,594	45,018
Reinsurance receivables	29,691	1,224	-	14,584	-	45,499
Reconciliation receivables	38,389	-	14,086	1,264	-	53,739
Capitation and supplemental receivables	5,340	5	-	93	-	5,438
Interest receivable	517	46	29	288	51	931
Provider advances	9,363	368	119	3,424	2,108	15,382
Intercompany	(31,754)	980	(14,410)	58,796	(13,612)	-
Other current assets	3,810	82	176	89	644	4,801
<b>Total current assets</b>	<b>102,860</b>	<b>5,084</b>	<b>1,464</b>	<b>93,288</b>	<b>86,902</b>	<b>289,598</b>
Long-term investments	64,326	6,423	3,951	39,813	7,002	121,515
Pension asset	261	-	-	-	-	261
<b>Total assets</b>	<b>\$ 167,447</b>	<b>\$ 11,507</b>	<b>\$ 5,415</b>	<b>\$ 133,101</b>	<b>\$ 93,904</b>	<b>\$ 411,374</b>
<b>Liabilities and net assets</b>						
<b>Current liabilities:</b>						
Medical claims payable	\$ 142,767	\$ 3,666	\$ 5,565	\$ 48,556	\$ 38,836	\$ 239,390
Deferred revenue	-	-	-	-	19,099	19,099
Due to Schaller Anderson of Arizona	341	-	-	-	(72)	269
Other current liabilities	1,973	5	-	1,700	1,193	4,871
Current portion risk share settlement	-	-	-	-	16,477	16,477
<b>Total current liabilities</b>	<b>145,081</b>	<b>3,671</b>	<b>5,565</b>	<b>50,256</b>	<b>75,533</b>	<b>280,106</b>
Risk share settlement net of current portion	-	-	-	-	1,390	1,390
<b>Net assets (deficit)</b>	<b>22,366</b>	<b>7,836</b>	<b>(150)</b>	<b>82,845</b>	<b>16,981</b>	<b>129,878</b>
<b>Total liabilities and net assets</b>	<b>\$ 167,447</b>	<b>\$ 11,507</b>	<b>\$ 5,415</b>	<b>\$ 133,101</b>	<b>\$ 93,904</b>	<b>\$ 411,374</b>

## Southwest Catholic Health Network Corporation

### Details of Statement of Activities and Changes in Net Assets

Year Ended June 30, 2007

	AHCCCS	DES/DDD	HCG	ALTCS	Medicare	Total
	<i>(In thousands)</i>					
Revenue:						
Capitation premiums	\$789,914	\$ 26,483	\$ 39,236	\$327,726	\$ 221,810	\$1,405,169
Delivery/Hospital/HIV-AIDS supplement	90,110	14	-	164	-	90,288
Reinsurance	83,177	2,967	316	36,464	696	123,620
Other	3,285	75	106	189	19	3,674
Total revenue	<u>966,486</u>	<u>29,539</u>	<u>39,658</u>	<u>364,543</u>	<u>222,525</u>	<u>1,622,751</u>
Health care expenses:						
Hospitalization	339,597	6,222	14,169	22,168	66,443	448,599
Medical compensation	176,683	2,374	3,076	5,507	37,914	225,554
Ancillary and other medical services	382,943	17,623	19,644	44,605	71,543	536,358
Institutional	-	-	-	124,587	13,557	138,144
Home and community based services	-	-	-	89,611	-	89,611
Total health care expenses	<u>899,223</u>	<u>26,219</u>	<u>36,889</u>	<u>286,478</u>	<u>189,457</u>	<u>1,438,266</u>
General and administrative expenses	69,758	2,118	3,445	22,518	21,470	119,309
Premium tax expense	18,954	-	-	7,127	-	26,081
Total expenses	<u>987,935</u>	<u>28,337</u>	<u>40,334</u>	<u>316,123</u>	<u>210,927</u>	<u>1,583,656</u>
Operating income (loss)	<u>(21,449)</u>	<u>1,202</u>	<u>(676)</u>	<u>48,420</u>	<u>11,598</u>	<u>39,095</u>
Nonoperating income:						
Investment income	9,386	807	496	4,998	879	16,566
Other	(726)	-	-	-	-	(726)
Total nonoperating income	<u>8,660</u>	<u>807</u>	<u>496</u>	<u>4,998</u>	<u>879</u>	<u>15,840</u>
Excess (deficiency) of revenue over expenses	<u>(12,789)</u>	<u>2,009</u>	<u>(180)</u>	<u>53,418</u>	<u>12,477</u>	<u>54,935</u>
Net change in minimum pension obligation	(67)	-	-	-	-	(67)
Net change in unrealized gains on investments	2,648	298	269	1,756	388	5,359
(Decrease) increase in net assets	<u>(10,208)</u>	<u>2,307</u>	<u>89</u>	<u>55,174</u>	<u>12,865</u>	<u>60,227</u>
Net assets (deficit) at beginning of year	32,574	5,529	(239)	27,671	4,116	69,651
Net assets (deficit) at end of year	<u>\$ 22,366</u>	<u>\$ 7,836</u>	<u>\$ (150)</u>	<u>\$ 82,845</u>	<u>\$ 16,981</u>	<u>\$ 129,878</u>

**BALANCE SHEET REPORT:**

**ASSETS**

**LIABILITIES & EQUITY**

Program Contractor Financial Reporting Systems - Report #1 Statement of Financial Position  
 Program Contractor: **Mercy Care Plan**  
 Quarter Ending: **1st, 2nd, 3rd, & 4th Qtrs**  
 Fiscal Year Ending: **June 30, 2007**

Account #	Account Description	09/30/06	12/31/2006	3/31/2007	6/30/2007	FYE 2007
105	Cash and Cash Equivalents	(995,974)	-	(586)	(586)	(586)
110	Short-Term Investments (Report #3)	8,464,186	8,642,467	10,136,822	14,749,825	14,749,825
115	Capitation Receivable from AHCCS	1,001,538	774,278	953,370	93,241	93,241
120	Reinsurance Receivable from AHCCS:	7,720,616	5,525,523	8,872,678	14,583,931	14,583,931
125	Investment Income Receivable	256,117	(12,768)	239,330	287,689	287,689
130	Current Due from Affiliates	33,456,932	41,317,894	52,934,817	58,795,700	58,795,700
135	Other Current Receivables (Report #3)			175,693	89,855	89,855
140	Other Current Assets (Report #3)	(2,095,033)	2,517,302	2,800,145	4,688,292	4,688,292
Total Current Assets:		\$ 47,808,382	\$ 58,764,696	\$ 76,112,269	\$ 93,287,946	\$ 93,287,946
Other Assets:						
145	General Performance Bond (Report #3)	-	-	-	-	-
150	Restricted Cash and Other Assets	-	-	-	-	-
155	Long-Term Investments (Report #3)	40,095,825	41,133,861	39,394,314	39,813,480	39,813,480
160	Non-Current Due from Affiliates	-	-	-	-	-
165	Other Non-Current Assets (Report #3)	-	-	-	-	-
Total Other Assets:		\$ 40,095,825	\$ 41,133,861	\$ 39,394,314	\$ 39,813,480	\$ 39,813,480
PROPERTY AND EQUIPMENT:						
170	Land	-	-	-	-	-
175	Buildings	-	-	-	-	-
180	Leasehold Improvements	-	-	-	-	-
185	Furniture & Equipment	-	-	-	-	-
190	Other Property & Equipment (Report #3)	-	-	-	-	-
195	Accumulated Depreciation & Amortization	-	-	-	-	-
Net Property & Equipment:		\$ -	\$ -	\$ -	\$ -	\$ -
Total Assets:		\$ 87,904,207	\$ 99,898,557	\$ 115,506,584	\$ 133,101,426	\$ 133,101,426

Program Contractor Financial Reporting Systems - Report #1 Statement of Financial Position

Program Contractor:	<b>Mercy Care Plan</b>
Quarter Ending:	<b>1st , 2nd, 3rd, &amp; 4th Qtrs</b>
Fiscal Year Ending:	<b>June 30, 2007</b>

6.1.1

<b>Current Liabilities:</b>						
205	Accounts Payable	-	-	-	-	-
210	Accrued Administrative Expenses	-	-	-	-	-
215	Capitation Payable	-	-	-	39,935	39,935
220	IBNR Medical Claims Payable (Report #6)	51,391,293	49,138,571	47,492,276	43,850,559	43,850,559
222	RBUCs Medical Claims Payable (Report #5)	-	-	4,785,593	4,705,984	4,705,984
225	Other Current Payables (Report #3)	-	-	-	-	-
230	Current Portion of Long-Term Debt (Report #3)	-	-	-	-	-
235	Current Due to Affiliates	122,066	2,000,976	-	-	-
240	Other Current Liabilities (Report #3)	-	-	412,472	1,660,054	1,660,054
<b>Total Current Liabilities:</b>		<b>\$ 51,513,359</b>	<b>\$ 51,139,547</b>	<b>\$ 52,690,341</b>	<b>\$ 50,256,532</b>	<b>\$ 50,256,532</b>
<b>Other Liabilities:</b>						
245	Non-Current Portion of Long-Term Debt (Report #3)	-	-	-	-	-
250	Non-Current Due to Affiliates	-	-	-	-	-
255	Other Non-Current Liabilities (Report #3)	-	-	-	-	-
<b>Total Other Liabilities:</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Liabilities:</b>		<b>\$ 51,513,359</b>	<b>\$ 51,139,547</b>	<b>\$ 52,690,341</b>	<b>\$ 50,256,532</b>	<b>\$ 50,256,532</b>
<b>Equity/Net Assets(Liabilities):</b>						
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)	36,390,848	48,759,010	62,816,243	82,844,894	82,844,894
<b>Net Property &amp; Equipment:</b>		<b>36,390,848</b>	<b>48,759,010</b>	<b>\$ 62,816,243</b>	<b>\$ 82,844,894</b>	<b>\$ 82,844,894</b>
<b>Total Liability &amp; Equity:</b>		<b>87,904,207</b>	<b>99,898,557</b>	<b>\$ 115,506,584</b>	<b>\$ 133,101,426</b>	<b>\$ 133,101,426</b>

## REVENUE AND EXPENSE STATEMENT

Program Contractor **Mercy Care Plan**

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

Account #	Account Description	CURRENT QUARTER						YEAR TO DATE					
		Dual Members Amount	Dual Members PMPM	Non-Dual Members Amount	Non-Dual Members PMPM	Total Amount	Total PMPM	Dual Members Amount	Dual Members PMPM	Non-Dual Members Amount	Non-Dual Members PMPM	Total Amount	Total PMPM
<b>Revenues:</b>													
300	Capitation	54,678,900	2,746.73	25,257,648	5,072.12	79,936,548	3,212.03	239,836,812	2,951.33	82,598,365	4,078.93	322,435,177	3,098.88
305	PPC Capitation	523,163	961.75	73,849	961.75	597,012	961.75	2,186,200	972.51	274,719	957.21	2,460,919	970.78
310	Reinsurance	8,973,350	450.77	4,583,213	920.38	13,556,563	544.73	25,851,119	318.11	11,779,590	581.71	37,630,709	361.66
315	PPC - Reconciliation	4,337	7.97	(4,460)	(58.08)	(123)	(0.20)	1,017,601	452.67	142,635	496.99	1,160,236	457.69
320	Share of Cost (SOC) Reconciliation *	(368,515)	(18.51)	1,583,835	318.06	1,215,320	48.83	1,015,864	12.50	3,518,915	173.77	4,534,779	43.58
325	HCBS Placement Reconciliation *	164,080	8.24	(148,579)	(29.84)	15,501	0.62	(134,446)	(1.65)	(364,940)	(18.02)	(499,386)	(4.80)
330	HIV-AIDS /Supplement	48,444	2.43	12,313	2.47	60,757	2.44	130,720	1.61	33,132	1.64	163,852	1.57
335	Other AHCCCS Revenue (Report #4)	(250,164)	(12.57)	(58,449)	(11.74)	(308,613)	(12.40)	(2,011,375)	(24.75)	(498,979)	(24.64)	(2,510,354)	(24.13)
	Subtotal AHCCCS Revenue	63,773,594	3,118.38	31,299,370	6,189.94	95,072,965	3,727.28	267,892,495	3,207.83	97,483,437	4,746.72	365,375,932	3,511.58
350	Investment Income *	-	-	-	-	-	-	-	-	-	-	-	-
360	Third Party Liability Recoveries	(3,887)	(0.20)	(1,023)	(0.21)	(4,910)	(0.20)	151,645	1.87	37,467	1.85	189,112	1.82
370	Patient Contributions (MSOC)	33,316	1.67	-	-	33,316	1.34	107,463	1.32	37,003	1.83	144,466	1.39
380	Other Non-AHCCCS Income (Report #4)	-	-	-	-	-	-	-	-	-	-	-	-
	Subtotal Non-AHCCCS Revenue	29,430	1.48	(1,023)	(0.21)	28,406	1.14	259,108	3.19	74,469	3.68	333,578	3.21
	<b>TOTAL REVENUES</b>	<b>63,803,024</b>	<b>3,119.82</b>	<b>31,298,347</b>	<b>6,189.74</b>	<b>95,101,371</b>	<b>3,728.39</b>	<b>268,151,603</b>	<b>3,210.93</b>	<b>97,557,907</b>	<b>4,750.35</b>	<b>365,709,510</b>	<b>3,514.78</b>
<b>Institutional Care Expenses:</b>													
400	NF ICF & Bedholds	46,268	2.32	11,440	2.30	57,708	2.32	235,294	2.90	70,234	3.47	305,528	2.94
402	Level I	9,326,238	468.49	1,212,427	243.47	10,538,665	423.47	40,818,647	502.30	5,266,048	260.05	46,084,695	442.91
404	Level II	7,002,176	351.75	793,874	159.42	7,796,050	313.26	29,835,099	367.14	3,523,348	173.99	33,358,447	320.60
406	Level III	5,747,994	288.74	2,347,212	471.36	8,095,205	325.28	23,262,584	286.26	9,716,397	479.82	32,978,981	316.96
408	Institutional Care	1,242,758	62.43	533,233	107.08	1,775,991	71.36	4,777,267	58.79	2,142,736	105.81	6,920,003	66.51
410	PPC Institutional	46,243	85.01	-	-	46,243	74.50	135,376	60.22	158,867	553.54	294,243	116.07
412	Other Institutional Care (Report #4)	294,815	14.81	111,591	22.41	406,406	16.33	2,000,500	24.62	558,977	27.60	2,559,477	24.60
	<b>TOTAL INSTITUTIONAL CARE</b>	<b>23,706,492</b>	<b>1,159.19</b>	<b>5,009,777</b>	<b>990.76</b>	<b>28,716,269</b>	<b>1,125.80</b>	<b>101,064,767</b>	<b>1,210.18</b>	<b>21,436,607</b>	<b>1,043.80</b>	<b>122,501,374</b>	<b>1,177.34</b>
<b>Home &amp; Community Bases Services (HCBS) Expenses:</b>													
414	Home Health Nurse	198,602	9.98	462,091	92.79	660,693	26.55	1,041,370	12.81	1,604,832	79.25	2,646,202	25.43
416	Home Health Aide	2,567	0.13	14,050	2.82	16,617	0.67	20,894	0.26	51,270	2.53	72,164	0.69
418	Personal Care	144,300	7.25	43,667	8.77	187,967	7.55	643,663	7.92	204,485	10.10	848,147	8.15
420	Homemaker	290,067	14.57	70,478	14.15	360,545	14.49	1,180,669	14.53	285,472	14.10	1,466,141	14.09
422	Home Delivered Meals	411,926	20.69	102,500	20.58	514,426	20.67	1,551,748	19.10	383,308	18.93	1,935,056	18.60
424	Respite Care	200,340	10.06	96,314	19.34	296,654	11.92	772,995	9.51	422,041	20.84	1,195,036	11.49
426	Attendant Care	10,209,719	512.87	3,147,000	631.97	13,356,720	536.70	40,918,484	503.53	12,296,399	607.23	53,214,883	511.44
428	Assisted Living Home	647,523	32.53	144,324	28.98	791,847	31.82	2,617,566	32.21	651,465	32.17	3,269,031	31.42
429	Assisted Living Center	3,113,214	156.39	413,480	83.03	3,526,694	141.71	11,382,246	140.07	1,477,733	72.97	12,859,979	123.60
430	Adult Day Health	322,871	16.22	25,302	5.08	348,173	13.99	1,550,828	19.08	203,832	10.07	1,754,660	16.86
432	Adult Foster Care	485,678	24.40	210,010	42.17	695,688	27.95	1,711,769	21.06	593,349	29.30	2,305,118	22.15
434	Group Respite	-	-	-	-	-	-	-	-	-	-	-	-
436	Hospice	32,302	1.62	51,356	10.31	83,658	3.36	76,023	0.94	209,271	10.33	285,294	2.74
438	Environmental Modifications	73,983	3.72	49,671	9.97	123,654	4.97	234,784	2.89	154,000	7.60	388,784	3.74
443	PPC HCBS	-	-	-	-	-	-	-	-	-	-	-	-
444	Other HCBS Costs (Report #4)	890,368	44.73	886,857	178.09	1,777,226	71.41	2,204,475	27.13	2,611,341	128.96	4,815,816	46.28
	<b>TOTAL HCBS</b>	<b>17,023,460</b>	<b>832.41</b>	<b>5,717,101</b>	<b>1,130.65</b>	<b>22,740,561</b>	<b>891.53</b>	<b>65,907,512</b>	<b>789.20</b>	<b>21,148,798</b>	<b>1,044.39</b>	<b>87,056,310</b>	<b>836.69</b>
<b>Acute Care Expenses:</b>													
448	Inpatient Services (Hosp.)	792,130	39.79	2,759,328	554.11	3,551,458	142.71	4,585,506	56.43	17,473,308	862.88	22,058,814	212.00
450	Primary Care Physician Services	305,058	15.32	329,698	66.21	634,756	25.51	723,031	8.90	851,045	42.03	1,574,076	15.13
452	Referral Physician Services	495,039	24.87	655,178	131.57	1,150,217	46.22	2,138,633	26.32	3,367,912	166.32	5,506,545	52.92
454	Emergency Services	305,337	15.34	344,741	69.23	650,078	26.12	1,020,690	12.56	1,229,401	60.71	2,250,091	21.63
456	Out Patient Facility	737,020	37.02	871,258	174.96	1,608,278	64.62	2,835,248	34.89	3,211,660	158.60	6,046,908	58.12
458	Prescription Drug	441,009	22.15	1,338,147	268.72	1,779,156	71.49	4,017,348	49.44	3,004,137	148.35	7,021,485	67.48
460	Lab/Radiology	8,786	0.44	18,732	3.76	27,518	1.11	399,489	4.92	501,293	24.76	900,782	8.66
462	Durable Medical Equipment	26,471	1.33	71,854	14.43	98,325	3.95	322,907	3.97	929,242	45.89	1,252,149	12.03
464	Dental	277	0.01	1,439	0.29	1,716	0.07	136,764	1.68	16,592	0.82	153,356	1.47
466	Transportation	1,321,278	66.37	987,007	198.21	2,308,285	92.75	5,272,158	64.88	2,766,304	136.61	8,038,462	77.26
468	Therapies	138,892	6.98	308,361	61.92	447,253	17.97	2,988,062	36.77	4,017,922	198.42	7,005,984	67.33
470	Outpatient Behavioral Health	-	-	-	-	-	-	-	-	-	-	-	-
471	PPC Acute Care	410,926	755.42	188,684	2,457.27	599,610	965.94	1,371,461	610.08	1,319,917	4,599.01	2,691,378	1,061.69
472	Other Acute Care Costs (Report #4)	1,061,258	53.31	749,012	150.41	1,810,270	72.74	3,068,703	37.76	2,525,156	124.70	5,593,859	53.76
	<b>TOTAL ACUTE CARE</b>	<b>6,043,481</b>	<b>295.51</b>	<b>8,623,440</b>	<b>1,705.42</b>	<b>14,666,920</b>	<b>575.01</b>	<b>28,880,000</b>	<b>345.82</b>	<b>41,213,889</b>	<b>2,035.25</b>	<b>70,093,889</b>	<b>673.66</b>



**PROFITABILITY BY RISK GROUP**

Program Contractor Marcy Care Plan  
 Quarter Ending 06/30/07  
 Fiscal Year Ending 06/30/07

Account #	Account Description	CURRENT QUARTER					YEAR TO DATE						
		Dual Members Amount	Dual Members PMPM	Non-Dual Members Amount	Non-Dual Members PMPM	Total Amount	Total PMPM	Dual Members Amount	Dual Members PMPM	Non-Dual Members Amount	Non-Dual Members PMPM	Total Amount	Total PMPM
<b>Revenues:</b>													
300	Capitation	54,678,900	2,746.73	25,257,648	5,072.12	79,936,548	3,212.03	239,836,812	2,951.33	82,598,365	4,078.93	322,435,177	3,098.88
305	PPC Capitation	523,163	961.75	73,849	961.75	597,012	961.75	2,186,200	972.51	274,719	957.21	2,460,919	970.78
310	Reinsurance	8,973,350	450.77	4,583,213	920.38	13,556,563	544.73	25,851,119	318.11	11,779,590	581.71	37,630,709	361.66
315	PPC - Reconciliation	4,337	7.97	(4,460)	(58.08)	(123)	(0.20)	1,017,601	452.67	142,635	496.99	1,160,236	457.69
320	Share of Cost (SOC) Reconciliation *	(368,515)	(18.51)	1,583,835	318.06	1,215,320	48.83	1,015,864	12.50	3,518,915	173.77	4,534,779	43.58
325	HCBS Placement Reconciliation *	164,080	8.24	(148,579)	(29.84)	15,501	0.62	(134,446)	(1.65)	(364,940)	(18.02)	(499,386)	(4.80)
330	HIV-AIDS /Supplement	48,444	2.43	12,313	2.47	60,757	2.44	130,720	1.61	33,132	1.64	163,852	1.57
335	Other AHCCCS Revenue (Report #4)	(250,164)	(12.57)	(58,449)	(11.74)	(308,613)	(12.40)	(2,011,375)	(24.75)	(498,979)	(24.64)	(2,510,354)	(24.13)
	Subtotal AHCCCS Revenue	63,773,594	3,118.38	31,299,370	6,189.94	95,072,965	3,727.28	267,892,495	3,207.83	97,483,437	4,746.72	365,375,932	3,511.58
350	Investment Income *	-	-	-	-	-	-	-	-	-	-	-	-
360	Third Party Liability Recoveries	(3,887)	(0.20)	(1,023)	(0.21)	(4,910)	(0.20)	151,645	1.87	37,467	1.85	189,112	1.82
370	Patient Contributions (MSOC)	33,316	1.67	-	-	33,316	1.34	107,463	1.32	37,003	1.83	144,466	1.39
380	Other Non-AHCCCS Income (Report #4)	-	-	-	-	-	-	-	-	-	-	-	-
	Subtotal Non-AHCCCS Revenue	29,430	1.48	(1,023)	(0.21)	28,406	1.14	259,108	3.19	74,469	3.68	333,578	3.21
	<b>TOTAL REVENUES</b>	<b>63,803,024</b>	<b>3,119.82</b>	<b>31,298,347</b>	<b>6,189.74</b>	<b>95,101,371</b>	<b>3,728.39</b>	<b>268,151,603</b>	<b>3,210.93</b>	<b>97,557,907</b>	<b>4,750.35</b>	<b>365,709,510</b>	<b>3,514.78</b>
<b>Institutional Care Expenses:</b>													
400	NF ICF & Bedholds	46,268	2.32	11,440	2.30	57,708	2.32	235,294	2.90	70,234	3.47	305,528	2.94
402	Level I	9,326,238	468.49	1,212,427	243.47	10,538,665	423.47	40,818,647	502.30	5,266,048	260.05	46,084,695	442.91
404	Level II	7,002,176	351.75	793,874	159.42	7,796,050	313.26	29,835,099	367.14	3,523,348	173.99	33,358,447	320.60
406	Level III	5,747,994	288.74	2,347,212	471.36	8,095,205	325.28	23,262,584	286.26	9,716,397	479.82	32,978,981	316.96
408	Institutional Care	1,242,758	62.43	533,233	107.08	1,775,991	71.36	4,777,267	58.79	2,142,736	105.81	6,920,003	66.51
410	PPC Institutional	46,243	85.01	-	-	46,243	74.50	135,376	60.22	158,867	553.54	294,243	116.07
412	Other Institutional Care (Report #4)	294,815	14.81	111,591	22.41	406,406	16.33	2,000,500	24.62	558,977	27.60	2,559,477	24.60
	<b>TOTAL INSTITUTIONAL CARE</b>	<b>23,706,492</b>	<b>1,159.19</b>	<b>5,009,777</b>	<b>990.76</b>	<b>28,716,269</b>	<b>1,125.80</b>	<b>101,064,767</b>	<b>1,210.18</b>	<b>21,436,607</b>	<b>1,043.80</b>	<b>122,501,374</b>	<b>1,177.34</b>
<b>Home &amp; Community Bases Services (HCBS) Expenses:</b>													
414	Home Health Nurse	198,602	9.98	462,091	92.79	660,693	26.55	1,041,370	12.81	1,604,832	79.25	2,646,202	25.43
416	Home Health Aide	2,567	0.13	14,050	2.82	16,617	0.67	20,894	0.26	51,270	2.53	72,164	0.69
418	Personal Care	144,300	7.25	43,667	8.77	187,967	7.55	643,663	7.92	204,485	10.10	848,147	8.15
420	Homemaker	290,067	14.57	70,478	14.15	360,545	14.49	1,180,669	14.53	285,472	14.10	1,466,141	14.09
422	Home Delivered Meals	411,926	20.69	102,500	20.58	514,426	20.67	1,551,748	19.10	383,308	18.93	1,935,056	18.60
424	Respite Care	200,340	10.06	96,314	19.34	296,654	11.92	772,995	9.51	422,041	20.84	1,195,036	11.49
426	Attendant Care	10,209,719	512.87	3,147,000	631.97	13,356,720	536.70	40,918,484	503.53	12,296,399	607.23	53,214,883	511.44
428	Assisted Living Home	647,523	32.53	144,324	28.98	791,847	31.82	2,617,566	32.21	651,465	32.17	3,269,031	31.42
429	Assisted Living Center	3,113,214	156.39	413,480	83.03	3,526,694	141.71	11,382,246	140.07	1,477,733	72.97	12,859,979	123.60
430	Adult Day Health	322,871	16.22	25,302	5.08	348,173	13.99	1,550,828	19.08	203,832	10.07	1,754,660	16.86
432	Adult Foster Care	485,678	24.40	210,010	42.17	695,688	27.95	1,711,769	21.06	593,349	29.30	2,305,118	22.15
434	Group Respite	-	-	-	-	-	-	-	-	-	-	-	-
436	Hospice	32,302	1.62	51,356	10.31	83,658	3.36	76,023	0.94	209,271	10.33	285,294	2.74
438	Environmental Modifications	73,983	3.72	49,671	9.97	123,654	4.97	234,784	2.89	154,000	7.60	388,784	3.74
443	PPC HCBS	-	-	-	-	-	-	-	-	-	-	-	-
444	Other HCBS Costs (Report #4)	890,368	44.73	886,857	178.09	1,777,226	71.41	2,204,475	27.13	2,611,341	128.96	4,815,816	46.28
	<b>TOTAL HCBS</b>	<b>17,023,460</b>	<b>832.41</b>	<b>5,717,101</b>	<b>1,130.65</b>	<b>22,740,561</b>	<b>891.53</b>	<b>65,907,512</b>	<b>789.20</b>	<b>21,148,798</b>	<b>1,044.39</b>	<b>87,056,310</b>	<b>836.69</b>
<b>Acute Care Expenses:</b>													
448	Inpatient Services (Hosp.)	792,130	39.79	2,759,328	554.11	3,551,458	142.71	4,585,906	56.43	17,473,308	862.88	22,058,814	212.00
450	Primary Care Physician Services	305,058	15.32	329,898	66.21	634,756	25.51	723,031	8.90	851,045	42.03	1,574,076	15.13
452	Referral Physician Services	495,039	24.87	655,178	131.57	1,150,217	46.22	2,138,633	26.32	3,367,912	166.32	5,506,545	52.92
454	Emergency Services	305,337	15.34	344,741	69.23	650,078	26.12	1,020,690	12.56	1,229,401	60.71	2,250,091	21.63
456	Out Patient Facility	737,020	37.02	871,258	174.96	1,608,278	64.62	2,835,248	34.89	3,211,660	158.60	6,046,908	58.12
458	Prescription Drug	441,009	22.15	1,338,147	268.72	1,779,156	71.49	4,017,348	49.44	3,004,137	148.35	7,021,485	67.48
460	Lab/Radiology	8,786	0.44	18,732	3.76	27,518	1.11	399,489	4.92	501,293	24.76	900,782	8.66
462	Durable Medical Equipment	26,471	1.33	71,854	14.43	98,325	3.95	322,907	3.97	929,242	45.89	1,252,149	12.03
464	Dental	277	0.01	1,439	0.29	1,716	0.07	136,764	1.68	16,592	0.82	153,356	1.47
466	Transportation	1,321,278	66.37	987,007	198.21	2,308,285	92.75	5,272,158	64.88	2,766,304	136.61	8,038,462	77.26
468	Therapies	138,892	6.98	308,361	61.92	447,253	17.97	2,988,062	36.77	4,017,922	198.42	7,005,984	67.33
470	Outpatient Behavioral Health	-	-	-	-	-	-	-	-	-	-	-	-
471	PPC Acute Care	410,926	755.42	188,684	2,457.27	599,610	965.94	1,371,461	610.08	1,319,917	4,599.01	2,691,378	1,061.69
472	Other Acute Care Costs (Report #4)	1,061,258	53.31	749,012	150.41	1,810,270	72.74	3,068,703	37.76	2,525,156	124.70	5,593,859	53.76
	<b>TOTAL ACUTE CARE</b>	<b>6,043,481</b>	<b>295.51</b>	<b>8,623,440</b>	<b>1,705.42</b>	<b>14,666,920</b>	<b>575.01</b>	<b>28,880,000</b>	<b>345.82</b>	<b>41,213,889</b>	<b>2,035.25</b>	<b>70,093,889</b>	<b>673.66</b>

Account #	Account Description	Dual Members Amount	Dual Members PMPM	Non-Dual Members Amount	Non-Dual Members PMPM	Total Amount	Total PMPM	Dual Members Amount	Dual Members PMPM	Non-Dual Members Amount	Non-Dual Members PMPM	Total Amount	Total PMPM
Other Medical Expenses:													
474	Ventilator Dependent	536,294	26.22	1,831,743	362.26	2,368,038	92.84	2,835,454	33.95	5,157,310	251.12	7,992,764	76.82
477	PPC - Other	-	-	-	-	-	-	-	-	-	-	-	-
479	Other Medical (Report #4)	536,294	26.22	1,831,743	362.26	2,368,038	92.84	2,835,454	33.95	5,157,310	251.12	7,992,764	76.82
	TOTAL OTHER MEDICAL												
480	Case Management	1,587,379	77.62	392,481	77.62	1,979,860	77.62	5,799,820	69.45	1,427,065	69.49	7,226,886	69.46
	TOTAL MEDICAL EXPENSE:	48,897,105	2,390.96	21,574,542	4,266.70	70,471,647	2,762.80	204,487,553	2,448.60	90,383,669	4,463.39	294,871,222	2,833.96
Administrative Expenses:*													
484	Compensation	-	-	-	-	-	-	-	-	-	-	-	-
488	Data Processing	-	-	-	-	-	-	-	-	-	-	-	-
490	Management Fees	-	-	-	-	-	-	-	-	-	-	-	-
492	Interest Expense	-	-	-	-	-	-	-	-	-	-	-	-
493	Occupancy	-	-	-	-	-	-	-	-	-	-	-	-
494	Marketing	-	-	-	-	-	-	-	-	-	-	-	-
495	Depreciation	-	-	-	-	-	-	-	-	-	-	-	-
496	Other Administration (Report #4)	3,615,083	176.77	893,832	176.77	4,508,916	176.77	12,272,304	146.95	3,018,623	146.98	15,290,927	146.96
	TOTAL ADMINISTRATION	3,615,083	176.77	893,832	176.77	4,508,916	176.77	12,272,304	146.95	3,018,623	149.07	15,290,927	146.96
	TOTAL EXPENSE	52,512,189	2,567.73	22,468,374	4,443.47	74,980,563	2,939.57	216,759,858	2,595.55	93,402,292	4,548.00	310,162,150	2,980.92
	INCOME FROM OPERATIONS	11,290,835	552.10	8,829,973	1,746.27	20,120,808	788.82	51,391,745	615.38	4,155,615	202.35	55,547,360	533.86
497	Non-Operating Income (Loss)	794,587	38.85	196,462	38.85	991,049	38.85	4,011,366	48.03	987,156	48.07	4,998,522	48.04
	INCOME(LOSS) BEFORE TAXES	12,085,422	590.95	9,026,435	1,785.12	21,111,857	827.68	55,403,111	663.41	5,142,771	250.41	60,545,882	581.90
498	Provision for Premium Taxes	1,432,554	70.05	354,200	70.05	1,786,754	70.05	5,720,510	68.50	1,406,890	68.51	7,127,400	68.50
499	Provision for Income Taxes	-	-	-	-	-	-	-	-	-	-	-	-
	NET INCOME(LOSS) AFTER TAXES	10,652,868	520.90	8,672,235	1,715.07	19,325,103	757.63	49,682,601	594.92	3,735,881	181.91	53,418,482	513.40
CHANGES TO EQUITY/NET ASSETS:													
530	Equity/Net Assets at Beginning of Period					62,816,243	2,462.67					36,390,848	469.12
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					703,548	27.58					908,929	11.72
	A. Net Income (Loss)					19,325,103	757.63					45,545,121	587.13
	B. Dividends to Stockholders					-	-					-	-
	C. Other: specify					-	-					-	-
530	Equity/Net Assets at End of Period:					82,844,894						82,844,898	

## **INVESTMENTS REPORTS**

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

Program Contractor **Mercy Care Plan**

Quarter Ending 06/30/07

Fiscal Year Ending 06/30/07

## Investments

Investment Description	Category	Type	Amortized Cost	Market Value	Carrying Value
<b>Account: 110 - Short-Term Investments</b>					
UBS SELECT MONEY MARKET FUND INSTITUTION.	Cash Equivalent	Cash Equivalent	8,994,675.70	8,994,661.81	\$8,994,661.81
PAINWEBBER MUTUAL FUNDS- 52192	Cash Equivalent	Cash Equivalent	16,771,189	16,771,189	16,771,189
HEWLETT PACKARD CO NTS 07/01/07	Corp Bonds	Held To Maturity	498,890	500,000	500,000
WALMART STORES INC 04.375% 07/12/07	Corp Bonds	Held To Maturity	499,830	499,915	499,915
GOLDMAN SACHS GROUP INC 04.125% 011508 DTD	Corp Bonds	Held To Maturity	512,220	496,870	496,870
CHEVRONTXACO CAPITAL CO 03.375% DUE 01/15/08	Corp Bonds	Held To Maturity	487,275	494,230	494,230
FNMA 3.000% DUE 08/15/07	US Gov't Sec	Held To Maturity	585,090	598,314	598,314
FHLMC 3.500% DUE 09/15/07	US Gov't Sec	Held To Maturity	588,930	597,750	597,750
FNMA 03.250 % DUE 111507	US Gov't Sec	Held To Maturity	582,324	595,314	595,314
US TSY NOTE 04.625 % DUE 02/29/08	US Gov't Sec	Held To Maturity	997,500	997,270	997,270
FHLMC 02.750 % DUE 031508	US Gov't Sec	Held To Maturity	573,882	589,314	589,314
FNMA 6.000% DUE 05/15/08	US Gov't Sec	Held To Maturity	509,292	502,815	502,815
FHLMC NTS 4.3750% DUE 11/16/07	US Gov't Sec	Held To Maturity	1,694,688	1,693,625	1,693,625
FNMA 4.9000% DUE 11/28/07	US Gov't Sec	Held To Maturity	997,772	998,130	998,130
FREDDIE MAC NTS 05.125 % DUE 041808	US Gov't Sec	Held To Maturity	2,399,820	2,396,256	2,396,256
c. Group Home (DD)	Corp Bonds	Held To Maturity	102,613	99,878	99,878
DOW CHEMICAL CO NTS B/E 05.000% 111507 DTD11	Corp Bonds	Held To Maturity	298,542	299,262	299,262
CATERPILLAR FINL SVCS 03.625% 111507 DTD112	Corp Bonds	Held To Maturity	391,088	397,396	397,396
SIMON PROP GROUP 06.375% 11/15/07	Corp Bonds	Held To Maturity	152,846	150,420	150,420
COUNTRYWIDE FINL NTS 4.25% 12/19/07	Corp Bonds	Held To Maturity	188,932	188,877	188,877
JOHN DEERE CAPITAL CORP 03.900% 011508 DTD01	Corp Bonds	Held To Maturity	312,227	317,498	317,498
DAIMLERCHRYSLER NA HLDG 4.75% 011508	Corp Bonds	Held To Maturity	102,304	99,654	99,654
VERIZON GLOBAL FDG CORP 4.00% 011508	Corp Bonds	Held To Maturity	202,130	198,518	198,518
LEHMAN BROS HOLDING INC 4.00% 01/22/08	Corp Bonds	Held To Maturity	257,465	257,811	257,811
BEAR STEARNS COS INC NTS 4.00% 01/31/08	Corp Bonds	Held To Maturity	193,167	193,512	193,512
UNION PAC CORP DUE 2/01/08	Corp Bonds	Held To Maturity	104,991	100,641	100,641
INTL LEASE FIN CP NTS 04.750% 021508 DTD02100	Corp Bonds	Held To Maturity	321,081	323,583	323,583
NATL RURAL UTILITIES 3.875% 02/15/08	Corp Bonds	Held To Maturity	192,713	193,066	193,066
FRED MEYER INC 07.450% DUE 3/01/08	Corp Bonds	Held To Maturity	155,826	151,871	151,871
PRAXAIR INC NTS 06.500% 03/01/08 DTD03/0701	Corp Bonds	Held To Maturity	406,436	402,980	402,980
TARGET CORP MW+15BP NTS 03.375% 03/01/08 DTD03	Corp Bonds	Held To Maturity	318,882	325,878	325,878
HEWLETT PACKARD CO 03.625% 031508 DTD031	Corp Bonds	Held To Maturity	416,615	419,632	419,632
CAPITAL ONE BANK NTS 4.875% 05/15/08	Corp Bonds	Held To Maturity	100,861	99,540	99,540
AMER EXPRESS CREDIT CORP 03.000% 051608 DTD03	Corp Bonds	Held To Maturity	305,779	313,584	313,584
COUNTRY WIDE HOME CREDIT 03.250% DUE 05/15/08	Corp Bonds	Held To Maturity	287,655	294,024	294,024
DONALDSON LUFKIN & JEN 06.5000% DUE 06/01/08	Corp Bonds	Held To Maturity	308,637	302,748	302,748
AMER GENL FIN CORP NTS 02.750% 061508 DTD061	Corp Bonds	Held To Maturity	404,712	410,248	410,248
PRAXAIR INC 02.750% DUE 06/15/08	Corp Bonds	Held To Maturity	284,859	292,467	292,467
FED HOME LOAN BANK 2.75% DUE 3/14/08	US Gov't Sec	Held To Maturity	597,281	613,869	613,869
FHLMC NTS 03.875 % DUE 061508	US Gov't Sec	Held To Maturity	1,827,029	1,845,466	1,845,466
	<i>Subtotal</i>		<b>44,928,047</b>	<b>45,018,075</b>	<b>45,018,075</b>
ALTCS allocation					(14,749,825)
HCG Allocation					(1,463,916)
Acute Allocation					(23,831,084)
DD Allocation					(2,379,494)
Advantage Allocation					(2,593,756)
<b>Account 145 - General Performance Bond</b>					
<b>None</b>					
			-	-	-
	<i>Subtotal</i>		-	-	-
<b>Account 155 - Long-Term Investments</b>					
ADVANCED MEDICAL OPTICS INC	Stock	Available For Sale	691,110	676,672	676,672
AETNA INC	Stock	Available For Sale	559,869	950,456	950,456
ALLSTATE CORP	Stock	Available For Sale	676,465	959,556	959,556
AMER INTL GROUP INC	Stock	Available For Sale	854,713	903,387	903,387
BANK OF AMER CORP	Stock	Available For Sale	369,653	420,454	420,454
CARTER'S INC UNSOLICITED	Stock	Available For Sale	550,589	500,642	500,642
CHECKFREE CORP NEW	Stock	Available For Sale	747,034	837,366	837,366
CISCO SYS INC	Stock	Available For Sale	522,406	794,282	794,282
CITIGROUP INC	Stock	Available For Sale	759,917	820,640	820,640
CONOCOPHILLIPS	Stock	Available For Sale	687,433	1,252,389	1,252,389
CVS CORP	Stock	Available For Sale	846,468	1,166,400	1,166,400
DELL INC UNSOLICITED	Stock	Available For Sale	639,369	779,415	779,415
DIGITAL RIVER INC UNSOLICITED	Stock	Available For Sale	885,306	787,350	787,350
DRESSER RAND GROUP INC	Stock	Available For Sale	603,213	1,129,700	1,129,700
DU PONT DE NEMOURS	Stock	Available For Sale	359,306	427,056	427,056
EMERSON ELECTRIC CO	Stock	Available For Sale	378,933	505,440	505,440
EXXON MOBIL CORP	Stock	Available For Sale	437,587	729,756	729,756
FANNIE MAE	Stock	Available For Sale	353,827	418,112	418,112
FIRST MARBLEHEAD CORP UNSOLICIT	Stock	Available For Sale	571,234	607,421	607,421
GENL ELECTRIC CO	Stock	Available For Sale	905,076	1,093,277	1,093,277
INTL BUSINESS MACH	Stock	Available For Sale	605,493	689,388	689,388
INVITROGEN CORP UNSOLICITED	Stock	Available For Sale	913,343	1,047,250	1,047,250
JOHNSON & JOHNSON	Stock	Available For Sale	790,389	788,736	788,736

Investment Description	Category	Type	Amortized Cost	Market Value	Carrying Value
LINCOLN ELEC HOLDINGS NEW	Stock	Available For Sale	204,228	460,288	460,288
MBIA INC	UNSOLICITED	Stock	603,976	541,314	541,314
MICROSOFT CORP		Stock	397,965	394,898	394,898
MONSTER WORLDWIDE INC	UNSOLIC	Stock	579,776	539,232	539,232
OPTIONSPRESS HOLDINGS	INC	Stock	458,850	449,050	449,050
PETSMART INC		Stock	882,456	1,126,015	1,126,015
PFIZER INC	UNSOLICITED	Stock	773,250	767,100	767,100
TARGET CORP		Stock	606,439	826,800	826,800
THERMO ELECTRON CORP	SY=EXC1	Stock	607,506	943,890	943,890
UNITED PARCEL SERVICE INC		Stock	576,072	584,000	584,000
VIACOM INC B NON VGT		Stock	801,546	855,497	855,497
WABTEC INC	UNSOLICITED	Stock	457,254	442,013	442,013
WALMART STORES INC		Stock	775,479	793,815	793,815
WEATHERFORD INTL INC	(BERMUDA	Stock	534,682	1,038,512	1,038,512
TARGET CORP 5.375% 06/15/09	Corp Bonds	Held To Maturity	516,825	499,915	499,915
COCA COLA ENTERPRISES 4.375% 09/15/0	Corp Bonds	Held To Maturity	500,010	489,955	489,955
SLM CORP NTS	04.500% 0726 10	Corp Bonds	476,975	462,305	462,305
GENL ELEC CAP CORP	04.750% 0911	Corp Bonds	470,155	473,010	473,010
MERCK & CO 04.750% DUE 03/01/15	Corp Bonds	Held To Maturity	481,350	470,415	470,415
CISCO SYSTEMS INC MW + 20BP NTS	Corp Bonds	Held To Maturity	478,825	487,905	487,905
SBC COMMUNICATIONS NTS	Corp Bonds	Held To Maturity	475,020	488,665	488,665
FHLMC 5.1250% 10/15/08	US Gov't Sec	Held To Maturity	646,500	599,814	599,814
US TREASURY NOTE 3.25% 01/15/09	US Gov't Sec	Held To Maturity	585,867	585,234	585,234
FED FARM CREDIT BANK	03.750 % DL US Gov't Sec	Held To Maturity	584,964	586,878	586,878
FNMA BOND	04.250 % DUE 051	US Gov't Sec	394,796	393,500	393,500
FHLMC NTS 4.125% 10/18/10	US Gov't Sec	Held To Maturity	594,186	580,686	580,686
FHLMC	05.50 % DUE 09/15/11	US Gov't Sec	535,845	504,530	504,530
FNMA 4.3750% 09/15/12	US Gov't Sec	Held To Maturity	599,742	575,064	575,064
FNMA	04.625 % DUE 050113	US Gov't Sec	1,042,500	958,750	958,750
FHLMC	04.500 % DUE 071513	US Gov't Sec	563,856	573,750	573,750
FHLMC	04.500 % DUE 011514	US Gov't Sec	471,810	476,565	476,565
FNMA	04.125 % DUE 041514	US Gov't Sec	459,319	464,845	464,845
US TSY NOTE 04.000 %	DUE 02/15/15	US Gov't Sec	965,273	936,410	936,410
FNMA	04.3750 % DUE 10/15/15	US Gov't Sec	869,619	841,779	841,779
FHLMC NTS	04.750 % DUE 111715	US Gov't Sec	584,406	573,000	573,000
FNMA BENCHMARK NTS	05.000 % DI US Gov't Sec	Held To Maturity	873,687	872,721	872,721
FHLB BOND RATE 5.3750% NATURES 05/12	US Gov't Sec	Held To Maturity	921,840	895,500	895,500
SPRINT CAPITAL CORP 6.875% 111528	Corp Bonds	Held To Maturity	1,015,625	950,000	950,000
ABBOTT LABS	UNSOLICITED	Stock	879,860	910,350	910,350
AMER TOWER CORP CL A	UNSOLICIT	Stock	361,527	499,800	499,800
APPLE INC		Stock	1,054,502	1,916,028	1,916,028
CATERPILLAR INC	UNSOLICITED	Stock	502,236	508,950	508,950
CELGENE CORP		Stock	525,968	997,542	997,542
CISCO SYS INC		Stock	1,024,351	1,339,585	1,339,585
CITIGROUP INC	UNSOLICITED	Stock	1,019,230	974,510	974,510
COMCAST CORP NEW CL A	UNSOLICI	Stock	504,132	531,468	531,468
CVS/CAREMARK CORP	SY=EXC1	Stock	958,398	1,090,001	1,090,001
FREPORT-MCMORAN COPPER & GOL	Stock	Available For Sale	494,082	563,176	563,176
GILEAD SCIENCES INC	UNSOLICITE	Stock	995,860	993,254	993,254
GOLDMAN SACHS GROUP INC		Stock	829,665	997,050	997,050
GOOGLE INC CL A		Stock	792,778	1,730,137	1,730,137
HEWLETT PACKARD CO	UNSOLICIT	Stock	813,013	1,021,798	1,021,798
HILTON HOTELS CORP	UNSOLICITE	Stock	376,520	465,233	465,233
INTERCONTINENTALEXCHANGE INC		Stock	705,748	739,250	739,250
INTL BUSINESS MACH	UNSOLICITE	Stock	757,991	757,800	757,800
LEHMAN BROS HOLDINGS INC		Stock	630,033	720,100	720,100
MCDONALDS CORP	UNSOLICITE	Stock	711,471	771,552	771,552
MEDCO HEALTH SOLUTIONS INC		Stock	918,669	1,052,865	1,052,865
MERCK & CO	UNSOLICITED	Stock	948,644	936,240	936,240
MERRILL LYNCH & CO		Stock	1,295,601	1,404,144	1,404,144
MICROSOFT CORP		Stock	846,968	948,934	948,934
NII HOLDINGS INC CL B	UNSOLICITED	Stock	685,879	815,474	815,474
NYSE GROUP INC	UNSOLICITED	Stock	613,336	736,200	736,200
PRUDENTIAL FINANCIAL INC	UNSOLICIT	Stock	1,144,801	1,225,098	1,225,098
SCHLUMBERGER LTD NETHERLANDS ANT	Stock	Available For Sale	1,381,518	1,715,788	1,715,788
TEXAS INSTRUMENTS	UNSOLICITE	Stock	745,521	775,178	775,178
UNION PACIFIC CORP	UNSOLICITE	Stock	478,697	472,115	472,115
UNITEDHEALTH GROUP INC		Stock	954,144	930,748	930,748
FORTRESS INVT GROUP LLC	(DELA) CI	Other	730,777	605,028	605,028
FHLMC PL 781071 5.2210% 11/01/33	Mortgage Sec	Held To Maturity	1,032,849	1,001,741	1,001,741
FHLMC PL 781804 5.1380% 07/01/34	Mortgage Sec	Held To Maturity	616,425	597,208	597,208
FHLMC PL 781884 5.2070% 08/01/34	Mortgage Sec	Held To Maturity	635,628	610,719	610,719
FHLMC PL 782862 5.0140% 11/01/34	Mortgage Sec	Held To Maturity	742,346	720,953	720,953
ACE LTD 7.80% DEP SHRS	REP 1/10 St	Pref Stock	1,180,400	1,154,697	1,154,697
VIACOM INC	6.850%	Pref Stock	1,503,589	1,456,768	1,456,768
VORNADO REALTY TRUST SER F 6.75% PF	Pref Stock	Held To Maturity	808,046	796,068	796,068
FHLMC	04.250 % DUE 071505	US Gov't Sec	1,864,508	1,865,572	1,865,572
FHLMC 5.1250% 07/15/12	US Gov't Sec	Held To Maturity	5,780,014	5,667,966	5,667,966
CATERPILLAR FIN SERV NTS	02.700% 0	Corp Bonds	423,091	428,006	428,006
MERRILL LYNCH & CO INC	03.125% DUE C	Corp Bonds	286,578	292,932	292,932
LEHMAN BROS HOLDINGS INC	03.500% Corp Bonds	Held To Maturity	311,799	318,227	318,227
CIT GROUP INC	04.750% 081508	Corp Bonds	421,876	421,396	421,396
US BANK NA MINN NTS	04.400% 0815	Corp Bonds	392,568	394,428	394,428
PITNEY BOWES CREDIT CORP	05.750% Corp Bonds	Held To Maturity	419,486	416,100	416,100
WACHOVIA CORP	03.500% 08150	Corp Bonds	418,455	421,073	421,073
WELLS FARGO & CO NEW NTS	04.000%	Corp Bonds	310,618	314,806	314,806
JOHN DEERE CAPITAL CORP 4.500% 08/25	Corp Bonds	Held To Maturity	295,878	296,700	296,700

Investment Description	Category	Type	Amortized Cost	Market Value	Carrying Value
FEDERATED DEPT 6.625% 09/01/08	Corp Bonds	Held To Maturity	105,365	100,656	100,656
INTL LEASE FIN CP NTS 04.350% 0915	Corp Bonds	Held To Maturity	292,920	296,037	296,037
COCA COLA ENTERPRISES 05.750% 1	Corp Bonds	Held To Maturity	424,876	421,823	421,823
BELLSOUTH TELECOMMUNCTNS 05.875	Corp Bonds	Held To Maturity	302,493	301,665	301,665
CREDIT SUISSE FB USA INC 03.875% 01	Corp Bonds	Held To Maturity	385,888	391,604	391,604
WASH MUTUAL INC 04.00% DUE 01/15/09	Corp Bonds	Held To Maturity	290,772	293,499	293,499
INTL BUSINESS MACH 05.375% 0201	Corp Bonds	Held To Maturity	418,324	415,606	415,606
UNITEDHEALTH GROUP INC 03.750% 0	Corp Bonds	Held To Maturity	95,645	97,380	97,380
MERRILL LYNCH & CO 06.000% 0217	Corp Bonds	Held To Maturity	162,259	161,432	161,432
WACHOVIA CORP NTS 03.625% 021	Corp Bonds	Held To Maturity	416,889	418,704	418,704
CAROLINA PWR & LT SR NTS 05.950% 0	Corp Bonds	Held To Maturity	101,166	100,820	100,820
AT&T CORP GLOBAL 06.000% 0315	Corp Bonds	Held To Maturity	101,025	100,725	100,725
CIT GROUP INC NEW SR NT 03.375% 0	Corp Bonds	Held To Maturity	379,584	385,516	385,516
SPRINT CAPITAL CORP GLBL 06.375% 0	Corp Bonds	Held To Maturity	101,887	101,229	101,229
GOLDMAN SACHS GROUP INC 06.650%	Corp Bonds	Held To Maturity	330,176	327,190	327,190
HSBC HOLDINGS 07.500% 071509	Corp Bonds	Held To Maturity	422,120	415,936	415,936
COCA COLA ENTERPRISES 04.375% 0	Corp Bonds	Held To Maturity	0	313,571	313,571
ALLSTATE CORP SENIOR NTS 07.200%	Corp Bonds	Held To Maturity	402,355	394,885	394,885
UNTD TECHNOLOGIES CORP 04.375%	Corp Bonds	Held To Maturity	433,699	428,195	428,195
HAROT 2004-3 A4 DUE 02/18/10 03	Mortgage Sec	Held To Maturity	192,960	196,898	196,898
CCCIT 2003-A6 A6 DUE 05/17/10 02	Mortgage Sec	Held To Maturity	407,664	416,122	416,122
HONDA AUTO 2005-1 A4 03.8200% DUE 05	Mortgage Sec	Held To Maturity	299,994	295,335	295,335
NAROT 2005-A 03.8200% DUE 07/15/10	Mortgage Sec	Held To Maturity	249,955	246,473	246,473
MBNAS 2005-A1 A1 DUE 09/15/10 04	Mortgage Sec	Held To Maturity	419,054	421,383	421,383
MBNAS 2003-A7 A7 DUE 11/15/10 02	Mortgage Sec	Held To Maturity	414,759	424,199	424,199
USAOT 2005-2 A4 DUE 02/15/11 04	Mortgage Sec	Held To Maturity	243,300	245,880	245,880
BOIT 2003 A7 3.35% 03/15/11	Mortgage Sec	Held To Maturity	416,962	421,852	421,852
NAROT 2005-C A4 4.31% 03/15/11	Mortgage Sec	Held To Maturity	417,044	417,261	417,261
CCCIT 2006-A5 A5 5.3% 05/20/11	Mortgage Sec	Held To Maturity	422,197	419,719	419,719
BMWOT 2008-A A4 5.07% 08/25/11	Mortgage Sec	Held To Maturity	379,901	377,059	377,059
FNMA PL 555881 6.00% 03/01/14	Mortgage Sec	Held To Maturity	442,830	426,232	426,232
FHLMC PL E84811 5.50% 06/01/14	Mortgage Sec	Held To Maturity	30,574	29,550	29,550
FNMA PL 555021 5.00% 11/01/17	Mortgage Sec	Held To Maturity	174,905	164,379	164,379
FHLMC PL B11958 5.50% 01/01/19	Mortgage Sec	Held To Maturity	318,130	307,478	307,478
FNMA PL 750070 5.00% 02/01/19	Mortgage Sec	Held To Maturity	260,148	250,359	250,359
FHLMC PL B16803 5.50% 10/01/19	Mortgage Sec	Held To Maturity	431,269	416,829	416,829
FNMA PL 822526 06.0000% 05/01/20	Mortgage Sec	Held To Maturity	41,697	40,368	40,368
FNMA PL 816081 04.5000 DUE 05/01/20	Mortgage Sec	Held To Maturity	123,837	116,881	116,881
FNMA POOL SF6141 5.00% 07/01/20	Mortgage Sec	Held To Maturity	398,120	383,138	383,138
FNMA PL 822536 5.00 08/01/20	Mortgage Sec	Held To Maturity	81,548	78,041	78,041
FNMA PL 835222 04.5000 DUE 08/01/20	Mortgage Sec	Held To Maturity	1,332,203	1,257,382	1,257,382
FHLMC PL J00046 04.5000 DUE 09/01/20	Mortgage Sec	Held To Maturity	35,749	34,955	34,955
FNMA PL 745285 04.5000 DUE 01/01/21	Mortgage Sec	Held To Maturity	195,189	192,280	192,280
FHLMC PL J00975 05.0000 DUE 01/01/21	Mortgage Sec	Held To Maturity	1,092,834	1,073,564	1,073,564
FHLMC PL J01875 00.0000 DUE 04/01/21	Mortgage Sec	Held To Maturity	464,211	464,141	464,141
FNMA PL 891899 06.0000 DUE 06/01/21	Mortgage Sec	Held To Maturity	372,297	370,982	370,982
FHLMC PL J03359 04.5000 DUE 09/01/21	Mortgage Sec	Held To Maturity	25,330	24,756	24,756
FNMA PL 256594 04.5000 DUE 12/01/21	Mortgage Sec	Held To Maturity	26,638	25,142	25,142
FHLMC PL G18173 04.5000 DUE 01/01/22	Mortgage Sec	Held To Maturity	34,874	34,086	34,086
FHLMC PL J04285 04.5000 DUE 02/01/22	Mortgage Sec	Held To Maturity	1,465,851	1,432,869	1,432,869
FHLMC PL G18185 04.5000 DUE 03/01/22	Mortgage Sec	Held To Maturity	355,153	347,162	347,162
FHLMC PL G18171 05.0000 DUE 03/01/22	Mortgage Sec	Held To Maturity	1,056,358	1,033,327	1,033,327
FNMA PL 256678 05.0000 DUE 04/01/22	Mortgage Sec	Held To Maturity	1,053,549	999,347	999,347
FNMA PL 888362 04.5000 DUE 05/01/22	Mortgage Sec	Held To Maturity	226,330	213,618	213,618
FNMA PL 918793 05.0000 DUE 06/01/22	Mortgage Sec	Held To Maturity	1,466,233	1,444,545	1,444,545
LBUBS 2004-C1 A1 DUE 01/15/29 2.964	Mortgage Sec	Held To Maturity	176,813	175,724	175,724
BSCMS 2001-TOP2 A1 DUE 02/15/35 6.08	Mortgage Sec	Held To Maturity	90,246	86,401	86,401
BSCMS 2006T22 A1 DUE 04/12/38 0	Mortgage Sec	Held To Maturity	282,096	280,908	280,908
MSC 1 2005-T17 A2 4.11% 121341	Mortgage Sec	Held To Maturity	135,385	132,771	132,771
GECMC 2006-C1 A1 DUE 03/10/44 0	Mortgage Sec	Held To Maturity	288,421	286,878	286,878
MSC 2006-HQ8 A1 DUE 03/12/44 05	Mortgage Sec	Held To Maturity	156,446	155,544	155,544
CD 2005-CD1 A1 DUE 07/15/44 05.0	Mortgage Sec	Held To Maturity	289,279	287,890	287,890
JPMCC 2005LDP5 A1 05.0350% DUE 12/15/	Mortgage Sec	Held To Maturity	355,754	352,046	352,046
BACM 2006-6 A1 05.0010% DUE 09/10/47	Mortgage Sec	Held To Maturity	315,163	311,510	311,510
GECMC 2005-C1 A1 4.0120% 6/10/48	Mortgage Sec	Held To Maturity	145,133	142,481	142,481
MSC 2006-T21 A1 04.9250% DUE 10/12/52	Mortgage Sec	Held To Maturity	256,449	252,596	252,596
FNMA 03.250 % DUE 081508	US Gov't Sec	Held To Maturity	1,165,220	1,173,756	1,173,756
FHLMC 03.625 % DUE 091508	US Gov't Sec	Held To Maturity	1,788,085	2,241,448	2,241,448
FHLMC 4.625% DUE 12/19/08	US Gov't Sec	Held To Maturity	2,174,445	3,320,688	3,320,688
FNMA 03.250 % DUE 021509	US Gov't Sec	Held To Maturity	1,634,959	1,648,473	1,648,473
FHLB BOND 3.00% DUE 4/15/09	US Gov't Sec	Held To Maturity	375,755	385,124	385,124
FNMA BENCHMARK NTS 04.875 % D	US Gov't Sec	Held To Maturity	662,155	661,263	661,263
<i>Long-term Total</i>			111,032,172	121,515,081	121,515,081
ALTCS ALLOCATION					(39,813,480)
HCG ALLOCATION					(3,951,476)
ACUTE ALLOCATION					(64,326,075)
ADVANTAGE ALLOCATION					(7,001,198)
DD ALLOCATION					(6,422,852)
ZZ- LT BONDS UNREALIZED GAIN/(LOSS)					
<i>Subtotal</i>			111,032,172	121,515,081	121,515,081
<i>Total (not including LT Bonds Gain (Loss))</i>			\$ 155,960,219	\$ 166,533,156	\$ 166,533,156

**OTHER ASSETS**

**Program Contractor Mercy Care Plan**

Quarter Ending 06/30/07

Fiscal Year Ending 06/30/07

**Other Assets**

<b>Account: #135 - Other Current Receivables</b>	
PHARMACY RECEIVABLE	89,855
Subtotal:	89,855
<b>Account: #140 - Other Current Assets</b>	
PPC - CYE '06	(72,907)
PPC - CYE '07	487,411
SOC - CYE '04	1,208,029
SOC - CYE '05	848,055
SOC - CYE '06	(732,903)
SOC - CYE '07	3,421,316
HCBS Placement CYE '06	(1,227,658)
HCBS Placement CYE '07	(99,704)
Behavioral Health Reconciliation CYE '06	(2,567,164)
Provider Advance Receivable	3,423,817
Subtotal:	4,688,292
<b>Account: #165 - Other Non - Current Assets</b>	
c. Group Home (DD)	-
Subtotal:	-
<b>Account: #190 - Other Property and Equipment</b>	
	-
Subtotal:	-
Total :	4,778,146

**Other Liabilities**

<b>Account: #225 - Other Current Payables</b>	
	-
	-
Subtotal:	-
<b>Account: #240 - Other Current Liabilities</b>	
Other Accrual Expense	1,410,054
Premium Tax Accrual	-
Provider Incentive Fee	250,000
Subtotal:	1,660,054
<b>Account: #255 - Other Non - Current Liabilities</b>	
	-
Subtotal:	-
Total :	1,660,054

**Long Term Debt**

<b>Account: #230 - Current Portion of Long Term Debt</b>	
	-
Subtotal:	-
<b>Account: #245 - Non-Current Portion of Long Term Debt</b>	
	-
Subtotal:	-
Total :	-

**OTHER REVENUE/EXPENSE**

**Other Revenue**

<b>Account: #335 - Other AHCCCS Revenue</b>	
Behavioral Health Reconciliation Revenue	(308,613)
Subtotal:	(308,613)
<b>Account: #380 - Other Non-AHCCCS Revenue</b>	
	-
Subtotal:	-
Total :	(308,613)

**Other Expenses**

<b>Account: #412 - Other Institutional Care Expense</b>	
Bhval health: short-term Resident w/o Room & Board - Diem	406,406
c. Group Home (DD)	
Subtotal:	406,406
<b>Account: #444 - Other HCBS Costs</b>	
Habilitation Residential Waiver; Per Diem	1,777,226
Subtotal:	1,777,226
<b>Account: #472 - Other Acute Care Costs</b>	
Surgery - Other	448,064
SNF/HH - Other	1,362,206
Subtotal:	1,810,270
<b>Account: #479 - Other Medical Expense</b>	
(none)	-
Subtotal:	-
<b>Account: #496 - Other Administrative Expense</b>	
Management Fees	4,508,916
Subtotal:	4,508,916
Total :	8,502,818

**MEDICAL CLAIMS PAYABLE REPORT**

REVISED POST AUDIT

Appendix 6.1.5

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

Program Contractor Mercy Care Plan

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	252,705	1,326,850	73,163	130,385	1,783,103
HCBS	556,918	963,778	372,892	225,897	2,119,485
Acute Care	266,949	146,274	55,016	144,590	612,830
Other Medical	39,381	89,142	18,329	18,322	165,175
Total Prospective	1,115,954	2,526,045	519,400	519,194	4,680,593
Total Prior Period Coverage	4,249	3,901	9,919	7,322	25,391
<b>TOTAL CLAIMS PAYABLE</b>	<b>1,120,203</b>	<b>2,529,946</b>	<b>529,318</b>	<b>526,517</b>	<b>4,705,984</b>

## **CLAIMS LAG REPORTS**

**Program Contractor Mercy Care Plan**

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	16,353,035	14,668,786	480,091	30,940	95,343	16,784	12,269	31,657,248
2	1ST PRIOR		14,105,564	13,943,685	386,303	70,740	27,287	8,625	28,542,204
3	2ND PRIOR			16,166,658	13,640,266	669,105	258,550	156,675	30,891,255
4	3RD PRIOR				14,689,325	14,401,290	1,492,518	443,599	31,026,731
5	4TH PRIOR					12,629,587	11,476,393	1,181,466	25,287,446
6	5TH PRIOR						14,030,453	16,415,572	30,446,025
7	6TH PRIOR							11,288,442	11,288,442
8	TOTALS	16,353,035	28,774,350	30,590,434	28,746,834	27,866,065	27,301,985	29,506,649	189,139,352
9	EXP. REPORTED	28,670,025	30,924,161	31,535,886	31,055,912	25,405,488	32,863,948	29,162,099	209,617,519
10	ADJUSTMENT	3,454,771	(771,779)	(443,617)	(2,200,131)	2,552,998	(5,513,740)	373,227	(2,548,270)
11	REMAINING LIABILITY	15,771,762	1,378,032	501,835	108,947	92,420	48,223	28,676	17,929,896

**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	10,902,722	12,185,503	332,853	91,795	91,218	5,702	(652)	23,609,142
2	1ST PRIOR		10,781,915	11,215,908	280,117	75,712	75,341	(28,403)	22,400,590
3	2ND PRIOR			11,214,519	11,398,761	494,493	149,411	67,156	23,324,340
4	3RD PRIOR				10,148,284	10,354,319	399,257	168,100	21,069,960
5	4TH PRIOR					10,236,597	9,216,330	943,204	20,396,131
6	5TH PRIOR						11,129,534	10,699,062	21,828,595
7	6TH PRIOR							9,343,373	9,343,373
8	TOTALS	10,902,722	22,967,418	22,763,281	21,918,956	21,252,339	20,975,575	21,191,839	141,972,131
9	EXP. REPORTED	22,740,561	23,513,716	20,878,557	19,923,477	18,443,476	24,318,454	23,776,260	153,594,501
10	ADJUSTMENT	2,388,656	272,679	2,130,146	2,067,005	2,820,901	(3,334,165)	(2,576,185)	3,769,037
11	REMAINING LIABILITY	14,226,495	818,977	245,422	71,525	12,038	8,713	8,236	15,391,407

**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	4,907,315	5,811,122	889,015	80,110	(129,596)	(22,295)	127,242	11,662,912
2	1ST PRIOR		5,938,656	6,338,082	966,894	149,411	52,010	3,457	13,448,511
3	2ND PRIOR			7,471,806	7,238,507	1,242,792	355,532	(2,918)	16,305,719
4	3RD PRIOR				5,683,629	6,312,797	1,694,366	429,082	14,119,873
5	4TH PRIOR					5,268,827	6,449,074	1,733,877	13,451,778
6	5TH PRIOR						4,802,428	5,805,449	10,607,877
7	6TH PRIOR							4,234,117	4,234,117
8	TOTALS	4,907,315	11,749,778	14,698,903	13,969,140	12,844,230	13,331,115	12,330,306	83,830,787
9	EXP. REPORTED	14,067,310	15,457,734	20,760,440	17,578,599	14,852,841	14,267,655	22,272,817	119,257,397
10	ADJUSTMENT	616,133	(1,347,771)	(5,540,461)	(3,549,671)	(1,921,369)	(791,252)	(9,934,932)	(22,469,324)
11	REMAINING LIABILITY	9,776,128	2,360,185	521,076	59,788	87,242	145,288	7,579	12,957,285

**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	1,146,193	1,024,124	137,138	86,684	46,436	15,292	6,958	2,462,825
2	1ST PRIOR		925,319	1,059,586	79,118	(43,658)	99,117	19,264	2,138,746
3	2ND PRIOR			1,267,040	993,902	136,117	131,666	51,931	2,580,656
4	3RD PRIOR				934,083	1,070,439	166,763	62,103	2,233,388
5	4TH PRIOR					955,179	837,373	116,854	1,909,406
6	5TH PRIOR						853,904	849,176	1,703,080
7	6TH PRIOR							773,392	773,392
8	TOTALS	1,146,193	1,949,443	2,463,764	2,093,786	2,164,513	2,104,115	1,879,678	13,801,493
9	EXP. REPORTED	2,368,038	1,939,440	1,279,120	2,408,606	1,512,535	1,841,575	1,936,941	13,286,255
10	ADJUSTMENT	47,371	135,873	1,266,137	(164,861)	657,021	202,105	(56,895)	2,086,752
11	REMAINING LIABILITY	1,269,216	125,870	81,493	149,959	5,044	(60,436)	367	1,571,513

## UTILIZATION DATA

Program Contractor Mercy Care Plan

Quarter Ending 06/30/07

Fiscal Year Ending 06/30/07

Utilization Data Report for Contractor

ITEM DESCRIPTION	MEDICARE		NON-MEDICARE		TOTAL	
	Current Period	YTD	Current Period	YTD	Current Period	Contract YTD
A. Enrollees (At End of Period)	6,635	6,635	1,663	1,663	8,298	8,298
B. Member Months (Unduplicated)						
Institutional Member Months Total						
1. Level 1	2,086	6,759	278	843	2,364	7,602
2. Level 2	2,051	6,438	208	725	2,259	7,163
3. Level 3	521	1,510	92	283	613	1,793
4. Speciality: Wandering Dementia	664	2,031	47	141	711	2,172
5. Speciality: SubAcute Medical	143	380	90	228	233	608
6. Speciality: Behavioral Health	360	1,171	130	383	490	1,554
7. Speciality: Respite Care	60	206	57	164	117	370
Class 4 Vent *	83	234	34	92	117	326
Medicare *	34	119	-	-	34	119
8. Home and Community Based Services (HCBS) Total						
a. Adult Foster Care	39	120	9	27	48	147
b. Assisted Living Home	173	540	39	102	212	642
c. Group Home (DD)	-	-	-	-	-	-
d. Individual Home	12,810	38,429	3,730	11,284	16,539	49,713
e. Assisted Living Center	763	2,340	90	328	853	2,668
f. Other (Specify) Group Home	-	-	-	-	-	-
9. Acute Care	42	132	83	270	125	402
10. Ventilator	71	227	102	288	173	514
11. PPC	545	1,585	74	192	619	1,777
12. Other (Specify)	-	-	-	-	-	-
Admissions	1,315	3,996	312	1,035	1,627	5,031
Patient Days	6,664	22,360	1,979	7,420	8,643	29,780
Discharges	1,153	3,840	284	1,026	1,437	4,866
Discharge Days	6,158	22,847	1,715	7,313	7,873	30,160
Average Length of Stay	5	6	6	7	11	13
Emergency Room Visits	338	1,869	499	1,239	837	3,108

**Program Contractor Mercy Care Plan**  
**Quarter Ending 06/30/07**  
**Fiscal Year Ending 06/30/07**  
**Utilization Data Report by County (Maricopa)**

ITEM DESCRIPTION	MEDICARE		NON-MEDICARE		TOTAL	
	Current Period	YTD	Current Period	YTD	Current Period	Contract YTD
A. Enrollees (At End of Period)	6,635	6,635	1,663	1,663	8,298	8,298
B. Member Months (Unduplicated)						
Institutional Member Months Total						
1. Level 1	2,086	6,759	278	843	2,364	7,602
2. Level 2	2,051	6,438	208	725	2,259	7,163
3. Level 3	521	1,510	92	283	613	1,793
4. Specialty: Wandering Dementia	664	2,031	47	141	711	2,172
5. Specialty: SubAcute Medical	143	380	90	228	233	608
6. Specialty: Behavioral Health	360	1,171	130	383	490	1,554
7. Speicality: Respite Care	60	206	57	164	117	370
Class 4 Vent *	83	234	34	92	117	326
Medicare *	34	119	-	-	34	119
8. Home and Community Based Services (HCBS) Total						
a. Adult Foster Care	39	120	9	27	48	147
b. Assisted Living Home	173	540	39	102	212	642
c. Group Home (DD)	-	-	-	-	-	-
d. Individual Home	12,810	38,429	3,730	11,284	16,539	49,713
e. Assisted Living Center	763	2,340	90	328	853	2,668
f. Other (Specify) Group Home	-	-	-	-	-	-
9. Acute Care	42	132	83	270	125	402
10. Ventilator	71	227	102	288	173	514
11. PPC	545	1,585	74	192	619	1,777
12. Other (Specify)	-	-	-	-	-	-
Admissions	1,315	3,996	312	1,035	1,627	5,031
Patient Days	6,664	22,360	1,979	7,420	8,643	29,780
Discharges	1,153	3,840	284	1,026	1,437	4,866
Discharge Days	6,158	22,847	1,715	7,313	7,873	30,160
Average Length of Stay	5	6	6	7	11	13
Emergency Room Visits	338	1,869	499	1,239	837	3,108

**LISTING OF PLAN OFFICERS AND DIRECTORS**

## Board of Directors Member List

**Linda Hunt**

St. Joseph's Hospital and Medical Center  
President  
350 W. Thomas Rd.  
Phoenix, AZ 85013

**Board Chairperson**

[linda.hunt@chw.edu](mailto:linda.hunt@chw.edu)  
Assistant: Sheri Brogni  
[sheri.brogni@chw.edu](mailto:sheri.brogni@chw.edu)

Phone: (602) 406-6001  
Fax: (602) 406-7143  
Phone: (602) 406-3649

**Sally Jeffcoat**

Carondelet Health Network  
President & CEO  
2202 N. Forbes Blvd.  
Tucson, AZ 85745

**Board Vice Chairperson**

[sjeffcoat@carondelet.org](mailto:sjeffcoat@carondelet.org)  
Assistant: Ann Stanford  
[astanford@carondelet.org](mailto:astanford@carondelet.org)

Phone: (520) 872-7790  
Fax: (520) 872-7852  
Phone: (520) 872-7796

**John Orsini**

Regional VP  
Catholic Healthcare West  
3200 N. Central Ave, 10<sup>th</sup> floor Suite 1010  
Phoenix, AZ 85012

**Board Treasurer**

[jorsini@chw.edu](mailto:jorsini@chw.edu)  
Assistant: Brenda Lewis  
[brenda.lewis@chw.edu](mailto:brenda.lewis@chw.edu)

Phone: (602) 406-3004  
Fax: (602) 406-6160  
Phone: (602) 406-3992

**Kathleen McCarthy, CSJ**

Senior VP of Sponsorship and Mission for CHN  
Carondelet Health Network  
2202 N. Forbes Blvd  
Tucson, AZ 85745

**Board Secretary**

[kmccarthy@carondelet.org](mailto:kmccarthy@carondelet.org)  
Assistant: Linda Sellner  
[lsellner@carondelet.org](mailto:lsellner@carondelet.org)

Phone: (520) 872-7792  
Fax: (520) 872-7798  
Phone: (520) 872-7792

**Charles A. Alfano, M.D.**

OB GYN  
500 W. Thomas Rd, Ste 670  
Phoenix, AZ 85013

[calfano@chw.edu](mailto:calfano@chw.edu)  
Assistant: Lisa Renteria

Phone: (602) 234-0103  
Fax: (602) 234-0202  
Phone: (602) 234-1363

**Gregory R. Angle**

CEO  
St. Joseph's Hospital  
350 N. Wilmot Road  
Tucson, AZ 85711

[gangle@carondelet.org](mailto:gangle@carondelet.org)  
Assistant: Pam Chrisopulos  
[pchrisopulos@carondelet.org](mailto:pchrisopulos@carondelet.org)

Phone: (520) 873-3754  
Fax: (520) 873-3921  
Phone: (520) 873-3754

## Board of Directors Member List

**Stanley Aronovitch, Sc.D.**

President & CEO	<a href="mailto:stan.aronovitch@schalleranderson.com">stan.aronovitch@schalleranderson.com</a>	Phone: (602) 263-3067
Mercy Care Plan (SCHN)		Fax: (602) 263-2098
2800 N. Central, Suite 400	Assistant: Nina Viner	Phone: (602) 798-2504
Phoenix, AZ 85004	<a href="mailto:nina.viner@schalleranderson.com">nina.viner@schalleranderson.com</a>	

**John L. Boyd, III, M.D., MBA**

Chief Medical Officer	<a href="mailto:John.boyd@chw.edu">John.boyd@chw.edu</a>	Phone: (602) 406-3002
St. Joseph's Hospital and Medical Center		Fax: (602) 406-3443
350 W. Thomas Rd.	Assistant: Sherry Beaman	Phone: (602) 406-3007
Phoenix, AZ 85013	<a href="mailto:Sherry.beaman@chw.edu">Sherry.beaman@chw.edu</a>	

**Thomas H. Hicks, M.D.**

Urologist	<a href="mailto:docthr@msn.com">docthr@msn.com</a>	Phone: (520) 546-7124
Urological Association of Southern Arizona		Fax: (520) 885-3614
6325 E. Tanque Verde Road	Assistant: Brandi Bouchard	Phone: (520) 546-7132
Tucson, AZ 85715	<a href="mailto:BrandiB@usasapc.com">BrandiB@usasapc.com</a>	

**Margaret Mary McBride, RSM**

VP of Mission Services	<a href="mailto:margaret.mcbride@chw.edu">margaret.mcbride@chw.edu</a>	Phone: (602) 406-3120
St. Joseph's Hospital		Fax: (602) 406-7162
350 W. Thomas Road	St. Joseph's Volunteer Services	Phone: (602) 406-3020
Phoenix, AZ 85013		

**Scott Nordlund**

VP Strategy & Business Development – AZ & NV	<a href="mailto:snordlund@chw.edu">snordlund@chw.edu</a>	Phone: (602) 406-6002
Catholic Healthcare West		Fax: (602) 798-0310
3200 N. Central Ave, 10 <sup>th</sup> floor, Suite 1010	Assistant: Sue Spinnato	Phone: (602) 406-6002
Phoenix, AZ 85012	<a href="mailto:Sue.spinnato@chw.edu">Sue.spinnato@chw.edu</a>	

## Board of Directors Member List

**Tom Pepping**

Chief Financial Officer

[tpepping@carondelet.org](mailto:tpepping@carondelet.org)

Phone: (520) 872-7790

Carondelet Health Network

Fax: (520) 872-7847

2202 N. Forbes Blvd

Assistant: Sally Quick

Phone: (520) 872-7790

Tucson, AZ 85745

[squick@carondelet.org](mailto:squick@carondelet.org)

**JoAnn A. Webster**

Sr. Director, Access Leadership

[jwebster@ascensionhealth.org](mailto:jwebster@ascensionhealth.org)

Phone: (314) 733-8134

Ascension Health

Assistant: Anne Nita

Fax: (314) 733-8001

4600 Edmundson Rd. P.O. Box 45998

[anita@ascensionhealth.org](mailto:anita@ascensionhealth.org)

Phone: (314) 733-8267

St. Louis, MO 63145-5998

[jdistasio@ascensionhealth.org](mailto:jdistasio@ascensionhealth.org)

**John M. Wray**

VP of Managed Care

[jwray@chw.edu](mailto:jwray@chw.edu)

Phone: (415) 438-5744

Catholic Healthcare West

Fax: (415) 438-5510

185 Berry St. Ste 300

Assistant: Natalia Wasylyszyn

Phone: (415) 438-5744

San Francisco, CA 94107-1739

[Natalia.wasylyszyn@chw.edu](mailto:Natalia.wasylyszyn@chw.edu)

**Other participating non-board members:**

Joe Anderson

Schaller Anderson, Inc.

Arthur Pelberg, M.D.

Schaller Anderson, Inc.

Richard Sánchez, M.D., MPH

Mercy Care Plan

Michele Matiski

Schaller Anderson, Inc.

Nancy Maurer

Mercy Care Plan

Jaimie Molera

Molera Alvarez Group

Nina Viner

Mercy Care Plan

## ANNUAL RECONCILIATION

ALTCS  
RECONCILIATION OF QUARTERLY REPORTS TO AUDITED FINANCIAL STATEMENTS  
AT JUNE 30, 2007  
(in thousands)

	<u>QUARTERLY REPORTS</u>	<u>AUDITED STATEMENT</u>	<u>DIFFERENCE</u>
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	0	0	0
Short-term investments	12,725	14,750	(2,025) (1)
Reinsurance receivable	7,401	14,584	(7,183)
Capitation & supplement rec.	1,205	93	1,112
Reconciliation receivable	0	1,264	(1,264) (3)
Interest receivable	0	288	(288) (2)
Investment income receivable	274	0	274 (2)
Due from affiliates	16,338	0	16,338 (4)
Provider advances	0	3,424	(3,424) (3)
Intercompany	0	58,796	(58,796) (4)
Other current assets	749	89	660 (3)
Total current assets	38,692	93,288	(54,596)
Long-term investments	42,006	39,813	2,193
Total assets	<u>80,698</u>	<u>133,101</u>	<u>(52,403)</u>
<b>Liabilities and net assets</b>			
<b>Current liabilities</b>			
Medical claims payable	51,199	48,556	2,643
Current due to affiliates	0	0	0
Other current liabilities	1,829	1,700	129
Total current liabilities	53,028	50,256	2,772
Net assets	27,670	82,845	(55,175)
Total liabilities and net assets	<u>80,698</u>	<u>133,101</u>	<u>(52,403)</u>

Explanations:

(1) Rounding difference

(2) Investment income receivable (\$274) on the quarterly report is reported as Interest receivable (\$274) in the audited statement.

(3) Other current assets (\$749) per the quarterly report includes Reconciliation receivable (-\$996) plus Provider advances (\$1,744) in the audited statement.

(4) Current due from affiliates (\$16,338) per the quarterly report is reported as Intercompany (\$16,338) in the audited statement.

ALTCS  
RECONCILIATION OF QUARTERLY REPORTS TO AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2007  
(in thousands)

	JUNE 30, 2007 QUARTERLY REPORT	AUDIT ADJUSTMENTS	JUNE 30, 2007 QUARTERLY RESTATE	FIN STATEMENT PRESENTATION RECLASS	FINAL AUDITED STATEMENT
Total Revenue	365,975	(266) ( B )	365,710	(1,167)	364,543
Health Care Expenses:					
Hospitalization	0		0	22,168	22,168
Medical compensation	0		0	5,507	5,507
Ancillary and other med services	0		0	44,605	44,605
Institutional	123,029	(527) ( A )	122,501	2,086	124,587
Home and community based svc	87,745	(688) ( A )	87,056	2,555	89,611
Acute care expenses	70,795	(701) ( A )	70,094	(70,094)	0
Other	7,993	0	7,993	(7,993)	0
Case management	7,227	0	7,227	(7,227)	0
Total health care expenses	296,788	(1,916)	294,871	(8,394)	286,477
General & Admin expenses	15,304	(14) ( C )	15,291	7,227	22,518
Premium tax expense	0		0	7,127	7,127
Total expenses	312,092	(1,930)	310,162	5,960	316,123
Operating income	53,883	1,664	55,547	(7,127)	48,420
Total nonoperating income	4,999		4,999	0	4,999
Premium tax expense	7,127		7,127	(7,127)	0
Excess of Rev over Expenses	51,754	1,664	53,418	0	53,419

Explanations:

( A ) To reduce Medical claims expense/payable as a result of audit adjustment

( B ) As a result of ( A ), a reduction in Reconciliation revenue/receivable

( C ) Admin expense/Due from affiliate is reduced due to the reduction in Reconciliation revenue/receivable ( B )

## **MANAGEMENT LETTER**

Board of Directors  
Southwest Catholic Health Network Corporation

In planning and performing our audit of the financial statements of Southwest Catholic Health Network Corporation ("the Company") as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States, we considered its internal control over financial reporting ("internal control") as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weakness. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

This communication is intended solely for the information and use of management, the Board of Directors, others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

We would be pleased to discuss the above matters or to respond to any questions, at your convenience.

*Ernst + Young LLP*

November 12, 2007