

ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM HEALTHCARE GROUP OVERVIEW

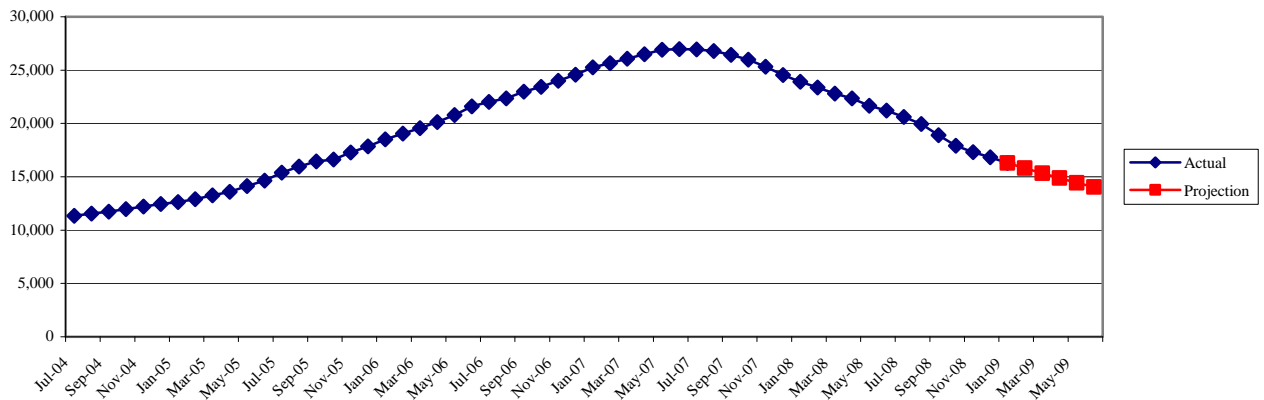
Financial and Enrollment Summary

Revenues, Expenses and Changes in Net Assets (Deficit)
(amounts expressed in thousands)

	Actual FY 05	Actual FY 06	Actual FY 07	Actual FY 08	Forecast* FY 09
Operating Income	33,616	50,392	70,007	77,042	60,000
Operating Expense	38,460	56,625	90,708	76,825	58,300
Net Operating Income (Loss)	(4,844)	(6,233)	(20,701)	217	1,700
Nonoperating Revenue	159	501	652	453	290
Income (Loss) Before Transfers	(4,685)	(5,732)	(20,049)	670	1,990
Transfers in	3,700	-	-	7,250	4,000
Change in Net Assets (Deficit)	<u>(985)</u>	<u>(5,732)</u>	<u>(20,049)</u>	<u>7,920</u>	<u>5,990</u>

* Based on first 5 months of data

HCG Enrollment
FY05 - FY09



Recent Legislative and Program Changes

- HB2275 implemented
 - Enrollment freeze lifted, cap placed on enrollment (limited to 5% enrollment growth in number of businesses) and enrollment limited to groups of 2 to 50.
 - Groups of 1 grandfathered in
 - Bare period decreased from 6 months to 3 months.
 - Eliminated PPO/PPOS benefit plan in counties of greater than 500,000 (9-08)
 - Hospital default increased for counties of less than 500,000 to 125% of AHCCCS rate
- Eliminated enrollment into \$500 deductible HMO plans 1/1/09. Transitioned members out of the \$500 deductible option into a \$1,000 deductible option as of midnight 12/31/08.
- Eliminated \$1,000 deductible option in PPOS effective 1/1/09. Transitioned members into a \$2,000 deductible option as of midnight 12/31/08.
- Eliminated additional benefit options, streamlined to 5 managed care benefit options and 4 PPOS benefit options.

Average Premium Increases

- FY06 = 14%; FY07 = 17%; FY08 = 17.6%

Outstanding Unfunded Liability

- HCG has approximately \$15.3 million in outstanding unfunded liability.