HEALTH CHOICE INTEGRATED CARE, LLC

FINANCIAL STATEMENTS,
SUPPLEMENTAL SCHEDULES AND
UNIFORM GUIDANCE SUPPLEMENTARY REPORTS

Years Ended September 30, 2017 and 2016

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors

HEALTH CHOICE INTEGRATED CARE, LLC

Report on the Financial Statements

We have audited the accompanying financial statements of ***Health Choice Integrated Care, LLC*** (the "Organization"), which comprise the balance sheets as of September 30, 2017 and 2016, and the related statements of operations and change in members' equity and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ***Health Choice Integrated Care, LLC*** as of September 30, 2017 and 2016, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 16, 2018 on our consideration of ***Health Choice Integrated Care, LLC's*** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering ***Health Choice Integrated Care, LLC's*** internal control over financial reporting and compliance.

Mayer Hoffman McCann P.C.

February 16, 2018

HEALTH CHOICE INTEGRATED CARE, LLC

BALANCE SHEETS

September 30, 2017 and 2016

A S S E T S

CURRENT ASSETS	2017	2016
Cash	$ 20,155,144	$ 39,980,829
Due from Parent	29,163,336	-
Due from AHCCCS	1,274,530	379,731
Other grants and contracts receivable	144,969	358,266
Health insurer fee receivable	-	987,146
Prepaid expenses	36,153	-
TOTAL CURRENT ASSETS	50,774,132	41,705,972
TOTAL ASSETS	$ 50,774,132	$ 41,705,972

L I A B I L I T I E S A N D M E M B E R S' E Q U I T Y

CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 1,061,953	$ 3,345,492
Claims payable	5,919,977	11,848,978
Payable to providers	6,649,678	7,899,317
Payable to AHCCCS	7,896,358	612,293
Deferred revenue	297,034	1,454,883
TOTAL CURRENT LIABILITIES	21,825,000	25,160,963
MEMBERS' EQUITY	28,949,132	16,545,009
TOTAL LIABILITIES AND MEMBERS' EQUITY	$ 50,774,132	$ 41,705,972

See Notes to Financial Statements

HEALTH CHOICE INTEGRATED CARE, LLC

STATEMENTS OF OPERATIONS AND CHANGE IN MEMBERS' EQUITY

Years Ended September 30, 2017 and 2016

	2017	2016
OPERATING REVENUES		
Arizona Health Care Cost Containment System contract revenues	$ 280,154,954	$ 247,797,491
Other grants and contracts revenue	938,957	2,675,821
Health insurer fee premium revenue	-	987,146
TOTAL OPERATING REVENUES	281,093,911	251,460,458
HEALTHCARE EXPENSES	244,212,533	220,666,089
GENERAL AND ADMINISTRATIVE EXPENSES	18,461,158	16,341,279
PREMIUM TAX EXPENSE	5,224,344	1,184,019
HEALTH INSURER FEE	-	987,146
TOTAL EXPENSES	267,898,035	239,178,533
OPERATING INCOME	13,195,876	12,281,925
NON-OPERATING INCOME (EXPENSE)		
Community reinvestment expense	(791,753)	(736,916)
NET INCOME	12,404,123	11,545,009
CONTRIBUTIONS FROM MEMBERS	-	-
DISTRIBUTIONS TO MEMBERS	-	-
MEMBERS' EQUITY, BEGINNING OF YEAR	16,545,009	5,000,000
MEMBERS' EQUITY, END OF YEAR	$ 28,949,132	$ 16,545,009

See Notes to Financial Statements

HEALTH CHOICE INTEGRATED CARE, LLC

STATEMENTS OF CASH FLOWS

Years Ended September 30, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 12,404,123	$ 11,545,009
Adjustments to reconcile net income to net cash provided by operating activities:		
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Due from AHCCCS	(894,799)	(379,731)
Other grants and contracts receivable	213,297	(358,266)
Health insurer fee receivable	987,146	(987,146)
Prepaid expenses	(36,153)	-
Increase (decrease) in:		
Accounts payable and accrued expenses	(2,283,539)	3,345,492
Claims payable	(5,929,001)	11,848,978
Payable to providers	(1,249,639)	7,899,317
Payable to AHCCCS	7,284,065	612,293
Deferred revenue	(1,157,849)	1,454,883
Net cash provided by operating activities	9,337,651	34,980,829
CASH FLOWS FROM INVESTING ACTIVITIES		
Change in due from Parent	(29,163,336)	-
Net cash used in investing activities	(29,163,336)	-
NET CHANGE IN CASH	(19,825,685)	34,980,829
CASH, BEGINNING OF YEAR	39,980,829	5,000,000
CASH, END OF YEAR	$ 20,155,144	$ 39,980,829

See Notes to Financial Statements

HEALTH CHOICE INTEGRATED CARE, LLC

NOTES TO FINANCIAL STATEMENTS

Years Ended September 30, 2017 and 2016

(1) Organization operations and summary of significant accounting policies

Nature of operations - On September 19, 2014, Health Choice Integrated Care, LLC ("HCIC" or the "Organization"), located in Flagstaff, Arizona as an Arizona limited liability company, was incorporated. HCIC was formed to provide high quality physical and behavioral health care services on an integrated basis to Medicaid eligible adults with serious mental illness and to operate as the Regional Behavioral Health Authority ("RBHA") to coordinate the delivery of health care services to eligible persons in Northern Arizona, and to perform all obligations under the RBHA contract entered into by the Organization and the Arizona Department of Health Services ("ADHS"). On December 18, 2014, HCIC was awarded a contract with ADHS to serve as the designated RBHA for Northern Arizona. The contract is effective October 1, 2015 and has an initial three year term with two two-year renewal options for a potential maximum length of 7 years. Effective July 1, 2016 the contract with ADHS was transferred to the Arizona Health Care Cost Containment System ("AHCCCS").

The initial members of HCIC are Health Choice of Northern Arizona (a division of IASIS Healthcare, LLC) and The NARBHA Institute. IASIS Healthcare, LLC ("IASIS") is a healthcare services company that operates 17 acute care hospital facilities as part of continuing operations and one behavioral health hospital facility. IASIS was subsequently acquired by Steward Health Care ("Parent") in fiscal 2017. The Organization's by-laws provide that HCIC shall have one class of members initially; however, the current members may decide to create additional classes of membership or to add new members with unanimous consent of existing members. Additionally, the members have entered into an Operating Agreement under which a Board of Managers is appointed to govern the operations of the Organization.

The Organization shall continue in existence on a perpetual basis unless and until terminated and liquidated in accordance with the terms of the Operating Agreement. Relative interests of the members and the formula for distributions to members are as follows:

Health Choice of Northern Arizona	52%
The NARBHA Institute	48%

HCIC was initially funded through a \$2.6 million contribution from Health Choice and a \$2.4 million contribution from The NARBHA Institute.

Under the contract with AHCCCS, HCIC is responsible for managing and maintaining an organized, comprehensive, integrated healthcare delivery system for the benefit of eligible members within Northern Arizona. HCIC functions as an integrated health management organization and does not provide direct healthcare services to eligible members. Direct healthcare services are provided to eligible members by a network of subcontract service providers.

The significant accounting policies followed by HCIC are as follows:

Basis of presentation - The accompanying financial statements have been prepared in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 954-205, *Health Care Entities - Presentation of Financial Statements*.

Management's use of estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. A material estimate particularly susceptible to change in the near term relates to the claims payable liability.

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

Cash - Cash includes cash deposits in banks. Amounts at each institution are insured in limited amounts by the Federal Deposit Insurance Corporation ("FDIC").

Due from Parent - The Organization utilizes a cash management system through its Parent whereby the Organization's cash can be moved to the Parent for investment or other purposes. The Organization has an interest-bearing sweep arrangement promissory note with the Parent, which bears interest at the 4-week U.S. Treasury bill rate (0.94% at September 30, 2017) and is payable upon demand. At September 30, 2017, $29,163,336 is due to HCIC from the Parent under this agreement. This amount is included in due from Parent in the accompanying balance sheet. The amounts transferred to Parent are not maintained in a separate cash or investment account at the Parent. Rather, the underlying amount due from Parent is supported by the Parent's cash and investment balances, as well as the Parent's ability to draw upon available lines of credit or other funding sources. Subsequent to September 30, 2017, the Organization and the Parent amended the promissory note to require that the Parent maintain a minimum daily cash balance within the Organization equal to 90% of one month's AHCCCS capitation payment. As a result, the Parent has agreed to not withdraw funds such that the draw would reduce the Organization's cash balance below 90% of one month's AHCCCS capitation payment threshold. Additionally, the amended agreement requires the Parent to fund any cash deficiencies at the Organization should cash dip below 90% of one month's capitation payment. Management deems the amount due from Parent to be fully collectible at September 30, 2017, and accordingly, an allowance has not been provided. Further, the Parent has represented that all amounts due to HCIC can and will be fully settled upon demand.

Revenue recognition - HCIC receives substantially all of its revenue from its contract with AHCCCS. Operating revenue includes funding in the form of capitation revenue, which is recognized over the applicable coverage period on a per member basis for covered members. Under this arrangement, HCIC is paid a per-member fee for all enrolled members, and this fee is recorded as revenue in the month in which members are entitled to services. Any fees received prior to the month of service are recorded as deferred revenue. Deferred revenue as of September 30, 2017 and 2016 totaled $297,034 and $1,454,883, respectively, and related to funding received in advance for various programs with contract periods extending past September 30, 2017 and 2016. Capitation revenues from AHCCCS totaled $261,215,680 and $228,353,462 for the years ended September 30, 2017 and 2016, respectively. The AHCCCS contract is partially funded by federal, state, county and block grants (non-title revenue), which represent annual appropriations. HCIC recognizes revenue from this funding ratably over the period to which the funding applies. Non-Title revenues, including block grants, totaled $18,939,274 and $19,444,029 for the years ended September 30, 2017 and 2016, respectively.

AHCCCS contract revenue is also limited by the terms of the RBHA contract to a maximum profit percentage of four percent (Note 5).

Other grants and contracts revenue - Revenue from grants and contracts with funding agencies other than AHCCCS is recognized as revenue when contracted services are provided or when eligible costs are incurred. A receivable is recognized to the extent that grant and contract revenue earned exceeds cash advances. Funding sources may, at their discretion, request reimbursement for expenses or return of funds, or both, as a result of noncompliance by HCIC with the terms of the contracts.

Due from AHCCCS - At September 30, 2017 and 2016, due from AHCCCS consists primarily of capitation payments due under the Organization's contract. Amounts due from AHCCCS are stated at the amount management expects to collect. The Organization establishes an allowance for doubtful accounts, if necessary, based upon factors including credit risk, historical trends, and other information. As of September 30, 2017 and 2016, amounts due from AHCCCS are considered by management to be fully collectible and, accordingly, an allowance for doubtful accounts has not been provided.

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

Other grants and contracts receivable - At September 30, 2017 and 2016, other grants and contracts receivable consist primarily of amounts due from other state and federal agencies for the provision of integrated health services. Other grants and contracts receivable are stated at the amount management expects to collect. The Organization establishes an allowance for doubtful accounts, if necessary, based upon factors including credit risk, historical trends, and other information. As of September 30, 2017 and 2016, other grants and contracts receivable are considered by management to be fully collectible and, accordingly, an allowance for doubtful accounts has not been provided.

Health insurer fee - Under the Patient Protection and Affordable Care Act ("ACA"), HCIC qualifies as a covered entity of a controlled group engaged in providing health insurance for U.S. health risks. IASIS is the designated entity of the controlled group and must pool the premiums of all its subsidiaries to calculate its premium for purposes of determining its share of the health insurer fee under ACA provision 9010. This fee is effective for entities providing health insurance on or after January 1, 2014.

The annual fee equals net premiums written for health insurance U.S. health risks during the applicable 'fee year' divided by aggregate net premiums written for health insurance of U.S. health risks of all covered entities during the applicable "fee year" multiplied by the annual applicable amount.

As the designated entity of the controlled group, IASIS passes the fee down to its subsidiaries based on an allocation of net premiums written. The health insurer fee is considered an excise tax and thus is nondeductible for income tax purposes. As of September 30, 2016, HCIC had a payable to IASIS of $987,146, as IASIS paid the fee on HCIC's behalf for the year ended September 30, 2016. This amount is included in accounts payable and accrued expenses in the accompanying balance sheet. The State of Arizona has agreed to assist the health insurers with this fee by adjusting the contract premiums by an amount that approximates the Title XIX/XXI annual fee grossed up by the Organization's effective tax rate. Accordingly, at September 30, 2016, HCIC has recorded a receivable from AHCCCS of $987,146 related to the health insurer fee.

Under The Consolidated Appropriations Act of 2016, Title II, § 201, Moratorium on Annual Fee on Health Insurance Providers, suspends collections of the fee related to the 2017 "fee year," accordingly, HCIC does not have a payable nor a receivable related to the health insurer fee as of September 30, 2017.

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

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

(1) **Organization operations and summary of significant accounting policies (continued)**

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

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

Income taxes - The Organization's operating income or loss, as applicable, is allocated based on the ownership interests of its members. Accordingly, no provision for income taxes is included in the accompanying financial statements. In June 2006, the FASB issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes ("FIN 48"),* which was subsequently incorporated into FASB ASC 740, Income Taxes. FIN 48 clarifies the accounting for uncertainty in income taxes. The Organization evaluates its uncertain tax positions, if any, on a continual basis through review of its policies and procedures, review of its regular tax filings, and discussions with outside experts. At September 30, 2017 and 2016 management of the Organization does not believe it has any uncertain tax positions.

HCIC is subject to a 2% premium tax on Title XIX and Title XXI payments received from AHCCCS. Total premium tax expense for the years ended September 30, 2017 and 2016 was approximately $5,224,000 and $1,184,000, respectively.

Performance indicator - The statement of operations and change in members' equity includes the performance indicator operating income. The performance indicator excludes non-operating income (expenses), which is consistent with industry practice and AHCCCS reporting guidelines.

Reclassification - Certain amounts in the balance sheet as of September 30, 2016 were reclassified between accounts payable and accrued expenses to conform to the presentation of the balance sheet as of September 30, 2017. There was no impact to total liabilities or members' equity as of September 30, 2016 or net income for the year ended September 30, 2016.

Recent accounting pronouncements - In May 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606),* that, as amended, will supersede most current revenue recognition guidance, including industry-specific guidance. The core principle of the new guidance is that an entity will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include the capitalization and amortization of certain contract costs, ensuring the time value of money is considered in the transaction price, and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. Additionally, the guidance requires disclosures related to the nature, amount, timing, and uncertainty of revenue that is recognized. Public business entities, certain not-for-profit entities, and certain employee benefit plans should apply the guidance in ASU No. 2014-09 for annual reporting periods beginning after December 15, 2017. All other entities should apply the guidance in ASU No. 2014-09 to annual reporting periods beginning after December 15, 2018. Earlier application is permitted only as of annual reporting periods beginning after December 15, 2016. Transition to the new guidance may be done using either a full or modified retrospective method. The Organization is currently evaluating the full effect that the adoption of this standard will have on the financial statements.

(1) **Organization operations and summary of significant accounting policies (continued)**

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842).* ASU 2016-02 requires that a lease liability and related right-of-use-asset representing the lessee's right to use or control the asset be recorded on the balance sheet upon the commencement of all leases except for short-term leases. Leases will be classified as either finance leases or operating leases, which are substantially similar to the classification criteria for distinguishing between capital leases and operating leases in existing lease accounting guidance. As a result, the effect of leases in the statement of operations and change in members' equity and the statement of cash flows will be substantially unchanged from the existing lease accounting guidance. The ASU is effective for fiscal years beginning after December 15, 2019. Early adoption is permitted. The Organization is currently evaluating the effect that the adoption of this standard will have on the financial statements.

Subsequent events - HCIC has evaluated subsequent events through February 16, 2018, which is the date the financial statements were available to be issued.

(2) Claims payable

At September 30, 2017 and 2016, claims outstanding to third parties for health care services provided to members, including estimates for incurred but not reported claims, totaled approximately $5.9 million and $11.8 million, respectively. The balances at September 30, 2017 and 2016 were certified by an actuary. Activity in the liability for claims payable and health care expense for the years ended September 30, 2017 and 2016 is as follows:

	2017	2016
Balance at September 30, 2016 and 2015, respectively	$ 11,848,978	$ -
Incurred related to:		
Prior year	(6,834,582)	-
Current year	30,179,159	34,307,989
Total incurred	23,344,577	34,307,989
Paid related to:		
Prior year	4,795,361	-
Current year	24,478,217	22,459,011
Total paid	29,273,578	22,459,011
Balance at September 30, 2017 and 2016, respectively	$ 5,919,977	$ 11,848,978

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

The liability for claims payable at September 30, 2016 was greater than the actual claims incurred related to fiscal year 2016 by approximately $7,054,000 or 147%. The primary drivers for this favorable claim development include member mix changes and lower than anticipated member utilization. Additionally, HCIC continues to incur claims for fiscal year 2016. The claims payable is adjusted each period end as more information becomes available.

(3) Related party transactions

Effective October 1, 2015, the Organization entered into a five year management agreement with Health Choice Management Company ("HCMC"), a wholly-owned subsidiary of IASIS, which manages the general and administrative function related to HCIC inclusive of payroll, advertising and administrative expenses. The agreement terminates automatically upon (1) expiration or earlier termination of the AHCCCS RBHA contract, or (2) consummation of a purchase of the HCIC Operating Agreement, after which neither HCMC nor any affiliate of HCMC is a member of HCIC. For the first year under the management agreement, HCIC will pay fees in an amount equal to 6.5% of HCIC revenue. For the second year of the management agreement, HCIC will pay fees in an amount equal to 6.5% of HCIC revenue, as approved by the Board of Directors. The fee thereafter will be 6.0% of HCIC revenue. The monthly management fee covers the employee salary and benefit costs and general and administrative expenses incurred to operate HCIC. HCIC incurred management fees per the management agreement of $18,245,808 and $16,289,339 for the years ended September 30, 2017 and 2016, respectively. These amounts are included in general and administrative expenses in the accompanying statement of operations and change in members' equity. At September 30, 2017, as a result of the timing of payments and the estimation process, HCIC had overpaid management fees to HCMC and was owed $473,735, which is netted within accounts payable and accrued expenses in the accompanying balance sheet. At September 30, 2016, HCIC had unpaid management fees totaling $1,388,099, which is included in accounts payable and accrued expenses in the accompanying balance sheet.

HCMC has entered into a leasing agreement with NARBHA on behalf of HCIC, in which HCIC conducts its operations from the leased facility. The term of the lease commenced on October 1, 2015 and terminates on September 30, 2018, and includes two additional two-year terms if the State Contract and ASA are concurrently renewed. The annual rental amount of $642,582 is due in equal monthly installments of $53,548.50 and is included in general and administrative expenses in the accompanying statements of operations and change in members' equity.

HCIC paid $385,981 and $203,320 to IASIS and its affiliates for the years ended September 30, 2017 and 2016, respectively, for the provision of integrated health services.

(4) Commitments and contingencies

Performance bond - In accordance with the terms of its contract with AHCCCS, HCIC is required to post a performance bond with AHCCCS equal to 100% of the first monthly Title XIX/XXI capitation and Non-Title XIX/XXI payments, as specified in the contract. The amount of the bond is subject to adjustment as certain conditions change and its method of calculation is specified in the contract. The performance bond must be maintained to guarantee payment of HCIC's obligations under the contract. The performance bond requirement was $21,315,166 and $20,755,395 for the years ended September 30, 2017 and 2016, respectively. The performance bond requirement was met through the purchase of a surety bond totaling $21,315,166 and $20,755,395 for the years ended September 30, 2017 and 2016, respectively.

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

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

(4) Commitments and contingencies (continued)

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

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

Community reinvestment program - HCIC has approved a Community Reinvestment program as described in their contract with AHCCCS. Under the program, HCIC will place 6% of its total net income for the purposes of community reinvestment. The program funds community projects that enhance the lives of people in the communities in Northern Arizona. These funds are for projects and services not eligible for service or prevention dollars from HCIC.

For the years ended September 30, 2017 and 2016, HCIC spent $570,207 and $0 of the funds appropriated under the community reinvestment program. At September 30, 2017 and 2016, HCIC has a liability for unspent community reinvestment program funds of $958,462 and $736,916, respectively, which is included in accounts payable and accrued expenses in the accompanying balance sheets.

(5) Contract requirements

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

The Organization must maintain unrestricted minimum capitalization of at least 90% of the monthly capitation and block payments received under the Contract. As of September 30, 2017 and 2016, the Organization was in compliance with this requirement.

The Contract contains various quarterly financial performance requirements, including a required minimum liquidity ratio, an administrative cost percentage, and service expense percentages. As of September 30, 2017 and 2016, HCIC was in compliance with these requirements.

As discussed in Note 1, HCIC is limited by the terms of its contract with AHCCCS to profit that can be earned under the various programs. AHCCCS title funding contract revenue that could not be recognized due to profit limits for the contract period October 1, 2016 through September 30, 2017 totaled $7,896,358 at September 30, 2017 and is included in the payable to AHCCCS in the accompanying balance sheet. At September 30, 2016, for the contract period October 1, 2015 through September 30, 2016, there was no contract revenue that could not be recognized due to the profit limits.

(5) Contract requirements (continued)

Should HCIC be in default of any material obligations under the contract, AHCCCS may, at its discretion, in addition to other remedies, either adjust the amount of future payments or withhold future payment until satisfactory resolution of the default or exception. Further, if monies are not appropriated by the State or are not otherwise available, the Contract may be cancelled upon written notice until such monies are so appropriated or available. Additionally, the Parent has represented that it will provide sufficient funds necessary to comply with any contract requirements.

HCIC is required to meet quarterly and contract year end minimum encounter submission percentages, or be subject to sanction by AHCCCS. Typically, HCIC has up to eight months after the contract period end to meet the minimum number of encounters. For the year ended September 30, 2017, HCIC anticipated meeting the required encounter threshold for the contract period from October 1, 2016 through September 30, 2017. Accordingly, as of September 30, 2017 HCIC did not recorded a liability associated with an encounter sanction. Additionally, for the contract year ended September 30, 2016, management has met the required encounter threshold for the contract period from October 1, 2015 through September 30, 2016 for Title XIX funding and Non-Title XIX funding. Accordingly, as of June 30, 2017 and 2016, HCIC has not recorded a liability associated with an encounter sanction.

AHCCCS has a right to sanction HCIC for other matters of non-compliance of the Contract, as determined by AHCCCS. HCIC received sanctions of $2,595 and $0 from AHCCCS for the years ended September 30, 2017 and 2016, respectively.

At September 30, 2016 HCIC had a payable to AHCCCS totaling $612,293 consisting of overpayments to HCIC from AHCCCS for 2016.

(6) Concentration of credit risk

HCIC currently holds a contract with AHCCCS to provide services through September 30, 2018, with two additional two-year renewal options. Failure to renew this contract could have a significant impact on HCIC's operations.

(7) Subsequent event

On November 2, 2017, AHCCCS released the AHCCCS Complete Care Request for Proposal ("RFP") which will integrate physical and behavioral health care contracts under managed care plans for the majority of the 1.9 million AHCCCS members. The integrated delivery model will offer a more cohesive health care system for members incentivizing quality health outcomes with value based purchasing, and leverage health information technology for improved care coordination. Additionally, integrating physical and behavioral health care contracts will drive several strategic, innovative health care initiatives forward. HCIC, in conjunction with Health Choice, is currently in the process of submitting their bid. Should HCIC be unsuccessful in their bid, there would a significant negative impact on HCIC's operations and financial condition. HCIC's contract is not being rebid but after October 1, 2018, would be limited to specialty populations, with most covered lives moving to "Complete Care" contractors, one of which, Health Choice Arizona ("HCA"), seeks to become in its bid. If HCA is successful in its bid in the north GSA, this would result in assignment of HCIC's contract to HCA due to the state's "affiliated organization" requirement.

To address these changes, the parties executed a Memorandum of Understanding ("MOU") which assumes that if HCA is successful, it will subcontract RBHA functions back to HCIC. The MOU would also provide for the NARBHA Institute to provide services to HCA of value roughly comparable to covered lives not within the specialty populations remaining with HCIC, though it would involve broadened services across all HCA service areas, and would only achieve such comparable scope if HCA retains its existing GSAs in both north and Central (Maricopa County).

(7) Subsequent event (continued)

In summary, HCIC's contract with AHCCCS and its relationship with the NARBHA Institute will change significantly effective October 1, 2018. Whether those changes will be adverse, positive or neutral depends on whether HCA is successful, in what service areas of the state it is successful, and on state approvals of proposed arrangements.

SUPPLEMENTAL SCHEDULES

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INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL SCHEDULES

To the Board of Directors of

HEALTH CHOICE INTEGRATED CARE, LLC

Report on the Supplemental Schedules

We have audited the accompanying supplemental schedule of operations and supplemental schedule of operations - disclosures on pages 17 to 19 (as defined in the contract dated July 1, 2016 between ***Health Choice Integrated Care, LLC*** and the Arizona Health Care Cost Containment System ("AHCCCS")) of ***Health Choice Integrated Care, LLC*** for the year ended September 30, 2017.

Management's Responsibility for the Supplemental Schedules

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the supplemental schedule of operations and supplemental schedule of operations - disclosures referred to above present fairly, in all material respects, the operations of ***Health Choice Integrated Care, LLC*** for the year ended September 30, 2017, as defined in the contract referred to in the first paragraph.

This report is intended solely for the information and use of the Board of Directors, management of ***Health Choice Integrated Care, LLC***, others within the entity, and AHCCCS, and is not intended to be and should not be used by anyone other than these specified parties.

Mayer Hoffman McCann P.C.

February 16, 2018

HEALTH CHOICE INTEGRATED CARE, LLC
SUPPLEMENTAL SCHEDULES
SCHEDULE 1 - STATEMENT OF OPERATIONS
CONTRACT YEAR TO DATE AS OF: September 30, 2017

***DISCLOSED ON SCHEDULE A**

			TXIX/XXI Non CMDP Child	TXIX CMDP Child	TXIX DD Child	TXIX/XXI GMH/SA Non Dual	TXIX DD Adult	TXIX SMI Integrated	TXIX SMI Non Integrated	Total TXIX/XXI	NTXIX/XXI Crisis	NTXIX/XXI SMI	NTXIX/XXI Other	Supported Housing	SB1616 Housing	MHBG SED	MHBG SMI	SABG	Other Federal	County	PASRR/ ADOH	Total NTXIX/XXI	Total TXIX/XXI and NTXIX/XXI	Mgmt & Gen	Total
REVENUE																									
305		Prospective Capitation	49,041,780	21,545,307	4,318,713	62,548,954	3,505,274	121,586,930	6,565,080	269,112,038	-	-	-	-	-	-	-	-	-	-	-	-	269,112,038	-	269,112,038
310		PPC Capitation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		-	-	-
311		Non-Title XIX/XXI Revenue	-	-	-	-	-	-	-	-	2,329,840	7,060,172	562,500	582,807	314,608	796,199	799,803	4,345,080	-	1,428,690	2,100	18,221,799	18,221,799	-	18,221,799
315		Specialty and Other Grants*	-	-	-	-	-	-	-	-	-	-	496,456	-	-	-	-	-	12,317	-	208,702	717,475	717,475	938,957	1,656,432
319		Title XIX/XXI Reconciliation Settlement	-	-	-	-	-	(7,896,358)	-	(7,896,358)	-	-	-	-	-	-	-	-	-	-	-	-	(7,896,358)	-	(7,896,358)
320		Non-Title XIX/XXI Profit Limit	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		-	-	-
321		Non-Title XIX/XXI General Fund Profit Limit	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		-	-	-
323		PCP Parity Cost Settlement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		-	-	-
324		Health Insurer Fee Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		-	-	-
325		Investment Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		-	-	-
330		Other Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		-	-	-
		TOTAL REVENUE	49,041,780	21,545,307	4,318,713	62,548,954	3,505,274	113,690,572	6,565,080	261,215,680	2,329,840	7,060,172	1,058,956	582,807	314,608	796,199	799,803	4,345,080	12,317	1,428,690	210,802	18,939,274	280,154,954	938,957	281,093,911
EXPENSES																									
Behavioral Health Medical Expenses:																									
501		**Treatment Services**																							
a		Counseling																							
	1	Counseling, Individual	3,141,434	1,158,345	90,535	4,910,926	100,872	3,761,936	99,323	13,263,371	10,014	190,011	-	-	-	100,407	3,450	320,029	-	-	-	623,911	13,887,282	-	13,887,282
	2	Counseling, Family	902,975	349,591	53,092	114,438	11,729	46,962	4,945	1,483,732	394	3,349	-	-	-	15,998	42	27,360	-	-	-	47,143	1,530,875	-	1,530,875
	3	Counseling, Group	270,061	53,911	2,323	2,144,388	9,265	889,674	48,845	3,418,467	23,295	40,913	-	-	-	4,860	788	365,999	-	-	-	435,855	3,854,322	-	3,854,322
b		Assessment, Evaluation and Screening	2,356,594	779,460	156,959	3,923,774	180,765	2,177,369	108,317	9,683,238	72,881	300,636	-	-	-	37,646	9,916	241,197	-	86,194	-	748,470	10,431,708	-	10,431,708
c		Other Professional	-	-	-	355	-	-	-	355	-	-	-	-	-	-	-	212	-	-	-	212	567	-	567
d		**Total Treatment Services**	6,671,064	2,341,307	302,909	11,093,881	302,631	6,875,941	261,430	27,849,163	106,584	534,909	-	-	-	158,911	14,196	954,797	-	86,194	-	1,855,591	29,704,754	-	29,704,754
502		**Rehabilitation Services**																							
a		Living Skills Training	9,019,245	1,957,986	1,283,797	1,973,475	488,418	5,996,437	164,973	20,884,331	3,837	566,178	-	-	-	135,593	18,976	366,402	-	-	-	1,090,986	21,975,317	-	21,975,317
b		Cognitive Rehabilitation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
c		Health Promotion	45,275	29,899	49	475,355	3,775	256,451	4,972	815,776	439	49,540	-	-	-	408	1,685	250,224	-	-	-	302,296	1,118,072	-	1,118,072
d		Supported Employment Services	37,035	1,039	224	659,797	106,099	3,353,607	67,571	4,225,372	-	372,384	-	-	-	2,443	12,362	10,623	-	-	-	397,812	4,623,184	-	4,623,184
e		**Total Rehabilitation Services**	9,101,555	1,988,924	1,284,070	3,108,627	598,292	9,606,495	237,516	25,925,479	4,276	988,102	-	-	-	138,444	33,023	627,249	-	-	-	1,791,094	27,716,573	-	27,716,573
503		**Medical Services**																							
a		Medication Services	-	-	-	914,830	373	88,283	476	1,003,962	-	3,779	-	-	-	-	136	55,085	-	-	-	59,000	1,062,962	-	1,062,962
b		Medical Management	948,126	127,370	84,251	2,069,717	118,195	2,495,873	79,644	5,923,176	4,959	350,158	-	-	-	29,171	12,011	48,601	-	-	-	444,900	6,368,076	-	6,368,076
c		Laboratory, Radiology & Medical Imaging	10,067	1,449	324	24,492	555	20,222	692	57,801	76	99	-	-	-	-	3	586	-	-	-	764	58,565	-	58,565
d		Electro-Convulsive Therapy	-	-	-	7,804	-	71,932	12,918	92,654	72	-	-	-	-	-	-	-	-	-	-	72	92,726	-	92,726
e		**Total Medical Services**	958,193	128,819	84,575	3,016,843	119,123	2,676,310	93,730	7,077,593	5,107	354,036	-	-	-	29,171	12,150	104,272	-	-	-	504,736	7,582,329	-	7,582,329
504		**Support Services**																							
a		Case Management	6,722,797	3,791,945	622,500	6,292,692	465,798	11,221,775	425,647	29,543,154	278,467	1,252,535	-	-	-	171,965	42,298	411,132	-	465	-	2,156,862	31,700,016	-	31,700,016
b		Personal Care Services	80,233	6,761	6,011	825,910	44,700	845,914	39,493	1,849,022	91,651	54,920	-	-	-	2,131	1,932	69,992	-	-	-	220,626	2,069,648	-	2,069,648
c		Family Support	1,687,968	866,348	172,336	13,210	2,172	5,686	2,892	2,750,612	157	511	-	-	-	20,708	16	1,337	-	-	-	22,729	2,773,341	-	2,773,341
d		Peer Support	19,216	1,821	2,043	2,107,803	33,563	3,708,062	104,257	5,976,765	107,866	411,231	-	-	-	607	13,705	27,020	-	-	-	560,429	6,537,194	-	6,537,194
e		Home Care Training to Home Care Client	1,259,126	3,346,334	36,186	312	-	-	29,648	4,671,606	-	-	-	-	-	-	-	-	-	-	-	-	4,671,606	-	4,671,606
f		Unskilled Respite Care	3,049,055	1,024,082	333,182	59,499	32,080	103,338	5,459	4,606,695	-	9,878	-	-	-	18,984	319	7,154	-	-	-	36,335	4,643,030	-	4,643,030
g		Supported Housing*	-	-	-	-	-	-	-	-	-	550,179	517,500	468,262	289,439	5,984	239,975	-	-	-	-	2,071,339	2,071,339	-	2,071,339
h		Reserved for Future Use	-	-	-	-	-	-	-		-	-				-	-	-							
i		Transportation	2,409,992	494,541	202,141	3,919,386	130,803	4,665,423	177,046	11,999,332	15,460	301,589	-	-	-	13,117	10,058	126,129	-	-	-	466,353	12,465,685	-	12,465,685
j		**Total Support Services**	15,228,387	9,531,832	1,374,399	13,218,812	709,116	20,550,198	784,442	61,397,186	493,601	2,580,843	517,500	468,262	289,439	233,496	308,303	642,764	-	465	-	5,534,673	66,931,859	-	66,931,859
505		**Crisis Intervention Services**																							
a		Crisis Intervention - Mobile	321,314	108,182	17,550	840,970	53,706	722,109	36,803	2,100,634	457,114	15,206	-	-	-	14,066	447	5,196	-	46,713	-	538,742	2,639,376	-	2,639,376
b		Crisis Intervention - Stabilization	8,312	1,037	1,085	749,360	15,256	485,753	39,892	1,300,695	130,315	570	-	-	-	-	20	1,225	-	129,025	-	261,155	1,561,850	-	1,561,850
c		Crisis Intervention - Telephone	120,803	29,324	12,398	342,609	7,105	514,329	4,800	1,031,368	512,388	-	-	-	-	456	-	-	-	-	-	512,844	1,544,212	-	1,544,212
d		**Total Crisis Intervention Services**	450,429	138,543	31,033	1,932,939	76,067	1,722,191	81,495	4,432,697	1,099,817	15,776	-	-	-	14,522	467	6,421	-	175,738	-	1,312,741	5,745,438	-	5,745,438
506		**Inpatient Services**																							
a		Hospital																							
	1	Psychiatric (Provider Types 02 & 71)	3,038,010	755,741	182,896	6,024,787	173,574	5,900,408	570,535	16,645,951	165,401	-	-	-	-	-	-	-	-	899,243	-	1,064,644	17,710,595	-	17,710,595
	2	Detoxification (Provider Types 02 & 71)	-	-	-	1,302,785	-	149,333	19,606	1,471,724	28,065	-	-	-	-	-	-	-	-	-	-	28,065	1,499,789	-	1,499,789
b		Sub acute Facility																							
	1	Psychiatric (Provider Types B5 & B6)	30,623	-	-	1,411,646	71,688	2,496,346	281,092	4,291,395	134,379	-	-	-	-	-	-	-	-	-	-	134,379	4,425,774	-	4,425,774
	2	Detoxification (Provider Types B5 & B6)	-	-	-	655,371	-	258,979	9,657	924,007	57,407	-	-	-	-	-	-	33,470	-	-	-	90,877	1,014,884	-	1,014,884
c		Residential Treatment Center (RTC)																							
	1	Psychiatric - Secure & Non-Secure Provider Types 78,B1,B2,B3)	2,229,003	2,244,593	8,075	133	-	175	1,177	4,483,156	-	-	-	67,920	-	11,620	-	-	-	-	-	79,540	4,562,696	-	4,562,696
	2	Detoxification - Secure & Non-Secure (Provider Types (78,B1,B2,B3)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
d		Inpatient Services, Professional	77,795	21,160	3,219	552,087	23,865	495,789	60,668	1,234,583	48,815	-	-	-	-	-	-	-	-	152,754	-	201,569	1,436,152	-	1,436,152
e		**Total Inpatient Services**	5,375,431	3,021,494	194,190	9,946,809	269,127	9,301,030	942,735	29,050,816	434,067	-	-	67,920	-	11,620	-	33,470	-	1,051,997	-	1,599,074	30,649,890	-	30,649,890
507		**Residential Services**																							
a		Behavioral Health Residential Facilities	1,350,889	1,089,732	113,606	5,710,615	346,268	13,951,844	2,405,517	24,968,471	-	-	-	-	-	-	-	912,674	-	-	-	912,674	25,881,145	-	25,881,145
b		Reserved for Future Use									-	-	-	-	-	-	-	-	-	-	-				
c		Room and Board	-	-	-	-	-	-	-	-	-	-	-	-	-	115,250	-	83,840	-	-	-	199,090	199,090	-	199,090
d		**Total Residential Services**	1,350,889	1,089,732	113,606	5,710,615	346,268	13,951,844	2,405,517	24,968,471	-	-	-	-	-	115,250	-	996,514	-	-	-	1,111,764	26,080,235	-	26,080,235
508		**Behavioral Health Day Program**																							
a		Supervised Day Program	-	-	-	3,563	-	11,544	1,034	16,141	-	81	-	-	-	-	5	-	-	-	-	86	16,227	-	16,227
b		Therapeutic Day Program	-	-	-	46	-	650	-	696	-	-	-	-	-	-	-	-	-	-	-	-	696	-	696
c		Medical Day Program	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
d		**Total Behavioral Health Day Program**	-	-	-	3,609	-	12,194	1,034	16,837	-	81	-	-	-	-	5	-	-	-	-	86	16,923	-	16,923
509		**Prevention Services**																							
a		Prevention								-	-	-	-	-	-	-	-	396,865	-	-	-	396,865	396,865	-	396,865
b		HIV								-	-	-	-	-	-	-	-	70,152	-	-	-	70,152	70,152	-	70,152
c		**Total Prevention Services**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	467,017	-	-	-	467,017	467,017	-	467,017

NOTE: The Supplemental Schedule of Activities and Supplemental Schedule of Activities – Disclosures were prepared using an AHCCCS approved allocation plan, as submitted to AHCCCS by Health Choice Integrated Care

HEALTH CHOICE INTEGRATED CARE, LLC
SUPPLEMENTAL SCHEDULES
SCHEDULE 1 - STATEMENT OF OPERATIONS
CONTRACT YEAR TO DATE AS OF: September 30, 2017

***DISCLOSED ON SCHEDULE A**

		TXIX/XXI Non CMDP Child	TXIX CMDP Child	TXIX DD Child	TXIX/XXI GMH/SA Non Dual	TXIX DD Adult	TXIX SMI Integrated	TXIX SMI Non Integrated	Total TXIX/XXI	NTXIX/XXI Crisis	NTXIX/XXI SMI	NTXIX/XXI Other	Supported Housing	SB1616 Housing	MHBG SED	MHBG SMI	SABG	Other Federal	County	PASRR/ ADOH	Total NTXIX/XXI	Total TXIX/XXI and NTXIX/XXI	Mgmt & Gen	Total
510	**Pharmacy Expenses**																							
a	Pharmacy Expense	3,099,812	379,818	341,222	5,515,895	594,824	9,318,850	844,773	20,095,194	-	1,971,618	-	-	-	1,740	(278)	4,939	-	-	-	1,978,019	22,073,213	-	22,073,213
b	**Less** Pharmacy Rebate Received	(7,899)	(792)	(1,164)	(11,760)	(1,332)	(19,115)	(1,293)	(43,355)	-	(3,959)	-	-	-	(2)	(242)	(11)	-	-	-	(4,214)	(47,569)	-	(47,569)
c	Pharmacy Rebate Related Expense	94,144	10,959	11,280	161,314	17,495	266,225	22,733	584,150	-	53,954	-	-	-	51	3,291	141	-	-	-	57,437	641,587	-	641,587
d	**Total Pharmacy Expense**	3,186,057	389,985	351,338	5,665,449	610,987	9,565,960	866,213	20,635,989	-	2,021,613	-	-	-	1,789	2,771	5,069	-	-	-	2,031,242	22,667,231	-	22,667,231
511	Other Service Expenses Not Reported Above*	78,630	17,000	-	89,197	-	350,514	-	535,341	-	-	-	-	-	-	335,471	-	5,420	-	2,100	342,991	878,332	-	878,332
512	BH FQHC/RHC Services	25,562	312	1,379	142,770	1,830	29,499	1,269	202,621	-	-	-	-	-	-	-	-	-	-	-	-	202,621	-	202,621
	Subtotal BH Medical Expenses	42,426,197	18,647,948	3,737,499	53,929,551	3,033,441	74,642,176	5,675,381	202,092,193	2,143,452	6,495,360	517,500	536,182	289,439	703,203	706,386	3,837,573	5,420	1,314,394	2,100	16,551,009	218,643,202	-	218,643,202
513	Specialty and Other Grant Expenses*	-	-	-	-	-	-	-	-	-	-	477,438	-	-	-	-	-	5,912	-	208,703	692,053	692,053	880,071	1,572,124
	Total BH Medical Expenses	42,426,197	18,647,948	3,737,499	53,929,551	3,033,441	74,642,176	5,675,381	202,092,193	2,143,452	6,495,360	994,938	536,182	289,439	703,203	706,386	3,837,573	11,332	1,314,394	210,803	17,243,062	219,335,255	880,071	220,215,326
	Total PH Medical Expenses (details below)	19,629	292	502	208,822	10	23,761,021	6,931	23,997,207	-	-	-	-	-	-	-	-	-	-	-	-	23,997,207	-	23,997,207
	Total BH and PH Medical Expenses	42,445,826	18,648,240	3,738,001	54,138,373	3,033,451	98,403,197	5,682,312	226,089,400	2,143,452	6,495,360	994,938	536,182	289,439	703,203	706,386	3,837,573	11,332	1,314,394	210,803	17,243,062	243,332,462	880,071	244,212,533
440	Less: Reinsurance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
442	Less: Third Party Liability	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Total Net Medical Expense	42,445,826	18,648,240	3,738,001	54,138,373	3,033,451	98,403,197	5,682,312	226,089,400	2,143,452	6,495,360	994,938	536,182	289,439	703,203	706,386	3,837,573	11,332	1,314,394	210,803	17,243,062	243,332,462	880,071	244,212,533
Physical Health Medical Expenses																								
	Hospitalization																							
402	Hospital Inpatient	-	-	-	-	-	2,643,106	-	2,643,106												-	2,643,106	-	2,643,106
404	Hospital Inpatient, BH Principle Diagnosis	18,514	199	502	204,580	-	30,327	6,754	260,876												-	260,876	-	260,876
406	Hospital Inpatient, PPC	-	-	-	-	-	-	-	-												-	-	-	-
	Total Hospitalization	18,514	199	502	204,580	-	2,673,433	6,754	2,903,982												-	2,903,982	-	2,903,982
	Medical Compensation																							
408	Primary Care Physician	-	-	-	-	-	1,795,941	-	1,795,941												-	1,795,941	-	1,795,941
409	Physician Services, BH Principle Diagnosis	1,115	93	-	4,242	10	2,200	177	7,837												-	7,837	-	7,837
410	Referral Physician	-	-	-	-	-	758,615	-	758,615												-	758,615	-	758,615
411	PH FQHC/RHC Services	-	-	-	-	-	818,611	-	818,611												-	818,611	-	818,611
412	Other Professional	-	-	-	-	-	586,758	-	586,758												-	586,758	-	586,758
414	PPC - Physician Services	-	-	-	-	-	-	-	-												-	-	-	-
415	PCP Parity Enhanced Payment Expense	-	-	-	-	-	-	-	-												-	-	-	-
	Total Medical Compensation	1,115	93	-	4,242	10	3,962,125	177	3,967,762												-	3,967,762	-	3,967,762
	Other Medical Expenses																							
416	Emergency Facility Services	-	-	-	-	-	1,567,521	-	1,567,521												-	1,567,521	-	1,567,521
417	Pharmacy	-	-	-	-	-	8,623,704	-	8,623,704												-	8,623,704	-	8,623,704
	less: Pharmacy Rebates	-	-	-	-	-	(19,586)	-	(19,586)												-	(19,586)	-	(19,586)
418	Lab, X-ray, & Medical Imaging	-	-	-	-	-	491,293	-	491,293												-	491,293	-	491,293
419	Outpatient Facility	-	-	-	-	-	3,356,518	-	3,356,518												-	3,356,518	-	3,356,518
420	Durable Medical Equipment	-	-	-	-	-	508,194	-	508,194												-	508,194	-	508,194
421	Dental	-	-	-	-	-	13,477	-	13,477												-	13,477	-	13,477
422	Transportation	-	-	-	-	-	1,853,045	-	1,853,045												-	1,853,045	-	1,853,045
423	Nursing Facility, Home Health Care	-	-	-	-	-	307,889	-	307,889												-	307,889	-	307,889
424	Physical Therapy	-	-	-	-	-	6,964	-	6,964												-	6,964	-	6,964
434	Value Based Purchasing Provider Expenses	-	-	-	-	-	416,444	-	416,444												-	416,444	-	416,444
425	Miscellaneous Medical Expenses	-	-	-	-	-	-	-	-												-	-	-	-
438	Miscellaneous Medical Expenses, PPC	-	-	-	-	-	-	-	-												-	-	-	-
	Total Other Medical Expenses	-	-	-	-	-	17,125,463	-	17,125,463	-	-	-	-	-	-	-	-	-	-	-	-	17,125,463	-	17,125,463
	Total Physical Health Expense	19,629	292	502	208,822	10	23,761,021	6,931	23,997,207	-	-	-	-	-	-	-	-	-	-	-	-	23,997,207	-	23,997,207
Administrative Expenses:																								
444	Compensation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
446	Data Processing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
448	Management Fees	3,150,699	1,384,094	277,462	4,019,122	225,158	7,024,481	422,587	16,503,603	185,829	563,120	44,664	46,506	25,169	52,216	52,456	285,015	979	114,063	15,682	1,385,699	17,889,302	-	17,889,302
449	Interpreter/Translation Services	45,603	-	1,011	3,177	978	941	31	51,741	-	31	-	-	-	13	-	-	-	-	-	44	51,785	-	51,785
450	Interest Expense	1	-	-	7	-	102,556	-	102,564	-	-	-	-	-	-	-	-	-	-	-	-	102,564	-	102,564
452	Occupancy	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
454	Depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
455	Care Management	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
456	Marketing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
458	Other Administrative Expenses*	10,146	4,679	863	13,523	793	298,301	608	328,913	559	1,693	336	119	-	179	96	964	6	233	47	4,232	333,145	240	333,385
	Subtotal Administrative Expenses	3,206,449	1,388,773	279,336	4,035,829	226,929	7,426,279	423,226	16,986,821	186,388	564,844	45,000	46,625	25,169	52,408	52,552	285,979	985	114,296	15,729	1,389,975	18,376,796	240	18,377,036
459	Encounter Evaluation Sanctions*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
460	Admin Expenses from Specialty and Other Grants*	-	-	-	-	-	-	-	-	-	-	19,018	-	-	-	-	-	-	-	-	19,018	19,018	65,104	84,122
	Total Administrative Expense	3,206,449	1,388,773	279,336	4,035,829	226,929	7,426,279	423,226	16,986,821	186,388	564,844	64,018	46,625	25,169	52,408	52,552	285,979	985	114,296	15,729	1,408,993	18,395,814	65,344	18,461,158
	Total Expenses	45,652,275	20,037,013	4,017,337	58,174,202	3,260,380	105,829,476	6,105,538	243,076,221	2,329,840	7,060,204	1,058,956	582,807	314,608	755,611	758,938	4,123,552	12,317	1,428,690	226,532	18,652,055	261,728,276	945,415	262,673,691
	Profit (Loss) from Operations	3,389,505	1,508,294	301,376	4,374,752	244,894	7,861,096	459,542	18,139,459	-	(32)	-	-	-	40,588	40,865	221,528	-	-	(15,730)	287,219	18,426,678	(6,458)	18,420,220
610	Profit (Loss) from Other, Non-AHCCCS, Non-Operating*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(791,753)	(791,753)
	Profit/(Loss) Before Taxes	3,389,505	1,508,294	301,376	4,374,752	244,894	7,861,096	459,542	18,139,459	-	(32)	-	-	-	40,588	40,865	221,528	-	-	(15,730)	287,219	18,426,678	(798,211)	17,628,467
	Provision for Income Taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Provision for Premium Taxes	980,837	430,906	86,374	1,250,978	70,106	2,273,841	131,302	5,224,344													5,224,344	-	5,224,344
	Provision for Health Insurer Fee	-	-	-	-	-	-	-	-													-	-	-
	Net Profit/(Loss)	2,408,668	1,077,388	215,002	3,123,774	174,788	5,587,255	328,240	12,915,115	-	(32)	-	-	-	40,588	40,865	221,528	-	-	(15,730)	287,219	13,202,334	(798,211)	12,404,123

NOTE: The Supplemental Schedule of Activities and Supplemental Schedule of Activities – Disclosures were prepared using an AHCCCS approved allocation plan, as submitted to AHCCCS by Health Choice Integrated Care

HEALTH CHOICE INTEGRATED CARE, LLC
SUPPLEMENTAL SCHEDULES
SCHEDULE 2 - STATEMENT OF OPERATIONS - DISCLOSURES
CONTRACT YEAR TO DATE AS OF: September 30, 2017

	TXIX/XXI Non CMDP Child	TXIX CMDP Child	TXIX DD Child	TXIX/XXI GMH/SA Non Dual	TXIX DD Adult	TXIX SMI Integrated	TXIX SMI Non Integrated	NTXIX/XXI Crisis	NTXIX/XXI SMI	NTXIX/XXI Other	Supported Housing	SB1616 Housing	MHBG SED	MHBG SMI	SABG	Other Federal	County	PASRR/ ADOH	Sub-Total	Mgmt & Gen	Total
DISCLOSURE OF NTXIX/XXI OTHER and OTHER FEDERAL AHCCCS REVENUE																					
Total - NTXIX/XXI Other and OTHER FEDERAL Column	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DISCLOSURE OF SPECIALTY AND OTHER GRANTS REPORTED ON LINE 315																					
Health Information Exchange (HIE)										496,456									496,456		496,456
CABHI CSAT																6,426			6,426		6,426
Bridge Subsidy																		208,702	208,702		208,702
State Youth Treatment																5,891			5,891		5,891
SBIRT																			-	830,610	830,610
STR Opioid																			-	108,347	108,347
Total Specialty and Other Grants Revenue	-	-	-	-	-	-	-	-	-	496,456	-	-	-	-	-	12,317	-	208,702	717,475	938,957	1,656,432
DISLOSURE OF SUPPORTED HOUSING ON REPORTED ON LINE 504g																					
Rent Subsidy									481,551	517,500	332,007		5,984	239,975					1,577,017		1,577,017
Management Fees																			-		-
Utility Payments																			-		-
Other/Repairs & Maintenance																			-		-
Damages																			-		-
Deposits																			-		-
Property Acquisition											80,000								80,000		80,000
Eviction Prevention									68,628		56,255								124,883		124,883
SB1616 Housing - Construction/Improvements												289,439							289,439		289,439
Total Supported Housing	-	-	-	-	-	-	-	-	550,179	517,500	468,262	289,439	5,984	239,975	-	-	-	-	2,071,339	-	2,071,339
DISCLOSURE OF OTHER SERVICES ON LINE 511																					
Value Based Purchasing Provider Incentives	78,630	17,000		89,197		350,514													535,341		535,341
PASRR																		2,100	2,100		2,100
First Episode of Psychosis (FEP)														335,471					335,471		335,471
State Youth Treatment																5,420			5,420		5,420
Total Other Services	78,630	17,000	-	89,197	-	350,514	-	-	-	-	-	-	-	335,471	-	5,420	-	2,100	878,332	-	878,332
DISCLOSURE OF SPECIALTY AND OTHER GRANTS ON LINE 513																					
HIE										477,438									477,438		477,438
CABHI CSAT																5,912			5,912		5,912
Bridge Subsidy																		208,703	208,703		208,703
SBIRT																			-	779,882	779,882
STR Opioid																			-	100,189	100,189
Total Specialty and Other Grants Expenses	-	-	-	-	-	-	-	-	-	477,438	-	-	-	-	-	5,912	-	208,703	692,053	880,071	1,572,124
DISCLOSURE OF OTHER ADMIN EXPENSES ON LINE 458																					
Reinsurance Premiums						272,385													272,385		272,385
Audit Fees	10,146	4,679	863	13,523	793	25,916	608	559	1,693	336	119		179	96	964	6	233	47	60,760	240	61,000
																			-		-
Total Other Admin Expenses	10,146	4,679	863	13,523	793	298,301	608	559	1,693	336	119	-	179	96	964	6	233	47	333,145	240	333,385
DISCLOSURE OF ENCOUNTER EVALUTION SANCTIONS ON LINE 459																					
																			-		-
Total Encounter Evaluation Sanctions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DISCLOSURE OF ADMINISTRATIVE EXPENSES FROM SPECIALTY AND OTHER GRANTS ON LINE 460																					
Health Information Exchange (HIE)										19,018									19,018		19,018
SBIRT																			-	57,552	57,552
STR Opioid																			-	7,552	7,552
Total Adm Expenses from Specialty and Other Grants	-	-	-	-	-	-	-	-	-	19,018	-	-	-	-	-	-	-	-	19,018	65,104	84,122
DISCLOSURE OF OTHER, NON-AHCCCS and NON-OPERATING LINE 610																					
Community Reinvestment																			-	(791,753)	(791,753)
Total Other, Non-AHCCCS and Non-Operating	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(791,753)	(791,753)

NOTE: The Supplemental Schedule of Activities and Supplemental Schedule of Activities – Disclosures were prepared using an AHCCCS approved allocation plan, as submitted to AHCCCS by Health Choice Integrated Care

UNIFORM GUIDANCE
SUPPLEMENTARY REPORTS

HEALTH CHOICE INTEGRATED CARE, LLC

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended September 30, 2017

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Contract Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Health and Human Services Pass-through Programs From:					
Arizona Health Care Cost Containment System:					
Block Grants for Community Mental Health Services (MHBG):					
Children - Non Title XIX	93.958	YH17-0001	11356415170214	$ 703,215	$ 766,898
SMI - Non Title XIX	93.958	YH17-0001	11356415170214	706,387	770,370
Total Mental Health Block Grant (93.958)				1,409,602	1,537,268
Block Grants for Prevention and Treatment of Substance Abuse (SABG):					
Substance Abuse	93.959	YH17-0001	11356415170214	3,370,556	3,675,859
Prevention	93.959	YH17-0001	11356415170214	467,017	509,319
Total Substance Abuse Block Grant (93.959)				3,837,573	4,185,178
Substance Abuse and Mental Health Services – Projects of Regional and National Significance – SBIRT	93.243	SBIRT-GR-15-100115-01	11356415170214	779,883	813,737
Substance Abuse and Mental Health Services – Projects of Regional and National Significance – STR Opioid - SBIRT	93.243	None	11356415170214	100,189	140,707
Substance Abuse and Mental Health Services – Projects of Regional and National Significance – CABHI CSAT	93.243	None	11356415170214	5,912	6,426
Total Substance Abuse and Mental Health Services - Projects of Regional and National Significance (93.243)				885,984	960,870
Total U.S. Department of Health and Human Services				6,133,159	6,683,316
TOTAL EXPENDITURES OF FEDERAL AWARDS				$ 6,133,159	$ 6,683,316

See Independent Auditors' Report
See Notes to Schedule of Expenditures of Federal Awards

HEALTH CHOICE INTEGRATED CARE, LLC

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended September 30, 2017

(1) Basis of presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of ***Health Choice Integrated Care, LLC*** under programs of the federal government for the year ended September 30, 2017. The information in the Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of ***Health Choice Integrated Care, LLC***, it is not intended to and does not present the financial position, results of their operations or cash flows of ***Health Choice Integrated Care, LLC***.

(2) Summary of significant accounting policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. ***Health Choice Integrated Care, LLC*** has not elected to use the ten percent de minimus indirect cost rate allowable under the Uniform Guidance.

(3) Catalog of federal domestic assistance (CFDA) numbers

The program titles and CFDA numbers were obtained from the 2017 *Catalog of Federal Domestic Assistance*.

MHM

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of

HEALTH CHOICE INTEGRATED CARE, LLC

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of ***Health Choice Integrated Care, LLC*** (the "Organization"), which comprise the balance sheet as of September 30, 2017, and the related statements of operations and change in members' equity and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 16, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered ***Health Choice Integrated Care, LLC's*** internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of ***Health Choice Integrated Care, LLC's*** internal control. Accordingly, we do not express an opinion on the effectiveness of ***Health Choice Integrated Care, LLC's*** internal control.

A *deficiency in internal control* 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether ***Health Choice Integrated Care, LLC's*** financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of ***Health Choice Integrated Care, LLC's*** internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering ***Health Choice Integrated Care, LLC's*** internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mayer Hoffman McCann P.C.

February 16, 2018

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE AS REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors of

HEALTH CHOICE INTEGRATED CARE, LLC

Report on Compliance for Each Major Federal Program

We have audited ***Health Choice Integrated Care, LLC's*** compliance with the types of compliance requirements described in the U.S. Office of Management and Budget ("OMB") Compliance Supplement that could have a direct and material effect on each of ***Health Choice Integrated Care, LLC's*** major federal programs for the year ended September 30, 2017. ***Health Choice Integrated Care, LLC's*** major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of ***Health Choice Integrated Care, LLC's*** major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about ***Health Choice Integrated Care, LLC's*** compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of ***Health Choice Integrated Care, LLC's*** compliance.

Opinion on Each Major Federal Program

In our opinion, ***Health Choice Integrated Care, LLC*** complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2017.

Report on Internal Control Over Compliance

Management of ***Health Choice Integrated Care, LLC*** is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered ***Health Choice Integrated Care, LLC's*** internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of ***Health Choice Integrated Care, LLC's*** internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over* compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Mayer Hoffman McCann P.C.

February 16, 2018

HEALTH CHOICE INTEGRATED CARE, LLC

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended September 30, 2017

Section I – Summary of Auditors' Results

Financial Statements

1. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
2. Internal control over financial reporting:	
a. Material weakness(es) identified?	No
b. Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
3. Noncompliance material to financial statements noted?	No

Federal Awards

1. Internal control over major federal programs:	
a. Material weakness(es) identified?	No
b. Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
2. Type of Auditors' report issued on compliance for major federal programs:	Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
4. Identification of major federal programs:	

CFDA Number	Name of Federal Program or Cluster
93.958	Block Grants for Community Mental Health Services
93.959	Block Grants for Prevention and Treatment of Substance Abuse

5. Dollar threshold used to distinguish between type A and type B programs:	$750,000
6. Auditee qualified as a low-risk auditee?	No

HEALTH CHOICE INTEGRATED CARE, LLC

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended September 30, 2017

Section II – Financial Statement Findings

None noted

Section III – Federal Award Findings

None noted

Section IV – Prior Year Findings and Questioned Costs Relating to Federal Awards

None noted