



**HEALTH NET ACCESS, INC. d/b/a  
ARIZONA COMPLETE HEALTH – COMPLETE CARE PLAN**

Regional Behavioral Health Authority Contract

Contract Year Ended September 30, 2019

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## Independent Auditors' Report

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

We have audited the accompanying Statement of Activities – Regional Behavioral Health Authority of Health Net Access, Inc. d/b/a Arizona Complete Health – Complete Care Plan (Health Net Access, Inc.) for the year ended September 30, 2019 and the related notes (the financial statement).

### *Management's Responsibility for the Financial Statement*

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

### *Auditors' Responsibility*

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statement, 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 statement 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 statement.

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 statement referred to above presents fairly, in all material respects, the results of activities of Health Net Access, Inc. under its Regional Behavioral Health Authority (RBHA) contract with Arizona Health Care Cost Containment System (AHCCCS) for the year ended September 30, 2019, in accordance with U.S. generally accepted accounting principles.

### *Emphasis of Matter*

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



*Restriction on Use*

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

*Other Matters*

Our audit was conducted for the purpose of forming an opinion on the financial statement as a whole. The supplementary information included in Schedule 1 – Statement of Activities – Disclosure, Schedule 2 – Sub-Capitated Expenses, and Schedule 3 – Block Expenses, is presented for purposes of additional analysis. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statement as a whole.

*KPMG LLP*

St. Louis, Missouri  
August 21, 2020





## HEALTH NET ACCESS, INC.

### Notes to Financial Statement

September 30, 2019

#### (1) Organization

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

Effective October 1, 2018, Cenpatico of Arizona, Inc. d/b/a Cenpatico Integrated Care (“Cenpatico”), a related party under common control, received approval from AHCCCS to assign the remaining term of the Southern Arizona Regional Behavioral Health Authority (“RBHA”) contract to the Company. The Company began administering the Cenpatico RBHA contract on October 1, 2018. Under the RBHA contract, the Company is responsible for managing and maintaining an organized, comprehensive integrated healthcare delivery system for the benefit of eligible members within its geographic service area through September 30, 2020. Pursuant to the assignment of the RBHA contract from Cenpatico, the Company is obligated only for the activities under the contract effective October 1, 2018 and forward. Obligations under the contract for periods prior to October 1, 2018 are the responsibility of Cenpatico.

#### (2) Basis of Presentation

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

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

#### (3) Revenue Recognition

Revenue includes the following amounts:

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

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

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

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

#### (4) Health Care Services

The cost of health care services is recognized in the period in which services are provided and includes an estimate of the cost of services that have been incurred but not yet reported. Such costs include payments to primary care physicians, specialists, hospitals, outpatient care facilities, pharmaceuticals, and other medical services and the costs associated with managing the extent of such care. The Company’s health

## HEALTH NET ACCESS, INC.

### Notes to Financial Statement

September 30, 2019

care costs can also include, from time to time, remediation of certain claims as a result of periodic reviews by various regulatory agencies.

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

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

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

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



**HEALTH NET ACCESS, INC.**

Notes to Financial Statement

September 30, 2019

**(5) Expense Allocation**

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

**(6) Premium Taxes**

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



**HEALTH NET ACCESS, INC. d/b/a  
ARIZONA COMPLETE HEALTH – COMPLETE CARE PLAN**

Schedule 2 – Sub-Capitated Expenses

Contract Year ended September 30, 2019

<u>Account</u>	<u>Account Description</u>	<u>TXIX/XXI SMI</u>	<u>YTD Amount</u>
Sub-Capitated Hospitalization Expenses:			
50105-01	Hospital Inpatient	\$ —	—
50110-01	Hospital Inpatient -Behavioral Health Services	—	—
50115-01	RESERVED	—	—
	Total Sub-Capitated Hospitalization Expense	<u>—</u>	<u>—</u>
Sub-Capitated Medical Compensation Expenses:			
50205-01	Primary Care Physician Services	—	—
50210-01	Behavioral Health Physician Services	—	—
50215-01	Referral Physician Services	—	—
50220-01	PH FQHC/RHC Services	—	—
50225-01	Other Professional Services	9,526	9,526
50230-01	RESERVED	—	—
	Total Sub-Capitated Medical Compensation Expenses	<u>9,526</u>	<u>9,526</u>
Sub-Capitated Other Medical Expenses:			
50305-01	Emergency Facility Services	—	—
50310-01	PH Pharmacy	—	—
50315-01	Laboratory, Radiology and Medical Imaging	—	—
50320-01	Outpatient Facility	—	—
50325-01	Durable Medical Equipment	—	—
50330-01	Dental	59,727	59,727
50335-01	Transportation	—	—
50340-00	Nursing Facility, Home Health Care	—	—
50345-01	Therapies	—	—
50350-01	Alternative Payment Model Performance Based Payments to Providers	—	—
50355-01	Behavioral Health Day Program	—	—
50355-05	Behavioral Health Case Management Services	—	—
50355-06	Peer/Family Support	—	—
50355-07	Support Services	—	—
50355-10	Behavioral Health Crisis Intervention Services	—	—
50355-11	Living Skills Training	—	—
50355-12	Supported Employment	—	—
50355-15	Behavioral Health Rehabilitation Services	—	—
50355-20	Behavioral Health Residential Services	—	—
50355-21	Counseling	—	—
50355-22	Assessment, Evaluation and Screening	—	—
50355-23	Treatment Services	—	—
50355-25	All Other Behavioral Health Services	—	—
50360-01	RESERVED	—	—
50370-01	Other Medical Expenses	—	—
	Total Sub-Capitated Other Medical Expenses	<u>59,727</u>	<u>59,727</u>
	Total Sub-Capitated Expenses	<u>\$ 69,253</u>	<u>69,253</u>

See accompanying independent auditors' report.

**HEALTH NET ACCESS, INC. d/b/a  
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Schedule 3 – Block Expenses

Contract Year ended September 30, 2019

Account	Account Description	TXIX/XXI CMDP Child	TXIX/XXI SMI	TXIX/XXI Other Child (Crisis)	TXIX/XXI Other Adult (Crisis)	Title XIX/XXI Total
60199-01	Total Treatment Services	\$ 26,106	2,846,447	17,686	35,079	2,925,318
60299-01	Total Rehabilitation Services	98,567	1,568,020	70,221	51,583	1,788,391
60399-01	Total Medical Services	3,013	551,185	7,553	2,579	564,330
60499-01	Total Support Services	510,365	4,235,013	211,109	81,732	5,038,219
60599-01	Total Crisis Intervention Services	2,784,206	13,073,643	3,959,251	20,686,028	40,503,128
60699-01	Total Inpatient Services	—	160,153	—	4,669	164,822
60799-01	Total Residential Services	—	107	—	—	107
60899-01	Total Behavioral Health Day Program	—	35,582	—	578	36,160
60999-01	Total Prevention Services	—	—	—	—	—
61099-01	Total Pharmacy Expense	—	—	—	—	—
61100-01	PPC BH Title XIX	—	—	—	—	—
61105-01	Other Service Expenses Not Rpt'd Above	—	—	—	—	—
61205-01	BH FQHC/RHC Services	—	254	—	—	254
	Total Behavioral Health Expense	<u>\$ 3,422,257</u>	<u>22,470,404</u>	<u>4,265,820</u>	<u>20,862,248</u>	<u>51,020,729</u>
Hospitalization Expenses:						
50105-01	Hospital Inpatient	\$ —	—	—	—	—
50110-01	Behavioral Health Hospital Inpatient	—	300,401	—	—	300,401
	Total Hospitalization Expense	<u>—</u>	<u>300,401</u>	<u>—</u>	<u>—</u>	<u>300,401</u>
Medical Compensation Expenses:						
50205-01	Primary Care Physician Services	—	77	—	—	77
50210-01	Behavioral Health Physician Services	—	227	—	—	227
50215-01	Referral Physician Services	—	—	—	—	—
50220-01	PH FQHC/RHC Services	—	—	—	—	—
50225-01	Other Professional Services	—	16,460	—	—	16,460
	Total Medical Compensation Expenses	<u>—</u>	<u>16,764</u>	<u>—</u>	<u>—</u>	<u>16,764</u>
Other Medical Expenses:						
50305-01	Emergency Facility Services	—	—	—	—	—
50310-01	PH Pharmacy	—	—	—	—	—
50310-05	less: PH Pharmacy Rebates	—	—	—	—	—
50310-10	PH Pharmacy Performance Guarantees	—	—	—	—	—
50315-01	Laboratory, Radiology & Medical Imaging	—	—	—	—	—
50320-01	Outpatient Facility	—	—	—	—	—
50325-01	Durable Med Equipment	—	—	—	—	—
50330-01	Dental	—	—	—	—	—
50335-01	Transportation	—	—	—	—	—
50340-00	Nursing Facility, Home Health Care	—	96	—	—	96
50345-01	Therapies	—	—	—	—	—
50350-01	Alternative Payment Model Performance Based Payments to Providers	—	—	—	—	—
50370-01	Other Medical Expenses	—	65	—	—	65
	Total Other Medical Expenses	<u>—</u>	<u>161</u>	<u>—</u>	<u>—</u>	<u>161</u>
	Total Sub-Capitated Physical Health Expenses	<u>\$ —</u>	<u>317,326</u>	<u>—</u>	<u>—</u>	<u>317,326</u>

See accompanying independent auditors' report.