

VHS Phoenix Health Plan, LLC

Consolidated Financial Statements and Other
Supplementary Information as of and for the
Year Ended June 30, 2015, and
Independent Auditors' Report

VHS PHOENIX HEALTH PLAN, LLC

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INDEPENDENT AUDITORS' REPORT

To the Members of
VHS Phoenix Health Plan, LLC:

We have audited the accompanying consolidated financial statements of VHS Phoenix Health Plan, LLC, and subsidiaries (the "Company"), which comprise the consolidated balance sheet as of June 30, 2015, and the related consolidated statements of income, members' equity, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated 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 Company'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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company as of June 30, 2015, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the consolidated financial statements. This supplementary information is the responsibility of the Company's management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such information has been subjected to the auditing procedures applied in our audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Deloitte & Touche LLP

October 16, 2015

VHS PHOENIX HEALTH PLAN, LLC

CONSOLIDATED BALANCE SHEET AS OF JUNE 30, 2015

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 4,185,413
Reinsurance and other receivables	2,705,235
Due from affiliates—net	<u>317,938,275</u>

Total current assets 324,828,923

PROPERTY AND EQUIPMENT:

Computer hardware and software	8,291,238
Less accumulated depreciation and amortization	<u>(8,164,667)</u>

Net property and equipment 126,571

TOTAL ASSETS \$ 324,955,494

LIABILITIES AND MEMBER'S EQUITY

CURRENT LIABILITIES:

Accounts payable	\$ 4,498,649
Medical claims payable	12,499,200
Program settlements and other accrued expenses	<u>23,903,617</u>

Total current liabilities 40,901,466

LONG-TERM LIABILITIES 392,807

MEMBER'S EQUITY:

Member's capital	157,035,173
Retained earnings	<u>126,626,048</u>

Total member's equity 283,661,221

TOTAL LIABILITIES AND MEMBER'S EQUITY \$ 324,955,494

See notes to consolidated financial statements.

VHS PHOENIX HEALTH PLAN, LLC

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED JUNE 30, 2015

REVENUE:	
Capitation	\$ 158,502,448
Supplemental revenue	7,610,103
Other revenue	<u>11,391,113</u>
Total revenue	<u>177,503,664</u>
EXPENSES:	
Hospital	22,887,108
Medical compensation	41,617,127
Other medical	<u>81,639,447</u>
	146,143,682
Less reinsurance and third-party liability	<u>5,153,221</u>
Total medical expenses	140,990,461
Administrative expenses	<u>11,688,936</u>
Total expenses	<u>152,679,397</u>
INCOME BEFORE PREMIUM TAXES AND HEALTH INSURER FEES AND INCOME TAXES	24,824,267
PREMIUM TAXES AND HEALTH INSURER FEES	(8,918,353)
INCOME TAX EXPENSE	<u>(7,219,269)</u>
NET INCOME	<u>\$ 8,686,645</u>

See notes to consolidated financial statements.

VHS PHOENIX HEALTH PLAN, LLC

CONSOLIDATED STATEMENT OF MEMBER'S EQUITY FOR THE YEAR ENDED JUNE 30, 2015

	Member's Capital	Retained Earnings	Member's Equity
BALANCE—July 1, 2014	\$ 157,035,173	\$ 117,939,403	\$ 274,974,576
Net Income	<u> </u>	<u>8,686,645</u>	<u>8,686,645</u>
BALANCE—June 30, 2015	<u>\$ 157,035,173</u>	<u>\$ 126,626,048</u>	<u>\$ 283,661,221</u>

See notes to consolidated financial statements

VHS PHOENIX HEALTH PLAN, LLC

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2015

OPERATING ACTIVITIES:

Net income	\$ 8,686,645
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	398,133
Deferred income taxes	(1,193,132)
Changes in assets and liabilities:	
Decrease in receivables and other current assets	21,751,888
Decrease in medical claims payable	(10,103,910)
Increase in accounts payable	3,203,982
Increase in accrued expenses and other liabilities	<u>5,156,562</u>
Net cash provided by operating activities	27,900,168
INVESTING ACTIVITIES—Increase in due from affiliates	<u>(23,875,833)</u>
INCREASE IN CASH AND CASH EQUIVALENTS	4,024,335
CASH AND CASH EQUIVALENTS—Beginning of year	<u>161,078</u>
CASH AND CASH EQUIVALENTS—End of year	<u><u>\$ 4,185,413</u></u>

See notes to consolidated financial statements.

VHS PHOENIX HEALTH PLAN, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

1. ORGANIZATION AND OPERATIONS

VHS Phoenix Health Plan, LLC (the “Company”) is a wholly owned subsidiary of VHS Phoenix Health Plans, Inc., and an indirect wholly owned subsidiary of Tenet Healthcare Corporation (“Tenet”).

The Company is a prepaid Medicaid managed health plan that derives substantially all of its revenue through a contract with the Arizona Health Care Cost Containment System (AHCCCS) to provide specified health services to qualified Medicaid enrollees through contracts with providers. AHCCCS is the state agency that administers Arizona’s Medicaid program. The contract requires the Company to arrange for health care services for enrolled Medicaid patients in exchange for fixed monthly premiums, which are based on negotiated per capita member rates, reinsurance, and other supplemental payments from AHCCCS.

The Company subcontracts with hospitals, physicians, and other medical providers in Arizona to provide services to its enrollees in Maricopa County. These services are provided regardless of the actual costs incurred to provide the services. The Company receives reinsurance and other supplemental payments from AHCCCS to cover certain costs of health care services that exceed defined thresholds.

AHCCCS Contract—On March 22, 2013, the Company was notified that it was not awarded an acute care program contract with AHCCCS for the three-year period commencing on October 1, 2013. However, on April 1, 2013, the Company agreed with AHCCCS on the general terms of a capped contract to provide services to members in Maricopa County for the three-year period commencing on October 1, 2013. Enrollment is limited to existing members as of October 1, 2013, and the enrollment cap will not be lifted at any time during the contract period, unless AHCCCS deems additional plan capacity necessary based upon growth in covered lives or for other reasons, as outlined in a letter provided by AHCCCS that clarifies certain terms of the capped contract.

The Company has 60,812 members as of June 30, 2015.

The Company’s contract is terminable without cause on 90 days’ written notice from AHCCCS or for cause upon written notice from AHCCCS if the Company fails to comply with any term or condition of the contract or fails to take corrective action, as required, to comply with the terms of the contract. AHCCCS may also terminate the contract with the Company in the event of unavailability of state or federal funding. The Company may not terminate the contract during the initial three-year term. The Company may choose not to renew the contract for the one-year renewal period effective October 1, 2016, by providing 180 days’ notice of such election. If the Company makes such election, the Company would be subject to various administrative guidelines that would require it to assist AHCCCS in transitioning enrollees to coverage under a new health plan. Should AHCCCS terminate its contract with the Company, the Company would cease operations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents—Cash equivalents include all highly liquid investments with initial maturities of three months or less when purchased. Cash and cash equivalents are maintained at high-quality financial institutions, and management believes exposure to credit risk is not significant.

Receivables—The Company had \$2,705,235 of receivables as of June 30, 2015, including expected reimbursement from AHCCCS for fees related to the Patient Protection and Affordable Care Act (PPACA) submitted to the Internal Revenue Service (IRS) each year and other supplemental reimbursement receivables. The PPACA receivables are determined based upon the allocation of Tenet’s annual total payment to the IRS during the current calendar year, which is based upon premiums recognized during the previous calendar year, plus the estimated impact of reimbursements related to the nondeductibility for federal income tax purposes of the PPACA fees.

Property and Equipment—Property and equipment are recorded at cost and depreciated using the straight-line method over the estimated useful lives of the assets. The estimated useful lives of the Company’s property and equipment range from three to eight years. Routine maintenance and repairs are charged to expense as incurred. Expenditures that increase values, change capacities, or extend useful lives are capitalized. The Company had no capital expenditures during the year ended June 30, 2015.

Depreciation expense for property and equipment was \$398,133 for the year ended June 30, 2015, which is included in administrative expenses in the accompanying consolidated income statement.

Revenue—The Company receives monthly capitation payments under the AHCCCS contract based on the number of enrollees and type of enrollee coverage. Capitation payments are recognized as revenue in the month in which the Company is notified that a member is eligible for health care coverage provided by the Company. Included in these monthly payments are capitation amounts applicable to Social Security Act Title XIX waiver group (TWG) members. The TWG medical expense deduction (MED) population includes TWG members whose incomes exceed the limits of all other Title XIX categories and who have medical expenses that reduce income to at or below 40% of the federal poverty level. The TWG non-medical expense deduction (“Non-MED”) population includes adults or childless couples at or below 100% of the federal poverty level who do not meet the requirements of another categorically linked Title XIX program. AHCCCS limited the profitability and loss that health plans may recognize for the TWG prospective Non-MED population for program years through September 30, 2013. For program years after September 30, 2013, all TWG members are included in the acute population risk band calculations as discussed below.

The Non-MED reconciliation limited the Company’s profits or losses related to this population to 2% of related capitation revenue (net of reinsurance, administrative expenses, and premium taxes), as defined in the applicable AHCCCS contract for specific contract years. As of June 30, 2015, the Company had an estimated net Non-MED settlement receivable of approximately \$241,415, which was included in program settlements and other accrued expenses on the accompanying consolidated balance sheet, that relates to the contract years ended September 30, 2013 and 2014.

The Company is subject to a tiered prospective reconciliation for certain groups related to the program years ended September 30, 2013, 2014, and 2015, based upon prospective expenses and prospective net capitation. Populations subject to this tiered prospective reconciliation are limited to recipients of benefits through the Department of Health and Human Services’ (DHS) Temporary Assistance to Needy Families (TANF) program, eligible pregnant women under Section 9401 of the Sixth Omnibus Budget and Reconciliation Act of 1986 (SOBRA), recipients of supplemental security income (SSI) with Medicare, recipients of SSI without Medicare, and recipients of SOBRA family planning services. The former TWG Non-MED population was assimilated into this population beginning with the program year ended September 30, 2014. Expenses incurred and revenue received for covered services with dates of service during prior-period coverage (PPC) are excluded from this tiered prospective reconciliation. As of June 30, 2015, the Company had an estimated acute tiered settlement payable of \$21,579,321 for program years ended September 30, 2013, 2014, and 2015, which was included in program settlements and other accrued expenses on the accompanying consolidated balance sheet.

The Company receives capitation payments for PPC separately from its prospective capitation payments. PPC capitation payments are applicable to all types of enrollee coverages at the Company and are intended to cover health care costs incurred by individuals while they await enrollment in the Company's health care plan and prior to the Company's ability to manage the health care of such enrollees. PPC revenue is recognized in the month in which the Company is notified that a member is eligible for coverage provided by the Company. AHCCCS limits the profitability and loss that health plans may recognize during the PPC eligibility period to 2% of related capitation revenue (net of administrative expenses and premium taxes) and reconciles the PPC member costs incurred by the Company. As of June 30, 2015, the Company had a net settlement payable for PPC payments received in excess of PPC costs incurred of approximately \$95,429 for the contract years ended September 30, 2013, 2014, and 2015, which was included in program settlements and other accrued expenses on the accompanying consolidated balance sheet.

The Company is subject to a reconciliation of profit and losses applicable to a defined population of adults not previously eligible for AHCCCS coverage to 1% of related capitation revenue (net of reinsurance, administrative expenses, and premium taxes) for program years ended September 30, 2014 and 2015. As of June 30, 2015, the Company had an estimated settlement payable to AHCCCS of \$688,478 related to the population group, which is included in program settlements and other accrued expenses on the accompanying consolidated balance sheet.

The Company also receives supplemental payments for delivery premiums to cover the cost of maternity care for qualified members under the federally funded SOBRA program. The Company recognizes supplemental revenue during the month in which AHCCCS notifies the Company of payment.

Due From Affiliates—Due from affiliates primarily represents the net excess of funds transferred to the centralized cash management account of Vanguard Health Management, Inc. (VHM), a wholly owned subsidiary of Tenet, over funds transferred to, or paid on behalf of, the Company by VHM. Due from affiliates balances are readily available to the Company for settlement of its current liabilities as they become due.

Generally, this balance is decreased by automatic cash transfers from VHM's centralized cash management account to reimburse the Company's bank accounts for operating expenses and capital expenditures. Generally, the due from affiliates balance is increased through daily cash deposits by the Company to VHM's centralized cash management account. As of June 30, 2015, due from affiliates was reduced by approximately \$599,269 due to cash overdrafts for disbursements from a bank account in which the Company does not have the right of offset.

Interest income of \$533,460 was earned by the Company on outstanding due from affiliates' balances during the year ended June 30, 2015, which was included in other revenue in the accompanying consolidated income statement. The Company earned interest income on amounts due from affiliates at an annual rate of less than 1% during the year ended June 30, 2015. The interest rate earned approximates the variable portion of the total interest rate paid by Tenet under London InterBank Offered Rate (LIBOR) contracts for Tenet's outstanding term loan debt. The Company also earned \$167 in interest income on its outstanding cash balances during the year ended June 30, 2015, which was included in other revenue in the accompanying consolidated income statement.

Medical Expenses and Reinsurance Proceeds—Monthly capitation payments to primary care physicians and other health care providers are expensed in the month services are contracted to be performed. Claims expense for noncapitated arrangements are accrued as services are rendered by hospitals, physicians, and other health care providers during the year. The Company is at risk for hospitalization and medical service claims, including medical compensation and other medical expenses, that exceed its capitation payments from AHCCCS. Medical compensation includes primary care and specialty physician services. Other medical expenses include hospital outpatient services and other ancillary services, such as radiology and lab services.

The Company is reimbursed by AHCCCS for costs incurred for those enrollees with severe illnesses to the extent such costs exceed designated per enrollee limits as set forth in the AHCCCS contract for each program year. The Company estimates reinsurance recoveries monthly based on reported claims by member, subject to encounter verification as set forth in the provisions of the AHCCCS contract. Reinsurance recoveries are deducted from gross medical expenses on the accompanying consolidated income statement. The Company is at risk for excess medical costs under reinsurance claims that are disputed and not honored by AHCCCS. Medical claims payable include claims received, but not paid, as well as estimated claims incurred, but not reported (IBNR). During the year ended June 30, 2015, the Company decreased the medical claims payable related to health claims experience in the prior fiscal year by \$5,797,408. Medical claims payable is estimated using a combination of historical claims payment data and current cost-per-member estimates and is supported by independent actuarial estimates including a risk margin considered appropriate by the Company. While management believes that its estimation methodology captures trends in medical claims costs in a timely manner, actual payments could differ significantly from its estimates in the event of changes in the health care cost structure or adverse experience. Management believes its estimates of the health claims reserves for prior years were appropriately based on information available at the time.

The activity in medical claims payable for the fiscal year ended June 30, 2015, is as follows:

Medical claims payable at beginning of year	<u>\$ 22,603,110</u>
Medical costs and claims incurred:	
Current-year insured events	145,442,606
Prior-year insured events	<u>(5,797,408)</u>
Total medical costs and claims incurred	<u>139,645,198</u>
Payments:	
Current-year insured events	132,943,406
Prior-year insured events	<u>16,805,702</u>
Total payments	<u>149,749,108</u>
Medical claims payable at end of year	<u>\$ 12,499,200</u>

Income Taxes—Tenet files consolidated federal and state income tax returns that include the operating results of the Company. Tenet allocates taxes to the Company as if the Company was a separate taxpayer, pursuant to the asset and liability method. Such allocations were deducted from due from affiliates in the accompanying consolidated balance sheet.

Fair Value of Financial Instruments—The carrying amounts of cash and cash equivalents, receivables, amounts due from affiliates, and payables approximate fair values because of the short maturities of these financial instruments.

Premium Deficiency Reserves—Premium deficiency reserves and the related expenses are recognized when it is probable that expected future health care expenses, claim adjustment expenses, direct administration costs, and an allocation of indirect administration costs under a group of existing contracts will exceed anticipated future premiums and reinsurance recoveries considered over the remaining lives of the contracts. The methods for making such estimates and for establishing the resulting reserves are periodically reviewed and updated. The Company did not record a premium deficiency reserve as of June 30, 2015.

Use of Estimates—The preparation of consolidated 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 consolidated financial statements. Areas of the consolidated financial statement areas that involve significant estimation include PPC, acute tiered, newly eligible adults, and Non-MED settlements; and medical claims IBNR. Such estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates and are accounted for in the period identified.

Comprehensive Income—During the fiscal year ended June 30, 2015, there was no other comprehensive income. Accordingly, net income equals comprehensive income for the period presented.

3. TRANSACTIONS WITH AFFILIATES

Advantage Health Care Management Company, Inc. (AHCMC), a wholly owned subsidiary of Tenet, manages the general and administrative functions of the Company, including payroll services, claims processing, medical management, network development, general and professional liability insurance coverages, and related expenses. The Company has recorded expenses of approximately \$11,566,378 for services provided by AHCMC for the year ended June 30, 2015. Expenses for services provided by AHCMC were included in administrative expenses on the accompanying consolidated income statement. At June 30, 2015, the Company had approximately \$896,000 payable to AHCMC for services provided, which was included in accounts payable on the accompanying consolidated balance sheet. The management fees charged by AHCMC do not necessarily reflect the full cost of providing all services.

Affiliates of the Company include certain hospitals and outpatient centers, also affiliated with Tenet, that provide services to eligible members of the Company's health plan. Medical services provided by these affiliates to eligible members of the Company's health plan totaled approximately \$25,198,000 during the year ended June 30, 2015. At June 30, 2015, medical claims payable included approximately \$2,181,250 payable to these affiliates.

Effective January 1, 2014, the Company became subject to an annual fee under section 9010 of the PPACA. This annual fee is allocated to individual health insurers based on the ratio of the amount of each entity's net premiums written during the preceding calendar year to the amount of health insurance for any US health risk that is written during the preceding calendar year. The PPACA fee for calendar year 2014 was paid in September 2014 by Tenet, and the payment for calendar year 2015 was paid by Tenet in September 2015. The portion of Tenet's payment related to the Company for calendar year 2014 and 2015 was approximately \$6,528,000 and \$2,938,000, respectively. During the year ended June 30, 2015, approximately \$4,721,000 of PPACA fees was included in premium taxes and health insurer fees in the Company's consolidated income statement representing the fees related to the last six

months of calendar year 2014 and the first six months of calendar 2015. As of June 30, 2015, PPACA fees of \$1,469,000 were included in program settlements and other accrued expenses with an offsetting amount, plus an additional \$791,000 (related to the estimated AHCCCS gross-up tax impact reimbursement) included in reinsurance and other receivables on the Company's consolidated balance sheet as of June 30, 2015, to reflect the expected reimbursement of these fees from AHCCCS. The PPACA fee is not deductible by Tenet for tax purposes, but the reimbursement from AHCCCS is taxable to Tenet.

4. COMMITMENTS AND CONTINGENCIES

Operating Leases—As a result of the Company's management agreement with AHCMC, AHCMC assumed the remaining facility and equipment leases. The related rent expenses were included within the management fee charged by AHCMC, which was included in administrative expenses in the accompanying consolidated income statement.

Professional, General, and Other Liability Insurance—In the normal course of business, the Company is subject to claims and lawsuits relating to injuries arising from patient treatment and denials thereof. The Company's contract with AHCCCS requires that it maintain professional liability insurance, comprehensive general insurance, and automobile liability insurance coverage of at least \$1,000,000 for each occurrence. The Company is covered under Tenet's wholly owned captive insurance subsidiary or Tenet's self-insurance program for professional and general liability claims at levels that exceed the AHCCCS minimum requirements. There is no guarantee that existing coverage will be sufficient for professional and general liability claims either individually or in the aggregate. Professional and general liability insurance expenses are not allocated from Tenet but included in the management fee charged by AHCMC.

The Company is covered under Tenet's self-insurance program for workers' compensation claims. Tenet maintains coverage for workers' compensation claims exceeding its retained limit at amounts the Company believes to be adequate. Workers' compensation insurance coverage is included in the management fee charged by AHCMC.

Tenet maintains reserves for general and professional liability and workers' compensation risks and makes any necessary claims payments on the Company's behalf. Accordingly, no reserve for liability risks was recorded on the accompanying consolidated balance sheet. The Company is currently not a party to any such proceedings that, in management's opinion, would have a material adverse effect on the Company's business, consolidated results of operations, or consolidated financial position.

Other Claims—The Company is subject to claims and suits arising in the ordinary course of business. Plaintiffs in these matters may request punitive or other damages that may not be covered by insurance. The Company is not aware of any such proceedings that, in management's opinion, if adversely decided, would have a material effect on the Company's consolidated results of operations or consolidated financial position.

Subcontracted Services—The Company subcontracts with physician specialists, affiliated hospitals, and unaffiliated hospitals to provide covered services to certain patients enrolled in, or assigned to, the Company on either a capitated or fee-for-service basis.

AHCCCS Plan Compliance—Under the Company's contract with AHCCCS, the Company is required to maintain a performance guaranty calculated based upon monthly capitation revenues received. As of June 30, 2015, the Company maintained performance bonds through Tenet totaling \$19 million to meet this performance guaranty.

The AHCCCS contract contains certain financial viability standards on which the Company must report on a quarterly and annual basis. These standards enable AHCCCS to monitor the financial health of its contracted health plans. The Company must meet the financial viability standards, which include a current ratio requirement of at least one; equity per member requirement of at least \$170; a medical expense ratio, as defined in the AHCCCS contract (at least 85%); and an administrative cost percentage ratio, as defined in the AHCCCS contract (no more than 10%). AHCCCS does not automatically penalize or sanction health plans that do not meet these standards, but utilizes these guidelines in combination with other measures to determine the overall operational health and compliance of its contracted health plans. As of June 30, 2015, the Company met these financial viability standards.

The Company is also subject to minimum performance standards for certain clinical quality performance measures under its contract with AHCCCS. The Company accrues for potential sanctions based upon its estimated rate of noncompliance, as reported by AHCCCS, until such time as the Company is able to document compliance within the timeline to remedy the noncompliance established by AHCCCS. Management believes that, as of June 30, 2015, possible additional sanctions beyond those already accrued related to contract years ended September 30, 2013, 2014, and 2015, were not material to the consolidated financial position, consolidated results of operations, or consolidated cash flows of the Company.

Compliance with Laws and Regulations—The health care 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 health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse regulations. Management believes that the Company is in compliance with fraud and abuse regulations, as well as other applicable government laws and regulations. While no regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or not asserted at this time.

5. INCOME TAXES

Income tax expense allocated to the Company by VHM on a separate return basis for the year ended June 30, 2015, consisted of the following:

	Total
Current federal	\$6,137,111
Deferred federal	<u>1,082,158</u>
	<u>\$7,219,269</u>

The tax effects of temporary differences that gave rise to deferred tax assets and liabilities at June 30, 2015, were as follows:

Depreciation, amortization, and fixed asset basis differences	\$ 298,096
Excess book basis over tax basis of prepaid expenses	71,009
Discounted unpaid losses	<u>120,465</u>
Net deferred tax asset	<u>\$ 489,570</u>

Income tax expense allocated to the Company by Tenet approximated the federal statutory rate for the year ended June 30, 2015, except for the nondeductibility of the insurer fee, which results in a permanent difference. The tax effects of temporary differences that gave rise to deferred tax assets and liabilities were included in due from affiliates in the accompanying consolidated balance sheet.

6. SUBSEQUENT EVENTS

Effective July 10, 2015, the Company completed conversion from limited liability company to C corporation. The Company is now in compliance with the state requirement for separate incorporation.

The Company has evaluated subsequent events for the year ended June 30, 2015, through October 16, 2015, the date these consolidated financial statements were available to be issued.

* * * * *

OTHER SUPPLEMENTARY INFORMATION

Phoenix Health Plan
Quarter Ended: 06/30/2015
Claims Lag Report
Expense Type: Hospital, Medical and Other (PPC and Prospective)

Payment Qtr	Current	1st Prior	2nd Prior	3rd Prior	4th Prior	5th Prior	6th Prior*	Total
Current	20,584,508	8,717,193	850,082	823,287	101,903	21,713	44,297	31,142,983
1st Prior		22,396,726	7,989,144	1,045,569	291,796	103,334	147,313	31,973,882
2nd Prior			27,541,864	13,938,559	964,866	552,180	195,982	43,193,451
3rd Prior				27,853,533	12,226,413	1,054,811	461,561	41,596,318
4th Prior					30,822,325	17,896,393	3,508,623	52,227,341
5th Prior						29,403,630	26,300,949	55,704,579
6th Prior*							2,999,811,298	2,999,811,298
Totals	20,584,508	31,113,919	36,381,089	43,660,948	44,407,303	49,032,060	3,030,470,023	3,255,649,851
Expense	33,147,221	33,283,221	37,641,115	38,594,985	51,026,458	56,418,856	2,969,480,085	3,219,591,940
Adjustment	(958,715)	(756,783)	(1,388,860)	5,235,080	(6,619,155)	(7,386,796)	60,989,939	49,114,710
Remaining	11,603,998	1,412,518	(128,835)	169,117	-	-	-	13,056,799

* Amounts in this column or row include the amounts for the 6th prior period, and any earlier periods where the expenses reported exceed the payments made to date.

Phoenix Health Plan
Fiscal Year Ended: 06/30/2015

GSA 4 Apache/Coconino/Mohave/Navajo	TANF < 1 MF	TANF 1-13 MF	TANF 14-44 F	TANF 14-44 M	TANF 45+	TANF Total	SSI w/Med	SSI w/o Med	Adults > 106%	Adults <= 106%	SOBRA FP	SOBRA MOMS	Title XIX Total	State Only Transplant	State Only Total	Grand Total
REVENUE & EXPENSES																
Member Months																
PPC Member Months	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pros. Member Months	-	-	-	-	-	-	12	-	-	-	-	-	12	-	-	12
Total Member Months	-	-	-	-	-	-	12	-	-	-	-	-	12	-	-	12
REVENUES																
305 Prospective Capitation	1,764	1,559	149	(238)	(359)	2,875	418	111	-	(203)	(102)	-	3,099	-	-	3,099
310 PPC Capitation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
312 Payment Reform/Shared Savings Settlement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
315 Delivery Supplement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
319 Adults > 106% Reconciliation Settlement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
320 Prospective Tiered Reconciliation Settlement	5,581	48,878	28,294	13,747	4,981	101,480	11,944	9,971	-	11,080	-	-	134,475	-	-	134,475
321 TWG Settlement	-	-	-	-	-	-	-	-	-	(226,025)	-	-	(226,025)	-	-	(226,025)
322 PPC Settlement	(15,597)	(136,588)	(79,067)	(38,415)	(13,918)	(283,585)	(33,379)	(27,863)	-	(30,962)	-	-	(375,789)	-	-	(375,789)
323 PCP Parity Cost Settlement	2,876	3,138	563	1,676	696	8,949	770	851	-	84	102	-	10,756	-	-	10,756
324 Health Insurers Fee	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
325 Investment Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
330 Other Income	(4,554)	(4,698)	(713)	(1,438)	(336)	(11,738)	-	(962)	-	119	-	-	(12,582)	-	-	(12,582)
TOTAL REVENUES	(9,930)	(87,712)	(50,773)	(24,668)	(8,938)	(182,020)	(20,246)	(17,892)	-	(245,907)	-	-	(466,066)	-	-	(466,066)
EXPENSES																
Hospitalization																
402 Hospital Inpatient	647	(7,115)	-	4,565	(914)	(2,816)	26	3,602	-	-	-	-	811	-	-	811
406 PPC-Hospital Inpatient	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Hospitalization	647	(7,115)	-	4,565	(914)	(2,816)	26	3,602	-	-	-	-	811	-	-	811
Medical Compensation																
408 Primary Care Physician	1,152	773	1,961	(65)	(264)	3,556	(728)	11,547	-	746	(100)	2,616	17,637	-	-	17,637
410 Referral Physician	14	(459)	2,654	471	180	2,861	59	16,221	471	1,274	-	3,691	24,106	-	-	24,106
412 Other Professional	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
414 PPC - Physician Services	(60)	-	-	(119)	-	(179)	-	-	-	-	-	(585)	(764)	-	-	(764)
415 PCP Parity Enhanced Payment Expense	(1,141)	(1,098)	(79)	399	392	(1,527)	770	(40)	-	158	102	-	(537)	-	-	(537)
Total Medical Comp	(36)	(784)	4,536	686	309	4,711	102	27,728	-	2,178	1	5,722	40,442	-	-	40,442
Other Medical Expenses																
416 Emergency Facility Services	90	(27)	19,228	(207)	(1,541)	17,543	28	20,513	-	(3,289)	-	11	34,806	-	-	34,806
418 Pharmacy	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
420 Lab, X-ray, & Medical Imaging	-	(120)	311	-	(11)	180	(6)	-	-	18	-	6	199	-	-	199
422 Outpatient Facility	230	(70)	49,444	(533)	(3,961)	45,111	72	52,747	-	(8,456)	-	27	89,501	-	-	89,501
424 Durable Medical Equipment	-	28	-	-	18	46	658	930	-	(63)	-	-	1,571	-	-	1,571
426 Dental	-	117	-	-	-	117	-	-	-	-	-	-	117	-	-	117
428 Transportation	-	-	-	-	(1,228)	(1,228)	59	-	-	2,345	-	-	1,176	-	-	1,176
430 Nursing Facility, Home Health Care	-	-	-	-	-	-	-	18,006	-	-	-	-	18,006	-	-	18,006
432 Physical Therapy	-	-	-	212	-	212	58	-	-	266	-	-	536	-	-	536
434 Payment Reform/Shared Savings Arrangement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
436 Miscellaneous Medical Expenses	-	(962)	-	-	-	(962)	-	-	-	-	-	-	(962)	-	-	(962)
438 PPC-Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Other Medical	320	(1,035)	68,983	(527)	(6,722)	61,020	868	92,196	-	(9,178)	-	44	144,950	-	-	144,950
TOTAL MEDICAL EXP	931	(8,933)	73,519	4,724	(7,327)	62,914	996	123,526	-	(7,000)	1	5,766	186,203	-	-	186,203
Less:																
440 Reinsurance	(21,395)	(32,241)	(1,116)	(12,615)	-	(67,367)	-	(190,660)	-	(7,382)	-	-	(265,409)	-	-	(265,409)
441 Reserved	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
442 Third Party Liability	(5,909)	(17,730)	(21,256)	(7,067)	(5,297)	(57,259)	(4,176)	(31,991)	-	(12,919)	-	(4,283)	(110,627)	-	-	(110,627)
TOTAL NET MEDICAL EXP	(26,372)	(58,904)	51,147	(14,958)	(12,624)	(61,711)	(3,180)	(99,125)	-	(27,301)	1	1,484	(189,833)	-	-	(189,833)
TOTAL ADMIN EXP																
	-	-	-	-	-	-	145	-	-	-	-	-	145	-	-	145
TOTAL EXPENSES	(26,372)	(58,904)	51,147	(14,958)	(12,624)	(61,711)	(3,035)	(99,125)	-	(27,301)	1	1,484	(189,688)	-	-	(189,688)
Inc (loss) from operations																
Inc (loss) from operations	16,443	(28,808)	(101,920)	(9,710)	3,686	(120,309)	(17,211)	81,233	-	(218,606)	(1)	(1,484)	(276,379)	-	-	(276,379)
Non-operating inc (loss)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Inc (loss) before taxes	16,443	(28,808)	(101,920)	(9,710)	3,686	(120,309)	(17,211)	81,233	-	(218,606)	(1)	(1,484)	(276,379)	-	-	(276,379)
Income taxes	8,967	33,872	21,202	11,143	3,681	78,864	6,591	35,908	-	78,037	(1)	1,346	200,746	-	-	200,746
Premium taxes	(265)	(3,683)	(2,195)	(1,047)	(383)	(7,574)	(923)	(740)	-	(4,833)	-	-	(14,070)	-	-	(14,070)
Health Insurers Fee	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
NET INCOME (LOSS)	7,741	(58,997)	(120,927)	(19,806)	389	(191,600)	(22,879)	46,065	-	(291,809)	(1)	(2,830)	(463,054)	-	-	(463,054)

Phoenix Health Plan
Fiscal Year Ended: 06/30/2015

GSA 6 Yavapai	TANF < 1 MF	TANF 1-13 MF	TANF 14-44 F	TANF 14-44 M	TANF 45+	TANF Total	SSI w/Med	SSI w/o Med	Adults > 106%	Adults <= 106%	SOBRA FP	SOBRA MOMS	Title XIX Total	State Only Transplant	State Only Total	Grand Total
REVENUE & EXPENSES																
Member Months																
PPC Member Months	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pros. Member Months	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Member Months	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
REVENUES																
305 Prospective Capitation	2,177	560	777	473	27	4,014	(2,569)	(257)	-	248	(498)	-	937	-	-	937
310 PPC Capitation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
312 Payment Reform/Shared Savings Settlement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
315 Delivery Supplement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
319 Adults >106% Reconciliation Settlement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
320 Prospective Tiered Reconciliation Settlement	3,502	32,483	18,653	10,002	3,267	67,907	8,919	6,092	-	7,735	-	-	90,653	-	-	90,653
321 TWG Settlement	-	-	-	-	-	-	-	-	-	(63,664)	-	-	(63,664)	-	-	(63,664)
322 PPC Settlement	(9,787)	(90,774)	(52,126)	(151,068)	(9,129)	(312,884)	(24,925)	(17,025)	-	(21,614)	-	-	(376,448)	-	-	(376,448)
323 PCP Parity Cost Settlement	9,223	8,879	823	(461)	-	18,463	2,626	748	-	(248)	498	-	22,087	-	-	22,087
324 Health Insurers Fee	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
325 Investment Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
330 Other Income	(11,355)	(9,430)	(1,562)	-	-	(22,347)	(53)	(491)	-	-	-	-	(22,890)	-	-	(22,890)
TOTAL REVENUES	(6,240)	(58,283)	(33,435)	(141,053)	(5,835)	(244,847)	(16,001)	(10,932)	-	(77,544)	-	-	(349,325)	-	-	(349,325)
EXPENSES																
Hospitalization																
402 Hospital Inpatient	3,601	-	13,040	25,451	-	42,091	-	(13,860)	-	(7,139)	-	(8,290)	12,802	-	-	12,802
406 PPC-Hospital Inpatient	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Hospitalization	3,601	-	13,040	25,451	-	42,091	-	(13,860)	-	(7,139)	-	(8,290)	12,802	-	-	12,802
Medical Compensation																
408 Primary Care Physician	988	496	503	2,429	(87)	4,329	(2,115)	(482)	-	9,071	(498)	(320)	9,986	-	-	9,986
410 Referral Physician	(19)	1,245	(116)	2,773	(124)	3,759	568	(249)	-	12,438	-	(450)	16,067	-	-	16,067
412 Other Professional	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
414 PPC - Physician Services	(557)	60	(4)	34	-	(467)	-	184	-	-	-	(126)	(409)	-	-	(409)
415 PCP Parity Enhanced Payment Expense	(1,002)	387	(585)	(461)	-	(1,661)	2,519	306	-	(248)	498	-	1,414	-	-	1,414
Total Medical Comp	(589)	2,189	(203)	4,775	(212)	5,960	972	(240)	-	21,262	-	(896)	27,058	-	-	27,058
Other Medical Expenses																
416 Emergency Facility Services	-	50	99	28	581	757	41	(269)	-	44	-	-	573	-	-	573
418 Pharmacy	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
420 Lab, X-ray, & Medical Imaging	-	9	(1,044)	(183)	2	(1,217)	43	(433)	-	-	-	(92)	(1,699)	-	-	(1,699)
422 Outpatient Facility	-	128	255	72	1,493	1,948	105	(690)	-	112	-	-	1,475	-	-	1,475
424 Durable Medical Equipment	-	-	-	-	-	-	81	-	-	(90)	-	-	(9)	-	-	(9)
426 Dental	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
428 Transportation	-	-	-	(5,310)	-	(5,310)	-	-	-	-	-	-	(5,310)	-	-	(5,310)
430 Nursing Facility, Home Health Care	-	-	-	-	-	-	101	708	-	-	-	-	809	-	-	809
432 Physical Therapy	-	219	28	94	798	1,139	300	-	-	-	-	-	1,440	-	-	1,440
434 Payment Reform/Shared Savings Arrangements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
436 Miscellaneous Medical Expenses	-	-	-	-	-	-	11	-	-	-	-	-	11	-	-	11
438 PPC-Other	-	100	572	-	-	672	-	-	-	-	-	-	672	-	-	672
Total Other Medical	-	506	(90)	(5,300)	2,873	(2,011)	683	(684)	-	65	-	(92)	(2,038)	-	-	(2,038)
TOTAL MEDICAL EXP	3,011	2,695	12,747	24,926	2,661	46,041	1,655	(14,785)	-	14,188	-	(9,278)	37,822	-	-	37,822
Less:																
440 Reinsurance	(156,371)	312	(146)	(411)	-	(156,615)	-	(25,928)	-	(1,587)	-	-	(184,130)	-	-	(184,130)
441 Reserved	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
442 Third Party Liability	(4,674)	(11,747)	(14,753)	(4,955)	(3,739)	(39,867)	(2,865)	(15,969)	-	(10,019)	-	(3,093)	(71,814)	-	-	(71,814)
TOTAL NET MEDICAL EXP	(158,034)	(8,740)	(2,151)	19,560	(1,077)	(150,442)	(1,210)	(56,682)	-	2,583	-	(12,371)	(218,122)	-	-	(218,122)
TOTAL ADMIN EXP																
TOTAL ADMIN EXP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL EXPENSES	(158,034)	(8,740)	(2,151)	19,560	(1,077)	(150,442)	(1,210)	(56,682)	-	2,583	-	(12,371)	(218,122)	-	-	(218,122)
Inc (loss) from operations	151,794	(49,544)	(31,284)	(160,614)	(4,758)	(94,405)	(14,791)	45,749	-	(80,127)	-	12,371	(131,203)	-	-	(131,203)
Non-operating inc (loss)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Inc (loss) before taxes	151,794	(49,544)	(31,284)	(160,614)	(4,758)	(94,405)	(14,791)	45,749	-	(80,127)	-	12,371	(131,203)	-	-	(131,203)
Income taxes	38,563	17,684	12,896	4,981	2,540	76,664	5,172	12,290	-	55,062	-	464	149,651	-	-	149,651
Premium taxes	105	(2,271)	(1,408)	(3,274)	(257)	(7,105)	(714)	(468)	-	(1,458)	-	-	(9,744)	-	-	(9,744)
Health Insurers Fee	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
NET INCOME (LOSS)	113,126	(64,957)	(42,771)	(162,321)	(7,041)	(163,964)	(19,249)	33,927	-	(133,731)	-	11,907	(271,111)	-	-	(271,111)

Phoenix Health Plan
Fiscal Year Ended: 06/30/2015

GSA 8 Gila/Pinal	TANF < 1 MF	TANF 1-13 MF	TANF 14-44 F	TANF 14-44 M	TANF 45+	TANF Total	SSI w/Med	SSI w/o Med	Adults > 106%	Adults <= 106%	SOBRA FP	SOBRA MOMS	Title XIX Total	State Only Transplant	State Only Total	Grand Total
REVENUE & EXPENSES																
Member Months																
PPC Member Months	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pros. Member Months	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Member Months	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
REVENUES																
305 Prospective Capitation	1,436	(664)	(2,117)	1,480	140	275	(3,025)	870	-	365	(154)	-	(1,669)	-	-	(1,669)
310 PPC Capitation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
312 Payment Reform/Shared Savings Settlement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
315 Delivery Supplement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
319 Adults >106% Reconciliation Settlement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
320 Prospective Tiered Reconciliation Settlement	7,022	71,742	39,812	18,018	6,183	142,778	14,096	11,842	-	12,745	-	-	181,461	-	-	181,461
321 TWG Settlement	-	-	-	-	-	-	-	-	-	117,371	-	-	117,371	-	-	117,371
322 PPC Settlement	(19,624)	(200,487)	(111,256)	(50,352)	(17,278)	(398,997)	(39,391)	(33,092)	-	(35,616)	-	-	(507,096)	-	-	(507,096)
323 PCP Parity Cost Settlement	7,685	11,498	11,174	753	(126)	30,983	3,336	3,279	-	1,911	154	659	40,322	-	-	40,322
324 Health Insurers Fee	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
325 Investment Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
330 Other Income	(8,976)	(10,834)	(9,057)	(2,232)	(14)	(31,114)	(311)	(4,149)	-	(2,276)	-	(659)	(38,509)	-	-	(38,509)
TOTAL REVENUES	(12,457)	(128,745)	(71,444)	(32,334)	(11,095)	(256,075)	(25,295)	(21,250)	-	94,500	-	-	(208,120)	-	-	(208,120)
EXPENSES																
Hospitalization																
402 Hospital Inpatient	(541)	-	2,650	-	(369)	1,740	10,251	591	-	7,375	-	-	19,957	-	-	19,957
406 PPC-Hospital Inpatient	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Hospitalization	(541)	-	2,650	-	(369)	1,740	10,251	591	-	7,375	-	-	19,957	-	-	19,957
Medical Compensation																
408 Primary Care Physician	(2,617)	(3,171)	14,905	(567)	(56)	8,494	(3,112)	1,143	-	(131)	(152)	2,016	8,259	-	-	8,259
410 Referral Physician	(3,779)	(1,827)	25,288	(2,513)	(295)	16,874	(48)	962	-	(384)	-	2,951	20,355	-	-	20,355
412 Other Professional	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
414 PPC - Physician Services	65	(22)	(434)	362	(21)	(51)	85	30	-	-	-	-	65	-	-	65
415 PCP Parity Enhanced Payment Expense	(63)	1,874	3,035	(1,216)	(153)	3,478	3,077	(462)	-	(141)	154	77	6,182	-	-	6,182
Total Medical Comp	(6,394)	(3,146)	42,794	(3,934)	(525)	28,796	2	1,674	-	(656)	2	5,044	34,861	-	-	34,861
Other Medical Expenses																
416 Emergency Facility Services	326	646	(24)	36	(38)	946	509	(3,856)	-	2,894	-	384	876	-	-	876
418 Pharmacy	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
420 Lab, X-ray, & Medical Imaging	(101)	10	1,037	11	(407)	550	16	-	-	92	-	(399)	258	-	-	258
422 Outpatient Facility	839	1,661	(61)	93	(98)	2,435	1,309	(9,917)	-	7,442	-	987	2,255	-	-	2,255
424 Durable Medical Equipment	-	-	(148)	-	(103)	(251)	355	-	-	-	-	-	104	-	-	104
426 Dental	4	4	11,364	-	-	11,371	-	-	-	-	-	-	11,371	-	-	11,371
428 Transportation	-	300	297	904	-	1,501	226	4,441	-	2,112	-	-	8,281	-	-	8,281
430 Nursing Facility, Home Health Care	-	-	-	-	-	-	9,715	-	-	-	-	-	9,715	-	-	9,715
432 Physical Therapy	199	1,447	-	-	-	1,646	-	1,198	-	(328)	-	-	2,515	-	-	2,515
434 Payment Reform/Shared Savings Arrangement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
436 Miscellaneous Medical Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
438 PPC-Other	-	(53)	-	-	-	(53)	-	-	-	-	-	22	(30)	-	-	(30)
Total Other Medical	1,267	4,015	12,465	1,044	(647)	18,144	12,130	(8,134)	-	12,212	-	994	35,345	-	-	35,345
TOTAL MEDICAL EXP	(5,668)	869	57,909	(2,889)	(1,540)	48,680	22,382	(5,870)	-	18,931	2	6,038	90,163	-	-	90,163
Less:																
440 Reinsurance	(199,154)	(129,208)	(10,772)	(17,473)	-	(356,607)	-	59,753	-	(9,385)	-	-	(306,239)	(1,575)	(1,575)	(307,814)
441 Reserved	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
442 Third Party Liability	(8,972)	(25,036)	(31,366)	(9,982)	(9,097)	(84,453)	(7,296)	(27,450)	-	(15,913)	-	(5,773)	(140,886)	-	-	(140,886)
TOTAL NET MEDICAL EXP	(213,795)	(153,375)	15,771	(30,345)	(10,638)	(392,381)	15,086	26,434	-	(6,367)	2	265	(356,961)	(1,575)	(1,575)	(358,537)
TOTAL ADMIN EXP																
TOTAL ADMIN EXP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL EXPENSES	(213,795)	(153,375)	15,771	(30,345)	(10,638)	(392,381)	15,086	26,434	-	(6,367)	2	265	(356,961)	(1,575)	(1,575)	(358,537)
Inc (loss) from operations	201,337	24,630	(87,214)	(1,989)	(458)	136,306	(40,381)	(47,684)	-	100,867	(2)	(265)	148,841	1,575	1,575	150,416
Non-operating inc (loss)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Inc (loss) before taxes	201,337	24,630	(87,214)	(1,989)	(458)	136,306	(40,381)	(47,684)	-	100,867	(2)	(265)	148,841	1,575	1,575	150,416
Income taxes	50,802	68,538	23,237	14,189	5,047	161,813	9,054	(8,794)	-	97,082	0	2,253	261,408	229	229	261,637
Premium taxes	(242)	(5,319)	(2,875)	(1,315)	(470)	(10,221)	(1,118)	(798)	-	2,189	2	19	(9,927)	-	-	(9,927)
Health Insurers Fee	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
NET INCOME (LOSS)	150,778	(38,589)	(107,576)	(14,864)	(5,035)	(15,286)	(48,317)	(38,091)	-	1,596	(4)	(2,537)	(102,639)	1,346	1,346	(101,293)

Phoenix Health Plan
Fiscal Year Ended: 06/30/2015

GSA 10 Pima/Santa Cruz	TANF < 1 MF	TANF 1-13 MF	TANF 14-44 F	TANF 14-44 M	TANF 45+	TANF Total	SSI w/Med	SSI w/o Med	Adults > 106%	Adults <= 106%	SOBRA FP	SOBRA MOMS	Title XIX Total	State Only Transplant	State Only Total	Grand Total
REVENUE & EXPENSES																
Member Months																
PPC Member Months	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pros. Member Months	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Member Months	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
REVENUES																
305 Prospective Capitation	276	367	593	66	(395)	907	(1,431)	2,095	-	(48)	70	-	1,592	-	-	1,592
310 PPC Capitation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
312 Payment Reform/Shared Savings Settlement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
315 Delivery Supplement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
319 Adults >106% Reconciliation Settlement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
320 Prospective Tiered Reconciliation Settlement	4,728	40,771	21,269	10,263	3,707	80,739	7,374	7,874	-	9,252	-	-	105,238	-	-	105,238
321 TWG Settlement	-	-	-	-	-	-	-	-	-	69,095	-	-	69,095	-	-	69,095
322 PPC Settlement	(13,214)	(113,934)	(59,438)	(123,760)	(10,358)	(320,704)	(20,607)	(22,004)	-	(25,854)	-	-	(389,169)	-	-	(389,169)
323 PCP Parity Cost Settlement	1,553	5,547	1,036	401	1,901	10,438	2,084	(961)	-	625	(70)	-	12,115	-	-	12,115
324 Health Insurers Fee	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
325 Investment Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
330 Other Income	(1,986)	(5,913)	(1,629)	(467)	(1,506)	(11,501)	(653)	(1,134)	-	(576)	-	-	(13,864)	-	-	(13,864)
TOTAL REVENUES	(8,642)	(73,163)	(38,168)	(113,497)	(6,652)	(240,122)	(13,233)	(14,130)	-	52,492	-	-	(214,993)	-	-	(214,993)
EXPENSES																
Hospitalization																
402 Hospital Inpatient	-	-	-	-	-	-	727	7,236	-	-	-	-	7,964	-	-	7,964
406 PPC-Hospital Inpatient	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Hospitalization	-	-	-	-	-	-	727	7,236	-	-	-	-	7,964	-	-	7,964
Medical Compensation																
408 Primary Care Physician	138	87	1,534	20	(346)	1,433	421	3,829	-	6	70	2,363	8,121	-	-	8,121
410 Referral Physician	(26)	654	1,619	90	348	2,686	2,693	2,602	-	157	-	3,330	11,469	-	-	11,469
412 Other Professional	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
414 PPC - Physician Services	-	7	-	-	-	7	-	-	-	-	-	-	7	-	-	7
415 PCP Parity Enhanced Payment Expense	(158)	377	(385)	44	593	471	1,490	(1,983)	-	105	(70)	-	13	-	-	13
Total Medical Comp	(45)	1,125	2,768	154	595	4,597	4,604	4,448	-	268	-	5,693	19,610	-	-	19,610
Other Medical Expenses																
416 Emergency Facility Services	-	(298)	11	-	(4,274)	(4,561)	288	(373)	-	17	-	-	(4,629)	-	-	(4,629)
418 Pharmacy	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
420 Lab, X-ray, & Medical Imaging	(26)	-	267	75	-	317	393	(409)	-	(226)	-	(288)	(213)	-	-	(213)
422 Outpatient Facility	-	(766)	29	-	(10,990)	(11,727)	739	(960)	-	44	-	-	(11,903)	-	-	(11,903)
424 Durable Medical Equipment	-	117	504	-	-	620	844	(371)	-	-	-	-	1,093	-	-	1,093
426 Dental	-	-	-	-	-	-	-	-	-	-	-	339	339	-	-	339
428 Transportation	-	-	-	-	-	-	2	-	-	-	-	-	2	-	-	2
430 Nursing Facility, Home Health Care	-	-	-	-	-	-	20,874	-	-	-	-	-	20,874	-	-	20,874
432 Physical Therapy	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
434 Payment Reform/Shared Savings Arrangement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
436 Miscellaneous Medical Expenses	-	-	-	-	-	-	96	-	-	-	-	-	96	-	-	96
438 PPC-Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Other Medical	(26)	(948)	811	75	(15,264)	(15,351)	23,235	(2,112)	-	(166)	-	51	5,658	-	-	5,658
TOTAL MEDICAL EXP	(71)	177	3,579	230	(14,669)	(10,754)	28,567	9,572	-	102	-	5,744	33,232	-	-	33,232
Less:																
440 Reinsurance	(58,689)	19,243	-	-	-	(39,446)	-	(74,636)	-	(18,439)	-	-	(132,521)	-	-	(132,521)
441 Reserved	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
442 Third Party Liability	(6,120)	(12,101)	(13,010)	(3,583)	(3,719)	(38,533)	(1,776)	(19,022)	-	(7,803)	-	(3,581)	(70,715)	-	-	(70,715)
TOTAL NET MEDICAL EXP	(64,880)	7,319	(9,430)	(3,353)	(18,388)	(88,733)	26,791	(84,085)	-	(26,141)	-	2,164	(170,004)	-	-	(170,004)
TOTAL ADMIN EXP																
TOTAL ADMIN EXP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL EXPENSES	(64,880)	7,319	(9,430)	(3,353)	(18,388)	(88,733)	26,791	(84,085)	-	(26,141)	-	2,164	(170,004)	-	-	(170,004)
Inc (loss) from operations	56,238	(80,482)	(28,738)	(110,144)	11,737	(151,390)	(40,024)	69,956	-	78,633	-	(2,164)	(44,989)	-	-	(44,989)
Non-operating inc (loss)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Inc (loss) before taxes	56,238	(80,482)	(28,738)	(110,144)	11,737	(151,390)	(40,024)	69,956	-	78,633	-	(2,164)	(44,989)	-	-	(44,989)
Income taxes	17,244	17,238	13,109	5,556	2,059	55,206	4,755	24,808	-	67,958	-	1,138	153,864	-	-	153,864
Premium taxes	(311)	(3,034)	(1,617)	(2,724)	(255)	(7,940)	(559)	(517)	-	1,217	8	-	(7,791)	-	-	(7,791)
Health Insurers Fee	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
NET INCOME (LOSS)	39,305	(94,686)	(40,230)	(112,977)	9,933	(198,655)	(44,219)	45,664	-	9,458	(8)	(3,301)	(191,062)	-	-	(191,062)

**Phoenix Health Plan
Annual Listing of Plan Officers and Directors
As of June 30, 2015**

Name/Title	Other Relationship To Plan	Compensation
Matt Cowley Chief Executive Officer	None	Salary
Beverly Maison Chief Financial Officer	None	Salary
Greg Nagengast Chief Operating Officer	None	Salary
Wendy Carver Chief Compliance Officer	None	Salary
Dr. Caroline Carney Chief Medical Director	None	Salary
Jay Belew Vice President of Claims and Member Services	None	Salary
Michael Rime Vice President of Sales & Distribution	None	Salary
Craig Zimanek Director of Medicare Operations	None	Salary
Wendy Coyle Director of Human Resources	None	Salary
Kirk LaPlante Senior Director of Network Management	None	Salary
Leslie Rodriquez Director of Pharmacy Services	None	Salary
Diana Alvarez Director of Medicaid Compliance	None	Salary
Carmela Camino Director of Finance	None	Salary
Laura Abramson Director of Medical Services	None	Salary
Cyndi Bloom Director of Marketing	None	Salary
Michelle Yantos Director of Claims and Grievance & Appeals	None	Salary
Peg Novak Director of Quality Management	None	Salary