



Overview Fact Sheet

Mercy Care Plan (MCP) was formed as a not-for-profit managed care corporation in 1985, after representatives of the state's Medicaid agency (the Arizona Health Care Cost Containment System – AHCCCS) invited Catholic hospitals to participate in the state's Medicaid program.

The sponsors of the hospitals strongly believed that the formation of MCP was an important extension of the Catholic mission to serve the poor and persons with special needs.

As a state Medicaid plan, Mercy Care Plan does not directly provide health care to members; instead, it contracts with physicians and other health care providers to deliver care.

Federal law and state requirements mandate that Medicaid plans administer family planning services, which are in conflict with traditional Catholic values. In the early years of Arizona's Medicaid program, AHCCCS administered the family planning services separately itself. However, AHCCCS discontinued direct administration in 1997.

At that time, Mercy Care presented a plan to engage a third-party administrator for family planning services to Arizona Catholic leaders and AHCCCS. A third-party administrator began providing services on Oct. 1, 1997, and the arrangement continues today. Under the arrangement, the third party administrator receives the payments for family planning services directly from AHCCCS, administers the claims for services, and issues the payments directly to such providers. None of the AHCCCS funds for family planning services are received or handled by Mercy Care Plan, nor are any of the family planning services performed by St. Joseph's Hospital.

Because this arrangement had not been reviewed in several years, a few weeks ago, representatives of Mercy Care Plan initiated a meeting with Bishop Thomas Olmsted to discuss whether changes were needed to make this separation even more distinct. Several discussions have taken place with state officials as well.

The goal is to find a way to address the federal and state requirements, while complying with the Catholic Ethical and Religious Directives.



Financial Performance Fact Sheet
FY 2001 to FY 2010

Key Financial Facts

- Mercy Care Plan's annual financial reporting and related audit reports are public documents and can be found at <http://www.azahcccs.gov/reporting/oversight/contractor.aspx>
- More than 90 cents of every dollar Mercy Care Plan receives from the State goes directly back into health care. Over the past 10 years, this has generated more than \$10 billion in health care services for our members.
- Operating income has averaged \$17 million per year for the past 10 years. This equates to approximately 1.4 cents of every dollar Mercy Care Plan receives from the State. Several of the years resulted in significant financial losses during this time period.
- Mercy Care Plan has more than 700 employees in Arizona. We are proud of our cost effective operations and local member care focus. Mercy Care Plan averages just over 7 cents of every dollar received on general and administrative expenses. It should be noted that this local spending is then reinvested by our employees in their communities.
- Claims payments under the third party administrator family planning contract represent 1/3 of one cent for every dollar received from AHCCCS. Payments from AHCCCS for family planning services are made to the third party administrator, which then administers the claims and pays the providers who provided the services. No revenue or expense for family planning services are included in Mercy Care's revenue or expenses.

Key Financial Measures – 10 Year Average (FY 2001 to FY 2010)

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| • Average Revenue | \$1,182,270,000 |
| • Average Health Care Cost Spend | \$1,064,624,000 |
| • Average Administrative | \$ 86,268,000 |
| • Average Operating Income | \$ 17,153,000 |

Mercy Care Plan (10 Year View) Financial Summary

