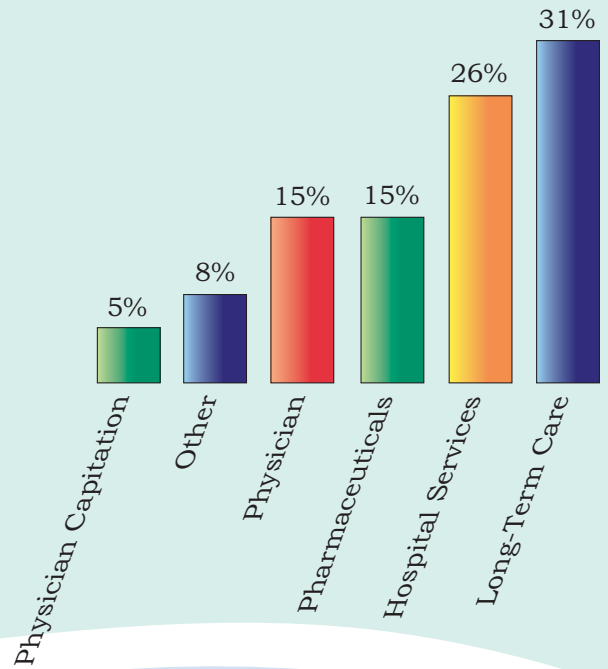


Financial Outlook

We ended fiscal year 2006-07 in the best financial position since our inception in 1983 with a fund balance of \$33.2 million and a Tangible Net Equity (TNE) at 334% of the minimum required by the Department of Managed Health Care. It was a good year financially and we were able to balance the needs of fiscal responsibility and provider reimbursement. Surplus translated to \$16.19 per member per month (PMPM) compared to (\$8.97) for the previous year.

Total operating revenue increased from \$224.19 PMPM to \$242.28 while health care expenses decreased from \$219.23 PMPM to \$211.46. This revenue increase was driven primarily by an increase in capitation rates, effective July 1, 2006, as well as retroactive payment adjustments back to January 1, 2006. Health care expenses decreased primarily due to the full-year impact of the Medicare Part D drug carve-out and, to a lesser extent, lower utilization rates in several medical expense categories. Our medical loss ratio decreased from 97.8% to 87.3% reflecting the increase in capitation/premium revenue and the decrease in health care expenses. Our administrative cost ratio decreased slightly from 7.1% to 7.0%.

With this successful year, our strong financial position, and in looking forward to 2007-08, the Authority increased selected provider reimbursement rates effective July 1, 2007.



David Ambrose,
Chief Financial Officer

Audited Financial Statements

Statement of Revenue and Expense

(rounded)

	2007	2006
REVENUES:	\$169,057,000	\$153,959,000
MEDICAL EXPENSES:		
Physician Capitation	7,633,000	5,877,000
Physician Fee for Service	23,195,000	25,252,000
Pharmaceuticals	22,364,000	32,482,000
Hospital Services	38,521,000	37,313,000
Long Term Care Services	45,790,000	41,951,000
Other Medical Care	12,030,000	12,898,000
Medical Cost Recoveries	(3,426,000)	(6,627,000)
TOTAL MEDICAL EXPENSES	146,107,000	149,156,000
ADMINISTRATIVE EXPENSES:	11,753,000	10,893,000
TOTAL EXPENSES	157,860,000	160,049,000
EXCESS OF REVENUES OVER EXPENSES	\$11,197,000	\$ (6,090,000)