

# SECURITIES AND EXCHANGE COMMISSION

## FORM 11-K

Annual report of employee stock purchase, savings and similar plans

Filing Date: **1999-03-26** | Period of Report: **1998-09-30**  
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### FILER

#### MHM SERVICES INC

CIK: **910408** | IRS No.: **521223048** | State of Incorporation: **DE** | Fiscal Year End: **0930**  
Type: **11-K** | Act: **34** | File No.: **001-12238** | Film No.: **99573648**  
SIC: **8062** General medical & surgical hospitals, nec

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MCLEAN VA 22102	7037494600

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 11-K

FOR ANNUAL REPORTS OF EMPLOYEE STOCK PURCHASE, SAVINGS AND SIMILAR PLANS PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

[X] ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [FEE REQUIRED]

For the fiscal year ended September 30, 1998

Commission file number: 1-12238

MHM SERVICES, INC. 401(k) SAVINGS PLAN

MHM Services, Inc. 8065 Westwood Center Drive, Suite 400 Vienna, Virginia 22182

MHM SERVICES, INC. 401(k) SAVINGS PLAN

SEPTEMBER 30, 1998 AND 1997

INDEX

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Independent Auditors' Report

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SCHEDULE I - ITEM 27a

Schedule of Assets Held for Investment Purposes as of September 30, 1998

SCHEDULE II - ITEM 27d

Schedule of Reportable Transactions for the year ended September 30, 1998

SIGNATURE

EXHIBIT\_\_

Consent of Independent Auditors-KPMG LLP

INDEPENDENT AUDITORS' REPORT

To the Trustees and Participants of the MHM Services Inc. 401(k) Savings Plan:

We have audited the accompanying statements of net assets available for plan benefits of the MHM Services Inc. 401(k) Savings Plan (the "Plan") as of September 30, 1998 and 1997, and the related statements of changes in net assets available for plan benefits for each of the years in the three-year period ended September 30, 1998. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing

standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for plan benefits as of September 30, 1998 and 1997 and the changes in net assets available for plan benefits for each of the years in the three-year period ended September 30, 1998 in conformity with generally accepted accounting principles.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules listed in the foregoing table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements but are supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The 1998 and 1997 Fund information in the statements of net assets available for plan benefits and the statements of changes in net assets available for plan benefits is presented for purposes of additional analysis rather than to present the net assets available for plan benefits and changes in net assets available for plan benefits of each fund. The supplemental schedules and Fund Information have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

KPMG LLP

McLean, Virginia  
November 20, 1998

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MHM SERVICES INC. 401(k) SAVINGS PLAN

Statement of Net Assets Available for Plan Benefits

September 30, 1998

<TABLE>  
<CAPTION>

	Supplemental information by fund				
	American Century Income & Growth	Papp American Abroad	Manager's Special Equities	Hotchkis & Wiley International	Steinroe Income
<S>	<C>	<C>	<C>	<C>	<C>
Assets:					
Investments -- at fair value	\$ 381,751	237,703	319,698	105,732	79,658
Participant loans	-	-	-	-	-
Employee contributions receivable	5,724	2,870	4,224	1,062	769
Employer contributions receivable	2,390	1,516	2,274	625	378
Total assets	389,865	242,089	326,196	107,419	80,805
Liabilities - accrued expenses	-	-	-	-	-
Net assets available for plan benefits	\$ 389,865	242,089	326,196	107,419	80,805

</TABLE>

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<CAPTION>

Supplemental information by fund	
Schwab Institutional	

	Advantage Money Fund	Westwood Balanced	MHM Common Stock	Loan Fund	Total
<S>	<C>	<C>	<C>	<C>	<C>
Assets:					
Investments -- at fair value	151,879	10,948	76,921	-	1,364,290
Participant loans	-	-	-	14,145	14,145
Employee contributions receivable	4,291	719	672	-	20,331
Employer contributions receivable	2,172	296	581	-	10,232
Total assets	158,342	11,963	78,174	14,145	1,408,998
Liabilities - accrued expenses	985	-	-	-	985
Net assets available for plan benefits	157,357	11,963	78,174	14,145	1,408,013

</TABLE>

See accompanying notes to financial statements.

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MHM SERVICES INC. 401(k) SAVINGS PLAN

Statement of Net Assets Available for Plan Benefits

September 30, 1997

<TABLE>

<CAPTION>

	Supplemental information by fund				
	Large Cap. Value Equity	Large Cap. Growth Equity	Small Cap. Growth Equity	International Equity	Intermediate Fixed Income
<S>	<C>	<C>	<C>	<C>	<C>
Assets:					
Investments -- at fair value	\$ 412,921	295,688	387,113	149,232	101,050
Participant loans	-	-	-	-	-
Employee contributions receivable	1,121	1,007	1,517	904	579
Employer contributions receivable	-	-	-	-	-
Total assets	414,042	296,695	388,630	150,136	101,629
Liabilities - accrued expenses	-	-	-	-	-
Net assets available for plan benefits	\$ 414,042	296,695	388,630	150,136	101,629

</TABLE>

<TABLE>

<CAPTION>

	Supplemental information by fund				
	Stable Value	MHM Common Stock	MEDIQ Common Stock	Loan Fund	Total
<S>	<C>	<C>	<C>	<C>	<C>
Assets:					
Investments -- at fair value	162,901	109,563	116,962	-	1,735,430
Participant loans	-	-	-	36,320	36,320
Employee contributions receivable	1,459	353	-	-	6,940
Employer contributions receivable	-	11,166	-	-	11,166

Total assets	164,360	121,082	116,962	36,320	1,789,856
Liabilities - accrued expenses	810	-	-	-	810
-----					
Net assets available for plan benefits	163,550	121,082	116,962	36,320	1,789,046
=====					

</TABLE>

See accompanying notes to financial statements.

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MHM SERVICES INC. 401(k) SAVINGS PLAN

Statement of Changes in Net Assets Available for Plan Benefits

Year ended September 30, 1998

<TABLE>

<CAPTION>

Supplemental information by fund						
	American Century Income & Growth	Papp American Abroad	Manager's Special Equities	Hotchkis & Wiley International	Steinroe Income	Schwab Institutional Advantage Money Fund
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Net assets available for plan benefits, October 1, 1997	\$ -	-	-	-	-	-
Additions:						
Employee contributions	60,592	45,597	53,725	17,547	9,528	35,617
Employer contributions	10,067	8,048	10,020	3,195	1,825	6,735
Investment income	46,478	2,597	13,435	3,989	5,001	5,671
Net realized/unrealized gains (losses)	(9,789)	(8,820)	(67,614)	(11,974)	(1,411)	(906)
Total additions	107,348	47,422	9,566	12,757	14,943	47,117
Deductions:						
Benefit payments	189,765	125,155	55,749	32,958	31,155	52,243
Administrative expenses	6,490	4,151	5,463	1,979	1,132	1,761
Total deductions	196,255	129,306	61,212	34,937	32,287	54,004
Net additions (deductions) prior to interfund transfers	(88,907)	(81,884)	(51,646)	(22,180)	(17,344)	(6,887)
Interfund transfers	478,772	323,973	377,842	129,599	98,149	164,244
Net additions (deductions)	389,865	242,089	326,196	107,419	80,805	157,357
Net assets available for plan benefits, September 30, 1998	\$ 389,865	242,089	326,196	107,419	80,805	157,357

</TABLE>

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<CAPTION>

Supplemental information by fund					
	Westwood Balanced	MHM Common Stock	Loan Fund	Large Cap. Value Equity	Large Cap. Growth Equity

<S>	<C>	<C>	<C>	<C>	<C>
Net assets available for plan benefits, October 1, 1997	-	121,082	36,320	414,042	296,695
Additions:					
Employee contributions	6,233	8,233	-	8,037	7,395
Employer contributions	902	2,064	-	-	-
Investment income	1,271	6,133	1,276	78	104
Net realized/unrealized gains (losses)	(912)	(50,459)	-	(5,107)	(4,198)
Total additions	7,494	(34,029)	1,276	3,008	3,301
Deductions:					
Benefit payments	24,560	15,210	-	1,582	1,460
Administrative expenses	338	632	-	-	-
Total deductions	24,898	15,842	-	1,582	1,460
Net additions (deductions) prior to interfund transfers	(17,404)	(49,871)	1,276	1,426	1,841
Interfund transfers	29,367	6,963	(23,451)	(415,468)	(298,536)
Net additions (deductions)	11,963	(42,908)	(22,175)	(414,042)	(296,695)
Net assets available for plan benefits, September 30, 1998	11,963	78,174	14,145	-	-

</TABLE>

<TABLE>  
<CAPTION>

Supplemental information by fund

	Small Cap. Growth Equity	International Equity	Intermediate Fixed Income	Stable Value	MEDIQ Common Stock	Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Net assets available for plan benefits, October 1, 1997	388,630	150,136	101,629	163,550	116,962	1,789,046
Additions:						
Employee contributions	3,654	6,314	5,589	7,339	-	275,400
Employer contributions	-	-	-	-	-	42,856
Investment income	52	26	525	(3,107)	(1,512)	82,017
Net realized/unrealized gains (losses)	(37,042)	(14,404)	509	(8)	1,104	(211,031)
Total additions	(33,336)	(8,064)	6,623	4,224	(408)	189,242
Deductions:						
Benefit payments	1,416	1,325	341	5,116	10,294	548,329
Administrative expenses	-	-	-	-	-	21,946
Total deductions	1,416	1,325	341	5,116	10,294	570,275
Net additions (deductions) prior to interfund transfers	(34,752)	(9,389)	6,282	(892)	(10,702)	(381,033)
Interfund transfers	(353,878)	(140,747)	(107,911)	(162,658)	(106,260)	-
Net additions (deductions)	(388,630)	(150,136)	(101,629)	(163,550)	(116,962)	(381,033)

Net assets available for plan benefits,

&lt;/TABLE&gt;

See accompanying notes to financial statements

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## MHM SERVICES INC. 401(k) SAVINGS PLAN

## Statement of Changes in Net Assets Available for Plan Benefits

Year ended September 30, 1997

&lt;TABLE&gt;

&lt;CAPTION&gt;

	Supplemental information by fund				
	Large Cap. Value Equity	Large Cap. Growth Equity	Small Cap. Growth Equity	International Equity	Intermediate Fixed Income
<S>	<C>	<C>	<C>	<C>	<C>
Net assets available for plan benefits, October 1, 1996	\$ 371,834	275,488	442,430	141,842	125,589
Additions:					
Employee contributions	45,155	37,673	43,086	27,893	20,941
Employer contributions	-	-	-	-	-
Investment income	21,798	9,435	47,584	9,145	7,203
Net realized/unrealized gains (losses)	99,786	65,551	4,742	7,169	1,170
Total additions	166,739	112,659	95,412	44,207	29,314
Deductions:					
Benefit payments	145,051	91,817	136,727	37,513	55,524
Net additions (deductions) prior to interfund transfers	21,688	20,842	(41,315)	6,694	(26,210)
Interfund transfers	20,520	365	(12,485)	1,600	2,250
Net additions (deductions)	42,208	21,207	(53,800)	8,294	(23,960)
Net assets available for plan benefits, September 30, 1997	\$ 414,042	296,695	388,630	150,136	101,629

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&lt;CAPTION&gt;

	Supplemental information by fund				
	Stable Value	MHM Common Stock	MEDIQ Common Stock	Loan Fund	Total
<S>	<C>	<C>	<C>	<C>	<C>
Net assets available for plan benefits, October 1, 1996	133,794	45,253	91,703	58,575	1,686,508
Additions:					
Employee contributions	51,006	7,093	-	-	232,847

Employer contributions	-	37,656	-	-	37,656
Investment income	6,206	103	-	552	102,026
Net realized/unrealized gains (losses)	(869)	41,474	37,552	-	256,575
-----					
Total additions	56,343	86,326	37,552	552	629,104
-----					
Deductions:					
Benefit payments	27,973	8,397	12,293	11,271	526,566
-----					
Net additions (deductions) prior to interfund transfers	28,370	77,929	25,259	(10,719)	102,538
Interfund transfers	1,386	(2,100)	-	(11,536)	-
-----					
Net additions (deductions)	29,756	75,829	25,259	(22,255)	102,538
-----					
Net assets available for plan benefits, September 30, 1997	163,550	121,082	116,962	36,320	1,789,046

</TABLE>

See accompanying notes to financial statements.

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MHM SERVICES INC. 401(k) SAVINGS PLAN

Statement of Changes in Net Assets Available for Plan Benefits

Year ended September 30, 1996

<TABLE>

<CAPTION>

	Supplemental information by fund				
	Large Cap. Value Equity	Large Cap. Growth Equity	Small Cap. Growth Equity	International Equity	Intermediate Fixed Income
<S>	<C>	<C>	<C>	<C>	<C>
Net assets available for plan benefits, October 1, 1995	\$ 433,267	360,562	411,985	185,718	155,727
Additions:					
Employee contributions	66,842	72,511	106,125	31,623	52,458
Employer contributions	-	-	-	-	-
Investment income	13,975	16,405	61,099	7,724	10,734
Net realized/unrealized gains (losses)	42,746	32,660	23,436	1,749	(4,743)
-----					
Total additions (deductions)	123,563	121,576	190,660	41,096	58,449
-----					
Deductions:					
Benefit payments	168,071	199,264	192,263	88,558	94,865
-----					
Net additions (deductions) prior to interfund transfers	(44,508)	(77,688)	(1,603)	(47,462)	(36,416)
Interfund transfers	(16,925)	(7,386)	32,048	3,586	6,278
-----					
Net additions (deductions)	(61,433)	(85,074)	30,445	(43,876)	(30,138)
-----					
Net assets available for plan benefits, September 30, 1996	\$ 371,834	275,488	442,430	141,842	125,589

</TABLE>



<TABLE>  
<CAPTION>

	Supplemental information by fund				
	Stable Value	MHM Common Stock	MEDIQ Common Stock	Loan Fund	Total
<S>	<C>	<C>	<C>	<C>	<C>
Net assets available for plan benefits, October 1, 1995	192,641	176,222	198,568	64,242	2,178,932
Additions:					
Employee contributions	53,481	9,382	-	-	392,422
Employer contributions	-	67,316	-	-	67,316
Investment income	7,552	-	-	-	117,489
Net realized/unrealized gains (losses)	(1,105)	(157,132)	3,445	-	(58,944)
Total additions (deductions)	59,928	(80,434)	3,445	-	518,283
Deductions:					
Benefit payments	136,624	50,447	80,615	-	1,010,707
Net additions (deductions) prior to interfund transfers	(76,696)	(130,881)	(77,170)	-	(492,424)
Interfund transfers	17,849	(88)	(29,695)	(5,667)	-
Net additions (deductions)	(58,847)	(130,969)	(106,865)	(5,667)	(492,424)
Net assets available for plan benefits, September 30, 1996	133,794	45,253	91,703	58,575	1,686,508

</TABLE>

See accompanying notes to financial statements.

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MHM SERVICES INC. 401(k) SAVINGS PLAN

Notes to Financial Statements

September 30, 1998 and 1997

(1) DESCRIPTION OF THE PLAN

The following description of the MHM Services, Inc. 401(k) Savings Plan (the Plan), formerly known as Mental Health Management, Inc. Employees' Savings Plan, provides only general information. Participants should refer to the Summary Plan Description for a more complete description of the Plan provisions.

GENERAL

The effective date of the Plan was September 1, 1993. The Plan is a defined contribution plan. Employees are eligible to join the Plan upon completion of one year of service during which they have worked a minimum of 1,000 hours and are age 21 or older. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

CONTRIBUTIONS

Participants may contribute to the Plan from 1 percent to 15 percent (1 percent to 23 percent beginning in July 1998 of their salaries to be invested, as they choose, in the various funds described in note 3. The Plan provides that MHM Services, Inc. (the Company) will make a matching contribution equal to \$.50 for each \$1.00 contributed by a participant, not to exceed 3 percent of the participant's compensation. The Company's matching contribution is made in cash to

be distributed among the funds elected by the participant.

#### PARTICIPANT ACCOUNTS

Each participant's account is credited with the participant's contributions and allocations of the Company's contribution and Plan earnings, and charged with an allocation of administrative expenses. Allocations are based on participant earnings or account balances. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

#### VESTING

A participant's accrued benefit is at all times fully vested and nonforfeitable upon death, retirement, disability or termination of employment.

(Continued)

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MHM SERVICES INC. 401(k) SAVINGS PLAN

Notes to Financial Statements

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(1) CONTINUED

#### PARTICIPANT LOANS

Participants may borrow from their fund accounts a minimum of \$1,000 up to a maximum equal to the lesser of \$50,000 or 50 percent of their account balance. Loan terms range from one to five years or up to ten years for the building, rehabilitation or purchase of a primary residence. The loans are secured by the balances in the participants' accounts and bear interest at a rate commensurate with local prevailing rates. Principal and interest are paid ratably through payroll deductions.

#### PAYMENT OF BENEFITS

Upon termination of service, participants may elect to receive a lump-sum payout of their accounts. If the account balance at termination exceeds \$3,500, a participant may leave the money in the Plan after leaving the Company. Participants may also qualify for up to two hardship withdrawals per Plan year with respect to amounts attributable to basic contributions. In order to obtain a hardship withdrawal, participants must exhaust the possibility of all other withdrawals (other than hardship withdrawals) under the Plan. Upon receiving a hardship distribution, participants are suspended from making contributions to the Plan for one year.

Distributions from the funds, with the exception of the MHM Services, Inc. (MHM) stock fund, are made in cash. Distributions from the MHM stock fund are in the form of the securities held; however, distributions of the Company's common stock shall be made in cash whenever the number of shares to be distributed is 100 or less.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### BASIS OF ACCOUNTING

The financial statements of the Plan are prepared under the accrual method of accounting.

#### USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles 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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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(2) CONTINUED

INVESTMENT VALUATION AND INCOME RECOGNITION

The Plan's managed investment funds and Company common stock are stated at fair value which is determined by closing prices as of the last trading day of the Plan year. Purchases and sales of securities are recorded on a trade-date basis. Participant loans are valued at cost which approximates fair market value. Dividends and interest are recorded when earned.

PAYMENT OF BENEFITS

Benefits are recorded when paid.

RECLASSIFICATIONS

Certain 1997 and 1996 amounts have been reclassified to conform to the 1998 presentation.

(3) INVESTMENT OPTIONS

Contributions are invested in accordance with the written directions of the participants in one or more of the following funds. During 1998, the Plan changed investment managers and investment options and transferred participants' balances to the comparable investment funds offered by the new managers. Pursuant to the Plan, the selection of investment options is the sole responsibility of each participant. Neither the trustees nor the Company have any responsibility to select investment options or to advise participants in selecting their investment options. Subject to the applicable provisions of law, each participant assumes all risks connected with any decrease in the market value of any securities in these funds, and distributions from such funds are the sole source of payments made under the Plan.

AMERICAN CENTURY INCOME & GROWTH FUND

This fund seeks dividend growth, current income, and capital appreciation by investing in common stocks. It is income-oriented, seeking a total return that exceeds the total return of the S&P 500 Composite Stock Price Index and a dividend yield that exceeds the S&P 500's dividend yield.

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(3) CONTINUED

PAPP AMERICAN-ABROAD FUND

This fund seeks to obtain long-term capital growth resulting to a considerable extent from international activities of its companies. The fund acquires common stocks of US companies that have substantial activities abroad, and common stocks of foreign companies that are traded publicly in the US securities markets.

MANAGERS SPECIAL EQUITIES FUND

This fund seeks long-term capital appreciation by investing in the

securities of small to medium capitalization companies expected to have superior earnings growth potential.

HOTCHKIS & WILEY INTERNATIONAL FUND

This fund seeks to provide current income and long-term growth of income, accompanied by growth of capital by investing in international equity securities.

STEINROE INCOME FUND

This fund seeks high current income by investing principally in medium quality debt securities with at least 60% of its assets invested in medium or higher-quality debt securities.

CHARLES SCHWAB INSTITUTIONAL ADVANTAGE MONEY FUND

This fund seeks security and liquidity. It invests in short-term interest bearing securities.

WESTWOOD BALANCED FUND

This fund seeks to realize both capital appreciation and current income by investing in both equity and debt securities.

(Continued)

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MHM SERVICES INC. 401(k) SAVINGS PLAN

Notes to Financial Statements

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(3) CONTINUED

MHM SERVICES, INC. COMMON STOCK

Purchase of MHM common stock allows employees to invest in their Company stock over and above the matching contribution.

LARGE CAPITALIZATION VALUE EQUITY FUND

The objective of this fund is to seek total return consisting of capital appreciation and dividend income by investing primarily in a diversified portfolio of highly liquid common stocks. The portfolio's assets will be invested primarily in common stocks of issuers with total market capitalization of \$1 billion or greater at the time of purchase.

LARGE CAPITALIZATION GROWTH EQUITY FUND

This fund seeks substantial capital appreciation over time by investing primarily in a diversified portfolio of common stocks, characterized by a growth of earnings at a rate faster than that of the S&P 500 index. The Portfolio's assets will be invested primarily in common stocks of issuers with total market capitalization of \$1 billion or greater at the time of purchase.

SMALL CAPITALIZATION GROWTH EQUITY FUND

This fund seeks to achieve maximum long-term capital appreciation through investing primarily in the common stock of "emerging growth" companies (total market capitalization of \$550 million or less).

INTERNATIONAL EQUITY FUND

This fund seeks to achieve long-term capital appreciation through investing primarily in equity securities of companies domiciled outside the United States.

(Continued)

## Notes to Financial Statements

## (3) CONTINUED

## INTERMEDIATE FIXED INCOME FUND

This fund seeks a high level of current income, with potential for some capital appreciation, while keeping risk at a minimum. The fund invests in high quality, intermediate-term fixed income securities.

## STABLE VALUE FUND

This fund seeks to provide stable investment returns with a high degree of capital protection by investing primarily in contracts (GIC's and BIC's) that are guaranteed by high rated, major life insurance companies and banks, other GIC Collective Funds, and in cash equivalents.

## MHM SERVICES, INC. STOCK FUND

Purchase of MHM common stock allows employees to invest in their Company stock over and above the matching contribution.

## MEDIQ STOCK FUND

In August of 1993, the company spun off from MEDIQ Incorporated and formed a separate entity. This fund contains the common stock of MEDIQ Incorporated.

## (4) ADMINISTRATIVE EXPENSES

Beginning in 1998, administrative expenses are charged directly to the Plan. Prior to 1998, these expenses were paid by the Company. Administrative expenses amounted to \$21,946 for the year ended September 30, 1998.

(Continued)

## Notes to Financial Statements

## (5) INVESTMENTS

At September 30, 1998, investments representing 5 percent or more of the Plan's net assets available for plan benefits included all funds except the Westwood Balanced and Loan Funds. At September 30, 1997, investments representing 5 percent or more of the Plan's net assets available for plan benefits included all funds except the Loan Fund.

Investment income and net realized/unrealized gains (losses) are comprised of the following for the years ended September 30, 1998, 1997 and 1996, respectively:

&lt;TABLE&gt;

&lt;CAPTION&gt;

	1998	1997	1996
<S>	<C>	<C>	<C>
Investment income:			
Dividends	\$ 21,187	24,215	31,011
Interest on participant loans	1,276	552	-
Capital gains distributions	59,554	77,259	86,478
	\$ 82,017	102,026	117,489

Realized/unrealized gains (losses):			
Realized gains	317,087	63,488	68,174
Unrealized gains (losses)	(516,571)	203,333	(113,253)
Investment expenses	(11,547)	(10,246)	(13,865)
	\$ (211,031)	256,575	(58,944)

</TABLE>

(6) PLAN TERMINATION

Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA.

(7) PLAN AMENDMENT

Effective October 1, 1997, the Plan was amended and restated through the adoption of a new 401(k) prototype plan document. The amendments had no effect on net assets and the significant plan provisions have basically remained the same.

(Continued)

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MHM SERVICES INC. 401(k) SAVINGS PLAN

Notes to Financial Statements

(8) TAX STATUS

The Plan was amended and restated on October 10, 1997 through the adoption of a prototype 401(k) plan provided by Milliman and Robertson, the Plan Administrator. The original Plan received an opinion letter from the IRS dated August 2, 1993, which indicates that the Plan and the related trust are designed in accordance with applicable sections of the Internal Revenue Code (IRC). The amended and restated Plan is relying on a determination letter dated April 13, 1993 with respect to the prototype plan document. The Plan Administrator believes that the Plan is designed and is currently being operated in compliance with the applicable requirements of the IRC. Therefore, no provision for income tax has been included in the Plan's financial statements.

Employee salary reduction contributions to the Plan, subject to an annual limitation of 25 percent of annual compensation, are not subject to income tax until withdrawn from the Plan as permitted under Section 401(k) of the IRC. Additionally, employees are not subject to federal income tax on the employer's contributions to the Plan or income earned thereon until withdrawn from the Plan.

(9) DIFFERENCES BETWEEN IRS FORM 5500 AND AUDITED FINANCIAL STATEMENTS

The following is a reconciliation of net assets available for plan benefits per the financial statements to Form 5500:

<TABLE>

<CAPTION>

	September 30	
	1998	1997
<S>	<C>	<C>
Net assets available for plan benefits	\$ 1,408,013	1,789,046
Amounts payable to participants at year end	-	(2,717)
Net assets available for plan benefits per the Form 5500	\$ 1,408,013	1,786,329

</TABLE>

The following is a reconciliation of benefit payments paid to participants per the financial statements to the Form 5500:

<TABLE>  
<CAPTION>

	September 30	
	1998	1997
<S>	<C>	<C>
Benefit payments per the financial statements	\$ 548,329	526,014
Amounts payable to participants at September 30, 1997	(2,717)	2,717
=====		
Benefit payments per the Form 5500	\$ 545,612	528,731
=====		

</TABLE>

Amounts currently payable to or for participants, dependents, and beneficiaries are recorded on the Form 5500 for benefit claims that have been processed and approved for payment prior to September 30, 1998 or 1997, respectively, but not yet paid as of those dates. There were no such payables at September 30, 1998.

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MHM SERVICES INC. 401(k) SAVINGS PLAN

Item 27a -- Schedule of Assets Held for Investment Purposes

September 30, 1998

<TABLE>  
<CAPTION>

Issuer	Shares or units	Description	Cost	Current value
<S>	<C>	<C>	<C>	<C>
* Charles Schwab	15,325	American Century: Income & Growth Fund	\$ 396,512	381,751
* Charles Schwab	9,444	Papp American Abroad Fund	248,972	237,703
* Charles Schwab	6,248	Manager's Special Equities Fund	383,496	319,698
* Charles Schwab	5,113	Hotchkis & Wiley International Fund	119,416	105,732
* Charles Schwab	8,063	Stein Roe Income Trust Income Fund	80,599	79,658
* Charles Schwab	150,708	Schwab Institutional Advantage Money Fund	151,879	151,879
* Charles Schwab		Westwood Balanced Fund	11,402	10,948
* MHM Services, Inc.	70,312	MHM Services Inc.	101,621	76,921
Total investments			\$ 1,493,897	1,364,290
=====				
Plan	14,145	Loan Fund (interest rates ranging from 9.5% to 10%, maturing through 2008).	14,145	14,145
=====				

</TABLE>

\* Party-in-interest

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MHM SERVICES INC. 401(k) SAVINGS PLAN

Item 27d -- Schedule of Reportable Transactions

Year ended September 30, 1998

<TABLE>  
<CAPTION>

Description	Number of transactions	Number of shares or units	Purchases
=====			

<S>	<C>	<C>	<C>
SINGLE TRANSACTIONS			
AMCENT: Income & Growth Fund	1	15,977	\$ 414,759
Papp American Abroad Fund	1	11,505	300,965
Manager's Special Equities Fund	1	5,746	353,945
Hotchkis & Wiley International Fund	1	6,051	140,800
Stein Roe Income Trust Fund	1	10,816	108,162
Schwab Instl Advantage Money Fund	1	161,607	161,607
Large Capitalization Value Equity Fund	1	26,604	-
Large Capitalization Growth Equity Fund	1	16,795	-
Small Capitalization Growth Equity Fund	1	19,642	-
International Equity Fund	1	13,777	-
Intermediate Fixed Income Fund	1	13,255	-
Stable Value Fund	1	161,607	-
Mediq Shares	1	13,863	-

SERIES OF TRANSACTIONS

AMCENT: Income & Growth Fund	92	23,200	600,854
AMCENT: Income & Growth Fund	28	7,875	-
Papp American Abroad Fund	104	15,076	397,245
Papp American Abroad Fund	36	5,633	-
Managers Special Equities Fund	80	7,506	461,092
Hotchkis & Wiley International Fund	80	7,834	182,885
Stein Roe Income Trust Fund	79	13,972	139,715
Schwab Instl Advantage Money Fund	77	248,392	248,392
Schwab Instl Advantage Money Fund	31	97,684	-
Large Capitalization Value Equity Fund	7	26,772	-
Large Capitalization Growth Equity Fund	6	16,878	-
Small Capitalization Growth Equity Fund	-	-	-
Small Capitalization Growth Equity Fund	6	19,717	-
International Equity Fund	6	13,903	-
Intermediate Fixed Income Fund	9	853,476	6,944
Intermediate Fixed Income Fund	5	13,298	-
Stable Value Fund	7	165,086	-

</TABLE>

<TABLE>  
<CAPTION>

Description	Sales		
	Cost	Proceeds	Gain (Loss)
<S>	<C>	<C>	<C>
SINGLE TRANSACTIONS			
AMCENT: Income & Growth Fund	\$ -	\$ -	\$ -
Papp American Abroad Fund	-	-	-
Manager's Special Equities Fund	-	-	-



Hotchkis & Wiley International Fund	-	-	-
Stein Roe Income Trust Fund	-	-	-
Schwab Instl Advantage Money Fund	-	-	-
Large Capitalization Value Equity Fund	283,071	414,759	131,688
Large Capitalization Growth Equity Fund	201,803	300,965	99,162
Small Capitalization Growth Equity Fund	302,486	353,945	51,459
International Equity Fund	142,258	140,800	(1,458)
Intermediate Fixed Income Fund	106,851	108,161	1,310
Stable Value Fund	161,607	161,607	-
Mediq Shares	56,316	118,067	61,751
SERIES OF TRANSACTIONS			
AMCENT: Income & Growth Fund	-	-	-
AMCENT: Income & Growth Fund	204,342	212,725	8,383
Papp American Abroad Fund	-	-	-
Papp American Abroad Fund	148,273	152,902	4,629
Managers Special Equities Fund	-	-	-
Hotchkis & Wiley International Fund	-	-	-
Stein Roe Income Trust Fund	-	-	-
Schwab Instl Advantage Money Fund	-	-	-
Schwab Instl Advantage Money Fund	97,684	97,684	-
Large Capitalization Value Equity Fund	284,835	417,410	132,575
Large Capitalization Growth Equity Fund	202,760	302,440	99,680
Small Capitalization Growth Equity Fund	-	-	-
Small Capitalization Growth Equity Fund	303,646	355,414	51,768
International Equity Fund	143,555	142,132	(1,423)
Intermediate Fixed Income Fund	-	-	-
Intermediate Fixed Income Fund	107,190	108,511	1,321
Stable Value Fund	165,086	165,086	-

</TABLE>

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Signature

Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

Mental Health Management, Inc.  
Employees' Savings Plan

Date: March 26, 1999

By: /s/ Cleveland E. Slade

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Cleveland E. Slade  
Vice President and  
Chief Financial Officer  
MHM Services, Inc.

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CONSENT OF INDEPENDENT AUDITORS

The Board of Directors

MHM Services, Inc.

We consent to the use of our report dated November 20, 1998, on the statements of net assets available for plan benefits as of September 30, 1998 and 1997, and the related statements of changes in net assets available for plan benefits for each of the years in the three-year period ended September 30, 1998 for the MHM Services, Inc. 401(k) Savings Plan (the "Plan") included in the Annual Report on Form 11-K relating to the Plan filed by MHM Services, Inc. for the years ended September 30, 1998 and 1997, and to the incorporation by reference of such report in the Registration Statement on Form S-8 pertaining to the Plan (File No. 333-09147).

KPMG LLP

McLean, Virginia  
March 26, 1999