

MARICOPA COUNTY
EMPLOYEE BENEFITS TRUST FUNDS
Financial Commentary
September 2015

Fiscal Year 2015 as Adjusted

Fiscal Year 2015 results have adjusted since the prior report which has resulted in a reduction in the Ending Fund Balance by about \$4.4 million. Two major adjustments are described below:

Actuary Report - The actuaries increased the Incurred but not Reported (IBNR) liability by \$2,641,070. This occurred mainly in the Medical PPO plan (\$1,971,905) and the Medical HDHP with HSA, (\$756,066).

GASB 68 – Pension Liability – A summary of this new financial statement requirement is as follows: Deferred compensation, including pension benefits, are not received until after the employee's tenure with the government has concluded, and vesting and age requirements have been met. Nevertheless, a government has a present obligation to pay these deferred benefits in the future - a total pension liability - once they have been earned. When the total pension liability exceeds the pension plan's net assets (plan net position) available for paying benefits, there is a net pension liability. This new accounting standard resulted in a \$1,772,697 reduction in fund balance and a \$5,727 increase in expenditures for the year as a result of recording the Net Pension Liability.

Change Analysis of FY 2015 Previously Presented Financials to Current Financials

<u>Self Insured Funds</u>	Prior Report 6/30/2015	Actuary IBNR	GASB 68 Pension	Current Report 6/30/2015
Fund	<u>Net Loss</u>	<u>Adjustment</u>	<u>Liability</u>	<u>Net Loss</u>
601-MEDICAL HMO	31,581	113,332		144,913
604-MEDICAL PPO	(1,566,398)	(1,971,905)		(3,538,303)
606-MEDICAL HDHP W HSA	(3,062,183)	(756,066)		(3,818,249)
Total Medical & BH	(4,597,000)	(2,614,639)		(7,211,639)
608-COINSURANCE PHARMACY	(4,561,943)			(4,561,943)
Total Pharmacy	(4,995,366)	0		(4,995,366)
614-BEHAVIORAL HEALTH	268,170	97,860		366,030
629-SI DENTAL PPO	223,620	(100,004)		123,616
623-VISION	375,275	(24,287)		350,988
615-WELLNESS	560,804			560,804
618-BENEFIT ADMINISTRATION	772,484		(5,727)	766,757
Total Other	2,200,353	(26,431)	(5,727)	2,168,195
Grand Total	(7,392,014)	(2,641,070)	(5,727)	(10,038,811)
<u>Employee Self Insured Funds</u>				
611-60 PERCENT STD	(199,434)			(199,434)
612-50 PERCENT STD	219,744			219,744
613-40 PERCENT STD	79,724			79,724
Total STD	100,034			100,034
Total Self-Insured	(7,291,979)	(2,641,070)	(5,727)	(9,938,777)
Impact of Benefit Holiday	(10,386,986)			(10,386,986)
Net Loss	(17,678,966)	(2,641,070)	(5,727)	(20,325,763)
Opening Fund Balance	37,899,371			37,899,371
Prior Period Adjustment GASB 68			(1,772,697)	(1,772,697)
Ending Fund Balance	20,220,405	(2,641,070)	(1,778,424)	15,800,911

September 2015 Year-To-Date Results

As of September 30, 2015, cash and cash equivalents were \$29,405,140 as compared to the June 30, 2015 balance of \$33,472,497; a decrease of \$4,067,357. Cash that is not controlled directly by the County is shown in the prepaid insurance balance sheet account. This was \$1,495,083 as of September 30th versus a balance of \$1,694,818 on June 30, 2015; a decrease of \$199,735. Prepaid insurance consists of the money used to fund the Trust transfers to outside bank accounts to pay for Cigna and United Health Group medical claims via sweeps. The combined reduction in cash-like balances year-to-date was \$4,267,092.

<u>Review of Cash</u>	<u>9/30/2015</u>	<u>6/30/2015</u>	Increase/ <u>(Decrease)</u>
Cash and cash equivalents	\$29,405,140	\$ 33,472,497	(\$4,067,357)
Prepaid insurance	1,495,083	1,694,818	(199,735)
Total Cash	<u>\$30,900,223</u>	<u>\$35,167,315</u>	<u>(\$4,267,092)</u>

A summary of major cash movements for September 2015 is as follows:

	<u>Cash Flows</u>
Total Cash 6/30/2015	35,167,315
HDHP Employer Contribution	(1,789,280)
Increase in Accrued Liabilities	1,802,127
Reduction in IBNR Liability	(2,900,000)
Increase in Premium Deficiency from Departments	(1,461,628)
Other Net Uses of Cash	81,689
Total Reduction in Cash	<u>(4,267,092)</u>
Total Cash 9/30/2015	30,900,223

Net margin for September 2015 was \$706,038. This income occurred mainly in the three medical plans which totaled \$1,415,517 in net income. Partially offsetting this funding, was a loss in the Pharmacy Plan (\$393,792) and the On-site Pharmacy (\$141,942) as well as in the Dental PPO (\$238,882) and the Vision Plan (\$109,553) due to back to school visits in July and August.

Large claims continue to be an issue in FY 2016. For the first three months large claims ran at a rate of 31.4% of total claims versus 25.2% for the prior year. Compared to the full year for FY 2015 large claims at 31.4% are much lower than the 39.2% for all of FY2015. The chart below shows large claims by plan as compare to total expenditures:

Large claims (Over \$50,000) paid first Three Months vs Prior Year

<u>Medical Plans Only - Expenditures</u>	<u>YTD 9/30/2015</u>	<u>YTD 9/30/2014</u>	<u>Increase</u>
601-MEDICAL HMO	12,840,563	11,795,613	8.86%
604-MEDICAL PPO	9,284,472	9,563,226	-2.91%
606-MEDICAL HDHP W HSA	6,154,759	6,272,568	-1.88%
Total Medical	28,279,794	27,631,407	2.35%

<u>Medical Plans Only - Large Claims</u>			
601-MEDICAL HMO	4,125,444	3,365,370	22.59%
604-MEDICAL PPO	2,965,118	2,334,370	27.02%
606-MEDICAL HDHP W HSA	1,797,544	1,272,999	41.21%
Total Medical	8,888,106	6,972,739	27.47%

<u>Medical Plans Only - Large % of Total</u>		
601-MEDICAL HMO	32.1%	28.5%
604-MEDICAL PPO	31.9%	24.4%
606-MEDICAL HDHP W HSA	29.2%	20.3%
Total Medical	31.4%	25.2%

Large Claim experience FY 2012 to FY2015

<u>Medical Plans Only - Large Claims</u>	<u>FY 2015</u>	<u>FY 2014</u>	<u>FY 2013</u>	<u>FY 2012</u>
601-MEDICAL HMO	19,664,186	14,117,580	14,627,264	13,332,666
604-MEDICAL PPO	15,125,390	15,666,695	12,019,846	15,526,727
606-MEDICAL HDHP W HSA	10,202,018	7,491,323	3,531,048	1,944,988
Total Medical	44,991,594	37,275,598	30,178,157	30,804,380

<u>Medical Plans Only - Large % of Total</u>				
601-MEDICAL HMO	39.5%	30.7%	30.6%	31.4%
604-MEDICAL PPO	38.8%	38.2%	36.3%	35.1%
606-MEDICAL HDHP W HSA	39.4%	31.7%	23.6%	23.6%
Total Medical	39.2%	33.7%	31.5%	32.5%

MARICOPA COUNTY
EMPLOYEE BENEFITS TRUST FUND
Statements of Revenues, Expenses, and
Changes in Net Assets—Internal Service Funds
YTD as of September 30, 2015

10/15/2015

	YTD 9/30/2015	Unaudited YTD 6/30/2015	Full Year 6/30/2014	Full Year 6/30/2013	Full Year 6/30/2012
Operating revenues:					
Operating income	\$ 38,055,040	\$ 129,363,895	\$ 127,869,594	\$ 127,318,181	\$ 122,941,566
Other income	27,029	11,312	3,479,437		443,209
Investment income	(500)	231,834	15,139	284,792	
Total operating revenues	\$ 38,081,569	\$ 129,607,041	\$ 131,364,170	\$ 127,602,973	\$ 123,384,775
Operating expenses:					
Losses and loss expenses	34,241,167	137,966,460	134,052,986	111,466,606	114,179,304
All other expenses	3,134,364	11,966,344	6,362,562	7,706,150	7,060,881
Total operating expenses	\$ 37,375,531	\$ 149,932,804	\$ 140,415,548	\$ 119,172,756	\$ 121,240,185
Nonoperating revenues:					
Capital contributions			0	0	0
Return of contributions			(3,415,266)	(6,178,953)	
Transfers to Other Funds			0	0	0
Short-Term Disability Rebate			0	0	0
Loss on disposal of capital assets			0	0	0
Total nonoperating revenues	\$ -	\$ -	\$ (3,415,266)	\$ (6,178,953)	\$ -
Change in net position	706,038	(20,325,763)	(12,466,644)	2,251,264	2,144,590
Total net position - Beginning	15,800,911	37,899,371	45,418,987	43,167,723	41,023,133
Open Fund Balance Adjustment		(1,772,697)	4,947,028		
Total net position - Ending	\$ 16,506,949	\$ 15,800,911	\$ 37,899,371	\$ 45,418,987	\$ 43,167,723

Maricopa County
Employee Benefits Trust Funds
Statements of Net Assets - Internal Service Funds
September 30, 2015, June 30, 2015, June 30, 2014, June 30, 2013, and June 30, 2012

	9/30/2015	6/30/2015	6/30/2014	6/30/2013	6/30/2012
Assets					
Cash and cash equivalents	\$ 29,405,140	\$ 33,472,497	\$ 45,855,345	\$ 60,786,170	\$ 60,636,639
Interest receivable	48,819	48,819	70,893	81,633	42,598
Accounts receivable	650,606	598,705	6,702,546	570,404	924,206
Due from Other Departments	1,461,628	0	0		
Prepaid insurance	1,495,083	1,694,818	2,748,710	2,606,982	1,411,102
Deferred Outflows Related to Pension	252,131	252,131			
Capital assets, net	27,832	27,832	5,926	0	0
	\$ 33,341,239	\$ 36,094,802	\$ 55,383,420	\$ 64,045,189	\$ 63,014,545
Liabilities					
Accounts payable	139,332	2,482,703	1,147,163	586,562	88,404
Accrued Liabilities	3,661,170	1,859,043	4,490,145	9,617,663	5,554,366
Employee compensation payable	159,816	178,173	159,445	135,030	3,268,085
Net Pension Liability	1,728,045	1,728,045			
Deferred Inflows Related to Pension	302,182	302,182			
Reserve for losses and loss expenses	10,843,745	13,743,745	11,687,296	8,286,947	10,935,968
	\$ 16,834,290	\$ 20,293,891	\$ 17,484,049	\$ 18,626,202	\$ 19,846,823
	16,506,949.00	15,800,911.00			
Net Position					
Invested in capital assets	27,832	27,832	5,926	0	0
Unrestricted (deficit)	16,479,118	15,773,079	37,893,445	45,418,987	43,167,723
	\$ 16,506,950	\$ 15,800,911	\$ 37,899,371	\$ 45,418,987	\$ 43,167,723

MARICOPA COUNTY
EMPLOYEE BENEFITS TRUST FUNDS
Fund Balance Roll-Forward
Three Months Ended September 30, 2015

<u>Self Insured Funds</u>				Fund Balance	Fund Balance
<u>Fund</u>	<u>Expenditures</u>	<u>Revenues</u>	<u>Net</u>	<u>7/1/2015</u>	<u>9/30/2015</u>
601-MEDICAL HMO	\$ 12,840,563	\$ 13,096,629	256,065	1,854,530	2,110,595
604-MEDICAL PPO	9,284,472	10,138,960	854,488	(12,091,905)	(11,237,417)
606-MEDICAL HDHP W HSA	6,154,759	6,459,723	304,964	(9,604,401)	(9,299,437)
Total Medical & BH	\$ 28,279,794	\$ 29,695,311	\$ 1,415,517	\$ (19,841,776)	\$ (18,426,258)
608-COINSURANCE PHARMACY	4,906,629	4,512,836	(393,792)	13,140,420	12,746,628
619-ONSITE PHARMACY CLINIC	517,673	375,731	(141,942)	(1,192,948)	(1,334,890)
620-BENEFITS ELIMINATIONS	(272,667)	(272,667)	0	0	0
Total Pharmacy	\$ 5,151,634	\$ 4,615,900	\$ (535,734)	\$ 11,947,472	\$ 11,411,738
614-BEHAVIORAL HEALTH	355,817	440,550	84,733	5,501,893	5,586,626
629-SI DENTAL PPO	1,281,666	1,045,784	(235,882)	5,752,575	5,516,693
623-VISION	537,937	428,385	(109,553)	771,468	661,916
615-WELLNESS	503,804	359,215	(144,589)	4,761,977	4,617,388
618-BENEFIT ADMINISTRATION	620,214	782,403	162,189	5,222,149	5,384,338
999-BENEFITS CLEARING	0	0.00	0	0	0
Total Other	\$ 3,299,439	\$ 3,056,337	\$ (243,102)	\$ 22,010,062	\$ 21,766,960
Grand Total	\$ 36,730,867	\$ 37,367,548	\$ 636,681	\$ 14,115,758	\$ 14,752,439

Employee Self Insured Funds

611-60 PERCENT STD	555,052	532,216	(22,836)	(632,397)	(655,233)
612-50 PERCENT STD	64,307	131,327	67,020	1,446,676	1,513,696
613-40 PERCENT STD	25,305	50,478	25,173	870,874	896,047
Total STD	\$ 644,664	\$ 714,021	\$ 69,357	\$ 1,685,153	\$ 1,754,510
Total Self-Insured	\$ 37,375,531	\$ 38,081,569	\$ 706,038	\$ 15,800,911	\$ 16,506,950

Large Claims (>\$25,000)

	YTD Large FY16	% of expend.	YTD Large FY15
601-MEDICAL HMO	4,125,444	32.13%	3,365,370
604-MEDICAL PPO	2,965,117	31.94%	2,334,370
606-MEDICAL HDHP W HSA	1,797,544	29.21%	1,272,999
Total	\$ 8,888,105		\$ 6,972,739

Fully Insured (Agency) Funds

<u>Fund</u>	<u>Expenditures</u>	<u>Revenues</u>	<u>Net</u>	Fund Balance	Fund Balance
				<u>7/1/2015</u>	<u>9/30/2015</u>
607-FI DENTAL PPO	\$ 1,261,742	\$ 1,257,371	\$ (4,372)	\$ 434,653	\$ 430,282
625-FI PREPAID DENTAL	55,446	55,511	65	106,850	106,916
Total Dental	\$ 1,317,188	\$ 1,312,882	\$ (4,306)	\$ 541,504	\$ 537,197
621-FLEX SPENDING HEALTH	704,029	590,918	(113,111)	0	(113,110)
622-FLEX SPENDING DEP CARE	76,892	251,393	174,501	(0)	174,501
Total FSA	\$ 780,921	\$ 842,311	\$ 61,390	\$ 0	\$ 61,390
626-FI LIFE AND AD AND D	163,227	158,062	(5,164)	36,126	30,961
627-SUPPLEMENTAL LIFE	995,277	992,830	(2,447)	182,267	179,820
630-DEPENDENT LIFE	94,921	100,323	5,402	1,891	7,293
Total Life and AD&D	\$ 1,253,425	\$ 1,251,215	\$ (2,210)	\$ 220,284	\$ 218,074
628-EMPLOYEE ASSISTANCE	104,949	105,009	60	2,400	2,460
631-VOLUNTARY BENEFITS	171,039	184,263	13,224	(6,223)	7,001
632-Senior Select	0	0	0	0	0
Total Others	\$ 275,988	\$ 289,272	\$ 13,284	\$ (3,824)	\$ 9,461
Total Agency Funds	\$ 3,627,522	\$ 3,695,680	\$ 68,158	\$ 757,964	\$ 826,123

Employee Benefits Trust Funds
Balance Sheet Details
September 30, 2015, June 30, 2015, June 30, 2014, June 30, 2013, and June 30, 2012

10/15/2015

	9/30/2015	6/30/2015	6/30/2014	6/30/2013	6/30/2012
<u>Accounts receivable</u>					
<i>COBRA Receivable</i>	\$ 179,698	\$ 114,545	\$ 60,052	\$ 61,592	\$ 164,058
<i>Cigna HMO</i>	0	0	5,916,967	1,057	1,154
<i>Dental</i>				1,154	1,057
<i>Wellness</i>	0	0	238,540		
<i>Catamaran Rebate</i>	470,908	484,160	486,988	506,600	757,936
Total Accounts receivable	\$ 650,606	\$ 598,705	\$ 6,702,547	\$ 570,403	\$ 924,205
<u>Prepaid insurance</u>					
<i>STD</i>	\$ 207,152	\$ 207,152	\$ 131,947	\$ 87,530	\$ 94,567
<i>Vision</i>	0	0	0	0	4,989
<i>Dental</i>	80,743	116,442	99,851	17,190	
<i>Medical</i>	1,207,188	1,371,224	2,516,912	2,502,262	1,311,547
Total prepaid insurance	\$ 1,495,083	\$ 1,694,818	\$ 2,748,710	\$ 2,606,982	\$ 1,411,103
<u>Accounts Payable</u>					
<i>Medical</i>	\$ -	\$ 332,319	\$ 26,649	\$ -	\$ -
<i>Behavioral Health</i>	0	0	0	65,355	38,030
<i>Vision</i>	0	73,847	67,670	280,230	
<i>Pharmacy</i>	0	1,811,493	751,753		
<i>STD</i>	0	13,574	19,266	13,978	11,929
<i>Dental</i>	0			0	5,754
<i>Benefits Administration</i>	324	36,247	106,849	0	23,474
<i>WELLNESS</i>	55,456	9,052	55,576	18,399	9,218
<i>619-ONSITE PHARMACY CLINIC</i>	83,552	206,173	119,395	208,601	
Total accounts payable	\$ 139,332	\$ 2,482,705	\$ 1,147,158	\$ 586,563	\$ 88,405
<u>Accrued Liabilities</u>					
<i>Medical</i>	\$ 2,921,279	\$ 1,485,457	\$ 3,760,742	\$ 1,664,741	\$ 2,846,956
<i>Pharmacy</i>				524,517	625,425
<i>Behavioral Health</i>	4	0	0	355	
<i>Vision</i>	80,000	0	0	(132,683)	0
<i>Dental</i>	240,663	187,828	141,484	157,837	139,519
<i>STD</i>	14,382	0	0	6,178,953	
<i>Accrued Employee Rebate</i>					
<i>618-BENEFITS ADMINISTRATION</i>	276,842	0	0		
<i>619-ONSITE PHARMACY CLINIC</i>	128,000	0	0		
<i>999-BENEFITS CLEARING</i>	0	185,754	587,921	1,223,942	1,942,466
HEALTH SELECT SI TRUST					
Total Accrued Liabilities	\$ 3,661,170	\$ 1,859,039	\$ 4,490,147	\$ 9,617,662	\$ 5,554,366
<u>Employee compensation payable</u>					
<i>Consumer Choice Pharmacy Employee Allowance</i>	\$ -	\$ -		\$ 6,609	\$ 3,122,217
<i>618-Employee compensation payable</i>	123,283	135,205	117,960	128,422	145,869
<i>615-Employee compensation payable</i>	36,533	42,968	41,485		
Total Employee Comp Accrual	\$ 159,816	\$ 178,173	\$ 159,445	\$ 135,031	\$ 3,268,086
<u>Reserve for losses and loss expenses -IBNR Details</u>					
<i>Medical- HMO</i>	\$ 3,236,668	\$ 3,236,668	\$ 3,507,145	\$ 2,832,087	\$ 5,226,188
<i>Medical - PPO</i>	3,971,905	5,671,905	4,227,380	2,583,203	3,738,425
<i>Medical - HDHP</i>	2,156,066	3,356,066	2,500,096	1,580,489	823,806
<i>Pharmacy</i>					
<i>Behavioral Health</i>	128,297	128,297	226,157	293,592	231,766
<i>Vision</i>	167,817	167,817	143,530	161,597	107,576
<i>Dental</i>	654,002	654,002	553,998	466,041	484,345
<i>STD</i>	528,990	528,990	528,990	369,937	323,861
Total Reserve for losses and loss expenses	\$ 10,843,745	\$ 13,743,745	\$ 11,687,296	\$ 8,286,946	\$ 10,935,967