

**MARCHMARICOPA COUNTY
EMPLOYEE BENEFITS TRUST FUNDS
Financial Commentary
March 2016**

Recent Operating Issues

A Board Agenda has been submitted for the approval of a Benefit Holiday in the month of June for both employees and department paid premiums. The amount of this holiday is anticipated to be \$5,775,614.

March 2016 Year-To-Date Results

As of March 31, 2016, cash and cash equivalents were \$29,770,292 as compared to the June 30, 2015 balance of \$33,472,497; a decrease of \$3,702,205. Cash that is not controlled directly by the County is shown in the prepaid insurance balance sheet account. This was \$1,624,499 as of March 31st versus a balance of \$1,694,818 on June 30, 2015; a decrease of \$70,319. 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 \$3,772,524.

One thing that should be noted is that the cost allocation rate being charged to departments was budgeted at a rate lower than the employer cost of benefit premiums. As cash is pulled from a clearing fund to record premium revenues, the money that comes into the fund via the cost allocation from departments is not great enough to cover the revenues reported. This creates a receivable of \$4,562,930 which is the Premium Deficiency from Departments. The Benefit Holiday which is occurring in June 2016, should eliminate a major portion of the balance in the Premium Deficiency from Departments account.

Review of Cash

	<u>3/31/2016</u>	<u>6/30/2015</u>	Increase/ (Decrease)
Cash and cash equivalents	\$29,770,292	\$33,472,497	(\$3,702,205)
Prepaid insurance	1,624,499	1,694,818	(\$70,319)
Total Cash	\$31,394,791	\$35,167,315	(\$3,772,524)

Major Cash Changes for March 2016 YTD

	<u>Cash Flows</u>
Total Cash 6/30/2015	35,167,315
Net Margin	3,008,271
Change in Accr. Liabilities\Accounts Payable	(2,036,110)
Reduction in IBNR Liability	(564,639)
Increase in Premium Deficiency from Departments	(4,562,930)
Other Net Uses of Cash	382,884
Total Reduction in Cash	(3,772,524)
Total Cash 3/31/2016	31,394,791

Net margin March year to date 2016 was \$3,008,271. This profit occurred mainly in the three medical plans (\$5,257,434) which was partially offset by a loss in the coinsurance pharmacy plan (\$2,673,666).

Large claims are slightly higher for March 2016 YTD at \$29,665,415 versus prior year at \$29,170,521 which is an increase of 1.7% which is much in line with overall expenditure increases.

Large Claims Payments in excess of \$50,000

This summary of large claims is presented to show the historical trend. The current year's results are relatively positive.

Large Claims Costs per Plan	<u>Mar 2016</u>	<u>Mar 2015</u>	<u>FY 2015</u>	<u>FY 2014</u>	<u>FY 2013</u>
	<u>YTD</u>	<u>YTD</u>			
601-MEDICAL HMO	10,736,030	13,624,739	19,664,186	14,117,580	14,627,264
604-MEDICAL PPO	11,373,124	9,114,700	15,125,390	15,666,695	12,019,846
606-MEDICAL HDHP W HSA	7,556,261	6,431,082	10,202,018	7,491,323	3,531,048
Total	<u>29,665,415</u>	<u>29,170,521</u>	<u>44,991,594</u>	<u>37,275,598</u>	<u>30,178,157</u>

Review of the Fund Balance Roll-Forward

The three Medical Plans are showing a net margin of (\$5,257,434) year to date through March 2016. The HMO, PPO, and High Deductible Health Plan had positive net margins of \$3,389,607, \$569,375, and \$1,298,451 respectively. This favorable margin was largely due to the approximately 9% overall rate increase for the Trust and no unfavorable large claim activity.

The Coinsurance Pharmacy Plan had a net loss of \$2,673,666 year-to-date March 2016 partly due to increases in Hepatitis C drugs claims – for Harvoni (\$704,970) and increases in anti-arthritis, multiple sclerosis and other specialty drugs. In addition, overall utilization and prices were up for an overall claims cost increase of \$2,423,935.

Pharmacy Claims - March Year To Date 2016 - Total Paid Claims

<u>Disease</u>	<u>Product Name</u>	<u>FY 2016</u>	<u>FY 2015</u>	<u>Increase</u>
hepatitis C 10/2014	HARVONI	990,360	285,390	704,970
hepatitis C 12/2013	SOVALDI	141,792	278,712	(136,920)
rheumatoid arthritis	HUMIRA PEN	908,214	601,765	306,449
Antihemophilic Factor	ADVATE	572,989	375,486	197,503
multiple sclerosis 4/2013	TECFIDERA	326,758	316,574	10,184
rheumatoid arthritis	ENBREL SURECLICK	322,926	362,446	(39,521)
insulin	LANTUS SOLOSTAR	304,577	346,383	(41,805)
rheumatoid arthritis	HUMIRA	280,568	223,224	57,344
multiple sclerosis	COPAXONE	239,357		239,357
antipsychotic	ARIPIRAZOLE	231,253	240,941	(9,688)
Gaucher disease	CERDELGA	218,056		218,056
insulin	NOVOLOG FLEXPEN	216,690	220,590	(3,900)
insulin	LANTUS	202,864	216,899	(14,035)
blood cancer	TASIGNA	199,259		199,259
insulin	NOVOLOG	196,309	145,165	51,144
	"Compound Pharmacy"	30,000	749,460	(719,460)
	SubTotal	<u>5,381,972</u>	<u>4,363,035</u>	<u>1,018,937</u>
	Others	<u>12,951,121</u>	<u>11,546,123</u>	<u>1,404,998</u>
	Total Pharmacy Claims	<u>18,333,093</u>	<u>15,909,158</u>	<u>2,423,935</u>

The Short-Term Disability plans had a positive net margin of \$451,604 year-to-date March 2016. Claims experience for the remainder of the year will be monitored to help determine if a slight reduction in rates is needed for the upcoming renewal exercise.

Full Year Forecast for Year ended June 2016

For the Fiscal Year ended 6/30/2016, the Benefit Trust operations are forecasted to have a positive net margin of \$530,181 which is better than the Premium Deficiency Reserve of \$839,748 which was included in addition to the Actuary's recommended reserve of \$14,634,068 (on a Financial Statements comparable basis). Profit in the HMO plan of \$4,384,248 is projected to be fully offset by losses in the Coinsurance Pharmacy Plan (\$3,689,776) and PPO plan (\$583,741). The \$530,181 full year profit excludes the impact of the Benefit Holiday which is forecasted at \$5,775,614.

	FY 2015 Actual 6/30/2015	FY 2016 Feb. Forecast 6/30/2016	FY 2016 Apr. Forecast 6/30/2016
Opening Fund Balance	37,899,371	15,850,114	15,850,114
Less: Operating Margin / (Loss)	(9,435,741)	(2,012)	530,181
Less: Benefit Holiday	(10,840,819)	(5,775,614)	(5,775,614)
Less: Pension Adjustment	(1,772,697)	0	0
Ending Fund Balance	<u>15,850,114</u>	<u>10,072,488</u>	<u>10,604,681</u>
Add: Net Pension Liability	1,784,535	1,784,535	1,784,535
Adjusted Ending Fund Balance	<u>17,634,649</u>	<u>11,857,023</u>	<u>12,389,216</u>
Remove Short-Term Disability Fund Balance	(1,750,201)	(1,750,201)	(2,300,617)
Available Assets to Cover Reserve	<u>15,884,448</u>	<u>10,106,822</u>	<u>10,088,599</u>
Recommended Reserve	14,634,068	14,634,068	14,634,068
Assets in Excess/(Under) Reserve	<u>1,250,380</u>	<u>(4,527,246)</u>	<u>(4,545,469)</u>

MARICOPA COUNTY
EMPLOYEE BENEFITS TRUST FUNDS
Fund Balance Roll-Forward
Nine Months Ended March 31, 2016

<u>Self Insured Funds</u>	<u>Fund</u>	<u>Expenditures</u>	<u>Revenues</u>	<u>Net</u>	<u>Fund Balance</u> 7/1/2015	<u>Fund Balance</u> 3/31/2016
601-MEDICAL HMO		\$ 36,055,930	\$ 39,445,537	3,389,607	1,854,530	5,244,137
604-MEDICAL PPO		30,018,862	30,588,237	569,375	(12,091,905)	(11,522,530)
606-MEDICAL HDHP W HSA		18,070,622	19,369,074	1,298,451	(9,604,401)	(8,305,949)
Total Medical & BH		\$ 84,145,414	\$ 89,402,848	\$ 5,257,434	\$ (19,841,776)	\$ (14,584,342)
608-COINSURANCE PHARMACY		16,228,876	13,555,210	(2,673,666)	13,131,017	10,457,351
619-ONSITE PHARMACY CLINIC		1,621,686	1,264,434	(357,252)	(1,192,948)	(1,550,200)
620-BENEFITS ELIMINATIONS		(894,152)	(894,152)	0	0	0
Total Pharmacy		\$ 16,956,409	\$ 13,925,492	\$ (3,030,918)	\$ 11,938,069	\$ 8,907,151
614-BEHAVIORAL HEALTH		975,449	1,321,991	346,542	5,501,893	5,848,436
629-SI DENTAL PPO		3,335,448	3,133,647	(201,801)	5,752,575	5,550,774
623-VISION		1,154,498	1,283,146	128,648	771,468	900,116
615-WELLNESS		1,406,647	1,174,035	(232,612)	4,761,977	4,529,365
618-BENEFIT ADMINISTRATION		1,984,610	2,273,983	289,373	5,215,707	5,505,080
999-BENEFITS CLEARING		0	(0.00)	(0)		(0)
Total Other		\$ 8,856,652	\$ 9,186,802	\$ 330,150	\$ 22,003,620	\$ 22,333,770
Grand Total		\$ 109,958,475	\$ 112,515,141	\$ 2,556,666	\$ 14,099,913	\$ 16,656,579

Employee Self Insured Funds

611-60 PERCENT STD	1,377,869	1,575,155	197,286	(556,765)	(359,479)
612-50 PERCENT STD	238,306	398,483	160,177	1,443,897	1,604,074
613-40 PERCENT STD	58,737	152,879	94,142	863,069	957,211
Total STD	\$ 1,674,913	\$ 2,126,517	\$ 451,604	\$ 1,750,201	\$ 2,201,805
Total Self-Insured	\$ 111,633,388	\$ 114,641,658	\$ 3,008,270	\$ 15,850,114	\$ 18,858,385

Large Claims (>\$50,000)

	<u>YTD Large</u>	<u>% of expenditures</u>	<u>Prior Y to Date</u>	<u>Increase</u>
601-MEDICAL HMO	10,736,030	29.78%	13,624,739	-21.2%
604-MEDICAL PPO	11,373,124	37.89%	9,114,700	24.8%
606-MEDICAL HDHP W HSA	7,556,261	41.82%	6,431,082	17.5%
	\$ 29,665,415	35.25%	\$ 29,170,521	1.7%

Fully Insured (Agency) Funds

<u>Fund</u>	<u>Expenditures</u>	<u>Revenues</u>	<u>Net</u>	<u>Fund Balance</u> 7/1/2015	<u>Fund Balance</u> 3/31/2016
607-FI DENTAL PPO	\$ 3,663,178	\$ 3,294,656	\$ (368,522)	\$ 434,653	\$ 66,131
625-FI PREPAID DENTAL	167,579	171,817	4,237	106,850	111,088
Total Dental	\$ 3,830,757	\$ 3,466,473	\$ (364,285)	\$ 541,504	\$ 177,219
621-FLEX SPENDING HEALTH	1,809,457	1,770,876	(38,581)	0	(38,581)
622-FLEX SPENDING DEP CARE	521,252	772,108	250,856	0	250,856
Total FSA	\$ 2,330,709	\$ 2,542,984	\$ 212,275	\$ 0	\$ 212,275
626-FI LIFE AND AD AND D	469,048	474,931	5,884	36,126	42,009
627-SUPPLEMENTAL LIFE	2,866,570	2,940,604	74,034	182,267	256,301
630-DEPENDENT LIFE	302,712	309,496	6,785	1,891	8,676
Total Life and AD&D	\$ 3,638,330	\$ 3,725,032	\$ 86,702	\$ 220,284	\$ 306,986
628-EMPLOYEE ASSISTANCE	315,686	315,655	(31)	2,400	2,368
631-VOLUNTARY BENEFITS	538,389	544,292	5,902	(6,223)	(321)
632-Senior Select	0	0	0	0	0
Total Others	\$ 854,075	\$ 859,946	\$ 5,871	\$ (3,824)	\$ 2,048
Total Agency Funds	\$ 10,653,871	\$ 10,594,435	\$ (59,436)	\$ 757,964	\$ 698,528

**MARICOPA COUNTY
EMPLOYEE BENEFITS TRUST FUND
Statements of Revenues, Expenses, and
Changes in Net Assets —Internal Service Funds
YTD as of March 31, 2016**

4/14/2016

	Unaudited				
	YTD 3/31/2016	YTD 6/30/2015	Full Year 6/30/2014	Full Year 6/30/2013	Full Year 6/30/2012
Operating revenues:					
Operating income	\$ 114,545,831	\$ 129,363,895	\$ 127,869,594	\$ 127,318,181	\$ 122,941,566
Other income	95,827	11,311	3,479,437		
Investment income	0	231,834	15,139	284,792	443,209
Total operating revenues	\$ 114,641,658	\$ 129,607,040	\$ 131,364,170	\$ 127,602,973	\$ 123,384,775
Operating expenses:					
Losses and loss expenses	102,815,311	137,910,815	134,052,986	111,466,606	114,179,304
All other expenses	8,818,076	11,972,785	6,362,562	7,706,150	7,060,881
Total operating expenses	\$ 111,633,387	\$ 149,883,600	\$ 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					
Loss on disposal of capital assets			0	0	0
Total nonoperating revenues	\$ -	\$ -	\$ (3,415,266)	\$ (6,178,953)	\$ -
Change in net position	3,008,271	(20,276,560)	(12,466,644)	2,251,264	2,144,590
Total net position - Beginning	15,850,114	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	\$ 18,858,385	\$ 15,850,114	\$ 37,899,371	\$ 45,418,987	\$ 43,167,723

**Maricopa County
Employee Benefits Trust Funds
Statements of Net Assets - Internal Service Funds
March 31, 2016, June 30, 2015, June 30, 2014, June 30, 2013, and June 30, 2012**

	3/31/2016	6/30/2015	6/30/2014	6/30/2013	6/30/2012
Assets					
Cash and cash equivalents	\$ 29,770,292	\$ 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	203,497	598,705	6,702,546	570,404	924,206
Due from Other Departments	4,562,930	0	0		
Prepaid insurance	1,624,499	1,694,818	2,748,710	2,606,982	1,411,102
Deferred Outflows Related to Pension	245,692	245,692			
Capital assets, net	27,832	27,832	5,926	0	0
	\$ 36,483,561	\$ 36,088,363	\$ 55,383,420	\$ 64,045,189	\$ 63,014,545
Liabilities					
Accounts payable	151,457	2,482,703	1,147,163	586,562	88,404
Accrued Liabilities	2,154,182	1,859,046	4,490,145	9,617,663	5,554,366
Employee compensation payable	165,849	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	13,123,461	13,688,100	11,687,296	8,286,947	10,935,968
	\$ 17,625,176	\$ 20,238,249	\$ 17,484,049	\$ 18,626,202	\$ 19,846,823
Net Position					
Invested in capital assets	27,832	27,832	5,926	0	0
Unrestricted (deficit)	18,830,553	15,822,282	37,893,445	45,418,987	43,167,723
	\$ 18,858,385	\$ 15,850,114	\$ 37,899,371	\$ 45,418,987	\$ 43,167,723

Employee Benefits Trust Funds
Balance Sheet Details
March 31, 2016, June 30, 2015, June 30, 2014, June 30, 2013, and June 30, 2012

4/14/2016

	3/31/2016	6/30/2015	6/30/2014	6/30/2013	6/30/2012
<u>Accounts receivable</u>					
COBRA Receivable	\$ 179,698	\$ 114,545	\$ 60,052	\$ 61,592	\$ 164,058
Cigna HMO	0	0	5,916,967	1,057	1,154
Dental				1,154	1,057
Wellness	0	0	238,540		
Catamaran Rebate	23,799	484,160	486,988	506,600	757,936
Total Accounts receivable	\$ 203,497	\$ 598,705	\$ 6,702,547	\$ 570,403	\$ 924,205
<u>Prepaid insurance</u>					
STD	\$ 146,361	\$ 207,152	\$ 131,947	\$ 87,530	\$ 94,567
Vision	0	0	0	0	4,989
Dental	134,649	116,442	99,851	17,190	
Medical	1,343,489	1,371,224	2,516,912	2,502,262	1,311,547
Total prepaid insurance	\$ 1,624,499	\$ 1,694,818	\$ 2,748,710	\$ 2,606,982	\$ 1,411,103
<u>Accounts Payable</u>					
Medical	\$ -	\$ 332,319	\$ 26,649	\$ -	\$ -
Behavioral Health	0	0	0	65,355	38,030
Vision	123,126	73,847	67,670	280,230	
Pharmacy	0	1,811,493	751,753		
STD	0	13,574	19,266	13,978	11,929
Dental	0			0	5,754
Benefits Administration	15,176	36,247	106,849	0	23,474
WELLNESS	13,155	9,052	55,576	18,399	9,218
619-ONSITE PHARMACY CLINIC	0	206,173	119,395	208,601	
Total accounts payable	\$ 151,457	\$ 2,482,705	\$ 1,147,158	\$ 586,563	\$ 88,405
<u>Accrued Liabilities</u>					
Medical	\$ 1,371,566	\$ 1,485,457	\$ 3,760,742	\$ 1,664,741	\$ 2,846,956
Pharmacy				524,517	625,425
Behavioral Health		0	0	355	
Vision	0	0	0	(132,683)	0
Dental	240,663	187,828	141,484	157,837	139,519
STD	14,382	0	0	6,178,953	
Accrued Employee Rebate					
618-BENEFITS ADMINISTRATION	399,569	0	0		
619-ONSITE PHARMACY CLINIC	128,002	0	0		
999-BENEFITS CLEARING	0	185,754	587,921	1,223,942	1,942,466
HEALTH SELECT SI TRUST					
Total Accrued Liabilities	\$ 2,154,182	\$ 1,859,039	\$ 4,490,147	\$ 9,617,662	\$ 5,554,366
<u>Employee compensation payable</u>					
Consumer Choice Pharmacy Employee Allowance	\$ -	\$ -		\$ 6,609	\$ 3,122,217
618-Employee compensation payable	127,666	135,205	117,960	128,422	145,869
615-Employee compensation payable	38,183	42,968	41,485		
Total Employee Comp Accrual	\$ 165,849	\$ 178,173	\$ 159,445	\$ 135,031	\$ 3,268,086
<u>Reserve for losses and loss expenses -IBNR Details</u>					
Medical- HMO	\$ 3,700,000	\$ 3,236,668	\$ 3,507,145	\$ 2,832,087	\$ 5,226,188
Medical - PPO	5,200,000	5,671,905	4,227,380	2,583,203	3,738,425
Medical - HDHP	2,800,000	3,356,066	2,500,096	1,580,489	823,806
Pharmacy	9,403	9,403			
Behavioral Health	128,297	128,297	226,157	293,592	231,766
Vision	167,817	167,817	143,530	161,597	107,576
Dental	654,002	654,002	553,998	466,041	484,345
STD	463,942	463,942	528,990	369,937	323,861
Total Reserve for losses and loss expenses	\$ 13,123,461	\$ 13,688,100	\$ 11,687,296	\$ 8,286,946	\$ 10,935,967

MARICOPA COUNTY
EMPLOYEE BENEFITS TRUST FUNDS
 Nine Months Ended March 31, 2016

Self Insured Funds

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Variance %</u>
Revenue				
601-MEDICAL HMO	\$ 39,634,254	\$ 39,445,537	\$ (188,717)	-0.48%
604-MEDICAL PPO	29,744,587	30,588,237	843,650	2.84%
606-MEDICAL HDHP W HSA	19,522,467	19,369,074	(153,393)	-0.79%
614-BEHAVIORAL HEALTH	1,320,444	1,321,991	1,547	0.12%
Total Medical & BH	\$ 90,221,752	\$ 90,724,839	503,087	0.56%
629-SI DENTAL PPO	3,398,175	3,133,647	(264,528)	-7.78%
Total Dental	\$ 3,398,175	\$ 3,133,647	(264,528)	-7.78%
608-COINSURANCE PHARMACY	13,554,423	13,555,210	787	0.01%
619-ONSITE PHARMACY CLINIC	1,165,356	1,264,434	99,078	8.50%
620- BENEFITS ELIMINATIONS	(868,491)	(894,152)	(25,661)	2.95%
Total Pharmacy	\$ 13,851,288	\$ 13,925,492	99,865	0.72%
623-VISION	1,301,652	1,283,146	(18,506)	-1.42%
Total Vision	\$ 1,301,652	\$ 1,283,146	(18,506)	-1.42%
615-WELLNESS	1,167,183	1,174,035	6,852	0.59%
618-BENEFIT ADMINISTRATION	2,254,440	2,273,983	19,543	0.87%
Total Other	\$ 3,421,623	\$ 3,448,017	26,394	0.77%
Grand Total	\$ 112,194,490	\$ 112,515,141	\$ 320,651	0.29%

Employee Self Insured Funds

611-60 PERCENT STD	\$ 1,655,253	\$ 1,575,155	\$ (80,098)	-4.84%
612-50 PERCENT STD	306,360	398,483	92,123	30.07%
613-40 PERCENT STD	120,942	152,879	31,937	26.41%
Total STD	\$ 2,082,555	\$ 2,126,517	43,962	2.11%
Total Revenue	\$ 114,277,045	\$ 114,641,658	364,613	0.32%

Expenses

601-MEDICAL HMO	\$ 38,265,171	\$ 36,055,930	\$ 2,209,241	5.77%
604-MEDICAL PPO	29,467,726	30,018,862	(551,136)	-1.87%
606-MEDICAL HDHP W HSA	18,730,524	18,070,622	659,902	3.52%
614-BEHAVIORAL HEALTH	1,308,809	975,449	333,360	25.47%
Total Medical & BH	\$ 87,772,230	\$ 85,120,863	\$ 2,651,367	3.02%
629-SI DENTAL PPO	3,392,369	3,335,448	56,921	1.68%
Total Dental	\$ 3,392,369	\$ 3,335,448	56,921	1.68%
608-COINSURANCE PHARMACY	12,837,274	16,228,876	(3,391,602)	-26.42%
619-ONSITE PHARMACY CLINIC	1,508,729	1,621,686	(112,957)	-7.49%
620- BENEFITS ELIMINATIONS	(868,491)	(894,152)	25,661	-2.95%
Total Pharmacy	\$ 13,477,512	\$ 16,956,409	(3,478,897)	-25.81%
623-VISION	1,365,156	1,154,498	210,658	15.43%
Total Vision	\$ 1,365,156	\$ 1,154,498	210,658	15.43%
615-WELLNESS	1,277,439	1,406,647	(129,208)	-10.11%
618-BENEFIT ADMINISTRATION	2,120,373	1,984,615	135,758	6.40%
Total Other	\$ 3,397,812	\$ 3,391,262	\$ 6,550	0.19%
Grand Total	\$ 109,405,079	\$ 109,958,480	\$ (553,401)	-0.51%

Employee Self Insured Funds

611-60 PERCENT STD	\$ 1,583,137	\$ 1,377,869	\$ 205,268	12.97%
612-50 PERCENT STD	297,971	238,306	59,665	20.02%
613-40 PERCENT STD	112,386	58,737	53,649	47.74%
Total STD	\$ 1,993,494	\$ 1,674,913	\$ 318,581	15.98%
Total Self-Insured	\$ 111,398,573	\$ 111,633,393	\$ (234,820)	-0.21%