

**MARICOPA COUNTY
EMPLOYEE BENEFITS TRUST FUNDS
Financial Commentary
October 2015**

October 2015 Year-To-Date Results

As of October 31, 2015, cash and cash equivalents were \$29,045,575 as compared to the June 30, 2015 balance of \$33,472,497; a decrease of \$4,426,922. Cash that is not controlled directly by the County is shown in the prepaid insurance balance sheet account. This was \$1,017,694 as of October 31st versus a balance of \$1,694,818 on June 30, 2015; a decrease of \$677,124. 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 \$5,104,046.

<u>Review of Cash</u>	<u>9/30/2015</u>	<u>6/30/2015</u>	Increase/ (Decrease)
Cash and cash equivalents	\$ 29,045,575	\$ 33,472,497	(\$4,426,922)
Prepaid insurance	1,017,694	1,694,818	(\$677,124)
Total Cash	<u>\$ 30,063,269</u>	<u>\$35,167,315</u>	<u>(\$5,104,046)</u>

A summary of major cash movements for October 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	1,350,848
Reduction in IBNR Liability	(1,827,971)
Increase in Premium Deficiency from Departments	(1,994,736)
Other Net Uses of Cash	(842,907)
Total Reduction in Cash	<u>(5,104,436)</u>
Total Cash 9/30/2015	30,900,223

Net loss October year to date 2015 was \$340,932. This loss occurred mainly in the coinsurance pharmacy plan \$(609,485) which was partially offset by a positive margin in the three medical plans (\$549,519). It should be noted that the positive net margin in the Short-Term Disability Plan of \$94,298 indicates that the premium level for this plan may be at equilibrium.

Large claims continue to be an issue in FY 2016. For the first four months large claims ran at a rate of 32.2% of total expenditures. Compared to the full year for FY 2015, year to date large claims at 32.2% are much lower than the 39.2% for all of FY2015.

Review of the Fund Balance Roll-Forward

The three Medical Plans are showing a net profit of \$549,519 year to date October 2015. It should be noted that the IBNR liability has been reduced by \$1,827,971 because the liability as of June 30, 2015 may have been overly conservative by up to \$1.5 million. Without this positive impact from the liability reduction, the margin would have been a negative (\$1,278,452).

The Coinsurance Pharmacy Plan had a net loss of \$609,485. Specialty pharmaceutical costs continue to increase versus prior periods, thus causing the loss. The top drugs year to date are Harvoni \$449,820 for Hepatitis C, Humira Pen \$388,070 for arthritis and Advate \$284,083 for hemophilia. These three drugs account for 14.7 % of the pharmaceutical spending.

The self-insured dental plan and vision plan had losses of \$248,151 and \$66,105, respectively. The behavioral health plan had a positive margin of \$63,453. All three of these plans are performing as planned.

The Short-Term Disability plans had a positive net margin of \$94,298, which is a positive sign as well, as it appears claim levels have stabilized and premiums are close to optimization currently.

**MARICOPA COUNTY
EMPLOYEE BENEFITS TRUST FUND**
Statements of Revenues, Expenses, and
Changes in Net Assets —Internal Service Funds
YTD as of October 31, 2015

11/13/2015

	YTD 10/31/2015	Unaudited YTD 6/30/2015	Full Year 6/30/2014	Full Year 6/30/2013	Full Year 6/30/2012
Operating revenues:					
Operating income	\$ 50,799,938	\$ 129,363,895	\$ 127,869,594	\$ 127,318,181	\$ 122,941,566
Other income	27,489	11,312	3,479,437		
Investment income	0	231,834	15,139	284,792	443,209
Total operating revenues	\$ 50,827,427	\$ 129,607,041	\$ 131,364,170	\$ 127,602,973	\$ 123,384,775
Operating expenses:					
Losses and loss expenses	46,995,548	137,910,815	134,052,986	111,466,606	114,179,304
All other expenses	4,172,811	11,966,344	6,362,562	7,706,150	7,060,881
Total operating expenses	\$ 51,168,359	\$ 149,877,159	\$ 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	(340,932)	(20,270,118)	(12,466,644)	2,251,264	2,144,590
Total net position - Beginning	15,856,556	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	\$ 15,515,624	\$ 15,856,556	\$ 37,899,371	\$ 45,418,987	\$ 43,167,723

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

	10/31/2015	6/30/2015	6/30/2014	6/30/2013	6/30/2012
Assets					
Cash and cash equivalents	\$ 29,045,575	\$ 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	547,350	598,705	6,702,546	570,404	924,206
Due from Other Departments	1,994,736	0	0		
Prepaid insurance	1,017,694	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
	\$ 32,934,137	\$ 36,094,802	\$ 55,383,420	\$ 64,045,189	\$ 63,014,545
Liabilities					
Accounts payable	147,445	2,482,703	1,147,163	586,562	88,404
Accrued Liabilities	3,209,891	1,859,043	4,490,145	9,617,663	5,554,366
Employee compensation payable	170,821	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	11,860,129	13,688,100	11,687,296	8,286,947	10,935,968
	\$ 17,418,513	\$ 20,238,246	\$ 17,484,049	\$ 18,626,202	\$ 19,846,823
	15,515,624.00	15,856,556.00			
Net Position					
Invested in capital assets	27,832	27,832	5,926	0	0
Unrestricted (deficit)	15,487,792	15,828,724	37,893,445	45,418,987	43,167,723
	\$ 15,515,624	\$ 15,856,556	\$ 37,899,371	\$ 45,418,987	\$ 43,167,723

MARICOPA COUNTY
EMPLOYEE BENEFITS TRUST FUNDS
Fund Balance Roll-Forward
Four Months Ended October 31, 2015

<u>Self Insured Funds</u>					<u>Fund Balance</u>	<u>Fund Balance</u>
<u>Fund</u>	<u>Expenditures</u>	<u>Revenues</u>	<u>Net</u>		<u>7/1/2015</u>	<u>10/31/2015</u>
601-MEDICAL HMO	\$ 17,504,557	\$ 17,500,386	(4,171)		1,854,530	1,850,359
604-MEDICAL PPO	12,710,731	13,526,331	815,601		(12,091,905)	(11,276,304)
606-MEDICAL HDHP W HSA	8,884,938	8,623,027	(261,911)		(9,604,401)	(9,866,311)
Total Medical & BH	\$ 39,100,225	\$ 39,649,744	\$ 549,519		\$ (19,841,776)	\$ (19,292,257)
608-COINSURANCE PHARMACY	6,626,778	6,017,294	(609,485)		13,131,017	12,521,532
619-ONSITE PHARMACY CLINIC	692,363	513,840	(178,523)		(1,192,948)	(1,371,470)
620-BENEFITS ELIMINATIONS	(370,104)	(370,104)	0		0	0
Total Pharmacy	\$ 6,949,036	\$ 6,161,029	\$ (788,007)		\$ 11,938,069	\$ 11,150,062
614-BEHAVIORAL HEALTH	523,593	587,046	63,453		5,501,893	5,565,346
629-SI DENTAL PPO	1,642,309	1,394,158	(248,151)		5,752,575	5,504,424
623-VISION	637,105	571,000	(66,105)		771,468	705,363
615-WELLNESS	602,153	520,327	(81,827)		4,761,977	4,680,151
618-BENEFIT ADMINISTRATION	857,628	993,516	135,888		5,222,149	5,358,037
999-BENEFITS CLEARING	0	(0.00)	(0)			(0)
Total Other	\$ 4,262,788	\$ 4,066,046	\$ (196,742)		\$ 22,010,062	\$ 21,813,320
Grand Total	\$ 50,312,049	\$ 49,876,820	\$ (435,230)		\$ 14,106,355	\$ 13,671,125

Employee Self Insured Funds

611-60 PERCENT STD	732,139	707,972	(24,168)		(556,765)	(580,932)
612-50 PERCENT STD	92,200	175,252	83,053		1,443,897	1,526,950
613-40 PERCENT STD	31,971	67,384	35,413		863,069	898,482
Total STD	\$ 856,310	\$ 950,608	\$ 94,298		\$ 1,750,201	\$ 1,844,499
Total Self-Insured	\$ 51,168,359	\$ 50,827,427	\$ (340,932)		\$ 15,856,556	\$ 15,515,624

Large Claims (>\$25,000)

	<u>YTD Large</u>	<u>% of expenditures</u>
601-MEDICAL HMO	5,575,783	31.85%
604-MEDICAL PPO	4,222,224	33.22%
606-MEDICAL HDHP W HSA	2,804,573	31.57%
	\$ 12,602,580	32.23%

Fully Insured (Agency) Funds

<u>Fund</u>	<u>Expenditures</u>	<u>Revenues</u>	<u>Net</u>		<u>Fund Balance</u>	<u>Fund Balance</u>
					<u>7/1/2015</u>	<u>10/31/2015</u>
607-FI DENTAL PPO	\$ 1,585,626	\$ 1,675,146	\$ 89,520		\$ 434,653	\$ 524,173
625-FI PREPAID DENTAL	70,758	74,610	3,852		106,850	110,702
Total Dental	\$ 1,656,384	\$ 1,749,755	\$ 93,371		\$ 541,504	\$ 634,875
621-FLEX SPENDING HEALTH	954,868	786,258	(168,610)		0	(168,609)
622-FLEX SPENDING DEP CARE	142,769	334,151	191,382		(0)	191,382
Total FSA	\$ 1,097,637	\$ 1,120,409	\$ 22,772		\$ 0	\$ 22,773
626-FI LIFE AND AD AND D	213,155	210,767	(2,388)		36,126	33,737
627-SUPPLEMENTAL LIFE	1,242,008	1,321,367	79,359		182,267	261,626
630-DEPENDENT LIFE	117,999	135,166	17,167		1,891	19,059
Total Life and AD&D	\$ 1,573,162	\$ 1,667,300	\$ 94,138		\$ 220,284	\$ 314,422
628-EMPLOYEE ASSISTANCE	139,993	140,068	74		2,400	2,474
631-VOLUNTARY BENEFITS	238,817	245,444	6,627		(6,223)	403
632-Senior Select	0	0	0		0	0
Total Others	\$ 378,811	\$ 385,511	\$ 6,701		\$ (3,824)	\$ 2,877
Total Agency Funds	\$ 4,705,994	\$ 4,922,976	\$ 216,983		\$ 757,964	\$ 974,947

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

11/13/2015

	10/31/2015	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>	367,652	484,160	486,988	506,600	757,936
Total Accounts receivable	\$ 547,350	\$ 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>	60,387	116,442	99,851	17,190	
<i>Medical</i>	750,155	1,371,224	2,516,912	2,502,262	1,311,547
Total prepaid insurance	\$ 1,017,694	\$ 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>	25,415	0	0	65,355	38,030
<i>Vision</i>	66,370	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>	0	36,247	106,849	0	23,474
<i>WELLNESS</i>	55,660	9,052	55,576	18,399	9,218
<i>619-ONSITE PHARMACY CLINIC</i>	0	206,173	119,395	208,601	
Total accounts payable	\$ 147,445	\$ 2,482,705	\$ 1,147,158	\$ 586,563	\$ 88,405
<u>Accrued Liabilities</u>					
<i>Medical</i>	\$ 2,601,001	\$ 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>	0	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>	225,842	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	\$ 3,209,892	\$ 1,859,039	\$ 4,490,147	\$ 9,617,662	\$ 5,554,366
Total Accrued Liabilities	\$ 3,209,892	\$ 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>	131,093	135,205	117,960	128,422	145,869
<i>615-Employee compensation payable</i>	39,728	42,968	41,485		
Total Employee Comp Accrual	\$ 170,821	\$ 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>	4,300,000	5,671,905	4,227,380	2,583,203	3,738,425
<i>Medical - HDHP</i>	2,900,000	3,356,066	2,500,096	1,580,489	823,806
<i>Pharmacy</i>	9,403	9,403			
<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>	463,942	463,942	528,990	369,937	323,861
Total Reserve for losses and loss expenses	\$ 11,860,129	\$ 13,688,100	\$ 11,687,296	\$ 8,286,946	\$ 10,935,967

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