

**MARICOPA COUNTY
EMPLOYEE BENEFITS TRUST FUNDS
Financial Commentary
October 2014**

October 2014 Year-To-Date Results

As of October 31, 2014, cash and cash equivalents were \$47,198,636 as compared to the June 30, 2014 balance of \$45,855,346; an increase of \$1,343,290. Cash that is not controlled directly by the County is shown in the prepaid insurance balance sheet account. This was \$791,435 as of October 31st versus a balance of \$2,748,710 on June 30, 2014; a decrease of \$1,957,275. 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 as well as the employer and employee contributions to employee Health Savings Accounts via sweeps. The combined reduction in cash-like balances year-to-date was \$613,985.

<u>Review of Cash</u>	<u>10/31/2014</u>	<u>6/30/2014</u>	<u>Increase/ (Decrease)</u>
Cash and cash equivalents	\$47,198,636	\$45,855,346	\$1,343,290
Prepaid insurance	791,435	2,748,710	(1,957,275)
Total Cash	<u>\$47,990,071</u>	<u>\$48,604,056</u>	<u>\$(613,985)</u>

Net Loss year-to-date October 2014 was (\$1,506,253) which occurred primarily in the Pharmacy Plan (\$1,171,000) due to the unbudgeted Hepatitis C drugs claims including Sovaldi and a significant increase in compound pharmacy claims which totaled \$384,404 year to date; in the HMO and PPO Medical Plans (\$119,251) and (\$481,121); with offsetting positive margins occurring in the HDHP Medical Plan \$105,371 and the Benefits Administration and Wellness funds. Net Loss of \$1,506,253 was not in line with the decrease in cash-like balances of \$613,985. This \$892,268 difference (or increase in cash versus negative net margin) is accounted for as follows: the liability, "Accrued Liabilities" consisting mainly of outstanding checks in the Cigna Prepaid Account, decreased by \$627,477; Accounts Payable decreased by \$378,951; and the IBNR Liability decreased by \$1,154,000. There was an increase in the cost allocation rate differential of \$3,253,130. This account is used to account for the difference between what departments are charged for benefits premiums and what the Benefit Trust records as revenues from the departments. Finally, Accounts Receivable decreased by \$6,309,333 as the \$5,919,967 capitation refund was received from Cigna.

<u>Cash Flow Analysis</u>	<u>YTD Oct 2014</u>
Decrease in Cash	-613,985
Decrease in IBNR Liability	1,154,000
Decrease in Accrued Liabilities	627,477
Decrease in Accounts Payable	378,951
Decrease in Accounts Receivable	-6,309,333
Increase in Cost Allocation Rate Differential	3,253,130
Other	3,507
Difference - Cash Change vs Net Margin	<u>-892,268</u>
Net Margin	<u>-1,506,253</u>

Review of the Fund Balance Roll-Forward

The three Medical Plans are showing a net loss of (\$495,002) year to date October 2014. The UHC High Deductible Health Plan (HDHP) had a positive net margin of \$105,371, while the Cigna HMO and the UHC PPO lost (\$119,251), and (\$481,121), respectively. The UHC High Deductible Health Plan's results include the impact of the \$1,800,000 benefit trust contribution to the employee Health Savings Accounts in July. The Cigna HMO slid into a loss this month as its large claims increased by about \$990,000 versus the prior month. Although the HDHP had a positive margin YTD, the design of the plan fosters an increase in claims costs on a monthly basis throughout the year which implies that this plan will have a loss by year-end.

The Coinsurance Pharmacy Plan had a net loss of \$1,171,000 year-to-date October 2014 due to unbudgeted Hepatitis C drugs claims - principally Sovaldi (\$250,358) and as the result of significant increases in compound pharmacy claims which totaled \$384,404 year-to-date.

The Short-Term Disability plans lost \$162,088 year-to-date October 2014. With the 17% increase in premiums rates for Fiscal Year 2015, it appears that the rates set for the Short Term Disability plans may be approaching the level needed to fully cover claims after large losses in the previous year.

MARICOPA COUNTY
EMPLOYEE BENEFITS TRUST FUND
Statements of Revenues, Expenses, and
Changes in Net Assets —Internal Service Funds
YTD as of October 31, 2014

	YTD 10/31/2014	Full Year 6/30/2014	Full Year 6/30/2013	Full Year 6/30/2012
Operating revenues:				
Operating income	\$ 46,257,243	\$ 127,869,594	\$ 127,318,181	\$ 122,941,566
Other income	4,675	3,479,437		
Investment income	54,905	15,139	284,792	443,209
Total operating revenues	\$ 46,316,823	\$ 131,364,170	\$ 127,602,973	\$ 123,384,775
Operating expenses:				
Losses and loss expenses	43,773,614	134,052,986	111,466,606	114,179,304
All other expenses	4,049,462	6,362,562	7,706,150	7,060,881
Total operating expenses	\$ 47,823,076	\$ 140,415,548	\$ 119,172,756	\$ 121,240,185
Nonoperating revenues:				
Capital contributions		0	0	0
Return of contributions		(3,415,262)	(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	\$ -	\$ (3,415,262)	\$ (6,178,953)	\$ -
Change in net assets	(1,506,253)	(12,466,640)	2,251,264	2,144,590
Total net assets - Beginning	37,899,375	45,418,987	43,167,723	41,023,133
Open Fund Balance Adjustment		4,947,028		
Total net assets - Ending	\$ 36,393,122	\$ 37,899,375	\$ 45,418,987	\$ 43,167,723

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

	10/31/2014	6/30/2014	6/30/2013	6/30/2012
Assets				
Cash and cash equivalents	\$ 47,198,636	\$ 45,855,346	\$ 60,786,170	\$ 60,636,639
Interest receivable	70,893	70,893	81,633	42,598
Accounts receivable	393,214	6,702,547	570,404	924,206
Due from Other Departments	2,665,209	0		
Prepaid insurance	791,435	2,748,710	2,606,982	1,411,102
Capital assets, net	5,927	5,927	0	0
	\$ 51,125,313	\$ 55,383,423	\$ 64,045,189	\$ 63,014,545
Liabilities				
Accounts payable	768,208	1,147,159	586,562	88,404
Accrued Liabilities	3,274,749	4,490,147	9,617,663	5,554,366
Employee compensation payable	155,940	159,446	135,030	3,268,085
Reserve for losses and loss expenses	10,533,296	11,687,296	8,286,947	10,935,968
Total liabilities	\$ 14,732,193	\$ 17,484,048	\$ 18,626,202	\$ 19,846,823
Net Assets				
Invested in capital assets	0	0	0	0
Unrestricted (deficit)	36,393,120	37,899,375	45,418,987	43,167,723
Total net assets (deficit)	\$ 36,393,120	\$ 37,899,375	\$ 45,418,987	\$ 43,167,723

MARICOPA COUNTY
EMPLOYEE BENEFITS TRUST FUNDS
Fund Balance Roll-Forward
Four Months Ended October 31, 2014

<u>Self Insured Funds</u>				Fund Balance	Fund Balance
<u>Fund</u>	<u>Expenditures</u>	<u>Revenues</u>	<u>Net</u>	<u>7/1/2014</u>	<u>10/31/2014</u>
601-MEDICAL HMO	\$ 16,519,365	\$ 16,400,114	(119,251)	\$ 5,785,722	5,666,471
604-MEDICAL PPO	12,617,420	12,136,298	(481,121)	(5,458,154)	(5,939,275)
606-MEDICAL HDHP W HSA	7,776,865	7,882,236	105,371	(3,903,464)	(3,798,093)
Total Medical & BH	\$ 36,913,650	\$ 36,418,648	\$ (495,002)	\$ (3,575,896)	\$ (4,070,898)
608-COINSURANCE PHARMACY	5,877,482	4,706,482	(1,171,000)	18,889,457	17,718,457
619-ONSITE PHARMACY CLINIC	644,732	485,728	(159,004)	(759,524)	(918,528)
620-BENEFITS ELIMINATIONS	(347,057)	(347,057)	0	0	0
Total Pharmacy	\$ 6,175,157	\$ 4,845,153	\$ (1,330,004)	\$ 18,129,933	\$ 16,799,929
614-BEHAVIORAL HEALTH	523,208	576,647	53,439	5,281,514	5,334,953
629-SI DENTAL PPO	1,501,147	1,504,010	2,863	5,628,959	5,631,822
623-VISION	506,242	576,205	69,963	420,480	490,443
615-WELLNESS	294,566	474,022	179,457	4,178,042	4,357,499
618-BENEFIT ADMINISTRATION	876,336	1,051,454	175,117	6,251,224	6,426,341
999-BENEFITS CLEARING	0	0	0	0	0
Total Other	\$ 3,701,500	\$ 4,182,339	\$ 480,839	\$ 21,760,219	\$ 22,241,058
Grand Total	\$ 46,790,307	\$ 45,446,140	\$ (1,344,166)	\$ 36,314,256	\$ 34,970,090

Employee Self Insured Funds

611-60 PERCENT STD	926,855	658,709	(268,146)	(432,963)	(701,109)
612-50 PERCENT STD	66,522	150,582	84,060	1,226,932	1,310,992
613-40 PERCENT STD	39,393	61,391	21,999	791,150	813,149
Total STD	\$ 1,032,769	\$ 870,682	\$ (162,088)	\$ 1,585,119	\$ 1,423,031
Total Self-Insured	\$ 47,823,076	\$ 46,316,822	\$ (1,506,254)	\$ 37,899,375	\$ 36,393,121

Fully Insured (Agency) Funds

<u>Fund</u>	<u>Expenditures</u>	<u>Revenues</u>	<u>Net</u>	Fund Balance	Fund Balance
				<u>7/1/2014</u>	<u>10/31/2014</u>
607-FI DENTAL PPO	\$ 1,618,744	\$ 1,760,843	\$ 142,099	\$ 76,633	\$ 218,732
625-FI PREPAID DENTAL	73,421	73,349	(72)	109,976	109,904
Total Dental	\$ 1,692,165	\$ 1,834,192	\$ 142,027	\$ 186,609	\$ 328,636
621-FLEX SPENDING HEALTH	1,004,691	734,489	(270,202)	0	(270,202)
622-FLEX SPENDING DEP CARE	142,160	288,300	146,140	732	146,872
Total FSA	\$ 1,146,851	\$ 1,022,789	\$ (124,062)	\$ 732	\$ (123,330)
626-FI LIFE AND AD AND D	138,592	139,324	732	41,731	42,463
627-SUPPLEMENTAL LIFE	1,229,964	1,287,484	57,520	235,984	293,504
630-DEPENDENT LIFE	124,292	129,123	4,831	8,037	12,868
Total Life and AD&D	\$ 1,492,848	\$ 1,555,931	\$ 63,083	\$ 285,752	\$ 348,835
628-EMPLOYEE ASSISTANCE	135,523	135,486	(36)	2,398	2,362
631-VOLUNTARY BENEFITS	228,667	228,510	(157)	1,511	1,354
632-Senior Select	0	0	0	40,500	40,500
Total Others	\$ 364,190	\$ 363,996	\$ (194)	\$ 44,409	\$ 44,215
Total Agency Funds	\$ 4,696,054	\$ 4,776,909	\$ 80,855	\$ 517,502	\$ 598,357

**Employee Benefits Trust Funds
Balance Sheet Details**

11/14/2014

October 31, 2014, June 30, 2014, June 30, 2013, and June 30, 2012

	<u>10/31/2014</u>	<u>6/30/2014</u>	<u>6/30/2013</u>	<u>6/30/2012</u>
<u>Accounts receivable</u>				
<i>COBRA Receivable</i>	\$ 29,474	\$ 60,052	\$ 61,592	\$ 164,058
<i>Cigna HMO</i>	0	5,916,967	1,057	1,154
<i>Dental</i>			1,154	1,057
<i>Wellness</i>		238,540		
<i>Catamaran Rebate</i>	363,740	486,988	506,600	757,936
<i>Total Accounts receivable</i>	\$ 393,214	\$ 6,702,547	\$ 570,403	\$ 924,205
<u>Prepaid insurance</u>				
<i>STD</i>	\$ 131,947	\$ 131,947	\$ 87,530	\$ 94,567
<i>Vision</i>	0	0	0	4,989
<i>Dental</i>	72,603	99,851	17,190	
<i>Medical</i>	586,885	2,516,912	2,502,262	1,311,547
<i>Total prepaid insurance</i>	\$ 791,435	\$ 2,748,710	\$ 2,606,982	\$ 1,411,103
<u>Accounts Payable</u>				
<i>Medical</i>	\$ -	\$ 26,649	\$ -	\$ -
<i>Behavioral Health</i>	0	0	65,355	38,030
<i>Vision</i>	0	67,670	280,230	
<i>Pharmacy</i>	755,356	751,753		
<i>STD</i>	0	19,266	13,978	11,929
<i>614-BEHAVIORAL HEALTH</i>			0	5,754
<i>618-Benefits Administration</i>	0	106,849	0	23,474
<i>615-WELLNESS</i>	12,852	55,576	18,399	9,218
<i>619-ONSITE PHARMACY CLINIC</i>	0	119,395	208,601	
<i>Total accounts payable</i>	\$ 768,208	\$ 1,147,158	\$ 586,563	\$ 88,405
<u>Accrued Liabilities</u>				
<i>Medical</i>	\$ 2,898,515	\$ 3,760,742	\$ 1,664,741	\$ 2,846,956
<i>Pharmacy</i>			524,517	625,425
<i>Behavioral Health</i>	0	0	355	
<i>Vision</i>	0	0	(132,683)	0
<i>Dental</i>	141,484	141,484	157,837	139,519
<i>STD</i>	17,499	0	6,178,953	
<i>Accrued Employee Rebate</i>				
<i>618-BENEFITS ADMINISTRATION</i>	89,250	0		
<i>619-ONSITE PHARMACY CLINIC</i>	128,000	0		
<i>999-BENEFITS CLEARING</i>	0	587,921	1,223,942	1,942,466
<i>HEALTH SELECT SI TRUST</i>				
<i>Total Accrued Liabilities</i>	\$ 3,274,748	\$ 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>	115,780	117,960	128,422	145,869
<i>615-Employee compensation payable</i>	40,160	41,485		
<i>Total Employee Comp Accrual</i>	\$ 155,940	\$ 159,445	\$ 135,031	\$ 3,268,086
<u>Reserve for losses and loss expenses -IBNR Details</u>				
<i>Medical- HMO</i>	\$ 3,402,145	\$ 3,507,145	\$ 2,832,087	\$ 5,226,188
<i>Medical - PPO</i>	3,604,380	4,227,380	2,583,203	3,738,425
<i>Medical - HDHP</i>	2,074,096	2,500,096	1,580,489	823,806
<i>Behavioral Health</i>	226,157	226,157	293,592	231,766
<i>Vision</i>	143,530	143,530	161,597	107,576
<i>Dental</i>	553,998	553,998	466,041	484,345
<i>STD</i>	528,990	528,990	369,937	323,861
<i>Total Reserve for losses and loss expenses</i>	\$ 10,533,296	\$ 11,687,296	\$ 8,286,946	\$ 10,935,967

MARICOPA COUNTY
EMPLOYEE BENEFITS TRUST FUNDS
Four Months Ended October 31, 2014

Self Insured Funds

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Variance %</u>
Revenue				
601-MEDICAL HMO	\$ 16,745,384	\$ 16,400,114	\$ (345,270)	-2.06%
604-MEDICAL PPO	13,044,868	12,136,298	(908,570)	-6.96%
606-MEDICAL HDHP W HSA	7,005,936	7,882,236	876,300	12.51%
614-BEHAVIORAL HEALTH	599,132	576,647	(22,485)	-3.75%
Total Medical & BH	\$ 37,395,320	\$ 36,995,296	(400,024)	-1.07%
629-SI DENTAL PPO	1,412,844	1,504,010	91,166	6.45%
Total Dental	\$ 1,412,844	\$ 1,504,010	91,166	6.45%
608-COINSURANCE PHARMACY	4,899,188	4,706,482	(192,706)	-3.93%
619-ONSITE PHARMACY CLINIC	584,000	485,728	(98,272)	-16.83%
620- BENEFITS ELIMINATIONS	(385,996)	(347,057)	38,939	-10.09%
Total Pharmacy	\$ 5,097,192	\$ 4,845,153	(290,977)	-5.71%
623-VISION	568,756	576,205	7,449	1.31%
Total Vision	\$ 568,756	\$ 576,205	7,449	1.31%
615-WELLNESS	468,788	474,022	5,234	1.12%
618-BENEFIT ADMINISTRATION	1,014,213	1,051,454	37,241	3.67%
Total Other	\$ 1,483,001	\$ 1,525,476	42,475	2.86%
Grand Total	\$ 45,957,113	\$ 45,446,140	\$ (510,973)	-1.11%

Employee Self Insured Funds

611-60 PERCENT STD	\$ 648,192	\$ 658,709	\$ 10,517	1.62%
612-50 PERCENT STD	136,156	150,582	14,426	10.59%
613-40 PERCENT STD	53,752	61,391	7,639	14.21%
Total STD	\$ 838,100	\$ 870,682	32,582	3.89%
Total Revenue	\$ 46,795,213	\$ 46,316,822	(478,391)	-1.02%

Expenses

601-MEDICAL HMO	\$ 16,143,515	\$ 16,519,365	\$ (375,850)	-2.33%
604-MEDICAL PPO	13,123,111	12,617,420	505,691	3.85%
606-MEDICAL HDHP W HSA	6,343,642	7,776,865	(1,433,223)	-22.59%
614-BEHAVIORAL HEALTH	678,758	523,208	155,550	22.92%
Total Medical & BH	\$ 36,289,026	\$ 37,436,858	\$ (1,147,832)	-3.16%
629-SI DENTAL PPO	1,573,510	1,501,147	72,363	4.60%
Total Dental	\$ 1,573,510	\$ 1,501,147	72,363	4.60%
608-COINSURANCE PHARMACY	5,000,958	5,877,482	(876,524)	-17.53%
619-ONSITE PHARMACY CLINIC	574,000	644,732	(70,732)	-12.32%
620- BENEFITS ELIMINATIONS	(385,996)	(347,057)	(38,939)	10.09%
Total Pharmacy	\$ 5,188,962	\$ 6,175,157	(986,195)	-19.01%
623-VISION	627,910	506,242	121,668	19.38%
Total Vision	\$ 627,910	\$ 506,242	121,668	19.38%
615-WELLNESS	308,294	294,566	13,728	4.45%
618-BENEFIT ADMINISTRATION	936,769	876,336	60,433	6.45%
Total Other	\$ 1,245,063	\$ 1,170,902	\$ 74,161	5.96%
Grand Total	\$ 44,924,471	\$ 46,790,307	\$ (1,865,836)	-4.15%

Employee Self Insured Funds

611-60 PERCENT STD	\$ 784,201	\$ 926,855	\$ (142,654)	-18.19%
612-50 PERCENT STD	134,122	66,522	67,600	50.40%
613-40 PERCENT STD	58,621	39,393	19,228	32.80%
Total STD	\$ 976,944	\$ 1,032,769	\$ (55,825)	-5.71%
Total Self-Insured	\$ 45,901,415	\$ 47,823,076	\$ (1,921,661)	-4.19%