

MINUTES OF THE HEALTH AND WELFARE TRUST COMMITTEE MEETING
August 20, 2012

University of Colorado System Offices
1800 Grant Street, Denver, 5th floor
Conference Room 501

I. Call to Order; Introductions

Trust Committee Chair E. Jill Pollock called the meeting to order on Monday, August 20th, 2012, at 4:32 p.m. Other trustees attending were Elizabeth Kissick, Anthony DeFurio and Todd Saliman.

Other attendees were:

- Tricia Strating, Professional Assistant to Vice President, Employee and Information Service
- Mark Stanker, Trust Plan Administrator and Assistant Vice President, Payroll & Benefit Services, CU
- Jeremy Hueth, Trust Counsel and System Managing Associate Counsel, CU
- Leah Cheney, Legal Assistant to Managing Assistant University Counsel
- Melissa Martin, Assistant University Counsel
- Kathy McCreary, Vice President, Payer Relations & Network Development, University of Colorado Health
- Cindy Birley, Trust Counsel, Davis Graham and Stubbs
- Don Eldhart, Treasurer, CU
- Liz Jennings, Manager of Employee Benefits, UCH
- Kristine McNamara, Director of Accounting Services, CU
- Bonnie Shelor, UCH
- Andrew Davis, UCH Pharmacy

II. Approval of June 18, 2012 meeting minutes

There were no corrections to the June 18, 2012 meeting minutes.

Elizabeth Kissick moved to approve the minutes. Todd Saliman seconded the motion. The minutes were approved 4-0.

III. Receipt of 4th Quarter Financial and Utilization Reports

The following reports were received, copies of which are attached to these minutes. No questions or comments were received on any report.

- A. Financial
Kristine McNamara, Director of Accounting Services, CU
- B. Treasury
Don Eldhart, University Treasurer, CU
- C. Budget Performance
Mark Stanker, Assistant Vice President, Payroll & Benefit Services, CU, and Trust Plan Administrator
- D. Plan Utilization
Brad Cornish, Mercer

Anthony DeFurio moved to approve the reports. Elizabeth Kissick seconded the motion. The reports were approved 4-0.

IV. Public Comment Period

No public comments were received.

V. Meeting Schedule

The next trust committee meeting will be November 19, 2012 4:30 p.m. in the Astronauts Conference Room, 8th floor, University of Colorado System Offices, 1800 Grant Street, Denver, Colorado.

VI. Adjournment

Moved by Todd Saliman; seconded by Elizabeth Kissick. The meeting was adjourned at 4:35 p.m.

UNIVERSITY OF COLORADO HEALTH AND WELFARE TRUST COMMITTEE

FY12 - FOURTH QUARTER REPORTS

August 20, 2012

Financial Reports: *Kristine McNamara, Director of Accounting Services – Office of University Controller*

FY12 - Balance Sheet

FY12 - Statement of Revenues, Expenses, and Changes in Plan Net Assets

Treasury: *Don Eldhart, University Treasurer*

Quarterly Report on Investments

Bank and Investment Balances by Day – FY11

Bank and Investment Balances by Day – FY12

Monthly Minimum Resources

Budget Performance: *Mark Stanker, as Trust Plan Administrator*

FY12 - Budget to Actual + Projected Expense Report

Plan Utilization: *Brad Cornish, Mercer*

Fiscal Year 2012 Q4 Financial Highlights

UNIVERSITY OF COLORADO HEALTH AND WELFARE TRUST COMMITTEE

FY12 - FOURTH QUARTER REPORTS

August 20, 2012

Financial Reports: *Kristine McNamara, Director of Accounting Services – Office of University Controller*

FY12 - Balance Sheet

FY12 - Statement of Revenues, Expenses, and Changes in Plan Net Assets

UNIVERSITY OF COLORADO HEALTH AND WELFARE TRUST COMMITTEE
FY12 - BALANCE SHEET (unaudited), As of: 6/30/2012
August 20, 2012

	<u>Year End Quarter (Q4) 6/30/2012 *</u>	<u>Last Quarter (Q3) 3/31/2012 *</u>	<u>FY11 Year End 6/30/2011</u>
<u>Assets</u>			
Cash:			
Medical	\$ 497	330,197	202,741
University of Colorado Flexible Spending Account**	1,170,036	895,049	688,696
University Hospital Flexible Spending Account**	272,621	215,069	178,142
University Physician's Inc. Flexible Spending Account**	21,940	15,911	24,098
Investments	15,826,014	16,552,138	6,571,010
Premiums Receivable - Medical	550,981	2,657,554	45,947
Pharmacy Rebate Receivable	-	-	1,799,826
Receivable from Member	-	-	2,670,000
Medical Flex Receivable**	-	-	7,442
Miscellaneous Receivables	151,267	145,218	423,852
Total Assets	\$ 17,993,356	20,811,136	12,611,754
<u>Liabilities and Net Assets</u>			
Accounts Payable - Medical	500,510	924,072	487,855
Contracts Payable	-	-	112,553
Benefit Claims Payable - Medical	2,455,964	1,984,870	2,398,681
Global Payment Fees Payable	-	-	989,937
Incurred But Not Reported Claims Estimate	5,618,631	5,618,631	5,618,631
Flexible Spending	-	-	-
Total Liabilities	8,575,105	8,527,572	9,607,657
Plan Net Assets	9,418,251	12,283,564	3,004,097
Total Liabilities and Plan Net Assets	\$ 17,993,356	20,811,136	12,611,754

* Kaiser Plan added to Trust in FY12

** These accounts were eliminated for external reporting in FY11. This presentation is being reevaluated by the new auditors.

UNIVERSITY OF COLORADO HEALTH AND WELFARE TRUST COMMITTEE
FY12 - STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN PLAN NET ASSETS (unaudited)
For the Twelve Month Period Ended June 30, 2012

	<u>Year End</u> <u>Quarter (Q4)</u> <u>6/30/2012 *</u>	<u>Last</u> <u>Quarter (Q3)</u> <u>3/31/2012 *</u>	<u>FY11</u> <u>Year End</u> <u>6/30/2011</u>
<u>Operating Revenues</u>			
Employer Contributions	\$ 125,396,885	93,608,066	96,706,116
Employee Contributions	25,787,757	19,174,418	13,144,916
Flexible Spending**	6,836,886	5,219,284	6,012,904
Total Operating Revenues	158,021,528	118,001,768	115,863,936
<u>Operating Expenses</u>			
Medical Claims	133,485,263	94,368,494	101,376,495
Flexible Spending**	6,128,643	4,885,213	4,987,773
Total Claims	139,613,907	99,253,707	106,364,268
Medical Claims Administration	10,942,207	8,682,363	5,752,437
Flexible Spending Accounts Claims Administration**	142,023	106,421	126,753
General and Administrative	621,722	384,715	1,013,479
Total Administrative	11,705,953	9,173,498	6,892,669
Total Operating Expenses	151,319,859	108,427,205	113,256,937
Operating Income	6,701,669	9,574,563	2,606,999
<u>Non-Operating Revenues (Expenses)</u>			
Investment Earnings	14,499	9,828	5,731
Colorado Weigh	15,995	-	-
Wellness Initiative	(358,990)	(345,905)	286,625
Miscellaneous	40,982	40,982	104,722
Total Non-Operating Revenues (Expenses)	(287,515)	(295,096)	397,078
Change in Plan Net Assets	6,414,155	9,279,467	3,004,077
Plan Net Assets Beginning of Period	3,004,097	3,004,097	20
Plan Net Assets End of Period	\$ 9,418,251	12,283,564	3,004,097

* Kaiser Plan added to Trust in FY12

** These accounts were eliminated for external reporting in FY11. This presentation is being reevaluated by the new auditors.

UNIVERSITY OF COLORADO HEALTH AND WELFARE TRUST COMMITTEE

FY12 - FOURTH QUARTER REPORTS

August 20, 2012

Treasury: *Don Eldhart, University Treasurer*

Quarterly Report on Investments

Bank and Investment Balances by Day – FY11

Bank and Investment Balances by Day – FY12

Monthly Minimum Resources



University of Colorado
Boulder | Colorado Springs | Denver | Anschutz Medical Campus

Office of the Treasurer

Memo

To: Members of the University of Colorado Health and Welfare Trust Board
From: Donald A. Eldhart, Treasurer
Date: August 9, 2012
Re: Quarterly Report on Investments

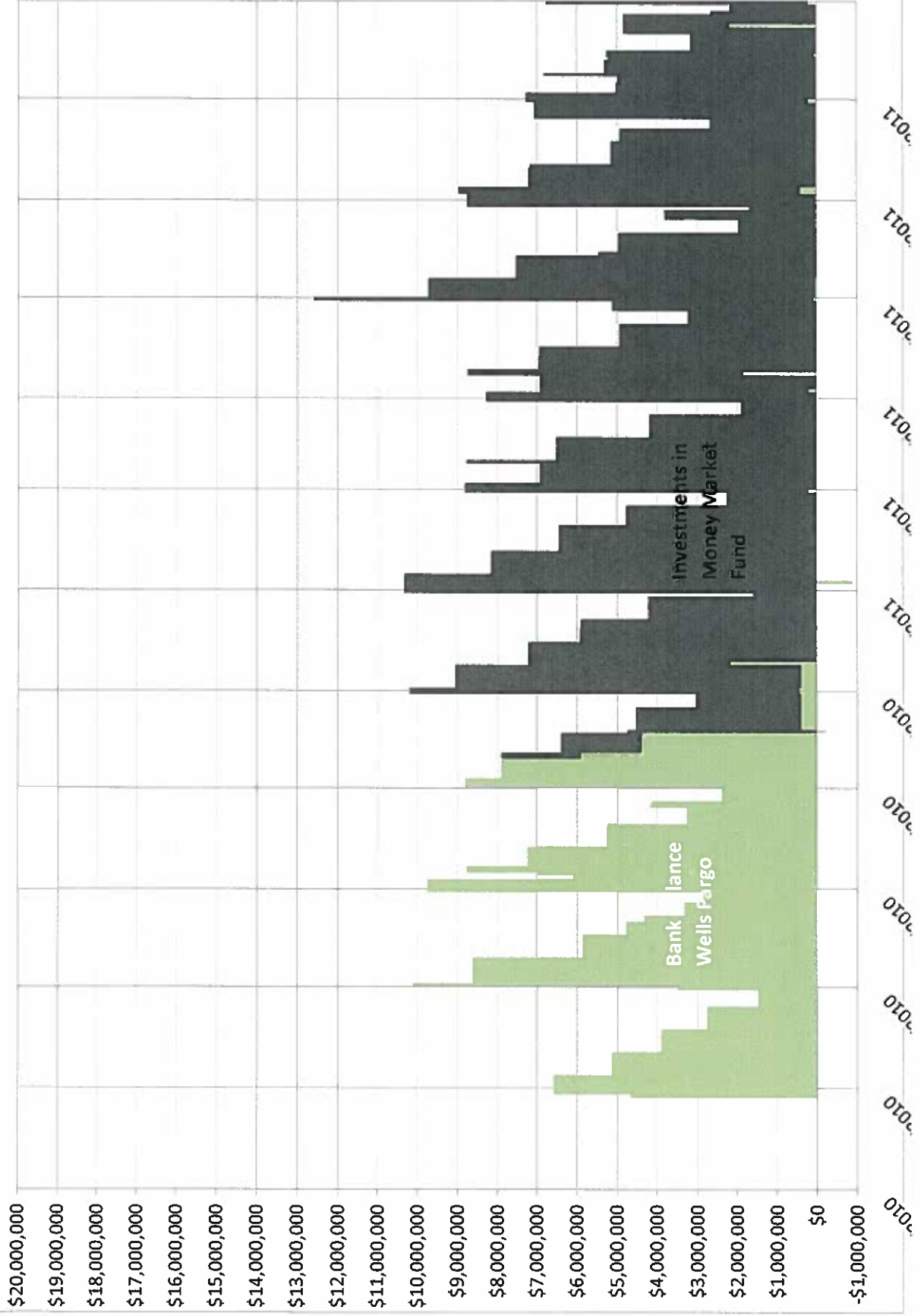
The Trust's investments at June 30, 2012, totaled \$15.8 million. This amount was invested in the BlackRock TempFund, a money market mutual fund rated AAAm and Aaa by Standard & Poor and Moody's, respectively. Money market mutual funds are permitted by the Trust's investment policy. The returns on money market fund remain quite low. Money market funds provide a reasonable balance between safety and liquidity.

The pattern on the enclosed chart for fiscal year 2012 shows investable balances have stabilized and the cash-flow patterns are reasonably predictable from month to month. The low points, by month, for the fourth quarter of fiscal year 2012 varied from \$7.9 million in April to \$5.7 million in June. Investments alternatives with any amount of duration risk continue to provide little up-side potential. The real yield on the 10-year US Treasury is negative.

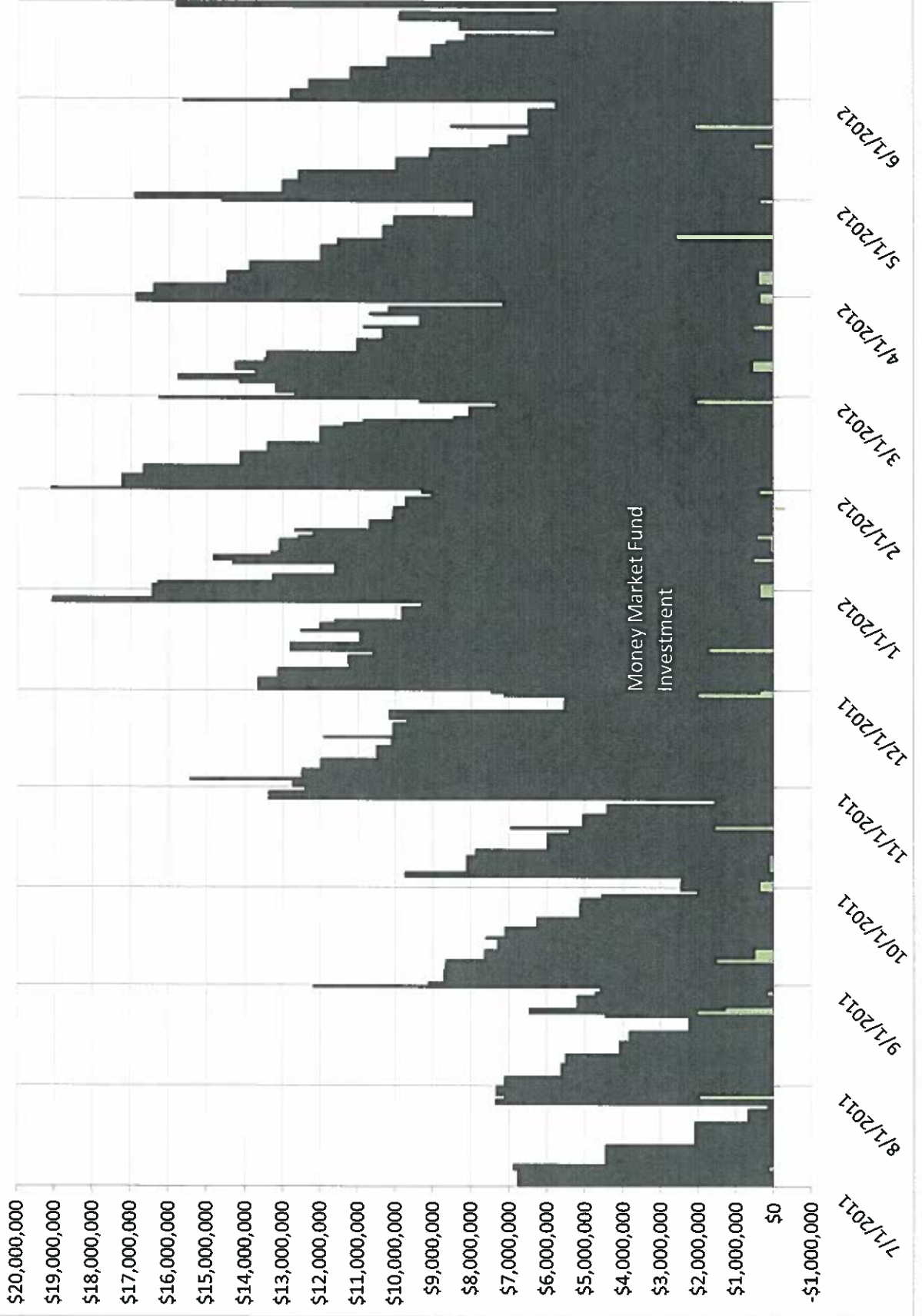
The first two attached charts (Fiscal Year 2011 information is included for comparison) show the value of resources available for investment, by day, for the first 24 months of operations, starting on July 29, 2010. The third chart depicts just the minimum monthly investible resources for fiscal year 2011 and fiscal year 2012. Fiscal year 2011 minimums were reasonably steady. The minimum monthly resources for fiscal year 2012 have settled into a range and have remained above \$5 million since December.

In terms of performance, the Trust's investments in the BlackRock TempFund outperformed all but 10% of ninety-nine money market funds within the Money Market Funds database, and the investment returns on the Trust's money market fund of 12 basis points (0.12%) for the quarter exceeded that of the benchmark. However, returns continue to be unattractive compared to the Consumer Price Index which was down 0.12% for the quarter but up 1.58% for the fiscal year.

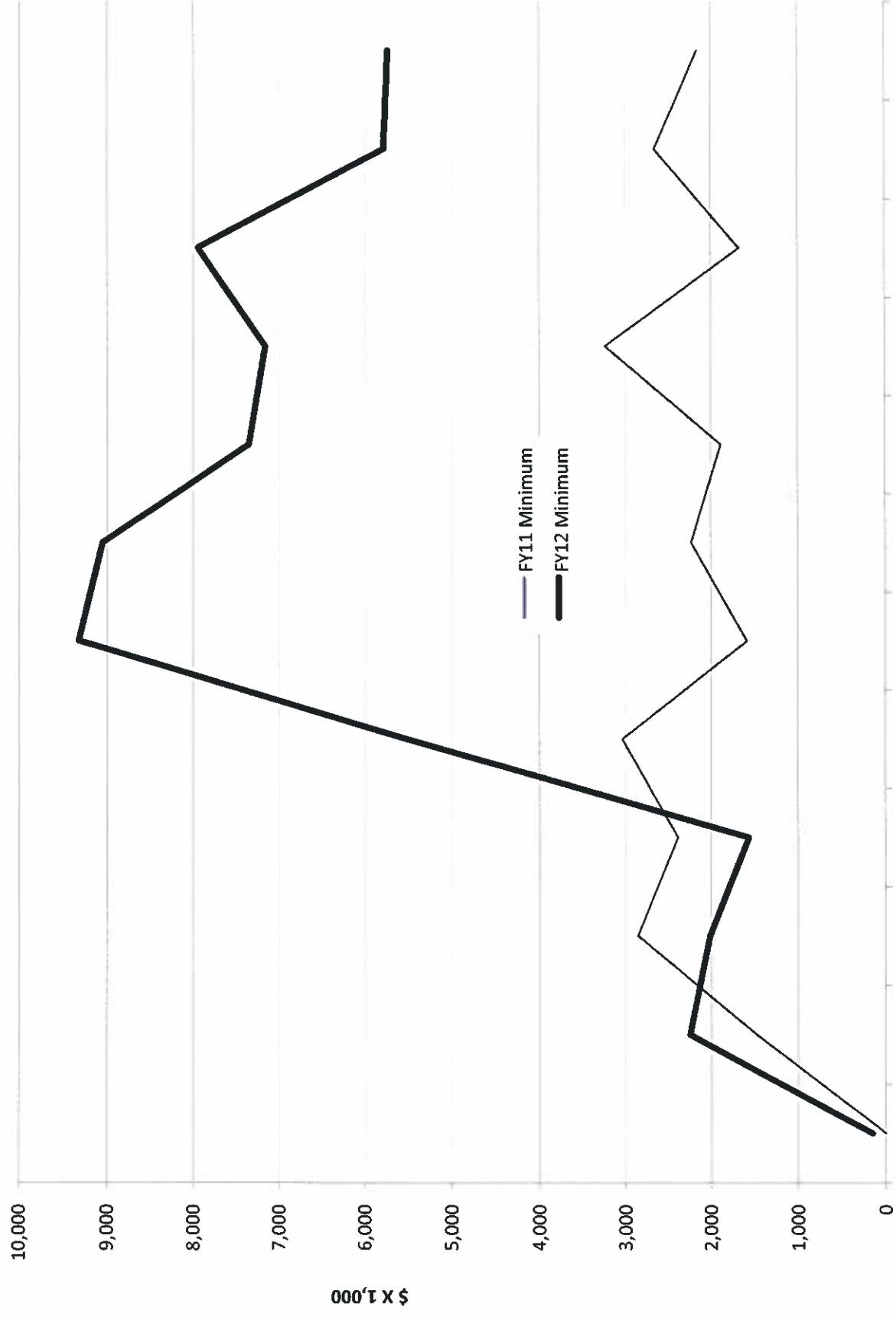
Bank and Investment Balances by Day **Wells Fargo and Money Market Fund - FY2011**



Bank and Investment Balances by Day Wells Fargo and Money Market Fund - FY2012



UCHWT Monthly Minimum Resources



UNIVERSITY OF COLORADO HEALTH AND WELFARE TRUST COMMITTEE

FY12 - FOURTH QUARTER REPORTS

August 20, 2012

Budget Performance: *Mark Stanker, as Trust Plan Administrator*

FY12 - Budget to Actual + Projected Expense Report

UNIVERSITY OF COLORADO HEALTH AND WELFARE TRUST COMMITTEE
FY12 - BUDGET TO ACTUAL + PROJECTED EXPENSE REPORT - As of: 6/30/2012
August 20, 2012

	FY12 CURRENT BUDGET	FY12 TOTAL BUDGET	FY12 ACTUALS AS OF 6/30/12	FY12 ENCUMBRANCES	FY12 AVAILABLE AMOUNT	FY12 % BUDGET TO ACTUALS	* FY11 % BUDGET TO ACTUALS
REVENUES/INFLOWS							
SELF-INSURED MEDICAL PLANS (NON-COBRA AND COBRA)	\$ (146,536,000)						
ANTHEM		\$ (109,973,000)	\$ (115,646,068)		\$ 5,673,068	105.16%	99.05%
KAISER		\$ (33,395,000)	\$ (34,046,992)		\$ 651,992	101.95%	
COLORADO ACCESS		\$ (3,168,000)	\$ (1,491,583)		\$ (1,676,417)	47.08%	
HEALTH CARE FSA PLANS							
ASI	\$ (6,030,000)						100.01%
PAYFLEX		\$ (4,655,000)	\$ (5,147,497)		\$ 492,497	110.58%	
UCH Rx REVENUE		\$ (1,375,000)	\$ (1,508,757)		\$ 133,757	109.73%	
INVESTMENT INCOME		\$ (3,860,000)	\$ (1,799,826)		\$ (2,060,174)	46.63%	
MISC REVENUE			\$ (14,499)		\$ 143,266		
TOTAL REVENUE/INFLOWS	\$ (156,426,000)	\$ (156,426,000)	\$ (159,798,488)	\$ -	\$ 3,372,488	102.16%	99.10%
EXPENSES/OUTFLOWS							
INCURRED SELF-INSURED CLAIMS AND RESERVES	\$ 123,806,000						
ANTHEM		\$ 92,662,000	\$ 92,105,678		\$ 556,322	99.40%	94.38%
KAISER		\$ 28,475,000	\$ 23,612,799		\$ 4,862,201	82.92%	
COLORADO ACCESS		\$ 2,669,000	\$ 1,145,815		\$ 1,523,185	42.93%	
GLOBAL PAYMENTS							
ADMINISTRATIVE FEES, MISC CHARGES	\$ 12,807,000	\$ 12,807,000	\$ 13,745,458		\$ (938,458)	107.33%	95.94%
ASO FEES							
ANTHEM	\$ 11,354,000						93.82%
KAISER		\$ 6,254,000	\$ 5,862,562		\$ 391,438	93.74%	
COLORADO ACCESS		\$ 4,920,000	\$ 3,745,001		\$ 1,174,999	76.12%	
BANK CHARGES		\$ 180,000	\$ 48,870		\$ 131,130	27.15%	
MISC CHARGES	\$ 6,800	\$ 6,800	\$ 4,565		\$ 2,235	67.13%	94.73%
FSA CLAIMS ADMINISTRATION	\$ 10,000	\$ 10,000	\$ 14,005		\$ (4,005)	140.05%	9.10%
ASI	\$ 136,000						0.00%
PAYFLEX		\$ 100,000	\$ 93,376		\$ 6,624	93.38%	
FSA CLAIM PAYMENTS		\$ 36,000	\$ 39,379		\$ (3,379)	109.38%	
ASI	\$ 5,900,000						83.91%
PAYFLEX		\$ 4,561,000	\$ 4,750,096		\$ (189,096)	104.15%	
TOTAL EXPENSES/OUTFLOWS	\$ 123,806,000	\$ 123,806,000	\$ 123,806,000	\$ 123,806,000	\$ 1,339,000	102.68%	

* FY11 Total Budget: \$113,542,954 (Anthem as only ASO)

UNIVERSITY OF COLORADO HEALTH AND WELFARE TRUST COMMITTEE
FY12 - BUDGET TO ACTUAL + PROJECTED EXPENSE REPORT - As of: 6/30/2012
August 20, 2012

	FY12 CURRENT BUDGET	FY12 TOTAL BUDGET	FY12 ACTUALS AS OF 6/30/12	FY12 ENCUMBRANCES	FY12 AVAILABLE AMOUNT	FY12 % BUDGET TO ACTUALS	* FY11 % BUDGET TO ACTUALS
WELLNESS & PREVENTION	\$ 1,050,000						49.89%
HEALTH RISK ASSESSMENT		\$ 260,000	\$ 260,950		\$ (950)	100.37%	
SOM POPULATION MANAGEMENT		\$ 300,000	\$ -		\$ 300,000	0.00%	
AMERICA ON THE MOVE		\$ 150,000	\$ -	\$ 100,000	\$ 50,000	0.00%	
COLORADO WEIGH		\$ 40,000	\$ 36,875		\$ 3,125	92.19%	
PILOTS AND STUDIES		\$ 300,000	\$ 76,040		\$ 223,960	25.35%	
DATA WAREHOUSE	\$ 260,000	\$ 260,000	\$ -	\$ 260,000	\$ -	0.00%	
TRUST FEES							
CONSULTING	\$ 445,000						
ACTUARY		\$ 150,000	\$ 139,866		\$ 10,134	93.24%	96.22%
LEGAL		\$ 150,000	\$ 214,839		\$ (64,839)	143.23%	148.09%
MANAGEMENT		\$ 65,000	\$ 131,868		\$ (66,868)	202.87%	62.37%
BENEFITS/CONTRACTING		\$ 50,000	\$ -		\$ 50,000	0.00%	80.01%
AUDIT		\$ 30,000	\$ 29,500		\$ 500	98.33%	0.83%
INSURANCE	\$ 65,700						
FIDUCIARY LIABILITY		\$ 27,100	\$ 31,836		\$ (4,736)	117.48%	99.91%
ERRORS AND OMISSIONS		\$ 36,100	\$ 63,287		\$ (27,187)	175.31%	180.28%
CRIME		\$ 2,500	\$ 4,684		\$ (2,184)	187.36%	29.55%
ADMINISTRATIVE	\$ 563,500						
PAYROLL & BENEFIT SERVICES		\$ 270,000	\$ 133,865		\$ 136,135	49.58%	100.00%
CONTROLLER'S OFFICE		\$ 10,000	\$ 6,647		\$ 3,353	66.47%	0.00%
TREASURY		\$ 6,000	\$ -		\$ 6,000	0.00%	0.00%
MEDICATION THERAPY MANAGEMENT		\$ 225,500	\$ 56,363	\$ 169,000	\$ 137	24.99%	
FORMULARY REVIEW		\$ 52,000	\$ 51,852		\$ 148	99.72%	
TOTAL EXPENSES/OUTFLOWS	\$ 156,404,000	\$ 156,404,000	\$ 147,780,975	\$ 529,000	\$ 8,094,025	94.49%	93.83%
CHANGE IN NET PLAN ASSETS	\$ (22,000)	\$ (22,000)	\$ (12,017,513)	\$ 529,000	\$ 11,466,513		

* FY11 Total Budget: \$113,542,954 (Anthem as only ASO)

UNIVERSITY OF COLORADO HEALTH AND WELFARE TRUST COMMITTEE

FY12 - FOURTH QUARTER REPORTS

August 20, 2012

Plan Utilization: Brad Cornish, *Mercer*

Fiscal Year 2012 Q4 Financial Highlights

August 20, 2012

**University of Colorado Health and Welfare Trust
Fiscal Year 2012 Q4 Financial Highlights (Preliminary)**

- For fiscal year 2012 (using data through the end of June), the preliminary trust results are 0.4% above budgeted accrual rates before accounting for shared Rx revenue and 0.8% below budget after accounting for shared Rx revenue.
 - Budget: \$150.73M
 - Actual: \$151.36M (before Rx revenue)
 - Actual: \$149.37M (after Rx revenue)
- Because these results represent the full plan year, a final version will be produced after September paid claims are available. Trust accounting is performed on an incurred basis, and estimates for incurred claims for the last few months of the plan year will be more precise after more paid claim data is available.
- Quarterly summary:
 - Quarter 1: 11.4% below budget
 - Quarter 2: 2.3% above budget
 - Quarter 3: 4.1% above budget
 - Quarter 4: 6.4% above budget
 - Year to Date: 0.4% above budget
- PEPM costs for fiscal year 2012 are 6.6% higher than PEPM costs for fiscal year 2011.
- A reserve of \$13.2M has been calculated as necessary to provide for both incurred but not reported claims (\$10.9M) as well as claims reported as paid by Anthem but not yet reimbursed to Anthem by the trust (\$2.3M). The reserve has been incorporated into the comparison of actual costs to budgeted rates discussed above.
- There are 12 claimants with more than \$250,000 in claims that have been both incurred and paid since the beginning of the fiscal year. The expected number of claims in excess of \$250,000 for the full year on a paid basis is 22.