

**MINUTES OF THE HEALTH AND WELFARE TRUST COMMITTEE MEETING
February 21, 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 Tuesday, February 21, 2012 at 4:45 p.m. Other trustees attending were Elizabeth Kissick, Darryl Varnado, and Kelly Fox. Anthony DiFurio attended by telephone.

Other attendees were:

- Kristine McNamara, Director of Accounting Services, CU
- Tracy Wiezorek, UPI
- Brad Cornish, Mercer Consulting
- Pat Mackin, Mercer Consulting
- Mark Stanker, Trust Plan Administrator and Assistant Vice President, Payroll & Benefit Services, CU
- Gena Trujillo, Plan Administrator
- Don Eldhart, Treasurer, CU
- Jeremy Hueth, Trust counsel and System Managing Associate Counsel, CU
- Nike Fleming, System Assistant University Counsel, CU, and meeting recorder
- Kathy McCreary, Director of Managed Care and Contract Administration, UCH
- Liz Jennings, Manager of Employee Benefits, UCH
- Cindy Birley, Trust counsel, Davis Graham and Stubbs

II. Approval of December 15, 2011 meeting minutes

The following corrections were made to the December 15, 2011 meeting minutes.

- In the introductory section, Kristine McNamara was removed as an attendee because she was not in attendance for the December 15, 2011 meeting.
- In section VI, the date for the next trust committee meeting was changed from February 20, 2011 to February 21, 2012.

Kelly Fox moved to approve the minutes as corrected. Darryl Varnado seconded the motion. The minutes were approved as corrected 5-0.

III. Receipt of 2nd 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

IV. Public Comment Period

No public comments were received.

V. Meeting Schedule

The next trust committee meeting will be May 21, 2012 4:30 p.m. in the Regents Conference Room, 8th floor, University of Colorado System Offices, 1800 Grant Street, Denver, Colorado.

VI. Adjournment

Moved by Darryl Varnado; seconded by Kelly Fox. The meeting was adjourned at 4:52 p.m.

UNIVERSITY OF COLORADO HEALTH AND WELFARE TRUST COMMITTEE

FY12 - SECOND QUARTER REPORTS

February 21, 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 Q2 Financial Highlights

UNIVERSITY OF COLORADO HEALTH AND WELFARE TRUST COMMITTEE

FY12 - SECOND QUARTER REPORTS

February 21, 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: 12/31/2011
February 21, 2012

Assets

Cash:

Medical	\$ 335,548
University of Colorado Flexible Spending Account	617,564
University Hospital Flexible Spending Account	127,058
University Physician's Inc. Flexible Spending Account	9,801
Investments	16,112,604
Premiums Receivable - Medical	3,985,462
Pharmacy Rebate Receivable	100,063
Miscellaneous Receivables	<u>158,843</u>

Total Assets	<u><u>\$ 21,446,943</u></u>
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Liabilities and Net Assets

Accounts Payable - Medical	2,592,225
Benefit Claims Payable - Medical	659,857
Global Payment Fees Payable	989,937
Incurred But Not Reported Claims Estimate	<u>5,618,631</u>

Total Liabilities	<u>9,860,650</u>
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Plan Net Assets	<u>11,586,293</u>
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Total Liabilities and Plan Net Assets	<u><u>\$ 21,446,943</u></u>
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UNIVERSITY OF COLORADO HEALTH AND WELFARE TRUST COMMITTEE
FY12 - STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN PLAN NET ASSETS (unaudited)
For the Six Month Period Ended December 31, 2011

<u>Operating Revenues</u>	<u>Actual</u>
Employer Contributions	\$ 62,163,908
Employee Contributions	12,841,822
Flexible Spending	<u>3,586,490</u>
Total Operating Revenues	78,592,220
<u>Operating Expenses</u>	
Medical Claims	58,877,131
Flexible Spending	<u>3,659,877</u>
Total Claims	62,537,008
Medical Claims Administration	7,107,730
Flexible Spending Accounts Claims Administration	70,568
General and Administrative	<u>267,692</u>
Total Administrative	7,445,990
Wellness Initiative	31,883
Total Operating Expenses	<u>70,014,881</u>
Income From Operations	8,577,339
Investment Earnings	<u>4,857</u>
Change in Plan Net Assets	<u>8,582,196</u>
Plan Net Assets Beginning of Period	<u>3,004,097</u>
Plan Net Assets End of Period	<u>\$ 11,586,293</u>

UNIVERSITY OF COLORADO HEALTH AND WELFARE TRUST COMMITTEE

FY12 - SECOND QUARTER REPORTS

February 21, 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



Memo

To: Members of the University of Colorado Health and Welfare Trust Board
From: Donald A. Eldhart, Treasurer
Date: February 14, 2012
Re: Quarterly Report on Investments

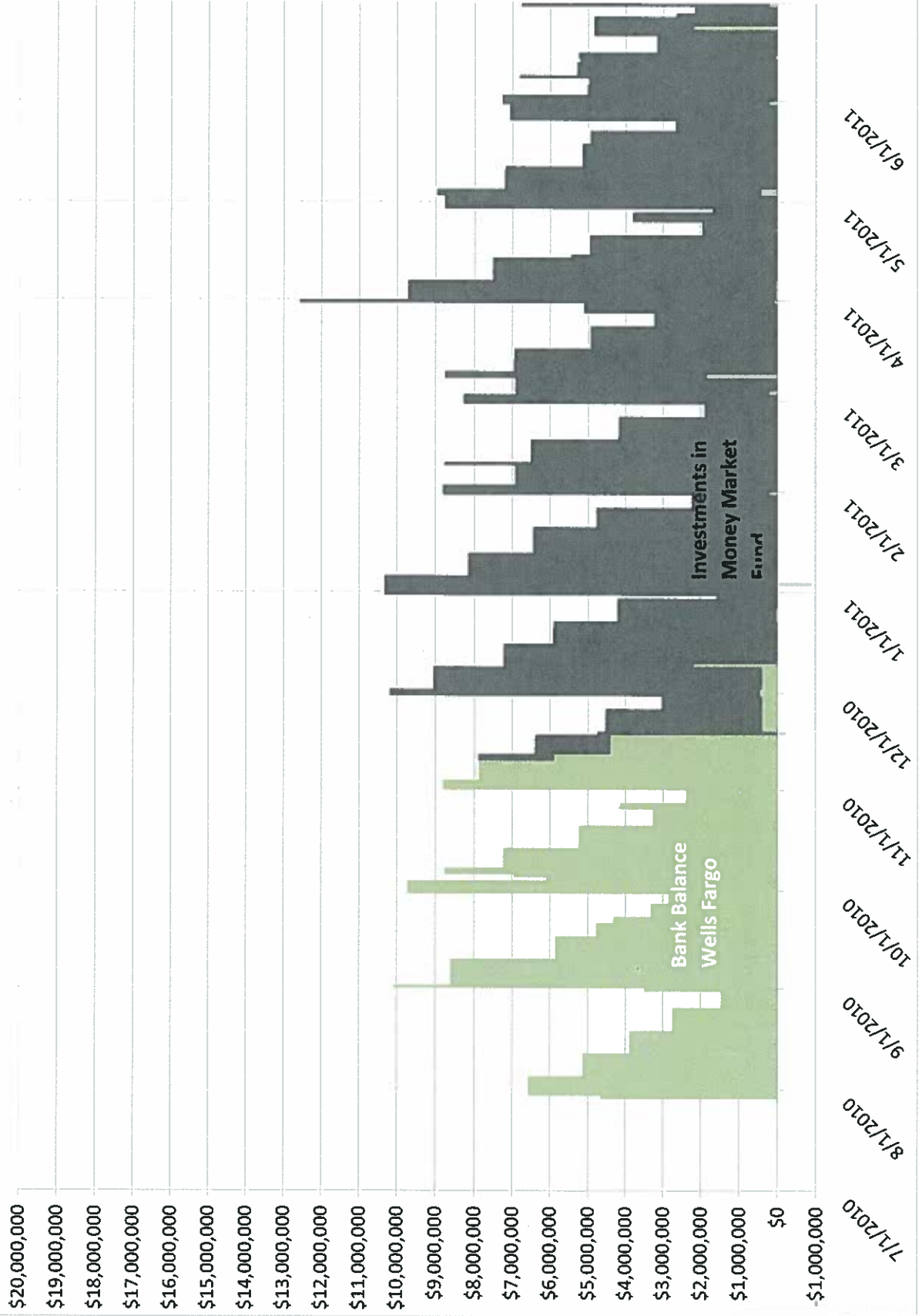
The Trust's investments at December 31, 2011, totaled \$16.11 million. This amount was invested in the BlackRock TempFund, a money market mutual fund rated AAAM and Aaa by Standard & Poor and Moody's, respectively. Money market mutual funds are permitted by the Trust's investment policy. BlackRock TempFund's exposure to highly rated European banks has declined, nonetheless the situation in Europe bears watching as the governments there negotiate on the future of the weaker economies. The outcome of these negotiations could result in financial troubles for even the strongest banks if credit default swaps are triggered.

The pattern on the enclosed chart for fiscal year 2012 shows investable balances have increased and the pattern is reasonably predictable from month to month, however the monthly low points for the second quarter of fiscal year 2012 varied from \$1.6 million in October to \$9.3 million in December. For now, I feel it is ill advised to take on more duration risk in an interest rate environment where the yield on the 10-year US Treasury is negative and the amount of the Trust's assets that are not needed for liquidity is uncertain.

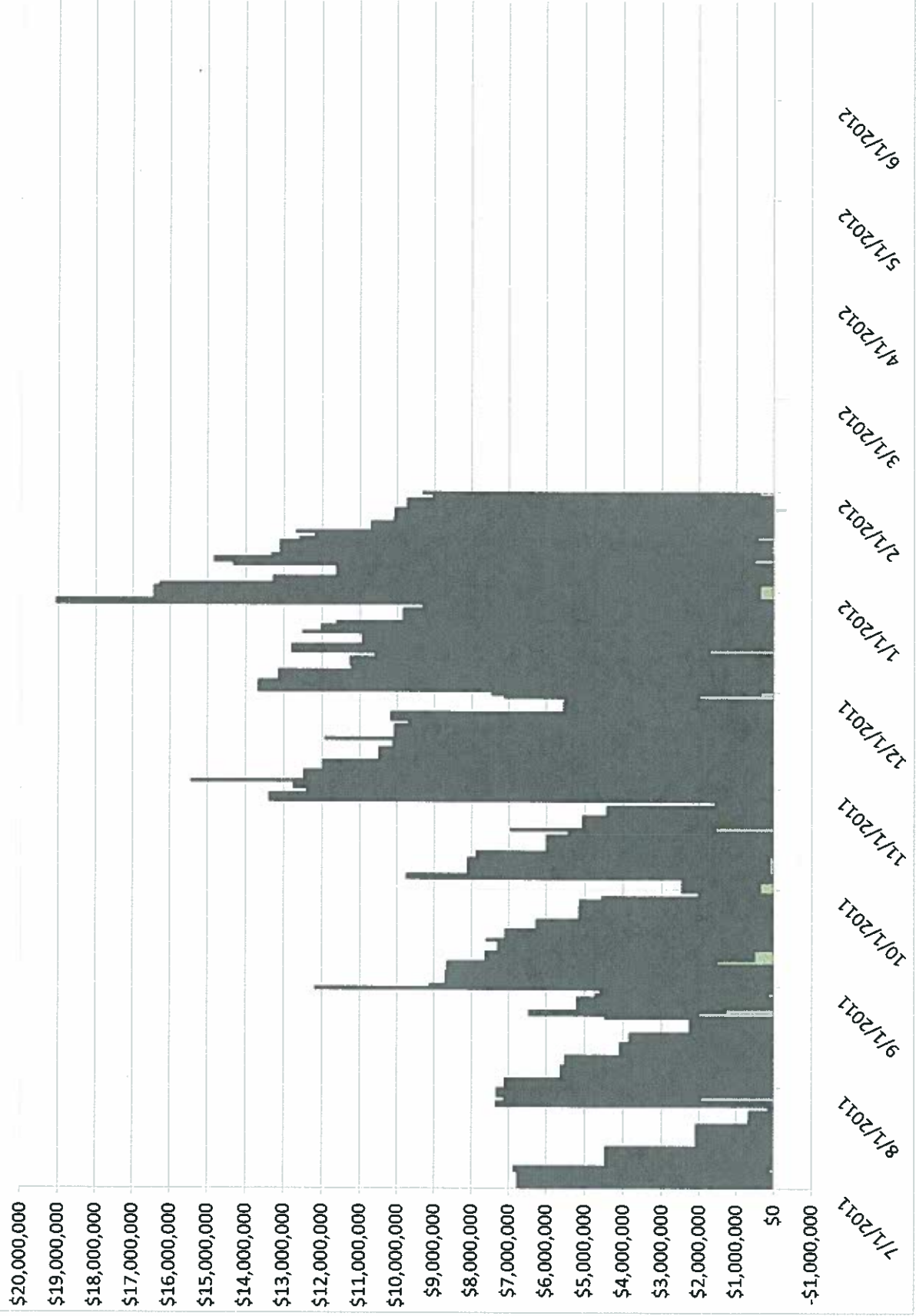
The first two attached charts (Fiscal Year 2011 information is included for comparison) show the bank and investment balances, by day, for the first 19 months. The charts show the value of the resources available for investment, starting on July 29, 2010. The third chart depicts just the minimum monthly investible resources for fiscal year 2011 and for the first seven months of fiscal year 2012. Fiscal year 2011 minimums were reasonably steady. The minimum monthly resources for fiscal year 2011 looks positive for taking some duration risk if the minimums remain in the \$9 million range.

In terms of performance, the Trust's investments in the BlackRock TempFund outperformed all but 7% of ninety-nine money market funds within the Money Market Funds database, and the investment returns on the Trust's money market fund of 13 basis points (0.13%) for the quarter exceeded that of the benchmark. However, returns continue to be meager. Performance trailed the Consumer Price Index which was 0.68% for the quarter.

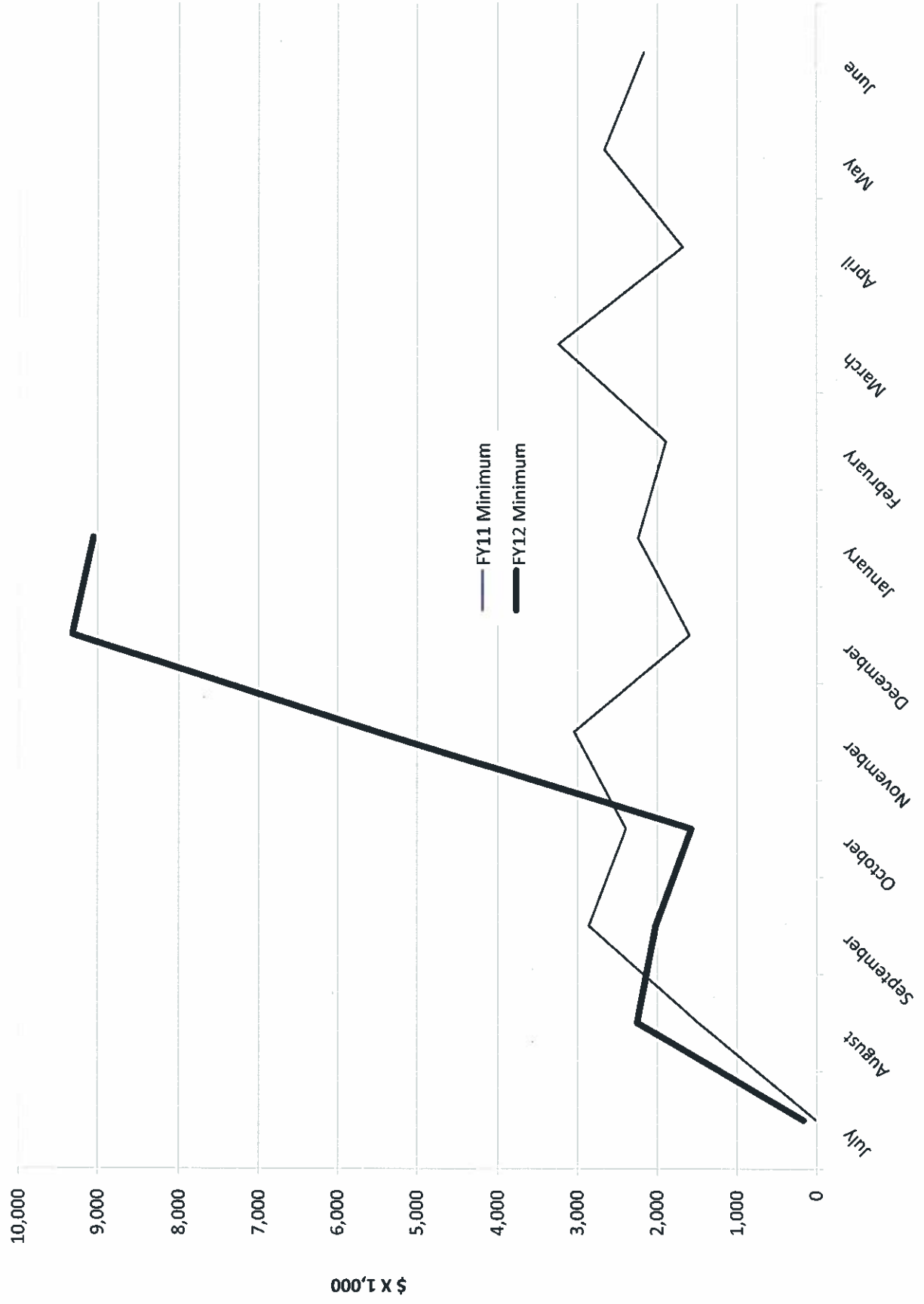
Bank and Investment Balances by Day Wells Fargo and Money Market Fund - FY2011



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 - SECOND QUARTER REPORTS

February 21, 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: 12/31/2011
February 21, 2012

	FY12 CURRENT BUDGET	FY12 TOTAL BUDGET	FY12 ACTUALS AS OF 12/31/11	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)	\$ (50,730,858)		\$ (59,242,142)	46.13%	48.75%
KAISER		\$ (33,395,000)	\$ (11,596,215)		\$ (21,798,785)	34.72%	
COLORADO ACCESS		\$ (3,168,000)	\$ (709,287)		\$ (2,458,713)	22.39%	
HEALTH CARE FSA PLANS							
ASI	\$ (6,030,000)						53.62%
PAYFLEX		\$ (4,655,000)	\$ (2,828,134)		\$ (1,826,866)	60.75%	
UCH Rx REVENUE		\$ (1,375,000)	\$ (758,357)		\$ (616,643)	55.15%	
TOTAL REVENUE/INFLOWS	\$ (3,860,000)	\$ (3,860,000)	\$ (1,699,000)	\$ (1,699,000)	\$ (2,161,000)	44.02%	49.01%
	\$ (156,426,000)	\$ (156,426,000)	\$ (66,622,851)	\$ (1,699,000)	\$ (89,803,149)	42.59%	
EXPENSES/OUTFLOWS							
INCURRED SELF-INSURED CLAIMS AND RESERVES							
ANTHEM	\$ 123,806,000						
KAISER		\$ 92,662,000	\$ 45,369,091		\$ 47,292,909	48.96%	40.47%
COLORADO ACCESS		\$ 28,475,000	\$ 9,368,703		\$ 19,106,297	32.90%	
GLOBAL PAYMENTS		\$ 2,669,000	\$ 415,415		\$ 2,253,585	15.56%	
ADMINISTRATIVE FEES, MISC CHARGES	\$ 12,807,000	\$ 12,807,000	\$ 6,278,472		\$ 6,528,528	49.02%	31.36%
ASO FEES							
ANTHEM	\$ 11,354,000						
KAISER		\$ 6,254,000	\$ 2,988,933		\$ 3,265,067	47.79%	41.85%
COLORADO ACCESS		\$ 4,920,000	\$ 1,256,264		\$ 3,663,736	25.53%	
BANK CHARGES		\$ 180,000	\$ 28,792		\$ 151,208	16.00%	
MISC CHARGES	\$ 6,800	\$ 6,800	\$ 1,287		\$ 5,513	18.92%	78.19%
FSA CLAIMS ADMINISTRATION	\$ 10,000	\$ 10,000	\$ 3,247		\$ 6,753	32.47%	1.32%
ASI	\$ 136,000						0.00%
PAYFLEX		\$ 100,000	\$ 42,230		\$ 57,770	42.23%	
FSA CLAIM PAYMENTS		\$ 36,000	\$ 20,898		\$ 15,103	58.05%	
ASI	\$ 5,900,000						43.25%
PAYFLEX		\$ 4,561,000	\$ 2,871,333		\$ 1,689,667	62.95%	
		\$ 1,339,000	\$ 788,544		\$ 550,457	58.89%	

* 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: 12/31/2011
February 21, 2012

	FY12 CURRENT BUDGET	FY12 TOTAL BUDGET	FY12 ACTUALS AS OF 12/31/11	FY12 ENCUMBRANCES	FY12 AVAILABLE AMOUNT	FY12 % BUDGET TO ACTUALS	* FY11 % BUDGET TO ACTUALS
WELLNESS & PREVENTION	\$ 1,050,000						0.00%
HEALTH RISK ASSESSMENT	\$	\$ 260,000	\$ -		\$ 260,000	0.00%	
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	\$ 14,750		\$ 25,250	36.88%	
PILOTS AND STUDIES	\$	\$ 300,000	\$ 38,388		\$ 261,612	12.80%	
DATA WAREHOUSE	\$ 260,000	\$ 260,000	\$ -		\$ 260,000	0.00%	
TRUST FEES							16.00%
CONSULTING	\$ 445,000						
ACTUARY	\$	\$ 150,000	\$ 70,645		\$ 79,355	47.10%	
LEGAL	\$	\$ 150,000	\$ 137,093		\$ 12,907	91.40%	
MANAGEMENT	\$	\$ 65,000	\$ 29,654		\$ 35,346	45.62%	
BENEFITS/CONTRACTING	\$	\$ 50,000	\$ -		\$ 50,000	0.00%	
AUDIT	\$	\$ 30,000	\$ 29,500		\$ 500	98.33%	
INSURANCE	\$ 65,700						113.00%
FIDUCIARY LIABILITY	\$	\$ 27,100	\$ 31,836		\$ (4,736)	117.48%	
ERRORS AND OMISSIONS	\$	\$ 36,100	\$ 63,287		\$ (27,187)	175.31%	
CRIME	\$	\$ 2,500	\$ 4,684		\$ (2,184)	187.36%	
ADMINISTRATIVE	\$ 563,500						0.00%
PAYROLL & BENEFIT SERVICES	\$	\$ 270,000	\$ -		\$ 270,000	0.00%	
CONTROLLER'S OFFICE	\$	\$ 10,000	\$ -		\$ 10,000	0.00%	
TREASURY	\$	\$ 6,000	\$ -		\$ 6,000	0.00%	
MEDICATION THERAPY MANAGEMENT	\$	\$ 225,500	\$ -		\$ 225,500	0.00%	
FORMULARY REVIEW	\$	\$ 52,000	\$ -		\$ 52,000	0.00%	
TOTAL EXPENSES/OUTFLOWS	\$ 156,404,000	\$ 156,404,000	\$ 69,853,045	\$ 100,000	\$ 86,450,955	44.66%	39.48%
CHANGE IN NET PLAN ASSETS	\$ (22,000)	\$ (22,000)	\$ 3,230,194	\$ (1,599,000)	\$ (3,352,194)		

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

UNIVERSITY OF COLORADO HEALTH AND WELFARE TRUST COMMITTEE

FY12 - SECOND QUARTER REPORTS

February 21, 2012

Plan Utilization: Brad Cornish, *Mercer*

Fiscal Year 2012 Q2 Financial Highlights

February 21, 2012

**University of Colorado Health and Welfare Trust
Fiscal Year 2012 Q2 Financial Highlights**

- Year to date, through the first quarter, the trust results are 5.0% below budgeted accrual rates.
 - Budget: \$74.9M
 - Actual: \$71.2M
- These are the first results to be published which include self funded Kaiser and Colorado Access options.
- Actual to budget results are shown assuming a straight line budget; after accounting for trend and seasonality, projected results point to an annual budget surplus (including funding for reserves and \$1.8M UCH pharmacy revenue sharing) of 1.3%.
- The second quarter results are overall favourable versus the second quarter of fiscal year 2011.
 - Medical claims PEPM is 2.3% higher
 - Rx claims PEPM is 1.0% higher
 - Overall PEPM is 4.4% higher, reflecting administration fees and that some Kaiser costs that might otherwise be considered a medical claims are counted in administrative fees
- All claims are measured on an incurred basis, and so estimates have been made for those claims which have been incurred but not yet reported.
- A reserve of \$13.0M has been calculated as necessary to provide for both incurred but not reported claims (\$11.0M) as well as claims reported as paid by Anthem but not yet reimbursed to Anthem by the trust (\$2.0M). The reserve has been incorporated into the comparison of actual costs to budgeted rates discussed above. The reserve is substantially higher than reported in the past due to the new inclusion of very immature paid claims results for Kaiser and Colorado Access.
- There continue to be 12 claimants with more than \$250,000 in claims that have been both incurred since self funded plan inception and paid in the last 12 months. The expected number of claims in excess of \$250,000 for the full year on a paid basis is 22.
- Reporting for Kaiser and Colorado Access are likely to have a greater degree of variability of accuracy than will be found in future quarterly reporting results due to data immaturity.