

MINUTES OF THE HEALTH AND WELFARE TRUST COMMITTEE MEETING
February 25, 2013

University of Colorado System Offices
1800 Grant Street, Denver, 8th floor
Astronauts Conference Room

I. Call to Order; Introductions

Trust Committee Chair E. Jill Pollock called the meeting to order on Monday, February 25, 2013, at 4:37 p.m. Other trustees attending were Bonnie Shelor, Elizabeth Kissick and Todd Saliman. Anthony DeFurio attended by phone.

Other attendees were:

- Tricia Strating, Professional Assistant to Vice President, Employee and Information Service
- Gena Trujillo, Plan Administrator
- Melissa Martin, Assistant University Counsel
- Brad Cornish, Mercer
- Chris Mast, Mercer
- Kristine McNamara, Director of Accounting Services, CU
- Leah Cheney, Legal Assistant to Managing Assistant University Counsel
- Paula Wallace, staff counsel representative from UCD
- Cindy Birley, Trust Counsel, Davis Graham and Stubbs
- Jeremy Hueth, Trust Counsel and System Managing Associate Counsel, CU
- Jeff Johnson, UCH
- Liz Jennings, Manager of Employee Benefits, UCH
- Angela Brian, faculty counsel representative from UCB
- Bruce Neumann, UBAB
- Mark Stanker, Trust Plan Administrator and Assistant Vice President, Payroll & Benefit Services, CU
- Don Eldhart, Treasurer, CU
- Kathy McCreary, Director of Managed Care and Contract Administration, UCH
- Geoff Barsch, Associate Vice President of Budget and Finance, CU

II. Approval of November 26, 2012 meeting minutes

The following corrections were made to the November 26, 2012 minutes:

3. COI with UCH/UPI

~~Mr. Neumann raised concern on behalf of UBAB with regard to perceived conflict of interest with UCH/UPI. Jeremy Hueth, trust counsel, addressed his question by clarifying that rates are set by a third party fiduciary rate. Mr. Hueth also offered to attend the next UBAB meeting in order to answer any of their questions.~~

Dr. Neumann raised concerns on behalf of UBAB with regard to perceived conflicts of interest involving trustees from UCH and UPI. Dr. Neumann was most concerned about “sweetheart deals” involving rates, rate setting processes, and expansion of Colorado Health that had the appearance of benefiting UCH and UPI at the cost of higher than necessary rates to CU employees. Jeremy Hueth, trust counsel, addressed his question by clarifying that rates are set by a third party fiduciary rate. Dr. Neumann was also concerned about the lack of employee representation on the Trust Board and at the Employer’s Group meetings. Mr. Hueth also offered to attend the next UBAB meeting in order to answer any of their questions.

III. Receipt of 2nd Quarter Financial and Utilization Reports

The following reports were received, copies of which are attached to these minutes.

A. Financial

Kristine McNamara, Director of Accounting Services, CU

- FY13-Balance Sheet
- FY13-Statement of Revenues, Expenses, and changes in Plan Net Assets

B. Treasury

Don Eldhart, University Treasurer, CU

- Quarterly Report on Investments
- Bank and Investment Balances by day- FY13
- Monthly Minimum Resources
- Monthly Maximum Resources

C. Budget Performance

Mark Stanker, Assistant Vice President, Payroll & Benefit Services, CU, and Trust Plan Administrator

- FY13- Budget to Actual + Projected Expense Report

D. Plan Utilization

Brad Cornish, Mercer

- Fiscal Year 2013 Q2 Financial Highlights

4. Public Comment Period

Public comments were received by Bruce Neumann from UBAB:

1. Reserves

The question was raised to Brad Cornish, Mercer, with regard to the \$17.3 million reserves. Dr. Neumann wanted to know if the reserves are dead assets at any given point in time or investable funds.

Mr. Cornish addressed his question by highlighting the fact that the numbers reported by Kristine McNamara are covered by the plan net assets. Kristine McNamara confirmed that this was an accurate statement.

2. Estimates

Dr. Neumann asked for clarification on when the estimates were made. Were they made at a given point in time or were they supposed to be carried over for the whole quarter?

Mr. Cornish replied that his estimate was as of December 31st.

3. Switch from Cigna to Anthem

Dr. Neumann brought up the issue of continuity of care. The press release did not address the fact that CU had Anthem then switched to Cigna and then switched again to Anthem. Dr. Neumann also wanted to know what the employees could expect from the transition.

Jeremy Hueth addressed this question by stating the ultimate contract will be voted on by the trust committee, but not at this time. Mark Stanker also addressed this question by discussing how the transition process worked.

4. What will the changes be with Anthem?

Dr. Neumann suggested that the employees would be interested in knowing what Anthem will do better this time.

Mark Stanker addressed this question by describing the concerns listed during the RFP process.

5. Resolution

Request for detailed accounting for any overpayment CU has made. Once the amount is determined it should be maintained and disclosed to employees and held for future application against rate increases. A copy of the resolution is attached to these minutes.

Jill Pollock commented on the resolution that it will be seriously reviewed by the employers group and although there has been some discussion, a final decision has not been made.

5. Meeting Schedule

The next trust committee meeting will be May 20, 2013 4:30 p.m. in the Astronauts Conference Room, 8th floor, University of Colorado System Offices, 1800 Grant Street, Denver, Colorado.

6. Adjournment

Moved by Bonnie Shelor; seconded by Todd Saliman. The meeting was adjourned at 4:55 p.m.

UNIVERSITY OF COLORADO HEALTH AND WELFARE TRUST COMMITTEE

FY13 – SECOND QUARTER REPORTS

February 25, 2013

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

FY13 - Balance Sheet

FY13 - 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 – FY13

Monthly Minimum Resources

Monthly Maximum Resources

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

FY13 - Budget to Actual + Projected Expense Report

Plan Utilization: *Brad Cornish, Mercer*

Fiscal Year 2013 Q2 Financial Highlights

UNIVERSITY OF COLORADO HEALTH AND WELFARE TRUST COMMITTEE

FY13 – SECOND QUARTER REPORTS

February 25, 2013

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

FY13 - Balance Sheet

FY13 - Statement of Revenues, Expenses, and Changes in Plan Net Assets

UNIVERSITY OF COLORADO HEALTH AND WELFARE TRUST COMMITTEE
FY13 - BALANCE SHEET (unaudited), As of: 12/31/2012
February 25, 2013

	<u>Current</u> <u>Quarter (Q2)</u> <u>12/31/2012</u>	<u>Last</u> <u>Quarter (Q1)</u> <u>9/30/2012</u>	<u>FY12</u> <u>Year End</u> <u>6/30/2012</u>	<u>FY12</u> <u>Quarter (Q2)</u> <u>12/31/2011</u>
<u>Assets</u>				
Cash:				
Medical	\$ 1,604	\$ 354,682	497	335,548
University of Colorado Flexible Spending Account	713,143	859,810	1,170,036	617,564
University Hospital Flexible Spending Account	112,214	177,927	272,621	127,058
University Physician's Inc. Flexible Spending Account	9,566	14,063	21,940	9,801
University Colorado Hospital Flexible Spending Account	146,940	-	-	-
Investments	6,691,618	11,395,080	15,826,014	16,112,604
Premiums Receivable - Medical	17,461,694	10,748,791	550,981	3,985,462
Pharmacy Rebate Receivable	2,832,007	2,837,812	2,837,812	100,063
Receivable from Member	3,341,338	3,341,338	3,341,338	-
Flexible Spending	-	-	-	73,387
Miscellaneous Receivables	41,714	39,725	151,472	158,843
Total Assets	\$ 31,351,838	\$ 29,769,227	24,172,711	21,520,330
<u>Liabilities and Net Assets</u>				
Accounts Payable - Medical	1,005,176	14,610	503,180	2,592,225
Contracts Payable	328,723	303,676	447,647	-
Global Payment Fees Payable	-	-	1,064,647	989,937
Benefit Claims Payable - Medical	742,878	893,364	3,184,165	659,857
Incurred But Not Reported Claims Estimate	9,935,804	9,935,804	9,935,804	5,618,631
Flexible Spending	995,499	1,044,815	1,419,847	-
Total Liabilities	13,008,080	12,192,269	16,555,290	9,860,650
Plan Net Assets	18,343,758	17,576,958	7,617,421	11,659,680
Total Liabilities and Plan Net Assets	\$ 31,351,838	\$ 29,769,227	24,172,711	21,520,330

UNIVERSITY OF COLORADO HEALTH AND WELFARE TRUST COMMITTEE
FY13 - STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN PLAN NET ASSETS (unaudited)
For the Six Month Period Ended December 31, 2012

	<u>Current</u> <u>Quarter (Q2)</u> <u>12/31/2012</u>	<u>Last</u> <u>Quarter (Q1)</u> <u>9/30/2012</u>	<u>FY12</u> <u>Year End</u> <u>6/30/2012</u>	<u>FY12</u> <u>Quarter (Q2)</u> <u>12/31/2011</u>
<u>Operating Revenues</u>				
Employer Contributions	\$ 77,907,270	\$ 35,642,247	128,738,224	62,163,908
Employee Contributions	14,304,323	6,556,111	25,787,757	12,841,822
Flexible Spending Forfeitures	-	-	186,763	-
Miscellaneous	10,936	10,936	-	-
Total Operating Revenues	92,222,529	42,209,295	154,712,744	75,005,730
<u>Operating Expenses</u>				
Medical Claims	73,351,910	29,000,998	136,757,473	58,877,131
Medical Claims Administration	7,652,052	3,016,063	10,944,867	7,107,730
Flexible Spending Accounts Claims Administration	83,435	37,765	142,023	70,568
General and Administrative	395,866	229,703	1,028,388	267,692
Total Administrative	8,131,353	3,283,532	12,115,278	7,445,990
Total Operating Expenses	81,483,263	32,284,529	148,872,751	66,323,121
Operating Income	10,739,267	9,924,765	5,839,993	8,682,609
<u>Nonoperating Revenues (Expenses)</u>				
Investment Earnings	5,862	3,267	14,499	4,857
Wellness Initiative	(50,296)	-	(358,990)	(31,883)
Colorado Weigh	31,505	31,505	16,200	-
Total Nonoperating Revenues (Expenses)	(12,929)	34,772	(328,291)	(27,026)
Change in Plan Net Assets	10,726,337	9,959,538	5,511,702	8,655,583
Plan Net Assets Beginning of Period	7,617,421	7,617,421	2,105,719	3,004,097
Plan Net Assets End of Period	\$ 18,343,758	\$ 17,576,958	7,617,421	11,659,680

UNIVERSITY OF COLORADO HEALTH AND WELFARE TRUST COMMITTEE

FY13 – SECOND QUARTER REPORTS

February 25, 2013

Treasury: *Don Eldhart, University Treasurer*

Quarterly Report on Investments
Bank and Investment Balances by Day – FY13
Monthly Minimum Resources
Monthly Maximum 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: February 6, 2012
Re: Quarterly Report on Investments

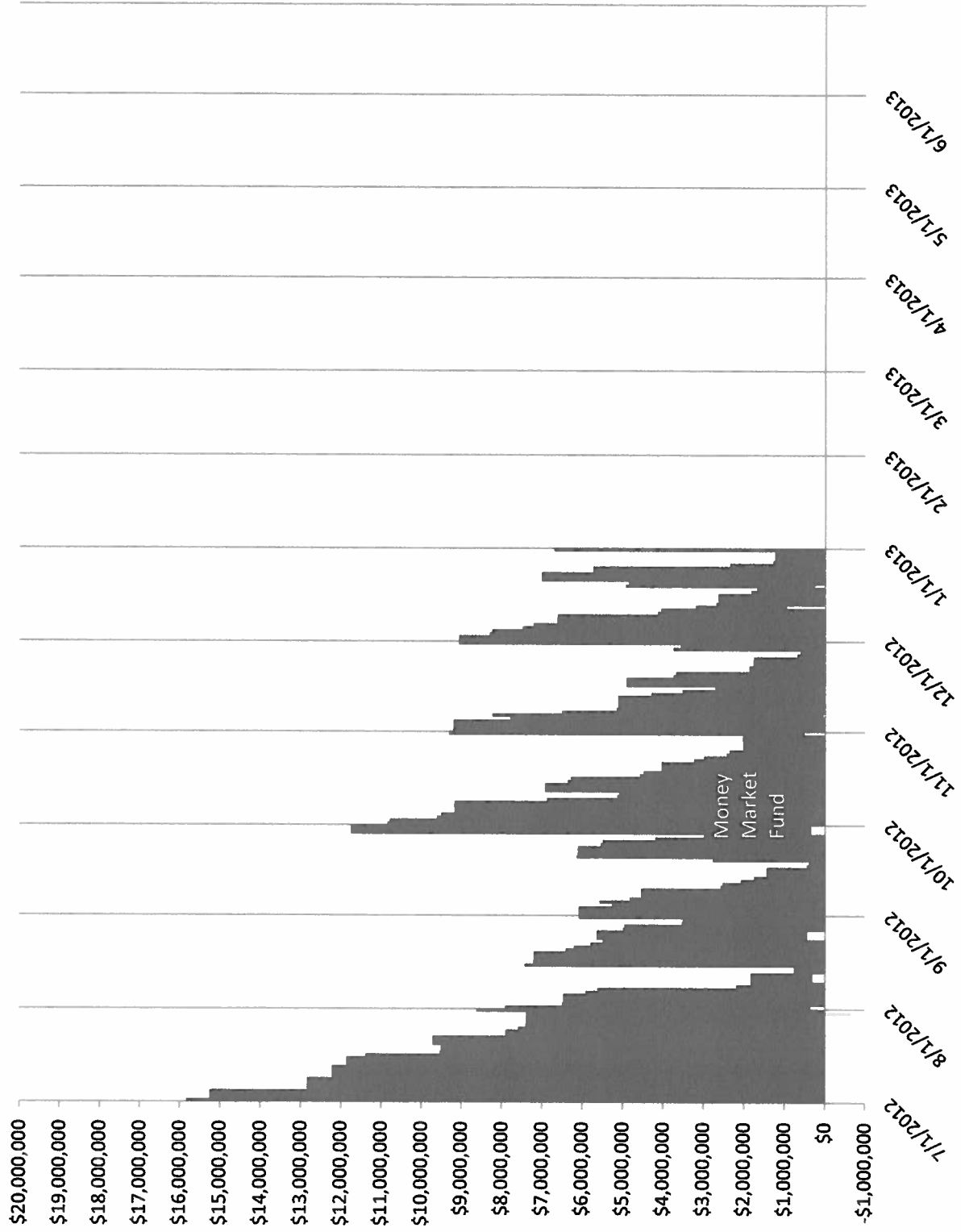
The Trust's investments at December 31, 2012, totaled \$6.7 million. This amount was invested in the BlackRock TempFund, a money market mutual fund rated AAAm and Aaa by Standard & Poor and Moody's, respectively. Money market mutual funds are permitted by the Trust's investment policy. The returns on money market fund continue to be modest. Money market funds normally focus on safety and liquidity first and have investment returns as a secondary goal.

The pattern on the first chart for the first six months of fiscal year 2013 shows that investable balances continue to have a great deal of intra-month volatility. During the quarter, the balances varied between \$607,000 and \$10.8 million. The month-to-month pattern of expenditures is consistent with prior years. In terms of cash flows, premiums are normally received near each month end. In December, a portion of that month's premiums were moved early to cover expenditures. This fiscal year, payments for claims occur every business day. In prior years, funding of similar claims occurred only once each week.

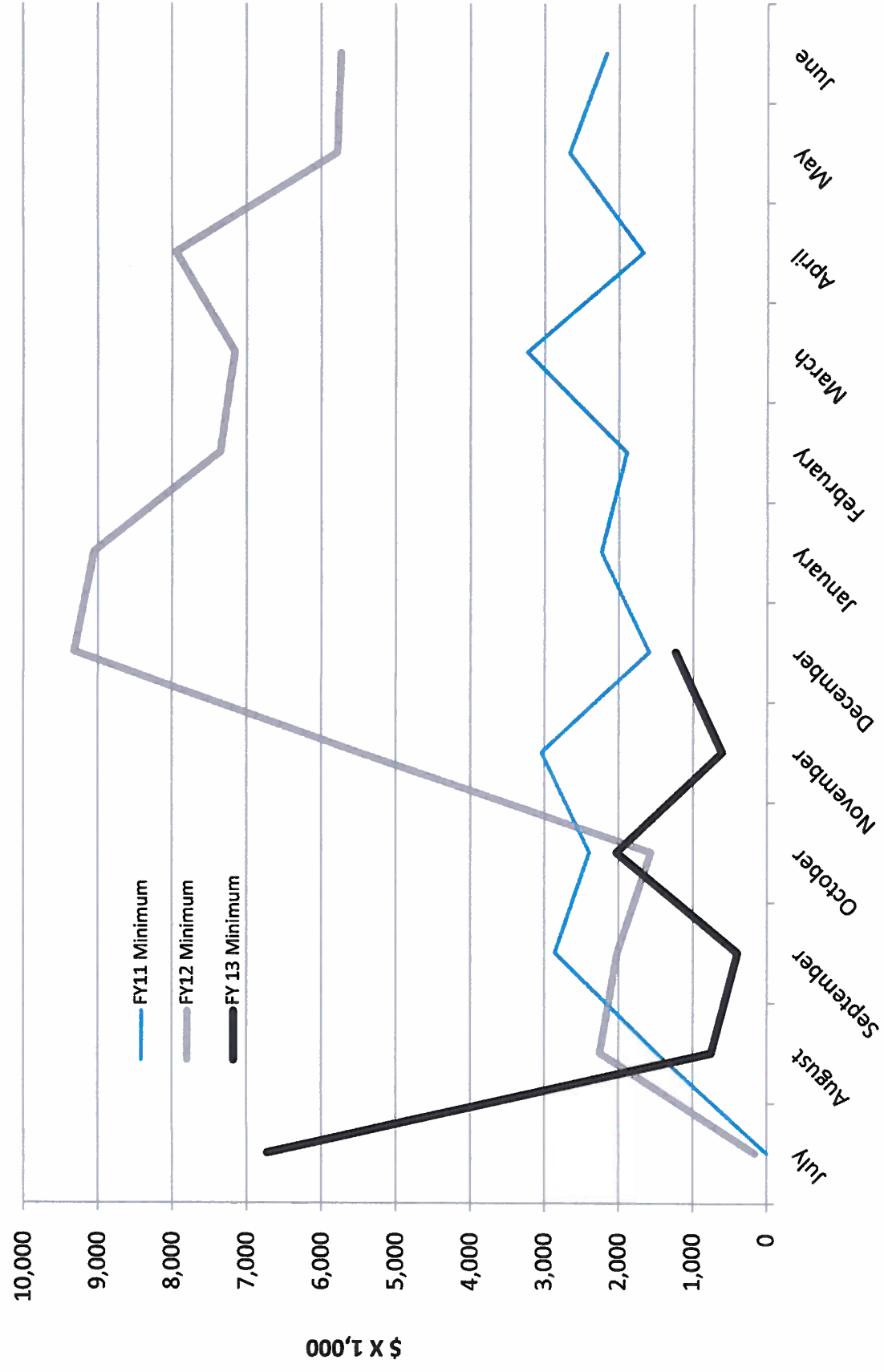
The second and third attached charts depict the minimum and maximum monthly investible resources for fiscal year 2011, 2012 and 2013. Based on the data shown in these two charts, volatility of the minimum and maximum investable balances appears to be somewhat lower in the second half of each fiscal year.

In terms of performance, the Trust's investments in the BlackRock TempFund outperformed all but 9% of the ninety-nine money market funds within the Money Market Funds database. The annualized investment return on the Trust's money market fund of 15 basis points (0.15%) for the quarter exceeded that of the benchmark. The Consumer Price Index was down 1.01% for this same quarter.

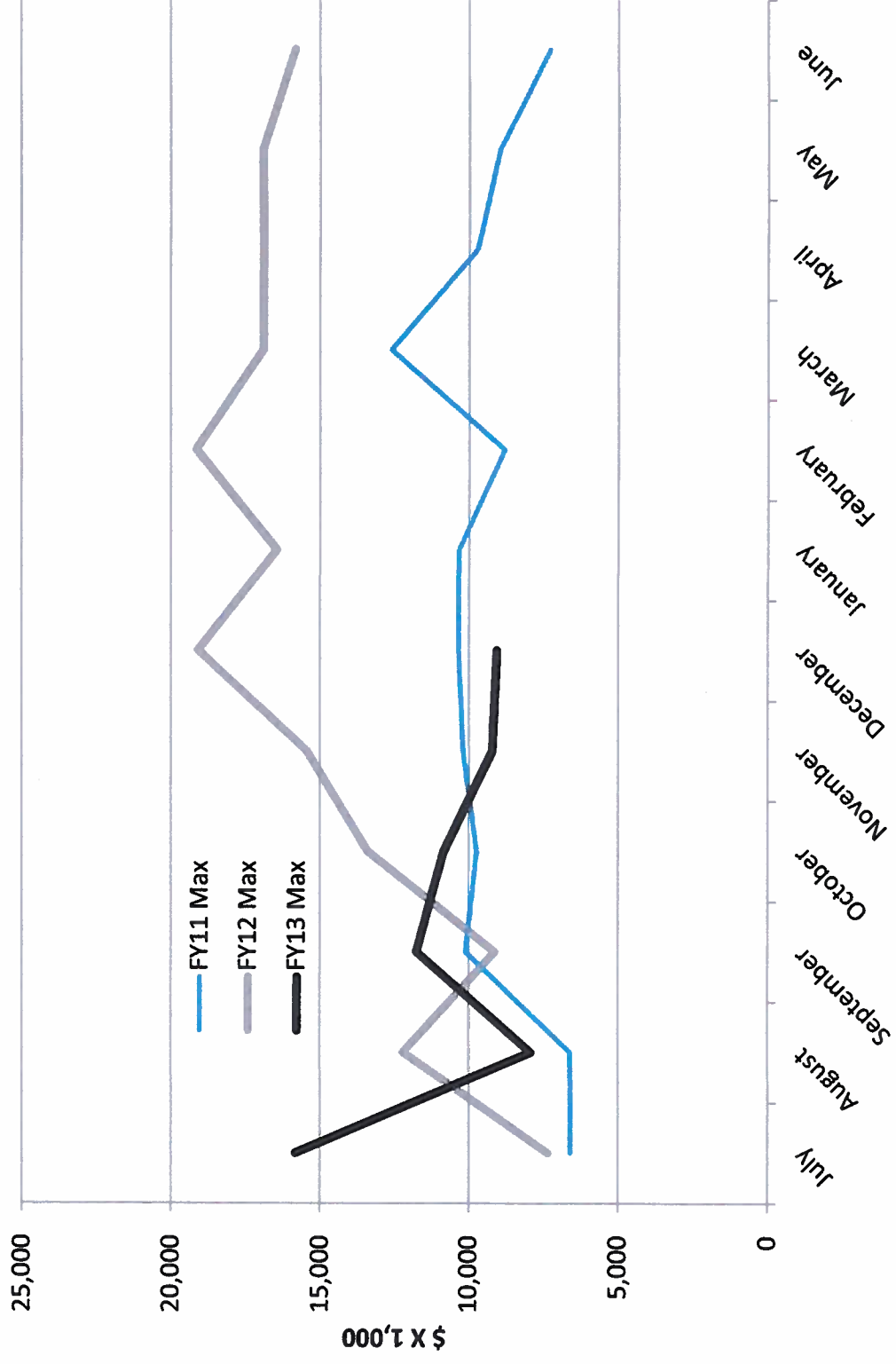
Bank and Investment Balances by Day **Wells Fargo and Money Market Fund - FY2013**



UCHWT Monthly Minimum Resources



UCHWT Monthly Maximum Resources



UNIVERSITY OF COLORADO HEALTH AND WELFARE TRUST COMMITTEE

FY13 – SECOND QUARTER REPORTS

February 25, 2013

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

FY13 - Budget to Actual + Projected Expense Report

UNIVERSITY OF COLORADO HEALTH AND WELFARE TRUST COMMITTEE
FY13 - BUDGET TO ACTUAL + PROJECTED EXPENSE REPORT - As of: 12/31/2012
February 25, 2013

	FY13 CURRENT BUDGET	FY13 TOTAL BUDGET	FY13 ACTUALS AS OF 9/30/12	FY13 ENCUMBRANCES	FY13 AVAILABLE AMOUNT	FY13 % BUDGET TO ACTUALS	* FY12 % BUDGET TO ACTUALS
REVENUES/INFLOWS							
SELF-FUNDED MEDICAL PLANS (including COBRA)							
CIGNA + Run-out (Anthem & Colorado Access)	\$ (193,433,000)	\$ (149,206,500)	\$ (69,877,143)		\$ (79,329,357)	46.83%	46.13%
KAISER		\$ (44,226,500)	\$ (22,334,450)		\$ (21,892,050)	50.50%	34.72%
HEALTH CARE FSA PLANS	\$ (6,370,000)						
ASI		\$ (4,270,000)	\$ (2,155,131)		\$ (2,114,869)	50.47%	60.75%
PAYFLEX		\$ (2,100,000)	\$ (882,507)		\$ (1,217,493)	42.02%	55.15%
UCH Rx REVENUE	\$ (2,837,812)	\$ (2,837,812)	\$ -		\$ (2,837,812)	0.00%	44.02%
INVESTMENT INCOME	\$ (20,000)	\$ (20,000)	\$ (5,815)			29.08%	
MISC REVENUE	\$ (50,000)	\$ (50,000)	\$ (42,441)		\$ (7,559)	84.88%	
TOTAL REVENUE/INFLOWS	\$ (202,710,812)	\$ (202,710,812)	\$ (95,297,487)	\$ -	\$ (107,413,325)	47.01%	42.59%
EXPENSES/OUTFLOWS							
INCURRED SELF-FUNDED CLAIMS AND RESERVES							
CIGNA + Run-out (Anthem & Colorado Access)	\$ 166,299,380	\$ 127,311,285	\$ 56,258,259		\$ 71,053,026	44.19%	48.96%
KAISER		\$ 37,993,095	\$ 16,701,365		\$ 21,291,730	43.96%	32.90%
PLAN REVIEW PANEL - STUDIES		\$ 995,000	\$ -		\$ 995,000	0.00%	
GLOBAL PAYMENTS	\$ 12,787,000	\$ 12,787,000	\$ 6,303,211		\$ 6,483,789	49.29%	49.02%
ADMINISTRATIVE FEES, MISC CHARGES							
ASO FEES	\$ 14,114,620						
CIGNA + Run-out (Anthem & Colorado Access)		\$ 7,925,227	\$ 3,885,899		\$ 4,039,328	49.03%	47.79%
KAISER		\$ 6,189,393	\$ 4,157,878		\$ 2,031,515	67.18%	25.53%
BANK CHARGES	\$ 10,000	\$ 10,000	\$ 4,790		\$ 5,210	47.90%	18.92%
MISC CHARGES	\$ 10,000	\$ 10,000	\$ 3,281		\$ 6,719	32.81%	32.47%
FSA CLAIMS ADMINISTRATION	\$ 164,500						
ASI		\$ 105,000	\$ 63,870		\$ 41,130	60.83%	42.23%
PAYFLEX		\$ 59,500	\$ 32,670		\$ 26,830	54.91%	58.05%
FSA CLAIM PAYMENTS	\$ 6,290,000						
ASI		\$ 4,220,000	\$ 2,579,727		\$ 1,640,273	61.13%	62.95%
PAYFLEX		\$ 2,070,000	\$ 869,155		\$ 1,200,845	41.99%	58.89%

UNIVERSITY OF COLORADO HEALTH AND WELFARE TRUST COMMITTEE
FY13 - BUDGET TO ACTUAL + PROJECTED EXPENSE REPORT - As of: 12/31/2012
February 25, 2013

	FY13 CURRENT BUDGET	FY13 TOTAL BUDGET	FY13 ACTUALS AS OF 9/30/12	FY13 ENCUMBRANCES	FY13 AVAILABLE AMOUNT	FY13 % BUDGET TO ACTUALS	* FY12 % BUDGET TO ACTUALS
WELLNESS & PREVENTION	\$ 1,580,000						
BIOMETRIC SCREENINGS		\$ 50,000	\$ 47,450				
HEALTH RISK ASSESSMENT		\$ 336,000	\$ -		\$ 336,000	0.00%	0.00%
SOM POPULATION MANAGEMENT		\$ 300,000	\$ -		\$ 300,000	0.00%	0.00%
AMERICA ON THE MOVE		\$ 40,000	\$ -		\$ 40,000	0.00%	0.00%
WEIGHT MANAGEMENT		\$ 40,000	\$ -		\$ 40,000	0.00%	36.88%
Rx CONSULT		\$ 225,500	\$ 169,090		\$ 56,410	74.98%	
PILOTS AND STUDIES		\$ 588,500	\$ 2,846		\$ 585,654	0.48%	12.80%
DATA WAREHOUSE	\$ 280,000	\$ 280,000	\$ 112,857		\$ 167,143	40.31%	0.00%
TRUST FEES							
CONSULTING	\$ 400,000						
ACTUARY		\$ 150,000	\$ 10,654	\$ 41,211	\$ 98,135	7.10%	47.10%
LEGAL		\$ 150,000	\$ 4,451		\$ 145,549	2.97%	91.40%
MANAGEMENT		\$ 65,000	\$ 11,426	\$ 6,552	\$ 47,022	17.58%	45.62%
BENEFITS/CONTRACTING		\$ 5,000	\$ -		\$ 5,000	0.00%	0.00%
AUDIT		\$ 30,000	\$ -	\$ 27,000	\$ 3,000	0.00%	98.33%
INSURANCE	\$ 106,000						
FIDUCIARY LIABILITY		\$ 36,000	\$ 32,516		\$ 3,484	90.32%	117.48%
ERRORS AND OMISSIONS		\$ 70,000	\$ 58,710		\$ 11,290	83.87%	175.31%
CRIME		\$ -	\$ -		\$ -		187.36%
ADMINISTRATIVE	\$ 550,000						
CU HEALTH PLAN ADMINISTRATION		\$ 550,000	\$ -	\$ 104,092	\$ 445,908	0.00%	0.00%
TOTAL EXPENSES/OUTFLOWS	\$ 202,591,500	\$ 202,591,500	\$ 91,310,105	\$ 178,855	\$ 111,099,990	45.07%	44.66%
CHANGE IN NET PLAN ASSETS	\$ (119,312)	\$ (119,312)	\$ (3,987,382)	\$ 178,855	\$ 3,686,665		

UNIVERSITY OF COLORADO HEALTH AND WELFARE TRUST COMMITTEE

FY13 – SECOND QUARTER REPORTS

February 25, 2013

Plan Utilization: Brad Cornish, *Mercer*

Fiscal Year 2013 Q2 Financial Highlights

February 2013

**University of Colorado Health and Welfare Trust
Fiscal Year 2013 Q2 Financial Highlights**

- For the first quarter, the trust results are 7.5% below budgeted accrual rates.
 - Budget: \$93.7M
 - Actual: \$86.7M
- 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 of 3.0%.
 - Results do not yet take into account Rx revenue sharing from UCH pharmacy.
- Q2 FY 2013 PEPM costs are 2.9% higher than Q1 FY 2012 costs.
- Q2 FY 2013 PEPM costs are 0.3% lower than full FY 2012 costs.
- 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 \$17.3M has been calculated as necessary to provide for both incurred but not reported claims (\$14.6M) for Cigna, Anthem and Kaiser as well as claims reported as paid by Cigna and Kaiser but not yet reimbursed to them by the trust (\$2.7M). The reserve has been incorporated into the comparison of actual costs to budgeted rates discussed above.
- This is the first report to include Memorial Hospital, and since the incurred Memorial data is extremely immature, it is likely to have a greater degree of variability than it will in future quarterly reporting.
- No large claimant reporting on a 12 month basis is yet available due to Cigna replacing Anthem.

Neumann, Bruce

Subject: FW: UBAB rate review proposal #2 (2013)

From: Neumann, Bruce
Sent: Wednesday, January 23, 2013 12:11 PM
To: Neumann, Bruce; Jill Pollock; Jeremy Hueth; Mark Stanker
Cc: leonard.dinegar@cu.edu; melinda.piket-may@cu.edu; Paul Chinowsky
Subject: UBAB rate review proposal #2 (2013)

Hello all, here is UBAB's second proposal on rates and reserves for the Health Plan:

UBAB RECOMMENDATION ON RETROSPECTIVE ACCOUNTING OF CU'S ACTUAL CLAIMS EXPERIENCE

Since UCH has paid an additional \$6m over normal premiums during the first two years of the Trust, UBAB recommends that the consultants calculate whether CU employees actually under-utilized claims experiences, and/or over-paid their premiums? In other words, since UCH has over-utilized and/or under-paid by the amount of \$6m, what is the corresponding amount for CU in terms of under-utilization and/or over-payment?

Once this amount is determined, UBAB recommends that "memo accounts" of these 'virtual dollars' be maintained and disclosed to employees and held for future application against future rate increases, as appropriate. It is necessary that such memo accounting be maintained in order to fully understand whether any cross-subsidy is being provided by CU employees to UCH employees and to monitor how such virtual dollars will be utilized.

Furthermore, UBAB requests the consultants to identify when, and under what circumstances, the 2% annual addition to reserves can be decreased or eliminated?

Respectfully submitted, Bruce R. Neumann, UBAB Chair

Bruce R. Neumann, Ph.D.
Professor of Accounting and Healthcare Financial Management
Business School, University of Colorado **Denver**
303 315 8473 FAX: 303 315 8084