

Maricopa County
Employee Benefits Trust Funds
Report of Financial Statements
March 31, 2011

Table of Contents

Trust Fund - Fund Descriptions	Schedule 1
Fund Balance Roll-Forward	Schedule 2
Statement of Net Assets	Schedule 3
Statement of Revenue and Expenses	Schedule 4
Statement of Revenue and Expenses - Budget vs Actual	Schedule 5
Notes	Schedule 6

Trust Fund – Fund Descriptions

Cigna HMO High – (Fund 601) Self insured medical plan that provides members with an In-Network HMO plan with a low deductible and low out of pocket maximums. This plan has relatively higher premiums compared to the other HMO plans.

Cigna HMO Low – (Fund 602) Self insured medical plan that provides members with an In-Network HMO plan with a slightly higher deductible and higher out of pocket maximums. This plan has a lower premium compared to the other HMO plans.

Cigna OAP IN – (Fund 603) Self insured medical plan that provides members with an In-Network OAP plan with a low deductible and low out of pocket maximums.

Cigna OAP High – (Fund 604) Self insured medical plan that provides members with both In-Network and Out-of-Network coverage. This plan has a higher deductible and higher out of pocket maximums for both coverage levels and higher out of pocket maximums. This plan has a relatively higher premium compared to the OAP Low plan.

Cigna OAP Low – (Fund 605) Self insured medical plan that provides members with both In-Network and Out-of-Network coverage. This plan has a lower deductibles and higher out of pocket maximums for both coverage levels and higher out of pocket maximums. This plan is a low premium plan.

Choice Fund, Health Savings Account (HSA) – (Fund 606) A high deductible health plan where Maricopa County will fund a portion of the members account when they sign up. Money in the members account belongs to the member, even if they part with Maricopa County. There are many tax regulations regarding HSA accounts, publications 969 and 502 have more information regarding these accounts.

Cigna for Seniors – (Fund 632) Fully insured medical plan that provides members medical coverage if they or their spouse, qualify for the plan.

Delta Dental – (Fund 607) Fully insured Preferred Provider Organization (PPO) dental plan that is a national coverage plan and has the highest premiums of the dental plans offered.

Employer Dental Services – (Fund 625) Fully insured Dental Care Organization (DCO) dental plan that has no deductible and has no annual maximums. The plan only has coverage within Maricopa County and has the lowest premiums of the dental plans offered.

Cigna Dental – (Fund 629) Self insured Preferred Provider Organization (PPO) dental plan that is a national coverage plan.

Co-Insurance Pharmacy Plan – (Fund 608) Self insured pharmacy plan with five (5) tiers of coverage where Maricopa County and members share a percentage of the costs depending on what level the drugs fall into. This is more of the traditional type of insurance coverage and requires members to pay a monthly premium.

Consumer Choice Pharmacy Plan – (Fund 609) Self insured pharmacy plan with four (4) tiers of coverage. This plan acts like an HSA account, where Maricopa County deposits money into the members

account and depending on the coverage level the plan subsidizes the costs differently. Full time employees do not have to pay a premium for this coverage.

Short Term Disability – (Funds 610, 611, 612, 613) Self insured insurance plans where members can choose between 70%,60%, 50% and 40% coverage levels.

Behavioral Health – (Fund 614) Self-insured mental health and substance abuse program provided to all employees and their dependants. This is an employer paid benefit for all members who are enrolled in CIGNA medical plans. Coverage can also be purchased as a standalone option for employees who do not elect medical coverage.

Employee Assistance – (Fund 628) Self-insured short term counseling service for all active employees and their dependants. This is an employer paid benefit that provides counseling on work and personal issues.

Wellness – (Fund 615) Self-insured, employer funded program that provides various array of services to ensure members are given the best opportunity to maintain a healthy lifestyle. This is achieved through both preventative programs and programs to help members stay fit and healthy.

Contract Administration – (Fund 616) Employer funded for administration expense of the various contracts within the Trust Fund.

Benefit Administration – (Fund 618) Employer funded for the entire administration of the Trust Fund.

Flexible Spending/Dependant Care – (Funds 621 and 622) These plans allow members to pay for health care and day care expense tax free. These plans are considered ‘flow through’ because the funds are taken out of the members’ paycheck and deposited into a bank account setup by the member. These plans are funded wholly by the employee.

Vision – (Funds 623 and 624) Both funds are self funded and act as the same plan, 624 is the standalone version if the employee does not elect medical coverage. The stand alone vision rates are higher than the bundled rates in 623.

Additional Life Insurance – (Fund 626) Fully insured fund where employees can purchase up to 5 times their salary. The combination of Basic Life (employer paid) and Additional Life (employee paid) cannot exceed \$1,000,000.

Additional Accidental Death and Dismemberment – (Fund 627) Fully insured fund where employees can purchase up to 5 times their salary. The maximum coverage cannot exceed \$500,000. Employees can also elect family coverage for their spouse and/or children.

Dependent Life Insurance – (Fund 630) Fully insured fund where employees can purchase life insurance for their spouse and/or children (legal spouse and children). Child life is available for children ages from life to 26 and the insurance coverage cannot exceed \$20,000, and spouse life cannot exceed \$100,000.

Voluntary Benefits – (Fund 631) Fully insured fund where employees can purchase group legal services through Hyatt Legal Plans. This allows employees access to legal services ranging from adoption to wills for a discounted payroll deduction.

MARICOPA COUNTY

Schedule 2

EMPLOYEE BENEFITS TRUST FUNDS

Fund Balance Roll-Forward

Nine Months Ended March 31, 2011

<u>Fund</u>	<u>Expenditures</u>	<u>Revenues</u>	<u>Profit/(Loss)</u>	<u>Fund Balance 7/1/2010</u>	<u>Fund Balance 3/31/2011</u>
601-CMG HIGH OPTION	\$ 27,458,019	\$ 29,349,930	\$ 1,891,911	\$ (478,873)	\$ 1,413,038
602-CMG LOW OPTION	820,716	917,774	97,058	1,108,864	1,205,922
603-OAP IN	11,796,980	13,226,293	1,429,313	(4,606,376)	(3,177,063)
604-OAP HIGH OPTION	21,933,791	21,537,395	(396,396)	2,391,193	1,994,797
605-OAP LOW OPTION	1,679,081	1,631,750	(47,331)	1,427,324	1,379,993
606-CHOICE FUND H.S.A.	3,770,037	4,836,633	1,066,596	(77,630)	988,966
Total Medical	\$ 67,458,623	\$ 71,499,776	\$ 4,041,152	\$ (235,498)	\$ 3,805,654
607-FI DENTAL PPO	\$ 3,939,129	\$ 3,931,528	\$ (7,601)	\$ 86,084	\$ 78,483
625-FI PREPAID DENTAL	301,238	301,214	(25)	110,566	110,541
629-SI DENTAL	2,606,153	2,642,355	36,201	4,901,294	4,937,495
Total Dental	\$ 6,846,520	\$ 6,875,096	\$ 28,576	\$ 5,097,944	\$ 5,126,520
608-COINSURANCE	\$ 8,709,034	\$ 9,603,153	\$ 894,119	\$ 19,155,573	\$ 20,049,692
609-CONSUMER CHOICE	1,307,689	1,494,450	186,761	2,156,111	2,342,872
Total Pharmacy	\$ 10,016,723	\$ 11,097,603	\$ 1,080,879	\$ 21,311,684	\$ 22,392,563
610-70 PERCENT STD	\$ 1,084,521	\$ 1,640,441	\$ 555,920	\$ 4,892,184	\$ 5,448,104
611-60 PERCENT STD	251,526	380,369	128,843	1,253,917	1,382,760
612-50 PERCENT STD	225,432	323,006	97,574	1,023,502	1,121,076
613-40 PERCENT STD	59,854	153,942	94,088	521,303	615,391
Total STD	\$ 1,621,333	\$ 2,497,758	\$ 876,425	\$ 7,690,906	\$ 8,567,331
623-VISION	\$ 1,108,756	\$ 1,061,539	\$ (47,217)	\$ 320,199	\$ 272,982
624-STAND ALONE VISION	0	0	0	0	0
Total Vision	\$ 1,108,756	\$ 1,061,539	\$ (47,217)	\$ 320,199	\$ 272,982
614-BEHAVIORAL HEALTH	\$ 1,199,430	\$ 3,308,339	\$ 2,108,908	\$ 2,327,041	\$ 4,435,949
615-WELLNESS	262,371	543,608	281,236	2,333,874	2,615,110
616-CONTRACT ADMINISTRATION	190,515	210,163	19,649	557,556	577,205
617-MED INCENTIVE AND PENALTIES	0	0	0	2,110,151	2,110,151
618-BENEFIT ADMINISTRATION	1,787,460	1,820,380	32,920	519,395	552,315
628-EMPLOYEE ASSISTANCE	141,634	141,467	(167)	874	707
631-VOLUNTARY BENEFITS	231,126	229,936	(1,190)	5,326	4,136
632-CIGNA FOR SENIORS	437,885	407,282	(30,603)	68,499	37,896
652-HEALTH SELECT SI TRUST	1,380,291	49,990	(1,330,301)	1,330,301	(0)
Total Other	\$ 5,630,713	\$ 6,711,165	\$ 1,080,452	\$ 9,253,017	\$ 10,333,469
621-FLEX SPENDING HEALTH	\$ 2,116,874	\$ 2,075,345	\$ (41,529)	\$ 389,797	\$ 348,268
622-FLEX SPENDING DEP CARE	579,120	722,146	143,026	84,677	227,703
Total FSA	\$ 2,695,995	\$ 2,797,492	\$ 101,497	\$ 474,474	\$ 575,971
626-FI LIFE AND AD AND D	\$ 782,504	\$ 811,796	\$ 29,292	\$ (2,769)	\$ 26,523
627-SUPPLEMENTAL LIFE	2,699,900	2,690,488	(9,412)	284,661	275,249
630-DEPENDENT LIFE	366,449	363,964	(2,485)	19,161	16,676
Total Life and AD&D	\$ 3,848,853	\$ 3,866,248	\$ 17,395	\$ 301,053	\$ 318,448
Grand Total	\$ 99,227,516	\$ 106,406,677	\$ 7,179,160	\$ 44,213,779	\$ 51,392,939
Agency Fund Adjustments in Opening Balance				(137,749)	
As Reported in FY 2010 CAFR				44,076,030	

Maricopa County
Employee Benefits Trust Funds
Statements of Net Assets (Deficit)—Internal Service Funds
March 31, 2011, June 30, 2010 and June 30, 2009

	Employee Benefits 3/31/2011	Employee Benefits 6/30/2010	Employee Benefits 6/30/2009	Notes
Assets				
Cash and cash equivalents	\$ 63,057,890	\$ 57,269,044	\$ 59,849,493	
Interest receivable	81,358	81,358	122,011	1
Accounts receivable	1,152,219	1,299,254	1,240,120	2
Prepaid insurance	110,532	110,532	108,154	3
Capital assets, net	1,600	4,012	6,283	4
Total assets	<u>64,403,599</u>	<u>58,764,200</u>	<u>61,326,061</u>	
Liabilities				
Accounts payable	12,854	539,754	489,496	5
Accrued Liabilities	4,457,294	3,379,961	4,257,980	6
Employee compensation payable	116,898	2,263,426	138,949	
Reserve for losses and loss expenses	8,423,616	8,505,030	11,497,701	7
Total liabilities	<u>13,010,662</u>	<u>14,688,171</u>	<u>16,384,126</u>	
Net Assets				
Invested in capital assets	1,600	4,012	6,283	8
Unrestricted (deficit)	51,391,337	44,072,017	44,935,652	
Total net assets (deficit)	<u>\$ 51,392,937</u>	<u>\$ 44,076,029</u>	<u>\$ 44,941,935</u>	

**MARICOPA COUNTY
EMPLOYEE BENEFITS TRUST FUNDS**

**Statement of Revenues, Expenses, and Changes In Fund Net Assets - Internal Service Funds
Nine Months Ended March 31, 2011 and Full Year Ended June 30, 2010**

Operating Revenues	Employee Benefits 3/31/2011	Employee Benefits 6/30/2010	Notes
Charges for services			
County and employee premiums	\$ 104,055,195	\$ 111,740,621	
Charges for services	1,251,698	1,373,875	
Other income	600,554	97,894	9
Total Operating Revenues:	<u>\$ 105,907,448</u>	<u>\$ 113,212,390</u>	
Operating Expenses			
Personal services	\$ 1,216,011	\$ 1,503,614	17
Supplies and services	313,816	428,499	
Accounting and auditing fees		345,722	
Actuary fees	95,919	160,129	
Claims administration service fees	4,766,329	11,130,513	18
Claims and insurance:			
Total medical	63,869,853	64,932,469	
Total pharmacy	9,824,650	13,326,793	
Total short-term disability	1,509,406	1,830,339	
Total dental	2,488,802	2,968,506	
Total behavioral health	841,915	1,517,952	
Total vision	1,064,282	1,251,925	
Total Claims and Insurance			
	<u>\$ 79,598,908</u>	<u>\$ 85,827,984</u>	
Wellness claims/incentives paid	260,382	615,683	
Depreciation	0	2,270	
Dental premiums paid	4,240,367	5,914,196	
Life insurance premiums paid	3,848,853	4,928,669	
Flexible spending accounts claims paid	2,695,995	2,990,545	
CIGNA for seniors premiums paid	437,885	535,455	
Other benefit premiums paid	231,126	286,374	19
Employee assistance program	141,634	188,500	
Total operating expenses	<u>\$ 97,847,225</u>	<u>\$ 114,858,153</u>	
Operating income (loss)	<u>\$ 8,060,223</u>	<u>\$ (1,645,763)</u>	
Nonoperating revenues:			
Investment income (Interest)	499,229	779,857	
Total nonoperating revenues	<u>\$ 499,229</u>	<u>\$ 779,857</u>	
Income (loss) before transfers	<u>\$ 8,559,452</u>	<u>\$ (865,906)</u>	
Capital contribution			
Transfers to other County funds	1,380,291		20
Change in net assets			
Increase (decrease) in net assets	<u>7,179,161</u>	<u>(865,906)</u>	
Total Net assets (deficit), July 1, 2010	<u>44,213,776</u>	<u>44,941,935</u>	
Total Net assets (deficit), March 31, 2011	<u>\$ 51,392,937</u>	<u>\$ 44,076,029</u>	

**Maricopa County
Employee Benefits Trust Fund**

Statement of Revenues, Expenses, and Changes In Fund Net Assets - Internal Service Fund Budget and Actual

	Period Ended March 31, 2011				
	Budget	Actual	Variance	% Variance	Notes
Operating Revenues					
County and employee premiums	\$ 106,637,506	\$ 104,055,195	\$ (2,582,311)	-2.42%	
Charges for services	1,296,138	1,251,284	(44,854)	-3.46%	
Other income		600,554	600,554	100.00%	9
Total Operating Revenues	<u>\$ 107,933,644</u>	<u>\$ 105,907,033</u>	<u>\$ (2,026,611)</u>	<u>-1.91%</u>	
Operating Expenses					
Personal services	\$ 1,309,894	\$ 1,216,011	\$ 93,883	7.17%	17
Supplies and services	327,184	313,816	13,368	4.09%	
Actuary Fees	105,000	95,919	9,081	8.65%	
Claims administration and stop loss fees	8,512,160	4,766,329	3,745,831	44.01%	10
Claims and Insurance:					
Total medical	63,210,710	63,869,853	(659,143)	-1.04%	
Total pharmacy	11,149,438	9,824,650	1,324,788	11.88%	11
Total short-term disability	2,596,035	1,509,406	1,086,629	41.86%	12
Total dental	2,555,093	2,488,802	66,291	2.59%	
Total behavioral health	3,296,162	841,915	2,454,247	74.46%	13
Total vision	1,021,190	1,064,282	(43,092)	-4.22%	
Total medical incentives	1,768,239	0	1,768,239	100.00%	14
Total wellness	608,220	260,382	347,838	57.19%	15
Total fully insured dental	4,434,093	4,240,367	193,726	4.37%	
Total Life insurance	4,138,369	3,848,853	289,516	7.00%	
Total Flexible Spending	2,232,540	2,695,995	(463,455)	-20.76%	16
Total CIGNA for seniors	419,400	437,885	(18,485)	-4.41%	
Total other benefits	230,202	231,126	(924)	-0.40%	
Total Employee Assistance Program	147,189	141,634	5,555	3.77%	
Depreciation		0	0	0.00%	
Total Operating Expenses	<u>\$ 108,061,118</u>	<u>\$ 97,847,225</u>	<u>\$ 10,213,893</u>	<u>9.45%</u>	
Operating Income	(127,474)	8,059,808	8,187,282		
Nonoperating revenues					
Investment income	0	499,229	499,229		
Total nonoperating revenues	<u>0</u>	<u>499,229</u>	<u>499,229</u>		
Income before transfers	(127,474)	8,559,037			
Capital Contribution					
Transfer to other County funds	<u>1,380,291</u>	<u>1,380,291</u>	<u>0</u>		
Increase in net assets	<u>(1,507,765)</u>	<u>7,178,746</u>			
Total net assets, July 1, 2010	38,293,894	44,213,776	5,919,882		
Total net assets, March 31, 2011	<u>\$ 42,756,001</u>	<u>\$ 51,392,523</u>	<u>\$ 8,636,522</u>		

MARICOPA COUNTY
EMPLOYEE BENEFITS TRUST FUNDS
Notes to Financial Statements
March 31, 2011

NOTE 1 – Interest Receivable Held with the Treasurer

Interest Receivable represents the Trust's share of the amortization of zero coupon bond discounts and the unpaid but earned portion of bond coupons which are normally paid every six months on varying dates. The trust has all cash invested with the Maricopa County Treasurer in the investment pool. This pool consists of U S Government Securities that have up to a three year maturity.

NOTE 2 – Accounts Receivable

Accounts Receivable includes WHI Rebates, ARRA program receivables for employees on COBRA and Stop Loss recoveries collected in future months.

NOTE 3 – Pre-Paid Insurance

Pre-Paid insurance represents the cash which has been transferred to Sedgwick for Short-Term Disability Claims that has not been spent yet.

NOTE 4 – Capital Equipment

This is for the Ergonomics AstroVan purchased in 2000.

NOTE 5 – Accounts Payable

This number is lower due to a policy change of paying bills immediately after they arrive in our department. In addition, several claims were not paid promptly at year-end FY 2010.

NOTE 6 – Accrued Liabilities

Accrued Liabilities fluctuates monthly mainly due to the amount of outstanding checks written by CIGNA that have not been cashed by providers. At year-end FY 2010, this balance included an amount for FY 2011 benefit premiums collected from employees and departments were not earned until July 2011. These amounts are detailed on the Balance Sheet Supplemental page.

NOTE 7 – Employee Compensation Payable

Employee Compensation Payable includes in FY2010 unused employee pharmacy allowance for the WHI Consumer Choice Pharmacy plan. \$2.2 million was included in IBNR in FY 2009. The remaining balance is accrued Salaries as of month end, plus employee vacations earnings payable.

**MARICOPA COUNTY
EMPLOYEE BENEFITS TRUST FUNDS
Notes to Financial Statements
March 31, 2011**

NOTE 8 – Pharmacy IBNR

In FY 2010, IBNR for Pharmacy was reclassified to Accrued Benefits for more accurate reporting of our financial statements.

NOTE 9 – Other Income – Health Savings Account

This is the employee contribution to their Health Savings Accounts which is eliminated for the annual financial statements.

NOTE 10 – Claims Administration and Stop Loss Premium

Stop Loss insurance was budgeted at a \$200,000 deductible, which meant the trust was going to have to pay a larger premium for the insurance. However, the deductible was contracted at \$750,000; this results in about a \$3,000,000 premium savings for the trust.

NOTE 11 – Pharmacy Claims Reduction

Programs to increase generic substitution continue to be effective year after year.

NOTE 12 – Short Term Disability

Short-Term Disability was budgeted at break-even and rates were set at higher level than needed to cover claims.

NOTE 13 – Behavioral Health

Expected increases in claims that were budgeted related to Autism legislation have never materialized.

NOTE 14 – Medical Incentives

Amount needed to balance the budget when budgeted revenues have been restated for 7/2010 Open Enrollment.

NOTE 15 – Wellness

The budget did not correctly reflect the timing of the Biometric Screenings take place in March and April.

**MARICOPA COUNTY
EMPLOYEE BENEFITS TRUST FUNDS
Notes to Financial Statements
March 31, 2011**

NOTE 16 – Flexible Spending

Medical Flexible Spending allows employees to spend their total election amount on first day of plan year, thus, they can spend the entire amount on the first day of the Fiscal Year, before we receive all their payroll deductions.

NOTE 17 – Personal Services

This includes the salaries and employer paid benefits for the employees of the Trust fund, and there has been one vacant position for the majority of the Fiscal Year.

NOTE 18 – Claims Administration Fees

This number is the Administration fees and includes \$583,381 for Stop Loss Premiums paid as insurance for the six medical plans.

NOTE 19 – Other Benefits

Other benefits include the Group Legal expenses.

NOTE 20 – Transfer of Assets

The transfer of assets occurred with the closing of the Health Select Plan, and \$1,380,291 was transferred to the General Fund.