



Health Plan

University of Colorado Health and Welfare Trust

FY17 –4th QUARTER FINANCIAL REPORTS

September 5th, 2017



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

uhealth



Medicine

TABLE OF CONTENTS

Financial Reports:	3
• FY17 Statement of Net Position	4
• FY17 Statement of Revenues, Expenses, and Changes in Plan Net Position	5
Treasury:	6
• Quarterly Report on Investments	7
• Bank and Investment Balances by Day – FY16 and FY17	8
• Monthly Minimum Resources	9
• Monthly Maximum Resources	10
Budget Performance:	11
• FY17 – Budget to Actual Report	12
Plan Performance:	13
• FY17 – Q4 Financial Performance Highlights	14

Financial Reports



**UNIVERSITY OF COLORADO HEALTH AND WELFARE TRUST COMMITTEE
FY17 - STATEMENT OF NET POSITION (unaudited)**

As of June 30, 2017

(Updated 8/21/17)

	<i>Current Q4 <u>6/30/2017</u></i>	<i>FY16 Q4/Year End <u>6/30/2016</u></i>
<u>Assets</u>		
Cash:		
Medical	\$ 1,244	\$ 212
Flexible Spending Account	1,058,420	1,050,106
Investments	32,035,143	32,384,078
Receivables:		
Premiums	25,580,483	13,781,979
Pharmacy Rebates	6,757,253	5,713,155
Premium Assessment Due from Member	-	2,258,061
Interest	13,843	6,064
Miscellaneous Receivables	212,892	218,097
Prepaid Expenses	74,316	41,079
Total Assets	\$ 65,733,594	\$ 55,452,831
<u>Liabilities and Net Position</u>		
Accounts Payable - Medical	\$ 6,157,841	\$ 2,234,225
Contracts Payable	1,058,585	1,039,358
Benefit Claims Payable - Medical	8,497,831	8,942,957
Incurred But Not Reported Claims Estimate	26,057,395	22,529,598
Flexible Spending	775,846	651,546
Total Liabilities	42,547,498	35,397,684
Plan Net Position - Unrestricted	23,186,096	20,055,147
Total Liabilities and Plan Net Position	\$ 65,733,594	\$ 55,452,831

UNIVERSITY OF COLORADO HEALTH AND WELFARE TRUST COMMITTEE
FY17 - STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN PLAN NET POSITION (unaudited)
For the year ended June 30, 2017
 (Updated 8/21/17)

	<i>Current</i> <i>Q4</i> <u>6/30/2017</u>	<i>FY16</i> <i>Q4/Year End</i> <u>6/30/2016</u>
<u>Operating Revenues</u>		
Contributions	\$ 403,567,776	\$ 365,423,569
Flexible Spending Recapture	-	295,560
Total Operating Revenues	403,567,776	365,719,129
<u>Operating Expenses</u>		
Medical Claims	369,639,687	329,955,298
Medical Claims Administration	25,361,146	24,082,643
General and Administrative	3,554,620	4,606,963
Total Administrative	28,915,766	28,689,606
Total Operating Expenses	398,555,453	358,644,904
Operating Income	5,012,323	7,074,225
<u>Nonoperating Revenues (Expenses)</u>		
Investment Earnings	104,084	122,793
Wellness Initiative	(1,985,458)	(2,051,761)
Total Nonoperating Revenues (Expenses)	(1,881,374)	(1,928,968)
Change in Plan Net Position	3,130,949	5,145,257
Plan Net Position Beginning of Year	20,055,147	14,909,890
Plan Net Position End of Period	\$ 23,186,096	\$ 20,055,147

Treasury



Memo

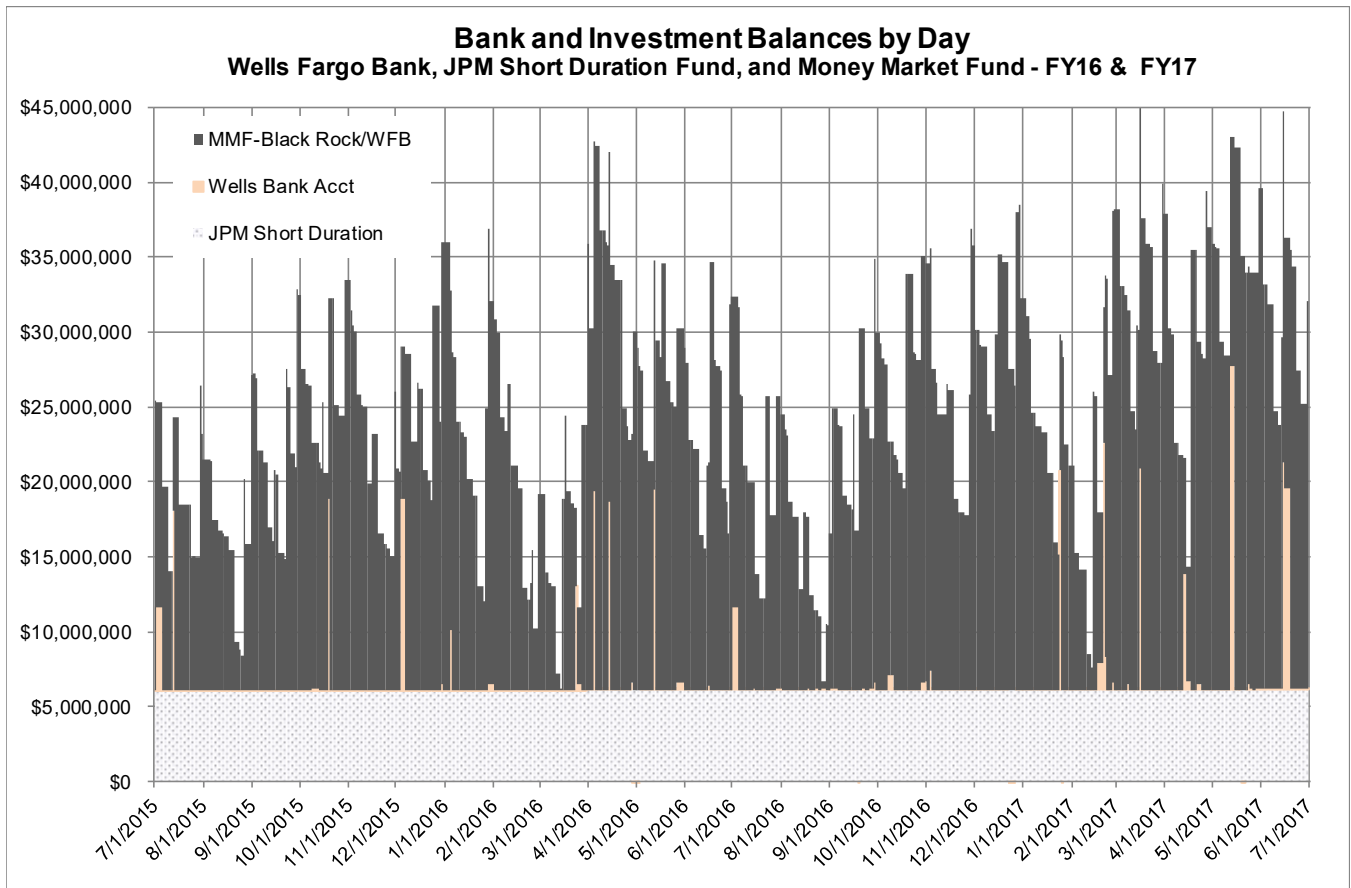
To: Members of the University of Colorado Health and Welfare Trust Board
From: Dan J. Wilson, Treasurer
Date: August 22, 2017
Re: Quarterly Report on Investments

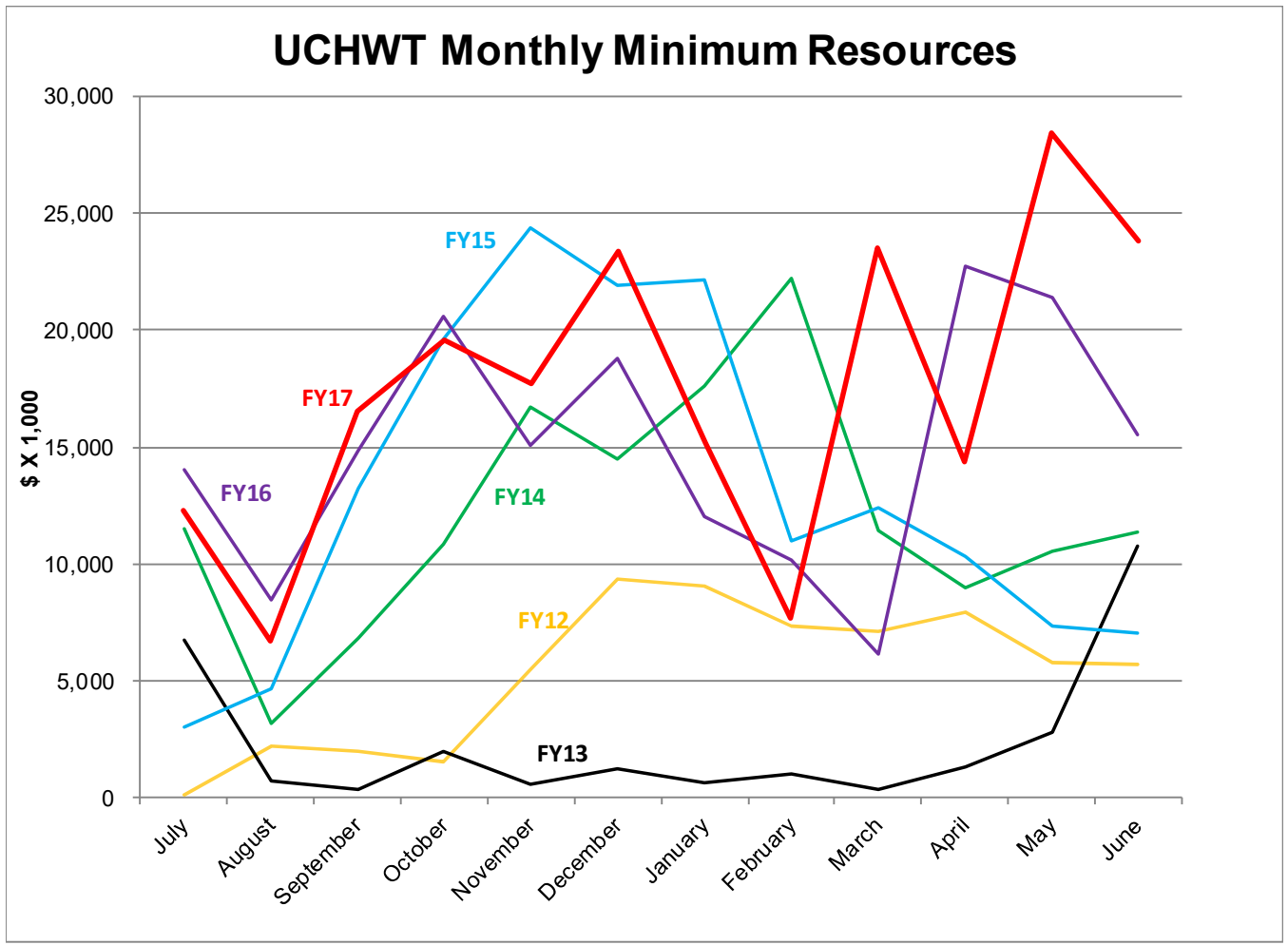
The Trust's cash equivalents and investments at June 30, 2017, totaled \$33.1 million, an amount roughly equivalent to the prior fiscal year end total of \$32.4 million as of June 30, 2016. Of this amount, \$25.8 million was invested in a triple-A rated government money market fund. An additional \$6.2 million was invested in a high-quality, short-duration bond fund managed by JP Morgan. Both these investment vehicles are permitted by the Trust's investment policy. The quarterly investment return for the money market fund continued to be positive and slightly higher than prior quarters. Government money market funds normally focus on safety and liquidity first and have investment returns as a secondary goal. The JP Morgan short-duration bond fund (HLLVX) returned .28% for the last 12 months.

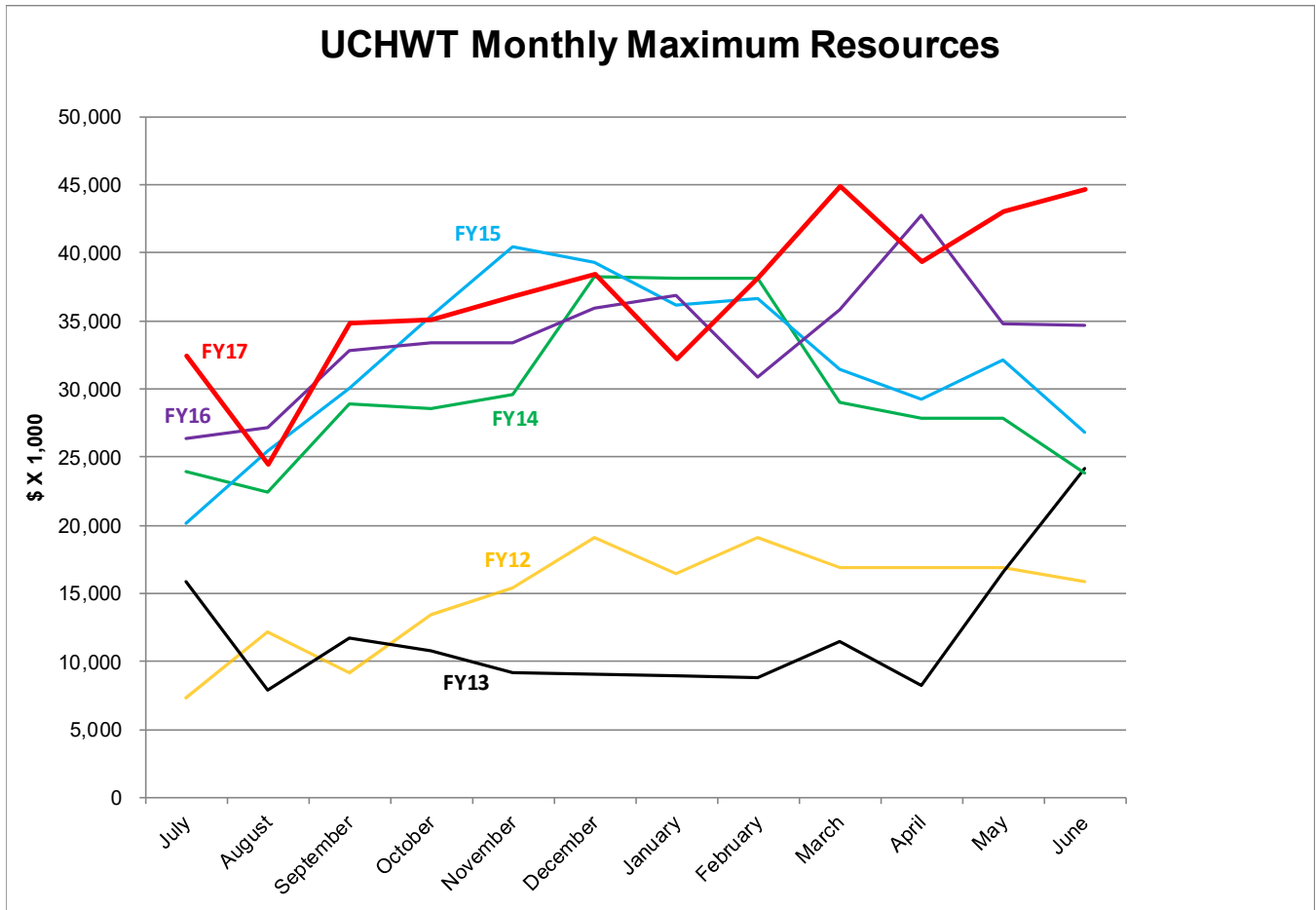
I would like to recommend we replace the short duration bond fund (HLLVX) with the Vanguard Short-Term Investment Grade Fund Admiral Shares (VFSUX). This fund has a long-tenured manager, rock bottom fees, and impressive long-term performance. The expense ratio of this fund is .10 vs. .55 for HLLVX. Also, the 1, 3, 5, and 10 year portfolio return numbers for VFSUX reflect top tier performance and exceed that of HLLVX. This is a corporate-bond fund at heart, which emphasizes high-quality corporate bonds (typically between 50% and 80% of assets) and its slug of US Treasuries contributes to its above-average credit profile relative to peers. It is highly rated by Morningstar (Silver, 4 star) for process, people, parent, price, and performance.

The pattern on the first bar chart for fiscal year 2017 shows that investable resources varied from a low of \$6.7 million in August to a peak of \$44.9 million in March and \$44.7 million in June. The seasonal and monthly patterns of expenditures remained consistent with the prior year.

In terms of performance, investment returns on the Trust's money market fund (GVIXX) of 46 basis points for the last 12 months, exceeded the returns of the Lipper Institutional Government money market funds benchmark at 29 basis points. Total investment interest earnings FYTD including unrealized gains/(losses) total \$104,084.







Budget Performance



FY17 – BUDGET TO ACTUAL REPORT AS OF: 6/30/2017

	FY17 TOTAL BUDGET	FY17 BUDGET DETAIL	FY17 ACTUALS AS OF 6/30/17	FY17 AVAILABLE AMOUNT	FY17 % BUDGET TO ACTUALS	FY16 % BUDGET TO ACTUALS
REVENUES/INFLOWS						
SELF-FUNDED MEDICAL PLANS & RESERVES	\$ (379,931,308)					
ANTHEM		\$ (309,501,051)	(332,660,956)	\$ 23,159,905	107.48%	107.57%
KAISER		(56,469,843)	(56,414,959)	(54,884)	99.90%	97.53%
VISION		(1,193,488)	(1,069,857)	(123,631)	89.64%	115.30%
DENTAL		(12,766,926)	(13,422,004)	655,078	105.13%	104.99%
HEALTH CARE FLEX SPENDING PLANS	(3,800,000)	(3,800,000)	(4,151,333)	351,333	109.25%	101.24%
INVESTMENT INCOME	(60,000)	(60,000)	(104,084)	44,084	173.47%	204.65%
TOTAL REVENUE/INFLOWS	(383,791,308)	(383,791,308)	(407,823,193)	24,031,885	106.26%	105.84%
EXPENSES/OUTFLOWS						
INCURED SELF-FUNDED CLAIMS	329,562,610					
ANTHEM		273,584,730	287,318,364	(13,733,634)	105.02%	106.38%
KAISER		42,720,091	49,651,061	(6,930,970)	116.22%	105.54%
VISION		1,070,354	750,809	319,545	70.15%	73.46%
DENTAL		12,187,435	11,821,617	365,818	97.00%	102.25%
TRANSITIONAL REINSURANCE FEE	899,056	899,056	901,233	(2,177)	100.24%	101.66%
GLOBAL PAYMENTS	19,275,084	19,275,084	20,097,836	(822,752)	104.27%	87.65%
ADMINISTRATIVE FEES, MISC CHARGES						
ASO FEES	23,696,508					
ANTHEM		11,738,894	12,785,811	(1,046,917)	108.92%	108.18%
KAISER		11,275,924	11,874,455	(598,531)	105.31%	103.05%
VISION		103,326	90,240	13,086	87.34%	103.39%
DENTAL		578,364	610,640	(32,276)	105.58%	100.34%
BANK CHARGES	10,000	10,000	4,431	5,569	44.31%	32.29%
MISC CHARGES	20,000	20,000	0	20,000	0.00%	0.00%
FSA CLAIMS ADMINISTRATION	100,000	100,000	98,003	1,997	98.00%	87.71%
HEALTH SAVINGS ACCOUNT ADMINISTRATION	60,000	60,000	81,192	(21,192)	135.32%	102.67%
FLEX SPENDING CLAIMS PAYMENTS	3,700,000	3,700,000	4,182,746	(482,746)	113.05%	92.38%
WELLNESS	2,100,000					
WELLNESS ASSESSMENT (HRA)		200,000	0	200,000	0.00%	29.89%
BE COLORADO - MOVE		850,000	1,562,158	(712,158)	183.78%	130.16%
WEIGHT MANAGEMENT		100,000	72,046	27,954	72.05%	60.84%
BRUSSELS + MUSCLES		300,000	10,265	289,735	3.42%	0.82%
WELLNESS PLATFORM		300,000	62,466	237,534	20.82%	34.05%
MARKETING		350,000	30,598	319,402	8.74%	12.19%
PREVENTION	990,000					
BIOMETRIC SCREENINGS AND FLU SHOTS		630,000	160,256	469,744	25.44%	58.82%
HEALTH FAIRS/5K		350,000	17,004	332,996	4.86%	15.74%
SMOKING CESSATION		10,000	0	10,000	0.00%	0.00%
PILOTS, STUDIES AND OTHER EXPENSES	500,000	500,000	70,665	429,335	14.13%	14.24%
DATA WAREHOUSE	460,000	460,000	333,829	126,171	72.57%	76.51%
TRUST FEES						
CONSULTING	415,000					
ACTUARY		175,000	280,718	(105,718)	160.41%	98.26%
LEGAL		25,000	6,942	18,058	27.77%	6.72%
MANAGEMENT		175,000	23,498	151,502	13.43%	26.58%
AUDIT		40,000	48,600	(8,600)	121.50%	72.75%
INSURANCE	162,000					
FIDUCIARY LIABILITY		48,000	52,193	(4,193)	108.74%	103.41%
ERRORS AND OMISSIONS		109,000	84,263	24,737	77.31%	76.82%
CRIME		5,000	1,714	3,286	34.28%	32.25%
CU HEALTH PLAN ADMINISTRATION	1,841,050	1,841,050	1,638,004	203,046	88.97%	96.63%
TOTAL EXPENSES/OUTFLOWS	383,791,308	383,791,308	404,723,657	(20,932,349)	105.45%	103.85%
NET ACTIVITY FOR PERIOD	\$ -	\$ -	\$ (3,099,536)	\$ 3,099,536		

*FSA Activity is excluded from financial reports on page 5

Plan Performance



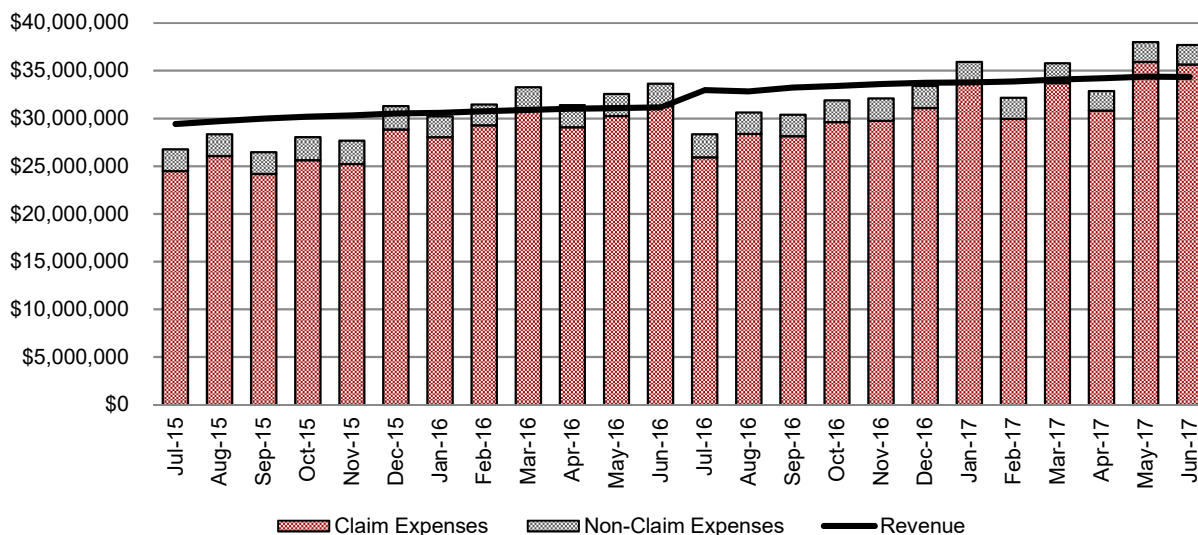
**University of Colorado Health and Welfare Trust
Fiscal Year 2017 – Financial Results**

- As of June 30, 2017, the aggregate experience of all plans is showing calculated premiums have exceeded costs (claims plus expenses) by \$5.3M. The table below shows the prior fiscal year results and current fiscal year results.

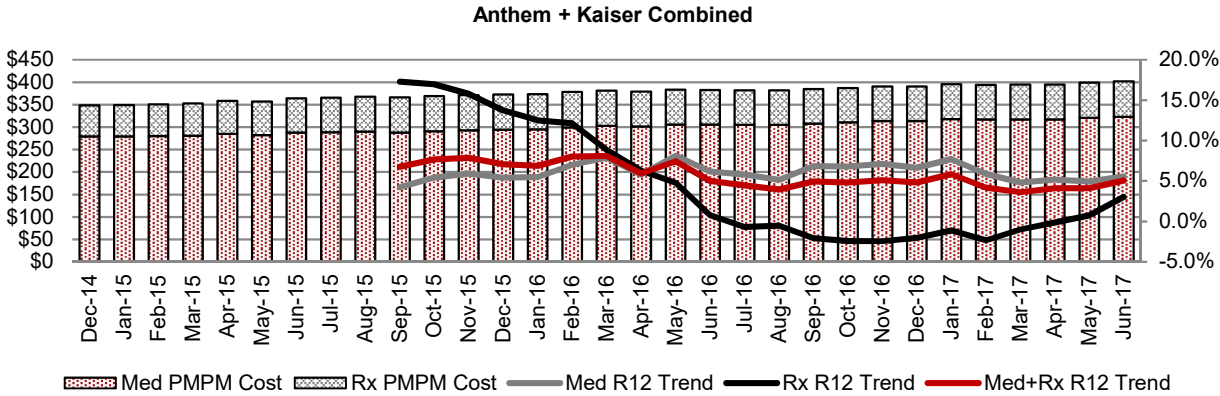
Year	Medical/Rx Enrolled	Dental Enrolled	Vision Enrolled	Claims Expense (\$Ms)	Non-Claims Expense (\$Ms)	Total Cost (\$Ms)	Calculated Premiums (\$Ms)	Loss Ratio	G / L (\$Ms)
FY2016	370,989	224,783	120,989	\$333.4	\$27.7	\$361.4	\$365.7	98.8%	\$4.5
FY2017 Proj.	396,529	237,034	106,768	\$372.9	\$26.3	\$399.2	\$404.5	98.7%	\$5.3

- Our estimate of FY2017 loss ratio decreased from last quarter's projection of 99.5% to 98.7% with data through June 30, 2017. This decrease is driven by reduced claims expense consistent with the reduced reserve recommendation and higher pharmacy rebates. We estimate that fiscal year 2017 will end with calculated premiums exceeding total cost by \$5.3M.
- The chart below shows a comparison of total cost (split between claim and non-claim costs) vs. calculated premiums for the prior full fiscal year (FY2016) as well as the current plan year (FY2017). Current premiums are about \$35M per month and total monthly costs have varied between \$27M – \$38M. This chart demonstrates the monthly volatility experienced by the plan as well as the seasonal pattern of costs throughout the fiscal year.

Aggregate Cost vs. Calculated Premium



- Since early FY2015, total medical and pharmacy costs on a per-member basis have risen gradually and are expected to continue to rise due to healthcare cost inflation. The graph below displays the Rolling 12 month (R12) medical and pharmacy costs along with the trends the plan has experienced across both medical carriers. Generally speaking, the plan's pharmacy costs have seen very favorable trends recently compared to broader market trends. The medical costs have trended in line with the broader market increases.



- With data through June 30, 2017, we estimate the total outstanding claims liability (i.e. incurred but not paid claims liability) as of quarter ending June 30, 2017 is \$26.1M. The table below shows the outstanding claims liability as of the prior five quarter end valuation dates. Over the past year, the estimated IBNP liability has fluctuated between \$22M and \$28M. Fluctuations of this magnitude are not uncommon.

Valuation Date	IBNP Liability (\$Ms)
6/30/2016	\$24.4
9/30/2016	\$22.0
12/31/2016	\$24.3
3/31/2017	\$28.3
6/30/2017	\$26.1

- All claims are on an incurred basis using data through June 30, 2017 and therefore include an estimate of incurred but not paid claims.