



# Health Plan

University of Colorado Health and Welfare Trust

## ***FY17 – 2<sup>nd</sup> QUARTER FINANCIAL REPORTS***

*March 7th, 2017*



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

uhealth



Medicine

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# Financial Reports



**UNIVERSITY OF COLORADO HEALTH AND WELFARE TRUST COMMITTEE**  
**FY17 - BALANCE SHEET (unaudited)**  
**As of December 31, 2016**  
(Updated 2/23/17)

<b><u>Assets</u></b>	<b>Current Q2 <u>12/31/2016</u></b>	<b>FY16 Q4/Year End <u>6/30/2016</u></b>	<b>FY16 Q2 <u>12/31/2015</u></b>
Cash:			
Medical	\$ 2,499	\$ 212	\$ 290,583
Flexible Spending Account	407,278	1,050,106	83,738
Investments	32,255,378	32,384,078	35,979,949
Receivables:			
Premiums	23,647,906	13,781,979	19,439,535
Pharmacy Rebates	5,549,811	5,713,155	2,565,000
Premium Assessment Due from Member	2,258,061	2,258,061	1,236,860
Interest	6,571	6,064	3,661
Miscellaneous Receivables	212,892	218,097	258,544
Prepaid Expenses	149,015	41,079	131,228
<b>Total Assets</b>	<b><u>\$ 64,489,411</u></b>	<b><u>\$ 55,452,831</u></b>	<b><u>\$ 59,989,098</u></b>
<b><u>Liabilities and Net Position</u></b>			
Accounts Payable - Medical	\$ 3,814,522	\$ 2,234,225	\$ 1,895,298
Contracts Payable	2,316,325	1,039,358	5,168,112
Benefit Claims Payable - Medical	6,574,932	8,942,957	4,415,658
Incurred But Not Reported Claims Estimate	22,529,598	22,529,598	17,979,608
Flexible Spending	74,239	651,546	(60,141)
<b>Total Liabilities</b>	<b><u>35,309,617</u></b>	<b><u>35,397,684</u></b>	<b><u>29,398,535</u></b>
Plan Net Position - Unrestricted	29,179,794	20,055,147	30,590,563
<b>Total Liabilities and Plan Net Position</b>	<b><u>\$ 64,489,411</u></b>	<b><u>\$ 55,452,831</u></b>	<b><u>\$ 59,989,098</u></b>

**UNIVERSITY OF COLORADO HEALTH AND WELFARE TRUST COMMITTEE**  
**FY17 - STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN PLAN NET POSITION (unaudited)**  
**For the six months ended December 31, 2016**  
(Updated 2/23/17)

	<i>Current Q2 12/31/2016</i>	<i>FY16 Q4/Year End 6/30/2016</i>	<i>FY16 Q2 12/31/2015</i>
<b><u>Operating Revenues</u></b>			
Contributions	\$ 199,211,656	\$ 365,423,569	\$ 180,691,857
Flexible Spending Recapture	-	295,560	-
<b>Total Operating Revenues</b>	<b>199,211,656</b>	<b>365,719,129</b>	<b>180,691,857</b>
<b><u>Operating Expenses</u></b>			
Medical Claims	174,464,571	329,955,298	149,782,685
Medical Claims Administration	12,641,338	24,082,643	11,645,781
General and Administrative	2,139,849	4,606,963	2,504,235
Total Administrative	14,781,187	28,689,606	14,150,016
<b>Total Operating Expenses</b>	<b>189,245,758</b>	<b>358,644,904</b>	<b>163,932,701</b>
Operating Income	9,965,898	7,074,225	16,759,156
<b><u>Nonoperating Revenues (Expenses)</u></b>			
Investment Earnings	(3,177)	122,793	302
Wellness Initiative	(838,074)	(2,051,761)	(1,078,785)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>(841,251)</b>	<b>(1,928,968)</b>	<b>(1,078,483)</b>
<b>Change in Plan Net Position</b>	<b>9,124,647</b>	<b>5,145,257</b>	<b>15,680,673</b>
Plan Net Position Beginning of Year	20,055,147	14,909,890	14,909,890
Plan Net Position End of Period	<b>\$ 29,179,794</b>	<b>\$ 20,055,147</b>	<b>\$ 30,590,563</b>

# Treasury



## Memo

To: Members of the University of Colorado Health and Welfare Trust Board  
From: Dan J. Wilson, Treasurer  
Date: March 1, 2017  
Re: Quarterly Report on Investments

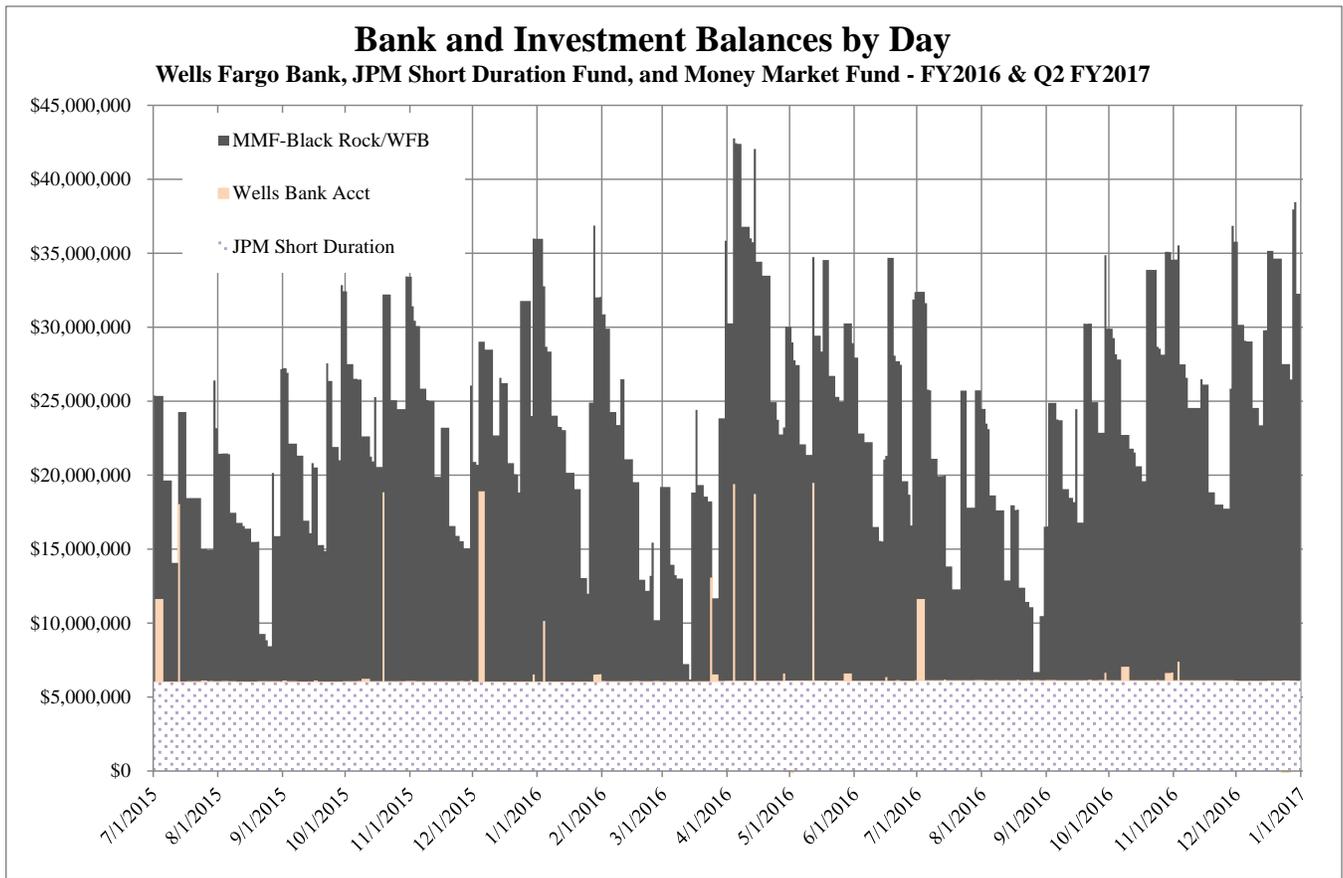
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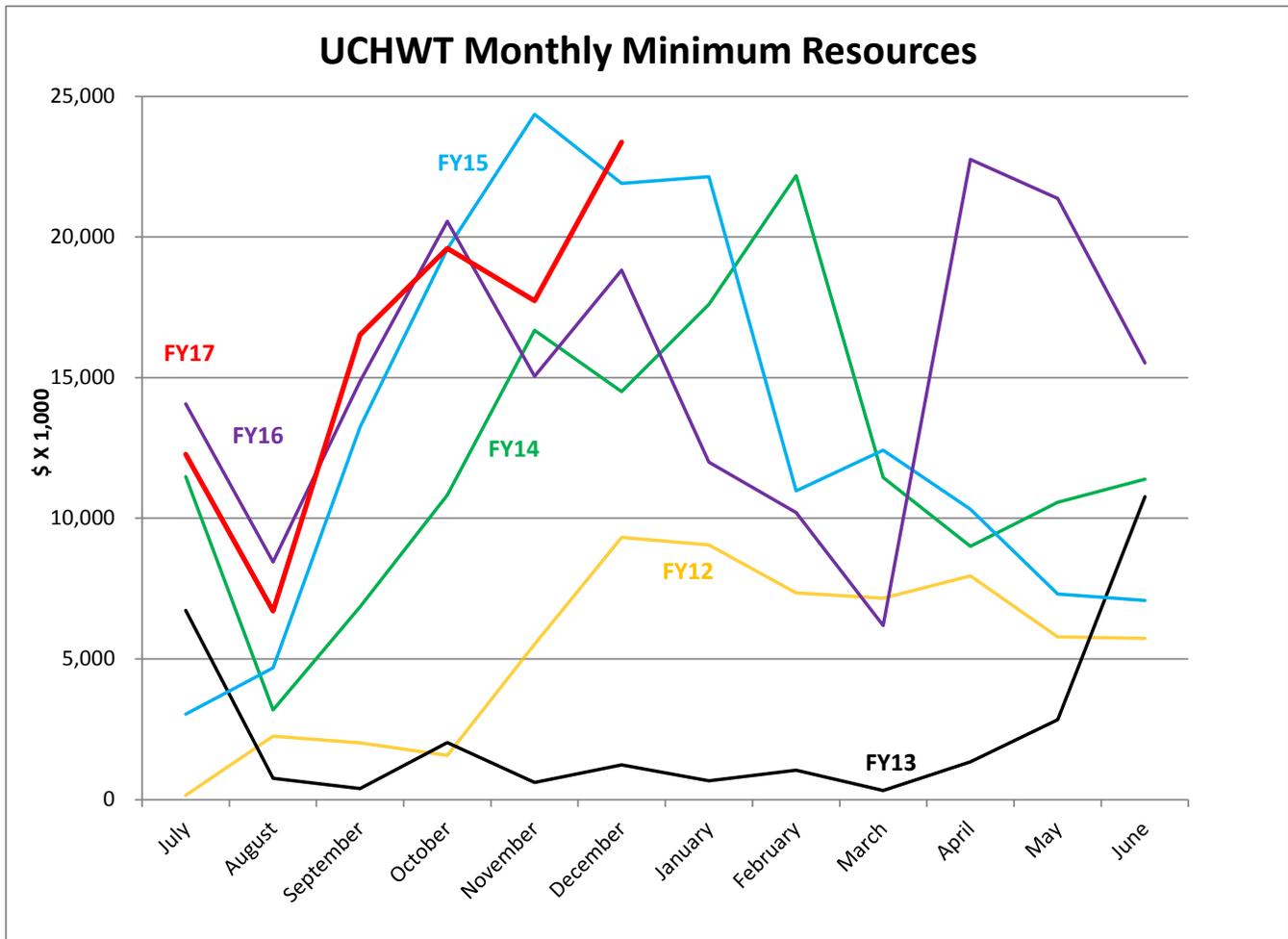
The Trust's cash equivalents and investments at December 31, 2016, totaled \$32.3 million, roughly the same as \$32.4 million on June 30, 2016. Of this amount, \$26.1 million was invested in a triple-A rated money market fund. An additional \$6.1 million was invested in a high-quality, short-duration bond fund. 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. 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 .95% for the last 12 months.

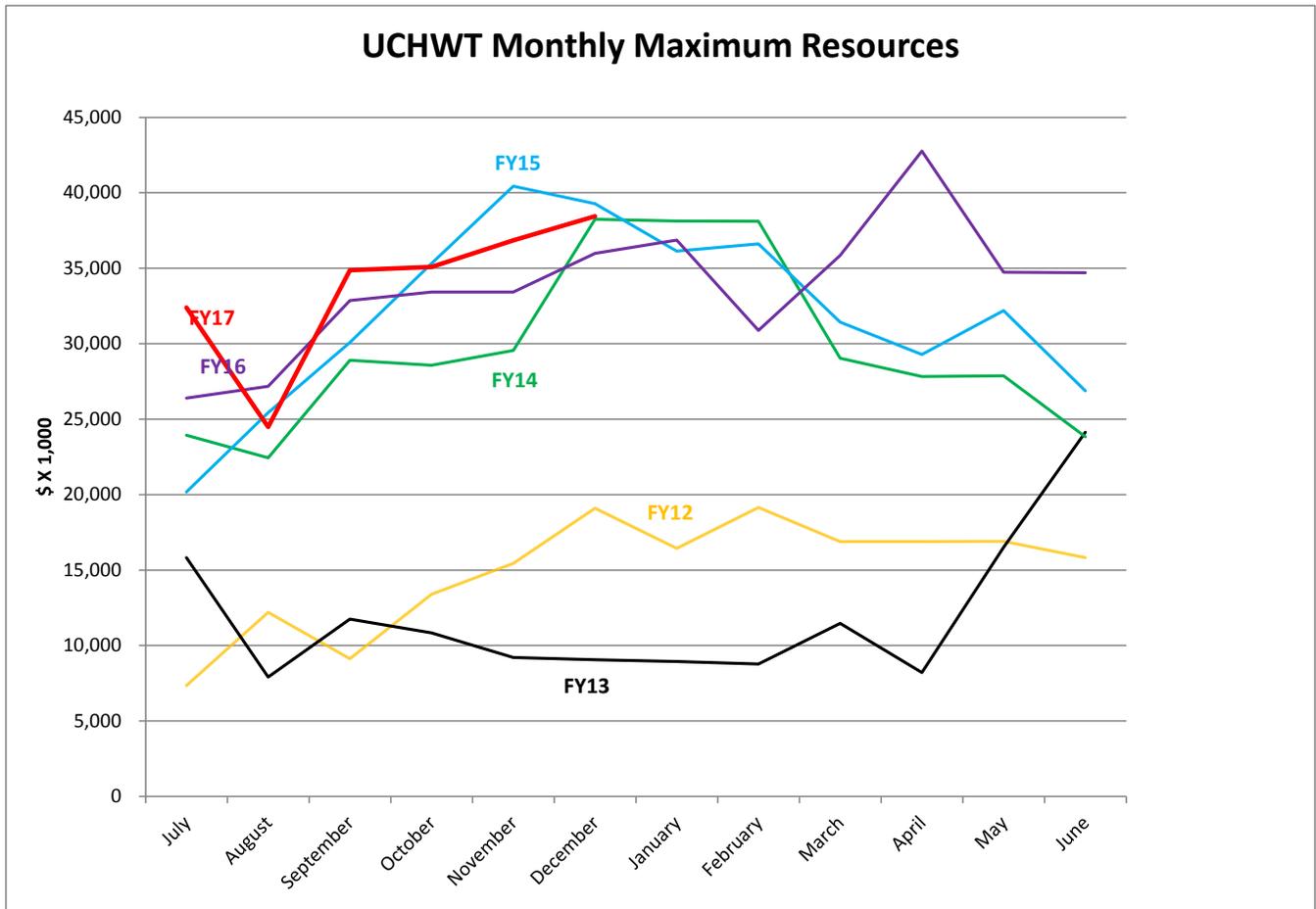
The pattern on the first bar chart for fiscal year 2017 shows that investable resources varied from a low of \$6.7 million in August to a peak of \$38.4 million in December. The seasonal and monthly patterns of expenditures remained consistent with the prior year.

For informational purposes, two charts, one depicting the minimum and the other the maximum monthly investable resources for fiscal year 2011 to 2017 are attached. The pattern on the first chart of monthly minimum resources for fiscal year 2017 shows that investable resources varied in a similar pattern to FY16. The low thus far for FY17 of \$6.7 million is two million lower than FY16 low in August. The chart of monthly maximum resources depicts slightly higher maximums for Fiscal Years 2017 to date vs. prior years.

In terms of performance, investment returns on the Trust's money market fund of 23 basis points annualized, exceeded the returns of the one month US Treasury benchmark at 11 basis points. Total investment interest earnings YTD including unrealized losses total negative (\$3,177).







# Budget Performance



**FY17 – BUDGET TO ACTUAL REPORT AS OF: 12/31/2016**

	FY17 TOTAL BUDGET	FY17 BUDGET DETAIL	FY17 ACTUALS AS OF 12/31/16	FY17 AVAILABLE AMOUNT	FY17 % BUDGET TO ACTUALS	FY16 % BUDGET TO ACTUALS
<b>REVENUES/INFLOWS</b>						
SELF-FUNDED MEDICAL PLANS & RESERVES	\$ (379,931,308)					
ANTHEM		\$ (309,501,051)	\$ (163,682,830)	\$ (145,818,221)	52.89%	53.17%
KAISER		(56,469,843)	(28,332,117)	(28,137,726)	50.17%	48.44%
VISION		(1,193,488)	(523,780)	(669,708)	43.89%	56.84%
DENTAL		(12,766,926)	(6,672,929)	(6,093,997)	52.27%	51.97%
HEALTH CARE FLEX SPENDING PLANS	(3,800,000)	(3,800,000)	(2,195,146)	(1,604,854)	57.77%	46.40%
INVESTMENT INCOME	(60,000)	(60,000)	3,177	(63,177)	-5.30%	0.50%
<b>TOTAL REVENUE/INFLOWS</b>	<b>(383,791,308)</b>	<b>(383,791,308)</b>	<b>(201,403,625)</b>	<b>(182,387,683)</b>	<b>52.48%</b>	<b>52.29%</b>
<b>EXPENSES/OUTFLOWS</b>						
INCURED SELF-FUNDED CLAIMS	329,562,610					
ANTHEM		273,584,730	133,455,198	140,129,532	48.78%	48.57%
KAISER		42,720,091	24,758,812	17,961,279	57.96%	45.30%
VISION		1,070,354	405,689	664,665	37.90%	39.25%
DENTAL		12,187,435	5,872,075	6,315,360	48.18%	48.33%
TRANSITIONAL REINSURANCE FEE	899,056	899,056	901,233	(2,177)	100.24%	61.49%
GLOBAL PAYMENTS	19,275,084	19,275,084	9,972,797	9,302,287	51.74%	43.93%
ADMINISTRATIVE FEES, MISC CHARGES						
ASO FEES	23,696,508					
ANTHEM		11,738,894	6,278,906	5,459,988	53.49%	53.09%
KAISER		11,275,924	6,015,359	5,260,565	53.35%	49.58%
VISION		103,326	44,173	59,153	42.75%	46.36%
DENTAL		578,364	302,900	275,464	52.37%	51.75%
BANK CHARGES	10,000	10,000	2,186	7,814	21.86%	15.95%
MISC CHARGES	20,000	20,000	0	20,000	0.00%	0.00%
FSA CLAIMS ADMINISTRATION	100,000	100,000	47,693	52,307	47.69%	43.14%
HEALTH SAVINGS ACCOUNT ADMINISTRATION	60,000	60,000	39,838	20,162	66.40%	43.76%
FLEX SPENDING CLAIMS PAYMENTS	3,700,000	3,700,000	2,928,165	771,835	79.14%	60.96%
WELLNESS	2,100,000					
WELLNESS ASSESSMENT (HRA)		200,000	0	200,000	0.00%	29.89%
BE COLORADO - MOVE		850,000	705,354	144,646	82.98%	58.40%
WEIGHT MANAGEMENT		100,000	34,139	65,861	34.14%	21.97%
BRUSSELS + MUSCLES		300,000	2,100	297,900	0.70%	0.25%
WELLNESS PLATFORM		300,000	55,403	244,597	18.47%	31.14%
MARKETING		350,000	8,223	341,777	2.35%	10.32%
PREVENTION	990,000					
BIOMETRIC SCREENINGS AND FLU SHOTS		630,000	0	630,000	0.00%	35.61%
HEALTH FAIRS/5K		350,000	16,252	333,748	4.64%	14.47%
SMOKING CESSATION		10,000	0	10,000	0.00%	0.00%
PILOTS, STUDIES AND OTHER EXPENSES	500,000	500,000	16,603	483,397	3.32%	11.55%
DATA WAREHOUSE	460,000	460,000	172,927	287,073	37.59%	36.36%
TRUST FEES						
CONSULTING	415,000					
ACTUARY		175,000	80,602	94,398	46.06%	18.00%
LEGAL		25,000	2,229	22,771	8.92%	1.55%
MANAGEMENT		175,000	19,326	155,674	11.04%	1.26%
AUDIT		40,000	32,600	7,400	81.50%	72.75%
INSURANCE	162,000					
FIDUCIARY LIABILITY		48,000	26,393	21,607	54.99%	51.85%
ERRORS AND OMISSIONS		109,000	42,617	66,383	39.10%	40.13%
CRIME		5,000	864	4,136	17.28%	16.26%
CU HEALTH PLAN ADMINISTRATION	1,841,050	1,841,050	771,341	1,069,709	41.90%	47.31%
<b>TOTAL EXPENSES/OUTFLOWS</b>	<b>383,791,308</b>	<b>383,791,308</b>	<b>193,011,997</b>	<b>190,779,311</b>	<b>50.29%</b>	<b>47.94%</b>
<b>NET ACTIVITY FOR PERIOD</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (8,391,628)</b>	<b>\$ 8,391,628</b>		

\*FSA Activity is excluded from financial reports on page 5

# Plan Performance



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

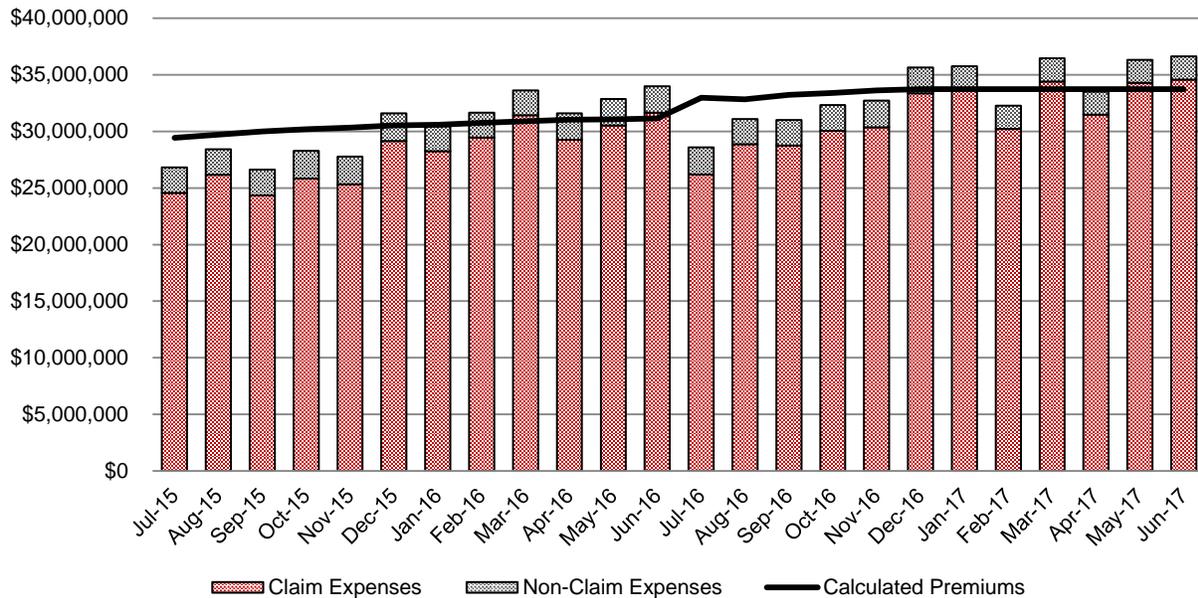
- As of December 31, 2016, the aggregate experience of all plans is showing calculated premiums have exceeded costs (claims plus expenses) by \$8.4M. The table below shows the prior fiscal year results, the current fiscal year results YTD, along with a projection of how fiscal year 2017 is expected to end.

Year	Medical/Rx Subscriber Months	Dental Enrolled	Vision Enrolled	Claims Expense (\$Ms)	Non-Claims Expense (\$Ms)	Total Cost (\$Ms)	Calculated Premiums (\$Ms)	Loss Ratio (LR)	Gain / Loss (\$Ms)
FY2016	370,989	224,783	120,992	\$336.0	\$27.7	\$363.7	\$365.7	99.5%	\$1.9
FY2017 YTD	195,746	117,516	52,356	\$177.6	\$13.8	\$191.4	\$199.8	95.8%	\$8.4
FY2017 Proj.	394,418	235,926	106,374	\$376.3	\$26.0	\$402.4	\$402.3	100.0%	-\$0.1

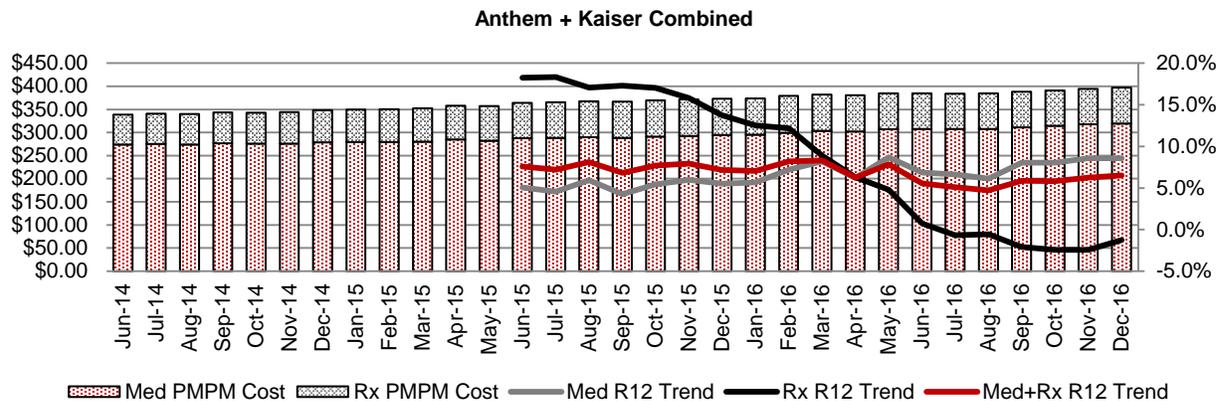
The projected increase in LR from December 31, 2016 through June 30, 2017 is due to the seasonality of claims exhibited in the medical plan offerings (particularly the HDHP). We estimate that fiscal year 2017 will end with total costs exceeding calculated premiums by \$0.1M.

- 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) with projected costs being used for January 2017 – June 2017. Current premiums are just under \$34M per month and total monthly costs have varied between \$27M – \$36M. 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 Premiums**



- Since the beginning of 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 favorable trends recently compared to broader market trends. The medical costs have trended in line with the broader market increases.



- With data through December 31, 2016, we estimate the total outstanding claims liability (i.e. incurred but not paid claims liability) as quarter ending December 31, 2016 is \$28.4M. The table below shows the outstanding claims liability as of the prior five quarter end valuation dates. Over the past year, the IBNP liability has fluctuated between the low \$24M range and the mid \$29M range. Fluctuations of this magnitude are not uncommon.

Valuation Date	IBNP Liability (\$Ms)
12/31/2015	\$25.7
3/31/2016	\$29.5
6/30/2016	\$25.7
9/30/2016	\$24.2
12/31/2016	\$28.4

- All claims are on an incurred basis using data through December 31, 2016 and therefore include an estimate of incurred but not paid claims.