CITY OF SURPRISE
Health Benefits Trust Fund Board
16000 N. Civic Center Plaza
Surprise, AZ 85374
Wednesday, June 5, 2019 @ 4:00 PM
COUNCIL OVERFLOW ROOM

A. Call To Order
B. Roll Call
C. Pledge of Allegiance
D. Current Events and Reports
E. Staff Reports
F. Health Benefits Trust Fund Board Agenda

CALL TO THE PUBLIC:

INSTRUCTIONS: In order to address the Board\Commission, you will need to fill out a Call to the Public Form available at the front counter, and then turn it in to the Secretary before the meeting begins.

Note: A.R.S. 38-431.01(H) - During this time members of the public may address the Board\Commission only on issues within the jurisdiction of the Board\Commission which are not an item on the agenda. At the conclusion of the open call, the Board\Commission may respond to criticism, may ask staff to review the matter or may ask that the matter be put on a future agenda. No discussion or action shall take place on any item raised.

CONSENT AGENDA:

1.	Citywide	Consideration and action pertaining to approval of the February 27, 2019 Health Benefits Trust Fund Board meeting minutes.	None Finance

REGULAR AGENDA ITEM - NON-PUBLIC HEARING:

2.	Internal	Presentation by the City of Surprise Attorney's Office pertaining to Arizona Open Meeting and Conflict of Interest Laws.	None Harold Brady Andrea Davis Finance
3.	Citywide	Presentation and discussion pertaining to CBIZ Consulting FY2019 3rd Quarter Report.	None Lisa Angelini Finance
4.	Citywide	Discussion on Stop Loss Contract Language and audit provisions.	Lisa Angelini Andrea Davis Finance
5.	Citywide	Presentation and discussion pertaining to the City's unaudited Employee Healthcare and Workers' Compensation Self Insurance Funds Financial Report for FY2019 3rd Quarter.	None Nick Sarpy Finance

6.	Internal	Human Resources Update - Open Enrollment	None Lisa Angelini Human Resources
7.	Citywide	Consideration and action pertaining to placing items on a future agenda.	None Finance

G. Other Business and Future Agenda Items

H. Executive Session

For information purposes: Upon a public majority vote of a quorum (“Commission”), the Commission may hold an executive session, which will not be open to the public, but for only the following purposes: discussion or consideration of records exempt by law from public inspection (A.R.S. §38-431.03(A)(2));

or discussion or consultation for legal advice with the attorney or attorneys of the public body (A.R.S. §38-431.03(A)(3)).

Confidentiality Requirements: Pursuant to A.R.S. §38-431.03(C)(D), any person receiving executive session information pursuant to A.R.S. §38-431.02 shall not disclose that information except to the Attorney General or County Attorney or by agreement of the Commission, or as otherwise ordered by a court of competent jurisdiction.

The Commission may vote to hold an executive session for the purpose of obtaining legal advice from the Commission’s attorney on any matter listed on the agenda pursuant to A.R.S. § 38-431.03(A)(3).

I. Adjournment

SHERRY ANN AGUILAR, CITY CLERK, MMC

POSTED:May 30, 2019 at 3:55 PM

SPECIAL NOTE: PERSONS WITH SPECIAL ACCESSIBILITY NEEDS, INCLUDING LARGE PRINT MATERIALS OR INTERPRETER, SHOULD CONTACT THE CITY CLERK’S OFFICE @ 623.222.1200 OR TTY 623.222.1002, BY NO LATER THAN 24 HOURS IN ADVANCE OF THE REGULAR SCHEDULED MEETING TIME.

CITY OF SURPRISE
Health Benefits Trust Fund Board

Council Meeting Date: June 5, 2019
Submitting Department: Finance
Staff Recommendations: None

Contact Person:
District: Citywide

Consent: Yes Regular: No Public Hearing: No Report/Discussion: No

Agenda Wording:
Consideration and action pertaining to approval of the February 27, 2019 Health Benefits Trust Fund Board meeting minutes.

Motion:
I move to approve the February 27, 2019 Health Benefits Trust Fund Board meeting minutes.

Background:
Attached are the minutes from the February 27, 2019 meeting.

Objective Analysis:

Policy Compliant:

Financial Impact:
No financial impact.

Budget Impact:
None

FTE Impact:

ATTACHMENTS:
1. HBTF MINUTES 02.27.19 Draft

CITY OF SURPRISE

HEALTH BENEFITS TRUST FUND BOARD
16000 North Civic Center Plaza
Surprise, AZ 85374

February 27, 2019

MEETING MINUTES

CALL TO ORDER

Chair Gwen Skorupan called the Health Benefits Trust Fund Meeting to order at 3:37 p.m. at Surprise City Hall, 16000 North Civic Center Plaza, Surprise, Arizona 85374, on Wednesday, February 27, 2019.

ROLL CALL

In attendance were Chair Gwen Skorupan, Board Member William Coniam, Board Member Renee Pastor, and Board Member Andrea Davis. Vice Chair Aaron Bacon was excused.

STAFF PRESENT:

Donna Meuse, Human Resources Manager; Lisa Angelini, Human Resources Director; Tami Turkovich, Human Resources Assistant Director; Liliana Mariona, Senior Human Resources Analyst; Brian Carmichael, Senior Risk Manager; Bretton Jeziorski, Workers' Comp Senior Claims Adjuster; Nicholas Sarpy, Accounting Manager; Julie Ralls, Senior Financial Analyst; Jennifer Medina, Financial Management Analyst Senior; Harold Brady, PS Legal Advisor; Alison Matthees, Internal Auditor; Laura Roybal, Administrative Services Assistant.

PLEDGE OF ALLEGIANCE

CURRENT EVENTS REPORT

None

STAFF REPORT

None

CALL TO THE PUBLIC

None

CONSENT AGENDA

Item 1: Consideration and action to approve the November 28, 2018 Health Benefits Trust Fund Board Meeting Minutes.

- Board Member Coniam made a motion to approve the minutes. Board Member Davis seconded the motion. Motion passed.

REGULAR AGENDA ITEMS NOT REQUIRING A PUBLIC HEARING

Item 2: Presentation and discussion of CBIZ Consulting FY2019 2nd Quarter Report.

- Lisa Angelini, Human Resources Director, presented highlights of the city's approach and assessment of our benefits and wellness program, and announced some of the changes that the city will be making to the benefits program.
- Michael Barberio presented CBIZ Consulting's 2nd Quarter Report for FY2019.

Item 3: Presentation and discussion of the city's unaudited Employee Healthcare and Worker's Compensation Self Insurance Funds Financial Report for FY2019 2nd Quarter.

- Nicholas Sarpy, Accounting Manager, presented the 2nd Quarter Financial report for FY2019.

Item 4: Consideration and action pertaining to the FY2020 Benefit Healthcare Funding.

- Stacy Hutton, CBIZ, and Andrea Davis, Finance Director, presented information on the financial status of the Health Benefit Trust Fund, discussed the plan design changes that will be made, and presented the recommended rate increases for the FY2020 Medical, Dental, and Vision Plans.
- Board Member Pastor moved to approve the recommended rates for FY2020. Chairperson Skorupan seconded the motion. Motion passed.

Item 5: Consideration and action pertaining to the FY2020 Workers' Compensation Plan Funding.

- Brian Carmichael, Risk Manager - Senior, presented information on the financial status for the Workers' Compensation Fund, and presented the recommended contributions for FY2020 to the Workers' Compensation Fund.
- Board Member Pastor moved to approve the recommended contributions to the Workers' Compensation Fund for FY2020. Board Member Coniam seconded the motion. Motion passed.

Item 6: Consideration and action pertaining to the Health Benefits Trust Fund Board Annual Calendar.

- Board Member Coniam made a motion to approved the amended calendar for Health Benefits Trust Fund Board meetings for the rest of the calendar year. Board Member Davis seconded the motion. Motion passed.

Item 7: Consideration and action pertaining to placing items on future agenda.

- Due to action at this meeting, the special meeting scheduled for March 13, 2019 will not be necessary. Next meeting will be held on June 5th, 2019. Open Meeting Law Training will be presented at that meeting.

OTHER BUSINESS

None

ADJOURNMENT

Chairperson Skorupan made a motion to adjourn the meeting. Board Member Davis seconded the motion. Hearing no further business, Chairperson Skorupan adjourned the Health Benefits Trust Fund meeting at 5:03 p.m.

_____

Gwen Skorupan, Chair
Health Benefits Trust Fund Board

CITY OF SURPRISE
Health Benefits Trust Fund Board

Council Meeting Date: June 5, 2019

Contact Person: Harold Brady, PS LEGAL ADVISOR, Andrea Davis, DIRECTOR - FINANCE

Submitting Department: Finance

District: Internal

Staff Recommendations: None

Consent: No Regular: Yes Public Hearing: No Report/Discussion: No

Agenda Wording:

Presentation by the City of Surprise Attorney's Office pertaining to Arizona Open Meeting and Conflict of Interest Laws.

Motion:

None; discussion only

Background:

A presentation will be made pertaining to Arizona Open Meeting and Conflict of Interest Laws to give the board members practical guidance regarding these topics.

Objective Analysis:

Policy Compliant:

Financial Impact:

None; discussion only

Budget Impact:

None; discussion only

FTE Impact:

None; discussion only

ATTACHMENTS:

1. 18.12.12 Open Meeting Law

SURPRISE
ARIZONA

OPEN MEETING LAW TRAINING

LEGAL DEPARTMENT, DECEMBER 12, 2018

OPEN MEETING LAW

. . . opening the window on how government works in Arizona

A.R.S §38-431.01(A)

Arizona law states:

All meetings of any public body must be public meetings and all persons so desiring shall be permitted to attend and listen to the deliberations and proceedings. All legal action of public bodies must occur during a public meeting.

PURPOSE OF THE OPEN MEETING LAW

To ensure that the public has an opportunity to observe what the government is doing, and how it is being done.

STATE POLICY A.R.S. §38.431.09

- Meetings of public bodies must be conducted openly.
- Notices and agendas provided for meetings with information reasonably necessary to inform the public of matters to be discussed or decided.
- Construe OML in favor of “open and public meetings.”
- Discuss or take action ONLY on items that are on the agenda.

WHAT IS A MEETING?

Meeting: the gathering, in person or through technological devices, of a quorum of members of a public body at which they discuss, propose or take legal action, including any deliberations by a quorum with respect to such action.

A.R.S. § 38-431(4).

“… in person or through technological devices”

WHETHER

- All together in one room, OR
- One or more of the people participating by phone, OR
- One or more participating by computer, video chat, or phone
- Over time rather than all at once.

…it is all considered a meeting

Another way to define meeting…

1. Phone calls.
2. Emails-be careful responding to emails. Using “Reply All” and Forwarding emails may lead to OML trouble.
3. Serial meeting-less than a quorum present. Later the same discussion is had with other members.
4. Social events-when in doubt, post as possible quorum.
5. Social media-be careful “liking” comments, emerging area of law.

Are social events meetings?

- A.G. recommends that the event be posted if a quorum will be present.
- Identify time, date, location, and purpose.
- State that no legal action will be taken – *and then don't talk about city business!*
- It does not matter what label is placed on a gathering; it may be called a "work" or "study" session, or the discussion may occur at a social function.

  Ariz. Att'y Gen. Op. I79-4 (¶7.5.1).

ALTERNATIVE COMMUNICATIONS

- Letters
- Blogs
- Media (e.g. newspaper, radio)
- Social Media (e.g. Facebook, Twitter)

(Cannot use alternative methods of communication to circumvent Open Meeting Laws.)

COMMUNICATION WITH STAFF

- Council/Board may communicate with staff.
- Staff may provide the Council/Board with reports or other information outside a public meeting.
- Staff may *not* be used to side step the open meeting law.

SPECIAL KIND OF MEETING:

EXECUTIVE SESSION

- City Clerk is responsible for noticing the public of all meetings, including executive sessions.
- Majority of Council/Board must vote to convene into executive session.
- Only members of the public body and those individuals whose presence is reasonably necessary for the public body to carry out its duty are permitted to attend the executive session.

SPECIAL KIND OF MEETING:

EXECUTIVE SESSION, cont.

- Legal Advice
- Litigation, Contract Negotiations, and Settlement Discussions
- Purchase, Sale or Lease of Real Property

SPECIAL KIND OF MEETING:

MORE INFREQUENT PURPOSES FOR EXECUTIVE SESSIONS

- Confidential records
- Salary negotiations with employee organizations
- Negotiation direction for International, Interstate or Tribal organizations

SPECIAL KIND OF MEETING

EXECUTIVE SESSION, cont.

- Discussion ONLY.
- Can give direction in some cases.
- Must keep minutes of e-session.
- Minutes are confidential except in limited circumstances.

PENALTIES FOR VIOLATING THE OPEN MEETING LAW

- Civil Penalty up to $500
- Removal from Office for Intentional Violations
- Plus court costs and attorney fees
- City cannot represent you or pay for a lawyer to represent you.

ARS § 38-431.07

Conflict of interest

Arizona statutory law requires public officers (or employee) who have a conflict of interest to do two things…

1) Disclose the interest
2) Refrain from **any** participation in the matter.

A.R.S. §§ 38-501 to 511.

WHAT IS A CONFLICT OF INTEREST?

- A PUBLIC OFFICER OR EMPLOYEE
- WHO HAS (OR HIS RELATIVE HAS)
- A SUBSTANTIAL INTEREST

SUBSTANTIAL INTEREST?

- A NON-SPECULATIVE
- PECUNIARY (financial)
- PROPRIETARY (business)
- EITHER DIRECT OR INDIRECT

RELATIVES

- Your spouse
- Your children
- Your grandchildren
- Your parents
- Your grandparents
- Your siblings by full or half-blood & their spouses
- Your spouse’s parent, brother, sister or child

WHAT ALL APPOINTED OFFICIALS NEED TO KNOW.

- Conflicts can happen-just don’t try to influence the decision or vote. Always disclose the interest.
- When in doubt --- ASK!!
- What to do at the meeting when you have a conflict? – Refrain from participation.

GIFTS

Can you accept them? Can you give them?

GIFTS - Accepting

- Public officers are prohibited from using or attempting to use their position to secure any benefit or anything of value.
- A.R.S. § 38-504(c)

- Public officers are prohibited from agreeing to receive or receiving compensation other than as provided by law for services they render.
- A.R.S. § 38-505(A)

Exceptions

- *De minimis* gifts, i.e.:

1) Unsolicited advertising or promotional material such as pens, scratch pads, calendars, etc… (basically trinkets).

2) Other items of nominal value (e.g. box of candy or fruitcake) that are merely tokens of appreciation and not related to any particular transaction.

Ask yourself

- How would you feel if the Arizona Republic ran a story about you receiving the gift?
- Would a citizen question whether the gift is intended to buy influence?

- If you have any reservation or question about the propriety of a gift or gratuity, the best practice is always to:

DECLINE

SURPRISE
ARIZONA

QUESTIONS OR COMMENTS?

Thank You

CITY OF SURPRISE
Health Benefits Trust Fund Board

Council Meeting Date: June 5, 2019
Submitting Department: Finance
Staff Recommendations: None

Contact Person: Lisa Angelini, DIRECTOR - HR
District: Citywide

Consent: No Regular: Yes Public Hearing: No Report/Discussion: No

Agenda Wording:
Presentation and discussion pertaining to CBIZ Consulting FY2019 3rd Quarter Report.

Motion:
None. Discussion only.

Background:
CBIZ Consulting will present the 3rdQuarter self-funded medical, dental, and vision report for plan year FY2019 for the City. This report contains financial information and claims activity.

Objective Analysis:

Policy Compliant:

Financial Impact:
None at this time; however, topics in this presentation could lead to future actions which may have a fiscal impact on the fund's operation.

Budget Impact:
None at this time; however, topics in this presentation could lead to future actions which may have a fiscal impact on the fund's operation.

FTE Impact:

ATTACHMENTS:
1. City of Surprise Medical, Dental & Vision Experience 03 19
2. City of Surprise PBM Summary Jun 2019 Board Meeting

City of Surprise

Medical, Pharmacy, Dental & Vision Experience

Plan Year: ***July 2018 – June 2019***

Month End: ***March 2019***

Presented by your CBIZ Team

Mike Barberio, Stacy Hutton & Margaret Latham

our business is growing yours.

City of Surprise

Paid Claims and Administration

Plan Year: July 2018 to June 2019 (as of March 2019)

Incurred and Paid

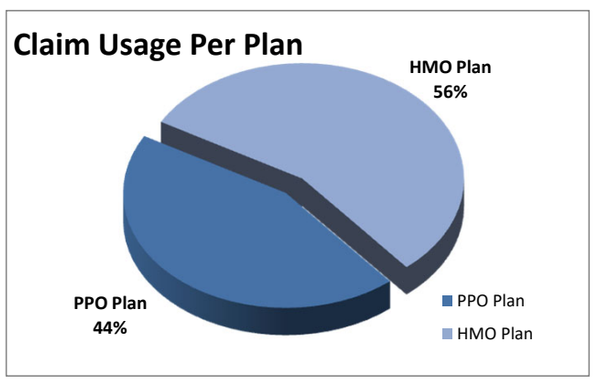
BlueCross BlueShield of Arizona and Optum Rx- All Plans														Loss Ratio		PEPM Costs				
Paid Month	Subscribers	Expected Claims Liability	Maximum Claims Liability	Medical Paid Claims	Rx Paid Claims	Optum Rx Rebates	Blue Card Claims Expense & Misc.	Capitation Fees	Value Based Services	Stop Loss Recovery	Total Paid Claims	Admin Fees	Total Paid Claims & Admin Fees	Actual Claims vs Expected Claims Liability	Actual Claims vs Maximum Claims Liability	Medical Claims Paid PEPM	Rx Claims Paid PEPM	Total Claims Paid PEPM	Total Paid Claims Net Stop Loss Reimburse-ment PEPM	Total Claims & Fees PEPM
Jul-18	710	$ 833,067	$ 971,366	$ 274,230	$ 172,399	$ -	$ 15	$ 3,610	$ 1,346	$ -	$ 451,599	$ 85,578	$ 537,177	54.2%	46.5%	$391.34	$242.82	$636.06	$636.06	$756.59
Aug-18	715	$ 838,586	$ 977,857	$ 810,047	$ 156,087	$ -	$ 148	$ 3,655	$ 1,354	$ -	$ 971,290	$ 86,182	$ 1,057,472	115.8%	99.3%	$1,138.25	$218.30	$1,358.45	$1,358.45	$1,478.98
Sep-18	715	$ 841,030	$ 980,453	$ 726,683	$ 149,875	$ -	$ 179	$ 3,703	$ 1,327	$ (75,627)	$ 806,140	$ 86,183	$ 892,323	95.9%	82.2%	$1,021.77	$209.62	$1,233.24	$1,127.47	$1,248.00
Oct-18	715	$ 839,935	$ 979,306	$ 909,571	$ 172,101	$ -	$ 400	$ 3,686	$ 1,370	$ (90,880)	$ 996,247	$ 86,184	$ 1,082,431	118.6%	101.7%	$1,277.84	$240.70	$1,520.46	$1,393.35	$1,513.89
Nov-18	714	$ 838,278	$ 977,433	$ 647,417	$ 115,033	$ -	$ (952)	$ 3,668	$ 1,469	$ (68,978)	$ 697,657	$ 86,064	$ 783,721	83.2%	71.4%	$910.55	$161.11	$1,073.72	$977.11	$1,097.65
Dec-18	713	$ 835,049	$ 973,911	$ 702,396	$ 151,891	$ -	$ 36	$ 3,667	$ 1,470	$ (3,097)	$ 856,363	$ 85,945	$ 942,308	102.6%	87.9%	$990.32	$213.03	$1,205.41	$1,201.07	$1,321.61
Jan-19	729	$ 850,754	$ 992,626	$ 602,574	$ 155,411	$ (108,496)	$ 237	$ 3,826	$ 1,449	$ -	$ 655,000	$ 87,878	$ 742,878	77.0%	66.0%	$832.15	$213.18	$898.49	$898.49	$1,019.04
Feb-19	733	$ 856,373	$ 999,093	$ 614,827	$ 154,026	$ -	$ 236	$ 3,879	$ 1,481	$ (41,559)	$ 732,890	$ 88,361	$ 821,251	85.6%	73.4%	$844.40	$210.13	$1,056.55	$999.85	$1,120.40
Mar-19	737	$ 860,686	$ 1,004,187	$ 707,830	$ 153,080	$ -	$ 1,845	$ 3,911	$ 1,421	$ (16)	$ 868,071	$ 88,845	$ 956,916	100.9%	86.4%	$968.23	$207.71	$1,177.87	$1,177.84	$1,298.39
Apr-19																				
May-19																				
Jun-19																				
Total	6,481	$ 7,593,758	$ 8,856,232	$ 5,995,574	$ 1,379,903	$ (108,496)	$ 2,141	$ 33,605	$ 12,688	$ (280,158)	$ 7,035,257	$ 781,219	$ 7,816,476	92.6%	79.4%	$930.62	$212.92	$1,128.75	$1,085.52	$1,206.06
Avg	720																			

Administrative Fees	PPO Plan			HMO Plan		
	Employee	Emp + 1 Dep	EE + Family	Employee	Emp + 1 Dep	EE + Family
Administration	$49.76	$49.76	$49.76	$49.76	$49.76	$49.76
Specific Stoploss 12/24 $250,000 ISL	$65.92	$65.92	$65.92	$65.92	$65.92	$65.92
Aggregate Stoploss (125%)	$5.10	$5.10	$5.10	$4.55	$4.55	$4.55
Total Admin Fees	**$120.78**	**$120.78**	**$120.78**	**$120.23**	**$120.23**	**$120.23**

Claim Expenses	Employee	Emp + 1 Dep	EE + Family	Employee	Emp + 1 Dep	EE + Family
Expected Liability	**$456.81**	**$1,034.39**	**$1,496.44**	**$477.13**	**$1,074.48**	**$1,552.38**
Maximum Liability (ICAP)	**$615.74**	**$1,225.05**	**$1,712.49**	**$633.55**	**$1,260.63**	**$1,762.31**

Client Budget	Employee	Emp + 1 Dep	EE + Family
PPO Plan	**$596.04**	**$1,192.08**	**$1,668.90**
HMO Plan	**$616.44**	**$1,232.88**	**$1,726.06**

2018 BCBS Total Rebate amount YTD is $3,924.



Client Budget		% Total Cost vs. Client Budget
Jul-18	$ 947,999	56.7%
Aug-18	$ 954,317	110.8%
Sep-18	$ 956,842	93.3%
Oct-18	$ 955,712	113.3%
Nov-18	$ 953,879	82.2%
Dec-18	$ 950,422	99.1%
Jan-19	$ 968,624	76.7%
Feb-19	$ 974,922	84.2%
Mar-19	$ 979,872	97.7%
Apr-19		
May-19		
Jun-19		
Total	$ 8,642,589	90.4%

City of Surprise

Paid Claims and Administration

Plan Year: July 2018 to June 2019 (as of March 2019)

Incurred and Paid

BlueCross BlueShield of Arizona & Optum Rx - PPO Plan										
Paid Month	Subscribers	Expected Claims Liability	Maximum Claims Liability	Medical Paid Claims	Rx Paid Claims	Optum Rx Rebates	Stop Loss Recovery	Total Paid Claims	Admin Fees	Total Paid Claims and Admin Fees
Jul-18	390	$ 423,163	$ 498,606	$ 103,438	$ 58,063	$ -	$ -	$ 161,501	$ 47,104	$ 208,605
Aug-18	395	$ 428,681	$ 505,097	$ 245,311	$ 79,919	$ -	$ -	$ 325,230	$ 47,708	$ 372,938
Sep-18	398	$ 433,632	$ 510,722	$ 290,858	$ 50,099	$ -	$ -	$ 340,957	$ 48,070	$ 389,027
Oct-18	399	$ 434,089	$ 511,338	$ 362,611	$ 82,966	$ -	$ -	$ 445,577	$ 48,191	$ 493,768
Nov-18	400	$ 433,506	$ 510,857	$ 263,875	$ 68,898	$ -	$ -	$ 332,772	$ 48,312	$ 381,084
Dec-18	401	$ 433,501	$ 510,985	$ 330,947	$ 50,739	$ -	$ -	$ 381,686	$ 48,433	$ 430,118
Jan-19	418	$ 450,162	$ 530,836	$ 274,126	$ 68,286	$ -	$ -	$ 342,412	$ 50,486	$ 392,898
Feb-19	423	$ 456,258	$ 537,936	$ 287,632	$ 81,633	$ -	$ -	$ 369,265	$ 51,090	$ 420,355
Mar-19	428	$ 462,123	$ 544,792	$ 363,136	$ 82,255	$ -	$ -	$ 445,391	$ 51,694	$ 497,084
Apr-19										
May-19										
Jun-19										
Total	**3,652**	**$ 3,955,114**	**$ 4,661,170**	**$ 2,521,933**	**$ 622,856**	**$ -**	**$ -**	**$ 3,144,789**	**$ 441,089**	**$ 3,585,878**
Avg	**406**									

Loss Ratio	
Actual Claims vs Expected Claims Liability	Actual Claims vs Maximum Claims Liability
38.2%	32.4%
75.9%	64.4%
78.6%	66.8%
102.6%	87.1%
76.8%	65.1%
88.0%	74.7%
76.1%	64.5%
80.9%	68.6%
96.4%	81.8%
79.5%	**67.5%**

PEPM Costs			
Medical Claims Paid PEPM	Rx Claims Paid PEPM	Total Claims Paid PEPM	Total Claims & Fees PEPM
$265.23	$148.88	$414.10	$534.88
$621.04	$202.33	$823.37	$944.15
$730.80	$125.88	$856.68	$977.46
$908.80	$207.93	$1,116.73	$1,237.51
$659.69	$172.24	$831.93	$952.71
$825.30	$126.53	$951.83	$1,072.61
$655.80	$163.36	$819.17	$939.95
$679.98	$192.99	$872.97	$993.75
$848.45	$192.18	$1,040.63	$1,161.41
$690.56	**$170.55**	**$861.11**	**$981.89**

Administrative Fees	PPO Plan		
	Employee	Emp + 1 Dep	EE + Family
Administration	$49.76	$49.76	$49.76
Specific Stoploss 12/24 $250,000 ISL	$65.92	$65.92	$65.92
Aggregate Stoploss (125%)	$5.10	$5.10	$5.10
Total Admin Fees	**$120.78**	**$120.78**	**$120.78**

Claim Expenses	Employee	Emp + 1 Dep	EE + Family
Expected Liability	**$456.81**	**$1,034.39**	**$1,496.44**
Maximum Liability (ICAP)	**$615.74**	**$1,225.05**	**$1,712.49**

Client Budget	Employee	Emp + 1 Dep	EE + Family
	$596.04	**$1,192.08**	**$1,668.90**

Number of Enrollees by Month				
Month	EE	EE + 1	EE + Fam	Total
July	125	66	199	390
August	126	68	201	395
September	126	67	205	398
October	127	67	205	399
November	129	67	204	400
December	130	68	203	401
January	138	69	211	418
February	138	72	213	423
March	140	71	217	428
April				
May				
June				
Totals	**1,179**	**615**	**1,858**	**3,652**

Month	Client Budget	% Total Cost vs. Client Budget
Jul-18	$ 485,293	43.0%
Aug-18	$ 491,611	75.9%
Sep-18	$ 497,095	78.3%
Oct-18	$ 497,691	99.2%
Nov-18	$ 497,214	76.6%
Dec-18	$ 497,333	86.5%
Jan-19	$ 516,645	76.0%
Feb-19	$ 523,559	80.3%
Mar-19	$ 530,235	93.7%
Apr-19		
May-19		
Jun-19		
Total	**$ 4,536,677**	**79.0%**

City of Surprise

Paid Claims and Administration

Plan Year: July 2018 to June 2019 (as of March 2019)

Incurred and Paid

BlueCross BlueShield of Arizona & Optum Rx - HMO Plan											Loss Ratio		PEPM Costs			
Paid Month	Subscribers	Expected Claims Liability	Maximum Claims Liability	Medical Paid Claims	Rx Paid Claims	Optum Rx Rebates	Stop Loss Recovery	Total Paid Claims	Admin Fees	Total Paid Claims and Admin Fees	Actual Claims vs Expected Claims Liability	Actual Claims vs Maximum Claims Liability	Medical Claims Paid PEPM	Rx Claims Paid PEPM	Total Claims Paid PEPM	Total Claims & Fees PEPM
Jul-18	320	$ 409,905	$ 472,760	$ 170,792	$ 114,336	$ -	$ -	$ 285,128	$ 38,474	$ 323,602	69.6%	60.3%	$533.72	$357.30	$891.03	$1,011.26
Aug-18	320	$ 409,905	$ 472,760	$ 564,736	$ 80,091	$ -	$ -	$ 644,828	$ 38,474	$ 683,301	157.3%	136.4%	$1,764.80	$250.29	$2,015.09	$2,135.32
Sep-18	317	$ 407,398	$ 469,731	$ 435,826	$ 99,776	$ -	$ (75,627)	$ 459,974	$ 38,113	$ 498,087	112.9%	97.9%	$1,374.84	$314.75	$1,689.59	$1,571.25
Oct-18	316	$ 405,846	$ 467,968	$ 546,960	$ 89,135	$ -	$ (90,880)	$ 545,215	$ 37,993	$ 583,207	134.3%	116.5%	$1,730.89	$282.07	$2,012.96	$1,845.59
Nov-18	314	$ 404,772	$ 466,576	$ 383,542	$ 46,135	$ -	$ (68,978)	$ 360,699	$ 37,752	$ 398,451	89.1%	77.3%	$1,221.47	$146.93	$1,368.40	$1,268.95
Dec-18	312	$ 401,548	$ 462,926	$ 371,449	$ 101,153	$ -	$ (3,097)	$ 469,504	$ 37,512	$ 507,016	116.9%	101.4%	$1,190.54	$324.21	$1,514.75	$1,625.05
Jan-19	311	$ 400,593	$ 461,790	$ 328,447	$ 87,125	$ -	$ -	$ 415,572	$ 37,392	$ 452,964	103.7%	90.0%	$1,056.10	$280.15	$1,336.25	$1,456.48
Feb-19	310	$ 400,116	$ 461,157	$ 327,195	$ 72,393	$ -	$ (41,559)	$ 358,029	$ 37,271	$ 395,300	89.5%	77.6%	$1,055.47	$233.53	$1,288.99	$1,275.16
Mar-19	309	$ 398,563	$ 459,395	$ 344,694	$ 70,826	$ -	$ (16)	$ 415,504	$ 37,151	$ 452,655	104.3%	90.4%	$1,115.51	$229.21	$1,344.72	$1,464.90
Apr-19																
May-19																
Jun-19																
Total	2,829	$ 3,638,644	$ 4,195,062	$ 3,473,641	$ 760,970	$ -	$ (280,158)	$ 3,954,453	$ 340,131	$ 4,294,584	108.7%	94.3%	$1,227.87	$268.99	$1,496.86	$1,518.06
Avg	314															

Administrative Fees	HMO Plan		
	Employee	Emp + 1 Dep	EE + Family
Administration	$49.76	$49.76	$49.76
Specific Stoploss 12/24 $250,000 ISL	$65.92	$65.92	$65.92
Aggregate Stoploss (125%)	$4.55	$4.55	$4.55
Total Admin Fees	$120.23	$120.23	$120.23

Claim Expenses	Employee	Emp + 1 Dep	EE + Family
Expected Liability	$477.13	$1,074.48	$1,552.38
Maximum Liability (ICAP)	$633.55	$1,260.63	$1,762.31

Client Budget	Employee	Emp + 1 Dep	EE + Family
	$616.44	$1,232.88	$1,726.06

Number of Enrollees by Month				
Month	EE	EE + 1	EE + Fam	Total
July	55	58	207	320
August	55	58	207	320
September	53	58	206	317
October	53	58	205	316
November	52	56	206	314
December	53	54	205	312
January	52	55	204	311
February	51	55	204	310
March	51	55	203	309
April				
May				
June				
Totals	475	507	1,847	2,829

Month	Client Budget	% Total Cost vs. Client Budget
Jul-18	$ 462,706	69.9%
Aug-18	$ 462,706	147.7%
Sep-18	$ 459,747	108.3%
Oct-18	$ 458,021	127.3%
Nov-18	$ 456,665	87.3%
Dec-18	$ 453,089	111.9%
Jan-19	$ 451,980	100.2%
Feb-19	$ 451,363	87.6%
Mar-19	$ 449,637	100.7%
Apr-19		
May-19		
Jun-19		
Total	$ 4,105,912	104.6%

City of Surprise

Paid Claims and Administration

Plan Year: July 2017 to June 2018 with Runout (as of March 2019)

Incurred and Paid

BlueCross BlueShield of Arizona and Optum Rx- All Plans												
Paid Month	Subscribers	Expected Claims Liability	Maximum Claims Liability	Medical Paid Claims	Rx Paid Claims Includes Optum Rx Rebates*	Blue Card Claims Expense & Misc.	Capitation Fees	Value Based Services	Stop Loss Recovery	Total Paid Claims	Admin Fees	Total Paid Claims & Admin Fees
Jul-17	691	$ 840,942	$ 1,051,177	$ 226,493	$ 81,653	$ 180	$ 3,310	$ -	$ -	$ 311,636	$ 80,041	$ 391,677
Aug-17	694	$ 844,150	$ 1,055,187	$ 509,473	$ 150,218	$ 208	$ 3,362	$ 1,139	$ -	$ 664,400	$ 80,391	$ 744,790
Sep-17	703	$ 852,624	$ 1,065,780	$ 537,970	$ 154,662	$ 831	$ 3,430	$ 1,160	$ -	$ 698,053	$ 81,436	$ 779,490
Oct-17	699	$ 846,843	$ 1,058,553	$ 583,312	$ 133,054	$ 488	$ 3,413	$ 1,088	$ -	$ 721,355	$ 80,972	$ 802,327
Nov-17	695	$ 843,012	$ 1,053,764	$ 674,350	$ 166,342	$ 3,107	$ 3,351	$ 1,092	$ -	$ 848,242	$ 80,508	$ 928,750
Dec-17	696	$ 842,916	$ 1,053,645	$ 598,440	$ 151,590	$ 629	$ 3,421	$ 1,125	$ -	$ 755,205	$ 80,625	$ 835,830
Jan-18	702	$ 848,307	$ 1,060,384	$ 701,237	$ 207,820	$ 311	$ 3,448	$ 1,148	$ -	$ 913,965	$ 81,320	$ 995,285
Feb-18	702	$ 845,969	$ 1,057,462	$ 415,478	$ 135,498	$ 137	$ 3,462	$ 1,111	$ -	$ 555,686	$ 81,323	$ 637,009
Mar-18	706	$ 852,341	$ 1,065,426	$ 495,739	$ 127,417	$ 229	$ 3,483	$ 1,643	$ -	$ 628,512	$ 81,788	$ 710,300
Apr-18	707	$ 853,803	$ 1,067,254	$ 480,632	$ 136,050	$ 385	$ 3,541	$ 1,430	$ (1,116)	$ 620,922	$ 81,905	$ 702,827
May-18	708	$ 856,735	$ 1,070,919	$ 551,406	$ 150,597	$ 315	$ 3,525	$ 1,360	$ (2,657)	$ 704,547	$ 82,021	$ 786,569
Jun-18	708	$ 856,611	$ 1,070,763	$ 662,491	$ 134,625	$ 406	$ 3,547	$ 1,228	$ (5,990)	$ 796,307	$ 82,022	$ 878,329
Total	**8,411**	**$ 10,184,252**	**$ 12,730,316**	**$ 6,437,020**	**$ 1,729,527**	**$ 7,224**	**$ 41,294**	**$ 13,526**	**$ (9,762)**	**$ 8,218,830**	**$ 974,352**	**$ 9,193,182**
Avg	**701**											

Loss Ratio	
Actual Claims vs Expected Claims Liability	Actual Claims vs Maximum Claims Liability
37.1%	29.6%
78.7%	63.0%
81.9%	65.5%
85.2%	68.1%
100.6%	80.5%
89.6%	71.7%
107.7%	86.2%
65.7%	52.5%
73.7%	59.0%
72.7%	58.2%
82.2%	65.8%
93.0%	74.4%
80.7%	**64.6%**

PEPM Costs				
Medical Claims Paid PEPM	Rx Claims Paid PEPM	Total Claims Paid PEPM	Total Paid Claims Net Stop Loss Reimburse-ment PEPM	Total Claims & Fees PEPM
$332.83	$118.17	$450.99	$450.99	$566.83
$739.26	$216.45	$957.35	$957.35	$1,073.19
$771.31	$220.00	$992.96	$992.96	$1,108.80
$840.08	$190.35	$1,031.98	$1,031.98	$1,147.82
$979.58	$239.34	$1,220.49	$1,220.49	$1,336.33
$865.65	$217.80	$1,085.06	$1,085.06	$1,200.91
$1,004.27	$296.04	$1,301.94	$1,301.94	$1,417.78
$596.98	$193.02	$791.58	$791.58	$907.42
$707.44	$180.48	$890.24	$890.24	$1,006.09
$685.37	$192.43	$879.83	$878.25	$994.10
$784.25	$212.71	$998.88	$995.12	$1,110.97
$941.30	$190.15	$1,133.19	$1,124.73	$1,240.58
$771.08	**$205.63**	**$978.31**	**$977.15**	**$1,093.00**

BCBS Runout							
Month	Paid Medical	Paid Rx	Optum Rx Rebates	Blue Card Claims Expense	Capitation (Chiro FFS Costs)	Stop Loss Recovery	Total Paid Claims
Jul-18	$ 320,216	$ -	$ (107,496)	$ 76	$ 6	$ (5,606)	$ 207,195
Aug-18	$ 115,408	$ -	$ -	$ 271	$ 8	$ -	$ 115,688
Sep-18	$ 116,940	$ -	$ -	$ 28	$ -	$ -	$ 116,968
Oct-18	$ 93,868	$ -	$ (98,937)	$ 10	$ -	$ (514)	$ (5,573)
Nov-18	$ 8,173	$ (295)	$ -	$ 15	$ -	$ -	$ 7,892
Dec-18	$ 8,774	$ -	$ -	$ 13	$ -	$ (2,879)	$ 5,908
Jan-19	$ 8,438	$ -	$ -		$ -	$ 392	$ 8,830
Feb-19	$ 2,775	$ -	$ -	$ (2)	$ -	$ -	$ 2,773
Mar-19	$ 24,204	$ -	$ -	$ -	$ -	$ -	$ 24,204
Apr-19							$ -
May-19							$ -
Jun-19							$ -
Total	**$ 698,796**	**$ (295)**	**$ (206,433)**	**$ 410**	**$ 14**	**$ (8,606)**	**$ 483,885**

2017-2018 Medical Plan Costs with Runout

Total Claims Incurred for Time Period	Total Stop Loss Recovery	Total Paid Claims Net Runout	Total Admin Fees	Total Paid Claims and Admin Costs
$ 8,721,084	$ (18,369)	$8,702,715	$ 974,352	$9,677,067

% Actual Claims vs. Expected	% Actual Claims vs. Maximum Claim Liability
85.5%	68.4%

Total Paid Claims & Admin Costs PEPM
$ 1,150.53

Client Budget	% Total Cost vs. Client Budget
$ 10,959,823	88.3%

Specific Stoploss 12/24 $250,000 ISL

Aggregate Stoploss (125%)

1/2017-12/2017 BCBS Rx Rebates total $126.34.

City of Surprise

Paid Claims and Administration

Plan Year: July 2016 to June 2017 with Runout

Incurred and Paid

BlueCross BlueShield of Arizona - All Plans												
Paid Month	Subscribers	Expected Claims Liability	Maximum Claims Liability	Medical Paid Claims	Rx Paid Claims Includes Optum Rx Rebates*	Blue Card Claims Expense & Misc.	Capitation Fees	Value Based Services	Stop Loss Recovery	Total Paid Claims	Admin Fees	Total Paid Claims & Admin Fees
Jul-16	647	$ 768,856	$ 961,070	$ 192,964	$ 61,092	$ 230	$ 2,983	$ -	$ -	$ 257,269	$ 103,436	$ 360,705
Aug-16	657	$ 780,068	$ 975,085	$ 643,671	$ 105,569	$ 375	$ 3,099	$ 821	$ -	$ 753,534	$ 105,039	$ 858,573
Sep-16	664	$ 787,094	$ 983,867	$ 418,333	$ 123,568	$ 241	$ 3,148	$ 791	$ -	$ 546,081	$ 106,160	$ 652,242
Oct-16	664	$ 788,227	$ 985,284	$ 497,529	$ 104,967	$ 225	$ 3,224	$ 791	$ -	$ 606,735	$ 106,163	$ 712,898
Nov-16	670	$ 791,713	$ 989,641	$ 506,780	$ 183,792	$ 303	$ 3,240	$ 758	$ -	$ 694,873	$ 107,124	$ 801,997
Dec-16	669	$ 773,576	$ 966,970	$ 528,008	$ 202,460	$ 2,186	$ 3,231	$ 767	$ -	$ 736,651	$ 106,964	$ 843,615
Jan-17	674	$ 780,483	$ 975,604	$ 624,228	$ 103,068	$ 1,764	$ 3,272	$ 1,064	$ (2,729)	$ 730,667	$ 107,765	$ 838,432
Feb-17	685	$ 791,874	$ 989,842	$ 516,627	$ 147,831	$ 449	$ 3,380	$ -	$ (14,728)	$ 653,558	$ 109,527	$ 763,085
Mar-17	691	$ 795,834	$ 994,792	$ 615,240	$ 127,281	$ 354	$ 3,424	$ -	$ (40,468)	$ 705,831	$ 110,488	$ 816,319
Apr-17	684	$ 789,625	$ 987,032	$ 625,437	$ 151,178	$ 226	$ 3,374	$ -	$ (40,541)	$ 739,674	$ 109,368	$ 849,042
May-17	686	$ 790,352	$ 987,941	$ 607,182	$ 134,585	$ 1,845	$ 3,372	$ 3,183	$ (21,707)	$ 728,460	$ 109,689	$ 838,148
Jun-17	687	$ 789,349	$ 986,686	$ 640,393	$ 150,334	$ 531	$ 3,393	$ 2,165	$ (22,257)	$ 774,560	$ 109,850	$ 884,409
Total	**8,078**	**$ 9,427,051**	**$ 11,783,814**	**$ 6,416,391**	**$ 1,595,725**	**$ 8,729**	**$ 39,139**	**$ 10,340**	**$ (142,430)**	**$ 7,927,894**	**$ 1,291,572**	**$ 9,219,466**
Avg	**673**											

Loss Ratio	
Actual Claims vs Expected Claims Liability	Actual Claims vs Maximum Claims Liability
33.5%	26.8%
96.6%	77.3%
69.4%	55.5%
77.0%	61.6%
87.8%	70.2%
95.2%	76.2%
93.6%	74.9%
82.5%	66.0%
88.7%	71.0%
93.7%	74.9%
92.2%	73.7%
98.1%	78.5%
84.1%	**67.3%**

PEPM Costs				
Medical Claims Paid PEPM	Rx Claims Paid PEPM	Total Claims Paid PEPM	Total Paid Claims Net Stop Loss Reimburse-ment PEPM	Total Claims & Fees PEPM
$303.21	$94.42	$397.63	$397.63	$557.50
$985.00	$160.68	$1,146.93	$1,146.93	$1,306.81
$635.12	$186.10	$822.41	$822.41	$982.29
$754.48	$158.08	$913.76	$913.76	$1,073.64
$761.68	$274.32	$1,037.12	$1,037.12	$1,197.01
$797.35	$302.63	$1,101.12	$1,101.12	$1,261.01
$933.63	$152.92	$1,088.12	$1,084.08	$1,243.96
$759.79	$215.81	$975.60	$954.10	$1,113.99
$895.83	$184.20	$1,080.03	$1,021.46	$1,181.36
$919.64	$221.02	$1,140.66	$1,081.40	$1,241.29
$892.71	$196.19	$1,093.54	$1,061.89	$1,221.79
$937.87	$218.83	$1,159.85	$1,127.45	$1,287.35
$800.23	**$197.54**	**$999.05**	**$981.42**	**$1,141.31**

BCBS Runout						
Month	Paid Medical	Paid Rx	Blue Card Claims Expense	Capitation (Chiro FFS Costs)	Stop Loss Recovery	Total Paid Claims
Jul-17	$ 381,280	$ 56,575	$ 213	$ (53)	$ (142,105)	$ 295,910
Aug-17	$ 140,903	$ 216	$ 86	$ (43)	$ (46,122)	$ 95,039
Sep-17	$ 59,704	$ -	$ -	$ (24)	$ 4,155	$ 63,835
Oct-17	$ 10,134	$ (3)	$ 145	$ -	$ (325)	$ 9,951
Nov-17	$ 3,920	$ -	$ -	$ -	$ -	$ 3,920
Dec-17	$ 4,071	$ 292	$ 36	$ -	$ -	$ 4,399
Jan-18	$ 6,573	$ -	$ (3)	$ -	$ -	$ 6,570
Feb-18	$ 1,529	$ -	$ 30	$ -	$ (463)	$ 1,095
Mar-18	$ 3,168	$ -	$ -	$ -	$ -	$ 3,168
Apr-18	$ 6,442	$ -	$ -	$ -	$ -	$ 6,442
May-18	$ 114	$ -	$ -	$ -	$ -	$ 114
Jun-18	$ 399	$ -	$ -	$ -	$ -	$ 399
Total	**$ 618,239**	**$ 57,080**	**$ 506**	**$ (120)**	**$ (184,861)**	**$ 490,844**
Runout Pd in 18-19	**$ 10,556**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 10,556**

2016-2017 Medical Plan Costs with Runout

Total Claims Incurred for Time Period	Total Stop Loss Recovery	Total Paid Claims Net Runout	Total Admin Fees	Total Paid Claims and Admin Costs
$ 8,756,584	($327,291)	$ 8,429,294	$ 1,291,572	$9,720,866

% Actual Claims vs. Expected	% Actual Claims vs. Maximum Claim Liability
89.4%	71.5%

Total Paid Claims & Admin Costs PEPM	Client Budget	% Total Cost vs. Client Budget
$ 1,203.38	$ 10,461,364	92.9%

Specific Stoploss 12/24 $125,000 ISL
Aggregate Stoploss (125%)

Rx Optum credits totalled $19,626 for the year. This credit was provided by BCBS for a network discount guarantee based on Optum Rx performance.

City of Surprise

Plan Year: July 2018 to June 2019 (as of March 2019)

Annual Cost Comparison Analysis

Incurred and Paid - 2017/2018 vs. 2018/2019

Cost Categories	2017/2018 with Runout	PEPM Costs	2018/2019 Estimated Annual	PEPM Costs	% Cost Change	$ Cost Change	% PEPM Change	$ PEPM Change
Medical Claims Costs*	$7,135,816	$848.39	$8,998,073	$1,041.28	26.10%	$1,862,257	22.7%	$192.89
Rx Claims Costs**	$1,729,527	$205.63	$1,839,870	$212.92	6.38%	$110,343	3.5%	$7.29
Rx Rebates	($206,433)	($24.54)	($459,000)	($53.12)	122.35%	($252,567)	116.4%	($28.57)
Blue Card, Captitation Expenses & Misc.	$62,469	$7.43	$64,579	$7.47	3.38%	$2,110	0.6%	$0.05
Stop Loss Recoveries***	($18,369)	($2.18)	($280,158)	($32.42)		($261,789)		($30.24)
Admin Fees	$974,352	$115.84	$1,041,626	$120.54	6.90%	$67,274	4.1%	$4.70
Total Costs	**$9,677,362**	**$1,150.56**	**$11,204,990**	**$1,296.67**	**15.8%**	**$1,527,628**	**12.7%**	**$146.11**

PEPM Total Cost History		Increase/ Decrease
2014/2015	$1,079.93	
2015/2016	$1,160.82	7.5%
2016/2017	$1,202.07	3.6%
2017/2018	$1,175.10	-2.2%
2018/2019	$1,296.67	10.3%

	Annual	Annualized	% Enrollment Change	# Enrollment Change
Enrollment	8,411	8,641	2.74%	$230

*2018/2019 Medical Claims Costs includes an escalator of 4% and a 10% completion factor
***Stop Loss Recoveries are not annualized

Incurred and Paid - 2016/2017 vs. 2017/2018

Cost Categories	2016/2017 with Runout	PEPM Costs	2017/2018 with Runout	PEPM Costs	% Cost Change	$ Cost Change	% PEPM Change	$ PEPM Change
Medical Claims Costs*	$7,034,630	$870.84	$7,135,816	$848.39	1.44%	$101,186	-2.6%	($22.45)
Rx Claims Costs (Including Rx Rebates)	$1,652,805	$204.61	$1,729,527	$205.63	4.64%	$76,723	0.5%	$1.02
Blue Card, Captitation Expenses & Misc.	$58,594	$7.25	$62,469	$7.43	6.61%	$3,875	2.4%	$0.17
Stop Loss Recoveries	($327,291)	($40.52)	($18,369)	($2.18)				
Admin Fees	$1,291,572	$159.89	$974,352	$115.84	-24.56%	($317,221)	-27.5%	($44.05)
Total Costs	**$9,710,310**	**$1,202.07**	**$9,883,795**	**$1,175.10**	**1.8%**	**$173,485**	**-2.2%**	**($26.97)**

	Annual	Annualized	% Enrollment Change	# Enrollment Change
Enrollment	8,078	8,411	4.1%	333

City of Surprise

Blue Cross Blue Shield - Large Claims over $50k

Plan Year: July 2018 to June 2019 (as of March 2019)

Claimant	Unique ID	Prior Year Large Claimant (Y/N)	Enrollment Status	Plan	Description	Medical Paid Claims	Rx Paid Claims	Current YTD Paid Claims through Qtr	Previous Quarter's YTD Paid Claims	Change from Prior Quarter's Claims	% of $250K ISL Limit	Stop Loss Reimbursement	Net Paid after SL Reimbursements
1	A021	Y	Termed 12/1/18	HMO	Heart Replaced By Transplant	$487,161	$4,649	**$491,810**	$488,583	**$3,227**	**100.0%**	**($241,810)**	**$250,000**
2	B001	N	Active	HMO	Non-Hodgkin Lymphoma, Unspecified, Lymph Nodes Of Multiple Sites	$288,298	$50	**$288,348**	$234,666	**$53,682**	**100.0%**	**($38,348)**	**$250,000**
3	B008	N	Active	PPO	Organ-Limited Amyloidosis	$169,451	$18,455	**$187,906**		**$187,906**	**75.2%**		**$187,906**
4	B002	N	Active	PPO	Pressure Ulcer, Hip	$140,071	$3,306	**$143,377**	$136,160	**$7,217**	**57.4%**		**$143,377**
5	B007	N	Active	HMO	Spondylolisthesis, Lumbar Region	$140,242	$0	**$140,242**	$78,783	**$61,458**	**56.1%**		**$140,242**
6	B005	N	Active	PPO	Other Postprocedural Complications And Disorders Of Digestive Syste	$129,879	$62	**$129,941**	$116,999	**$12,942**	**52.0%**		**$129,941**
7	A017	Y	Active	HMO	Rheumatoid Arthritis	$124,270	$1,200	**$125,469**	$69,464	**$56,006**	**50.2%**		**$125,469**
8	A007	N	Active	PPO	Iron Deficiency Anemia, Unspecified	$2,051	$116,829	**$118,880**	$64,503	**$54,376**	**47.6%**		**$118,880**
9	A019	Y	Active	PPO	Pneumonia, Organism Unspecified Septicemia	$111,990	$0	**$111,990**	$67,410	**$44,579**	**44.8%**		**$111,990**
10	PY 16-17 #26	Y	Active	HMO	Acute Posthemorrhagic Anemia	$16,684	$65,242	**$81,926**		**$81,926**	**32.8%**		**$81,926**
11	B006	N	Active	HMO	Maternal Care For Transverse And Oblique Lie, Other Fetus	$80,409	$10	**$80,419**	$80,136	**$283**	**32.2%**		**$80,419**
12	A013	Y	Active	HMO	Hypopituitarism	$714	$72,632	**$73,347**		**$73,347**	**29.3%**		**$73,347**
13	B009	N	Termed	HMO	General Anxiety Disorder	$0	$72,907	**$72,907**		**$72,907**	**29.2%**		**$72,907**
14	B003	N	Active	HMO	Atherosclerosis Of Arteries Of The Extremities	$66,502	$300	**$66,802**	$64,604	**$2,198**	**26.7%**		**$66,802**
15	A018	Y	Active	HMO	Psoriasis, Unspecified	$633	$61,696	**$62,329**		**$62,329**	**24.9%**		**$62,329**
16	B010	N	Active	PPO	Mixed Incontinence	$50,405	$9,638	**$60,044**		**$60,044**	**24.0%**		**$60,044**
17	B004	N	Active	HMO	Unspecified Septicemia	$58,746	$0	**$58,746**	$58,746	**$0**	**23.5%**		**$58,746**
18	A024	Y	Active	PPO	Calculus Of Gallbladder With Chronic Cholecystitis Without Obstructio	$13,201	$44,375	**$57,576**		**$57,576**	**23.0%**		**$57,576**
19	B011	N	Active	PPO	Behavioral Health Condition	$54,597	$1,280	**$55,877**		**$55,877**	**22.4%**		**$55,877**
20	A020	Y	Active	PPO	Autistic Disorder	$52,161	$11	**$52,172**		**$52,172**	**20.9%**		**$52,172**
21	B012	N	Active	PPO	Hereditary and degenerative nervous system conditions	$3,739	$46,952	**$50,691**		**$50,691**	**20.3%**		**$50,691**
					Total	**$1,991,203**	**$519,593**	**$2,510,797**	**$1,460,054**	**$1,050,743**		**($280,158)**	**$2,230,639**
					Percentage of Large Claims vs. Medical & Rx Claims			**34.5%**					

City of Surprise

Blue Cross Blue Shield - Large Claims over $50k

Plan Year: July 2017 to June 2018 (as of March 2019)

Claimant	Unique ID	Prior Year Large Claimant (Y/N)	Enrollment Status	Plan	Description	Medical Paid Claims	Rx Paid Claims	Current YTD Paid Claims through Qtr	Previous Quarter's YTD Paid Claims	Change from Prior Quarter's Claims	% of $250K ISL Limit	Stop Loss Reimbursement	Net Paid after SL Reimbursements
1	A003	Y	Termed 7/2018	PPO	Pathologic Fracture of Neck of Femur	$262,777	$5,591	$268,368	$268,761	-$392	100.0%	($18,368)	$250,000
2	A019	N	Active	PPO	Pneumonia, Organism Unspecified	$227,887	$368	$228,255	$228,255	$0	91.3%		$228,255
3	A011	N	Active	HMO	Fracture of Shaft of Femur, closed	$182,307	$4,071	$186,378	$186,378	$0	74.6%		$186,378
4	A007	Y	Active	PPO	Iron Deficiency Anemia, Unspecified	$4,120	$157,630	$161,750	$161,750	$0	64.7%		$161,750
5	A021	Y	Termed 12/2018	HMO	Complications Heart Replaced By Transplant	$125,972	$14,873	$140,844	$140,844	$0	56.3%		$140,844
6	A004	N	Active	HMO	Anorexia Nervosa	$121,942	$687	$122,628	$122,628	$0	49.1%		$122,628
7	A013	Y	Active	HMO	Panhypopituitarism	$470	$118,602	$119,072	$119,072	$0	47.6%		$119,072
8	A005	N	Active	PPO	Scoliosis (And Kyphoscoliosis), Idiopathic	$108,654	$14	$108,668	$108,668	$0	43.5%		$108,668
9	A014	N	Active	HMO	Spinal Stenosis In Cervical Region	$98,283	$2,893	$101,175	$101,175	$0	40.5%		$101,175
10	A006	N	Termed 11/2018	HMO	Spinal Stenosis, Lumbar Region, Without Neurogenic Claudication	$90,191	$598	$90,789	$90,789	$0	36.3%		$90,789
11	A027	N	Termed 3/2019	PPO	Asymptomatic Varicose Veins	$85,643	$4,458	$90,101	$90,101	$0	36.0%		$90,101
12	A001	N	Active	PPO	Spinal Stenosis, Lumbar Region, Without Neurogenic Claudication	$84,604	$105	$84,710	$84,710	$0	33.9%		$84,710
13	A020	N	Active	PPO	Infantile Autism, Current Or Active State	$75,417	$14	$75,431	$75,431	$0	30.2%		$75,431
14	A017	N	Active	HMO	Rheumatoid Arthritis	$68,415	$5,518	$73,933	$73,933	$0	29.6%		$73,933
15	A008	N	Active	PPO	Other Specified Complications Of Pregnancy, With Delivery	$72,764	$18	$72,781	$71,915	$866	29.1%		$72,781
16	A010	N	Active	HMO	Acquired Spondylolisthesis	$65,583	$2,707	$68,291	$68,291	$0	27.3%		$68,291
17	A016	N	Active	HMO	Acute Myocardial Infarction, Subendocardial Infarction, Init	$65,719	$2,240	$67,959	$67,959	$0	27.2%		$67,959
18	A018	N	Active	HMO	Other Psoriasis And Similar Disorders	$66,485	$199	$66,684	$50,343	$16,341	26.7%		$66,684
19	A022	N	Active	PPO	Type II Or Unspecified Type Diabetes Mellitus	$61,971	$3,311	$65,282	$65,282	$0	26.1%		$65,282
20	A015	N	Active	HMO	Contusion Of Lung Without Open Wound Into Thorax	$64,371	$0	$64,371	$64,371	$0	25.7%		$64,371
21	A009	Y	Active	HMO	Generalized Anxiety Disorder	$175	$63,533	$63,709	$63,709	$0	25.5%		$63,709
22	A023	Y	Active	HMO	Cholesteatoma Of Attic	$19,750	$41,991	$61,741	$61,741	$0	24.7%		$61,741
23	A025	N	Active	PPO	Pressure Ulcer, Hip	$58,908	$678	$59,586	$59,310	$277	23.8%		$59,586
24	A024	Y	Active	PPO	Multiple Sclerosis	$315	$55,841	$56,156	$56,156	$0	22.5%		$56,156

City of Surprise

Blue Cross Blue Shield - Large Claims over $50k

Plan Year: July 2017 to June 2018 (as of March 2019)

Claimant	Unique ID	Prior Year Large Claimant (Y/N)	Enrollment Status	Plan	Description	Medical Paid Claims	Rx Paid Claims	Current YTD Paid Claims through Qtr	Previous Quarter's YTD Paid Claims	Change from Prior Quarter's Claims	% of $250K ISL Limit	Stop Loss Reimbursement	Net Paid after SL Reimbursements
25	A002	N	Active	PPO	Broken Prosthetic Joint Implant	$54,628	$334	$54,961	$54,961	$0	22.0%		$54,961
26	A012	N	Active	PPO	Atrial Fibrillation	$53,914	$188	$54,102	$54,102	$0	21.6%		$54,102
27	A026	N	Active	HMO	Opioid Type Dependence, Continuous Use	$53,968	$70	$54,038	$54,038	$0	21.6%		$54,038
					Total	$2,175,232	$486,531	$2,661,763	$2,644,671	$17,092		($18,368)	$2,643,395
					Percentage of Large Claims vs. Medical & Rx Claims			30.0%					

Dental Reports

City of Surprise

Metlife Dental Self Funded Paid Claims

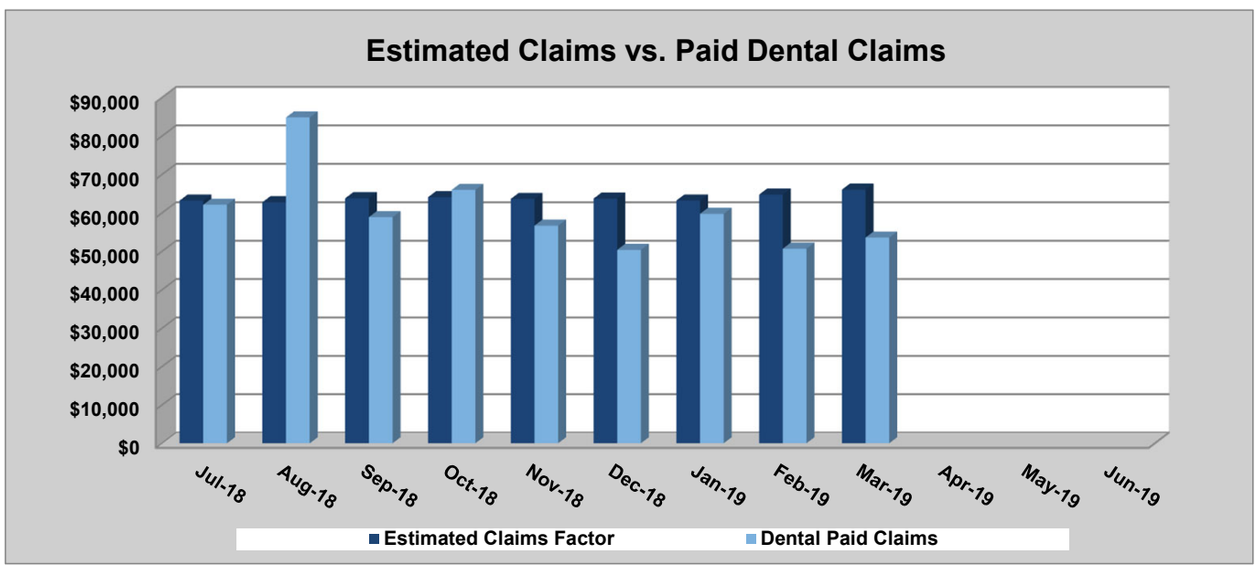
Plan Year: July 2018 to June 2019 (as of March 2019)

MetLife Dental						Loss Ratio	PEPM Costs	
Month	Enrollment	Estimated Claims Factor	Administrative Costs	Dental Paid Claims	Total Plan Costs	% Actual Claims vs. Estimated Claims Factor	Dental Paid Claims PEPM	Total Plan Costs PEPM
Jul-18	734	$63,219	$3,920	$62,128	$66,048	98.3%	$84.64	$89.98
Aug-18	729	$62,789	$3,893	$84,852	$88,745	135.1%	$116.39	$121.73
Sep-18	741	$63,822	$3,957	$58,892	$62,849	92.3%	$79.48	$84.82
Oct-18	744	$64,081	$3,973	$65,983	$69,956	103.0%	$88.69	$94.03
Nov-18	739	$63,650	$3,946	$56,676	$60,622	89.0%	$76.69	$82.03
Dec-18	740	$63,736	$3,952	$50,384	$54,335	79.1%	$68.09	$73.43
Jan-19	734	$63,219	$3,920	$59,755	$63,674	94.5%	$81.41	$86.75
Feb-19	752	$64,770	$4,016	$50,679	$54,694	78.2%	$67.39	$72.73
Mar-19	767	$66,062	$4,096	$53,581	$57,677	81.1%	$69.86	$75.20
Apr-19								
May-19								
Jun-19								
Total	**6,680**	**$575,348**	**$35,671**	**$542,929**	**$578,600**	**94.4%**	**$81.28**	**$86.62**
Avg PEPM Enrollment	**742**							

Admin Fees	Employee
Administration	$5.34

Claim Expenses	
Estimated Claim Factor	$86.13

Premium Equivalent Rates		
EE	EE + 1	Family
$38.48	$76.26	$123.54



City of Surprise

Metlife Dental Self Funded Paid Claims

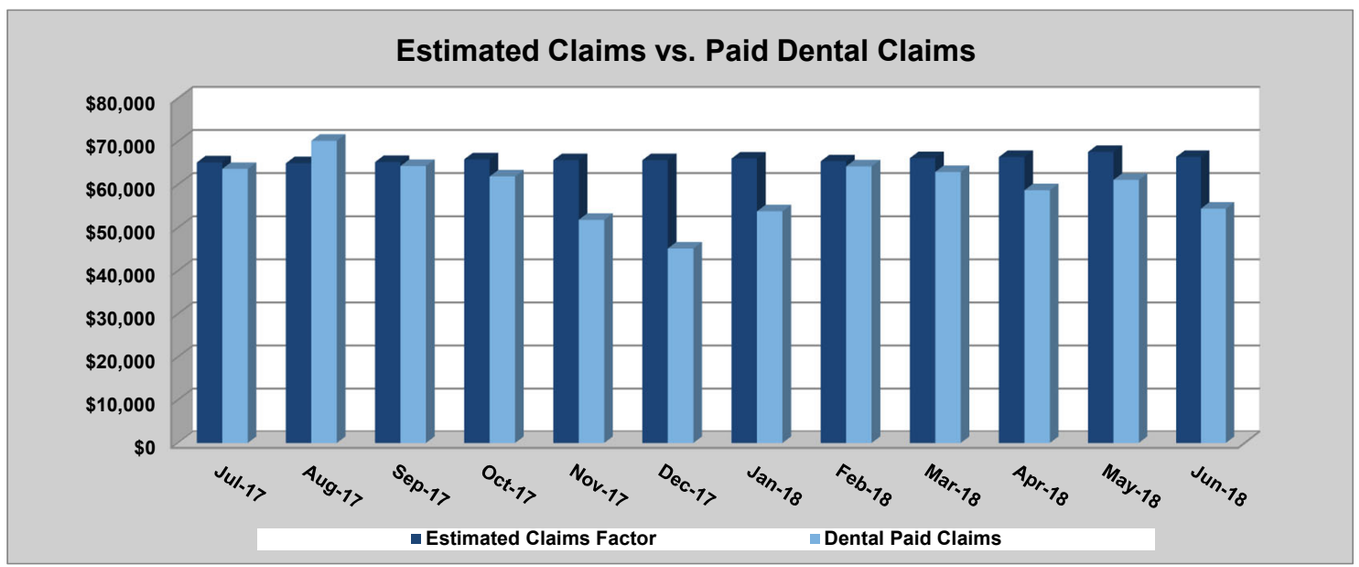
Plan Year: July 2017 to June 2018

MetLife Dental						Loss Ratio	PEPM Costs	
Month	Enrollment	Estimated Claims Factor	Administrative Costs	Dental Paid Claims	Total Plan Costs	% Actual Claims vs. Estimated Claims Factor	Dental Paid Claims PEPM	Total Plan Costs PEPM
Jul-17	718	$65,144	$3,482	$63,650	$67,132	97.7%	$88.65	$93.50
Aug-17	716	$64,963	$3,473	$70,197	$73,670	108.1%	$98.04	$102.89
Sep-17	719	$65,235	$3,487	$64,327	$67,814	98.6%	$89.47	$94.32
Oct-17	726	$65,870	$3,521	$61,889	$65,410	94.0%	$85.25	$90.10
Nov-17	724	$65,689	$3,511	$51,834	$55,345	78.9%	$71.59	$76.44
Dec-17	724	$65,689	$3,511	$45,194	$48,705	68.8%	$62.42	$67.27
Jan-18	728	$66,051	$3,531	$53,811	$57,342	81.5%	$73.92	$78.77
Feb-18	721	$65,416	$3,497	$64,247	$67,744	98.2%	$89.11	$93.96
Mar-18	729	$66,142	$3,536	$62,940	$66,476	95.2%	$86.34	$91.19
Apr-18	732	$66,414	$3,550	$58,686	$62,236	88.4%	$80.17	$85.02
May-18	745	$67,594	$3,613	$61,097	$64,710	90.4%	$82.01	$86.86
Jun-18	732	$66,414	$3,550	$54,427	$57,977	81.9%	$74.35	$79.20
Total	**8,714**	**$790,621**	**$42,263**	**$712,298**	**$754,561**	**90.1%**	**$81.74**	**$86.59**
Avg PEPM Enrollment	**726**							

Admin Fees	Employee
Administration	$4.85

Claim Expenses	
Estimated Claim Factor	$90.73

Premium Equivalent Rates		
EE	EE + 1	Family
$38.48	$76.26	$123.54



City of Surprise

MetLife Dental Claims

Plan Year: July 2018 to June 2019 (as of March 2019)

Annual Cost Comparison Analysis 2017/2018 vs. 2018/2019

Cost Categories	2017/2018 Costs	PEPM Costs	2018/2019 Estimated Annual Costs	PEPM Costs	% Cost Change	$ Cost Change	% PEPM Change	$ PEPM Change
Dental Claims	$712,298	$81.74	$723,906	$81.28	1.6%	$11,607	-0.6%	($0.46)
Admin Fees	$42,263	$4.85	$47,562	$5.34	12.5%	$5,299	10.1%	$0.49
Total Costs	**$754,561**	**$86.59**	**$771,467**	**$86.62**	**2.2%**	**$16,906**	**0.0%**	**$0.03**

PEPM Total Cost History		Increase/ Decrease
2014/2015	$75.97	
2015/2016	$86.13	13.4%
2016/2017	$85.96	-0.2%
2017/2018	$86.59	0.7%
2018/2019	$86.62	0.0%

	Annual	Annualized	% Enrollment Change	# Enrollment Change
Enrollment	8,714	8,907	2.2%	193

Annual Cost Comparison Analysis 2016/2017 vs. 2017/2018

Cost Categories	2016/2017 Costs	PEPM Costs	2017/2018 Costs	PEPM Costs	% Cost Change	$ Cost Change	% PEPM Change	$ PEPM Change
Dental Claims	$683,446	$81.11	$712,298	$81.74	4.2%	$28,852	0.8%	$0.63
Admin Fees	$40,866	$4.85	$42,263	$4.85	3.4%	$1,397	0.0%	$0.00
Total Costs	**$724,312**	**$85.96**	**$754,561**	**$86.59**	**4.2%**	**$30,249**	**0.7%**	**$0.63**

	Annual	Annualized	% Enrollment Change	# Enrollment Change
Enrollment	8,426	8,714	3.4%	288

Vision Reports

City of Surprise

Avesis Vision Self Funded Paid Claims

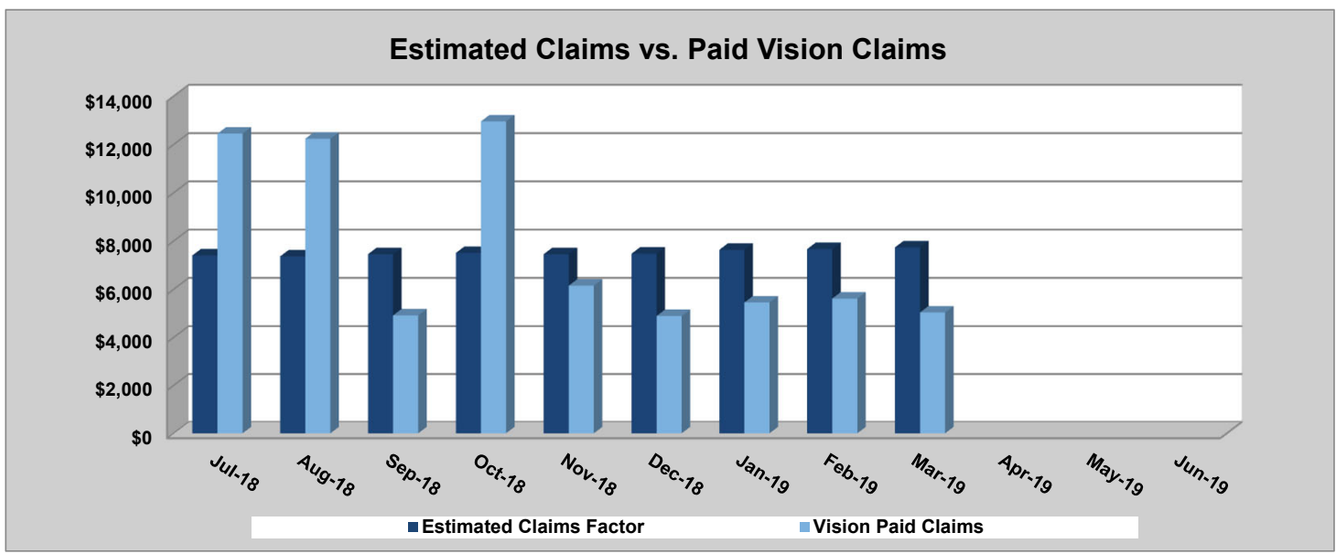
Plan Year: July 2018 to June 2019 (as of March 2019)

Avesis Vision						Loss Ratio	PEPM Costs	
Month	Enrollment	Estimated Claims Factor	Administrative Costs	Vision Paid Claims	Total Plan Costs	% Actual Claims vs. Estimated Claims Factor	Vision Paid Claims PEPM	Total Plan Costs PEPM
Jul-18	736	$7,404	$702	$12,450	$13,152	168.1%	$16.92	$17.87
Aug-18	732	$7,364	$695	$12,241	$12,936	166.2%	$16.72	$17.67
Sep-18	741	$7,454	$713	$4,917	$5,630	66.0%	$6.64	$7.60
Oct-18	746	$7,505	$709	$12,958	$13,666	172.7%	$17.37	$18.32
Nov-18	741	$7,454	$704	$6,150	$6,853	82.5%	$8.30	$9.25
Dec-18	743	$7,475	$706	$4,891	$5,596	65.4%	$6.58	$7.53
Jan-19	759	$7,636	$721	$5,451	$6,172	71.4%	$7.18	$8.13
Feb-19	762	$7,666	$724	$5,612	$6,335	73.2%	$7.36	$8.31
Mar-19	769	$7,736	$731	$5,039	$5,769	65.1%	$6.55	$7.50
Apr-19								
May-19								
Jun-19								
Total	**6,729**	**$67,694**	**$6,404**	**$69,706**	**$76,109**	**103.0%**	**$10.36**	**$11.31**
Avg Enrollment	748							

Admin Fees	Employee
Administration	$0.95

Claim Expenses	
Estimated Claim Factor	$10.06

Premium Equivalent Rates	
EE	Family
$4.98	$14.10



City of Surprise

Avesis Vision Self Funded Paid Claims

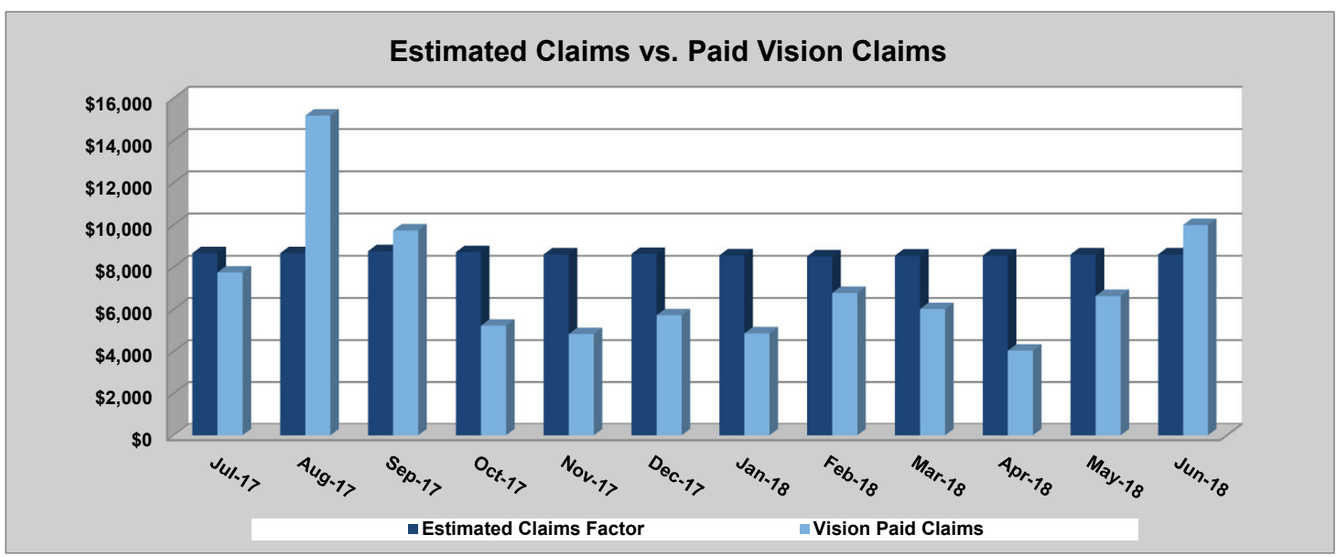
Plan Year: July 2017 to June 2018

Avesis Vision						Loss Ratio	PEPM Costs	
Month	Enrollment	Estimated Claims Factor	Administrative Costs	Vision Paid Claims	Total Plan Costs	% Actual Claims vs. Estimated Claims Factor	Vision Paid Claims PEPM	Total Plan Costs PEPM
Jul-17	746	$8,661	$709	$7,747	$8,455	89.4%	$10.38	$11.33
Aug-17	746	$8,661	$709	$15,175	$15,884	175.2%	$20.34	$21.29
Sep-17	754	$8,754	$715	$9,739	$10,454	111.3%	$12.92	$13.87
Oct-17	750	$8,708	$713	$5,226	$5,939	60.0%	$6.97	$7.92
Nov-17	741	$8,603	$704	$4,825	$5,528	56.1%	$6.51	$7.46
Dec-17	743	$8,626	$706	$5,719	$6,425	66.3%	$7.70	$8.65
Jan-18	737	$8,557	$700	$4,861	$5,561	56.8%	$6.60	$7.55
Feb-18	733	$8,510	$696	$6,774	$7,470	79.6%	$9.24	$10.19
Mar-18	736	$8,545	$699	$6,012	$6,711	70.4%	$8.17	$9.12
Apr-18	736	$8,545	$701	$4,034	$4,735	47.2%	$5.48	$6.43
May-18	741	$8,603	$704	$6,633	$7,336	77.1%	$8.95	$9.90
Jun-18	741	$8,603	$704	$9,993	$10,696	116.2%	$13.49	$14.44
Total	**8,904**	**$103,375**	**$8,460**	**$86,735**	**$95,194**	**83.9%**	**$9.74**	**$10.69**
Avg Enrollment	**742**							

Admin Fees	Employee
Administration	$0.95

Claim Expenses	
Estimated Claim Factor	$11.61

Premium Equivalent Rates	
EE	Family
$4.98	$14.10



The estimated claim factor was calculated using the enrollment by tier times the 2017/18 premium equivalent rates (minus the admin fee), then divided by the total enrollment for a composite rate.

City of Surprise

Avesis Vision Claims

Plan Year: July 2018 to June 2019 (as of March 2019)

Annual Cost Comparison Analysis 2017/2018 vs. 2018/2019

Cost Categories	2017/2018 Costs	PEPM Costs	2018/2019 Estimated Annual Costs	PEPM Costs	% Cost Change	$ Cost Change	% PEPM Change	$ PEPM Change
Vision Claims	$86,735	$9.74	$87,941	$9.80	1.4%	$1,206	0.6%	$0.06
Admin Fees	$8,460	$0.95	$8,539	$0.95	0.9%	$79	0.2%	$0.00
Total Costs	**$95,194**	**$10.69**	**$96,479**	**$10.75**	**1.3%**	**$1,285**	**0.6%**	**$0.06**

PEPM Total Cost History		Increase/ Decrease
2014/2015	$9.09	
2015/2016	$10.33	13.6%
2016/2017	$10.42	0.9%
2017/2018	$10.69	2.6%
2018/2019	$10.75	0.6%

	Annual	Annualized	% Enrollment Change	# Enrollment Change
Enrollment	8,904	8,972	0.8%	68

Annual Cost Comparison Analysis 2016/2017 vs. 2017/2018

Cost Categories	2016/2017 Costs	PEPM Costs	2017/2018 Costs	PEPM Costs	% Cost Change	$ Cost Change	% PEPM Change	$ PEPM Change
Vision Claims	$80,683	$9.47	$86,735	$9.74	7.5%	$6,052	2.8%	$0.27
Admin Fees	$8,085	$0.95	$8,460	$0.95	4.6%	$374	0.1%	$0.00
Total Costs	**$88,768**	**$10.42**	**$95,194**	**$10.69**	**7.2%**	**$6,426**	**2.6%**	**$0.27**

	Annual	Annualized	% Enrollment Change	# Enrollment Change
Enrollment	8,518	8,904	4.5%	386

City of Surprise PBM Summary

January 1, 2019 – March 31, 2019

Per Member Per Month Actual Cost Versus Projection (Accrued Basis)

BCBS Optum	Modeled Projection	Prior Calendar Year - 2018
$66.07	$61.67	$44.16 – Results thru March, 2018
		$54.57 – Results thru June, 2018 (includes 1st Q rebates)
		$55.73 – Results thru Sep, 2018 (includes 1st and 2nd Q rebates)
		$54.45 – Results thru Dec, 2018 (includes 1st, 2nd and 3rd Q rebates
		$50.49 – Results thru Dec, 2018 (includes 1st, 2nd, 3rd and 4th Q rebates

BCBS Optum	Modeled Projection	Current Calendar Year - 2019
		$68.70 – Results thru March, 2019 (includes no rebates) $53.84 with estimated rebates

2018 Rebate Recap

Projected **$420,000**

Actual **$417,752**

Projected Rebates (CY 19 - 12 months) - $451,000

Projected Rebates Per Quarter - $112,000

Changes in utilization that are unexpected may result in a variance against targets.

CITY OF SURPRISE
Health Benefits Trust Fund Board

Council Meeting Date: June 5, 2019

Contact Person: Lisa Angelini, DIRECTOR - HR, Andrea Davis, DIRECTOR - FINANCE

Submitting Department: Finance

District: Citywide

Staff Recommendations:

Consent: No Regular: Yes Public Hearing: No Report/Discussion: No

Agenda Wording:

Discussion on Stop Loss Contract Language and audit provisions.

Motion:

Background:

This item is for discussion of stop loss contract language and audit provisions.

Objective Analysis:

Policy Compliant:

Financial Impact:

No Financial impact.

Budget Impact:

No Budgetary impact.

FTE Impact:

ATTACHMENTS:

1. Board Follow Up Stop Loss and Audit

CBIZ

Audit RFP Responses - BCBS RFP Response Claims Administration Tab

The offeror shall have process and guidelines in place to audit claims at high dollar intervals or claims that are for specialized treament prior to payment	BCBSAZ agrees. Our Internal Audit staff audit claims set to pay more than $7,000.00 to our members and $70,000.00 to our providers.
Provide the performance statistics for the last 12 months below for the claims processing unit(s) that will be assigned for medical claims processing:	The responses below are for CY 2016.
Turnaround Time	97.55% within 14 calendar days
Accuracy Rates	97.22%
Payment	99.91% of audited claims dollars are paid in accordance with benefit plan designs and in-force provider contracts
Coding	99.91% of audited claims dollars are paid in accordance with benefit plan designs and in-force provider contracts
The Offeror shall provide, at no cost, collection of coordination of benefits (COB) information and audit of COB dependents and maintain up-to-date COB information at minimum twice per year. The Offeror shall verify COB status based on the guidelines and frequency as stipulated during implementation and for the full term(s) of this contract.	BCBSAZ agrees with **deviations provided on Tab Deviations.** **(Deviation stated once per year per shutton)**

MAXIMUM AGGREGATE AND SPECIFIC LIABILITY AGREEMENT
GROUP CONTRACT NUMBER _____
(CLAIMS **INCURRED** DURING TERM OF AGREEMENT)

PARTIES:

The Parties to this Agreement are Blue Cross and Blue Shield of Arizona, Inc. ("BCBSAZ"), an Arizona non-profit corporation and an independent licensee of the Blue Cross and Blue Shield Association, and _____(the "Employer"), headquartered in Arizona.

EFFECTIVE DATE:

The Effective Date of this Maximum Aggregate and Specific Liability Agreement (the "Agreement") is _____.

SCOPE AND APPLICABILITY:

Medical Only: ☐
Dental Only ☐
Medical and Dental ☐

RECITALS:

1. The Employer has established a self-funded, employee welfare benefit plan (the "Plan"), which provides certain hospital, medical and/or dental benefits to certain employees of the Employer and to certain dependents of such employees (collectively the "Participants"), on such terms and conditions as are more fully described in the Employer's Benefit Plan Booklet attached to the Employer's Administrative Service Agreement and by this reference made a part of this Agreement.

2. The Employer has retained BCBSAZ to provide certain ministerial claims processing and related administrative services and utilization management services in conjunction with the Plan(s);

3. The Employer desires to accept liability for payments incurred for Covered Service (as those terms are defined in Section 1. below) subject to certain maximum liability limits (the "Maximum Liabilities") as described in Subsection 3.a.;

4. BCBSAZ is a hospital, medical, dental service corporation within the meaning of A.R.S. Section 20-821 et seq.;

5. Pursuant to its activities as a hospital, medical, dental service corporation, BCBSAZ has developed considerable expertise in assessing, minimizing and underwriting risks and costs associated with the provision of hospital, medical and dental services and supplies;

6. The Parties desire that BCBSAZ shall reimburse the Employer, or its agent the Benefit Administrator, for payments incurred for Covered Services to the extent that such payments exceed the Maximum Aggregate Claims Liabilities, on such terms and conditions as described below.

NOW, THEREFORE, the Parties agree as follows:

AGREEMENT:

1. Definitions.

For the purposes of this Agreement, the following terms shall have the meanings provided below:

a. **BCBSAZ Allowed Amount** - the amount payable by or through BCBSAZ for a Covered Service, including any contracted discounts and amount payable by the Subscriber, i.e., deductibles, coinsurance or copayments.

b. **Contract Month** - shall coincide with a calendar month within the Contract Year; the first Contract Month shall commence with the effective date of this Agreement and the last Contract Month shall terminate upon the termination of this Agreement.

c. **Contract Year** - a twelve- (12) month period during the term of this Agreement.

d. **Covered Services** - health care services and supplies rendered or delivered to Participants for which benefits are available under the Plan.

e. **Eligible Participants or Participants** - Collectively Employees and Dependents as defined in the Plan(s).

f. **Enrollment Units and Enrollment Categories** - "Enrollment Unit" shall mean each employee, with or without dependents, enrolled for coverage under the respective Plan(s). Enrollment Units are categorized for rating purposes into "Enrollment Categories." Enrollment Categories are based upon whether the employee only or the employee and dependents are enrolled. In addition, Enrollment Categories may distinguish which dependents are enrolled along with the employee. For example: employee and spouse; employee and child(ren); employee and dependent(s) (spouse and/or child[ren]). Premiums and/or other cost factors are based on Enrollment Categories.

g. **Plan(s)** - shall mean only that portion of the employee welfare benefit plan that provides for hospital, medical and/or dental benefits, as expressly set forth in the Summary Plan Descriptions, schedules of coverage and any amendments and endorsements attached thereto on the effective date of this Agreement or as may be added thereafter and approved as provided in Section 24. below.

h. **Providers/Provider Network(s)** - health care providers with whom BCBSAZ has entered into a participation agreement and who comprise the Provider Network(s) to which the Employer and Participants have access.

2. Term of Agreement.

a. On or before _____ days prior to the end of this Agreement, BCBSAZ will forward to the Employer an Administrative Service Agreement Amendment which is BCBSAZ's offer to renew this Agreement for one (1) year period at the rates specified on the Administrative Service Agreement Amendment.

If BCBSAZ receives a signed Administrative Service Agreement Amendment on or before the last day of the current contract period, this Agreement will renew for a one (1) year period at the rates specified in the Administrative Service Agreement Amendment with the benefits the Employer has designated on the Amendment. The Administrative Service Agreement Amendment is incorporated herein by reference, as Exhibit C.

If BCBSAZ has not received the signed Administrative Service Agreement Amendment on or before the last day of the current contract period, BCBSAZ will consider the Employer's failure to forward the Amendment as the Employer's rejection of BCBSAZ's offer to renew and this Agreement will terminate as of the last day of the current contract period.

After this Agreement has been in effect for twelve (12) months, either Party may terminate this Agreement at any time, without cause, as of the last day of any calendar month by giving thirty (30) days' prior written notice to the other.

b. Termination. Except as provided in Subsection 2.a. above, this Agreement may be terminated only as provided below:

i. Either Party may terminate this Agreement at any time in the event of a material breach of this Agreement by the other, but only if said breach is not cured within thirty (30) days after written notice to the breaching Party.

ii. BCBSAZ may terminate this Agreement upon the occurrence of any of the following:

1. Failure by the Employer to pay when due the fees, rates, taxes and/or other charges ("Fees and Charges") referred to in Exhibit C, which is attached hereto and incorporated herein, but only if the failure is not cured pursuant to Subsection 8.c. of this Agreement.

2. BCBSAZ reserves the right, upon five (5) days' prior written notice to the Employer, to terminate this Agreement in the event that the Employer fails to provide funds, as required by Section C. of Attachment A to the Administrative Service Agreement, necessary to satisfy its liability for payments made for Covered Services, as provided in the Employer's Administrative Service Agreement.

3. The sale, exchange or transfer of (i) all or substantially all of the assets of Employer to a third party, (ii) more than twenty-five percent (25%) of the outstanding stock in Employer or (iii) controlling interest in Employer, whichever is less.

4. Insolvency, appointment of a receiver or a trustee for Employer, assignment for the benefit of creditors by Employer, or the commencement of any proceedings under bankruptcy or insolvency laws by or against Employer that continues for sixty (60) days, or the attachment, levy or other seizure by legal process of any substantial part of the assets of Employer, and such attachment, levy or seizure is not quashed, stayed or released within sixty (60) days of its occurrence.

5. Default by Employer under any other agreement with BCBSAZ.

6. Fraud or misrepresentation by the Employer.

7. Changes to the Plan which are not acceptable by BCBSAZ as provided in Article 4. of the Supplemental Terms and Conditions to the Administrative Service Agreement.

iii. This Agreement will terminate automatically upon the occurrence of any of the following:

1. Termination of the Plan in its entirety.

2. The enactment of any law or the promulgation of any regulation that makes it illegal to continue this Agreement or for BCBSAZ to perform any of the services required under this Agreement.

3. The termination of the Employer's Administrative Service Agreement.

iv. After this Agreement has been in effect for twelve (12) months, either Party may terminate this Agreement at any time, without cause, as of the last day of any calendar month by giving thirty (30) days' prior written notice to the other.

c. Effect of Termination. Upon termination of this Agreement, the Parties shall have only those continuing duties of performance as provided herein; provided, however, upon completion of its performance under this Agreement, BCBSAZ shall cause the orderly transfer of records, if any, from BCBSAZ to the Employer or its designee in a time frame mutually agreed upon, but not to exceed six (6) months from the date of termination.

The Employer agrees to reimburse BCBSAZ for any and all amounts BCBSAZ is required to pay pursuant to an applicable grievance and/or appeals process regardless of whether BCBSAZ is still administering claims for the Employer at the time the appeal is conducted. The Employer also agrees to reimburse BCBSAZ for any and all amounts which The Centers for Medicare & Medicaid Services (CMS), previously known as the Health Care Financing Administration or any other government agency requires BCBSAZ to pay because Medicare was not required to pay as primary, regardless of whether BCBSAZ is administering claims for the Employer at the time CMS makes such determination.

3. The Employer's Obligations

a. Maximum Liabilities. The Employer shall be liable for, and agrees, to provide funds sufficient to satisfy all payments made for Covered Services subject to a maximum aggregate claims liability applicable to the Contract Year (the "Maximum Aggregate Claims Liability"), and the cumulative claims incurred and reimbursed by BCBSAZ on behalf of any Participant for the Contract Year (the "Specific Claims Liability") as determined below:

i. Except as otherwise specifically provided in Subsection 3.b. below, the Maximum Aggregate Claims Liability for the Contract Year is the sum of the monthly claims liability limits (Claims Liability Limit[s]) for that Contract Year.

ii. The Claims Liability Limit for any Contract Month shall be the greater of the minimum monthly attachment level (as set forth in Exhibit C) or the sum of the products of the applicable monthly claims liability factor for each Enrollment Category times the number of Enrollment Units in that Enrollment Category enrolled in the respective Plan(s), as described in the Employer's Summary Plan Description, for that Contract Month. The applicable monthly claims liability factors shall be as set forth in Exhibit C and the number of applicable Enrollment Units shall be determined by BCBSAZ based on enrollment information provided to BCBSAZ by the Employer, and reported in accordance with Paragraph 3.a.vi., below.

iii. The Employer's Maximum Aggregate Claims Liability for the Contract Year shall be equal to the sum of the Monthly Claims Liability Limits, as set for in Paragraph 3.a.ii., above for each month in the Contract Year. Payments for Covered Services incurred within a Contract Year and paid within that Contract Year or within twelve (12) months following the close of that Contract Year shall be considered to be incurred during that Contract Year. Payments for Covered Services incurred during the Contract Year but paid more than twelve (12) months after the close of that Contract Year shall be considered to be incurred in the subsequent Contract Year. If there is no subsequent Contract Year, then payments for Covered Services incurred within the final Contract Year and paid within twenty-four (24) months after the close of the final Contract Year shall be considered to be incurred during the final Contract Year. Any payments for Covered Services incurred in excess of the Maximum Aggregate Claims Liability under this Agreement for the Contract Year shall be the claims liability of BCBSAZ.

iv. In no event shall the Employer be liable for payments for Covered Services incurred during the Contract Year with respect to any individual Eligible Participant in excess of the Maximum Specific Claims Liability set forth on Exhibit C. Payments for Covered Services incurred during the Contract Year and paid during that Contract Year or within twelve (12) months following the close of that Contract Year shall be considered to be incurred in that Contract Year. Payments for Covered Services incurred during the Contract Year but paid more than twelve (12) months after the

close of that Contract Year shall be considered to be incurred in the subsequent Contract Year. If there is no subsequent Contract Year, then payments for Covered Services incurred during the final Contract Year and paid within twenty-four (24) months after the close of the final Contract Year shall be considered to be incurred during the final Contract Year. Any payments made for Covered Services incurred in excess of the Maximum Specific Claims Liability under this Agreement for the Contract Year with respect to an individual Eligible Participant shall be the claims liability of BCBSAZ.

v. Unless otherwise noted in Exhibit C, this Agreement has a twenty-four (24) month claims run-out period from the date of termination of this Agreement. For purposes of calculating the Maximum Claims Liabilities under this Agreement, claims for Covered Services incurred during a Contract Year and paid during the Contract Year and the claims run-out period immediately following will be attributed to the Contract Year in which the claims are incurred.

vi. Monthly enrollment units maybe retroactively adjusted (up to 12 months after the reporting month) to reflect the appropriate enrollment within each enrollment category. Retroactive adjustments include, but are not limited to, additions and terminations reported to BCBSAZ subsequent to any reporting month.

vii. Fees associated with BlueCard ("Blue Card fees"), including but not limited to, Access Fees and Administrative Expenses fee schedule (AEA), will be charged as pass through group claim expenses. BlueCard fees will accumulate toward the Employer's specific and aggregate stoploss as described in Paragraphs i., ii. iii., iv. and v. of Subsection 3.a. and in Exhibit A. These fees are subject to change without prior notice as directed by the Blue Cross Blue Shield Association.

b. Employer's Liability Upon Termination.

i. Following termination of this Agreement, the Employer shall be liable for all payments incurred while this Agreement was in force. The Employer's obligations under this Paragraph 3.b.i. shall survive the termination of this Agreement and shall remain in effect for twenty-four (24) months following the termination of this Agreement with respect to payments so incurred are outstanding and payable.

ii. Where any payment is approved in relation to a contested claim, BCBSAZ shall determine, on the basis of the date on which payment is actually made, whether such payment or any portion of it is an obligation of the Employer or an obligation of BCBSAZ under the terms of this Agreement. Payments made in accordance with the terms of any judgment or settlement shall be considered payments made to Eligible Participants under the Plan, as described in the Employer's Summary Plan Description, during the period in which such judgment or settlement is satisfied, whether paid during the term of this Agreement or following the termination of this Agreement.

iii. Upon termination of this Agreement, the Employer's maximum liability for Covered Services incurred during the term of this Agreement, whether such Covered Services are paid prior or subsequent to termination, shall be equal to the Employer's Maximum Aggregate claims Liability for the final Contract Year; less the amount of Covered Services actually charged against the Maximum Aggregate Claims liability for the final Contract Year (as calculated pursuant to Paragraph 3.a.i.) on the date of termination.

iv. If the term of this Agreement is less than twelve (12) months, the Employer's Maximum Aggregate Claims Liability will be annualized to reflect a complete twelve (12) month contract year.

4. Payments Applicable to the Employer's Maximum Claims Liabilities.

a. Satisfaction of Maximum Claims Liabilities. Only the following payments may be applied to satisfy the Employer's Maximum Liabilities, as defined in Section 3., under the terms of this Agreement:

i. Except as otherwise specifically provided in this Paragraph 4.a.i., only payments made by the Employer, or the Benefit Administrator, in accordance with the terms and conditions of the respective Plan(s), as described in the Employer's Summary Plan Description, and incurred during the term of this Agreement by those Eligible Participants who are designated by class and coverage on Exhibit C. and who are otherwise eligible for Covered Services under the terms and conditions of the respective Plan(s), as described in the Employer's Summary Plan Description, (at the time that the relevant Covered Services are rendered or delivered) may be applied to satisfy the Employer's Maximum Liabilities, as defined in Section 3., for the applicable Contract Year under this Agreement.

ii. Notwithstanding anything in this Agreement to the contrary, payments made by the Employer, or the Benefit Administrator, relating to payments incurred during the term of this Agreement for which there has been or will be reimbursement by another insurance company, reinsurance company or any other third party or payments incurred after the termination of this Agreement or for which BCBSAZ has otherwise reimbursed the Employer, or the Benefit Administrator, may not be applied to satisfy the Maximum Liabilities, as defined in Section 3., under this Agreement. In the event that the Employer, or the Benefit Administrator, receives any reimbursement from any third party as provided above, BCBSAZ shall be entitled to recover such amounts to the extent that BCBSAZ has reimbursed the Employer, or the Benefit Administrator, for those amounts. BCBSAZ shall be entitled to recover such amounts regardless of whether or not such reimbursement is received during the year in which the respective payments are incurred and whether or not such reimbursement is received during the term of this Agreement or after the termination of this Agreement. Moreover, to the extent that BCBSAZ has reimbursed the Employer, or the Benefit

Administrator, for such amounts, BCBSAZ shall have the right to recover from the Employer, or the Benefit Administrator, any amounts recovered. Further, the Employer, and the Benefit Administrator, if applicable, shall cooperate to assure BCBSAZ's right to recover pursuant to this Paragraph 4.a.ii. Any payments that have been reimbursed under this Agreement as payments in excess of the Maximum Specific Liability, as defined in Section 3., for the Contract Year with respect to specific Eligible Participants, may not be applied to satisfy the Maximum Aggregate Claims Liability, as defined in Section 3., for such Contract Year.

iii. For purposes of this Agreement, only payments made pursuant to the terms of this Agreement and the respective Plan(s), as described in the Employer's Summary Plan Description, may be applied to satisfy the Employer's Maximum Liabilities, as defined in Section 3., for the Contract Year. Such payments shall be based upon Eligible Expenses as defined in Exhibit C. above. Such determination shall be in the sole discretion of BCBSAZ or its designated agent.

b. Application of Payments. Any payments made by the Employer or the Benefit Administrator shall be applied to the contract period during which the payments are actually made.

5. Payment of Benefits

a. BCBSAZ, whether acting in its capacity as administrator under the Administrative Service Agreement or under this Agreement, shall:

i. Make a final determination of the amount of Covered Services, if any, to which a Participant may be entitled under the Plan and this Agreement and for which BCBSAZ is liable, pursuant to Paragraph 3.a.iii. and iv. and Subsection 5.b.;

ii. Make payment of all benefits payable under the Plan and this Agreement by BCBSAZ, pursuant to Paragraph 3.a.iii. and iv. and Subsection 5.b. Any and all payments made by BCBSAZ to any provider or participant are made on behalf of the Employer;

iii. Undertake the defense of any action brought in connection with any claim for benefits payable under the Plan and this Agreement by BCBSAZ, pursuant to Paragraph 3.a.iii. and iv. and Subsection 5.b., and make such disposition of such action as BCBSAZ deems appropriate.

b. BCBSAZ shall provide certain health care management services under this Agreement, including, but not limited to precertification and medical necessity determinations in accordance with such guidelines stated in the Administrative Service Agreement. In addition, BCBSAZ agrees to evaluate the medical care of a Participant for individual case management, as an alternative to Covered Services otherwise available under the Plan and the Administrative Service Agreement. If the Employer, based on BCBSAZ's evaluation, determines that individual case management is appropriate, a plan of care will be developed by a

registered nurse case manager and BCBSAZ's medical director, in coordination with the Participant's personal physician. BCBSAZ reserves the right to add to or modify these health care management services and to introduce new health care management services that it deems necessary and appropriate. However, no changes or additions to existing health care management services which change benefits under the Plan or this Agreement shall become effective without the prior written consent of the Employer.

6. BCBSAZ's Obligations.

a. Reimbursement. BCBSAZ agrees to reimburse the Employer, or the Benefit Administrator, for payments made under the respective Plan(s), as described in the Employer's Summary Plan Description, by the Employer, or the Benefit Administrator, incurred during the term of this Agreement and paid to or on behalf of all Eligible Participants, to the extent that such payments are in excess of the Maximum Aggregate Claims Liability, as defined in Section 3., for the applicable Contract Year and to or on behalf of specific Eligible Participants, to the extent that such payments are in excess of the Maximum Specific Liability, as defined in Section 3., for the applicable Contract Year with respect to such specific Eligible Participants, subject to certain limitations as described more fully below:

i. BCBSAZ's liability under this Agreement is limited to reimbursement to the Employer, or its agent the Benefit Administrator, for payments for Covered Services to or on behalf of Eligible Participants under the terms of this Agreement and the terms and conditions of the respective Plan(s), as described in the Employer's Summary Plan Description.

ii. Except as otherwise specifically provided in this Agreement, BCBSAZ's obligations under this Agreement will apply only to payments made by the Employer, or the Benefit Administrator, in accordance with the terms and conditions of the respective Plan(s), as described in the Employer's Benefit Plan Book, incurred during the term of this Agreement by those Eligible Participants who are designated by class and coverage in Exhibit C and are otherwise eligible to receive such payments (at the time that the relevant Covered Services are rendered or delivered) under the terms of this Agreement and the terms and conditions of the respective Plan(s), as described in the Employer's Benefit Plan Booklet attached to the Employer's Administrative Service Agreement. Following the termination of this Agreement, BCBSAZ's obligations under this Agreement will apply only to those payments incurred during the term of this Agreement, whether such payments are made prior or subsequent to the termination of this Agreement and otherwise meet the requirements of the preceding sentence.

iii. Where any payment is approved in relation to a contested claim, BCBSAZ shall determine, on the basis of the date on which payment is actually made, whether such payment or any portion of it is an obligation of the Employer or an obligation of BCBSAZ under the terms of this Agreement. Benefit payments made in accordance with the terms of any judgment or settlement shall be considered benefits paid to Eligible Participants under the Plan during the period in which such judgment or

settlement is satisfied, whether paid during the term of this Agreement or following the termination of this Agreement.

7. Contribution and Participation Requirements

a. The Employer agrees to contribute at least seventy-five percent (75%) of the cost for all Eligible Participants or fifty percent (50%) of the total cost for all Eligible Participants.

b. If the Employer contributes one hundred percent (100%) of the cost for Eligible Participants, all employees eligible for coverage under the Plan and this Agreement must be enrolled. If the Employer contributes less than one hundred percent (100%) of the cost for Eligible Participants, at least seventy-five percent (75%) of all employees eligible for coverage under the Plan and this Agreement must be enrolled; those employees eligible for coverage under the Plan and this Agreement who are covered under their spouse's group health plan, Medicare, AHCCCS, CHAMPUS or Indian Health Services shall not be considered for purposes of determining whether the Employer has satisfied this seventy-five percent (75%) requirement. In any event, at least one hundred (100) Eligible Participants must be enrolled on the effective date of this Agreement. If the Employer fails to meet the contribution or participation requirements as determined by BCBSAZ, BCBSAZ reserves the right to terminate this Agreement and any other applicable Agreements in effect between the Employer and BCBSAZ.

c. The Employer agrees to comply with such other contribution and participation requirements as shall be mutually agreed upon by the Parties from time to time. Such requirements shall become effective no sooner than sixty (60) days after BCBSAZ has given written notice to the Employer.

8. Compensation.

a. Premium Payments For the services provided by BCBSAZ under this Agreement, the Employer agrees to pay BCBSAZ such fees, rates, taxes and/or other charges ("Fees and Charges") as set forth in Exhibit C and/or as otherwise authorized in this Agreement, as amended from time to time by the Parties. The Employer acknowledges and agrees that: (i) Exhibit C is identical in all respects to Exhibit C (1), attached to and by this reference made a part of this Agreement, except that Exhibit C (1) is not signed; and (ii) BCBSAZ will rely upon Exhibit C (1) as reflecting the rates and terms agreed to by the Employer in the event that Exhibit C is not legible in whole or in part. BCBSAZ will invoice the Employer for such Fees and Charges which are due and payable on the first (1st) day of each calendar month or as otherwise stated in the BCBSAZ invoice. Any amounts not timely paid within the applicable time period shall accrue interest at the rate of one percent (1%) per month until paid in full.

b. Adjustments to Cost Factors. BCBSAZ reserves the right to adjust the premium rates set out in Exhibit C retroactive to the first day of any billing month in which the Employer's contribution (percentage or dollar amount) changes or enrollment of Employees varies by more than ten percent (10%) from that set out in Exhibit C.

c. Grace Period. This Agreement has a grace period of thirty-one (31) days. This means that if a premium is not paid on or before the date it is due it may be paid during the grace period. During the grace period, the Agreement shall remain in force; however, the Employer shall be liable for any premiums that are or become due.

If, by the last day of the applicable grace period, the Employer fails to pay the premiums which are due, the Agreement may be terminated, at the option of BCBSAZ, retroactive to the date on which the premiums first became due. In such case, the Employer shall be liable for all Covered Services rendered to Eligible Participants during the grace period, and the Employer agrees to hold BCBSAZ harmless from all costs therefor. In any event, the Employer agrees to hold BCBSAZ harmless from all costs for Covered Services rendered to Eligible Participants after the expiration of the grace period.

d. Adjustments Upon Changes in Applicable Law. Premium payments required under this Agreement are comprised of various components and cost factors. Premium tax is an example of one component that is required by state law. If federal or state law affecting premium payments, benefits, administrative procedures, etc., are amended during the term of this Agreement, BCBSAZ reserves the right to adjust, retroactively or prospectively, the premiums, premium rate restrictions/maximums then in effect accordingly. Further, BCBSAZ specifically reserves the right to recover from the Employer any premium tax deficiencies, which may be assessed against BCBSAZ with respect to prior periods of coverage under this Agreement, whether such deficiencies are assessed during the term of this Agreement or following its termination.

e. Notice of Rate Changes: Except as stated in Subsection 8.b. and d. and Section 24., BCBSAZ reserves the right to change the premiums due under this Section 8., and will provide the Employer in writing notice of any changes at least _____ days prior to the effective date of the changes. For purposes of this Subsection 8.e., notice to the Broker/Consultant designated in the Employer's Administrative Service Agreement, as it may be amended or restated by the Parties from time to time, shall constitute notice to the Employer.

9. Records and Review.

The Employer agrees to furnish to BCBSAZ all information that BCBSAZ may from time to time require in order to determine when the Employer's Maximum Liabilities, as defined in Section 3., for the Contract Year have been satisfied. The Employer shall notify BCBSAZ immediately as to any modification of the Plan(s), as described in the Employer's Summary Plan Description, or the termination thereof. BCBSAZ shall not be responsible for any delay or non-performance of its obligations under this Agreement that are caused or contributed to, in whole or in part, by the failure of the Employer to timely furnish any required information.

10. Limitation of Liability and Indemnification.

a. Limitation of Liability and Indemnification Regarding Certain Liabilities. For purposes of the Employee Retirement Income Security Act of 1974, as amended

("ERISA") (or any other comparable federal or state law applicable to the Employer in the event that ERISA is not applicable) and the Consolidated Omnibus Reconciliation Act of 1985, as amended ("COBRA"), BCBSAZ shall not be considered to be the Plan administrator of this Agreement, nor shall BCBSAZ be liable with respect to any liabilities, damages, penalties, losses, costs, and/or expenses, resulting from or arising out of the Employer's obligations with respect to its governmental reporting requirements and/or governmental regulation compliance, including, but not limited to, notification, reporting and disclosure requirements under ERISA and COBRA. Further, the Employer agrees to be liable to the extent permitted by applicable state and/or federal law and agrees to indemnify, hold harmless and defend BCBSAZ and its directors, officers, employees, or agents, from and against any and all actions, causes of action, suits, claims, judgments, settlements, liabilities, damages, penalties, losses, costs, and/or expenses, including, without limitation, extra contract damages, court costs, attorneys' fees, and punitive and exemplary damages, resulting from or arising out of or in connection with, any acts, omissions, or negligence of the Employer, its directors, officers, employees, or agents with respect to the Employer's governmental reporting requirements and/or governmental regulation compliance, including, but not limited to, notification, reporting and disclosure requirements under ERISA and COBRA. To the extent permitted by applicable state and/or federal law, the Employer further agrees to indemnify, hold harmless and defend BCBSAZ, its directors, officers, employees and agents from and against any liability with respect to taxes, assessments and penalties incurred by or which may be levied upon BCBSAZ by reason of payments made or services performed under this Agreement, together with any interest thereon.

b. Mutual Indemnifications. Except as otherwise specifically provided in Subsection 10.a. above, the Employer and BCBSAZ agree that each respective Party shall only be responsible for claims, losses, damages, liabilities, penalties, costs, expenses, and obligations, including attorneys' fees, arising out of or resulting from its own breach of the terms of this Agreement. To the extent permitted by applicable state and/or federal law, each Party shall indemnify, hold harmless and defend the other Party, its directors, officers, elected officials, employees, or agents from and against any and all actions, causes of action, suits, judgments, settlements, claims, losses, damages, liabilities, penalties, costs, and/or expenses arising out of or resulting from its own breach of this Agreement or negligent acts or omissions with respect to its obligations under the terms of this Agreement.

c. BCBSAZ's Liability. BCBSAZ agrees to make payments to Eligible Participants and providers on behalf of the Employer and does not assume liability for any claims brought against BCBSAZ due to any payment made in accordance to the Plan(s) or as required by the Employer.

11. Claims for Reimbursement.

a. Timeliness. This paragraph applies only when an entity other than BCBSAZ is acting as the Benefit Administrator as defined in this paragraph. If the Employer, or the Benefit Administrator, submits a claim for reimbursement (the "Claim") to BCBSAZ under this Agreement, it must do so in writing to BCBSAZ's address as set forth in Section 21. below, or such other address of which the Employer

receives notice under this Agreement, by the earlier of : (a) ninety (90) days of the date of service; or (b) thirty (30) days of the date the health care provider submits the claim to BCBSAZ, provided, however, that BCBSAZ shall have no liability to pay or reimburse for any claim or Claim submitted later than one (1) year after the effective date of termination of this Agreement. The Employer, or the Benefit Administrator, as the case may be, must provide BCBSAZ with such information as BCBSAZ shall reasonably request to support such Claim, including proof of payment and satisfaction of the applicable Maximum Liabilities, as defined in Section 3. The term "Benefit Administrator" means the entity that processes the underlying benefit claims.

b. Determination. BCBSAZ shall make a determination as to the validity of a claim for reimbursement under this Agreement within thirty (30) days of receipt of such claim.

c. Reconsideration. Upon written request, BCBSAZ shall reconsider its original determination. A written request for reconsideration must be filed with BCBSAZ within sixty (60) days following the date the first disallowance or payment notice is mailed. Additional documentation in support thereof must accompany the request, if appropriate. Failure to timely request reconsideration shall waive the Employer's right to reconsideration under this Agreement. BCBSAZ shall review the request for reconsideration and shall notify the Employer, or the Benefit Administrator, as the case may be, of its decision in writing within sixty (60) days following receipt of the request for reconsideration.

12. Legal Action.

The Employer agrees that it shall not file suit or request arbitration until sixty (60) days after the date upon which the Employer, or the Benefit Administrator, submits proof of claim and satisfaction of applicable Maximum Liabilities, as defined in Section 3., as required under this Agreement.

13. Legal Fees.

In the event an action is brought to enforce or interpret any of the terms, covenants or obligations of this Agreement, the prevailing Party shall be entitled to recover all court costs and reasonable attorneys' fees actually incurred in any such action and fees incurred in enforcing any judgment obtained following entry of such judgment.

14. Confidentiality.

The Employer shall ensure that the Employer, its principals and agents, including, but not limited to, the Benefit Administrator, shall maintain the confidentiality of any and all proprietary information with respect to BCBSAZ acquired during the term of this Agreement. Such proprietary information shall not be divulged, disclosed or otherwise made available to anyone not a Party to this Agreement without BCBSAZ's prior written consent, nor shall such proprietary information be used to the detriment of BCBSAZ. The obligations of the Employer, its principals and agents under this Section 14. shall survive the termination of this Agreement.

15. Applicable Law and Venue.

This Agreement shall be governed by and construed according to the laws of the State of Arizona and applicable federal law. The Parties consent to the jurisdiction of and to venue for any dispute involving this Agreement in the state courts of the State of Arizona or the United States District Court for the District of Arizona.

16. Audit Rights.

Upon reasonable prior written notice to BCBSAZ and as mutually agreed upon during BCBSAZ's normal working hours, the Plan may audit the records of payments made to Providers and other data specifically related to BCBSAZ's performance under this Agreement. BCBSAZ agrees to provide reasonable assistance and information to the Plan's auditors without charge. Plan shall bear the costs of the audit provided that if the Plan reveals a breach of this Agreement, BCBSAZ will bear the costs of the audit. Any audit for any plan year must be both commenced and finalized within twelve (12) months of the last day of the plan year being audited. BCBSAZ shall have no liability to pay the Employer or Plan any amounts as a result of any audit unless demand for payment based on such audit is received by BCBSAZ within twelve (12) months of the date the claim was paid or denied.

17. Changes in Plan(s).

No changes in the respective Plan(s), as described in the Employer's Summary Plan Description, shall be covered by this Agreement, nor shall any amounts paid by the Employer as payments resulting from any such changes in the respective Plan(s), as described in the Employer's Summary Plan Description, be applied toward the satisfaction of the Employer's Maximum Liabilities, as defined in Section 3., in the absence of prior written acceptance of such changes by BCBSAZ.

18. Prevailing Terms.

During the term of this Agreement, in the event that the terms of this Agreement are inconsistent with the terms of the respective Plan(s), as described in the Employer's Summary Plan Description, the terms of this Agreement shall prevail.

19. Waiver.

No waiver of any term, provision or condition of this Agreement will be valid unless in writing and signed by both Parties.

20. Paragraph Headings.

The headings of paragraphs contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

21. Notices.

All notices and other communications to a Party shall be (i) in writing, (ii) addressed to the other Party at its respective address set forth below or such other addresses as either Party may designate in writing to the other from time to time for such purposes and (iii) served or delivered by hand delivery or by U.S. mail. Notice shall be complete

upon receipt by the Party. Notices and other communications in writing need not be mailed either by registered or certified mail. However, a signed return receipt received through the U.S. Post Office shall be conclusive proof as between the Parties of delivery of any notice or communication and of the date of such delivery. Notice to the Broker/Agent/Consultant designated in the Employer's Administrative Service Agreement, or as subsequently changed in writing to BCBSAZ by the Employer, shall constitute notice to the Employer.

22. Severability.

If any provision of this Agreement is held to be illegal, invalid or unenforceable under present or future laws effective during the term of this Agreement, such provision shall be fully severable; this Agreement shall be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part of it; and the remaining provisions shall remain in full force and effect and shall not be affected by such illegal, invalid or unenforceable provision or by its severance.

23. Use of Tradename.

Each Party expressly agrees not to use the corporate name or any tradename, trademark or service mark of the other Party in any advertising, publications, press releases, brochures or other public communications without the prior written consent of the other Party.

24. Amendment.

Except as otherwise specifically provided under this Agreement, this Agreement may be altered, amended or modified only in writing upon the mutual written consent of the Parties. BCBSAZ, however, specifically reserves the right to alter, amend or modify this Agreement and/or its performance under this Agreement as may be required by applicable state and/or federal law and/or as may be necessitated by the terms and conditions of various participation agreements with Providers into which BCBSAZ shall enter from time to time during the term of this Agreement.

25. Assignment.

Neither Party may assign or transfer any right, benefit, obligation or duty under the terms of this Agreement without the advance written consent of the other; except BCBSAZ may transfer and assign this Agreement to a subsidiary or parent or an entity or person acquiring control of BCBSAZ or its assets or acquiring a division of BCBSAZ providing administration services under this Agreement.

26. BCBSAZ's Relationship to the Blue Cross and Blue Shield Association.

Employer, on behalf of itself and its Participants, expressly acknowledges and agrees that:

(i) This Agreement is a contract solely between Employer and BCBSAZ, which is an independent corporation operating under a license from the Blue Cross and Blue Shield Association, an association of independent Blue Cross and Blue Shield

Plans, (the "Association") permitting BCBSAZ to use the Blue Cross and Blue Shield Service Marks in the State of Arizona;

(ii) BCBSAZ is not contracting as the agent of the Association;

(iii) Employer has not entered into this Agreement based on any representations by the Association, or any Blue Cross or Blue Shield plan other than BCBSAZ; and

(iv) Employer shall not seek to hold the Association or any other Blue Cross or Blue Shield plan accountable or liable to Employer for any of BCBSAZ's obligations to the Employer or Participants created under this Agreement.

This Paragraph shall not create any additional obligations whatsoever on the part of BCBSAZ other than those obligations created under other provisions of this Agreement.

27. Entire Agreement.

This Agreement, including all Exhibits, including but not limited to, the Administrative Service Agreement, constitutes the entire arrangement between the Parties with respect to its subject matter. No promises, terms, conditions or obligations other than those contained in this Agreement will be valid or binding. Any prior oral or written agreements, statements, promises, negotiations, inducements or representations made by either Party or agents of either Party that are not contained in this Agreement are of no force or effect.

Intending to be legally bound, the Parties have executed this Agreement as of its Effective Date.

BLUE CROSS AND BLUE SHIELD OF ARIZONA, INC., an Arizona nonprofit corporation

By: _____
(signature)

_____
(printed)

Title: _____

By: _____
(signature)

_____
(printed)

Title: _____

EXHIBIT C

EXHIBIT C ARE THE PAGE(S) IMMEDIATELY FOLLOWING THIS PAGE.

EXHIBIT C (1)

EXHIBIT C (1) ARE THE PAGE(S) IMMEDIATELY FOLLOWING THIS PAGE.

INITIALS

Employer _____ BCBSAZ _____

CITY OF SURPRISE
Health Benefits Trust Fund Board

Council Meeting Date: June 5, 2019

Contact Person: Nick Sarpy, ACCOUNTING MGR

Submitting Department: Finance

District: Citywide

Staff Recommendations: None

Consent: No Regular: Yes Public Hearing: No Report/Discussion: No

Agenda Wording:

Presentation and discussion pertaining to the City's unaudited Employee Healthcare and Workers' Compensation Self Insurance Funds Financial Report for FY2019 3rd Quarter.

Motion:

None. Presentation and discussion only.

Background:

Staff will be presenting the city's unaudited Employee Healthcare Self Insurance Fund and Workers' Compensation Fund financial report for FY2019 3rd Quarter. This report contains unaudited financial activity through March 31, 2019 for the Employee Healthcare Self Insurance Fund and the Workers' Compensation Fund.

Objective Analysis:

Policy Compliant:

Financial Impact:

None at this time; however, topics covered in this presentation could lead to future actions which may have fiscal impact on the fund's operation.

Budget Impact:

None at this time; however, topics covered in this presentation could lead to future actions which may have fiscal impact on the fund's operation.

FTE Impact:

ATTACHMENTS:

1. 3rd Quarter Self Insurance Fund

City of Surprise, Arizona
Employee Healthcare Self Insurance Fund and Workers' Compensation Fund
March 31, 2019

	Employee Healthcare Trust Fund	Worker's Compensation Trust Fund
ASSETS		
Current assets:		
Cash and investments	$ 6,531,584	$ 1,657,039
Receivables (net of allowances)		
Other	-	-
Prepaid services	2,730	-
Total current assets	6,534,314	1,657,039
Noncurrent assets:		
Net OPEB asset	273	187
Total noncurrent assets	273	187
Total assets	6,534,587	1,657,226
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources - pension related	8,879	6,097
Deferred outflows of resources - OPEB related	626	430
Total deferred outflows of resources	9,505	6,527
Total assets and deferred outflows of resources	6,544,092	1,663,753
LIABILITIES		
Current liabilities:		
Accounts payable	-	-
Accrued payroll and benefits	2,076	2,920
Compensated absences payable, due in less than one year	2,767	775
Claims payable	-	-
Claims - incurred but not reported (IBNR)	586,950	-
Total current liabilities	591,793	3,695
Noncurrent liabilities:		
Compensated absences payable, greater than one year	3,821	1,070
Net pension liability	103,773	71,259
Net OPEB liability	390	268
Total noncurrent liabilities	107,984	72,597
Total liabilities	699,777	76,292
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources - pension related	12,268	8,425
Deferred inflow of resources - OPEB related	834	573
Total deferred inflows of resources	13,102	8,998
Total liabilities and deferred inflows of resources	712,879	85,290
NET POSITION		
Restricted for:		
Committed - Industrial Commission Reserve	-	1,500,000
Committed - Adverse Claims Contingency Reserve	2,966,836	-
Unrestricted	2,864,377	78,463
Total net position	$ 5,831,213	$ 1,578,463

City of Surprise, Arizona - Employee Healthcare Self Insurance Fund
Schedule of Revenues, Expenditures, and Changes in Net Position -Budget and Actual
For the quarter ended March 31, 2019

	FY 2019 Third Quarter Budget	FY 2019 Actual	Variance favorable (unfavorable)	% Variance
OPERATING REVENUES				
Employee Contributions				
Medical	$ 1,674,341	$ 1,636,136	$ (38,205)	(2.3%)
Dental	149,603	171,798	22,195	14.8%
Vision	18,688	18,057	(631)	(3.4%)
City Contributions				
Medical	6,625,116	6,837,278	212,162	3.2%
Dental	464,303	458,837	(5,466)	(1.2%)
Vision	58,644	60,560	1,916	3.3%
Cobra contributions	54,779	91,084	36,305	66.3%
Subrogation recovery	-	47,814	47,814	-
Wellness reimbursement	38,000	25,601	(12,399)	(32.6%)
Pharmacy rebate	-	215,667	215,667	-
Premium holiday	-	100,000	100,000	-
Interest revenue	28,466	36,874	8,408	29.5%
Total operating revenues	9,111,939	9,699,706	587,767	6.5%
OPERATING EXPENSES				
Personnel (Wages/Benefits)	78,897	93,504	(14,607)	(18.5%)
Wellness	33,260	35,070	(1,810)	(5.4%)
Meeting Supplies	-	92	(92)	-
Books & subscriptions	424	228	196	46.2%
Special event hosting	-	837	(837)	-
Administration				
Medical	425,138	388,333	36,805	8.7%
Medical stop loss	531,105	568,626	(37,521)	(7.1%)
Dental	43,186	43,761	(575)	(1.3%)
Vision	8,327	7,841	486	5.8%
Claims				
Medical	7,123,615	7,853,052	(729,437)	(10.2%)
Dental	553,116	542,495	10,621	1.9%
Vision	71,678	70,727	951	1.3%
Professional outside services	102,396	64,961	37,435	36.6%
Travel & training	4,914	3,569	1,345	27.4%
Dues & membership	1,000	877	123	12.3%
Limited purpose flex spending	8,324	8,799	(475)	(5.7%)
Federal medical insurance fees	-	-	-	-
Total operating expenses	8,985,381	9,682,772	(697,391)	(7.8%)
Change in net position	$ 126,558	$ 16,934	$ (109,624)	

City of Surprise, Arizona - Workers' Compensation
Schedule of Revenues, Expenditures, and Changes in Net Position -Budget and Actual
For the quarter ended March 31, 2019

	FY 2019 Third Quarter Budget	FY2019 Actual	Variance favorable (unfavorable)	% Variance
OPERATING REVENUES				
City Contributions				
Worker's comp	$ 733,925	$ 580,529	$ (153,396)	(20.9%)
Subrogation recovery	-	13,739	13,739	-
Interest revenue	-	15,294	15,294	-
Total operating revenues	733,925	609,562	(124,363)	(16.9%)
OPERATING EXPENSES				
Personnel (Wages/Benefits)	55,560	135,610	(80,050)	(144.1%)
Administration	182,500	180,924	1,576	0.86%
Claims	213,490	129,628	83,862	39.28%
Software license	32,800	57,080	(24,280)	(74.0%)
Other professional services	-	34,575	(34,575)	-
Total operating expenses	484,350	537,817	(53,467)	(11.0%)
Change in net position	$ 249,575	$ 71,745	$ (70,896)	

Employee Health Care Activity

Claims History By Quarter

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
2015	1,905,717	1,554,732	1,514,176	2,097,553	7,072,177
2016	2,373,980	2,113,362	2,126,861	2,009,323	8,623,526
2017	2,204,559	2,264,867	2,279,337	2,399,667	9,148,430
2018	2,291,479	1,718,879	2,406,320	3,150,781	9,567,459
2019	3,087,680	2,846,207	1,919,165		7,853,052

Net Income (loss) By Quarter

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
2011	591,534	106,929	(56,025)	(686,620)	(44,182)
2012	332,131	149,411	247,381	661,520	1,390,443
2013	16,895	(54,412)	230,444	141,651	334,578
2014	(234,698)	(15,706)	379,451	286,192	415,239
2015	228,710	581,048	479,021	(126,609)	1,162,170
2016	(86,664)	136,362	236,399	464,872	750,969
2017	220,138	114,900	181,472	299,561	816,071
2018	303,160	921,525	249,104	(335,885)	1,137,904
2018	(405,664)	(110,601)	533,199		16,934

Stop Loss Credits

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
2016	239,598	-	125,147	154,069	518,814
2017	82,468	2,704	57,925	84,505	227,602
2018	184,073	325	463	9,762	194,623
2019	81,233	166,349	41,167		288,749

FY2019 IBNR
Medical, Dental and Vision Activity

	Medical	Dental	Vision	Total
July	313,056.48	17,214.90	3,561.00	333,832.38
August	115,921.40	3,137.90	-	119,059.30
September	116,787.67	850.00	-	117,637.67
October	92,320.17	177.00	-	92,497.17
November	7,981.28	73.44	-	8,054.72
December	8,548.13	-	-	8,548.13
January	9,385.35	-	-	9,385.35
February	18,484.71	-	-	18,484.71
March	24,782.22	-	-	24,782.22
April				-
May				-
June				-
Total FY 2018 Claims Run out	707,267.41	21,453.24	3,561.00	732,281.65

FY2019 IBNR	586,950.00
Total Run Out Claims FY2018	(732,281.65)
Medical Claim Adjustment - Revenue to Fund	(145,331.65)

CITY OF SURPRISE
Health Benefits Trust Fund Board

Council Meeting Date: June 5, 2019
Submitting Department: Human Resources
Staff Recommendations: None

Contact Person: Lisa Angelini, DIRECTOR - HR
District: Internal

Consent: No Regular: Yes Public Hearing: No Report/Discussion: No

Agenda Wording:
Human Resources Update - Open Enrollment

Motion:
NONE

Background:
Update Board on Open Enrollment

Objective Analysis:

Policy Compliant:

Financial Impact:
NONE

Budget Impact:
NONE

FTE Impact:

ATTACHMENTS:

CITY OF SURPRISE
Health Benefits Trust Fund Board

Council Meeting Date: June 5, 2019
Submitting Department: Finance
Staff Recommendations: None

Contact Person:
District: Citywide

Consent: No Regular: No Public Hearing: No Report/Discussion: No

Agenda Wording:
Consideration and action pertaining to placing items on a future agenda.

Motion:
Discussion only

Background:
This item provides the opportunity for the board to have an open discussion on items to be placed on future agendas. Items are also added by staff as needed based on citizen, board, council, and administrative requests.

Objective Analysis:

Policy Compliant:

Financial Impact:
N/A

Budget Impact:
N/A

FTE Impact:

ATTACHMENTS: