

**REPORT
HIGHLIGHTS**
FINANCIAL STATEMENT AUDIT

Subject

Maricopa County issues financial statements annually for its Risk Management and Employee Benefits Trust Funds. The County is responsible for preparing financial statements, maintaining strong internal controls, and demonstrating accountability for its use of public monies. As the auditors, our job is to determine whether the County has met its responsibilities.

Our Conclusion

The information in the Risk Management and Employee Benefits Trust Funds' financial statements is fairly stated in all material respects and the financial statements can be relied on. Our auditors also determined that the Trust Funds maintained adequate internal controls over financial transactions.



2003

Year Ended June 30, 2003

The Trust Funds Manage the County's Self-Insurance Activities

The County manages its risk of loss related to liability, property, casualty, workers' compensation, unemployment, and certain employee health benefits coverage through self-insurance. The County accounts for its self-insurance activity in the Risk Management and Employee Benefits Trust Funds. The County's employee benefits-related activities are accounted for in the Employee Benefits Trust Fund. The table to the right lists the type of insurance coverage that each Fund provides.

State law requires annual audited financial statements for all self-insurance activities be made available to interested parties. The Self-Insurance Trust Funds' financial statements were prepared and audited for that purpose.

Type of Insurance Coverage

Risk Management Trust Fund

- General liability
- Workers' compensation
- Unemployment
- Medical malpractice
- Auto liability
- Auto physical damage
- Property

Employee Benefits Trust Fund

- Pharmacy
- Dental
- Short-term disability
- Hospital co-pay reimbursements

The Employee Benefits Trust Fund Will Manage the HealthSelect Health Plan

On January 1, 2004, the Employee Benefits Trust Fund assumed the responsibility for managing and operating HealthSelect, a managed care health plan. HealthSelect provides healthcare coverage to Maricopa County employees electing this plan and their dependents. The Maricopa Integrated Health System (MIHS) previously managed and operated the plan; however, MIHS will become a special healthcare district since voters passed Proposition 414 in the

November 2003 special election. The County negotiated amended contracts with its existing general medical and pharmacy vendors to perform administrative services such as, but not limited to, claims and member management. HealthSelect expenses will be paid from premiums paid by the plan's members and the County. Estimated plan premiums and expenses for January 1, 2004 through June 30, 2004, are each \$6 million.

Risk Management and Employee Benefits Trust Funds' Expenses by Type

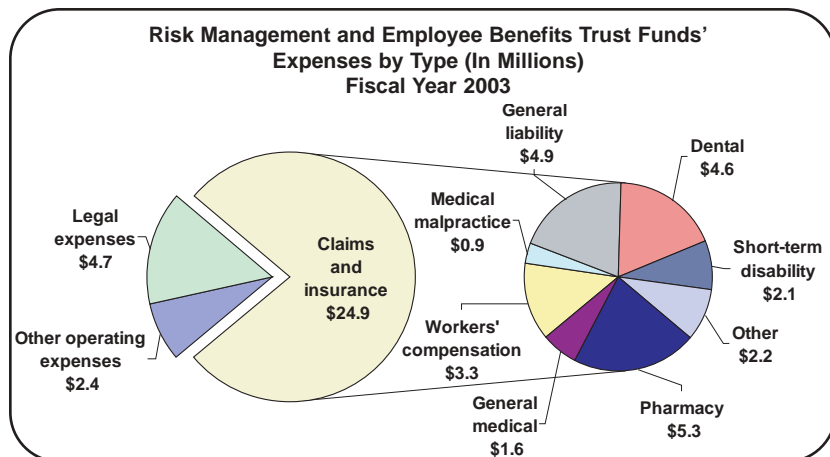
The table below summarizes the Trust Funds' operating expenses by type for fiscal year 2003.

Claims and insurance expenses account for 78 percent of the total fiscal year 2003 Trust Funds' expenses. Claims expense represents all losses recognized during the year, including an estimate of claims that have not yet been reported. An actuary determines the estimate of the ultimate cost of those claims.

The County is responsible for any claim up to a certain self-insurance retention limit or an insurance deductible for each

type of coverage. With the exception of pharmacy, dental, short-term disability, and unemployment claims, the County purchases commercial insurance for claims exceeding those limits. For dental and short-term disability claims, the County has established benefit limits. There are no benefit limits for pharmacy claims. Benefit limits for unemployment claims are established by the State.

Legal expenses comprise about 15 percent of the total fiscal year 2003 expenses, and include attorney, expert witness, investigation, deposition, and arbitration costs. Other operating expenses, such as salaries and supplies comprise the remaining 7 percent of expenses.



The Employee Benefits Trust Fund Implemented a New Program

Effective January 1, 2003, all employee pharmacy benefits for CIGNA Healthcare enrollees are now self-insured by the County. The program pays all eligible pharmacy expenses, excluding the specified employee co-pay. As of June 30, 2003, the County had paid \$4.5 million in pharmacy claims and estimated an accrued

liability for outstanding claims of \$807,777 at that date.

Premiums totalling \$4.8 million received from both the County and the employees enrolled in the program are reported in the Employee Benefits Trust Fund for fiscal year 2003.

TO OBTAIN MORE INFORMATION

A copy of the full report can be obtained by calling Maricopa County at (602) 506-2827



or by visiting our Web site at: www.auditorgen.state.az.us

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