

AGENDA

BOARD OF DIRECTORS

ANDREAS BORGEAS
JUDITH CASE MCNAIRY
MIKE ENNIS
PHIL LARSON
DEBORAH A. POOCHIGIAN
PETE VANDER POEL
J. STEVEN WORTHLEY

**Meeting Location:
Fresno County Employees' Retirement
Association Board Chambers
1111 H Street
Fresno, CA 93721
August 22, 2014 9:00 AM**

1. Call to Order
2. Roll Call
3. Approval of Agenda (A)
4. Public Comment: At this time, members of the public may comment on any item, within the jurisdiction of the SJVIA, not appearing on the agenda. In order for everyone to be heard, please limit your comments to 3 minutes or less. Anyone wishing to be placed on the agenda for a specific topic should contact the SJVIA Manager's Office and submit correspondence at least 14 days before the desired date of appearance.
5. Approval of Minutes – Board Meeting of July 25, 2014 (A)
6. Approve Dental Plan Renewal Rates (A)
7. Approve Kaiser HMO Renewal Rates for the 2015 Plan Year (A)
8. Approve Health Plan Renewal Rates for the 2015 Plan Year (A)
9. Adopt Fiscal Year Budget for 2014-15 (A)
10. Approval of Modifications to the Prescription Plan Benefit Managed by US Script (A)
11. Final results of the RFP for Wellness and Disease Management Services and Recommendation of Vendor Selection Effective January 1, 2015 (A)

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12. Final results of the RFP for Administrative Services and Recommendation of Vendor Selection Effective January 1, 2015 (A)
13. Final results of the RFP for Consulting Services and Recommendation of Vendor Selection Effective January 1, 2015 (A)
14. Adjournment

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**Meeting Location:
Tulare County Employees' Retirement
Association Board Chambers
136 N Akers St
Visalia, CA 93291
July 25, 2014 9:00 AM**

1. Call to Order

Meeting was called to order by Director Vander Poel at 9:01am.

2. Roll Call

Roll was called by Brittany Howell, Gallagher Benefit Services. In attendance were Director Case McNairy, Director Ennis, Director Larson, Director Vander Poel and Director Worthley.

3. Approval of Agenda (A)

Director Vander Poel asked if there were any additions or corrections to the agenda. Director Ennis moved to approve the agenda with no changes; the motion was seconded by Director Worthley. The motion passed unanimously.

4. Public Comment: At this time, members of the public may comment on any item, within the jurisdiction of the SJVIA, not appearing on the agenda. In order for everyone to be heard, please limit your comments to 3 minutes or less. Anyone wishing to be placed on the agenda for a specific topic should contact the SJVIA Manager's Office and submit correspondence at least 14 days before the desired date of appearance.

Director Vander Poel opened the meeting for public comment – no public comment was given.

5. Approval of Minutes – Board Meeting of April 25, 2014 (A)

Director Ennis moved to approve the April 25, 2014 Meeting Minutes; the motion was seconded by Director Case McNairy. The motion passed unanimously.

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6. Receive and File Quarterly Financial Report (I)

Lawrence Seymour, ACTTC from Fresno County, gave an overview on the quarterly financial statements. YTD Revenue is unfavorable by \$4.3 million however most of that is related to timing issues with the budget being on a monthly and calendar basis yet some of the payroll being on a bi-weekly basis. Also, there was a large expenditure by Fresno County with payroll where the expenditure hit first and revenue hit thereafter. Other items favorable for the year-end total were the claims expenses and total premiums, both of which helped offset the total revenue timing difference. In regards to these timing issues with budget being monthly and some payroll being bi-weekly, Staff will explore options in the next year to work on a way to get a more meaningful budget to better mirror current practices.

In regards to the cash flow report, it shows a total of \$2.1 million however, this does not reflect the Investment totals which are shown below on their own line item. If that line item is taken into account, total ending balance is actually \$7.2 million. Moving forward, this report will reflect the Investment line item in the totals.

7. Authorization of the Release of Proposals and Execution of Participation Agreement(s) (A)

Paul Nerland, SJVIA Assistant Manager, explained that Staff is seeking approval to release proposals for City of Taft to be effective September 1, 2014 and City of Oakdale, City of Hanford, City of Mendota, City of Firebaugh, City of Selma and City of Modesto to be effective January 1, 2015, as well as to authorize the Participation Agreements.

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Director Case McNairy asked about smaller entities and their ability to find affordable options elsewhere.

Director Worthley moved to approve the Release of Proposals and Execution of Participation Agreements; the motion was seconded by Director Ennis. The motion passed unanimously.

8. Receive and File Update on Request for Proposal for Wellness Vendors Effective January 1, 2015 (I)

Rhonda Sjostrom, SJVIA Manager, gave an overview of the marketing process for Wellness vendors. Proposals were requested to include Lifestyle and Disease Management programs. Currently SJVIA contracts with Delta Team Care and they are a vendor that submitted a proposal along with a number of other vendors. Staff is in the process of vetting those proposals and conducting finalist interviews the week of August 4th and coming back with recommendations at the August Board meeting.

Michele Mills, Gallagher Benefit Services, explained that we used our subject matter expert Ali Payne with Gallagher Benefit Services to help conduct the RFP. The vendors who submitted proposals were very comprehensive and able to provide a cohesive system which is able to provide both the Disease Management along with the onsite and biometric screenings, etc. Currently, we are utilizing these services through Anthem, Delta Team Care and contracted EAP vendors, so in conducting this RFP we will be able to utilize a vendor who has the capability to pull all these services together.

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Director Vander Poel asked if we anticipate any enhancements to our services that these other vendor can provide through the Wellness RFP. Michele Mills stated that the industry has changed a lot since SJVIA initially did their RFP and there have been numerous vendors added in the last three years with many added services. Ali Payne has done a good job in weeding out those that don't meet the criteria we are looking for. This RFP is allowing us to see what else is out there that might benefit SJVIA.

9. Receive and File Update on Request for Proposal for Administrative Services Vendors Effective January 1, 2015 (I)

Paul Nerland explained that currently the administrative fee of \$6.50 per employee per month provides administrative services to help SJVIA operate and includes an eligibility system that tracks eligibility and premiums received and sends out to all vendors, helps reconcile premiums with eligibility, tracks and sends COBRA notices, provides flex services, etc. The RFP was recently sent out and five vendors have responded to the RFP. During this process the current vendor reduced their price by approximately \$1.30 per employee per month.

Through this RFP process we found that the services SJVIA utilizes are quite complex. There are different services that each entity utilizes and each has a unique situation in how they handle their eligibility, premium payment, etc. It is very important the vendor chosen can handle that and the additional fees associated are cost effective. SJVIA will be coming back with recommendations at the August Board meeting.

10. Receive and File SJVIA Executive Claims Summary Through May 2014 (I)

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Alan Thaxter, Gallagher Benefit Services, presented the claims summary through May 2014. Page 5 of the summary shows there was a spike in claims in the last month however, due to your size, it is not as concerning. Even with that big claims month, \$874,000 was still added to reserves. Further, page 7 of the summary shows claims year over year and it shows that every year in May claims have been higher but they have decreased thereafter.

Michele Mills added that the one large claim on the PPO plan, shown on page 2, was all paid in May. Further, that claim is not ongoing and as of now, a closed case.

Page 3 of the agenda item shows the growth of SJVIA as well as average claims. As you can see, trend is much higher than our actual numbers. When looking at overall weighted trend, SJVIA is running at approximately 3.5%.

11. Approve Recommended Annual Out-of-Pocket Maximum Change as Required by the Affordable Care Act Effective January 1, 2015 (A)

Michele Mills, Gallagher Benefit Services, explained that historically, medical and rx have not counted toward the same out-of-pocket maximum costs. The Affordable Care Act, effective January 1, 2015 is mandating that medical and rx need to be combined to reach the out-of-pocket maximum. There are a few options to consider in order to meet these criteria.

- a. Move all prescription administration from the current US Script contract to Anthem Blue Cross, however, this would not be the most cost effective option for the plan.

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- b. Establish data sharing for member copay amounts between US Script and Anthem Blue Cross, which could become a cumbersome process and it will add an additional administrative costs to the SJVIA.
- c. Implement a separate maximum out-of-pocket for the medical and pharmacy benefits for the traditional PPO and HMO plans. This is the option Staff would recommend.

A separate out of pocket maximum would be set-up for each of these plans up to an amount that when added to the medical maximum does not exceed the limitations of the ACA maximums. Given the structure of the current medical plans, a \$2000 individual and \$4000 family out-of-pocket maximum could be set for the Rx plans. And, according to US Script data, during the last plan year the majority of those that used the prescription benefit had a total out-of-pocket of under \$500 while only three members incurred over \$3000 in employee expense. While this new requirement would add a level of benefit to those very high utilizers of the plan that would cap their Rx copay expenses for the year, it will not have any impact to the underwriting of the plan.

Director Larson moved to approve the Annual Out-of-Pocket Maximum Change that Staff recommended; the motion was seconded by Director Ennis. The motion passed unanimously.

12. Receive and File Updated Anthem HMO Administrative Fees Effective July 1, 2014 (I)

Paul Nerland explained that SJVIA's HMO plan was historically categorized as a self-funded plan thus, being subject the ACA Insurer tax of \$22.22 per employee per month. Further, Anthem has been collecting this fee for the HMO plan on SJVIA's behalf since January 2014.

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In June, SJVIA was notified that the HMO plan with Anthem had been recategorized as an “alternatively funded” plan and thus, not subject to the requirement to pay the ACA Insurer fee of \$22.22 PEPM. Also, even though the reinsurance and the PCORI fee would still apply and be payable to the IRS it would not need to be remitted to Anthem but retained by the SJVIA until payable. This change has resulted in revised fixed costs invoiced to the SJVIA from Anthem approximating \$1.3 million.

13. Receive and File Update Regarding US Script Guaranteed Pricing (I)

Michele Mills explained that the current pharmacy vendor, US Script, has their contract set-up on a pass-through basis meaning the SJVIA pays a small administrative fee per employee per month and any changes in the contracted rates become the benefit of the SJVIA. For that reason, US Script goes back through every line item claim and anything that is above this level that is set for every category of drug gets refunded back. Also, anything that comes in below the contracted rates will stay on the benefit side of SJVIA – it is not something that will need to be paid back. In the end, this resulted in a refund check in the amount of \$464,961.43.

14. Approve the Amendment to the Participation Agreement for Member Entities with Additions or Changes to SJVIA (A)

Rhonda Sjostrom stated that on April 25, 2014 the Board approved Staff's request to draft an amendment to the agreement for entities currently participating in programs under the SJVIA with standing participation agreements that have since added plans and/or had rate revisions. Staff worked with their attorneys to draft the amendments and exhibits for each entity affected and is requesting that the Board

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approve the Participation Agreement Amendments for City of Tulare, City of Ceres and City of Shafter.

Director Worthley approved the Amendment to the Participation Agreement for Member Entities with Additions or Changes to SJVIA; the motion was seconded by Director Larson. The motion passed unanimously.

15. Receive and File Preliminary January 1, 2015 Health Plan Renewal (I)

Alan Thaxter gave an overview of the renewal process for SJVIA. Given the claims information we have as well as trend, the combined PPO and HMO renewal is at 6.49%. The final rate recommendation will be completed using claims data updated through June 2014 and presented at the next Board meeting. The reserve position is very favorable and coming in at about 6% over the set levels. Because of the favorable reserve levels, the Board will have some options at the next meeting to use those extra monies to help buy down the renewal.

Pete Vander Poel asked for clarification on the preliminary renewal, specifically if the HMO and PPO will receive the stand-alone rate increases on page 7 or the combined rate increase. Alan Thaxter explained that since the shared risk model was approved several years ago, the HMO and PPO plans would receive the combined rate increase.

Gallagher committed to composing an illustration of the differentials between the PPO and HMO plans as well as obtaining some pooling options for the HMO plan to discuss at the next Board meeting.

16. Approve and Authorize sending the 2014 Multi-County Biennial Notice to the California Fair Political Practices Commission (A)

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Paul Nerland stated that the Political Reform Act requires every government agency to review its conflict of interest code biennially to determine if it is accurate. Staff and Counsel have reviewed the SJVIA conflict of interest code and recommend submission of the "2014 Multi-County Biennial Notice" to the FPPC indicating that no amendment is necessary at this time.

Director Worthley approved sending the 2014 Multi-County Biennial Notice to the California Fair Political Practices Commission; the motion was seconded by Director Ennis. The motion passed unanimously.

17. Approve Appointment of HIPAA Privacy Officer (A)

Paul Nerland explained that this item is to officially approve the appointment of a HIPAA Privacy Officer. When SJVIA was formed, each entity utilized the County HIPAA Privacy Officer but it was never formalized. As SJVIA grows, it is important to know who is designated in that position. In discussions with Staff, the recommendation is that the SJVIA Manager be the HIPAA Privacy Officer. As of July 1, 2014 Rhonda Sjostrom is the SJVIA Manager so this role would be designated to her and her Staff.

Director Larson approved the appointment of the SJVIA Manager as the HIPAA Privacy Officer; the motion was seconded by Director Ennis. The motion passed unanimously.

18. Adjournment

Meeting was adjourned at 10:42am by Director Vander Poel.

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Fresno, CA 93721
August 22, 2014 9:00 AM

AGENDA DATE: August 22, 2014

ITEM NUMBER: 6

SUBJECT: Approve Dental Plan Renewal Rates

REQUEST(S): Approve the acceptance of renewal proposal from Delta Dental for the 2015 Plan year and Authorize Chair to Execute Agreements pending acceptance of County of Fresno and Tulare and approval of SJVIA Staff and Counsel.

DESCRIPTION:

The SJVIA has offered a dental option through Delta Dental of California since January of 2013. Currently, the City of Tulare in addition to the Counties of Fresno and Tulare are participating in this dental option. While all three entities maintain separate PPO benefits and rates in the SJVIA the rate action is applied uniformly to both. The renewal increase for the PPO plans in which all three entities participate is 0% due to favorable claims experience and the stability of a larger buying pool.

Tulare and Fresno County share the same benefits and rates for the lower cost DHMO plan. The 2015 rates for the DHMO are increasing by 4.3% and all rates include accommodation for projected costs associated with the Affordable Care Act.

Following your Board's approval, participating SJVIA Member entities may choose to modify their dental benefits to adjust rates. These considerations are made at the member entity level and do not require SJVIA Board action.

AGENDA: San Joaquin Valley Insurance Authority

DATE: August 22, 2014

FISCAL IMPACT/FINANCING:

There is no budget impact for the Delta Dental PPO plans outside of enrollment changes effective January 1, 2015. The increase of 4.3% for the DHMO plans equals approximately \$46,000 at current enrollment.

ADMINISTRATIVE SIGN-OFF:



Rhonda Sjostrom
SJVIA Manager



Paul Nerland
SJVIA Assistant Manager



August 5, 2014

REVISED

San Joaquin Valley Insurance Authority (SJVIA)
c/o Gallagher Benefit Services
45 East River Park Place West, Suite 408
Fresno, CA 93720

**RE: Contract renewal for San Joaquin Valley Insurance Authority (SJVIA)
Delta Dental PPOSM Group #'s 05879, 16128, 16452 & 16763
DeltaCare[®] USA Group # 76744 (See Appendix A)**

We appreciate your business and thank you for choosing Delta Dental of California. Your employees are among the millions nationwide who trust their smiles to Delta Dental.

We are pleased to present you with your dental plan contract renewal information. We are committed to providing you with quality plan designs combined with excellent customer service.

When reviewing your Delta Dental PPO plans, we considered cost factors related to San Joaquin Valley Insurance Authority's (SJVIA) dental service utilization and claims experience. Since there has been little or no change in one or both of these factors, we have determined that no increase in your current rate is necessary.

When reviewing your DeltaCare USA plans, we considered cost factors related to San Joaquin Valley Insurance Authority's (SJVIA) dental service utilization and claims experience. Because of increases in one or both of these factors, we have determined that an increase in your current rate is necessary. We have made every attempt to keep this increase as low as possible.

We have calculated your rates for your Delta Dental PPO plan based on the employer/employee contribution levels in your contract remaining the same. If the contribution levels and/or enrollment guidelines have changed or will change, you will need to notify us immediately, as such a change may affect your renewal rate.

Delta Dental of California
Headquarters:
100 First Street
San Francisco, CA 94105
Telephone: 415-972-8300

Southern California
Sales/Customer Service:
P.O. Box 3370
Cerritos, CA 90703
17871 Park Plaza Drive, Suite 200
Cerritos, CA 90703
Telephone: 562-403-4040

Commercial Programs
Claims Processing/
Customer Service:
P.O. Box 997330
Sacramento, CA 95899-7330

Offices in:
Cerritos, Fresno,
Rancho Cordova,
San Diego and
San Francisco

The following is the renewal information for your Delta Dental PPO plans:

<i>Effective Date</i>	<i>(varies by groups & divisions)</i>
<i>Contract term</i>	<i>One Year December 8, 2014 – December 6, 2015 January 1, 2015 – December 31, 2015</i>
<i>% of Increase</i>	<i>0%</i>
<i>See the attached for rates and benefits</i>	

The following is the renewal information for your DeltaCare USA plan:

<i>Effective Date</i>	<i>(varies by divisions)</i>	
<i>Contract term</i>	<i>One Year December 8, 2014 – December 6, 2015 January 1, 2015 – December 31, 2015</i>	
<i>% of Increase</i>	<i>4.33%</i>	
<i>Monthly – varies by division</i>		
	<i>Current Rates</i>	<i>Renewal Rates</i>
<i>Employee</i>	<i>\$22.77</i>	<i>\$23.76</i>
<i>Employee & Spouse</i>	<i>\$39.08</i>	<i>\$40.77</i>
<i>Employee & Child(ren)</i>	<i>\$39.35</i>	<i>\$41.05</i>
<i>Employee & Family</i>	<i>\$56.71</i>	<i>\$59.17</i>
<i>Biweekly – varies by division</i>		
	<i>Current Rates</i>	<i>Renewal Rates</i>
<i>Employee</i>	<i>\$10.51</i>	<i>\$10.97</i>
<i>Employee & Spouse</i>	<i>\$18.04</i>	<i>\$18.82</i>
<i>Employee & Child(ren)</i>	<i>\$18.16</i>	<i>\$18.95</i>
<i>Employee & Family</i>	<i>\$26.17</i>	<i>\$27.31</i>

Please keep this renewal letter with your contract documents. It serves as an amendment to your DeltaCare USA contract for the rates and contract term.

If you choose not to renew your contract, please notify Jerry Sauter at 916-861-2566 and advise us in writing on or before December 1, 2014.

To renew your dental plan contract, please follow these steps:

- 1) Review this letter for changes to your dental plan for January 2015.
- 2) Begin paying the rates outlined in this letter with your new contract term.
- 3) Inform your account manager of your intent to renew your plan contract.

Upon your renewal you will receive a formal amendment to your contract and an electronic copy of an updated Evidence of Coverage (EOC). If you would like to review an amendment prior to renewing your plan, please contact your account manager and an amendment will be provided.

If you have any questions about your renewal, your account manager will be happy to help. We appreciate your continued confidence in Delta Dental. We are proud of our association with you and look forward to a long and mutually successful relationship.

Sincerely,

DELTA DENTAL OF CALIFORNIA



Belinda Martinez
Senior Vice President
Sales/Marketing



Kevin Jackson
Group Vice President
Underwriting & Actuarial



Jerry Sauter
Account Manager, Account Services
916-861-2566
jsauter@delta.org

cc: Mark Tucker
LeRoy Tucker
Brittany Howell

Enclosure: Summary of Contract Amendments
Appendix A
Rates and Benefits

**Summary of Contract Amendments to
San Joaquin Valley Insurance Authority (SJVIA)
Delta Dental PPO Plan**

Dental policy changes. Effective upon renewal, we are updating your contract to reflect the following:

The American Dental Association (ADA) annually updates its standard dental procedure coding system, which is a component of its Code on Dental Procedures and Nomenclature (CDT Code) reference manual. When the ADA changes the codes, carriers must adopt the changes. Your contract renewal amendment includes a revised Appendix B with changes made to the CDT Code that are effective for 2014. Appendix B is a reference of CDT coding and nomenclature, which may or may not represent benefits under the terms of your contract. Changes made to comply with the CDT Code do not constitute a material change to your dental plan design.

OTHER INFORMATION

Delta Dental's retro-termination policy for enrollees. As a reminder, Delta Dental's policy is that enrollment may be adjusted retroactively to the immediately preceding three months plus the current month billed if no claims have been processed after the requested termination date for the enrollee.

Out-of-state provider reimbursement. As a reminder, Delta Dental's policy is to reimburse contracted dentists based on the network payment provisions for the geographic area in which the services are provided.

APPENDIX A

<u>GROUP #</u>	<u>GROUP NAME</u>
76744-0001	SJVIA – CO OF FRESNO ACTIVE
76744-0002	SJVIA – CO OF FRESNO RETIREE
76744-0003	SJVIA – CO OF FRESNO COBRA
76744-0005	SJVIA – CO OF FRESNO SURVIVOR
76744-0006	SJVIA – CO OF FRESNO FIRE DIST
76744-0007	SJVIA – CO OF FRESNO MOSQ DIST
76744-0008	SJVIA – CO OF FRESNO FMLA
76744-0009	SJVIA – CO OF FRESNO LAFCO
76744-1001	SJVIA – CO OF TULARE ACTIVE
76744-2002	SJVIA – CO OF TULARE COBRA
76744-3003	SJVIA – CO OF TULARE RETIREE
76744-4004	SJVIA – CO OF TULARE SPEC DIST

SAN JOAQUIN VALLEY INSURANCE AUTHORITY (SJVIA)
BENEFITS & RATES
DELTA DENTAL CLIENT #5879, 16128 & 16763

		Delta Dental PPO					
		County of Fresno Delta Dental Group #5879		County of Tulare Delta Dental Group #16128		City of Tulare Delta Dental Group #16763	
		PPO	Non-PPO	PPO	Non-PPO	PPO	Non-PPO
Copayments	<i>Diagnostic and Preventive</i>	100%	90/10	100%	100%	100%	100%
	<i>Basic</i>	90/10	90/10	80/20	80/20	80/20	80/20
	<i>Endodontics</i>	50/50	50/50	80/20	80/20	80/20	80/20
	<i>Periodontics</i>	50/50	50/50	80/20	80/20	80/20	80/20
	<i>Oral Surgery</i>	50/50	50/50	80/20	80/20	80/20	80/20
	<i>Crowns and Cast Restorations</i>	50/50	50/50	50/50	50/50	80/20	80/20
	<i>Prosthodontics</i>	50/50	50/50	50/50	50/50	80/20	80/20
	<i>Dental Accident</i>	NA	NA	100%	100%	NA	NA
<i>Adult & Child Orthodontics</i>	*	*	50/50	50/50	80/20	80/20	
Deductibles	<i>Per patient per calendar year</i>	\$50	\$50	NA	\$25	NA	NA
	<i>Per family per calendar year</i>	\$150	\$150	NA	\$75	NA	NA
	<i>D&P exempt from deductible?</i>	Yes	No	NA	Yes	NA	NA
Maximums	<i>Per patient per calendar year</i>	\$2,500	\$2,500	\$1,000	\$1,000	\$1,500	\$1,500
	<i>D&P exempt from calendar year maximum?</i>	Yes	Yes	No	No	No	No
	<i>Dental Accident per calendar year</i>	NA	NA	\$1,000	\$1,000	NA	NA
	<i>Orthodontic lifetime maximum</i>	*	*	\$1,500	\$1,500	\$1,000	\$1,000
Age Limitations	<i>Children (years of age)</i>	26	26	26	26	26	26

* County of Fresno Ortho plan pays 100% after the member's co-payment: Adult (age 20 and over) = \$1,880, Child (through age 19) = \$1,660. Maximum of 24 months of active orthodontic treatment. Ortho reimbursement is at the CA's 80th percentile for Non-PPO and Non-Delta Dentist Only.

CURRENT RATES (Effective 01/01/2014 to 12/31/2014)			
	<i>Enrollee Only</i>	\$52.45	\$36.95
	<i>Enrollee + Spouse</i>	\$83.63	\$64.05
	<i>Enrollee + Child(ren)</i>	\$72.87	\$72.58
	<i>Enrollee + Family</i>	\$106.98	\$107.75
			Actives & Post 65
	<i>Enrollee Only</i>		\$60.53
	<i>Enrollee & Family</i>		\$133.00
			Pre 65
	<i>Enrollee Only</i>		\$66.92
	<i>Enrollee & Children</i>		\$133.59
	<i>Enrollee + Family</i>		\$187.17

RENEWAL RATES (Effective 01/01/2015 to 12/31/2015)			
	<i>Recommended Rate Action</i>		0.00%
	<i>Enrollee Only</i>	\$52.45	\$36.95
	<i>Enrollee + Spouse</i>	\$83.63	\$64.05
	<i>Enrollee + Child(ren)</i>	\$72.87	\$72.58
	<i>Enrollee + Family</i>	\$106.98	\$107.75
			Actives & Post 65
	<i>Enrollee Only</i>		\$60.53
	<i>Enrollee & Family</i>		\$133.00
			Pre 65
	<i>Enrollee Only</i>		\$66.92
	<i>Enrollee & Children</i>		\$133.59
	<i>Enrollee + Family</i>		\$187.17

County of Fresno divisions # 1, 3, 5, 6, 7 & 8 have contract effective dates 12/10/2013 - 12/07/2014 (current) and 12/08/2014 - 12/06/2015 (renewal).



BOARD OF DIRECTORS

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MIKE ENNIS
PHIL LARSON
DEBORAH A. POCHIGIAN
PETE VANDER POEL
J. STEVEN WORTHLEY

**Meeting Location:
Fresno County Employees' Retirement
Association Board Chambers
1111 H Street
Fresno, CA 93721
August 22, 2014 9:00 AM**

AGENDA DATE: August 22, 2014

ITEM NUMBER: 7

SUBJECT: Approve Kaiser HMO Renewal Rates for the 2015 Plan Year

REQUEST(S): Approve the acceptance of renewal proposal from Kaiser Permanente for the 2015 Plan year and Authorize Chair to Execute Agreements pending acceptance of participating entities and approval of SJVIA Staff and Counsel.

DESCRIPTION:

Beginning in 2014, the SJVIA elected to include Kaiser as a component offering to existing and potential members. Current enrollment in Kaiser plans through the SJVIA is 571 employees. Kaiser has completed their underwriting for the SJVIA and has proposed the following action for 2015:

- County of Fresno (286 employees – 50% of SJVIA Kaiser membership) will receive a 15.87% rate reduction
- County of Tulare (197 employees – 34.5% of SJVIA Kaiser membership) will receive a 5% rate increase
- City of Ceres (19 employees – 3% of SJVIA Kaiser membership) will receive a 5% rate increase
- City of Reedley (37 employees – 6% of SJVIA Kaiser membership) will receive a 5% rate increase
- City of Shafter (32 employees – 6% of SJVIA Kaiser membership) will receive a 5% rate increase

AGENDA: San Joaquin Valley Insurance Authority

DATE: August 22, 2014

Gallagher Benefit Services and the Underwriting Committee of the SJVIA have received a commitment from Kaiser to issue a blended (or shared-risk) renewal for 2016 that will establish a unified rating action for all entities in the SJVIA. This methodology brings Kaiser in line with the overall rating philosophy of the SJVIA.

FISCAL IMPACT/FINANCING:

Overall Kaiser premium will reduce approximately 6.6% from \$5,939,460 in 2014 to \$5,544,168 in 2015

ADMINISTRATIVE SIGN-OFF:



Rhonda Sjostrom
SJVIA Manager



Paul Nerland
SJVIA Assistant Manager



August 15, 2014

Mark Tucker
Gallagher Benefit Services
45 E. River Park Place, Suite 605
Fresno, CA 93720

Re: **San Joaquin Valley Insurance Authority**
December 14, 2014 Renewal (County of Fresno/Bi-weekly)
January 2015 Renewal

Dear Mr. Tucker,

Thank you for the opportunity to provide renewal information for **San Joaquin Valley Insurance Authority**'s health plans with Kaiser Permanente in California. We value our long-term relationship with you and **San Joaquin Valley Insurance Authority** and look forward to continuing our partnership into the future.

This letter and the accompanying documents provide information about the 2015 renewal, including the renewal rate, an explanation of the renewal rate change, and the most important contract and benefits changes that will take effect in 2015.

As we work to make health care more affordable, we're targeting three key areas to deliver immediate and long-term cost reductions:

1. **Better management of expenses** — redesigning our cost structure to make care more affordable for our members without compromising safety and quality
2. **Transforming care through innovation** — using advanced health information technology to improve the quality and timeliness of care, and providing more alternatives to traditional office visits
3. **Increasing quality of care and efficiency** — continuing to develop, test, and share best practices across the organization, and leverage our collaborative model to help ensure better outcomes and cost efficiencies

In California, our costs in 2008 percent a year. In 2013 we reduced that to about 3.3 percent. Barring unexpected developments, we project our cost trends to be at or below the general inflation rate in the next two years. We recognize that this is important to the SJVIA as they look to provide stable rate increase in the future years to their customers.

Please note that this coverage complies with federal health care reform requirements and also reflects changes we have made in response to other federal and state government mandates. We continue to implement federally and state-mandated benefit design changes, and we are committed to upholding the provisions set forth.

We reserve the right to modify the rates and benefits if we receive further clarification of federal health care reform requirements, or to incorporate other applicable federal health care reform requirements. In addition, Kaiser Permanente reserves the right to make any change in these rates and benefits due to changes in state or federal legislation or regulatory action. Your client will receive a *Renewal Notice* at least 60 days prior to the renewal that will provide more information about changes and clarifications we are making to their coverage.

Pricing summary

Enclosed is an outline of the **San Joaquin Valley Insurance Authority** rate action needed for each of the customer's.

Depending on group size, changes to premium rates can be caused by a number of factors:

- **changes in the costs of delivering care**
- **changes in group size and/or demographics**
- **changes to the risk characteristics of the group**
- **your client's actual claims experience**

The 2015 renewal rates include a different percentage rate increase for the County of Fresno than the rest of the JPA. This was necessary to continue our multi-year goal of moderately increasing the Kaiser Permanente membership to create a more balanced risk profile and to be a sustainable offering over the long term. We understand the SJVIA feels strongly about the concept of pooling the rates increase for their customers and we are committed to a single pooled percentage of increase for the 2016 renewal year and beyond.

Rating documents are enclosed, along with general information about contract changes for 2015. Following your review of the enclosed material, please give me a call so we can discuss any questions you may have and how the renewal fits in with your overall benefit strategy for **San Joaquin Valley Insurance Authority**.

Please note that decisions on any benefit changes will need to be communicated to my office in writing at least 30 days prior to the renewal date; otherwise, these benefit changes will become effective the following month after the renewal date.

Best regards,

David Manion

Senior Account Manager

License #0B88307

Telephone: 559.448.5621

Fax: 559.448.4460

Email: david.manion@kp.org

Enclosures:

- 2015 renewal materials
- Customer report packet, including executive summary, rate buildup, rate and benefit summary, and assumptions pages for California
- SJVIA Rate Proposal for each public sector customer



**SJVIA - COUNTY OF FRESNO, #580
December 8, 2014 – December 6, 2015**

CONTRACT: 1 Active Bi-weekly	Current Rate	Proposed Renewal
Subscriber	\$329.88	\$276.08
Sub + Spouse	\$606.98	\$493.37
Sub + Child(ren)	\$508.01	\$435.27
Family	\$778.52	\$652.05

January 1, 2015 – December 31, 2015

CONTRACT: 2 Early Retiree	Current Rate	Proposed Renewal
Subscriber	\$1,352.38	\$1,115.52
Sub + Spouse	\$2,488.38	\$2,052.56
Sub + Child(ren)	\$2,082.67	\$1,717.91
Family	\$3,191.63	\$2,632.63

CONTRACT: 3 - COBRA	Current Rate	Proposed Renewal
Subscriber	\$738.27	\$608.59
Sub + Spouse	\$1,358.41	\$1,119.80
Sub + Child(ren)	\$1,136.93	\$937.22
Family	\$1,742.30	\$1,436.26

BENEFITS	CURRENT BENEFITS
Office Visit	\$15 (\$0 preventive)
Inpatient Hospital	No charge
Emergency Room Visit	\$100
Ambulance	\$50
Infertility	\$15
Lab & X-ray Services	No charge
Prescription Drugs	\$10 Gen, \$20 Brand at 30 day Mail Order: \$20 Gen, \$40 Brand at 100 day
Hearing Aid	\$1000 Allowance
Optical Hardware	\$175 Allowance
Chiropractic Services	\$10/30-Visits



**SJVIA - COUNTY OF TULARE, #39189, #229275
January 1, 2015 – December 31, 2015
Active & Early Retiree**

HMO	Current Rate	Proposed Renewal
Subscriber	\$635.00	\$666.68
Sub + Spouse	\$1,269.98	\$1,333.36
Sub + Child(ren)	\$1,149.32	\$1,206.69
Family	\$1,904.96	\$2,000.04

5% increase

BENEFITS	CURRENT BENEFITS
Office Visit	\$25 (\$0 preventive)
Inpatient Hospital	\$250 / admit
Emergency Room Visit	\$100
Ambulance	\$50
Infertility	50%
Lab & X-ray Services	No charge
Prescription Drugs	\$10 Gen, \$20 Brand at 100 day. Mail Order: \$10 Gen, \$20 Brand at 100 day
Optical Hardware	\$150 Allowance
Chiropractic Services	\$10/30-Visits

Deductible HMO	Current Rate	Proposed Renewal
Subscriber	\$490.10	\$514.60
Sub + Spouse	\$980.16	\$1,029.16
Sub + Child(ren)	\$887.04	\$931.38
Family	\$1,470.24	\$1,543.76

5% increase

BENEFITS	CURRENT BENEFITS
Deductible	\$1000/\$2000
Office Visit	\$20 (\$0 preventive)
Inpatient Hospital	20% + deductible
Emergency Room Visit	20% + deductible
Ambulance	\$50
Infertility	50%
Lab & X-ray Services	No charge
Prescription Drugs	\$10 Gen, \$30 Brand at 30 day. Mail Order: \$10 Gen, \$60 Brand at 100 day



**SJVIA – City of Ceres, #604231
January 1, 2015 – December 31, 2015:**

	Current Rate	Proposed Renewal
Employee Only	\$492.40	\$516.86
EE + 1 Dependent	\$1,038.69	\$1,090.33
EE + 2 or more Deps	\$1,487.04	\$1,560.92

5% increase

BENEFITS	PROPOSED BENEFITS
Office Visit	\$15 (\$0 preventive)
Inpatient Hospital	No charge
Emergency Room Visit	\$100
Ambulance	\$50
Infertility	\$15
Lab & X-ray Services	No charge
Prescription Drugs	\$10 Gen, \$20 Brand at 30 day Mail Order: \$20 Gen, \$40 Brand at 100 day
Hearing Aid	\$1000 Allowance
Optical Hardware	\$175 Allowance
Chiropractic Services	\$10/40-Visits



**SJVIA - City of Reedley, #604207
January 1, 2015 – December 31, 2015**

	Current Rate	Proposed Renewal
Employee Only	\$587.08	\$616.43
EE + 1 Dependent	\$1,174.15	\$1,232.86
EE + 2 or more Deps	\$1,526.40	\$1,602.72

5% increase

BENEFITS	PROPOSED BENEFITS
Office Visit	\$15 (\$0 preventive)
Inpatient Hospital	No charge
Emergency Room Visit	\$50
Infertility	50%
Lab & X-ray Services	No charge (some procedures may require a copay)
Prescription Drugs	\$5 Gen, \$20 Brand at 30 day Mail Order: \$10 Gen, \$40 Brand at 100 day
Hearing Aid	\$1000 Allowance every 36 months
Chiropractic Services	not covered



**SJVIA - City of Shafter, #231107
January 1, 2015 – December 31, 2015**

	Current Rate	Proposed Renewal
Employee Only	\$370.74	\$388.93
EE + Spouse	\$946.24	\$991.78
EE + Child(ren)	\$814.91	\$855.66
Family	\$1,262.95	\$1,326.27

5% increase

BENEFITS	PROPOSED BENEFITS
Office Visit	\$10 (\$0 preventive)
Inpatient Hospital	No charge
Emergency Room Visit	\$50
Infertility	\$10
Lab & X-ray Services	No charge (some procedures may require a copay)
Prescription Drugs	\$10 Gen, \$20 Brand at 30 day Mail Order: \$20 Gen, \$40 Brand at 100 day



Rate Assumptions and Requirements:

Specific Assumptions and Requirements for the County of Fresno:

The rate offer for County of Fresno assumes that there will be no reduction in the amount that the employees will pay for the Anthem plan. By making this assumption and understanding the current contribution strategy, our rate offer is contingent upon the amount employees pay for Kaiser Permanente being the same or lower than the Anthem plans.

Additional Assumptions and requirements for all SJVIA participants:

KP must be offered on conditions that are no less favorable than those for other health care plans. Examples include, but are not limited to, the following:

- a. KP is offered to all eligible employees.
- b. KP has access to the employer and to the employees on the same basis as all other health care plans offered.
- c. The employer's contribution formula does not put KP in a disadvantaged position. Acceptable formulas include, but are not limited to, fixed employer dollar or percentage contribution.
- d. Basic and optional benefits such as durable medical equipment (DME), prescription drugs, and infertility are comparable among all health care plans offered.
- e. KP is not offered alongside plans with pre-existing condition provisions, health condition exceptions or lifetime coverage limits.
- f. If early retirees are covered, the employer offers all health care plans to early retirees on the same basis.
- g. Eligibility rules such as dependent age limits and waiting periods for new hires are the same for all health care plans.
- h. No other plan is allowed preferential treatment that adversely affects KP.
- i. Kaiser Permanente must NOT be offered alongside an age-rated health care plan.
- j. Rates are Net Commission



BOARD OF DIRECTORS

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PETE VANDER POEL
J. STEVEN WORTHLEY

**Meeting Location:
Fresno County Employees' Retirement
Association Board Chambers
1111 H Street
Fresno, CA 93721
August 22, 2014 9:00 AM**

AGENDA DATE: August 22, 2014

ITEM NUMBER: 8

SUBJECT: Approve Health Plan Renewal Rate Change for the 2015 Plan Year

REQUEST(S): That the Board approve the recommended renewal rate change for the Health Plans through Anthem Blue Cross and Health Now Administrative Services for the 2015 Plan Year

DESCRIPTION:

The renewal has been updated from the preliminary review presented at the July board meeting. The renewal now reflects claims experience through June 2014 and is now forecasted at a blended increase of 1.17% for the PPO and HMO plans. The renewal encompasses all fixed costs, reserve adjustments and forecasted trended paid claims. The stated renewal calculation includes an adjustment to the beginning (current) reserve surplus amount. Further, the rates reflect maintaining the Board approved conservative ending reserve amount. The surplus reserve adjustment reduced the otherwise trended rate of 7.33% to 1.17%.

The SJVIA is holding sufficient reserves for Incurred but Not Reported (IBNR) liability. Attached is a renewal rate underwriting summary denoting all current and renewal SJVIA rates.

AGENDA: San Joaquin Valley Insurance Authority

DATE: August 22, 2014

FISCAL IMPACT/FINANCING:

Projected renewal rate increases will be added to the budget for the 2014-15 fiscal year to be amended and approved at a future meeting.

ADMINISTRATIVE SIGN-OFF:



Rhonda Sjostrom
SJVIA Manager



Paul Nerland
SJVIA Assistant Manager



Arthur J. Gallagher & Co.
BUSINESS WITHOUT BARRIERS™

for



SJVIA

San Joaquin Valley
Insurance Authority

Plan Year: January 1, 2015 - December 31, 2015

Presented By:

Gallagher Benefit Services

CA License #: 0D36879

August 22, 2014

Important Note: This presentation represents estimations of the scope, size and operation of SJVIA subject to its formation and inclusion of the counties to which it is presenting. This analysis is for illustrative purposes only, and is not a guarantee of future expenses, claims costs, managed care savings, etc. There are many variables that can affect future health care costs including utilization patterns, catastrophic claims, changes in plan design, health care trend increases, etc. This analysis does not amend, extend, or alter the coverage provided by the actual insurance policies and contracts. Please see your policy or contact us for specific information or further details in this regard.

San Joaquin Valley Insurance Authority Paid Claims History - All PPO Plans

2010 Plan Year		Medical	Rx	Total
Totals	44,423	\$17,200,878	\$5,311,947	\$22,512,825
Average per Employee		\$387.21	\$119.58	\$506.78

2011 Plan Year				
Totals	42,120	\$16,784,754	\$6,260,546	\$23,045,300
Average per Employee (Enrollment lagged 2 months)		\$398.50	\$148.64	\$547.13
Percentage Change from Prior Year		2.92%	24.30%	7.96%

2012 Plan Year				
Totals	42,630	\$17,271,644	\$6,651,370	\$23,923,014
Average per Employee (Enrollment lagged 2 months)		\$405.16	\$156.03	\$561.18
Percentage Change from Prior Year		1.67%	4.97%	2.57%

*City of Tulare Joined SJVIA with enrollment in EE, ES, and EF Tiers

2013 Plan Year

Month-Year	Enrollment				Total EE's	Paid Claims		
	EE	ES	EC	EF		Medical	Rx	Combined
Jan-13	2,914	382	133	244	3,673	1,379,070	554,202	1,933,272
Feb-13	2,914	385	132	244	3,675	1,355,513	526,129	1,881,643
Mar-13	2,891	384	129	248	3,652	1,521,017	534,099	2,055,116
Apr-13	2,884	378	130	246	3,638	1,329,384	558,016	1,887,401
May-13	2,892	369	131	252	3,644	1,190,872	594,640	1,785,512
Jun-13	2,899	366	130	253	3,648	1,601,788	527,981	2,129,769
Jul-13	2,929	399	136	328	3,792	1,506,432	739,675	2,246,107
Aug-13	2,919	401	136	335	3,791	1,995,618	571,953	2,567,571
Sep-13	2,898	399	136	331	3,764	1,125,764	610,843	1,736,607
Oct-13	2,909	392	134	331	3,766	1,821,267	586,049	2,407,316
Nov-13	2,911	388	131	333	3,763	1,441,710	557,743	1,999,453
Dec-13	<u>2,896</u>	<u>387</u>	<u>132</u>	<u>335</u>	<u>3,750</u>	<u>1,224,187</u>	<u>591,170</u>	<u>1,815,357</u>
Sub Total	34,856	4,630	1,590	3,480	44,556	17,492,621	6,952,501	24,445,122
Stop Loss Reimbursement						-	-	-
City of Tulare Run-Out Claims						10,586	-	10,586
Totals						\$17,503,207	\$6,952,501	\$24,455,708
Average per Employee (Enrollment lagged 2 months)					44,666	\$391.87	\$155.66	\$547.53
Percentage Change from Prior Year						-3.28%	-0.24%	-2.43%

2014 Plan Year

Month-Year	Enrollment				Total EE's	Paid Claims		
	EE	ES	EC	EF		Medical	Rx	Combined
Jan-14	2,939	418	144	403	3,904	1,477,378	571,763	2,049,141
Feb-14	2,918	424	160	428	3,930	1,664,250	605,630	2,269,880
Mar-14	2,960	422	157	417	3,956	1,639,958	675,050	2,315,008
Apr-14	2,976	429	164	427	3,996	2,072,354	671,780	2,744,134
May-14	2,953	419	162	423	3,957	2,473,003	565,164	3,038,166
Jun-14	<u>2,984</u>	<u>417</u>	<u>162</u>	<u>421</u>	<u>3,984</u>	<u>2,724,519</u>	<u>685,147</u>	<u>3,409,666</u>
Sub Total	17,730	2,529	949	2,519	23,727	12,051,463	3,774,534	15,825,997
Stop Loss Reimbursement						861,195	-	-
Totals						\$11,190,268	\$3,774,534	\$14,964,802
Average per Employee (Enrollment lagged 2 months)					23,299	\$480.29	\$162.00	\$642.29
Percentage Change from Prior Year						22.56%	4.08%	17.31%
Rolling 12 Month Totals (Enrollment lagged 2 months)					45,704	\$21,166,440	\$7,431,967	\$28,598,407
Average per Employee (Enrollment lagged 2 months)						\$444.28	\$162.61	\$606.89
Percentage Change from Prior Year						13.37%	4.47%	10.84%
4 Year Average Claims Trend						3.67%	8.38%	4.73%

SJVIA PPO 2015 Claims Projection

Paid Claims Period: July 2013 through June 2014

	Medical	Rx	Total
Total Paid Claims	\$ 21,166,440	\$ 7,431,967	\$ 28,598,407
Claims in Excess of Pooling + Rx Rebates	<u>\$ 861,195</u>	<u>\$ 660,781</u>	<u>\$ 1,521,976</u>
Total Paid Claims Net of Pooling	\$ 20,305,245	\$ 6,771,186	\$ 27,076,431
Enrollment lagged 2 months	45,704	45,704	45,704
Average Paid Claim for Period	\$ 444.28	\$ 148.15	\$ 592.43
Trend (Med.- 7.5%, Rx - 4.5%)	1.1213	1.0722	1.1090
Projected Paid Claim	\$ 498.18	\$ 158.85	\$ 657.02
Current Monthly Enrollment (June 2014)	3,984	3,984	3,984
Monthly Projected Paid Claims	\$ 1,984,739	\$ 632,845	\$ 2,617,584
2015 Annual Projected Paid Claims	\$ 23,816,869	\$ 7,594,139	\$ 31,411,008
Projected Required Reserve (16%Med/5% Rx)	\$ 3,810,699	\$ 379,707	\$ 4,190,406
Current Reserve*			\$ 9,397,775
Contingent Reserve			\$ 5,207,369
<i>*Calculated from June 2014 Claims Data - represents all premiums paid from inception less all costs from inception</i>			

SJVIA 2014 PPO Cost Worksheet: Combined - Anthem Blue Cross

<u>Enrollment</u>	<u>Single</u>	<u>EE +Sp</u>	<u>EE + Ch</u>	<u>Family</u>	<u>Total</u>
Anthem Blue Cross PPO	2,831	412	162	247	3,652
BSC/HNAS PPO	153	5	-	174	332
Total PPO - June 2014	2,984	417	162	421	3,984
				Total Members	5,735
				Non Founding Member Employees	689
2014 Fixed Costs:					
	<u>Single</u>	<u>EE +Sp</u>	<u>EE + Ch</u>	<u>Family</u>	<u>Totals</u>
PPO - Specific Stop Loss (HM Life \$450,000 ded. 12/15)	\$ 12.92	\$ 12.92	\$ 12.92	\$ 12.92	\$ 617,679
PPO - Aggregate Stop Loss (HM Life 12/15)	\$ 0.85	\$ 0.85	\$ 0.85	\$ 0.85	\$ 40,637
PPO - Blue Cross Core Administration	\$ 26.57	\$ 26.57	\$ 26.57	\$ 26.57	\$ 1,270,259
PPO - Blue Cross 360 Claims Management	\$ 2.10	\$ 2.10	\$ 2.10	\$ 2.10	\$ 100,397
Claims Management/Communication	\$ 3.00	\$ 3.00	\$ 3.00	\$ 3.00	\$ 143,424
JPA Consulting	\$ 4.00	\$ 4.00	\$ 4.00	\$ 4.00	\$ 191,232
SJVIA Fee	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 95,616
SJVIA Non Founding Member Fee	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 16,536
Hourglass (Consolidated Billing, COBRA, Flex Admin)	\$ 6.50	\$ 6.50	\$ 6.50	\$ 6.50	\$ 310,752
PCORI Fee	\$ 0.26	\$ 0.26	\$ 0.26	\$ 0.26	\$ 12,430
Transitional Reinsurance Fee	\$ 8.33	\$ 8.33	\$ 8.33	\$ 8.33	\$ 398,241
Total Fixed Cost	\$ 68.53	\$ 68.53	\$ 68.53	\$ 68.53	\$ 3,197,202
2014 Claims Costs:					
PPO - Medical Claims	\$ 444.28	\$ 444.28	\$ 444.28	\$ 444.28	\$ 21,240,004
PPO - Rx Claims	\$ 148.15	\$ 148.15	\$ 148.15	\$ 148.15	\$ 7,082,900
Total Claims	\$ 592.43	\$ 592.43	\$ 592.43	\$ 592.43	\$ 28,322,904
<i>Aggregate Attachment Factors</i>	<i>\$ 803.33</i>	<i>\$ 803.33</i>	<i>\$ 803.33</i>	<i>\$ 803.33</i>	<i>\$ 38,405,601</i>
Projected Total PPO Cost - 2014					\$ 31,520,106
Current PPO Plan Rates/Funding					\$ 33,427,909

<u>2015 Fixed Costs: (Projected)</u>	<u>Single</u>	<u>EE +Sp</u>	<u>EE + Ch</u>	<u>Family</u>	<u>Totals</u>	<u>Increase</u>
PPO - Specific Stop Loss (HM Life \$450,000 ded. 12/15)	\$ 14.21	\$ 14.21	\$ 14.21	\$ 14.21	\$ 679,447	10%
PPO - Aggregate Stop Loss (HM Life 12/15)	\$ 0.94	\$ 0.94	\$ 0.94	\$ 0.94	\$ 44,700	10%
PPO - Blue Cross Core Administration	\$ 27.92	\$ 27.92	\$ 27.92	\$ 27.92	\$ 1,223,566	5%
PPO - Blue Cross 360 Claims Management	\$ 2.21	\$ 2.21	\$ 2.21	\$ 2.21	\$ 96,851	5%
PPO - Blue Shield / HNAS Administration	\$ 34.11	\$ 34.11	\$ 34.11	\$ 34.11	\$ 135,894	
Claims Management/Communication	\$ 3.00	\$ 3.00	\$ 3.00	\$ 3.00	\$ 143,424	0%
JPA Consulting	\$ 3.75	\$ 3.75	\$ 3.75	\$ 3.75	\$ 179,280	-6%
SJVIA Fee	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 95,616	0%
SJVIA Non Founding Member Fee	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 16,536	0%
Hourglass (Consolidated Billing, COBRA, Flex Admin)	\$ 5.20	\$ 5.20	\$ 5.20	\$ 5.20	\$ 248,602	-20%
PCORI Fee	\$ 0.24	\$ 0.24	\$ 0.24	\$ 0.24	\$ 11,470	-8%
Transitional Reinsurance Fee	\$ 5.16	\$ 5.16	\$ 5.16	\$ 5.16	\$ 246,605	-38%
Total Fixed Cost Anthem Blue Cross	\$ 64.63	\$ 64.62	\$ 64.62	\$ 64.62		
Total Fixed Cost BSC/HNAS	\$ 68.61	\$ 68.61	\$ 68.61	\$ 68.61		
Total PPO Fixed Costs					\$ 3,121,992	-2.4%
				Fixed Costs % of Total	9.04%	
2015 Claims Costs: (Projected)						
PPO - Projected Claims	\$ 498.18	\$ 498.18	\$ 498.18	\$ 498.18	\$ 23,816,869	
PPO - Projected Rx Claims	\$ 158.85	\$ 158.85	\$ 158.85	\$ 158.85	\$ 7,594,139	
Total Claims	\$ 657.02	\$ 657.02	\$ 657.02	\$ 657.02	\$ 31,411,008	
<i>Aggregate Attachment Factors</i>	<i>\$ 803.33</i>	<i>\$ 803.33</i>	<i>\$ 803.33</i>	<i>\$ 803.33</i>	<i>\$ 38,405,601</i>	
Projected Total PPO Cost					\$ 34,533,000	
Current PPO Plan Rates/Funding					\$ 33,427,909	
Rate Action						3.31%

San Joaquin Valley Insurance Authority Paid Claims History - All HMO Plans

2010 Plan Year

Month-Year	Enrollment				Total EE's	Capitation	Non Capitated		
	EE	ES	EC	EF			Medical	Rx	Combined
Totals	27,516	8,247	16,644	8,194	60,601	\$ 12,438,557	\$ 18,037,889	\$ 6,196,669	\$ 38,336,460
Average per Employee						\$240.97	\$297.65	\$102.25	\$632.60

2011 Plan Year

Totals	25,459	8,099	17,456	8,064	59,078	\$13,198,510	\$17,891,946	\$7,249,950	\$38,340,406
Average per Employee (Enrollment lagged 2 months)					59,329	\$240.97	\$301.57	\$122.20	\$646.23
Percentage Change from Prior Year							1.32%	19.51%	2.15%

2012 Plan Year

Totals	11,764	3,738	8,088	3,625	55,289	13,589,192	19,668,689	7,179,142	40,437,022
Average per Employee (Enrollment lagged 2 months)						\$248.07	\$355.75	\$129.85	\$731.38
Percentage Change from Prior Year						2.95%	17.96%	6.26%	13.18%

2013 Plan Year

Month-Year	Enrollment				Total EE's	Capitation	Non Capitated Paid Claims		
	EE	ES	EC	EF			Medical	Rx	Combined
Jan-13	2,241	646	1,413	655	4,955	1,282,850	1,758,813	713,502	3,755,165
Feb-13	2,265	644	1,412	664	4,985	1,290,885	1,553,541	664,853	3,509,280
Mar-13	2,289	640	1,418	666	5,013	1,298,101	2,201,042	721,627	4,220,770
Apr-13	2,327	639	1,418	659	5,043	1,305,832	1,884,434	757,054	3,947,321
May-13	2,296	634	1,416	666	5,012	1,297,722	2,236,723	741,845	4,276,290
Jun-13	2,322	636	1,425	680	5,063	1,311,837	1,588,607	683,590	3,584,034
Jul-13	2,356	636	1,422	688	5,102	1,321,827	2,184,670	742,765	4,249,262
Aug-13	2,344	632	1,425	688	5,089	1,318,659	2,006,960	758,755	4,084,375
Sep-13	2,358	621	1,426	694	5,099	1,321,540	1,907,913	766,216	3,995,669
Oct-13	2,363	622	1,405	694	5,084	1,317,492	2,557,500	706,425	4,581,417
Nov-13	2,370	615	1,412	685	5,082	1,317,159	1,744,290	665,364	3,726,814
Dec-13	<u>2,377</u>	<u>618</u>	<u>1,415</u>	<u>688</u>	<u>5,098</u>	<u>1,321,465</u>	<u>1,529,322</u>	<u>692,614</u>	<u>3,543,401</u>
Sub Total	27,908	7,583	17,007	8,127	60,625	15,705,371	23,153,816	8,614,610	47,473,796
Rolling 12 month Large Claim Credit (Pooling Limit @ \$400K)							-	n/a	-
Totals					60,625	\$15,705,371	\$23,153,816	\$8,614,610	\$47,473,796
Average per Employee (Enrollment lagged 2 months)					59,690	\$259.06	\$387.90	\$144.32	\$795.34
Percentage Change from Prior Year						4.43%	9.04%	11.15%	8.75%

2014 Plan Year

Month-Year	Enrollment				Total EE's	Capitation	Non Capitated Paid Claims		
	EE	ES	EC	EF			Medical	Rx	Combined
Jan-14	2,402	640	1,435	739	5,216	1,410,719	1,453,807	782,651	3,647,177
Feb-14	2,406	638	1,434	742	5,220	1,411,801	1,730,576	783,486	3,925,863
Mar-14	2,426	648	1,452	740	5,266	1,424,242	1,861,256	936,204	4,221,702
Apr-14	2,447	642	1,452	727	5,268	1,424,783	1,594,156	764,169	3,783,109
May-14	2,459	627	1,432	726	5,244	1,418,292	2,289,930	860,911	4,569,133
Jun-14	<u>2,471</u>	<u>627</u>	<u>1,433</u>	<u>727</u>	<u>5,258</u>	<u>1,422,079</u>	<u>2,217,380</u>	<u>840,840</u>	<u>4,480,299</u>
Sub Total	14,611	3,822	8,638	4,401	31,472	8,511,917	11,147,105	4,968,261	24,627,283
Rolling 12 month Large Claim Credit (Pooling Limit @ \$400K)							58,441	n/a	58,441
Totals					31,472	\$8,511,917	\$11,088,664	\$4,968,261	\$24,568,842
Average per Employee (Enrollment lagged 2 months)					31,150	\$273.26	\$355.98	\$159.49	\$788.73
Percentage Change from Prior Year						5.48%	-8.23%	10.51%	-0.83%

Rolling 12 Month Totals (Enrollment lagged 2 months)					61,599	16,430,061	23,077,760	9,300,400	\$47,911,955
Average per Employee (Enrollment lagged 2 months)						\$266.73	\$373.70	\$150.98	\$776.86
Percentage Change from Prior Year							-3.66%	4.61%	-2.32%

4 Year Average Claims Trend							6.16%	10.38%	5.44%
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SJVIA HMO
2015 Claims Projection - All HMO Plans
 Paid Claims Period: July 2013 through June 2014

	<u>Non Capitated</u>	<u>Capitation</u>	<u>Rx</u>	<u>Total</u>
Total Paid Claims	\$ 23,077,760	\$ 16,430,061	\$ 9,300,400	\$ 48,808,221
Claims in Excess of Pooling + Rx Rebates	\$ 58,441	-	807,622	866,063
Total Paid Claims Net of Pooling	\$ 23,019,319	\$ 16,430,061	\$ 8,492,778	\$ 47,942,158
Enrollment lagged 2 months	61,599	61,599	61,599	61,599
Average Paid Claim for Period (Non-Cap)	\$ 373.70	\$ 270.46	\$ 137.87	\$ 782.03
Trend (Med.- 7.5%, Rx -4.5%)	1.1213	1.0207	1.0722	1.0778
Projected Paid Claim	\$ 419.03	\$ 276.05	\$ 147.82	\$ 842.91
Current Monthly Enrollment (June 2014)	5,258	5,258	5,258	5,258
Monthly Projected Paid Claims	2,203,279	1,451,471	777,256	4,432,006
2014 Annual Projected Paid Claims	\$ 26,439,346	\$ 17,417,651	\$ 9,327,073	\$ 53,184,070
Projected Required Reserve (16% Medical/5% Rx)	\$4,230,295	N/A	\$466,354	\$4,696,649
Current Reserve*				\$3,790,168
Reserves Held by Anthem Blue Cross				\$1,065,596
Contingent Reserve				\$159,115
<i>*Calculated from June 2014 Claims Data - represents all premiums paid from inception less all costs from inception</i>				

SJVIA 2014 HMO Cost Worksheet: Combined - Anthem Blue Cross

<u>Enrollment</u>	<u>Single</u>	<u>EE +Sp</u>	<u>EE + Ch</u>	<u>Family</u>	<u>Total</u>
Total HMO - June 2014	2,471	627	1,433	727	5,258
	Nonfounding Members Employees				261
<u>2014 Fixed Costs:</u>	<u>Single</u>	<u>EE +Sp</u>	<u>EE + Ch</u>	<u>Family</u>	<u>Totals</u>
HMO - Pooling (\$400,000)	\$ 22.72	\$ 22.72	\$ 22.72	\$ 22.72	\$ 1,433,541
HMO - Blue Cross MPP Retention (incl 360 Health)	\$ 39.27	\$ 39.27	\$ 39.27	\$ 39.27	\$ 2,477,780
ACA Reinsurance	\$ 11.37	\$ 11.37	\$ 11.37	\$ 11.37	\$ 717,402
Claims Management/Communication	\$ 3.00	\$ 3.00	\$ 3.00	\$ 3.00	\$ 189,288
JPA Consulting	\$ 4.00	\$ 4.00	\$ 4.00	\$ 4.00	\$ 252,384
SJVIA Fee	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 126,192
SJVIA Non Founding Member Fee	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 6,264
Hourglass (Consolidated Billing, COBRA, Flex Admin)	\$ 6.50	\$ 6.50	\$ 6.50	\$ 6.50	\$ 410,124
Total Fixed Cost	\$ 90.86	\$ 90.86	\$ 90.86	\$ 90.86	\$ 5,612,975
<u>2014 Claims Costs:</u>					
HMO - Capitation	\$ 270.46	\$ 270.46	\$ 270.46	\$ 270.46	\$ 17,064,944
HMO - Medical Claims	\$ 373.70	\$ 373.70	\$ 373.70	\$ 373.70	\$ 23,578,742
HMO - Rx Claims	\$ 137.87	\$ 137.87	\$ 137.87	\$ 137.87	\$ 8,699,172
Total Claims	\$ 782.03	\$ 782.03	\$ 782.03	\$ 782.03	\$ 49,342,859
<i>Aggregate Factors</i>	\$ 509.37	\$ 509.37	\$ 509.37	\$ 509.37	\$ 32,139,210
Projected Total HMO Costs - 2014					\$ 54,955,833
Current HMO Plan Rates/Funding					\$ 53,589,604

<u>2015 Fixed Costs: (Projected)</u>	<u>Single</u>	<u>EE +Sp</u>	<u>EE + Ch</u>	<u>Family</u>	<u>Totals</u>	<u>Increase</u>
HMO - Pooling (\$400,000)	\$ 26.96	\$ 26.96	\$ 26.96	\$ 26.96	\$ 1,701,068	19%
HMO - Blue Cross MPP Retention (incl 360 Health)	\$ 40.31	\$ 40.31	\$ 40.31	\$ 40.31	\$ 2,543,400	3%
ACA Reinsurance/PCORI	\$ 8.29	\$ 8.29	\$ 8.29	\$ 8.29	\$ 523,066	-27%
Claims Management/Communication	\$ 3.00	\$ 3.00	\$ 3.00	\$ 3.00	\$ 189,288	0%
JPA Consulting	\$ 3.75	\$ 3.75	\$ 3.75	\$ 3.75	\$ 236,610	-6%
SJVIA Fee	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 126,192	0%
SJVIA Non Founding Member Fee	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 6,264	0%
Hourglass (Consolidated Billing, COBRA, Flex Admin)	\$ 5.20	\$ 5.20	\$ 5.20	\$ 5.20	\$ 328,099	-20%
Total Fixed Cost	\$ 91.51	\$ 91.51	\$ 91.51	\$ 91.51	\$ 5,653,987	1%
	Fixed Costs % of Total				9.61%	
<u>2015 Claims Costs: (Projected)</u>						
HMO - Capitation	\$ 276.05	\$ 276.05	\$ 276.05	\$ 276.05	\$ 17,417,651	
HMO - Projected Medical Claims	\$ 419.03	\$ 419.03	\$ 419.03	\$ 419.03	\$ 26,439,346	
HMO - Projected Rx Claims	\$ 147.82	\$ 147.82	\$ 147.82	\$ 147.82	\$ 9,327,073	
Total Claims	\$ 842.91	\$ 842.91	\$ 842.91	\$ 842.91	\$ 53,184,070	
<i>Aggregate Factors</i>	\$ 529.58	\$ 529.58	\$ 529.58	\$ 529.58	\$ 33,414,380	
Projected Total HMO Cost - 2015					\$ 58,838,057	
Current HMO Plan Rates/Funding					\$ 53,589,604	
Rate Action						9.79%

San Joaquin Valley Insurance Authority 2015 Renewal Summary

Effective January 1, 2015

Cost Recap

	PPO	HMO	SJVIA Total
2014 Premium Funding	\$33,427,909	\$53,589,604	\$87,017,512
2015 Projected Costs	\$34,533,000	\$58,838,057	\$93,371,057
Change	3.31%	9.79%	7.30%

Reserve Recap - All Plans

	Medical	Rx	Total
Projected Required Reserve (16% Medical/5% Rx)	\$8,040,994	\$846,061	\$8,887,055
Current Reserve*			\$14,253,539
Contingent Reserve			\$5,366,484

*Calculated from June 2014 Claims Data - represents all premiums paid from inception less all costs from inception

SJVIA at 16% Medical / 5% Rx Reserves

\$93,371,057 SJVIA Required Premium 2015

\$14,253,539 Current Estimated Reserves

\$8,040,994 16% Medical Reserve

\$846,061 5% Rx Reserve

\$8,887,055 Reserves needed for 16% Med/5% Rx

\$5,366,484 Contingency reserve used in 2015 rate calculation

\$88,004,572 Adjusted SJVIA premium required

2015 Rate Action - Maintain 16% Medical/5% Rx reserve

	PPO	HMO	SJVIA Total
2014 Premium Funding	\$33,427,909	\$53,589,604	\$87,017,512
2015 Projected Costs	\$33,807,089	\$54,197,483	\$88,004,572
Change	1.13%	1.13%	1.13%



BOARD OF DIRECTORS

ANDREAS BORGEAS
JUDITH CASE MCNAIRY
MIKE ENNIS
PHIL LARSON
DEBORAH A. POCHIGIAN
PETE VANDER POEL
J. STEVEN WORTHLEY

Meeting Location:
**Fresno County Employees' Retirement
Association Board Chambers**
1111 H Street
Fresno, CA 93721
August 22, 2014 9:00 AM

AGENDA DATE: August 22, 2014

ITEM NUMBER: 9

SUBJECT: Approve Fiscal Year Budget for 2014-15

REQUEST(S): That the Board adopt the 2014-2015 Fiscal Year Budget

DESCRIPTION:

The SJVIA has adopted a fiscal year that runs from July 1st to June 30th. Therefore, your Board formally adopts a new budget each fiscal year. Revenue and expenditures for all plans are included for all entities currently participating in the SJVIA.

As requested in the past, the prior fiscal year 2013-14 SJVIA budget is included in your materials for reference.

The budget presented for approval is calculated based on current fixed costs and claims projections utilizing current enrollment for the period of July 1 through the end of the 2014 calendar year. To complete the fiscal year calculations, any increase to fixed cost components and claims projections as well as the overall premium increase for revenue calculations is included. Also, these amounts are calculated using current enrollment. Historically the budget has been revised at the first meeting of the new calendar year to account for changes in enrollment and the addition of new entities to the SJVIA.

This budget includes assumptions of your Board approving the recommended health plan renewal action of 1.17% for Anthem Blue Cross, -15.87% for the County of Fresno Kaiser and 5% for all other Kaiser entities for the 2015 plan year.

AGENDA: San Joaquin Valley Insurance Authority

DATE: August 22, 2014

Accordingly, the attached budget reflects the projected costs and revenue for fiscal year 2014-15 given the above and a revised budget will be brought before your board in early 2015.

FISCAL IMPACT/FINANCING:

This budget revises the revenue to \$99,237,656 and expenses to \$102,192,172 for the 2014-15 fiscal year.

ADMINISTRATIVE SIGN-OFF:



Rhonda Sjostrom
SJVIA Manager



Paul Nerland
SJVIA Assistant Manager

SJVIA 2014-15 FISCAL BUDGET

	SJVIA
REVENUE	
SJVIA Health Plan Revenue	
Medical & Rx	\$ 87,455,719
Dental	\$ 5,051,984
Vision	\$ 987,895
Kaiser Premium	\$ 5,742,057
TOTAL REVENUE	\$ 99,237,656
EXPENSES: Fixed	
1 Specific & Aggregate Stop Loss Insurance (PPO)	\$ 690,968
2 Administration & Network Fees (Anthem PPO)	\$ 1,287,892
2 Administration & Network Fees (Blue Shield PPO)	\$ 135,894
3 Chimienti Associates/Hourglass Administration (PPO & Anthem HMO)	\$ 648,317
4 GBS Consulting	\$ 429,456
5 SJVIA Association Fee	\$ 221,658
6 SJVIA Non-Founding Member Fee	\$ 22,650
7 Wellness/Communications	\$ 332,487
8 Anthem HMO Pooling	\$ 1,566,010
9 Anthem HMO Administration/Retention	\$ 2,496,700
10 ACA Reinsurance/PCORI (PPO)	\$ 335,017
11 ACA Reinsurance/PCORI (HMO)	\$ 619,586
TOTAL FIXED EXPENSES	\$ 8,786,634
EXPENSES: Claims	
12 Projected Paid Claims PPO	\$ 29,448,967
13 Projected Non-Cap HMO Claims	\$ 34,948,754
14 Anthem MMP HMO Capitation (Fixed Claims Cost)	\$ 17,225,881
TOTAL CLAIMS EXPENSES	\$ 81,623,602
15 Delta Dental	\$ 5,051,984
16 VSP	\$ 987,895
17 Kaiser Permanente	\$ 5,742,057
TOTAL PROJECTED EXPENSES	\$ 11,781,936
TOTAL PROJECTED EXPENSES	\$ 102,192,172

Beginning Reserve	\$ 14,184,716
Add - Revenue	\$ 99,237,656
Less - Expenses	\$ (102,192,172)
Equals - Ending Reserves	\$ 11,230,199

SJVIA 2013 - 2014 FISCAL BUDGET - REVISED

REVENUE

SJVIA Health Plan Revenue		
Medical & Rx	\$	83,720,643
Dental	\$	5,454,060
Vision	\$	943,266
Kaiser Premium	\$	4,479,980
TOTAL REVENUE	\$	94,597,948

EXPENSES: Fixed

1 Specific & Aggregate Stop Loss Insurance (PPO)		
2 Administration & Network Fees (PPO)	\$	615,764
3 Chimienti Associates/Hourglass Administration (PPO & Anthem HMO)	\$	1,312,027
4 GBS Consulting	\$	705,900
5 SJVIA Association Fee	\$	434,400
6 SJVIA Non-Founding Member Fee	\$	217,200
7 Wellness/Communications	\$	18,816
8 Anthem HMO Pooling	\$	325,800
9 Anthem HMO Administration/Retention	\$	1,354,993
10 ACA Reinsurance (PPO)	\$	2,385,791
11 ACA Reinsurance (HMO)	\$	162,588
12 ACA Insurer Fee (HMO)	\$	355,699
TOTAL FIXED EXPENSES	\$	8,584,735

EXPENSES: Claims

13 Projected Paid Claims PPO		
14 Projected Non-Cap HMO Claims	\$	26,940,180
15 Anthem MMP HMO Capitation (Fixed Claims Cost)	\$	33,330,872
TOTAL CLAIMS EXPENSES	\$	76,630,419

16 Delta Dental		
17 VSP	\$	5,454,060
18 Kaiser Permanente	\$	943,266
	\$	4,479,980
	\$	10,877,306

TOTAL PROJECTED EXPENSES

\$ 96,092,460

Beginning Reserve		\$ 10,055,460
Add - Revenue	\$	94,597,948
Less - Expenses	\$	(96,092,460)
Equals - Ending Reserves	\$	8,560,949

Glossary of Terms:

1 Specific & Aggregate Stop Loss Insurance (PPO)

Specific: Insurance coverage for eligible individual specific claims in excess of the \$450,000 plan year deductible up to the lifetime maximum of \$6 million

Aggregate: Insurance coverage for eligible claims under the specific deductible on the aggregated amount for all member claims

2 Anthem ASO Administration & Network Fees (PPO):

ASO is "Administrative Services Only". This definition includes Anthem Blue Cross administration fees and includes access fees to use the Blue Cross network of providers. This is the administration fee for the PPO plan(s), not the HMO plan.

3 Chimienti Associates/Hourglass Administration (PPO & Anthem HMO)

Chimienti & Associates is an independent vendor providing consolidated billing, eligibility, automated enrollment and Section 125 administrative services. Hourglass and ASI are subcontractors to Chimienti Associates that assist in these administrative processes. This line is for non-Kaiser business.

4 GBS Consulting

Gallagher Benefit Services (GBS) is a national benefit consultant who provides professional guidance to SJVIA and respective members concerning health plan matters including but not limited to compliance, underwriting, renewal bidding, employee communication, cost analysis, actuarial, etc. GBS played a significant role in the formation and establishment of SJVIA.

5 SJVIA Association Fee

The association fee will be used by SJVIA for administrative, management, legal, accounting and other services needed to effectively establish and maintain proper functioning of the Joint Powers Authority.

6 SJVIA Non-Founding Member Fee

This additional fee will be assessed to non-founding member entities and be used to offset administrative, management, legal, accounting and other services needed to effectively establish and maintain proper functioning of the Joint Powers Authority.

7 Wellness

This rate category is earmarked for special claims management services and may include some wellness applications that are outside and additional to the claims management services provided by the insurance company.

7 Communications

This rate category is earmarked for special employee communication materials and prospective new City/County member promotional materials. It may include fees for maintaining a presence at such trade associations as CALPELRA, etc.

8 Anthem HMO Pooling

This is for the specific stop loss pooling insurance for claims in excess of \$400k within the HMO (not PPO).

9 Anthem HMO Administration/Retention

Anthem Blue Cross administration fees and includes access fees to use the Blue Cross network of providers for the HMO plan.

10 ACA Reinsurance (PPO)

The Affordable Care Act (ACA) includes the following fees on insurance plans: 1) Patient Centered Outcomes Research Institute (PCORI) - this fee is \$2.00 per covered member per year. 2) Transitional Reinsurance Fee - this fee is \$63.00 per covered member per year.

11 ACA Reinsurance (HMO)

The Affordable Care Act (ACA) includes the following fees on insurance plans: 1) Patient Centered Outcomes Research Institute (PCORI) - this fee is \$2.00 per covered member per year. 2) Transitional Reinsurance Fee - this fee is \$63.00 per covered member per year.

12 ACA Insurer Fee (HMO)

The Affordable Care Act (ACA) levys a new tax on insurers of approximately 2.5% of total premiums. Since the SJVIA is self-insured for the PPO membership, this tax is only collected on the HMO membership.

13 Projected Paid Claims PPO

Projected self-insured PPO claims for medical and Rx and non-capitated HMO claims (hospital)

14 Projected Non-Cap HMO Claims

Projected self-insured PPO claims for medical and Rx and non-capitated HMO claims (hospital)

15 Anthem MMP HMO Capitation

Amount paid in advance of services on a fixed per member per month basis for professional services (physician) as part of the HMO

16 Delta Dental

Premium for entities covered under the SJVIA Delta Dental program

17 VSP

Premium for entities covered under the SJVIA VSP Vision program

18 Kaiser Permanente

Premium for entities covered under the SJVIA Kaiser HMO program



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J. STEVEN WORTHLEY

**Meeting Location:
Fresno County Employees' Retirement
Association Board Chambers
1111 H Street
Fresno, CA 93721
August 22, 2014 9:00 AM**

AGENDA DATE: August 22, 2014

ITEM NUMBER: 10

SUBJECT: Approve Modifications to the Prescription Benefit Plan
Managed by US Script

REQUEST(S): That the Board Approve Modifications to the
Prescription Benefit Plan Managed by US Script to
extend the current Direct Member Reimbursement time
limitation to 180 days and increase the maximum cost
to \$2,000 for retail and \$6,000 for mail order.

DESCRIPTION:

As part of the creation of the SJVIA in the fall of 2009, staff and the team at Gallagher Benefits Services worked closely with the selected vendors to duplicate the benefits currently in place at the Counties of Tulare and Fresno. The implementation of the prescription benefit plan goes far beyond generic vs brand copays. It took careful planning under the advisement of the Pharmacy Benefit Manager (PBM) at that time, Walgreens. The PBM was given every category of drug, cost and quantity allowances and drug review requirements to ensure consistency and best practices while providing a competitive and comprehensive benefit to all plan participants. With the move to US Script in January of 2013, these benefit parameters were again duplicated.

Two of these underlying benefit level details have become cumbersome to SJVIA staff given the number of requests for exceptions to these rules. Staff is requesting these parameters be changed to both accommodate plan participants and lessen the number of requests to SJVIA staff.

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The first of these plan parameters is the limitation on the amount of time a plan participant has to request reimbursement from US Script. This scenario happens as a result of a member utilizing an out-of-network pharmacy, not having their ID card available and paying cash for a prescription, a potential eligibility issue causing a delay in claim processing, or a member having dual coverage. The current time limit an SJVIA plan participant has to request a reimbursement is 30 days. This is a very short period of time and members often forget to submit their request or have extenuating circumstances that prevent them from submitting it on time. According to US Script, it is much more common for a plan to have a 90 to 180 day time allowance for the submission of these requests. Typically, these requests for reimbursements do not involve large dollar claims as participants often cannot afford to pay for more expensive medications out-of-pocket and wait for reimbursement from the plan. In the instance of a member having dual coverage, the reimbursement amount is equal to the member's copay under the Rx plan. Often, if Medicare or some other third party is involved with the participant's coverage, the processing of the claim can take months and puts the member in the position of not being reimbursed due to timing issues beyond their control. These claims tend to be smaller in dollar amounts, but given the short period of time currently allowed for submitting the request, SJVIA staff has been getting a large number of requests for exceptions to this time limit.

The second item in this request is an internal claim maximum that US Script cannot exceed without approval from SJVIA staff. Currently this limit is set at a flat \$1,500 and the requests for claims that exceed this maximum have increased in the last year, mostly due to increased costs for pharmacy. Remember that the underlying structure of the pharmacy plan was built in late 2009 from benefits that were in place for years before that time. Considering this information, it is clear this cost limitation should be increased to match current market conditions. This cost limit and any requests that come to SJVIA staff for approval of an exception are never for drugs that would not otherwise be covered under the plan. This limit is a control mechanism built into the plan to limit the exposure of the SJVIA to higher costing drugs. If a drug is not covered for any reason, the claim is denied by US Script, regardless of the cost. This limitation is for drugs that would otherwise be covered, but due to the cost must be approved by a plan administrator. For instance, recently Sovaldi, a drug approved for the cure of Hepatitis C has become available. This drug has an approximate monthly cost of \$33,000 for a 28 day course and the average treatment time is 3 months. While this drug is unarguably very expensive, it has over a 90% cure rate for Hepatitis C and can save the plan money over time by avoiding other costly drug and medical treatments that deal only with the symptoms of the illness ultimately leading to

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liver transplant and countless other complications. Staff is requesting a slight increase to the maximum amount of \$2,000 for retail prescriptions (30 day supply) and \$6,000 for mail order prescriptions (90 day supply), which would bring the plan more into alignment with US Script's book of business. All claims which exceed these dollar amounts, but otherwise meet the plan requirements for a covered drug, must still be approved by SJVIA administration.

FISCAL IMPACT/FINANCING:

None.

ADMINISTRATIVE SIGN-OFF:



Rhonda Sjostrom
SJVIA Manager



Paul Nerland
SJVIA Assistant Manager



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AGENDA DATE: August 22, 2014

ITEM NUMBER: 11

SUBJECT: Final results of the RFP for Wellness and Disease Management Services and recommendation of vendor selection effective January 1, 2015.

REQUEST(S): That the Board approve the recommendation to negotiate a new agreement with Viverae effective January 1, 2015

DESCRIPTION:

At the February 21, 2014, [your Board directed staff](#) to request proposals for integrated wellness and disease management vendors capable of handling the complexities, goals, and expectations of the SJVIA programs. Staff provided an [update on the RFP process](#) at the July 25, 2014 meeting. As discussed at the last Board meeting, the SJVIA received six proposals. Finalist interviews were held on August 8, 2014 with the following vendors:

- Delta TeamCare
- Humana Vitality
- Optum
- TriWellness
- Viverae

The proposals received by the above vendors varied greatly in scope, pricing, resources, onsite capabilities, and software platform. After careful review of the proposals, consideration of the information presented at the finalist interviews, and discussion with Gallagher Benefit Service's national Wellness Practice Leaver, Ali Payne, it was determined that the SJVIA should negotiate an agreement with Viverae to provide wellness and disease management services.

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From a cost perspective, Viverae was the lowest cost bidder when comparing similar services. Although TriWellness offered a less expensive alternative, they do not offer a fully integrated disease management option, eliminating them from further consideration. Viverae's proposal also provided the most innovative, technologically driven presentation of the potential vendors. They offer a program that is able to sync up with close to 100 different mobile devices, thus driving engagement with employees; one of the SJVIA's primary goals of this RFP. In addition to providing corporate challenges, Viverae provides individual challenges to further engage employees on a more personal level, thereby attracting more of our members to the wellness program. Finally, Viverae was able to best demonstrate, citing specific current examples of their other clients, how the SJVIA will be able to maximize a return on investment by utilizing their services.

It is staff's recommendation to negotiate a three year agreement with Viverae effective January 1, 2015. Additionally, with your Board's approval, staff may choose to negotiate a separate agreement with Delta TeamCare for separate onsite wellness efforts.

FISCAL IMPACT/FINANCING:

The SJVIA has budgeted \$2.50 per employee per month (PEPM), or \$325,800 annually for Wellness efforts. The SJVIA currently pays \$2.10 PEPM (PPO) and \$3.38 PEPM (HMO) for disease management programs through Anthem 360, whereas Viverae's fee for disease management is \$2.75 PEPM. Delta TeamCare offers health risk assessments and biometric screenings at \$195 per employee that participates. Viverae's fee for biometric screenings is \$59.95. The total fee for comprehensive wellness programs through Viverae is \$4.05 PEPM. While there will be an increase in fixed costs for the wellness program, Viverae's comprehensive program will produce the employee engagement and subsequent return on investment the SJVIA sought through the RFP process.

ADMINISTRATIVE SIGN-OFF:



Rhonda Sjostrom
SJVIA Manager



Paul Nerland
SJVIA Assistant Manager



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August 22, 2014 9:00 AM**

AGENDA DATE: August 22, 2014

ITEM NUMBER: 12

SUBJECT: Final results of the RFP for Administrative Services and recommendation of vendor selection effective January 1, 2015.

REQUEST(S): That the Board approve the recommendation to negotiate a new agreement with Chimienti & Associates effective January 1, 2015

DESCRIPTION:

At the July 26, 2013 meeting, [your Board directed staff](#) to execute an amendment to the in force contract with Chimienti and Associates for their administrative services extending it for one year. This action also directed staff to perform an RFP for these services during the 2014 year for a new contract to go into effect January 1, 2015. Staff provided an [update on the RFP process](#) at the July 25, 2014 meeting. At that meeting your Board expressed that caution should be exercised in this process to maintain the stability of the complex operations of the SJVIA.

As discussed at the last Board meeting, the SJVIA received 5 proposals:

- Secova
- BenefitFocus
- Next Generation Enrollment
- Businesssolver
- Chimienti & Associates

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The proposals provided the SJVIA with a variety of service models and pricing. Although some proposals appeared to excel at portions of the SJVIA's administrative needs, not all addressed specifics related to the complexities of the operations. However, after carefully reviewing the proposals and discussion with Gallagher's industry expert, it was determined that the SJVIA should negotiate a new agreement with Chimienti & Associates, the incumbent vendor. Gallagher's Industry Expert shared important background information based on first-hand experience with Clients that have worked with the prospective vendors.

The Chimienti & Associates proposal recognizes the efficiencies achieved since the implementation of the SJVIA and reduced the cost from \$6.50 per employee per month to \$5.20 per employee per month. This represents a 20% reduction in cost and approximately \$145,000 per year. It is staff's recommendation to negotiate an agreement with the the current vendor for an additional three years, taking advantage of the lower pricing achieved and maintaining the stability of operation achieved.

FISCAL IMPACT/FINANCING:

Current fees for these services is \$6.50 PEPM totaling approximately \$720,000. A reduction in the fee to \$5.20 PEPM will be effective January 1, 2015 for a savings of approximately \$145,000 or 20%

ADMINISTRATIVE SIGN-OFF:



Rhonda Sjostrom
SJVIA Manager



Paul Nerland
SJVIA Assistant Manager



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**Meeting Location:
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Fresno, CA 93721
August 22, 2014 9:00 AM**

AGENDA DATE: August 22, 2014

ITEM NUMBER: 13

SUBJECT: Final results of the RFP for Consulting Services and recommendation of vendor selection effective January 1, 2015.

REQUEST(S): That the Board approve the recommendation to negotiate a new agreement with Gallagher Benefit Services effective January 1, 2015

DESCRIPTION:

At the July 26, 2013 meeting, [your Board directed staff](#) to execute an amendment to the in force contract with Gallagher Benefit Services (GBS) for their consulting services extending it for one year. This action also directed staff to perform an RFP for these services during the 2014 year for a new contract to go into effect January 1, 2015.

GBS has been the SJVIA consultant since inception of the SJVIA, with the first agreement entered into effective January 1, 2010. GBS has provided services related to strategic planning, financial monitoring and reporting, renewal services, renewal underwriting and rate setting, vendor management, compliance services, member agency support services and program marketing and promotion. GBS has provided these services at a fee of \$4.00 per employee per month (PEPM).

Staff released the RFP for health benefits consultation and administration services on June 23, 2014. While this RFP was not the result of dissatisfaction with current services, it is imperative that the SJVIA exercise due diligence to ensure continued quality of services at competitive pricing.

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Several vendors expressed interest in providing consulting services, and proposals were reviewed by staff. Finalist interviews were scheduled with GBS and Aon Consulting Services, Inc. (Aon) and conducted on August 12, 2014. Both of these vendors presented well and their proposals were competitive. However, after careful review and consideration, it was determined that the SJVIA should negotiate a new agreement with GBS, the incumbent vendor.

GBS has been the consultant since the inception of the SJVIA and therefore understands both the challenges and opportunities facing the SJVIA. The GBS proposal also recognizes the efficiencies achieved since the implementation of the SJVIA and reduced the cost from \$4.00 PEPM to \$3.75 PEPM, making them the lowest cost bidder. The presence of a local team also favored GBS in comparison with Aon, whose account team were based out of Northern and Southern California.

It is staff's recommendation to negotiate an agreement with GBS for an additional three years, taking advantage of the lower pricing achieved and maintaining the stability of operation achieved.

FISCAL IMPACT/FINANCING:

The current fee for these services is \$4.00 PEPM totaling approximately \$441,600 annually. A reduction in the fee to \$3.75 PEPM will be effective January 1, 2015 for a savings of approximately \$90,000 over three years.

ADMINISTRATIVE SIGN-OFF:



Rhonda Sjostrom
SJVIA Manager



Paul Nerland
SJVIA Assistant Manager