

# AGENDA

## BOARD OF DIRECTORS

ANDREAS BORGEAS  
KUYLER CROCKER  
NATHAN MAGSIG  
BUDDY MENDES  
BRIAN PACHECO  
PETE VANDER POEL  
J. STEVEN WORTHLEY

**Meeting Location:  
County of Tulare  
Board of Supervisors Chambers  
2800 W. Burrel Ave.  
Visalia, CA 93291  
February 3, 2017 9:00 AM**

1. Call to Order
2. Pledge of Allegiance
3. Roll Call
4. SJVIA Director Questions, Announcements, and Activity Reports (Gov. Code, § 54954.2, subd. (a)(2)) (I)
5. Approval of Agenda (A)
6. 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.
7. Approval of Minutes – Board Meeting of December 8, 2016 (A)
8. Receive Update from Auditor-Treasurer on Cash Flow Projections (I)
9. Receive and File Auditor-Treasurer's Second Quarter 2016-2017 Financial Report (I)
10. Adopt Budget for Fiscal Year 2016-17 (A)
11. Receive Final Results of the RFP for Consulting Services, Authorize President to Execute Agreement with Recommended Vendor, and Direct Staff to Give Thirty (30) Days Written Notification to Current Consultant of Intent to Terminate Agreement as Provided in Section 4(C) of that Agreement (A)
12. Receive Update on Member Entity Termination Notifications (I)

*In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the SJVIA Manager at 559-600-1810 or the Assistant SJVIA Manager at 559-636-4900. Notification 48 hours prior to the meeting will enable staff to make reasonable arrangements to ensure accessibility. Documents related to the items on this Agenda submitted to the Board after distribution of the Agenda packet are available for public inspection at the County of Fresno plaza Building, 2220 Tulare St, 14<sup>th</sup> Floor, Fresno, CA during normal business hours. All documents are also posted online to [www.sjvia.org](http://www.sjvia.org).*

# AGENDA

## BOARD OF DIRECTORS

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13. Approve Proposed Participation Agreement Revisions and Authorize President to Execute SJVIA Participation Agreements Effective April 1, 2017 (A)
14. Approve Staff Recommendation to Enter Into Agreement for Actuarial Services in Connection with Audited Financial Statements and Authorize President to Execute Agreement Subject to Approval of SJVIA Counsel and Staff (A)
15. Approve and Authorize President to Sign Agreement with the Law Firm of Best, Best & Krieger LLP for Special Legal Services (A)
16. Receive Update on Previous Direction on Emergency Room and Live Health Online Co-Pay Changes Under the Anthem HMO and PPO Health Plans and Consider Additional Cost Saving Plan Changes, and Give Appropriate Direction to Staff (A)
17. Closed Session CONFERENCE WITH LEGAL COUNSEL – INITIATION OF LITIGATION (Gov. Code, § 54956.9, subd. (d)(4)). No. of potential cases: 1
18. Adjournment

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# Minutes

## BOARD OF DIRECTORS

ANDREAS BORGEAS  
KUYLER CROCKER  
NATHAN MAGSIG  
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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  
December 8, 2016 9:00 AM**

1. Call to Order
2. Pledge of Allegiance
3. Roll Call

All directors present with the exception of Director Poochigian.

4. Approval of Agenda (A)

Motion to approve by Director Ennis, Seconded by Director Worthley.  
Motion approved unanimously.

5. 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.

No public comment

6. Approval of Minutes – Board Meeting of October 28, 2016 (A)

Motion to approve by Director Ennis, Seconded by Director Pacheco.  
Motion approved unanimously.

7. SJVIA Director Questions, Announcements, and Activity Reports (Gov. Code, § 54954.2, subd. (a)(2)) (I)

President Vander Poel request Anthem break down utilization by entity and Dan Saeger with Anthem advised a utilization report break down by entity can be done and he would give staff direction to do so.

8. Receive Update from Auditor-Treasurer on Cash Flow Projections and

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# Minutes

## BOARD OF DIRECTORS

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Association Board Chambers  
1111 H Street  
Fresno, CA 93721  
December 8, 2016 9:00 AM**

Authorize Staff to Seek Emergency Funding Should the Need Arise (A)

Presented by Lawrence Seymour, County of Fresno.

Motion made by Director Worthley to have each founding entity request an additional \$2 Million Loan to the SJVIA immediately and authorize staff to execute loan agreements as needed.

Motion seconded by Director Borgeas. Motion approved unanimously.

9. Receive and File Consultant's SJVIA Executive Claims Summary through September 2016 (I)

Presented by John McCue, Gallagher Benefit Services.

10. Receive and File Claims Utilization Report from Anthem Blue Cross Regarding the HMO and PPO Claims (I)

Presented by Dan Saeger, Anthem Blue Cross.

Director Pacheco requested each entity begin process of exploring increase to emergency room copay as soon as possible. Staff advised that their would be meet and confer obligations with Labor. Bruce Caldwell, GBS advised that there is a legal requirement to send out a notice of plan design changes at least 60days in advance of the effective date.

Director Vander Poel requested Anthem provide a presentation to the Wellness committees of each founding entity.

11. Receive Update on Member Entity Termination Notifications (I)

Presented by LeRoy Tucker, Gallagher Benefit Services.

Rhonda Sjostrom, SJVIA Assistant Manager, requested report detailing experience of each entity and identifying if they negatively or positively affected the SJVIA.

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# Minutes

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December 8, 2016 9:00 AM**

12. Approve Proposed Participation Agreement Revisions and Authorize President to Execute SJVIA Participation Agreements and Amendments to SJVIA Participation Agreements, as needed, Effective January 1, 2017 (A)

Toby Wells, City Manager, City of Ceres expressed concern with the language of the participation agreements and has asked that they have time to review it further and provide feedback before the template is adopted.

Motion made by Director Worthley to extend current contract with the current members until April 1, 2017 to allow time for feedback and updates to Participation Agreement and authorize President to execute extensions. Motion seconded by Director Ennis. Motion approved unanimously.

13. Approve Reinsurance Plan Renewal Rates for Plan Year 2017 and Authorize Staff to Execute Agreements (A)

Motion to approve made by Director Worthley, Seconded by Director Pacheco. Motion approved unanimously.

14. Receive and File update on Affordable Care Act Fees and Taxes (I)

Presented by LeRoy Tucker, Gallagher Benefit Services.

15. Approve Engagement Letter from Price, Paige and Company to Audit Financial Statements for Fiscal Year ended June 30, 2014 (A)

Motion to approve made by Director Pacheco, Seconded by Director Ennis. Motion approved unanimously.

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# Minutes

## BOARD OF DIRECTORS

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December 8, 2016 9:00 AM**

16. Closed Session CONFERENCE WITH LEGAL COUNSEL – INITIATION OF LITIGATION (Gov. Code, § 54956.9, subd. (d)(4)). No. of potential cases: 1

Closed session moved and completed prior to meeting beginning.

17. Adjournment

Meeting adjourned at 11:12AM

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# SJVIA

San Joaquin Valley  
Insurance Authority

## BOARD OF DIRECTORS

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Meeting Location:  
County of Tulare  
Board of Supervisors Chambers  
2800 W. Burrel Ave.  
Visalia, CA 93921  
February 3, 2017  
9:00 AM

**AGENDA DATE:** February 3, 2017  
**ITEM NUMBER:** 8  
**SUBJECT:** Cash flow projection  
**REQUEST(S):** That the Board receives this cash flow projection

**DESCRIPTION:** Informational item. Please see attached report.

**FISCAL IMPACT/FINANCING:** None.

### **ADMINISTRATIVE SIGN-OFF:**

Oscar J. Garcia, CPA  
SJVIA Auditor-Treasurer

# SJVIA Cash Flow Projections

SJVIA-Auditor-Treasurer

Lawrence Seymour

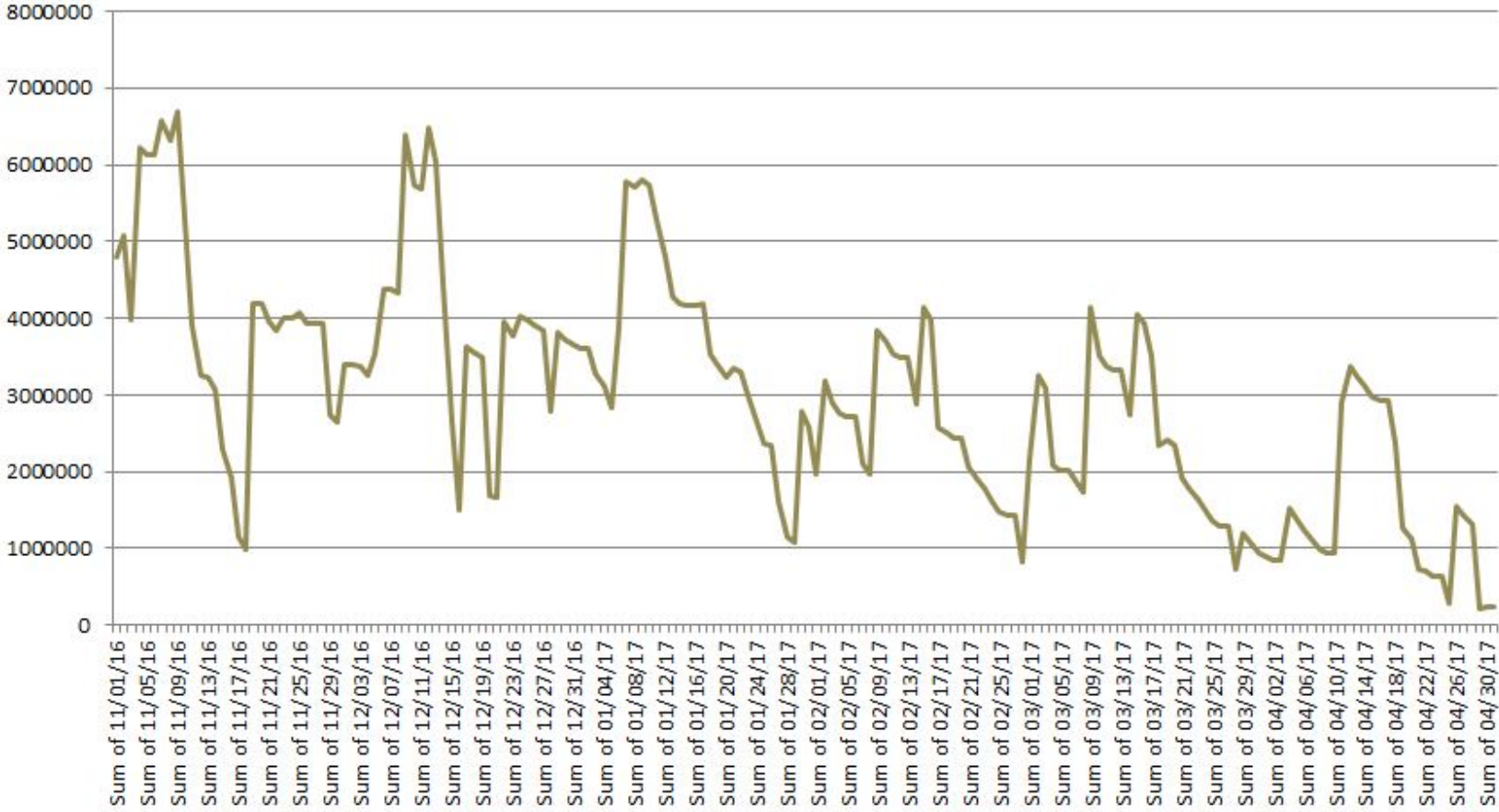
February 03, 2017



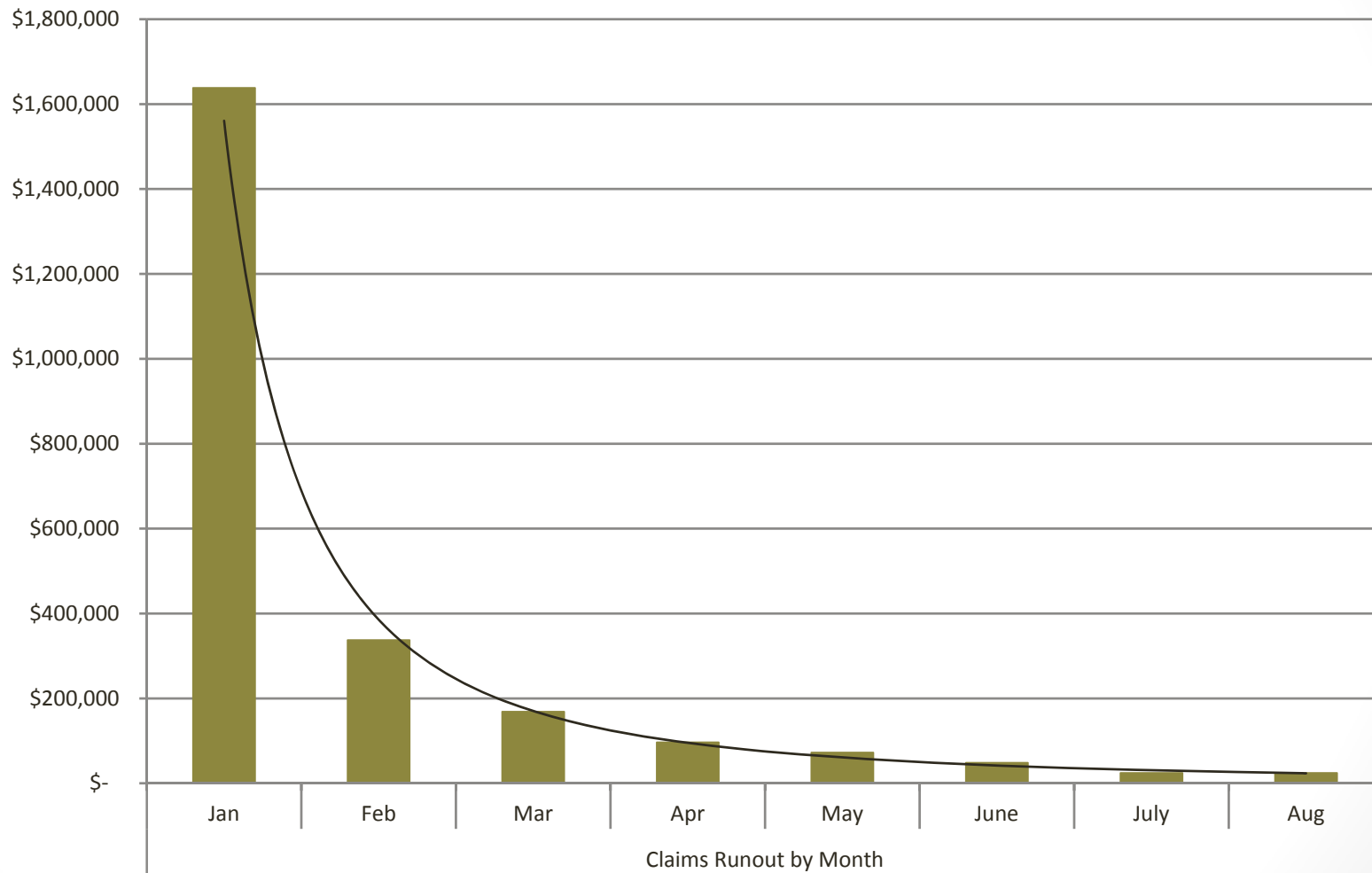
# Daily Cash Flow Data & Assumptions

- Used actual transactions through the month of January, 2017
- Used estimates for the months of February 2017 through April 2017
  - Used most recent entity payments and supporting documentation to project premium receipts
  - Used data from the past 5 – 6 months, adjusted for those entities that are departing 12/31/16, to estimate claims amounts
- To date \$7million has been provided to SJVIA by the founding Counties
  - There is an additional \$2million authorized
  - Anticipate needing these dollars in later March or April ahead of claims run-out as a result of Sutter County leaving

### SJVIA DAILY CASH BALANCE



# Claims Runout by Month



# Claims Runout

- 19 entities leaving (not including Sutter), expected claims runout of \$2,408,633 dollars
  - 68%, or \$1,637,870 in January 2017
  - 14%, or \$337,209 in February 2017
  - Remaining 18%, or \$433,554 March 2017 through August 2017
- No provision for Sutter County claims run-out to occur starting in May, 2017



# SJVIA

San Joaquin Valley  
Insurance Authority

**BOARD OF DIRECTORS**

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Visalia, CA 93921  
February 3, 2017  
9:00 AM

**AGENDA DATE:** February 3, 2017

**ITEM NUMBER:** 9

**SUBJECT:** Quarterly SJVIA financial update

**REQUEST(S):** That the Board receives the financial update through 2nd quarter, 2016-17

**DESCRIPTION:** Informational item. Please see attached report.

**FISCAL IMPACT/FINANCING:** None.

**ADMINISTRATIVE SIGN-OFF:**

A handwritten signature in cursive script that reads "Oscar J. Garcia". The signature is written in black ink and is positioned above a horizontal line.

Oscar J. Garcia, CPA  
SJVIA Auditor-Treasurer

**SAN JOAQUIN VALLEY INSURANCE AUTHORITY**  
**ACTUALS VS. BUDGETED RECEIPTS & DISBURSEMENTS**  
**FOR THE THREE AND SIX MONTHS ENDED DECEMBER 31, 2016**

	Current Quarter				Year-To-Date			
	BUDGET*	ACTUALS	FAVORABLE/ (UNFAVORABLE)	% VARIANCE	BUDGET*	ACTUALS	FAVORABLE/ (UNFAVORABLE)	% VARIANCE
<b>RECEIPTS</b>								
<b>TOTAL RECEIPTS</b>	<b>\$35,673,199</b>	<b>\$35,401,152</b>	<b>(\$272,047)</b>	<b>(1%)</b>	<b>\$71,346,398</b>	<b>\$79,220,806</b>	<b>\$7,874,408</b>	<b>11%</b>
<b>DISBURSEMENTS: Fixed</b>								
1 Specific & Aggregate Stop Loss Insurance (PPO)	281,269	301,195	(19,926)	(7%)	562,537	603,663	(41,126)	(7%)
2 Anthem ASO Administration & Network Fees (PPO)	467,971	512,184	(44,213)	(9%)	935,942	1,026,210	(90,268)	(10%)
3 Chimenti Associates/Hourglass Administration(PPO & Anthem HMO)	197,215	188,129	9,086	5%	394,431	376,892	17,539	4%
4 GBS Consulting	139,814	139,450	364	0%	279,628	279,317	311	0%
5 SJVIA Administration	99,525	128,423	(28,898)	(29%)	199,050	226,786	(27,736)	(14%)
6 Wellness	94,815	0	94,815	100%	189,630	0	189,630	100%
7 Communications	18,963	0	18,963	100%	37,926	0	37,926	100%
8 Anthem HMO Pooling	378,255	323,579	54,676	14%	756,509	651,038	105,471	14%
9 Anthem HMO Administration/Retention	561,572	517,905	43,667	8%	1,123,144	1,042,020	81,124	7%
10 ACA Reinsurance (PPO & HMO)	174,568	173,685	883	1%	349,135	208,372	140,763	40%
<b>TOTAL FIXED DISBURSEMENTS</b>	<b>2,413,967</b>	<b>2,284,550</b>	<b>129,417</b>	<b>5%</b>	<b>4,827,932</b>	<b>4,414,298</b>	<b>413,634</b>	<b>9%</b>
<b>DISBURSEMENTS: Claims</b>								
11 Projected Paid Medical & Rx Claims-PPO and Non-Cap HMO	20,595,751	26,682,186	(6,086,435)	(30%)	41,191,501	52,321,079	(11,129,578)	(27%)
12 Anthem MMP HMO Capitation	4,131,451	3,787,622	343,829	8%	8,262,902	7,620,653	642,249	8%
<b>TOTAL CLAIMS DISBURSEMENTS</b>	<b>24,727,202</b>	<b>30,469,808</b>	<b>(5,742,606)</b>	<b>(23%)</b>	<b>49,454,403</b>	<b>59,941,732</b>	<b>(10,487,329)</b>	<b>(21%)</b>
<b>DISBURSEMENTS: Premiums</b>								
13 Delta Dental	1,550,647	1,775,087	(224,440)	(14%)	3,101,294	3,553,220	(451,926)	(15%)
14 Vision Service Plan	281,180	259,272	21,908	8%	562,359	534,252	28,107	5%
15 Kaiser Permanente	6,451,208	6,767,704	(316,496)	(5%)	12,902,415	13,478,509	(576,094)	(4%)
<b>TOTAL PREMIUM DISBURSEMENTS</b>	<b>8,283,035</b>	<b>8,802,063</b>	<b>(519,028)</b>	<b>(6%)</b>	<b>16,566,068</b>	<b>17,565,981</b>	<b>(999,913)</b>	<b>(6%)</b>
<b>TOTAL DISBURSEMENTS</b>	<b>35,424,204</b>	<b>41,556,421</b>	<b>(6,132,217)</b>	<b>(17%)</b>	<b>70,848,403</b>	<b>81,922,011</b>	<b>(11,073,608)</b>	<b>(16%)</b>
16 Change in Reserve	248,995	(6,155,269)	(6,404,264)	2572%	497,995	(2,701,205)	(3,199,200)	642%
<b>COMBINED DISBURSEMENTS &amp; CHANGES IN RESERVES</b>	<b>\$35,673,199</b>	<b>\$35,401,152</b>	<b>(\$272,047)</b>	<b>(1%)</b>	<b>\$71,346,398</b>	<b>\$79,220,806</b>	<b>\$7,874,408</b>	<b>11%</b>

\*The approved budget contains assumptions that may differ throughout the fiscal year. The budget amounts presented in this report are estimates, and are presented irrespective of the timing of those assumptions.

Note: These schedules are on the cash basis and have not been audited.



**San Joaquin Valley Insurance Authority**  
**Schedule of Cash Flow by Month**  
**For the Six Months Ended December 2016**

	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
<b>BEGINNING CASH BALANCES:</b>							
Claims Funding Account (294)	\$ 261,690	\$ 559,023	\$ 546,480	\$ 548,110	\$ 1,040,622	\$ 892,756	\$ 261,690
Claims Main Account (819)	849,465	3,586,175	4,429,532	3,563,549	3,188,047	1,723,852	849,465
Investment Pool	400	461	461	-	-	-	400
<b>Total Beginning Balances</b>	<b>1,111,555</b>	<b>4,145,659</b>	<b>4,976,473</b>	<b>4,111,659</b>	<b>4,228,669</b>	<b>2,616,608</b>	<b>1,111,555</b>
<b>RECEIPTS:</b>							
Claims Funding Account (294)	6,327,038	5,836,353	5,701,978	5,828,593	6,734,035	7,956,457	38,384,454
Claims Main Account (819)	15,989,861	15,659,273	12,051,686	11,647,476	13,651,447	15,106,878	84,106,621
Investment Pool	61		330				391
	22,316,960	21,495,626	17,753,994	17,476,069	20,385,482	23,063,335	122,491,466
<b>DISBURSEMENTS:</b>							
Claims Funding Account (294)	6,029,705	5,848,896	5,700,348	5,336,081	6,881,901	7,136,019	36,932,950
Claims Main Account (819)	13,253,151	14,815,916	12,917,669	12,022,978	15,115,642	15,257,010	83,382,366
Investment Pool			791				791
<b>TOTAL DISBURSEMENTS</b>	<b>19,282,856</b>	<b>20,664,812</b>	<b>18,618,808</b>	<b>17,359,059</b>	<b>21,997,543</b>	<b>22,393,029</b>	<b>120,316,107</b>
<b>ENDING CASH BALANCES:</b>							
Claims Funding Account (294)	559,023	546,480	548,110	1,040,622	892,756	1,713,194	1,713,194
Claims Main Account (819)	3,586,175	4,429,532	3,563,549	3,188,047	1,723,852	1,573,720	1,573,720
Investment Pool	461	461	-	-	-	-	-
<b>Total Ending Balances</b>	<b>\$ 4,145,659</b>	<b>\$ 4,976,473</b>	<b>\$ 4,111,659</b>	<b>\$ 4,228,669</b>	<b>\$ 2,616,608</b>	<b>\$ 3,286,914</b>	<b>\$ 3,286,914</b>

Note: These schedules are on the cash basis and have not been audited.



**San Joaquin Valley Insurance Authority**  
**Estimated Statement of Net Position**  
**As of December 31, 2016**

**ASSETS**

Current assets:

Cash and cash equivalents	\$ 2,363,620
Due from other governmental units	100,000
Total current assets	2,463,620

Noncurrent assets:

Other receivables	1,250,618
Total noncurrent assets	1,250,618
Total assets	3,714,238

**LIABILITIES**

Current liabilities:

Accounts payable	2,060,414
Unearned member contributions	5,075,631
Unpaid claims and claims adjustment expenses	1,754,000
Total current liabilities	8,890,045

Noncurrent liabilities:

Due to other governmental units	7,884,432
Total noncurrent liabilities	7,884,432
Total liabilities	16,774,477

**NET POSITION**

Unrestricted	(13,060,239)
Total net deficit	\$ (13,060,239)

Note:

This statement of net position is presented on an accrual basis. Certain related adjustments presented in this report are estimates. Additionally, this statement of net position does not include an IBNR accrual. This statement has not been audited.

## Glossary of Terms:

### Actuals vs. Budgeted Receipts & Disbursements

**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 Administration & Network Fees (Anthem & Blue Shield PPO)**

ASO is "Administrative Services Only". These are administrative services for the PPO plans. This definition includes Anthem Blue Cross & Health Now Administrative Services administration fees and includes access fees to use the Anthem Blue Cross & Blue Shield networks of providers. These services do not include the Anthem HMO plan.

**3 Chimienti Associates/Hourglass Administration (Anthem & Kaiser)**

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 health plans excluding HealthNow/Blue Shield.

**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 Administration**

These fees 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. It includes the association fee and the non-founding member fee which is assessed to non-founding member entities.

**6 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**

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

**10 ACA Reinsurance/PCORI (PPO & 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 for PPO & \$2.08 per covered member per year on HMO. 2) Transitional Reinsurance Fee-this fee is \$44.00 per covered member per year for the 2015 calendar year and \$26.00 for the 2016 calendar year for both PPO & HMO.

**11 Projected Paid Medical & Rx Claims-PPO and Non-Cap HMO**

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

## **Glossary of Terms:**

### **Actuals vs. Budgeted Receipts & Disbursements**

**12 Anthem MPP 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.

**13 Delta Dental**

Premium for entities covered under the SJVIA Delta Dental program.

**14 Vision Service Plan**

Premium for entities covered under the SJVIA VSP Vision program.

**15 Kaiser Permanente**

Premium for entities covered under the SJVIA Kaiser HMO program.

**16 Change in Reserve**

Excess receipts over claims, premiums and fixed costs.

### **Estimated Statement of Net Position**

**17 Due from other governmental units**

These represent premiums due to SJVIA from various participants.

**18 Other receivables**

This is primarily a deposit that SJVIA is required to keep with Anthem Blue Cross as part of the capitated HMO claims activity. For a discussion of capitated HMO claims, see item 12 above.

**19 Accounts payable**

This represents non-claims payments owed to vendors which have not yet been remitted.

**20 Unearned member contributions**

This represents premiums paid early to SJVIA before the premiums are due.

**21 Unpaid claims and claims adjustment expenses**

This represents claims payments owed to vendors which have not yet been remitted.

**22 Due to other governmental units**

This represents various loans made to SJVIA by the County of Fresno & the County of Tulare as well as start up payments made by the County of Fresno at SJVIA's inception.

**23 Unrestricted Net Position**

This represents the assets less any liabilities.



**BOARD OF DIRECTORS**

ANDREAS BORGEAS  
KUYLER CROCKER  
NATHAN MAGSIG  
BUDDY MENDES  
BRIAN PACHECO  
PETE VANDER POEL  
J. STEVEN WORTHLEY

**Meeting Location:  
County of Tulare  
Board of Supervisors Chambers  
2800 W. Burrel Ave.  
Visalia, CA 93291  
February 3, 2017 9:00 AM**

**AGENDA DATE:** February 3, 2017  
**ITEM NUMBER:** Item 10  
**SUBJECT:** Adopt Budget for Fiscal Year 2016-17 (A)  
**REQUEST(S):** That the Board adopt the 2016-17 Fiscal Year Budget

**DESCRIPTION:**

The SJVIA has traditionally adopted a July 1<sup>st</sup> to June 30<sup>th</sup> fiscal year budget. Revenue and expenditures for all plans are included for all entities currently participating in the SJVIA. Practically speaking, this has required mid-year revisions to the Budget to account for plan migration at Open Enrollment (January of each year), the addition or departure of participating entities and/or significant changes to the fixed costs and adopted rates. Recently, the SJVIA has experienced significant changes in participating entities, plan migration and significant differences in the rates.

The budget includes fixed costs, enrollment and claims assumptions based on enrollment July 1 to December 30, 2016 and the updated fixed costs, enrollment and claims assumptions effective January 1 to June 30, 2017. It should be noted that this accounts for the pending departure of the County of Sutter effective May 1, 2017. Enrollment assumptions for July to December 2016 are 12,879 participants while enrollment for January to April 2017 is 10,037. Enrollment for May to June 2017 drops to 9,126 to account for the departure of the County of Sutter. The prior fiscal year 2015-16 SJVIA budget is included in your materials for reference.

**FISCAL IMPACT/FINANCING:**

This budget revises the revenue and expense projections to \$137,222,553 and \$139,405,459, respectively, for the 2016-17 fiscal year. This represents an operating loss of \$2,182,906. Note that the revenue amount used for the budget does not include the effect of additional loan proceeds received in 2016-17.

**AGENDA:** San Joaquin Valley Insurance Authority

**DATE:** February 3, 2017

**ADMINISTRATIVE SIGN-OFF:**



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Paul Nerland  
SJVIA Manager



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Rhonda Sjostrom  
SJVIA Assistant Manager

# SJVIA 2016-17 FISCAL BUDGET

## REVENUE

SJVIA Health Plan Revenue	
Medical & Rx	\$ 103,240,277
Dental	\$ 7,093,243
Vision	\$ 1,095,560
Kaiser Premium	\$ 25,793,474
<b>TOTAL REVENUE</b>	<b>\$ 137,222,553</b>

## EXPENSES: Fixed

1 Specific & Aggregate Stop Loss Insurance (PPO)	\$ 1,096,417
2 Administration & Network Fees (Anthem PPO)	\$ 1,716,856
2 Administration & Network Fees (Blue Shield PPO)	\$ 74,063
3 Chimienti Associates/Hourglass Administration (Anthem & Kaiser)	\$ 705,505
4 GBS Consulting	\$ 508,778
5 SJVIA Association Fee	\$ 271,348
6 SJVIA Non-Founding Member Fee	\$ 57,808
7 Wellness/Communications	\$ 407,022
8 Anthem HMO Pooling	\$ 1,259,547
9 Anthem HMO Administration/Retention	\$ 2,037,507
10 ACA Reinsurance/PCORI (PPO)	\$ 134,203
10 ACA Reinsurance/PCORI (HMO)	\$ 148,434
<b>TOTAL FIXED EXPENSES</b>	<b>\$ 8,417,488</b>

## EXPENSES: Claims

11 Projected Paid Claims PPO	\$ 49,236,815
12 Projected Non-Cap HMO Claims	\$ 33,649,143
13 Anthem MMP HMO Capitation (Fixed Claims Cost)	\$ 14,268,779
<b>TOTAL CLAIMS EXPENSES</b>	<b>\$ 97,154,737</b>

14 Delta Dental	\$ 7,093,243
15 VSP	\$ 1,095,560
16 Kaiser Permanente	\$ 25,644,432
	<b>\$ 33,833,234</b>
17 Discretionary Unallocated Claims Expense	-

## TOTAL PROJECTED EXPENSES

**\$ 139,405,459**

## 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 Administration & Network Fees (Anthem and Blue Shield PPO):**

Administrative services for the PPO plans. This definition includes Anthem Blue Cross and Health Now Administrative Services administration fees and includes access fees to use the Anthem Blue Cross and Blue Shield networks of providers. These services do not include the Anthem HMO plan.

**3 Chimienti Associates/Hourglass Administration (Anthem and Kaiser)**

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 health plans excluding HealthNow/Blue Shield.

**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/PCORI (PPO)**

The Affordable Care Act (ACA) includes the following fees on insurance plans: 1) Patient Centered Outcomes Research Institute (PCORI) - this fee is \$2.26 per covered member per year. 2) Transitional Reinsurance Fee - this fee is \$27.00 for the 2016 calendar year, which is the last year this fee is collected.

**10 ACA Reinsurance/PCORI (HMO)**

The Affordable Care Act (ACA) includes the following fees on insurance plans: 1) Patient Centered Outcomes Research Institute (PCORI) - this fee is \$2.26 per covered member per year. 2) Transitional Reinsurance Fee - this fee is \$27.00 for the 2016 calendar year, which is the last year this fee is collected.

**11 Projected Paid Claims PPO**

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

**12 Projected Non-Cap HMO Claims**

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

**13 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

**14 Delta Dental**

Premium for entities covered under the SJVIA Delta Dental program

**15 VSP**

Premium for entities covered under the SJVIA VSP Vision program

**16 Kaiser Permanente**

Premium for entities covered under the SJVIA Kaiser HMO program less fixed costs including items 6,7

**17 Discretionary Unallocated Claims Expense**

Net of premium less expenses to be added to reserve if not expended.

# SJVIA 2015-16 FISCAL BUDGET

Revised March 18 - Post Open Enrollment

## REVENUE

SJVIA Health Plan Revenue	
Medical & Rx	\$ 108,445,515
Dental	\$ 7,152,588
Vision	\$ 1,124,718
Kaiser Premium	\$ 25,969,974
<b>TOTAL REVENUE</b>	<b>\$ 142,692,795</b>

## EXPENSES: Fixed

1 Specific & Aggregate Stop Loss Insurance (PPO)	\$ 1,125,074
2 Administration & Network Fees (Anthem PPO)	\$ 1,728,227
2 Administration & Network Fees (Blue Shield PPO)	\$ 143,656
3 Chimienti Associates/Hourglass Administration (Anthem & Kaiser)	\$ 788,861
4 GBS Consulting	\$ 559,256
5 SJVIA Association Fee	\$ 303,408
6 SJVIA Non-Founding Member Fee	\$ 94,692
7 Wellness/Communications	\$ 455,112
8 Anthem HMO Pooling	\$ 1,513,018
9 Anthem HMO Administration/Retention	\$ 2,246,287
10 ACA Reinsurance/PCORI (PPO)	\$ 303,689
10 ACA Reinsurance/PCORI (HMO)	\$ 394,581
<b>TOTAL FIXED EXPENSES</b>	<b>\$ 9,655,861</b>

## EXPENSES: Claims

11 Projected Paid Claims PPO	\$ 47,071,243
12 Projected Non-Cap HMO Claims	\$ 35,311,759
13 Anthem MMP HMO Capitation (Fixed Claims Cost)	\$ 16,525,803
<b>TOTAL CLAIMS EXPENSES</b>	<b>\$ 98,908,804</b>

14 Delta Dental	\$ 6,202,588
15 VSP	\$ 1,124,718
16 Kaiser Permanente	\$ 25,804,830
	<b>\$ 33,132,136</b>
17 Discretionary Unallocated Claims Expense	\$ 995,994

## TOTAL PROJECTED EXPENSES

**\$ 142,692,795**



## 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 **Administration & Network Fees (Anthem and Blue Shield PPO):**

Administrative services for the PPO plans. This definition includes Anthem Blue Cross and Health Now Administrative Services administration fees and includes access fees to use the Anthem Blue Cross and Blue Shield networks of providers. These services do not include the Anthem HMO plan.

### 3 **Chimienti Associates/Hourglass Administration (Anthem and Kaiser)**

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 health plans excluding HealthNow/Blue Shield.

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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.

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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.

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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.

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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.

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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/PCORI (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 \$44.00 per covered member per year for the 2015 calendar year and \$26.00 for the 2016 calendar year.

### 10 **ACA Reinsurance/PCORI (HMO)**

The Affordable Care Act (ACA) includes the following fees on insurance plans: 1) Patient Centered Outcomes Research Institute (PCORI) - this fee is \$2.08 per covered member per year. 2) Transitional Reinsurance Fee - this fee is \$44.00 per covered member per year for the 2015 calendar year and \$26 for the 2016 calendar year.

### 11 **Projected Paid Claims PPO**

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

### 12 **Projected Non-Cap HMO Claims**

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

### 13 **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

### 14 **Delta Dental**

Premium for entities covered under the SJVIA Delta Dental program

### 15 **VSP**

Premium for entities covered under the SJVIA VSP Vision program

### 16 **Kaiser Permanente**

Premium for entities covered under the SJVIA Kaiser HMO program less fixed costs including items 6,7

### 17 **Discretionary Unallocated Claims Expense**

Net of premium less expenses to be added to reserve if not expended.



**BOARD OF DIRECTORS**

ANDREAS BORGEAS  
KUYLER CROCKER  
NATHAN MAGSIG  
BUDDY MENDES  
BRIAN PACHECO  
PETE VANDER POEL  
J. STEVEN WORTHLEY

**Meeting Location:  
County of Tulare  
Board of Supervisors Chambers  
2800 W. Burrel Ave.  
Visalia, CA 93291  
February 3, 2017 9:00 AM**

**AGENDA DATE:** February 3, 2017

**ITEM NUMBER:** Item 11

**SUBJECT:** Receive Final Results of the RFP for Consulting Services, Authorize President to Execute Agreement with Recommended Vendor, and Direct Staff to Give Thirty (30) Days Written Notice to Current Consultant of Intent to Terminate Agreement as Provided in Section 4(C) of that Agreement (A)

**REQUEST(S):** That the Board authorize the President to execute new agreement for consulting services and direct staff to give thirty day notice of intent to terminate agreement with current consultant

**DESCRIPTION:**

At the July 14, 2016 SJVIA Board meeting, your Board approved staff's recommendation to conduct an RFP for consulting services, with the new agreement providing that services be charged on a flat fee schedule. Currently, the SJVIA compensates the consultant, Gallagher Benefit Services (GBS), on a "per employee per month" (PEPM) fee schedule.

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 currently provides these services at a fee of \$3.75 PEPM.

Staff released the RFP for consultant services on November 4, 2016, and proposals were received from four vendors. Finalist interviews were conducted on December 8, 2016 with GBS, Aon Consulting, Inc. (Aon), and

**AGENDA:** San Joaquin Valley Insurance Authority

**DATE:** February 3, 2017

Keenan & Associates (Keenan). The finalist interview panel consisted of both the SJVIA President and Vice President, SJVIA Manager and Assistant Manager, and a representative from the SJVIA Auditor-Treasurer. These vendors presented well and their final proposals were competitive. However, after careful review and consideration, it was determined that the proposal from Keenan is the most advantageous to the SJVIA.

Keenan's presentation demonstrated an understanding of the current state of the SJVIA, and they presented ideas and opportunities to bring the SJVIA to a viable financial base. The Keenan proposal was also the lowest cost when compared to all other bids received. Additionally, should the agreement be executed prior to March 1, 2017, Keenan will begin providing services but will not bill the SJVIA until March 1.

It is staff's recommendation to negotiate an agreement with Keenan for three years, with the option to extend the agreement for no more than two additional one-year terms, taking advantage of the lower pricing achieved.

**FISCAL IMPACT/FINANCING:**

For calendar year 2016, the total cost for services provided by GBS was \$579,813 based upon 25 entities in the SJVIA. The current fee for these services with GBS is \$3.75 PEPM totaling approximately \$424,335 annually. This amount takes into consideration the entities who terminated their participation agreement with the SJVIA effective January 1, 2017 and Sutter County's exit effective May 1, 2017. Moving to a flat fee pay structure, Keenan's cost averages to \$292,200 per year for a three-year total cost of \$876,600 but with an annual savings of \$132,135 when compared to the 2017 current fee.

**ADMINISTRATIVE SIGN-OFF:**



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Paul Nerland  
SJVIA Manager



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Rhonda Sjostrom  
SJVIA Assistant Manager

EXHIBIT A

**SJVIA CONSULTANT AGREEMENT**

This agreement is dated [redacted] and is between [NAME OF CONSULTANT], a [type of entity] (“Consultant”), and the SAN JOAQUIN VALLEY INSURANCE AUTHORITY, a joint powers agency (“SJVIA”).

The SJVIA is a joint exercise of powers authority that negotiates, purchases, or otherwise funds health, pharmacy, vision, dental, and life insurance (each an “Insurance Program,” and collectively “Insurance Programs”). The SJVIA makes Insurance Programs available to participating entities, subject to the terms and conditions of an agreement by each participating entity to pay for its respective costs for the Insurance Programs in which it participates.

The SJVIA desires to retain the services of a consultant for health benefits consultation and administration services with specific experience in the public sector, risk-sharing pools, underwriting, self-funded health benefit plans, and the Affordable Care Act.

The Consultant represents and warrants to the SJVIA that it is ready, willing, and able to provide the services desired by the SJVIA subject to the terms and conditions of this agreement, and in cooperation with and under the direction of the SJVIA Board of Directors and SJVIA management.

The parties therefore agree as follows:

**Article 1  
Consultant’s Obligations**

1.1 **Scope of Services.** The Consultant shall provide the services described in Exhibit A to this agreement, which is attached.

1.2 **Additional Services.** The Consultant may provide additional services as the SJVIA and the Consultant mutually agree in writing.

1.3 **Key Persons.** The Consultant shall provide all services under this agreement through the following key persons: [names and titles].

1.4 **Cooperation with Management.** The Consultant shall at all times cooperate with SJVIA management, which includes the SJVIA Manager, the SJVIA Assistant Manager, the SJVIA Auditor-Treasurer, any employee of the County of Fresno or the County of Tulare who is designated by one of those persons to administer the business and activities of the SJVIA, and counsel to the SJVIA. That cooperation includes reporting promptly to the SJVIA Manager and the SJVIA Assistant Manager any material oral or written communications received by the Consultant from a participating entity, prospective participating entity, or contractor of the SJVIA.

1.5 **Communications to Participating Entities.** The Consultant shall provide to SJVIA management contemporaneous copies of all written communications of the Consultant on behalf of the SJVIA with any participating entity or prospective participating entity. The Consultant shall maintain written records of oral communications by the Consultant on behalf of

## EXHIBIT A

the SJVIA to any participating entity or prospective participating entity and shall, promptly upon request by SJVIA management, provide copies of those records.

1.6 **Confidentiality.** The Consultant acknowledges that certain confidential information may be furnished by the SJVIA to the Consultant in connection with the services provided by the Consultant under this agreement (“Confidential Information”). The Consultant agrees that it will disclose Confidential Information only to persons who, in the Consultant’s reasonable determination, need to know such information in order for the Consultant to provide services under this agreement. Disclosure by the Consultant of any Confidential Information pursuant to the terms of a valid and effective subpoena or order issued by a court of competent jurisdiction, judicial or administrative agency, or by a legislative body or committee is not a violation of this agreement. Confidential Information does not include information that:

(A) Is in the possession of the Consultant prior to its receipt of such information from the SJVIA;

(B) Is or becomes publicly available other than as a result of a breach of this agreement by the Consultant; or

(C) Is or can be independently acquired or developed by the Consultant without violating any of its obligations under this agreement.

1.7 **Compliance with Laws.** The Consultant shall, at its own cost, comply with all applicable federal, state, and local laws in performance of its services under this agreement, including but not limited to workers compensation, labor, and confidentiality laws and regulations.

### Article 2 SJVIA’s Obligations

2.1 **Information and Data.** Subject to the terms of this agreement, the SJVIA will provide, or authorize the vendors of its Insurance Programs to provide, the Consultant with data and information that is necessary to the Consultant’s provision of services under this agreement.

2.2 **Insurance Program Premiums.** The SJVIA acknowledges that it is responsible for payment of premiums for all Insurance Programs.

### Article 3 Compensation, Invoices, and Payments

3.1 **Compensation.** The SJVIA agrees to pay, and the Consultant agrees to receive, compensation as described in Exhibit B to this agreement, which is attached.

3.2 **Invoices.** The Consultant shall submit monthly invoices to the SJVIA.

3.3 **Payment.** The SJVIA shall pay all timely-submitted invoices within 30 days of receipt.

## EXHIBIT A

3.4 **Incidental Expenses.** The Consultant is solely responsible for all expenses that are incidental to its performance under this agreement.

### Article 4 Term and Termination

4.1 **Term.** This agreement is effective on \_\_\_\_\_ and terminates on \_\_\_\_\_. The term of this agreement may be extended for no more than two additional one-year terms by modification as provided in section 11.1 of this agreement.

4.2 **Termination for Non-Allocation of Funds.** Both parties' obligations under this agreement are contingent on the approval of funds by the appropriating government agency or agencies. If sufficient funds are not allocated, then the SJVIA, upon 30 days advance written notice to the Consultant, may:

(A) Modify either or both of the parties' obligations under this agreement; or

(B) Terminate this agreement.

4.3 **Termination for Breach; Reinstatement.**

(A) Upon determining that a breach (as defined below) has occurred, the SJVIA Manager may give written notice of the breach to the Consultant. The written notice may suspend performance under this agreement, and shall provide a reasonable time for the Consultant to cure the breach.

(B) If the Consultant fails to cure the breach within the reasonable time stated in the written notice, the SJVIA may terminate this agreement.

(C) For purposes of this section, a breach occurs when the Consultant has:

(1) Used funds illegally or improperly;

(2) Failed to comply with any part of this agreement;

(3) Submitted a substantially incorrect or incomplete report to the SJVIA; or

(4) Performed improperly as determined by the SJVIA.

4.4 **Termination for HIPAA Violation.** The SJVIA may terminate this agreement as provided in Article 8 of this agreement.

4.5 **Termination without Cause.** In circumstances other than those set forth above, the SJVIA may terminate this agreement by giving 30 days advance written notice to the Consultant.

## EXHIBIT A

### Article 5 Independent Contractor

5.1 **Status.** In performing under this agreement, the Consultant, including its officers, agents, and employees, is at all times acting and performing as an independent contractor, in an independent capacity, and not as an officer, agent, servant, employee, joint venturer, partner, or associate of the SJVIA.

5.2 **Supervision.** The SJVIA has no right to control, supervise, or direct the manner or method of the Consultant's performance under this agreement, but the SJVIA may verify that the Consultant is performing according to the terms and conditions of this agreement (for example by requesting records of communications under section 1.5 of this agreement).

5.3 **Benefits.** Because of its status as an independent contractor, the Consultant has no right to employment rights or benefits. The Consultant is solely responsible for providing to its own employees all employee benefits required by law. The Consultant shall save the SJVIA harmless from all matters relating to the payment of the Consultant's employees, including compliance with Social Security withholding and all related regulations.

### Article 6 Notices

6.1 **Contact Information.** The persons and their addresses having authority to give and receive notices provided for or permitted under this agreement include the following:

**For the SJVIA:**

SJVIA Manager  
SAN JOAQUIN VALLEY INSURANCE AUTHORITY  
[Street Address]  
[City, State ZIP]  
[Fax Number]

**For the Consultant:**

[Name if Desired]  
[Title]  
[CONSULTANT ENTITY]  
[Street Address]  
[City, State ZIP]  
[Fax Number]

6.2 **Method of Delivery.** All notices between the SJVIA and the Consultant provided for or permitted under this agreement must be in writing and delivered either by personal service, by first-class United States mail, by an overnight commercial courier service, or by telephonic facsimile transmission.

(A) A notice delivered by personal service is effective upon service to the recipient.

## EXHIBIT A

(B) A notice delivered by first-class United States mail is effective three SJVIA business days after deposit in the United States mail, postage prepaid, addressed to the recipient

(C) A notice delivered by an overnight commercial courier service is effective on County business day after deposit with the overnight commercial courier service, delivery fees prepaid, with delivery instructions given for next day delivery, addressed to the recipient.

(D) A notice delivered by telephonic facsimile is effective when transmission to the recipient is completed (but, if such transmission is completed outside of SJVIA business hours, then such delivery shall be deemed to be effective at the next beginning of a SJVIA business day), provided that the sender maintains a machine record of the completed transmission.

**6.3 Claims Presentation.** For all claims arising from or related to this agreement, nothing in this agreement establishes, waives, or modifies any claims presentation requirements or procedures provided by law, including but not limited to the Government Claims Act (Division 3.6 of Title 1 of the Government Code, beginning with section 810).

### Article 7

#### Audits, Inspections, and Public Records

**7.1 On-Site Audits and Inspections.** The Consultant shall at any time during business hours, and as often as the SJVIA may deem necessary for any reason, make available to the SJVIA for examination all of its records and data with respect to the matters covered by this agreement.

**7.2 Document Requests.** The Consultant shall at any time, and as often as the SJVIA may deem necessary for any reason, provide copies of any records or data with respect to the matters covered by this agreement as the SJVIA may request.

**7.3 Public Records Act Requests.** If the SJVIA receives a request under the California Public Records Act (California Government Code, Title 1, Division 7, Chapter 3.5, beginning with section 6250) ("CPRA") or a similar law to disclose any document that is in the Consultant's possession but which the SJVIA may review, request, or obtain from the Consultant under sections 7.1 or 7.2 of this agreement, then the SJVIA will promptly notify the Consultant and request the responsive documents that may be in the possession of the Consultant. The notification shall be in writing, which may include but is not limited to email addressed to the appropriate key person or persons. Upon receiving that notification, the Consultant has five business days in which to provide responsive documents, use the procedure provided in section 7.4 of this agreement, or both. The Consultant shall promptly inform the SJVIA if the Consultant believes that five business days are not sufficient time in which to respond. The Consultant shall indemnify the SJVIA for any award of costs or attorney's fees under the CPRA that results from the Consultant's use of the procedure provided in section 7.4 of this agreement.



## EXHIBIT A

7.4 **Withholding and Redacting.** If the SJVIA for any reason requests any records, data, or documents from the Consultant and the Consultant believes that the responsive documents contain trade secrets, proprietary information, or other information that is subject to legal privilege or separate legally-enforceable obligation of the Consultant to withhold, then the Consultant may do the following:

(A) The Consultant may redact the records or data before providing them, if that is practicable, or withhold the records or data if redaction is not practicable.

(B) If the Consultant redacts or withholds any documents, it shall provide a privilege log describing what has been redacted or withheld and identifying the legal privilege or legally-enforceable obligation that is the reason for the redaction or withholding.

(C) If the SJVIA requests documents because of a CPRA request and the Consultant redacts or withholds any documents, the Consultant shall also identify the specific provision of the CPRA (by citation to the California Government Code) which the Consultant believes would authorize the SJVIA to redact or withhold the documents requested.

7.5 **State Audit Requirements.** If this agreement exceeds \$10,000, the Consultant is subject to the examination and audit of the California State Auditor, as provided in Government Code section 8546.7, for a period of three years after final payment under this agreement. The obligations under this section survive the termination of this agreement.

### **Article 8 Health Insurance Portability and Accountability Act**

8.1 The parties shall be in strict conformance with all applicable federal and State of California laws and regulations, including but not limited to: Sections 5328, 10850, and 14100.2 et seq. of the California Welfare and Institutions Code; Sections 2.1 and 431.300 et seq. of Title 42, Code of Federal Regulations (CFR); Section 56 et seq. of the California Civil Code; Sections 11977 and 11812 of Title 22 of the California Code of Regulations; the Health Insurance Portability and Accountability Act, as amended, including but not limited to Section 1320 D et seq. of Title 42, United States Code, and its implementing regulations, including but not limited to Title 45, CFR, Parts 142, 160, 162, and 164 (collectively, HIPAA); the Health Information Technology for Economic and Clinical health Act, as amended (HITECH), regarding the confidentiality and security of patient information; and the Genetic Information Nondiscrimination Act of 2008, as amended (GINA), regarding the confidentiality of genetic information.

8.2 Except as otherwise provided in this agreement, the Consultant, as a business associate of the SJVIA, may use or disclose Protected Health Information (PHI) to perform functions, activities, or services for or on behalf of the SJVIA, as specified in this agreement provided that such use or disclosure does not violate HIPAA. The uses and disclosures of PHI may not be more expansive than those applicable to SJVIA, as the covered entity under the HIPAA Privacy Rule (45 CFR § 164.500 et seq.), except as authorized for management, administrative, or legal responsibilities of the business associate.

## EXHIBIT A

8.3 The Consultant, including its authorized subcontractors and employees, shall protect from unauthorized access, use, or disclosure the names and other identifying information, including genetic information, concerning persons receiving services under the Insurance Programs, except where permitted in order to carry out data aggregation for purposes of health care operations (45 CFR §§ 164.504(e)(2)(i), 164.504(e)(2)(ii)(A), and 164.504(e)(4)(i)). This requirement applies to electronic PHI. The Consultant shall not use such identifying information or genetic information for any purpose other than carrying out the Consultant's obligations under this agreement.

8.4 The consultant, including its authorized subcontractors and employees, shall not disclose any such identifying information or genetic information to any person or entity, except as otherwise specifically permitted by this agreement, authorized by Subpart E of 45 CFR Part 164 or other law, required by the Secretary, or authorized by the client or patient in writing. In using or disclosing PHI that is permitted by this agreement or authorized by law, the Consultant shall make reasonable efforts to limit PHI to the minimum necessary to accomplish the intended purpose of the use, disclosure, or request.

8.5 For the purposes of the above sections, identifying information includes, but is not limited to, name, identifying number, symbol, or other identifying particular assigned to an individual, such as a finger- or voiceprint, or photograph.

8.6 For purposes of the above sections, genetic information includes, but is not limited to, genetic tests of an individual or family members of the individual, manifestation of disease or disorder of an individual or family members of the individual, or any request for or receipt of genetic services by an individual or family members of the individual. Family member means a dependent or any person who is a first, second, third, or fourth degree relative.

8.7 At the request of the SJVIA, and in the time and manner specified by the SJVIA, the Consultant shall provide, to the SJVIA or to an individual, PHI in a designated record set (as defined in 45 CFR § 164.501) in order to meet the requirements of 45 CFR § 164.524 regarding access by individuals to their PHI. With respect to individual requests, the Consultant shall provide access within 30 days of the request. That deadline may be extended if the Contractor cannot provide access and provides the reasons for the delay and the reasonable date when access may be granted. The consultant shall provide PHI in the form and format requested by the SJVIA or the individual.

8.8 The Contractor shall make amendment or amendments to PHI in a designated record set in accordance with 45 CFR § 164.526.

8.9 The Contractor shall provide to the SJVIA or to an individual, in the time and manner specified by the SJVIA, information collected in accordance with 45 CFR § 164.528, to permit the SJVIA to respond to a request by the individual for an accounting of disclosures of PHI in accordance with 45 CFR § 164.528.

8.10 The Contractor shall, immediately and without unreasonable delay and in no case later than two business days after discovery, report to the SJVIA's Privacy Officer, in writing,

## EXHIBIT A

any knowledge or reasonable belief that there has been unauthorized access, viewing, use, disclosure, security incident, or breach of unsecured PHI not permitted by this agreement of which it becomes aware. The notification shall include, to the extent possible, the identification of each individual whose unsecured PHI has been, or is reasonably believed to have been, accessed, acquired, used, disclosed, or breached. The Consultant shall take prompt corrective action to cure any deficiencies and any action pertaining to such unauthorized disclosure required by applicable federal and State of California laws and regulations. The Consultant shall investigate such breach and is responsible for all notifications required by law, regulation, or both, or deemed necessary by the SJVIA, and shall provide a written report of the investigation and reporting required to the SJVIA's Privacy Officer. This written investigation and description of any reporting necessary shall be postmarked as mailed to the SJVIA's Privacy Officer within 30 working days of the discovery of the breach.

8.11 The Consultant shall make its internal practices, books, and records relating to the use and disclosure of PHI received from SJVIA, or created or received by the Consultant on behalf of the SJVIA, in compliance with the HIPAA Privacy Rule, including but not limited to the requirements set forth in 45 CFR Parts 160 and 164. The Consultant shall make its internal practices, books, and records relating to the use and disclosure of PHI received from the SJVIA, or created or received by the Consultant on behalf of the SJVIA, available to the United States Department of Health and Human Services upon demand.

8.12 The Consultant shall cooperate with the compliance and investigation reviews conducted by the Secretary. The Consultant must provide PHI access to the Secretary during the Consultant's normal business hours, but upon exigent circumstances shall also grant access at any time. Upon the Secretary's compliance or investigation review, if PHI is unavailable to the Consultant and in possession of a subcontractor, the Consultant must certify to the Secretary its efforts to obtain the information.

8.13 **Safeguards.** The Consultant shall implement administrative, physical, and technical safeguards as required by the HIPAA Security Rule, Subpart C of 45 CFR Part 164, that reasonably and appropriately protects the confidentiality, integrity, and availability of PHI, including electronic PHI, that it creates, receives, maintains or transmits on behalf of the SJVIA and to prevent unauthorized access, viewing, use, disclosure, or breach of PHI other than as provided for by this agreement. The Consultant shall conduct an accurate and thorough assessment of the potential risks and vulnerabilities to the confidential, integrity and availability of electronic PHI. The Consultant shall develop and maintain a written information privacy and security program that includes administrative, technical and physical safeguards appropriate to the size and complexity of the Consultant's operations and the nature and scope of its activities. Upon the SJVIA's request, the Consultant shall provide the SJVIA with information concerning such safeguards.

8.14 **Security Safeguards and Precautions.** The Consultant shall implement strong access controls and other security safeguards and precautions in order to restrict logical and physical access to confidential, personal (e.g., PHI) or sensitive data to authorized users only.

## EXHIBIT A

8.15 **Password Controls.** Those safeguards and precautions shall include the following administrative and technical password controls for all systems used to process or store confidential, personal, or sensitive data.

(A) Passwords must not be:

(1) Shared or written down where they are accessible or recognizable by anyone else; such as taped to computer screens, stored under keyboards, or visible in a work area;

(2) A dictionary word; or

(3) Stored in clear text

(B) Passwords must be:

(1) Eight characters or more in length;

(2) Changed every 90 days;

(3) Changed immediately if revealed or compromised; and

(4) Composed of characters from at least three of the following four groups from the standard keyboard: (i) upper case letters (A-Z); (ii) lowercase letters (a-z); (iii) Arabic numerals (0 through 9); and (iv) non-alphanumeric characters (punctuation symbols).

8.16 **Security Controls.** The Consultant shall implement the following security controls on each workstation or portable computing device (e.g., laptop computer) containing confidential, personal, or sensitive data:

(A) Network-based firewall and/or personal firewall;

(B) Continuously updated anti-virus software; and

(C) Patch management process including installation of all operating system/software vendor security patches.

8.17 **Encryption.** The Consultant shall use a commercial encryption solution that has received FIPS 140-2 validation to encrypt all confidential, personal, or sensitive data stored on portable electronic media (including, but not limited to, compact disks and thumb drives) and on portable computing devices (including, but not limited to, laptop and notebook computers).

8.18 **Data Transmission.** The Consultant shall not transmit confidential, personal, or sensitive data via e-mail or other internet transport protocol unless the data is encrypted by a solution that has been validated by the National Institute of Standards and Technology (NIST) as conforming to the Advanced Encryption Standard (AES) Algorithm. The Consultant must apply appropriate sanctions against its employees who fail to comply with these safeguards. The Consultant must adopt procedures for terminating access to PHI when employment of employee ends.

## EXHIBIT A

8.19 **Mitigation of Harmful Effects.** The Consultant shall mitigate, to the extent practicable, any harmful effect that is suspected or known to the Consultant of an unauthorized access, viewing, use, disclosure, or breach of PHI by the Consultant or its subcontractors in violation of the requirements of this Article 8. The Consultant must document suspected or known harmful effects and the outcome of any mitigation.

8.20 **Consultant's Subcontractors.** The Consultant shall ensure that each of its contractors, including subcontractors, if applicable, to whom the Consultant provides PHI received from or created or received by the Consultant from or on behalf of the SJVIA, agrees to the same restrictions, safeguards, and conditions that apply to the Consultant with respect to such PHI and to incorporate, when applicable, the relevant provisions of these provisions into each subcontract or sub-award to such agents or subcontractors.

8.21 **Employee Training and Discipline.** The Consultant shall train and use reasonable measures to ensure compliance with the requirements of the provisions of this Article 8 by employees who assist in the performance of functions or activities on behalf of the SJVIA under this agreement and use or disclose PHI and discipline such employees who intentionally violate any provisions of these provisions, including termination of employment.

8.22 **Termination for Breach.** Upon the SJVIA's knowledge of a material breach of these provisions by the Consultant, the SJVIA shall either:

(A) Provide an opportunity for the Consultant to cure the breach or end the violation, and terminate this agreement if the Consultant does not cure the breach or end the violation within the time specified by the SJVIA; or

(B) Immediately terminate this agreement if the Consultant has breached a material term of these provisions and cure is not possible.

(C) If neither cure nor termination is feasible, the SJVIA's Privacy Officer shall report the violation to the Secretary.

8.23 **Termination after Judicial or Administrative Proceedings.** The SJVIA may terminate this agreement if: (1) the Consultant is found guilty in a criminal proceeding for a violation of the HIPAA Privacy or Security Laws or the HITECH Act; or (2) there is a finding or stipulation that the Consultant has violated a privacy or security standard or requirement of the HITECH Act, HIPAA, or other security or privacy laws in an administrative or civil proceeding in which the Consultant is a party.

8.24 **Obligations upon Termination.** Upon termination or expiration of this agreement for any reason, the Consultant shall return or destroy all PHI received from the SJVIA (or created or received by the Consultant on behalf of SJVIA) that the Consultant still maintains in any form, and shall retain no copies of such PHI. If return or destruction of PHI is not feasible, the Consultant shall continue to extend the protections of these provisions to such information, and limit further use of such PHI to those purposes that make the return or destruction of such PHI infeasible. This provision applies to PHI that is in the possession of subcontractors or agents, if

## EXHIBIT A

applicable, of the Consultant. If the Consultant destroys the PHI data, the Consultant shall provide to the SJVIA a certification of date and time of destruction

8.25 **Disclaimer.** The SJVIA makes no warranty or representation that compliance by the Consultant with the provisions of this Article 8, HIPAA, or HITECH will be adequate or satisfactory for the Consultant's own purposes or that any information in the Consultant's possession or control, or transmitted or received by the Consultant, is or will be secure from unauthorized access, viewing, use, disclosure, or breach. The Consultant is solely responsible for all decisions made by the Consultant regarding the safeguarding of PHI.

8.26 **Amendment.** The parties acknowledge that federal and state laws relating to electronic data security and privacy are rapidly evolving and that amendment of these provisions may be required to provide for procedures to ensure compliance with such developments. The parties specifically agree to take such action as is necessary to amend this agreement in order to implement the standards and requirements of HIPAA, HITECH, and other applicable laws relating to the security or privacy of PHI. The SJVIA may terminate this agreement upon 30 days written notice if the Consultant does not enter into an amendment providing assurances regarding the safeguarding of PHI that the SJVIA in its sole discretion, deems sufficient to satisfy the standards and requirements of HIPAA and HITECH.

8.27 **Interpretation.** The terms of this Article 8 shall be interpreted as broadly as necessary to implement and comply with HIPAA and applicable State of California laws. The parties agree that any ambiguity in the terms and conditions of these provisions shall be resolved in favor of a meaning that complies and is consistent with HIPAA.

8.28 **Regulatory References.** Any reference in this agreement to a law or regulation means the law or regulation as in effect or as amended.

8.29 **Survival.** The obligations of the Consultant as provided in this Article 8 survive the termination or expiration of this agreement.

8.30 **Definitions.** For purposes of this Article 8:

(A) The SJVIA's Privacy Officer is the SJVIA Manager.

(B) The Secretary is as defined in 45 CFR § 160.103

## Article 9 Indemnity

9.1 **Indemnification.** Each party ("Indemnifying Party") will promptly defend, indemnify, and hold the other party ("Indemnified Party") harmless from and against any and all claims, suits, actions, liabilities, losses, expenses, or damages which the Indemnified Party may incur as a result of any violation by the Indemnifying Party of any law, or any loss or expense to the Indemnified Party caused by the misrepresentation, negligent act or omission, or any breach of any of the Indemnifying Party's obligations under this agreement.

## EXHIBIT A

9.2 **Limitation of Liability.** Notwithstanding any other term of this agreement, each party shall only be liable for actual damages incurred by the other party, and shall not be liable for any indirect, consequential, or punitive damages. Further, the aggregate liability under this agreement, if any, of either party to the other for claimed losses or damages shall not exceed \$20,000,000. This provision applies to the fullest extent permitted by applicable law.

### Article 10 Insurance

10.1 **Policy and Coverage Requirements.** Without limiting the SJVIA's right to obtain indemnification from the Consultant or any third parties, the Consultant, at its sole expense, shall maintain in full force and effect, the following insurance policies or a program of self-insurance, which may include an insurance pooling arrangement, throughout the term of this agreement. All policies shall be issued by admitted insurers licensed to do business in the State of California, and such insurance shall be purchased from companies possessing a current A.M. Best, Inc. rating of A FSC VII or better.

10.2 **Commercial General Liability.** The Consultant shall maintain a commercial general liability policy with limits of not less than One Million Dollars (\$1,000,000) per occurrence and an annual aggregate of Two Million Dollars (\$2,000,000). This policy must be issued on a per occurrence basis. The SJVIA may require specific coverages including completed operations, products liability, contractual liability, explosion-collapse-underground, fire legal liability, or another liability insurance deemed necessary because of the nature of this contract.

10.3 **Automobile Liability.** The Consultant shall maintain a comprehensive automobile liability policy with limits for bodily injury of not less than Two Hundred Fifty Thousand Dollars (\$250,000) per person, Five Hundred Thousand Dollars (\$500,000) per accident, and for property damages of not less than Fifty Thousand Dollars (\$50,000), or such coverage with a combined single limit of Five Hundred Thousand Dollars (\$500,000). Coverage must include owned and non-owned vehicles used in connection with this agreement.

10.4 **Professional Liability.** The Consultant shall maintain professional liability insurance with limits of not less than One Million Dollars (\$1,000,000) per occurrence, Three Million Dollars (\$3,000,000) annual aggregate.

10.5 **Workers Compensation.** The Consultant shall maintain a workers compensation insurance policy as may be required by the California Labor Code.

10.6 **Endorsements.** The Consultant shall obtain endorsements to the commercial general liability insurance naming the SJVIA, its officers, agents, and employees, individually and collectively, as additional insured, but only insofar as the operations under this agreement are concerned.

(A) Such coverage for additional insured shall apply as primary insurance and any other insurance, or self-insurance, maintained by the SJVIA, its officers, agents, and employees shall be excess only and not contributing with insurance provided under the Consultant's policies required by this agreement.

## EXHIBIT A

(B) This insurance shall not be cancelled or changed without a minimum of 30 days advance written notice to the SJVIA.

(C) Any insurance proceeds available to the Consultant under its Commercial General Liability insurance in excess of the minimum coverage and limits specified for that policy in this agreement shall be available to the additional insured under the endorsement required by this agreement. If the SJVIA permits the Consultant to sub-contract any of its duties under this agreement, the Consultant shall require all sub-contractors to obtain endorsements to their Commercial General Liability insurance naming the SJVIA as additional insured with coverage at least as broad as that provided by Insurance Services Office (ISO) form number CG 20 38 04 13.

**10.7 Certificates of Insurance.** Within 30 days from the date the Consultant signs this agreement, the Consultant shall provide certificates of insurance and endorsement as stated above, for all of the policies required above, to the SJVIA Manager, stating all of the following:

(A) that such insurance coverages have been obtained and are in full force;

(B) that the SJVIA, its officers, agents, and employees will not be responsible for any premiums on the policies;

(C) that the commercial general liability policy names the SJVIA, its officers, agents, and employees, individually and collectively, as additional insured, but only insofar as operations under this agreement are concerned;

(D) that such coverage for additional insured shall apply as primary insurance and any other insurance, or self-insurance, maintained by the SJVIA, its officers, agents, and employees, shall be excess only and not contributing with insurance provided under the Consultant's policies required under this agreement; and

(E) that this insurance shall not be cancelled or changed without a minimum of 30 days advance written notice to the SJVIA.

**10.8 Failure to Maintain.** If the Consultant fails to keep in effect at all times the insurance policies and coverages required under this agreement, the SJVIA may, in addition to any other remedies it may have, suspend or terminate this agreement upon the occurrence of that event.

### **Article 11 General Provisions**

**11.1 Modification.** This agreement may not be modified, and no waiver is effective, except by another written agreement that is signed by both parties.

**11.2 Non-Assignment.** Neither party may assign its rights or delegate its obligations under this agreement without the prior written consent of the other party.

**11.3 Governing Law.** The laws of the State of California govern all matters arising from or related to this agreement.



## EXHIBIT A

11.4 **Jurisdiction and Venue.** This agreement is signed and performed in Fresno County, California. The Consultant consents to California jurisdiction for actions arising from or related to this agreement, and, subject to the Government Claims Act, all such actions must be brought and maintained in the Fresno County Superior Court.

11.5 **Construction.** The final form of this agreement is the result of the parties' combined efforts. If anything in this agreement is found by a court of competent jurisdiction to be ambiguous, that ambiguity is to be resolved by construing the terms of this agreement according to their generally accepted meaning, and not by construing the terms of this agreement for or against either party.

11.6 **Headings.** The headings and section titles in this agreement are for convenience only and are not part of this agreement.

11.7 **Severability.** If anything in this agreement is found by a court of competent jurisdiction to be unlawful or otherwise unenforceable, the balance of this agreement remains in effect.

11.8 **No Waiver.** Payment, change, waiver, or discharge of any liability or obligation of the Consultant under this agreement on any one or more occasions is not a waiver of performance of any continuing or other obligation and does not prohibit enforcement by the SJVIA of any obligation on any other occasion.

11.9 **Entire Agreement.** This agreement is the entire agreement between the Participating Entity and the SJVIA with respect to the subject matter of this agreement, and it supersedes all previous negotiations, proposals, commitments, writings, advertisements, publications, and understandings of any nature unless those things are expressly included in this agreement.

11.10 **Third-Party Beneficiaries.** This agreement does not and is not intended to create any rights or obligations for any person or entity except for the parties.

11.11 **Authorized Signatures.** The Participating Entity represents and warrants to the SJVIA that:

(A) The Participating Entity is duly authorized and empowered to sign and perform its obligations under this agreement.

(B) The individual signing this agreement on behalf of the Participating Entity is duly authorized to do so and his or her signature on this agreement will legally bind the Participating Entity to the terms of this agreement.

11.12 **Counterparts.** This agreement may be signed in counterparts, each of which is an original, and all of which together constitute this agreement.

[SIGNATURE PAGE FOLLOWS]

EXHIBIT A

The parties are signing this agreement on the date stated in the introductory clause.

CONSULTANT

SAN JOAQUIN VALLEY INSURANCE  
AUTHORITY

\_\_\_\_\_  
(Authorized signature)

\_\_\_\_\_  
[Name of President]

\_\_\_\_\_  
(Print name and title)

\_\_\_\_\_  
President, Board of Directors

Reviewed and recommended for approval.

\_\_\_\_\_  
SJVIA Manager

SAMPLE



**BOARD OF DIRECTORS**

- ANDREAS BORGEAS
- KUYLER CROCKER
- NATHAN MAGSIG
- BUDDY MENDES
- BRIAN PACHECO
- PETE VANDER POEL
- J. STEVEN WORTHLEY

**Meeting Location:  
 County of Tulare  
 Board of Supervisors Chambers  
 2800 W. Burrel Ave.  
 Visalia, CA 93291  
 February 3, 2017 9:00 AM**

**AGENDA DATE:** February 3, 2017

**ITEM NUMBER:** Item 12

**SUBJECT:** Receive Update on Member Entity Termination Notifications (I)

**REQUEST(S):** That the Board receive an update on member entity termination notifications

**DESCRIPTION:**


During the December 8, 2016 Board Meeting it was reported that 18 member entities had chosen not to renew with the SJVIA for the 2017 plan year. Since that time, the City of Riverbank gave notice to terminate effective January 1, 2017, and the County of Sutter has given notification of its intent to terminate effective May 1, 2017. This brings the total number of entities terminating the SJVIA to 20. Attached is an updated illustration showing the remaining entities and a list of the 20 terminating entities and their membership by plan. SJVIA participants drop from 12,919 to 10,037 effective January 1<sup>st</sup> and to 9,126 effective May 1<sup>st</sup>.

The estimated claims run out has been updated to include all 20 entities who have terminated, including the County of Sutter who will terminate after April. The revised updated run out estimation will be presented as part of the Auditor-Treasurer’s cash flow update (Item 8 on today’s agenda).

**FISCAL IMPACT/FINANCING:**

Projected run out liability for terminated entities will be presented as part of Item 8, update on cash flow projections, on today’s agenda.

**ADMINISTRATIVE SIGN-OFF:**

  
 \_\_\_\_\_  
 Paul Nerland  
 SJVIA Manager

  
 \_\_\_\_\_  
 Rhonda Sjostrom  
 SJVIA Assistant Manager

### 2017 Participating Entities

		SJVIA	Agreement				
Entity	EffectiveDate	Expiration Date	PPO	HMO	Kaiser	TOTAL	
1	City of Ceres	1/1/2013	3/31/2017	3	120	43	166
2	City of Marysville	7/1/2015	12/31/2018	48	0	5	53
3	City of Waterford	6/1/2013	3/31/2017	0	16	0	16
4	County of Fresno	Founding Entity	3/31/2017	946	3302	1624	5872
5	County of Tulare	Founding Entity	3/31/2017	2810	0	209	3019
				3807	3438	1881	9126

### 2017 Terminating Entities

		SJVIA Effective	Participation				
Entity	Date	Expiration Date	PPO Lives	HMO Lives	Kaiser Lives	TOTAL	
1	City of Clovis	1/1/2015	12/31/2017	90	193	156	439
2	City of Escalon	3/1/2015	12/31/2018	17	0	0	17
3	City of Farmersville	1/1/2014	12/31/2016	28	5	0	33
4	City of Gustine	10/1/2013	12/31/2016	1	17	0	18
5	City of Hanford	1/1/2015	12/31/2017	49	122	14	185
6	City of Hughson	1/1/2015	12/31/2017	15	0	0	15
7	City of Modesto	1/1/2015	12/31/2017	248	0	620	868
8	City of Newman	1/1/2014	12/31/2016	24	1	0	25
9	City of Oakdale	1/1/2015	12/31/2017	18	37	18	73
10	City of Riverbank	1/1/2014	12/31/2016	28	18	0	46
11	City of Reedley	1/1/2014	12/31/2016	24	88	7	119
12	City of San Joaquin	7/1/2013	12/31/2017	0	17	0	17
13	City of Sanger	7/1/2013	12/31/2016	97	0	11	108
14	City of Shafter	7/1/2013	12/31/2016	107	28	23	158
15	City of Tulare	7/1/2012	12/31/2016	337	0	0	337
16	City of Wasco	1/1/2014	12/31/2016	57	0	0	57
17	County of Sutter*	7/1/2015	12/31/2018	846	0	65	911
18	San Joaquin Air Pollution CD	2/1/2015	12/31/2018	272	0	0	272
19	Superior Court, Kings County	1/1/2015	12/31/2017	35	0	0	35
20	Superior Court, Sutter County	7/1/2015	12/31/2018	54	6	0	60

\* Terminating agreement effective May 1, 2017

2347                      532                      914                      3793

**Meeting Location:  
County of Tulare  
Board of Supervisors Chambers  
2800 W. Burrel Ave.  
Visalia, CA 93291  
February 3, 2017 9:00 AM**

**AGENDA DATE:** February 3, 2017

**ITEM NUMBER:** Item 13

**SUBJECT:** Approve Proposed Participation Agreement Revisions and Authorize President to Execute SJVIA Participation Agreements Effective April 1, 2017 (A)

**REQUEST(S):** That the Board approve an extension of the current Participation Agreement language effective April 1, 2017 through June 30, 2017 to allow time to receive the input of the SJVIA's new consultant.

**DESCRIPTION:**

At the Board meeting on October 28, 2016, [staff recommended](#) certain changes to the [SJVIA Participation Agreement](#). Each entity that participates in the SJVIA's program offerings executes a participation agreement with the SJVIA. Participation agreements by non-founding members typically had a term of three years when beginning participation. For entities whose participation agreement expired, a new participation agreement is necessary. As part of the January 2017 renewal process, staff recommended revisions to ongoing Participation Agreements to clarify the respective obligations of the SJVIA and each participating entity. Proposed changes included the following:

- Simplifying the premium payment due date to allow for a single payment by each participating entity each month
- Clarifying that participating entities are not required to disclose information whose disclosure is prohibited by law
- Providing that the SJVIA will make reasonable efforts to adopt renewal rates at least 120 days before the beginning of the plan year

**AGENDA:** San Joaquin Valley Insurance Authority

**DATE:** February 3, 2017

- Providing that documents of the SJVIA will be available to participating entities for purposes of audits and inspections, subject to legal prohibitions on disclosure
- Providing dispute resolution procedures that are similar to what participation agreements have previously provided

At the October 28<sup>th</sup> Board meeting, several entities addressed their concerns with some of the proposed changes to the agreement. Your Board directed staff to send the revised Participation Agreement to entities allowing more time for their feedback to be considered. On December 8<sup>th</sup>, [staff again presented](#) the revised Participation Agreement template after considering feedback from entities that responded. Most of the concern by entities was focused on Section 1.6 – Assessments that would allow for assessment on participating entities in the event of inadequate funding and only after all other options had been considered. The intent of this language was to protect the remaining entities if an entity departs that has not paid its fair share based on the rates and funding. At the meeting, a representative from the City of Ceres expressed concern about the language and asked for more time to propose alternatives that would be acceptable. Your Board directed staff to work with the remaining entities and determine if their feedback and the SJVIA's interests could be reconciled and to bring back at the next meeting.

The City of Ceres and Waterford did submit the attached comments and recommendations for staff consideration. Although staff would likely not recommend adoption of all of the proposed revisions, it is recommended that the revisions be delayed pending the input of the SJVIA's new consultant, pending your Board's approval of their selection. This would necessitate direction to extend the current agreement until June 30, 2017 allowing time for the new consultant's input.

**FISCAL IMPACT/FINANCING:**

None.

**ADMINISTRATIVE SIGN-OFF:**



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Paul Nerland  
SJVIA Manager



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Rhonda Sjostrom  
SJVIA Assistant Manager

## SJVIA PARTICIPATION AGREEMENT

This agreement is dated \_\_\_\_\_ and is between [NAME OF PARTICIPATING ENTITY], a [type of entity] (“Participating Entity”), and the SAN JOAQUIN VALLEY INSURANCE AUTHORITY, a joint powers agency (“SJVIA”).

The SJVIA negotiates, purchases, or otherwise funds health, pharmacy, vision, dental, and life insurance (each an “Insurance Program,” and collectively “Insurance Programs”).

The SJVIA makes Insurance Programs available to participating entities, subject to the terms and conditions of an agreement by each participating entity to pay for its respective costs for the Insurance Programs in which it participates.

To carry out that purpose, the SJVIA enters into contracts with health insurance providers for Insurance Programs that are made available to participating entities. (Each of those contracts is an “Insurance Contract.”)

The SJVIA also provides public agencies, such as Participating Entity, access to **Insurance Programs**. Each year, the claims experience of all participating entities is aggregated and actuarially based underwriting standards are applied to determine the total projected cost of continuing to provide Insurance Programs during the upcoming renewal year. Based on that information, the SJVIA Board of Directors annually establishes premium rates for participating entities.

The Participating Entity wishes to participate in the Insurance Programs listed in exhibit A to this agreement (“**Selected Programs**”) for its participating employees.

The parties therefore agree as follows:

### Article 1 Participating Entity’s Obligations

1.1 **Participation in Selected Programs.** Employees and dependents of the Participating Entity may participate in the Selected Programs, subject to (a) eligibility criteria established in each applicable Insurance Contract, (b) the terms and conditions of this agreement, and (c) the lawful terms and conditions established by Participating Entity for its employees.

1.2 **Premium Amounts.** Exhibit B to this agreement states the premium rates for the Participating Entity for the plan year initially covered by this agreement, which includes the period from \_\_\_\_\_ to \_\_\_\_\_. Participating Entity acknowledges that premium rates include a share of the SJVIA’s administrative expenses. Premium rates for subsequent plan years are established by the SJVIA Board of Directors and memorialized by written amendment to this agreement signed by both parties. Participating Entity acknowledges that the SJVIA Board of Directors annually establishes premium rates for participating entities.

1.3 **Premium Payments.** Premium payments under this agreement are payable on a schedule corresponding to the schedule of premium payments under each applicable Insurance

Contract. Within 15 days after each premium payment for the Selected Programs becomes due and payable by the SJVIA under the applicable Insurance Contract, the Participating Entity shall pay the full amount of its premium payment under this agreement to the SJVIA. The Participating Entity understands and acknowledges that its failure to make full and timely premium payments under this agreement may result in a failure of coverage under Selected Programs.

1.4 **Insurance Contract Requirements.** The Participating Entity shall perform under this agreement consistently with the terms of each applicable Insurance Contract and shall not take any action that would impair the rights of the SJVIA, or of the Participating Entity through the SJVIA, under each applicable Insurance Contract. If any other section of this agreement conflicts with the requirements of this section 1.4, the requirements of this section take precedence.

1.5 **Changes to Selected Programs.** The Participating Entity may only participate in additional Insurance Programs, or make changes to Selected Programs, by written amendment to this agreement signed by both parties.

1.6 **Assessments.** If the Selected Programs are not adequately funded for any reason, the SJVIA may impose an assessment on the Participating Entity to ensure necessary funding for the Selected Programs. Assessments shall only be made upon determination and approval of the SJVIA Board of Directors after considering alternatives, including factoring inadequate funding into renewal rates. The Participating Entity is obligated to pay assessments under this section for 12 months after the end of participation in the SJVIA.

1.7 **Information, Assistance, Cooperation.** The Participating Entity shall provide to the SJVIA information or assistance that the SJVIA, in its sole discretion, deems necessary to develop and implement the Selected Programs. The Participating Entity shall cooperate with and assist the SJVIA, any insurer or insurance provider to the SJVIA, and other contractors of the SJVIA in all matters relating to this agreement, and shall comply with all bylaws, if any, and other rules or policies established by the SJVIA Board of Directors.

## **Article 2 SJVIA's Obligations**

2.1 **Insurance Contracts.** The SJVIA shall negotiate, approve, and execute Insurance Contracts for the Selected Programs. In doing so, the SJVIA is not acting on behalf of, or as an agent for, the Participating Entity or the employees of the Participating Entity. Nothing in this agreement obligates the SJVIA to maintain any particular Insurance Contracts, or any particular terms or conditions of any Insurance Contracts, in any future plan years.

2.2 The SJVIA shall make available to the Participating Entity a copy of each applicable fully-executed Insurance Contract.

2.3 **Enforcement of Rights.** The SJVIA shall enforce its rights under each applicable Insurance Contract for the benefit of the Participating Entity. In doing so, the SJVIA is not acting as an agent for the Participating Entity or the employees of the Participating Entity.



2.4 **Conditional Obligations.** The SJVIA shall perform its obligations under each applicable Insurance Contract, including timely payment of premiums and any similar charges, necessary to keep each applicable Insurance Contract in full force and effect. The obligation of the SJVIA to pay premiums and similar charges under this section 2.4 is contingent on the Participating Entity's payment of premiums to the SJVIA as required by this agreement. The SJVIA's payment of any premium or similar charge under any applicable Insurance Contract while the Participating Entity is in breach of any payment obligation under this agreement is not a waiver of that obligation.

### **Article 3 Term and Termination**

3.1 **Term.** This agreement is effective on \_\_\_\_\_ and terminates on \_\_\_\_\_.

3.2 **Termination for Non-Allocation of Funds.** The Participating Entity's obligations under this agreement are contingent on the approval of funds by the appropriating government agency or agencies. If sufficient funds are not allocated for a future plan year, then the Participating Entity may terminate this agreement upon written notice to the SJVIA delivered not less than 120 days before the beginning of the next plan year.

3.3 **Termination for Breach; Reinstatement.**

(A) Upon determining that the Participating Entity has failed to comply with any part of this agreement, the SJVIA Manager may give written notice of the breach to the Participating Entity. The written notice shall provide a reasonable time for the Participating Entity to cure the breach.

(B) If the Participating Entity fails to cure the breach within the reasonable time stated in the written notice, the SJVIA may terminate this agreement without further notice, effective at the expiration of the last period for which full premium payment is made under each applicable Insurance Contract.

(C) If the SJVIA has terminated this agreement under this section 3.3 due to the Participating Entity's failure to make premium payments under this agreement, the SJVIA may, in its sole discretion, and subject to each applicable Insurance Contract, accept late or delinquent premium payments. Upon acceptance of such payments by the SJVIA, this agreement may be reinstated retroactively to the last date for which full premium payment was made under each applicable Insurance Contract. The SJVIA's acceptance of any such payments is not a waiver of the SJVIA's right to terminate this agreement if the Participating Entity later fails to pay premiums or any other amounts due under this agreement.

### **Article 4 Notices**

4.1 **Contact Information.** The persons and their addresses having authority to give and receive notices provided for or permitted under this agreement include the following:

**For the SJVIA:**

SJVIA Manager  
SAN JOAQUIN VALLEY INSURANCE AUTHORITY  
[Street Address]  
[City, State ZIP]  
[Fax Number]

**For the Participating Entity:**

[Name if Desired]  
[Title]  
[ORGANIZATION]  
[Street Address]  
[City, State ZIP]  
[Fax Number]

4.2 **Method of Delivery.** All notices between the SJVIA and the Participating Entity provided for or permitted under this agreement must be in writing and delivered either by personal service, by first-class United States mail, by an overnight commercial courier service, or by telephonic facsimile transmission.

(A) A notice delivered by personal service is effective upon service to the recipient.

(B) A notice delivered by first-class United States mail is effective three SJVIA business days after deposit in the United States mail, postage prepaid, addressed to the recipient

(C) A notice delivered by an overnight commercial courier service is effective on County business day after deposit with the overnight commercial courier service, delivery fees prepaid, with delivery instructions given for next day delivery, addressed to the recipient.

(D) A notice delivered by telephonic facsimile is effective when transmission to the recipient is completed (but, if such transmission is completed outside of SJVIA business hours, then such delivery shall be deemed to be effective at the next beginning of a SJVIA business day), provided that the sender maintains a machine record of the completed transmission.

4.3 **Claims Presentation.** For all claims arising from or related to this agreement, nothing in this agreement establishes, waives, or modifies any claims presentation requirements or procedures provided by law, including but not limited to the Government Claims Act (Division 3.6 of Title 1 of the Government Code, beginning with section 810).

**Article 5**  
**General Provisions**

5.1 **Modification.** This agreement may not be modified, and no waiver is effective, except by another written agreement that is signed by both parties.

5.2 **Non-Assignment.** Neither party may assign its rights or delegate its obligations under this agreement without the prior written consent of the other party.

5.3 **Governing Law.** The laws of the State of California govern all matters arising from or related to this agreement.

5.4 **Construction.** The final form of this agreement is the result of the parties' combined efforts. If anything in this agreement is found by a court of competent jurisdiction to be ambiguous, that ambiguity is to be resolved by construing the terms of this agreement according to their generally accepted meaning, and not by construing the terms of this agreement for or against either party.

5.5 **Headings.** The headings and section titles in this agreement are for convenience only and are not part of this agreement.

5.6 **Severability.** If anything in this agreement is found by a court of competent jurisdiction to be unlawful or otherwise unenforceable, the balance of this agreement remains in effect.

5.7 **Entire Agreement.** This agreement is the entire agreement between the Participating Entity and the SJVIA with respect to the subject matter of this agreement, and it supersedes all previous negotiations, proposals, commitments, writings, advertisements, publications, and understandings of any nature unless those things are expressly included in this agreement.

5.8 **Third-Party Beneficiaries.** This agreement does not and is not intended to create any rights or obligations for any person or entity except for the parties.

5.9 **Authorized Signatures.** The Participating Entity represents and warrants to the SJVIA that:

(A) The Participating Entity is duly authorized and empowered to sign and perform its obligations under this agreement.

(B) The individual signing this agreement on behalf of the Participating Entity is duly authorized to do so and his or her signature on this agreement will legally bind the Participating Entity to the terms of this agreement.

5.10 **Counterparts.** This agreement may be signed in counterparts, each of which is an original, and all of which together constitute this agreement.

[SIGNATURE PAGE FOLLOWS]

The parties are signing this agreement on the date stated in the introductory clause.

PARTICIPATING ENTITY

SAN JOAQUIN VALLEY INSURANCE  
AUTHORITY

\_\_\_\_\_  
(Authorized signature)

\_\_\_\_\_  
[Name of President]

\_\_\_\_\_  
(Print name and title)

President, Board of Directors

Reviewed and recommended for approval.

\_\_\_\_\_  
SJVIA Manager

DRAFT

**Proposed Revisions  
to the October 28, 2016 Revised Draft SJVIA Participation Agreement  
Presented by: City of Ceres and City of Waterford**

Legend: Additions are in *blue italicized* text; deletions are in ~~strikeout~~ text.

**1.6 Assessments.**

- A. If *Participating Entity's premiums (SJVIA revenues) do not fully fund its expenses (SJVIA fixed and claims) in the prior program year* ~~the Selected Programs are not adequately funded for any reason,~~ the SJVIA may impose an assessment on the Participating Entity *in the following program year* to ensure necessary funding for the Selected Programs. *Assessments shall be reviewed and reconsidered each year. Assessments shall not be based on any other SJVIA financial obligation.*
  
- B. *If an assessment is being considered, the SJVIA shall notify the Participating Entity no later than June 15 of the current year and, at that time, shall provide the Participating Entity with all relevant information and documentation substantiating the shortfall. The SJVIA shall also delegate a contact for the Participating Entity to discuss the provided information with. The contact shall schedule a discussion of the assessment information with the Participating Entity by July 1 of the current year.* Assessments shall only be made upon determination and approval of the SJVIA Board of Directors after *the full disclosure and discussion detailed above* ~~considering alternatives, including factoring inadequate funding into renewal rates.~~
  
- C. The Participating Entity is obligated to pay assessments under this section for 12 months after the end of participation in the SJVIA.

**1.7 Reserves and Loan Repayment.** *If the SJVIA implements any fee or rate adjustment for rebuilding the reserves and/or the founding member loan repayment, it shall remain separate from any assessment described in Section 1.6. Such adjustments shall be approved by the Board of Directors at the same time it approves renewal rates, and shall only be implemented at the beginning of a program year. The Participating Entity is not obligated to pay any fee or rate adjustment after the termination date of this agreement, noted in Section 3.1.*

**1.8 Information, Assistance, Cooperation.**

...

**2.5 Underwriting Methodology.** *The SJVIA shall follow the provisions of the Underwriting Methodology, as previously adopted, for all new members and all Participating Entities, including Founding Members. Any revision of the Underwriting Methodology shall be presented and discussed with Participating Entities no less than forty-five (45) days before expected implementation or SJVIA Board of Director consideration, whichever is earlier.*

**2.6 Financial Transparency.**

- A. *Beginning with Fiscal Year 2016-17, the SJVIA shall maintain financial data for each Participating Entity, including Founding Members. Financial data includes but is not limited to budgeted and actual revenues and expenditures. Financial information and reports, including but not limited to the SJVIA budget, shall be presented in a format that includes each entity's data.*
  
- B. *No later than August 2017, the SJVIA shall present at a public meeting a financial report of revenues, expenditures and reserve activity (contribution to or use of reserve) from SJVIA inception through June 30, 2017, explicitly identifying County of Fresno, County of Tulare and Other Members.*

**3.1 Term.** This agreement is effective on \_\_\_\_\_ and terminates on \_\_\_\_\_. If the Participating Entity reasonably expects to discontinue its participation in the SJVIA after that termination date, it shall provide written notice of nonrenewal to the SJVIA delivered not less than 120 days before the beginning of the next plan year. *If the SJVIA does not approve renewal rates by the August SJVIA Board Meeting, the Participating Entity may provide written notice of nonrenewal by October 31.* ~~Participating Entity acknowledges that failure to give such notice may result in an assessment as provided in Section 1.6 of this agreement.~~

**3.3 Termination for Breach; Reinstatement.**

...

- D. *If the SJVIA fails to meet its obligations under Article 2 of this Agreement, the Participating Entity may terminate this agreement with thirty (30) days written notice, effective at the expiration of the last period for which full premium payment is made under each applicable Insurance Contract. The notice requirements in Section 3.1 do not apply.*



# SJVIA

San Joaquin Valley  
Insurance Authority

## BOARD OF DIRECTORS

ANDREAS BORGEAS

KUYLER CROCKER

NATHAN MAGSIG

BUDDY MENDES

BRIAN PACHECO

PETE VANDER POEL

J. STEVEN WORTHLEY

Meeting Location:  
County of Tulare  
Board of Supervisors Chambers  
2800 W. Burrel Ave.  
Visalia, CA 93921  
February 3, 2017  
9:00 AM

**AGENDA DATE:** February 3, 2017

**ITEM NUMBER:** 14

**SUBJECT:** Approve Staff Recommendation to Enter Into Agreement for Actuarial Services in Connection with Audited Financial Statements and Authorize President to Execute Agreement Subject to Approval of SJVIA Counsel and Staff

**REQUEST(S):** Receive Staff Report & Recommendation to Contract with Rael & Letson to Perform Annual GASB 10 Evaluations

**DESCRIPTION:**

SJVIA staff prepared an RFQ to secure the services of a qualified firm to provide actuarial services in order to comply with the Governmental Accounting Standards Board (GASB) Statement No. 10. The Governmental Accounting Board (GASB) is the independent organization that establishes and approves standards of accounting and financial reporting for State and Local governmental entities, including the SJVIA. GASB Statement 10 requires such things as disclosure in the notes to the financial statements about the type of reinsurance or excess insurance coverage for certain claims costs, and requires presentation of gross, ceded, and net premiums and claims costs in the ten-year revenue and claims development information. Furthermore, this Statement provides that claims development information should be reported consistently on a report or policy-year basis.

**AGENDA:** San Joaquin Valley Insurance Authority

**DATE:** February 3, 2017

Consistent with the obligation to comply with GASB 10, SJVIA staff prepared and transmitted an RFQ to qualified firms on September 29, 2016. The RFQ scope of services included the issuance of a Public Statement of Actuarial Opinion (PSAO) in accordance with the Qualification Standards of the American Academy of Actuaries and all elements of reporting that may be required by GASB 10. A qualified responsive bid (Rael & Letson) was received on October 26, 2016.

Approval of the recommended action will authorize staff to negotiate and finalize the agreement with Rael & Letson, the Board President to execute an Agreement with Rael & Letson subject to the approval of SJVIA Counsel and staff, and for Rael & Letson to begin performing the study as soon as possible.

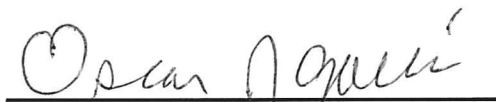
**FISCAL IMPACT/FINANCING:**

Your Board's approval of the recommended action could result in a fixed cost expense of up to \$28,000 the first year. This includes two years of actuarial service completed in the first year (fiscal years ending June 30, 2016 and June 30, 2017); followed by two subsequent years at \$14,000 each.

**SJVIA INTERNAL REVIEW:**

All documents have been reviewed by SJVIA Management.

**ADMINISTRATIVE SIGN-OFF:**

  
\_\_\_\_\_  
Oscar J. Garcia, CPA  
Auditor-Treasurer





**BOARD OF DIRECTORS**

ANDREAS BORGEAS  
KUYLER CROCKER  
NATHAN MAGSIG  
BUDDY MENDES  
BRIAN PACHECO  
PETE VANDER POEL  
J. STEVEN WORTHLEY

**Meeting Location:  
County of Tulare  
Board of Supervisors Chambers  
2800 W. Burrel Ave.  
Visalia, CA 93291  
February 3, 2017 9:00 AM**

**AGENDA DATE:** February 3, 2017

**ITEM NUMBER:** Item 15

**SUBJECT:** Approve and Authorize President to Sign Agreement with the Law Firm of Best, Best & Krieger LLP for Special Legal Services (A)

**REQUEST(S):** That the Board approve and authorize President to sign agreement with the law firm of Best, Best & Krieger LLP for special legal services

**DESCRIPTION:**

From time to time the SJVIA requires special legal services, such as those requiring specialized knowledge in the area of health benefits, or litigation services. SJVIA counsel does not provide such legal services.

Under the recommended agreement, the law firm of Best, Best & Krieger LLP (“BB&K”) would provide special legal services as set forth in a separate written authorization from SJVIA counsel. BB&K would not perform any services until receiving and approving that written authorization.

To select a law firm for these services, SJVIA counsel sent a general inquiry to five different firms. Those five law firms were selected based on their respective reputations for being able to provide the kinds of services that the SJVIA is likely to need. Two firms responded that they were unavailable. The other three firms responded that they were available and interested in providing services. SJVIA counsel interviewed partners from each of those three firms to discuss their experience, qualifications, and likely cost. Based on that process, SJVIA counsel recommends that the Board approve the recommended agreement with BB&K to provide special legal services to the SJVIA.

**AGENDA:** San Joaquin Valley Insurance Authority

**DATE:** February 3, 2017

The recommended agreement provides that the SJVIA would pay for the services of BB&K partners at rates ranging from \$350 to \$395 per hour, for associate attorneys at the rate of \$285 per hour, and paralegals at a rate of \$225 per hour. For miscellaneous administrative expenses, the agreement provides for a fee that is calculated as 3% of the total billing for attorneys and paralegals. Invoices remaining unpaid for 45 days would be subject to a one percent late fee.

**FISCAL IMPACT/FINANCING:**

The total annual cost of the services to be provided by BB&K would depend upon the SJVIA's need for such services. SJVIA counsel would monitor all services in coordination with SJVIA management and the Auditor-Treasurer to ensure that sufficient funds are budgeted for necessary services.

**ADMINISTRATIVE SIGN-OFF:**



---

Paul Nerland  
SJVIA Manager



---

Rhonda Sjostrom  
SJVIA Assistant Manager



Indian Wells  
(760) 568-2611

Irvine  
(949) 263-2600

Los Angeles  
(213) 617-8100

Ontario  
(909) 989-8584

**BEST BEST & KRIEGER**  
**ATTORNEYS AT LAW**

500 Capitol Mall, Suite 1700, Sacramento, CA 95814  
Phone: (916) 325-4000 | Fax: (916) 325-4010 | www.bbklaw.com

Riverside  
(951) 686-1450

San Diego  
(619) 525-1300

Walnut Creek  
(925) 977-3300

Washington, DC  
(202) 785-0600

**Cathy Deubel Salenko**  
(916) 551-2092  
cathy.salenko@bbklaw.com

January 31, 2017

**SENT VIA E-MAIL TO:**

[PWALL@CO.FRESNO.CA.US](mailto:PWALL@CO.FRESNO.CA.US)

[DLMENDEZ@CO.TULARE.CA.US](mailto:DLMENDEZ@CO.TULARE.CA.US)

Peter Wall, Office of the Fresno County Counsel  
Diana Mendez, Office of the Tulare County Counsel  
San Joaquin Valley Insurance Authority  
2200 Tulare Street, Suite 500  
Fresno, CA 93721

Re: Engagement Agreement

Dear Mr. Wall and Ms. Mendez:

ABOUT OUR REPRESENTATION

Best Best & Krieger LLP ("BB&K") is pleased to represent San Joaquin Valley Insurance Authority ("SJVIA"). Specifically, we will provide such legal services as set forth in a separate written authorization from SJVIA general counsel and approved by BB&K, and that work will not begin until BB&K receives and approves that authorization.

This letter constitutes our agreement setting the terms of our representation.

CONFIDENTIALITY AND ABSENCE OF CONFLICTS

An attorney-client relationship requires mutual trust between the client and the attorney. It is understood that communications exclusively between counsel and the client are confidential and protected by the attorney-client privilege.

To also assure mutuality of trust, we have maintained a conflict of interest index. The California Rules of Professional Conduct defines whether a past or present relationship with any party prevents us from representing your firm. Similarly, your firm's name will be included in our list of clients to ensure we comply with the Rules of Professional Conduct with respect to your firm.

We have checked the following names against our client index: San Joaquin Valley Insurance Authority; Tulare County; Fresno County; Gallagher Benefit Services, Inc. Based on that check, we can represent SJVIA. Please review the list to see if any other persons or entities



**BEST BEST & KRIEGER**  
ATTORNEYS AT LAW

Peter Wall, Office of the Fresno County Counsel  
Diana Mendez, Office of the Tulare County Counsel  
San Joaquin Valley Insurance Authority  
January 31, 2017  
Page 2

should be included. If you do not tell us to the contrary, we will assume that this list is complete and accurate. We request that you update this list for us if there are any changes in the future.

In addition, our representation is limited to the representation of SJVIA and not Tulare County, Fresno County, or any other entity participating in SJVIA. We bring to your attention that we represent both Tulare County and Fresno County on matters unrelated to this representation. Should any of Tulare County, Fresno County, or any other entity participating in SJVIA becomes adverse to each other or any other entity participating in SJVIA, we will work with SJVIA to obtain appropriate waivers of any conflict of interest, if appropriate, to assist with our continued representation of SJVIA, if desired by SJVIA.

YOUR OBLIGATIONS ABOUT FEES AND BILLINGS

Our hourly fees for the BBK team working with you on this engagement are as set forth below. These fees will be adjusted annually on January 1 of each year starting in 2019, in accordance with the Consumer Price Index with a maximum annual increase of 3%:

Cathy Deubel Salenko, Partner	\$395
Richard Egger, Partner	\$395
Leeann Habte, Partner	\$375
Lauren Strickroth, Partner	\$350
Alexandra Andreen, Associate	\$285
Marc Tran, Associate	\$285
Jacquelyn Yaeger, Associate	\$285
Carol Sanchez, Paralegal	\$225
Monica Smith, Paralegal	\$225
Juan Ornelas, Litigation Analyst	\$220
William King, Litigation Analyst	\$220

We have assembled the above BBK team based on our discussions with you concerning this matter. Should your needs or other circumstances require changes to this BBK team, then we will provide the then SJVIA General Counsel with notice of any revisions and the rates for such persons to afford SJVIA General Counsel the opportunity to object to such changes.

“Block billing” is expressly proscribed and we will use our best efforts to avoid billing in this fashion. Pursuant to your request, we will send invoices by email to sjvia-admin@co.fresno.ca.us, with copy by email to each of Peter Wall and Diana Mendez. We will also send hard copies of our invoices to the Fresno County Counsel’s Office, Attention SJVIA Counsel.



**BEST BEST & KRIEGER**  
ATTORNEYS AT LAW

Peter Wall, Office of the Fresno County Counsel  
Diana Mendez, Office of the Tulare County Counsel  
San Joaquin Valley Insurance Authority  
January 31, 2017  
Page 3

The memorandum attached to this letter describes the other aspects of our firm's billing policies. You should consider this memorandum part of this agreement as it binds both of us. For that reason, you should read it carefully.

INSURANCE

We understand that you are not now insured or have any insurance that may cover potential liability or attorneys' fees in this case. If you think you may have such insurance, please notify me immediately.

We are also pleased to let you know that Best Best & Krieger LLP carries errors and omissions insurance with Lloyd's of London. After a standard deductible, this insurance provides coverage beyond what is required by the State of California.

NEW MATTERS

When we are engaged by a new client on a particular matter, we are often later asked to work on additional matters. You should know that such new matters will be the subject of a new signed supplement to this agreement. Similarly, this agreement does not cover and is not a commitment by either of us that we will undertake any appeals or collection procedures. Any such future work would also have to be agreed upon in a signed supplement.

HOW THIS AGREEMENT MAY BE TERMINATED

You, of course, have the right to end our services at any time. If you do so, you will be responsible for the payment of fees and costs accrued but not yet paid, plus reasonable fees and costs in transferring the case to you or your new counsel. By the same token, we reserve the right to terminate our services to you upon written notice, order of the court, or in accordance with our attached memorandum. This could happen if you fail to pay our fees and costs as agreed, fail to cooperate with us in this matter, or if we determine we cannot continue to represent you for ethical or practical concerns.

CLIENT FILE

If you do not request the return of your file, we will retain your file for five years. After five years, we may have your file destroyed. If you would like your file maintained for more than five years or returned, you must make separate arrangements with us.



**BEST BEST & KRIEGER**  
ATTORNEYS AT LAW

Peter Wall, Office of the Fresno County Counsel  
Diana Mendez, Office of the Tulare County Counsel  
San Joaquin Valley Insurance Authority  
January 31, 2017  
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ARBITRATION

If a dispute arises concerning our representation of you under this agreement, you and Best Best & Krieger LLP agree that the dispute will be settled by binding arbitration pursuant to Title 9 of the Code of Civil Procedure §§ 1280-1294.2. The arbitrator shall be selected from the Judicial Arbitration and Mediation Service. However, you shall retain the right to elect to first arbitrate all fees of costs disputed pursuant to the provisions of the State Mandatory Fee Arbitration Rules, Business & Professions Code, § 6200 et seq.

BY SIGNING IN THE SPACE BELOW, YOU ACKNOWLEDGE THAT THIS SPECIFIC AGREEMENT TO ARBITRATE WAIVES YOUR RIGHT TO A COURT OR JURY TRIAL FOR ANY FEE DISPUTE OR MALPRACTICE CLAIM. THIS ALSO MEANS THAT YOU ARE GIVING UP RIGHT TO DISCOVERY AND TO APPEAL THE ARBITRATOR(S) DECISION. IF YOU LATER REFUSE TO SUBMIT TO ARBITRATION AFTER AGREEING TO DO SO, YOU MAY BE REQUIRED TO ARBITRATE PURSUANT TO THE PROVISION OF THE LAW. YOU ACKNOWLEDGE THAT BEFORE SIGNING THIS ENTIRE AGREEMENT AND THIS SPECIFIC AGREEMENT TO ARBITRATE, YOU ARE ENTITLED, AND HAVE BEEN GIVEN A REASONABLE OPPORTUNITY, TO SEEK THE ADVICE OF INDEPENDENT COUNSEL.

\_\_\_\_\_  
CLIENT'S INITIALS

*CDS*  
\_\_\_\_\_  
ATTORNEY'S INITIALS

THANK YOU

On a personal note, we are pleased to represent you in this matter. If you have any questions at any time about our services or billings, please do not hesitate to call me.

If this letter meets with your approval, please sign and date it, and return the original to us. We have enclosed a separate signed copy of this letter for your records.

Sincerely,

Cathy Deubel Salenko  
of BEST BEST & KRIEGER LLP



**BEST BEST & KRIEGER**  
ATTORNEYS AT LAW

Peter Wall, Office of the Fresno County Counsel  
Diana Mendez, Office of the Tulare County Counsel  
San Joaquin Valley Insurance Authority  
January 31, 2017  
Page 5

CDS:bjs

AGREED AND ACCEPTED:

San Joaquin Valley Insurance Authority

By: \_\_\_\_\_

Dated: \_\_\_\_\_

## BEST BEST & KRIEGER LLP'S BILLING POLICIES

Our century of experience has shown that the attorney-client relationship works best when there is mutual understanding about fees, expenses, billing and payment terms. Therefore, this statement is intended to explain our billing policies and procedures. Clients are encouraged to discuss with us any questions they have about these policies and procedures. Clients may direct specific questions about a bill to the attorney with whom the client works or to our Accounts Receivable Department. Any specific billing arrangements different from those set forth below will be confirmed in a separate written agreement between the client and the firm.

### Fees for Professional Services

Unless a flat fee is set forth in our engagement letter with a client, our fees for the legal work we will undertake will be based in substantial part on time spent by personnel in our office on that client's behalf. In special circumstances which will be discussed with the client and agreed upon in writing, fees will be based upon the novelty or difficulty of the matter, or the time or other special limitations imposed by the client.

Hourly rates are set forth in our engagement letter with you and reflect the skill and experience of the attorney or other legal personnel rendering services on the client's behalf. Time is accrued on an incremental basis for such matters as telephone calls (minimum .2 hour) and letters (minimum .5 hour), and on an actual basis for all other work.

### Fees For Other Services, Costs and Expenses

We will incur on your behalf various costs and expenses in performing legal services under this agreement. Miscellaneous expenses are covered by a standard administrative charge, currently set at 3% of attorney and paralegal fees which compensates the cost of normal photocopying, long distance telephone calls, regular mail postage, telecopy charges and other expenses as to which individual itemization is impractical. Costs specific to your matter such as investigation and filing fees, process server fees, required costs of travel, out-of-town lodging and meals, courier and express delivery and mail services, deposition and court reporter fees, computerized legal research, major photocopying, conference calls and staff overtime, as needed, are itemized and will appear on your monthly statement as separate items.

All costs and expenses are billed at our cost. In some instances, invoices for outside services will be sent directly to you for payment. You agree to pay the administrative charge and the costs itemized on your statements in addition to the hourly fees.

We may need to advance costs and incur expenses on your behalf on an ongoing basis. These items are separate and apart from attorneys' fees and, as they are out-of-pocket charges, we need to have sufficient funds on hand from you to pay them when due. We will advise the client from time to time when we expect items of significant cost to be incurred, and it is required that the client send us advances to cover those costs before they are due.



## Monthly Invoices and Payment

Best Best & Krieger LLP provides our clients with monthly invoices for legal services performed and expenses incurred. Invoices are due and payable upon receipt.

Each monthly invoice reflects both professional and other fees for services rendered through the end of the prior month, as well as expenses incurred on the client's behalf that have been processed by the end of the prior month. Processing of some expenses is delayed until the next month and billed thereafter.

Our fees are not contingent upon any aspect of the matter and are due upon receipt. All billings are due and payable within ten days of presentation unless the full amount is covered by the balance of an advance held in our trust account. If a bill is not paid within 45 days, a late charge of one percent per month on the unpaid invoice shall be added to the balance owed, commencing with the next statement and continuing until paid.

It is our policy to treat every question about a bill promptly and fairly. It is also our policy that if a client does not pay an invoice within 60 days of mailing, we assume the client is, for whatever reason, refusing to pay. We will then advise the client by letter that the client may pay the invoice within 14 days or the firm will take appropriate steps to withdraw as attorney of record. If the delay is caused by a problem in the invoice, we must rely upon the client to raise that with us during the 14-day period. This same policy applies to fee arrangements which require the client to replenish fee deposits or make deposits for anticipated costs.

From time to time clients have questions about the format of the bill or description of work performed. If you have any such questions, please ask them when you receive the bill so we may address them on a current basis.

## Changes in Fee Arrangements and Budgets

It may be necessary under certain circumstances for a client to increase the size of required advances for fees after the commencement of our engagement and depending upon the scope of the work. For example, prior to a protracted trial or hearing, the firm may require a further advance payment to the firm's trust account sufficient to cover expected fees. Any such changes in fee arrangements will be discussed with the client and mutually agreed in writing.

Because of the uncertainties involved, any estimates of anticipated fees that we provide at the request of a client for budgeting purposes, or otherwise, can only be an approximation of potential fees.

**BEST BEST & KRIEGER LLP**

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**BOARD OF DIRECTORS**

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**Meeting Location:  
County of Tulare  
Board of Supervisors Chambers  
2800 W. Burrel Ave.  
Visalia, CA 93291  
February 3, 2017 9:00 AM**

**AGENDA DATE:** February 3, 2017

**ITEM NUMBER:** Item 16

**SUBJECT:** Receive Update on Previous Direction on Emergency Room and Live Health Online Co-Pay Changes Under the Anthem HMO and PPO Health Plans and Give Appropriate Direction to Staff (A)

**REQUEST(S):** That the Board receive an update on emergency room and Live Health Online co-pay changes and provide direction to staff

**DESCRIPTION:**

At the December 8, 2016 meeting, your Board provided direction to increase the Emergency Room (ER) co-pay from \$100 to \$250, and decrease the Live Health Online co-pay from \$15 / \$20 to \$5. This was to encourage members to use alternative health care delivery models as opposed to going to an ER. In 2016, the SJVIA paid over \$1.7 million in avoidable ER costs. By encouraging the use of urgent care facilities and LHO, the plan will mitigate some avoidable costs.

The County of Fresno presented the co-pay recommendations to the Health Benefits Advisory Committee (HBAC) for consideration and discussion. Although the HBAC expressed interest in plan design changes and other possible cost savings options, they were unanimously opposed to a mid-year plan change based on concerns that it would negatively affect the members and the timing of the changes. The HBAC historically has evaluated and made recommendations only for future plan years and are willing to discuss all possible cost saving options for plan year 2018. The County of Tulare has scheduled a meeting with their Health Plan Advisory Group (HPAG).

Anthem has provided information regarding the out-of-network lab and durable medical equipment costs to the plan as well. Staff is requesting for approval to work with Anthem and the consultant to develop long-term strategies and interventions to address these and other high cost claims that have a negative impact on the SJVIA plans.

**AGENDA:** San Joaquin Valley Insurance Authority

**DATE:** February 3, 2017

This item requests confirmation of your Board's direction to increase the Emergency Room (ER) co-pay from \$100 to \$250, and decrease the Live Health Online co-pay from \$15 / \$20 to \$5 as soon as possible this Plan Year. Additionally, staff will work with Anthem Blue Cross and the new consultant on additional strategies that will help mitigate higher plan costs.

**FISCAL IMPACT/FINANCING:**

Potential savings is dependent on the effective date and reduced usage of the ER.

**ADMINISTRATIVE SIGN-OFF:**



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Paul Nerland  
SJVIA Manager



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Rhonda Sjostrom  
SJVIA Assistant Manager