

San Joaquin Valley Insurance Authority

BOARD OF DIRECTORS

SUSAN B. ANDERSON

JUDITH CASE

MIKE ENNIS

ALLEN ISHIDA

PHIL LARSON

DEBORAH POOCHIGIAN

PETE VANDER POEL

Meeting Location:
Fresno County Employee Retirement
Association Board Chambers
1111 H Street
Fresno, CA 93721
January 14, 2011
9:00 AM

AGENDA DATE: January 14, 2011

ITEM NUMBER: 6

SUBJECT: Sample Fully Pooled Renewal

REQUEST(S): That the Board of Directors receive a report on the 2011 SJVIA renewal had County of Tulare and County of Fresno been pooled.

DESCRIPTION: At the direction of your Board, Gallagher Benefit Services has analyzed the claims experience of the SJVIA and prepared a sample renewal scenario for the 2011 year had the JPA been fully pooled for both claims and fixed costs.

Presently the benefit of pooling the costs and minimizing the potential of rating spikes to member groups is experienced within the fixed cost portion of the rates only for the two inaugural counties within the SJVIA. Fixed costs include the administration fees, stop loss insurance, eligibility services, provider access, consulting, and are pooled between the two member groups of the SJVIA. Currently, the pooled fixed costs as a percentage of the total rate is less than 9% for the PPO plans and 12% for the HMO. The self insured claims rates, which are approximately 90% of the total rates for the PPO are developed on a separate and standalone rating basis for each group separately and not on a pooled basis.

It is generally accepted that a pooled rating approach will smooth the renewal ratings from year to year for member groups. Additionally, a pooled approach will expand the ability of the SJVIA to attract new county and city group members to the JPA. Pooling will also enable the SJVIA to offer participation to smaller entities that may have good experience and that will benefit the group as a whole.

At the onset of moving from individual rating to pool rating, it is likely that one of the entities will realize a larger increase than what would have otherwise been experienced. However, on a go forward basis, all member groups will realize the same renewal change percentage (modified only by rating variances to be developed) that would reward the healthier risk groups and penalize groups with higher utilization.

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The Board requested an illustrative rating, had the renewal effective Jan 1, 2011 been developed on a pool basis, rather than individually rated by plan. Specifically, provide illustrative rates on the entire group assuming all 8,600 employees, rather than three separate stand alone ratings of 4,900 ees (CoF HMO), 930 ees (CoF PPO) and 2,730 ees (CoT PPO). See attached illustration to be discussed

FISCAL IMPACT/FINANCING:

None.

ADMINISTRATIVE SIGN-OFF:



Paul Nerland
Fresno County Employee Benefits Manager

**BEFORE THE BOARD OF DIRECTORS
SAN JOAQUIN VALLEY INSURANCE
AUTHORITY**

IN THE MATTER OF Sample Fully Pooled Renewal

RESOLUTION NO. _____
AGREEMENT NO. _____

UPON MOTION OF DIRECTOR _____, SECONDED BY DIRECTOR _____, THE FOLLOWING WAS ADOPTED BY THE BOARD OF DIRECTORS, AT AN OFFICIAL MEETING HELD _____, BY THE FOLLOWING VOTE:

AYES:
NOES:
ABSTAIN:
ABSENT:

ATTEST:

BY: _____

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That the Board received the report.