

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: 7

SUBJECT: Direction for 2012 Plan Design and Strategies

REQUEST(S): That the Board of Directors provide input and direction on potential strategies for 2012

DESCRIPTION:

The purpose of this Agenda Item is to discuss broad strategies for the SJVIA in 2011 and begin planning for opportunities in 2012. It can be generally stated that staff would recommend pursuing options that are innovative, cost-effective and evidence-based and improve health care outcomes for members. Some strategies take longer to analyze and implement. This item and discussion at the Board meeting is designed to begin 2011 with clear direction from your Board on strategies to explore with the results of that analysis to return at the next Board meeting.

To that end, the following broad strategies will be discussed at the SJVIA Board meeting.

1. Collecting and Reporting Claims Information: It is recommended that options be presented that allow measurable, actionable, easy-to-understand claims reporting that allows the SJVIA to benchmark and rate the results of any claims mitigation activities. Below are examples of recommended options:
 - a. Claims Analysis and Reporting: In response to continued interest for claims information in a format that allows strategic decision-making on claims mitigation and plan design, staff is working with Gallagher Benefit Services to secure the desired reporting capabilities. Although some information is available from Anthem Blue Cross, staff would recommend exploring options that would integrate claims data from all vendors. There are organizations that assist in collecting data that allows for on demand report templates, benchmarks and dashboards that would assist staff and the Board in tracking claims trends, evaluating disease management programs and

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establishing a return on investment on wellness programs implemented.

- b. Claim Fraud Prevention: Although Anthem Blue Cross incorporates claims editing and review, there may be opportunity for additional layers that focus on fraud, waste and abuse. Examples of overpayments include services billed but never performed, upcoding/unbundling of services, double-billing, performing clinical services without a license and doctor shopping for multiple prescriptions. Staff would recommend exploring opportunities that would continue to assure SJVIA claim funding is allocated appropriately.
2. Explore Alternative Structures of Health Benefit Options: It is recommended that the SJVIA examine all available options as a large purchaser that would allow for the most cost-effective, high quality coverage for members. This may include more innovative benefit plan design strategies that reward wellness and options that may offer more price stability over time. Examples of options to explore include:
- a. Explore Alternative Plan Design Options: Currently, the County of Fresno offers two PPO options and an HMO while the County of Tulare offers four PPO options. Separate from the SJVIA, each County offers Kaiser to its employees. It is recommended that staff return with the benefits and risks of alternatives to this approach including the consolidation of health plan options.
 - b. Direct Hospital Contracts: Typically agreements are negotiated directly between Health Carriers (i.e. - Anthem Blue Cross, Blue Shield) and local hospitals. Contracts are usually overlaid in an existing plan. However, there is opportunity to explore the viability of direct contracts with local hospitals. The concept would eliminate administrative cost and may greater discounts when there is a level of exclusivity. This may result in fewer hospital choices for employees as currently all major hospitals in the region are available as in network. Your Board gave preliminary direction to gather information on this strategy at the November 5, 2010 meeting.
 - c. Risk Pooling: The development of various risk pooling models will allow the SJVIA to determine the cost impact to participating members (currently Tulare and Fresno Counties) of adding additional public entities. Pooling structure will vary based on several factors including employee size, plan design, age, gender, dependent status as well as geography. Another item on today's agenda reports what the impact would have been if the SJVIA was pooled for the 2011 health plan rates. This strategy would link closely to the SJVIA growth strategy discussed at the last Board meeting. In other words, the impact of pooling may change the SJVIA approach to other entities.
 - d. Addition of Alternative PPO Network: At the last SJVIA Board meeting, an SJVIA growth strategy was discussed. Consistent with that strategy, it

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is recommended that staff review and compare alternatives to mitigate what is termed the “Blue-on-Blue” issue. With Anthem Blue Cross, we are prohibited from adding any prospective public entities that have coverage in place with Anthem Blue Cross. An alternative PPO Network agreement with the SJVIA would allow for current Blue Cross groups to join the SJVIA.

3. Build on Existing Strategies and Data: There are several short-term strategies that include data being compiled as well as determining the timing and most prudent use of funds budgeted for claims mitigation. Staff is also mindful of the impact of health care reform and recommends incorporating this into ongoing strategy for the SJVIA. Examples of recommended strategies include:
 - a. Claims Analysis: The SJVIA has now accumulated 12 months of paid claims data with Anthem Blue Cross. Although staff would recommend exploring options already noted for more robust claims reporting, staff will bring data soon to be available from Anthem Blue Cross. Analysis of this data will facilitate the identification of various types of claims from lifestyle related to chronic conditions. The Anthem 360° Program is in place currently and can now be utilized based on the results of this reporting. As previously reported some of the programs have a cost and would require direction from your Board to implement.
 - b. Wellness Programs: The SJVIA budgets an annual amount for “Claims Mitigation” or wellness activities (\$268,710 in the 2010-2011 annual budget). A limited amount of this has been spent by the County of Tulare to offer an on-site mammography program and other programs are being explored. As referenced already in this item, data acquisition is the key to determining the most cost-effective application of these resources. A broad cross section of data is being compiled and will be used to suggest specific programs that will be the most impactful in improving member health and reducing future costs. Gallagher Benefit Services is currently working with a vendor who will be analyzing the data from the first year of SJVIA claims to identify lifestyle claims among other categories and will offer recommendations for programs to impact group specific claim trends.
 - c. Health Care Reform: Agenda item number 10 on today’s agenda offers the Board additional information on the impact of health care reform. Staff and Gallagher will continue to monitor the developments that may impact the SJVIA in the near and long term. Current language suggests significant cost increases may occur in 2014 when mandates related to employer/employee cost share are scheduled to take effect. A study of the projected impact can be performed to better predict the impact of these changes.
 - d. Explore Ancillary Benefit Options: Cost savings have been demonstrated by consolidating medical plan contracts in the SJVIA. Similar savings

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may exist by exploring a similar approach for Ancillary coverage. Exploration of coverage would consist of Dental, Vision, Life, Disability, and EAP plans. Similar coverage options are available with other JPA arrangements such as EIA and CalPERS. Formal proposals and cost comparisons could be developed for the Board to review at a later date.

FISCAL IMPACT/FINANCING:

There is no direct fiscal impact related to this item as it is a report and request for direction. However, staff will return to your board with details of all costs related to any recommended actions.

ADMINISTRATIVE SIGN-OFF:



Paul Nerland
Fresno County Employee Benefits Manager

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

IN THE MATTER OF Direction for 2012 Plan Design and Strategies

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: _____

* * * * *

That the Board of Directors provided input and direction on potential strategies for 2012.