

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:
Tulare County Employee Retirement
Association Board Chambers
136 N Akers St
Visalia, CA 93921
May 6, 2011
9:00 AM

1. Call to Order

Meeting was called to order by President Judith Case at 9:00 AM

2. Roll Call

Michele Mills, Gallagher Benefit Services, called roll. Present were director Susan Anderson, President Judith Case, Director Mike Ennis, Director Allen Ishida, Director Phil Larson, Director Deborah Poochigian, and Director Phil Cox, alternate for Vice President Pete Vander Poel (absent).

3. Approve Minutes of Meeting of January 14, 2011

Director Ishida moved to approve the minutes of the January 14, 2011 meeting as submitted. The motion was seconded by Director Ennis and approved Unanimously.

4. Dates of Future 2011 SJVIA Board Meetings

President Judith Case opened the discussion to amend the dates of upcoming meetings. Paul Nerland, Director of the SJVIA, explained that staff has discussed the possible need to move the upcoming meetings due to renewal timelines and other scheduling issues. He also stated that moving the September meeting to late August would better align with the needed timing of approved renewal rates for both the County of Fresno and the County of Tulare.

Revised future meeting dates are set for July 22nd in Fresno, August 26th in Visalia, and October 7th in Fresno.

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5. Administrative and Operational Funding Review

Mr. Paul Nerland gave an overview of the administrative functions of the SJVIA and also noted that liability insurance has been purchased. To date, some administrative costs have been billed to the SJVIA from the County participants, other services have not. Mr. Nerland requested direction for staff to review the administrative burden of the SJVIA to determine if the SJVIA fee generates sufficient funds to cover costs. This analysis and request would align and adjustment with the renewal of the health rates and be built into the 2012 rates as it is currently. Director Poochigian asked which costs are taken into consideration as part of the SJVIA fee. Mr. Nerland explained that all administrative costs are being reviewed.

President Case suggested looking into contracting with a Utilization Review professional to assist with cost control at the hospital level.

6. Receive Gallagher Benefit Services Executive Summary Claims Review

Paul Nerland introduced Bruce Caldwell, Gallagher Benefit Services, to review the 2010 and the 2011 first quarter claims executive review.

The reports consisted of data from the counties separately as well as combined to analyze the claims and financial data of the SJVIA. Mr. Caldwell summarized the reports in all aspects including enrollment, premium, administrative costs and claims. Currently the SJVIA claims and reserves make up 91% of the premium collected.

Director Anderson asked what the recommended level of reserve should be for the SJVIA. Leroy Tucker, Gallagher Benefit Services, explained that the SJVIA currently has a very healthy reserve. In review of the PPO, President Case asked if the PPO was under-reserved. Mr. Tucker noted that even on a standalone basis, the PPO plan is fully reserved, but has minimal surplus reserve. With all plans combined, there is currently a very adequate reserve as well as an increasing contingency reserve.

7. Posting of Monthly Reporting for Distribution to Board Members and Staff

Discussion was opened for the posting of reporting information for Board Member access. Director Poochigian asked that GBS bring items

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that would have been posted in June. She asked that counsel review the legality of posting reports for access by staff and Board members.

As the reports that are now public as of the posting of the agenda and the reports, the Board asked staff to review the reports for format and content before reports are released.

Director Poochgian moved that staff and GBS work with counsel to determine the information that will be appropriate for posting and release to the Board without revealing information proprietary to the SJVIA or violating Brown Act regulations. Director Ennis seconded the motion which passed unanimously.

8. Shared Risk Model – Renewal Rating Methodology

Mr. Paul Nerland gave an overview of the current SJVIA format, which is currently pooled for fixed costs only. Alan Thaxter, Gallagher benefit Services, explained that the SJVIA members benefit from the size of the entity by keeping the fixed costs down. He further stated that the fixed costs to the SJVIA account for 9% of the overall plan cost. Currently each County is reviewed and rated independently by claims experience and combining these rates with the fixed costs for a total plan rate. In a pooled arrangement, or shared risk model, the SJVIA as a unit is reviewed for claims and reserves and subsequently each County is also reviewed for their experience as related to the pool overall. Each participating entity is then issued a renewal based on the experience of the pool which is adjusted according to their performance. This approach provides rate smoothing and stability for all entities and is employed by many JPA's currently.

Vicki Crow, SJVIA Auditor-Treasurer, briefly explained GASB 10. Currently the SJVIA is a "claims processor" or "pass through" entity, which calls for financial reporting that is separate for each entity. Queenie Hill explained that on an audited financial, only expenses that directly apply to the SJVIA are reported. The claims detail is provided, but it is provided outside and not part of the audit.

Director Poochigian asked that as part of the renewal that GBS would provide the renewal for both scenarios. She also asked if consolidation of similar plans would be beneficial to the SJVIA. Mr. Thaxter

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explained that efficiencies are gained when fewer plans are offered and that this will be reviewed as part of the renewal.

Ms. Crow explained that due to the current account structure, the administrative duties are cumbersome and difficult to manage. She also explained that moving the SJVIA into a shared risk model would create accounting and administrative efficiency and also lessen reporting requirements. Queenie Hill, speaking on behalf of the SJVIA Auditor-Treasurer, further explained that under the current structure, wires are processed daily, making the addition of other entities to the SJVIA difficult.

Director Anderson moved to adopt the recommended shared risk model. Director Ennis seconded the motion. Unanimously approved.

9. RFP for Pharmacy Benefit Manager

Mr. Nerland explained that Walgreen's has been sold to Catalyst Rx, which creates an opportunity to review the pharmacy costs and request proposals from alternative vendors.

Director Poochigian moved, Ishida seconded the motion to request proposals for Pharmacy Benefit Manager services. Unanimously approved.

10. Wellness/Disease Management RFP

Director Poochigian moved, Director Ennis seconded the motion to perform an RFP for wellness vendors. Unanimously approved.

11. Letter of apology from JP Morgan Chase & Co. regarding Positive Pay Issue

Ms. Crow presented the letter from Chase accepting responsibility for the NSF issue. The treasurer's office is now in the process of creating a list of vendors affected and Chase has agreed to reimburse any costs incurred due to non-payment.

12. Directors Reports – Information

Director Poochigian requested that public comment be placed at the beginning of the agenda and a time limit be imposed.

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13. Public Comment

Meeting adjourned by President Case at 11:15