

San Joaquin Valley Insurance Authority

BOARD OF DIRECTORS

SUSAN B. ANDERSON

JUDITH CASE

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PETE VANDER POEL

Meeting Location:
Tulare County Employee Retirement
Association Board Chambers
136 N. Akers Street
Visalia, CA 93291
August 26, 2011
9:00 AM

AGENDA DATE: August 26, 2011

ITEM NUMBER: 7

SUBJECT: Adopt 2012 Baseline Renewal under Shared Risk Model

REQUEST(S): That the Board approve the attached recommended SJVIA rates for 2012

DESCRIPTION:

Underwriting Methodology

At renewal, Gallagher Benefit Services will review all claims information provided for all lines of coverage. This review will evaluate claims both on an annual basis as well as a rolling 12 month period. Enrollment information and year over year variation is also collected and reviewed at this stage. Consideration is given to any stop-loss (or pooling) reimbursements and enrollment is lagged to properly weight the most recent enrollment figures. Finally, a claims rate on a composite Per Employee Per Month (PEPM) is generated for the period(s) that claims information is available.

At this point, GBS will project claims for the renewal period using the PEPM claims rate generated above. The PEPM claims rate is inflated for medical trend (SJVIA uses an amalgam of trend projections/calculations from several industry resources). This trended medical claims rate is then applied to the current enrollment in order to arrive at an annual projected claims total on a mature claims basis. Finally, claims lag is factored and projected reserves are determined.

Once the claims are projected, the fixed costs of the program are added. These fixed costs include excess reinsurance premiums, administration fees from the carriers and claims paying entities, consulting fees, SJVIA fees, etc. Combining the total fixed costs with the projected claims costs give a total plan costs on a PEPM basis. Multiplying the projected total cost (PEPM) times the current enrollment, times twelve months, will give a total annual plan cost.

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Finally, the total monthly and annual plan costs are converted to monthly premiums based on the entities current plan structure, the current contribution strategy and current tier structure.

Medical:

Gallagher Benefit Services has completed the underwriting, claims projection and vendor negotiations for the 2012 plan year for the San Joaquin Valley Insurance Authority. Utilizing a shared-risk methodology, GBS projects total costs to increase by .7% for the Authority. Gallagher recommends the following rate action for the respective counties:

County of Fresno HMO	.4% increase
County of Fresno PPO	7.5% increase
County of Tulare PPO	2.5% increase

The attached exhibit reflects the proposed premium rates for each of the existing plans as well as the certification from the Gallagher Benefit Services actuary division, Gallagher Analytics.

Vision:

Fully insured vision benefits delivered under the SJVIA are currently utilized by the County of Tulare and experienced a 9.09% increase for Plan Year 2012.

FISCAL IMPACT/FINANCING:

Based on enrollment as of July 1, 2011, the total cost for the SJVIA for Plan Year 2011 will be \$70,442,077. The projected cost for Plan Year 2012 (assuming constant enrollment) will be \$70,940,031. This cost represents a .71% increase over Plan Year 2011.

Based on enrollment as of July 1, 2011, the total cost for the County of Fresno for Plan Year 2011 will be \$51,796,188. The projected cost for Plan Year 2012 (assuming constant enrollment) will be \$52,488,063. This cost represents a 1.3% increase over Plan Year 2011.

Based on enrollment as of July 1, 2011, the total cost for the County of Tulare for Plan Year 2011 will be \$18,646,026. The projected cost for Plan Year 2012 (assuming constant enrollment) will be \$19,112,176. This cost represents a 2.5% increase over Plan Year 2011.

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ADMINISTRATIVE SIGN-OFF:



Paul Nerland
SJVIA Manager



Jeffrey Cardell
Assistant SJVIA Manager

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

IN THE MATTER OF Adopt 2012 Baseline Renewal under Shared Risk Model

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 approve the attached recommended SJVIA rates for 2012