



**BOARD OF DIRECTORS**

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**Meeting Location:  
Tulare County Employees' Retirement  
Association Board Chambers  
136 N Akers St  
Visalia, CA 93291  
November 6, 2015 9:00 AM**

**AGENDA DATE:** November 6, 2015

**ITEM NUMBER:** Item 11

**SUBJECT:** Adopt Resolution to Deallocate Funds from the Viverae Agreement and Authorize SJVIA Manager to give Notice of Termination for Viverae Agreement (A)

**REQUEST(S):** That the Board adopt the resolution deallocating funds from the agreement with Viverae for wellness related services and authorizing staff to issue a notice to terminate the agreement and services, effective January 1, 2016

**DESCRIPTION:**

In mid-September 2015, the SJVIA Auditor-Treasurer informed the staff to the SJVIA and consultant Gallagher Benefit Services of a potential problem with projected cash flows in the claims payment fund of the SJVIA. Auditor-Treasurer staff then reviewed recent actual cash flows, as well as projected cash flows through the end of calendar year 2016. Auditor-Treasurer staff reported to the SJVIA Board on those cash flows at a special meeting of the SJVIA Board held on October 15, 2015.

Due to concerns with the cash flow, Gallagher Benefit Services reviewed the health claims history with updated actuals for July and August 2015. This updated data projected a shortfall between the HMO adopted health plan rates and projected claims and fixed costs. At the October 15 special meeting, the SJVIA Board voted to increase the HMO rates to Fresno and Tulare counties by 1.44% to help mitigate the projected shortage in revenue (paid premiums).

On October 15, the Board also directed SJVIA staff to review other fixed costs and ancillary expenses, or other programs of the SJVIA beyond the

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core health and prescription services. The purpose of the review was to determine whether some costs might be eliminated to improve cash flows. A staff review of the fixed costs and payments made through the claims fund for biometric screenings and wellness incentives indicated an expenditure of over \$900,000 for calendar year 2015 relating to the agreement with Viverae for wellness services.

In January 2015, the SJVIA began a wellness initiative program with Viverae. That program includes engagement through four online challenges, health coaching, and disease management, as well as monetary incentives to participating eligible employees. Staff presented Viverae and its wellness program to the SJVIA Board at the August 22, 2014 meeting, and SJVIA entered into an agreement with Viverae effective August 28, 2014. The financial picture when the Board decided to enter into the agreement was a projected reserve for SJVIA HMO and PPO plans that was at the 16% reserve threshold adopted by the Board. In the ensuing 14 months, financial cash flow and claims experience has differed from expectations to result in a projected reserve less than 9% and resulted in the need to increase health rates to offset rising claims.

Section 5.5.4 of the Viverae agreement provides for termination when sufficient funds are not allocated, and the SJVIA gives advance written notice of at least 30 days.

The staff of the SJVIA is therefore recommending that the Board adopt a resolution to deallocate funds from the Viverae agreement, beginning January 1, 2016, and direct staff to issue advance written notice to Viverae that the agreement will be terminated. Staff recommends giving Viverae sufficient notice to terminate the agreement effective January 1, 2016.

**FISCAL IMPACT/FINANCING:**

The annual cost of the Viverae agreement, including incentives paid to members who participate in the challenges, exceeds \$930,000. The cancellation of this agreement would result in direct savings to the funding of the SJVIA plans and improves the monthly cash flow. However, this would eliminate current online wellness challenges, biometric screenings performed by Viverae, and future incentives to members who participated in the 2015 wellness challenges.

SJVIA staff recommends reviewing the financial picture of the SJVIA again in early 2016 and considering alternative wellness efforts that might be provided at no cost or lower cost. Such efforts might include standalone

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biometric screenings as were previously offered to eligible employees prior to the Viverae agreement, and other wellness services or programs offered through Anthem 360 for PPO members at no cost to the SJVIA. The SJVIA can also continue with: the Walking Works program; the Weight Watchers at Work programs; the use of free online Webinar broadcasts by Anthem, Kaiser and EAP providers; and education and communication by each individual entity to their members on prevention and health topics. The program for onsite mammography exams can also be reviewed for possible scheduling later in 2016 to improve cash flows earlier in the year. Recommendations would be brought back to the Board in early 2016 in an effort to provide SJVIA members with health and wellness support services beyond the health, prescription, dental and vision services offered.

**ADMINISTRATIVE SIGN-OFF:**



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Rhonda Sjostrom  
SJVIA Manager



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Paul Nerland  
SJVIA Assistant Manager