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**Meeting Location:
Fresno County Employees' Retirement
Association Board Chambers
1111 H Street
Fresno, CA 93721
July 17, 2015 9:00 AM**

AGENDA DATE: July 17, 2015

ITEM NUMBER: 13

SUBJECT: Preliminary 2016 Health Plan Renewal (I)

REQUEST(S): That the Board receive and file the preliminary 2016 health plan renewal

DESCRIPTION:

For the fifth plan year renewal cycle, the SJVIA is using the Board approved shared risk underwriting methodology to calculate the 2016 plan year renewal. Under this underwriting arrangement, the SJVIA is reviewed as a unit for claims and reserves and then each agency/plan is also reviewed to determine how their agency specific experience relates to the overall SJVIA pool. The participating agency is then issued a renewal based on the experience of the SJVIA pool, adjusted according to their specific plan performance consistent with the Underwriting Guidelines. This approach provides rate smoothing and stability for all agencies and is employed by many joint power authorities.

As directed by the Board during the April 10, 2015 Board of Directors meeting, the SJVIA is also reviewing the cost structure for the various benefit levels and delivery systems. Gallagher Benefit Services (GBS) has reviewed the experience and population demographics of the HMO and PPO programs and may advise separate rating actions to align premiums with cost projections for each plan.

For the preliminary renewal projection, GBS has projected the overall SJVIA renewal for 2016 would require an increase between 9% and 13%. This initial renewal projection is based on claims data through May 2015 and current demographic information on all participating agencies. This preliminary renewal also contains anticipated rate renewal from the respective vendors for various plan components in addition to fees associated with the Affordable Care Act. These numbers will change, however, based on enrollment changes, savings projections for prescription RFP, and adjustments for June claims

AGENDA: San Joaquin Valley Insurance Authority

DATE: July 17, 2015

Over the coming weeks, SJVIA management and staff will work with the Gallagher team, including underwriting management, to review all aspects of the self-insured medical plan. This review will include proposed fixed cost component increases, medical and pharmacy trend, historical plan performance, and reserve position. This review will be followed with strategic planning discussions to determine whether the plans need to be renewed at different rate actions and how this could impact plan participation and migration, participating entities, and future renewals.

The final rate recommendation will be completed using claims data updated through June 2015 and presented at the August 28, 2015 SJVIA Board of Directors meeting. The presentation at that time will have the 2016 percentage increase for the overall SJVIA, as well as the specific rate increases for each plan and member agency, all developed using the approved shared risk underwriting methodology. Additionally, the recommendation will consider the SJVIA's reserve position for Incurred but Not Reported (IBNR) liability and consider the impact of alternatives.

In addition to the renewal of the self-insured health plan, staff has been notified that other plans, including Kaiser HMO and the dental program with Delta Dental, are running very well and all indications point to favorable renewals. The VSP vision contract is in the first year of two year rate guarantee and will not have any rate action for 2016.

FISCAL IMPACT/FINANCING:

None at this time.

ADMINISTRATIVE SIGN-OFF:



Rhonda Sjostrom
SJVIA Manager



Paul Nerland
SJVIA Assistant Manager