

## **Preliminary 2017 Health Plan Renewal**

### Self-Insured PPO and Minimum Premium HMO Plans

After a preliminary evaluation of the experience for both the PPO and the HMO lines of coverage, Gallagher Benefit Services is projecting an overall increase of 16% - 20% from the current premium levels. Based upon previous conversations with both the Board and their representatives, GBS will be analyzing the data (through June 2016) and preparing the final renewal projections for the following scenarios:

- A) GBS will prepare options reflecting separate rate actions for the PPO and the HMO. These renewal projections would be based upon the experience of each medical option. GBS is estimating an increase of between 14% and 18% for the HMO and 17% and 21% for the PPO.
- B) GBS will prepare options reflecting renewal increases based upon three distinct groups: County of Fresno, County of Tulare and All Other Entities. With growing concern over subsidies and appropriateness of rate vs risk, this would facilitate the evaluation of new groups added and follow the SJVIA underwriting guidelines.
- C) GBS will prepare options reflecting a risk adjustment factor for each PPO option based upon the experience data that we have for each PPO plan (\$0 deductible, \$250 deductible, etc.). The PPO rate action would produce the same premium required under one standard increase across all options. However, rate action would be centered on a selected base plan. Each PPO option would then receive an appropriate rate action for 2017 based upon the experience within that plan. As an example, the PPO 1000 may receive a 5% increase, while the PPO 250 may incur an increase of 25%. This would allow the SJVIA to align premium costs with risk in a more appropriate manner.
- D) GBS will prepare options reflecting current underwriting guidelines. These guidelines allow the SJVIA to assess an "Experience Modification Factor" of up to 5% to any group with claims experience significantly greater than the SJVIA pool. This Experience Modification Factor would be added on top of any rate action proposed as part of the overall renewal strategy.

### Reserve Strategy

Under each of these scenarios, we will be presenting the renewal recommendations without any reference to, addition to or subtraction from the reserve amount. With the amount of a reserve still being a point of contention, we would like the SJVIA to inform us as to the actual amount of cash on hand for a reserve. We will then compare that number to the actuarial factors (8%-9%) and historical factors (14%). Once the differential between actual and the amount desired by the Board is calculated, we will develop a strategy to reach that agreed upon goal.

### Anthem Fixed Cost Components

GBS has received an initial renewal request from Anthem Blue Cross. For the minimum premium HMO plan the overall increase to the fixed cost components (pooling, retention, and capitation) is 2.2%. For the PPO plan, Anthem is requesting an increase of 10.6% over the current administrative fees. GBS is working with Anthem to negotiate these renewal increases and also to develop strategies for cost containment such as plan benefit changes.

### Other Fixed Cost Components

As in past years, preliminary renewal information for the stop loss policy is not released until later in the year. However, the projections include anticipated renewal increases given market information and claims data of the SJVIA. As part of each renewal, Gallagher obtains proposals from alternative stop loss vendors to ensure the most competitive position.

The administrative renewal requests from Health Now Administrative Services and Blue Shield of CA for the City of Tulare PPO plans is not yet available.

### Underwriting Guidelines

Gallagher Benefit Services recommends that the evaluation and adjustment of the underwriting guidelines be put on hold until after the renewal is finalized. We will be able to use the final data and decisions to determine which of the rules need to be adjusted. GBS has identified the following areas for discussion:

- 1) Should the minimum group size be adjusted?
- 2) Should the re-evaluation period be less than 3 years?
- 3) Should plan options for new groups be limited?

### Kaiser HMO

As of the date of this report, GBS has not yet received renewal information from Kaiser for their HMO plan offerings.

## Fully Insured Dental and Vision Plans

The SJVIA has contracts in place with Delta Dental for both PPO and HMO dental plans and Vision Service Plan (VSP) for vision. Both of these contracts are under a two year pricing guarantee. The next renewal cycle for these plans will be January 1, 2018.

## Participating Entities

Entrance into the SJVIA requires a minimum of a three year contract term. The entities listed below with current enrollment have satisfied their commitment and are eligible for renewal or could leave the SJVIA if they so choose.

- The City of Tulare (333)
- The City of Ceres (99)
- The City of Waterford (14)
- The City of San Joaquin (17)
- The City of Shafter (157)
- The City of Sanger (98)
- The City of Gustine (20)
- The City of Farmersville (33)
- The City of Riverbank (44)
- The City of Reedley (118)
- The City of Wasco (56)
- The City of Newman (25)