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SJVIA Board Meeting: Consultants Report on Loan Repayment

To maintain financial viability, the County of Tulare and the County of Fresno provided loans to the SJVIA in the amount of \$9,000,000. This includes two \$2,000,000 loans from the County of Tulare and \$5,000,000 from the County of Fresno. The County of Tulare has the \$4,000,000 loan repayment due June 30, 2018. The \$5,000,000 loan repayment to the County of Fresno is due June 30, 2021. The SJVIA rates for plan year 2017 and 2018 do not include a provision for loan repayment.

While loan repayment is important, it needs to be balanced with IBNR reserve accumulation and a stabilization reserve build up so that the SJVIA can avoid future adverse financial impact.

While the SJVIA will build reserves in 2018 via the Kaiser coverage of approximately \$1 million, reserve accumulation in the self-funded medical program is not designed for loan repayment. Keenan has prepared three, loan repayment schedule options starting January 1, 2019 through June 30, 2021.

SJVIA	Number of Months	PEPM	County of Fresno	County of Tulare	City of Marysville	Total SJVIA
Enrollment			5,850	3,009	43	8,902
Repayment Date						
December 31, 2019	12	\$ 84.26	\$ 5,915,052	\$ 3,042,460	\$ 43,478	\$ 9,000,990
December 31, 2020	24	\$ 42.13	\$ 5,915,052	\$ 3,042,460	\$ 43,478	\$ 9,000,990
June 30, 2021	30	\$ 33.71	\$ 5,916,105	\$ 3,043,002	\$ 43,486	\$ 9,002,593

The chart above assumes a constant repayment equal on a per employee per month (PEPM) basis. Other factors the board may want to consider are:

- Adjusting the PEPM for dependent tiers
- Financial position of each SJVIA entity
- The potential participation of entities over the duration of the loan repayment period.

Keenan looks forward to receiving direction from the Board to further develop the loan repayment policy.

Update of SJVIA Deficit Position

Keenan reported at the April 28, 2017 SJVIA Board meeting the SJVIA plan experience by entity back to inception. The following chart illustrates deficit accumulation by each group since inception through December 31, 2016:

SJVIA	County of Fresno	County of Tulare	All Other Group	County of Sutter *	Termed Groups **	Total
12/31/16 Total Liability						
2010-2016 Position	\$ (12,243,716)	\$ (434,912)		\$150,217		\$ (12,528,411)
12/31/16 IBNR	\$ (4,392,000)	\$ (2,409,800)		(\$3,647,089)		\$ (10,448,889)
12/31/16 Total	\$ (16,635,716)	\$ (2,844,712)		(\$3,496,872)		\$ (22,977,300)

The overall position as of December 31, 2016 was -\$22,977,300. The updated position through August 31, 2017 includes realized IBNR claims for termed groups (* County of Sutter and ** termed groups as of 12/31/16). The following chart illustrates the updated position as of August 31, 2017.

SJVIA	County of Fresno	County of Tulare	All Other Group	County of Sutter *	Termed Groups **	Total
2017 Plan Experience (1/1/17 - 08/31/17)						
Premium Paid	\$ 34,542,561	\$ 16,932,543	\$ 2,261,084	\$ 4,457,524	\$ -	\$ 58,193,712
Expenses Realized	\$ (33,645,211)	\$ (16,028,868)	\$ (2,406,353)	\$ (4,652,616)	\$ -	\$ (56,733,048)
\$ Difference	\$ 897,350	\$ 903,675	\$ (145,269)	\$ (195,092)	\$ -	\$ 1,460,664
2017 IBNR Claims Realized (1/1/17 - 08/31/17)						
Medical	\$ -	\$ -	\$ -	\$ (912,414)	\$ (1,100,171)	\$ (2,012,585)
Prescription Drugs	\$ -	\$ -	\$ -	\$ (9,618)	\$ (21,515)	\$ (31,133)
Realized IBNR	\$ -	\$ -	\$ -	\$ (922,032)	\$ (1,121,686)	\$ (2,043,718)
2017 Plan Experience w/IBNR (1/1/17 - 08/31/17)						
Premium Paid	\$ 34,542,561	\$ 16,932,543	\$ 2,261,084	\$ 4,457,524	\$ -	\$ 58,193,712
Expenses Realized	\$ (33,645,211)	\$ (16,028,868)	\$ (2,406,353)	\$ (5,574,648)	\$ (1,121,686)	\$ (58,776,766)
\$ Difference	\$ 897,350	\$ 903,675	\$ (145,269)	\$ (1,117,124)	\$ (1,121,686)	\$ (583,054)

During the last eight months, the SJVIA: 1) realized a significant portion (\$2,043,718) of the run-out claims for the groups that terminated December 31, 2016 and the County of Sutter which terminated April 30, 2017, and 2) had premiums in excess of expenses by \$1,460,664. This resulted in an overall shortfall of premium to expenses of \$583,054 over the eight-month period.

The SJVIA's IBNR reserve decreased \$4,587,915 over the eight-month period for two reasons: 1) \$2,043,718 was realized in paid claims for the terminated groups, 2) The 2018 renewal utilized updated claims data to determine IBNR reserve for the active groups, and 3) the terminated groups realized less than expected IBNR reserves. The following chart illustrates the change in IBNR reserve.

SJVIA	County of Fresno	County of Tulare	All Other Group	County of Sutter *	Termed Groups **	Total
Change in IBNR						
12/31/16 IBNR	\$ (4,392,000)	\$ (2,409,800)		(\$3,647,089)		\$(10,448,889)
08/31/17 IBNR	\$ (3,228,380)	\$ (2,007,762)		(\$624,832)		\$ (5,860,974)
Difference	\$ (1,163,620)	\$ (402,038)		(\$3,022,257)		\$ (4,587,915)

Please note that the updated IBNR reserve estimate is not actuarially certified. The next actuarially certified IBNR reserve will be based on data through December 31, 2017. The updated estimated overall SJVIA position through August 31, 2017 is \$16,928,721.

SJVIA	County of Fresno	County of Tulare	All Other Group	County of Sutter *	Termed Groups **	Total
08/31/17 Total Position						
2010-2017 Position	\$(11,346,366)	\$ 468,763		(\$190,144)		\$(11,067,747)
08/31/17 IBNR	\$ (3,228,380)	\$ (2,007,762)		(\$624,832)		\$ (5,860,974)
08/31/17 Total	\$(14,574,746)	\$ (1,538,999)		(\$814,976)		\$(16,928,721)

When we compare the updated position to the December 31, 2016 position, we note that the overall SJVIA position improved from a deficit of \$22,977,300 to \$16,928,721 (\$6,048,579).

SJVIA	County of Fresno	County of Tulare	All Other Group	County of Sutter *	Termed Groups **	Total
Change in Position						
12/31/16 Position	\$(16,635,716)	\$ (2,844,712)		(\$3,496,872)		\$(22,977,300)
08/31/17 Position	\$(14,574,746)	\$ (1,538,999)		(\$814,976)		\$(16,928,721)
Difference	\$ 2,060,970	\$ 1,305,713		\$2,681,896		\$ 6,048,579