

April 28, 2017

SJVIA Board Meeting: Consultant’s Report—Item 13 Plan Experience since Inception

Keenan was requested to prepare a report of SJVIA plan experience by entity back to inception. This project proved problematic as Anthem Blue Cross was not able to provide data prior to 2015. Gallagher Benefit Services (GBS) provided the SJVIA Staff a draft document with data for the County of Fresno, the County of Tulare, and “All Other Entities” back to inception on an annualized basis from 2010 through October, 2016. Keenan completed this report for calendar year 2016. It should be noted that SJVIA data held in trust by GBS has not been provided to Keenan. Keenan has prepared this report under the assumption that the data provided by GBS is correct and accurate.

While the SJVIA Board is concerned that the addition of other entities caused the deficit position, Keenan summarized that the “All Other Entities” did fund their plan expenses throughout their tenure, but premiums only funded \$150,217 of the \$3,647,089 IBNR reserve for a remaining deficit of \$3,496,871.

The following Chart illustrates deficit accumulation by each group since inception:

SJVIA Deficit Position	County of Tulare	County of Fresno	All Other Entities	SJVIA Total
Cumulative Deficit Position	\$ (434,912)	\$ (12,243,716)	\$ 150,217	\$ (12,528,410)
<u>IBNR</u>	<u>\$ (2,409,800)</u>	<u>\$ (4,392,000)</u>	<u>\$ (3,647,089)</u>	<u>\$ (10,448,889)</u>
Total	\$ (2,844,712)	\$ (16,635,716)	\$ (3,496,871)	\$ (22,977,299)

As we looked for the cause of the deficit accumulation, it became less about which group, but rather what product was consistently underpriced. In looking at the Anthem HMO product, it started being underpriced in 2012 for the County of Fresno, 2015 for the County of Tulare and “All Other Entities” and accumulated a total deficit position of \$15,936,339. The PPO products were underpriced starting 2014 and 2015 and continued into 2016. The “All Other Entities” accumulated a substantial PPO deficit in 2016 with \$4,149,053, but previous year surplus positions left the overall position positive by \$699,707.

Between the rate increases passed on for 2017 and the cost savings initiatives Keenan will present for 2017, significant deficit recovery can be expected moving forward.

SJVIA Reconciliation Report		SJVIA			Fresno			Tulare			All Other		
		HMO	PPO	Combined	HMO	PPO	Combined	HMO	PPO	Combined	HMO	PPO	Combined
2010	Prem	\$ 42,181,416	\$ 26,395,385	\$ 68,576,801	\$ 42,181,416	\$ 8,483,786	\$ 50,665,202	\$ -	\$ 17,911,599	\$ 17,911,599	\$ -	\$ -	\$ -
	Total Cost	\$ 37,720,237	\$ 23,526,473	\$ 61,246,710	\$ 37,720,237	\$ 6,812,938	\$ 44,533,175	\$ -	\$ 16,713,535	\$ 16,713,535	\$ -	\$ -	\$ -
	\$ Difference	\$ 4,461,179	\$ 2,868,912	\$ 7,330,091	\$ 4,461,179	\$ 1,670,848	\$ 6,132,027	\$ -	\$ 1,198,064	\$ 1,198,064	\$ -	\$ -	\$ -
	Loss Ratio	89.4%	89.1%	89.3%	89.4%	80.3%	87.9%		93.3%	93.3%			
2011	Prem	\$ 44,955,847	\$ 26,323,381	\$ 71,279,228	\$ 44,955,847	\$ 7,561,939	\$ 52,517,786	\$ -	\$ 18,761,442	\$ 18,761,442	\$ -	\$ -	\$ -
	Total Cost	\$ 42,591,763	\$ 24,817,680	\$ 67,409,443	\$ 42,591,763	\$ 7,477,950	\$ 50,069,713	\$ -	\$ 17,339,730	\$ 17,339,730	\$ -	\$ -	\$ -
	\$ Difference	\$ 2,364,084	\$ 1,505,701	\$ 3,869,785	\$ 2,364,084	\$ 83,989	\$ 2,448,073	\$ -	\$ 1,421,712	\$ 1,421,712	\$ -	\$ -	\$ -
	Loss Ratio	94.7%	94.3%	94.6%	94.7%	98.9%	95.3%		92.4%	92.4%			
2012	Prem	\$ 42,211,773	\$ 27,077,170	\$ 69,288,943	\$ 42,211,773	\$ 6,809,346	\$ 49,021,119	\$ -	\$ 18,652,690	\$ 18,652,690	\$ -	\$ 1,615,134	\$ 1,615,134
	Total Cost	\$ 42,997,488	\$ 25,487,664	\$ 68,485,152	\$ 42,997,488	\$ 6,376,102	\$ 49,373,590	\$ -	\$ 18,158,890	\$ 18,158,890	\$ -	\$ 952,672	\$ 952,672
	\$ Difference	\$ (785,715)	\$ 1,589,506	\$ 803,791	\$ (785,715)	\$ 433,244	\$ (352,471)	\$ -	\$ 493,800	\$ 493,800	\$ -	\$ 662,462	\$ 662,462
	Loss Ratio	101.9%	94.1%	98.8%	101.9%	93.6%	100.7%		97.4%	97.4%		59.0%	59.0%
2013	Prem	\$ 49,017,156	\$ 29,330,683	\$ 78,347,839	\$ 44,965,190	\$ 6,839,897	\$ 51,805,087	\$ 2,098,473	\$ 18,114,767	\$ 20,213,240	\$ 1,953,493	\$ 4,376,019	\$ 6,329,512
	Total Cost	\$ 51,038,431	\$ 26,286,441	\$ 77,324,872	\$ 48,199,812	\$ 6,294,333	\$ 54,494,145	\$ 2,053,678	\$ 17,539,970	\$ 19,593,648	\$ 784,941	\$ 2,452,138	\$ 3,237,079
	\$ Difference	\$ (2,021,275)	\$ 3,044,242	\$ 1,022,967	\$ (3,234,622)	\$ 545,564	\$ (2,689,058)	\$ 44,795	\$ 574,797	\$ 619,592	\$ 1,168,552	\$ 1,923,881	\$ 3,092,433
	Loss Ratio	104.1%	89.6%	98.7%	107.2%	92.0%	105.2%	97.9%	96.8%	96.9%	40.2%	56.0%	51.1%
2014	Prem	\$ 53,610,500	\$ 33,035,282	\$ 86,645,782	\$ 47,770,525	\$ 6,853,201	\$ 54,623,726	\$ 2,573,539	\$ 18,691,219	\$ 21,264,758	\$ 3,266,436	\$ 7,490,862	\$ 10,757,298
	Total Cost	\$ 55,693,816	\$ 32,311,383	\$ 88,005,199	\$ 50,198,930	\$ 7,451,756	\$ 57,650,686	\$ 2,274,398	\$ 19,647,012	\$ 21,921,410	\$ 3,220,488	\$ 5,212,615	\$ 8,433,103
	\$ Difference	\$ (2,083,316)	\$ 723,899	\$ (1,359,417)	\$ (2,428,405)	\$ (598,555)	\$ (3,026,960)	\$ 299,141	\$ (955,793)	\$ (656,652)	\$ 45,948	\$ 2,278,247	\$ 2,324,195
	Loss Ratio	103.9%	97.8%	101.6%	105.1%	108.7%	105.5%	88.4%	105.1%	103.1%	98.6%	69.6%	78.4%
2015	Prem	\$ 54,154,735	\$ 46,646,481	\$100,801,216	\$ 43,026,208	\$ 6,592,106	\$ 49,618,314	\$ 3,126,648	\$ 18,928,110	\$ 22,054,758	\$ 8,001,879	\$ 21,126,265	\$ 29,128,144
	Total Cost	\$ 65,514,244	\$ 47,066,983	\$112,581,227	\$ 51,931,320	\$ 6,379,508	\$ 58,310,828	\$ 4,619,688	\$ 19,545,380	\$ 24,165,068	\$ 8,963,236	\$ 21,142,095	\$ 30,105,331
	\$ Difference	\$ (11,359,509)	\$ (420,502)	\$ (11,780,011)	\$ (8,905,112)	\$ 212,598	\$ (8,692,514)	\$ (1,493,040)	\$ (617,270)	\$ (2,110,310)	\$ (961,357)	\$ (15,830)	\$ (977,187)
	Loss Ratio	121.0%	100.9%	111.7%	120.7%	96.8%	117.5%	147.8%	103.3%	109.6%	112.0%	100.1%	103.4%
2016	Prem	\$ 53,526,716	\$ 55,640,763	\$109,167,479	\$ 41,546,898	\$ 6,947,403	\$ 48,494,301	\$ 3,171,595	\$ 20,015,806	\$ 23,187,401	\$ 8,808,223	\$ 28,677,554	\$ 37,485,777
	Total Cost	\$ 60,038,503	\$ 61,544,592	\$121,583,095	\$ 47,089,638	\$ 7,467,476	\$ 54,557,114	\$ 3,338,010	\$ 21,250,509	\$ 24,588,519	\$ 9,610,856	\$ 32,826,607	\$ 42,437,463
	\$ Difference	\$ (6,511,787)	\$ (5,903,829)	\$ (12,415,616)	\$ (5,542,740)	\$ (520,073)	\$ (6,062,813)	\$ (166,415)	\$ (1,234,703)	\$ (1,401,118)	\$ (802,633)	\$ (4,149,053)	\$ (4,951,686)
	Loss Ratio	112.2%	110.6%	111.4%	113.3%	107.5%	112.5%	105.2%	106.2%	106.0%	109.1%	114.5%	113.2%
2010-2016	Prem	\$339,658,143	\$244,449,145	\$584,107,288	\$306,657,857	\$ 50,087,678	\$356,745,535	\$ 10,970,255	\$131,075,633	\$142,045,888	\$ 22,030,031	\$ 63,285,834	\$ 85,315,865
	Total Cost	\$355,594,482	\$241,041,216	\$596,635,698	\$320,729,188	\$ 48,260,063	\$368,989,251	\$ 12,285,774	\$130,195,026	\$142,480,800	\$ 22,579,521	\$ 62,586,127	\$ 85,165,648
	\$ Difference	\$ (15,936,339)	\$ 3,407,929	\$ (12,528,410)	\$ (14,071,331)	\$ 1,827,615	\$ (12,243,716)	\$ (1,315,519)	\$ 880,607	\$ (434,912)	\$ (549,490)	\$ 699,707	\$ 150,217
	Loss Ratio	104.7%	98.6%	102.1%	104.6%	96.4%	103.4%	112.0%	99.3%	100.3%	102.5%	98.9%	99.8%

SJVIA Reserve Accumulation	SJVIA			Fresno			Tulare			All Other		
	HMO	PPO	Combined	HMO	PPO	Combined	HMO	PPO	Combined	HMO	PPO	Combined
2010	\$ 4,461,179	\$ 2,868,912	\$ 7,330,091	\$ 4,461,179	\$ 1,670,848	\$ 6,132,027	\$ -	\$ 1,198,064	\$ 1,198,064	\$ -	\$ -	\$ -
2011	\$ 2,364,084	\$ 1,505,701	\$ 3,869,785	\$ 2,364,084	\$ 83,989	\$ 2,448,073	\$ -	\$ 1,421,712	\$ 1,421,712	\$ -	\$ -	\$ -
2012	\$ (785,715)	\$ 1,589,506	\$ 803,791	\$ (785,715)	\$ 433,244	\$ (352,471)	\$ -	\$ 493,800	\$ 493,800	\$ -	\$ 662,462	\$ 662,462
2013	\$ (2,021,275)	\$ 3,044,242	\$ 1,022,967	\$ (3,234,622)	\$ 545,564	\$ (2,689,058)	\$ 44,795	\$ 574,797	\$ 619,592	\$ 1,168,552	\$ 1,923,881	\$ 3,092,433
2014	\$ (2,083,316)	\$ 723,899	\$ (1,359,417)	\$ (2,428,405)	\$ (598,555)	\$ (3,026,960)	\$ 299,141	\$ (955,793)	\$ (656,652)	\$ 45,948	\$ 2,278,247	\$ 2,324,195
2015	\$ (11,359,509)	\$ (420,502)	\$ (11,780,011)	\$ (8,905,112)	\$ 212,598	\$ (8,692,514)	\$ (1,493,040)	\$ (617,270)	\$ (2,110,310)	\$ (961,357)	\$ (15,830)	\$ (977,187)
2016	\$ (6,511,787)	\$ (5,903,829)	\$ (12,415,616)	\$ (5,542,740)	\$ (520,073)	\$ (6,062,813)	\$ (166,415)	\$ (1,234,703)	\$ (1,401,118)	\$ (802,633)	\$ (4,149,053)	\$ (4,951,686)
IBNR Reserve*			\$ (10,448,889)			\$ (4,392,000)			\$ (2,409,800)			\$ (3,647,089)
Reserve Cummulation												
2010	\$ 4,461,179	\$ 2,868,912	\$ 7,330,091	\$ 4,461,179	\$ 1,670,848	\$ 6,132,027	\$ -	\$ 1,198,064	\$ 1,198,064	\$ -	\$ -	\$ -
2011	\$ 6,825,263	\$ 4,374,613	\$ 11,199,876	\$ 6,825,263	\$ 1,754,837	\$ 8,580,100	\$ -	\$ 2,619,776	\$ 2,619,776	\$ -	\$ -	\$ -
2012	\$ 6,039,548	\$ 5,964,119	\$ 12,003,667	\$ 6,039,548	\$ 2,188,081	\$ 8,227,629	\$ -	\$ 3,113,576	\$ 3,113,576	\$ -	\$ 662,462	\$ 662,462
2013	\$ 4,018,273	\$ 9,008,361	\$ 13,026,634	\$ 2,804,926	\$ 2,733,645	\$ 5,538,571	\$ 44,795	\$ 3,688,373	\$ 3,733,168	\$ 1,168,552	\$ 2,586,343	\$ 3,754,895
2014	\$ 1,934,957	\$ 9,732,260	\$ 11,667,217	\$ 376,521	\$ 2,135,090	\$ 2,511,611	\$ 343,936	\$ 2,732,580	\$ 3,076,516	\$ 1,214,500	\$ 4,864,590	\$ 6,079,090
2015	\$ (9,424,552)	\$ 9,311,758	\$ (112,794)	\$ (8,528,591)	\$ 2,347,688	\$ (6,180,903)	\$ (1,149,104)	\$ 2,115,310	\$ 966,206	\$ 253,143	\$ 4,848,760	\$ 5,101,903
2016	\$ (15,936,339)	\$ 3,407,929	\$ (12,528,410)	\$ (14,071,331)	\$ 1,827,615	\$ (12,243,716)	\$ (1,315,519)	\$ 880,607	\$ (434,912)	\$ (549,490)	\$ 699,707	\$ 150,217
2016 w/ IBNR			\$ (22,977,299)			\$ (16,635,716)			\$ (2,844,712)			\$ (3,496,871)

* All Other IBNR Reserve estimated and not Actuarially certified.