

Introduction

This report outlines the 2018 preliminary renewal for the SJVIA self-funded medical program. It is based on the experience period from June 1, 2016 through May 31, 2017 and projected for the plan year 2018. The renewal underwriting methodology is based upon the Keenan proposed renewal underwriting guidelines and risk share model. As a result, preliminary renewal action has been individualized based on the credibility and risk sharing assignments to each group.

Keenan prepared two preliminary renewal scenarios. The first scenario “Status Quo”, assumes a continuation of the existing programs including the Anthem HMO and the current PBM. The second scenario “Proposed Scenario” assumes a change from the Anthem HMO to the Anthem EPO and a change in PBM.

Built into both scenarios are calculations for the change in IBNR and a margin. This means there is a recommended IBNR Reserve and Stabilization Reserve build up inherent within the preliminary renewal rates.

Executive Summary

The Status Quo Scenario produced a 9.0% overall increase. The renewal includes 4.1% for the buildup of IBNR and Stabilization Reserve. The Proposed Scenario produced a 3.0% overall increase. The projected 2018 costs were reduced by \$5.6M for the EPO and new PBM implementation. The \$5.6M represents 75% of the projected EPO and PBM savings. The renewal includes 4.2% (\$3.7M) for the buildup of IBNR and Stabilization Reserve.

The proposed Keenan renewal underwriting guidelines outline providing rates by coverage by County of Fresno, County of Tulare and All Other. The following table outlines the proposed rate adjustments by these guidelines:

Proposed Scenario	County of Fresno	County of Tulare	All Other	Total
EPO	2.9%	N/A	5.1%	3.0%
PPO and HDHP	11.8%	-0.2%	3.6%	2.9%
Total	4.2%	-0.2%	4.6%	3.0%

Should the SJVIA board elect a pass on rates for all groups (0.0%), the margin and stabilization reserve accumulation would be \$1.26M or 1.4% of premium.

Keenan is looking for direction from the SJVIA Board to finalize the 2018 renewal at the next Board meeting scheduled for August 25, 2017. The final renewal will be based on experience data from July 1, 2016 through June 30, 2017.

Rate Action

Based on the preliminary renewal, Keenan developed the following rate action:

SJVIA	Enrollment					2017 Monthly Rates					Proposed 2018 Monthly Rates			
	EE	ES	EC	EF	Total	EE	ES	EC	EF	Rate Δ	EE	ES	EC	EF
County of Fresno														
Anthem \$250	127	12	5	2	146	\$ 1,002	\$ 2,102	\$ 1,905	\$ 2,904	11.8%	\$ 1,120	\$ 2,350	\$ 2,130	\$ 3,247
Anthem \$1000	21	3	4	0	28	\$ 744	\$ 1,561	\$ 1,414	\$ 2,156	11.8%	\$ 832	\$ 1,745	\$ 1,581	\$ 2,410
Anthem \$1500 Active	28	0	0	1	29	\$ 674	\$ 1,415	\$ 1,282	\$ 1,955	11.8%	\$ 754	\$ 1,582	\$ 1,433	\$ 2,186
Anthem \$1500 Retiree	108	29	6	4	147	\$ 771	\$ 1,365	\$ 1,204	\$ 1,797	11.8%	\$ 862	\$ 1,526	\$ 1,346	\$ 2,009
Anthem \$3000	512	16	18	16	562	\$ 551	\$ 1,167	\$ 1,046	\$ 1,594	11.8%	\$ 616	\$ 1,305	\$ 1,169	\$ 1,782
Anthem HMO / EPO	1,484	343	933	351	3,111	\$ 792	\$ 1,400	\$ 1,235	\$ 1,842	2.9%	\$ 815	\$ 1,441	\$ 1,271	\$ 1,895
Total, %, \$ Diff.	2,280	403	966	374	4,023		\$49,815,684			4.4%	\$52,006,944		\$2,191,260	
County of Tulare														
Anthem \$0	233	23	9	8	273	\$ 878.65	\$1,756.37	\$1,603.29	\$2,662.81	-0.2%	\$ 876.89	\$1,752.86	\$1,600.08	\$2,657.48
Anthem \$500	649	70	44	9	772	\$ 661.64	\$1,323.94	\$1,212.57	\$2,088.17	-0.2%	\$ 660.32	\$1,321.29	\$1,210.14	\$2,083.99
Anthem \$1000	1,661	235	130	69	2,095	\$ 581.20	\$1,161.58	\$1,065.82	\$1,770.73	-0.2%	\$ 580.04	\$1,159.26	\$1,063.69	\$1,767.19
Anthem \$2500	32	2	2	3	39	\$ 550.83	\$1,100.79	\$1,010.06	\$1,678.12	-0.2%	\$ 549.73	\$1,098.59	\$1,008.04	\$1,674.76
Total, %, \$ Diff.	2,575	330	185	89	3,179		\$28,812,540			-0.2%	\$28,754,976		(\$57,564)	
City of Ceres														
Anthem \$3000	3	0	2	5		\$ 585.02	\$1,239.19	\$1,692.98		3.6%	\$ 606.08	\$1,283.80	\$1,753.93	
Anthem HMO / EPO	20	28	67	115		\$ 634.06	\$1,337.86	\$1,914.85		5.1%	\$ 666.40	\$1,406.09	\$2,012.51	
Total, %, \$ Diff.	23	28	69	120			\$2,202,924			5.1%	\$2,314,356		\$111,432	
City of Marysville														
Anthem \$250	9	12	19	40		\$ 873.30	\$1,746.61	\$2,271.06		3.6%	\$ 904.74	\$1,809.49	\$2,352.82	
Anthem \$500	0	0	2	2		\$ 787.98	\$1,575.97	\$2,049.18		5.1%	\$ 828.17	\$1,656.34	\$2,153.69	
Total, %, \$ Diff.	9	12	21	42			\$912,804			3.7%	\$946,416		\$33,612	
City of Waterford														
Anthem HMO / EPO	2	0	1	8	11	\$ 634.05	\$1,121.08	\$ 989.49	\$1,475.22	5.1%	\$ 666.39	\$1,178.26	\$1,039.95	\$1,550.46
Anthem PPO 250	1	0	1	3	5	\$ 634.05	\$1,121.08	\$ 989.49	\$1,475.22	3.6%	\$ 656.88	\$1,161.44	\$1,025.11	\$1,528.33
Total, %, \$ Diff.	3	0	2	11	16		\$241,296			4.7%	\$252,528		\$11,232	

Underwriting

The Overall Renewal Requirement

Keenan first developed the overall renewal requirement for Total Medical, the HMO (or proposed EPO), the PPO, and the High Deductible Health Plan (HDHP) PPO. Using the overall renewal requirements as a basis, separate renewal action and rates were determined for each participating entity based on the credibility of each entities plan experience.

Credibility

Credibility is based on the size of a group and is used to determine what percentage of the group's plan experience should be used to determine its rates. The percentage credibility of the experience is then blended with the pooled experience or manual rate to determine the proposed renewal rate.

For the five entities that make up the SJVIA, Keenan used the following credibility factors:

- County of Fresno 100% credibility
- County of Tulare 100% credibility
- City of Ceres 0% credibility (100% pooled rate)
- City of Marysville 0% credibility (100% pooled rate)

- City of Waterford 0% credibility (100% pooled rate)

This means the plan experience for the two Counties will be considered 100% credible, while the plan experience for the three Cities (All Other) will be considered not credible and will renew as part of the overall renewal.

Underwriting Methodology

The following chart illustrates the underwriting methodology which was used for the HMO (or EPO), PPO, HDHP PPO and Total Medical/RX.

Type of Coverage		HMO(or EPO), PPO, HDHP PPO, or Total Medical		
Line of Coverage	Calculation	Medical	RX	Total
A	Paid Claims			
B	Large Claim Adj.			
C	Adj. Paid Claims	A-B		
D	Pooled Claim Risk Adj.			
E	Adj. Paid Claims	C-D		
F	Beginning IBNR			
G	Ending IBNR			
H	Change in IBNR	G-F		
I	Incurred Claims	E+H		
J	Total Covered Employees			
K	Incurred Claims PEPM	I/J		
L	Months of Trend			
M	Trend			
N	Trend Factor	$(1+M)^{(L/12)}$		
O	Projected Claims	K*N		
P	Plan Design Adjustment			
Q	Selection Adjustment			
R	Margin			
S	Adj. Projected Claims	$O*P*Q*(1+R)$		
T	Credibility			
U	Pooled (Manual) Claim Basis			
V	Final Projected Claims	$(S*T)+(U*(1-T))$		
W	Fixed Cost PEPM			
X	Specific Stop Loss			
Y	Aggregate Stop Loss			
Z	Risk Share Pool Charge	$(D/J)*N*(1+R)$		
AA	Anthem Network/Admin.			
AB	JPA Admin			
AC	Benefits Admin. System			
AD	COBRA/Retiree Admin.			
AE	Consulting (Keenan)			
AF	Other Program Fees			
AG	Total Fixed Cost	Sum(X:AF)		
AH	Required Premium PEPM	V+AG		
AI	Current Premium PEPM			
AJ	Percentage Rate Adjustment	A/AI-1		
AK	Current/Projected Enrollment			
AL	Annual Dollar Difference	$(AH-AI)*AK*12$		

Notes:

PEPM - Per Employee Per Month

Other Program Fees include: Wellness, SJVIA Non-Founding Member Fee, PCORI/Transitional Reinsurance and Capitation fee (for HMO only).

A - Paid Claims

The most recent 12 months (June 1, 2016 through May 31, 2017) of paid claims (known as the experience period) was used for the preliminary renewal.

B - Large Claim Adjustment

All paid claims by claimants in excess of the projected specific reinsurance level (current level \$450,000) were accumulated and deducted from the paid claim total. This accounts for the value in C Adj. Paid Claims.

D – Pooled Claim Risk Adjustment

A pooled claim risk adjustment was implemented for all groups with credibility above 0%. For 2018 this means the County of Tulare and the County of Fresno will have a risk share adjustment. All others will not. The risk share level is determined by enrollment. The risk share levels utilized are as follows:

- County of Tulare, risk share level \$200,000 to the proposed reinsurance level (currently \$450,000)
- County of Fresno, risk share level \$250,000 to the proposed reinsurance level (currently \$450,000)

The risk share levels assume that the Anthem HMO is eliminated and replaced by the Anthem EPO. All paid claims by claimants in excess of the proposed risk share level and up to the projected specific reinsurance level (current level \$450,000) will be accumulated and deducted from the paid claim total. This accounts for the value in E Adj. Paid Claims. This risk share model is new to the SJVIA and introduces a layer of risk share that will normalize renewals and outlines specifically how risk is shared among its members going forward. The following table illustrates the pooled amounts by both Counties and the associated risk charge.

Pooled Risk	COF	COT	Total
Pooled Amount	\$812,212	\$216,476	\$1,028,688
PEPM Risk Charge	\$17.96	\$8.15	\$14.00

H – Change in IBNR

IBNR (Incurred But Not Reported) claim reserve represents the dollar amount needed to pay run out claims. F-Beginning IBNR represents the IBNR reserve total estimated for the beginning of the experience period. G-Ending IBNR represents an IBNR adjustment for the end of the experience period. The difference (G-F=H) is added to the adjusted paid claims (E) and the result is the incurred claim (I) amount over the experience period.

The proposed 2018 rates include the follow dollar amounts to build up the IBNR reserve.

Change in IBNR	COF	COT	All Other	Total
EPO	\$131,109	N/A	\$486,332	\$617,441
PPO and HDHP	\$112,744	\$586,204	\$49,852	\$748,800
Total	\$243,853	\$586,204	\$536,184	\$1,366,241

K - Incurred Claims Per Employee Per Month (PEPM)

By taking the incurred claim total (I) and dividing it by the total enrollment over the experience period the result is (K) Incurred claims PEPM. Once claims were placed into an incurred claim PEPM, Keenan projected the 2018 claims.

O – Projected Claims

Projected claims are forecasted based on applying a trend factor (N). In order to apply a trend factor, the number of months of trend (L) needs to be calculated, and a trend (M) assumption must be made.

Keenan utilized 19 months of trend. Trend was determined by calculating the internal trend of the SJVIA coverage and market-based trend. The following trend was utilized:

Trend	COF	COT	All Other	Total
EPO - Medical	8.0%	8.0%	8.0%	8.0%
EPO - Rx	10.0%	10.0%	10.0%	10.0%
PPO/HDHP - Medical	5.3%	8.0%	8.0%	7.2%
PPO/HDHP - RX	10.0%	10.0%	10.0%	10.0%

The number of months of trend and annual trend percentages were applied to the following formula to arrive at the trend factor:

$$(1 + \text{trend})^{\text{raised to the (number of months of trend/12)}}$$

The result is the trend factor which was used to project claims from the experience period to the renewal period. The trend factor (N) is multiplied by the incurred claim PEPM (K) to arrive at the projected paid claim PEPM (O).

S – Adjusted Projected Paid Claims PEPM

The projected claim amount in (O) assumes no changes in the plan design (P), selection (Q), or margin (R). The projected paid claims PEPM need to be adjusted for any changes in plan designs. For 2018, the valuation of moving from the HMO to the EPO was valued as well as the adjustment for changing PBM.

Margin / Stabilization Reserve

A 3.0% margin was applied to the projected incurred claims to account for claims fluctuation. Margin accounts for a reserve buildup in the 2018 rates of \$2,311,490. The margin accumulation will accrue as follows:

Margin / Stabilization	COF	COT	All Other	Total
EPO	\$1,122,809	N/A	\$102,653	\$1,225,462
PPO and HDHP	\$264,485	\$743,687	\$77,856	\$1,086,028
Total	\$1,387,294	\$743,687	\$180,509	\$2,311,490

V – Final Projected Claims PEPM

Final projected claims PEPM are realized when the credibility factor (T) is applied to the projected paid claims (S) and the pooled claim cost is applied to one minus the credibility factor. For 2018, (S) will equal (V), for both the County of Tulare and the County of Fresno since the credibility is 100%.

AG - Total Fixed Costs PEPM

With the final projected paid claims set, fixed costs need to be added to arrive at the total cost PEPM. Fixed costs are outlined in items X through AF. Most of these values will come from the SJVIA’s vendor partners. The risk share pool charge is calculated based on the risk share exposure (D)/(J) total enrollment * trend factor (N) * (1+R) margin. The following table illustrates the fixed costs associated with each entity:

SJVIA Total Fixed Costs	EPO 2018 Estimated Fees	PPO/HDHP 2018 Estimated Fees
Specific Stop-Loss Premium PEPM (Estimated)	\$20.13	\$20.13
Aggregate Stop-Loss Premium PEPM (Estimated)	\$1.03	\$1.03
Anthem Network & Admin. Fees	\$45.34	\$32.53
Pooled Risk Charge		
COF	\$18.92	\$14.06
COT	\$8.15	\$8.15
Wellness	\$2.50	\$2.50
Claims Mgmt/Communication	\$0.50	\$0.50
Consulting Fee	\$3.35	\$3.35
SJVIA Fee	\$2.00	\$2.00
SJVIA Non-Founding Member Fee	\$2.00	\$2.00
Hourglass and ASI (Ben Admin System)		
COF	\$4.65	\$4.65
COT	\$3.90	\$3.90
Ceres	\$4.65	\$4.65
Marysville	\$3.65	\$3.65
Waterford	\$3.65	\$3.65
<u>PCORI/Transitional Reinsurance</u>	<u>\$0.36</u>	<u>\$0.36</u>
Total Fixed Cost		
COF	\$98.78	\$81.11
COT	\$87.26	\$74.45
City of Ceres	\$81.86	\$69.05
City of Marysville	\$80.86	\$68.05
City of Waterford	\$80.86	\$68.05

AJ – Percentage Rate Adjustment

The percentage rate adjustment is calculated based on total cost (AH) required premium, ((V) + (AG))/ divided by current premium (AI). Current Premium is calculated by taking the current monthly premium and dividing it by current monthly enrollment.

Proposed Scenario	County of Fresno	County of Tulare	All Other	Total
EPO	2.9%	N/A	5.1%	3.0%
PPO and HDHP	11.8%	-0.2%	3.6%	2.9%
Total	4.2%	-0.2%	4.6%	3.0%

AL – Annual Dollar Difference

The annual dollar difference is calculated by taking the dollar difference in PEPM between required premium (AH) and current premium (AI) multiplied by current enrollment (AK) multiplied by 12. The following table illustrates the dollar impact of the 2018 preliminary renewal action on each group.

Proposed Renewal Adjustments	COF	COT	All Other	Total
EPO	\$1,221,702	\$0	\$117,985	\$1,339,687
PPO and HDHP	\$1,040,007	-\$56,989	\$93,196	\$1,076,213
Total	\$2,261,709	-\$56,989	\$211,181	\$2,415,900

Overall Renewal Requirement versus Individual Entity Renewal Requirement

Since the All Other group is fully pooled. Their experience is used in building the overall renewal, but does not reflect their individual rates. Their rates are fully pooled. The following table illustrates the cross subsidies applied in the proposed 2018 renewal:

Experience Based Renewal	COF	COT	All Other	Total
EPO	0.8%	N/A	59.2%	3.0%
PPO and HDHP	13.1%	-0.9%	8.6%	2.9%
Total	2.6%	-0.9%	40.5%	3.0%
Cross Subsidy Application	COF	COT	All Other	Total
EPO	2.1%	N/A	-54.0%	0.0%
PPO and HDHP	-1.3%	0.7%	-4.9%	0.0%
Total	1.6%	0.7%	-35.9%	0.0%
Proposed 2018 Preliminary Renewal	COF	COT	All Other	Total
EPO	2.9%	N/A	5.1%	3.0%
PPO and HDHP	11.8%	-0.2%	3.6%	2.9%
Total	4.2%	-0.2%	4.6%	3.0%

Kaiser 2018 Renewal

Kaiser's renewal is estimated to be a -4.5% decrease for 2018 including a contribution to wellness. Keenan has requested Kaiser to allow the SJVIA to hold any premium differential between the Kaiser billed rates and the rate the SJVIA charges its participating members. This is a change from 2017 where additional funds were remitted to Kaiser. Keenan recommends the SJVIA Kaiser rate be set at either the same relative increase as the EPO or at a minimum at a rate pass for 2018. This will allow the SJVIA to build required reserves.

Delta Dental Renewal

Delta Dental is requesting the following renewal action

- Delta Dental PPO – 0.00%, and a premium holiday for January, 2018 valued at \$384,320.
- DeltaCare – 5.37%

Delta Dental has accrued a Premium Stabilization Reserve (PSR) \$867,127 as of May 31, 2017. Keenan is still negotiating the renewal with Delta Dental. Specifically we are looking for ways to transfer the PSR balance from Delta Dental to the SJVIA.

Vision Service Plan (VSP) Renewal

VSP has offered the following renewal scenarios.

- Option 1- **7.5%** increase for a period of 24 months.
- Option 2- Reduce VSP's requested reserve from 5% to 2% for a period of 24 months, offering an increase of **4.2%** for a period of 24 months or a 5% increase for a period of 36 months.
- Option 3- Reduce VSP's requested reserve from 5% to 0% for a period of 24 months offering an increase of **2.0%** for a period of 24 months or a 3% increase for a period of 36 months.

The renewal increase is mainly due to a 97.7% loss ratio over the past 12 months and a 108.6% loss ratio for 2017. Keenan is working with VSP to finalize the 2018 renewal.

Appendix A – Self-funded Medical Underwriting

Line	EPO Line Item/Description	Fresno			Tulare			All Others			Total		
		Medical	Rx	Total	Medical	Rx	Total	Medical	Rx	Total	Medical	Rx	Total
1	Non-Cap Paid Claims (June 2016 through May 2017)	\$20,107,051	\$9,729,924	\$29,836,975				\$1,489,668	\$245,469	\$1,735,137	\$21,596,719	\$9,975,393	\$31,572,112
2	Capitation Claims (June 2016 through May 2017)	\$11,889,258	\$0	\$11,889,258				\$516,081	\$0	\$516,081	\$12,405,339	\$0	\$12,405,339
3	Savings from HMO to EPO conversion	(\$1,961,728)	\$0	(\$1,961,728)				(\$85,153)	\$0	(\$85,153)	(\$2,046,881)	\$0	(\$2,046,881)
4	Savings from Change of PBM	\$0	(\$1,256,120)	(\$1,256,120)				\$0	(\$31,690)		\$0	(\$1,287,810)	(\$1,287,810)
5	Large Claim Adjustment (Pooling Level: \$450,000)	<u>(\$680,680)</u>	<u>\$0</u>	<u>(\$680,680)</u>				<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$680,680)</u>	<u>\$0</u>	<u>(\$680,680)</u>
6	Adjusted Paid Claims	\$29,353,901	\$8,473,804	\$37,827,705		No		\$1,920,596	\$213,779	\$2,134,375	\$31,274,497	\$8,687,583	\$39,962,080
7	Pooled Claim Risk Adjustment (Fresno: \$250,000)	<u>(\$683,048)</u>	<u>\$0</u>	<u>(\$683,048)</u>		Subscribers		\$0	<u>\$0</u>	\$0	(\$683,048)	<u>\$0</u>	(\$683,048)
8	Adjusted Paid Claims	\$28,670,853	\$8,473,804	\$37,144,657				\$1,920,596	\$213,779	\$2,134,375	\$30,591,449	\$8,687,583	\$39,279,032
9	Beginning Reserves @ 5/31/2016	(\$1,960,170)	(\$616,890)	(\$2,577,060)				(\$99,520)	(\$14,500)	(\$114,020)	(\$2,059,690)	(\$631,390)	(\$2,691,080)
10	Ending Reserves @ 5/31/2017	<u>\$2,143,300</u>	<u>\$564,340</u>	<u>\$2,707,640</u>				<u>\$453,360</u>	<u>\$14,260</u>	<u>\$467,620</u>	<u>\$2,596,660</u>	<u>\$578,600</u>	<u>\$3,175,260</u>
11	Incurred Claims (June 2016 through May 2017)	\$28,853,983	\$8,421,254	\$37,275,237				\$2,274,436	\$213,539	\$2,487,975	\$31,128,419	\$8,634,793	\$39,763,212
12	Total Covered Employees (Apr 2016 through Mar 2017)	<u>42,279</u>	<u>42,279</u>	<u>42,279</u>				<u>1,245</u>	<u>1,245</u>	<u>1,245</u>	<u>43,524</u>	<u>43,524</u>	<u>43,524</u>
13	Claims Cost PEPM	\$682.47	\$199.18	\$881.65				\$1,826.86	\$171.52	\$1,998.37	\$715.20	\$198.39	\$913.59
14	Trend Factor	<u>1.1296</u>	<u>1.1629</u>	<u>1.1371</u>				<u>1.1296</u>	<u>1.1629</u>	<u>1.1325</u>	<u>1.1296</u>	<u>1.1629</u>	<u>1.1368</u>
15	Projected Claims Cost Per Employee	\$770.91	\$231.63	\$1,002.54				\$2,063.62	\$199.46	\$2,263.07	\$807.89	\$230.71	\$1,038.60
16	<u>Recommended Funding Margin</u>	<u>3.0%</u>	<u>3.0%</u>	<u>3.0%</u>				<u>3.0%</u>	<u>3.0%</u>	<u>3.0%</u>	<u>3.0%</u>	<u>3.0%</u>	<u>3.0%</u>
17	Adjusted Projected Claims	\$794.04	\$238.58	\$1,032.62				\$2,125.53	\$205.44	\$2,330.97	\$832.13	\$237.63	\$1,069.76
	Fixed Costs PEPM												
18	Specific Stop-Loss Premium PEPM (Estimate)			\$20.13						\$20.13			\$20.13
19	Aggregate Stop-Loss Premium PEPM (Estimate)			\$1.03						\$1.03			\$1.03
20	Risk Share Pool Charge			\$18.92						\$0.00			\$18.38
21	Anthem Network & Administrative Fees			\$45.34						\$45.34			\$45.34
22	<u>All Other Program Fees</u>			<u>\$12.81</u>						<u>\$14.55</u>			<u>\$12.86</u>
23	Total Fixed Costs			\$98.23						\$81.05			\$97.74
24	Required Premium PEPM			\$1,130.85						\$2,412.02			\$1,167.50
25	Current Premium PEPM			\$1,122.24						\$1,515.19			\$1,133.48
26	Required Increase			0.77%						59.19%			3.00%
	Credibility Adjustment												
27	Total Covered Employees (Apr 2016 through Mar 2017)			42,279						1,245			43,524
28	Individual Group Credibility			100%						0%			
29	Manual Credibility			0%						100%			
30	Required Premium with Credibility Adjustment			\$1,130.85						\$1,560.67			\$1,143.15
31	Required Increase with Credibility Adjustment			0.77%						3.00%			0.85%
32	<u>Adjustment to Equal Overall Renewal</u>			<u>2.15%</u>						<u>2.15%</u>			<u>2.15%</u>
33	Required Increase after Adjustment			2.92%						5.15%			3.00%
34	Required Premium after Adjustment			\$1,154.96						\$1,593.22			\$1,167.50

Line	PPO/HDHP Line Item/Description	Fresno			Tulare			All Others			Total		
		Medical	Rx	Total	Medical	Rx	Total	Medical	Rx	Total	Medical	Rx	Total
1	Non-Cap Paid Claims (June 2016 through May 2017)	\$5,612,959	\$1,948,707	\$7,561,666	\$12,317,056	\$6,036,884	\$18,353,940	\$841,997	\$143,629	\$985,626	\$18,772,012	\$8,129,220	\$26,901,232
2	Capitation Claims (June 2016 through May 2017)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
3	Savings from HMO to EPO conversion	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
4	Savings from Change of PBM	\$0	(\$91,018)	(\$91,018)	\$0	(\$778,642)	(\$778,642)	\$0	(\$17,531)	(\$17,531)	\$0	(\$887,190)	(\$887,190)
5	Large Claim Adjustment (Pooling Level: \$450,000)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
6	Adjusted Paid Claims	\$5,612,959	\$1,857,689	\$7,470,648	\$12,317,056	\$5,258,242	\$17,575,298	\$841,997	\$126,098	\$968,095	\$18,772,012	\$7,242,030	\$26,014,042
7	Pooled Claim Risk Adjustment (Fresno: \$250K, Tulare: \$200K)	(\$129,164)	\$0	(\$129,164)	(\$216,476)	\$0	(\$216,476)	\$0	\$0	\$0	(\$345,640)	\$0	(\$345,640)
8	Adjusted Paid Claims	\$5,483,795	\$1,857,689	\$7,341,484	\$12,100,580	\$5,258,242	\$17,358,822	\$841,997	\$126,098	\$968,095	\$18,426,372	\$7,242,030	\$25,668,402
9	Beginning Reserves @ 5/31/2016	(\$528,900)	(\$109,840)	(\$638,740)	(\$707,210)	(\$336,770)	(\$1,043,980)	(\$40,790)	(\$10,760)	(\$51,550)	(\$1,276,900)	(\$457,370)	(\$1,734,270)
10	Ending Reserves @ 5/31/2017	\$616,920	\$116,920	\$733,840	\$1,114,260	\$350,140	\$1,464,400	\$62,160	\$8,350	\$70,510	\$1,793,340	\$475,410	\$2,268,750
11	Incurred Claims (June 2016 through May 2017)	\$5,571,815	\$1,864,769	\$7,436,584	\$12,507,630	\$5,271,612	\$17,779,242	\$863,367	\$123,688	\$987,055	\$18,942,812	\$7,260,070	\$26,202,882
12	Total Covered Employees (Apr 2016 through Mar 2017)	10,455	10,455	10,455	31,176	31,176	31,176	652	652	652	42,283	42,283	42,283
13	Claims Cost PEPM	\$532.93	\$178.36	\$711.29	\$401.19	\$169.09	\$570.29	\$1,324.18	\$189.71	\$1,513.89	\$448.00	\$171.70	\$619.70
14	Trend Factor	1.0852	1.1629	1.1047	1.1296	1.1629	1.1395	1.1296	1.1629	1.1338	1.1165	1.1629	1.1294
15	Projected Claims Cost Per Employee	\$578.34	\$207.42	\$785.76	\$453.19	\$196.64	\$649.83	\$1,495.80	\$220.61	\$1,716.41	\$500.21	\$199.67	\$699.88
16	Recommended Funding Margin	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	0	0	0
17	Adjusted Projected Claims	\$595.69	\$213.64	\$809.33	\$466.78	\$202.54	\$669.32	\$1,540.67	\$227.23	\$1,767.90	\$515.22	\$205.66	\$720.88
Fixed Costs PEPM													
18	Specific Stop-Loss Premium PEPM (Estimate)			\$20.13			\$20.13			\$20.13			\$20.13
19	Aggregate Stop-Loss Premium PEPM (Estimate)			\$1.03			\$1.03			\$1.03			\$1.03
20	Risk Share Pool Charge			\$14.06			\$8.15			\$0.00			\$9.48
21	Anthem Network & Administrative Fees			\$32.53			\$32.53			\$32.53			\$32.53
22	All Other Program Fees			\$12.81			\$12.06			\$14.55			\$12.28
23	Total Fixed Costs			\$80.56			\$73.90			\$68.24			\$75.46
24	Required Premium PEPM			\$889.89			\$743.22			\$1,836.14			\$796.34
25	Current Premium PEPM			\$786.70			\$749.97			\$1,691.46			\$773.57
26	Required Increase			13.12%			-0.90%			8.55%			2.94%
Credibility Adjustment													
27	Total Covered Employees (Apr 2016 through Mar 2017)			10,455			31,176			652			42,283
28	Individual Group Credibility			80%			100%			0%			
29	Manual Credibility			20%			0%			100%			
30	Required Premium with Credibility Adjustment			\$873.88			\$743.22			\$1,741.24			\$790.92
31	Required Increase with Credibility Adjustment			11.08%			-0.90%			2.94%			2.24%
32	Adjustment to Equal Overall Renewal			0.70%			0.70%			0.70%			0.70%
33	Required Increase after Adjustment			11.78%			-0.20%			3.64%			2.94%
34	Required Premium after Adjustment			\$879.39			\$748.48			\$1,753.10			\$796.34

Line	EPO and PPO/HDHP Line Item/Description	Fresno			Tulare			All Others			Total		
		Medical	Rx	Total	Medical	Rx	Total	Medical	Rx	Total	Medical	Rx	Total
1	Paid Claims (June 2016 through May 2017)	\$25,720,010	\$11,678,631	\$37,398,641	\$12,317,056	\$6,036,884	\$18,353,940	\$2,331,665	\$389,098	\$2,720,763	\$40,368,731	\$18,104,613	\$58,473,344
2	Capitation Claims (June 2016 through May 2017)	\$11,889,258	\$0	\$11,889,258	\$0	\$0	\$0	\$516,081	\$0	\$516,081	\$12,405,339	\$0	\$12,405,339
3	Savings from HMO to EPO conversion	(\$1,961,728)	\$0	(\$1,961,728)	\$0	\$0	\$0	(\$85,153)	\$0	(\$85,153)	(\$2,046,881)	\$0	(\$2,046,881)
4	Savings from Change of PBM	\$0	(\$1,347,138)	(\$1,347,138)	\$0	(\$778,642)	(\$778,642)	\$0	(\$49,220)	(\$49,220)	\$0	(\$2,175,000)	(\$2,175,000)
5	Large Claim Adjustment (Pooling Level: \$450,000)	<u>(\$680,680)</u>	<u>\$0</u>	<u>(\$680,680)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$680,680)</u>	<u>\$0</u>	<u>(\$680,680)</u>
6	Adjusted Paid Claims	\$34,966,860	\$10,331,493	\$45,298,353	\$12,317,056	\$5,258,242	\$17,575,298	\$2,762,593	\$339,877	\$3,102,470	\$50,046,509	\$15,929,613	\$65,976,122
7	Pooled Claim Risk Adjustment (Fresno: \$250K, Tulare: \$200K)	<u>(\$812,212)</u>	<u>\$0</u>	<u>(\$812,212)</u>	<u>(\$216,476)</u>	<u>\$0</u>	<u>(\$216,476)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$1,028,688)</u>	<u>\$0</u>	<u>(\$1,028,688)</u>
8	Adjusted Paid Claims	\$34,154,648	\$10,331,493	\$44,486,141	\$12,100,580	\$5,258,242	\$17,358,822	\$2,762,593	\$339,877	\$3,102,470	\$49,017,821	\$15,929,613	\$64,947,434
9	Beginning Reserves @ 5/31/2016	(\$2,489,070)	(\$726,730)	(\$3,215,800)	(\$707,210)	(\$336,770)	(\$1,043,980)	(\$140,310)	(\$25,260)	(\$165,570)	(\$3,336,590)	(\$1,088,760)	(\$4,425,350)
10	Ending Reserves @ 5/31/2017	<u>\$2,760,220</u>	<u>\$681,260</u>	<u>\$3,441,480</u>	<u>\$1,114,260</u>	<u>\$350,140</u>	<u>\$1,464,400</u>	<u>\$515,520</u>	<u>\$22,610</u>	<u>\$538,130</u>	<u>\$4,390,000</u>	<u>\$1,054,010</u>	<u>\$5,444,010</u>
11	Incurred Claims (June 2016 through May 2017)	\$34,425,798	\$10,286,023	\$44,711,821	\$12,507,630	\$5,271,612	\$17,779,242	\$3,137,803	\$337,227	\$3,475,030	\$50,071,231	\$15,894,863	\$65,966,094
12	Total Covered Employees (Apr 2016 through Mar 2017)	<u>52,734</u>	<u>52,734</u>	<u>52,734</u>	<u>31,176</u>	<u>31,176</u>	<u>31,176</u>	<u>1,897</u>	<u>1,897</u>	<u>1,897</u>	<u>85,807</u>	<u>85,807</u>	<u>85,807</u>
13	Claims Cost PEPM	\$652.82	\$195.05	\$847.87	\$401.19	\$169.09	\$570.29	\$1,654.09	\$177.77	\$1,831.86	\$583.53	\$185.24	\$768.77
14	Trend Factor	<u>1.1224</u>	<u>1.1629</u>	<u>1.1317</u>	<u>1.1296</u>	<u>1.1629</u>	<u>1.1395</u>	<u>1.1296</u>	<u>1.1629</u>	<u>1.1328</u>	<u>1.1247</u>	<u>1.1629</u>	<u>1.1339</u>
15	Projected Claims Cost Per Employee	\$732.73	\$226.83	\$959.56	\$453.19	\$196.64	\$649.83	\$1,868.46	\$206.73	\$2,075.18	\$656.28	\$215.42	\$871.69
16	<u>Recommended Funding Margin</u>	<u>3.0%</u>	<u>3.0%</u>	<u>3.0%</u>	<u>3.0%</u>	<u>3.0%</u>	<u>3.0%</u>	<u>3.0%</u>	<u>3.0%</u>	<u>3.0%</u>	<u>3.0%</u>	<u>3.0%</u>	<u>3.0%</u>
17	Adjusted Projected Claims	\$754.72	\$233.63	\$988.35	\$466.78	\$202.54	\$669.32	\$1,924.51	\$212.93	\$2,137.44	\$675.96	\$221.88	\$897.84
	Fixed Costs PEPM												
18	Specific Stop-Loss Premium PEPM (Estimate)			\$20.13			\$20.13			\$20.13			\$20.13
19	Aggregate Stop-Loss Premium PEPM (Estimate)			\$1.03			\$1.03			\$1.03			\$1.03
20	Risk Share Pool Charge			\$17.96			\$8.15			\$0.00			\$14.00
21	Anthem Network & Administrative Fees			\$42.80			\$32.53			\$40.94			\$39.03
22	<u>All Other Program Fees</u>			<u>\$12.81</u>			<u>\$12.06</u>			<u>\$14.55</u>			<u>\$12.58</u>
23	Total Fixed Costs			\$94.73			\$73.90			\$76.65			\$86.76
24	Required Premium PEPM			\$1,083.08			\$743.22			\$2,214.09			\$984.60
25	Current Premium PEPM			\$1,055.71			\$749.97			\$1,575.77			\$956.13
26	Required Increase			2.59%			-0.90%			40.51%			2.98%
	Credibility Adjustment												
27	Total Covered Employees (Apr 2016 through Mar 2017)			52,734			31,176			1,897			85,807
28	Individual Group Credibility												
29	Manual Credibility												
30	Required Premium with Credibility Adjustment												
31	Required Increase with Credibility Adjustment												
32	<u>Adjustment to Equal Overall Renewal</u>												
33	Required Increase after Adjustment			4.23%			-0.20%			4.59%			2.98%
34	Required Premium after Adjustment			\$1,100.33			\$748.48			\$1,648.17			\$984.60