

November 2, 2018

SJVIA Board Meeting: Consultant's Report on Reserve Accumulation

This report is an update on the report provided at the August 24, 2018 SJVIA Board meeting. The update is limited to adding the months of July and August 2018 for actual plan experience, realizing the Kaiser rate surcharge, and realizing the Delta Dental 2% rate subsidy.

The net impact of adding the two months is that the realized surplus increased by \$382,413 to \$4,380,096.

The SJVIA is building a reserve accumulation to fund IBNR, the stabilization reserve, and to provide loan repayment as shown in the chart below (unchanged from the chart presented August 24, 2018).

2019 Funding Requirements	Loan Repayment	Required IBNR	Required Stabilization	Total
County of Fresno	\$ 8,344,333	\$ 3,799,335	\$ 4,134,266	\$ 16,277,934
County of Tulare	\$ 753,260	\$ 1,872,286	\$ 2,117,991	\$ 4,743,537
City of Marysville	\$ 66,377	\$ 130,000	\$ 57,677	\$ 254,055
Total	\$ 9,163,970	\$ 5,801,621	\$ 6,309,934	\$ 21,275,525

The following chart illustrates the accumulation for 2018 and the projection for 2019.

Funding Model	January	February	March	April	May	June	July	August	September	October	November	December	Total
2018													
Budget													
Medical Plan Experience	\$ 240,122	\$ 240,122	\$ 240,122	\$ 240,122	\$ 240,122	\$ 240,122	\$ 240,122	\$ 240,122	\$ 240,122	\$ 240,122	\$ 240,122	\$ 240,122	\$ 2,881,460
Kaiser Rate Surcharge	\$ 96,329	\$ 96,329	\$ 96,329	\$ 96,329	\$ 96,329	\$ 96,329	\$ 96,329	\$ 96,329	\$ 96,329	\$ 96,329	\$ 96,329	\$ 96,329	\$ 1,155,952
Delta Dental Premium Holiday	\$ 362,752	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 362,752
Delta Dental 2% Rate Subsidy	\$ 7,389	\$ 7,389	\$ 7,389	\$ 7,389	\$ 7,389	\$ 7,389	\$ 7,389	\$ 7,389	\$ 7,389	\$ 7,389	\$ 7,389	\$ 7,389	\$ 88,672
2018 Budgeted Reserve Buildup	\$ 706,592	\$ 343,840	\$ 343,840	\$ 343,840	\$ 343,840	\$ 343,840	\$ 343,840	\$ 343,840	\$ 343,840	\$ 343,840	\$ 343,840	\$ 343,840	\$ 4,488,836
Actual													
Medical Plan Experience	\$ 1,534,858	\$ 1,400,750	\$ (989,574)	\$ 480,446	\$ 8,084	\$ 578,056	\$ 255,195	\$ (80,220)	\$ -	\$ -	\$ -	\$ -	\$ 3,187,595
Kaiser Rate Surcharge	\$ 96,329	\$ 96,329	\$ 96,329	\$ 96,329	\$ 96,329	\$ 96,329	\$ 96,329	\$ 96,329	\$ -	\$ -	\$ -	\$ -	\$ 770,635
Delta Dental Premium Holiday	\$ 362,752	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 362,752
Delta Dental 2% Rate Subsidy	\$ 7,389	\$ 7,389	\$ 7,389	\$ 7,389	\$ 7,389	\$ 7,389	\$ 7,389	\$ 7,389	\$ -	\$ -	\$ -	\$ -	\$ 59,115
2018 Actual Reserve Buildup	\$ 2,001,329	\$ 1,504,469	\$ (885,855)	\$ 584,165	\$ 111,803	\$ 681,775	\$ 358,914	\$ 23,499	\$ -	\$ -	\$ -	\$ -	\$ 4,380,096
2019													
Budget													
Plan Experience	\$ 273,618	\$ 273,618	\$ 273,618	\$ 273,618	\$ 273,618	\$ 273,618	\$ 273,618	\$ 273,618	\$ 273,618	\$ 273,618	\$ 273,618	\$ 273,618	\$ 3,283,410
Kaiser Rate Surcharge	\$ 59,931	\$ 59,931	\$ 59,931	\$ 59,931	\$ 59,931	\$ 59,931	\$ 59,931	\$ 59,931	\$ 59,931	\$ 59,931	\$ 59,931	\$ 59,931	\$ 719,171
Delta Dental PSR Transfer	\$ 327,922	\$ 218,615	\$ 109,307	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 655,844
2019 Budgeted Reserve Buildup	\$ 661,470	\$ 552,163	\$ 442,856	\$ 333,548	\$ 333,548	\$ 333,548	\$ 333,548	\$ 333,548	\$ 333,548	\$ 333,548	\$ 333,548	\$ 333,548	\$ 4,658,425
Actual													
Plan Experience	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Kaiser Rate Surcharge	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Delta Dental PSR Transfer	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2019 Actual Reserve Buildup	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

The chart above shows budgeted reserve buildup to realized buildup based on plan experience. Should the 2018 actual and 2019 budgeted reserve buildup be realized, the SJVIA would accumulate \$9,038,521 or 42.5% of the required funding (\$21,275,525).

Please note that this is the consultant's report and before allocating funds for IBNR, the stabilization reserve, and to provide loan repayment, the SJVIA Auditor should validate reserve accumulation.

Reference Chart - The exhibit below is based on data through 2017 and will be updated at the close of the 2018 plan year.

SJVIA Reconciliation Report		County of Fresno	County of Tulare	All Other	Total
2010-2017	Prem	\$408,293,681	\$167,541,558	\$ 93,184,806	\$669,020,045
	Total Cost	\$418,765,781	\$167,000,442	\$ 95,594,121	\$681,360,343
	\$ Difference	\$ (10,472,100)	\$ 541,116	\$ (2,409,315)	\$ (12,340,298)
	Loss Ratio	102.6%	99.7%	102.6%	101.8%
Adjustments to the Plan Performance					
2010-2017	HMO YEA	\$ 2,895,972	\$ 68,315	\$ 133,749	\$ 3,098,036
	RX Rebates	\$ 1,242,665	\$ 671,170	\$ 96,410	\$ 2,010,245
	SubTotal	\$ 4,138,637	\$ 739,485	\$ 230,159	\$ 5,108,281
	\$ Difference	\$ (6,333,463)	\$ 1,280,601	\$ (2,179,156)	\$ (7,232,017)
	AO Reallocation	\$ (1,268,457)	\$ (858,315)	\$ (52,384)	\$ (2,179,156)
	Total Cost	\$ (7,601,919)	\$ 422,286	\$ (52,384)	\$ (7,232,017)