

August 24, 2018

SJVIA Board Meeting: Consultant's Report on Reserve Accumulation

In accordance with the direction received at the May 4, 2018 SJVIA Board meeting, Keenan has prepared a process to fund the IBNR and Stabilization reserves and repay the loans to the County of Tulare and to the County of Fresno.

The Board gave direction to:

- Fund the IBNR Reserve and the Stabilization Reserve prior to funding the loan repayment.
- The loan repayment is to be funded on a dollar for dollar basis (for each dollar repaid to one County must be met with \$1 repaid to the other County).
- Time duration to accomplish all three funding elements was to remain flexible so that the Board can evaluate any rate load on the overall renewal requirement impact on the SJVIA members.

Given the 2019 final renewal and actuarially certified IBNR reserve, Keenan has updated the funding requirement. The loan repayment will be updated upon the close of the 2018 plan year.

2018 Funding Requirements	Loan Repayment	Required IBNR	Required Stabilization	Total
County of Fresno	\$ 8,344,333	\$ 3,464,122	\$ 3,945,125	\$ 15,753,579
County of Tulare	\$ 753,260	\$ 2,160,198	\$ 1,904,457	\$ 4,817,915
<u>City of Marysville</u>	<u>\$ 66,377</u>	<u>\$ 78,903</u>	<u>\$ 75,548</u>	<u>\$ 220,829</u>
Total	\$ 9,163,970	\$ 5,703,223	\$ 5,925,130	\$ 20,792,323

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
<u>City of Marysville</u>	<u>\$ 66,377</u>	<u>\$ 130,000</u>	<u>\$ 57,677</u>	<u>\$ 254,055</u>
Total	\$ 9,163,970	\$ 5,801,621	\$ 6,309,934	\$ 21,275,525

Change in Funding Requirements	Loan Repayment	Required IBNR	Required Stabilization	Total
County of Fresno	\$ -	\$ 335,213	\$ 189,141	\$ 524,354
County of Tulare	\$ -	\$ (287,912)	\$ 213,534	\$ (74,379)
<u>City of Marysville</u>	<u>\$ -</u>	<u>\$ 51,097</u>	<u>\$ (17,871)</u>	<u>\$ 33,226</u>
Total	\$ -	\$ 98,398	\$ 384,804	\$ 483,202

Note: Loan Repayment will be recalculated with Interest Charge Allocation upon conclusion of the 2018 plan year.

The updated funding requirement increased by \$483,202 (\$98,398 IBNR Reserve and \$384,804 Stabilization Reserve).

The Proposed Approach

Keenan recommends an approach that allows SJVIA the opportunity to review and provide direction twice a year to accomplish the funding objectives.

Review at Renewal

As part of the renewal process, SJVIA staff renewal recommendation includes reserve buildup. For 2019, Keenan has identified three areas for reserve build-up 1) plan experience, 2) Kaiser reserve, and Delta Dental PSR.

SJVIA 2019 Projected Reserve Accumulation			
SJVIA	IBNR	Stabilization Res	Total
COF			
Anthem	\$ 737,995	\$ 1,444,990	\$ 2,182,984
Kaiser	\$ -	\$ 653,816	\$ 653,816
Dental	\$ -	\$ 466,572	\$ 466,572
Total COF	\$ 737,995	\$ 2,565,378	\$ 3,303,373
COT			
Anthem	\$ 169,702	\$ 740,274	\$ 909,975
Kaiser	\$ -	\$ 60,652	\$ 60,652
Dental	\$ -	\$ 189,272	\$ 189,272
Total COT	\$ 169,702	\$ 990,197	\$ 1,159,899
All Other			
Anthem	\$ 38,769	\$ 151,681	\$ 190,450
Kaiser	\$ -	\$ 4,703	\$ 4,703
Total AO	\$ 38,769	\$ 156,385	\$ 195,154
SJVIA			
Anthem	\$ 946,465	\$ 2,336,945	\$ 3,283,410
Kaiser	\$ -	\$ 719,171	\$ 719,171
Dental	\$ -	\$ 655,844	\$ 655,844
Total SJVIA	\$ 946,465	\$ 3,711,960	\$ 4,658,426

Review upon close of the Calendar Year

The SJVIA tracks plan experience on a calendar year basis. By looking at the performance of the plan year, the SJVIA Board can make decisions on realized surplus allocation among the three funding elements.

Funding Model													
2018	January	February	March	April	May	June	July	August	September	October	November	December	Total
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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,012,620
Kaiser Rate Surcharge	\$ 96,329	\$ 96,329	\$ 96,329	\$ 96,329	\$ 96,329	\$ 96,329	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 577,976
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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 44,336
2018 Actual Reserve Buildup	\$ 2,001,329	\$ 1,504,469	\$ (885,855)	\$ 584,165	\$ 111,803	\$ 681,775	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,997,684
2019	January	February	March	April	May	June	July	August	September	October	November	December	Total
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 and 2019 budgeted reserve buildup be realized, the SJVIA would accumulate \$8,656,109 or 40.7% of the required funding.

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)

The Reconciliation report will be updated for 2018 plan experience upon the close of the 2018 plan year.