

MINUTES

BOARD OF DIRECTORS

ANDREAS BORGEAS
JUDITH CASE MCNAIRY
MIKE ENNIS
PHIL LARSON
DEBORAH POOCHIGIAN
PETE VANDER POEL
J. STEVEN WORTHLEY

**Meeting Location:
Tulare County Employees' Retirement
Association Board Chambers
136 N Akers St
Visalia, CA 93291
February 21, 2014 9:00 AM**

1. Call to Order

Meeting was called to order by President Vander Poel at 9:02am.

2. Roll Call and Election of President and Vice President of the SJVIA Board of Directors (A)

Roll was called by Brittany Howell, Gallagher Benefit Services. In attendance were Director Case McNairy, Director Ennis, Director Larson, Director Poochigian, Director Vander Poel and Director Worthley. Director Borgeas arrived at 9:13am.

The Board Members discussed reversing the roles of the current President and Vice President. Director Case McNairy moved to approve the new roles of Debbie Poochigian as President and Pete Vander Poel as Vice President; the motion was seconded by Director Worthley. The motion passed unanimously.

3. Approval of Agenda

President Poochigian asked if there were any additions or corrections to the agenda. Director Vander Poel moved to approve the agenda with no changes; the motion was seconded by Director Worthley. The motion passed unanimously.

4. Public Comment: At this time, members of the public may comment on any item, within the jurisdiction of the SJVIA, not appearing on the agenda. In order for everyone to be heard, please limit your comments to 3 minutes or less. Anyone wishing to be placed on the agenda for a specific topic should contact the SJVIA Manager's Office and submit correspondence at least 14 days before the desired date of appearance.

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President Poochigian opened the meeting for public comment – no public comment was given.

5. Approval of Minutes – Board Meeting of November 1, 2013 (A)

Director Ennis moved to approve the November 1, 2013 Meeting Minutes; the motion was seconded by Director Larson. The motion passed unanimously.

6. Receive and File Quarterly Financial Report (I)

Lawrence Seymour, ACTTC from Fresno County, gave an overview on the quarterly financial statements. SJVIA is currently operating on par with the budget. For the current quarter, revenue is 1% under budget, fixed expenses are 7% under budget and claims expenses are 2% under budget. Expenses for dental and vision are lagging behind by about 5% primarily due to the fact that these are new programs. Statistically, the variances are very minimal. The combined total of revenue and expenses resulted in a 3% reduction over budget.

Director Worthley inquired about the timeliness of payments in regards to the revenue line item. He specifically asked if it was a timing issue or if some of the entities are not making payments on time. Lawrence Seymour indicated it is most likely due to timing. He indicated that budgets are based on estimates so if there are any changes, such as employee counts, it could result in variances. Statistically, however, 1% is not a high variance.

Director Larson asked how the Affordable Care Act would impact our program in the coming years. Alan Thaxter, Gallagher Benefit Services, reverted back to past Board discussions and confirmed there will continue to be rising costs to the health plan due to the Affordable Care

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Act. He recalled an approximate number of 2.5 million in additional costs per year. Mark Tucker, Gallagher Benefit Services, also commented that these cost increases would be passed along to each entity regardless of being a part of SJVIA.

7. Receive and File 2011-12 Audited Financial Statements (I)

Lawrence Seymour introduced Price Paige & Company to present the financial statements. David Dybas, CPA, gave an overview of the audit findings. He highlighted on some new line items in the report including “unpaid claims and claims adjustment expenses” located under Liabilities and Operating Expenses. He mentioned now that SJVIA is operating under a Shared Risk model, it is a requirement to disclose GASB information.

Elaine Ko, CPA, presented the Adjusting Journal Entries section of the report. She explained that a lot of these journal entries are listed in order to reclassify them to a different area for presentation purposes. For example, capitation was previously listed under Liabilities and it was moved to the Expenses section. In addition, when the Shared Risk model was adopted, County of Fresno and County of Tulare transferred the claims funding to the SJVIA Account so this item was moved under the Claims Reserve section.

8. Receive and File Results of the GASB 10 Study (I)

Lawrence Seymour indicated this report was prepared by Demsey Filliger & Associates and it is a requirement by GASB 10. He explained that as he was not the one who prepared the report, he could not speak directly about it or its methods or approach. He also mentioned these reports would be prepared on an annual basis and it will be seen on the financial statements.

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Director Case McNairy requested that the actuary who prepared this report should present it on an annual basis in order to understand it better. Alan Thaxter indicated that it would be arranged for a future meeting.

9. Approve Revised 2013-14 Fiscal Year Budget (A)

Rhonda Sjostrom, SJVIA Assistant Manager, requested to readopt the Revised 2013-14 Fiscal Year Budget for SJVIA. The budget was adopted in September and since then we received the final stop loss rates, added 288 members as well as incorporated the two new entities. As a result of these items, revenues and expenditures have increased by \$6.2 million and ending reserves has increased by \$12,669.

Director Case McNairy asked if we would be in a better position if our fiscal year was changed to a calendar year due to needing to revise the budget for entities joining in January. Paul Nerland, SJVIA Manager, stated that with the current fiscal year budget cycle does require that the budget be adjusted after January 1st. He also mentioned that SJVIA initially adopted a calendar year budget and has since revised it to a fiscal year budget to match County of Fresno and County of Tulare. Lawrence Seymour added if this switch is made, everything would need to move including reporting, accounting, budgeting and all the business cycles to the calendar year, but there will always be timing differences of about 1% with all these factors.

Michele Mills, Gallagher Benefit Services, pointed out that most public sector groups are either on a January 1st or July 1st renewal cycle however, there are some entities that have renewal cycles throughout the year. Mark Tucker added that these groups who come on mid-year are transitioned to the calendar year that SJVIA health plans have

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adopted which typically results in a long plan year. This will usually always occur and is not likely to be eliminated.

Director Worthley moved to approve the Revised 2013-14 Fiscal Year Budget; the motion was seconded by Director Borgeas. The motion passed unanimously.

10. Discussion and Direction for Staff and Administration of the SJIVA (A)

Paul Nerland explained that this is being brought to the Board from a past agenda item regarding staffing issues within SJVIA. Currently, the administrative duties have been handled jointly by staff at both County of Fresno and Tulare. The recommendation of staff is not to hire full-time staff at this time, however, when the SJVIA grows larger, it would be an advantage to contract with either the County of Fresno or Tulare in order to avoid the cost of being the employer.

Director Borgeas asked if at some point it would be better to create an “employer/employee” scenario or contract out the administrative duties. Paul Nerland stated that contracting out may create issues of oversight such as signing off on documents, however, it may be beneficial to have more detailed conversations in the future on the subject. In addition, as larger entities join SJVIA, the Board may need to revisit the SJVIA governance and staffing options.

Director Vander Poel asked if it is coming to the point where the Counties are not able to keep up with the workload. Paul Nerland explained that even though the title of Manager and Assistant Manager rotates between Counties, certain functions have remained at either County which allows for administrative continuity. At this time, staff shared that the recommended action would assist in alleviating the growing administrative duties of the SJVIA. It was also pointed out

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that County of Fresno and Tulare have achieved efficiency in that some of these duties would be necessary whether or not in the SJVIA.

Director Vander Poel moved to approve the recommendation of Staff; the motion was seconded by Director Borgeas. The motion passed unanimously.

11. Receive and File Executive Claims Summary through December 2013 (I)

Alan Thaxter, Gallagher Benefit Services, presented the claims summary through December 2013. Large claims report shows only one claim for the whole year, which is a positive reflection on claims. Fixed costs are running at 9% which means out of every dollar, \$0.91 is being spent on claims. This reflects a very low fixed cost spend which compared to any insurance company, is extremely favorable.

Director Larson asked what the SJVIA has actually saved participating entities. Paul Nerland stated that the County of Fresno compared the SJVIA bid with other options in the first two years of the program and determined savings of \$2 million the first year and \$4 million the second year. Additionally, the SJVIA went out to bid for and participating entities were able to confirm the savings available through the SJVIA compared to a stand-alone option.

12. Receive and File Report from US Script for Prescription Benefit Plan (I)

Don Anderson, US Script, presented a follow-up Rx report requested at the last meeting. He mentioned this report reflects another three months of data however, has not changed significantly. In regards to specialty drugs, just over 1% of claims went toward these medications reflecting a decrease since the last report was presented in September. Generic drug utilization still needs to be higher and could contribute to

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major cost savings to the plan if raised; (Don stated that generic fill rates should be at least 82%).

In addition to this requested report, US Script went back to Walgreens on behalf of SJVIA and was able to get discounted rates. Due to this achievement, it is not recommended to change copays in order to incentivize members away from Walgreens.

13. Discussion and Direction for Efficient Use of Wellness Funds and Incentivizing Participation (A)

Paul Nerland explained that SJVIA currently collects \$3.00 per employee per month for wellness and communication. In regards to the measurable results of past wellness programs, participation, in relation to the entire population, has been minimal. However, Biometric Screenings and Mammograms are less costly through the SJVIA Wellness vendors rather than going to a provider. Staff is seeking approval for SJVIA to launch a pilot program that uses incentives for participation with the funds allocated for wellness.

Rhonda Sjostrom gave details on the pilot programs recently launched at County of Tulare with their Board's approval using internal funding for incentives. In addition, they have implemented a number of activities and webinars. So far, interest has been high and they have had great results among their employees.

Director Case-McNairy suggested looking further into the concept of Onsite Clinics in order to save costs. Paul Nerland confirmed that Staff has considered this concept and is in the process of gathering additional information about the approach.

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Leroy Tucker, Gallagher Benefit Services, gave an overview on the concept of these Onsite Clinics. Basically, these clinics are geared toward primary care and the goal is that the employees and dependents use the clinic onsite. This is a fixed cost, or a wholesale cost, to the entity but at no cost to the member.

Rhonda Sjostrom pointed out these clinics are popular among entities, typically Cities, who have a central location to house the clinic. Most Counties do not have central locations, rather they are spread out among the County. This is one of the concerns of Staff however, these clinics have had such a positive outcome therefore, we are continuing to explore the idea and bring those back to the Board.

Director Worthley moved to approve the pilot program and use of incentives; the motion was seconded by Director Ennis. The motion passed unanimously.

14. Direction on SJVIA Wellness Strategy for 2015 (A)

Paul Nerland gave an overview on the wellness strategy for 2015. Staff recommends an approach that demonstrates a measurable return on investment for the dollars spent. One area that could be improved upon is linking lifestyle management programs with disease management efforts. Staff is asking the Board's direction to pursue a more expanded effort for lifestyle and disease management and conduct a Wellness RFP.

Director Vander Poel moved to approve conducting a Wellness RFP that considers a more targeted effort toward lifestyle management programs; the motion was seconded by Director Ennis. The motion passed unanimously.

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15. Approval of the Inclusion of Post 65 Retirees under Kaiser Contract (A)

Rhonda Sjostrom asked for approval to include County of Tulare's Post 65 Retirees under the SJVIA for the Kaiser contract and authorize Chair to execute the Agreement. This includes seven Retirees currently on the plan.

Director Worthley moved to approve the inclusion of County of Tulare's Post 65 Retirees under the SJVIA Kaiser contract; the motion was seconded by Director Case McNairy. The motion passed unanimously.

16. Adjournment

Meeting was adjourned at 10:46am by President Poochigian.

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