



BOARD OF DIRECTORS

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**Meeting Location:
Tulare County Employees' Retirement
Association Board Chambers
136 N Akers St
Visalia, CA 93291
July 25, 2014 9:00 AM**

AGENDA DATE: July 25, 2014

ITEM NUMBER: 12

SUBJECT: Receive and File Updated Anthem HMO Administrative Fees Effective July 1, 2014

REQUEST(S): That the Board Receive and File updated Anthem HMO Administrative Fees effective July 1, 2014

DESCRIPTION:

As part of the January 1, 2014 renewal process, your Board approved the fixed costs components of the Anthem HMO plan which included fees required by the Affordable Care Act (ACA).

For the HMO plan, there were three fees required to be paid to the IRS as a fully insured plan through Anthem Blue Cross. Those fees were as follows:

- ACA Reinsurance: \$11.37 PEPM
- ACA Insurer: \$22.22 PEPM
- ACA PCORI: \$.36 PEPM

Of these fees, the Reinsurance and PCORI fee apply to all medical plans, whether fully insured or self funded. The ACA Insurer fee is a tax that is only imposed on plans that are considered fully insured. These fees were paid to Anthem who then submitted them to the IRS on behalf of the SJVIA for the HMO plan.

AGENDA: San Joaquin Valley Insurance Authority

DATE: July 25, 2014

In June, the SJVIA was notified that the Minimum Premium HMO plan with Anthem had been re-categorized as an “alternatively funded” plan and thus not subject to the requirement to pay the ACA Insurer fee of \$22.22 PEPM. Also, even though the Reinsurance and the PCORI fee would still apply and be payable to the IRS, it would not need to be remitted to Anthem but retained by the SJVIA until payable. This change has resulted in revised fixed costs invoiced to the SJVIA from Anthem effective July 1, 2014 as follows:

Policy Year 1/1/2014 - 1/1/2015	<i>(Current Rates)</i>	<i>(The rates with the ACA Insurer, Reinsurance fees and PCORI removed)</i>
Effective Date	1/1/2014	7/1/2014
MPP - Premium Rate Components (by LOC)	<u>PCPM</u>	<u>PCPM</u>
901 - Admin Fee	\$69.47	\$35.52
910 - Capitation Revenue	\$270.46	\$270.46
913 - 360 Health	\$3.38	\$3.38
<u>984 - \$400K Stop Loss Charge</u>	<u>\$22.72</u>	<u>\$22.72</u>
Total	\$366.03	\$332.08
<u>Admin Fee Components</u>		
General Office & Admin	\$35.52	\$35.52
ACA - Reinsurance	\$11.37	\$0.00
ACA Insurer	\$22.22	\$0.00
<u>ACA - PCORI</u>	<u>\$0.36</u>	<u>\$0.00</u>
Admin Fee Total	\$69.47	\$35.52
Retention changes from Prior period		
General Office & Admin		-> no change
ACA - Reinsurance		-> removed
ACA Insurer		-> removed
ACA - PCORI		-> removed
Admin Fee Total		-48.87%

This represents a significant change in administrative fees and an estimated savings to the SJVIA of \$1.3 million. Prior to this notification, estimated fees allocated for the HMO plan due to ACA requirements were approximately \$2,065,000. The total ACA fees for the HMO plan is now approximately \$713,000.

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FISCAL IMPACT/FINANCING:

Refund approximating \$1.3 million to be received from Anthem Blue Cross in addition in PEPM fixed costs from \$366.03 to \$332.08.

ADMINISTRATIVE SIGN-OFF:



Rhonda Sjostrom
SJVIA Manager



Paul Nerland
SJVIA Assistant Manager

**BEFORE THE BOARD OF DIRECTORS
SAN JOAQUIN VALLEY INSURANCE
AUTHORITY**

IN THE MATTER OF Receive and File Updated Anthem HMO Administrative Fees Effective July 1, 2014

RESOLUTION NO. _____
AGREEMENT NO. _____

UPON MOTION OF DIRECTOR _____, SECONDED BY
DIRECTOR _____, THE FOLLOWING WAS ADOPTED BY
THE BOARD OF DIRECTORS, AT AN OFFICIAL MEETING HELD _____
_____, BY THE FOLLOWING VOTE:

AYES:
NOES:
ABSTAIN:
ABSENT:

ATTEST:

BY: _____

* * * * *

That the Board received and filed updated Anthem HMO Administrative fees effective July 1, 2014