

MINUTES

BOARD OF DIRECTORS

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

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

1. Call to Order

Meeting was called to order by Director Vander Poel at 9:01am.

2. Roll Call

Roll was called by Brittany Howell, Gallagher Benefit Services. In attendance were Director Case McNairy, Director Ennis, Director Larson, Director Vander Poel and Director Worthley.

3. Approval of Agenda (A)

Director Vander Poel asked if there were any additions or corrections to the agenda. Director Ennis 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.

Director Vander Poel opened the meeting for public comment – no public comment was given.

5. Approval of Minutes – Board Meeting of April 25, 2014 (A)

Director Ennis moved to approve the April 25, 2014 Meeting Minutes; the motion was seconded by Director Case McNairy. The motion passed unanimously.

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6. Receive and File Quarterly Financial Report (I)

Lawrence Seymour, ACTTC from Fresno County, gave an overview on the quarterly financial statements. YTD Revenue is unfavorable by \$4.3 million however most of that is related to timing issues with the budget being on a monthly and calendar basis yet some of the payroll being on a bi-weekly basis. Also, there was a large expenditure by Fresno County with payroll where the expenditure hit first and revenue hit thereafter. Other items favorable for the year-end total were the claims expenses and total premiums, both of which helped offset the total revenue timing difference. In regards to these timing issues with budget being monthly and some payroll being bi-weekly, Staff will explore options in the next year to work on a way to get a more meaningful budget to better mirror current practices.

In regards to the cash flow report, it shows a total of \$2.1 million however, this does not reflect the Investment totals which are shown below on their own line item. If that line item is taken into account, total ending balance is actually \$7.2 million. Moving forward, this report will reflect the Investment line item in the totals.

7. Authorization of the Release of Proposals and Execution of Participation Agreement(s) (A)

Paul Nerland, SJVIA Assistant Manager, explained that Staff is seeking approval to release proposals for City of Taft to be effective September 1, 2014 and City of Oakdale, City of Hanford, City of Mendota, City of Firebaugh, City of Selma and City of Modesto to be effective January 1, 2015, as well as to authorize the Participation Agreements.

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Director Case McNairy asked about smaller entities and their ability to find affordable options elsewhere.

Director Worthley moved to approve the Release of Proposals and Execution of Participation Agreements; the motion was seconded by Director Ennis. The motion passed unanimously.

8. Receive and File Update on Request for Proposal for Wellness Vendors Effective January 1, 2015 (I)

Rhonda Sjostrom, SJVIA Manager, gave an overview of the marketing process for Wellness vendors. Proposals were requested to include Lifestyle and Disease Management programs. Currently SJVIA contracts with Delta Team Care and they are a vendor that submitted a proposal along with a number of other vendors. Staff is in the process of vetting those proposals and conducting finalist interviews the week of August 4th and coming back with recommendations at the August Board meeting.

Michele Mills, Gallagher Benefit Services, explained that we used our subject matter expert Ali Payne with Gallagher Benefit Services to help conduct the RFP. The vendors who submitted proposals were very comprehensive and able to provide a cohesive system which is able to provide both the Disease Management along with the onsite and biometric screenings, etc. Currently, we are utilizing these services through Anthem, Delta Team Care and contracted EAP vendors, so in conducting this RFP we will be able to utilize a vendor who has the capability to pull all these services together.

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Director Vander Poel asked if we anticipate any enhancements to our services that these other vendor can provide through the Wellness RFP. Michele Mills stated that the industry has changed a lot since SJVIA initially did their RFP and there have been numerous vendors added in the last three years with many added services. Ali Payne has done a good job in weeding out those that don't meet the criteria we are looking for. This RFP is allowing us to see what else is out there that might benefit SJVIA.

9. Receive and File Update on Request for Proposal for Administrative Services Vendors Effective January 1, 2015 (I)

Paul Nerland explained that currently the administrative fee of \$6.50 per employee per month provides administrative services to help SJVIA operate and includes an eligibility system that tracks eligibility and premiums received and sends out to all vendors, helps reconcile premiums with eligibility, tracks and sends COBRA notices, provides flex services, etc. The RFP was recently sent out and five vendors have responded to the RFP. During this process the current vendor reduced their price by approximately \$1.30 per employee per month.

Through this RFP process we found that the services SJVIA utilizes are quite complex. There are different services that each entity utilizes and each has a unique situation in how they handle their eligibility, premium payment, etc. It is very important the vendor chosen can handle that and the additional fees associated are cost effective. SJVIA will be coming back with recommendations at the August Board meeting.

10. Receive and File SJVIA Executive Claims Summary Through May 2014 (I)

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Alan Thaxter, Gallagher Benefit Services, presented the claims summary through May 2014. Page 5 of the summary shows there was a spike in claims in the last month however, due to your size, it is not as concerning. Even with that big claims month, \$874,000 was still added to reserves. Further, page 7 of the summary shows claims year over year and it shows that every year in May claims have been higher but they have decreased thereafter.

Michele Mills added that the one large claim on the PPO plan, shown on page 2, was all paid in May. Further, that claim is not ongoing and as of now, a closed case.

Page 3 of the agenda item shows the growth of SJVIA as well as average claims. As you can see, trend is much higher than our actual numbers. When looking at overall weighted trend, SJVIA is running at approximately 3.5%.

11. Approve Recommended Annual Out-of-Pocket Maximum Change as Required by the Affordable Care Act Effective January 1, 2015 (A)

Michele Mills, Gallagher Benefit Services, explained that historically, medical and rx have not counted toward the same out-of-pocket maximum costs. The Affordable Care Act, effective January 1, 2015 is mandating that medical and rx need to be combined to reach the out-of-pocket maximum. There are a few options to consider in order to meet these criteria.

- a. Move all prescription administration from the current US Script contract to Anthem Blue Cross, however, this would not be the most cost effective option for the plan.

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- b. Establish data sharing for member copay amounts between US Script and Anthem Blue Cross, which could become a cumbersome process and it will add an additional administrative costs to the SJVIA.
- c. Implement a separate maximum out-of-pocket for the medical and pharmacy benefits for the traditional PPO and HMO plans. This is the option Staff would recommend.

A separate out of pocket maximum would be set-up for each of these plans up to an amount that when added to the medical maximum does not exceed the limitations of the ACA maximums. Given the structure of the current medical plans, a \$2000 individual and \$4000 family out-of-pocket maximum could be set for the Rx plans. And, according to US Script data, during the last plan year the majority of those that used the prescription benefit had a total out-of-pocket of under \$500 while only three members incurred over \$3000 in employee expense. While this new requirement would add a level of benefit to those very high utilizers of the plan that would cap their Rx copay expenses for the year, it will not have any impact to the underwriting of the plan.

Director Larson moved to approve the Annual Out-of-Pocket Maximum Change that Staff recommended; the motion was seconded by Director Ennis. The motion passed unanimously.

- 12. Receive and File Updated Anthem HMO Administrative Fees Effective July 1, 2014 (I)

Paul Nerland explained that SJVIA's HMO plan was historically categorized as a self-funded plan thus, being subject the ACA Insurer tax of \$22.22 per employee per month. Further, Anthem has been collecting this fee for the HMO plan on SJVIA's behalf since January 2014.

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In June, SJVIA was notified that the HMO plan with Anthem had been recategorized 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 approximating \$1.3 million.

13. Receive and File Update Regarding US Script Guaranteed Pricing (I)

Michele Mills explained that the current pharmacy vendor, US Script, has their contract set-up on a pass-through basis meaning the SJVIA pays a small administrative fee per employee per month and any changes in the contracted rates become the benefit of the SJVIA. For that reason, US Script goes back through every line item claim and anything that is above this level that is set for every category of drug gets refunded back. Also, anything that comes in below the contracted rates will stay on the benefit side of SJVIA – it is not something that will need to be paid back. In the end, this resulted in a refund check in the amount of \$464,961.43.

14. Approve the Amendment to the Participation Agreement for Member Entities with Additions or Changes to SJVIA (A)

Rhonda Sjostrom stated that on April 25, 2014 the Board approved Staff's request to draft an amendment to the agreement for entities currently participating in programs under the SJVIA with standing participation agreements that have since added plans and/or had rate revisions. Staff worked with their attorneys to draft the amendments and exhibits for each entity affected and is requesting that the Board

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approve the Participation Agreement Amendments for City of Tulare, City of Ceres and City of Shafter.

Director Worthley approved the Amendment to the Participation Agreement for Member Entities with Additions or Changes to SJVIA; the motion was seconded by Director Larson. The motion passed unanimously.

15. Receive and File Preliminary January 1, 2015 Health Plan Renewal (I)

Alan Thaxter gave an overview of the renewal process for SJVIA. Given the claims information we have as well as trend, the combined PPO and HMO renewal is at 6.49%. The final rate recommendation will be completed using claims data updated through June 2014 and presented at the next Board meeting. The reserve position is very favorable and coming in at about 6% over the set levels. Because of the favorable reserve levels, the Board will have some options at the next meeting to use those extra monies to help buy down the renewal.

Pete Vander Poel asked for clarification on the preliminary renewal, specifically if the HMO and PPO will receive the stand-alone rate increases on page 7 or the combined rate increase. Alan Thaxter explained that since the shared risk model was approved several years ago, the HMO and PPO plans would receive the combined rate increase.

Gallagher committed to composing an illustration of the differentials between the PPO and HMO plans as well as obtaining some pooling options for the HMO plan to discuss at the next Board meeting.

16. Approve and Authorize sending the 2014 Multi-County Biennial Notice to the California Fair Political Practices Commission (A)

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Paul Nerland stated that the Political Reform Act requires every government agency to review its conflict of interest code biennially to determine if it is accurate. Staff and Counsel have reviewed the SJVIA conflict of interest code and recommend submission of the "2014 Multi-County Biennial Notice" to the FPPC indicating that no amendment is necessary at this time.

Director Worthley approved sending the 2014 Multi-County Biennial Notice to the California Fair Political Practices Commission; the motion was seconded by Director Ennis. The motion passed unanimously.

17. Approve Appointment of HIPAA Privacy Officer (A)

Paul Nerland explained that this item is to officially approve the appointment of a HIPAA Privacy Officer. When SJVIA was formed, each entity utilized the County HIPAA Privacy Officer but it was never formalized. As SJVIA grows, it is important to know who is designated in that position. In discussions with Staff, the recommendation is that the SJVIA Manager be the HIPAA Privacy Officer. As of July 1, 2014 Rhonda Sjostrom is the SJVIA Manager so this role would be designated to her and her Staff.

Director Larson approved the appointment of the SJVIA Manager as the HIPAA Privacy Officer; the motion was seconded by Director Ennis. The motion passed unanimously.

18. Adjournment

Meeting was adjourned at 10:42am by Director Vander Poel.

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