



August 15, 2014

Mark Tucker
Gallagher Benefit Services
45 E. River Park Place, Suite 605
Fresno, CA 93720

Re: **San Joaquin Valley Insurance Authority**
December 14, 2014 Renewal (County of Fresno/Bi-weekly)
January 2015 Renewal

Dear Mr. Tucker,

Thank you for the opportunity to provide renewal information for **San Joaquin Valley Insurance Authority**'s health plans with Kaiser Permanente in California. We value our long-term relationship with you and **San Joaquin Valley Insurance Authority** and look forward to continuing our partnership into the future.

This letter and the accompanying documents provide information about the 2015 renewal, including the renewal rate, an explanation of the renewal rate change, and the most important contract and benefits changes that will take effect in 2015.

As we work to make health care more affordable, we're targeting three key areas to deliver immediate and long-term cost reductions:

1. **Better management of expenses** — redesigning our cost structure to make care more affordable for our members without compromising safety and quality
2. **Transforming care through innovation** — using advanced health information technology to improve the quality and timeliness of care, and providing more alternatives to traditional office visits
3. **Increasing quality of care and efficiency** — continuing to develop, test, and share best practices across the organization, and leverage our collaborative model to help ensure better outcomes and cost efficiencies

In California, our costs in 2008 percent a year. In 2013 we reduced that to about 3.3 percent. Barring unexpected developments, we project our cost trends to be at or below the general inflation rate in the next two years. We recognize that this is important to the SJVIA as they look to provide stable rate increase in the future years to their customers.

Please note that this coverage complies with federal health care reform requirements and also reflects changes we have made in response to other federal and state government mandates. We continue to implement federally and state-mandated benefit design changes, and we are committed to upholding the provisions set forth.

We reserve the right to modify the rates and benefits if we receive further clarification of federal health care reform requirements, or to incorporate other applicable federal health care reform requirements. In addition, Kaiser Permanente reserves the right to make any change in these rates and benefits due to changes in state or federal legislation or regulatory action. Your client will receive a *Renewal Notice* at least 60 days prior to the renewal that will provide more information about changes and clarifications we are making to their coverage.

Pricing summary

Enclosed is an outline of the **San Joaquin Valley Insurance Authority** rate action needed for each of the customer's.

Depending on group size, changes to premium rates can be caused by a number of factors:

- **changes in the costs of delivering care**
- **changes in group size and/or demographics**
- **changes to the risk characteristics of the group**
- **your client's actual claims experience**

The 2015 renewal rates include a different percentage rate increase for the County of Fresno than the rest of the JPA. This was necessary to continue our multi-year goal of moderately increasing the Kaiser Permanente membership to create a more balanced risk profile and to be a sustainable offering over the long term. We understand the SJVIA feels strongly about the concept of pooling the rates increase for their customers and we are committed to a single pooled percentage of increase for the 2016 renewal year and beyond.

Rating documents are enclosed, along with general information about contract changes for 2015. Following your review of the enclosed material, please give me a call so we can discuss any questions you may have and how the renewal fits in with your overall benefit strategy for **San Joaquin Valley Insurance Authority**.

Please note that decisions on any benefit changes will need to be communicated to my office in writing at least 30 days prior to the renewal date; otherwise, these benefit changes will become effective the following month after the renewal date.

Best regards,

David Manion

Senior Account Manager

License #0B88307

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Enclosures:

- 2015 renewal materials
- Customer report packet, including executive summary, rate buildup, rate and benefit summary, and assumptions pages for California
- SJVIA Rate Proposal for each public sector customer



**SJVIA - COUNTY OF FRESNO, #580
December 8, 2014 – December 6, 2015**

CONTRACT: 1 Active Bi-weekly	Current Rate	Proposed Renewal
Subscriber	\$329.88	\$276.08
Sub + Spouse	\$606.98	\$493.37
Sub + Child(ren)	\$508.01	\$435.27
Family	\$778.52	\$652.05

January 1, 2015 – December 31, 2015

CONTRACT: 2 Early Retiree	Current Rate	Proposed Renewal
Subscriber	\$1,352.38	\$1,115.52
Sub + Spouse	\$2,488.38	\$2,052.56
Sub + Child(ren)	\$2,082.67	\$1,717.91
Family	\$3,191.63	\$2,632.63

CONTRACT: 3 - COBRA	Current Rate	Proposed Renewal
Subscriber	\$738.27	\$608.59
Sub + Spouse	\$1,358.41	\$1,119.80
Sub + Child(ren)	\$1,136.93	\$937.22
Family	\$1,742.30	\$1,436.26

BENEFITS	CURRENT BENEFITS
Office Visit	\$15 (\$0 preventive)
Inpatient Hospital	No charge
Emergency Room Visit	\$100
Ambulance	\$50
Infertility	\$15
Lab & X-ray Services	No charge
Prescription Drugs	\$10 Gen, \$20 Brand at 30 day Mail Order: \$20 Gen, \$40 Brand at 100 day
Hearing Aid	\$1000 Allowance
Optical Hardware	\$175 Allowance
Chiropractic Services	\$10/30-Visits



**SJVIA - COUNTY OF TULARE, #39189, #229275
January 1, 2015 – December 31, 2015
Active & Early Retiree**

HMO	Current Rate	Proposed Renewal
Subscriber	\$635.00	\$666.68
Sub + Spouse	\$1,269.98	\$1,333.36
Sub + Child(ren)	\$1,149.32	\$1,206.69
Family	\$1,904.96	\$2,000.04

5% increase

BENEFITS	CURRENT BENEFITS
Office Visit	\$25 (\$0 preventive)
Inpatient Hospital	\$250 / admit
Emergency Room Visit	\$100
Ambulance	\$50
Infertility	50%
Lab & X-ray Services	No charge
Prescription Drugs	\$10 Gen, \$20 Brand at 100 day. Mail Order: \$10 Gen, \$20 Brand at 100 day
Optical Hardware	\$150 Allowance
Chiropractic Services	\$10/30-Visits

Deductible HMO	Current Rate	Proposed Renewal
Subscriber	\$490.10	\$514.60
Sub + Spouse	\$980.16	\$1,029.16
Sub + Child(ren)	\$887.04	\$931.38
Family	\$1,470.24	\$1,543.76

5% increase

BENEFITS	CURRENT BENEFITS
Deductible	\$1000/\$2000
Office Visit	\$20 (\$0 preventive)
Inpatient Hospital	20% + deductible
Emergency Room Visit	20% + deductible
Ambulance	\$50
Infertility	50%
Lab & X-ray Services	No charge
Prescription Drugs	\$10 Gen, \$30 Brand at 30 day. Mail Order: \$10 Gen, \$60 Brand at 100 day



**SJVIA – City of Ceres, #604231
January 1, 2015 – December 31, 2015:**

	Current Rate	Proposed Renewal
Employee Only	\$492.40	\$516.86
EE + 1 Dependent	\$1,038.69	\$1,090.33
EE + 2 or more Deps	\$1,487.04	\$1,560.92

5% increase

BENEFITS	PROPOSED BENEFITS
Office Visit	\$15 (\$0 preventive)
Inpatient Hospital	No charge
Emergency Room Visit	\$100
Ambulance	\$50
Infertility	\$15
Lab & X-ray Services	No charge
Prescription Drugs	\$10 Gen, \$20 Brand at 30 day Mail Order: \$20 Gen, \$40 Brand at 100 day
Hearing Aid	\$1000 Allowance
Optical Hardware	\$175 Allowance
Chiropractic Services	\$10/40-Visits



**SJVIA - City of Reedley, #604207
January 1, 2015 – December 31, 2015**

	Current Rate	Proposed Renewal
Employee Only	\$587.08	\$616.43
EE + 1 Dependent	\$1,174.15	\$1,232.86
EE + 2 or more Deps	\$1,526.40	\$1,602.72

5% increase

BENEFITS	PROPOSED BENEFITS
Office Visit	\$15 (\$0 preventive)
Inpatient Hospital	No charge
Emergency Room Visit	\$50
Infertility	50%
Lab & X-ray Services	No charge (some procedures may require a copay)
Prescription Drugs	\$5 Gen, \$20 Brand at 30 day Mail Order: \$10 Gen, \$40 Brand at 100 day
Hearing Aid	\$1000 Allowance every 36 months
Chiropractic Services	not covered



**SJVIA - City of Shafter, #231107
January 1, 2015 – December 31, 2015**

	Current Rate	Proposed Renewal
Employee Only	\$370.74	\$388.93
EE + Spouse	\$946.24	\$991.78
EE + Child(ren)	\$814.91	\$855.66
Family	\$1,262.95	\$1,326.27

5% increase

BENEFITS	PROPOSED BENEFITS
Office Visit	\$10 (\$0 preventive)
Inpatient Hospital	No charge
Emergency Room Visit	\$50
Infertility	\$10
Lab & X-ray Services	No charge (some procedures may require a copay)
Prescription Drugs	\$10 Gen, \$20 Brand at 30 day Mail Order: \$20 Gen, \$40 Brand at 100 day



Rate Assumptions and Requirements:

Specific Assumptions and Requirements for the County of Fresno:

The rate offer for County of Fresno assumes that there will be no reduction in the amount that the employees will pay for the Anthem plan. By making this assumption and understanding the current contribution strategy, our rate offer is contingent upon the amount employees pay for Kaiser Permanente being the same or lower than the Anthem plans.

Additional Assumptions and requirements for all SJVIA participants:

KP must be offered on conditions that are no less favorable than those for other health care plans. Examples include, but are not limited to, the following:

- a. KP is offered to all eligible employees.
- b. KP has access to the employer and to the employees on the same basis as all other health care plans offered.
- c. The employer's contribution formula does not put KP in a disadvantaged position. Acceptable formulas include, but are not limited to, fixed employer dollar or percentage contribution.
- d. Basic and optional benefits such as durable medical equipment (DME), prescription drugs, and infertility are comparable among all health care plans offered.
- e. KP is not offered alongside plans with pre-existing condition provisions, health condition exceptions or lifetime coverage limits.
- f. If early retirees are covered, the employer offers all health care plans to early retirees on the same basis.
- g. Eligibility rules such as dependent age limits and waiting periods for new hires are the same for all health care plans.
- h. No other plan is allowed preferential treatment that adversely affects KP.
- i. Kaiser Permanente must NOT be offered alongside an age-rated health care plan.
- j. Rates are Net Commission