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SJVIA Board Meeting: Consultant’s Report on Stabilization Reserve Impact

The SJVIA Board (the Board) directed that Keenan complete an impact report for increasing the Stabilization Reserve from a one-month reserve to a two-month reserve.

In 2017, the Board set four preliminary financial goals:

- Ensure premium rates charged to each entity supported their underlying costs
- Fund the Incurred But Not Reported (IBNR) Reserve
- Fund a one-month Stabilization Reserve
- Repay the \$5.0 million loan to County of Fresno (with interest), the \$4.0 million loan to the County of Tulare (with interest), and the original 2010 seed money to start the SJVIA provided by the County of Fresno (\$887,669)

Currently, the SJVIA has fully funded:

- the IBNR Reserve at \$7,081,313, and
- a one-month Stabilization Reserve at \$5,978,475

The IBNR Reserve is based on the June 30, 2020 Actuarially Certified IBNR Reserve requirements. The Stabilization Reserve is based on the most recent 12 months of paid claims (through August 2020).

Coverage	Rolling 12 Months of Paid Claims				
	Medical	RX	Stop Loss	Dental	Total
08.31.20	\$ 49,097,700	\$ 19,541,494	\$ (320,072)	\$ 3,422,582	\$ 71,741,704

Using the \$71,741,704 in paid claims over the most recent twelve months, a one-month Stabilization Reserve calculates to \$5,978,475. See the chart below for a multiple month Stabilization Reserve:

Months	Stabilization Reserve				
	1-Month	2-Months	3-Months	6-Months	12-Months
08.31.20	\$ 5,978,475	\$ 11,956,951	\$ 17,935,426	\$ 35,870,852	\$ 71,741,704

Based on the Consultants Experience Report* furnished to the Board from 2018 through August 2020, the calculated accumulation* over the past two years and eight months is \$23,782,859.

Calculated Accumulation	
2018	\$ 7,406,865
2019	\$ 5,614,816
2020 YTD	\$ 10,761,177
Total	\$ 23,782,859

The following chart illustrates the impact on the calculated accumulation based on having a one-month, two-month, or three-month Stabilization Reserve:

	One-Month SR	Two-Month SR	Three-Month SR
Calculated Accumulation	\$ 23,782,859	\$ 23,782,859	\$ 23,782,859
IBNR Reserve	\$ 7,081,313	\$ 7,081,313	\$ 7,081,313
<u>Stabilization Reserve (SR)</u>	<u>\$ 5,978,475</u>	<u>\$ 11,956,951</u>	<u>\$ 17,935,426</u>
Balance	\$ 10,723,070	\$ 4,744,595	\$ (1,233,880)

Please note that the Stabilization Reserve will fluctuate based on the most recent 12-months of rolling claims. Any spikes in claim experience, for example months where COVID-19 impacted members were unable to access providers for essential and non-essential healthcare, will be reflected in the Stabilization Reserve. Keenan will keep the Board and SJVIA Staff informed and update the stabilization requirements in conjunction with reporting on the updated SJVIA experience reports.

***Please note, this is the consultant’s report and prior to allocating funds for IBNR, the stabilization reserve, and to provide loan repayment, the SJVIA Auditor will provide the unaudited cash position based on actual revenue received and actual expenses paid.**