

# FUND 506

## HEALTH BENEFITS TRUST FUND

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### ***Board of Supervisors' Adjustments***

***The following funding adjustments reflect all changes to the FY 2002 Advertised Budget Plan, as approved by the Board of Supervisors on April 30, 2001:***

- The Board of Supervisors made no changes to the FY 2002 Advertised Budget Plan.

***The following funding adjustments reflect all approved changes to the FY 2001 Revised Budget Plan from January 1, 2001 through April 23, 2001. Included are all adjustments made as part of the FY 2001 Third Quarter Review:***

- An increase of \$4,536,370 primarily due to increased employee participation in the plan, as of the most recent open enrollment period in November. The increase in expenditures is completely offset by a corresponding revenue adjustment.
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### ***County Executive Proposed FY 2002 Advertised Budget Plan***

#### **Purpose**

Fairfax County Government currently offers its employees and retirees two health insurance alternatives. The first is a self-insured alternative including a dual option managed care plan and an out-of-area network for those employees and retirees who live outside of the managed care network area. The second alternative includes vendor administered Health Maintenance Organizations (HMOs).

The County's current health insurance plan design is a result of revisions enacted in FY 1997. The current plan includes a dual option managed care plan, HMO options providing choices and competitive premium rates, and sharing of excess retiree costs to make the County a single risk pool.

Fund 506, Health Benefits Trust Fund is the administrative unit for the self-insured alternative. For the self-insured plans, the County pays only for claims and an administrative fee and receives the employee and employer premiums in Fund 506, Health Benefits Trust Fund.

Expenditures in Fund 506 are based on actual claims paid and administrative fees paid to the contract provider. After nearly a decade of slow medical cost growth, spending for health care has been increasing in recent years. Nationwide, cost growth is projected to increase an average of 10 percent per year. The County health care experience has closely mirrored the national trend. Increased utilization and rising costs of prescription drugs are also factors in escalating costs. Consequently, medical claims expenditures for FY 2002 for the County are based on a projected nationwide medical cost growth factor of 10 percent.

As a result of the projected increase in claims paid and administrative fees for FY 2002, the County's self-insured plan will raise premiums by 5.0 percent in FY 2002. It should be noted that the 5.0 percent premium increase will take effect January 1, 2002 for the final six months of FY 2002 based on the switch to calendar year enrollment.

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The 5.0 percent increase in premiums results in an average monthly increase of \$2.03 for those employees enrolled as an individual in the in-network, managed care option. In addition, the impact on those employees enrolled under the family plan in the in-network, managed care option results in a monthly increase of \$8.75 for employees. It should be noted that the County continues to contribute 85 percent of the total premium for employees enrolled as an individual and 75 percent of the total premium for employees enrolled under the family plan.

### **FY 2002 Initiatives**

- ◆ Completion of the competitive bid process for a new self-insured provider based on the expiration of the contract with the current provider as of December 31, 2001.
- ◆ Continuation of the new calendar year enrollment process. The new calendar year enrollment process is based on the decision to place the County open enrollment on the same cycle as other local employers, including the Fairfax County Public Schools and the Federal government. It is intended that this change will allow County employees with spouses employed by these other employers to make comprehensive decisions about their health care options.
- ◆ A 5.0 percent premium increase beginning January 1, 2002. The increase is necessary to maintain a revenue stream that will cover the increasing cost of health claims.
- ◆ Maintain an ending balance as a percent of claims paid of approximately 10 percent to ensure that the fund is adequate to support expenditures. It should be noted that an ending balance of 10 to 15 percent of claims paid is targeted based on industry standards.

### **Funding Adjustments**

*The following funding adjustments from the FY2001 Revised Budget Plan are necessary to support the FY2002 program:*

- ◆ An increase of \$7,082,259 primarily due to a 10 percent cost growth assumption, increased employee participation in the plan and an increase in the administrative fee. It should be noted that due to increased employee participation numbers, as of the most recent open enrollment period in November, a corresponding revenue and expenditure adjustment will be required for the fund at the *FY 2001 Third Quarter Review*. This adjustment accurately aligns the FY 2001 Revised Budget Plan with the projected expenditures for the fund.

*The following funding adjustments reflect all approved changes in the FY 2001 Revised Budget Plan since passage of the FY 2001 Adopted Budget Plan. Included are all adjustments made as part of the FY 2000 Carryover Review and all other approved changes through December 31, 2000:*

- ◆ There have been no revisions to this fund since the approval of the FY 2001 Adopted Budget Plan.

# FUND 506 HEALTH BENEFITS TRUST FUND

## FUND STATEMENT

Fund Type G50, Internal Service Funds

Fund 506, Health Benefits Trust Fund

	FY 2000 Actual	FY 2001 Adopted Budget Plan	FY 2001 Revised Budget Plan	FY 2002 Advertised Budget Plan	FY 2002 Adopted Budget Plan
<b>Beginning Balance</b>	<b>\$5,082,702</b>	<b>\$2,118,358</b>	<b>\$3,414,163</b>	<b>\$3,147,722</b>	<b>\$4,126,924</b>
Revenue:					
Employer Share of Premiums- County Payroll	\$17,081,993	\$20,239,810	\$24,306,459	\$25,622,175	\$25,622,175
Employee Share of Premiums- County Payroll	4,739,915	5,983,034	7,057,953	7,338,260	7,338,260
Employer Subsidy from HMOs	505,084	506,124	388,584	388,584	388,584
Employee Subsidy from HMOs	139,696	140,506	112,722	112,722	112,722
Other Funds Premiums	5,029,307	5,820,783	6,410,111	7,119,614	7,119,614
Interest Income	452,909	600,000	530,000	600,000	600,000
Administrative Service Charge	16,126	11,000	11,000	11,000	11,000
<b>Total Revenue</b>	<b>\$27,965,030</b>	<b>\$33,301,257</b>	<b>\$38,816,829</b>	<b>\$41,192,355</b>	<b>\$41,192,355</b>
<b>Total Available</b>	<b>\$33,047,732</b>	<b>\$35,419,615</b>	<b>\$42,230,992</b>	<b>\$44,340,077</b>	<b>\$45,319,279</b>
Expenditures:					
Benefits Paid	\$26,995,079	\$30,519,073	\$33,972,293	\$37,238,076	\$37,238,076
Administrative Expenses	2,019,142	2,531,044	2,531,044	2,731,568	2,731,568
Cost Containment	43,802	100,000	100,000	100,000	100,000
Incurred but not Reported Claims (IBNR)	575,546	417,581	1,500,731	580,313	580,313
<b>Total Expenditures</b>	<b>\$29,633,569</b>	<b>\$33,567,698</b>	<b>\$38,104,068</b>	<b>\$40,649,957</b>	<b>\$40,649,957</b>
<b>Total Disbursements</b>	<b>\$29,633,569</b>	<b>\$33,567,698</b>	<b>\$38,104,068</b>	<b>\$40,649,957</b>	<b>\$40,649,957</b>
Ending Balance:					
Fund Equity	6,871,756	5,871,279	9,085,248	9,275,831	10,207,959
IBNR	3,457,593	4,019,362	4,958,324	5,585,711	5,538,637
<b>Ending Balance</b>	<b>\$3,414,163</b>	<b>\$1,851,917</b>	<b>\$4,126,924</b>	<b>\$3,690,120</b>	<b>\$4,669,322</b>