

Health Benefits Trust Fund

506-01-Administration of Health Benefits Trust Fund

Fund/Agency: 506/89	Health Benefits Trust Fund	
Personnel Services	\$40,649,957	This CAPS accounts for 100 percent of total expenditures.
Operating Expenses	\$0	
Recovered Costs	\$0	
Capital Equipment	\$0	
Total CAPS Cost:	\$40,649,957	
Federal Revenue	\$0	
State Revenue	\$0	
User Fee Revenue	\$0	
Other Revenue	\$41,192,355	
Total Revenue:	\$41,192,355	
Net CAPS Cost:	(\$542,398)	
Positions/SYE involved in the delivery of this CAPS	0/0	

► CAPS Summary

Fairfax County currently offers its employees and retirees two health insurance alternatives. The first is a self-insured, multi-option alternative for active employees and retirees. The County has recently awarded a contract to Carefirst Blue Cross/Blue Shield to provide administrative services for the self-insured health insurance programs. In addition, the second alternative for employees and retirees includes vendor administered Health Maintenance Organizations (HMOs). The County's current health insurance plan design is a result of revisions enacted in FY 1997.

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Fund 506, Health Benefits Trust Fund, is the administrative unit for the self-insured alternative. For the self-insured plan, the County pays only for actual claims paid and third party administrative fees. The cost to fund expenses is covered by premiums (employees, retirees and employer premiums) and interest earnings. In addition, it should be noted that it is our policy to maintain an ending fund balance as a percent of claims paid of approximately 10 percent to ensure that the fund is adequate to support adverse fluctuations in health care expenditures. The targeted funding balance of ten percent is based on industry standards.

The County offers a very competitive program of health care coverage for employees and retirees. Remaining competitive is crucial to attracting and retaining a skilled workforce in a regional labor market that is characterized by high demand, limited supply. Health insurance is the single most sought after benefit. Providing an affordable, well-managed program is a function of the Health Benefits Trust Fund.

The employee benefit program serves 10,500 eligible employees and several thousand retirees. Approximately 8,900 active employees and 1,200 retirees choose health benefits. The number of active employees participating in health coverage is split with approximately 5,400 employees choosing the self-insured option and 3,500 employees choosing a Health Maintenance Organization (HMO).

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 to 14 percent per year. The County health care experience has closely mirrored the national trend. The primary factors in the escalating cost growth are increased utilization and the rising costs of prescription drugs.

In addition to the external factors impacting health insurance provision, the County goals for health benefits are to provide coverage for active and retired employees, to maintain or enhance access to quality care, to ensure long-term cost management, to promote health education wellness, and to enable employee self-services through technology.

In consideration of the projected continued escalation of cost growth, and the need to provide a pro-active and comprehensive benefits program, Employee Benefits staff will continue to work with the vendors for health coverage to explore alternatives for effectively managing the health insurance variables. Some of the available alternatives include managing choices through cost shifting, instituting a three-tier drug co-pay and/or establishing managed care options for out-of-network participants.

► **Method of Service Provision**

Administration of the Trust Fund is provided by Employee Benefits staff, in the Department of Human Resources. Fund 506 houses the actual revenue collections and expenditure disbursements only.

► **Performance/Workload Related Data**

Not applicable.