

Fund 60040: Health Benefits

Focus

Fund 60040, Health Benefits, is the administrative unit for the County's self-insured health plans. For the self-insured plans, the County pays only for claims and third-party administrative fees. The cost to fund claims expenses is covered by premiums from active employees, the employer, and retirees, as well as the retention of interest earnings. With the exception of the Medicare Advantage plans and Kaiser Permanente HMO plan, the County's health insurance plans are self-insured. Self-insurance allows the County to control all aspects of the plans more fully, including setting premiums to smooth out the impact of increases on employees while maintaining adequate funding to cover claims expenses and reserves.

Fairfax County Government offers its employees and retirees several health insurance choices providing various coverage options and competitive premium rates:

- Self-Insured open access plan (OAP) with three levels of coverage – Features a national network of providers. Two levels of coverage include co-insurance and modest deductibles. A consumer-directed health plan (CDHP) with a health savings account is offered as an additional option to employees.
- Fully-insured health maintenance organization (HMO) – Features care centers located in communities throughout the area with a co-pay structure for office visits and other services.
- Fully-insured Medicare Advantage Plans – Features low co-pay, no annual deductibles, and self-insured Part D prescription (PDP) coverage.

All the County's health insurance plans include self-insured vision benefits and offer eligible preventive care services on a zero-cost basis. In addition, the County offers a disease management program to detect chronic conditions early and provides assistance to those affected to help manage their diseases, resulting in healthier outcomes. The County's self-insured health insurance plans are consolidated under one network provider to control costs, improve analytical capabilities, and provide a high quality of care with an emphasis on wellness, and prevention and better management of chronic conditions.

Retirees over the age of 55 currently receive a subsidy of up to \$230 per month from the County toward the cost of health insurance. The current monthly subsidy commences at age 55 and varies by length of service. Details on the retiree health subsidy can be found in the narrative for Fund 73030, OPEB (Other Post-Employment Benefits) Trust, in Volume 2 of the [FY 2024 Adopted Budget Plan](#).

Despite lower claims during the pandemic in FY 2020, claims have gradually gone up since then. At the close of FY 2022, claims rebounded to above pre-pandemic levels. Year-to-date, claims were trending 4.0 percent higher than they were during the same period in FY 2022. It is expected that claims will continue to trend as the County experienced prior to the pandemic. Prescription drugs, new medical technologies and increased utilization will continue to drive increases in medical costs. To keep up with claim costs experienced in FY 2022, premium increases for January 2023 were set ranging from 3.8 percent to 6.4 percent for the County's self-insured medical health plans. These rates were set with consideration of balancing the impact to employees while ensuring that the premiums for each plan would cover the associated expenses, as each plan has experienced different participation trends and claims experiences. Additionally, premiums were set taking into consideration the potential impacts on the County's OPEB liability under Governmental Accounting Standards Board (GASB) Statements No. 74 and 75. If premiums are not set appropriately and increases in retiree claims outpace the growth in premiums, the County's OPEB liability and, consequently, the actuarially determined contribution for OPEB may increase. For more information

on other post-employment benefits, please refer to Fund 73030, OPEB Trust, in Volume 2 of the FY 2024 Adopted Budget Plan.

As a result of continuing increases in cost growth, it is projected that the County will raise premiums by 5.0 percent for all plans, effective January 1, 2024, for the final six months of FY 2024. These premium increases are budgetary projections only; final premium decisions will be made in the fall of 2023 based on updated experience. Premium decisions will be based on the impact to employees and retirees, the actual claims experience of each plan, the maintenance of adequate reserves, and the impact on the County's GASB 74 and 75 liabilities.

Fund Reserves

To help mitigate the impact of unanticipated cost increases in future years, the County created a Premium Stabilization Reserve in FY 2005. During the years of moderate cost growth, the County was able to accumulate funds within the Premium Stabilization Reserve and these funds were utilized to mitigate premium increases, especially during calendar years 2007 and 2009 when premiums were held flat for the self-insured plans. During FY 2022, the Premium Stabilization Reserve was utilized again to mitigate premium increases for the self-insured plans through a series of premium holidays. Therefore, the balance of the Reserve was reduced from \$41.8 million at the end of FY 2021 to \$29.6 million at the end of FY 2022.

In addition to the Premium Stabilization Reserve, the fund maintains an unreserved ending balance based on a percent of claims paid of at least 10 percent. An ending balance equivalent to two months of claims paid is the targeted industry standard based on potential requirements in the event of a plan termination.

LiveWell Employee and Retiree Wellbeing Program

In FY 2009, the LiveWell program began as an effort to provide increased opportunities for employees to improve their overall health and well-being, while also serving to curb rising health care costs. The program currently includes subsidized membership fees at County RECenters, weight loss and chronic condition support, influenza vaccinations, and other wellness programming. The LiveWell program includes the Employee Fitness and Wellness Center (EFWC), which is located at the Government Center and provides convenient access for employees and retirees to cardiovascular and strength training equipment as well as a variety of fitness classes at a reasonable monthly rate.

Other components of the LiveWell program include:

- *Reduced membership fees at County RECenters* – In response to employee demand and to promote the importance of overall physical health, a 50 percent subsidy for six-month and annual memberships, and the 25-visit Fast Pass at County RECenters are included in the program. As workplace sites for employees are spread throughout the County and, thus, all employees are not located near the EFWC, this benefit allows merit employees and retirees to use all nine County RECenters at a reduced rate.
- *Influenza vaccinations* – Providing flu shots to employees is a simple mechanism to reduce absenteeism due to flu outbreaks and protect the overall health of employees and retirees.

- *Health and Wellbeing Programming* – LiveWell sponsors weekly webinars and workshops at various employee worksites, on a variety of health and wellness topics, including nutrition, resiliency, fitness, mental health, financial wellbeing, and chronic condition support. More than 320 webinars and virtual wellbeing events were offered in 2022, with approximately 6,450 non-unique employee and retiree participants. Approximately 370 employees received a biometric screening through LiveWell in 2022 and approximately 1,320 flu vaccinations were administered at LiveWell events.
- *Specialized Events* – LiveWell hosts numerous interactive in-person and virtual events throughout the year including Employee Field and Fitness Day, the County Exec Trek, and several expos where employees can receive biometric screenings, learn more about health and wellness topics and actively engage in activities. In-person events were re-introduced in 2022, featuring seven large events with over 1,500 participants.
- *Weight Management and Chronic Disease Prevention* – LiveWell subsidizes the membership costs for a weight management program, available to employees online and in the community, and provides access to a specialized program for diabetics. LiveWell also partners with the County's health plans to provide an online lifestyle management program, designed to reduce the risk of cardiovascular disease and heart disease. Additionally, self-service, biometric kiosks, measuring blood pressure, weight, and body mass index, are located at 10 sites across the County.
- *Outreach* – LiveWell works closely with County leaders to provide outreach to offline workers and to support specialized needs within departments and teams on a variety of health and benefit topics. LiveWell has also identified a team of approximately 50 employees from across the County who serve as LiveWell Ambassadors, communicating about wellbeing and LiveWell initiatives within each agency. LiveWell implemented the Living Well at Work Award in 2020, recognizing County agencies that demonstrate innovation and outstanding support for employee wellbeing. In 2022, four outreach events for front-line workers reached more than 100 employees.
- *Partnerships* – LiveWell partners with community programs, such as 4P Foods, and bike-to-work campaigns, and County initiatives, such as the promotion of volunteering and financial fitness, to encourage employees to continually seek the benefits of improved total well-being. LiveWell also hosts monthly blood drives at the Government Center in partnership with Inova Blood Donor Services and the American Red Cross. In 2022, LiveWell facilitated employee donations of more than 1,500 pounds of food for community food banks, and approximately 1,400 pairs of socks for the Department of Family Services domestic and sexual violence programs.

A Wellness Incentive Points Program was added for the County's self-insured health insurance plans in calendar year (CY) 2014 and was expanded to include the fully-insured HMO in CY 2017. The program gives employees the opportunity to earn up to \$250 in wellness rewards annually for engaging in certain wellness activities such as taking an online health assessment, completing annual preventive exams, participating in lifestyle management programs, and attending LiveWell events. Wellness rewards dollars are deposited into a flexible spending account or health savings account at the beginning of the following plan year. A comprehensive wellness program has the potential to reduce the rate of escalation of health care costs, resulting in savings for self-insured plans through cost avoidance.

**FY 2024
Funding
Adjustments**

The following funding adjustments from the FY 2023 Adopted Budget Plan are necessary to support the FY 2024 program. Included are all adjustments recommended by the County Executive that were approved by the Board of Supervisors, as well as any additional Board of Supervisors' actions, as approved in the adoption of the Budget on May 9, 2023.

Health Insurance Requirements **\$8,838,371**

A net increase of \$8,838,371 is attributable to increases of \$8,951,082 in benefits paid, \$93,605 for incurred but not reported (IBNR) claims, and \$14,921 for Patient Protection and Affordable Care Act Fees. The increases are partly offset by a decrease of \$221,237 in administrative expenses. These adjustments are based on prior year experience and projected expenditures.

**Changes to
FY 2023
Adopted
Budget Plan**

The following funding adjustments reflect all approved changes in the FY 2023 Revised Budget Plan since passage of the FY 2023 Adopted Budget Plan. Included are all adjustments made as part of the FY 2022 Carryover Review, FY 2023 Third Quarter Review, and all other approved changes through April 30, 2023.

Carryover Adjustments **\$31,971,122**

As part of the FY 2022 Carryover Review, the Board of Supervisors approved a net increase of \$31,971,122 to reflect the carryover of unexpended balances to the Premium Stabilization Reserve, which provides the fund flexibility in managing unanticipated increases in claims.

FUND STATEMENT

Category	FY 2022 Actual	FY 2023 Adopted Budget Plan	FY 2023 Revised Budget Plan	FY 2024 Advertised Budget Plan	FY 2024 Adopted Budget Plan
Beginning Balance	\$70,552,476	\$28,799,711	\$58,962,837	\$31,855,938	\$31,855,938
Revenue:					
Employer Share of Premiums-County Payroll	\$104,053,645	\$112,373,919	\$112,373,919	\$121,483,404	\$121,483,404
Employee Share of Premiums-County Payroll	28,418,365	34,486,437	34,486,437	33,333,532	33,333,532
Retiree Premiums	36,081,757	44,418,018	44,418,018	41,053,616	41,053,616
Interest Income	65,864	32,181	32,181	1,056,453	1,056,453
Administrative Service Charge/COBRA Premiums	643,255	683,684	683,684	538,650	538,650
Employee Fitness Center Revenue	18,262	16,525	16,525	22,500	22,500
Total Revenue	\$169,281,148	\$192,010,764	\$192,010,764	\$197,488,155	\$197,488,155
Total Available	\$239,833,624	\$220,810,475	\$250,973,601	\$229,344,093	\$229,344,093
Expenditures:					
Benefits Paid ¹	\$175,549,719	\$180,904,673	\$180,904,673	\$189,855,755	\$189,855,755
Administrative Expenses ¹	3,583,764	4,995,096	4,995,096	4,773,859	4,773,859
Premium Stabilization Reserve ²	0	0	31,971,122	0	0
Incurred but not Reported Claims (IBNR) ¹	1,094,000	459,862	459,862	553,467	553,467
Patient Protection and Affordable Care Act Fees ³	59,831	44,910	44,910	59,831	59,831
LiveWell Program ¹	583,473	742,000	742,000	742,000	742,000
Total Expenditures	\$180,870,787	\$187,146,541	\$219,117,663	\$195,984,912	\$195,984,912
Total Disbursements	\$180,870,787	\$187,146,541	\$219,117,663	\$195,984,912	\$195,984,912
Ending Balance:⁴					
Fund Equity	\$72,847,837	\$46,620,879	\$45,740,938	\$47,797,648	\$47,797,648
IBNR	13,885,000	12,956,945	13,885,000	14,438,467	14,438,467
Ending Balance⁵	\$58,962,837	\$33,663,934	\$31,855,938	\$33,359,181	\$33,359,181
Premium Stabilization Reserve ²	\$29,646,034	\$3,452,854	\$1,644,858	\$1,653,270	\$1,653,270
Unreserved Ending Balance	\$29,316,803	\$30,211,080	\$30,211,080	\$31,705,911	\$31,705,911
Percent of Claims	16.7%	16.7%	16.7%	16.7%	16.7%

¹ In order to account for revenues and expenditures in the proper fiscal year, audit adjustments have been reflected as a decrease of \$1,644,857.98 to FY 2022 expenditures. The Annual Comprehensive Financial Report (ACFR) reflects all audit adjustments in FY 2022. Details of the audit adjustments were found in Attachment VI of the FY2023 Third Quarter Review.

² Fluctuations in the Premium Stabilization Reserve are the result of reconciliations of budget to actual experience and the timing of budget adjustments. Any balances in the reserve resulting from actual experience are re-appropriated, if necessary, at the next budgetary quarterly review.

³ Fees under the Patient Protection and Affordable Care Act include the Patient-Centered Outcomes Research Trust Fund Fee and the Transitional Reinsurance Program fee. The Transitional Reinsurance Program ended in FY 2018, while the Patient-Centered Outcomes Research Trust Fund Fee was extended.

⁴ The Fund 60040 ending balance does not include funding set aside in reserve for IBNR expenses. To account for all funds associated with the County's self-insured plans, the Fund Equity amount is provided, which includes the Fund 60040 ending balance as well as the IBNR reserve.

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⁵ Fluctuations in the ending balance are due primarily to the appropriation of the Premium Stabilization Reserve and changes in claims expenditures.