

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 at no cost. In addition, the County offers a disease management program aimed at early detection of chronic conditions and providing assistance to individuals for effective disease management, leading to improved health outcomes. These self-insured health insurance plans are strategically consolidated to control costs, improve analytical capabilities, and deliver high-quality care with an emphasis on wellness, prevention, and the improved management of chronic conditions.

Retirees aged 55 and above benefit from a subsidy of up to \$230 per month towards their health insurance costs, with the subsidy varying based on length of service. Details on the retiree health subsidy are available in the narrative for Fund 73030, OPEB (Other Post-Employment Benefits) Trust, in Volume 2 of the FY 2025 Adopted Budget Plan.

Year-to-date FY 2024 claims have trended 5.3 percent higher than the same period in FY 2023. It is anticipated that this trend will persist, aligning with the County's pre-pandemic experience. Factors such as prescription drugs, new medical technologies, and increased utilization will continue to drive up medical costs. Given the stable claim costs experienced in FY 2023, premium rates for the County's three self-insured OAP plans remained the same in calendar year 2024. Premium rates are set in an effort to balance the impact to employees while ensuring that the premium rates for each plan cover the associated expenses. Additionally, premium rates take into consideration the potential impacts on the County's OPEB liability under Governmental Accounting Standards Board (GASB) Statements No. 74 and 75. If premium rates are not set appropriately and increases in retiree claims outpace the growth in premium rates, 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 2025 Adopted Budget Plan.

As a result of expected increases in cost growth, it is anticipated that premium rates will increase 5.0 percent for all plans, effective January 1, 2025, covering the final six months of FY 2025. These projected premium rate increases are part of budgetary considerations, and final decisions will be determined in the fall of 2024. Premium rate 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 Statements No. 74 and 75 liabilities.

Fund Reserves

To help mitigate the impact of unanticipated cost increases in future years, the County maintains a Premium Stabilization Reserve. 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 rate increases, most notably during calendar years 2007 and 2009 when premiums were held flat for the self-insured plans. During FY 2023, a decrease in actual claims and an increase in premium rates led to growth in the reserve. The balance of the Reserve increased from \$29.6 million at the end of FY 2022 to \$53.2 million at the end of FY 2023.

In addition to the Premium Stabilization Reserve, the fund maintains an unreserved ending balance of at least 10 percent of claims paid. 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

The LiveWell program began in FY 2009 as an effort to provide increased opportunities for employees to improve their overall health and wellbeing, while also serving to curb rising health care costs. The program currently includes a variety of in-person and virtual programs; fitness, nutrition, and mental wellbeing resources; weight loss and chronic condition support; and collaboration with the Department of Human Resources Benefits team to promote medical and financial resources. Subscribers to Fairfax County's medical plans are encouraged to make healthy choices through the MotivateMe incentive rewards program, where participants can earn up to \$250 per year for completing an annual physical, cancer screenings, dental exams, and more.

Hybrid Programming

- *Virtual Programs* – LiveWell sponsors weekly webinars on a variety of health and wellness topics, including nutrition, resiliency, fitness, mental health, financial wellbeing, and chronic condition management. Approximately 330 webinars and virtual wellbeing events were offered in 2023, with over 7,000 non-unique employee and retiree participants. Approximately 600 employees, retirees, and their family members participated in online fitness and nutrition challenges in 2023.
- *Specialized Events* – LiveWell hosts numerous, interactive in-person 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 topics and engage in wellness activities. The number of large, in-person events increased in 2023, featuring 13 events engaging almost 3,000 participants.
- *Outreach* – LiveWell works closely with County leadership to provide outreach to offline workers and to support specialized needs within departments 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. In 2023, 12 in-person and virtual outreach events reached approximately 430 front-line employees across 10 agencies.

Disease Prevention and Management

- *LiveWell Biometric Screenings and Immunizations* – In 2023, over 400 employees and retirees received a biometric screening, such as cholesterol, glucose, and blood pressure testing, at LiveWell events and approximately 1,150 flu vaccinations were administered.
- *Health Screenings Sponsored by the Board of Supervisors* – At the behest of the Board of Supervisors, LiveWell hosted cardiovascular and ultrasound screening events for County employees. Eleven events were held across eight employee locations, reaching approximately 480 participants in the summer of 2023.
- *Weight Management and Chronic Disease Prevention* – LiveWell subsidizes the membership costs for a weight management program, available to employees online and in the community. 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, and manage Type II Diabetes and Hypertension. Additionally, self-service biometric kiosks, measuring blood pressure, weight, and body mass index, are located at 11 sites across the County.

Health and Fitness

- *Employee Fitness and Wellness Center* – 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. The EFWC saw over 14,000 member visits in 2023 and almost 400 personal training sessions completed throughout the year. The EFWC also hosts special events throughout the year such as table tennis and soccer tournaments, with six large events and approximately 250 participants in 2023.
- *Subsidized Membership Fees at Fairfax County Rec Centers* – 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 Rec Centers enable eligible employees and retirees to use all nine Rec Centers at a reduced rate.
- *Musculoskeletal Injuries* – Musculoskeletal claims are a key cost driver for the County's self-insured medical plans. LiveWell partners with Cigna and a local medical provider who specializes in the prevention and treatment of acute and chronic musculoskeletal pain and conditions without pharmaceuticals or surgery. The provider offers virtual and in-person seminars and on-site injury assessments. In 2023, more than 70 cases were treated. Post treatment survey responses showed a 100 percent reduction in medication for pain management, and an 86 percent case resolution rate.
- *Partnerships* – LiveWell partners with internal agencies such as the Department of Family Services, and external organizations, such as the American Red Cross, to promote total employee and community wellbeing through initiatives such as service events and blood drives. LiveWell hosted two blood drives at the Government Center in 2023 and facilitated the donation of over 200 winter weather items for the Fairfax-Falls Church Community Services Board's PATH program, as well as personal care products for Department of Family Services clients.

**FY 2025
Funding
Adjustments**

The following funding adjustments from the FY 2024 Adopted Budget Plan are necessary to support the FY 2025 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 7, 2024.

Health Insurance Requirements \$3,496,627

An increase of \$3,496,627 is attributable to increases of \$3,047,764 in benefits paid, \$18,768 for incurred but not reported (IBNR) claims, and \$430,095 in administrative expenses. These adjustments are based on prior year experience and projected expenditures.

**Changes to
FY 2024
Adopted
Budget Plan**

The following funding adjustments reflect all approved changes in the FY 2024 Revised Budget Plan since passage of the FY 2024 Adopted Budget Plan. Included are all adjustments made as part of the FY 2023 Carryover Review, FY 2024 Third Quarter Review, and all other approved changes through April 30, 2024.

Carryover Adjustments \$49,459,016

As part of the FY 2023 Carryover Review, the Board of Supervisors approved an increase of \$49,459,016 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 2023 Actual	FY 2024 Adopted Budget Plan	FY 2024 Revised Budget Plan	FY 2025 Advertised Budget Plan	FY 2025 Adopted Budget Plan
Beginning Balance	\$58,962,837	\$31,855,938	\$81,744,236	\$33,788,463	\$33,788,463
Revenue:					
Employer Share of Premiums-County Payroll	\$119,523,498	\$121,483,404	\$121,483,404	\$119,816,969	\$119,816,969
Employee Share of Premiums-County Payroll	34,073,592	33,333,532	33,333,532	34,997,080	34,997,080
Retiree Premiums	41,387,182	41,053,616	41,053,616	46,383,768	46,383,768
Interest Income	1,340,567	1,056,453	1,056,453	2,065,686	2,065,686
Administrative Service Charge/COBRA Premiums	555,259	538,650	538,650	529,653	529,653
Employee Fitness Center Revenue	25,620	22,500	22,500	22,500	22,500
Total Revenue	\$196,905,718	\$197,488,155	\$197,488,155	\$203,815,656	\$203,815,656
Total Available	\$255,868,555	\$229,344,093	\$279,232,391	\$237,604,119	\$237,604,119
Expenditures:					
Benefits Paid ¹	\$170,836,155	\$189,855,755	\$189,855,755	\$192,903,519	\$192,903,519
Administrative Expenses ^{1, 2}	3,715,170	4,833,690	4,833,690	5,263,785	5,263,785
Premium Stabilization Reserve ³	0	0	49,459,016	0	0
Incurred but not Reported Claims (IBNR) ¹	(1,094,000)	553,467	553,467	572,235	572,235
LiveWell Program	666,994	742,000	742,000	742,000	742,000
Total Expenditures	\$174,124,319	\$195,984,912	\$245,443,928	\$199,481,539	\$199,481,539
Total Disbursements	\$174,124,319	\$195,984,912	\$245,443,928	\$199,481,539	\$199,481,539
Ending Balance:⁴					
Fund Equity	\$94,535,236	\$47,797,648	\$47,132,930	\$52,039,282	\$52,039,282
IBNR	12,791,000	14,438,467	13,344,467	13,916,702	13,916,702
Ending Balance⁵	\$81,744,236	\$33,359,181	\$33,788,463	\$38,122,580	\$38,122,580
Premium Stabilization Reserve ³	\$53,214,598	\$1,653,270	\$2,082,552	\$5,907,692	\$5,907,692
Unreserved Ending Balance	\$28,529,638	\$31,705,911	\$31,705,911	\$32,214,888	\$32,214,888
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 \$2,082,551.97 to FY 2023 expenditures for Benefits Paid, Administrative Expenses, and Incurred but not Reported (IBNR) Claims. The Annual Comprehensive Financial Report (ACFR) reflects all audit adjustments in FY 2023. Details of the audit adjustments were included in Attachment VI of the FY 2024 Third Quarter Package.

² Expenses include health plan administrative services fees and the Patient Protection and Affordable Care Act's (PPACA) Patient-Centered Outcomes Research Trust Fund Fee. The PPACA fee was reported separately up until the FY 2023 Carryover Review.

³ 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.

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.

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