

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 – Feature low co-pays and no annual deductibles, and include self-insured Part D prescription drug (PDP) coverage for one plan.

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 2026 Adopted Budget Plan.

Year-to-date FY 2025 claims have trended 5.5 percent higher than the same period in FY 2024. This trend is expected to continue, driven by rising medical prices, a shift to higher-cost brand and specialty prescriptions, and continued growth in GLP-1 drug utilization. In response to the significant increase in claims during FY 2024, premium rates for the County's three self-insured OAP plans increased between 4 percent and 12 percent in calendar year 2025. 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 2026 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, 2026, covering the final six months of FY 2026. These projected premium rate increases are part of budgetary considerations, and final decisions will be

determined in the fall of 2025. 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, 2009, and 2024, when premiums were held flat for the self-insured plans. During FY 2024, actual claims increased while premiums did not, reducing the reserve balance from \$53.2 million at the end of FY 2023 to \$46.4 million at the end of FY 2024.

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

In FY 2009, the LiveWell program began 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 LiveWell program is currently housed within the Department of Human Resources and collaborates with internal and external partners, such as medical plan vendors, to cross-promote resources and benefits that improve the total wellbeing of County employees, retirees, and their family members.

LiveWell hosts a variety of virtual programs such as webinars, online wellbeing challenges, and chronic disease programs. In-person programming is also provided, such as health fairs, flu vaccinations, and large-scale events, attracting thousands of employees and retirees each year.

Recognizing the challenge that chronic conditions such as diabetes and heart disease pose to employee health and the cost of health care, LiveWell provides biometric screenings, such as glucose and cholesterol tests, several times per year. Self-serve blood pressure kiosks and online resources also help employees prevent, identify, and manage their conditions.

Subscribers to Fairfax County Government's medical plans are encouraged to make healthful choices through the MotivateMe incentive rewards program, where participants can earn financial rewards for completing activities such as preventive care exams, cancer screenings, and mental health counseling. LiveWell also subsidizes access to Fairfax County's Rec Centers for benefit-eligible employees and retirees.

The Employee Fitness & Wellness Center (EFWC), located at the Government Center, provides affordable access to fitness equipment, group fitness classes, and personal training. The EFWC hosts a variety of programs and tournaments throughout the year, making physical activity fun and accessible to individuals of all fitness levels and abilities.

LiveWell strives to literally meet employees where they are, conducting outreach events across Fairfax County, in partnership with a team of LiveWell Ambassadors. Ambassadors are representatives from County agencies that support the wellbeing of their colleagues through communication and volunteering to assist with the coordination and implementation of LiveWell events. Additionally, LiveWell partners with County agencies to host donation drives and employee service events that support the wider Fairfax County community.

**FY 2026
Funding
Adjustments**

The following funding adjustments from the FY 2025 Adopted Budget Plan are necessary to support the FY 2026 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 13, 2025.

Health Insurance Requirements **\$21,026,454**
A net increase of \$21,026,454 is attributable to increases of \$21,002,061 in benefits paid and \$280,945 for incurred but not reported (IBNR) claims, partially offset by a decrease of \$256,552 in administrative expenses. These adjustments are based on prior year experience and projected expenditures. They also reflect changes to expenditures related to the UnitedHealthcare Medicare Advantage Part D prescription drug coverage (UHMA PDP) for retirees. Beginning in January 2025, the UHMA PDP transitioned to being fully insured. As a result, claims, administrative expenses, and premium revenue will no longer be accounted for in the Health Benefits Fund.

**Changes to
FY 2025
Adopted
Budget Plan**

The following funding adjustments reflect all approved changes in the FY 2025 Revised Budget Plan since passage of the FY 2025 Adopted Budget Plan. Included are all adjustments made as part of the FY 2024 Carryover Review, FY 2025 Third Quarter Review, and all other approved changes through April 30, 2025.

Carryover Adjustments **\$53,174,409**
As part of the FY 2024 Carryover Review, the Board of Supervisors approved an increase of \$53,174,409 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 2024 Actual	FY 2025 Adopted Budget Plan	FY 2025 Revised Budget Plan	FY 2026 Advertised Budget Plan	FY 2026 Adopted Budget Plan
Beginning Balance	\$81,744,236	\$33,788,463	\$78,890,683	\$30,050,391	\$30,050,391
Revenue:					
Employer Share of Premiums-County Payroll	\$117,004,382	\$119,816,969	\$119,816,969	\$132,506,493	\$132,506,493
Employee Share of Premiums-County Payroll	34,100,492	34,997,080	34,997,080	38,723,767	38,723,767
Retiree Premiums	44,025,196	46,383,768	46,383,768	46,855,585	46,855,585
Interest Income	2,083,301	2,065,686	2,065,686	2,140,874	2,140,874
Administrative Service Charge/COBRA Premiums	529,035	529,653	529,653	634,733	634,733
Employee Fitness Center Revenue	43,836	22,500	22,500	43,636	43,636
Total Revenue	\$197,786,242	\$203,815,656	\$203,815,656	\$220,905,088	\$220,905,088
Total Available	\$279,530,478	\$237,604,119	\$282,706,339	\$250,955,479	\$250,955,479
Expenditures:					
Benefits Paid ¹	\$194,325,218	\$192,903,519	\$192,903,519	\$213,905,580	\$213,905,580
Administrative Expenses ^{1, 2}	4,211,812	5,263,785	5,263,785	5,007,233	5,007,233
Premium Stabilization Reserve ³	0	0	53,174,409	0	0
Incurred but not Reported Claims (IBNR) ¹	1,398,000	572,235	572,235	853,180	853,180
LiveWell Program	704,765	742,000	742,000	742,000	742,000
Total Expenditures	\$200,639,795	\$199,481,539	\$252,655,948	\$220,507,993	\$220,507,993
Total Disbursements	\$200,639,795	\$199,481,539	\$252,655,948	\$220,507,993	\$220,507,993
Ending Balance:⁴					
Fund Equity	\$93,079,683	\$52,039,282	\$44,811,626	\$46,061,901	\$46,061,901
IBNR	14,189,000	13,916,702	14,761,235	15,614,415	15,614,415
Ending Balance⁵	\$78,890,683	\$38,122,580	\$30,050,391	\$30,447,486	\$30,447,486
Premium Stabilization Reserve ³	\$46,438,372	\$5,907,692	\$0	\$0	\$0
Unreserved Ending Balance	\$32,452,311	\$32,214,888	\$30,050,391	\$30,447,486	\$30,447,486
Percent of Claims	16.7%	16.7%	15.6%	14.2%	14.2%

¹ In order to account for revenues and expenditures in the proper fiscal year, audit adjustments have been reflected as an increase of \$2,164,496.28 to FY 2024 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 2024. Details of the audit adjustments were included in the FY 2025 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.

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.