

Response to Questions on the FY 2005 Advertised Budget Plan

Request By: Supervisor DuBois

Question: To what extent have public employees share of health care costs been increased (percentage increase) and to what extent, if any, have benefits been reduced as a means to contain costs? If there has been an increase in the employee share, is this increase comparable to increases in the private sector?

Response: Since the 1990's, employers have struggled to control medical and prescription drug costs. The national trend for health insurance has been double digit increases somewhere between 12 percent and 20 percent annually. According to a recent national health care management study, as of 2003, health insurance premiums experienced five straight years of double digit increases and the trend is unlikely to end anytime soon. In fact, the trend for health insurance has resulted in employees and employers paying twice as much today as they did six years ago. Cost increases have been a result of significant medical and prescription claims increases including higher overall use of prescription drugs and greater reliance on expensive brand name drugs.

The Fairfax County experience has mirrored the national trend. Therefore, we have tried to maintain plans that provide comprehensive health benefits, varied degrees of managed benefit provision (HMO to PPO) and varied monthly cost requirement choices, but also manage costs through both, premium increases, as well as sharing the cost for service with those who more frequently utilize the service through increases in office visit co-pays, adjustments to deductibles, and adjusting prescription co-pays to shift more of the burden of expensive brand name drug use to the consumer.

Premium Increases paid by Employee and County (beginning January 1)

Provider	2002	2003	2004	2005 (Projected)
Self-Insured (BC/BS)	10.0%	22.5%	22.5%	25.0%
HMO (Avg of Kaiser/Cigna)	11.6%	9.9%	21.2%	21.0%

Changes to Benefits to Reduce Costs

Health Plan Changes July 1997 to January 2004: Primarily made changes to prescription drugs to manage use of higher cost brand name drugs. The plans had already received negotiated savings based on the volume discounts factored into the re-bid of the contract.

Blue Cross Plans

Increased out-of-network, out-of-pocket annual maximum from \$2000 to \$2500

Changed out-of-network co-insurance from 80% covered to 70% covered

Eliminated the higher cost Trigon option (higher cost plan)

Changed from 2 tier pharmacy plan to 3-tier pharmacy plan

Blue Cross Plans (Pharmacy Co-pays)	2 Tier Plan	3 Tier Plan
Generic	\$10.00	\$10.00
Brand		
2 Tier - No Distinction	\$15.00	
3 Tier - Formulary		\$20.00
3 Tier - Non-Formulary		\$35.00

Kaiser

Changed from \$5 to \$10 office visit co-pay

Changed from no differentiation in brand/generic pharmacy to 2 tier pharmacy plan

Kaiser (Pharmacy Co-pays)	1 Tier Plan	2 Tier Plan
Kaiser Counter		
Generic	\$10.00	\$10.00
Brand	\$10.00	\$20.00
Community Pharmacy		
Generic	\$20.00	\$16.00
Brand	\$20.00	\$32.00

Benefits have been enriched for fertility treatment, obesity treatment, chiropractic and acupuncture, inclusion of coverage for Viagra and coverage for smoking cessation.

In addition, we made adjustments to covered HMOs based on the re-bid of the health insurance contract and market availability. This resulted in the discontinuation of the contracts with Nylcare and Prudential in 2001 and the addition of Cigna healthcare. Cigna also provides a 3 tiered approach to pharmacy co-pays differentiated by generic (\$5), formulary brand (\$15) and non-formulary brand (\$35).

Employee Share

The cost of health insurance is shared by both the employee and the County. No adjustment has been made in the cost sharing arrangement between the employee and the County. The County pays 85% and the employee pays 15% of the premium for individuals enrolled in a county plan and the County pays 75% and the employee pays 25% of the premium for employees who are enrolled in a two-party or family plan. This cost sharing arrangement closely mirrors the national average for state employers of 90%/10% employer coverage for individuals and 78%/22% employer coverage for families.