

## Response to Questions on the FY 2013 Budget

**Request By:** Supervisor Gross

**Question:** Please provide a breakdown of the 10 percent increase for health insurance costs, including the impact on both the County and the employee.

**Response:** The preliminary estimate of required January 2013 premium increases is 10 percent for each of the County's health insurance plans. This increase represents a budget projection only; actual premium decisions will be made based on updated experience prior to open enrollment. Due to the timing of budget development and adoption, premium increases for the County's health insurance plans are projected over a year in advance of when the increases are implemented. For example, the proposed January 2013 premium increases contained in the FY 2013 Advertised Budget Plan were developed in December 2011 based on data at that time and, as such, are factors utilized to build the budget. Premium increase projections are performed by County staff based on actual plan experience, utilizing enrollment data and trend analysis of claims experience. After initial premium projections are set for the budget, staff continues to monitor and track plan revenues and claims expenses. In Fall 2012, actual premium increases will be set in advance of open enrollment based on updated plan experience and analysis.

Full-time active employees currently pay 15 percent of health insurance premiums for individual coverage and 25 percent of premiums for two-party or family coverage. The projected 10 percent premium increases would increase employee biweekly premiums from \$2-20, depending on the plan and level of coverage. (It should be noted that, beginning in calendar year 2012, health insurance premiums are paid every pay period – spread across all 26 pay periods – rather than twice a month.) The estimated 10 percent premium increases are projected to have a General Fund impact of \$4.0 million in FY 2013, which represents a half-year impact as these increases would go into effect at the midpoint of the fiscal year. Once final premium decisions are made, any necessary budgetary adjustments will be made at a subsequent quarterly review.