LOB #27:

Benefits Administration

Purpose

The County provides health care, income security and retirement benefits to successfully compete for talent and retain a capable workforce.

Description

The Employee Benefits Division provides overall management for the County's employee benefits programs, which include medical, dental, vision, group term life, long-term disability insurance, dependent care and medical spending accounts, deferred compensation, benefits continuation (COBRA), Leave Without Pay (LWOP) and the Family and Medical Leave Act (FMLA). The Division also manages the Health Benefits Fund, drafts competitive bid requirements, analyzes bids, selects carriers, manages vendor contracts, and educates and communicates with employees, retirees and various employee groups on benefit plan features and changes in federal regulations. This effort is performed by the employees within the Benefits Division and through vendors and HR generalists throughout the County. The staff also leverages and encourages employee self-service through FOCUS and vendor web sites. County plans cover 25,000 employees, retirees and their dependents. It should be noted that retirement benefits are managed by the Retirement Administration Agency, and are discussed in the Employee Benefits narrative.

Benefits

The County continues to face the challenge of providing comprehensive benefits coverage to employees and retirees in a difficult budget and regulatory environment. Recent changes in health plans are based on compliance with the required provisions of the Affordable Care Act and take into account the current health care environment and specific County experience. These dynamics will be incorporated into the County's long-term benefits strategy which is based on the following:

- Offering competitive health care benefits that allow the County to attract and retain employees;
- Providing employees and retirees with meaningful choices of benefits so they can select a plan that best meets their individual needs;
- Improving the value the County, its employees and its retirees receive for the money spent on medical care; and
- Enhancing employee and retiree focus on wellness.

The County offers its employees and retirees several health insurance alternatives, with the intent of offering options that are both comprehensive and cost effective. A self-insured open access plan (OAP) features a national network of providers with four levels of coverage. One level of coverage has a co-pay structure for office visits and other services, two levels of coverage include co-insurance and modest deductibles, and one level offers a consumer-directed health plan with a health savings account that is partially funded by the County. In addition, a fully-insured health maintenance organization (HMO) is available, featuring care centers located in communities throughout the area with a co-pay structure for office visits and other services. The County sets premiums and manages plan design in order for the plans to cover claims, administrative expenses, and reserve requirements.

Over the next few years, the County will employ several strategies to continue to provide high-quality health coverage for employees while containing costs in light of the health care reform measures on the horizon. Staff will continue the open dialogue with employees on plan design changes necessary for effective cost containment through Benefits Focus Group meetings. Some of these changes may include adjustments to deductibles, co-pays, and out-of-pocket maximums or removing high-cost pharmacies from the network. Staff will also continue to examine the County's plans to determine if the offerings provide adequate choice with regard to both coverage and cost, while being mindful of the potential significant costs associated with the Cadillac tax in future years. Options include the replacement of existing plans with additional alternatives which more strongly encourage consumerism and an examination of the viability of private exchanges which are becoming more prevalent in the marketplace.

Staff has pursued a number of innovative strategies to educate participants about optimal plan selection, including an instructional video for the new drug plan for Medicare-eligible retirees, as well as an interactive video for employees with an emphasis on picking the best plan. These videos are third-party hosted and can be accessed by plan participants on laptops, tablets, and smart phones. Additionally, staff will continue to build on the success of the LiveWell programs by increasing participation in MotivateMe incentives, building awareness of healthy behaviors webinars, and instituting employee challenges and events that encourage group participation.

Beginning in early 2016, the County must comply with the reporting requirements of the Individual Responsibility and Employer Shared Responsibility Rules, also known as the Employer Mandate. As part of this mandate, the County must submit detailed information on employees and dependents to the IRS regarding their County coverage, so eligibility for federal subsidies can be determined if any County employees apply for coverage under one of the Health Exchanges. Also, the County must furnish statements to employees showing the information sent to the IRS.

The Health Care Excise Tax (commonly referred to as the "Cadillac tax") will be implemented beginning in 2020, and the County will need to take further steps over the next few years to prepare for it. While no material impact from the Cadillac tax is expected until 2021 or later, deliberate decisions must be made in the coming years to minimize its impact on the County. The introduction of a consumer-directed health plan with a health savings account is one step toward mitigating the excise tax impact, as it will help employees understand the value of being better health care consumers. Staff will continue to monitor the potential impact of the Cadillac tax and will provide updates to the Board as additional information becomes available.

Mandates

The administration and compliance of benefits are subject to the federal and state regulations of regulatory bodies such as the Internal Revenue Service, Department of Labor, and Centers for Medicare and Medicaid Services. In addition, health care is mandated under the Patient Protection and Affordable Care Act (PPACA). PPACA requires that all permanent employees working 30 hours a week or more are offered minimum essential coverage.

Trends and Challenges

A Consumer-Directed Health Plan (CDHP) and a Health Savings Account (HSA) were introduced for the 2016 plan year as an additional health insurance option for employees. Several wellness initiatives are also being developed that are aimed at helping County employees become and stay healthy. Both of these efforts will help slow increases in healthcare costs and lead to better health outcomes.

The passage of the Patient Protection and Affordable Care Act has led to a shift in reporting and compliance regulations. The Benefits Division is monitoring the industry landscape to ensure proper compliance and best practices as the law continues to go into effect.

Health care and drug costs are increasing at unsustainable rates both nationally and locally. The Benefits Division continually endeavors to motivate and educate employees and retirees to make better health-related choices.

Resources

Category	FY 2014 Actual	FY 2015 Actual	FY 2016 Adopted
LOB #27: Benefits Administration			
FUNDING			
Expenditures:			
Compensation	$954,188	$959,563	$644,963
Operating Expenses	67,308	56,991	0
Total Expenditures	$1,021,496	$1,016,554	$644,963
General Fund Revenue	$0	$0	$0
Net Cost/(Savings) to General Fund	$1,021,496	$1,016,554	$644,963
POSITIONS Authorized Positions/Full-Time Equivalents (FTEs)			
Positions:			
Regular	15 / 15	16 / 16	12 / 12
Total Positions	15 / 15	16 / 16	12 / 12

Metrics

Metric Indicator	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Estimate	FY 2017 Estimate
Deferred Compensation participation rate	49.8%	51.2%	56.3%	58.0%	59.5%
Healthcare plan costs per employee	$11,676	$12,963	$13,768	$14,452	$15,600
MotivateMe participation	NA	772	907	1,050	1,200

The Deferred Compensation participation rate has been growing steadily. This is a positive trend indicating that more employees are taking advantage of the long-term financial benefits of deferred compensation. At an estimated participation rate of 58 percent for FY 2016, Fairfax County is well above the industry average of 48 percent. The recent increase is largely attributable to the implementation of the auto-enrollment feature for new hires effective June 2014. All new hires automatically begin contributing 1 percent of their earnings into a deferred compensation account unless they opt out. The participation rate is expected to continue to grow as more new employees are hired under the auto-enrollment provision.

The cumulative impact of annual healthcare costs is reflected in the increase in total plan costs per employee per year (PEPY). Plan costs of $9,731 PEPY in calendar year 2010 rose to $13,416 by July 2015, representing a 37.9 percent increase for the period. Costs are increasing due to a myriad of reasons including the high rate of normal medical inflation, the reduced rate of prescription drugs coming off patent, the continued use of new Hepatitis C drugs, and the introduction of highly effective but very expensive cholesterol drugs recently approved by the FDA. Costs are partially held in check by plan design changes that affect utilization. These cost increases are not sustainable in the long-term, and therefore efforts to contain healthcare costs include plan design changes that impact utilization, the addition of a Consumer-Directed Health Plan and efforts to grow participation in LiveWell.

The LiveWell program is a relatively new initiative aimed at helping County employees become and stay healthy. Two primary aspects of the LiveWell program are MotivateMe and online Health Assessments. Participation in both MotivateMe and online Health Assessments has increased steadily by 17.5 percent and 21.0 percent, respectively, from calendar year 2014 through July 2015. These numbers are at the higher end of the expected range of engagement. Efforts will continue to promote the program through creative marketing in order to raise awareness and drive up participation.