

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. All but one of the County's health insurance plans are self-insured. Self-insurance allows the County to more fully control all aspects of the plans, 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 four levels of coverage – Features a national network of providers. One level of coverage has a co-pay structure for office visits and other services, while two levels of coverage include co-insurance and modest deductibles. A consumer-directed health plan (CDHP) with a health savings account that is partially funded by the County 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.

The design of the County's health insurance plans has shifted gradually from plans with a co-pay structure to plans with a co-insurance structure, as part of an effort to control cost growth through a stronger focus on features that encourage consumerism. Continuing this trend, the County's only remaining self-insured co-pay plan was closed to new enrollment effective January 1, 2017. All of the County's health insurance plans include self-insured vision benefits and offer eligible preventive care services on a zero-cost basis. In addition, the County offers a disease management program to detect chronic conditions early and provide assistance to those affected to help manage their diseases, resulting in healthier outcomes. The County's self-insured health insurance plans are consolidated under one network provider to control costs, improve analytical capabilities, and provide a high quality of care with an emphasis on wellness, prevention and better management of chronic conditions.

Retirees over the age of 55 currently receive a \$230 per month subsidy from the County toward the cost of health insurance. The current monthly subsidy commences at age 55 and varies by length of service. Details on the retiree health subsidy can be found in the narrative for Fund 73030, OPEB (Other Post-Employment Benefits) Trust, in Volume 2 of the [FY 2020 Advertised Budget Plan](#).

As with many employers nationwide, the County has experienced considerable fluctuations in medical costs. Prescription drugs, new medical technologies and increased utilization, as well as the cost of medical malpractice and liability insurance, continue to drive increases in medical costs. Total claims in the County's self-insured plans increased approximately 1.2 percent in FY 2018, the second consecutive year of moderate growth. This trend is unlikely to continue, as experience in recent years has typically exceeded 6 percent. Premium increases for January 2019 were set ranging from 0 percent to 3 percent. These rates were set with consideration of balancing the impact to employees while ensuring that the premiums for each plan would cover the associated expenses, as each plan has experienced different participation trends and claims experience. Additionally, premiums were set taking into consideration the potential impacts on the County's OPEB liability under Governmental Accounting Standards Board (GASB) Statements No. 74 and 75. If premiums are not set appropriately, and increases in retiree claims outpace the growth in premiums, the County's OPEB liability and, consequently, the actuarially

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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 2020 Advertised Budget Plan](#).

As a result of continuing increases in cost growth, it is projected that the County will raise premiums by 5.0 percent for all plans, effective January 1, 2020, for the final six months of FY 2020. These premium increases are budgetary projections only; final premium decisions will be made in the fall of 2019 based on updated experience. Premium 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 74 and 75 liability.

Fund Reserves

To help mitigate the impact of unanticipated cost increases in future years, the County created a Premium Stabilization Reserve in FY 2005. 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 increases, especially during calendar years 2007 and 2009 when premiums were held flat for the self-insured plans. At the end of FY 2018, the balance of the Premium Stabilization Reserve was \$35.0 million.

In addition to the Premium Stabilization Reserve, the fund maintains an unreserved ending balance based on a percent of claims paid of at least 10 percent. 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 Workforce Wellness Program

In FY 2009, the LiveWell Workforce Wellness Program began as an effort to provide increased opportunities for employees to improve their overall health and well-being, while also serving to curb rising health care costs. The program currently includes subsidized membership fees at County RECenters, weight loss support, influenza vaccinations, and other wellness programming. 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.

Other components of the LiveWell program include:

- *Reduced membership fees at County RECenters* – In response to employee demand and to promote the importance of overall physical health, a 50 percent subsidy for 6-month and annual memberships at County RECenters is included in the program. As workplace sites for employees are spread throughout the County and, thus, all employees are not located near the EFWC, this benefit allows merit employees and retirees to use all nine County RECenters at a reduced rate.
- *Influenza vaccinations* – Providing flu shots to employees is a simple mechanism to reduce absenteeism due to flu outbreaks and protect the overall health of employees and retirees.
- *Health & Wellness Programming* – LiveWell sponsors workshops throughout the year at various employee worksites on a variety of health and wellness topics, including nutrition, stress, exercise, dementia, and weight management. LiveWell also hosts several webinars each month allowing employees from any work location or agency to attend health education sessions online.

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- *Specialized Events* – LiveWell hosts numerous interactive events throughout the year including Employee Field and Fitness Day, the County Exec Trek, and several expos where employees can learn more about health and wellness topics and actively engage in activities.
- *Weight Management* – LiveWell subsidizes the membership costs for a weight management program available to employees at worksites, in the community, and online.
- *Partnerships* – LiveWell partners with community programs, such as farmer’s markets and bike-to-work campaigns, and County initiatives, such as the promotion of volunteering and financial fitness, to encourage employees to continually seek the benefits of improved well-being.

A Wellness Incentive Points Program was added for the County’s self-insured health insurance plans in CY 2014 and was expanded to include the fully-insured HMO in CY 2017. The program gives employees the opportunity to earn up to \$200 in wellness rewards annually for engaging in certain wellness activities such as taking an online health assessment, completing annual preventive exams, participating in lifestyle management programs, and attending LiveWell events. Wellness rewards dollars are deposited into a flexible spending account or health savings account at the beginning of the following plan year. A comprehensive wellness program has the potential to reduce the rate of escalation of health care costs, resulting in savings for self-insured plans through cost avoidance. As such, expenses related to the LiveWell initiative are included in Fund 60040, Health Benefits.

FY 2020 Funding Adjustments

The following funding adjustments from the FY 2019 Adopted Budget Plan are necessary to support the FY 2020 program.

- ◆ **Health Insurance Requirements** **(\$5,883,131)**
A decrease of \$5,883,131 is attributable to a decrease of \$5,879,070 in benefits paid primarily as a result of employee migration into lower cost plans, as well as lower than anticipated claims growth; a decrease of \$533 in administrative expenses; and a decrease of \$3,528 for incurred but not reported (IBNR) claims. These adjustments are based on prior year experience and projected claims.
- ◆ **Patient Protection and Affordable Care Act Fees** **(\$8,301)**
A decrease of \$8,301 is due to a decrease in the Patient-Centered Outcomes Research Institute (PCORI) fee based on year-to-date experience. The PCORI fee is required to be paid by employers that sponsor self-insured health plans under the Patient Protection and Affordable Care Act to pay for research on the clinical effectiveness of medical procedures. FY 2020 is the final year this fee is required to be paid.

Changes to FY 2019 Adopted Budget Plan

The following funding adjustments reflect all approved changes in the FY 2019 Revised Budget Plan since passage of the FY 2019 Adopted Budget Plan. Included are all adjustments made as part of the FY 2018 Carryover Review, and all other approved changes through December 31, 2018.

- ◆ **Carryover Adjustments** **\$33,579,163**
As part of the FY 2018 Carryover Review, the Board of Supervisors approved a net increase of \$33,579,163 as a result of encumbered carryover of \$16,107 for the LiveWell Program and to reflect an appropriation of \$33,563,056 from fund balance to increase the Premium Stabilization Reserve, which allows the fund flexibility in maintaining premium increases at manageable levels.

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FUND STATEMENT

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	FY 2018 Actual	FY 2019 Adopted Budget Plan	FY 2019 Revised Budget Plan	FY 2020 Advertised Budget Plan
Beginning Balance	\$54,764,457	\$31,287,906	\$64,020,235	\$31,270,517
Revenue:				
Employer Share of Premiums-County Payroll	\$116,939,186	\$121,532,690	\$121,532,690	\$116,489,770
Employee Share of Premiums-County Payroll	35,751,675	37,031,397	37,031,397	36,187,579
Retiree Premiums	35,330,538	37,517,678	37,517,678	38,166,768
Interest Income	646,416	592,530	592,530	1,118,817
Administrative Service Charge/COBRA Premiums	614,976	586,828	586,828	644,603
Employee Fitness Center Revenue	66,024	63,791	63,791	61,770
Total Revenue	\$189,348,815	\$197,324,914	\$197,324,914	\$192,669,307
Total Available	\$244,113,272	\$228,612,820	\$261,345,149	\$223,939,824
Expenditures:				
Benefits Paid ¹	\$174,110,908	\$189,129,048	\$189,129,048	\$183,249,978
Administrative Expenses	5,654,299	5,907,022	5,907,022	5,906,489
Premium Stabilization Reserve ²	0	0	33,563,056	0
Incurred but not Reported Claims (IBNR)	(405,000)	663,735	663,735	660,207
Patient Protection and Affordable Care Act Fees ³	146,327	53,664	53,664	45,363
LiveWell Program	586,503	742,000	758,107	742,000
Total Expenditures	\$180,093,037	\$196,495,469	\$230,074,632	\$190,604,037
Total Disbursements	\$180,093,037	\$196,495,469	\$230,074,632	\$190,604,037
Ending Balance: ⁴				
Fund Equity	\$76,292,235	\$46,278,263	\$44,206,252	\$46,931,729
IBNR	12,272,000	14,160,912	12,935,735	13,595,942
Ending Balance⁵	\$64,020,235	\$32,117,351	\$31,270,517	\$33,335,787
Premium Stabilization Reserve ²	\$34,943,713	\$532,800	\$0	\$2,733,041
Unreserved Ending Balance	\$29,076,522	\$31,584,551	\$31,270,517	\$30,602,746
Percent of Claims	16.7%	16.7%	16.5%	16.7%

¹ In order to account for expenditures in the proper fiscal year, audit adjustments in the amount of \$314,033.63 have been reflected as an increase to FY 2018 expenditures. These audit adjustments have been included in the FY 2018 Comprehensive Annual Financial Report (CAFR). Details of the FY 2018 audit adjustments will be included in the FY 2019 Third Quarter package.

² 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 at the next budgetary quarterly review.

³ Fees under the Patient Protection and Affordable Care Act include the Patient-Centered Outcomes Research Trust Fund Fee and the Transitional Reinsurance Program fee. The Transitional Reinsurance Program ended in FY 2018 and the Patient-Centered Outcomes Research Trust Fund Fee is anticipated to end in FY 2020.

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.