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 – Features low co-pay, no annual deductibles, and Part D prescription coverage.

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, and the plan was discontinued December 31, 2020. All 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, and prevention and better management of chronic conditions.

Retirees over the age of 55 currently receive a subsidy of up to $230 per month 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 2022 Advertised Budget Plan.

Before the onset of the COVID-19 pandemic, nationwide health expenditures had increased substantially over the past several decades. When the severity of the coronavirus became apparent, healthcare utilization decreased. Participants and providers shifted methods of care and re-evaluated medical necessity versus risk of exposure, resulting in lower spending in 2020. Healthcare claims, prior to the pandemic, continued trending higher than the same period in the prior year. However, claims dropped significantly in the second half of the 2020 fiscal year. Plan participants deferred elective procedures, routine care, and other non-emergency services during the pandemic. As a result, total claims paid in FY 2020 were down 3.3 percent. The downward trend seen during the pandemic is unlikely to continue, and utilization has begun to rebound. Premium increases for January 2021 were set ranging from 0.0 percent to 6.0 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 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 2022 Advertised Budget Plan.

As a result of an expected utilization rebound and claims growth after the pandemic, it is projected that the County will raise premiums by 5.0 percent for all plans, effective January 1, 2022, for the final six months of FY 2022. These premium increases are budgetary projections only; final premium decisions will be made in the fall of 2021 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 2020, the balance of the Premium Stabilization Reserve was $51.3 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 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 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, and the 25-visit Fast Pass at County RECenters are 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 and Wellbeing Programming* – LiveWell sponsors weekly webinars and workshops at various employee worksites, on a variety of health and wellness topics, including nutrition, resiliency, fitness, mental health, financial wellbeing, and chronic condition support.

- *Specialized Events* – LiveWell hosts numerous interactive in-person and virtual 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 and Chronic Disease Prevention* – LiveWell subsidizes the membership costs for a weight management program, available to employees online and in the community, and provides access to a specialized program for diabetics. LiveWell also partners with the County's health plans to provide an online lifestyle management program, designed to reduce the risk of cardiovascular disease and heart disease. Additionally, self-service, biometric kiosks, measuring blood pressure, weight, and body mass index, are located at 10 sites across the County.

- *Outreach* – LiveWell works closely with County leaders to provide outreach to offline workers and to support specialized needs within departments and teams on a variety of health and benefit topics. LiveWell has also identified a team of approximately 50 employees from across the County who serve as LiveWell Ambassadors, communicating about wellbeing and LiveWell initiatives within each agency. LiveWell implemented the Living Well at Work Award in 2020, recognizing county agencies that demonstrate innovation and outstanding support for employee wellbeing.

- *Partnerships* – LiveWell partners with community programs, such as 4P Foods, 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 total well-being. LiveWell also hosts monthly blood drives at the Government Center in partnership with Inova Blood Donor Services and the American Red Cross.

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.

Pandemic Response and Impact

As County facilities were closed during the COVID-19 pandemic, LiveWell moved on-site and large group events to virtual presentations. In partnership with medical and health vendors, staff was able to build new webinars and virtual programs into the schedule with a strong concentration on self-care and resiliency. In addition, BurnAlong, an online catalog of workouts, meditations, and health education classes, was made available to employees and their family members to provide on-demand fitness and wellbeing programs. The Employee Fitness and Wellness Center adapted to state and national safety guidelines through the implementation of enhanced cleaning and social distancing measures. Staff also expedited the process of bringing EAP providers on-site and now have two on-site EAP providers, dedicating 40 hours a week to Fairfax County employees. Employees' out-of-pocket costs for testing and treatment of COVID-19 have been eliminated for all of the County's self-insured and fully-insured health plans, through at least March 31, 2021.

FY 2022 Funding Adjustments

The following funding adjustments from the FY 2021 Adopted Budget Plan are necessary to support the FY 2022 program:

Health Insurance Requirements **($7,073,076)**

A decrease of $7,073,076 is attributable to a decrease of $7,376,424 in benefits paid primarily as a result of employee migration into lower cost plans, enrollment in the new Medicare Advantage Plans, and lower than anticipated claims growth and a decrease of $718,531 for incurred but not reported (IBNR) claims. The decreases are partly offset by an increase of $1,021,879 in administrative expenses. These adjustments are based on prior year experience and projected expenditures.

Patient Protection and Affordable Care Act Fees **$44,910**

An increase of $44,910 is due to the extension of the Patient-Centered Outcomes Research Institute (PCORI) fee. The PCORI fee was 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. The fee was originally scheduled to expire after October 1, 2019. However, the new Further Consolidated Appropriations Act extended the PCORI fee obligation for all plan years ending before October 1, 2029.

Changes to FY 2021 Adopted Budget Plan

The following funding adjustments reflect all approved changes in the FY 2021 Revised Budget Plan since passage of the FY 2021 Adopted Budget Plan. Included are all adjustments made as part of the FY 2020 Carryover Review, FY 2021 Mid-Year Review, and all other approved changes through December 31, 2020:

Carryover Adjustments **$54,242,570**

As part of the *FY 2020 Carryover Review*, the Board of Supervisors approved a net increase of $54,242,570 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 2020 Actual	FY 2021 Adopted Budget Plan	FY 2021 Revised Budget Plan	FY 2022 Advertised Budget Plan
Beginning Balance	**$73,402,478**	**$29,375,751**	**$79,307,561**	**$29,972,688**
Revenue:				
Employer Share of Premiums-County Payroll	$104,790,273	$110,935,013	$110,935,013	$100,983,630
Employee Share of Premiums-County Payroll	35,884,416	37,709,537	37,709,537	29,834,763
Retiree Premiums	37,035,109	37,925,555	37,925,555	33,242,330
Interest Income	1,051,300	1,205,517	1,205,517	392,868
Administrative Service Charge/COBRA Premiums	620,443	614,159	614,159	653,461
Employee Fitness Center Revenue	43,929	60,570	60,570	60,570
Total Revenue	**$179,425,470**	**$188,450,351**	**$188,450,351**	**$165,167,622**
Total Available	**$252,827,948**	**$217,826,102**	**$267,757,912**	**$195,140,310**
Expenditures:				
Benefits Paid[1]	$167,774,610	$176,996,823	$176,996,823	$169,620,399
Administrative Expenses	6,014,810	5,379,217	5,379,217	6,401,096
Premium Stabilization Reserve[2]	0	0	54,242,570	0
Incurred but not Reported Claims (IBNR)[1]	(906,000)	424,614	424,614	(293,917)
Patient Protection and Affordable Care Act Fees[3]	43,941	0	0	44,910
LiveWell Program	593,026	742,000	742,000	742,000
Total Expenditures	**$173,520,387**	**$183,542,654**	**$237,785,224**	**$176,514,488**
Total Disbursements	**$173,520,387**	**$183,542,654**	**$237,785,224**	**$176,514,488**
Ending Balance:[4]				
Fund Equity	$90,712,561	$47,679,269	$41,802,302	$30,161,519
IBNR[1]	11,405,000	13,395,821	11,829,614	11,535,697
Ending Balance[5]	**$79,307,561**	**$34,283,448**	**$29,972,688**	**$18,625,822**
Premium Stabilization Reserve[2]	$51,289,201	$4,724,979	$414,219	$0
Unreserved Ending Balance	**$28,018,360**	**$29,558,469**	**$29,558,469**	**$18,625,822**
Percent of Claims	**16.7%**	**16.7%**	**16.7%**	**11.0%**

[1] In order to account for revenues and expenditures in the proper fiscal year, audit adjustments in the amount of $414,219.01 have been reflected as a decrease to FY 2020 expenditures to accurately record expenditure accruals in the proper fiscal period. These adjustments were included in the FY 2020 Comprehensive Annual Financial Report (CAFR). Details of the FY 2020 audit adjustments were included in the FY 2021 Mid-Year 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 if necessary, 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, while the Patient-Centered Outcomes Research Trust Fund Fee was extended.

[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.