

HEALTHCARE FUND

Description

Effective January 1, 2008, Henrico County's health care program transitioned to a self-insurance program. Prior to this transition, the County's health care program operated as a fully insured program, which, in exchange for the payment of a premium, an insurance company assumed the risk, administered the program, and paid all claims. With the transition to a self-insured program, the County pays claims and third party administrative fees. Self-insurance allows the County to more fully control all aspects of the plan, including setting rates to smooth out the impact of increases on employees and the County, while maintaining adequate funding to cover claims, expenses, and reserves.

Budget Highlights

The cost to fund healthcare expenses is covered by payments from active employees, the County and the School Board, retirees, and retention of interest earnings. The County and Schools contributions are budgeted in departmental budgets, and the Healthcare Fund charges departments based upon actual participants in the program. Revenues to the Healthcare Fund in excess of expenditures accumulate in a premium stabilization reserve, which allows the County to maintain rate increases at manageable levels.

The budget for FY2010-11 provides funding of \$85,155,906 for the Healthcare Fund. Included in this

figure is \$60,712,884 in funding that is budgeted within individual County and Schools departments as the County's contributions for Healthcare for active employees. Also included in this figure is the cost to the County and Schools for retiree subsidies, which are budgeted within the Human Resources budget. It is important to note that expenditures already budgeted within individual departments are negated from the Healthcare Fund budget in the "Adjustments for Interdepartmental Billings" to avoid double counting of expenditures. The balance of \$24,443,022 reflects anticipated payments from employees and retirees that participate in the program, as well as interest earnings and the utilization of the Revenue Stabilization Reserve. The Healthcare Fund budget assumes the use of \$3,000,000 from the Premium Stabilization Reserve, which was necessary to avoid a rate increase for both the County and its employees in calendar year 2010.

Of the \$85,155,906 budget for Healthcare, \$80,055,906 or 94.0 percent reflects claims expenditures. The balance of \$5,100,000 reflects anticipated third party administrative fees (\$3,600,000), the costs of an actuarial study and claims audit (\$100,000), and the premium payment for excess risk insurance (\$1,400,000). The excess risk insurance protects the County from single large claims greater than \$500,000 and total annual payments greater than 125.0 percent of actuarially projected annual claims.

Annual Fiscal Plan

<u>Description</u>	<u>FY09 Actual</u>	<u>FY10 Original</u>	<u>FY11 Approved</u>	<u>Change 10 to 11</u>
Claims	\$ 59,827,723	\$ 75,443,361	\$ 80,055,906	6.1 %
Other Administrative Fees	4,650,974	5,400,000	5,100,000	-5.6 %
Total Healthcare	<u>\$ 64,478,697</u>	<u>\$ 80,843,361</u>	<u>\$ 85,155,906</u>	<u>5.3 %</u>