

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. These funds are utilized to allow the County to maintain rate increases at manageable levels.

The budget for FY2016-17 provides funding of \$108,303,548 for the Healthcare Fund. Included in this figure is \$76,440,957 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 \$30,866,859 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. In FY2016-17, the Healthcare Fund budget also assumes the use of \$4,025,060 from the Premium Stabilization Reserve. This designation of fund balance allows the County to minimize the calendar year 2016 rate increase for employees attributable to overall healthcare cost increases, as well as fees mandated by the Affordable Care Act (ACA). The budget for FY2016-17 includes the fourth year of funding for mandatory costs related to provisions of the ACA, including \$486,000 to support a Transitional Reinsurance Fee, and \$39,060 for a Patient Centered Outcomes Research Institute (PCORI) fee.

Of the \$108,303,548 budget for Healthcare, \$102,231,988, or 94.1 percent reflects claims expenditures. The balance of \$5,546,500 (less ACA fees) reflects anticipated third party administrative fees (\$3,600,000), the costs of an actuarial study and claims audit (\$100,000), wellness initiatives funding (\$150,000), and the premium payment for excess risk insurance (\$1,640,000). 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. Also included in the budget is \$56,500 in funding for the retainer agreement for the County’s healthcare consultant.

Annual Fiscal Plan

Description	FY15 Actual	FY16 Original	FY17 Approved	Change 16 to 17
Claims	\$ 85,412,530	\$ 95,299,536	\$ 102,231,988	7.3%
Other Administrative Fees	5,138,527	5,502,000	5,546,500	0.8%
Payments to Federal Government (ACA)	962,451	850,970	525,060	(38.3%)
Total Healthcare	\$ 91,513,508	\$ 101,652,506	\$ 108,303,548	6.5%