

# 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 FY2020-21 provides funding of \$135,140,870 for the Healthcare Fund. Included in this figure is \$96,176,743 in funding that is budgeted within individual County and Schools departments as the County’s contributions for healthcare for active employees. This means that the County provides direct support for 71.2 percent of the Healthcare Fund’s budget. Also included in this budget is the cost to the County and Schools for retiree subsidies, which are present 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 \$38,964,127 reflects anticipated payments from employees and retirees that participate in the program, as well as rebates for pharmacy claims and interest earnings.

## FISCAL YEAR 2021 SUMMARY

### Annual Fiscal Plan

Description	FY19 Actual	FY20 Original	FY21 Approved	Change 20 to 21
Claims	\$ 110,705,830	\$ 118,683,368	\$ 125,804,370	6.0%
Other Administrative Fees	7,997,592	7,906,500	9,256,500	17.1%
Payments to Federal Government	77,009	80,000	80,000	0.0%
Total Healthcare	<u>\$ 118,780,431</u>	<u>\$ 126,669,868</u>	<u>\$ 135,140,870</u>	<u>6.7%</u>

## *Healthcare Fund*

### BUDGET HIGHLIGHTS

Of the \$135,140,870 proposed budget for Healthcare, \$125,804,370, or 93.1 percent reflects estimated claims expenditures. The balance of \$9,336,500 is highlighted by anticipated third-party administrative fees (\$5,200,000), health spending account costs (\$700,000), costs of actuarial services (\$150,000), wellness initiatives funding (\$150,000) and premium the premium payment for excess risk insurance, which is \$3,000,000. The budget for the excess risk insurance rose sharply due to the increased actuarial cost of this service. The 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.