

## 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 FY2018-19 provides funding of \$116,259,266 for the Healthcare Fund. Included in this figure is \$85,596,958 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

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 \$30,662,308 reflects anticipated payments from employees and retirees that participate in the program, as well as interest earnings.

During the summer of 2017, Henrico renewed its contract for medical services with Anthem. At the same time, the County changed its pharmacy service provider to Express Scripts. The successful negotiations of these contracts allowed the County to minimize the calendar year 2018 rate increase for employees, attributable to overall healthcare cost increases. The savings also allowed for discontinuing the recent practice of assuming the use of Premium Stabilization Reserve funds as a mechanism to balance the Healthcare Fund budget.

Of the \$116,259,266 budget for Healthcare, \$109,922,766, or 94.6 percent reflects estimated claims expenditures. The balance of \$6,256,500 (less ACA fees) consists of anticipated third party administrative fees (\$3,600,000), health spending account costs (\$450,000), the costs of an actuarial study and claims audit (\$100,000), wellness initiatives funding (\$150,000), and the premium payment for excess risk insurance (\$1,900,000). 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

<u>Description</u>	<u>FY17 Actual</u>	<u>FY18 Original</u>	<u>FY19 Proposed</u>	<u>Change 18 to 19</u>
Claims	\$ 91,001,048	\$ 107,343,588	\$ 109,922,766	2.4%
Other Administrative Fees	5,456,500	5,656,500	6,256,500	10.6%
Payments to Federal Government (ACA)	500,495	525,060	80,000	-84.8%
<b>Total Healthcare</b>	<b>\$ 96,958,043</b>	<b>\$ 113,525,148</b>	<b>\$ 116,259,266</b>	<b>2.4%</b>



**Department Operating Budget  
Henrico County, Virginia  
FY2018-19  
HEALTHCARE**

<b>Account Description</b>	<b>Prior Year Actual</b>	<b>Approved Budget</b>	<b>Proposed Budget</b>	<b>Dollar Inc/Dec</b>	<b>Percent Inc/Dec</b>
50209 Other Professional Services	92,300	56,500	56,500	0	0.0%
50231 Health Spending Account (HSA) County	163,600	0	200,000	200,000	100.0%
50232 Health Spending Account (HSA) Schools	228,100	0	250,000	250,000	100.0%
50270 Other Contractual Services	0	100,000	100,000	0	0.0%
50271 Healthcare Administrative Fees	2,911,692	3,600,000	3,600,000	0	0.0%
50290 Purchase of Services from Other Governments	500,495	525,060	80,000	-445,060	-84.8%
50422 Healthcare Excess Risk Insurance	1,729,253	1,750,000	1,900,000	150,000	8.6%
50480 Healthcare Claims	91,001,048	107,343,588	109,922,766	2,579,178	2.4%
50998 Wellness Program Payment	331,555	150,000	150,000	0	0.0%
<b>Total Department</b>	<b>96,958,043</b>	<b>113,525,148</b>	<b>116,259,266</b>	<b>2,734,118</b>	<b>2.4%</b>