

# 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 FY2019-20 provides funding of \$126,669,868 for the Healthcare Fund. Included in this figure is \$90,732,776 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 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 \$35,937,092 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. 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 transition of the pharmacy contract created substantial

## FISCAL YEAR 2020 SUMMARY

### Annual Fiscal Plan

| Description                    | FY18<br>Actual | FY19<br>Original | FY20<br>Proposed | Change<br>19 to 20 |
|--------------------------------|----------------|------------------|------------------|--------------------|
| Claims                         | \$ 103,768,443 | \$ 109,922,766   | \$ 118,683,368   | 8.0%               |
| Other Administrative Fees      | 6,268,450      | 6,256,500        | 7,906,500        | 26.4%              |
| Payments to Federal Government | (493)          | 80,000           | 80,000           | 0.0%               |
| Total Healthcare               | \$ 110,036,400 | \$ 116,259,266   | \$ 126,669,868   | 9.0%               |

## *Healthcare Fund*

### BUDGET HIGHLIGHTS

savings in calendar year 2018, helping to minimize premium increases for employees and the County in an environment of rapidly increasing medical claims. 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 this \$126,669,868 budget for Healthcare, \$118,683,368, or 93.7 percent reflects estimated claims expenditures. The balance of \$7,906,500 consists of anticipated third-party administrative fees (\$5,000,000), health spending account costs (\$650,000), the costs of an actuarial study and claims audit (\$150,000), 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.



**Department Operating Budget  
Henrico County, Virginia  
FY2019-20  
HEALTHCARE**

| <b>Account Description</b>                        | <b>Prior Year<br/>Actual</b> | <b>Approved<br/>Budget</b> | <b>Proposed<br/>Budget</b> | <b>Dollar<br/>Inc/Dec</b> | <b>Percent<br/>Inc/Dec</b> |
|---|------------------------------|----------------------------|----------------------------|---------------------------|----------------------------|
| 50209 Other Professional Services                 | 121,202                      | 56,500                     | 56,500                     | 0                         | 0.0%                       |
| 50231 Health Spending Account (HSA) County        | 242,450                      | 200,000                    | 300,000                    | 100,000                   | 50.0%                      |
| 50232 Health Spending Account (HSA) Schools       | 309,600                      | 250,000                    | 350,000                    | 100,000                   | 40.0%                      |
| 50270 Other Contractual Services                  | 185,615                      | 100,000                    | 150,000                    | 50,000                    | 50.0%                      |
| 50271 Healthcare Administrative Fees              | 3,046,958                    | 3,600,000                  | 5,000,000                  | 1,400,000                 | 38.9%                      |
| 50290 Purchase of Services from Other Governments | -493                         | 80,000                     | 80,000                     | 0                         | 0.0%                       |
| 50422 Healthcare Excess Risk Insurance            | 2,042,692                    | 1,900,000                  | 1,900,000                  | 0                         | 0.0%                       |
| 50480 Healthcare Claims                           | 103,768,443                  | 109,922,766                | 118,683,368                | 8,760,602                 | 8.0%                       |
| 50998 Wellness Program Payment                    | 319,933                      | 150,000                    | 150,000                    | 0                         | 0.0%                       |
| <b>Total Department</b>                           | <b>110,036,400</b>           | <b>116,259,266</b>         | <b>126,669,868</b>         | <b>10,410,602</b>         | <b>9.0%</b>                |



**Operating Line Item Budget By Cost Center**  
**Henrico County, Virginia**  
**FY2019-20**  
**HEALTHCARE**

| Cost Center  | Prior Year<br>Actual | Approved<br>Budget | Proposed<br>Budget | Dollar<br>Inc/Dec | Percent<br>Inc/Dec |
|--|----------------------|--------------------|--------------------|-------------------|--------------------|
| <b>42001 Healthcare</b>                              |                      |                    |                    |                   |                    |
| 50209 Other Professional Services                    | 121,202              | 56,500             | 56,500             | 0                 | 0.0%               |
| 50231 Health Spending Account (HSA) County           | 242,450              | 200,000            | 300,000            | 100,000           | 50.0%              |
| 50232 Health Spending Account (HSA) Schools          | 309,600              | 250,000            | 350,000            | 100,000           | 40.0%              |
| 50270 Other Contractual Services                     | 185,615              | 100,000            | 150,000            | 50,000            | 50.0%              |
| 50271 Healthcare Administrative Fees                 | 3,046,958            | 3,600,000          | 5,000,000          | 1,400,000         | 38.9%              |
| 50290 Purchase of Services from Other<br>Governments | -493                 | 80,000             | 80,000             | 0                 | 0.0%               |
| 50422 Healthcare Excess Risk Insurance               | 2,042,692            | 1,900,000          | 1,900,000          | 0                 | 0.0%               |
| 50480 Healthcare Claims                              | 103,768,443          | 109,922,766        | 118,683,368        | 8,760,602         | 8.0%               |
| 50998 Wellness Program Payment                       | 56,008               | 150,000            | 150,000            | 0                 | 0.0%               |
| <b>Total Cost Center</b>                             | <b>109,772,475</b>   | <b>116,259,266</b> | <b>126,669,868</b> | <b>10,410,602</b> | <b>9.0%</b>        |
| <b>42002 Wellness Program</b>                        |                      |                    |                    |                   |                    |
| 50998 Wellness Program Payment                       | 263,925              | 0                  | 0                  | 0                 | 0.0%               |
| <b>Total Cost Center</b>                             | <b>263,925</b>       | <b>0</b>           | <b>0</b>           | <b>0</b>          | <b>0.0%</b>        |