

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	FY20	FY21	Change
	Actual	Original	Proposed	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.



Department Operating Budget
Henrico County, Virginia
FY2020-21
HEALTHCARE

Account Description	Prior Year Actual	Approved Budget	Proposed Budget	Dollar Inc/Dec	Percent Inc/Dec
50209 Other Professional Services	32,412	56,500	56,500	0	0.0%
50231 Health Spending Account (HSA) County	314,050	300,000	300,000	0	0.0%
50232 Health Spending Account (HSA) Schools	410,900	350,000	400,000	50,000	14.3%
50270 Other Contractual Services	143,297	150,000	150,000	0	0.0%
50271 Healthcare Administrative Fees	4,829,469	5,000,000	5,200,000	200,000	4.0%
50290 Purchase of Services from Other Governments	77,009	80,000	80,000	0	0.0%
50422 Healthcare Excess Risk Insurance	1,902,414	1,900,000	3,000,000	1,100,000	57.9%
50480 Healthcare Claims	110,705,830	118,683,368	125,804,370	7,121,002	6.0%
50998 Wellness Program Payment	365,050	150,000	150,000	0	0.0%
Total Department	118,780,431	126,669,868	135,140,870	8,471,002	6.7%



Operating Line Item Budget By Cost Center
 Henrico County, Virginia
 FY2020-21
 HEALTHCARE

Cost Center	Prior Year Actual	Approved Budget	Proposed Budget	Dollar Inc/Dec	Percent Inc/Dec
42001 Healthcare					
50209 Other Professional Services	32,412	56,500	56,500	0	0.0%
50231 Health Spending Account (HSA) County	314,050	300,000	300,000	0	0.0%
50232 Health Spending Account (HSA) Schools	410,900	350,000	400,000	50,000	14.3%
50270 Other Contractual Services	143,297	150,000	150,000	0	0.0%
50271 Healthcare Administrative Fees	4,829,469	5,000,000	5,200,000	200,000	4.0%
50290 Purchase of Services from Other Governments	77,009	80,000	80,000	0	0.0%
50422 Healthcare Excess Risk Insurance	1,902,414	1,900,000	3,000,000	1,100,000	57.9%
50480 Healthcare Claims	110,705,830	118,683,368	125,804,370	7,121,002	6.0%
50998 Wellness Program Payment	50,230	150,000	150,000	0	0.0%
Total Cost Center	118,465,611	126,669,868	135,140,870	8,471,002	6.7%
42002 Wellness Program					
50998 Wellness Program Payment	314,820	0	0	0	0.0%
Total Cost Center	314,820	0	0	0	0.0%