

# 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 FY25 provides funding of \$159,454,984 for the Healthcare Fund. Included in this figure is \$109,422,371 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 68.6% 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 Healthcare Fund Revenues, \$50,032,613, reflects anticipated payments from employees and retirees that participate in the program, as well as rebates for pharmacy claims and interest earnings.

## FISCAL YEAR 2025 SUMMARY

### Annual Fiscal Plan

Description	FY23	FY24	FY25	Change
	Actual	Original	Proposed	24 to 25
Claims	\$ 127,304,475	\$ 142,113,837	\$ 146,739,340	3.3%
Other Administrative Fees	12,028,728	11,665,644	12,715,644	9.0%
Total Healthcare	\$ 139,333,203	\$ 153,779,481	\$ 159,454,984	3.7%

## *Healthcare Fund*

### BUDGET HIGHLIGHTS

Of the \$159,454,984 budget allocation for Healthcare, \$146,739,340, or 92.0 percent reflects estimated claims expenditures. The balance of \$12,715,644 is highlighted by anticipated third-party administrative fees (\$7,000,000), health spending account costs (\$1,400,000), wellness initiatives funding (\$100,000) and the premium payments for excess risk insurance, which is \$4,000,000. The insurance protects the County from single large claims greater than \$500,000. Insurance protecting the County from annual claims in excess of 125.0 percent of actuarially projected annual claims was dropped beginning in Calendar Year 2023. Also included in the budget is \$105,644 in funding for the retainer agreement for the County's healthcare consultant.

It is noted that trends in administrative costs and charges for excess risk insurance have risen rapidly in recent years. This is primarily caused by efforts to limit exposure to the costs of a new generation of pharmaceuticals that are reaching the market.

In Calendar Year 2023, Henrico changed its provider of pharmaceutical benefits to Anthem. This move has gained the County several million dollars of rebate payments annually.



**Department Operating Budget  
Henrico County, Virginia  
FY2024-25  
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	189,167	105,644	105,644	0	0.0%
50231 Health Spending Account (HSA) County	649,800	600,000	750,000	150,000	25.0%
50232 Health Spending Account (HSA) Schools	536,327	650,000	650,000	0	0.0%
50270 Other Contractual Services	10,833	150,000	100,000	-50,000	-33.3%
50271 Healthcare Administrative Fees	7,146,148	6,000,000	7,000,000	1,000,000	16.7%
50290 Purchase of Services from Other Governments	4,182	10,000	10,000	0	0.0%
50422 Healthcare Excess Risk Insurance	3,482,889	4,000,000	4,000,000	0	0.0%
50480 Healthcare Claims	127,304,475	142,113,837	146,739,340	4,625,503	3.3%
50998 Wellness Program Payment	9,382	150,000	100,000	-50,000	-33.3%
<b>Total Department</b>	<b>139,333,203</b>	<b>153,779,481</b>	<b>159,454,984</b>	<b>5,675,503</b>	<b>3.7%</b>