

## HEALTH INSURANCE FUND

This fund is used to account for the provision of medical insurance for employees and retirees. However, the County shifted to a self-insured program for workers compensation insurance in FY 2011, and those revenues and expenses are now accounted for in a separate fund, the Workers Compensation Insurance Fund. The previous Health Benefits Fund was renamed the Health Insurance Fund. It accounts for only health insurance revenues and expenditures.

The County changed from a premium-based health insurance plan in FY 2009 to a self-insured plan. This is a medical insurance plan in which the County takes on some aspects of self-insurance. A third-party administrator was hired to administer the plan, such as employee enrollment and claims processing. In this case, the County uses Blue Cross/Blue Shield of NC. Then, the County pays directly all legitimate claims from medical providers. To protect from major losses, specific stop loss re-insurance is purchased. This protects the County from any claim exceeding \$100,000.

The employer share of health insurance has been budgeted within each department or agency. Those funds will be expensed, and the money transferred to this fund as a revenue source. The employee share of medical insurance is payroll deducted. It also is transferred into this fund. Then, the expenditures listed above are paid from this fund. If claims are less than estimated, any fund balance will remain in this fund as a cushion against a bad-claims year. You will see that listed in the budget as Reserve for Excess Claims.

The County offers employees the opportunity to payroll deduct into a Flexible Spending Account (FSA) to cover medical and childcare expenses. The advantage to the employee is that he/she doesn't have to pay federal or state income tax on this money. The advantage to the County is it doesn't have to pay FICA taxes on this money. Beginning July 1, 2008, the County provided debit cards for this program, which are a more convenient, efficient way to use and account for this money. The savings in FICA taxes offset the cost of this feature.

In FY 2010, the County began offering a Health Savings Account (HSA) option. The primary differences in an HSA and an FSA are that the HSA belongs to the employee, not the employer, and is therefore not forfeited if unused at the end of each year. Any remaining balance stays in the employee's account to offset medical expenses for the next year. The County paid \$500 into each HSA established. Again, with this option, there was no increase in the employee or the County's premiums.

For FY 2011, the County was faced with a 12% rate increase for employer and employees. The County's increase was held to 6% by not renewing the aggregate re-insurance, saving \$43,000, and by increasing some deductibles and co-pays. In addition, the County's contribution under the HSA Option was increased from \$500 to \$750 annually to encourage this cheaper plan's usage by employees. Those changes saved the County about \$300,000.

For FY 2012, we faced yet another increase in medical inflation of about 12%. We reduced that to 4% by changing some aspects of the plan. Both the employer and the employee premiums went up by 4%.

For FY 2013, we absorbed a 3% increase in premiums for the employer, and did not pass that increase on to the employees.

For FY 2014, we had to make plan changes as we faced an 8.25% premium increase. Two percent of that was for new fees required by the Affordable Care Act (ACA), with more to follow in future years.

For FY2015, we are planning to absorb a 6.5% increase in premiums for the employer, and not pass that increase on to the employees. We anticipate paying \$189,000 in additional healthcare costs next fiscal year due to the ACA.

The changes approved by the Board were as follows:

- Increase both the employee premiums and the County's contribution by 5.5% in both the PPO Plan and the H.S.A. Plan.
- For the PPO Plan:
  - Increase individual deductible from \$1,500 to \$2,000.
  - Increase family maximum deductible from \$3,000 to \$4,000.
- For the H.S.A. Plan: No Changes.

The long-term trend is that medical insurance continues to increase well above the normal rate of inflation. More usage by employees and their dependents is driving this upward cost, as well as medical inflation. The County cannot absorb continuing double-digit increases each year. The plan benefits and percentages of premiums paid, co-pays, and deductibles will have to be reviewed annually to determine how best to contain the increases to a sustainable amount. This is a major problem for all employers, and Lincoln County is not immune to it. Private sector employers and other local governments are struggling with this every year as well.

The chart on the next page shows the monthly costs for the employee and the employer for each of the four options under either the PPO Medical Plan or the PPO Alternate Plan with an HSA. Retired employees must use an HRA instead of an HSA, so those rates are included as well. The chart also shows the number of employees or retirees enrolled in each of the options.

FY 2014 Medical Insurance Premiums  
with Percentages Paid by County and Employees

Includes Medical and Dental Plans	Employee Only Coverage		Employee and Children		Employee and Spouse		Full Family Coverage	
	Monthly Cost	Percentage of Total Cost	Monthly Cost	Percentage of Total Cost	Monthly Cost	Percentage of Total Cost	Monthly Cost	Percentage of Total Cost
<b>PPO Medical Plan</b>								
Number of Employees Participating	276		94		40		26	
Employee Cost and Percentage	\$ 59.16	8%	\$ 243.10	26%	\$ 387.03	77%	\$ 611.39	35%
County Cost and Percentage	\$ 650.37	92%	\$ 698.75	74%	\$ 116.65	23%	\$ 1,125.98	65%
Total Cost and Percentage	\$ 709.53	100%	\$ 941.85	100%	\$ 503.68	100%	\$ 1,737.37	100%
<b>PPO Alternate Plan with H.S.A/H.R.A.</b>								
Number of Employees Participating	122		26		12		12	
Employee Cost and Percentage	\$ -	0%	\$ 147.63	19%	\$ 235.92	19%	\$ 419.43	29%
County Cost and Percentage	\$ 584.33	100%	\$ 627.80	81%	\$ 1,003.28	81%	\$ 1,011.66	71%
Total Cost and Percentage	\$ 584.33	100%	\$ 775.43	100%	\$ 1,239.20	100%	\$ 1,431.09	100%
<b>TOTALS FOR ALL PLANS</b>								
<b>Dental</b>								
Number of Employees Participating	398		120		52		38	
Employee Cost and Percentage	\$ -	0%	\$ 17.78	36%	\$ 23.97	36%	\$ 39.12	42%
County Cost and Percentage	\$ 32.19	100%	\$ 31.30	64%	\$ 42.17	64%	\$ 53.97	58%
Total Cost and Percentage	\$ 32.19	100%	\$ 49.08	100%	\$ 66.14	100%	\$ 93.09	100%

COUNTY OF LINCOLN, NORTH CAROLINA  
HEALTH INSURANCE FUND  
FY 2015 BUDGET

/997

Account Number	Account Description or Title	FY 2012 Actual	FY 2013 Actual	FY 2014 Budget	FY 2014 Thru 2/28/14	FY 2014 Projected	FY 2015 Requested	FY 2015 Recommended
<b>OPERATING REVENUES:</b>								
80-3420-4432	Health Premiums - Employer	\$ 5,402,310	\$ 5,405,176	\$ 5,628,425	\$ 4,084,927	\$ 5,628,425	\$ 5,966,000	\$ 5,966,000
80-3420-4432-0001	Health Premiums - Employee	1,073,319	1,080,749	1,127,795	849,255	1,127,795	1,127,795	1,127,795
80-3420-4432-0002	Flex Account	140,430	140,252	150,000	84,605	150,000	150,000	150,000
80-3420-4432-0003	Workers' Comp Premiums	-	-	-	-	-	-	-
80-3420-4490	Interest Income	3,882	10,736	8,000	3,221	8,000	8,000	8,000
80-3420-4890	Misc Income	-	-	-	-	-	-	-
<b>TOTAL OPERATING REVENUES</b>		<b>6,619,941</b>	<b>6,636,913</b>	<b>6,914,220</b>	<b>5,022,008</b>	<b>6,914,220</b>	<b>7,251,795</b>	<b>7,251,795</b>
<b>OPERATING EXPENSES:</b>								
80-4200-5482	Health Administrative Fees	865,239	907,976	860,000	675,276	860,000	860,000	860,000
80-4200-5482-0001	Flex Account Fees	3,188	7,938	7,000	-	7,000	7,000	7,000
80-4200-5482-0003	Health Insurance Claims	4,662,143	4,242,245	5,431,140	3,437,455	5,431,140	5,500,000	5,500,000
80-4200-5482-0005	Flex Account Expenses	138,000	147,438	150,000	260,125	275,000	150,000	150,000
<b>TOTAL OPERATING EXPENSES</b>		<b>5,668,570</b>	<b>5,305,597</b>	<b>6,448,140</b>	<b>4,372,856</b>	<b>6,573,140</b>	<b>6,517,000</b>	<b>6,517,000</b>
<b>RESERVE</b>								
80-4200-5584	Reserve for Excess Claims	23,320	42,270	466,080	11,400	341,080	734,795	734,795
<b>TOTAL RESERVE</b>		<b>23,320</b>	<b>42,270</b>	<b>466,080</b>	<b>11,400</b>	<b>341,080</b>	<b>734,795</b>	<b>734,795</b>
<b>TOTAL OPERATING EXPENSES AND RESERVES</b>								
<b>AND RESERVES</b>		<b>\$ 5,691,890</b>	<b>\$ 5,347,867</b>	<b>\$ 6,914,220</b>	<b>\$ 4,384,256</b>	<b>\$ 6,914,220</b>	<b>\$ 7,251,795</b>	<b>\$ 7,251,795</b>