

## HEALTH INSURANCE FUND

This fund in previous years was used to account for the provision of medical insurance and workers compensation insurance. 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 the 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 TPA (Third Party Administrator) is 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 will be 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 FSA (Flexible Spending Account) to cover their medical and childcare expenses. The advantage to the employee is that they don'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 the next several years, the county and employees both faced several increases of insurance premiums and changes in the plans to offset rising healthcare costs. The county has seen an 18% increase in health insurance coverage over the past five years. Over that same period, Lincoln County employees have seen a 5% increase and marked increases with deductibles. After several meeting with Mark III in December and January, it

appears that we are finally getting a limited break from the increases. Due to fewer claims during FY 2015, health premiums and coverage will not change for FY 2016.

While this break from increases is welcomed, the long-term trend is that medical insurance will continue 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.

**INSURANCE PREMIUM PERCENTAGES PAID BY EMPLOYEE AND EMPLOYER FY 2016**

Type of Insurance Coverage	Monthly Cost	# of Employees	Monthly Cost	Annual Cost
<b>PPO PLAN</b>				
Employee Only				
Employee Cost	\$59.16	278	\$16,446.48	\$197,357.76
County Cost	\$650.37	278	\$180,802.86	\$2,169,634.32
Employee/ Children				
Employee Cost	\$243.12	98	\$23,825.76	\$285,909.12
County Cost	\$698.75	98	\$68,477.50	\$821,730.00
Employee /Spouse				
Employee Cost	\$387.03	40	\$15,481.20	\$185,774.40
County Cost	\$1,116.65	40	\$44,666.00	\$535,992.00
Full Family Coverage				
Employee Cost	\$611.39	24	\$14,673.36	\$176,080.32
County Cost	\$1,125.98	24	\$27,023.52	\$324,282.24
<b>HSA PLAN</b>				
Employee Only				
Employee Cost	0	148	0	0
County Cost	\$584.33	148	\$86,480.84	\$1,037,770.08
Employee/Children				
Employee Cost	\$147.63	30	\$4,428.90	\$53,146.80
County Cost	\$627.80	30	\$18,834.00	\$226,008.00
Employee/Spouse				
Employee Cost	\$235.92	11	\$2,595.12	\$31,141.44
County Cost	\$1,003.28	11	\$11,036.08	\$132,432.96
Full Family Coverage				
Employee Cost	\$419.43	12	\$5,033.16	\$60,397.92
County Cost	\$1,011.66	12	\$12,139.92	\$145,679.04
<b>HRA PLAN</b>				
Employee Only				
Employee Cost	0	12	0	0
Employee Cost	\$584.33	12	\$7,011.96	\$84,143.52
<b>RETIREE PLANS</b>				
Employee Cost				
Employee Cost	0	51	0	0
County Cost	\$709.53	51	\$36,186.03	\$434,232.36
<b>Total of Employee Premiums</b>				
			\$89,495.94	\$1,073,951.28
<b>% of Total Premiums</b>				
			16%	16%
<b>Total of County Premiums</b>				
			\$485,646.75	\$5,830,761.00
<b>% of Total Premiums</b>				
			84%	84%
<b>Total of all Premiums</b>				
			\$575,142.69	\$6,904,712.28

Note: Retiree premiums are budgeted in 11-4200-5470, Central Services, Retiree Medical and Dental

**HEALTH INSURANCE FUND**  
**FISCAL YEAR 2016**

ACCOUNT	DESCRIPTION	FY 2014 ACTUAL	FY 2015 BUDGET	FY 2015 THRU 2/28/15	FY 2015 PROJECTED	FY 2016 REQUESTED	FY 2016 RECOMMENDED
<b>REVENUES</b>							
80-0000-00-00-36800-	Health Premiums Employer	\$ (5,470,689)	\$ (5,966,000)	\$ (4,969,609)	\$ (6,100,000)	\$ (5,966,000)	\$ (5,966,000)
80-0000-00-00-36801-	Health Premiums Employee	(1,126,984)	(1,127,795)	(887,562)	(1,127,795)	(1,127,795)	(1,127,795)
80-0000-00-00-36802-	Flex Revenues	(126,115)	(150,000)	(5,102)	(100,000)	(150,000)	(150,000)
80-0000-00-00-37000-	Interest Revenue	(4,960)	(8,000)	(1,658)	(6,000)	(8,000)	(8,000)
<b>TOTAL REVENUES</b>		(6,728,749)	(7,251,795)	(5,863,932)	(7,333,795)	(7,251,795)	(7,251,795)
<b>EXPENDITURES</b>							
80-4000-51-00-56199-	Miscellaneous	44,090	734,795	23,825	100,000	734,795	734,795
80-4000-51-00-56501-	Administrative Fees	906,489	860,000	818,167	860,000	860,000	860,000
80-4000-51-00-56502-	Flex Account Fees	269,875	157,000	130,625	157,000	157,000	157,000
80-4000-51-00-56503-	Claims	5,100,491	5,500,000	4,088,275	5,000,000	5,500,000	5,500,000
<b>TOTAL EXPENDITURES</b>		\$ 6,320,945	\$ 7,251,795	\$ 5,060,891	\$ 6,117,000	\$ 7,251,795	\$ 7,251,795