

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. This fund only accounts for 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 (excluding childcare), 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 pays \$850.00 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 a 15% increase in health insurance coverage over the past five years. Over that same period, Lincoln County employees have realized a 4% increase and marked increases, including deductibles.

While the pause from health insurance increases in FY 17 was good news, we knew that the long-term upward trend would prevail. Medical insurance will continue to increase well above the normal rate of inflation. This is evident for FY 18; more usage by employees and their dependents is driving this upward cost, as well as medical inflation.

Due to the projected 6.7% increase over FY 17, staff worked with Mark III to recommend the following changes to the Healthcare Plan: (1) slight increase in co-pays, (2) deductible increases on both employee and family coverage, and (3) very slight increases in pharmacy co-pays. In addition to last year's change to only offer HSA as type of insurance coverage moving forward, management has recommended to increase the amount in the employees' annual account to \$850, instead of the FY17 amount of \$750. This is in an effort to help offset additional medical costs for the employees and to encourage more employees to change coverage types to help reduce the costs associated with healthcare coverage overall. Due to the great success of the weight-loss incentive of rewarding employees that met certain weight goals during FY 17, it was recommended that the county offer a weight incentive of \$250.00 again for FY 18. Finally, in an effort to deflect the rising cost of health insurance to the employee, staff recommended using a portion of the Health Fund Balance to absorb \$350,000.00. Due to above mentioned changes in the health plan no additional costs to the county were incurred beyond the health fund reserve amount. .

Clearly, the County cannot absorb double-digit increases in the future and will likely have to make more drastic decisions in future years. The plan benefits and percentages of premiums paid, co-pays, and deductibles will have to be reviewed annually to determine how best to counterbalance the increases to a manageable level. A feasibility analysis is being conducted by Arthur J. Gallagher & Co. in cooperation with our member COG – Centralina Council of Governments to evaluate the possibility of a Health Insurance Pool for self-insured local governments. The ultimate goal of this potential change would be to reduce rates across the region by implementing a collective claims strategy that spreads the cost amongst its members with protections in place to keep each local government from having to share costs above what they have shared in the past. This organization was successful in implementing this plan in other states where rates over a 3 year period did not increase more than 4%.

LINCOLN COUNTY, NORTH CAROLINA
HEALTH INSURANCE FUND
FISCAL YEAR 2018

ACCOUNT	DESCRIPTION	FY 2016 ACTUAL	FY 2017 BUDGET	FY 2017 THRU 2/1/17	FY 2018 REQUESTED	FY 2018 RECOMMENDED
REVENUES						
80-0000-00-00-36800-	Health Premiums Employer	\$ (6,040,132.97)	\$ (5,966,000)	\$ (3,708,842.48)	\$ (6,000,000)	\$ (6,300,000)
80-0000-00-00-36801-	Health Premiums Employee	(1,051,547.05)	(1,127,795)	(629,248.42)	(1,100,000)	(1,100,000)
80-0000-00-00-36802-	Flex Revenues	-	(150,000)	-	-	-
80-0000-00-00-37000-	Interest Revenue	(17,997.04)	(8,000)	(6,022.42)	(10,000)	(12,000)
80-0000-00-00-38190-	Miscellaneous Revenues	(1,487.65)	-	-	-	-
80-0000-00-00-39999-	Fund Balance Appropriated	-	-	-	-	(350,000)
TOTAL REVENUES		(7,111,164.71)	(7,251,795)	(4,344,113.32)	(7,110,000)	(7,762,000)
EXPENSES						
80-4000-51-00-56199-	Miscellaneous	58,952.00	734,795	11,145.00	20,000	20,000
80-4000-51-00-56501-	Administrative Fees	1,092,592.83	1,020,000	769,620.82	1,020,000	1,229,000
80-4000-51-00-56502-	Flex Account Fees	-	150,000	-	-	-
80-4000-51-00-56503-	Claims	6,490,808.26	5,347,000	3,215,026.71	6,070,000	6,513,000
TOTAL EXPENSES		\$ 7,642,353.09	\$ 7,251,795	\$ 3,995,792.53	\$ 7,110,000	\$ 7,762,000

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