

What is the Health Benefits Reserve? How is it funded?

Both the County and Schools have self-funded health insurance policies versus fully-Insured policies that most people are accustomed to. With a self-funded policy we are responsible for 100% of our Health insurance costs. We set rates (Employee and Employer share) and collect those amounts to cover the cost of our health insurance claims. The County's actual health insurance claims exceed \$11 Million each year. Because actual claims can vary from year to year, we have a health insurance reserve that is available should our claims exceed the funding we've collected through our established rates. This practice allows us to cover the costs of the claims when billed, without having to make adjustments to rates midyear.

Also, because the payment of claims lags behind the actual services that are performed, we maintain a balance for IBNR (incurred but not reported) claims. We bid out our health insurance services, so if there is a time where we decide to switch plans, there would be a period where we would have to pay the old plan for all IBNR claims, while continuing to collect rates to pay claims that are being incurred with the new company. Having the reserve available for the IBNR ensures that we can cover those costs without having to make rate adjustments midyear or find another source of funding.

Below is the County's Policy for the balance that we will maintain in our Health Insurance Reserve:

SELF-INSURED HEALTH INSURANCE RESERVE

- 1) The County will maintain a self-insured health insurance reserve equal to the total claims incurred but not reported (IBNR) plus three months of claim payments based on the previous three years' experiences. Any use of such reserve will be limited to payment of IBNR in the event the County changes to a new vendor for health insurance and to the payment of claims that exceed premium payments.
- 2) Any use of the self-insured health insurance reserve will be replenished within one year.
- 3) The self-insured health insurance reserve will constitute a commitment within the General Fund balance.

The County's Health Insurance Reserve balance is \$3,991,639