

292 - COUNTY INDEMNITY HEALTH INTERNAL SERVICE FUND

Operational Summary

Description:

The County Indemnity Health Internal Service Fund (ISF) provides for self insurance of health benefits and administrative fees associated with claims from employees, retirees, and their dependents enrolled in the PPO Premier Preferred Choice, Preferred Choice, Premier Wellwise, Wellwise, Premier Sharewell, Sharewell and the Indemnity A health plans.

Strategic Goals:

- Fund 292 is one of the five Internal Service Funds under Employee Benefits. Employee Benefits operates under the Strategic Priorities and Business Plan for Human Resources and administers employee benefit programs as supported by the Board of Supervisors.

FY 2003-2004 Key Project Accomplishments:

- The professional services contract for Medical and Dental Claims Administration is expiring 12/31/04. A Request for Proposal (RFP) process is currently underway to solicit proposals for the new contract period starting 1/1/05.

CO INDEMNITY HEALTH PLANS ISF - The County Indemnity Health Internal Service Fund (ISF) provides for self insurance of health benefits and administrative fees associated with claims from employees, retirees, and their dependents enrolled in the PPO Premier Preferred Choice, Preferred Choice, Premier Wellwise, Wellwise, Premier Sharewell, Sharewell and the Indemnity A health plans.

Budget Summary

Plan for Support of the County's Strategic Priorities:

The Employee Benefits Division supports the Board of Supervisors adopted strategic priorities as they relate to the implementation and administration of employee benefits.

At a Glance:

Total FY 2003-2004 Actual Expenditure + Encumbrance:	62,397,692
Total Final FY 2004-2005 Budget:	76,252,143
Percent of County General Fund:	N/A
Total Employees:	0.00

Changes Included in the Base Budget:

For FY 04-05 we budgeted an amount for medical claims run out in the event that a new claims administrator is selected. In addition, start up and new member identification card costs are budgeted for the same reason. These costs are one time costs and are incurred when changing from one vendor to another. In addition, the claims administration and PPO network costs are higher based on our best estimate of the new contract fees using market estimates and review of the prior RFP for the costs associated with the 2nd and 3rd choice vendors. Other potential vendors charge more for PPO network access and administration fees, but have higher PPO claim discounts within their networks. This potential increase in cost if such a vendor is chosen would be offset by an anticipated reduction in medical claims due to the PPO claim discounts. Once a final vendor is selected during the RFP process, any necessary modification to the budget will need to be made at that time.

Final Budget and History:

Sources and Uses	FY 2002-2003 Actual Exp/Rev	FY 2003-2004 Budget As of 6/30/04	FY 2003-2004 Actual Exp/Rev ⁽¹⁾ At 6/30/04	FY 2004-2005 Final Budget	Change from FY 2003-2004 Actual	
					Amount	Percent
Total Revenues	56,156,216	68,503,988	65,437,158	76,252,143	10,814,985	16.53
Total Requirements	54,861,521	69,675,437	62,397,692	76,252,143	13,854,451	22.20
Net County Cost	1,294,695	(1,171,449)	3,039,467	0	(3,039,467)	-100.00

(1) Amounts include prior year expenditures and exclude current year encumbrances. Therefore, the totals listed above may not match Total FY 2003-04 Actual Expenditure + Encumbrance included in the "At a Glance" section.

Detailed budget by expense category and by activity is presented for agency: County Indemnity Health Internal Service Fund in the Appendix on page 615.

Highlights of Key Trends:

- Medical and Dental inflation (trend) continues to rise causing an increase in medical and prescription claims within the PPO health plans. In addition, the professional services contract for Medical and Dental Claims Administration is expiring 12/31/04 and the Request for Proposal (RFP) process is currently underway to solicit proposals for the new contract period.
- The County cost of the Judges Medical Reimbursement Program continues to increase significantly from year to year as Judges insurance premiums and medical and

prescription costs rise, yet there is no pass through of any of the cost increases to the Judges or the Court. The County cost of this program has increased 149% since FY 01/02 from \$488,750 to \$1,215,771 for FY 04/05. This program, while part of ISF 292, is funded by an Operating Transfer in from General Fund budget 100-081, Trial Courts. The County may want to consider whether this type of escalating expense is appropriate for the agreement and may want to consider transferring all or a portion of this cost directly to the Courts in lieu of a more appropriate fee.



292 - COUNTY INDEMNITY HEALTH ISF

Operation of Internal Service Fund 292 Operational Statement for the Fiscal Year 2004 - 2005

Operating Detail (1)		2002-2003 Actual (2)	2003-2004 Actual (3)	2004 - 2005 Proposed Budget (4)	2004 - 2005 Final Budget (5)
Operating Income					
7710	Insurance Premiums	54,995,828	62,919,312	68,142,499	68,142,499
Total Operating Income		54,995,828	62,919,312	68,142,499	68,142,499
Operating Expense					
Services & Supplies					
1800	Office Expense	0	0	31,500	31,500
1900	Professional And Specialized Services	2,061,924	2,165,739	4,539,769	4,539,769
1911	CWCAP Charges	97,598	117,204	120,886	120,886
2400	Special Departmental Expense	1,668,257	1,733,657	2,111,175	2,111,175
2700	Transportation And Travel - Meetings/Conferences	0	0	6,850	6,850
Total Services & Supplies		3,827,779	4,016,600	6,810,180	6,810,180
Other Charges					
3500	Judgments And Damages	(8,331,512)	(101,605)	0	0
3510	Other Charges - Operating	59,353,410	58,463,955	69,421,813	69,421,813
Total Other Charges		51,021,898	58,362,350	69,421,813	69,421,813
Total Operating Expenses		54,849,677	62,378,950	76,231,993	76,231,993
Total Operating Income (Loss)		146,151	540,362	(8,089,494)	(8,089,494)
Non-Operating Revenue					
6610	Interest	168,551	199,114	245,102	245,102
7670	Miscellaneous Revenue	0	185,270	0	0
Total Non-Operating Revenue		168,551	384,384	245,102	245,102
Non-Operating Expense					
1912	Investment Administrative Fees	11,844	18,135	20,150	20,150
5400	Loss Or Gain On Disposition Of Assets	0	607	0	0
Total Non-Operating Expenses		11,844	18,742	20,150	20,150
Net Non-Operating Income (Loss)		156,707	365,642	224,952	224,952
Income (Loss) Before Contributions & Transfers		302,858	906,004	(7,864,542)	(7,864,542)
Statement Of Changes In Net Assets - Unrestricted					
Income (Loss) Before Contributions & Transfers		302,858	906,004	(7,864,542)	(7,864,542)
7810	Interfund Transfers In - From Fund 100	991,837	838,160	1,215,771	1,215,771
Changes To Reserves - Encumbrance - (Inc.)/Dec.		0	264	0	0

Operation of Internal Service Fund 292 Operational Statement for the Fiscal Year 2004 - 2005 (Continued)

Operating Detail (1)	2002-2003 Actual (2)	2003-2004 Actual (3)	2004 - 2005 Proposed Budget (4)	2004 - 2005 Final Budget (5)
Changes To Reserves - Net Assets, Invested In Capital Assets, Net of Related Debt - (Inc.)/Dec.	0	607	0	0
Increase (Decrease) In Net Assets - Unrestricted	1,294,695	1,745,035	(6,648,771)	(6,648,771)
Net Assets - Unrestricted - Beginning Of Year	0	1,294,695	6,648,771	6,648,771
Net Assets - Unrestricted - End Of Year	1,294,695	3,039,730	0	0