



Board Agenda Item 40

DATE: December 14, 2021

TO: Board of Supervisors

SUBMITTED BY: Hollis Magill, Director of Human Resources

SUBJECT: Revisions to the County's Funding Policy for Major Self-Insurance Programs

RECOMMENDED ACTION(S):

Approve revisions to the County's Self-Insurance Funding Policy for the General Liability, Workers' Compensation, and Medical Malpractice Programs as referenced in Exhibit A and delegate the authority to make future Funding Policy revisions to the County Administrative Officer in consultation with the Auditor-Controller/Treasurer-Tax Collector's Office.

The recommended action would revise the County's Funding Policy by establishing standard practices and procedures for funding the County's three (3) largest Self-Insurance Programs - General Liability, Workers' Compensation, and Medical Malpractice for inclusion in a Management Directive. Revisions would include a more conservative pre-determined confidence level at which to fund the programs as recommended by the actuary. It would also establish procedures and a timeline for addressing program surpluses and/or deficits.

The recommended action would also delegate the authority to approve future revisions to the Funding Policy to the County Administrative Office in consultation with the Auditor-Controller/Treasurer-Tax Collector's Office, rather than presenting an Agenda Item to your Board for approval each time a revision is made.

If approved, the recommended action would be effective beginning with the 2022 calendar year in preparation of FY 2022-23 self-insurance rates.

ALTERNATIVE ACTION(S):

Your Board could choose to not approve the recommended action and the County's existing Funding Policy would remain unchanged. All future recommended revisions to the Funding Policy would have to individually be brought back to your Board for consideration and approval.

FISCAL IMPACT:

There is no increase in Net County Cost associated with the recommended action for FY 2021-22. The County's Self-Insurance Programs are funded primarily by annual rates assessed to County Departments. Risk Management rates are reviewed by the Auditor-Controller/Treasurer-Tax Collector's Office and approved each year by your Board as part of the Budget approval process.

DISCUSSION:

The County of Fresno is self-insured for General Liability, Workers' Compensation and Medical Malpractice exposures. These insurance programs are accounted for in the Risk Management Internal Service Fund (ISF) which is managed by the Risk Management Division of the Department of Human Resources.

Because the County is self-insured, it assumes the financial risk of providing Countywide General Liability coverage, Medical Malpractice coverage for healthcare workers, and Workers' Compensation benefits to all its employees. Fund expenditures are primarily for claims-related payments, but also include administrative expenses.

Because the County assumes the financial risk within the self-insured levels, it is important that a sound Funding Policy is followed to reduce the risk of catastrophic losses and the impact on the County's overall financial stability. A "confidence level" is an estimated probability that a given level of funding (including cash reserves) will be adequate to pay actual present and future projected claims costs and program expenses. Projected claims and reserve requirements to fund the program's liabilities are based on an annual actuarial analysis that takes into consideration the County's loss history, reserves, premiums, and ancillary costs of the programs.

The County's Funding Policy for Self-Insurance programs was originally adopted in April 2003 (Exhibit B). In May 2011, your Board approved a revision to this Policy, which among other things, defined the acceptable confidence level at which the County's three (3) largest Self-Insurance Programs (General Liability, Workers' Compensation, and Medical Malpractice) should be funded, reducing the required confidence level to 70% for the Workers' Compensation and General Liability programs (Exhibit C). The revision also set forth a 10-year recovery period through the 2021-22 fiscal year, to eliminate the then existing, \$15.7 Million deficit in the Workers' Compensation Program. The deficit has since been eliminated as planned, and the program is currently in a surplus.

The recommended action would revise the County's Funding Policy by establishing standard practices and procedures for funding the County's three (3) largest Self-Insurance Programs - General Liability, Workers' Compensation, and Medical Malpractice for inclusion in a Management Directive as referenced in Exhibit A. Revisions would include a more conservative pre-determined confidence level at which to fund the programs as recommended by the actuary. It would also establish procedures and a timeline for addressing program surpluses and/or deficits.

The recommended action would also delegate the authority to approve future revisions to the Funding Policy to the County Administrative Office in consultation with the Auditor-Controller/Treasurer-Tax Collector's Office, rather than presenting an Agenda Item to your Board for approval each time a revision is made.

If approved, the recommended action would be effective beginning with the 2022 calendar year in preparation of FY 2022-23 self-insurance rates.

REFERENCE MATERIAL:

BAI #44, May 3, 2011
BAI #15, April 29, 2003

ATTACHMENTS INCLUDED AND/OR ON FILE:

Exhibit A - 2022 Funding Policy
Exhibit B - 2003 Funding Policy
Exhibit C - 2011 Funding Policy Revision

CAO ANALYST:

Yussel Zalapa