



OFFICE OF RACIAL EQUITY AND SOCIAL JUSTICE


Marc Elrich
County Executive

Tiffany Ward
Director and Chief Equity Officer

MEMORANDUM

May 14, 2024

To: Jennifer Bryant, Director
Office of Management and Budget

From: Tiffany Ward, Director
Office of Racial Equity and Social Justice 

Re: Racial Equity Impact Assessment (REIA) Supplemental Appropriation (SA) #24-80
FY 24 Operating Budget - Employee Health Benefit Self Insurance Fund (\$5,200,000)

- I. **FINDING:** The Office of Racial Equity and Social Justice (ORESJ) finds that Supplemental Appropriation #24-80 - FY 24 Operating Budget - Employee Health Benefit Self Insurance has the potential to advance racial equity and social justice in the County. While the nature of this supplemental is primarily administrative, the supplemental funding will allow Montgomery County to cover Employees Health Benefit Self Insurance Fund costs. Additionally, Black, Indigenous, and People of Color (BIPOC) employees encompass nearly half of the County workforce, and this funding will help safeguard their health insurance coverage.
- II. **BACKGROUND:** The purpose of SA #24-80 is to provide funding to cover the costs of health insurance claims and administrative expenses for the remainder of the fiscal year. The Office of Human Resources (OHR) reports that increased costs of medical and prescription claims have caused the County's actual expenses to outpace the original budgeted appropriation.

The County operates an Employee Health Benefit Self Insurance Fund, an internal service fund that assumes the risk and liability of paying the claims costs incurred by employees. The Fund pays employee health benefits costs under which participants share medical, prescription, dental, vision, and life insurance with a 20% employee/80% employer cost share for all plans.

The FY2023 Annual Comprehensive Financial Report (ACFR) showed a \$7.1 million deficit in the Employee Health Benefit Self Insurance Fund as of June 20, 2023.¹ The deficit was partly the result of increased prescription and medical claims costs and was also attributed to lower than anticipated contributions caused by decreased active plan participation. The ACFR noted that the County’s annual group insurance rate-setting process takes into account both projected claims and known fund net position, with the FY23 deficit to be addressed in future years through the rate-setting process.²

On May 1, the Government Operations and Fiscal Policy (GO) Committee met to review the FY25 Operating Budget for OHR and discussed this supplemental funding request. During the meeting, OHR also cited medical inflation, employees who had delayed preventative exams during COVID-19 beginning to address their medical needs, catastrophic illness, and other claims as a source of the cost increases. The OHR also plans to continue working with the Department of Finance and the Office of Management and Budget to discuss approaches to rebuilding the fund reserve.³

- III. **ANALYSIS:** ORESJ has recently analyzed supplemental funding to cover health insurance costs in REIA 24-70, Montgomery County Public Schools, and the Employee Benefits Plan. The full analysis is available at:
<https://www.montgomerycountymd.gov/ore/Resources/Files/24-70.pdf>.

The REIA cited a study from the University of Chicago, which was commissioned by Morgan Health to analyze health disparities in employer-sponsored health plans. The analysis found “large health disparities among enrollees in employer-sponsored coverage related to chronic conditions, maternal health, behavioral health, substance use and access to care.”⁴ Chronic conditions, including blood pressure, diabetes, and obesity, have varying levels of racial disparities and are among the most expensive chronic diseases in the nation.⁵

The following chart illustrates 2022 County workforce demographics for permanent employees by Race/Ethnicity and shows BIPOC employees encompass nearly half of the County workforce among those who reported demographic information.

¹ Annual Comprehensive Financial Report FY2023.

https://www.montgomerycountymd.gov/Finance/Resources/Files/data/financial/acfr/FY2023_ACFR.pdf.

² IBID

³ Available at:

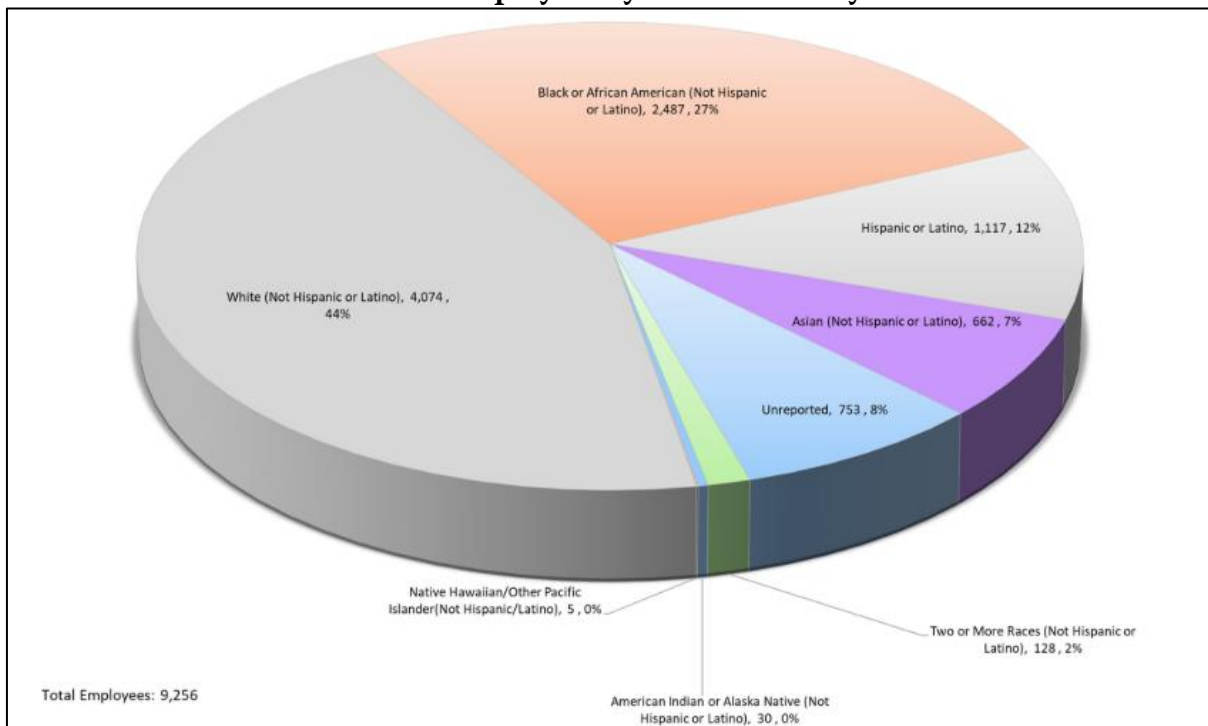
https://montgomerycountymd.granicus.com/Viewer.php?view_id=169&clip_id=17382&meta_id=178353

⁴ Health Disparities in Employer-Sponsored Insurance. July 2022. Available at:

<https://www.jporganchase.com/content/dam/jpmc/jpmorgan-chase-and-co/who-we-are/ourbusiness/documents/jpmc-morgan-health-norc-report-ada.pdf>.

⁵ IBID.

Permanent Employees by Race/Ethnicity - 2022



Source: Update-Employee Wellness Program

<https://www.montgomerycountymd.gov/HR/Resources/Files/Classification/Compensation%20Documents/PMR%202023%20-%20Final%20042023.pdf>

While the County government’s workforce is diverse, data is needed to better understand the utilization of health insurance plans and the medical conditions experienced by the workforce. OHR, through the State of Wellbeing had provided information on health data and expressed plans to benchmark and continuously measure data over time.⁶ For example, the report contained 2015 data from CareFirst which identified the top ten major episode categories and the amount paid.

⁶ Montgomery County Council, Health and Human Services and Government Operations and Fiscal Policy Joint Committee. Feb 2017. Update: Employee Wellness Program. Available at: https://montgomerycountymd.granicus.com/MetaViewer.php?view_id=169&clip_id=12801&meta_id=131542.

CareFirst 2015 Top Ten Major Episode Categories by Amount Paid <i>Employees & Dependents of Employees</i>	Category	Prevalence	Paid Amount
	Osteoarthritis	1,078	\$2,221,247
	Cancer (Breast)	89	\$1,069,421
	Infection/Inflammation	2,581	\$911,678
	Hypertension	1,742	\$885,734
	Diabetes	1,131	\$742,070
	Cancer (Skin)	413	\$523,657
	Eye Disorders (Degenerative)	455	\$293,249
	Lipid Abnormalities	1,511	\$216,585
	Glaucoma	500	\$137,500
	Adverse Drug Reactions	53	\$35,140

Source: Update-Employee Wellness Program
https://montgomerycountymd.granicus.com/MetaViewer.php?view_id=169&clip_id=12801&meta_id=131542

The County should continue collecting data on the types of health issue claims impacting the workforce and consider disaggregating this data by race. As stated in REIA 24-70, “analyzing utilization data would help better understand how benefits are being used across different demographic groups, especially in relation to whether disparities in health outcomes are being addressed.”

- cc: Traci Anderson, Director, Office of Human Resources
 Ken Hartman, Assistant Chief Administrative Officer, Office of the County Executive