

# **State Employee Compensation and Health Insurance Options and Strategies**



## **Virginia Department of Human Resource Management**

**Senate Finance Committee**

**General Government Subcommittee**

General Assembly Building, Richmond, Virginia

January 21, 2014



# Workforce

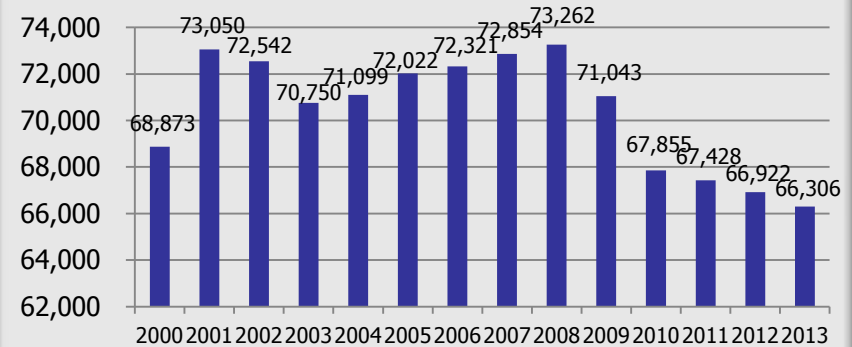
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# Executive Branch Full-Time Equivalent Salaried Workforce

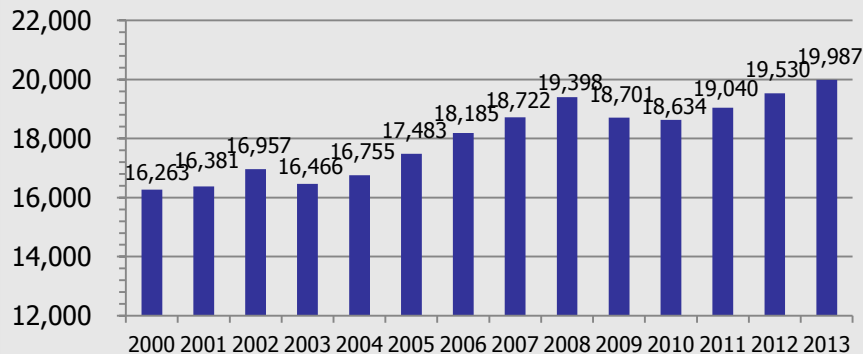
Change in salaried employees  
from FY 2000 to FY 2013:

- 22.9% increase in Faculty
- 3.7% decrease in Classified
- 19.9% decrease in At-Wills

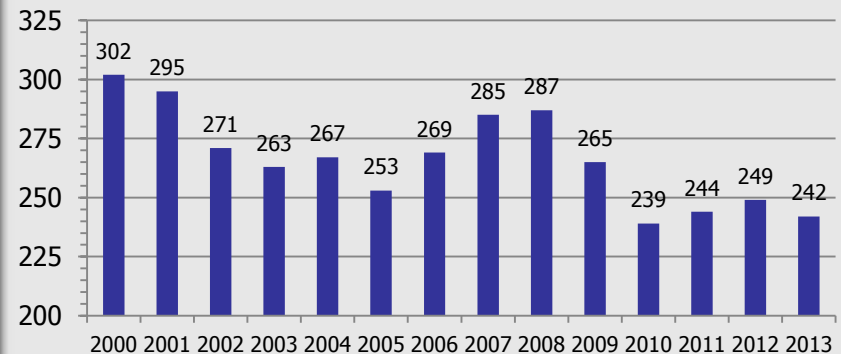
## Classified Employees



## Faculty



## At-Will Employees



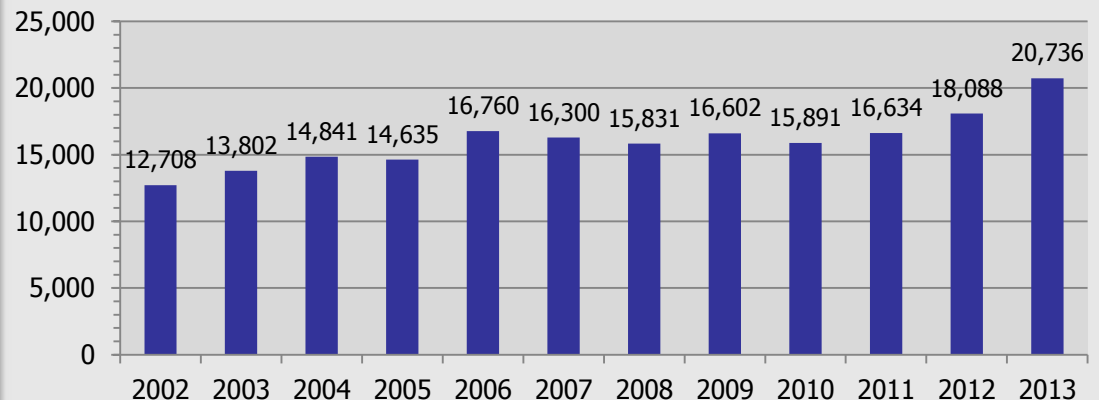
## All Branches Full-Time Equivalent

# Temporary Workers

### Wage Employees

- 63.2% increase in wage employees from FY 2002 to FY 2013
- 30.5% increase in wage employees from FY 2010 to FY 2013

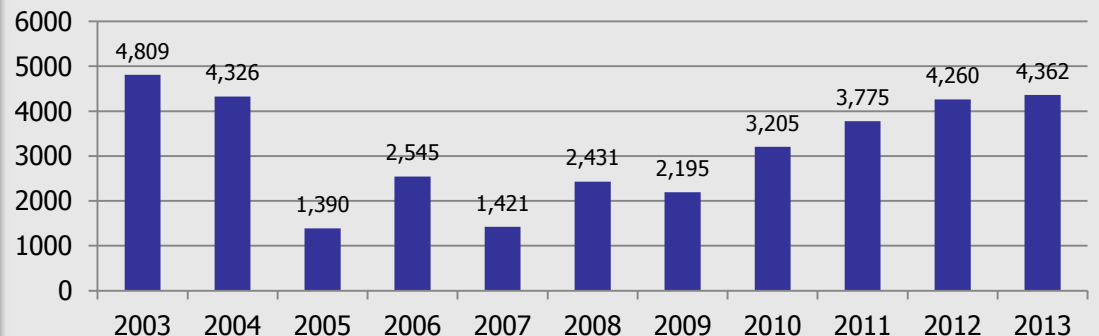
### Wage Employees



### Contractors

- 9.3% decrease in contractors from FY 2003 to FY 2013
- 36.1% increase in contractors from FY 2010 to FY 2013

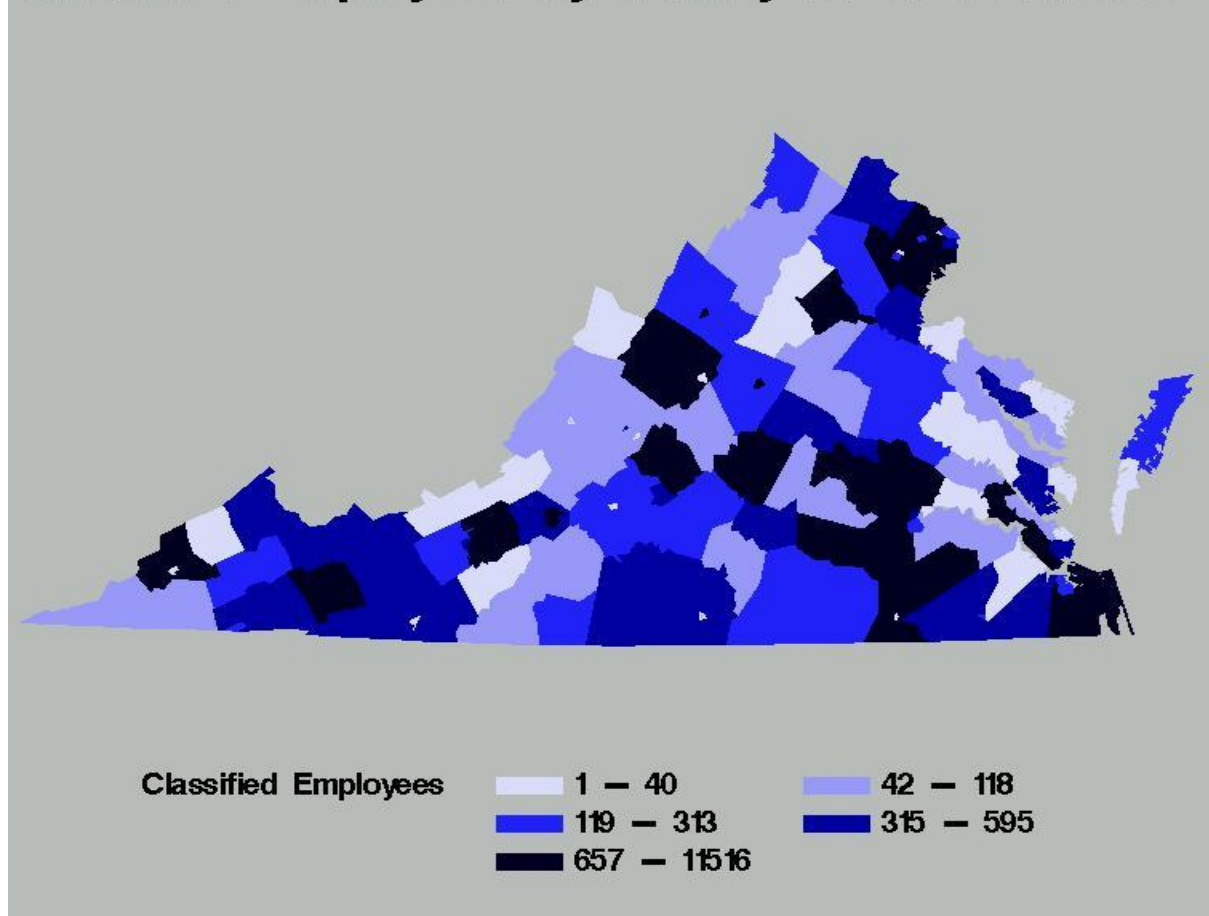
### Contractors



Classified Employees as of Dec. 31, 2013

# Employee Distribution by Region

Classified Employees by County as of 12/31/2013



## FY13 Classified Employees

# Recruitment

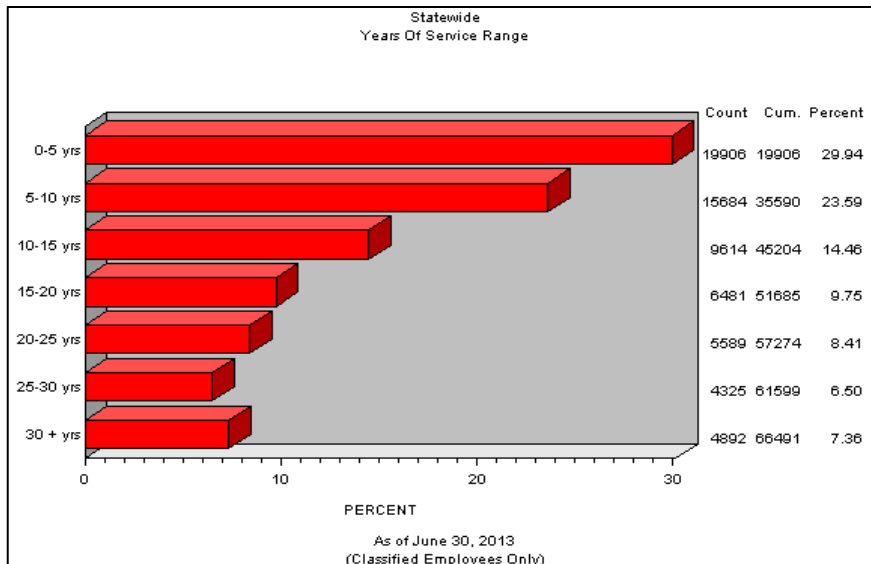
- Vacancy Rate 11.0%
- Average Vacancy 247
- Avg Time to Hire 96
- Hiring Offers Accepted 88.9%
- Total Recruitments 11,800

CLASSIFIED HIRING – Statewide – Starting Salary– FY 2013					
PAY BAND	MEAN	MEDIAN	1ST QUARTILE	3RD QUARTILE	COUNT
1	\$19,441	\$19,122	\$17,032	\$20,800	367
2	\$25,011	\$24,000	\$20,082	\$27,639	1120
3	\$30,818	\$28,854	\$27,485	\$32,891	3047
4	\$40,643	\$38,500	\$35,000	\$45,000	1594
5	\$58,706	\$57,049	\$50,000	\$66,739	735
6	\$85,475	\$86,720	\$75,000	\$95,000	147
7	\$110,497	\$112,500	\$100,000	\$118,450	18
8	\$169,281	\$171,500	\$162,500	\$180,000	24
9	\$162,500	\$162,500	\$135,000	\$190,000	2

# FY13 Classified Employees Retention

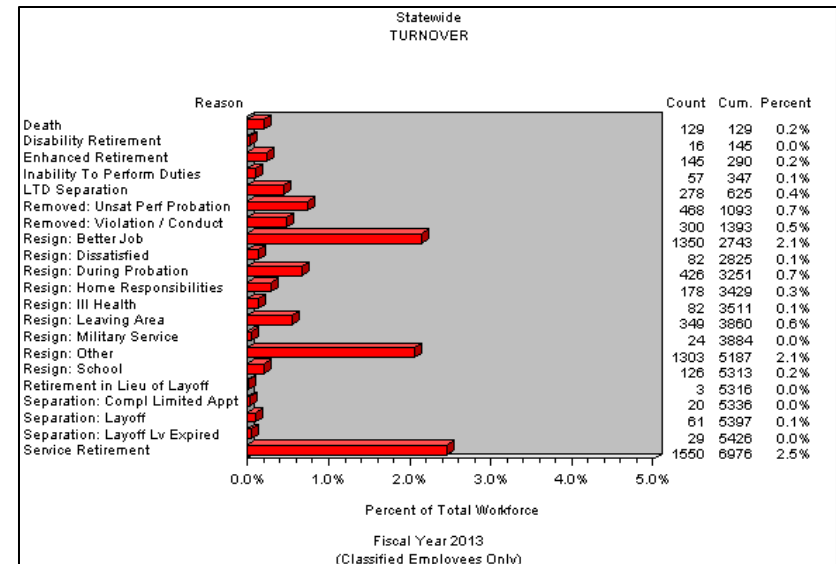
## Years of Service

- Mean - 12.1 yrs
- Median – 9.0 yrs
- Highest – 56.9 yrs



## Turnover

- Rate 10.9%
- Probationary Employees 24.8%
- Up to 5 yrs of Service 53.7%





# Compensation

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# Compensation Goal

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- Pay employees fairly and consistently for jobs they perform
- Sufficient to attract, retain, and motivate the Commonwealth workforce



# Compensation Policy

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- **Market Rate** – established in 2000 by General Assembly as compensation policy
- **Pay for Performance** – formula driven increase based on individual/team performance
- **Pay Practices** – practices available to address agency issues
  - **Base Pay** – continues over time
  - **Non-Base Pay** – lump sum payment, leave or non-monetary item
  - **Exceptional Recruitment & Retention Incentive Options** - used for significant recruitment and retention problems critical for agency mission
- **Pay Factors** – uses 13 pay factors when setting pay
  - Agency Business Need
  - Internal Salary Alignment
  - Duties & Responsibilities
  - Market Availability
  - Long Term Impact
  - Performance
  - Current Salary
  - Work Experience & Education
  - Total Compensation
  - Knowledge, Skills, Abilities & Competencies
  - Budget Implications
  - Training, Certification, & License
  - Salary Reference Data

## Compensation

# Pay Bands

BANDS	RANGE			EMPLOYEES	
	Minimum	SW Maximum	NOVA Maximum	Number	Percent
1	\$ 15,678	\$ 35,706	\$ 46,418	2559	3.75%
2	\$ 20,484	\$ 46,049	\$ 59,864	9130	13.37%
3	\$ 24,479	\$ 54,653	\$ 71,049	22687	33.22%
4	\$ 31,979	\$ 70,801	\$ 92,042	17563	25.71%
5	\$ 41,778	\$ 91,896	\$ 119,465	12039	17.63%
6	\$ 54,580	\$ 119,455	\$ 155,292	3667	5.37%
7	\$ 71,305	\$ 155,463	\$ 186,555	442	0.65%
8	\$ 93,150	\$ 202,500	\$ 243,000	202	0.30%
9	\$ 121,694	MARKET	MARKET	14	0.02%

As of December 31, 2013

# Statewide Actual Salary

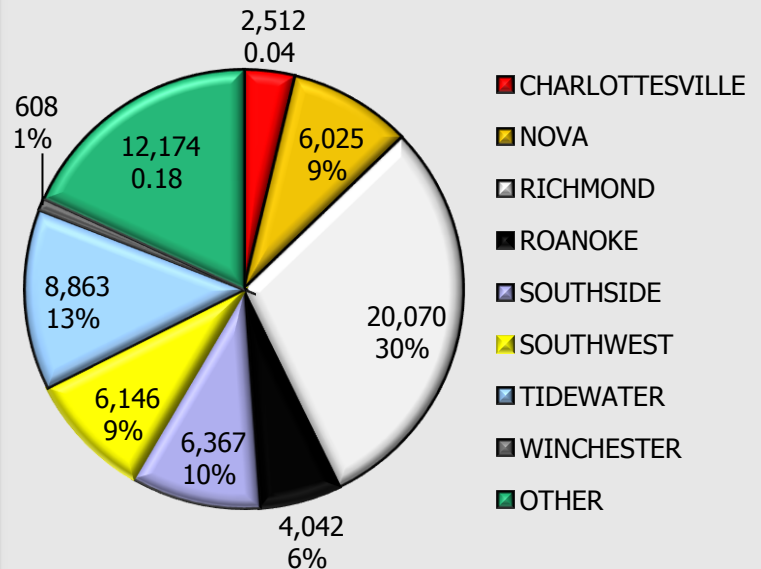
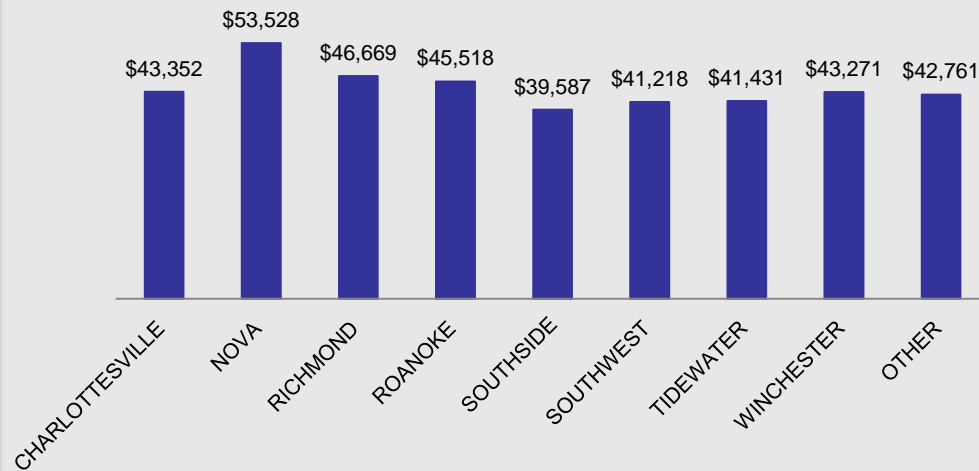
- Classified employees salary

REGION	MEAN	MEDIAN	1ST QUARTILE	3RD QUARTILE	LOWEST	HIGHEST	COUNT
Statewide	\$45,927	\$40,873	\$32,706	\$54,070	\$10,242	\$253,498	66,807
NOVA	\$53,139	\$49,014	\$39,563	\$61,200	\$12,546	\$253,498	6,103
Statewide (excluding NOVA)	\$45,202	\$40,053	\$32,449	\$53,040	\$10,242	\$248,837	60,704

# Employee Salary by Region

- Highest average salary is in Northern Virginia at \$53,528
  - 16.55% higher than the statewide average
- Lowest average salary is in Southside Virginia at \$39,587
  - 13.8% lower than the statewide average

**Average Salaries**



# Compensation History

Year	Performance Base Increase	General Base Salary Increase	Bonus	Performance Bonus	Salary Structure Adjustment	Notes
2013	2%	0%	0%	0%	7% + \$19.50 maximum, 2% minimum	A 2% salary adjustment effective on July 25, 2013 for eligible salaried state employees; a salary compression adjustment of \$65 (\$70 for sworn employees of the Department of State Police) per full year of service for eligible classified and other salaried employees (excluding faculty) with at least five years of continuous salaried service; Must have received at least "Contributor" rating for the performance cycle October 25, 2011 through October 24, 2012; Pay bands adjusted by 2% at the minimum and 7% plus \$1,950 at the maximum; 2% increase in payroll tax on January 1, 2013
2012	0%	0%	0%	3%	0%	Structure not adjusted; Only employees rated as Contributor or higher <i>and</i> had no disciplinary notices issued during the year received the 3% bonus.
2011	0%	5%*	0%	0%	0%	Structure not adjusted; *Only employees in VRS Plan 1 receive 5% salary increase to offset July 1 <sup>st</sup> requirement to contribute 5% to VRS fund.
2010	0%	0%	3%	0%	0%	Eligible salaried employees received 3% bonus effective December 1st. (Not performance related.)
2009	0%	0%	0%	0%	0%	
2008	0%	0%	0%	0%	0%	
2007	4%	0%	0%	0%	4%	Structure adjusted, but no general increase was awarded; Only employees rated as Contributor or higher received the 4% increase; Variable increases not approved by GA; Agencies allocated additional funding (.5% of salaries) to support internal pay practices.
2006	4%	0%	0%	0%	4%	Structure adjusted but no general increase was awarded; Only employees rated as Contributor or higher received the 4% increase; Variable increases not approved by GA



# Compensation Options

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- Strategies
  - Market
  - Performance
  - Targeted for acquisition and retention
- Issues
  - Funding



# Compensation Market

## ■ Average Performance Increase

- FY13 Market movement 2.70%
- FY14 Forecast 2.97%
- FY14 Projected State Deviation -21.45%

## ■ Average Structure Adjustments

- FY13 Actual 1.86%
- FY14 Forecast 2.15%

**DHRM ANNUAL SALARY SURVEY**

Occupation	Private Industry Average Salary	State Govt Average Salary	Deviation
Physical Therapist	75,867	83,091	8.69%
Medical Lab Tech	43,595	46,011	5.25%
Laboratory Aide	29,416	29,634	0.74%
Cashier	33,018	31,517	-4.76%
Environmental Engineer	68,743	64,943	-5.85%
Data Base Administrator	96,565	89,499	-7.89%
Systems Analysis Supv	89,528	82,821	-8.10%
Generic Engineer Supv	112,478	98,272	-14.46%
HR Admin Supv	73,723	63,567	-15.98%
Security Guard, Unarmed	29,662	25,551	-16.09%
Accountant	54,884	47,167	-16.36%
Mail Clerk	33,884	28,223	-20.06%
Employee Training Specialist	57,836	47,683	-21.29%
Marketing Specialist	53,790	44,264	-21.52%
Cook	31,286	25,701	-21.73%
Chemist	71,124	58,336	-21.92%
Social Worker (MSW)	56,715	46,291	-22.52%
Maintenance Electrician	50,664	40,797	-24.19%
Secretary	40,488	32,135	-25.99%
Architect	86,064	66,563	-29.30%
Truck Driver, Light	29,770	22,726	-31.00%
Yard Laborer/Janitorial Supv	46,550	35,414	-31.45%
Staff RN	65,498	48,932	-33.85%
Internal Auditor	76,312	51,841	-47.21%
Attorney	119,498	61,287	-94.98%
<b>Average</b>			<b>-20.87%</b>





# State Employee Salary Comparison

## Selected Localities

	BASE SALARY INCREASES									
Locality	FY-04	FY-05	FY-06	FY-07	FY-08	FY-09	FY-10	FY-11	FY-12	FY-13
Richmond City	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	0.00%	0.00%	0.00%	0.00%
Charlottesville	3.50%	3.00%	4.00%	4.00%	4.00%	4.00%	0.00%	2.00%	0.00%	2.00%
Montgomery County	2.50%	5.50%	4.80%	2.50%	6.77%	5.50%	N/A	0.00%	3.00%	2.00%
Fairfax County	4.00%	4.32%	4.37%	4.40%	4.98%	4.98%	N/A	0.00%	2.00%	4.70%
Chesterfield County	2.50%	4.00%	3.00%	4.00%	5.25%	4.00%	0.00%	0.00%	2.00%	1.00%
Norfolk	4.00%	4.00%	4.00%	4.50%	4.50%	3.50%	0.00%	0.00%	0.00%	2.00%
Chesapeake	3.00%	3.00%	4.00%	4.00%	4.50%	3.00%	0.00%	1.50%	1.50%	0.00%
Virginia Beach	6.00%	5.00%	6.50%	4.50%	3.50%	2.50%	0.00%	0.00%	2.50%	1.00%
Albemarle County	3.19%	4.40%	3.95%	4.00%	3.35%	0.00%	0.00%	0.00%	0.00%	1.00%
Augusta County	4.00%	4.00%	4.00%	3.83%	3.06%	3.06%	N/A	0.00%	0.00%	0.00%
<b>Locality Average</b>	<b>3.31%</b>	<b>3.85%</b>	<b>3.90%</b>	<b>3.78%</b>	<b>4.40%</b>	<b>3.35%</b>	<b>0.00%</b>	<b>0.35%</b>	<b>1.10%</b>	<b>1.37%</b>
<b>State Employees</b>	<b>2.25%</b>	<b>3.00%</b>	<b>4.40%</b>	<b>4.50%</b>	<b>4.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>5.00%</b>	<b>0.00%</b>	<b>0.00%</b>

Source: DHRM survey



# Pay Ranking of States

State	Federal Government		State Gov		Local Gov		Private Industry		State Avg as % of Private Avg	State Ranking
	Agv Annual Pay	State Ranking	Agv Annual Pay	State Ranking	Agv Annual Pay	State Ranking	Agv Annual Pay	State Ranking		
Alabama	74,857	4	48,001	24	36,930	32	41,079	36	117%	15
Alaska	73,373	7	55,054	12	44,795	16	49,587	14	111%	22
Arizona	68,141	26	51,225	19	42,198	20	45,235	20	113%	20
Arkansas	62,323	42	41,962	43	34,362	43	37,881	46	111%	23
California	73,991	6	65,685	2	55,538	3	56,295	5	117%	16
Colorado	72,170	10	52,496	15	42,205	19	50,920	12	103%	34
Connecticut	70,569	17	60,881	5	51,886	7	63,146	2	96%	45
Delaware	67,068	27	51,773	17	48,859	11	51,697	9	100%	38
Florida	69,575	20	43,596	36	44,959	15	42,447	29	103%	35
Georgia	68,930	21	40,624	47	36,908	33	46,980	17	86%	50
Hawaii	70,660	16	43,874	34	55,873	2	40,871	37	107%	28
Idaho	62,722	39	40,716	46	31,919	49	35,882	49	113%	19
Illinois	71,520	11	63,710	3	46,165	12	52,322	6	122%	8
Indiana	65,861	31	43,028	38	36,129	38	41,357	34	104%	32
Iowa	60,189	45	60,053	7	36,729	36	39,761	40	151%	1
Kansas	62,174	43	47,889	25	32,168	48	41,817	32	115%	17
Kentucky	59,456	47	42,945	39	36,829	34	40,228	38	107%	29
Louisiana	65,604	32	46,902	29	36,792	35	43,518	26	108%	27
Maine	66,888	28	40,116	49	35,381	41	38,082	45	105%	31
Maryland	91,816	1	50,418	20	50,441	9	51,910	7	97%	42
Massachusetts	72,871	8	60,173	6	52,716	6	61,467	3	98%	41
Michigan	70,036	19	57,608	8	43,688	17	46,217	19	125%	5
Minnesota	66,537	30	55,299	11	42,086	21	49,750	13	111%	21
Mississippi	63,093	37	41,870	44	32,441	46	35,264	50	119%	11
Missouri	63,268	36	38,195	50	36,575	37	43,128	27	89%	49

Source: 2012 Bureau of Labor Statistics data based on payroll records of what is actually paid out to employees as reported quarterly to employment commissions

# Pay Ranking of States

## ■ Virginia Pay Ranking

- 2<sup>nd</sup> in Federal Government
  - same as 2010 & 2011
- 11<sup>th</sup> in Private Industry
  - down from 9<sup>th</sup> in 2011 & 8<sup>th</sup> in 2010
- 25<sup>th</sup> in Local Government
  - same as 2011 & down from 23<sup>rd</sup> in 2010
- 32<sup>nd</sup> in State Government
  - up from 33<sup>rd</sup> in 2011 and same as 2010
- 47<sup>th</sup> in State average as a percent of Private average
  - up from 48<sup>th</sup> in 2010 & 2011

State	Federal Government		State Gov		Local Gov		Private Industry		State Avg as % of Private Avg	State Ranking
	Agv Annual Pay	State Ranking	Agv Annual Pay	State Ranking	Agv Annual Pay	State Ranking	Agv Annual Pay	State Ranking		
Montana	61,862	44	42,478	42	35,503	40	35,987	48	118%	12
Nebraska	62,361	41	46,294	31	37,889	29	38,660	44	120%	10
Nevada	65,067	33	46,716	30	51,773	8	42,410	30	110%	26
NewHampshire	72,702	9	47,171	27	40,922	23	48,775	15	97%	43
NewJersey	74,271	5	66,232	1	58,585	1	58,089	4	114%	18
NewMexico	68,560	23	48,218	23	35,585	39	39,521	41	122%	7
NewYork	71,432	12	57,014	10	54,234	5	63,912	1	89%	48
NorthCarolina	63,010	38	45,404	33	39,462	26	43,040	28	105%	30
NorthDakota	58,346	49	46,954	28	34,239	44	46,823	18	100%	37
Ohio	70,715	15	57,477	9	42,305	18	43,601	25	132%	3
Oklahoma	63,976	34	41,726	45	34,724	42	41,863	31	100%	40
Oregon	68,921	22	43,810	35	45,020	14	43,678	24	100%	36
Pennsylvania	68,245	25	53,073	14	45,319	13	48,147	16	110%	25
Rhodelsland	77,569	3	62,198	4	54,553	4	44,633	21	139%	2
SouthCarolina	62,513	40	42,640	41	38,603	28	38,663	43	110%	24
SouthDakota	58,301	50	43,507	37	30,470	50	36,306	47	120%	9
Tennessee	70,740	14	42,723	40	37,073	31	44,261	23	97%	44
Texas	70,489	18	47,714	26	40,639	24	51,593	10	92%	46
Utah	63,542	35	48,480	22	32,209	47	41,163	35	118%	13
Vermont	66,800	29	49,587	21	37,088	30	40,206	39	123%	6
Virginia	84,636	2	45,955	32	40,499	25	51,381	11	89%	47
Washington	71,109	13	51,740	18	49,110	10	51,765	8	100%	39
WestVirginia	68,426	24	40,487	48	34,056	45	39,258	42	103%	33
Wisconsin	59,804	46	53,552	13	38,634	27	41,760	33	128%	4
Wyoming	59,122	48	51,972	16	41,270	22	44,310	22	117%	14

Source: 2012 Bureau of Labor Statistics data based on payroll records of what is actually paid out to employees as reported quarterly to employment commissions

## Compensation

# Performance

- Private Industry uses variable pay for performance increases

<b>Private Industry Pay Increase as a Function of Performance</b>		
<b>WorldatWork Survey</b>	<b>Percentage of Workforce</b>	<b>2013 Average Increase Paid</b>
High Performers	25.0%	4.1%
Middle Performers	68.0%	2.7%
Low Performers	7.0%	0.6%

- 14% of state classified employees were rated as Extraordinary Contributors in FY 2013
- Same state employee performance increase was given to high and middle performers

<b>STATE PERFORMANCE RATINGS</b>	<b>FY 13</b>	<b>FY 12</b>	<b>FY 11</b>
<b>Extraordinary Contributor</b>	14.0%	13.5%	13.2%
<b>Contributor</b>	85.7%	86.2%	86.6%
<b>Below Contributor</b>	0.3%	0.3%	0.2%

## Compensation

# Targeted

- Compensation tools used by agencies today for acquisition and retention purposes

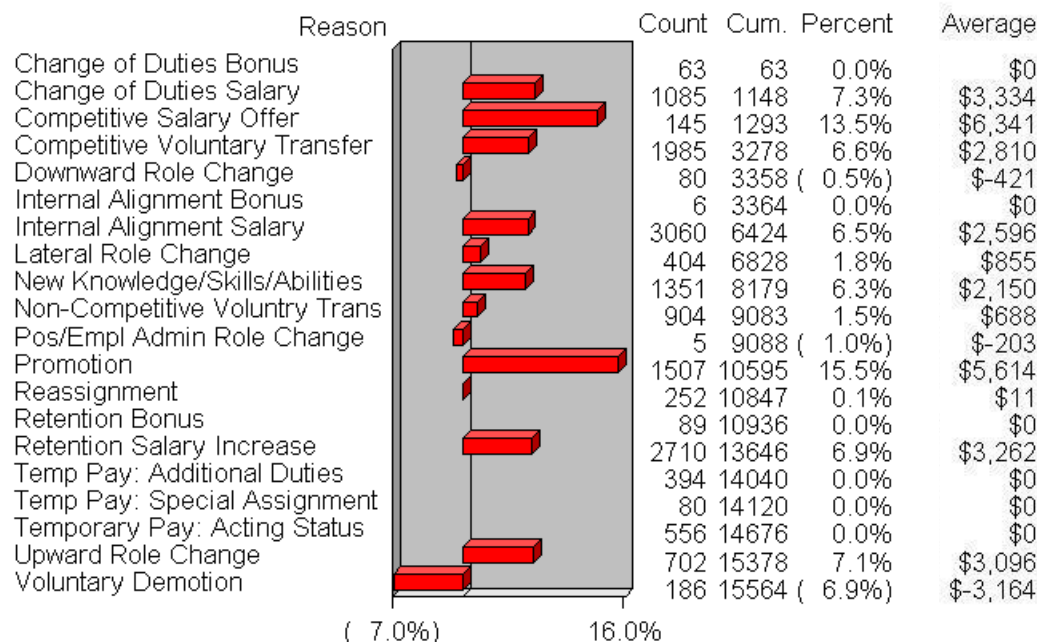
Basis for Recruitment and Retention Issues	Compensation Solutions Regularly Applied by Agencies as Funding Permits
Market competitiveness- local, state, regional, or national	<ul style="list-style-type: none"> <li>• Alternate Pay Bands (Deviation from State Salary Structure)</li> <li>• Geographic Differentials</li> <li>• Shift Differentials</li> <li>• Supplements</li> <li>• Parity Pay for Teachers</li> <li>• Student loan repayment assistance for health care personnel</li> <li>• Sign-on/Retention Bonuses Up to \$10K</li> <li>• Discretionary Pay Increases (4 Categories)</li> <li>• Competitive Counter-Offers</li> <li>• Exceptional Paid Time Off Awards of up to 30 days</li> <li>• Monetary Recognition up to \$2K per year</li> <li>• Educational Assistance</li> <li>• Employee Referral Program to \$1.5k per hire</li> </ul>
Supply and Demand Issue with Occupation/Profession	<ul style="list-style-type: none"> <li>• Exceptional Starting Pay</li> <li>• Differentials/Supplements</li> <li>• Exceptional Sign-on/Retention Bonuses up to \$10K</li> <li>• Competency or Skill Based Pay Systems</li> <li>• Educational Assistance</li> <li>• Discretionary Pay Increases (4 Categories)</li> <li>• Exceptional Payment of Leave Time</li> </ul>
Location	<ul style="list-style-type: none"> <li>• Geographic Differentials</li> <li>• Remote Work</li> <li>• Mobile Work</li> <li>• Mass Transit and Parking Subsidies</li> <li>• Relocation Reimbursement</li> </ul>
Work Environment	<ul style="list-style-type: none"> <li>• Hazardous Duty Pay Differentials/Supplements</li> <li>• Shift Differentials</li> <li>• On-Call Pay</li> <li>• Ongoing Meal Reimbursement</li> </ul>
Work/Life Balance	<ul style="list-style-type: none"> <li>• Alternate Work Schedule</li> <li>• Telework</li> <li>• Q Status</li> </ul>
Culture	<ul style="list-style-type: none"> <li>• Health and Retirement Benefits</li> <li>• Paid Time Off</li> <li>• Combination of above noted tools</li> </ul>

## Classified Compensation FY 2013

# Pay Practices Utilization

- 99% were base pay increases
- 1% were non-base pay increases

Statewide  
PAY PRACTICES  
Average Percent Change in Salary



Average Percent Change In Salary

Fiscal Year 2013  
(Classified Employees Only)



# Total Compensation

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- **Total Compensation Statements** are available online in *EmployeeDirect* for employees in the Personnel Management Information System
- Information
  - **Cash Compensation**
    - State Salary + Non-State Salary + Special Rate + Temporary Pay
  - **Funded Benefits**
    - Retirement + Health Insurance + Social Security Tax + Medical Health Insurance Tax + Group Life Insurance + Virginia Sickness & Disability Program + Retiree Health Insurance Credit
  - **Paid Leave**
    - Annual Leave + Sick Leave + Family Personal Leave + School Assistance & Volunteer Service Leave + Holidays



# Health Benefits

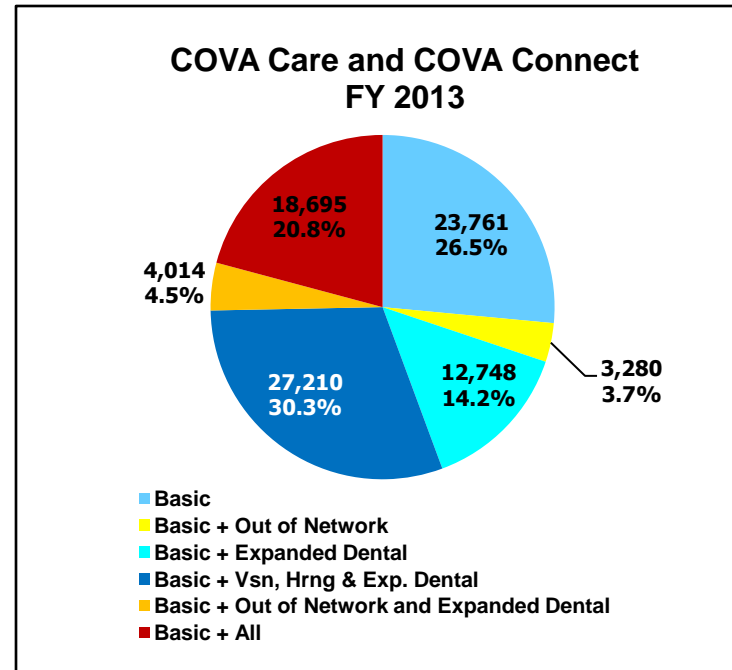
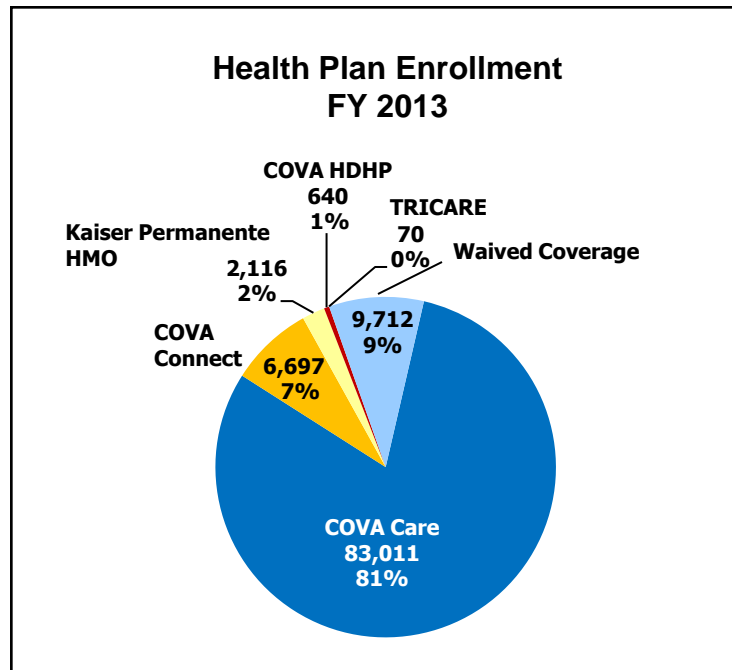
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FY 2013

# Health Plan Enrollment

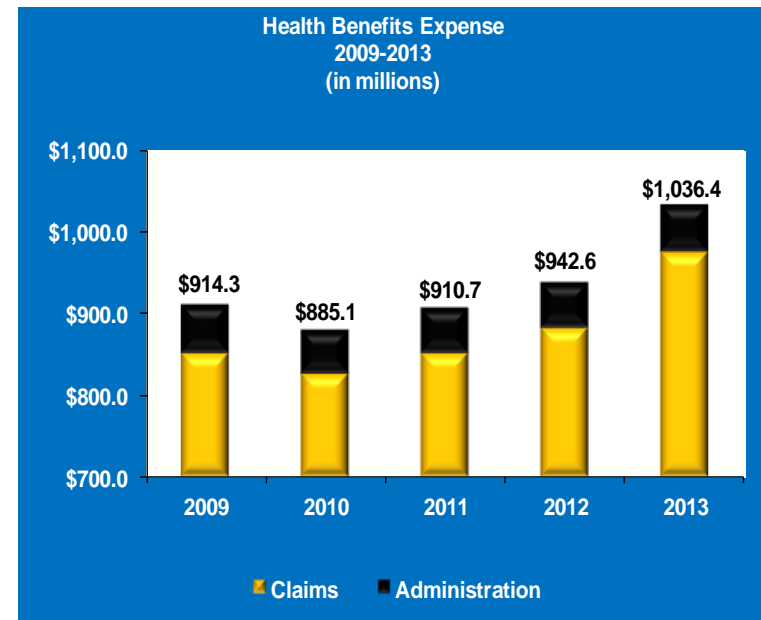
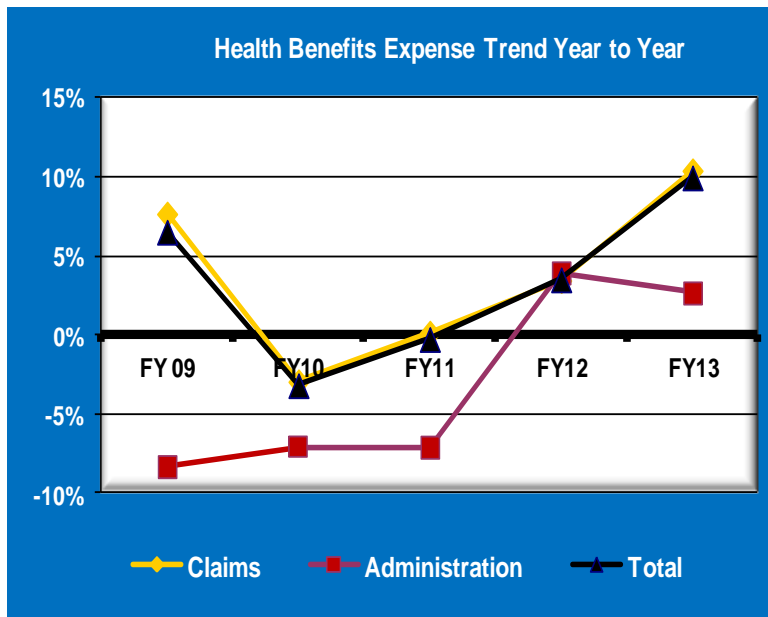
- 102,246 employees eligible for state health benefits
- 92,534 employees enrolled in all plans
- 209,696 members enrolled in all plans



FY 2013

# Cost Trends

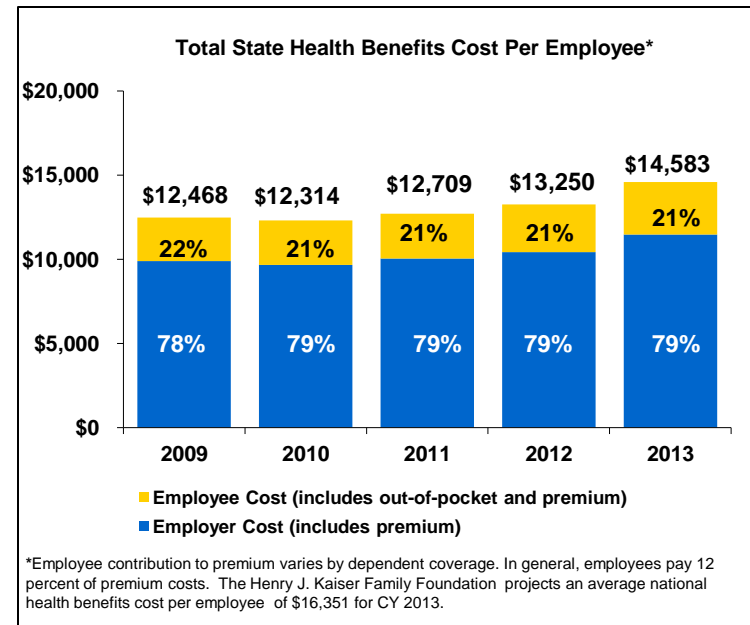
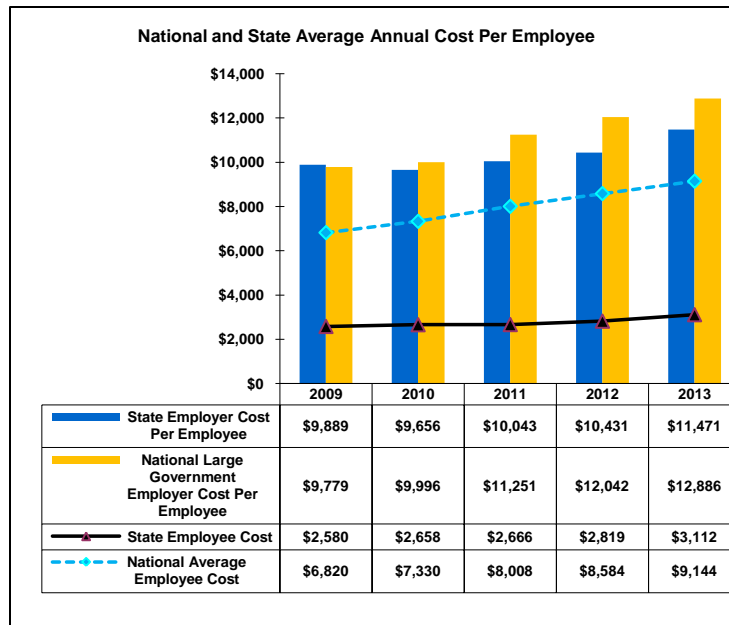
- Total program expense increased 9.9% in FY 13
- \$966.8 million total claims paid in FY 13
- 6.9 million total claims processed



FY 2013

# Total Cost Per Employee

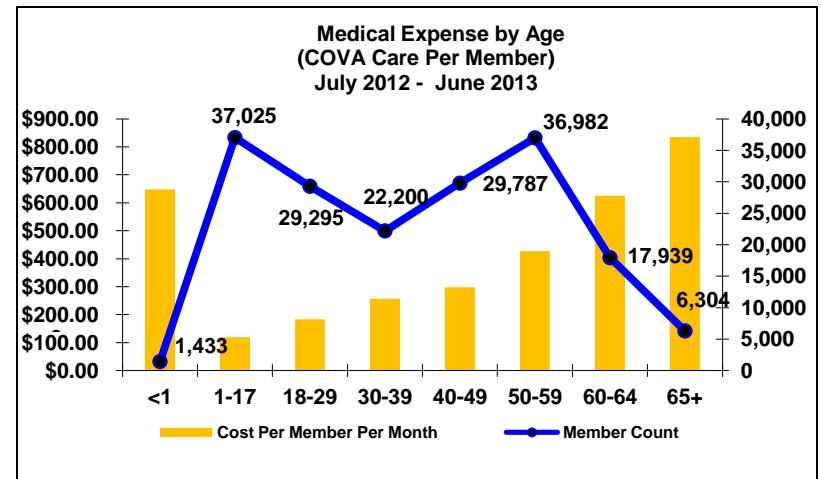
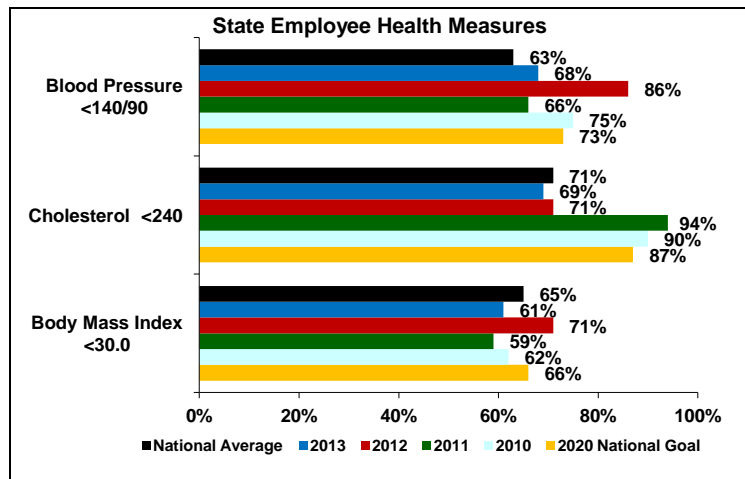
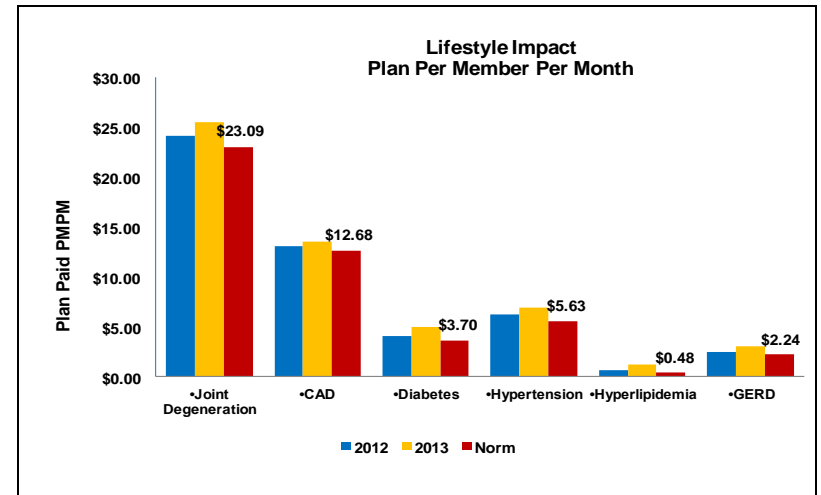
- \$14,583 total cost per employee in FY 13
- 10.1% increase in FY 13 from prior year



FY 2013

# Cost Drivers

- Expensive procedures
- Treatment of chronic conditions
- Prescription drug therapy cost
- Employee lifestyle
- Average employee age



FY 2013

# Top Ten Claims Expense

- \$619 million of total plan expense
- 64% of total plan expense
- Obesity related
  - Diabetes
  - Coronary artery disease
  - Hypertension
  - Musculoskeletal disorders
  - Digestive disorders
- High cost specialty drugs required
  - Rheumatoid arthritis
  - Multiple sclerosis

“Top Ten” Claims Expense		
Medical Procedures	Chronic Conditions	Prescription Drugs
<ol style="list-style-type: none"><li>1. <i>Musculoskeletal</i></li><li>2. <i>V-Codes—health services not classified as disease or injury</i></li><li>3. <i>Neoplasms—tumors</i></li><li>4. <i>Circulatory</i></li><li>5. <i>Ill-defined symptoms—undetermined causes</i></li><li>6. <i>Digestive</i></li><li>7. <i>Genitourinary</i></li><li>8. <i>Nervous system/sense organs</i></li><li>9. <i>Accidental injury</i></li><li>10. <i>Respiratory</i></li></ol>	<ol style="list-style-type: none"><li>1. Coronary artery disease</li><li>2. Breast cancer</li><li>3. Cerebrovascular disease</li><li>4. Diabetes</li><li>5. Hypertension</li><li>6. Obesity</li><li>7. Lung cancer</li><li>8. Skin cancer</li><li>9. Oral cancer</li><li>10. Substance abuse</li></ol>	<ol style="list-style-type: none"><li>1. <i>Nexium</i>-stomach acid</li><li>2. <i>Humira</i>-rheumatoid arthritis</li><li>3. <i>Enbrel</i>-rheumatoid arthritis</li><li>4. <i>Crestor</i>-high cholesterol</li><li>5. <i>Cymbalta</i> -depression</li><li>6. <i>Montelukast Sodium</i> - asthma/COPD</li><li>7. <i>Ambilify</i>-depression</li><li>8. <i>Copaxone</i>-multiple sclerosis</li><li>9. <i>Advair Diskus</i>-asthma/COPD</li><li>10. <i>Escitalopram Oxalate</i>-depression</li></ol>
<b>53.5% of All Claims Expense</b>	<b>5.3% of All Claims Expense</b>	<b>5.0% of All Claims Expense</b>
Note: These areas may not be mutually exclusive		



Pilot Launched 10/1/13

# Medication Therapy Management

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- Applies to COVA Care, COVA HealthAware, and COVA HDHP
- MTM network – Mirixa
- 100% of cost paid by health plan
- 1 comprehensive annual visit with up to 3 follow-up visits
- Eligibility
  - 3 or more of 8 disease states
    - Asthma
    - COPD
    - Depression
    - Diabetes
    - Heart Failure
    - High Blood Pressure
    - High Cholesterol
    - Osteoporosis
  - 7 or more chronic medications

## Plan Design Changes FY 2015

# Pilot Onsite Health Center

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- Planned pilot for Capitol Square area
- Provide employees convenient access to primary and preventive care
- Impact productivity with less work time lost
- Improve employee morale
- Offer health coaching support on site
  - Managing chronic medical conditions
  - Improving health behaviors
- Generate cost savings over time
- \$754,100 for start-up and implementation from the HIF



## Plan Design Changes FY 2015

# Value Based Insurance Design

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- Applies to COVA Care and COVA HealthAware
- Reduces barriers to high value treatment for certain conditions
- Asthma/COPD and Hypertension VBIDs
  - Waive co-pay or coinsurance for prescription drugs on tiers 1 and 2
  - Requirements
    - Minimum 90-day compliance period
    - On-going medication compliance
    - Appropriate quarterly engagement in disease management program
    - Annual wellness exam
    - Flu shot for Asthma/COPD



Changes FY 2015

# Plan Design Changes

Item	Plan	Plan Design	Change	Savings
1	COVA Care COVA HealthAware COVA HDHP	<b>New onsite health center in Capitol Square</b>	Offer primary and preventive care, and health coaching support	•(-\$55,000) 1st year • \$3.6 million in 5 years
2	COVA Care COVA HealthAware	<b>Prescription drug VBID-Asthma/COPD</b>	Drug co-pays and coinsurance waived for Tiers 1 and 2 if compliant	(\$495,000)
3	COVA Care COVA HealthAware	<b>Prescription drug VBID-Hypertension</b>	Drug co-pays and coinsurance waived for Tiers 1 and 2 if compliant	(\$4,290,000)
4	COVA Care	<b>Prescription drug-co-pay changes for tiers 2-4</b>	Increase co-pay \$5 for retail and \$10 for mail	\$9,120,000



Changes FY 2015

# Premium Rewards

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- Applies to COVA Care and COVA HealthAware
  - Eligible employees/retirees and/or spouses
- Continue reduction of \$17/\$34 per month if they do not opt out of MyActiveHealth portal
- Other employees have chance to earn Premium Rewards for FY 2015 plan year



Changes FY 2015

# COVA HealthAware “Do Rights”

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- Earned by employees/retirees and spouses for completing healthy activities
- Receive \$50 each for up to 3 “do rights”
  - Maximum \$150 per person
  - Added to Health Reimbursement Arrangement (HRA)
  - In addition to HRA funds of \$600/\$1,200 annually
- Expanded “do rights” list options
  - Annual wellness exam
  - Annual dental exam
  - Annual flu shot
  - Use MyActiveHealth tracker 3 times per month in a quarter
  - Annual vision exam
  - Complete one MyActiveHealth online coaching module

FY 2015

# Rates

- Assumes ~1 week IBNR paid by both employer and employee
- Includes health care reform costs
- Includes savings from plan design changes

PLAN	Current Monthly Cost			Proposed Monthly Change			Proposed Monthly Cost		
COVA Care Basic	Employee Only	Employee Plus One	Employee Plus 2 or More	Employee Only	Employee Plus One	Employee Plus 2 or More	Employee Only	Employee Plus One	Employee Plus 2 or More
Employee	\$55	\$130	\$186	\$3	\$7	\$10	\$58	\$137	\$196
Employer	\$502	\$901	\$1,321	\$27	\$47	\$69	\$529	\$948	\$1,390
<b>TOTAL PREMIUM</b>	<b>\$557</b>	<b>\$1,031</b>	<b>\$1,507</b>	<b>\$30</b>	<b>\$54</b>	<b>\$79</b>	<b>\$587</b>	<b>\$1,085</b>	<b>\$1,586</b>
COVA HealthAware Basic	Employee Only	Employee Plus One	Employee Plus 2 or More	Employee Only	Employee Plus One	Employee Plus 2 or More	Employee Only	Employee Plus One	Employee Plus 2 or More
Employee	\$9	\$44	\$59	\$0	\$3	\$3	\$9	\$47	\$62
Employer	\$502	\$901	\$1,321	\$27	\$47	\$69	\$529	\$948	\$1,390
<b>TOTAL PREMIUM</b>	<b>\$511</b>	<b>\$945</b>	<b>\$1,380</b>	<b>\$27</b>	<b>\$50</b>	<b>\$72</b>	<b>\$538</b>	<b>\$995</b>	<b>\$1,452</b>

FY 2015

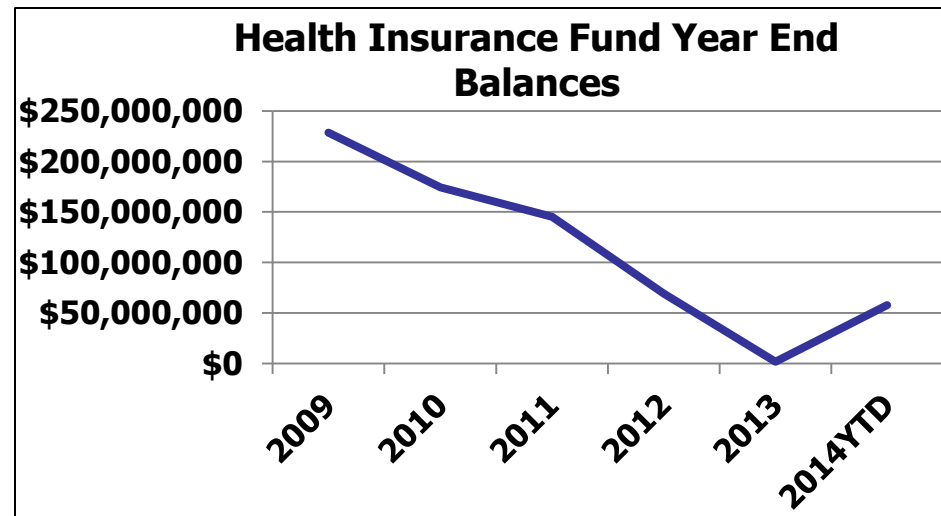
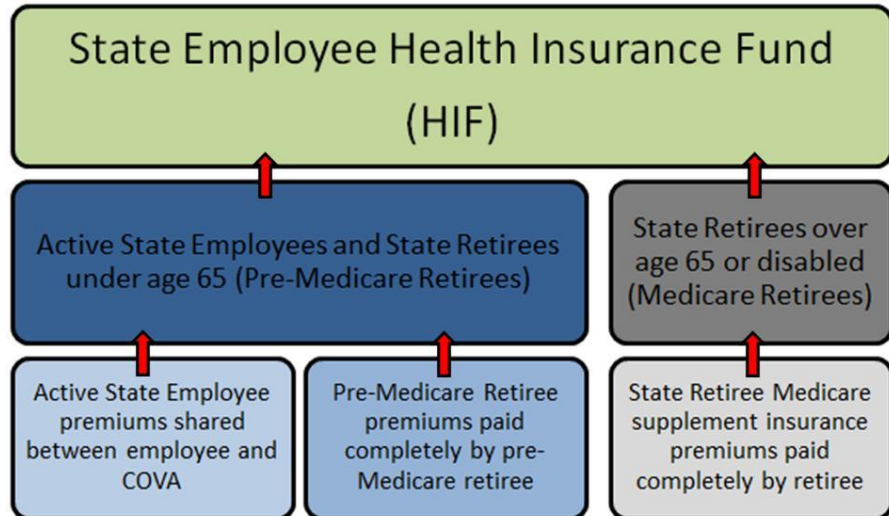
# Premium Rewards

MONTHLY PREMIUMS		Employee Only	Employee Plus One		Employee Plus Two Or More	
Health Care Plan	Reward Earner	Employee	Employee or Spouse	Employee and Spouse	Employee or Spouse	Employee and Spouse
COVA Care	Employee Premium	\$75	\$171	\$171	\$230	\$230
	<i>Rewards</i>	<u>-\$17</u>	<u>-\$17</u>	<u>-\$34</u>	<u>-\$17</u>	<u>-\$34</u>
	Employee Premium with Rewards	\$58	\$154	\$137	\$213	\$196
COVA HealthAware	Employee Premium	\$26	\$81	\$81	\$96	\$96
	<i>Rewards</i>	<u>-\$17</u>	<u>-\$17</u>	<u>-\$34</u>	<u>-\$17</u>	<u>-\$34</u>
	Employee Premium with Rewards	\$9	\$64	\$47	\$79	\$62

## FY End Balances

# Health Insurance Fund

- FY 2009 – \$228.4 million
- FY 2012 – \$69.4 million
- FY 2013 – \$1.8 million
- FY 2014 – \$57.8 million at 12/31/13





# Resources

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- Department of Human Resource Management  
<http://www.dhrm.virginia.gov>
- Annual Salary Survey Report to the General Assembly  
<http://www.dhrm.virginia.gov/reports/AnnualSalaryReport2013.pdf>
- Annual Health Benefits Report  
<http://www.dhrm.virginia.gov/hbenefits/ohbcommunications/reports/annualreport2013.pdf>
- Review of State Employee Health Insurance Fund  
<http://www.apa.virginia.gov/reports/HealthInsuranceFundSR2011.pdf>

**Base Pay Practices (Revised Effective 04-25-05)**

**Attachment A**

Pay Practice	Application	Same Position # or to Different Position #	Competitive or Non-Competitive	Pay Guidelines
<b>Starting Pay</b>	<input type="checkbox"/> New employee <input type="checkbox"/> Rehires		Competitive	Negotiable from minimum of pay band or alternate band up to 15% above current salary, not to exceed pay band maximum. (Exceptions higher than 15% may be granted as appropriate at agency discretion)
<b>Promotion</b>	<input type="checkbox"/> Movement to a different Role in a higher pay band	Different Position #	Competitive	Negotiable from minimum of new pay band or alternate band up to 15% above current salary, or up to the hiring range minimum if it is higher. (Salary may not be below the minimum of the new pay band or alternate band. Exceptions higher than 15% and the hiring range minimum may be granted by the agency with documentation of the basis for the exception provided to DHRM.
<b>Voluntary Transfer</b>	<input type="checkbox"/> Movement within same Role or to different Role in the same pay band	Different Position #	Competitive	Negotiable from minimum of pay band or alternate band up to 15% above current salary, or up to the hiring range minimum if it is higher, not to exceed pay band or alternate band maximum.
		Different Position #	Non-Competitive	Negotiable from minimum of pay band or alternate band up to 10% above current salary not to exceed pay band/alternate band maximum. Must be within same agency or parent agency.
<b>Voluntary Demotion</b>	<input type="checkbox"/> Movement to a different Role in a lower pay band	Different Position #	Competitive or Non-Competitive	Negotiable from minimum of pay band or alternate band up to current salary not to exceed pay band or alternate band maximum (Agency option to freeze salary above maximum for 6 months). Non-Competitive: Must be within same agency or parent agency.
<b>Temporary Pay</b> (Assuming new duties and responsibilities on a temporary basis)	<input type="checkbox"/> Different Role in a higher pay band	Same position #	Non-Competitive	0-15% above current salary not to exceed pay band maximum
	<input type="checkbox"/> Temporary pay for same or different Role in the same pay band	Same position #	Non-Competitive	0-10% increase not to exceed pay band maximum
<b>Role Change (Formerly Reallocation)</b>	<input type="checkbox"/> Upward: movement to a different Role in a higher pay band	Same position #	Non-Competitive	0-10% increase or to minimum of higher pay band
	<input type="checkbox"/> Downward: Movement to a different Role in a lower pay band			No change in salary unless above maximum of the lower pay band, reduce after six months
	<input type="checkbox"/> Lateral: Movement to a different Role in the same pay band			0-10% increase not to exceed pay band maximum
<b>In-Band Adjustment</b> (See also Non-Base Pay Options Chart)	No change in Role title <input type="checkbox"/> Change in duties <input type="checkbox"/> Application of new knowledge/skills/abilities from education, certification, licensure, etc. <input type="checkbox"/> Retention <input type="checkbox"/> Internal alignment	Same position #	Non-Competitive	0-10% increase not to exceed pay band maximum, maximum 10% per fiscal year for In-Band Adjustments (to include any increase for Lateral Role Change). Exceptions may be requested for cases that significantly exceed normal criteria and are supported by a pay factor analysis. Exceptions must receive prior approval from DHRM.
<b>Disciplinary or Performance-related Salary Action</b>	<input type="checkbox"/> Same or lower pay band	Same or Different Position #**	Non-Competitive	Minimum 5% decrease or to lower pay band
<b>Competitive Salary Offer</b>	<input type="checkbox"/> Outside offer (including other state agencies)	Same position #	Non-Competitive	Match outside offer not to exceed maximum of pay band. Employee may return to former position within 30 days with agency approval at former salary or salary that agency offered during competitive offer process.
<b>Reassignment within the Pay Band</b>	<input type="checkbox"/> Agency staffing or operational needs; same or different Role in the same pay band	Different Position #	Non-Competitive	No change in base salary except to adjust for NOVA or Competitive differential change. After any such adjustment, employee's salary must be within the Pay Band or Alternate Band of new position.

**All salary actions require the consideration of the following pay factors:**

- |                             |  |                             |                       |
|-----------------------------|--|-----------------------------|-----------------------|
| - Agency Business Need      | - Work Experience & Education                  | - Internal Salary Alignment | - Total Compensation  |
| - Duties & Responsibilities | - Knowledge, Skills, Abilities, & Competencies | - Market Availability       | - Budget Implications |
| - Performance               | - Training, Certification, License, etc.       | - Salary Reference Data     | - Long Term Impact    |
|                             |  |                             | - Current Salary      |

\*\* Note: Agency must reduce the duties of the employee in order to reduce the pay.



**Non-Base Pay Options**

(Excludes the Exceptional Recruitment and Retention Incentive Options)

**7/01/05**

Program / Practices	Guidelines	Type of Reward	Relation to Pay Practices
<b>Employee Recognition</b>	Lump sum payment up to \$2,000 per fiscal year and up to 5 days leave per leave year for: <ul style="list-style-type: none"> <li>Achievements or accomplishments that contribute to the overall objectives of the agency and state government.</li> </ul>	Monetary, Non-Monetary and Leave	Independent of and in addition to other pay practices. Covered by DHRM Policy # 1.20
<b>Service Recognition Award</b>	Rewards given to recognize an employee for length of state service in 5-year increments.	Non-Monetary	Independent of and in addition to other pay practices. Covered by DHRM Policy #1.10
<b>Employee Suggestions</b>	Lump sum payment calculated as a percentage of savings generated, or paid leave. See Policy 1.21 for details.	Monetary and Leave	Independent of and in addition to other pay practices. Covered by DHRM Policy #1.21
<b>In-Band Bonuses</b>	<p>Lump sum payment up to 10% of base salary per fiscal year <u>in lieu of base pay adjustment</u> for:</p> <ul style="list-style-type: none"> <li>Change in duties*</li> <li>Application of new knowledge/skills/abilities from education, certification, or licensure</li> <li>Retention</li> <li>Internal Alignment (bonus with required planning for permanent base pay adjustment)*</li> </ul> <p>*Where there are current budget constraints, this option allows for transition when agency needs time to develop funding to support base-pay salary adjustment. No In-Band Bonuses allowed for employees at the top of the pay band.</p>	<p>Monetary</p> <p>(Bonus amount applied towards 10% In-Band Adjustment cap per fiscal year)</p> <p>Exceptions to 10% cap may be requested from DHRM for cases that significantly exceed normal criteria as shown by the pay factors. Prior DHRM approval is required.</p>	<p>Substitutes for In-Band Adjustments (base pay changes)</p> <p>Covered by DHRM Policy #3.05.</p>

All salary actions require the consideration of the following pay factors:

- |                             |  |                             |                       |
|-----------------------------|--|-----------------------------|-----------------------|
| - Agency Business Need      | - Work Experience & Education                  | - Internal Salary Alignment | - Total Compensation  |
| - Duties & Responsibilities | - Knowledge, Skills, Abilities, & Competencies | - Market Availability       | - Budget Implications |
| - Performance               | - Training, Certification, & Licence           | - Salary Reference Data     | - Long Term Impact    |
|                             |  |                             | - Current Salary      |

**Exceptional Recruitment and Retention Incentive Options**  
for positions critical to the agency mission with significant recruitment and retention problems  
**Revised 4/25/05**

Option	Guidelines	Relation to Pay Practices
<b>Sign-On Bonus</b>	Up to \$10,000 for new external employees agreeing to work for a specified period of up to one year. Payable as lump sum or scheduled payments, with final payment by the end of the agreed period. A formal agreement must be executed which includes requirements for satisfactory performance, duration of employment, and pay back if terms are not met. <ul style="list-style-type: none"> <li>• Coordinate with Cabinet Secretary</li> <li>• Notice to DHRM</li> <li>• Review yearly</li> </ul>	Independent of and in addition to other pay practices and the Rewards and Recognition Policy.
<b>Retention Bonus</b>	Up to \$10,000 during a fiscal year (ending 6/24) for current agency employees agreeing to work for a specified period of up to one year. Payable as lump sum or scheduled payments. A formal agreement must be executed which includes requirements for satisfactory performance, duration of employment, and pay back if terms are not met. <ul style="list-style-type: none"> <li>• Coordinate with Cabinet Secretary</li> <li>• Notice to DHRM</li> <li>• Review yearly</li> </ul>	Independent of and in addition to other pay practices and the Rewards and Recognition Policy.
<b>Project-Based Incentives</b>	Project completion or milestone bonuses not to exceed \$10,000 for any one project in a fiscal year (ending 6/24). Eligible projects and participants must be identified along with criteria and timing of payments. <ul style="list-style-type: none"> <li>• Coordinate with Cabinet Secretary</li> <li>• Notice to DHRM</li> <li>• Review yearly</li> </ul>	Independent of and in addition to other pay practices and the Rewards and Recognition Policy.
<b>Compensatory Leave</b>	Allows agencies to extend indefinitely the time employees have to use earned compensatory leave and/or to pay off compensatory leave balances.	Covered by revised Compensatory Leave Policy.
<b>Annual Leave</b>	Agencies may grant or advance up to 30 days (240 hours) of annual leave during a leave year (ending 1/9) to new and existing employees as an incentive to accept or continue employment with the Commonwealth. The employee must agree to work for a specified period of up to one year. A formal agreement must be executed which includes requirements for satisfactory performance, duration of employment, and pay back if terms are not met. Agencies also may elect to pay off annual leave hours.	Covered by revised Annual Leave policy.
<b>Referral Program</b>	Agency employees eligible to receive payment of up to \$1,500 for referral of candidates external to the Commonwealth's workforce if they are hired. Referring employees must submit written notification of referral with application/resume, then HR confirms. Referring employees must be working in a classified position at a state agency to receive payment. Agencies decide payout schedule for bonuses, with final payment within one year of the hire date. Hiring managers/supervisors and agency recruiting staff are not eligible. The Agency Salary Administration Plan will determine whether the referring employee must be employed in the agency in order to receive payment(s). <ul style="list-style-type: none"> <li>• Coordinate with Cabinet Secretary</li> <li>• Notice to DHRM</li> <li>• Review yearly</li> </ul>	Independent of and in addition to other pay practices and the Rewards and Recognition Policy.

All salary actions require the consideration of the following pay factors:

- |                             |  |                             |                       |
|-----------------------------|--|-----------------------------|-----------------------|
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| - Duties & Responsibilities | - Knowledge, Skills, Abilities, & Competencies | - Market Availability       | - Budget Implications |
| - Performance               | - Training, Certification, & License           | - Salary Reference Data     | - Long Term Impact    |
|                             |  |                             | - Current Salary      |