

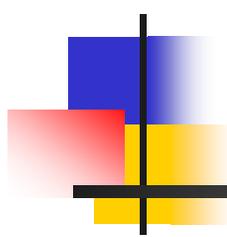
State Employee Workforce, Health Insurance & Compensation



Virginia Department of
HUMAN RESOURCE
MANAGEMENT

Virginia Department of Human Resource Management

House Appropriations
Compensation & Retirement Subcommittee
General Assembly Building, Richmond, Virginia
January 17, 2013



Workforce

Virginia Population and State Employment Levels

Virginia Population

Census	Population	% Change
1980	5,346,818	15.0%
1990	6,187,358	15.7%
2000	7,078,515	14.4%
2010	8,001,024	13.0%

- 24% fewer employees per citizen in 2010 than in 1980

Virginia State Employment

Year on Jan 31 st	Full-Time Equivalents	% Change
1980	96,567.00	n/a
1990	104,899.98	8.6%
2000	113,751.46	8.4%
2010	117,766.58	3.5%

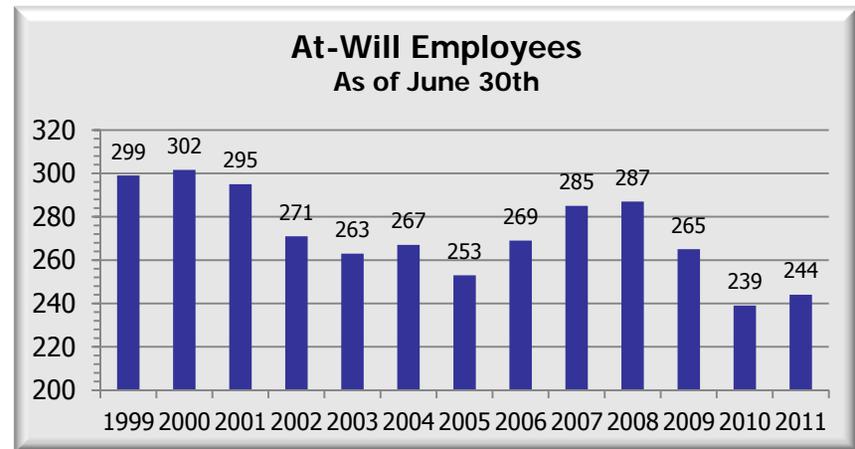
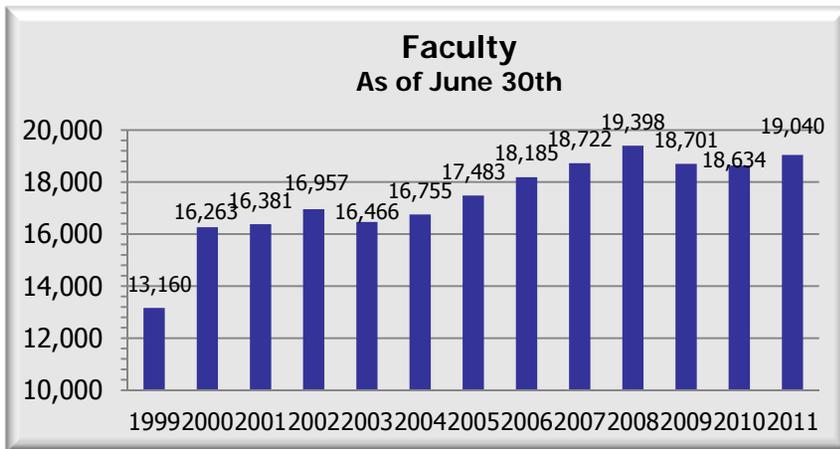
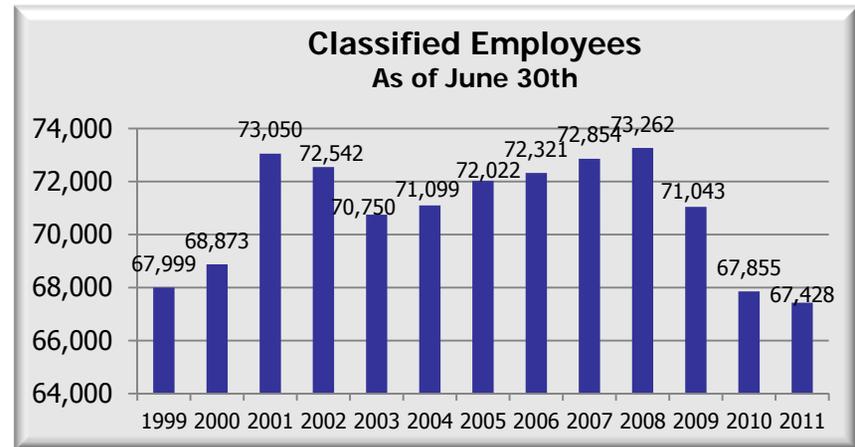
State Employees per Citizen

Year	Ratio FTEs to Citizens	% Change
1980	1 to 55	n/a
1990	1 to 59	7.3%
2000	1 to 62	5.1%
2010	1 to 68	9.7%

Executive Branch Full-Time Equivalent Salaried Employees

Change in salaried employees from 1999 to 2011:

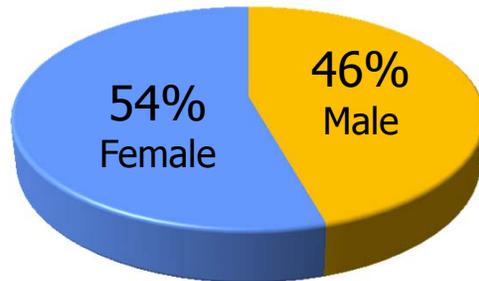
- 44.7% increase in Faculty
- 1.0% decrease in Classified
- 18.4% decrease in At-Wills



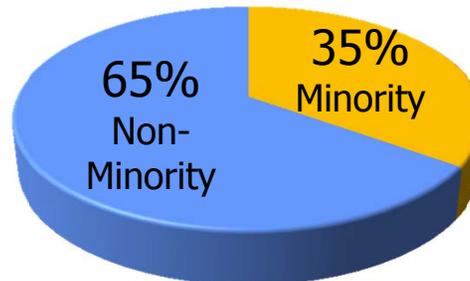
Classified Employees

Demographics

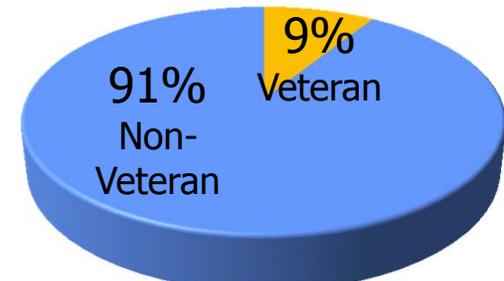
Gender



Race



Veteran



Age

- Average 47 years
- Youngest 18 years
- Oldest 88 years

Service

- Average 12.1 yrs
- Longest 55.9 yrs
- ≥ 30 yrs service 8%

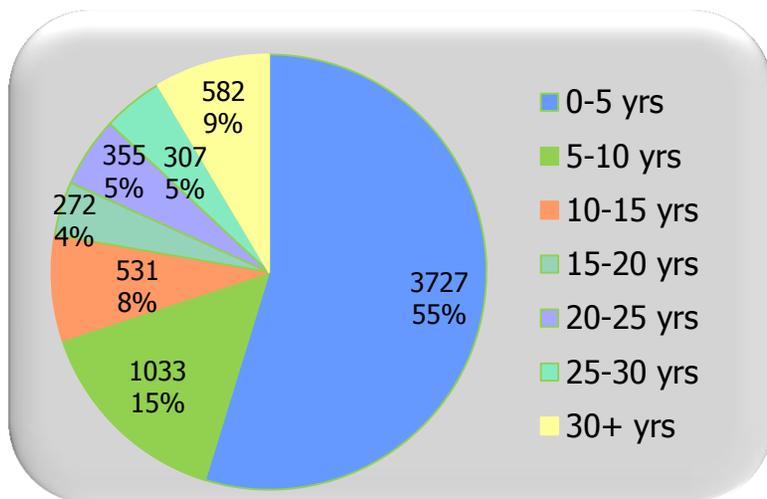
Classified Employees

Turnover

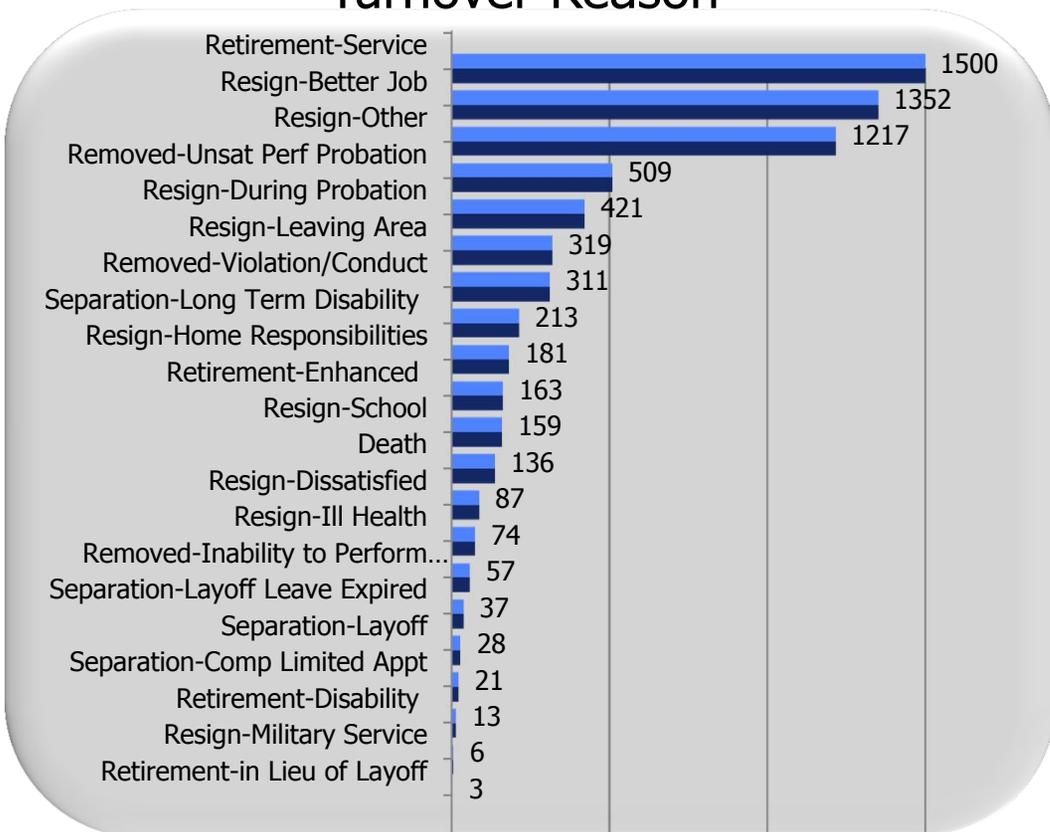
Turnover

- 10.8% turnover rate
- 6807 employees

Turnover by Years of Service



Turnover Reason

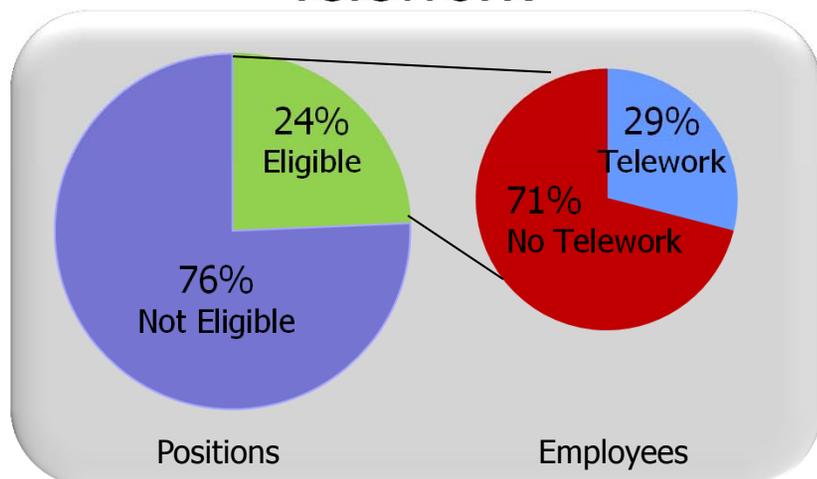


Classified Employees

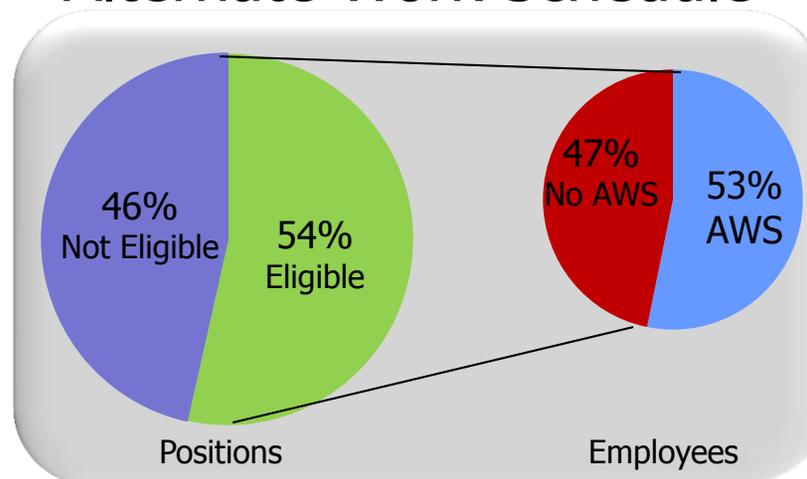
Work/Life Balance

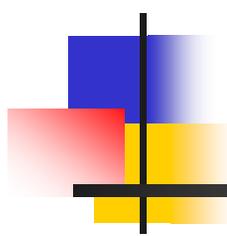
- 24% of positions are eligible to telework, and 29% of eligible employees telework at least one day per week
- 54% of positions are eligible for an alternate work schedule, and 53% of eligible employees have an alternate work schedule

Telework



Alternate Work Schedule



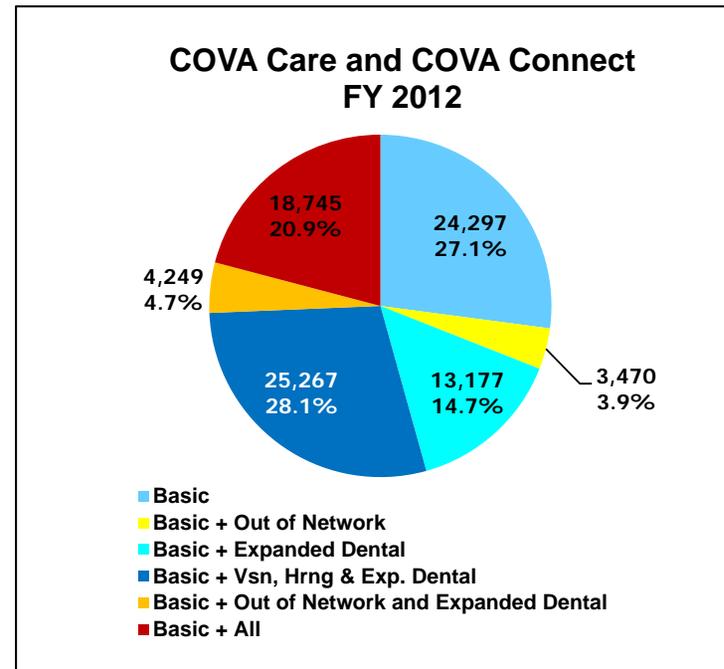
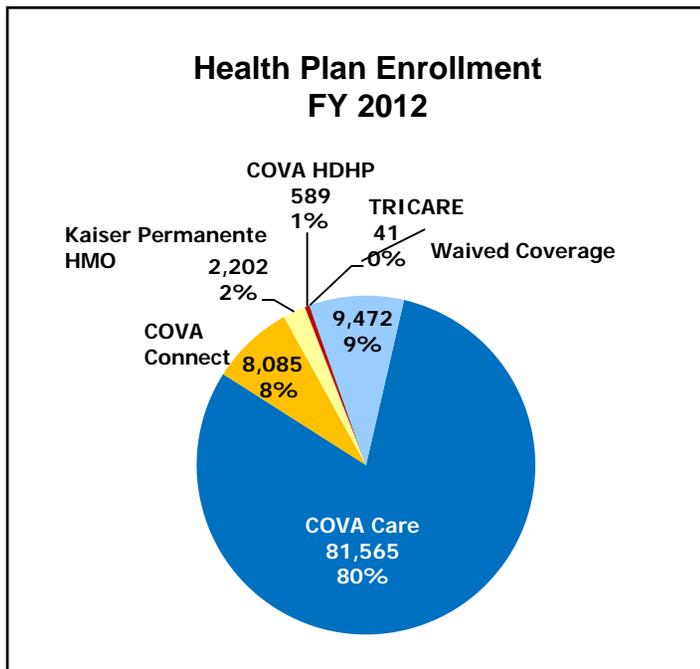


Health Benefits

FY 2012

Health Plan Enrollment

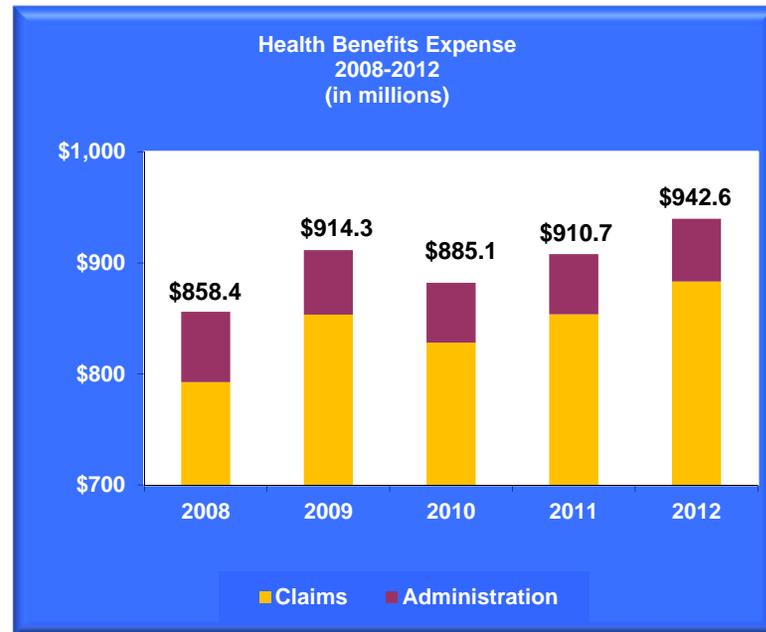
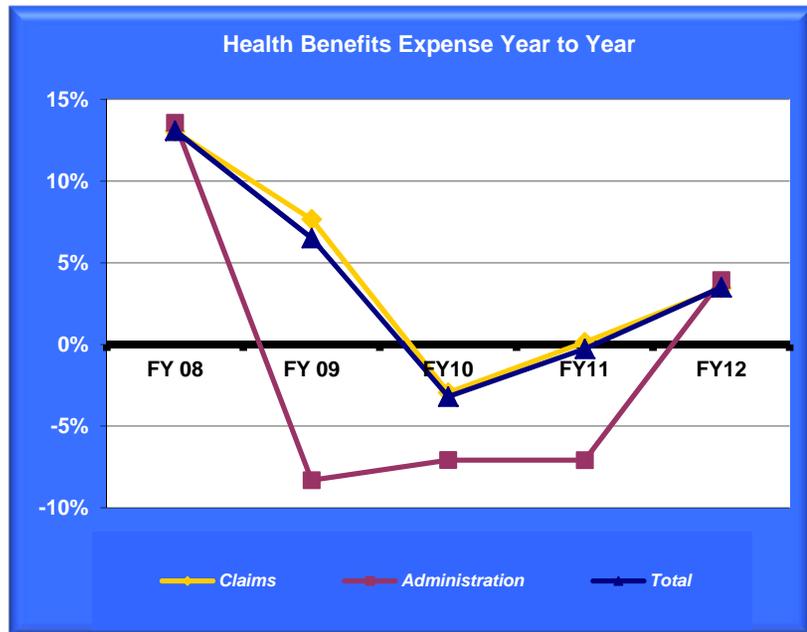
- 101,954 employees eligible for state health benefits
- 92,482 employees enrolled in all plans
- 207,197 members enrolled in all plans



FY 2012

Cost Trends

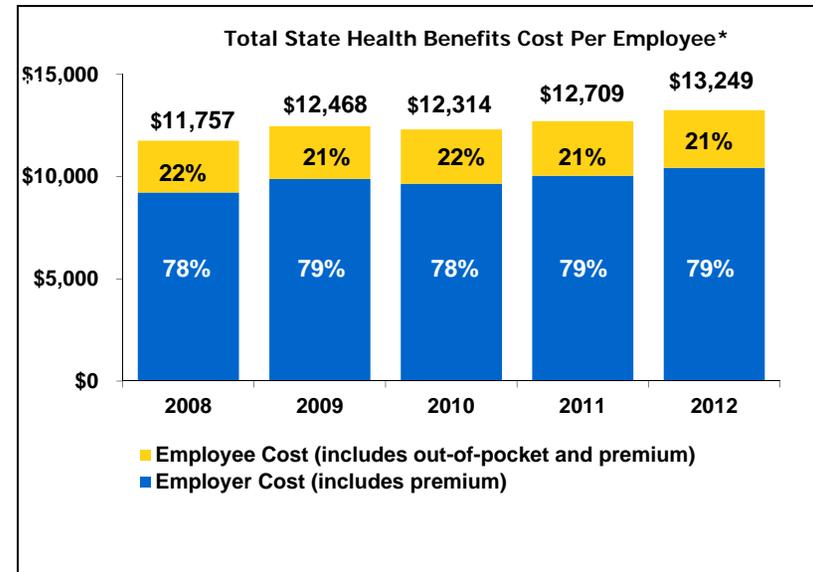
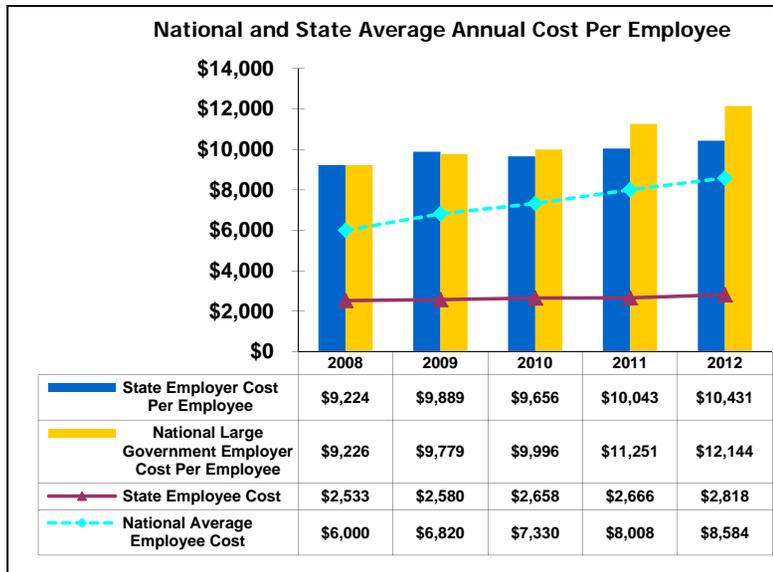
- Total program expense increased 3.5% in FY 12
- \$883.3 million total claims paid in FY 12
- 6.7 million total claims processed



FY 2012

Total Cost Per Employee

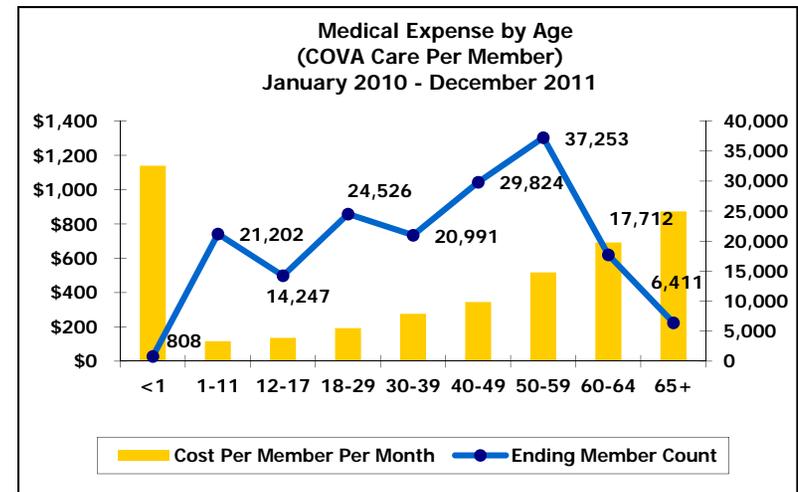
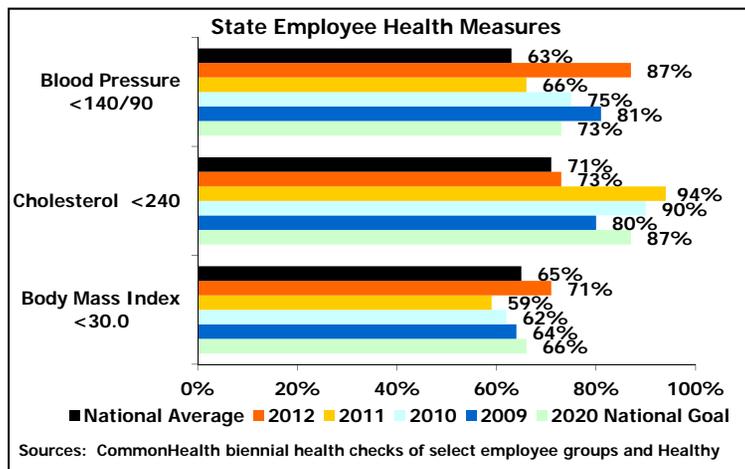
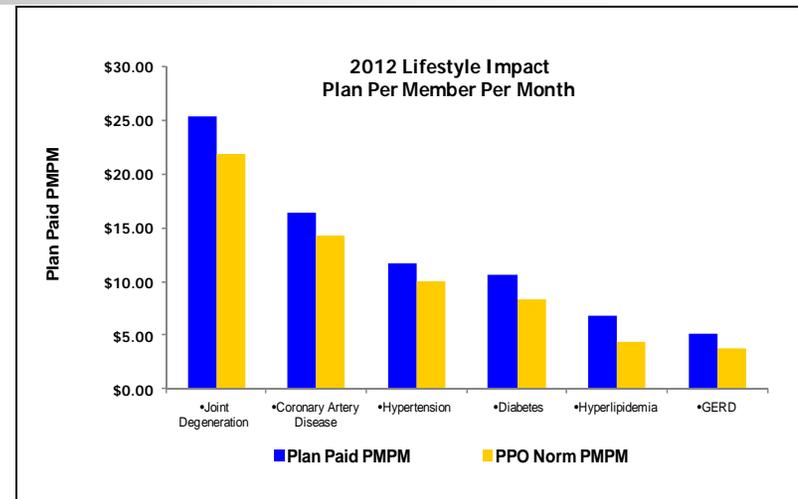
- \$13,249 total cost per employee in FY 12
- 4.2% increase in FY 12 from prior year



FY 2012

Cost Drivers

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



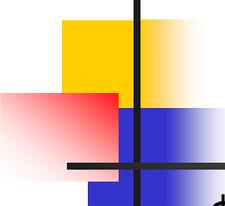
FY 2012

Top Ten Claims Expense

- \$533 million of total plan expense
- 59% 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
1. Musculoskeletal	1. Coronary artery disease	1. <i>Nexium</i> (stomach acid)
2. Neoplasms (tumors)	2. Breast cancer	2. <i>Enbrel</i> (rheumatoid arthritis)
3. V-Codes (health services not classified as disease or injury)	3. Cerebrovascular disease	3. <i>Humira</i> (rheumatoid arthritis)
4. Circulatory	4. Diabetes	4. <i>Crestor</i> (high cholesterol)
5. Ill-defined symptoms (undetermined causes)	5. Hypertension	5. <i>Singulair</i> (asthma/allergy)
6. Digestive	6. Lung cancer	6. <i>Cymbalta</i> (depression)
7. Genitourinary	7. Skin cancer	7. <i>Copaxone</i> (multiple sclerosis)
8. Accidental injury	8. Obesity	8. <i>Atorvastatin Calcium</i> (high cholesterol)
9. Nervous system/sense organs	9. Oral cancer	9. <i>Lipitor</i> (high cholesterol)
10. Respiratory	10. Substance abuse	10. <i>Abilfy</i> (depression)
47.3% of All Claims Expense	6.7% of All Claims Expense	5.0% of All Claims Expense

Note: These areas may not be mutually exclusive



Affordable Care Act (ACA)

- \$9.5 million minimum in estimated additional costs
- Reduce annual contribution to Medical Flexible Reimbursement Account from \$5,000 to \$2,500
- Publish electronic Summary of Benefits and Coverage (SBC) for all plans
- Employees working ≥ 30 hours per week on average per year are considered full time employees and eligible for health benefits
 - Applies to all branches of government
 - Several options were considered

OPTIONS FOR EMPLOYEES WORKING 30+ HOURS PER WEEK	Estimated Cost/Penalty
Scenario 1 - All Part-Time Employees work < 30 hours per week on average per year	\$0
Scenario 2 - Provide Basic Benefits to 30+ Hour Part-Timers, including Dependents	\$110 million
Scenario 3 - Provide Basic Benefits to 30+ Hour Part-Timers only, no Dependents	\$61 million
Scenario 4 - Do Not Provide Basic Benefits to 30+ Hour Part-Timers	\$113 million

Health Care Reform

Employees Working 30+ Hours

- Incomplete data to determine impact of 30+ employee rule on health care eligibility

As of June 30,	FTEs	Headcount	30+ Employees
Part-Time Salaried	144	251	69
Wage	18,088.19	37,216	?

- Sent out a Wage Employment Survey

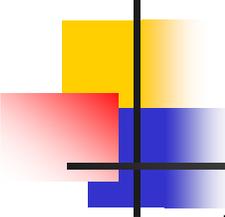
- ~ 200 agencies surveyed
- 158 agencies responded
- 7,386 wage employees met the 30+ hours criteria
- Top 10 agencies with 30+ hour employees responding to date

Agency	Number 30+ Wage Employees
VCCS	1,479
VCU	883
ABC	605
NSU	504
DCR	500
CNU	483
VEC	433
W&M	331
DBHDS	317
DMV	200

FY 2014

Procurements

- Self-insured Preferred Provider Organization (PPO)
 - Anthem Blue Cross and Blue Shield (Anthem/Delta Dental/Express Scripts)
- Self-insured Consumer Driven Health Plan (CDHP)
 - Aetna Life Insurance Company
- Self-insured Total Population Health (Wellness Engine)
 - Aetna Life Insurance Company (ActiveHealth)
- Fully-insured regional HMO
 - Kaiser Permanente
- Flexible Spending Accounts
 - Anthem Blue Cross and Blue Shield (Conexis)



Plan Design Changes

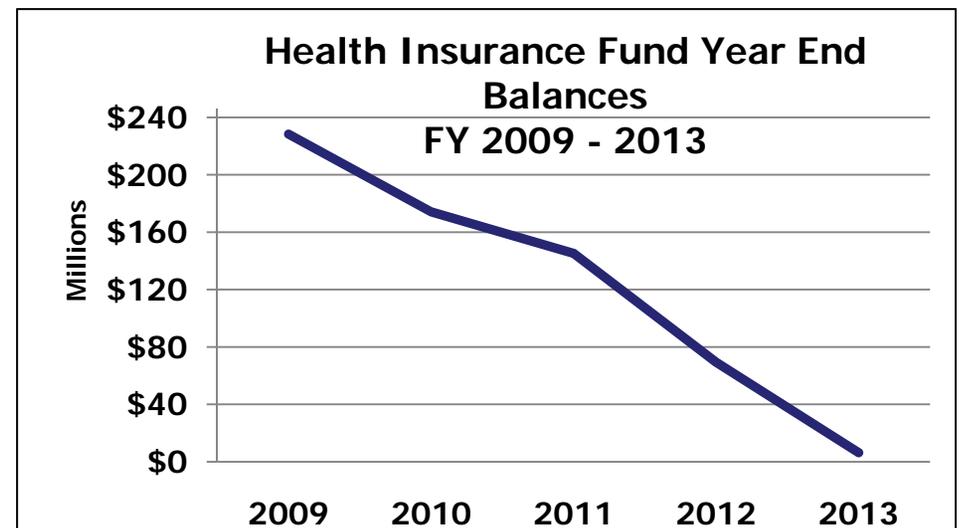
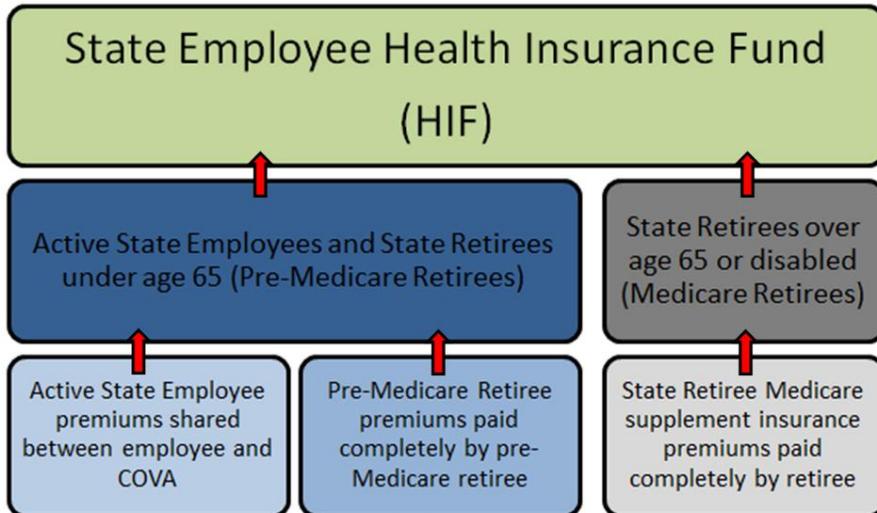
- Increases the Emergency Room Co-pay Change
- Establishes a Retail Maintenance Network

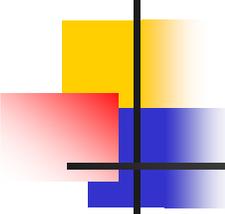
Item	Plan Design	Change	Savings
1	Emergency Room - co-pay	Increase co-pay from \$125 to \$150	\$0.9 million
2	Mandatory Retail Maintenance Network – No co-pay change	Mandatory Mail/Retail Maintenance Network with 90 day Retail co-pay equal to 2 times the 30 day retail	\$10.4 million

Year End Balances

Health Insurance Fund

- FY 2009 – \$228.4 million at year end
- FY 2012 – down 70 percent to \$69.4 million
- FY 2013 – projected at \$6.3 million





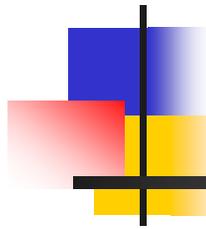
HIF Line of Credit

- **Contingency Reserve** – covered under Line of Credit
 - \$76 million for Active Employees to be included in Line of Credit
- **Incurred But Not Reported (IBNR)** – rebuild over 5 years with unfunded balance included in Line of Credit
 - \$91 million IBNR for Active Employees
 - \$17.5 million to be funded the first year
 - \$74 million to be included in Line of Credit
- **Line of Credit** – increase to \$150 million from \$50 million

COVA Care Basic FY 2014 Rates

- Assumes 1 week IBNR paid by both Employer and Employee
- Includes health care reform costs
- Does not include savings from plan design changes

PLAN	Current Monthly Cost			Proposed Monthly Change			Proposed Monthly Cost		
	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
COVA Care Basic									
Employee	\$50	\$116	\$165	\$5	\$16	\$23	\$55	\$132	\$188
Employer	\$429	\$766	\$1,126	\$78	\$143	\$208	\$507	\$909	\$1,334
Subsidy	\$22	\$45	\$64	-\$22	-\$45	-\$64	\$0	\$0	\$0
TOTAL PREMIUM	\$501	\$927	\$1,355	\$61	\$114	\$167	\$562	\$1,041	\$1,522
CDHP									
Employee	----	----	----	----	----	----	\$26	\$77	\$106
Employer	----	----	----	----	----	----	\$507	\$909	\$1,334
TOTAL PREMIUM	----	----	----	----	----	----	\$533	\$986	\$1,440



Compensation

Classified Employees

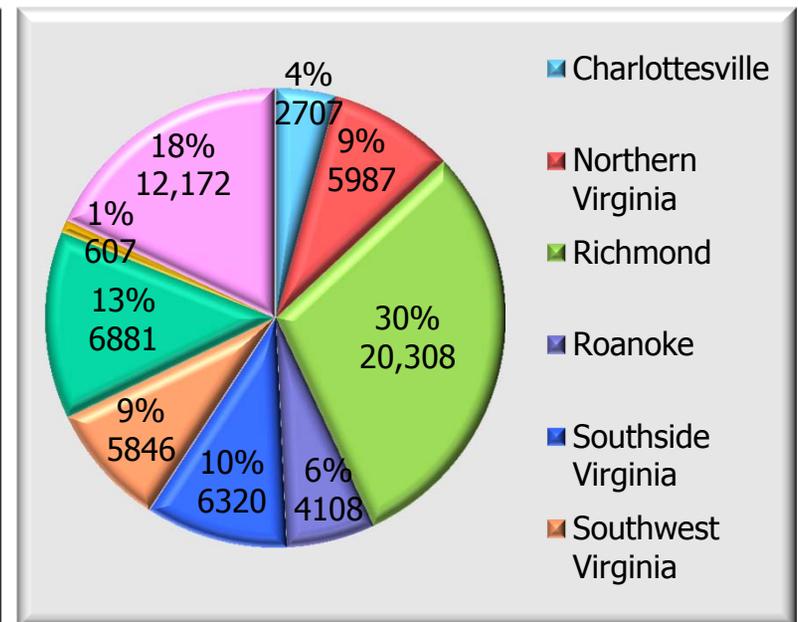
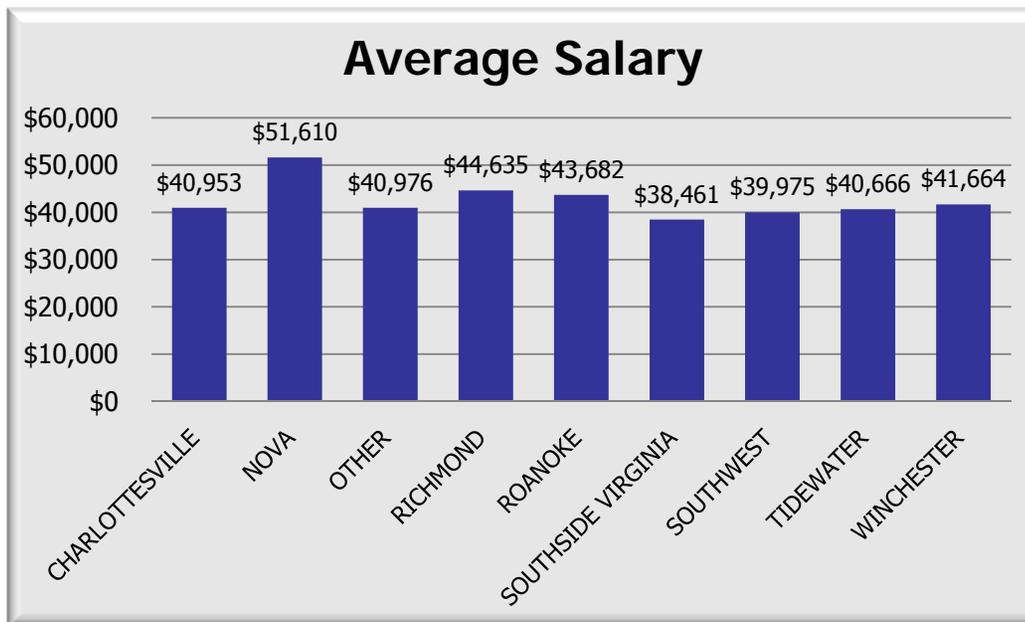
Salary & Pay Bands

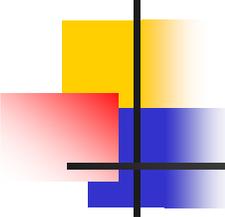
- Average Salary \$44,149
- Median Salary \$39,307
- Lowest Salary \$15,371
- Highest Salary \$247,890

BANDS	RANGE		EMPLOYEES	
	Minimum	Maximum	Number	Percent
1	\$ 15,371	\$ 31,548	2,628	3.84%
2	\$ 20,082	\$ 41,214	9,541	13.93%
3	\$ 23,999	\$ 49,255	22,953	33.52%
4	\$ 31,352	\$ 64,347	17,313	25.28%
5	\$ 40,959	\$ 84,062	11,785	17.21%
6	\$ 53,510	\$ 109,818	3,635	5.31%
7	\$ 69,907	\$ 143,470	413	0.60%
8	\$ 91,324	\$ 187,430	194	0.28%
9	\$ 119,308	MARKET	16	0.02%

Employee Salary by Region

- Highest average salary is in Northern Virginia at \$51,610
 - 16.9% higher than the statewide average
- Lowest average salary is in Southside Virginia at \$38,461
 - 12.9% lower than the statewide average





State Employee Salary Comparison

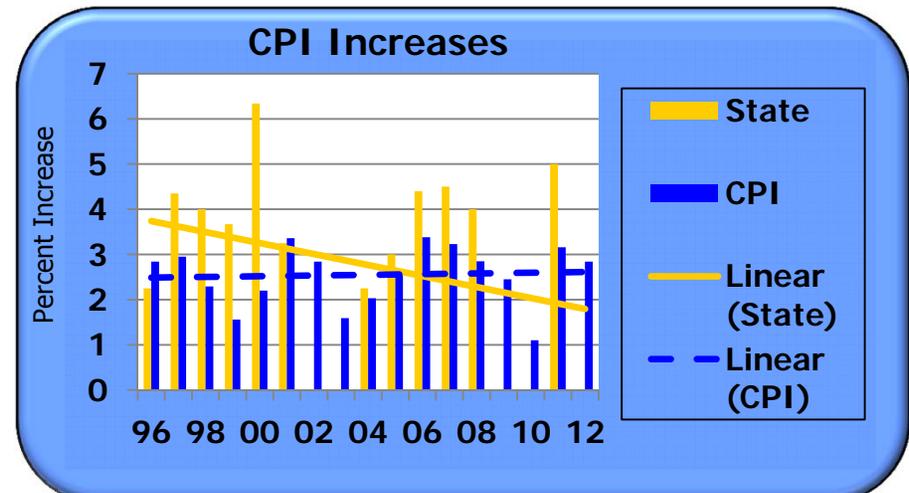
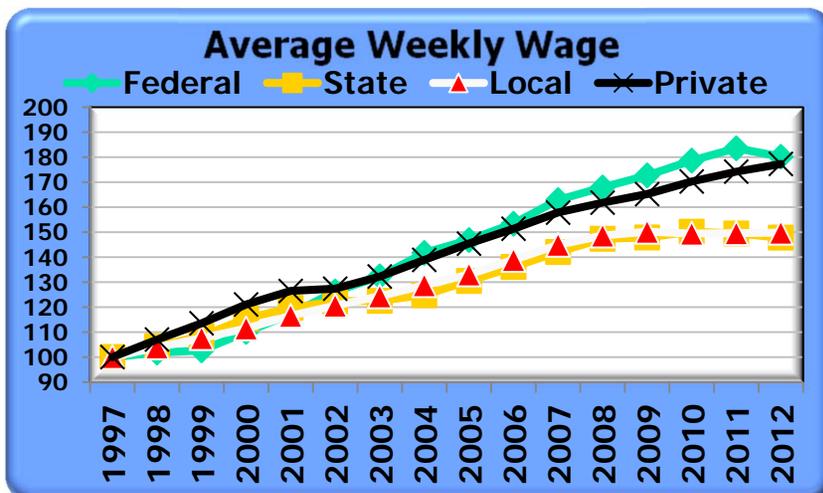
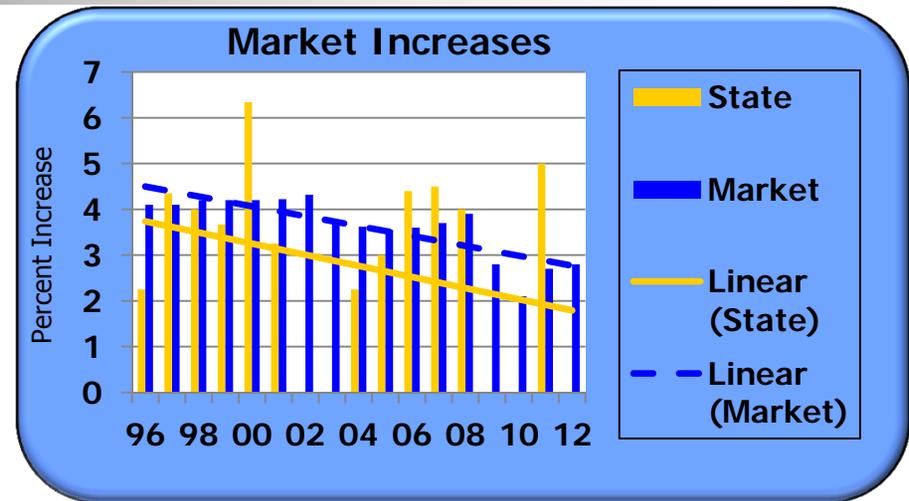
Pay Compression

- Salary compression
 - New employees demand market rate
 - State salaries on average are below market
 - New hires potentially paid more than experienced employees
 - Lack of funding to address the issue
- Salary inequities

State Employee Salary Comparison

Salary Increases

- State employee salary increases lag in all comparisons
 - Market
 - Consumer Price Index
 - Private Sector
 - Federal
 - Local



State Employee Salary Comparison

Selected Localities

- State dropped below the locality average in FY 08

BASE SALARY INCREASES									
Locality	FY-04	FY-05	FY-06	FY-07	FY-08	FY-09	FY-10	FY-11	FY-12
Richmond City	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	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%
Montgomery County	2.50%	5.50%	4.80%	2.50%	6.77%	5.50%	N/A	0.00%	3.00%
Fairfax County	4.00%	4.32%	4.37%	4.40%	4.98%	4.98%	N/A	0.00%	2.00%
Chesterfield County	2.50%	4.00%	3.00%	4.00%	5.25%	4.00%	0.00%	0.00%	2.00%
Norfolk	4.00%	4.00%	4.00%	4.50%	4.50%	3.50%	0.00%	0.00%	0.00%
Chesapeake	3.00%	3.00%	4.00%	4.00%	4.50%	4.50%	0.00%	1.50%	1.50%
Augusta County	4.00%	4.00%	4.00%	3.83%	3.06%	3.06%	N/A	0.00%	0.00%
Locality Average	3.31%	3.85%	3.90%	3.78%	4.51%	4.07%	0.00%	0.44%	1.06%
State Employees	2.25%	3.00%	4.40%	4.50%	4.00%	0.00%	0.00%	5.00%	0.00%

Source: DHRM survey

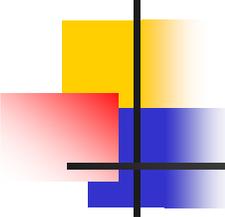
State Employee Salary Comparison

Private Sector Salary

- On average, State salaries for selected occupations are 19.49% below Private Industry
- In 2008, JLARC found State salaries 12% below market
- By the end of 2013, State salaries will be 26.3% below market due to cumulative market movements

Occupation	Private Industry	State	Deviation
Attorney	\$ 114,140.29	\$ 59,485.80	-91.88%
Internal Auditor	\$ 72,891.06	\$ 49,604.20	-46.95%
Truck Driver, Light	\$ 28,435.74	\$ 20,679.74	-37.51%
Yard Laborer/Janitorial Supv	\$ 44,463.16	\$ 34,148.18	-30.21%
Staff RN	\$ 62,561.11	\$ 48,637.85	-28.63%
Secretary	\$ 38,672.61	\$ 30,668.60	-26.10%
Architect	\$ 82,205.15	\$ 65,282.79	-25.92%
Maintenance Electrician	\$ 48,392.47	\$ 39,206.66	-23.43%
Chemist	\$ 67,935.58	\$ 55,628.25	-22.12%
Employee Training Specialist	\$ 55,242.65	\$ 45,623.05	-21.08%
Cook	\$ 29,883.38	\$ 24,959.06	-19.73%
Mail Clerk	\$ 32,365.05	\$ 27,198.53	-19.00%
Marketing Specialist	\$ 51,378.80	\$ 43,195.63	-18.94%
Social Worker (MSW)	\$ 54,172.47	\$ 45,570.93	-18.88%
Accountant	\$ 52,423.08	\$ 45,443.54	-15.36%
HR Admin Supv	\$ 70,417.24	\$ 62,014.10	-13.55%
Generic Engineer Supv	\$ 107,435.41	\$ 95,450.70	-12.56%
Security Guard, Unarmed	\$ 28,332.34	\$ 25,179.18	-12.52%
Systems Analysis Supv	\$ 85,514.04	\$ 80,164.82	-6.67%
Data Base Administrator	\$ 92,235.21	\$ 86,959.21	-6.07%
Cashier	\$ 31,537.83	\$ 29,951.70	-5.30%
Environmental Engineer	\$ 65,660.72	\$ 63,187.92	-3.91%
Laboratory Aide	\$ 28,096.91	\$ 29,235.68	3.90%
Medical lab Tech	\$ 41,640.03	\$ 44,420.24	6.26%
Physical Therapist	\$ 72,465.78	\$ 79,570.91	8.93%

Source: PMIS 9/1/12, Towers Watson, August 2012



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	74,979	4	47411	25	36611	31	40103	35	118%	14
Alaska	71,784	10	53216	11	44528	14	48199	13	110%	27
Arizona	67,791	26	50402	18	41858	19	44091	19	114%	21
Arkansas	62,231	39	41478	41	34022	42	36801	46	113%	23
California	73,068	6	63566	2	54915	3	54345	5	117%	18
Colorado	71,933	9	51868	15	41736	20	49245	12	105%	34
Connecticut	70,340	14	63259	3	51132	8	62031	2	102%	38
Delaware	63,695	34	50086	19	47480	11	50535	8	99%	41
Florida	68,518	22	43141	34	45198	12	41377	30	104%	35
Georgia	69,895	18	39948	46	36777	30	45580	17	88%	49
Hawaii	69,803	20	43064	35	55999	2	39838	37	108%	29
Idaho	62,051	40	39857	47	31161	49	35406	47	113%	24
Illinois	71,342	11	61710	4	45050	13	50921	6	121%	9
Indiana	65,010	31	42580	37	35751	38	40272	33	106%	33
Iowa	59,641	47	57921	7	36181	36	38554	42	150%	1
Kansas	61,811	42	47474	24	31783	48	40507	32	117%	17
Kentucky	59,711	45	42332	38	36343	35	39323	39	108%	31
Louisiana	65,422	30	46972	28	36346	34	42458	23	111%	26
Maine	66,408	27	40876	44	34983	40	37389	45	109%	28
Maryland	93,068	1	48610	22	50578	9	50620	7	96%	44
Massachusetts	72,999	7	58345	6	51952	6	60196	3	97%	43
Michigan	69,880	19	55342	8	43548	17	45285	18	122%	6
Minnesota	66,063	28	55325	9	41504	21	48091	14	115%	20
Mississippi	63,039	35	40835	45	32148	47	34217	50	119%	13
Missouri	62,438	38	38041	50	36165	37	41723	28	91%	47

Source: 2011 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

- 2nd in Federal Government
 - same as 2010
- 9th in Private Industry
 - down from 8th in 2010
- 25th in Local Government
 - down from 23rd in 2010
- 33rd in State Government
 - down from 32nd in 2010
- 48th in State average as a percent of Private average
 - same as 2010

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	61,288	44	41608	40	34639	41	34518	49	121%	10
Nebraska	61,857	41	45907	30	37188	29	37567	44	122%	7
Nevada	64,835	32	49004	21	51831	7	41657	29	118%	15
New Hampshire	72,204	8	47332	26	40789	22	47642	15	99%	40
New Jersey	74,714	5	65688	1	57751	1	56885	4	115%	19
New Mexico	68,663	21	47151	27	35520	39	38674	40	122%	8
New York	70,576	12	54952	10	53571	5	63081	1	87%	50
North Carolina	63,024	36	44846	32	38978	26	41933	27	107%	32
North Dakota	58,059	50	45455	31	33217	45	42098	26	108%	30
Ohio	70,073	16	53053	12	42217	18	42244	25	126%	4
Oklahoma	64,135	33	39743	49	33932	43	40157	34	99%	42
Oregon	67,995	24	43027	36	44134	16	42421	24	101%	39
Pennsylvania	68,054	23	53028	13	44518	15	46662	16	114%	22
Rhode Island	77,023	3	61448	5	53970	4	43532	20	141%	2
South Carolina	61,803	43	42151	39	38004	28	37734	43	112%	25
South Dakota	58,753	48	41212	42	30023	50	35086	48	117%	16
Tennessee	70,325	15	40900	43	36578	33	42622	22	96%	45
Texas	69,910	17	46579	29	40295	24	49534	11	94%	46
Utah	62,541	37	47690	23	32490	46	39937	36	119%	12
Vermont	65,763	29	49010	20	36588	32	39502	38	124%	5
Virginia	85,306	2	44163	33	39980	25	50261	9	88%	48
Washington	70,441	13	51341	17	48261	10	49827	10	103%	37
West Virginia	67,910	25	39831	48	33662	44	38565	41	103%	36
Wisconsin	59,654	46	52945	14	38869	27	40627	31	130%	3
Wyoming	58,384	49	51485	16	40662	23	42911	21	120%	11

Source: 2011 Bureau of Labor Statistics data based on payroll records of what is actually paid out to employees as reported quarterly to employment commissions

National 2013

Compensation Forecast

- 98% of the 1,500 mid-sized and large employers surveyed by consulting firm Mercer plan to increase salaries in 2013
- 2.9% is average base pay raise
- Pay increases will be performance based, and not across the board

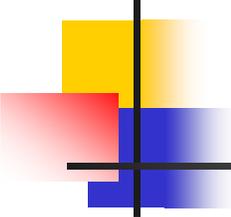
Forecaster	2013 Average Raise Forecasted
Mercer Human Resource Consulting	2.9%
WorldatWork	3.0%
Hay Group	3.0%
Towers Watson	2.9%
Aon Hewitt	3.0%

Pay Increase as a Function of Performance		
	Percentage of Workforce	2013 Average Increase Forecasted
Top performers	8.0%	4.5%
Average workers	54.0%	2.4%
Lowest-performing employees	2.0%	As little as .1%

State Employees

Salaries

- 2% base salary increase to eligible salaried state employees on July 10, 2013
 - Contingent on revenue estimates
 - Must have received at least “Contributor” rating for the performance cycle October 25, 2011 through October 24, 2012
- 2% increase to the minimum and maximum salary range on July 10, 2013
- 2% increase in payroll tax on January 1, 2013



Resources

- Department of Human Resource Management
<http://www.dhrm.virginia.gov>
- Annual Compensation Report
<http://www.dhrm.virginia.gov/reports/AnnualSalaryReport2012.pdf>
- Annual Health Benefits Report
<http://www.dhrm.virginia.gov/hbenefits/ohbcommunications/reports/annualreport2012.pdf>
- Review of State Employee Health Insurance Fund
<http://www.apa.virginia.gov/reports/HealthInsuranceFundSR2011.pdf>