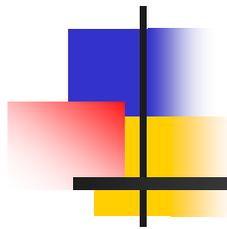




# Commonwealth of Virginia Compensation and Health Benefits

## Department of Human Resource Management

**House Appropriations Committee**  
Compensation and Retirement Subcommittee  
General Assembly Building, Richmond, VA  
January 20, 2011



# Compensation

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# State Employee Salary FY10 – FY12 Budget Proposal

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- Requires a 5% employee contribution to retirement plan effective July 2011
- Provides a 3% salary increase effective July 2011
- Provides up to a 2% potential bonus effective December 2011 if certain operational efficiency and spending reduction targets are met



## Classified Employees Salaries

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- Average salary \$41,941
- Median Salary \$37,432
- Lowest Salary \$15,371
- Highest Salary \$236,086



# Classified Employees Pay Bands

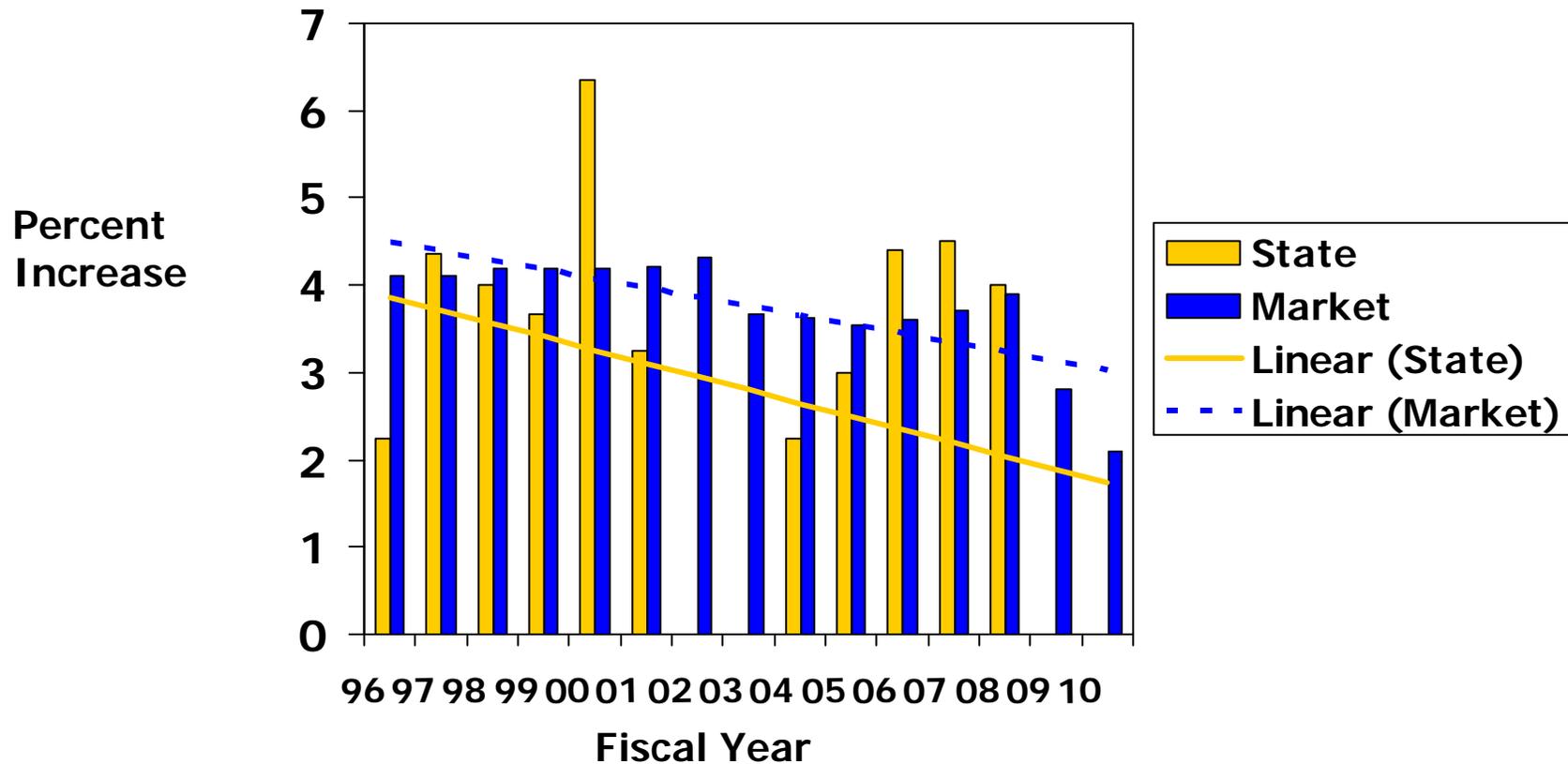
- Pay Band 3 has the most employees

BANDS	RANGE		EMPLOYEES	
	Minimum	Maximum	Number	Percent
1	\$ 15,371	\$ 31,548	2,696	3.90%
2	\$ 20,082	\$ 41,214	9,817	14.21%
3	\$ 23,999	\$ 49,255	23,466	33.97%
4	\$ 31,352	\$ 64,347	17,346	25.11%
5	\$ 40,959	\$ 84,062	11,626	16.83%
6	\$ 53,510	\$ 109,818	3,513	5.09%
7	\$ 69,907	\$ 143,470	404	0.58%
8	\$ 91,324	\$ 187,430	199	0.29%
9	\$ 119,308	MARKET	15	0.02%



# State Employee Salary Comparison Market Increases

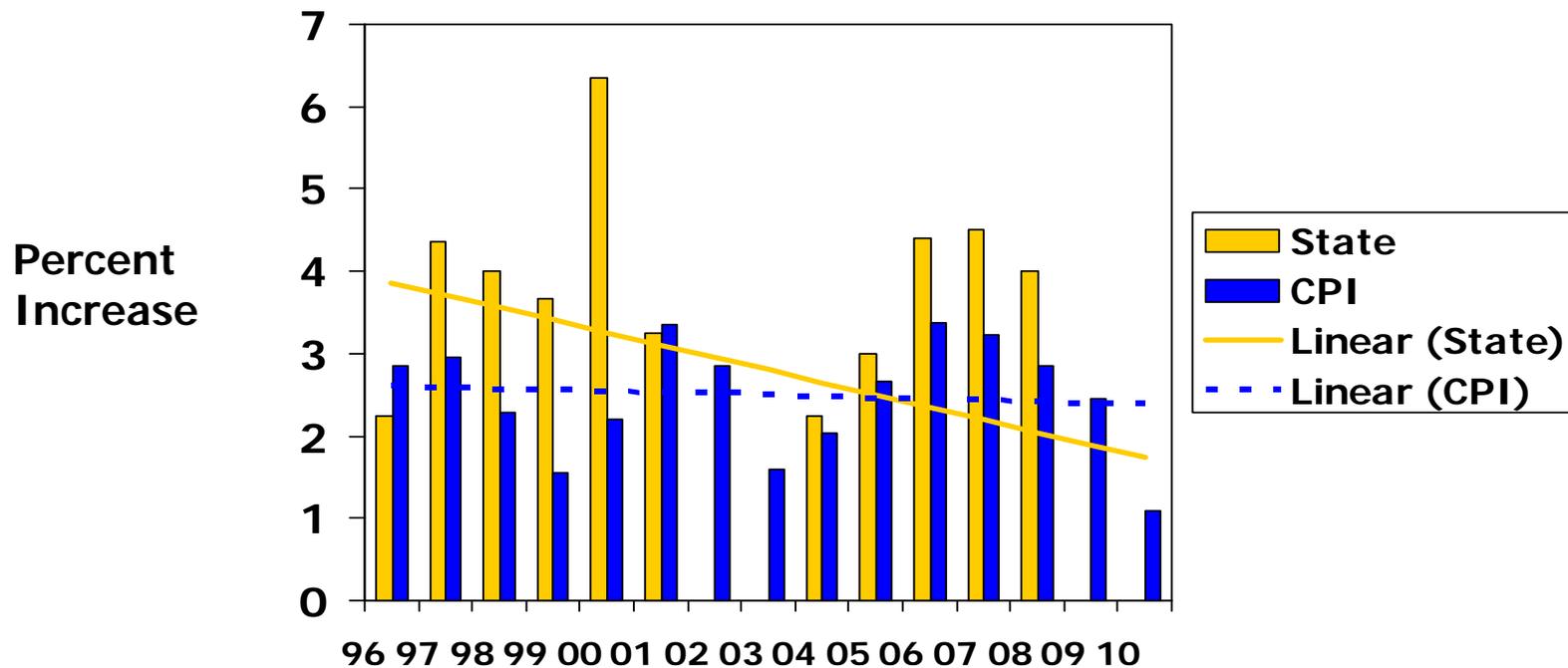
- State employee salary increases lag the market





# State Employee Salary Comparison CPI Increases

- Consumer Price Index increases have surpassed State employee salary increases



Source: Appropriation Acts, Bureau of Labor Statistics



# State Employee Salary Comparison Private Sector Salary

- On average, State salaries for selected occupations are 23.5% below Private Industry
- In 2008, JLARC found State compensation 12% below market
- By the end of 2011, State salaries will be 26.1% below market due to cumulative market movements

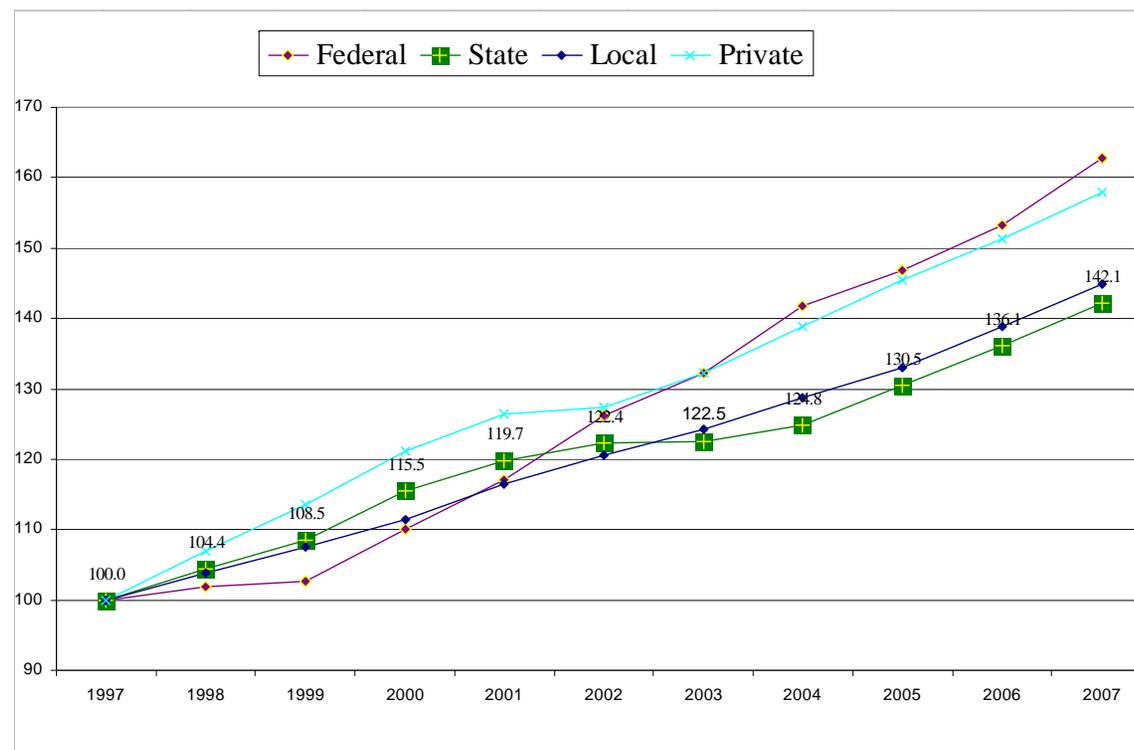
Occupation	Private Industry	State	Deviation
Truck Driver, Light	28135	19266	-46.04%
Cook	29568	24219	-22.08%
Security Guard, Unarmed	28033	25016	-12.06%
Laboratory Aide	27800	26004	-6.91%
Mail Clerk	32023	26143	-22.49%
Cashier	31205	29673	-5.16%
Secretary	38264	29621	-29.18%
Yard Laborer/Janitorial Supv	43993	31814	-38.28%
Maintenance Electrician	47881	37051	-29.23%
Marketing Specialist	50337	40985	-22.82%
Medical lab Tech	41200	42094	2.12%
Accountant	51360	43863	-17.09%
Social Worker (MSW)	53600	45130	-18.77%
Employee Training Specialist	54122	45339	-19.37%
Staff RN	61900	47366	-30.68%
Internal Auditor	71412	47590	-50.06%
Chemist	67218	55327	-21.49%
Attorney	111825	56349	-98.45%
HR Admin Supv	69673	58599	-18.90%
Environmental Engineer	64967	60879	-6.71%
Architect	81336	62267	-30.63%
Physical Therapist	71700	70672	-1.45%
Systems Analysis Supv	84610	76972	-9.92%
Data Base Administrator	91261	81979	-11.32%
Generic Engineer Supv	106300	87607	-21.34%

Source: PMIS, Towers Watson, Spring 2009 and 2010



# State Employee Salary Comparison Average Weekly Wage

- Indexed to 1997 weekly wage
- State wages below all sectors since 2003





# State Employee Salary Comparison Selected Localities

- State dropped below the locality average in FY 08

BASE SALARY INCREASES					
Locality	FY-05	FY-06	FY-07	FY-08	FY-09
Richmond City	3.00%	3.00%	3.00%	3.00%	3.00%
Charlottesville	3.00%	4.00%	4.00%	4.00%	4.00%
Montgomery County	5.50%	4.80%	2.50%	6.77%	5.50%
Fairfax County	4.32%	4.37%	4.40%	4.98%	4.98%
Chesterfield County	4.00%	3.00%	4.00%	5.25%	5.25%
Norfolk	4.00%	4.00%	4.50%	4.50%	3.50%
Chesapeake	3.00%	4.00%	4.00%	4.50%	4.50%
Augusta County	4.00%	4.00%	3.83%	3.06%	3.06%
<b>Locality Average</b>	<b>3.85%</b>	<b>3.90%</b>	<b>3.78%</b>	<b>4.51%</b>	<b>4.22%</b>
<b>State Employees</b>	<b>3.00%</b>	<b>4.40%</b>	<b>4.50%</b>	<b>4.00%</b>	<b>0.00%</b>



# State Employee Salary Comparison National Market

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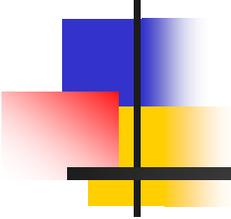
- National trends
  - Average salary increase
    - 2.31% in 2010
    - 2.80% in 2011
  - Average salary range adjustment
    - 2.10% in 2010
    - 2.40% in 2011



# State Employee Salary Comparison Pay Compression

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- 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



# Virginia State Employee Loan Program (VSELP)

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# VSELP Program Design



- No state funds/tax dollars are used to make these loans
- No CVC designated gifts to charities are used to make these loans

The logo features a stylized 'dhrm' in blue and red, with a yellow and blue square graphic to its right. The text 'VSELP' is in blue above 'Program Design' in a larger blue font.

# VSELP Program Design

- Pilot program
- Loan
  - Borrow from \$100 to \$500 in \$100 increments
  - Up to 6 months to repay
  - No more than 2 loans per calendar year
  - APR of 24.99% with no fees
- Eligibility
  - Must be a non-probationary, salaried state employee
  - Must be a VACU Member with no adverse VACU history
  - Must successfully complete the online financial education module
- Repayment
  - Employee authorizes direct deposit from payroll into VACU account
  - Employee sets up automatic debit from VACU account to repay loan



VSELP

## Statistics for 18 months

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■ Total Amount Loaned	\$4,120,000
■ Average Loan Amount	\$500
■ Charge Off Rate	0.39%
■ Number of Borrowers	5,896
■ 1 loan	28%
■ 2 loans	51%
■ 3 loans	14%
■ 4 loans	7%



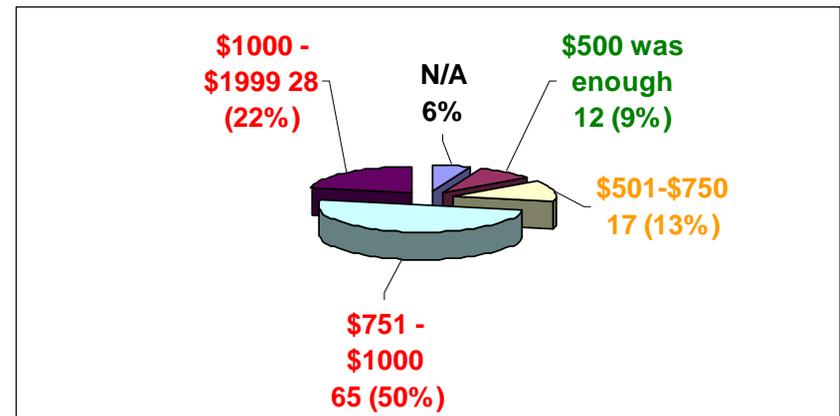
# VSELP Customer Survey Results

- Most survey respondents said that easy access to loan application and funds, confidentiality, and repayment plan were important or very important.
- The educational component was helpful.
- Many respondents would have liked to borrow a greater amount.

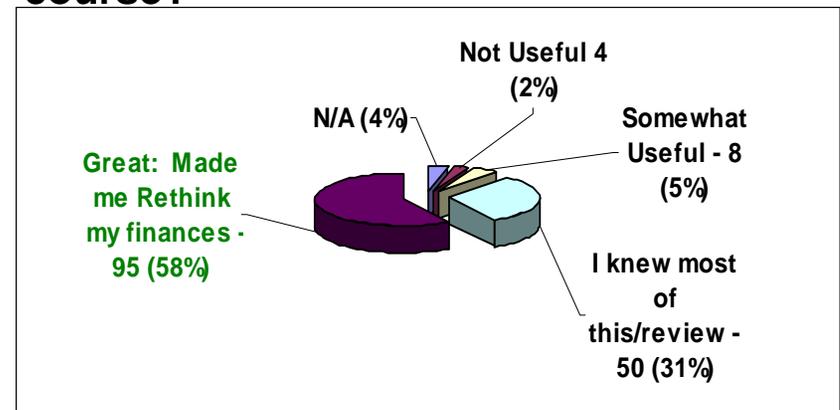
## What is most important on this type loan?

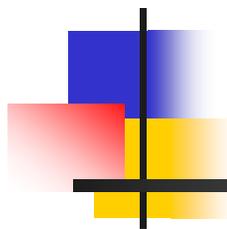
Loan Characteristic	N/A	Slightly Important	Important	Very Important
Provides Access to Loan Funds	14	2	18	129
Ease of Application	12	1	25	125
Confidentiality	11	2	8	142
Easy repayment	17	3	16	127

## What should be the maximum loan value?



## How useful was the financial education course?





# Health Benefits

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## Health Benefits FY 12 Premiums

- Recommend no premium change for FY 2012

Plan	Current Monthly Cost		
	Employee	Employer	HIF
Employee Only	\$43	\$383	\$74
Employee Plus One	\$102	\$686	\$137
Family	\$150	\$1,002	\$200



## Health Benefits Plan Design

# National Health Reform Impact

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- Effective January 1, 2011
  - Medical flexible reimbursement accounts no longer reimburse OTC drug expense
  - Retiree Medicare Part D premiums reduced due to 50% discount on brand name drugs in “donut hole”
- Effective July 1, 2011
  - Children up to age 26 eligible for coverage
  - Adds several covered preventive services
    - Abdominal aortic aneurysm screening
    - Obesity screening and counseling
  - Minor changes in processes for claim reviews and appeals



# Health Benefits

## National Health Reform

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- Early Retiree Reinsurance Program (ERRP)
  - HHS has approved state application
  - Reimburse individual claims of \$15,000 - \$90,000
- Use of ERRP funds
  - Cannot be used for general fund expenses
  - Will be used to reduce health cost trend rate for employees and early retirees beginning in FY 2012
- Filing for ERRP funds
  - Health program will file for FY 10 claims in 1Q2011
    - Anticipate \$2.5 million reimbursement
  - Quarterly filing thereafter until ERRP funds depleted



## Health Benefits

# Health Insurance Fund (HIF)

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- Since FY 2009, employee and employer premium increases offset by excess reserves in HIF
- Projected “ HIF burn-down” has slowed
  - Renegotiated contracts resulted in savings
  - Improved medical trend both nationally and for state program
  - Lower utilization of services by state employees
- At current “burn-down,” non-Medicare HIF balance projected at \$115 million in July 2012, down from \$236 million in July 2009



## Health Benefits Actuarial Audit

- Budget language in Item 67 requires DHRM to conduct an actuarial audit of the state employee health insurance program
  - Procure actuarial services for peer review of benefits liabilities and contribution strategies to include:
    - Actuarial methodologies and accuracy of reports
    - Funding strategies
    - Rate setting methodologies
    - IBNR (incurred but not reported) liability assumptions
    - Actuarial models to determine impact of plan changes and monitor claims experience
    - Comparison of fully insured rates to those in marketplace
    - Actuarial results of GASB 43 and 45
  - Estimate peer review cost of \$350,000



## Health Benefits

# COVA Connect Pilot

- Public-private partnership launched in Hampton Roads selected zip codes in FY10
  - 10 percent of covered employees placed in pilot area
  - Extras added to COVA Connect to engage employees, drive better health outcomes and reduce costs
  - Optima Health administers all except dental benefits
- 8,100 employees identified with chronic conditions
- 23.6% member engagement rate is 2% higher than Optima book of business
- Financial incentive pilot program launch



# Health Benefits

## COVA Connect & COVA Care

In-Network Benefits	FY 2009 COVA Care <i>Employee Expense</i>	FY 2010 COVA Care & COVA Connect <i>Employee Expense</i>
<b>Deductible</b>	\$200/\$400	\$225/\$450
<b>Out-of-pocket expense limit</b>	\$1500/\$3000	\$1500/\$3000
<b>Provider visits</b>		
• <i>Primary care</i>	•\$25	•\$25
• <i>Specialist</i>	•\$35	•\$40
<b>Emergency room visits</b>	\$100	\$125
<b>Outpatient diagnostic, lab tests, shots and x-rays</b>	10% after deductible	20% after deductible
<b>Outpatient therapy visits</b>		
• <i>Occupational, physical and speech</i>	•\$35	•\$35
• <i>Chiropractic</i>	•\$35	•\$35
<b>Prescription drugs (may be tier differences for specific drugs)</b>	\$15/\$20/\$35	\$15/\$25/\$40/\$50
<b>Behavioral health visits</b>		
• <i>Non-medical professional*</i>	•\$35	•\$25
• <i>Medical professional</i>	•\$35	•\$40
<b>Routine wellness and preventive care</b>	\$0	\$0
<b>Employee Assistance Program (EAP)     •<i>Up to four visits per incident</i></b>	\$0	\$0



## Health Benefits

# COVA Connect Satisfaction Survey

- Employee satisfaction survey conducted in summer 2010
- Overall plan satisfaction rate at 51% compared to 95% for COVA Care plan
- Change management issues
  - Compressed timeline for initial communication
  - Lack of choice
  - Provider network
  - Perceived difference in pharmacy cost
- Working with Optima Health to resolve network and pharmacy issues
- Communications increased on coverage and benefits



# Health Benefits Procurement

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- COVA Care
  - Contract 7/1/09 for 2 years + three 1 year renewal
- COVA Connect
  - Contract 7/1/09 for 2 years + three 1 year renewal
- Procurement Timeline
  - August – publish RFP
  - October – providers submit proposals
  - January – providers selected
  - March – communications and implementation
  - July – contract effective date

## Health Benefits

dhrm

# TRICARE Supplemental Health Insurance

- Provide option for TRICARE supplemental health insurance plan for non-Medicare eligible military retirees
- Recent federal legislation permits employers to offer voluntary TRICARE supplemental coverage on a pre-tax basis
- Employer contribution not permitted
- Legislation required to permit TRICARE supplemental coverage under the state's IRC Section 125 cafeteria plan
  - HB 1761(Cox)
- RFP for procurement of TRICARE supplemental coverage vendor anticipated in 1Q 2011
- Special enrollment in 2011 for eligible state employees



# Resources

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- Department of Human Resource Management  
<http://www.dhrm.virginia.gov>
- Annual Salary Survey  
<http://www.dhrm.virginia.gov/reports/AnnualSalaryReport2010.pdf>
- Annual Health Benefits Report  
<http://www.dhrm.virginia.gov/hbenefits/ohbcommunications/reports/annualreport2010.pdf>
- Annual Virginia State Employee Loan Program Report  
<http://www.cvc.vipnet.org/communications.htm>