

# State Employee Health Insurance & HR Systems

## Briefing for House Appropriations Committee



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Department of Human Resource Management  
October 21, 2019

# Topics for Discussion

- Agency Staffing Changes
- Health Insurance
  - New Health Care Contracts
  - Rates and Premium Rewards
  - Premium Holiday
  - Health Insurance Fund Balance
  - Trends and Changes
- HR Systems
  - Recruitment Management System
  - Cardinal Human Capital Management

# Agency Staffing Changes

- New staff in the following positions:
  - Director of the Office of Health Benefits
  - Director of the Office of Workers Compensation Services
  - Chief Information Officer
  - Information Security Officer
  - Director of the Office of Employee Programs
  - Talent and Policy Director

# Health Insurance

# New Health Care Contracts

- Procurement awarded in March 2019; contracts effective July 1.
- Contracts run 5 years (2024) with 5 one-year renewals (through 2029).
- Projected state program savings being evaluated.
- Some new providers and additional choices for highly populated areas (NOVA & Hampton Roads).

# Contracts Awarded

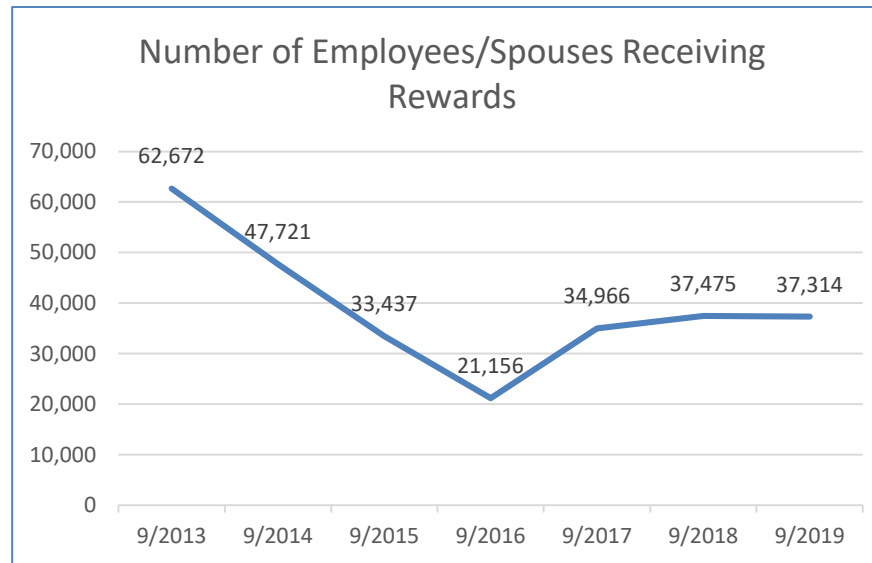
- Statewide Employee, The Local Choice (TLC) and Line of Duty Act (LODA) program administrative services
  - Medical, behavioral health, vision and hearing
  - Statewide Preferred Provided Organization (PPO) and High Deductible Health Plan (HDHP) – awarded to **Anthem**
- Statewide employee program consumer driven-health plan (CDHP)
  - Medical, behavioral health, vision and hearing – awarded to **Aetna**
- Prescription drug services statewide employee, TLC and LODA – awarded to **Anthem**
- Dental Services statewide employee, TLC and LODA – awarded to **Delta Dental of Virginia**
- Regional employee and TLC administrative services – awarded to **Kaiser Permanente HMO** (Northern Virginia) and **Optima Health Vantage HMO** (Hampton Roads)
- Flexible Spending Account administration – awarded to **Aetna**, PayFlex Subsidiary

# Rates & Premium Reward

- FY20 premiums were for the most part stable. For basic plans, rates stayed the same or were reduced.
- For COVA Care and COVA HealthAware, premium rewards continued for FY20.
  - State employee and enrolled spouse are both eligible for a premium reduction if each complete a health assessment.
  - By doing so, state employee and spouse pay \$17 less a month or \$34 less when both met the requirement established.
    - Requirement is the completion of a health assessment.

# Rates & Premium Reward

- Participation in premium rewards has been stable in the last 2 years.



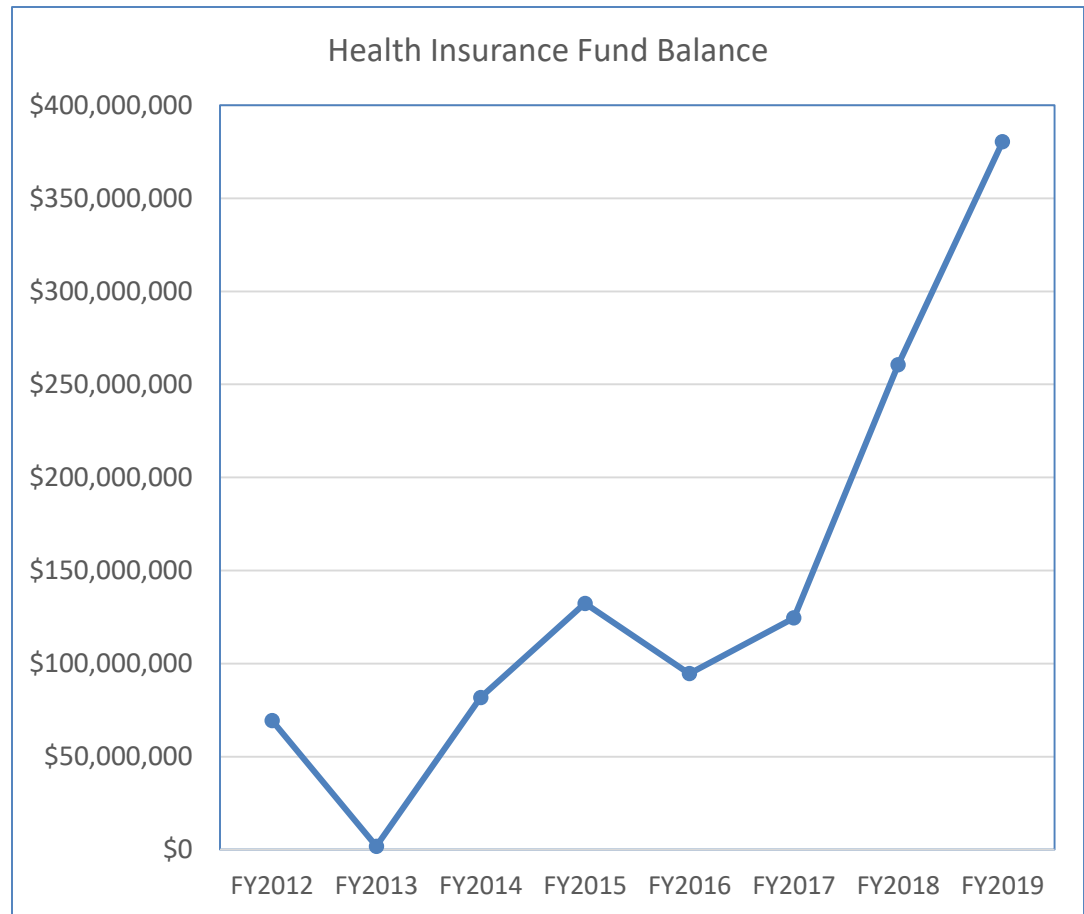
- About 30% of eligible population earn rewards leaving an anticipated \$18.4M in unearned premium rewards in FY20.
- This excess premium will be factored in FY21 rates to partially offset cost.



# Health Insurance Fund

## Active & Early Retiree Plan HIF Year End Balances

- FY 2012 - \$69.4 million
- FY2013 - \$1.8 million
- FY2014 - \$81.8 million
- FY2015 - \$132.3 million
- FY2016 - \$94.6 million
- FY2017 - \$124.5 million
- FY2018 - \$260.6 million
- FY2019 - \$380.3 million



# Health Insurance Fund

- HIF balance as of 9/30/19: \$503 Million.
- Although the HIF balance appears to be increasing, must consider the following:
  - Large vendor implemented a new claims payment system. This had a significant impact to claims in August that will catch up over the coming months. Also impacted drug claims payments.
  - Premium holiday will reduce the fund.
  - New contract administrative fee savings were not incorporated into FY20 rates due to timing of contract awards and when rates had to be set. Savings will be factored into future rates.
  - Stability in premium reward participation.

# Premium Holiday

- October 2019 premium holiday – no employer or employee paid premium.
- Active state employees, those with COBRA coverage and state retirees.
- Anticipated impact to the HIF is \$122M.

# Trend and Changes

## Trend

- Going into FY21, currently projecting a 5.8% trend.

## Changes

- Assessing provider services for compliance with mental health parity.
- Considering adjustments to Telemedicine for consistency across plan.
- Considering expanded incentive programs.

# HR Systems

# Recruitment Management System

- RMS is the system that facilitates the recruitment and filling of vacancies within the Commonwealth.
- Originally procured in 2006; one update in 2015.
- Significant because in a given year, over 15,000+ jobs are advertised and over 436,000+ job applications were active and being screened for potential interviews and hiring.
  - For individuals not currently employed in state government, RMS can be the first impression of state technology tools.
- Request for Proposal released the week of 10/14.
  - VITA is IT project lead; DHRM business partner.
  - Representatives from multiple state agencies involved.
- Anticipate go live date is November 2020.



**Human Capital Management (HCM)  
Project  
Commonwealth of Virginia**

Emily S. Elliott, DHRM and David vonMoll, DOA  
October 21, 2019



# What is Cardinal?

- Cardinal is an Enterprise Resource Planning (ERP) program managed by the Department of Accounts (DOA).
- DOA and DHRM are partnering to replace legacy human resource, health benefits, time and attendance, and payroll administrative systems with the Cardinal Human Capital Management application.
- Cardinal utilizes Oracle's PeopleSoft ERP software suite and expands upon the existing footprint of Cardinal Financials, successfully implemented in 2016 to replace the Commonwealth Accounting and Reporting System (CARS).





# Cardinal HCM Project Scope

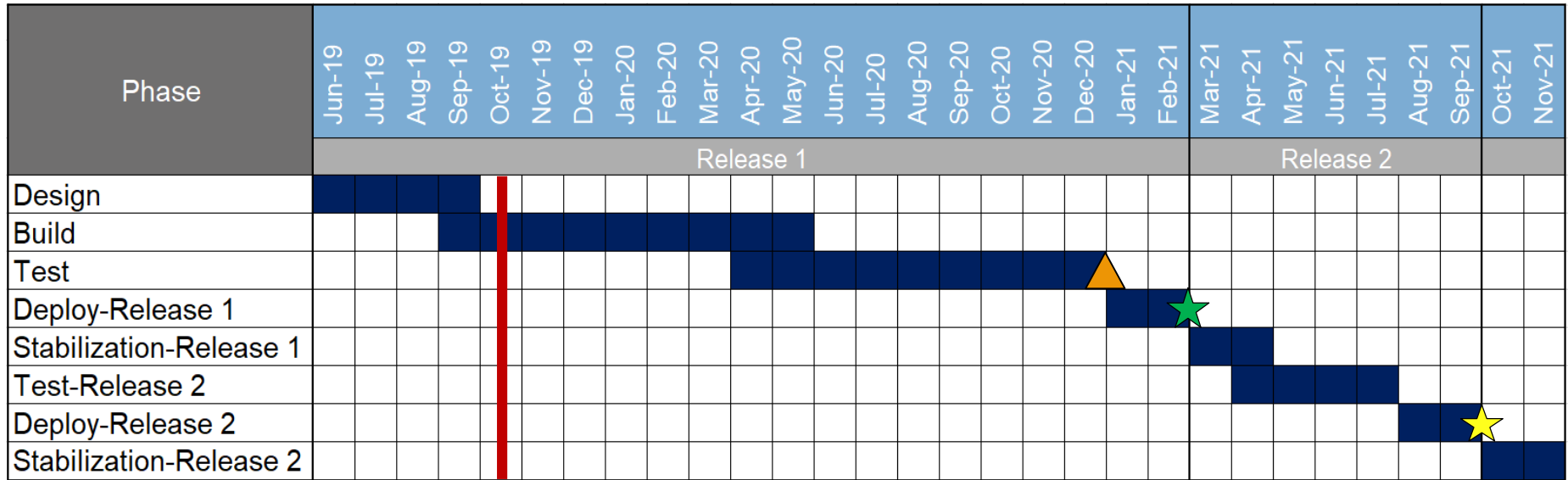
Four high-level functional areas will be implemented across eight software modules addressing 17 business processes, 49 sub-processes and 1,482 requirements identified for HCM.

Area	Cardinal PeopleSoft HCM Modules	Business Processes
Human Resources	Human Resources	Setup and Maintain Employee HR Data, Administer Salary Plans, Maintain Additional HR Data
	eProfile	
Benefits Administration	Benefits Administration	Benefits Recon., Administer Open Enrollment, Administer Event Maintenance, Administer COBRA, ACA Reporting
	eBenefits	
Time & Attendance	Time and Labor	T&A Employee Setup, T&A Capture, T&A Approval and Processing, Payroll Integration and Cost Allocation
	Absence Management	
Payroll	Payroll for North America	Maintain Employee Payroll Data, Process Payroll, Post Payroll Process, Payroll Costing, Periodic Regulatory Reporting
	ePay	

**Note:** Financial integration with General Ledger, Accounts Payable, Expense, and Project Costing is also included.



# Cardinal HCM Implementation Timeline



We are here

▲ Agency tasks split into Release 1 and Release 2 activities

Go Live:

★ Release 1 (R1) – March 2021

★ Release 2 (R2) – October 2021



# Project Milestone Tracking

Milestone	Planned Start Date	Actual Start Date	Planned End Date	Actual End Date
Planning and Analysis	5/20/2019	5/20/2019	6/14/2019	6/21/2019
Design	5/20/2019	5/20/2019	10/18/2019	10/18/2019
Construction	8/5/2019	7/29/2019	6/12/2020	
Release 1: System Test	4/6/2020		1/15/2021	
User Test Execution	1/11/2021		2/12/2021	
Release 1: Training Delivery	1/11/2021		2/26/2021	
Release 1: Go-Live	3/1/2021		3/8/2021	
Release 1: Stabilization	3/8/2021		5/7/2021	
Release 2: System Test	4/5/2021		7/9/2021	
Release 2: Training Delivery	8/2/2021		10/1/2021	
Release 2: Go-Live	10/4/2021		10/12/2021	
Release 2: Stabilization	10/4/2021		12/3/2021	
Project Closeout	5/2/2022		5/31/2022	



# Project Status

- Completed the project design phase.
- Developing RICE (Reports, Interfaces, Conversions, Extensions).
- Working with central agencies on new interfaces and conversion efforts.
- Engaged agencies in the Cardinal interface program.
- Conducted agency data conversion kickoff meeting.
- Developing approach for payroll parallel test.
- Published agency task list and first Master Agency Readiness Scorecard (MaRS).
- Drafting training plan and curriculum overview.
- Finalizing the locality engagement plan.
- Coordinating activities and priorities across dependent initiatives:
  - PeopleSoft upgrade
  - Move to Oracle Cloud



# Project Budget Summary

Item	Amount	Comment
Amount Spent as of FYE 2019	\$ 42,500,000	Original Payroll Project, HCM Analysis
Additional HCM Project Costs	79,320,000	Required to complete implementation
Move to Oracle Cloud Costs	<u>10,000,000</u>	Required for HCM
Total Projected Costs	\$131,820,000 *	
Current Working Capital Advance (WCA)	<u>(82,400,000)</u>	
Additional WCA Required	<u><u>\$ 49,420,000</u></u>	

\* By comparison, Cardinal Financials for Part 1 (VDOT), Part 2 (DOA) and Part 3 (Statewide Rollout) totaled \$114.4m for the replacement of CARS.



# Project Challenges

## Dependent Projects

- Oracle Software Upgrade, Move to Cloud and interim Learning Management System (LMS) must be completed prior to Cardinal HCM.
  - Upgrade backlog implementations underway, sufficiently staffed and scheduled to complete in December 2019.
  - Move to Oracle's Cloud environment (OCI) included in HCM implementation estimates to ensure timely completion.
    - Worked with Oracle, VITA and VITA's IT partners for the past year on solution. Planned completion – May, 2020.
  - Interim LMS solution for Cardinal training delivery included in HCM estimates.



# Project Challenges (continued)

## Complex Agency Profiles

- Current usage of central Human Resource, Benefits, Time and Attendance, and Payroll systems vary widely among varied mix of users
  - State Executive, Legislative, and Judicial branch agencies and Independent agencies
  - Restructured Higher Education Institutions, Community Colleges
  - Local governments
  - Classified/non-classified employees
  - Retirees
- Distinct business requirements demand a complex project and support model
  - Leverage knowledge gained from HCM analysis phase
  - Establish proven Change Network model, including support team dedicated to locality participants
  - Standardize processes where possible, provide flexibility where necessary and staff accordingly

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