



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 26, 2012



Leave Simplification



Leave Simplification

- Governor postponed leave simplification
 - Notified employees by email on December 19, 2011
- No legislation introduced by Governor

Time, Attendance, and Leave System (TAL)





Time, Attendance and Leave System

- Executive Directive 3 requires online, employee-friendly system for effective time, attendance and leave tracking
- Considered various options available within the state
- Selected most cost-effective solution
 - Productivity Investment Fund (PIF) grant for \$702,972
 - Web-based TAL front-end system to PMIS
- Optional system
- 40 agencies participating on this project



Compensation



Classified Employees Salaries

- Average salary \$43,703
- Median Salary \$38,726
- Lowest Salary \$15,371
- Highest Salary \$247,890

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	3.92%
2	\$ 20,082	\$ 41,214	9,779	14.21%
3	\$ 23,999	\$ 49,255	23,181	33.69%
4	\$ 31,352	\$ 64,347	17,334	25.19%
5	\$ 40,959	\$ 84,062	11,594	16.85%
6	\$ 53,510	\$ 109,818	3,607	5.24%
7	\$ 69,907	\$ 143,470	402	0.58%
8	\$ 91,324	\$ 187,430	199	0.29%
9	\$ 119,308	MARKET	16	0.02%

The logo for the Department of Human Resources Management (dhrm) is located in the top left corner. It features the letters 'dhrm' in a blue, lowercase, sans-serif font. To the right of the text is a stylized icon of a person with arms raised in a 'V' shape, set against a red and white background. The entire logo is partially overlaid by a yellow and blue graphic element consisting of overlapping squares and a vertical line.

State Employee Salary Comparison

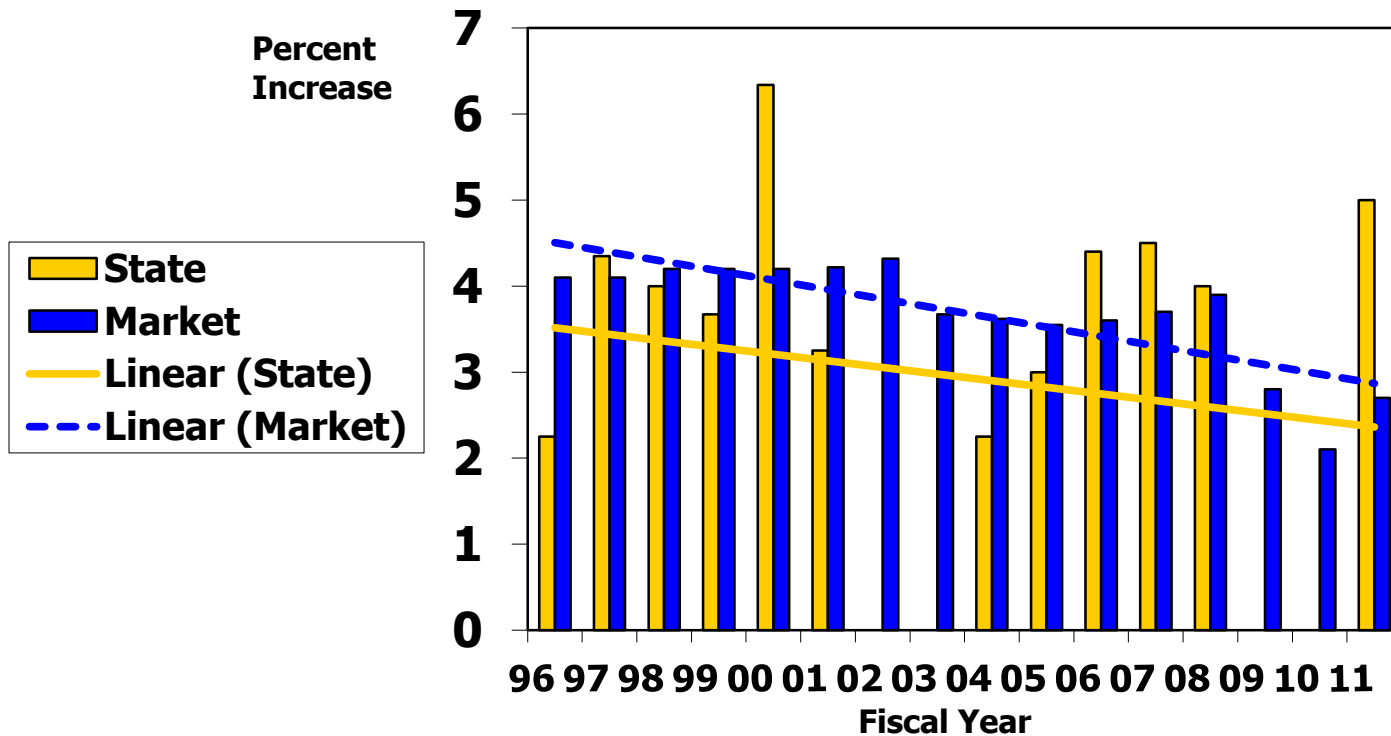
Pay Compression

- 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 Market Increases

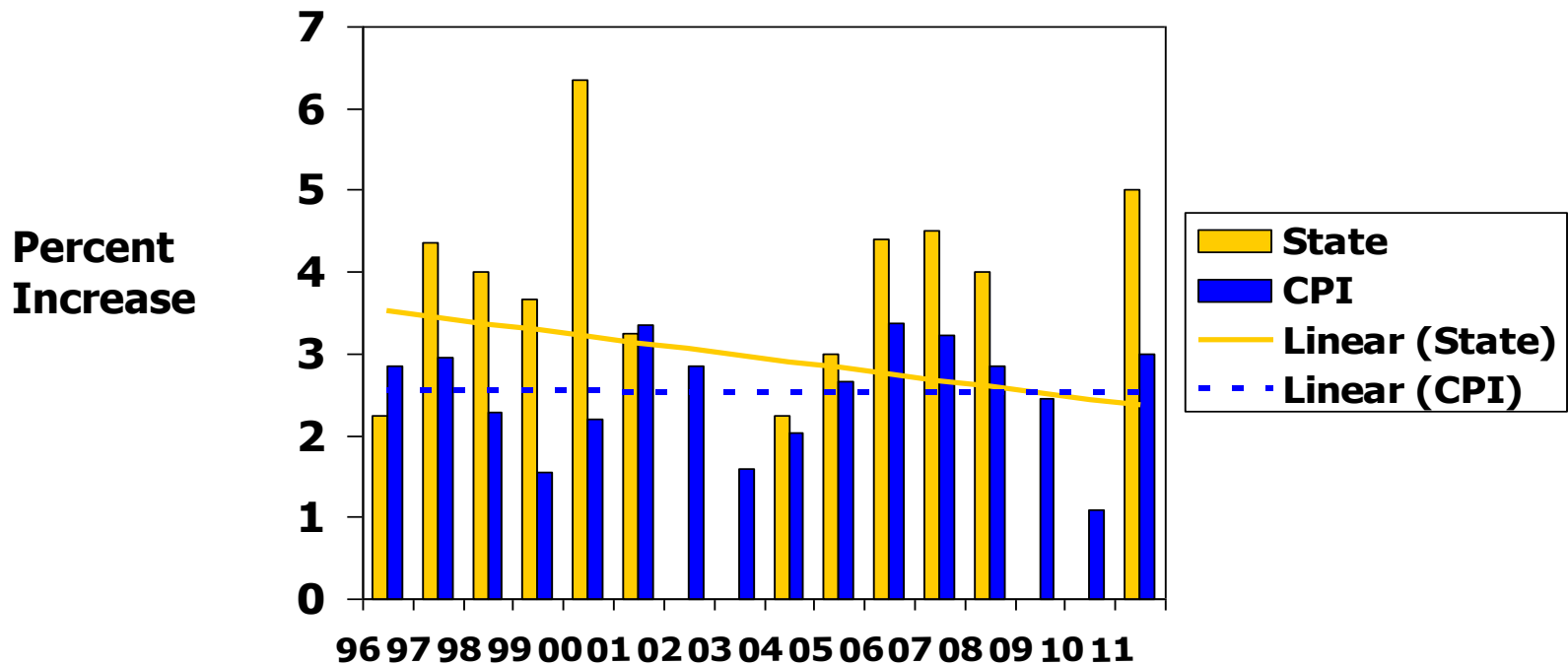
- State employee salary increases lag the market
- 5% increase in FY11 for VRS Plan I state employees did not increase take-home pay





State Employee Salary Comparison CPI Increases

- 5% increase in FY11 for VRS Plan I state employees did not increase take-home pay



Source: Appropriation Acts, Bureau of Labor Statistics

State Employee Salary Comparison Private Sector Salary



- On average, State salaries for selected occupations are 16.62% below Private Industry
- In 2008, JLARC found State compensation 12% below market
- In a similar assessment in 2011, JLARC reported that the State's total compensation package is only marginally competitive for recruitment
- By the end of 2012, State salaries will be 23.1% below market due to cumulative market movements

Occupation	Private Industry	State	Deviation
Truck Driver, Light	27859	20,200	-37.92%
Cook	29277	25,343	-15.52%
Security Guard, Unarmed	27758	25,833	-7.45%
Laboratory Aide	27527	29837	7.74%
Mail Clerk	31708	27,178	-16.67%
Cashier	30898	31,439	1.72%
Secretary	37888	30,828	-22.90%
Yard Laborer/Janitorial Supv	43561	34,307	-26.97%
Maintenance Electrician	47411	38,742	-22.38%
Marketing Specialist	50337	43,010	-17.03%
Medical lab Tech	40795	44,284	7.88%
Accountant	51360	45,899	-11.90%
Social Worker (MSW)	53074	46,274	-14.69%
Employee Training Specialist	54122	46,515	-16.35%
Staff RN	61292	48,894	-25.36%
Internal Auditor	71412	49,970	-42.91%
Chemist	66557	56,615	-17.56%
Attorney	111825	58,326	-91.72%
HR Admin Supv	68989	62,896	-9.69%
Environmental Engineer	64329	64,096	-0.36%
Architect	80538	65,253	-23.42%
Physical Therapist	70996	79,326	10.50%
Systems Analysis Supv	83779	80,570	-3.98%
Data Base Administrator	90364	85,355	-5.87%
Generic Engineer Supv	105256	93,314	-12.80%

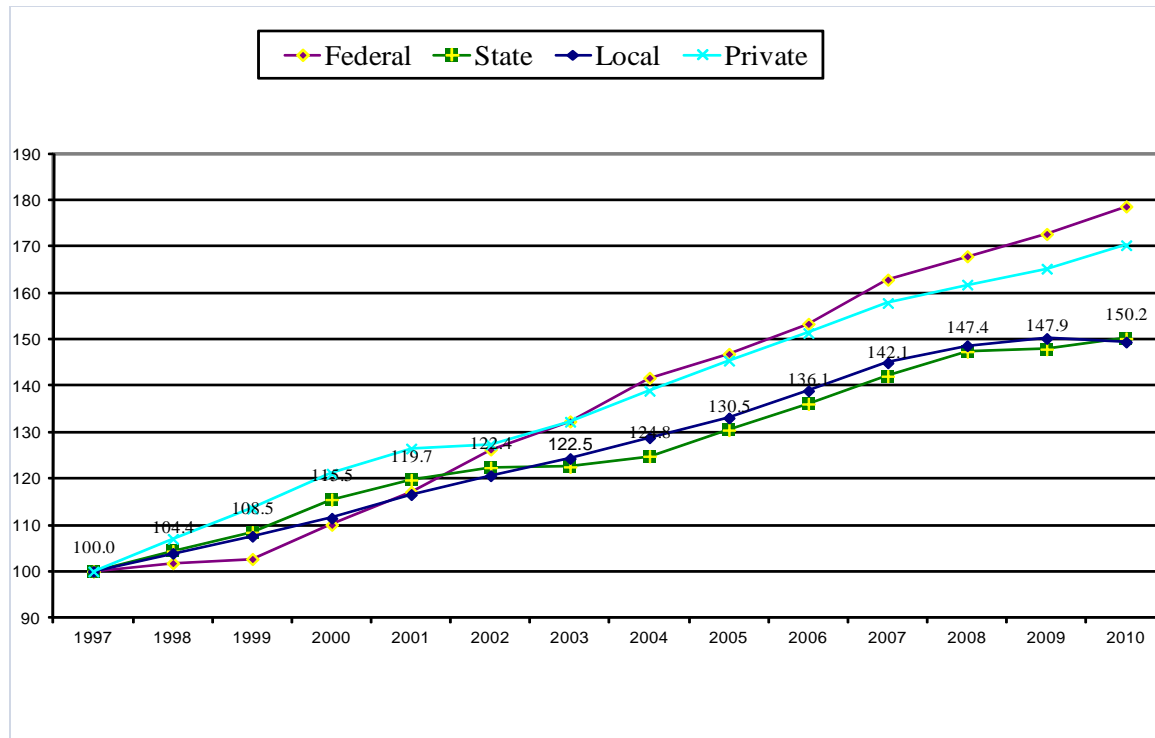
Source: PMIS, Towers Watson, Spring 2010 and 2011



State Employee Salary Comparison

Average Weekly Wage

- Indexed to 1997 weekly wage
- State wages are consistently below federal and private wages





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	70,424	4	46,504	25	36,167	30	39,270	33	118%	17
Alaska	68,442	9	51,541	12	43,569	16	47,150	13	109%	28
Arizona	62,856	26	44,745	30	41,742	18	42,860	19	104%	37
Arkansas	58,247	40	40,214	43	33,022	43	35,814	46	112%	25
California	69,219	7	58,951	4	54,504	2	52,553	5	112%	26
Colorado	68,956	8	51,206	13	41,569	20	47,916	10	107%	31
Connecticut	65,263	19	60,466	2	50,140	8	60,396	2	100%	41
Delaware	59,847	35	48,516	20	47,156	11	48,592	9	100%	42
Florida	64,322	23	42,752	35	45,258	12	40,562	29	105%	36
Georgia	66,659	13	39,373	48	36,531	29	44,311	17	89%	50
Hawaii	66,583	14	41,980	37	54,477	3	39,294	32	107%	32
Idaho	58,147	41	39,359	49	31,069	49	34,611	47	114%	22
Illinois	67,552	11	60,070	3	44,450	13	49,523	6	121%	13
Indiana	59,922	34	41,378	40	35,637	38	39,226	34	105%	35
Iowa	56,499	45	56,250	7	35,815	37	37,429	41	150%	1
Kansas	58,056	43	46,809	24	31,238	48	39,431	31	119%	16
Kentucky	56,020	47	41,614	38	35,928	36	38,373	37	108%	30
Louisiana	61,942	28	46,168	26	36,065	33	41,470	22	111%	27
Maine	62,840	27	42,770	34	34,618	40	36,582	45	117%	18
Maryland	88,914	1	47,597	21	50,253	7	49,496	7	96%	44
Massachusetts	69,450	6	56,277	6	49,778	9	58,359	3	96%	43
Michigan	64,120	25	55,810	8	43,898	14	43,631	18	128%	4
Minnesota	61,551	30	54,488	10	40,998	21	46,984	14	116%	19
Mississippi	59,603	37	39,975	44	32,082	46	33,537	49	119%	15
Missouri	60,969	32	37,515	50	36,042	35	40,852	28	92%	47



Pay Ranking of States

Virginia's Ranking

- 2nd in Federal Government
- 8th in Private Industry
- 23rd in Local Government
- 32nd in State Government
- 48th in State Average as a percent of Private average

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	57,117	44	41,303	41	33,898	41	33,244	50	124%	6
Nebraska	58,421	39	44,786	29	36,049	34	36,686	44	122%	10
Nevada	61,438	31	50,125	18	52,088	6	40,899	26	123%	9
New Hampshire	66,748	12	47,377	22	39,716	25	46,287	15	102%	40
New Jersey	70,330	5	63,263	1	56,993	1	55,736	4	114%	23
New Mexico	64,792	20	46,118	27	35,319	39	37,927	40	122%	11
New York	65,780	18	55,034	9	52,650	5	61,548	1	89%	49
North Carolina	58,908	38	44,544	31	38,499	26	40,874	27	109%	29
North Dakota	54,816	50	43,421	33	31,829	47	38,028	38	114%	20
Ohio	66,233	16	50,618	17	41,602	19	41,040	24	123%	7
Oklahoma	61,787	29	39,651	45	33,107	42	38,011	39	104%	38
Oregon	64,123	24	42,173	36	42,735	17	40,984	25	103%	39
Pennsylvania	64,532	22	51,723	11	43,747	15	45,325	16	114%	21
Rhode Island	73,950	3	58,945	5	52,975	4	42,525	20	139%	2
South Carolina	58,096	42	41,386	39	37,762	28	36,785	43	113%	24
South Dakota	55,560	48	41,185	42	29,731	50	33,887	48	122%	12
Tennessee	66,343	15	39,568	46	36,118	31	41,760	21	95%	46
Texas	65,804	17	45,279	28	39,872	24	47,610	12	95%	45
Utah	59,828	36	47,184	23	32,471	45	38,936	35	121%	14
Vermont	60,960	33	48,681	19	36,067	32	38,636	36	126%	5
Virginia	83,033	2	44,361	32	39,914	23	49,138	8	90%	48
Washington	67,646	10	51,006	14	47,655	10	47,861	11	107%	33
West Virginia	64,662	21	39,389	47	33,022	44	36,991	42	106%	34
Wisconsin	56,032	46	50,977	15	38,427	27	39,556	30	129%	3
Wyoming	55,247	49	50,846	16	40,138	22	41,258	23	123%	8

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

State Employee Salary Comparison Selected Localities



- Several localities awarded bonuses, not base pay increases, in FY11
 - Montgomery County, \$300
 - Norfolk City, \$500
 - Richmond City, \$1,000
 - Chesterfield County, 3% performance-based

BASE SALARY INCREASES								
Locality	FY-04	FY-05	FY-06	FY-07	FY-08	FY-09	FY-10	FY-11
Richmond City	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	0.00%	0.00%
Charlottesville	3.50%	3.00%	4.00%	4.00%	4.00%	4.00%	0.00%	2.00%
Montgomery County	2.50%	5.50%	4.80%	2.50%	6.77%	5.50%	N/A	0.00%
Fairfax County	4.00%	4.32%	4.37%	4.40%	4.98%	4.98%	N/A	0.00%
Chesterfield County	2.50%	4.00%	3.00%	4.00%	5.25%	5.25%	N/A	0.00%
Norfolk	4.00%	4.00%	4.00%	4.50%	4.50%	3.50%	N/A	0.00%
Chesapeake	3.00%	3.00%	4.00%	4.00%	4.50%	4.50%	0.00%	1.50%
Augusta County	4.00%	4.00%	4.00%	3.83%	3.06%	3.06%	N/A	0.00%
Locality Average	3.31%	3.85%	3.90%	3.78%	4.51%	4.22%	0.00%	0.44%
State Employees	2.25%	3.00%	4.40%	4.50%	4.00%	0.00%	0.00%	5.00%



State Employee Salary Comparison National Market

- National trends
 - Average salary increase
 - 2.7% in 2011
 - 2.74% in 2012
 - Average salary range adjustment
 - 1.59% in 2011
 - 1.65% in 2011
- Mercer reports companies freezing pay dropped from 1/3 of employers in 2009 to 5% in 2011



State Employee Salary FY12 Budget Proposal

- No base salary increase proposed
- Proposes up to a 3% bonus to full-time state employees on Dec. 1, 2012
 - Must be employed by the Commonwealth as of April 1, 2011
 - Must still be employed as of November 24, 2012
 - Must have received at least “meets expectation” rating
 - Must have no active standards of conduct violations
- State collectively must save at least twice the cost of the bonus (\$160 million)
 - Cabinet secretaries will set savings targets for agencies within their secretariat
 - Each agency will be responsible to fund the cost of the bonus out of its unspent discretionary appropriations



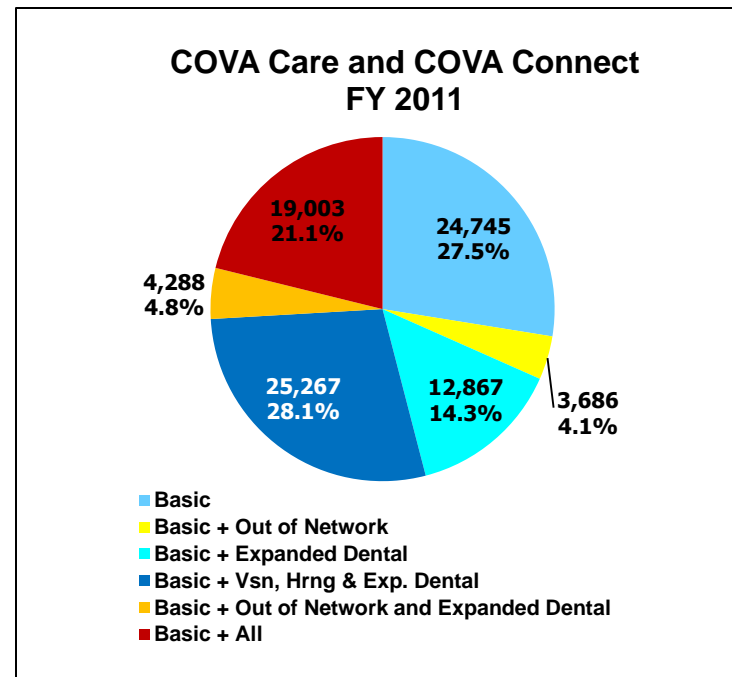
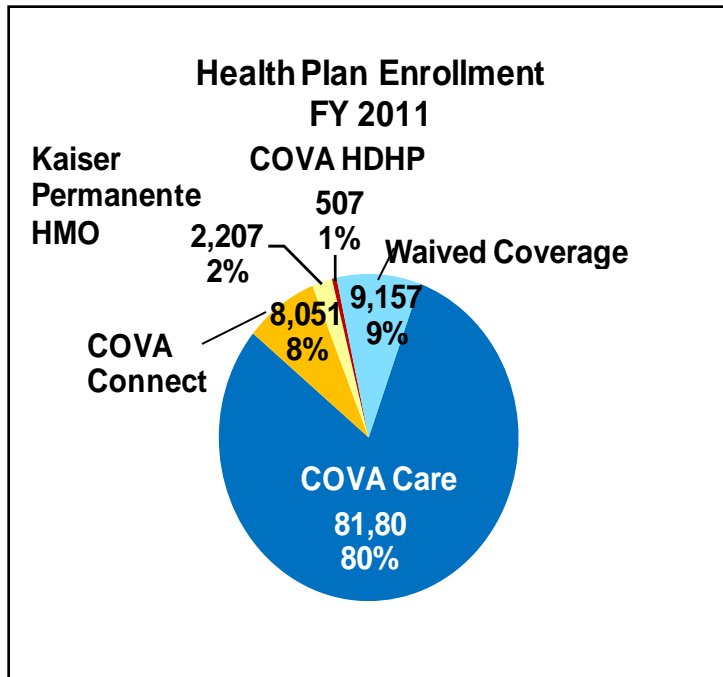
Health Benefits

FY 2011

Enrollment by Plan



- 101,727 employees eligible for state health benefits
- 92,570 enrolled in all plans

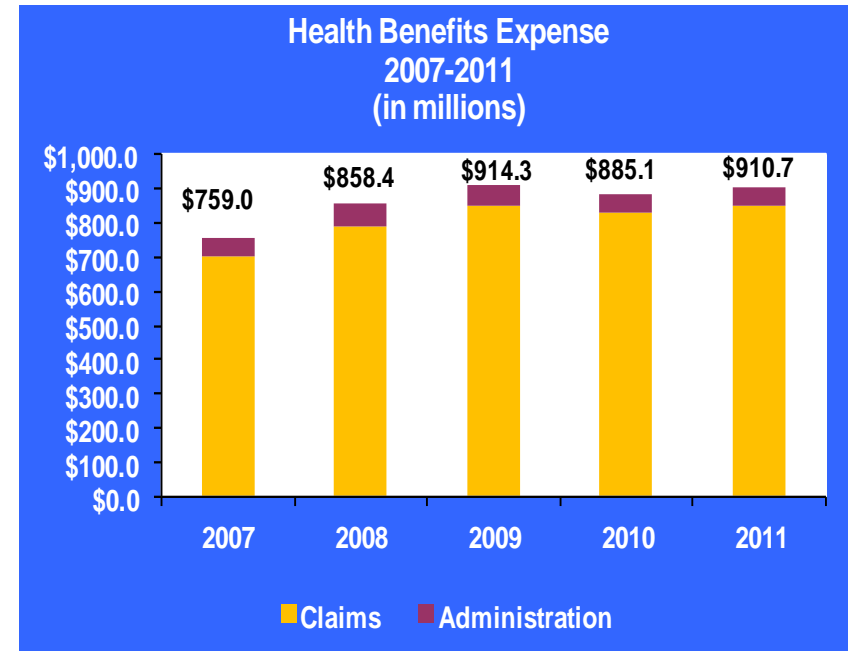
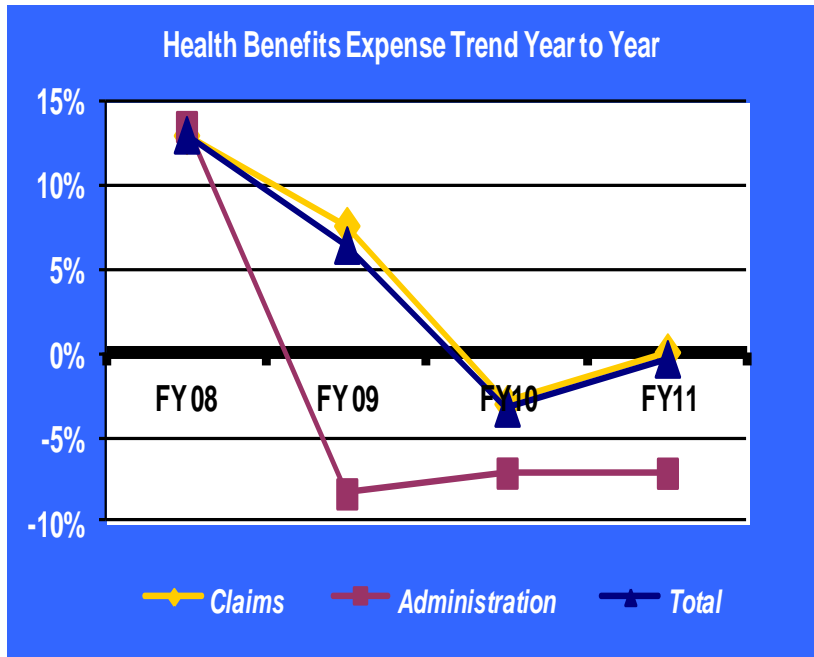




FY 2011

Cost Trends

- Total program expense increased 2.9% in FY 11
- Total program expense below FY 2009 costs

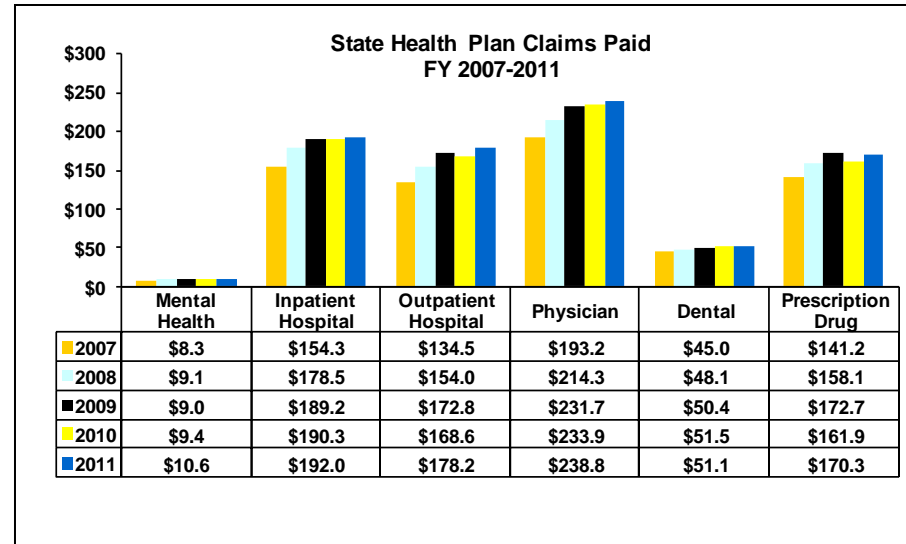
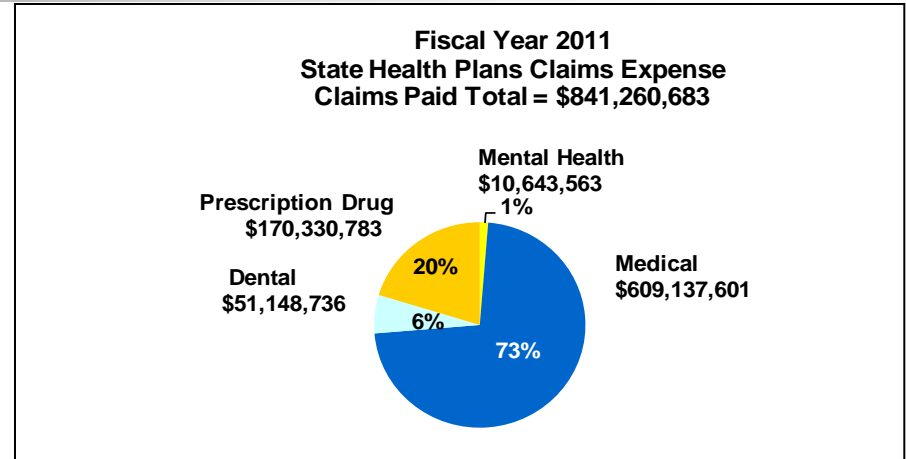


FY 2011

Claims Expense



- \$841.3 million total claims paid in FY 11
 - 3.1% increase in FY 11 from prior year
- 6.8 million total claims processed
 - 3% increase in FY 11 from prior year

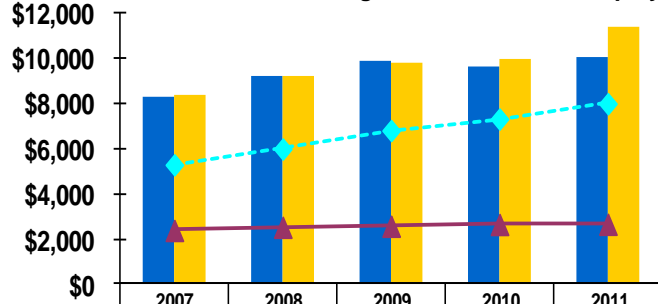


FY 2011

Total Cost Per Employee

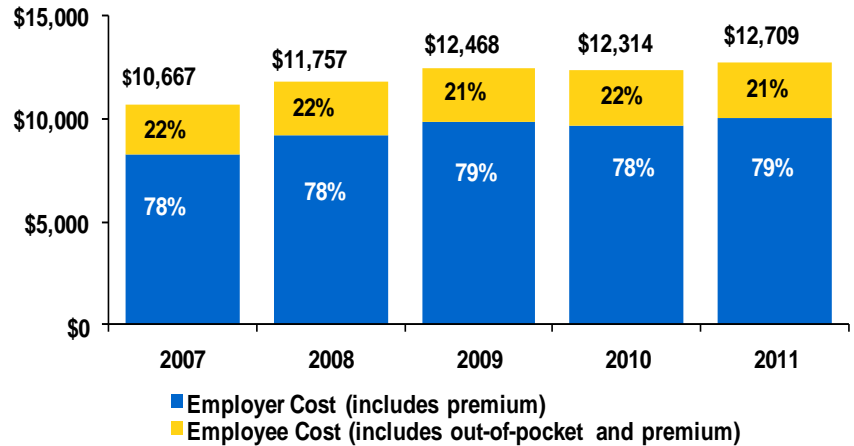
- \$12,709 total cost per employee in FY 11
- 3.2% increase in FY 11 from prior year

National and State Average Annual Cost Per Employee



State Employer Cost Per Employee	\$8,274	\$9,224	\$9,889	\$9,656	\$10,043
National Large Government Employers	\$8,422	\$9,226	\$9,779	\$9,996	\$11,385
State Employee Cost	\$2,393	\$2,533	\$2,580	\$2,658	\$2,666
National Average Employee Cost	\$5,300	\$6,000	\$6,820	\$7,330	\$8,008

Total State Health Benefits Cost Per Employee*



*Employee contribution to premium varies by dependent coverage. In general, premium represents 12 percent of total employee cost.



Cost Drivers

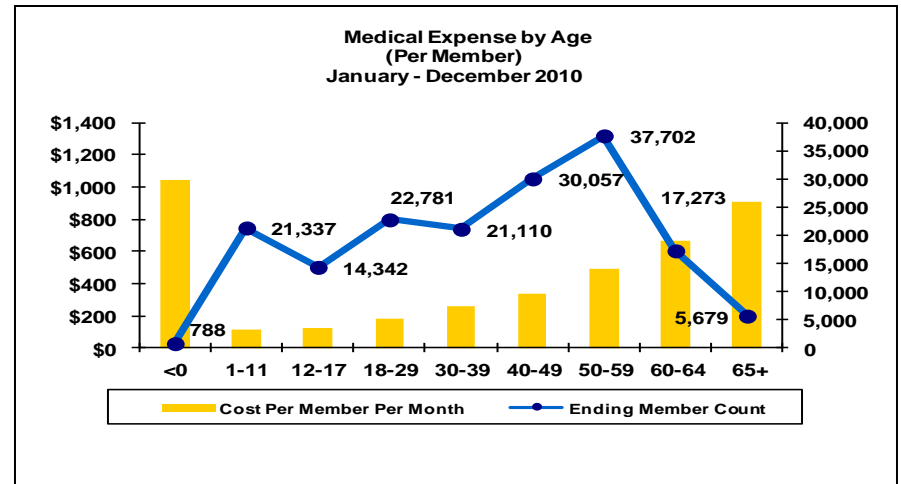
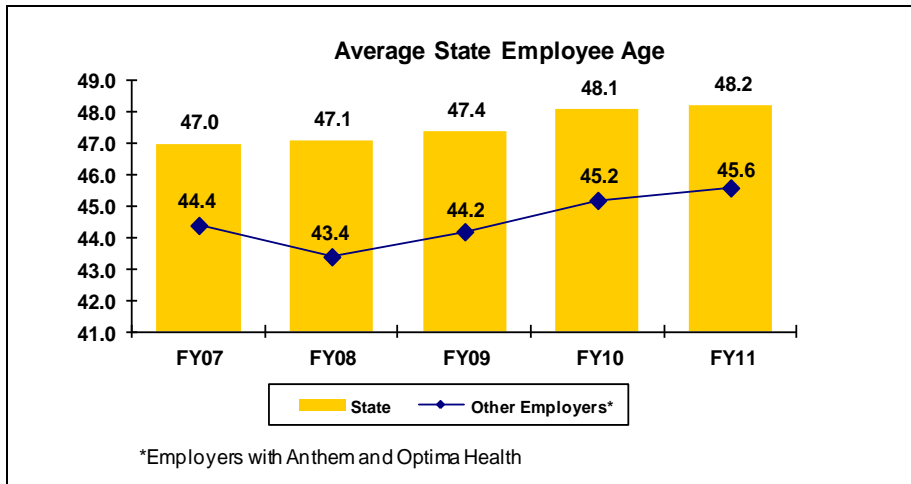
- Expensive procedures
- Treatment of chronic conditions
- Prescription drug therapy cost
- Employee lifestyle
 - Smoking
 - Physical activity level
 - Overweight
- Average employee age

"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>Lipitor</i> (high cholesterol)
3. Circulatory	3. Cerebrovascular disease	3. <i>Enbrel</i> (rheumatoid arthritis)
4. V-Codes (health services not classified as disease or injury)	4. Diabetes	4. <i>Crestor</i> (high cholesterol)
5. Ill-defined symptoms (undetermined causes)	5. Hypertension	5. <i>Humira</i> (rheumatoid arthritis)
6. Digestive	6. Lung cancer	6. <i>Singulair</i> (asthma/allergy)
7. Genitourinary	7. Skin cancer	7. <i>Cymbalta</i> (depression)
8. Nervous system/sense organs	8. Obesity	8. <i>Copaxone</i> (multiple sclerosis)
9. Accidental injury	9. Oral cancer	9. <i>Actos</i> (diabetes)
10. Respiratory	10. Substance abuse	10. <i>Advair Diskus</i> (asthma/COPD)
57.7% of All Claims Expense	8.5% of All Claims Expense	4.6% of All Claims Expense



Cost Drivers - Age

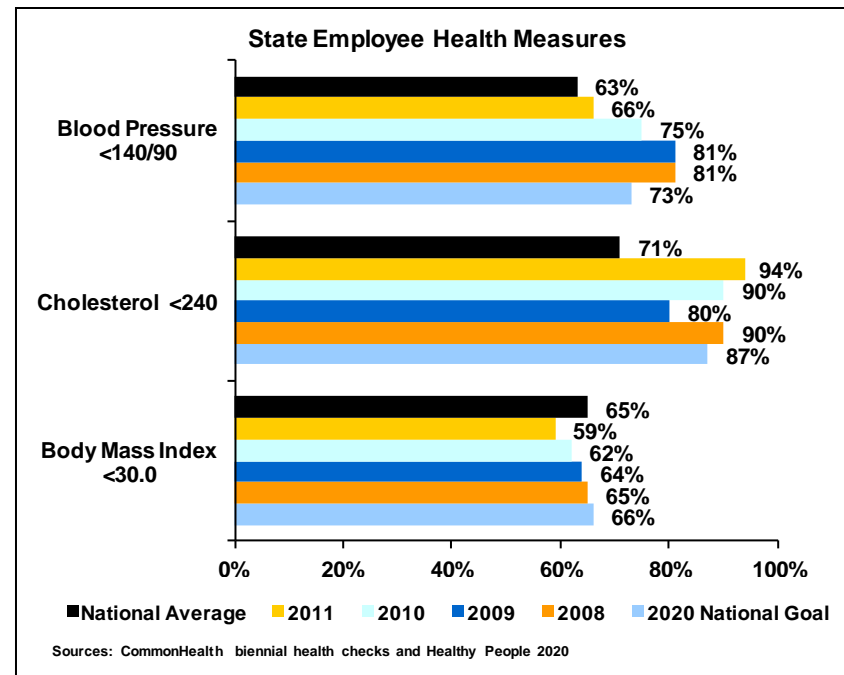
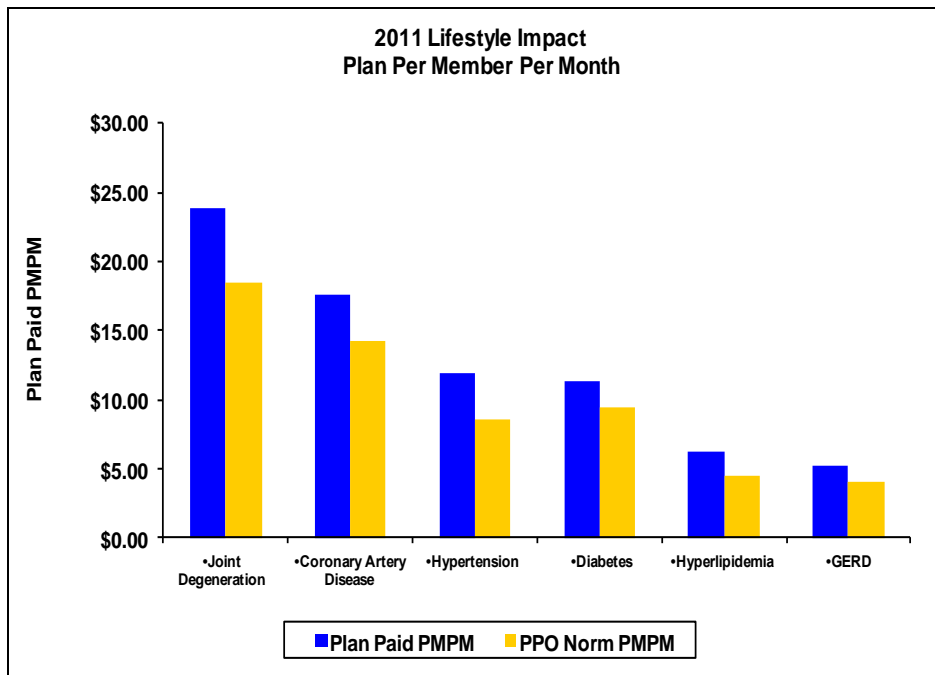
- State employee average age in plan is 48.2 years
- Employees over 50 years
 - 35% of membership
 - 59% of medical claims





Cost Drivers - Lifestyle

- 6 conditions correlated to being overweight
 - \$161 million in medical claims
 - 26.5% of total medical expense





FY 12

Procurements

- Wellness engine proposals submitted January 17, 2012
 - Incorporates employee wellness and disease management services
 - Features health Web portal
 - Offers health decision support
 - Includes lifestyle and disease management
 - Provides incentive administration
 - Contains predictive modeling and reporting
 - Administers health risk questionnaire
 - Performs health screenings

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FY 2013

Proposed Plan Changes

- Provide employee choice of statewide plans
 - COVA Care (Anthem)
 - COVA Connect (Optima Health)
- Increase independent medical review organizations from 1 to 3
- Reduce annual contribution to Medical Flexible Reimbursement Account from \$5,000 to \$2,500
- Cover autism spectrum disorder for ages 2 to 6
- Equalize employer contributions for Kaiser Permanente HMO
- Establish retail maintenance network for up to a 90-day supply
- Perform selected surgeries in outpatient settings
- Increase frequency of eye exam from biennial to annual
- Implement diabetes disease management pilot eliminating copays for Tier 1 & 2 drugs and supplies



FY 2013 Proposed Premiums

- 0.9% projected renewal increase before design changes
- Early retirees pay the total premium

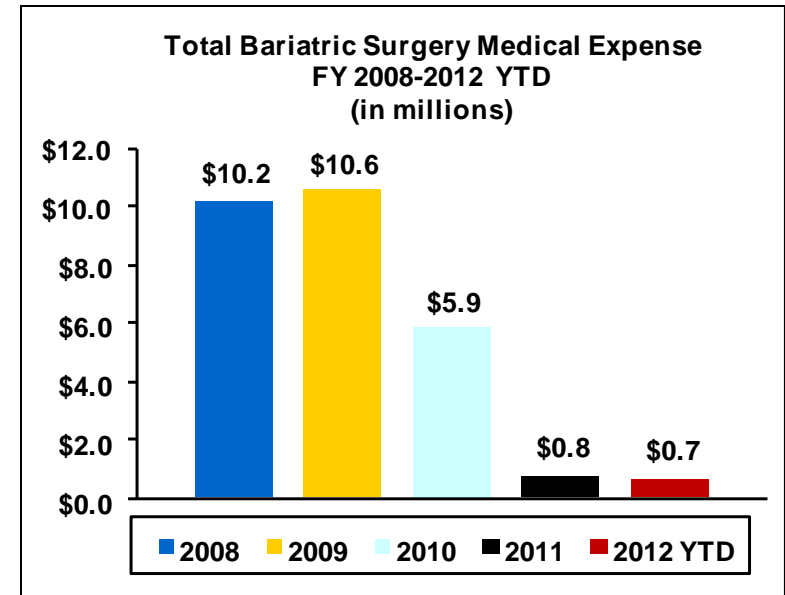
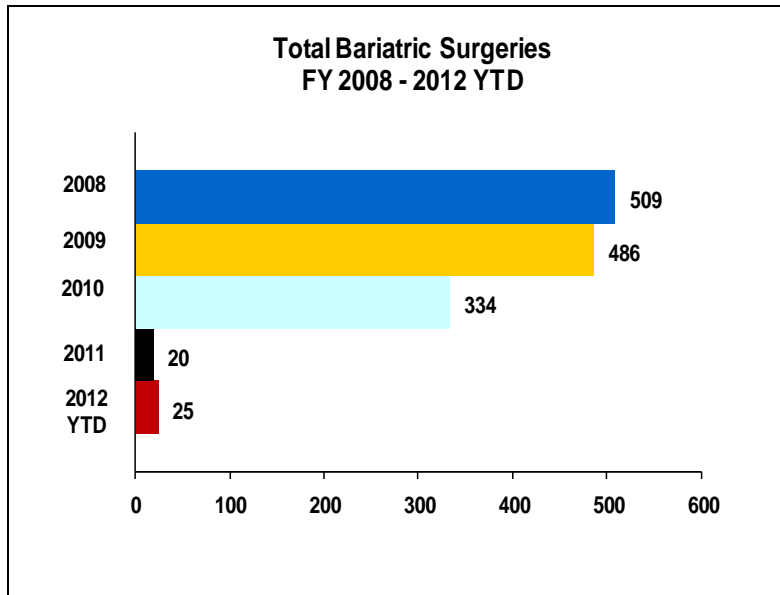
PLAN	Current Monthly Cost			Proposed Monthly Change			Proposed Monthly Cost		
	Employee Only	Employee Plus One	Family	Employee Only	Employee Plus One	Family	Employee Only	Employee Plus One	Family
COVA Care Basic									
Employee	\$43	\$102	\$150	\$7	\$14	\$15	\$50	\$116	\$165
Employer	\$383	\$686	\$1,002	\$46	\$80	\$124	\$429	\$766	\$1,126
Subsidy	\$74	\$137	\$200	-\$52	-\$73	-\$136	\$22	\$45	\$64
TOTAL PREMIUM	\$500	\$925	\$1,352	+\$1	+\$2	+\$3	\$501	\$927	\$1,355



Bariatric Surgery Pilot

Implemented new 12 month pre-surgery pilot program in lieu of eliminating coverage for gastric bypass surgery

- Improve patient's chances for successful surgery
- Prepare patients for lifestyle changes
- 93% reduction in bariatric surgery claims FY 11 cost over projections



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Actuarial Audit

- Auditor of Public Accounts conducted special review in FY 2011
- Report Summary
 - Commonwealth receives sound actuarial information to set employee health care premiums and reserves
 - Commonwealth should at minimum fund an actuarially determined IBNR reserve
 - Appears to be sound support for actuarially determined funding of contingency reserve
 - Health Insurance Fund net assets fell below actuarially recommended amount as of June 30, 2011 due to premium subsidy
 - General Assembly may wish to consider reserve funding policy before adopting FY 2013 premiums and taking other HIF actions
 - Included several recommendations to improve Health Insurance Fund management



Resources

- Department of Human Resource Management
<http://www.dhrm.virginia.gov>
- Annual Salary Survey
<http://www.dhrm.virginia.gov/reports/AnnualSalaryReport2011.pdf>
- Annual Health Benefits Report
<http://www.dhrm.virginia.gov/hbenefits/ohbcommunications/reports/annualreport2011.pdf>
- Review of State Employee Health Insurance Fund
<http://www.apa.virginia.gov/reports/HealthInsuranceFundSR2011.pdf>