

Department of Human Resource Management

STATE EMPLOYEE

BUDGET, WORKFORCE, COMPENSATION,
HEALTH BENEFITS, WORKERS' COMPENSATION, HR SYSTEMS

HOUSE APPROPRIATIONS COMMITTEE
COMPENSATION & RETIREMENT SUBCOMMITTEE



General Assembly Building, Richmond, Virginia
January 19, 2017

BUDGET

CENTRAL APPROPRIATIONS PROVISIONS

- **1.5% bonus** for state employees on December 1, 2017
 - \$42.2 million GF in the second year
 - Must have at least a “Contributor” rating on performance evaluation
 - No active written notices under standards of conduct
- **Up to \$4 million GF** in the 2nd year for salary supplements for the Department of State Police
 - Must have 3 or more years of service
 - 7% maximum salary adjustment
- **8.7%** increase in **health** insurance premium rates
- **\$1 Million GF in 1st year and \$3 million GF in 2nd** for potential cost of implementing laws and regulations impacting personnel practices
 - FLSA Overtime Rule
 - Workforce Transition Act
 - Fingerprinting and background checks for employees accessing the IRS system
- **\$1.2 million GF** for joint internship and management training
 - Assist in improving leadership, management, and succession planning
 - Secretary of Finance to convene a work group from each branch of government
- **\$279,966 GF savings** from State Employee Workers’ Compensation premiums

STATE EMPLOYEE WORKFORCE

STATE WORKFORCE EMPLOYMENT LEVEL

- 17.3% of total employees statewide are wage

STATEWIDE FTEs	6/30/2016
Salaried Employees	
• Executive	98,237.22
• Legislative	495.00
• Judicial	3,263.40
• Independent	<u>1,589.00</u>
Total Salaried	103,584.62
Temporary Employees	
• Executive	21,369.07
• Legislative	22.79
• Judicial	120.90
• Independent	<u>99.66</u>
Total Temporary	21,612.42
TOTAL EMPLOYEES STATEWIDE	125,197.04

- 51.3% Executive Branch employees in Education

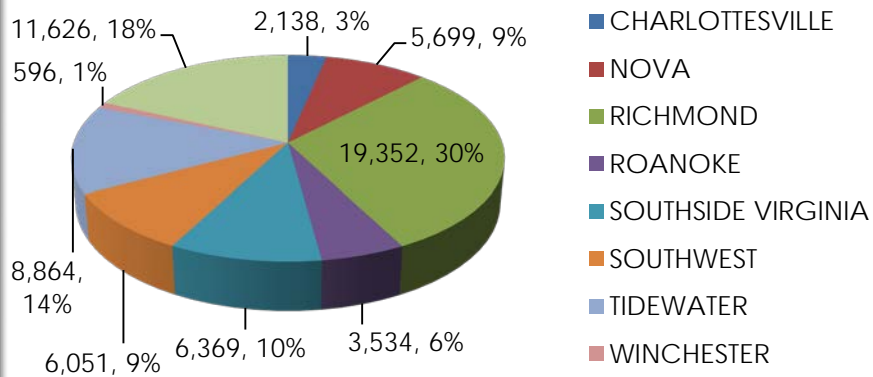
EXECUTIVE -Secretariat FTEs	6/30/2016
• Executive Offices	489.90
• Administration	732.23
• Natural Resources	1,807.47
• Education	50,443.52
• Health & Human Resources	13,352.42
• Transportation	9,478.85
• Public Safety & Homeland	17,757.14
• Finance	1,124.40
• Commerce & Trade	1,510.43
• Technology	198.50
• Agriculture & Forestry	675.10
• Veterans Affairs	664.00
TOTAL EXECUTIVE SALARIED	98,233.96

CLASSIFIED STATE WORKFORCE DEMOGRAPHICS

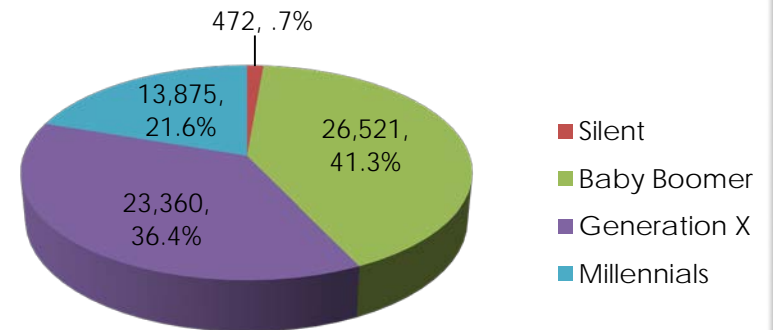
Average Years of Service 11.8 years ↓

Average Age 46.6 years ↓

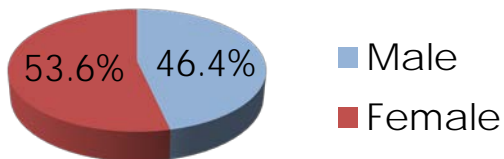
Region



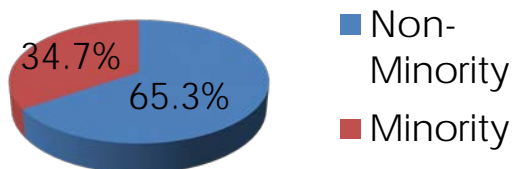
Generations



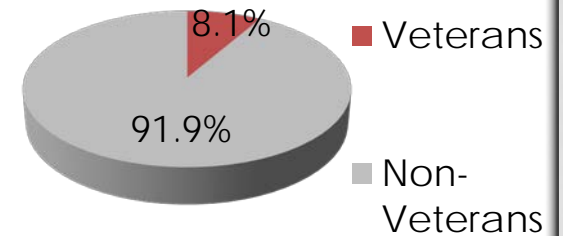
Gender



Race



Veteran Status



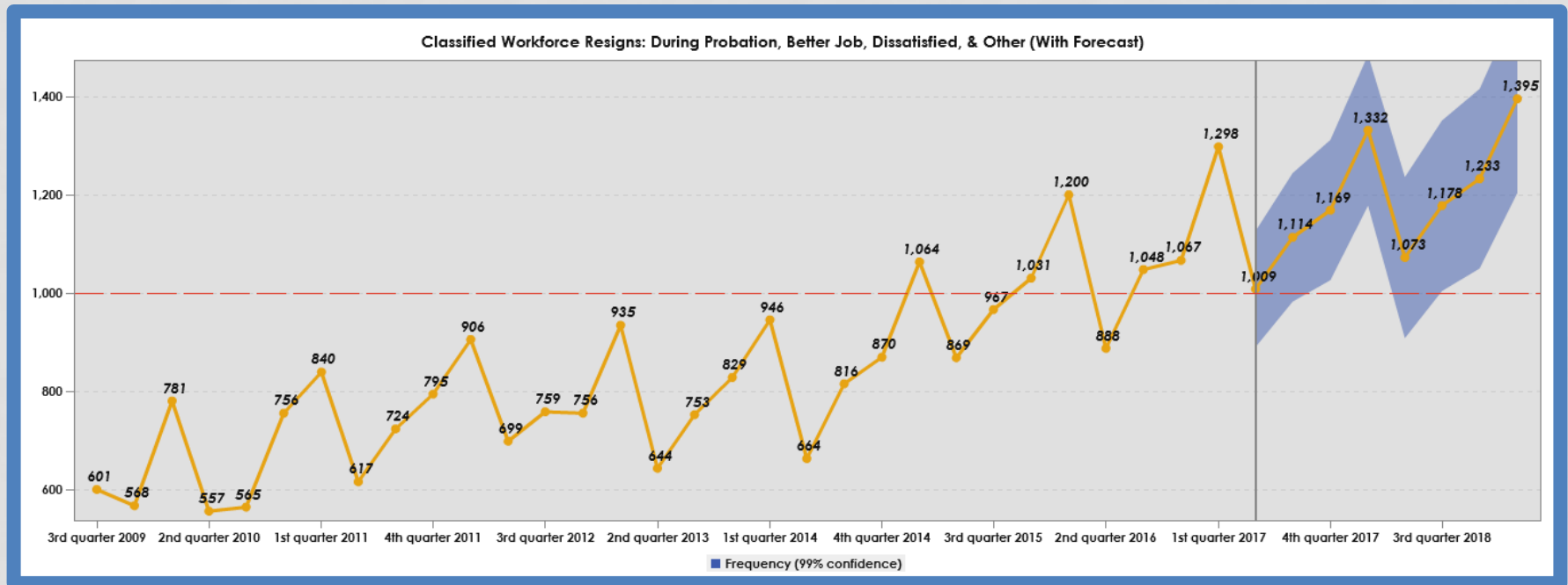
CLASSIFIED STATE WORKFORCE RECRUITMENT & RETENTION

Recruitment	
• Vacancy rate	12.7% ↓
• Average vacancy	301 days ↓
• Average time to hire	72 days ↔
• Hire offers accepted	88.8% ↔
• Exceptional recruitment options	3.1% ↑
• Total recruitments	14,479 ↑
• Promotions	14.2% ↑
• Demotions	1.7% ↓
• Transfers	25.5% ↓
• New hires & rehires	58.6% ↑
• Average age new hires	35.0 years ↓

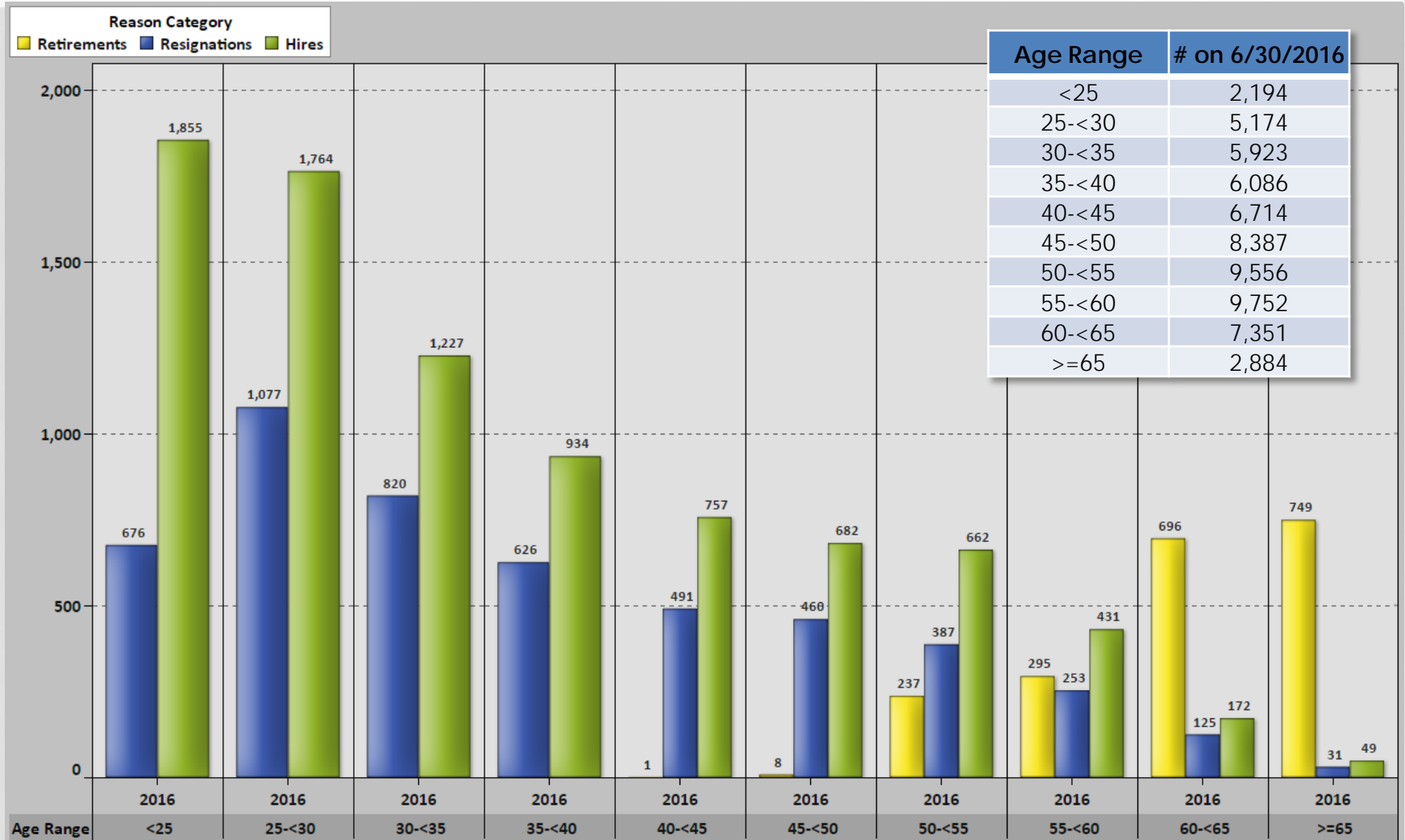
Retention	
• Turnover rate	14.1% ↑
• Turnover - probationary	14.2% ↑
• Turnover - < 5 years service	54.5 ↑
• Average retention bonus	4.6% ↑
• Employees w/ retention in-band adjustment increase	3.4% ↑
• Avg retention in-band adjustment increase	4.7% ↓
• Eligible retirement today	11.7% ↔
• Eligible retirement ≤ 5 years	24.8% ↓
• Retirement rate	3.2% ↓

CLASSIFIED STATE WORKFORCE VOLUNTARY TURNOVER

- **Voluntary turnover** is trending up, more than 1,000 per quarter now
- **Voluntary turnover average age** is trending down, from 37.64 years in FY12 to 36.49 years in FY17 to date
- **Millennials** (1980 or later) voluntarily resign at a 50% higher rate than other generations (before 1980)

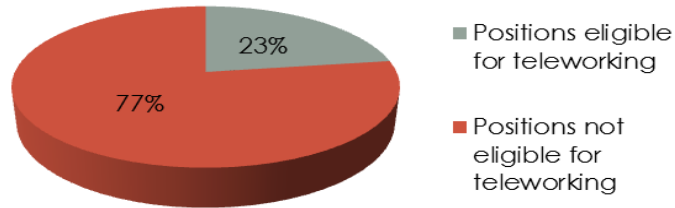


CLASSIFIED WORKFORCE FY16 TRANSACTIONS BY REASON CATEGORY & AGE RANGE

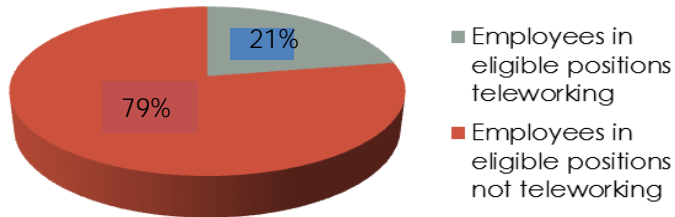


STATE WORKFORCE WORK LIFE BALANCE

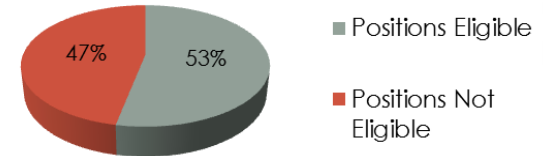
Telework - Eligibility ↓



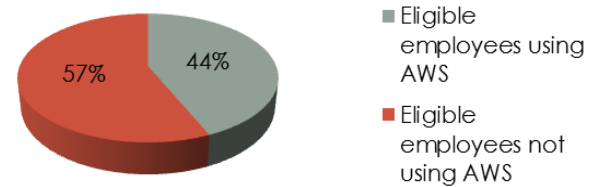
Telework - Usage ↓



Alternate Work Schedule Eligibility ↓



Alternate Work Schedule Usage ↓



ANNUAL LEAVE

- Average annual leave earned 102.9 hours ↓
- Average annual leave used 85.1 hours ↓
- Average annual leave lost 2.8 hours ↓

STATE WORKFORCE

SALARIED FULL-TIME EMPLOYEES RECEIVING FEDERAL ASSISTANCE

- **Number of employees receiving assistance**

- 2016 1,822 employees
- 2015 1,215 employees
- 2013 2,287 employees
- 2011 892 employees
- 2007 < 12 employees*

- **Number of employees receiving food stamps**

- 2015 896 employees
- 2013 1,898 employees
- 2011 856 employees
- 2007 0 employees

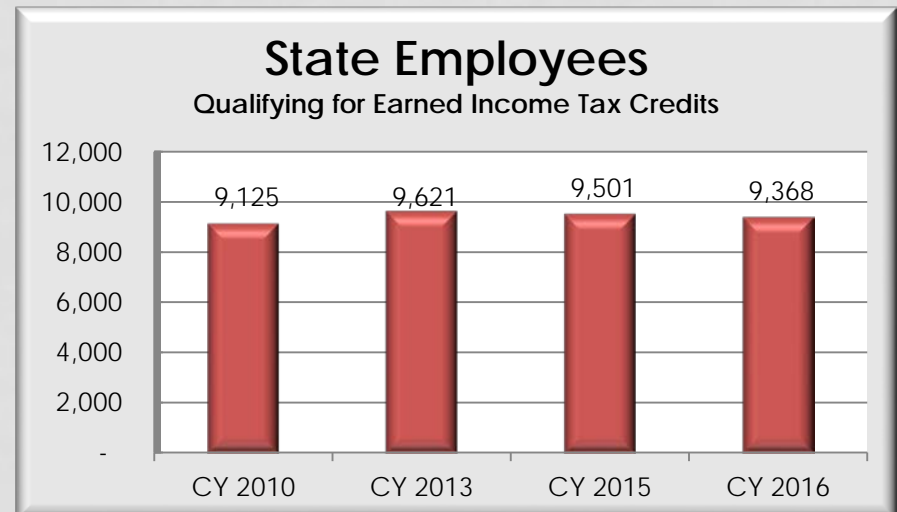
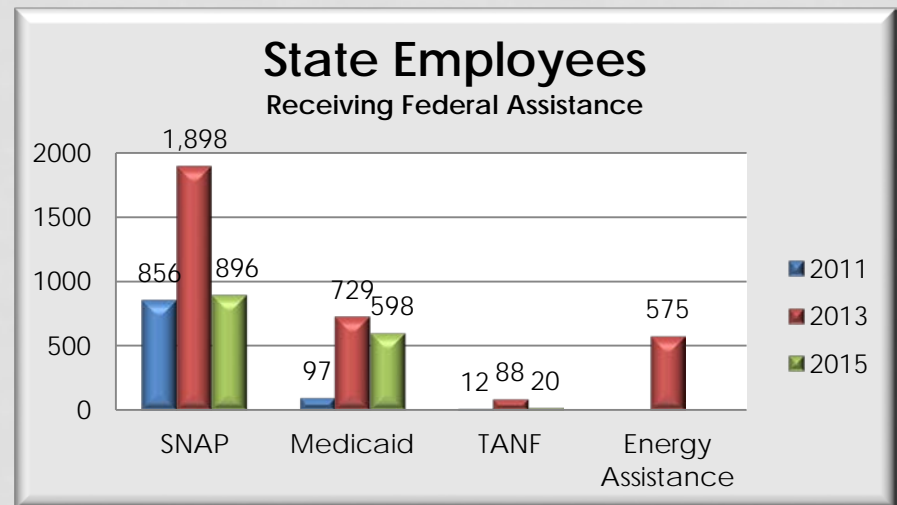
- **Number of employees qualifying for EITC**

- 2016 9.35% of salaried full-time employees
- 2015 9.5% of salaried full-time employees
- 2013 10% of salaried full-time employees

- **Change over time**

- Poor economy and lack of employee raises have taken a toll on state employees
- 2.6% increase in eligibility threshold from 2010 to 2013

* Received temporary assistance because they had legal guardianship of grandchildren, and otherwise would not meet benefits eligibility criteria



STATE EMPLOYEE COMPENSATION

COMPENSATION GOAL & POLICIES

COMPENSATION GOAL

- Pay employees fairly and consistently for jobs they perform
- Sufficient to attract, retain, and motivate the Commonwealth workforce
- General Assembly adopted goal of bringing state employees to market rate by 2010

COMPENSATION POLICIES

- **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

CLASSIFIED COMPENSATION

STATEWIDE SALARIES & PAY BANDS

- **Lowest paid as of 12/31/16**

- \$15,992
- 31 DBHDS employees in Food Service Tech I and Housekeeping - Apparel Service Worker 1 roles in Burkeville

- **Highest paid as of 12/31/16**

- \$254,919
- Physician Manager II in DBHDS

- **Mode**

- Continues to be Pay Band 3

- **Federal minimum wage**

- \$7.25 hourly
- \$15,080 annually

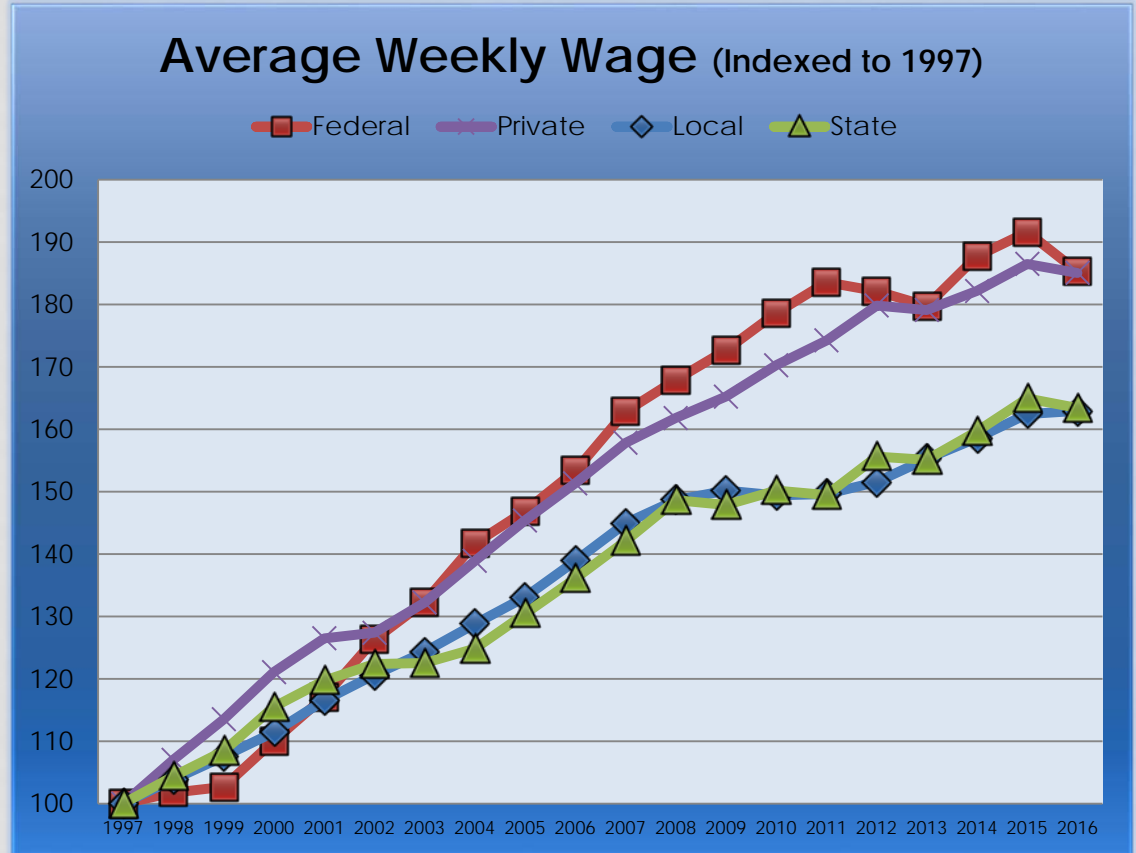
BANDS	RANGE			EMPLOYEES	
	Minimum	SW Maximum	NOVA Maximum	Number	Percent
1	\$15,992	\$38,820	\$50,466	2,036	3.18%
2	\$20,894	\$49,370	\$64,181	7,334	11.45%
3	\$24,969	\$58,146	\$75,590	20,560	32.10%
4	\$32,619	\$74,617	\$97,002	17,258	26.95%
5	\$42,614	\$96,134	\$124,974	12,252	19.13%
6	\$55,672	\$124,244	\$161,517	3,905	6.10%
7	\$72,731	\$160,972	\$193,167	489	0.76%
8	\$95,013	\$208,950	\$250,740	191	0.30%
9	\$124,128	MARKET	MARKET	17	0.03%

STATE SALARIES	MEAN	MEDIAN	1ST QUARTILE	3RD QUARTILE	LOWEST	HIGHEST	COUNT
Statewide	\$48,203	\$42,714	\$34,154	\$56,928	\$10,447	\$254,919	64,042
NOVA	\$56,643	\$51,946	\$42,330	\$64,980	\$14,280	\$216,300	5,641
Statewide (excluding NOVA)	\$47,390	\$41,913	\$33,827	\$55,720	\$10,446	\$254,919	58,401

COMPENSATION STATE SALARIES

- Virginia state employee wages began to fall behind Private and Federal in 2000
- No overall take home pay increases in 2016
- Buying power has decreased since 2000

Year	CPI % Change	Cumulative CPI% Change	Salary Increase % Change	Cumulative Salary Increase % Change
2000	3.4	3.4	3.25	3.25
2001	2.8	6.2	0.00	3.25
2002	1.6	7.8	0.00	3.25
2003	2.3	10.1	2.25	5.50
2004	2.7	12.8	3.00	8.50
2005	3.4	16.2	4.40	12.90
2006	3.2	19.4	4.00	16.90
2007	2.8	22.2	4.00	20.90
2008	3.8	26.0	0.00	20.90
2009	-0.4	25.6	0.00	20.90
2010	1.6	27.2	0.00	20.90
2011	3.2	30.4	5.00	25.90
2012	2.1	32.5	0.00	25.90
2013	1.5	34.0	2.73	28.63
2014	1.6	35.6	0.00	28.63
2015	0.1	35.7	3.86	32.49
2016	1.7	37.4	0	32.49



COMPENSATION

NATIONAL 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	79,206	4	50,496	29	39,194	33	43,380	38	116%	15
Alaska	77,245	9	57,777	15	48,924	14	54,026	11	107%	29
Arizona	72,821	22	55,101	19	44,693	20	47,492	22	116%	16
Arkansas	65,801	40	43,606	47	36,966	45	40,621	46	107%	27
California	78,872	5	71,790	1	59,956	3	61,281	5	117%	13
Colorado	75,821	12	58,504	13	45,106	19	54,518	10	107%	28
Connecticut	74,122	19	68,427	3	55,979	7	66,289	3	103%	35
Delaware	69,633	30	53,375	22	51,106	11	54,009	12	99%	45
Florida	73,955	20	46,800	40	47,756	16	45,562	29	103%	38
Georgia	73,230	21	44,298	45	39,489	32	50,234	18	88%	50
Hawaii	74,798	16	48,113	34	62,482	1	44,393	34	108%	26
Idaho	65,034	44	44,189	46	33,790	47	38,710	49	114%	19
Illinois	75,486	13	66,765	6	48,500	15	56,308	7	119%	10
Indiana	69,830	29	46,920	39	37,284	43	44,121	36	106%	31
Iowa	62,349	48	65,193	7	40,338	30	43,532	37	150%	1
Kansas	65,183	43	51,483	25	33,762	48	44,729	31	115%	18
Kentucky	63,042	46	47,042	37	38,777	37	43,201	40	109%	25
Louisiana	68,991	32	49,309	31	38,366	38	46,297	26	107%	30
Maine	71,696	26	43,267	48	38,053	39	41,293	43	105%	32
Maryland	97,122	1	57,223	17	54,270	8	54,777	9	104%	33
Massachusetts	78,316	7	67,150	5	57,557	5	67,303	2	100%	44
Michigan	74,831	15	59,077	11	45,500	18	49,776	19	119%	9
Minnesota	69,569	31	60,352	10	45,832	17	53,947	13	112%	23
Mississippi	66,477	39	45,527	43	34,169	46	36,902	50	123%	7
Missouri	66,727	37	41,551	50	38,977	36	46,003	27	90%	48

Source: Bureau of Labor Statistics data based on 2015 payroll records of what is actually paid out to employees as reported quarterly to employment commissions

COMPENSATION

NATIONAL PAY RANKING OF STATES

Virginia Pay Ranking

- 2nd in **Federal Government**
 - same rank since 2010
- 14th in **Private Industry**
 - Down from 8th in 2010; 9th in 2011; 11th in 2012 & 2013; and 13th in 2014
- 24th in **Local Government**
 - Up from 23rd in 2010, but down from 25th in 2014, 2011 & 2012; 23rd in 2010
- 32nd in **State Government**
 - Up from 34th in 2014, but same as 2010 & 2012; 33rd in 2011 & 2013
- 47th in **State Average as a percent of Private Average**
 - Up from 49th in both 2014 & 2013 and 48th in 2010 & 2011; same as 2012

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	65,442	42	46,350	41	37,971	40	39,014	48	119%	8
Nebraska	65,522	41	50,013	30	40,909	29	42,352	41	118%	12
Nevada	68,901	33	50,787	28	53,268	10	44,532	32	114%	20
New Hampshire	76,864	10	51,422	26	44,020	22	53,138	15	97%	46
New Jersey	78,857	6	70,277	2	60,900	2	61,992	4	113%	21
New Mexico	72,307	24	52,576	24	37,489	42	41,225	44	128%	5
New York	76,429	11	60,931	9	58,456	4	68,798	1	89%	49
North Carolina	67,110	35	47,905	35	42,755	26	46,519	25	103%	36
North Dakota	62,904	47	53,040	23	39,032	35	51,579	17	103%	37
Ohio	74,496	17	61,181	8	44,531	21	46,582	24	131%	3
Oklahoma	67,789	34	45,469	44	37,268	44	44,504	33	102%	39
Oregon	71,029	28	48,515	33	49,312	13	47,785	21	102%	41
Pennsylvania	72,521	23	58,691	12	49,622	12	51,853	16	113%	22
Rhode Island	79,734	3	67,694	4	57,098	6	48,740	20	139%	2
South Carolina	66,612	38	45,988	42	41,551	27	41,335	42	111%	24
South Dakota	61,944	50	47,031	38	32,911	50	40,157	47	117%	14
Tennessee	77,306	8	47,152	36	39,155	34	46,968	23	100%	42
Texas	75,072	14	55,135	18	43,821	23	55,191	8	100%	43
Utah	66,798	36	51,256	27	33,722	49	44,360	35	116%	17
Vermont	71,478	27	54,193	21	40,087	31	43,349	39	125%	6
Virginia	89,056	2	48,705	32	43,400	24	53,844	14	90%	47
Washington	74,347	18	57,723	16	53,279	9	56,539	6	102%	40
West Virginia	71,774	25	42,606	49	37,685	41	40,932	45	104%	34
Wisconsin	63,364	45	58,028	14	41,120	28	45,230	30	128%	4
Wyoming	62,296	49	54,198	20	42,862	25	45,788	28	118%	11

Source: Bureau of Labor Statistics data based on 2015 payroll records of what is actually paid out to employees as reported quarterly to employment commissions

COMPENSATION MARKET

- State salaries for a sample of positions deviates from the private sector on average by **-22.29%**

Average Performance Increase

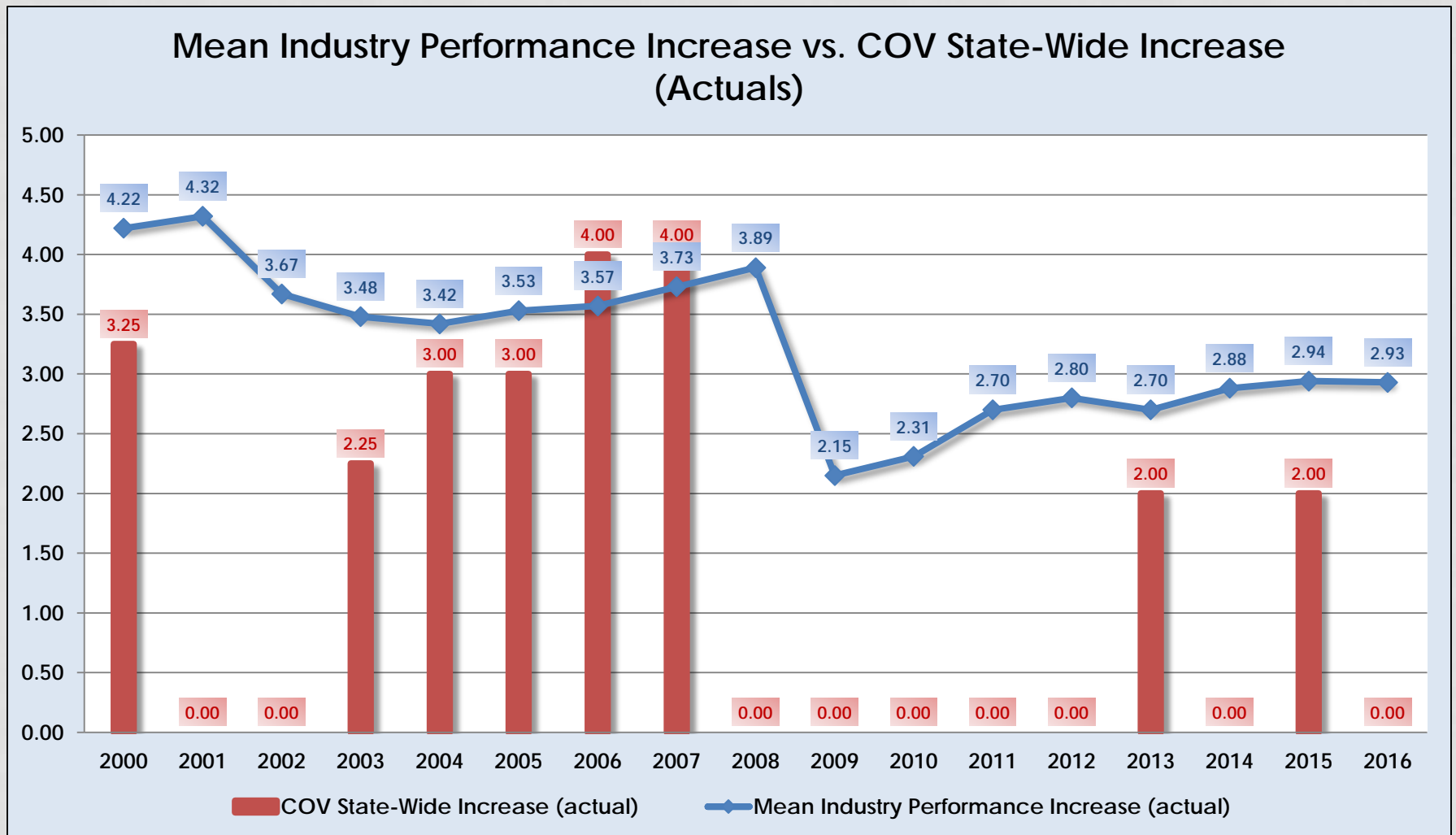
- FY16 Market movement 2.93%
- FY17 Forecast 2.79%
- FY17 Projected State Deviation **-26.82%**

Average Structure Adjustments

- FY16 Actual 1.82%
- FY17 Forecast 1.95%

Occupation	Private Industry Average Salary	Average Virginia Employee Salary	Deviation
Attorneys	150,818	80,450	-87.47%
Marketing Specialist	86,609	55,482	-56.10%
Generic Engineering Supv	165,143	111,109	-48.63%
Environmental Engineers	100,955	68,340	-47.72%
Accountants	85,856	61,277	-40.11%
Internal Auditor	85,856	61,277	-40.11%
Chemists	90,434	67,862	-33.26%
Employee Training Specialist	76,034	57,341	-32.60%
System Analyst Supv	105,734	81,084	-30.40%
HR Admin Supv	137,828	109,281	-26.12%
Medical and Clinical	52,766	41,949	-25.79%
Truck Driver Light	29,954	24,002	-24.80%
Security Guard, Unarmed	35,601	29,289	-21.55%
Database Administrator	98,624	84,033	-17.36%
Cook	27,676	25,207	-9.79%
Maintenance Electrician	50,721	46,965	-8.00%
Yard Laborer/Janitorial Supv	33,270	30,831	-7.91%
Medical Lab Tech	62,631	58,774	-6.56%
Staff RN	69,168	65,016	-6.39%
Mail Clerk	28,735	28,665	-0.24%
Architect	89,141	89,465	0.36%
Secretary	37,583	37,919	0.89%
Physical Therapist	90,645	92,674	2.19%
Cashier	25,843	26,526	2.58%
Social Worker	48,083	52,013	7.56%
Average			-22.29%

MOST RECENT DHRM ESTIMATE INDICATES A 26.82% INCREASE WOULD BE NEEDED TO RAISE STATE SALARIES TO EQUAL THE MARKET IN 2017



FAIR LABOR STANDARDS ACT

FLSA

FLSA - OVERTIME RULE - HIGHLIGHTS

- Raises the **salary threshold** indicating eligibility from \$455/week (\$23,660 per year) to \$913/week (\$47,476 per year)
- Increases the total annual compensation requirement needed to exempt **highly compensated employees** from \$100,000 to \$134,004
- Automatically **updates** the salary threshold every three years, based on wage growth over time, increasing predictability
- **Strengthens overtime protections** for salaried workers already entitled to overtime
- Provides **greater clarity** for workers and employers
- Does NOT make any changes to the **duties test** for executive, administrative and professional employees
- On November 22, 2016, a federal judge in Texas **suspended the DOL overtime rule** which was to become effective on December 1, 2016

FLSA CHANGES - IMPACT ON STATE

ISSUE	NUMBER
• New salary threshold to be exempt	\$47,476
• New total annual compensation needed to exempt highly compensated employees	\$134,004
• Number of positions/employees currently exempt but make less than current salary threshold	2,380
• Annual salary difference between current salary and new salary threshold	\$1 to \$4,313
• Cost of pay increases made solely to maintain exempt status for impacted employees	\$4.8 Million

FLSA - IMPLEMENTATION RECOMMENDATIONS

Options

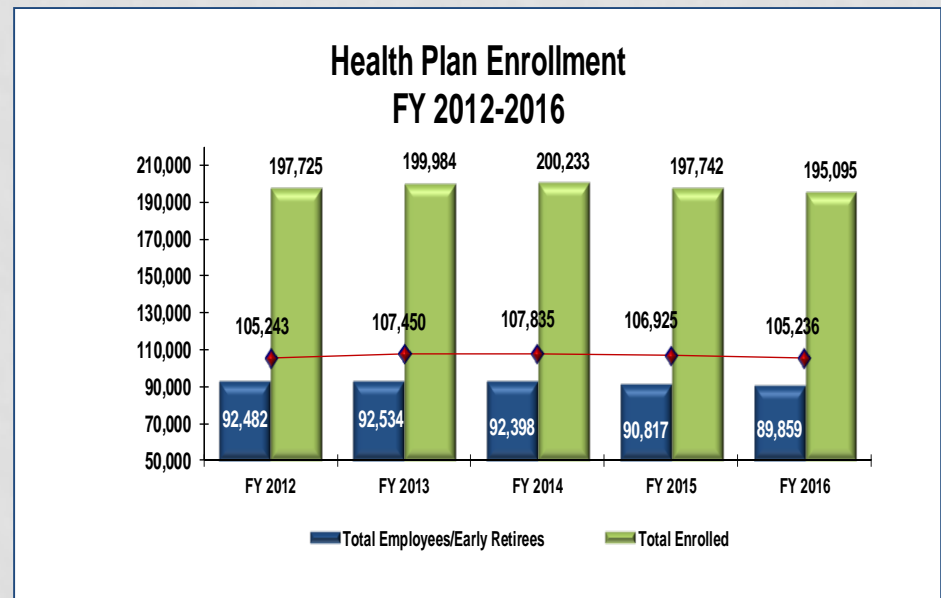
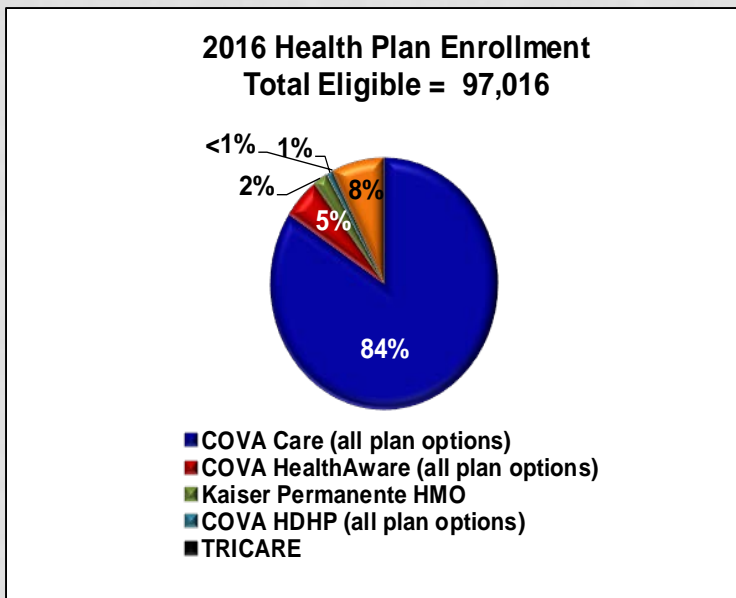
1. Reduce or **eliminate overtime**
2. **Pay time and a half** for overtime work
3. Provide **overtime leave**
4. **Increase salary** to the new threshold
5. **Combination** of options
 - One size does not fit all
 - Combination of approaches may maximize cost avoidance and minimize impact on critical services

STATE EMPLOYEE HEALTH INSURANCE

PLAN ENROLLMENT

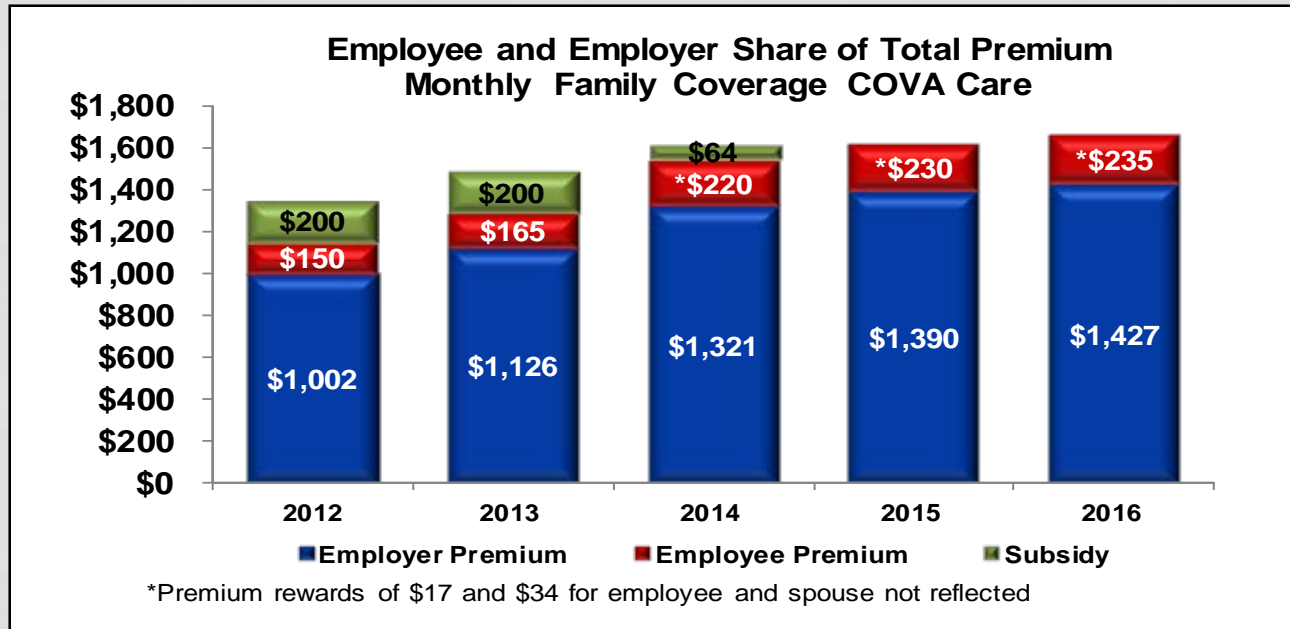
- **Plan Enrollment**

- 97,016 employees/early retirees eligible for state health benefits
- 89,859 employees/early retirees enrolled in all plans
- 195,095 members enrolled in all plans

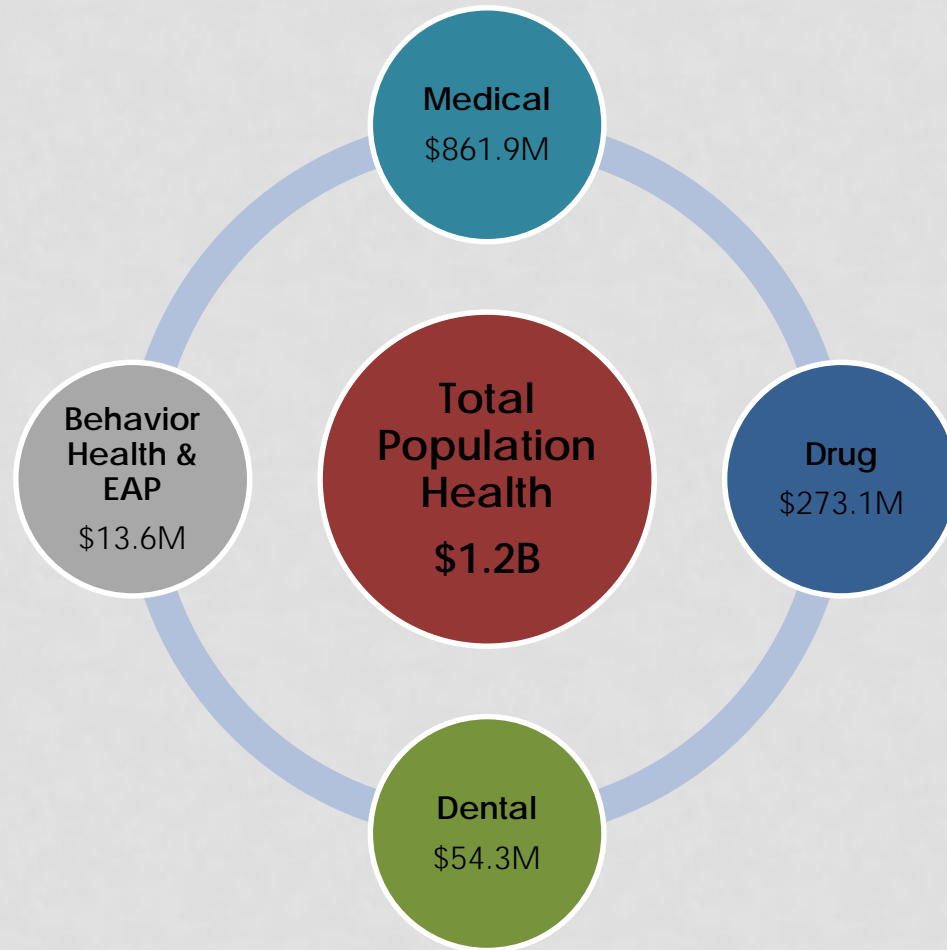


PLAN PREMIUMS

- Premiums
 - 16% - employee
 - 84% - state

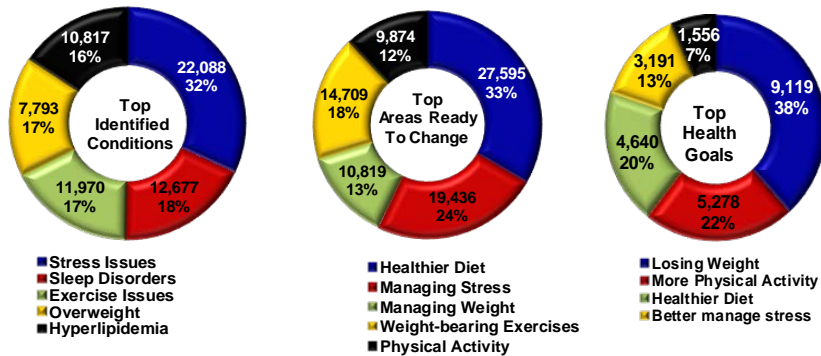


TOTAL POPULATION HEALTH CLAIMS



TOTAL POPULATION HEALTH

Identified in Health Assessment
As of June 30, 2016



- Employee engagement
 - Cost and quality tools
 - Healthy lifestyle coaching
 - Financial rewards
 - Education

- Top conditions identified in health assessment

- Stress issues
- Sleep disorders
- Lack of exercise

- Conditions correlate with obesity

- 70% of state plan members overweight or obese

2016 Weight of State Population

Body Mass Index (BMI)



Under Weight 18.5-27.3 (1%)



Healthy Weight 18.5-24.9 8,283 (29%)



Over Weight 25-29.9 9,278 (33%)

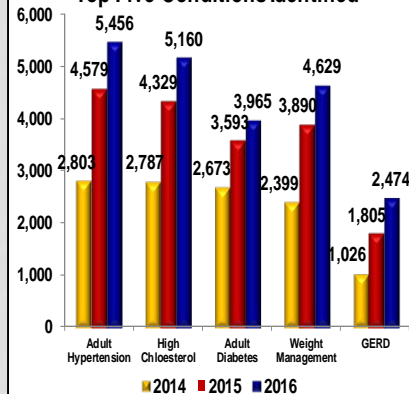


Obese 30-34.9 5,729 (20%)



Morbid Obese 35+ 4,845 (17%)

Nurse Engaged Members Top Five Conditions Identified



INNOVATION - PROGRAMS

- **COVA HealthAware**

Consumer driven health plan

- Increase member accountability
- Manage health spending

- **Bariatric surgery program**

- Improve health outcomes
- Reduce cost by \$9 million annually since 2009

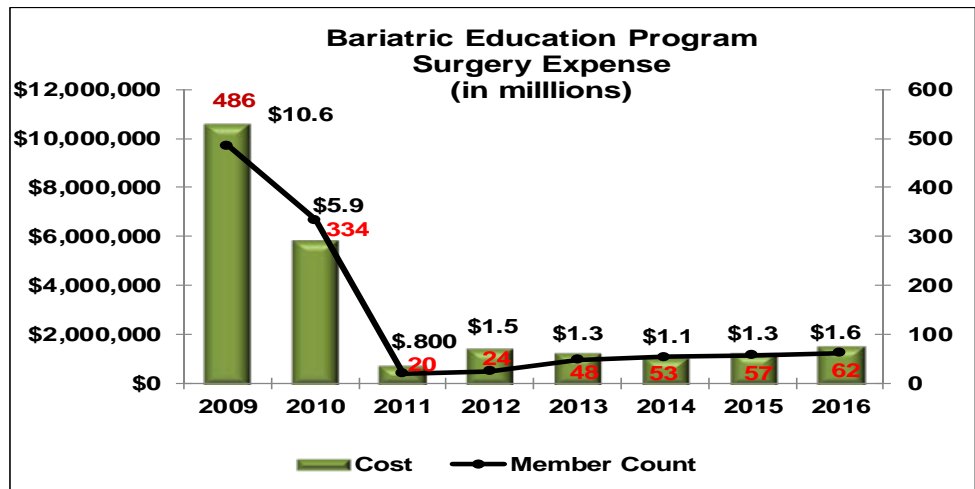
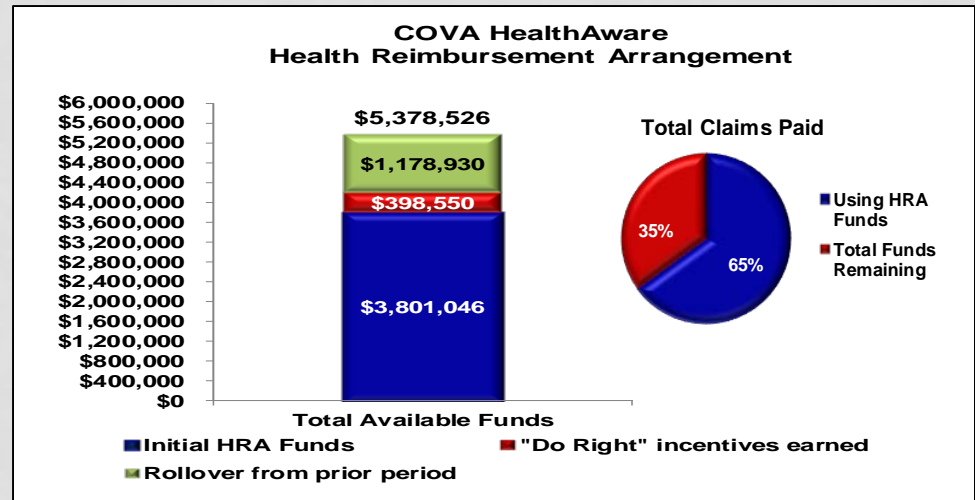
- **Value Based Insurance Design**

- **Diabetes**

- 2.9 conditions per member, down from 4.8 the first year
- 98% had HbA1C test
- VBID-engaged had higher compliance than other members

- **Medication Therapy Management**

- 4,384 safety alerts
- Higher medication adherence
- Closing of gaps in care

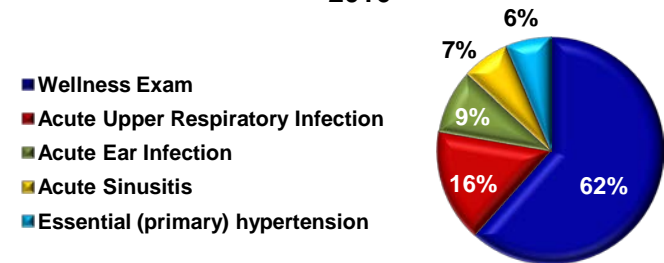


INNOVATION - HEALTH CARE DELIVERY

Capitol Square Healthcare

- Pilot for Capitol Square area
- On Mezzanine in Monroe Building
- Opened in May 2016
 - Averaged 78% of same day visits in 2nd quarter 2017
 - 99% of patients rated services good to excellent

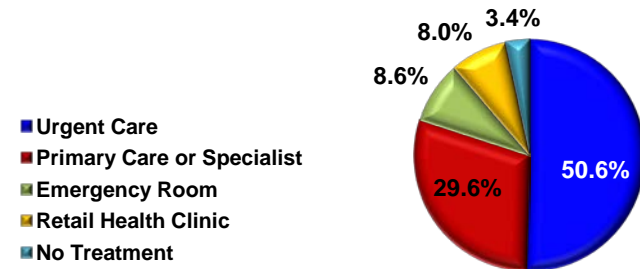
Capitol Square Healthcare
Top Five Services
2016



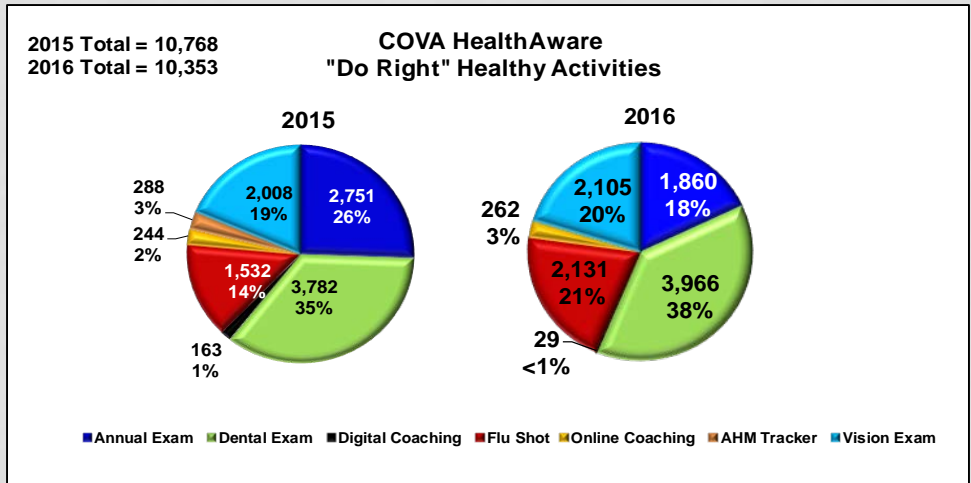
24/7 Online Doctor

- Launched July 1, 2015
- 277 doctor visits
- 30-45 age group used service most
- 23% of registrants used service
 - 51% avoided unnecessary urgent care
 - 9% avoided unnecessary emergency room visits
 - 52% used mobile phone to access care

If Not Online Doctor, Where?

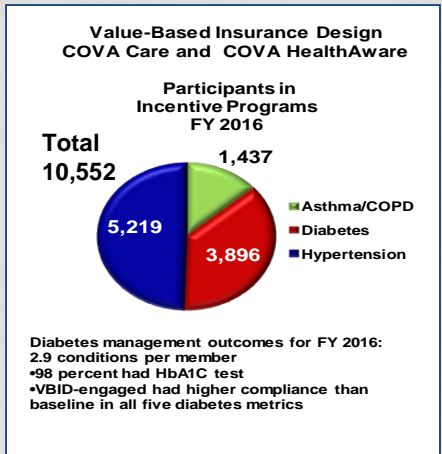
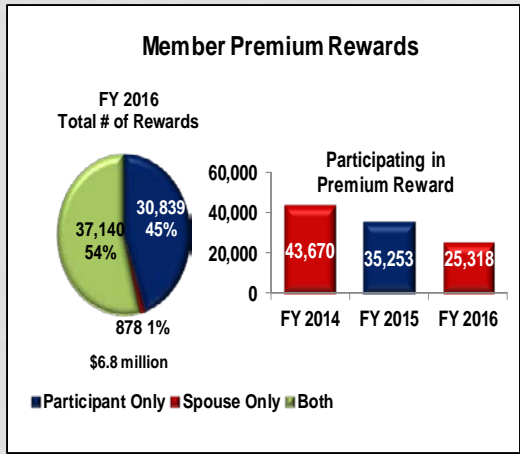


INCENTIVES



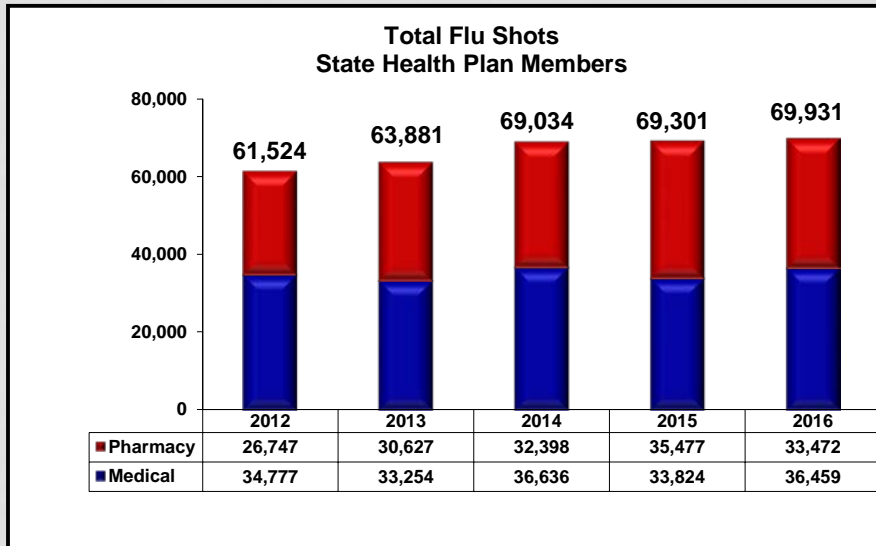
- **Premium Rewards**
 - 21% eligible members qualified or 25,318 members
 - Earned \$6.8 million

- **"Do Rights"**
 - Applies to COVA HealthAware
 - Earned by employees/retirees & spouses for healthy activities
 - Receive \$50 each for up to 3 "do rights"

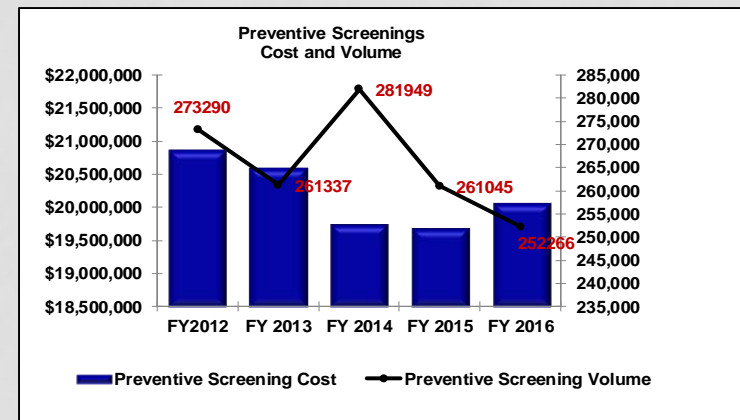
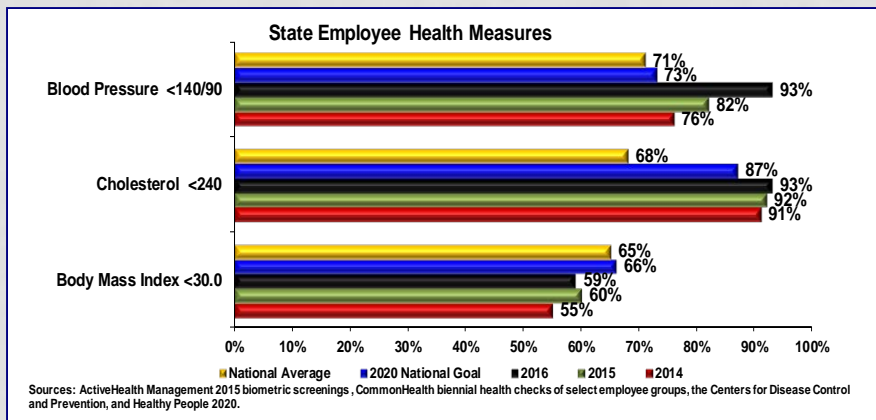


- **VBID Programs**
 - 10,552 total engaged
 - Diabetes program compliance rates higher than other similar Active Health programs

WELLNESS AND PREVENTIVE



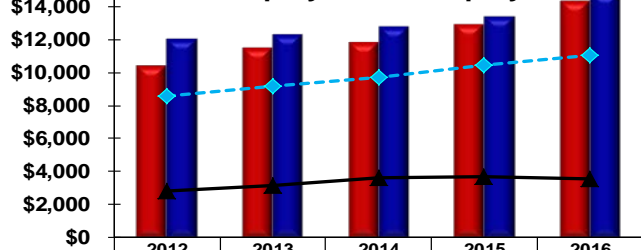
- Preventive cancer screenings
 - No cost to members
- Biometric screenings
 - Hypertension
 - Cholesterol
 - BMI
- Healthy Lifestyles coaching
 - Helps members stay on track
- Flu shots
 - Paid at 100%



COST OF COVERAGE

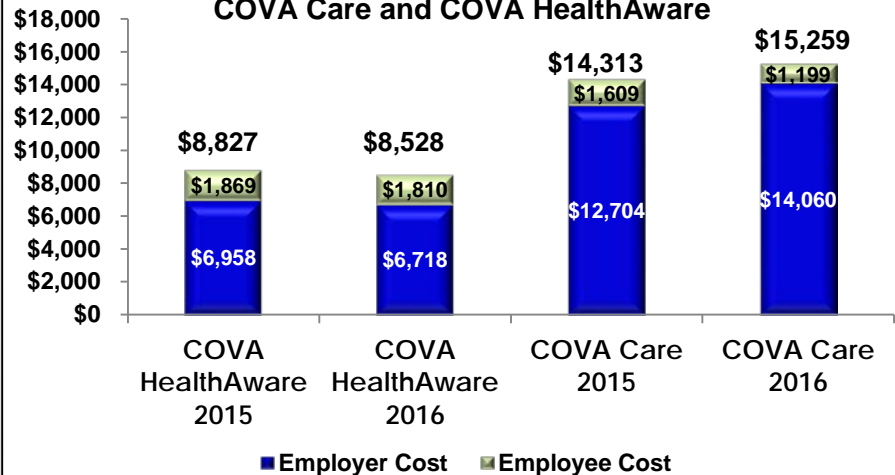
- **\$14,894 total claims cost per employee** in FY 2016
 - 5.9% increase from prior year
 - Employer + Employee Claims Cost
- **COVA Care**
 - \$15,259 claim cost per employee
 - 6.6% higher than prior year
- **COVA HealthAware**
 - \$8,528 total cost per employee
 - 3.4% lower than prior year

National and State Average Annual Cost Per Employer and Employee



State Employer Cost Per Employee	\$10,431	\$11,471	\$11,835	\$12,883	\$14,308*
National Large Government Employer Cost Per Employee	\$12,042	\$12,311	\$12,761	\$13,383	\$14,798
State Employee Cost	\$2,819	\$3,112	\$3,611	\$3,682	\$3,521*
National Average Employee Cost	\$8,584	\$9,144	\$9,695	\$10,473	\$11,033

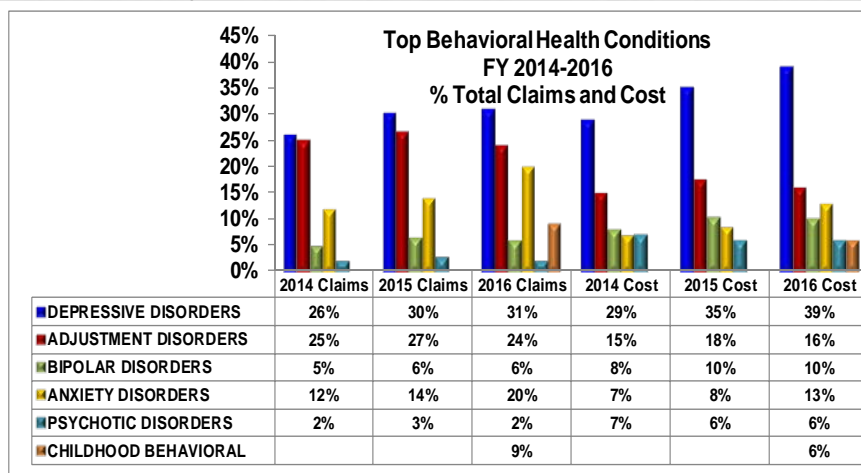
Claims Cost Per Employee Per Plan COVA Care and COVA HealthAware



FY 2016 HEALTH BENEFITS TOP TEN CLAIMS EXPENSE

TOP TEN CLAIMS EXPENSE

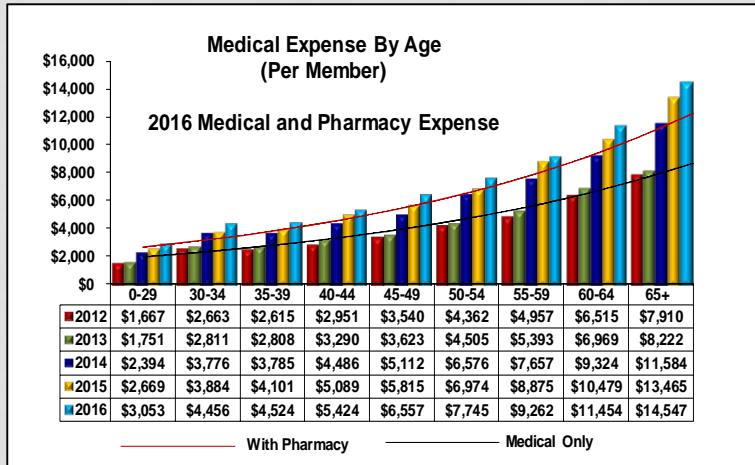
- \$846 million of total plan expense
- 74% of total plan expense
- Obesity related
 - Diabetes
 - Coronary artery disease
 - Hypertension
 - Musculoskeletal disorders
 - Digestive disorders
- High cost specialty drugs required
 - Rheumatoid arthritis
 - Multiple sclerosis



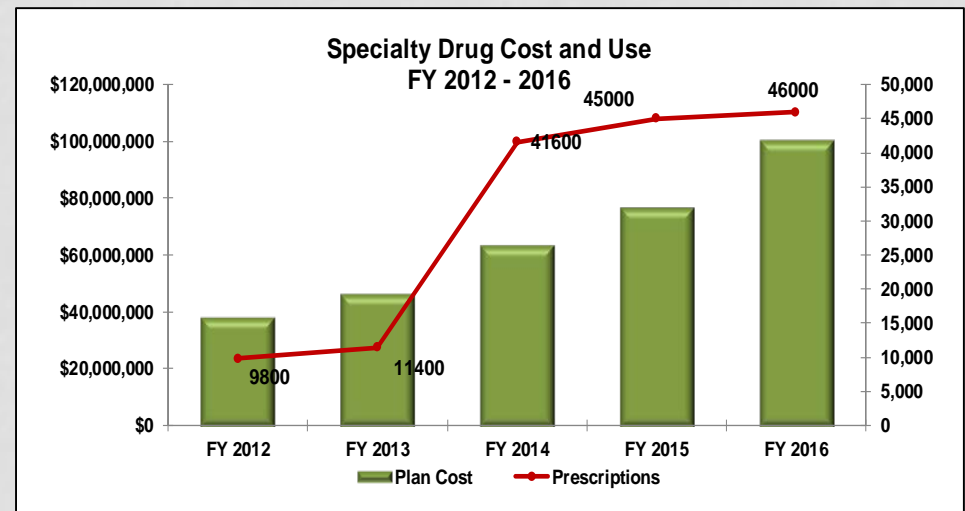
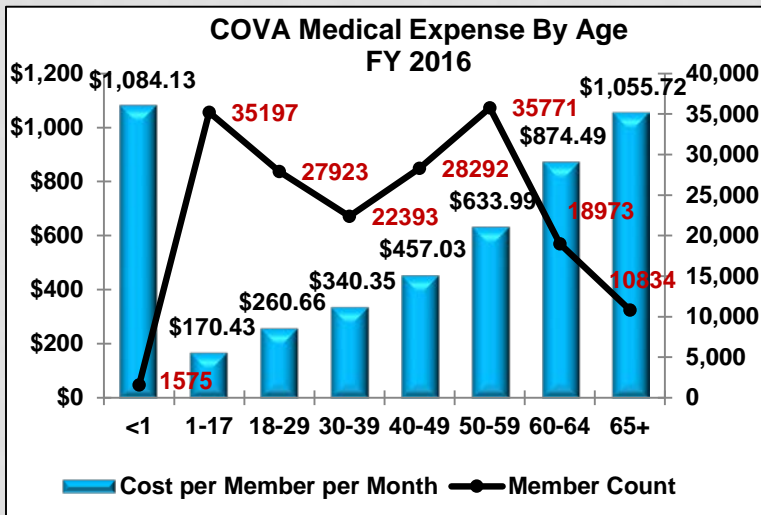
“Top Ten” Claims Expense

Medical Procedures	Chronic Uncontrolled Conditions	Chronic Controlled Conditions	Prescription Drugs
1. Unclassified causes	1. Unclassified causes	1. Osteoarthritis (except low back)	1. Humira - rheumatoid arthritis
2. Musculoskeletal	2. Oncology	2. Coronary Artery Disease	2. Enbrel - rheumatoid arthritis
3. Oncology	3. Musculoskeletal	3. Low Back Problems	3. Harvoni - hepatitis C
4. Cardiovascular	4. Cardiovascular	4. Breast Cancer	4. Crestor - high cholesterol
5. Gastrointestinal	5. Diabetes, Obesity & Lipid Disorders	5. Chronic kidney disease	5. Lantus solostar - diabetes
6. Diabetes, Obesity & Lipid Disorders	6. Gastrointestinal	6. Peripheral vascular disorders	6. Esomeprazole magnesium - stomach acid
7. Obstetrics	7. Behavioral Health	7. Diabetes	7. Tecfidera - multiple sclerosis
8. Neurology	8. Neurology	8. Gallbladder disease	8. Victoza 3-Pak - diabetes
9. Behavioral Health	9. Pulmonary	9. Hypertension	9. Januvia - diabetes
10. Pulmonary	10. Dermatology	10. Renal stones	10. Aripiprazole - depression

COST DRIVERS

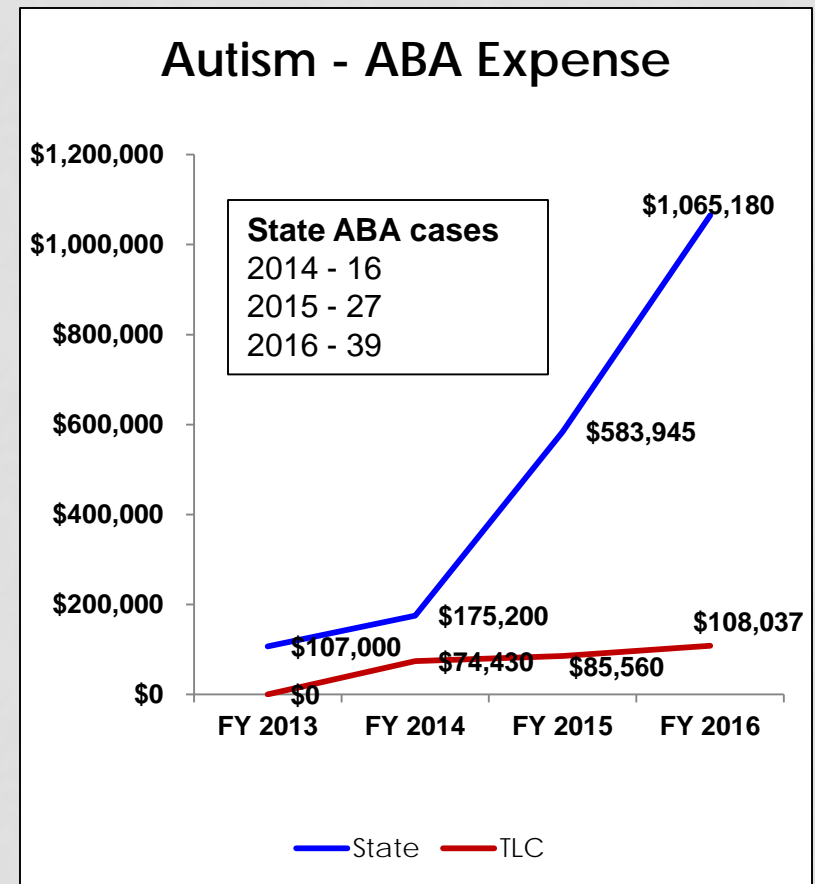


- Expensive procedures
- Treatment of chronic conditions
- Employee lifestyle
- Average employee age
- Prescription drug therapy cost
 - 5 times more specialty prescriptions filled than in 2012
 - 2.5 times cost of specialty drugs than in 2012



AUTISM - ABA SERVICES

- **Applied Behavioral Analysis (ABA) coverage** - (2011) HB 246) -Greason
 - \$35,000 annual cap
 - Ages 2 though 6
- **FY 2015:**
 - Removed cap from state health plan retroactive to 2012 due to mental health parity rules
 - \$555,305 in costs from 7/1/2012 to 12/4/14 with cap in place
- **FY 2016:**
 - 39 state cases versus 27 in 2015
 - **State claims cost:** 82% higher
 - **TLC claims cost:** 26% higher
- **FY 2017:**
 - HB 1940 (2015 – Greason)
 - Extended eligibility to children ages 2 through 10



FY 2018 HEALTH BENEFITS RATES

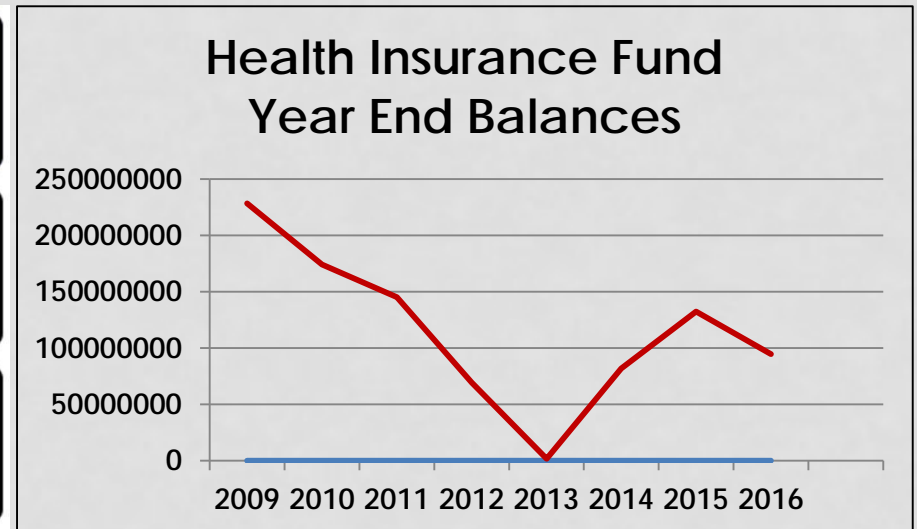
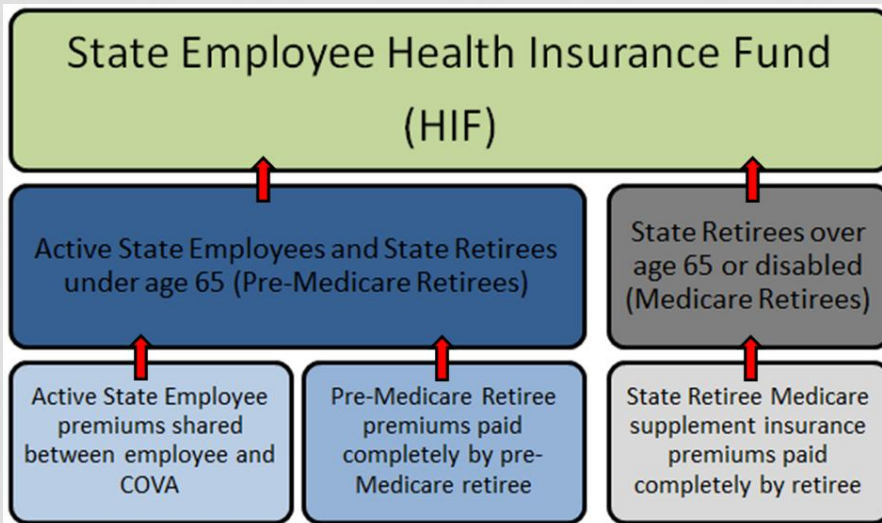
- Assumes employee and spouse receive Premium Rewards
- 8.7% increase in premiums

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	\$65	\$154	\$220	\$6	\$13	\$19	\$71	\$167	\$239
Employer	\$595	\$1,066	\$1,563	\$52	\$93	\$136	\$647	\$1,159	\$1,699
TOTAL PREMIUM	\$ 660	\$ 1,220	\$1,783	\$58	\$106	\$155	\$718	\$1,326	\$1,938
COVA HealthAware Basic									
Employee	\$4	\$42	\$53	\$0	\$4	\$5	\$4	\$46	\$58
Employer	\$ 595	\$1,066	\$ 1,563	\$52	\$93	\$136	\$647	\$1,159	\$1,699
TOTAL PREMIUM	\$ 599	\$ 1,108	\$1,616	\$52	\$97	\$141	\$651	\$1,205	\$1,757

HEALTH INSURANCE FUND

Plan Year End Balances

- FY 2009 – \$228.4 million
- FY 2012 – \$69.4 million
- FY 2013 – \$1.8 million
- FY 2014 – \$81.8 million
- FY 2015 – \$132.3 million
- FY 2016 - \$94.6 million



LINE OF DUTY ACT (LODA) HEALTH BENEFITS PLANS

EFFECTIVE JULY 1, 2017

LODA PROGRAM

- **Effective July 1, 2017**
- **Plans for eligible LODA beneficiaries**
 - Plan 1 - Former employment (Retirees, LTD Participants, Survivors)
 - Medicare is primary if eligible
 - Plan 2 - Current employment with a LODA employer
 - LODA Plan is primary
- **Same plan design as state employees**
 - COVA Care with all optional benefits
 - Medicare coordinating plans
- **Member tools**
 - Member Handbook
 - Dedicated Website: www.dhrm.virginia.gov/healthcoverage/loda-health-benefits
 - Dedicated e-mail: loda@dhrm.virginia.gov
 - Claims Administrator Member Services
 - Dedicated DHRM LODA Benefits Administrator
 - Annual LODA program update from DHRM

LODA CHANGES IMPACTING HEALTH BENEFITS PROGRAM

- **Loss of coverage upon eligibility for Medicare due to age 65**
 - Current participants not affected
 - Age 65 restriction does NOT apply to those in LODA that have Social Security Disability or Railroad Disability
 - Spouses will continue as well
- **Suspension of eligibility due to income greater than pre-disability income**
 - Current participants not affected
- **Loss of coverage for surviving spouses if remarried**
 - Attestation of marital status required
 - No provision for future reenrollment
- **Loss of coverage for ineligible children if covered under same plan as LODA participant**
 - Other coverage available
 - Healthcare.gov
 - Individual policy
 - Medicaid and FAMIS

TENTATIVE TIMELINE



January 2017

- Send new plan information and instructions to current program participants

February 2017

- Receive enrollment documentation from participants

March 2017

- Finalize LODA premiums

July 1, 2017

- Move eligible participants to LODA Plans

LOCAL OPTION HEALTH INSURANCE
(2016) SB 364 CHAFIN

EFFECTIVE JULY 1, 2018

LOCAL OPTION HEALTH INSURANCE (2016 SB 364, CHAFIN)

- Authorizes DHRM to develop a plan under the **local option health insurance** plan
 - The Local Choice (TLC) plans
 - COVA Local (SB 364)
- Permits a **plan similar to state employee health insurance plan**
- Authorizes a **single rating group**
- Allows **local employees and their dependents** to participate
 - Local governments
 - Schools
 - Other political subdivisions eligible to participate in TLC
 - Elected officials if eligible to participate in the entity's benefit plans

COVA Local WEBINARS

- Held **webinars** for interested groups
 1. VML and VACo
 2. School Superintendents and DOE
 3. VEA
 4. Other educator groups
 5. Constitutional Officers
- Webinar participants **voted on six design options** impacting plan stability and actuarial rate setting
 1. Voted to include **non-Medicare retirees** to provide continuity of coverage
 2. Voted **not to include total population health program** and possibly add later after the program has more experience
 3. Voted to implement a **minimum participation of 75%** for active eligible employees for each employer to mitigate adverse selection
 4. Voted to implement **minimum employer contributions** to mitigate adverse selection
 5. Voted to require an **initial participation commitment for a 3 year period** and a 1 year waiting period before rejoining to increase program stability
 6. Voted to include an **Adverse Experience Adjustment (AEA)** and a 3 year lookback period to increase program stability

COVA Local

RULES AND PLAN DESIGN

- **Design program as similar as possible to state plans**
 - COVA Care with buy-up options
 - COVA HDHP with buy-up options
- **Self-funded**
- **Single set of premiums**
- **Single risk pool**
 - Recognize that initially it is a **higher risk pool**
 - Voluntary participation
 - Multiple employers
 - New plan
- **Minimum initial enrollment requirements**
 - 5,000 employees
 - 10,000 members

COVA Local TIMELINE

When	Who	What
Spring 2016	DHRM	Begin outreach to legislators and constituents
Summer 2016	DHRM	Develop program rules
August 2016	All	Conduct information webinars
September 14, 2016	Participants	Indicate preliminary interest to participate
October 14, 2016	Participants	Complete data submissions due to actuaries
January 2017	DHRM	Publish preliminary premium rates
February 2017	Participants	Indicate continuing interest in participating
August 2017	DHRM	Complete procurement if needed
October 2017	DHRM	Publish final premium rates
December 2017	Participants	Make binding election to participate
May 2018	All	Conduct open enrollment
July 1, 2018	All	Go Live!

COVAL Local

NON-BINDING PRELIMINARY INTEREST

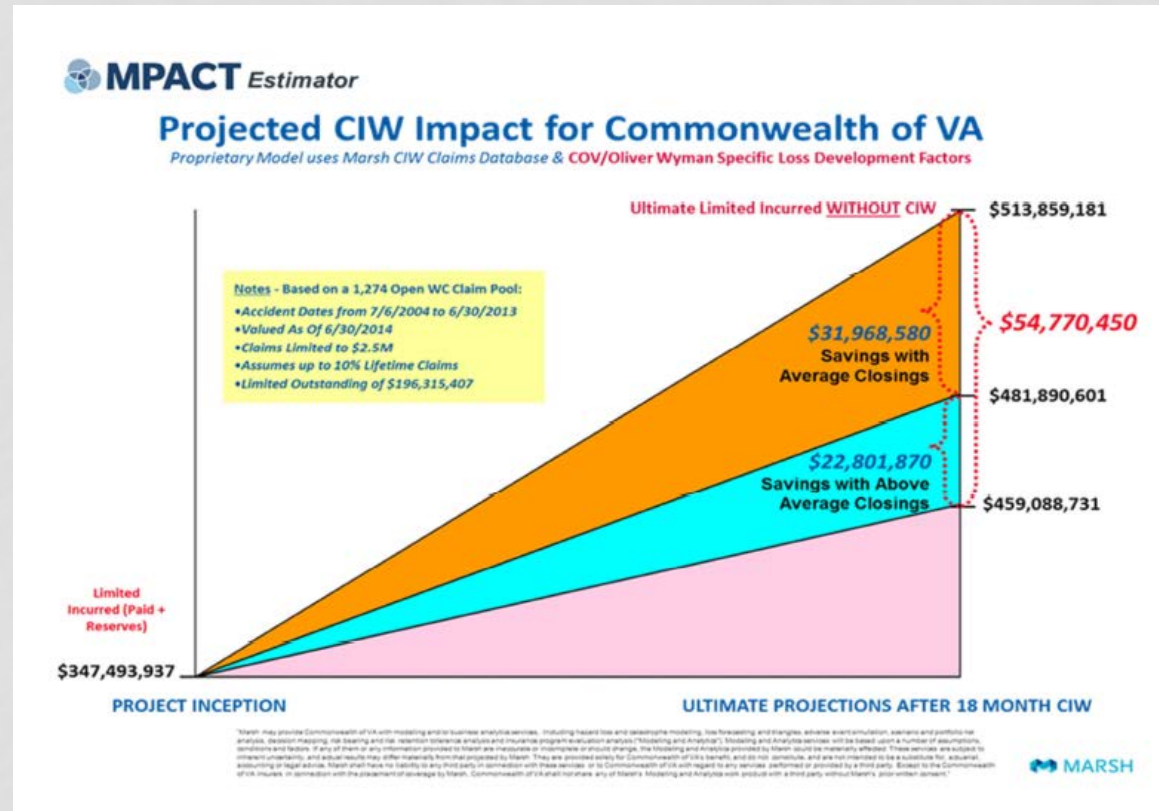
Local Option Health Insurance Program				
	# of Groups	# Enrolled Employees	# Enrolled Dependents	# Total Enrollment
Declared non-binding preliminary Interest (declaration required to be eligible for 1 st year participation)	247	109,510	108,560	218,070
Submitted required data to remain eligible for 1 st year participation	209	100,128	99,394	199,522

STATE EMPLOYEE WORKERS' COMPENSATION

PRIORITIZED SETTLEMENT PROGRAM

STATE EMPLOYEES WORKERS' COMPENSATION CLAIMS SETTLEMENT STUDY

- Actuarial reports show nearly \$1 billion in future program liability
- Strategic settlements may reduce future liability
- \$20 million working capital advance established to fund settlements
- 1,274 claims identified for settlement consideration
- \$32 to \$54 million in potential cost avoidance if settlement funds available



STATE EMPLOYEES WORKERS' COMPENSATION PRIORITIZED SETTLEMENT RESULTS



- Claims reaching agreement to settle between July 1 to January 10, 2016
 - 25 claims settled and paid
 - 1 settlement agreement withdrawn by injured worker
 - 1 settlement agreement NOT approved by Virginia Workers Compensation Commission
 - 11 settlements pending approval

State Employee Workers' Compensation Settlements		
Settlement Amount	Future Exposure	Cost Avoidance Due to Settlement
\$3,107,249	\$12,557,354	\$9,450,105

PERSONNEL MANAGEMENT
INFORMATION SYSTEMS
MODERNIZATION

HR SYSTEMS

INFORMATION TECHNOLOGY PMIS MIGRATION PROJECT

- **What:** Migrate all DHRM's systems running on the Unisys Mainframe to a modern environment
- **Why:** Money and people
 - **Cost Avoidance** - ~ \$20 million in new charges annually for full cost of mainframe if DHRM is the sole user of the system
 - **Staffing Issues** – 80% of the Unisys mainframe systems are eligible for retirement and there is a dwindling pool of resources that can support the system
- **Who:** Procure vendor services to translate the system from its legacy technologies to modern ones
- **When:** Executed statement of work in February 2015 and transition from Unisys mainframe to new environment by February 2017
- **How Much:** \$2.72 million appropriated in FY15 and \$2.72 million in FY16, with unused funds carried forward
- **Status:** Budget –  Scope –  Schedule – 