STATE EMPLOYEE

WORKFORCE, COMPENSATION,
HEALTH INSURANCE,
WORKERS' COMPENSATION,
INFORMATION TECHNOLOGY

Virginia Department of Human Resource Management

HOUSE APPROPRIATIONS COMMITTEE
COMPENSATION & RETIREMENT SUBCOMMITTEE
GENERAL ASSEMBLY BUILDING, RICHMOND, VIRGINIA
JANUARY 22, 2015

STATE EMPLOYEE WORKFORCE

STATE WORKFORCE
EMPLOYMENT LEVEL

- 16% of total employees statewide are wage

STATEWIDE FTEs	6/30/2014
Salaried Employees	
• Executive	98,663.21
• Legislative	491.00
• Judicial	3,275.90
• Independent	1,561.00
Total Salaried	103,991.11
Temporary Employees	
• Executive	20,226.39
• Legislative	26.32
• Judicial	117.09
• Independent	79.90
Total Temporary	20,449.70
TOTAL EMPLOYEES STATEWIDE	**124,440.81**
Contractors	4,838.40
TOTAL HUMAN CAPITAL	**129,279.21**

- 50% Executive Branch employees in Education

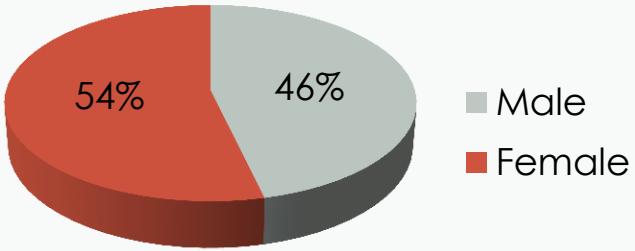
EXECUTIVE -Secretariat FTEs	6/30/2014
• Executive Offices	472.50
• Administration	748.35
• Natural Resources	1,792.34
• Education	49,664.35
• Health & Human Resources	14,315.48
• Transportation	9,188.73
• Public Safety & Homeland	18,286.85
• Finance	1,091.10
• Commerce & Trade	1,592.90
• Technology	256.50
• Agriculture & Forestry	670.31
• Veterans Affairs	583.80
TOTAL EXECUTIVE SALARIED	**98,663.21**

Source: DHRM Reports as of June 30 2014

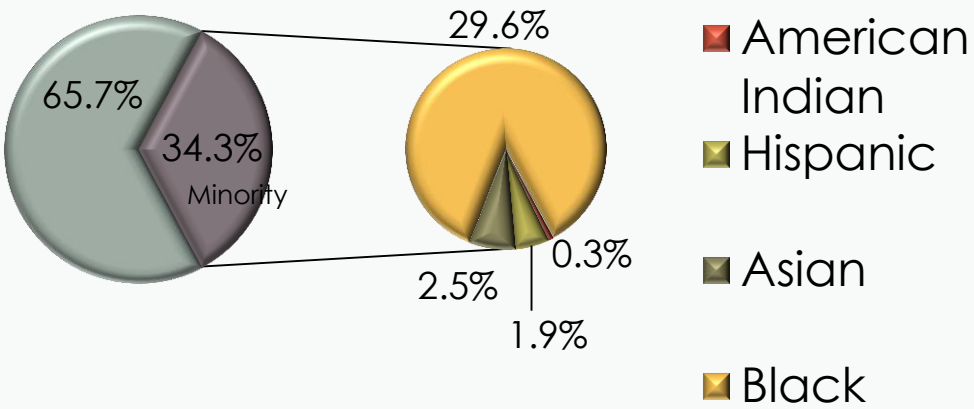
CLASSIFIED STATE WORKFORCE
DEMOGRAPHICS

- **Average Age** 46.7 years
- **Average Years of Service** 12.0 years

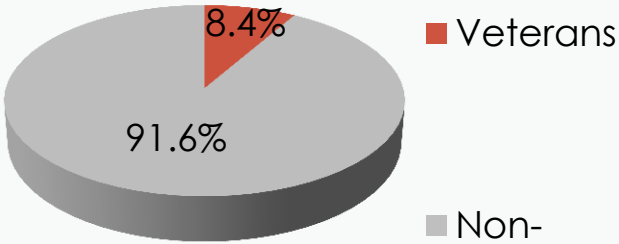
Gender



Race



Veteran Status



Source: DHRM Reports as of June 30 2014

CLASSIFIED STATE WORKFORCE
RECRUITMENT & RETENTION

Recruitment	
• Vacancy rate	11.5%
• Average vacancy	336 days
• Average time to hire	88 days
• Hire offers accepted	88.8%
• Exceptional recruitment options	3.5%
• Total recruitments	12,470
• Promotions	12.2%
• Demotions	1.5%
• Transfers	26.6%
• New hires & rehires	59.7%
• Average age new hires	35.5 years

Retention	
• Turnover rate	11.5%
• Turnover - probationary	12.1%
• Turnover - < 5 years service	53.1
• Average retention bonus	5.9%
• Employees w/ retention in-band adjustment increase	5.6%
• Avg retention in-band adjustment increase	3.3%
• Eligible retirement today	11.6%
• Eligible retirement ≤ 5 years	26.2%
• Retirement rate	2.9%

Source: DHRM Reports as of June 30 2014

STATE WORKFORCE
WORK LIFE BALANCE

ALTERNATE WORK SCHEDULE

- Positions eligible for Alternate Work Schedule 53.9%
- Eligible employees usage of Alternate Work Schedule 46.0%

TELEWORK

- Positions eligible for teleworking 21.2%
- Employees in eligible positions teleworking 23.6%

ANNUAL LEAVE

- Average annual leave earned 115.1 hours
- Average annual leave used 106.7 hours
- Average annual leave lost 5.8 hours

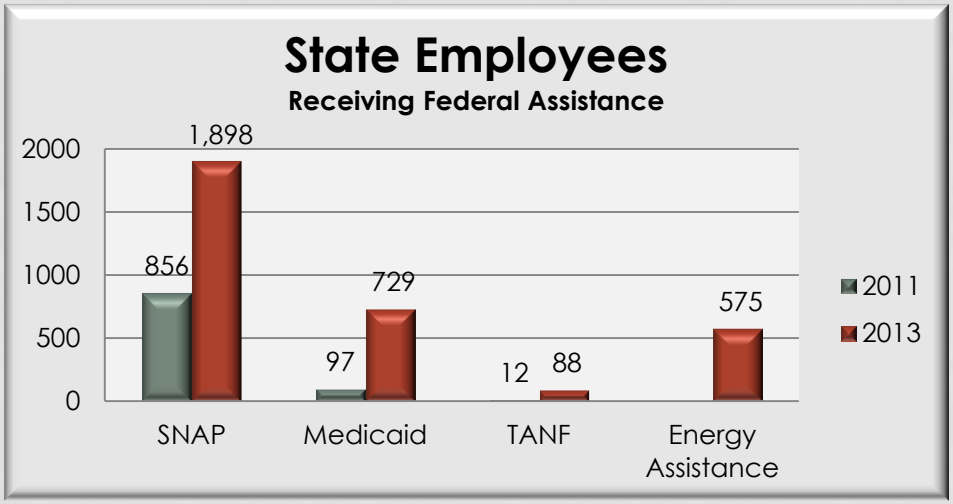
Source: DHRM Reports as of June 30 2014

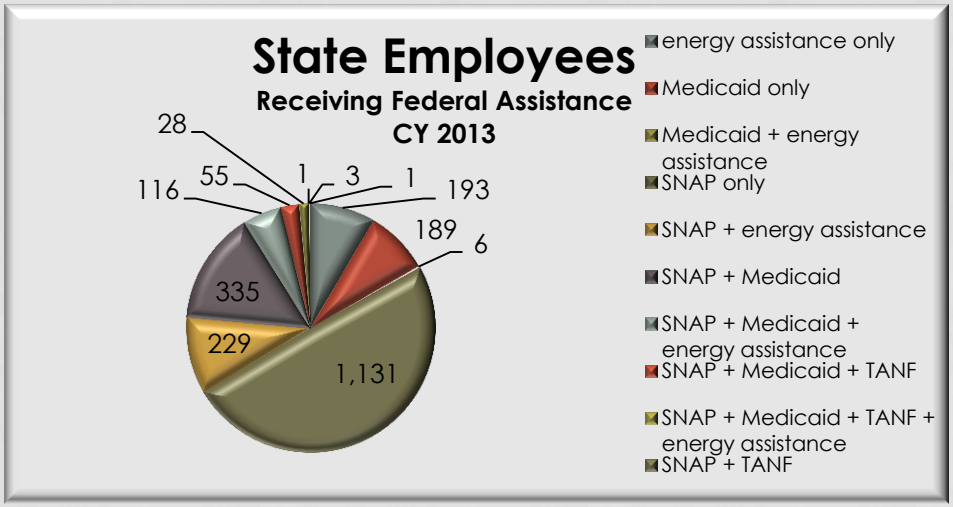
STATE WORKFORCE

SALARIED FULL-TIME EMPLOYEES RECEIVING FEDERAL ASSISTANCE

- **Number of employees receiving assistance**
  - 2013 2,287 employees
  - 2011 892 employees
  - 2007 < 12 employees*
- **Number of employees receiving food stamps**
  - 2013 1,898 employees
  - 2011 856 employees
  - 2007 0 employees
- **Change over time**
  - Poor economy and lack of employee raises have taken a toll on state employees
  - Although no employees received food stamps in 2007, almost 1900 state employees receive food stamps today
  - 122% increase in food stamps in the last two years
  - No change in benefit eligibility during this time

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



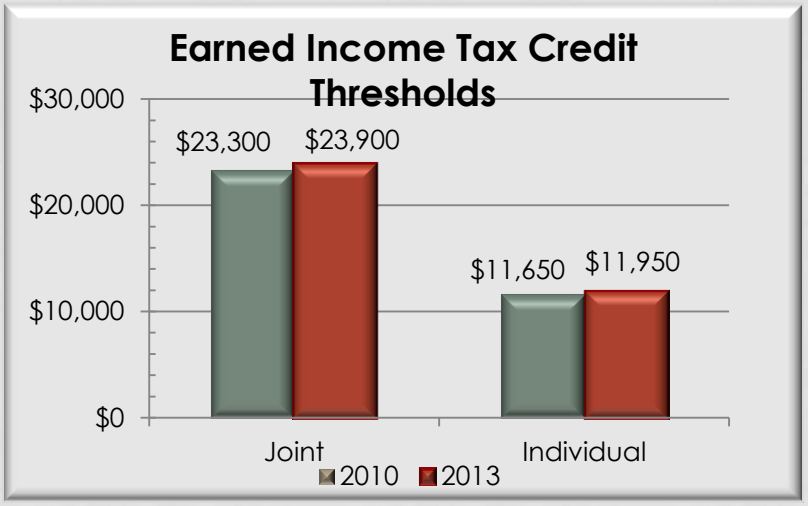


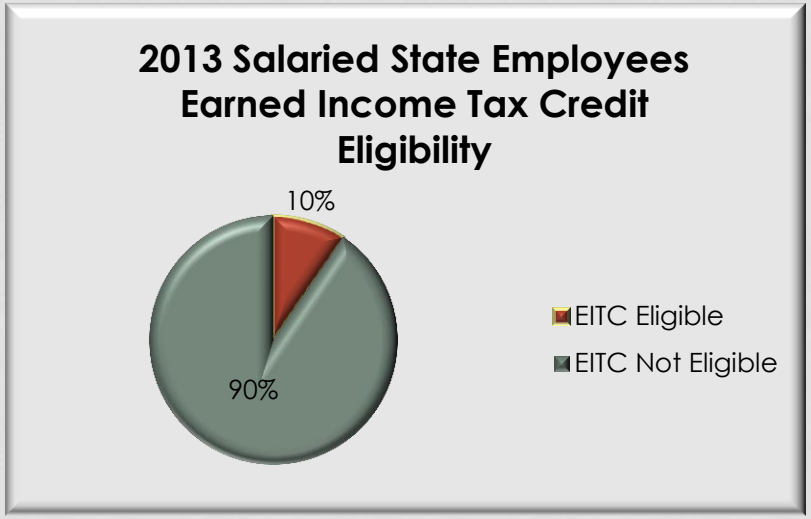
Source: DHRM Reports May 2014

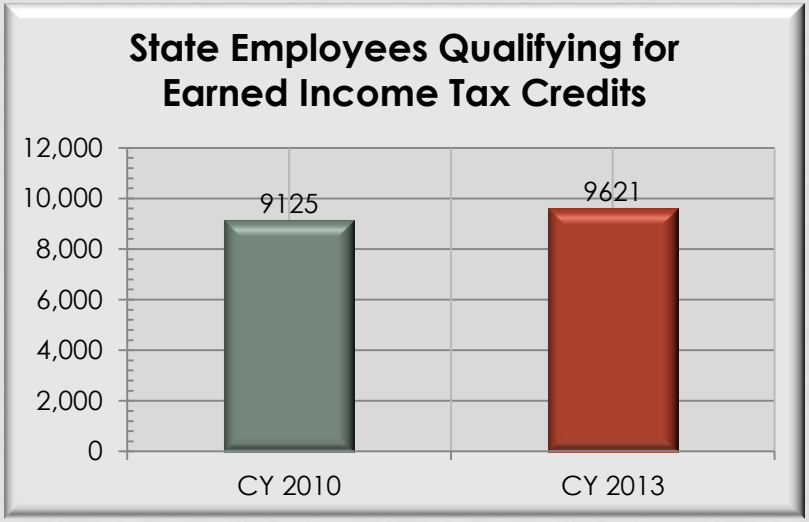
STATE WORKFORCE

SALARIED FULL-TIME EMPLOYEES WITH EARNED INCOME TAX CREDIT

- **Number of employees qualifying for EITC**
  - 10% of salaried full-time state employees in 2013
- **Change over time**
  - 2.6% increase in eligibility threshold from 2010 to 2013
  - 5.4% increase in state employees qualifying for EITC from 2010 to 2013







Source: DHRM Reports May 2014

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

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**
  - $15,678
  - 53 DBHDS employees in Food Service Tech I, Housekeeping/ Apparel Service Worker 1, Transportation Operator 1 in DBHDS in Danville & Nottaway
- **Highest paid**
  - $252,498
  - Physician Manager II in DBHDS in NOVA
- **Mode** continues to be Pay Band 3
- **Federal minimum wage** is $7.25 or $15,080 annually

BANDS	RANGE			EMPLOYEES	
	Minimum	SW Maximum	NOVA Maximum	Number	Percent
1	$ 15,678	$ 35,706	$ 46,418	2,214	3.37%
2	$ 20,484	$ 46,049	$ 59,864	8,254	12.56%
3	$ 24,479	$ 54,653	$ 71,049	21,626	32.91%
4	$ 31,979	$ 70,801	$ 92,042	17,116	26.05%
5	$ 41,778	$ 91,896	$ 119,465	12,135	18.47%
6	$ 54,580	$ 119,455	$ 155,292	3,708	5.64%
7	$ 71,305	$ 155,463	$ 186,555	450	0.68%
8	$ 93,150	$ 202,500	$ 243,000	198	0.30%
9	$ 121,694	Market	Market	16	0.02%

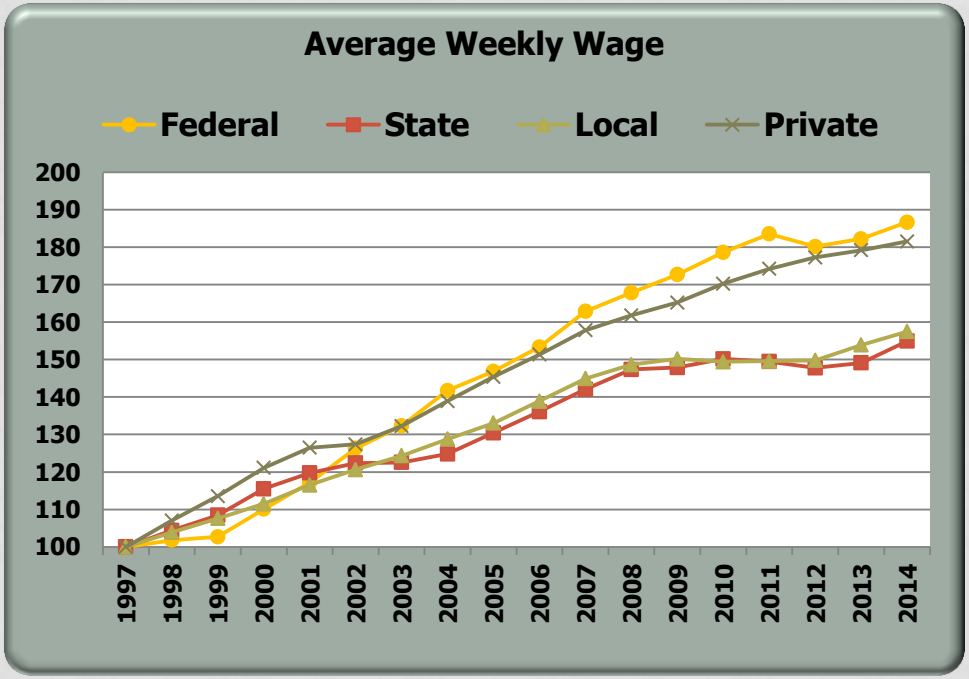
STATE SALARIES	MEAN	MEDIAN	1ST QUARTILE	3RD QUARTILE	LOWEST	HIGHEST	COUNT
Statewide	$46,218	$41,206	$32,765	$54,475	$15,678	$253,498	64,943
NOVA	$53,514	$49,436	$40,000	$61,382	$25,092	$253,498	6,076
Statewide (excluding NOVA)	$45,465	$40,314	$32,449	$53,410	$15,678	$248,837	58,867

Source: DHRM Reports as of June 30 2014

COMPENSATION
STATE SALARIES

- State employees wages have been lower than all other sectors since 2003
- Take home pay has not increased since 2007
  - 2011 increase of 5% was offset by the 5% employee contribution to VRS
  - 2013 increase of 2.73% was offset by the payroll tax
- Buying power has decreased 7% since 2000
  - Almost 15% decrease in buying power if offsets not included

Year	CPI % Change	Cumulative CPT % 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	1.7	35.7	0.00	28.63



COMPENSATION
MARKET

- State salaries for certain positions deviate from the private sector on average by - 26.30%

- Average Performance Increase
  - FY14 Market movement 2.88%
  - FY15 Forecast 2.98%
  - FY15 Projected State Deviation -24.82%

- Average Structure Adjustments
  - FY14 Actual 1.93%
  - FY15 Forecast 1.94%

Occupation	Private Industry Average Salary	Avg State Employee Salary	Deviation
Attorney	143,938	76,298	-88.70%
Environmental Engineer	104,316	61,700	-69.10%
Systems Analysis Supv	158,286	101,847	-55.40%
Generic Engineer Supv	159,004	104,353	-52.40%
Chemist	79,486	56,029	-41.90%
Accountant	81,346	57,416	-41.70%
Internal Auditor	81,346	57,416	-41.70%
Marketing Specialist	75,017	55,176	-36.00%
Truck Driver, Light	36,283	27,110	-33.80%
HR Admin Supv	131,618	98,682	-33.40%
Data Base Administrator	98,315	76,873	-27.90%
Employee Training Specialist	74,351	58,607	-26.90%
Architect	87,601	72,003	-21.70%
Security Guard, Unarmed	33,250	28,302	-17.50%
Laboratory Aide	42,390	36,459	-16.30%
Maintenance Electrician	48,708	42,130	-15.60%
Social Worker (MSW)	54,646	47,852	-14.20%
Medical Lab Tech	57,879	52,105	-11.10%
Yard Laborer/Janitorial Supv	32,204	29,442	-9.40%
Cook	25,981	24,203	-7.30%
Mail Clerk	29,056	27,501	-5.70%
Staff RN	66,786	63,898	-4.50%
Physical Therapist	87,950	84,506	-4.10%
Secretary	36,082	36,860	2.10%
Cashier	21,058	24,963	15.60%
Average			**-26.30%**

Source: 2014 DHRM Annual Salary Report

COMPENSATION
SELECTED LOCALITIES
BASE SALARY ADJUSTMENT

BASE SALARY INCREASES											
Locality	**FY-04**	**FY-05**	**FY-06**	**FY-07**	**FY-08**	**FY-09**	**FY-10**	**FY-11**	**FY-12**	**FY-13**	**FY-14**
Richmond City	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	0.00%	0.00%	0.00%	0.00%	2.00%
Charlottesville	3.50%	3.00%	4.00%	4.00%	4.00%	4.00%	0.00%	2.00%	0.00%	2.00%	2.00%
Montgomery County	2.50%	5.50%	4.80%	2.50%	6.77%	5.50%		0.00%	3.00%	2.00%	1.00%
Fairfax County	4.00%	4.32%	4.37%	4.40%	4.98%	4.98%		0.00%	2.00%	4.70%	0.00%
Chesterfield County	2.50%	4.00%	3.00%	4.00%	5.25%	4.00%	0.00%	0.00%	2.00%	1.00%	1.00%
Norfolk	4.00%	4.00%	4.00%	4.50%	4.50%	3.50%	0.00%	0.00%	0.00%	2.00%	2.00%
Chesapeake	3.00%	3.00%	4.00%	4.00%	4.50%	3.00%	0.00%	1.50%	1.50%	0.00%	1.60%
Virginia Beach	6.00%	5.00%	6.50%	4.50%	3.50%	2.50%	0.00%	0.00%	2.50%	1.00%	3.00%
Albemarle County	3.19%	4.40%	3.95%	4.00%	3.35%	0.00%	0.00%	0.00%	0.00%	1.00%	2.00%
Augusta County	4.00%	4.00%	4.00%	3.83%	3.06%	3.06%		0.00%	0.00%	0.00%	4.00%
Locality Average	**3.31%**	**3.85%**	**3.90%**	**3.78%**	**4.40%**	**3.35%**	**0.00%**	**0.35%**	**1.10%**	**1.37%**	**1.86%**
State Employees	**2.25%**	**3.00%**	**4.40%**	**4.50%**	**4.00%**	**0.00%**	**0.00%**	**5.00%**	**0.00%**	**0.00%**	**2.00%**

State 5% increase in FY 11 was offset by 5% contribution to VRS

Source: DHRM Survey

COMPENSATION

NATIONAL PAY RANKING OF STATES

State	Federal Government		State Gov		Local Gov		Private Industry			
	Agv Annual Pay	State Ranking	Agv Annual Pay	State Ranking	Agv Annual Pay	State Ranking	Agv Annual Pay	State Ranking	State Avg as % of Private Avg	State Ranking
Alabama	74,197	4	48,566	25	37,422	33	41,398	37	117%	14
Alaska	72,420	8	56,208	12	46,369	14	50,622	13	111%	25
Arizona	67,721	25	52,691	17	42,865	19	45,523	21	116%	17
Arkansas	62,097	42	42,346	45	35,082	45	38,640	46	110%	26
California	73,659	6	66,715	1	56,335	2	56,577	5	118%	13
Colorado	71,252	11	54,435	15	42,845	20	51,135	12	106%	31
Connecticut	70,503	13	62,583	4	52,997	7	63,252	2	99%	44
Delaware	65,661	30	52,486	19	49,791	11	51,955	9	101%	41
Florida	69,093	19	44,456	38	45,534	16	42,901	30	104%	35
Georgia	67,991	23	41,501	46	37,122	35	47,509	18	87%	50
Hawaii	68,827	20	45,299	35	56,010	3	41,485	36	109%	27
Idaho	62,104	41	41,429	47	31,867	49	36,725	48	113%	19
Illinois	70,943	12	64,861	3	47,376	12	52,626	7	123%	8
Indiana	64,779	32	44,803	37	36,205	39	41,791	34	107%	28
Iowa	59,723	46	62,119	5	37,650	31	40,489	40	153%	1
Kansas	61,453	44	47,680	29	32,708	48	42,297	33	113%	20
Kentucky	59,625	47	43,395	42	37,220	34	40,577	39	107%	29
Louisiana	65,084	31	47,278	30	37,090	36	44,334	24	107%	30
Maine	66,607	28	40,949	49	36,212	38	38,778	45	106%	32
Maryland	90,303	1	52,518	18	51,001	9	51,925	10	101%	40
Massachusetts	73,058	7	61,844	7	54,008	6	62,311	3	99%	43
Michigan	70,277	15	57,647	10	43,951	17	46,671	19	124%	7
Minnesota	66,153	29	57,443	11	42,882	18	50,476	14	114%	18
Mississippi	62,648	39	43,029	44	32,808	47	35,890	50	120%	10
Missouri	63,163	35	39,993	50	37,045	37	43,445	28	92%	47

Source: 2013 Bureau of Labor Statistics data based on 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 as 2010, 2011, 2012
- 11th in Private Industry
  - Same as 2012, down from 9th in 2011 & 8th in 2010
- 24th in Local Government
  - Up from 25th in 2012, & 2011, down from 23rd in 2010
- 33nd in State Government
  - Down from 32nd in 2012, 2010 and same as 33rd in 2011
- 49th in State average as a percent of Private average
  - Down from 47th in 2012, 48th in 2010 & 2011

State	Federal Government		State Gov		Local Gov		Private Industry			
	Agv Annual Pay	State Ranking	Agv Annual Pay	State Ranking	Agv Annual Pay	State Ranking	Agv Annual Pay	State Ranking	State Avg as % of Private Avg	State Ranking
Montana	61,628	43	43,318	43	36,151	40	36,499	49	119%	11
Nebraska	62,358	40	47,186	31	38,724	29	39,357	43	120%	9
Nevada	64,427	33	47,789	28	51,595	8	42,943	29	111%	24
NewHampshire	72,124	9	48,236	27	41,813	23	49,438	15	98%	45
NewJersey	74,154	5	65,847	2	59,167	1	59,017	4	112%	23
NewMexico	67,644	26	49,078	23	35,841	43	39,666	41	124%	6
NewYork	71,702	10	58,090	9	55,271	5	64,202	1	90%	48
NorthCarolina	62,829	37	46,142	32	39,988	26	43,767	27	105%	33
NorthDakota	58,447	48	48,903	24	35,960	42	48,740	17	100%	42
Ohio	70,124	16	58,151	8	42,727	21	44,062	26	132%	3
Oklahoma	62,989	36	43,559	41	35,523	44	42,734	31	102%	37
Oregon	68,605	21	45,479	34	46,250	15	44,385	23	102%	36
Pennsylvania	68,134	22	54,668	14	46,453	13	48,794	16	112%	21
RhodeIsland	76,481	3	62,032	6	55,645	4	45,773	20	136%	2
SouthCarolina	63,227	34	43,651	40	39,361	28	39,120	44	112%	22
SouthDakota	58,107	50	43,860	39	31,028	50	37,085	47	118%	12
Tennessee	70,431	14	44,936	36	37,536	32	44,285	25	101%	38
Texas	70,094	18	50,329	22	41,354	25	52,137	8	97%	46
Utah	62,814	38	48,433	26	32,901	46	41,718	35	116%	16
Vermont	67,320	27	51,371	21	38,209	30	41,228	38	125%	5
Virginia	83,552	2	45,810	33	41,515	24	51,665	11	89%	49
Washington	70,099	17	53,551	16	50,320	10	52,880	6	101%	39
WestVirginia	67,892	24	41,123	48	36,118	41	39,514	42	104%	34
Wisconsin	60,006	45	54,681	13	39,407	27	42,572	32	128%	4
Wyoming	58,348	49	52,324	20	41,978	22	44,692	22	117%	15

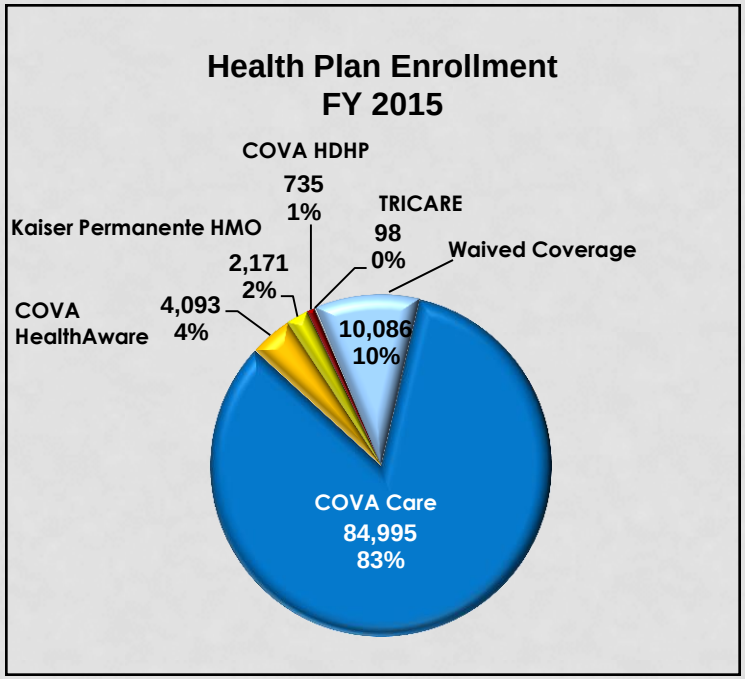
Source: 2013 Bureau of Labor Statistics data based on payroll records of what is actually paid out to employees as reported quarterly to employment commissions

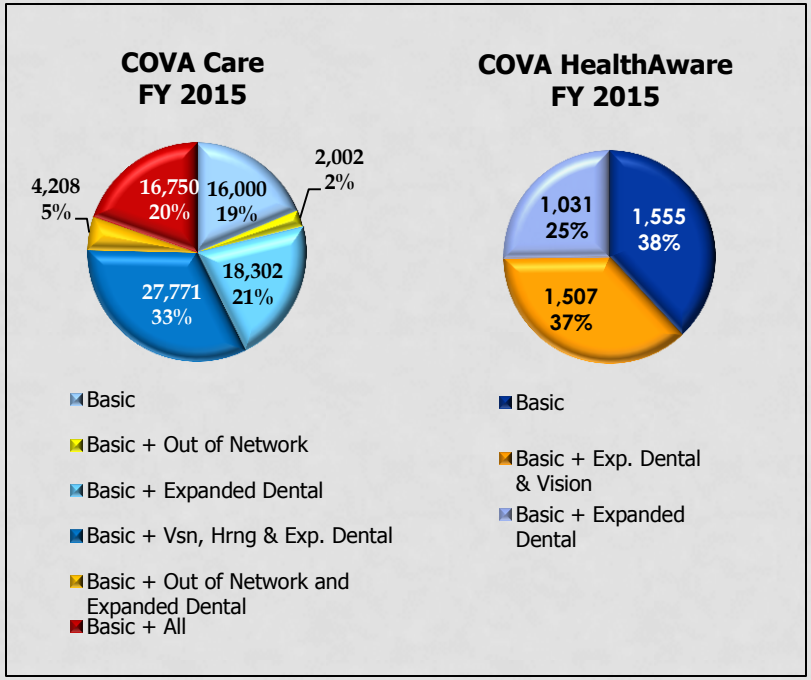
STATE EMPLOYEE HEALTH INSURANCE

FY 2015 HEALTH BENEFITS

HEALTH PLAN ENROLLMENT

- 102,178 employees eligible for state health benefits
- 92,092 employees enrolled in all plans
- 200,904 members enrolled in all plans

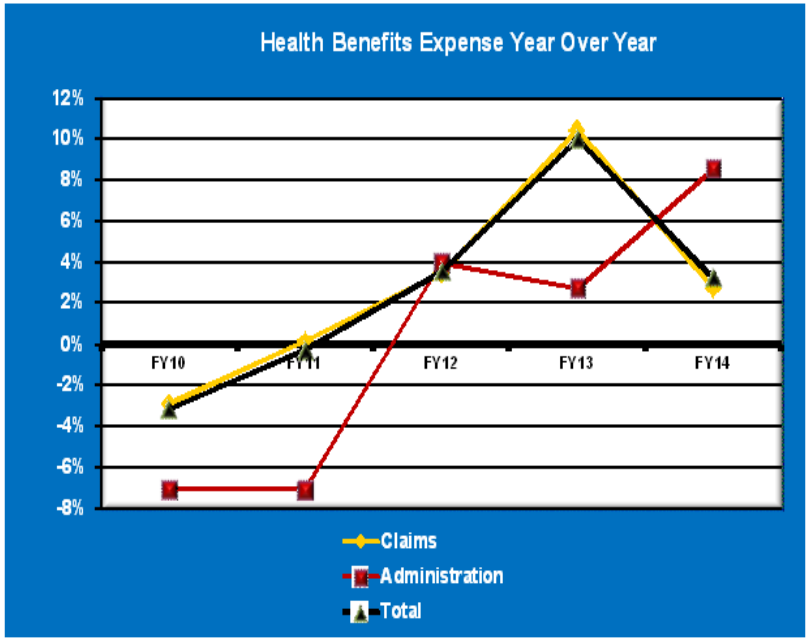


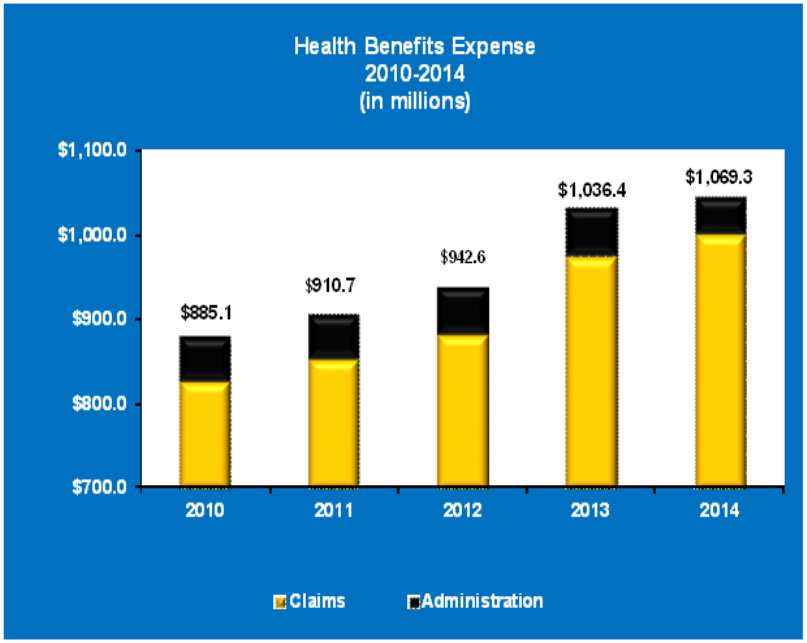


Source: DHRM Benefits Eligibility data as of December 31, 2014

FY 2014 HEALTH BENEFITS
COST TRENDS

- Total program expense increased 3.2% in FY 14
- $1.0 billion total claims paid in FY 14
- 7.2 million total claims processed

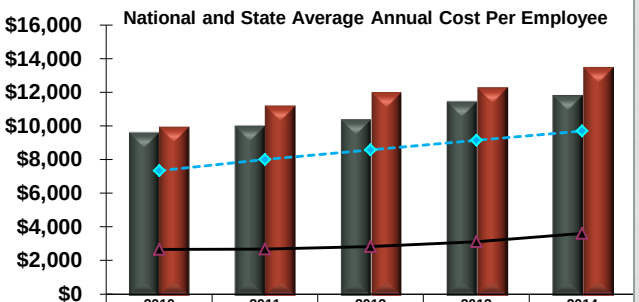




Source: DHRM 2014 Health Benefits Annual Report

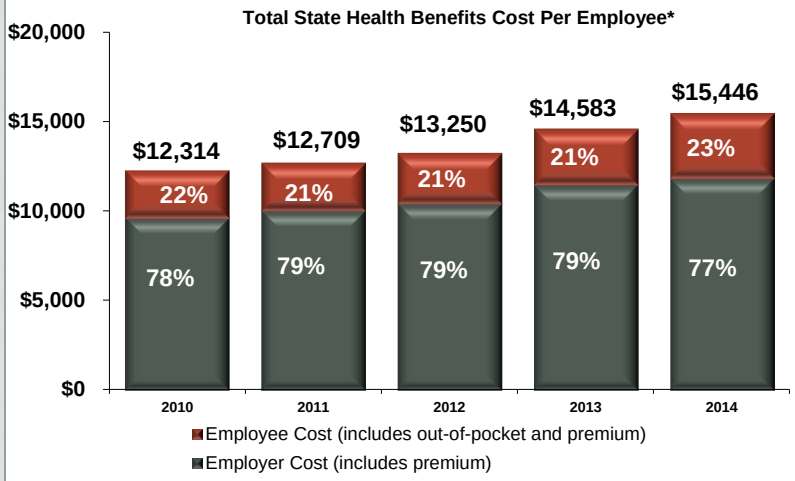
FY 2014 HEALTH BENEFITS
TOTAL COST PER EMPLOYEE

- $15,446 total cost per employee in FY 14
- 5.9% increase in FY 14 from prior year



	2010	2011	2012	2013	2014
State Employer Cost Per Employee	$9,656	$10,043	$10,431	$11,471	$11,835
National Large Government Employer Cost Per Employee	$9,996	$11,251	$12,042	$12,311	$13,520 *
State Employee Cost	$2,658	$2,666	$2,819	$3,112	$3,611
National Average Employee Cost	$7,330	$8,008	$8,584	$9,144	$9,695 *

*National average employer and employee costs projected for 2014 by Milliman Medical Index. Health care cost projections vary. The Henry J. Kaiser Family Foundation shows a national average employer cost per employee of $12,011 for CY 2014 and an employee premium contribution of $4,823. Other national data shown is from Milliman and the Mercer National Survey of Employer-Sponsored Health Plans.

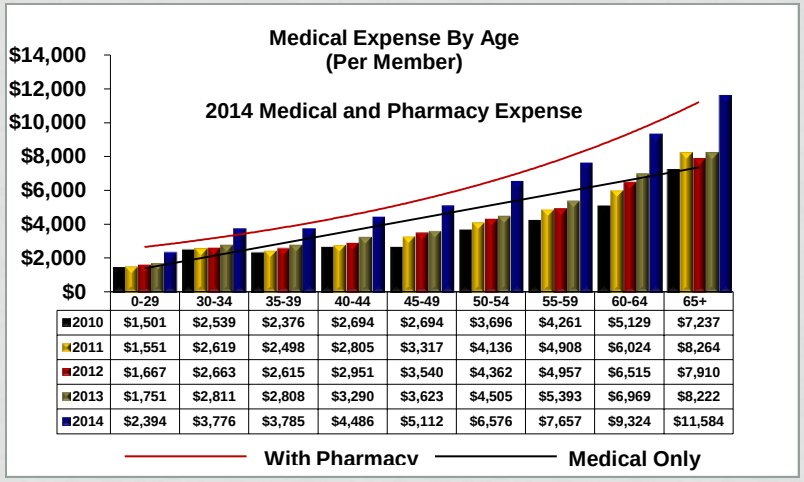


*Employee contribution to premium varies by dependent coverage. Employees paid 16 percent of premium costs in 2014, an increase of 4 percent over prior years. The Henry J. Kaiser Family Foundation projects a total average national health benefits cost per employee of $16,834 for CY 2014.

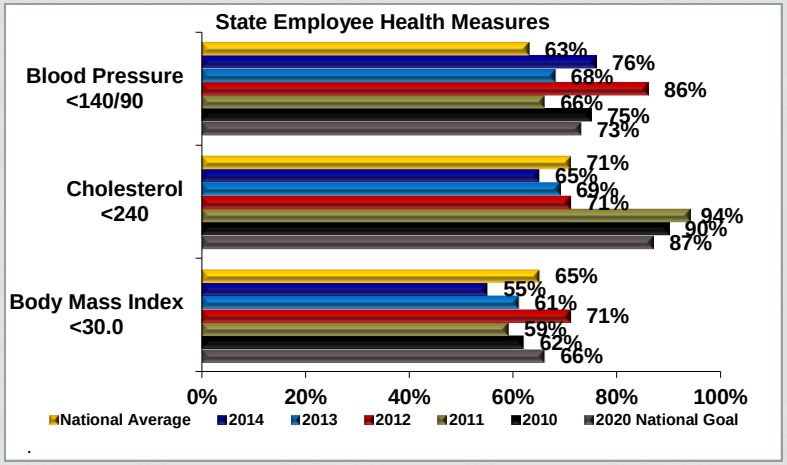
Source: DHRM 2014 Health Benefits Annual Report

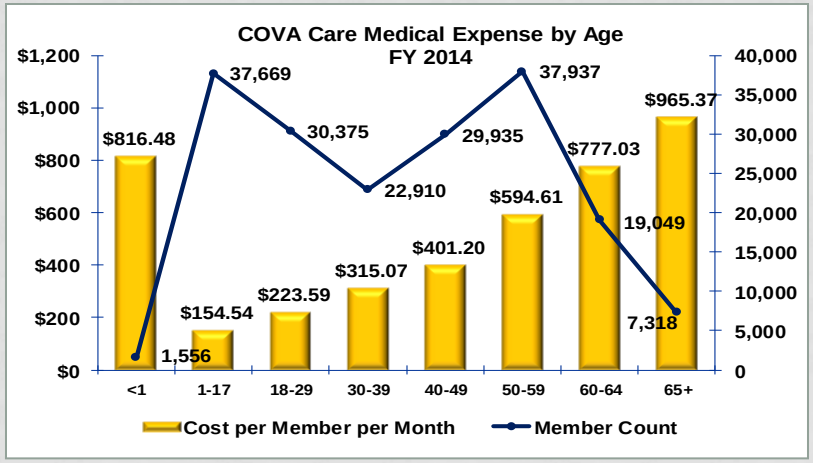
FY 2014 HEALTH BENEFITS
COST DRIVERS

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



	0-29	30-34	35-39	40-44	45-49	50-54	55-59	60-64	65+
2010	$1,501	$2,539	$2,376	$2,694	$2,694	$3,696	$4,261	$5,129	$7,237
2011	$1,551	$2,619	$2,498	$2,805	$3,317	$4,136	$4,908	$6,024	$8,264
2012	$1,667	$2,663	$2,615	$2,951	$3,540	$4,362	$4,957	$6,515	$7,910
2013	$1,751	$2,811	$2,808	$3,290	$3,623	$4,505	$5,393	$6,969	$8,222
2014	$2,394	$3,776	$3,785	$4,486	$5,112	$6,576	$7,657	$9,324	$11,584



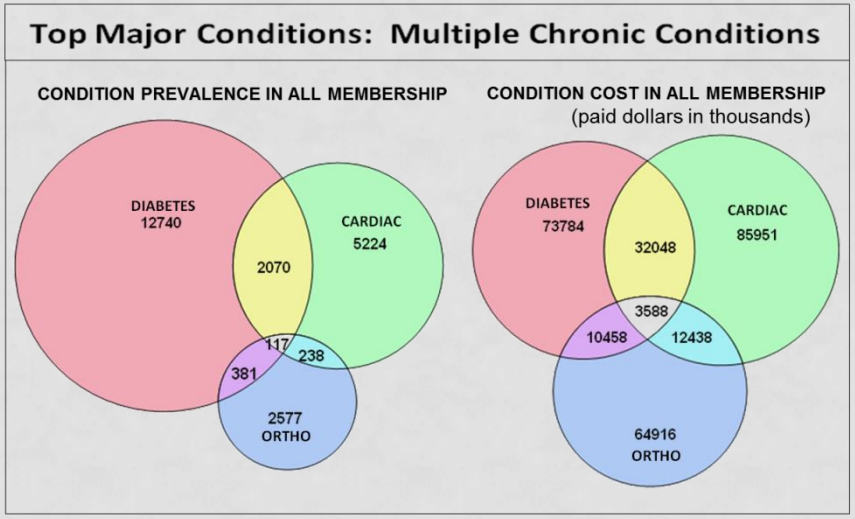


Source: DHRM 2014 Health Benefits Annual Report

FY 2014 HEALTH BENEFITS
TOP TEN CLAIMS EXPENSE

TOP TEN CLAIMS EXPENSE

- $749 million of total plan expense
- 80% 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	Chronic Conditions Managed through Prev. Medicine	Prescription Drugs
1. *V-Codes*—health services not classified as disease or injury 2. *Musculoskeletal* 3. *Neoplasms*—tumors 4. *Circulatory* 5. *Ill-defined symptoms*-undetermined causes 6. *Digestive* 7. *Genitourinary* 8. *Nervous system/sense organs* 9. *Accidental injury* 10. *Respiratory*	1. Diabetes 2. Hypertension 3. Depression 4. Multiple sclerosis 5. Asthma 6. Rheumatoid arthritis 7. Cirrhosis of the liver 8. Stress-related problems 9. Respiratory disease 10. Epilepsy	1. Coronary artery disease 2. Breast cancer 3. Cerebrovascular disease 4. Diabetes 5. Hypertension 6. Obesity 7. Skin cancer 8. Lung cancer 9. Substance abuse 10. Oral cancer	1. *Nexium* - stomach acid 2. *Humira* - rheumatoid arthritis 3. *Crestor* - high cholesterol 4. *Enbrel* - rheumatoid arthritis 5. *Abilify* - depression 6. *Lantus solostar* - diabetes 7. *Advair Diskus* - asthma/COPD 8. *Cymbalta* - depression 9. *AndroGel* - low testosterone 10. *Diovan* - high blood pressure
80.3% of Medical Services *82.0% of Medical Expense*	*8.9% of Medical Services* *4.6% of Medical Expense*	*9.1% of Medical Services* *11.9% of Medical Expense*	*4.3% of Prescriptions* *21.2% of Pharmacy Expense*

Note: These areas may not be mutually exclusive. Prescription drug list excludes compounded pharmaceuticals.

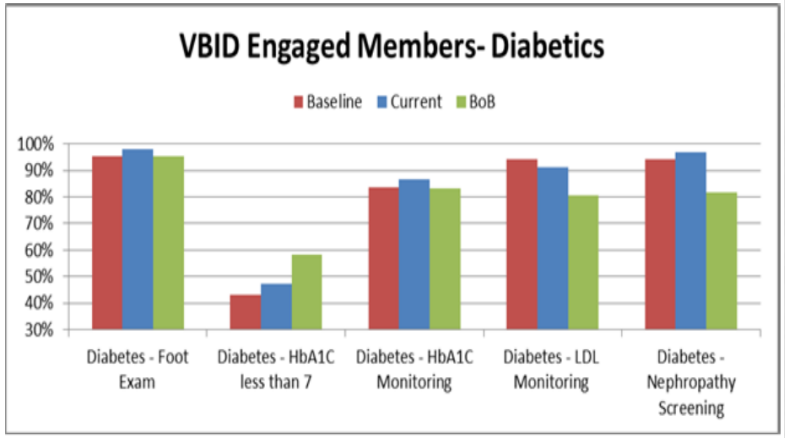
Source: DHRM 2014 Health Benefits Annual Report

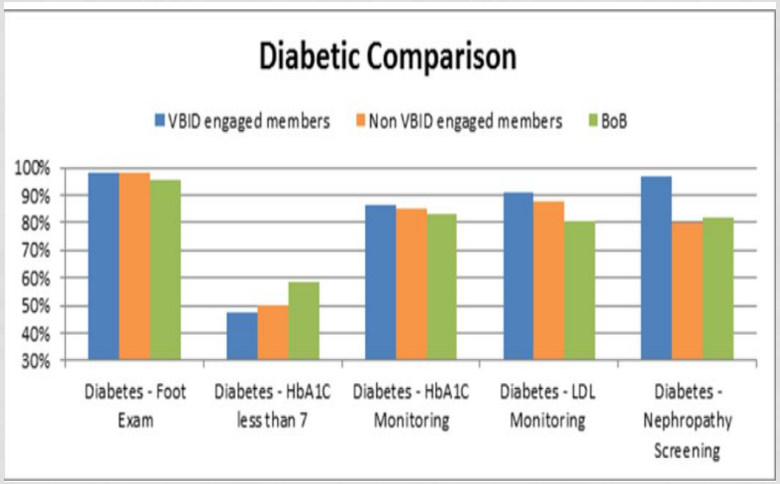
FY 2014 HEALTH BENEFITS

DIABETES VALUE-BASED INSURANCE DESIGN

Diabetes VBID Pilot

- 2,689 participating members
- 4.8 conditions per member
- 92% had HbA1C test
- VBID outcomes
  - Improved over baseline in 4 of 5 diabetes metrics
  - Compliance is above book of business in 4 of 5 metrics
- Comparison with disease management engagement
  - VBID-engaged members had higher compliance in 3 out of 5 diabetes metrics





Source: ActiveHealth Management Report for 2014 on Diabetes VBID Program

FY 2015 HEALTH BENEFITS

MTM & MSK PROGRAM UPDATES

Medication Therapy Management

- Launched pilot October 1, 2013
  - COVA Care, COVA HealthAware, and COVA HDHP
- Eligibility
  - 3 or more of 8 disease states
  - 7 or more chronic medications
- Benefit
  - 1 comprehensive annual visit
  - Up to 3 follow-up visits
- Cases for FY 14
  - 1,457 cases served by Mirixa network
  - 583 total safety alerts
  - 282 validated alerts on medication adherence
  - 615 validated alerts for gaps in care
- Cost for FY 14
  - 100% of cost paid by health plan
  - $193,000

Source: Aeta and Anthem data

Musculoskeletal Initiatives

- Evaluated strategies for treating musculoskeletal disorders
  - Identified in recent studies with potential for savings and improved healthcare outcomes
  - Reported results to General Assembly on June 30, 2014
- Cost
  - $133.1 million from November 2012 through October 2013
  - 13% of total plan spend
- Recommendation
  - Increase the value of integrated health management
  - Implement a physical therapy (PT) value-based insurance design (VBID) pilot program
  - Bundle payment for total knee and hip replacement in the long term.

Source: DHRM 2014 Report on Musculoskeletal Conditions

HEALTH BENEFITS

AUTISM – ABA SERVICES

- Coverage for Applied Behavior Analysis (ABA) mandated in by HB 2467 (2011)(Greason)
  - $35,000 annual cap
  - Ages 2 though 6
- Cap removed from state health plan retroactive to 2012 due to mental health parity rules
  - Impacted 4 of 27 participants in the state program
  - Impacted 1 of 4 participants in TLC
- $555,305 in costs from July 1, 2012 to December 4, 2014 with the cap in place
  - $480,876 in expenses for the state program
  - $74,430 in expenses for TLC

Source: Anthem and ValueOptions claims data

FY 2016 HEALTH BENEFITS

PLAN DESIGN CHANGES

Item	Plan	Plan Design	Change	Cost/ (Savings)
1	COVA Care	**Change plan year deductible**	Increase to $300/$600 (up $75/$150)	($2,245,044)
2	COVA Care	**Change plan year out-of-pocket maximum**	Increase to $2,500/$5,000 (up $1,000/$2,000)	($10,373,654)
3	COVA Care	**Change physical therapy co-pay**	Reduce co-pay from $25/$35 to $15	$1,316,060
4	COVA Care	**Identify programs with low utilization**	Remove Nurseline	($179,345)
5	COVA Care COVA HealthAware COVA HDHP	**Offer telemedicine alternative to in-person office visits**	Implement LiveHealth Online (Anthem) and Teladoc (Aetna)	TBD

FY 2016 HEALTH BENEFITS

PLAN DESIGN CHANGES

Item	Plan	Plan Design	Change	Cost/ (Savings)
6	COVA Care COVA HDHP	**Educate oncology providers about less costly effective chemotherapy drugs**	Implement oncology provider education program	$0
7	COVA Care COVA HealthAware COVA HDHP	**Identify wasteful medical services in partnership with Virginia Center for Health Innovation**	Implement waste calculator software	$0
8	COVA Care	**Enhance coverage for routine hearing exam**	Once every 12 months from once every 48 months	Minimal
9	COVA Care COVA HDHP	**Limit coverage for compound drugs**	Cover drugs that include only FDA-approved products	($1,422,167)
10	COVA Care COVA HDHP	**Limit coverage for androgens**	Cover only when medically necessary	($550,000)

FY 2015 HEALTH BENEFITS

PILOT ONSITE HEALTH CENTER

- Planned pilot for Capitol Square area
- Provide employees convenient access to primary and preventive care
- Impact productivity with less work time lost
- Improve employee morale
- Offer health coaching support on site
  - Managing chronic medical conditions
  - Improving health behaviors
- Generate cost savings over time
- $436,195 for start-up and implementation from the HIF
- $1,614,919 total contract costs for Year 1

FY 2016 HEALTH BENEFITS

PREMIUM REWARDS & "DO RIGHTS"

Premium Rewards

- Applies to **COVA Care** and **COVA HealthAware**
  - Eligible employees/retirees and/or spouses
- Receive $17/$34 per month premium reward
  - Complete a new on-line health assessment for FY 2016
  - Do not opt out of MyActiveHealth portal
  - Submit biometric screenings to MyActiveHealth if not previously submitted using the Physician's Certificate

"Do Rights"

- Applies to **COVA HealthAware**
- Earned by employees/retirees and spouses for completing healthy activities
- Receive $50 each for up to 3 "do rights"
  - Maximum $150 per person
  - Added to Health Reimbursement Arrangement (HRA)
  - In addition to HRA funds of $600/$1,200 annually
- Includes same "Do Right" options
  - Annual wellness exam
  - Annual dental exam
  - Annual vision exam
  - Annual flu shot
  - Use MyActiveHealth tracker 3 times per month in a quarter
  - Complete one MyActiveHealth online coaching module

FY 2016 HEALTH BENEFITS
RATES

- Includes health care reform costs
- Includes savings from plan design changes
- Assumes employee and spouse receive Premium Rewards

PLAN	Current Monthly Cost			Proposed Monthly Change			Proposed Monthly Cost		
COVA Care Basic	**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**
Employee	$58	$137	$196	$1	$4	$5	$59	$141	$201
Employer	$529	$948	$1,390	$14	$25	$37	$543	$973`	$1,427
TOTAL PREMIUM	**$587**	**$1,085**	**$1,586**	**$15**	**$29**	**$42**	**$602**	**$1,114**	**$1,628**
COVA HealthAware Basic	**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**
Employee	$9	$47	$62	-$3	-$3	-$6	$6	$44	$56
Employer	$529	$948	$1,390	$14	$25	$37	$543	$973	$1,427
TOTAL PREMIUM	**$538**	**$995**	**$1,452**	**$11**	**$22**	**$31**	**$549**	**$1,017**	**$1,483**

Source: Aon Hewitt Premium Schedule - November 21, 2014

FY 2016 HEALTH BENEFITS
PREMIUM REWARDS

MONTHLY PREMIUMS		Employee Only	Employee Plus One		Employee Plus Two Or More	
Health Care Plan	*Reward Earner*	*Employee*	*Employee or Spouse*	*Employee and Spouse*	*Employee or Spouse*	*Employee and Spouse*
COVA Care	Employee Premium	$76	$175	$175	$235	$235
	Rewards	*-$17*	*-$17*	*-$34*	*-$17*	*-$34*
	Employee Premium with Rewards	$59	$158	$141	$218	$201
COVA HealthAware	Employee Premium	$23	$78	$78	$90	$90
	Rewards	*-$17*	*-$17*	*-$34*	*-$17*	*-$34*
	Employee Premium with Rewards	$6	$61	$44	$73	$56

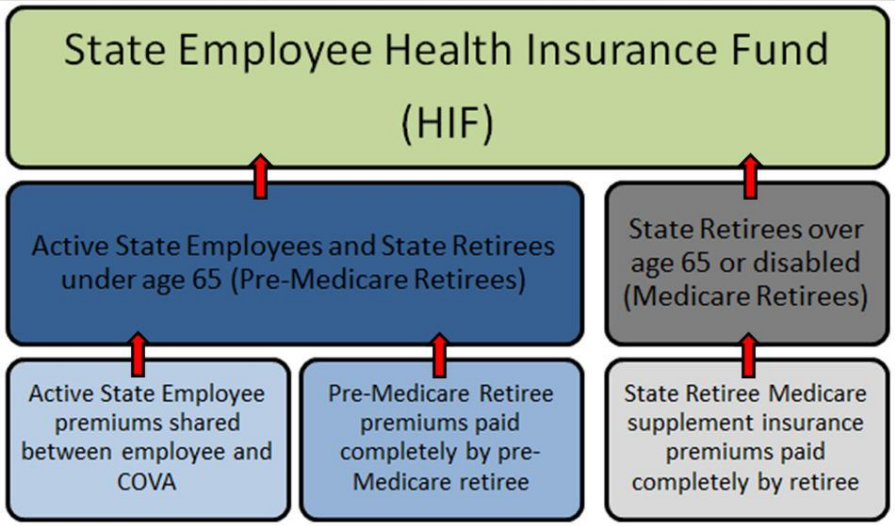
Source: Aon Hewitt Premium Schedule - November 21, 2014

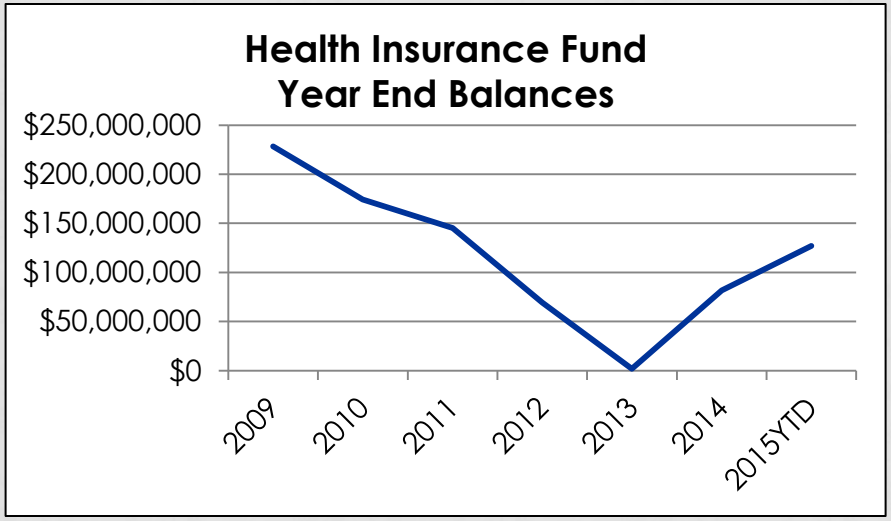
HEALTH BENEFITS

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 – $127.0 million at 11/30/14





HEALTH BENETIFS

HEALTH INSURANCE FUNDING

- **Contingency Reserve** – covered under line of credit
  - $83.5 million for Active Employees included in line of credit
- **Incurred But Not Reported (IBNR)** – rebuild over 5 years with unfunded balance included in line of credit
  - $109.5 million IBNR for Active Employees
    - Year 1 - $17.5 million – funded in FY 2014
    - Year 2 - $24.5 million – funded in FY 2015
    - Year 3 - $23.7million – no additional funding needed due to HIF balances
    - $67.5 million – IBNR gap, which varies each year, included in line of credit
- **Line of Credit**
  - $150 million

STATE EMPLOYEE WORKERS' COMPENSATION

WORKERS' COMPENSATION

BACKGROUND INFORMATION

Claims

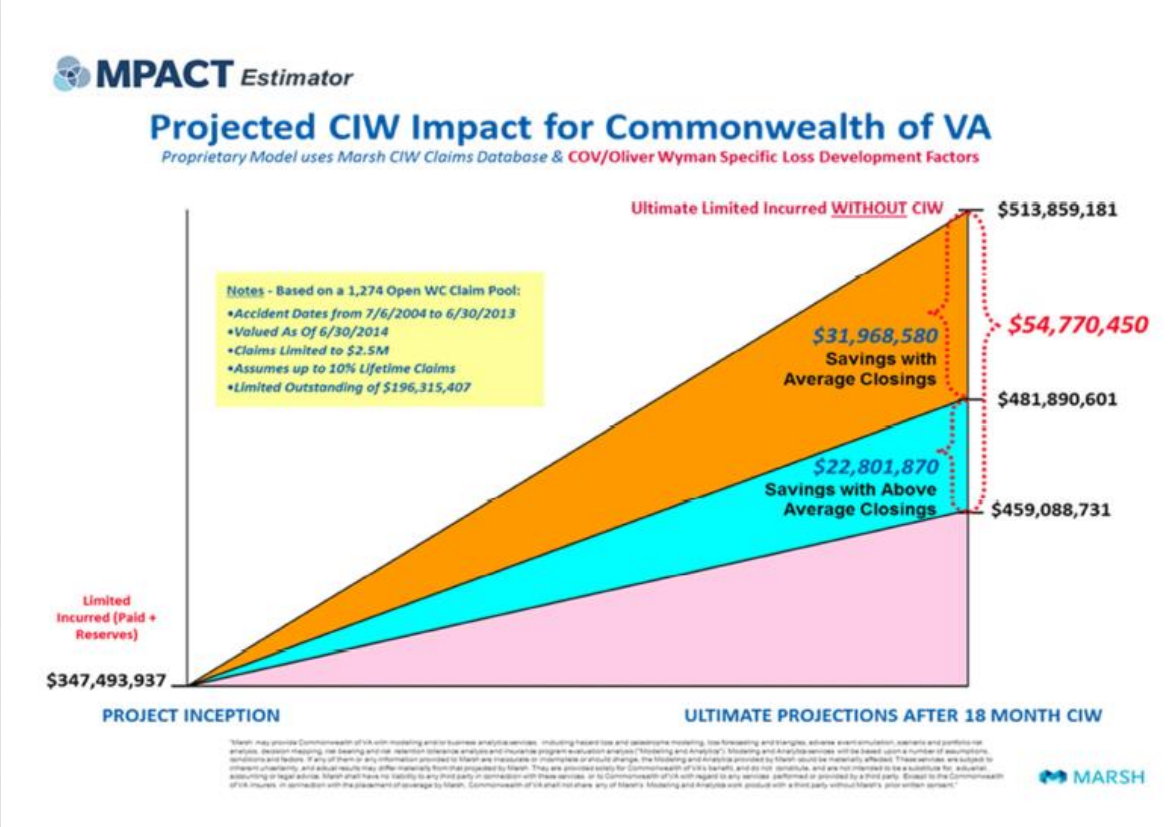
- 324,195 claims on file with the program from 1984 – 2014
  - 42,435 indemnity (lost time)claims
    - 2,550 open and active
  - 199,973 medical only claims
    - 1,370 open and active
  - 81,787 record only claims

Premiums

- $77,865,188 in FY 15 statewide premiums for FY15 obligations
- Pay-as-you-go premiums charged on cash flow basis
- No reserve funds for future obligations

WORKERS' COMPENSATION
CLAIMS SETTLEMENT STUDY

- FY 14 budget language included study for potential settlement of claims
- Marsh Risk Consulting study completed September 30, 2014
- 1,274 claims identified for settlement consideration
- $32 to $54 million in potential cost avoidance if settlement funds available



WORKERS' COMPENSATION
FY16 BUDGET LANGUAGE

- **Settlement Funds**
  - Nearly $1 billion in future liability for the program
  - $20 million DHRM working capital advance to identify and settle certain workers' compensation claims
    - Claims open more than 1 year and less than 10 years
  - Repay working capital advance from annual premiums over 7 year period
  - Report annually by October 30 each year
- **Loss Control Review**
  - Annual DHRM review of loss control history for each state agency
    - Severity of claims
    - Experience modification factor
    - Frequency normalized by payroll
  - Participation in loss control program required if agency has higher than normal loss control history
  - Report annually by October 30 each year

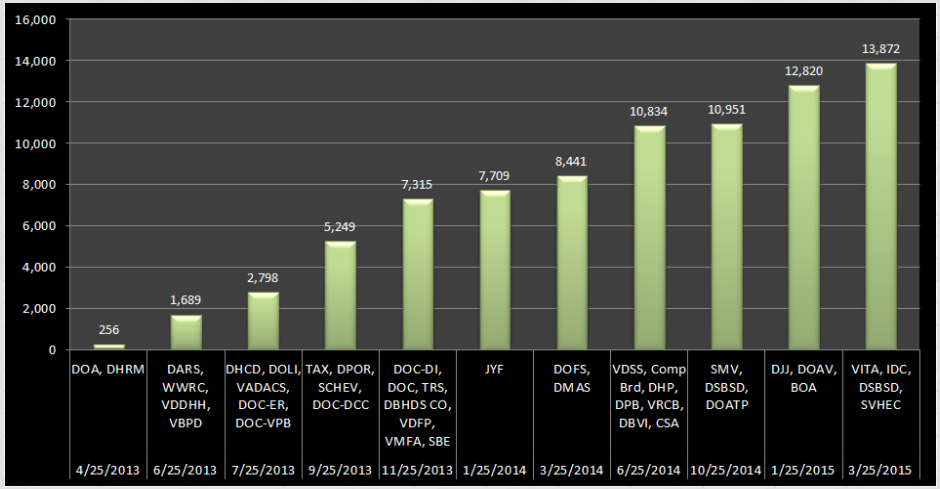
STATE EMPLOYEE INFORMATION TECHNOLOGY

INFORMATION TECHNOLOGY
PMIS MIGRATION PROJECT

- **What:** Migrate all DHRM's systems running on the Unisys Mainframe to a modern environment by July 1, 2016
- **Why:** Money and people
  - **Cost Avoidance** - ~ $15 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:** Execute statement of work in February 2015 and transition from Unisys mainframe to new environment by June 2016
- **How Much:** $2.72 million appropriated in FY15 and $2.72 million in FY16, with unused FY15 funds needed in FY16

INFORMATION TECHNOLOGY
TIME, ATTENDANCE & LEAVE

- **Delivered on time and on budget**
  - Went live on April 25, 2013 as scheduled
  - Cost $702,923 for in-house development, which was on budget
- **Customers**
  - Phased rollout
  - 38 agencies with 13,077 employees as of January 2015
  - Additional 4 agencies with 871 employees scheduled for March 2015
  - First college with over 1200 employees scheduled for June 2015
  - Other agencies are considering system



- **Added system enhancements at customers request**
  - Permits time and effort tracking for grants and special fund programs
  - Provides dashboard management reports for leave management
- **Awards**
  - 2014 Governor's Technology Award – IT as Efficiency Driver – Government to Government
  - 2014 VITA Project Management Summit – Project Excellence Award – 1st Place

RESOURCES

- Department of Human Resource Management
  http://www.dhrm.virginia.gov
- Annual Salary Survey Report to the General Assembly
  http://www.dhrm.virginia.gov/docs/default-source/reports/annualsalaryreport2014.pdf?sfvrsn=0
- Commonwealth Human Resources At-A-Glance
  http://www.dhrm.virginia.gov/docs/default-source/reports/ataglance/atglanceswfy2014q4.pdf?sfvrsn=2
- Commonwealth Workforce Data Reports for Classified Employees
  http://www1.dhrm.virginia.gov/redir/getinfo.aspx?id=1044
- Annual Health Benefits Report
  http://www.dhrm.virginia.gov/docs/default-source/benefitsdocuments/ohb/OHBAnnualReport2014.pdf?sfvrsn=10
- Review of State Employee Health Insurance Fund
  http://www.apa.virginia.gov/reports/HealthInsuranceFundSR2011.pdf
- Workers' Compensation Program Settlements in Fiscal Year 2014 and Experience-based Premium Recommendations Pursuant to 2014 Virginia Acts of Assembly Chapter 2, Item 81.F.1. - October 1, 2014
  http://leg2.state.va.us/DLS/H&SDocs.NSF/4d54200d7e28716385256ec1004f3130/4828f12455f9626285257cfa00557a4e?OpenDocument
- Risk Management and Occupational Safety and Health Programs To Reduce Injury and Illness Incidence Rates and Claim Inventory Workout: An Accelerated Claim Closure Initiative
  http://leg2.state.va.us/dls/h&sdocs.nsf/4d54200d7e28716385256ec1004f3130/44933704f27519d185257cfa00559a9a?OpenDocument
- Musculoskeletal Program Report 2014
  http://www.dhrm.virginia.gov/docs/default-source/reports/mskreport2014.pdf?sfvrsn=2