

MEMO TO: Joint Appropriations Committee Chairs & Members

FROM: Laurie R. Gill, Commissioner
Bureau of Human Resources

Date: January 27, 2014

RE: Joint Appropriations Committee January 17 Follow-up Items

As we discussed during the Joint Appropriations Committee meeting of January 17, the South Dakota State Employee Health Plan has several key challenges. Like many other large self-funded health plans, which are prevalent throughout both the public and private sector, these challenges include rising health care costs, increased demand for services, implementation of the Affordable Care Act while competing for qualified staff to serve within State Government. As we heard in the total remuneration study, the State Health Plan is in the medium position relative to being a competitive advantage to hire our workforce; the benefits provided are not ahead of the market. Additional complexities are the needs and desires of current employees balanced with the changing workforce and what will attract and retain new hires. These challenges are in various stages of being addressed. Each in one form or another contribute or detract from our ability to be recognized as an employer of choice. Several of these challenges were prevalent in the total remuneration study we reviewed with you. I provide this to you as a context for the information you will be reviewing. The following information provides the data requested during our presentation. I will be happy to discuss with you or provide additional information as needed.

Compensation

The compensation study revealed several positions are below the in state market, some by as much as 33% and more. The length of service for the sampling of the occupations was requested. The requested data is shown below:

Occupation	Avg Yrs of Service
Accounting Assistant	13.4 yrs
Chemical Dependency Counselor	7.0 yrs
Custodial Worker	9.3 yrs
Human Resource Manager	14.9 yrs
Licensed Practical Nurse	11.1 yrs
Pharmacist	5.6 yrs
Senior Staff Attorney	9.3 yrs

Jobs Included in T Series

As of January 2014, approximately 175 employee jobs are included in the T Series. The job categories are Building/Trades, Healthcare-related/Social Science Positions, and IT/IT support positions. A detailed listing is included as Attachment 1.

Longevity

During our meeting on January 17 when discussing longevity payments for State employees, we stated the \$390.54 was the average amount after taxes. This is actually the average amount BEFORE taxes. We apologize for providing the incorrect information.

Exit Interviews & Turnover Data

Exit interviews are completed on a voluntary basis for those employees leaving state government as well as employees transferring from one state agency to another state agency. A summary of the top reasons for leaving a State position breaks out as follows:

Reasons for Leaving	FY10	FY11	FY12	FY13	FY14 (ytd)
Retirement	28.3%	22.5%	25.1%	26.9%	16.8%
Personal (child care, relocation, going to school, military, etc.)	26.2%	25.0%	20.5%	23.4%	21.3%
Pay and Benefits	11.2%	13.3%	14.2%	8.5%	9.7%
Promotional and Development Opportunities	8.6%	10.4%	11.3%	7.8%	14.0%
Type of Work/Work Requirements (nature of work, schedule, working conditions, etc.)	7.4%	6.8%	8.6%	9.8%	10.9%
Job Location	4.5%	5.7%	5.6%	7.7%	7.6%

Turnover Data

State	Time Period	Turnover %
Iowa	*no response as of January 27, 2014	
North Dakota	2013	10.3%
Nebraska	2012	13.0%
Minnesota	2013	7.8%
Montana	2013	12.5%
Wyoming	2012	15.0%

Retirement Data

The National Compensation Association of State Governments (NCASG) annual fringe benefit survey for 2013 provided competitive data for retirement plans within state governments. Of the six surrounding states, five have a defined benefit plan. The state of Nebraska offers a defined contribution plan.

State Employee Health Plan

Demographics

The State plan has high employee participation. Only 320 employees of an average 13,694 employees (actives, retirees, COBRA) opt out of enrollment. Each of the 320 is required to provide proof of other group insurance to be able to opt out.

Summary enrollment data (as of January 2014) by plan deductible is as follows:

Plan Deductible (Members)	\$500	\$1,000	\$1,800
Active (Includes Empl/Spouses/Children)	15,129	8,554	1,973
COBRA	38	186	69
Retiree	154	514	176
Total	15,321	9,254	2,218
# of Tobacco Users	606	404	68

As a comparison, the prevalent market practice for the six surrounding state government plans for an network deductible are \$400 for singles and \$850 for family.

State Employee Health Plan Financial Information

Costs of Medical Care

In addition to the costs of medical care by plan type, premium amounts and specific taxpayer costs per plan, there was a question relative to the effective rate the state pays for health care services. As part of the interview process to select a claims payer and their associated provider network, an extensive analysis of the effective discount rate or rate of pay by service category is completed. When the Dakotacare network was selected to service the State, discount rates exceeded market competitors on average by 8-12%. Additionally the State has direct contracts with facilities across the State that have increased the effective discount rate over and above the Dakotacare contracts on average by an additional 8 – 15%. This of course varies by service type and location. Our overall experience has been that providers are willing to provide preferred pricing to the State through direct contracts.

FY13 State of South Dakota Cost by Plan

A request for the average cost per employee for the lowest deductible plan was requested. The chart below provides that information for each of the three plans. The per employee per year (PEPY) cost is based on gross claim costs, plus administrative expenses and employee paid dependent premiums divided by total enrollment.

State of South Dakota FY13 Cost by Plan

Plan	Enrollment	PEPY
\$500 Deductible Plan	9,325	\$7,780
\$1,000 Deductible	3,258	\$7,258
\$1,800 Deductible	714	\$3,497

FY13 Employee Cost By Plan

When reviewing the employee cost by plan, the member premium includes all contributions from actives for their dependents; retiree and their dependents; and COBRA and their dependents. The member paid claims includes the member financial obligation for deductibles, co-insurance and co-pays as applicable. The per employee per year (PEPY) cost is based on member premium and claims paid divided by enrollment.

FY13 Plan	FY13 Member Premium	FY13 Member Claims Obligation	FY13 Member Premium and Claims Obligation	Enrollment	PEPY
\$500 Deductible Plan	\$11.4M	\$14.5M	\$25.9M	9,325	\$2,777
\$1,000 Deductible Plan	\$6.3M	\$6.2M	\$12.5M	3,258	\$3,837
\$1,800 Deductible Plan	\$1.3M	\$1.4M	\$2.7M	714	\$3,781

Claims Payment Summary

There was a request to review the cost of medical reimbursement for each plan type plus to review the corresponding number of claim and associated claim costs. The chart below provides the requested data:

FY13 Plan	Number of Claims	FY13 Total Allowed Claims	FY13 State Paid Claims	FY13 Member Claims Obligation
\$500 Deductible Plan	610,654	\$91.5M	\$77.0M	\$14.5M
\$1,000 Deductible Plan	209,615	\$33.6M	\$27.4M	\$6.2M
\$1,800 Deductible Plan	31,417	\$4.7M	\$3.3M	\$1.4M
Total Claims	851,686	\$129.8M	\$107.7M	\$22.1M

Plan Design Implications

Tobacco – Non-Tobacco Impact

Plan members that indicate they are a tobacco user pay an additional \$60 per month. In the case where an employee and spouse declare they are tobacco users, the cost per month is \$120. While tobacco user status is self-reported, the Plan has a written policy that states if an employee who has designated they are a non-tobacco user is identified that the employee is subject to disciplinary action for falsifying documents, is required to pay the tobacco user premium for the remainder of the plan year. To again be classified as a non-tobacco user does require drug testing which produces negative results.

The information reflected below shows the costs attributed to tobacco users vs. non-tobacco. This information is based on claims data for each group of people.

Metrics		
Tobacco Utilization	Metric Type	FY13 - 12 Months
Non-Tobacco	PEPM	\$651.36
Tobacco	PEPM	\$920.58
Metrics		
Tobacco Utilization	Metric Type	FY014 - 6 Months
Non-Tobacco	PEPM	\$599.84
Tobacco	PEPM	\$958.39

Emergency Room Co-Pay

Additionally, there was a question related to emergency room utilization and if the current co-pay structure would encourage inappropriate emergency room utilization. As the data below indicates, the South Dakota State Plan performs better than the value norm; which is based on an analytic tool accessed through Aon Hewitt. As you will recall, Aon Hewitt is the State's actuarial and health benefit consultant. In addition to utilization being lower, the average amount paid is also considerably less than the value norm. The tool is Verisk; a business analytics and predictive modeling tool for health care.

Metrics			Value Norm per Verisk
ER Visit Utilization	Metric Type	FY 2013 - 12 Months	
ER Visits	Per 1000	204.6	249.7
ER Visits resulting in an Admission	% of Admissions	11.8%	37.5%
ER Visit Paid per ER Visit	Average Paid	\$585.03	\$ 1,013.95
ER Visit Allowed Per ER Visit	Average Allowed	\$907.52	\$ 1,493.56
Metrics			Value Norm per Verisk
ER Visit Utilization	Metric Type	FY 2014 - 6 Months	
ER Visits	Per 1000	193.2	249.7
ER Visits resulting in an Admission	% of Admissions	16.3%	37.5%
ER Visit Paid per ER Visit	Average Paid	\$564.49	\$ 1,013.95
ER Visit Allowed Per ER Visit	Average Allowed	\$953.50	\$ 1,493.56

FY14 Contribution Analysis/Premium Amounts

Premium information for each of the plans was distributed toward the end of the January 17 meeting. For your reference, the rate sheets for each of the plans are attached.

Based on the information provided above, I trust I have answered the outstanding questions. If there are additional questions or a need for further clarification, please let me know. As I mentioned at the start of this document, to be recognized as the employer of choice, addressing employee health benefits within the principle of total remuneration will be one of our key success factors.

T Series Positions

T Series Positions
Approximately 175 employees as of January 2014

Building/Trades

Building Maintenance Specialist
Buildings Engineer Assistant
Electrical Inspector
Plumbing Inspector
Land Surveyor

Healthcare-Related/Social Science positions

Dental Hygienist
Dietitian/Nutritionist
District Nursing Coordinator
Health Facilities Surveyor
Laboratory Consultant
Medical Laboratory Supervisor
Medical Technologist
Orientation & Mobility Specialist
Psychiatric Social Worker
Public Health Specialist
Rehabilitation Engineer
Sr Health Facilities Surveyor

IT/IT Support positions

Communications Engineer
Communications Engrngy Suprv
Computer Support Analyst
Computer Support Team Leader
Senior Computer Support Specialist
Senior Communications Maintenance Technician

**SOUTH DAKOTA STATE EMPLOYEE HEALTH PLAN
FY2014 PLAN YEAR**

Central Active Employees - Semi-Monthly Premium Rates

DEDUCTIBLE		\$500 Ded. Copay	\$1,000 Ded.	\$1,800 Ded. HSA
EMPLOYEE		N/A	N/A	N/A
EMPLOYEE AND 1 CHILD		\$43.42	\$27.63	\$6.71
EMPLOYEE AND 2 CHILDREN		\$79.33	\$51.12	\$13.40
EMPLOYEE AND 3+ CHILDREN		\$101.33	\$62.98	\$20.08
<u>SPOUSE'S AGE as of July 1, 2013</u> (for changes during the plan year, current age determines rate)				
EMPLOYEE AND SPOUSE	<30	\$54.14	\$37.62	\$13.95
	30-39	\$69.52	\$48.80	\$22.07
	40-44	\$86.09	\$62.04	\$31.67
	45-49	\$102.40	\$76.47	\$42.13
	50-54	\$124.36	\$96.97	\$56.97
	55-59	\$149.76	\$119.01	\$72.96
	60+	\$171.81	\$133.57	\$83.52
EMPLOYEE, SPOUSE AND CHILD	<30	\$91.73	\$63.59	\$20.30
	30-39	\$107.61	\$73.65	\$28.70
	40-44	\$124.48	\$87.08	\$38.30
	45-49	\$140.95	\$101.13	\$48.80
	50-54	\$161.43	\$121.23	\$63.60
	55-59	\$187.24	\$143.25	\$79.60
	60+	\$210.40	\$157.83	\$90.20
EMPLOYEE, SPOUSE AND 2+ CHILDREN	<30	\$128.94	\$84.80	\$27.00
	30-39	\$145.88	\$96.54	\$35.40
	40-44	\$162.75	\$109.55	\$45.00
	45-49	\$179.20	\$124.28	\$55.50
	50-54	\$199.68	\$144.73	\$70.30
	55-59	\$225.51	\$166.79	\$86.30
	60+	\$248.67	\$181.35	\$96.90

NOTE: Contributions for employee and spouse coverage will increase \$30.00 per person per pay period if you and/or your covered spouse use tobacco.

**SOUTH DAKOTA STATE EMPLOYEE HEALTH PLAN
FY2014 PLAN YEAR**

Regent Active Employees - Monthly Premium Rates				
DEDUCTIBLE		\$500 Ded. Copay	\$1,000 Ded.	\$1,800 Ded. HSA
EMPLOYEE		N/A	N/A	N/A
EMPLOYEE AND 1 CHILD		\$86.84	\$55.26	\$13.42
EMPLOYEE AND 2 CHILDREN		\$158.66	\$102.24	\$26.80
EMPLOYEE AND 3+ CHILDREN		\$202.66	\$125.96	\$40.16
SPOUSE'S AGE as of July 1, 2013 (for changes during the plan year, current age determines rate)				
EMPLOYEE AND SPOUSE	<30	\$108.28	\$75.24	\$27.90
	30-39	\$139.04	\$97.60	\$44.14
	40-44	\$172.18	\$124.08	\$63.34
	45-49	\$204.80	\$152.94	\$84.26
	50-54	\$248.72	\$193.94	\$113.94
	55-59	\$299.52	\$238.02	\$145.92
	60+	\$343.62	\$267.14	\$167.04
EMPLOYEE, SPOUSE AND CHILD	<30	\$183.46	\$127.18	\$40.60
	30-39	\$215.22	\$147.30	\$57.40
	40-44	\$248.96	\$174.16	\$76.60
	45-49	\$281.90	\$202.26	\$97.60
	50-54	\$322.86	\$242.46	\$127.20
	55-59	\$374.48	\$286.50	\$159.20
	60+	\$420.80	\$315.66	\$180.40
EMPLOYEE, SPOUSE AND 2+ CHILDREN	<30	\$257.88	\$169.60	\$54.00
	30-39	\$291.76	\$193.08	\$70.80
	40-44	\$325.50	\$219.10	\$90.00
	45-49	\$358.40	\$248.56	\$111.00
	50-54	\$399.36	\$289.46	\$140.60
	55-59	\$451.02	\$333.58	\$172.60
	60+	\$497.34	\$362.70	\$193.80

NOTE: Contributions for employee and spouse coverage will increase \$60.00 per person per month if you and/or your covered spouse use tobacco.

**SOUTH DAKOTA STATE EMPLOYEE HEALTH PLAN
FY2014 PLAN YEAR**

RETIREE - Monthly Premium Rates				
DEDUCTIBLE		\$500 Ded. Copay	\$1,000 Ded.	\$1,800 Ded. HSA
RETIREE'S AGE as of July 1, 2013 (for changes during the plan year, current age determines rate)				
RETIREE	≤49	\$499.05	\$372.10	\$302.67
	50-54	\$512.95	\$387.68	\$308.13
	55-59	\$535.14	\$437.88	\$315.45
	60-64	\$548.41	\$473.40	\$321.33
RETIREE'S AGE as of July 1, 2013 (for changes during the plan year, current age determines rate)				
RETIREE and 1 CHILD	≤49	\$591.67	\$431.03	\$316.98
	50-54	\$605.57	\$446.61	\$322.44
	55-59	\$627.76	\$496.81	\$329.76
	60-64	\$641.03	\$532.33	\$335.64
RETIREE'S AGE as of July 1, 2013 (for changes during the plan year, current age determines rate)				
RETIREE and 2 CHILDREN	≤49	\$668.28	\$481.16	\$353.34
	50-54	\$682.18	\$496.74	\$358.80
	55-59	\$704.37	\$546.94	\$366.12
	60-64	\$717.64	\$582.46	\$372.00
RETIREE'S AGE as of July 1, 2013 (for changes during the plan year, current age determines rate)				
RETIREE and 3 + CHILDREN	≤49	\$715.21	\$506.45	\$371.66
	50-54	\$729.11	\$522.03	\$377.12
	55-59	\$751.30	\$572.23	\$384.44
	60-64	\$764.57	\$607.75	\$390.32
RETIREE'S AGE as of July 1, 2013 (for changes during the plan year, current age determines rate)				
RETIREE, SPOUSE AND CHILD(REN)	≤49	\$783.83	\$583.40	\$504.47
	50-54	\$850.45	\$654.08	\$558.42
	55-59	\$930.12	\$730.07	\$616.43
	60-64	\$999.16	\$780.28	\$654.74

NOTE: Contributions for retiree and spouse coverage will increase \$60.00 per person per month if retiree and/or covered spouse use tobacco.

**SOUTH DAKOTA STATE EMPLOYEE HEALTH PLAN
FY2014 PLAN YEAR**

COBRA - Monthly Premium Rates				
DEDUCTIBLE		\$500 Ded. Copay	\$1,000 Ded.	\$1,800 Ded. HSA
PARTICIPANT		\$617.87	\$494.29	\$432.51
PARTICIPANT AND 1 CHILD		\$706.44	\$550.66	\$446.19
PARTICIPANT AND 2 CHILDREN		\$779.70	\$598.58	\$459.84
PARTICIPANT AND 3+ CHILDREN		\$824.58	\$622.77	\$473.47
<u>SPOUSE'S AGE as of July 1, 2013</u> (for changes during the plan year, current age determines rate)				
PARTICIPANT AND SPOUSE	<30	\$728.31	\$571.04	\$460.96
	30-39	\$759.69	\$593.84	\$477.53
	40-44	\$793.49	\$620.85	\$497.11
	45-49	\$826.76	\$650.29	\$518.45
	50-54	\$871.56	\$692.11	\$548.72
	55-59	\$923.38	\$737.07	\$581.34
	60+	\$968.36	\$766.77	\$602.89
PARTICIPANT, SPOUSE AND CHILD	<30	\$804.99	\$624.02	\$473.92
	30-39	\$837.39	\$644.54	\$491.05
	40-44	\$871.80	\$671.94	\$510.64
	45-49	\$905.40	\$700.60	\$532.06
	50-54	\$947.18	\$741.60	\$562.25
	55-59	\$999.83	\$786.52	\$594.89
	60+	\$1,047.08	\$816.27	\$616.51
PARTICIPANT, SPOUSE AND 2+ CHILDREN	<30	\$880.90	\$667.28	\$487.59
	30-39	\$915.46	\$691.23	\$504.72
	40-44	\$949.88	\$717.77	\$524.31
	45-49	\$983.43	\$747.82	\$545.73
	50-54	\$1,025.21	\$789.54	\$575.92
	55-59	\$1,077.91	\$834.54	\$608.56
	60+	\$1,125.15	\$864.25	\$630.18

NOTE: Contributions for employee and spouse coverage will increase \$60.00 per person per month if you and/or your covered spouse use tobacco.