

Bureau of Human Resources

Budget Presentation to the Joint Committee on Appropriations

February 18, 2014

Laurie R. Gill, Commissioner

Salary Policy Recommendations

Compensation Study

Component	SoSD vs In-State	Key Findings
Base Salary	-17.3%	The majority of the State's occupational groups fall well below the median of the market, with very few exceptions.

Proposed Salary Policy – FY15

- PACE
 - 3% Across the Board Increase
 - 3% Movement toward Job Worth
 - Targeted Compensation Adjustments
- Career Bands
 - 3% Market Adjustment for all bands
 - Up to 4.5% performance-based increase

Targeted Compensation Adjustments

- \$0.50 per hour increase added after salary policy applied
- Targeted occupational series identified through the Total Remuneration Study
 - Custodial Services Series
 - Building Maintenance Series
 - Driver License Examiner Series
 - Direct Care Series
 - Selected Health Positions (Dietitian/Nutritionist, Public Health Specialist, Health/Sr Health Facilities Surveyors)
 - Grounds Keeper Series

South Dakota State Employee Health Plan

Benefits Study Findings

Deductibles	In-State Market	Current SoSD	Proposed FY15 SoSD
In-network – Single	\$550	\$500	\$750
In-network – Family	\$1,500	\$1,250	\$1,875

Out of Pocket Max	In-State Market	Current SoSD	Proposed FY15 SoSD
Single	\$2,550	\$2,500	\$3,250
Family	\$6,000	\$2,500/person	\$3,250/person

Risk Mitigation

Purpose of a risk mitigation strategy is to reduce the extent of financial exposure associated with year to year claim fluctuation.

Catastrophic (Cat.) or Claim Fluctuation (CFR) Reserve Methodology

- One of the more popular means to determine a catastrophic (Cat.) or CFR reserve is using Confidence Interval (CI) Methodology
 - Incorporates simulation and other statistical modeling tools: high level of solvency
 - State data used in the model to simulate over 50,000 life years and estimate the predictability and solvency at a given confidence level
- Example: funding a Cat./CFR at a 90% confidence interval (CI) **in addition to funding expected claims** would indicate that the reserve would cover claim costs 9 out of 10 years
 - 95% CI would indicate the total would cover claims in every 19 of 20 years
- Establishing and maintaining a CFR is popular among large entities and state plans where mitigating fluctuations in annual paid claims is important for budgeting

Confidence Interval Levels

- CFR funding – confidence levels with claims budget of \$118.17M
 - The following is the reserve amount needed in order to achieve the desired confidence interval
 - \$3M is anticipated from FY14
 - 67% - \$2.000M increase
 - 75% - \$3.361M increase
 - 80% - \$4.251M increase
 - 85% - \$5.318M increase
 - 90% - \$6.658M increase
 - 95% - \$8.729M increase
 - 99% - \$12.800M increase

FY15 Proposed Plan Changes

\$500 to \$750 Deductible	\$ 1.6 M
\$1,000 to \$1,250 Deductible	.7 M
Raise medical OOP by \$750	1.7 M
Raise Rx Copayments	1.3 M
Increased other rates	.5 M
(Eliminate retiree subsidy \$.2 M)	
(Eliminate COBRA subsidy \$.3 M)	
<hr/> Employee Total	<hr/> \$ 5.8 M

FY15 Recommended Health Insurance Increase

Health Insurance Increase* **\$ 17.9 M**

General Funds \$ 6.7 M

Federal Funds \$ 3.9 M

Other Funds \$ 7.3 M

* State total includes interagency billings and correctional health.

State Employee Self Insured Health Plan Full Accrual Basis Financial Statement

	One-Time Adjustment of \$1,615 \$6,335+\$1,615=	Rate Increase of \$934 base + Governor Recommended \$2,035 one-time=	Governor Recommended Rate Increase of \$1,353
Employer Rate	\$7,950	\$9,304	\$8,622
	(\$6,335 FY13 Base)	(\$7,269 FY14 Base)	
	FY 2013 Unaudited	FY 2014 Estimated	FY 2015 Estimated
Revenue			
Contributions to Plan			
Employer Paid	\$101,717,350	\$118,502,499	\$109,301,316
Retiree, COBRA, and Employee Paid for Dependents	\$19,013,362	\$19,591,141	\$20,162,871
Administrative Fee	\$149,423	\$150,000	\$150,000
Interest Revenue	\$197,220	\$70,000	\$70,000
Refund of Prior Years Claims	\$1,784,219	\$1,500,000	\$1,500,000
Total Revenue	<u>\$122,861,574</u>	<u>\$139,813,640</u>	<u>\$131,184,187</u>
Expenses			
Claims	\$111,120,581	\$117,000,422	\$118,169,664
Employer Life Claims	\$465,000	\$550,000	\$550,000
Administration	\$9,978,208	\$12,003,538	\$12,295,322
Total Expenses	<u>\$121,563,789</u>	<u>\$129,553,960</u>	<u>\$131,014,986</u>
Current Year Over/(Underrecovery)	\$1,297,785	\$10,259,680	\$169,201
Prior Year Over/(Underrecovery)	(\$8,545,104)	(\$7,247,319)	\$3,012,361
Cumulative Over/(Underrecovery)/Reserve	<u>(\$7,247,319)</u>	<u>\$3,012,361</u>	<u>\$3,181,562</u>

*Cumulative Over/(Underrecovery) is the analysis of the revenues and expenses since the beginning of the program.