Total Compensation Advisory Council (TCAC)
Minutes of the Meeting of August 22, 2003

Present: Janet Byrne
Scott Epstein
Dan Frelund
Patty Goodwin
Mona Heustis
Joe Nicolini
Deb Roberts

DPA Troy Eid
Ken Allikian
Jeff Schutt
Karen Fassler
Marilyn Jordan
Jan Cotter
Vinita Biddle
Jan Malone

Announcements: Troy Eid called the meeting to order.

Mr. Eid asked for approval of the minutes of the August 1, 2003, meeting. Ms. Byrne moved to approve the minutes. Mr. Nicolini seconded the motion. The minutes were approved as written.

Benefits Review 2004: Ms. Jordan indicated that a HealthLine newsletter will be mailed out by August 29th. The issue will include the 2004 rates, plan availability, and an article on Consumer Health Choice. This will incorporate communication to employees to help them make wiser decisions about their health care choices, disease management, and the "leap frog" initiative that incorporates working with hospitals to get them to work on safety issues such as computer orders so there will be fewer mistakes. Another initiative is employee self-service that will include on-line open enrollment. There will also be a section on the 2004 group benefit plans questions and answers.

Benefit changes for 2004 include an increase to the state contribution of 4.7%. The premium increases vary from 5% to 26%. Total increases to the employee-only coverage category for health plans range from minus 10.92% to a positive 44% increase depending on the plan.

The administrative fee will increase from $2.90 to $3.30 for 2004. The Employee Benefits Unit is cash funded through an administrative fee charged to employees enrolled. The administrative fee is assessed only to those employees who are enrolled in a state health plan. Since there has been a substantial decrease in the number of employees that are enrolled, the administrative fee must be increased.

Rocky Mountain HMO decided to reduce their service area by 29 counties for 2004. Because they are a statewide HMO by contract, the state determined that it was in the

best interest of both parties to cancel their contract for 2004. There are approximately 551 employees that are affected.

Kaiser, PacifiCare, and San Luis Valley HMO will be renewed with minimal plan changes. The Anthem Blue Cross Blue Shield EPO and PPO will be renewed for 2004. The modified vision plan will be included in the EPO for 2004 with a $20 co-pay, which was already included in the PPO.

Standard Insurance will be the new vendor for basic and optional life. The rates are approximately the same. Because Standard is the current vendor for disability, it will be an automatic process for disabled employees to get their waiver of premium without having to apply for it. A set of forms is also eliminated with this change.

Delta basic and basic-plus was also reviewed. There are no changes in plan design or premiums for 2004.

Open enrollment will be done on-line this year. Open enrollment will run from October 20th to November 7th. There will be extensive training with personnel and payroll staff on September 3rd. Hands-on training will be done later in September or early October. The process is streamlined. A person logs on, there will be an electronic signature statement, the employee will create their own user ID and password, a screen will show their basic information, the employees can edit or approve. The employee will also need to review their dependent information and edit or approve. The employee then reviews the plans. After the plans are selected a screen will indicate this is what the employee selected. They can either change or confirm the information.

Except for the Flexible Spending Account Plans, the only employees that will need to enroll on-line are those that will be making changes to their plans.

The data will be separated by agency. Agencies will be able to run their own reports.

Next year there will be a major RFP for the medical carriers. There will be a separate RFP for disease management.

The Benefits Unit is predicting a decrease in enrollment between 800 and 1000 employees. Hopefully the state contribution will be increased to prevailing by 2006, which should increase enrollment numbers again.

Employee Benefits Audit: Ms. Cotter mentioned that this was the first employee benefits audit since 1997. The biggest issue is returning to self-funding. If the whole area is not able to be self-funded, at least components can be. Another issue was that the state provides benefits and the full state contribution to part-time employees that work as little as 8 hours a month. This is outside of prevailing. Pro-rating the amount the state pays depending on the number of hours an employee works is another option.

Mr. Schutt mentioned that the department will be working with the Legislative Audit Committee to have legislation that will bring coverage and contributions for part-time employees in line with prevailing. One option may be to grandfather current employees and allow them to remain eligible.

Another potential change would be to remove the statute that requires the state to have two HMO's for every county that has more than 500 eligible employees.

Mr. Eid indicated since the idea of charging all employees a $10 fee to become self-funded has been re-evaluated, a business plan needs to be developed on how to get back to self-funding. With the rates going up so dramatically there are many employees that barely make it each month.

The current health plan administrative costs (depending on the carrier) run from 13% to 20%. When the state was previously self-funded before the administrative costs were about 8%. There's a possibility of a 5% to 12% reduction in the administrative costs. The audit projected anywhere from a 3% to 6% possible savings.

Mr. Schutt reminded the group that a self-funded plan is not a means to keep the costs down, but a means for creating flexibility in the system. The state would control its data in terms of utilization.

Total Compensation: Mr. Eid sent a letter to the Governor and Senator Dave Owen regarding the total compensation package. The package being proposed totals $47.5 million. He briefed the college and university presidents on the total compensation proposed package. Higher education receives a lump sum appropriation from the state. Higher education sees the increase in employer contribution to benefits as an unfunded mandate from the state. The Judicial system is a separate branch of government. Historically, Judicial has mirrored what the state does for its classified employees, but ultimately it is their choice on what to do for their employees. Mr. Eid's perspective is that the proposal is being positively received.

The issue of forced distribution of performance ratings is a matter that Mr. Eid would like to see on the table during the next legislative session.

Mr. Schutt will be appointing a task force regarding performance based salary adjustments. Some issues are: a common rating cycle; fixed or variable percentages; common performance cycles. The task force would help address issues, what works and what doesn't work.

Civil Services Reform: Mr. Schutt indicated that the report to the Governor is due October 1st. There will another meeting on August 28th.

Questions: Mr. Nicolini asked how the total compensation proposal would affect the cost of living increases. Mr. Eid responded that this is a new system and that ranges will shift with the market. If you move up through a range, it will be based on performance.

Mr. Nicolini asked if supervisors are aware they hold the purse strings for some of their people. Mr. Schutt indicated that there is still a long way to go in performance management and understanding that responsibility.

Mr. Epstein is very appreciative of the employee discounts that are being offered.

Tentative Agenda Items for September 26th:

Civil Service Reform Commission
How salary adjustment funds are distributed