

***Change in Employee Compensation  
Budget Issues  
January 4, 2008***



## ***Employer Funded Health Insurance Costs***

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	<u>Funded</u>	<u>Actuarial</u>
<b>FY 2006</b>	<b>\$7,125</b>	<b>\$7,125</b>
<b>FY 2007</b>	<b>\$6,531</b>	<b>\$7,336 <i>Premium holiday</i></b>
<b>FY 2008</b>	<b>\$7,125</b>	<b>\$8,345 <i>Reserves</i></b>
<b>FY 2009</b>	<b>\$9,200</b>	<b>\$9,200 <i>Increase \$2,075</i></b>

<u>FY 2008</u>	<u>Monthly</u>	<u>Annually</u>
<b>Medical</b>	<b>\$576</b>	<b>\$6,910</b>
<b>Dental</b>	<b><u>18</u></b>	<b><u>215</u></b>
<b>Total</b>	<b>\$594</b>	<b>\$7,125</b>

## ***Appropriation and Premiums for Medical PPO***

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	<b>Employer</b>	<b>Employee</b>	<b>Total</b>
<b>EE Only</b>	<b>\$576</b>	<b>\$23</b>	<b>\$599</b>
<b>EE/Spouse</b>	<b>\$576</b>	<b>\$59</b>	<b>\$635</b>
<b>EE/Child</b>	<b>\$576</b>	<b>\$38</b>	<b>\$614</b>
<b>EE/Children</b>	<b>\$576</b>	<b>\$53</b>	<b>\$629</b>
<b>EE/SP/Child</b>	<b>\$576</b>	<b>\$72</b>	<b>\$648</b>
<b>Family</b>	<b>\$576</b>	<b>\$80</b>	<b>\$656</b>

## ***Appropriation vs. True Costs for Employer***

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	<b>Funded</b>	<b>Costs</b>	<b>Difference</b>
<b>EE Only</b>	<b>\$576</b>	<b>\$371</b>	<b>\$205</b>
<b>EE/Spouse</b>	<b>\$576</b>	<b>\$730</b>	<b>(\$154)</b>
<b>EE/Child</b>	<b>\$576</b>	<b>\$514</b>	<b>\$62</b>
<b>EE/Children</b>	<b>\$576</b>	<b>\$730</b>	<b>(\$154)</b>
<b>EE/SP/Child</b>	<b>\$576</b>	<b>\$873</b>	<b>(\$297)</b>
<b>Family</b>	<b>\$576</b>	<b>\$1,088</b>	<b>(\$512)</b>

***Traditional Approach to Cost Increases***  
*Share Proportionally in 29% Increase*

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	<b>Employer</b>	<b>Employee</b>	<b>Total</b>	<b>% Ratio</b>
<b>EE Only</b>	<b>\$743</b>	<b>\$30</b>	<b>\$773</b>	<b>97/3</b>
<b>EE/Spouse</b>	<b>\$743</b>	<b>\$77</b>	<b>\$820</b>	<b>91/9</b>
<b>EE/Child</b>	<b>\$743</b>	<b>\$49</b>	<b>\$792</b>	<b>94/6</b>
<b>EE/Children</b>	<b>\$743</b>	<b>\$68</b>	<b>\$675</b>	<b>90/10</b>
<b>EE/SP/Child</b>	<b>\$743</b>	<b>\$93</b>	<b>\$836</b>	<b>89/11</b>
<b>Family</b>	<b>\$743</b>	<b>\$103</b>	<b>\$846</b>	<b>88/12</b>

***Apply Increases to Actual Costs & EE Premiums***  
***Share Proportionally in 29% Increase***

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	<b>Employer</b>	<b>Employee</b>	<b>Total</b>	<b>% Ratio</b>
<b>EE Only</b>	<b>\$479</b>	<b>\$30</b>	<b>\$509</b>	<b>95/5</b>
<b>EE/Spouse</b>	<b>\$942</b>	<b>\$77</b>	<b>\$1,019</b>	<b>93/7</b>
<b>EE/Child</b>	<b>\$663</b>	<b>\$49</b>	<b>\$712</b>	<b>94/6</b>
<b>EE/Children</b>	<b>\$942</b>	<b>\$68</b>	<b>\$1,010</b>	<b>94/6</b>
<b>EE/SP/Child</b>	<b>\$1,126</b>	<b>\$93</b>	<b>\$1,219</b>	<b>93/7</b>
<b>Family</b>	<b>\$1,404</b>	<b>\$103</b>	<b>\$1,507</b>	<b>94/6</b>

# ***Analyzing Contribution Strategy for Employer Paid Health Insurance***

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## **Total Costs:**

- **Incurred Claims paid by Insurer**
- **Employee Deductibles, Coinsurance, and Co-payments**
- **Vision**
- **Premium Tax**
- **Blue Cross Administration**
- **State Administration Appropriation**
- **Retirees Subsidy**

## **Employee Costs: Goal = 30%**

- **Deductibles, Coinsurance, and Co-payments**
- **Premiums**
- **Retirees Subsidy**
- **Employee Share of Reserves Used**

## **Employer Costs: Goal = 70%**

- **Premium**
- **Retirees Subsidy**
- **Employer Share of Reserves Used**

## ***Budgeting Practices for Employer Paid Insurance Costs***

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- **Currently the state budgets by position**
- **Filled positions drive future budget needs**
- **Budgeted benefits are not tracked at the agency level**
- **Do not track benefited and non-benefited temporary employees**
- **Agency has discretion to split FTP and double up on benefits**
- **Employee has discretion to accept health insurance or not – savings stay in agency and can be used for other personnel adjustments**



## ***Budgeting Practices for Employer Paid Insurance Costs***

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- **All fund sources support benefit costs including the retiree subsidy**
- **Budget increases are based upon projections made in May before the budgeting process begins with instructions in the Budget Development Manual**
- **Governor's recommendation is formulated in December and presented in January**
- **Changes in benefit mix and premiums occur months after the budget process is completed**

## ***Consideration for Budgeting Changes***

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- **Have agencies pay what is actually budgeted for health insurance**
- **Require employees to enroll in health insurance plan or provide evidence that they have alternative coverage**
- **Offer the employee health insurance coverage with zero premium**
- **Create a path for employees to contribute to future health insurance costs in retirement through payroll deductions similar to PERSI Choice (401-k)**

## ***Policy Categories***

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- Recruitment & Retention Goals
- Employer/Employee Insurance Contribution Strategy
- Subsidies
- Retiree Plan Options

## *Compensation/Recruitment Strategies*

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- What is the mix of workforce that Idaho wants to recruit and maintain?
  - Entry Level
  - Mid Level
  - Senior Level
  - Education
  - Specialty Staff
- What changes to Idaho's Compensation package would encourage recruitment of the identified workforce?
- What changes to the pay structure would encourage recruitment of the identified workforce mix?

## ***What should Idaho's contribution strategy be for insurance benefits?***

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- What is Idaho's policy for premium allocation between employer & employee?
  - Should the employee split be different than the dependent split?
    - i.e. 90/10 for the employee and 80/20 for dependents?
- What should the total mix of premiums & cash contributions be between the employer and the employee?

## ***How does the Legislature want to handle the subsidies within the current insurance plan?***

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### **Current Subsidies**

- Active Employees subsidy of Retirees
- PPO subsidy of Traditional Insurance Plan for active Employees
- Subsidy within the different benefit coverage elections (Single Employee & Employee plus a Child subsidy of other benefit election categories.)

## ***What kind of Retiree insurance package should the state offer ?***

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- Should the combined rating for Retiree & active Employees continue?
- Offer a Medicare Supplemental for those over 65
- Change or lift the sick leave cap to assist retirees under 65 with medical premiums