





## STUDY SESSION AGENDA ITEM

<b>DATE:</b> September 13, 2016
<b>SUBJECT:</b> Total Compensation Recommendation for 2017 Budget
<b>FROM:</b> Bryan Ostler, Human Resources Director
<b>AGENCY/DEPARTMENT:</b> Human Resources
<b>ATTENDEES:</b> Bryan Ostler, Terri Lutt, DeAnna Guyer, Charles Duscha, Pauline Hohn, Representatives from Hays Companies of Denver.
<b>PURPOSE OF ITEM:</b> To provide the Board with information and a recommendation for the 2017 budget regarding pay and health plans.
<b>STAFF RECOMMENDATION:</b> To approve the recommended pay and health plans for the 2017 budget.

### **BACKGROUND:**

Each year the county does a comprehensive compensation and total benefits analysis to assess our competitiveness in the market. This presentation includes information, based on the analysis conducted, and a recommendation for the 2017 Preliminary Budget.

### **AGENCIES, DEPARTMENTS OR OTHER OFFICES INVOLVED:**

Human Resources  
County Manager's Office  
Budget Office

### **ATTACHED DOCUMENTS:**

Please see attached documents.

**FISCAL IMPACT:**

Please check if there is no fiscal impact . If there is fiscal impact, please fully complete the section below.

**Fund:** \_\_\_\_\_

**Cost Center:** \_\_\_\_\_

	Object Account	Subledger	Amount
Current Budgeted Revenue:			
Additional Revenue not included in Current Budget:			
<b>Total Revenues:</b>			_____

	Object Account	Subledger	Amount
Current Budgeted Operating Expenditure:			
Add'l Operating Expenditure not included in Current Budget:			
Current Budgeted Capital Expenditure:			
Add'l Capital Expenditure not included in Current Budget:			
<b>Total Expenditures:</b>			_____

New FTEs requested:             YES             NO

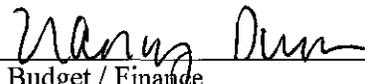
Future Amendment Needed:     YES             NO

**Additional Note:**

**APPROVAL SIGNATURES:**

**APPROVAL OF FISCAL IMPACT:**

  
\_\_\_\_\_  
Todd Leopold, County Manager

  
\_\_\_\_\_  
Nancy Ann  
Budget / Finance

\_\_\_\_\_  
Raymond H. Gonzales, Deputy County Manager

\_\_\_\_\_  
Ed Finger, Deputy County Manager

Total Compensation Recommendation  
Human Resources Department  
September 13, 2016

# 2017 BENEFIT PLAN RENEWAL

## **Goal of the Benefit Program:**

- To be an employer of choice by offering an outstanding benefit plan that meets or exceeds the competition.

## **Long Term Strategy of the Benefit Program:**

- Encourage employee partnership in healthcare decisions by offering smart, effective plan choices.
- Manage premium increases so they are sustainable for the county and the employees.

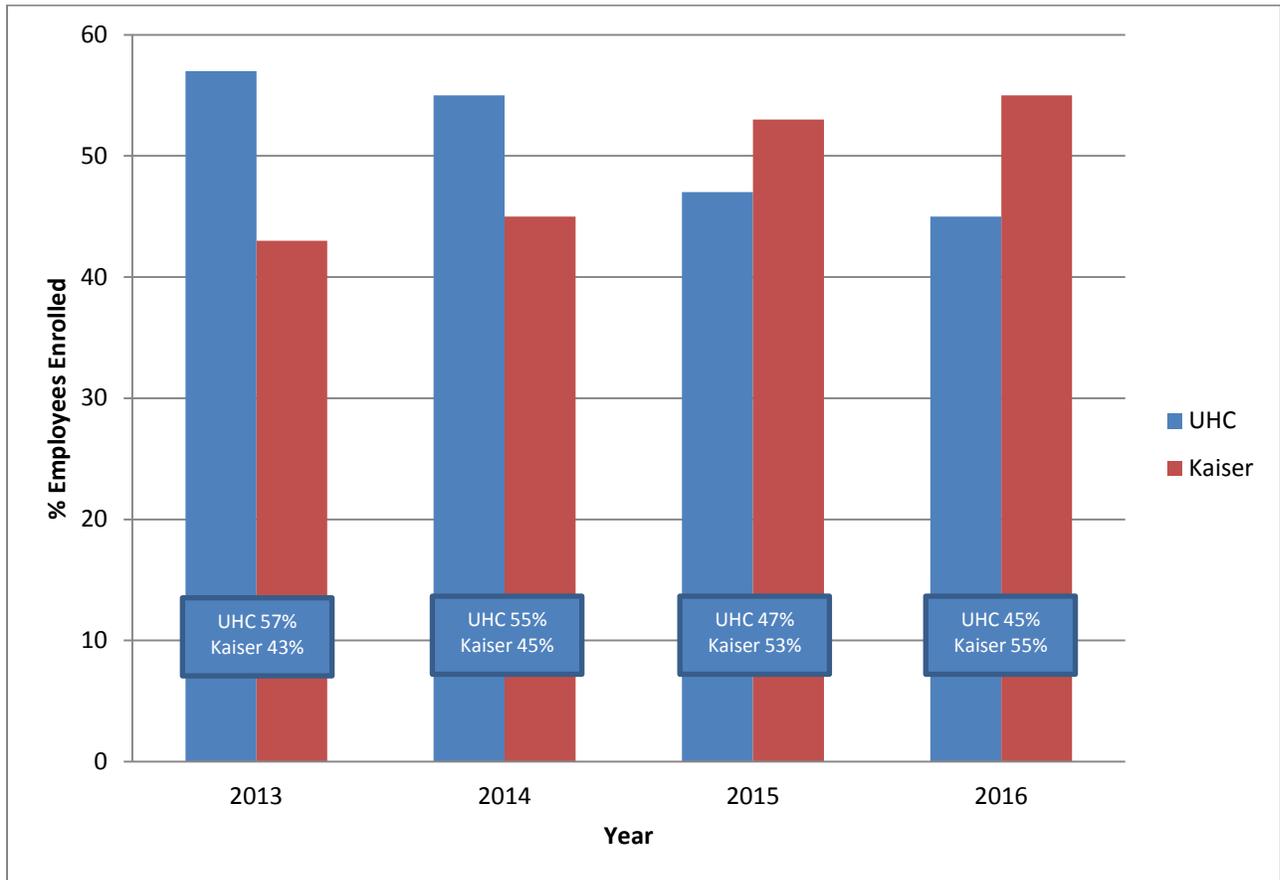
## **Execution of our Strategy**

- Manage our risk.
- Until recently we have been successful in mitigating adverse selection by keeping healthcare premiums comparable for our employees. This has led to a low waiver population, allowing for the cost (or risk) to be spread out among many employees.
- We implemented a self-funded health plan several years ago, which over time is expected to have lower trend than our prior fully-insured PPO plan.
  - On average and over time, self-funded health plans increase at a lower trend than those that are fully-insured.
  - Self-funding presents an opportunity to build a reserve in low claims years to help pay for high claims years.

## **Managing Risk**

- We recently launched an on-site clinic to support our wellness efforts and more closely manage the health risk of our population.
- The clinic has been operational for approximately one year. The clinic is operating at nearly 100% capacity each day, reflecting positive engagement from the employees.
- While it is too early to identify any trends, initial indications are that the clinic is helping to save healthcare dollars for both the Kaiser and the UHC health plans. In October we will be receiving a comprehensive annual report on the Clinic's performance from CareHere.

## UHC vs. Kaiser – Percentage of Enrollment 2013 - 2016



## PLAN DESIGN CHANGES 2013-2016

Plan	2013		2014		2015		2016	
	United	Kaiser	United	Kaiser	United	Kaiser	United	Kaiser
Deductible	\$400	none	\$400	none	\$400	none	\$500	none
Co-Insurance	none	none	none	none	5%	none	5%	none
PCP – Office Visit Co-Pay	\$25	\$15	\$25	\$15	\$25	\$15	\$30	\$15
Specialist-Office Visit Co-Pay	\$40	\$25	\$40	\$25	\$40/\$80	\$25	\$40/\$80	\$25
Hospital-Inpatient	Deductible applies	\$250	Deductible applies	\$250	5% after deductible	\$250	5% after deductible	\$250
Hospital-Outpatient	Deductible applies	\$200	Deductible applies	\$200	5% after deductible	\$200	5% after deductible	\$200
Emergency Room	\$170	\$150	\$170	\$150	\$170	\$150	\$200	\$150
Prescription Drugs								
Tier 1	\$20	\$15	\$20	\$15	\$20	\$15	\$20	\$15
Tier 2	\$40	\$30	\$40	\$30	\$40	\$30	\$40	\$30
Tier 3	\$60	NA	\$60	NA	\$60	NA	\$80	NA

\*Cells highlighted in blue indicate major changes to UHC plan design.

**Ensure Sustainability**

- We seek to ensure the sustainability of both the UHC and Kaiser plans by managing the adverse effects of a split risk pool.
- Recent claim activity would suggest that higher risk, high claims individuals are enrolled in the UHC plan.
- This has resulted not only in higher UHC costs, but lower Kaiser costs.
- We have an opportunity to manage our risk pool.
- A split risk pool that is *not properly managed* can ultimately result in substantially higher premiums for both plans.
  - We are concerned that the two plans are on a path that is not sustainable, and we may lose our ability to offer the choice of two health plans.

**Financials**

- Because our benefit program is comprised of a single risk pool of employees, we have begun taking a more holistic view of the combined spend for medical, dental, vision, life, and disability.
- When viewing the program in this manner, shortages and surpluses are combined, resulting in more stable contributions for the county and the employees.
- Our proposal is necessary in order to re-align the plans, allowing us to continue to offer choice.
- In an effort to correct this negative split risk pool situation that we see in the plans, we are proposing to move towards more equity in the medical plans between UHC and Kaiser.

**Our Recommendation**

- No plan design changes to UHC plan
- Plan design changes to Kaiser plan
- Decrease UHC EPO employee premiums to match Kaiser premiums
- No change to UHC POS employee premiums
- No change to Kaiser employee premiums
- Continue the Early Retiree Rates/Premiums scheduled phase-out plan

Plan	Cost Impact of Medical Plan Recommendations					
	2016 Total County Cost	2016 Total Employee Cost	2016 Total Plan Cost	2017 Total County Cost	2017 Total Employee Cost	2017 Total Plan Cost
UHC	\$9,729,754	\$2,365,621	\$12,095,375	\$10,747,845	\$2,225,135	\$12,972,980
Kaiser	\$10,043,659	\$2,626,042	\$12,669,702	\$9,312,834	\$2,626,042	\$11,938,876
Total Plan Cost	\$19,773,413	\$4,991,664	\$24,765,077	\$20,060,679	\$4,851,177	\$24,911,856
Change from Current				+\$ 287,266	-\$ 140,486	+\$ 146,780

<b>Kaiser Plan Design Proposed Changes and Comparison to UHC</b>			
<b>Plan Benefit</b>	<b>Kaiser Current</b>	<b>Kaiser Proposed</b>	<b>United EPO (no changes)</b>
Deductible	No deductible	No deductible	\$500 Single \$1,000 family
Office Visit Co-pay	\$15 PCP \$25 Specialist	\$30 PCP \$40 Specialist	\$30 PCP \$40 Premium Specialist
Hospital Services	\$250 Inpatient Co-pay \$250 Outpatient Co-pay	\$300 Inpatient Co-pay \$250 Outpatient Co-pay	\$500 Deductible + 5% Coinsurance
Emergency Room	\$150 Co-pay	\$200 Co-pay	\$200 Co-pay
Maximum Out of Pocket	\$2,000/Single \$4,500/Family	\$2,000/Single (no change) \$4,500/Family (no change)	\$4,500/Single \$9,000/Family
Prescription Drugs	\$15 Generic \$30 Preferred	\$15 Tier 1 \$35 Tier 2 \$45 Tier 3	\$20 Tier 1 \$40 Tier 2 \$80 Tier 3

<b>New 2017 Employee Rates for All Plans</b>		
<b>Medical Plan</b>	<b>2016</b>	<b>2017 Proposed</b>
United Healthcare EPO EE Only	United Healthcare EPO \$92.96	United Healthcare EPO \$86.89
EE + One	\$267.73	\$250.44
EE + Two or More	\$458.39	\$428.80
United Healthcare POS EE Only	United Healthcare POS \$82.91	United Healthcare POS \$82.91
EE + One	\$238.77	\$238.77
EE + Two or More	\$408.83	\$408.83
United Healthcare EPO Retirees EE Only	United Healthcare EPO Retirees \$725.74	United Healthcare EPO Retirees \$912.01
EE + One	\$1,576.70	\$1,974.01
EE + Two or More	\$2,289.57	\$2,883.69
United Healthcare POS Retirees EE Only	United Healthcare POS Retirees \$642.02	United Healthcare POS Retirees \$807.53
EE + One	\$1,401.30	\$1,755.11
EE + Two or More	\$2,036.88	\$2,548.31
United Healthcare PPO Retirees EE Only	United Healthcare PPO Retirees \$838.54	United Healthcare PPO Retirees \$1,052.78
EE + One	\$1,814.99	\$2,271.39
EE + Two or More	\$2,631.84	\$3,290.80
Kaiser Permanente HMO EE Only	Kaiser Permanente HMO \$86.89	Kaiser Permanente HMO \$86.89
EE + One	\$250.44	\$250.44
EE + Two or More	\$428.80	\$428.80
Kaiser Permanente Retirees EE Only	Kaiser Permanente Retirees \$590.17	Kaiser Permanente Retirees \$558.54
EE + One	\$1,294.35	\$1,217.44
EE + Two or More	\$1,883.30	\$1,772.64

## 2017 Total Budget Impact

Total County cost, without employee premiums

<b>PLAN</b>	<b>2016 CURRENT BUDGET</b>	<b>2017 RENEWAL BUDGET Proposed</b>
UHC Medical	\$9,729,754	\$10,747,845
KAISER Medical	\$10,043,659	\$9,312,834
DELTA Dental	\$1,063,487	\$974,148
VSP Vision	\$153,543	\$140,536
UNUM Life/Disability	\$1,555,724	\$1,555,724
Total Benefit Plan Spend	\$22,546,167	\$22,731,087
<b>Increase over current</b>		<b>\$184,920</b>

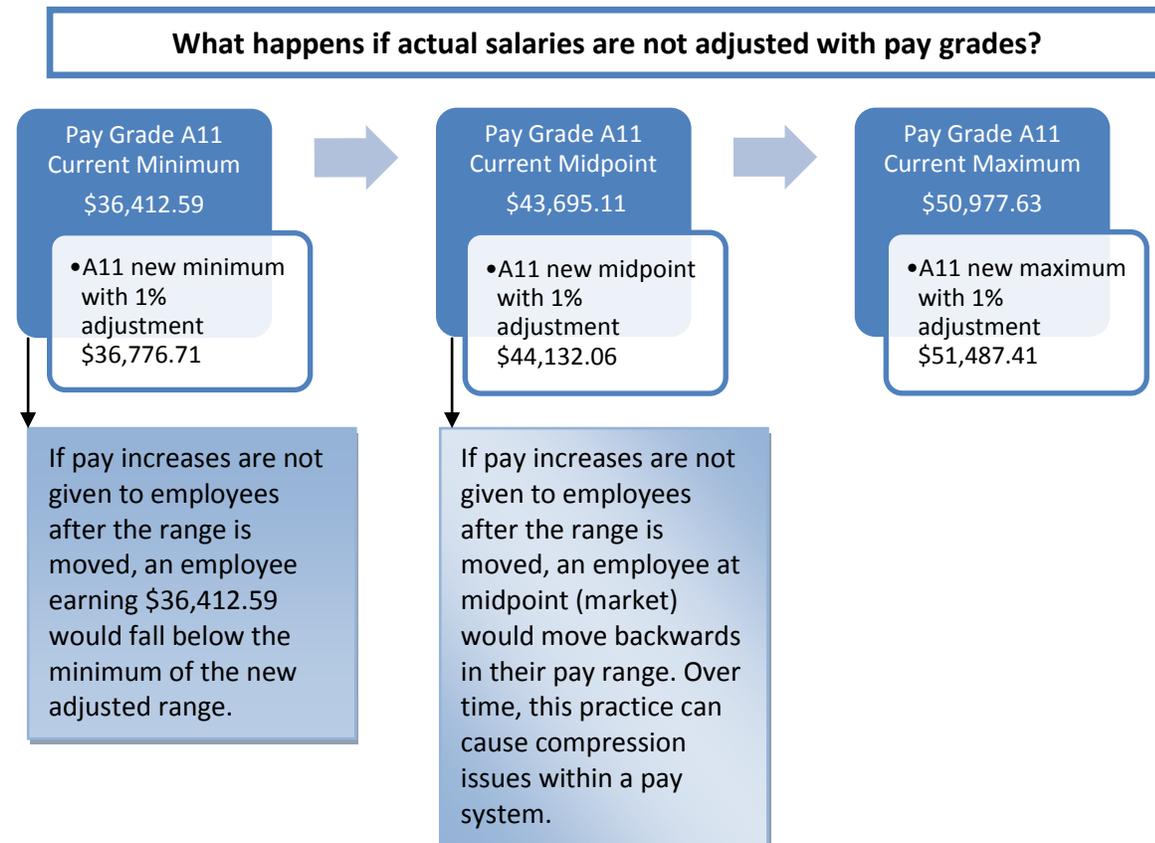
# 2017 PAY PLAN

## MARKET ORGANIZATIONS

Previous Market	Added in 2016
Arvada	Brighton
Aurora	Colorado Springs
Commerce City	Englewood
Greeley	Ft. Collins
Northglenn	Lafayette
Thornton	Lakewood
Westminster	Littleton
Arapahoe County	Longmont
Boulder County	Louisville
Douglas County	Loveland
Jefferson County	Wheatridge
Larimer County	Weld County
City and County of Broomfield	
City and County of Denver	

## MARKET COMPENSATION

Market adjustments are implemented to adjust our ranges to be competitive with our identified market.



## MARKET COMPENSATION

### **2017 Pay Structure Projections**

1.6% - Government (without utilities) Source: 2016 MSEC Colorado Benchmark Compensation Survey

### **Individual Position Market Adjustments – Implement in November 2016**

- 15 benchmark positions were more than 6% low
- 7 positions are ties to those benchmark positions
- 22 total positions should be adjusted accordingly
- 43 employees are impacted

<b>Individual Benchmark Market Adjustments</b>	
General Fund	\$123,484.45
All Other Funds	\$86,397.59
<b>Total</b>	<b>\$209,882.03</b>

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## MARKET COMPENSATION

### Job Family Salary Survey Results & Proposed Costs

Job Family	% High or Low	Recommended Increase	Cost to Move All Employees
<b>Administrative</b>			
General Fund	-0.80%	1.00%	\$ 107,160.25
All Other Funds	-0.80%	1.00%	\$ 113,076.28
Administrative Job Family Cost			<b>\$ 220,236.53</b>
<b>Executive</b>			
General Fund	-0.68%	0.50%	\$ 6,512.25
All Other Funds	-0.68%	0.50%	\$ 2,649.26
Executive Job Family Cost			<b>\$ 9,161.51</b>
<b>Management</b>			
General Fund	-0.93%	1.00%	\$ 35,150.59
All Other Funds	-0.93%	1.00%	\$ 25,792.78
Management Job Family Cost			<b>\$ 60,943.37</b>
<b>Sheriff's Office – General Fund</b>			
Cadet	-8.15%	8.00%	\$ 46,503.94
Deputy	-3.20%	3.00%	\$ 591,177.20
Sergeant	-1.90%	2.00%	\$ 59,074.62
Commander	-3.14%	3.00%	\$ 34,577.64
Division Chief	-2.00%	2.00%	\$ 9,586.68
Sheriff's Office - Cost of Commissioned Positions			<b>\$ 740,920.08</b>
<b>Information Technology</b>			
	0.11%	No Increase	\$0.00
<b>Labor</b>			
	0.41%	No Increase	\$0.00
<b>Professional</b>			
	0.17%	No Increase	\$0.00
<b>Job Family Market Adjustments - Total Cost</b>			
General Fund w/o District Attorney's Office			\$889,743.17
District Attorney's Office (General Fund)			\$94,455.07
All Other Funds			\$141,518.32
<b>Total</b>			<b>\$1,125,716.56</b>

## MERIT COMPENSATION

### 2017 Pay Increase Projections

3.0% - Government (without utilities) Source: 2016 MSEC Colorado Benchmark Compensation Survey

<b>Merit Pool Recommendation – 3% Sheriff's Office – 4.1%</b>	
General Fund	\$2,517,526
All Other Funds	\$1,276,401
<b>Total</b>	<b>\$3,793,927</b>

## 2017 TOTAL COMPENSATION IMPLEMENTATION COSTS

<b>Total Implementation Costs</b>	
General Fund	\$3,501,724.24
Retirement, FICA, Medicare Costs	\$583,037.09
<b>Total General Fund</b>	<b>\$4,084,761.33</b>
All Other Funds	\$1,417,919.32
Retirement, FICA, Medicare Costs	\$236,083.57
<b>Total All Other Funds</b>	<b>\$1,654,002.89</b>
Benefit Plan Renewal	\$184,920
<b>2017 Total Compensation Implementation Costs</b>	<b>\$5,923,684.22</b>