

**BENEFITS ADMINISTRATION AND EDUCATION***(LFB Blue Book, Priority #4, Page 278)**(Replaces Page 25 in original presentation)***1. Request?**

The Department requested \$893,000. The Governor's recommendation was for \$763,610 to support administration of the health insurance program, to be raised through charges to agencies. Through additional discussions with state agencies, employee representatives, and the Governors Office, it was determined that the Departments original proposal to bill employees for a portion of the fees to be collected would be eliminated.

**2. Purpose?**

The Departments initial request for funding would maintain three current FTE and support costs in the program. One additional FTE was included in the Departments request to support an anticipated increase in enrollments in the Deferred Compensation Program resulting from the implementation of the state match program. All FTEs in the Departments request were to be funded with \$618,000 from agency billings to support the Group Insurance, Wellness, Deferred Compensation, and Return to Work programs. Additionally \$275,000 was requested from the Health Insurance Premium Reserve Fund to support the Group Health Insurance program.

The Governor's recommendation for funding administration of the health insurance program is \$763,610.

**3. Positive impact if funded?**

The Governor's recommendation supports the effective administration of all group insurance programs, integrates a more aggressive Wellness program to encourage improved employee health practices, and reduces the program's reliance on the health insurance reserve fund.

**4. Negative impact if not funded?**

Lack of funding for this package will result in discontinuing management and oversight of the health insurance program. Loss of funding will mean staff layoffs.

**5. Program/Process changes?**

Funding this package will ensure solid administration of the health insurance program. The Departments proposal will also establish a revolving fund, enabling the program to effectively manage costs from year to year. Each year, the Department will come to the Governor with its recommendation on resource needs for the program. The Governor and Legislature will have full opportunity to deliberate over the request. Once approved, billings will be issued to our customer-agencies and dollars will be deposited into the revolving fund to ensure that the funds are spent on this dedicated use. Agencies' costs for these billings will be offset through appropriation in the salary bill. Annually, a

**strategic planning** process, along with the expression of needs from state agencies, will drive the Department's request to the Governor and Legislature.

## **6. Funding changes?**

See explanation that follows

## **7. Action required?**

- . Code change authorizing the Department to implement a premium surcharge
- . Legislative authorization to bill agencies under the new Code authority.

## Additional Trend Data to Support Budget Request

1. **2001 Total Premium Health** - \$173,381,994 or approximately 173 million  
**2001 Total Premium Dental** - \$9,888,297 or approximately 10 million  
**2001 Total Premium Life** - \$757,364

2. **Increase in Wellmark premium rate expected in 2002**  
22 percent

3. **A one percent increase in Wellmark's rates translates to**  
1.7 million dollars

4. **Reserve Fund Status**

According to the Department of Management, the reserve fund, currently estimated to be approximately \$10 million; is to be \$3-4 million by the end of FY 01. In the past, the unencumbered surplus was used to compensate staff and consultants and buy down the State's share. Money specifically from the reserve fund was used to buy down State share premiums starting January 1, 2001.

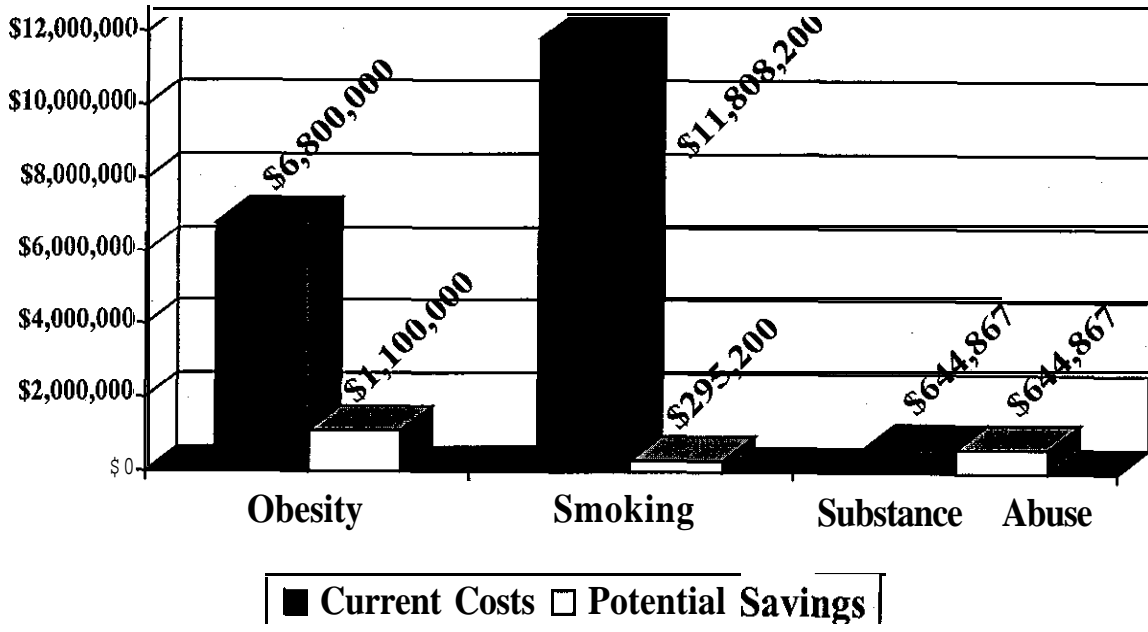
5. **Number of states that have a premium surcharge for managing a benefits program**

The following states have a premium surcharge in place to offset benefits management costs: California, Kansas, Kentucky, Louisiana, Maine, New Mexico, North Carolina, North Dakota, Oregon, and Virginia.

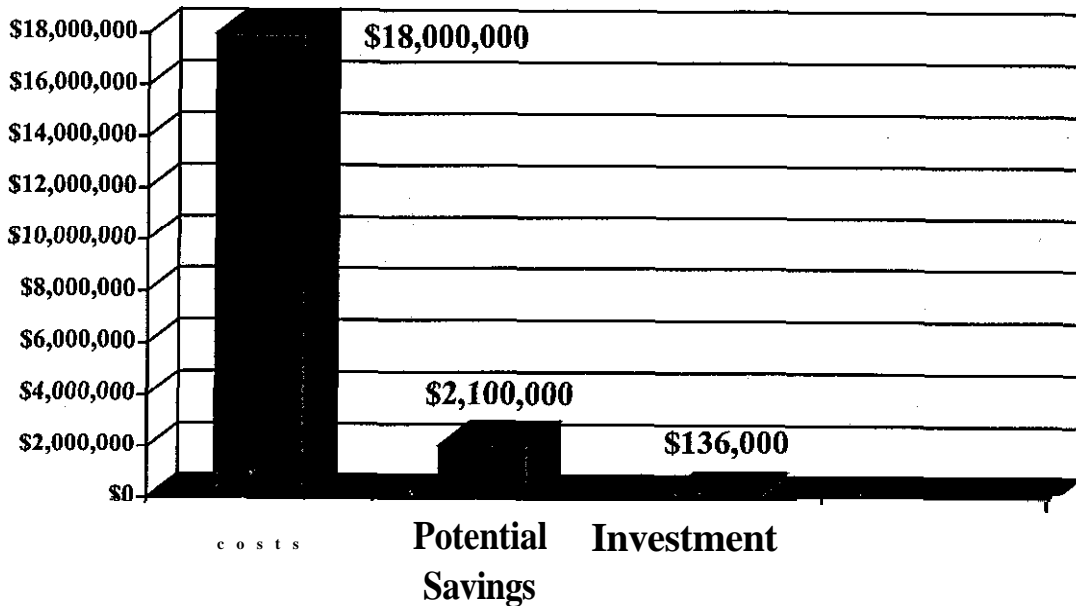
6. **Premium Surcharge**

The premium surcharge proposed for managing the insurance program is \$1 .14/pay period per employee contract. This is approximately \$27.36/year per employee contract.

### Potential Savings Due to Wellness Programs

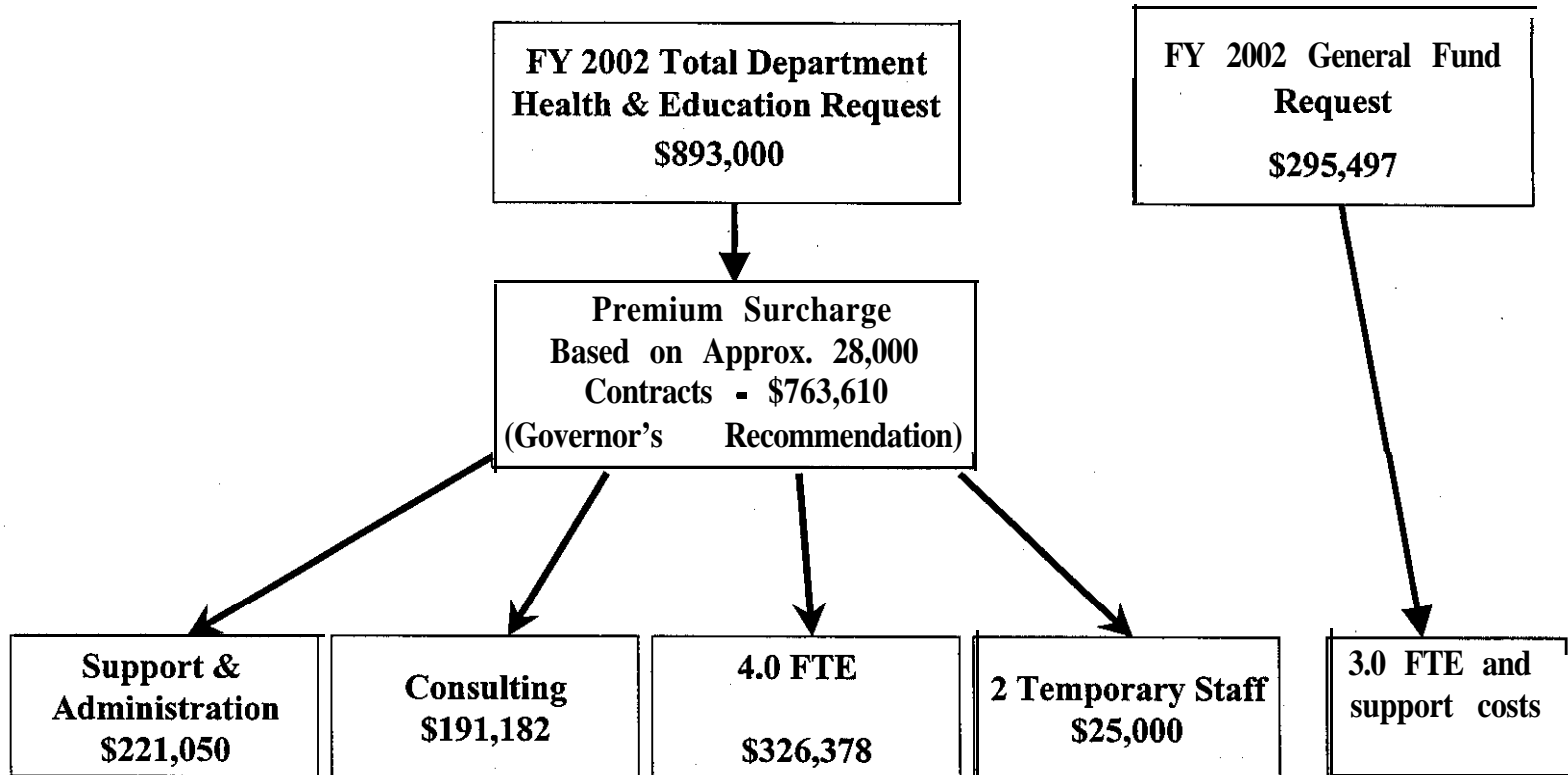


### Wellness Costs, Potential Savings & Investment



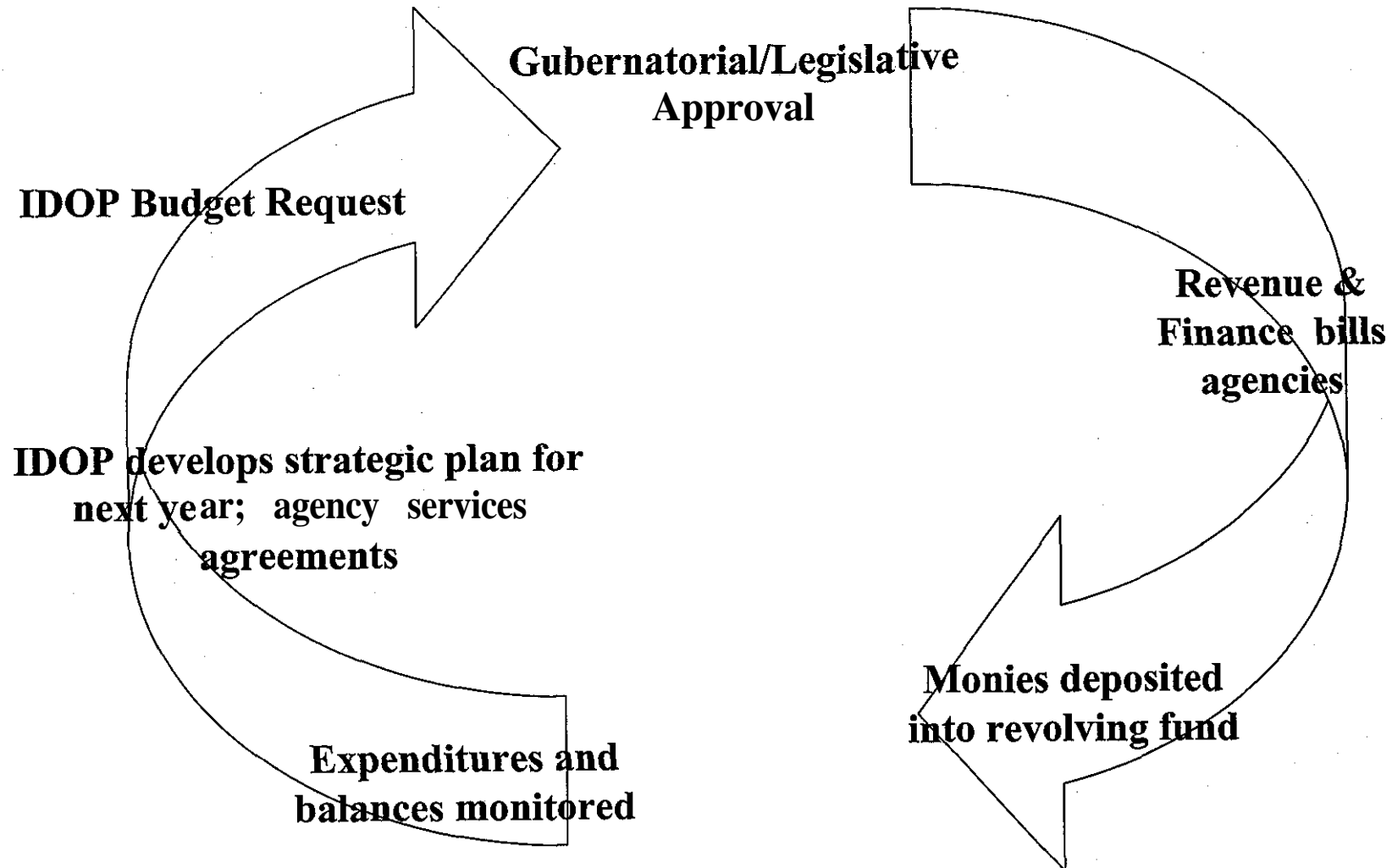
For more information contact Steve Smith at 281-5854.

# Health Insurance Program Budget including Premium Surcharge




Note: 65,000 lives are covered under our health contract

# Premium Surcharge Cycle



# Department Examples

<u>Department</u>	<u>Annual Total</u>
• Human Services	• \$165,966
• Transportation	• \$110,206
• Natural Resources	• \$36,662
• General Services	• \$6,320
• Personnel	• \$4,870
• Management	• 

Note: Vacant positions are included