



HEALTH INSURANCE ADMINISTRATIVE FEE: BACKGROUND INFORMATION

DAS-HRE administers and oversees a \$350-million health insurance program, as well as an unfunded wellness program and benefit education program (including webinars, website, and other information materials) with the funding derived from the mandated \$2.00 fee. Further, because it is a funding arrangement based on headcount, it has, and will continue, to go down based on reduced numbers of state employees. This inherent reduction in future funds, as well as the likely further reduction of the appropriation we receive for managing the retiree health population and conducting required GASB 45 analysis, will make it difficult to allow us to oversee the program in a meaningful way. It will force us to stop doing things like claims and dependent audits. It will also reduce our ability to provide benefits materials that assist employees in making good health care decisions.

The funding we receive from the \$2.00 administrative fee generates approximately \$630,000 annually or .18 percent of what is spent on the health insurance program.

This money is spent in 4 main areas:

- \$395,000 Staffing 4.5 FTES
- \$105,000 Consulting Services and Audit Functions
- \$ 80,000 Internal DAS Costs to Other Areas (Finance, IT, etc.)
- \$ 50,000 Miscellaneous Expenses (Postage, Printing, Communications, etc.)

Since this fee was put in place, we have been able to address four main cost control areas:

- 1. Vendor Management and Contracting** – Since securing a stable funding stream in 2002, we have been able to better negotiate with our major health insurance vendor to secure greater savings during renewals, and we have put in place significant cost-saving contract provisions with our vendor. This includes receiving all pharmacy rebates and holding vendor administrative costs at about 3.5 percent with administrative increase tied to the lesser of CPI or 3.5 percent.
- 2. Employee Decision-Making Impact** – Since securing a stable funding stream in 2002, we have been able to tweak the contribution strategy, while at the same time we have educated employees through a much more robust multi-media approach, including: webinars; a very informative website; wellness activities; and other information materials all designed to drive employees to make more customer-driven decisions. We have also moved to an electronic self-enrollment system that further puts employees in the role of customer. This has proven effective as evidenced by the fact that in plan year 2002, we only had 29 percent of all employee contracts in our lowest cost HMO plans, whereas we now have 60 percent of all employee contracts in these plans. This migration has avoided tens of millions of dollars in costs.

3. **Oversight and Efficiencies** – As a result of the \$2.00 fee, we have been able to effectively study and oversee the performance of this very high-cost program. We have conducted numerous audits and worked with one of our vendors to carry out a number of efficiency-based efforts that have acted to reduce costs and make our program more effective. Further, we have reduced the number of plans and vendors, resulting in substantial cost savings. Last, we have been able to better ensure that those employees and dependents on our plans are eligible to be on our plans, which lowers the State’s overall costs.

4. **Oversight and Efficiencies** – Because of our stable funding, we have been able to accommodate and incorporate the tremendous amount of state and federal healthcare mandates that have been applied to our health insurance program in a clear, effective, and legal way. We have also been able to take advantage of the Federal ERRP program, which has generated a return of \$3.3 million with the likelihood of millions more being generated over the next couple of years. In other words, this one \$3.3 million payment that we were able to secure for the State is equivalent to 5 years of funding with the \$2.00 administrative fee.

By further reducing the funding associated with this program, it will reduce the oversight and management of a significant cost to the State. The staffing levels are already much lower than would be expected for a program of this size. We have outsourced most aspects of this program and what is left is necessary to assist employees and oversee vendors' performance under the State’s contracts. DAS is exploring ways to increase funding to this area, so that we can do even more with regard to auditing and overseeing vendor compliance. We have shown time and time again relatively small outlays of money spent on this side of the ledger can have a large impact on the overall cost of the health insurance program, and in some cases, several million dollars have been avoided. The return on investment in dollars spent in this program is significant and we are looking at ways to maintain or even increase funding in this area to take advantage of this high rate of return.

Cost Effectiveness of Using DAS Motor Pool vs Enterprise Rental Cars

DAS rates are daily mileage rates from DAS Motor Pool
Enterprise rates based on State of Iowa Regents contract

Compact DAS Motor Pool classification = Intermediate enterprise vehicle

		Number of Days Rented	Breakeven Miles	Total Rentals	Rentals < Breakeven Miles	Rentals > Breakeven Miles
DAS Motor Pool mileage rate	\$ 0.33					
Fuel Adjustments	\$ (0.09)					
30 mpg for compact	\$ 0.24	1	186	1347	581	766
\$2.68 per gallon net of tax		2	372	835	566	269
\$.09 per mile		3	558	447	389	58
		4	744	329	310	19
		5	930	169	169	0
Enterprise daily rate (Fuel not included) (unlimited mileage) (damage waiver included) (liability insurance @ \$9.99)	\$ 44.64					

Mid-Size DAS Motor Pool classification = Full Size enterprise classification

		Number of Days Rented	Breakeven Miles	Total Rentals	Rentals < Breakeven Miles	Rentals > Breakeven Miles
DAS Motor Pool mileage rate	\$ 0.34					
Fuel Adjustments	\$ (0.10)					
28 mpg for mid-size	\$ 0.24	1	215	613	315	298
\$2.68 per gallon net of tax		2	430	461	366	95
\$.10 per mile		3	646	303	266	37
		4	861	276	260	16
		5	1076	222	206	0
Enterprise daily rate (Fuel not included) (unlimited mileage) (damage waiver included) (liability insurance @ \$9.99)	\$ 51.64					

Minivan DAS Motor Pool classification = Mini-van enterprise classification

	DAS Motor Pool mileage rate	Fuel Adjustments	24 mpg for mini van	\$2.68 per gallon net of tax	\$.11 per mile	Enterprise daily rate	Number of Days Rented	Breakeven Miles	Total Rentals		Rentals	
									< breakeven and > max miles	> breakeven and < max Miles	< breakeven and > max miles	> breakeven and < max Miles
	\$ 0.39	\$ (0.11)	\$ 0.28			\$ 66.64	1	236	166	154	12	
							2	472	195	191	4	
							3	708	132	132	0	
							4	944	89	89	0	
							5	1179	55	55	0	

This leaves only a window between 237 and 250 miles per day where enterprise is more cost effective

There were 6,422 rentals from our daily pool in the previous 18 months. This represents 88% of those rentals. Of these rentals approximately 24% were cost effective to use Enterprise when liability insurance is included if we can purchase that insurance at the minimum rate for all vehicle classes.

Damage waiver covers damage to the rental vehicle and is included in the Regents contract

Liability Insurance is an extra fee not included in the Regent contract.

Per Enterprise this rate ranges from \$9.99 to \$15.50 depending on location and class of vehicle. We used \$9.99 assuming that we could negotiate the lowest rate.

Fuel is based on current retail price net of tax on 02/19/11

**IOWAccess \$1,000,000 Appropriation
February 21, 2011
Prepared by DAS-ITE**

WHAT IS IOWAccess?

- ✓ IOWAccess was established to provide citizens with electronic access to government information and transactions, whether federal, state or local.
- ✓ IOWAccess is a state-funded service providing and enabling access to government information and transactions.
- ✓ Projects funded by IOWAccess allow State agencies to offer online services at no direct cost to the agency.
- ✓ This provides agencies with a means to more quickly create innovative, more cost-effective avenues for delivering services to citizens accessed by the Web.
- ✓ Over the past six and a half years, IOWAccess has disbursed over \$14,000,000 to support 109 online services.

LISTING OF IOWAccess PROJECTS

IOWAccess has provided funding to more than 40 State and local governmental entities, allowing those entities to provide important citizen-centric services. Below is a sampling of those funded programs.

Dept of Commerce Alcoholic Beverages Division	Licensing & Regulatory Documents Online
College Student Aid Commission	Iowa College Aid Consolidated Admin Apps/Databases and Enhancements
College Student Aid Commission	College Student Aid Portal
Dept of Human Rights	Weatherization Assistance Program
Dept of Human Services	Food Stamps Web Intake
Dept of Human Services	Healthcare Provider Licensing Database
Dept of Natural Resources	Animal Feeding Operations
Dept of Natural Resources	Field Office Compliance Database
Dept of Natural Resources	Hazardous Substance Incident Database
Dept of Natural Resources	Special Events Registration
Dept of Management	American Recovery and Reinvestment Act (ARRA) Recovery
Dept of Management	Local Government and Annual Report Database
Dept of Public Safety	Criminal History Online
Dept of Public Safety	Iowa Sex Offender Public Registry
Iowa Child Advocacy Board	ICAB Online
Dept of Economic Development	Business License Information Center (BLIC)
Dept of Veteran's Affairs	Dynamic Forms
Office of the Governor	Boards and Commissions Online
Dept of Admin Services	Enterprise Licensing portal

Dept of Admin Services Information Security Office	Cybersecurity Education and Awareness Training
Commission on Volunteer Service	Volunteer Iowa
Iowa Workforce Development	Workers' Compensation PERFECT System
Iowa State Assoc of Counties	County Real Estate Electronic Government Advisory Committee Web Application
Legislative Services Administration	Iowa Code and Rules Easy Navigation and Search
State Historical Society	Museum Content Management System
State Library	Dynamic Data on the Web
Board of Education Examiners	Web Based Teacher License Renewal
Dept of Admin Services	Iowa School Alert Notification System
Dept of Agriculture & Land Stewardship	Financial and Reports Management System (FARMS)

FINANCIAL SUMMARY

IOWAccess is funded through two sources:

1. A portion of the value-added fee received from the sale of driver motor vehicle records.
2. Because this can fluctuate significantly from month to month and year to year, a second, more stable funding source was provided.
 - That source is the dedication of a portion of the statutory fee charged for those driver motor vehicle records, which has historically been the first \$1,000,000 of those fees collected.
 - Over the past six fiscal years, these appropriated funds have accounted for approximately 40% of the total funds available for IOWAccess projects.

The average return on investment, the value received:

During 2009, the IOWAccess funded agencies shared a return of 198% of the investment.

1. Savings in staff effort – manual to automated processes.
2. A reduction or elimination of citizen time needed to complete the transaction with the agency.
3. Because IOWAccess reacts to agency requests as they are received, we cannot say what projects they may be, but a lack of funds could have derailed the following recently funded applications that are at no additional costs to citizens:
 - a. The next Sex Offender Registry update which allows designation of those “Most Wanted”
 - b. Child Advocacy system reports of children served, volunteers, goals met, etc.

- c. Iowa School Alerts additions to the current level of serving approximately 275,000 school districts and 75,000 subscribers

Financial Outlook

The normal budget cycle isn't always able to accommodate the rapid nature of technological advances and IOWAccess provides the means to fund projects addressing these types of change.

Comparison of past (appropriated) and impacted (unappropriated) fund positions

Past Funding (through FY'11)	
Starting balance as of 12/31/10	\$1,190,052
plus DLR – Drivers License Records revenue	\$769,000
less Remaining fiscal year operational expenditures	(\$245,000)
Net unobligated at end of FY'11	<u>\$1,714,052</u>
Net unobligated less Anticipated projects	\$1,400,000
FY'11 anticipated unobligated funds balance	\$314,052

Impacted Funding	
Starting anticipated balance as of 7/1/11	\$314,052
plus Anticipated revenues for FY'12	\$1,555,168
less Annual operational expenses	(\$485,000)
Available funds FY'12 (without approp)	<u>\$1,384,220</u>
less Anticipated FY'12 obligations	\$2,000,000
Loss in project funding	(\$615,780)

Anticipated Balance based on average annual requests of \$2,000,000:
 (\$616,000) loss in project funding without appropriation
 \$314,000 positive balance with appropriation

A reduction would mean we would have to deny 31% of the anticipated project funding requests.

Assumptions:

- Continuation of current projects and new/additional projects for latter half of FY11 proceed.
- Obligated funds consist of projects that have been started by the recipient agencies.
- Projects often span state fiscal years and so the balance brought forward includes commitments made on projects that have not yet been completed as well as the unobligated funds.

- Spend down of obligated funds depends on the recipient's project schedule and resource availability.
- Because the sales of driver motor vehicle records have shown a small decline in FY 11, we are anticipating a 5% reduction in FY12 revenues to \$1,555,168 (without the annual appropriation).