

ANNUAL PERFORMANCE REPORT

Part 1: Agency Summary

Agency: Department of Employee Relations

Mission Statement:

In 1991, the department started the process to clarify its role in state government. Through stakeholder meetings and surveys, we determined that a high level of concern exists about the current system. We developed the following three strategic goals to guide the department:

1. Chart the state's future direction in human resource management.
2. Develop a model statewide human resource system.
3. Develop our department as a model organization.

To chart the future direction of the state's human resource management, a mission statement along with our department values was developed that reflects our role in creating excellence in state government.

Our mission is: "Leadership and Partnership in Human Resource Management."

By "Leadership" we mean:

1. Pursuing excellence by continually increasing our expertise and improving our services.
2. Striving for fairness, equity, integrity, and ethical behavior in the workplace.
3. Challenging ourselves to make our agency a model of organizational health.

By "Partnership" we mean:

1. Involving others in decision-making through teamwork and effective communication.
2. Working with our customers to anticipate and respond to their challenging needs.
3. Treating each other, our customers, and our stakeholders with respect.

By "Human Resource Management" we mean:

1. Providing a continuum of services to our customers.
2. Our primary customer is the executive branch as a single employer and each state agency within the executive branch.

During the CORE process in 1992, a vision was developed to help develop a model human resource (HR) system. The ideal system relates to both the management and motivation of employees and the overall work environment in a constructive labor-management partnership. We believe this vision must be embraced by state employees and policy makers at all levels and all employees should be empowered, responsible and accountable for promoting these principles. Our vision includes the following principles:

Outcome-Based Human Resources System

The HR system will support the goals of state government and the provision of effective state services to the public. The focus of the system will be on achieving results, rather than following procedures.

Customer-Oriented

The HR system will be driven by the needs of its primary customers, while considering the interests of other stakeholders. HR professionals will understand their roles and responsibilities, and how to help their customers fulfill the missions of their organizations.

Part 1: Agency Summary (Cont.)

Simple, User-Friendly

The HR system will be accessible, flexible, easy to use, consistent and fair, and at the same time require a minimum of time and expense. The system will respond quickly and with flexibility to the needs of stakeholders. Processes will be streamlined. The HR function will be viewed as a facilitator rather than a controller.

Strategic, Proactive, Change-Based Human Resources Function

The HR system will search out and adapt to changes in both the internal and external environments. Mechanisms will be in place to gather and analyze relevant information. The system and the culture will be flexible to respond to the future needs of its customers. In addressing these changes, the HR system will strive to obtain a balance between the competing needs of its various customers and stakeholders and, with these groups, develop partnerships for change.

Reflects the Community and Maximizes Opportunity

The HR system will seek, reward and value work force diversity. Real opportunity and access will exist for all individuals at all levels of employment.

Performance-Based Management Systems

The HR system will focus on recognizing employees for the outcomes of their work, rather than for the activities which they pursue. Recognition, promotion and compensation will reflect the proven ability of the individual or team to produce results.

Quality Employer that Values Employees

The HR system, recognizing that employees are a critical resource, will respect their needs as individuals, value their dignity, acknowledge their contributions, treat them consistently, support a health work environment and foster a constructive labor-management partnership. Employees will take pride in working for the state. The public will understand and value the role of the state employee and the state as an employer.

Creative Optimal Work Force Deployment

The HR system will facilitate the selection, development and retention of well-qualified employees and provide them with the skills, responsibility and authority to deliver services. Workers will be deployed in a manner that is personally rewarding and accomplishes the mission of the organization. Individual skills will be fully utilized and accessible to agencies across the state. The system will encourage the development of flexible work schemes to accommodate the needs of a diverse work force.

Increased Effectiveness of Statewide Management Team

The HR system will acknowledge the important roles placed by managers, and provide them with the skills and information required to do their jobs. It will promote an atmosphere which is conducive to change and risk taking and which rewards outcomes of these behaviors. Elected officials and state managers will share a commitment to common values and principles for the state overall.

To achieve our mission we have identified the following objectives:

1. Provide effective policy leadership and direction for human resource management.
2. Create a diverse workforce and a discrimination and harassment free work environment.

Part 1: Agency Summary (Cont.)

3. Provide fair and flexible employment processes which assist state managers to attract and maintain a qualified workforce.
4. Maximize the productivity of the state's workforce by assuring that opportunities are available for professional and organizational development.
5. Ensure a quality workforce by providing cost effective, competitive and equitable compensation and insurance benefits.
6. Ensure that state employees work in a safe and healthy environment and minimize work-related injuries and illness.
7. Promote effective management and positive labor-management relations, in a unionized work environment.
8. Provide cost effective health insurance to public and private sector employees.

The department is divided into the following areas:

- Human Resource Management Program
- Employee Insurance Program
- Other Statutory Requirements
 - Public Employees Insurance
 - Minnesota Employees Insurance
 - Pay Equity

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ANNUAL PERFORMANCE REPORT

Part 2: Program Information

Agency: Department of Employee Relations
Program: Human Resource Management

Program Purpose: The program provides leadership to and partnership with state agencies to assist them in carrying out sound human resource practices to attract, maintain and manage a qualified workforce to accomplish their agencies program objectives. Services provided in pursuit of this purpose include: developing policies and procedures to implement quality human resource programs and consulting with agencies to solve human resource related problems; tracking workforce and labor force trends; developing and maintaining a job classification framework as a foundation for other human resource programs including determining equitable compensation; recruiting, screening and referring qualified applicants to fill vacancies and providing public information concerning state hiring practices and job opportunities; developing curriculum or brokering services to train employees in job and workforce policies and skills; providing affirmative action, non-discrimination and diversity policies and programs; and negotiating and administering labor-management contracts.

This program supports the following department objectives:

1. Provide effective policy leadership and direction for human resource management.
2. Create a diverse workforce and a discrimination and harassment free work environment.
3. Provide fair and flexible employment processes which assist state managers to attract and maintain a qualified workforce.
4. Maximize the productivity of the state's workforce by assuring that opportunities are available for professional and organizational development.
5. Ensure a quality workforce by providing cost effective, competitive and equitable compensation and insurance benefits.
6. Promote effective management and positive labor-management relations, in a unionized work environment.

Statutory Reference: M.S. 43A.
M.S. 179A (Public Employee Labor Relations Act)

Performance Objectives and Measures:

Objective 1. Provide effective policy leadership and direction for human resource management.

Measure: A balanced satisfaction among major stakeholder groups.

| | <u>F.Y. 1990</u> | <u>F.Y. 1991</u> | <u>F.Y. 1992</u> | <u>F.Y. 1993</u> | <u>Objectives</u> | | |
|------------------|------------------|------------------|------------------|------------------|-------------------|------------------|------------------|
| Actual | | | | | <u>F.Y. 1994</u> | <u>F.Y. 1995</u> | <u>F.Y. 2000</u> |
| Prior Objectives | | | | | | | |

Objective 2. Create a diverse workforce and a discrimination and harassment free work environment.

Measure: Percentage increase of protected group employees.

Objectives

Part 2: Program Information (Cont.)

| | <u>F.Y. 1990</u> | <u>F.Y. 1991</u> | <u>F.Y. 1992</u> | <u>F.Y. 1993</u> | <u>F.Y. 1994</u> | <u>F.Y. 1995</u> | <u>F.Y. 2000</u> |
|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Actual | | | | | | | |
| Prior Objectives | | | | | | | |

Measure: Decrease in the number of disparities that exist in state agencies.

| | <u>F.Y. 1990</u> | <u>F.Y. 1991</u> | <u>F.Y. 1992</u> | <u>F.Y. 1993</u> | <u>Objectives</u> | <u>F.Y. 1994</u> | <u>F.Y. 1995</u> | <u>F.Y. 2000</u> |
|------------------|------------------|------------------|------------------|------------------|-------------------|------------------|------------------|------------------|
| Actual | | | | | | | | |
| Prior Objectives | | | | | | | | |

Measure: A decrease in the number of agencies not in compliance with affirmative action requirements.

| | <u>F.Y. 1990</u> | <u>F.Y. 1991</u> | <u>F.Y. 1992</u> | <u>F.Y. 1993</u> | <u>Objectives</u> | <u>F.Y. 1994</u> | <u>F.Y. 1995</u> | <u>F.Y. 2000</u> |
|------------------|------------------|------------------|------------------|------------------|-------------------|------------------|------------------|------------------|
| Actual | | | | | | | | |
| Prior Objectives | | | | | | | | |

Measure: Turnover of protected group members compared to total turnover of state employees.

| | <u>F.Y. 1990</u> | <u>F.Y. 1991</u> | <u>F.Y. 1992</u> | <u>F.Y. 1993</u> | <u>Objectives</u> | <u>F.Y. 1994</u> | <u>F.Y. 1995</u> | <u>F.Y. 2000</u> |
|------------------|------------------|------------------|------------------|------------------|-------------------|------------------|------------------|------------------|
| Actual | | | | | | | | |
| Prior Objectives | | | | | | | | |

Objective 3. Provide fair and flexible employment processes which assist state managers to attract and maintain a qualified workforce to fill vacancies.

Measure: Percentage of state agency management that are satisfied with the quality and availability of candidates.

| | <u>F.Y. 1990</u> | <u>F.Y. 1991</u> | <u>F.Y. 1992</u> | <u>F.Y. 1993</u> | <u>Objectives</u> | <u>F.Y. 1994</u> | <u>F.Y. 1995</u> | <u>F.Y. 2000</u> |
|------------------|------------------|------------------|------------------|------------------|-------------------|------------------|------------------|------------------|
| Actual | | | | | | | | |
| Prior Objectives | | | | | | | | |

Measure: Percentage of state agency management that are satisfied with the hiring process.

| | <u>F.Y. 1990</u> | <u>F.Y. 1991</u> | <u>F.Y. 1992</u> | <u>F.Y. 1993</u> | <u>Objectives</u> | <u>F.Y. 1994</u> | <u>F.Y. 1995</u> | <u>F.Y. 2000</u> |
|------------------|------------------|------------------|------------------|------------------|-------------------|------------------|------------------|------------------|
| Actual | | | | | | | | |
| Prior Objectives | | | | | | | | |

Measure: Percentage of state agency management that are satisfied with the ability to recruit, retain, and motivate qualified workers within the classification system.

| | <u>F.Y. 1990</u> | <u>F.Y. 1991</u> | <u>F.Y. 1992</u> | <u>F.Y. 1993</u> | <u>Objectives</u> | <u>F.Y. 1994</u> | <u>F.Y. 1995</u> | <u>F.Y. 2000</u> |
|------------------|------------------|------------------|------------------|------------------|-------------------|------------------|------------------|------------------|
| Actual | | | | | | | | |
| Prior Objectives | | | | | | | | |

Measure: Percentage of state employees notified of layoff who obtain alternate state employment.

Objectives

Part 2: Program Information (Cont.)

| | <u>F.Y. 1990</u> | <u>F.Y. 1991</u> | <u>F.Y. 1992</u> | <u>F.Y. 1993</u> | <u>F.Y. 1994</u> | <u>F.Y. 1995</u> | <u>F.Y. 2000</u> |
|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Actual | | | | | | | |
| Prior Objectives | | | | | | | |

Objective 4. Maximize the productivity of the state's workforce by assuring that opportunities are available for professional and organizational development.

Measure: Percentage of stakeholders that are satisfied with employee development services.

| | <u>F.Y. 1990</u> | <u>F.Y. 1991</u> | <u>F.Y. 1992</u> | <u>F.Y. 1993</u> | <u>Objectives</u> | <u>F.Y. 1994</u> | <u>F.Y. 1995</u> | <u>F.Y. 2000</u> |
|------------------|------------------|------------------|------------------|------------------|-------------------|------------------|------------------|------------------|
| Actual | | | | | | | | |
| Prior Objectives | | | | | | | | |

Objective 5. Ensure a quality workforce by providing cost effective, competitive and equitable compensation and insurance benefits.

Measure: Percentage of state agency management that are satisfied with the ability to recruit, retain and motivate qualified workers within the compensation structure.

| | <u>F.Y. 1990</u> | <u>F.Y. 1991</u> | <u>F.Y. 1992</u> | <u>F.Y. 1993</u> | <u>Objectives</u> | <u>F.Y. 1994</u> | <u>F.Y. 1995</u> | <u>F.Y. 2000</u> |
|------------------|------------------|------------------|------------------|------------------|-------------------|------------------|------------------|------------------|
| Actual | | | | | | | | |
| Prior Objectives | | | | | | | | |

Objective 6. Promote effective management and positive labor-management relations in a unionized work environment.

Measure: Satisfaction of executive branch management with bargaining outcomes.

| | <u>F.Y. 1990</u> | <u>F.Y. 1991</u> | <u>F.Y. 1992</u> | <u>F.Y. 1993</u> | <u>Objectives</u> | <u>F.Y. 1994</u> | <u>F.Y. 1995</u> | <u>F.Y. 2000</u> |
|------------------|------------------|------------------|------------------|------------------|-------------------|------------------|------------------|------------------|
| Actual | | | | | | | | |
| Prior Objectives | | | | | | | | |

Measure: Percentage of state agency management that are satisfied with contract administration services.

| | <u>F.Y. 1990</u> | <u>F.Y. 1991</u> | <u>F.Y. 1992</u> | <u>F.Y. 1993</u> | <u>Objectives</u> | <u>F.Y. 1994</u> | <u>F.Y. 1995</u> | <u>F.Y. 2000</u> |
|------------------|------------------|------------------|------------------|------------------|-------------------|------------------|------------------|------------------|
| Actual | | | | | | | | |
| Prior Objectives | | | | | | | | |

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Part 2: Program Information

Agency: Department of Employee Relations

Program: Employee Insurance

Program Purpose: This program exists to meet the insurance needs of state employees and to administer the state's self-insured workers' compensation program. The program includes development, administration and management of the following activities:

State Group Insurance: State government requires a healthy and productive workforce to carry out its responsibilities. Employee insurance benefits are an important part of total employee compensation and attracting and retaining a high-quality workforce. The state group insurance activity manages employee insurance benefits to support the state's goals as an employer and to enhance employee health through wellness programs.

The prospect of large increases in health insurance premiums poses a major challenge to the activity and to all health insurance purchasers. The activity meets this challenge through a unique "managed competition" approach to health insurance purchasing which emphasizes employee choice of plans and rewards insurers who provide coverage most efficiently, and through the promotion of healthy living styles.

Specific benefits provided by the activity include: health, dental, life and disability insurance, health promotion services, and pre-tax spending accounts for dependent care and medical/dental expenses. The activity provides insurance benefits to executive branch employees and to other organizations authorized to participate including the University of Minnesota, the legislative and judicial branches of state government, and 29 smaller organizations such as legislative commissions, employee credit unions and state employee unions. The health promotion activity works closely in the development of health plans to require health care providers offered to state employees to develop and implement health promotion programs, and to ensure that prevention and health enhancement are key components of all interactions state employees have with the state's network of health care providers.

State Workers' Compensation: This activity administers the state's self-insured workers' compensation program which is responsible for claims management including accepting and denying claims; payment of medical, legal and indemnity bills; coordination of rehabilitation and return-to-work activities; legal representation; coordination of utilization review and medical care management, and consultive services in the areas of occupational safety, environmental hygiene, and injury prevention. The activity covers employees of the executive, legislative and judicial branches of state government and other public employees.

Statutory Reference: M.S. 43A.22 to 43A.31.
M.S. 176

The Employee Insurance program supports the following two department objectives.

1. Ensure a quality workforce by providing cost effective, competitive and equitable compensation and insurance benefits.
2. Ensure that state employees work in a safe and healthy environment and minimize work-related injuries and illness.

Objective 1. Ensure a quality workforce by providing cost-effective, competitive and equitable compensation and insurance benefits.

Measure: Health insurance premiums increases compared to other large group purchasers.

Part 2: Program Information (Cont.)

| | <u>F.Y. 1990</u> | <u>F.Y. 1991</u> | <u>F.Y. 1992</u> | <u>F.Y. 1993</u> | <u>Objectives</u> | | |
|------------------|------------------|------------------|------------------|------------------|-------------------|------------------|------------------|
| | | | | | <u>F.Y. 1994</u> | <u>F.Y. 1995</u> | <u>F.Y. 2000</u> |
| Actual | 28.1% | 12.6% | 7.8% | 5.8% | 4.6% | | |
| Prior Objectives | 13.5% | 13.5% | 11.2% | 9.4% | | | |

Measure: Employees' overall satisfaction with their health care.

| | <u>F.Y. 1990</u> | <u>F.Y. 1991</u> | <u>F.Y. 1992</u> | <u>F.Y. 1993</u> | <u>Objectives</u> | | |
|------------------|------------------|------------------|------------------|------------------|-------------------|------------------|------------------|
| | | | | | <u>F.Y. 1994</u> | <u>F.Y. 1995</u> | <u>F.Y. 2000</u> |
| Actual | | | | 84.5% | | 85.0% | 85.0% |
| Prior Objectives | | | | 85.0% | | | |

Measure: Employees' overall satisfaction with their health insurance plans.

| | <u>F.Y. 1990</u> | <u>F.Y. 1991</u> | <u>F.Y. 1992</u> | <u>F.Y. 1993</u> | <u>Objectives</u> | | |
|------------------|------------------|------------------|------------------|------------------|-------------------|------------------|------------------|
| | | | | | <u>F.Y. 1994</u> | <u>F.Y. 1995</u> | <u>F.Y. 2000</u> |
| Actual | | 66.0% | | 82.0% | | 85.0% | 85.0% |
| Prior Objectives | | 85.0% | | 85.0% | | | |

Measure: Dental insurance premiums increases compared to other large group purchasers.

| | <u>F.Y. 1990</u> | <u>F.Y. 1991</u> | <u>F.Y. 1992</u> | <u>F.Y. 1993</u> | <u>Objectives</u> | | |
|------------------|------------------|------------------|------------------|------------------|-------------------|------------------|------------------|
| | | | | | <u>F.Y. 1994</u> | <u>F.Y. 1995</u> | <u>F.Y. 2000</u> |
| Actual | | | | | | | |
| Prior Objectives | | | | | | | |

Measure: Employees' participation in optional coverages.

| | <u>F.Y. 1990</u> | <u>F.Y. 1991</u> | <u>F.Y. 1992</u> | <u>F.Y. 1993</u> | <u>Objectives</u> | | |
|------------------|------------------|------------------|------------------|------------------|-------------------|------------------|------------------|
| | | | | | <u>F.Y. 1994</u> | <u>F.Y. 1995</u> | <u>F.Y. 2000</u> |
| Actual | | | | | | | |
| Prior Objectives | | | | | | | |

Objective 2. Ensure that state employees work in a safe and healthy environment and minimize work-related injuries and illnesses.

Measure: The percentage of agency sites with active health promotion and safety programs.

| | <u>F.Y. 1990</u> | <u>F.Y. 1991</u> | <u>F.Y. 1992</u> | <u>F.Y. 1993</u> | <u>Objectives</u> | | |
|------------------|------------------|------------------|------------------|------------------|-------------------|------------------|------------------|
| | | | | | <u>F.Y. 1994</u> | <u>F.Y. 1995</u> | <u>F.Y. 2000</u> |
| Actual | 48% | | 63% | | | | |
| Prior Objectives | | | | | | | |

Measure: The increase in the state's workers' compensation program costs is less than the average increase for Minnesota employers.

| | <u>F.Y. 1990</u> | <u>F.Y. 1991</u> | <u>F.Y. 1992</u> | <u>F.Y. 1993</u> | <u>Objectives</u> | | |
|------------------|------------------|------------------|------------------|------------------|-------------------|------------------|------------------|
| | | | | | <u>F.Y. 1994</u> | <u>F.Y. 1995</u> | <u>F.Y. 2000</u> |
| Actual | | -9.6% | -0.2% | | | | |
| Prior Objectives | | | | -2% | -2% | -2% | -2% |

Measure: Percentage of claims paid within 30 days.

Part 2: Program Information (Cont.)

| | <u>F.Y. 1990</u> | <u>F.Y. 1991</u> | <u>F.Y. 1992</u> | <u>F.Y. 1993</u> | <u>Objectives</u> | | |
|------------------|------------------|------------------|------------------|------------------|-------------------|------------------|------------------|
| | | | | | <u>F.Y. 1994</u> | <u>F.Y. 1995</u> | <u>F.Y. 2000</u> |
| Actual | | 56% | 85% | 90% | | | |
| Prior Objectives | | 98% | 98% | 98% | 98% | 98% | 98% |

Measure: Number of claims per 200,000 employee hours worked.

| | <u>F.Y. 1990</u> | <u>F.Y. 1991</u> | <u>F.Y. 1992</u> | <u>F.Y. 1993</u> | <u>Objectives</u> | | |
|------------------|------------------|------------------|------------------|------------------|-------------------|------------------|------------------|
| | | | | | <u>F.Y. 1994</u> | <u>F.Y. 1995</u> | <u>F.Y. 2000</u> |
| Actual | | 11.6 | 10.6 | | | | |
| Prior Objectives | | | | | 9.5 | 9.5 | |

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Part 2: Program Information

Agency: Department of Employee Relations
Program: Public Employees Insurance Plan

Program Purpose: Cities, counties, school districts and other units of local government require a high-quality workforce to carry out their responsibilities. Employee insurance benefits are an important part of total employee compensation and attracting and retaining a high-quality workforce. The Public Employees Insurance Plan (PEIP) provides and manages employee health, dental and life insurance benefits to support local units of government's goals as employers.

The prospect of large increases in health insurance premiums poses a major challenge to the program and to all health insurance purchasers. The program meets this challenge through a unique "managed competition" approach to health insurance purchasing which emphasizes employee choice of plans and rewards insurers who provide coverage most efficiently. By bringing many employers together in a single pool, the program also enables employers to exert greater leverage in the insurance marketplace.

Participation in PEIP is voluntary and is open to all units of local government and their employee unions. PEIP began operations in January 1990.

Statutory Reference: Minnesota Statutes section 43A.316.

Performance Objectives and Measures:

Objective 1. Ensure a quality workforce for local units of government by providing cost-effective, competitive and equitable insurance benefits.

Measure: The number of groups covered by the program.

| | <u>F.Y. 1990</u> | <u>F.Y. 1991</u> | <u>F.Y. 1992</u> | <u>F.Y. 1993</u> | <u>Objectives</u> | | |
|------------------|------------------|------------------|------------------|------------------|-------------------|------------------|------------------|
| | | | | | <u>F.Y. 1994</u> | <u>F.Y. 1995</u> | <u>F.Y. 2000</u> |
| Actual | 10 | 38 | 47 | 75 | | | |
| Prior Objectives | | | | | | | |

Measure: The percentage of groups choosing to renew program participation.

| | <u>F.Y. 1990</u> | <u>F.Y. 1991</u> | <u>F.Y. 1992</u> | <u>F.Y. 1993</u> | <u>Objectives</u> | | |
|------------------|------------------|------------------|------------------|------------------|-------------------|------------------|------------------|
| | | | | | <u>F.Y. 1994</u> | <u>F.Y. 1995</u> | <u>F.Y. 2000</u> |
| Actual | | | 96% | | | | |
| Prior Objectives | | | | | 95% | 95% | 95% |

Measure: The number of employees covered by the program.

| | <u>F.Y. 1990</u> | <u>F.Y. 1991</u> | <u>F.Y. 1992</u> | <u>F.Y. 1993</u> | <u>Objectives</u> | | |
|------------------|------------------|------------------|------------------|------------------|-------------------|------------------|------------------|
| | | | | | <u>F.Y. 1994</u> | <u>F.Y. 1995</u> | <u>F.Y. 2000</u> |
| Actual | | 979 | 1354 | 2500 | | | |
| Prior Objectives | | | | | | | |

Measure: Health insurance premium increases compared to other large group purchasers.

| | <u>F.Y. 1990</u> | <u>F.Y. 1991</u> | <u>F.Y. 1992</u> | <u>F.Y. 1993</u> | <u>Objectives</u> | | |
|--------|------------------|------------------|------------------|------------------|-------------------|------------------|------------------|
| | | | | | <u>F.Y. 1994</u> | <u>F.Y. 1995</u> | <u>F.Y. 2000</u> |
| Actual | | | | | | | |

Part 2: Program Information (Cont.)

Prior Objective

Measure: Employees' overall satisfaction with their health care.

| | | | | | <u>Objectives</u> | | |
|------------------|------------------|------------------|------------------|------------------|-------------------|------------------|------------------|
| | <u>F.Y. 1990</u> | <u>F.Y. 1991</u> | <u>F.Y. 1992</u> | <u>F.Y. 1993</u> | <u>F.Y. 1994</u> | <u>F.Y. 1995</u> | <u>F.Y. 2000</u> |
| Actual | | | | | | | |
| Prior Objectives | | | | | | 85% | |

Measure: Employees' overall satisfaction with health insurance plans.

| | | | | | <u>Objectives</u> | | |
|------------------|------------------|------------------|------------------|------------------|-------------------|------------------|------------------|
| | <u>F.Y. 1990</u> | <u>F.Y. 1991</u> | <u>F.Y. 1992</u> | <u>F.Y. 1993</u> | <u>F.Y. 1994</u> | <u>F.Y. 1995</u> | <u>F.Y. 2000</u> |
| Actual | | | | | | | |
| Prior Objectives | | | | | | 85% | |

Measure: Dental insurance premium increases compared to other large group purchasers.

| | | | | | <u>Objectives</u> | | |
|------------------|------------------|------------------|------------------|------------------|-------------------|------------------|------------------|
| | <u>F.Y. 1990</u> | <u>F.Y. 1991</u> | <u>F.Y. 1992</u> | <u>F.Y. 1993</u> | <u>F.Y. 1994</u> | <u>F.Y. 1995</u> | <u>F.Y. 2000</u> |
| Actual | | | | | | | |
| Prior Objectives | | | | | | | |

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ANNUAL PERFORMANCE REPORT

Part 2: Program Information

Agency: Department of Employee Relations
Program: Minnesota Employees Insurance Program

Program Purpose: Private-sector employers require a high-quality workforce to carry out their responsibilities. Employee insurance benefits are an important part of total employee compensation and attracting and retaining a high-quality workforce. However, rising insurance benefit costs are an increasing problem for many employers and a significant factor in business failures and labor/management disputes. The Minnesota Employees Insurance Program (MEIP) provides and manages employee health benefits to support private-sector businesses' goals as employers and to improve the Minnesota business climate.

The program meets the challenge of rising insurance premiums through a unique "managed competition" approach to health insurance purchasing which emphasizes employee choice of plans and rewards insurers who provide coverage most efficiently. By bringing many employers together in a single pool, the program also enables employers to exert greater leverage in the insurance marketplace.

Participation in MEIP is voluntary and is open to all private-sector employers with two or more employees, both for-profit and non-profit. MEIP was created as part of the comprehensive 1992 MinnesotaCare health care reform legislation, and began operations in July 1993.

Statutory Reference: Minnesota Statutes section 43A.317.

Performance Objectives and Measures:

Objective 1. Ensure a quality workforce and a positive business climate for private-sector employers by providing cost-effective, competitive and equitable insurance benefits.

Measure: The number of groups covered by the program.

| | <u>F.Y. 1990</u> | <u>F.Y. 1991</u> | <u>F.Y. 1992</u> | <u>F.Y. 1993</u> | <u>Objectives</u> | | |
|------------------|------------------|------------------|------------------|------------------|-------------------|------------------|------------------|
| | | | | | <u>F.Y. 1994</u> | <u>F.Y. 1995</u> | <u>F.Y. 2000</u> |
| Actual | | | | | | | |
| Prior Objectives | | | | | | | |

Measure: The percentage of groups choosing to renew program participation.

| | <u>F.Y. 1990</u> | <u>F.Y. 1991</u> | <u>F.Y. 1992</u> | <u>F.Y. 1993</u> | <u>Objectives</u> | | |
|------------------|------------------|------------------|------------------|------------------|-------------------|------------------|------------------|
| | | | | | <u>F.Y. 1994</u> | <u>F.Y. 1995</u> | <u>F.Y. 2000</u> |
| Actual | | | | | | | |
| Prior Objectives | | | | | | | 95% |

Measure: The number of employees covered by the program.

| | <u>F.Y. 1990</u> | <u>F.Y. 1991</u> | <u>F.Y. 1992</u> | <u>F.Y. 1993</u> | <u>Objectives</u> | | |
|------------------|------------------|------------------|------------------|------------------|-------------------|------------------|------------------|
| | | | | | <u>F.Y. 1994</u> | <u>F.Y. 1995</u> | <u>F.Y. 2000</u> |
| Actual | | | | | | | |
| Prior Objectives | | | | | | | |

Measure: Health insurance premium increases compared to other large group purchasers.

| | <u>F.Y. 1990</u> | <u>F.Y. 1991</u> | <u>F.Y. 1992</u> | <u>F.Y. 1993</u> | <u>Objectives</u> | | |
|--|------------------|------------------|------------------|------------------|-------------------|------------------|------------------|
| | | | | | <u>F.Y. 1994</u> | <u>F.Y. 1995</u> | <u>F.Y. 2000</u> |

Part 2: Program Information (Cont.)

Actual
Prior Objectives

Measure: Employees' overall satisfaction with their health care.

| | | | | | <u>Objectives</u> | | |
|------------------|------------------|------------------|------------------|------------------|-------------------|------------------|------------------|
| | <u>F.Y. 1990</u> | <u>F.Y. 1991</u> | <u>F.Y. 1992</u> | <u>F.Y. 1993</u> | <u>F.Y. 1994</u> | <u>F.Y. 1995</u> | <u>F.Y. 2000</u> |
| Actual | | | | | | | |
| Prior Objectives | | | | | | 85% | |

Measure: Employees' overall satisfaction with their health insurance plans.

| | | | | | <u>Objectives</u> | | |
|------------------|------------------|------------------|------------------|------------------|-------------------|------------------|------------------|
| | <u>F.Y. 1990</u> | <u>F.Y. 1991</u> | <u>F.Y. 1992</u> | <u>F.Y. 1993</u> | <u>F.Y. 1994</u> | <u>F.Y. 1995</u> | <u>F.Y. 2000</u> |
| Actual | | | | | | | |
| Prior Objectives | | | | | | 85% | |

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ANNUAL PERFORMANCE REPORT

Part 2: Program Information

Agency: Department of Employee Relations
Program: Pay Equity

Program Purpose: The purpose is to eliminate sex-based disparities in local government employment compensation in Minnesota.

Statutory Reference: M.S. 471.992 through 471.999 (Government Pay Equity Act).

Performance Objectives and Measures:

Objective 1. Increase local government compliance with the Local Government Pay Equity Act.

Measure: Percentage of local jurisdictions in compliance.

| | <u>F.Y. 1990</u> | <u>F.Y. 1991</u> | <u>F.Y. 1992</u> | <u>F.Y. 1993</u> | <u>Objectives</u> | | |
|------------------|------------------|------------------|------------------|------------------|-------------------|------------------|------------------|
| | | | | | <u>F.Y. 1994</u> | <u>F.Y. 1995</u> | <u>F.Y. 2000</u> |
| Actual | | | | | | | |
| Prior Objectives | | | | | | | |

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ANNUAL PERFORMANCE REPORT

Part 3: Substantiating the Performance Measures

Agency: Department of Employee Relations
Program: Human Resource Management

Objective 1. To provide effective policy leadership and direction for human resource management.

Measure: A balanced satisfaction among major stakeholder groups.

Definition: Balanced satisfaction is achieved when at least 75% of each stakeholder group is satisfied with the overall leadership of the State's Human Resource Management.

Rationale: Effective policy leadership allows major stakeholders to feel that their needs are being addressed even though those needs might not be fulfilled to their liking. Major stakeholders include:

- Governor's Staff
- Agency Heads
- Legislature
- Union Representatives
- Agency Managers and Supervisors
- Agency Human Resource Professionals
- Agency Employees
- DOER Employees

The above groups bring to the discussion diverse points of view that need to be considered when developing and implementing human resource policy. Effective leadership is the art of using the participation of your stakeholders to frame the parameters of the issue and then find solutions that maximize the overall benefit to the State and provide satisfaction to the stakeholders. We understand that DOER cannot satisfy all stakeholder needs since the special interests of one group could be the opposite of another group. However, if we can achieve a 75% rate from each group, we believe that this will show effective human resource leadership.

Data Source: We will be developing a stakeholder survey that will measure various levels of satisfaction. The smaller groups such as the unions will be surveyed 100 percent. The larger groups such as agency employees will be surveyed by using sampling methods.

Factors Beyond Agency's Control That Affect Performance: There are many factors that could affect our performance as follows:

- Significant conflict between stakeholders
- Economic conditions (high inflation, high unemployment, full employment)
- Changes in Federal employment laws

Objective 2. Create a diverse workforce and a discrimination and harassment free work environment.

Measure: Percentage increase of protected group employees.

Definition:

Rationale:

Data Source:

Factors Beyond Agency's Control That Affect Performance:

Part 3: Substantiating the Performance Measures (Cont.)

Objective 2. Create a diverse workforce and a discrimination and harassment free work environment.

Measure: Decrease in the number of disparities that exist in state agencies.

Definition:

Rationale:

Data Source:

Factors Beyond Agency's Control That Affect Performance:

Objective 2. Create a diverse workforce and a discrimination and harassment free work environment.

Measure: A decrease in the number of agencies not in compliance with affirmative action requirements.

Definition:

Rationale:

Data Source:

Factors Beyond Agency's Control That Affect Performance:

Objective 2. Create a diverse workforce and a discrimination and harassment free work environment.

Measure: Turnover of protected group members compared to total turnover of state employees.

Definition:

Rationale:

Data Source:

Factors Beyond Agency's Control That Affect Performance:

Objective 3. Provide fair and flexible employment processes which assist state managers to attract and maintain qualified workforce.

Measure: Percentage of state agency management that are satisfied with the quality and availability of candidates to fill vacancies.

Definition: The number of state managers and supervisors who respond favorably to a survey concerning their satisfaction with the quality and availability of candidates to fill vacancies through eligible list and non-list selection procedures divided by the number of survey participants responding overall.

Rationale: This outcome measure demonstrates state managers' and supervisors' satisfaction with staffing processes as developed and administered for the recruitment, assessment and referral of qualified job applicants.

Data Source: The survey is in the developmental stages.

Factors Beyond Agency's Control That Affect Performance: The satisfaction of hiring managers and supervisors depends to a large degree upon the: available applicant pool; activities under the control of agency

Part 3: Substantiating the Performance Measures (Cont.)

personnel offices to which selection accountability may be delegated; and collectively bargained contract provisions concerning selection and compensation.

Objective 3. Provide fair and flexible employment processes which assist state managers to attract and maintain qualified workforce.

Measure: Percentage of state agency management that are satisfied with the hiring process.

Definition: The number of state managers and supervisors who respond favorably to survey questions about various aspects of the hiring process such as: timeliness, access, ease of applicability, understandability, etc., divided by the number of survey participants responding overall.

Rationale: This outcome measure demonstrates state managers' and supervisors' satisfaction with the staffing processes available to them to fill vacancies in a timely manner.

Data Source: The survey is in the developmental stages.

Factors Beyond Agency's Control That Affect Performance: The satisfaction of hiring managers and supervisors depends to some degree upon the: acceptance of provisions which elongate some portions of the process in order to provide public notice to conform with public policy for merit system administration; activities under the control agency personnel offices, and collectively bargained contract provisions concerning selection or use of various selection options.

Objective 3. Provide fair and flexible employment processes which assist state managers to attract and maintain qualified workforce.

Measure: Percentage of state agency management that are satisfied with the ability to recruit, retain, and motivate qualified workers within the classification system.

Definition: The number of state managers and supervisors who respond favorably to a survey question assessing their satisfaction in this area divided by the number of survey participants responding overall.

Rationale: This outcome measure demonstrates state managers' and supervisors' satisfaction with the state's classification structure to support other critical human resource activities of recruitment retention and redeployment of the workforce.

Data Source: The survey is in the developmental stages.

Factors Beyond Agency's Control That Affect Performance: The satisfaction of hiring managers and supervisors with the state's classification structure is intimately linked with the results it produces in terms of compensation. This is dependent in large measure on the impact of collectively bargained salary rates and administration of the compensation plan through activities under the control of agency personnel offices.

Objective 3. Provide fair and flexible employment processes which assist state managers to attract and maintain qualified workforce.

Measure: Percentage of state employees notified of layoff who obtain alternate state employment.

Definition: The number of state employees receiving layoff notices who instead obtain alternate state employment divided by the total number receiving layoff notices.

Rationale: Though program needs change, sometimes necessitating personnel cuts, the state as a large, diverse employer will usually have other vacancies to which employees might be shifted, thereby preserving their ability to support themselves and their families and saving the state the costs of severance an

Part 3: Substantiating the Performance Measures (Cont.)

unemployment compensation associated with layoff. The percent of employees notified of layoff who are placed in alternate employment within state service is a measure of how effectively redeployment aspects of the system can and do operate under such circumstances.

Data Source: Requires development. Information will need to be generated by agencies and DOER and effectively coordinated to produce this measure consistently.

Factors Beyond Agency's Control That Affect Performance: Preference of some employees to exercise contract rights and receive severance by declining employment offers; lack of transferable skills among some employees or lack of willingness to relocate to continue employment where available; practices of some agencies to notify more employees than necessary of layoff to move the bumping process along more quickly.

Objective 4. Maximize the productivity of the state's workforce by assuring that opportunities are available for professional and organizational development.

Measure: Percentage of stakeholders that are satisfied with employee development services.

Definition: Percentage of stakeholders responding to a survey reporting that they are extremely satisfied or very satisfied (based on a 5-point scale) with the services they receive from Human Resource Development Services. This measure is based on the average of responses to questions concerning how well HRD Services has advocated the vision and purpose of employee development in state government; established a market driven approach to planning and providing HRD Services; facilitated cooperative ventures to improve access to quality HRD services; and facilitated the delivery of training on topics with statewide policy impact.

Rationale: Human resource development services is a shared responsibility among DOER's HRD Services, other state agencies, state agency managers and supervisors, and the individual employees. HRD Services' role in this joint effort is to advocate, facilitate, and coordinate services that will assist agency managers and supervisors, as well as individual employees gain access to high quality, cost effective training and development.

Data Source: The agency plans to institute a stakeholder survey comparable to the "Evaluation of Services and Functions" survey conducted in 1992. The survey will be conducted in F.Y. 1995.

Factors Beyond Agency's Control That Affect Performance: Since employee training and development is a shared responsibility among many stakeholders, including agency managers, supervisors, and the employees themselves, outcomes will vary depending on the commitment among stakeholders. Budget allocations and layoffs are also factors that affect the outcome of programs designed to improve human resource development services, particularly if those cuts are made in training budgets or agency training staff.

Objective 5. Ensure a quality workforce by providing cost effective, competitive and equitable compensation and insurance benefits.

Measure: Percentage of state agency management that are satisfied with the ability to recruit, retain and motivate qualified workers within the compensation structure.

Definition:

Rationale:

Data Source:

Factors Beyond Agency's Control That Affect Performance:

Part 3: Substantiating the Performance Measures (Cont.)

Objective 6. Promote effective management and positive labor-management relations in a unionized work environment.

Measure: Satisfaction of executive branch management with bargaining outcomes.

Definition:

Rationale:

Data Source:

Factors Beyond Agency's Control That Affect Performance:

Objective 6. Promote effective management and positive labor-management relations in a unionized work environment.

Measure: Percentage of state agency management that are satisfied with contract administration services.

Definition:

Rationale:

Data Source:

Factors Beyond Agency's Control That Affect Performance:

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ANNUAL PERFORMANCE REPORT

Part 3: Substantiating the Performance Measures

Agency: Department of Employee Relations

Program: Employee Insurance

Objective 1: Ensure a quality workforce by providing cost-effective, competitive and equitable compensation and insurance benefits.

Measure: Health insurance premium increases compared to other large group purchasers.

Definition: For the State Employees Group Insurance Program (SEGIP), health insurance premium increases for family health coverage weighted by plan enrollment for all program participants. For other large group purchasers, overall average health insurance premium increases for HMO coverage.

Rationale: Health insurance premiums are by far the largest component of insurance benefit costs. This outcome measure demonstrates whether we are succeeding in controlling these costs by comparison with other large group purchasers.

For the SEGIP, this measure uses family coverage because the activity uses the family rate to determine the lowest-cost carrier and the basis for the employer contribution. Increases are weighted by plan enrollment so the composite figure will accurately reflect overall costs to the program.

This measure uses HMO coverage purchased by other large groups as a comparison because all health plans available through the SEGIP are HMO-type plans. This provides a more accurate comparison because HMO increases are generally lower than indemnity plan increases.

Because premium increases for the SEGIP and other large groups are generally based on a calendar year cycle, the measures are converted to a fiscal year basis by combining one-half of the increase from each calendar year.

Data Source: For the SEGIP, premium and enrollment data are available directly to the Department of Employee Relations through its contracts, enrollment systems and insurance carrier reports. For other large group purchasers, average HMO health insurance premium increases are determined from the national data bases of actuarial consulting firms (e.g., Deloitte & Touche, Foster Higgins).

Factors Beyond Agency's Control That Affect Performance: Although purchasers' actions can affect the rate of increase, health care costs are also greatly affected by external factors including the introduction of new drugs, equipment and procedures; changes in the average age and other demographic characteristics of the covered population; and public health factors such as new diseases (e.g., AIDS) and behavior patterns (e.g., gun-related injuries).

Objective 1: Ensure a quality workforce by providing cost-effective, competitive and equitable compensation and insurance benefits.

Measure: Employees' overall satisfaction with their health care.

Definition: Percentage of state employee survey respondents reporting that they are extremely satisfied or very satisfied (5 or 6 on a 6-point scale) with the health care they receive through their health plans. This measure is based on the average of responses to seven questions concerning: overall quality, results of adults' primary care, results of children's primary care, results of specialty care, quality of adults' primary care, quality of children's primary care, and quality of specialty care.

Rationale: Managed care health plans influence many aspects of health care delivery. Patients' satisfaction

Part 3: Substantiating the Performance Measures (Cont.)

with their health care bears directly on whether they consider their health insurance benefits to be cost-effective, competitive and equitable.

Data Source: A random survey of 1200 state employees concerning their perceptions and experiences with their health plans. The survey has been conducted in 1991 and 1993 and will be repeated every two years. The 1993 questionnaire was designed by Jeanne McGee, Ph.D., and is based in part on the following sources: 1991 DOER Survey; the 1992 National Committee for Quality Assurance Michigan Project Survey; and the 1991 Group Health Association of America Consumer Satisfaction Survey.

Factors Beyond Agency's Control That Affect Performance: The agency works with participating health plans to review the survey results, including areas they are doing well and areas where improvement is indicated. As a large purchaser the agency can have some influence on the plans' management and agenda for improvement, but ultimately each plan's rating will be determined by its own activities and the quality of participating health care providers.

Objective 1: Ensure a quality workforce by providing cost-effective, competitive and equitable compensation and insurance benefits.

Measure: Employees' overall satisfaction with their health insurance plans.

Definition: Percentage of state employee survey respondents reporting that they are extremely satisfied or very satisfied (5 or 6 on a 6-point scale) with their chosen health plans. This measure is based on responses to the question: "All thing considered, are you satisfied or dissatisfied with having [Health Plan Name] as your health plan?"

Rationale: Patients' satisfaction with their health plans bears directly on whether they consider their health insurance benefits to be cost-effective, competitive and equitable.

Data Source: A random survey of 1200 state employees concerning their perceptions and experiences with their health plans. The survey has been conducted in 1991 and 1993 and will be repeated every two years. The 1993 questionnaire was designed by Jeanne McGee, Ph.D., and is based in part on the following sources: 1991 DOER Survey; the 1992 National Committee for Quality Assurance Michigan Project Survey; and the 1991 Group Health Association of America Consumer Satisfaction Survey.

Factors Beyond Agency's Control That Affect Performance: The agency works with participating health plans to review the survey results, including areas they are doing well and areas where improvement is indicated. As a large purchaser the agency can have some influence on the plans' management and agenda for improvement, but ultimately each plan's rating will be determined by its own activities and the quality of participating health care providers.

Objective 1: Ensure a quality workforce by providing cost-effective, competitive and equitable compensation and insurance benefits.

Measure: Dental insurance premium increases compared to other large group purchasers.

Definition: For the State Employees Group Insurance Program (SEGIP), insurance premium increases for family dental coverage weighted by plan enrollment for all program participants. For other large group purchasers, overall average dental insurance premium increases.

Rationale: Dental insurance premiums are a significant component of insurance benefit costs. This outcome measure demonstrates whether we are succeeding in controlling these costs by comparison with other large group purchasers.

For the SEGIP, this measure uses family coverage for consistency with the health insurance measure.

Part 3: Substantiating the Performance Measures (Cont.)

Increases are weighted by plan enrollment so the composite figure will accurately reflect overall costs to the program.

Because premium increases for the SEGIP and other large groups are generally based on a calendar year cycle, the measures are converted to a fiscal year basis by combining one-half of the increase from each calendar year.

Data Source: For the SEGIP, premium and enrollment data are available directly to the Department of Employee Relations through its contracts, enrollment systems and insurance carrier reports. For other large group purchasers, average dental insurance premium increases are determined from the national data bases of actuarial consulting firms (e.g., Deloitte & Touche, Foster Higgins).

Factors Beyond Agency's Control That Affect Performance: Although purchasers' actions can affect the rate of increase, dental care costs are also greatly affected by external factors including the introduction of new drugs, equipment and procedures; changes in the average age and other demographic characteristics of the covered population (e.g., need for orthodontia); and public health factors such as new diseases (e.g., AIDS and associated equipment sterilization requirements) and behavior patterns.

Objective 1: Ensure a quality workforce by providing cost-effective, competitive and equitable compensation and insurance benefits.

Measure: Employees' participation in optional coverages.

Definition: The average number of optional coverages elected by the employee, including: employee life insurance; spouse life insurance; short-term disability insurance; long-term disability insurance; the dependent care expense account; and the medical/dental expense account.

Rationale: Although in the SEGIP the employer contributes all or part of the cost for health, dental, and basic employee life insurance, optional employee-paid group insurance benefits are also an important part of the insurance benefit program. The large purchasing power of the state employee group allows the activity to give employees access to high-quality optional coverages at better prices than they could obtain on their own. The activity also allows employees to enroll in programs to pay certain qualifying dependent care and medical/dental expenses on a pre-tax basis, a service which can only be provided through the employment relationship. Participation in these optional benefits directly measures employees' satisfaction with these benefits because they are entirely employee-paid.

Data Source: Enrollment data are available directly to the Department of Employee Relations through its contracts, enrollment systems and insurance carrier reports.

Factors Beyond Agency's Control That Affect Performance: Changes in federal tax law may affect the availability and attractiveness of pre-tax spending accounts.

Objective 2. Ensure that state employees work in a safe and healthy environment and minimize work-related injuries and illnesses.

Measure: The percentage of agency sites with active health promotion and safety programs.

Definition: Percentage of state agencies that have active employee health promotion and safety programs at at least a basic activity level, including activities in the categories of awareness/ motivation/publicity, needs and interest assessments, planning and design, implementation, evaluation and reporting.

Rationale: Many studies have shown that health promotion and safety programs are very cost-effective approaches to injury prevention and cost containment, both for work-related injuries and employee health in general. Such programs can also benefit overall employee morale and productivity.

Part 3: Substantiating the Performance Measures (Cont.)

Although the general effectiveness of health promotion and safety programs has been demonstrated, it is much more difficult to quantify directly the effects of a specific employer's initiatives. Many factors influence the frequency of work-related injuries and illnesses and health care costs generally. For this reason, a measure of the prevalence of health promotion and safety programs in state government is a reasonable proxy for a more direct outcome measure.

Data Source: Annual Report of the State Employee Health Promotion Program, which summarizes the results of individual agencies' reports.

Factors Beyond Agency's Control That Affect Performance: Individual agencies' ability to begin and sustain health promotion and safety programs is in large part a reflection of senior management commitment and budgetary support. While the activity can and does provide assistance to build management commitment, ultimately each organization determines what its own level of support and follow-through will be.

Objective 2. Ensure that state employees work in a safe and health environment and minimize work-related injuries and illness.

Measure: The increase in the state's workers' compensation program costs is equal or less than the average increase experienced by other Minnesota employers.

Definition: The percentage increase in program costs will be computed according to the following formula:

$$\frac{\text{Cost in Year 2} - \text{Cost in Year 1}}{\text{Cost in Year 1}}$$

The increase for other Minnesota employers will be obtained from the Department of Labor and Industry.

Rationale: This outcome measure shows the program's performance vis a vis other public and private employers. We believe that a self-insured employer should be in a position to contain costs while delivering appropriate services and benefits to injured workers. Our program provided for disability management, claim management, and safety and industrial hygiene consultant services. In F.Y. 1994, we also established a Managed Medical Care activity as allowed under M.S. 176.1351.

Data Source: Program data generated by the Department of Employee Relations' GenComp system and data pertaining to other employers compiled by Department of Labor and Industry will be used as sources.

Factors Beyond Agency's Control That Affect Performance:

1. General health care inflation.
2. Other state agencies' ability to prevent the occurrence of work related injuries or illnesses.
3. Court and regulatory decisions.

Objective 2. Ensure that state employees work in a safe and healthy environment and minimize work-related injuries and illness.

Measure: Percentage of complete vendor bills paid within 30 days.

Definition: In accordance with M.S. 176.135, subd. (6), vendor bills must be paid within 30 days; therefore, the number of bills paid within that time frame measures timeliness of operations.

Rationale: Timeliness of operations is essential in this program to ensure that appropriate services are provided and that penalties are avoided.

Data Source: Data concerning medical bills will be obtained from WorkerCare, the state's managed health care organization. Data concerning all other bills will be obtained from the Department of Employee Relation's GenComp system.

Part 3: Substantiating the Performance Measures (Cont.)

Factors Beyond Agency's Control That Affect Performance: None.

Objective 2. Ensure that state employees work in a safe and healthy environment and minimize work-related injuries and illness.

Measure: Number of claims per 200,000 employee hours worked.

Definition: The claims rate will be computed as follows:

Claims rate = claims/200,000 employee hours worked.

Rationale: This is the formula used by OSHA and other regulators to measure performance. Use of this measure will allow the state to compare its performance to other employers.

Data Source: Program data generated by the Department of Employee Relations' GenComp system and data pertaining to other employers compiled by Department of Labor and Industry will be used as sources.

Factors Beyond Agency's Control That Affect Performance: Other state agencies' ability to prevent the occurrence of work-related injuries or illnesses.

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ANNUAL PERFORMANCE REPORT

Part 3: Substantiating the Performance Measures

Agency: Department of Employee Relations
Program: Public Employees Insurance Program

Objective 1. Ensure a quality workforce for local units of government by providing cost-effective, competitive and equitable insurance benefits.

Measure: The number of groups covered by the program.

Definition: The number of employer groups enrolled in the program at the end of the fiscal year.

Rationale: Because the program is voluntary, employer group enrollment is the most direct and tangible evidence of whether or not the program is meeting employers' needs. Employers have the option of enrolling in insurance plans available directly from insurance carriers and HMOs, other pools and association arrangements, or (for large groups) self-insurance. By providing a unique, multi-carrier pool structure with employee-level choice based on the "managed competition" model of health insurance purchasing, the program gives employers an employee benefits option not available from any other source.(Begin typing here.)

Data Source: Group enrollment data is provided by the program's contractor for enrollment and premium billing administration.

Factors Beyond Agency's Control That Affect Performance: The attractiveness of the program to employers may be affected by a variety of marketplace developments beyond the agency's control.

Objective 1. Ensure a quality workforce for local units of government by providing cost-effective, competitive and equitable insurance benefits.

Measure: The percentage of groups that elect to remain in the program upon renewal.

Definition: Among groups eligible to leave the program after their initial or subsequent two-year commitments, the percentage that choose to remain in the program.

Rationale: This measure is similar to the previous one but reflects group loyalty or retention rather than absolute enrollment levels. Employers joining the program commit to a two-year membership period. When that period expires they can leave the program or reenroll for another two years. A high retention rate indicates that, not only was the program attractive initially, but remains attractive to employers who have direct experience with it.

Data Source: Group retention data is provided by the program's contractor for enrollment and premium billing administration.

Factors Beyond Agency's Control That Affect Performance: The attractiveness of the program to employers may be affected by a variety of marketplace developments beyond the agency's control.

Objective 1. Ensure a quality workforce for local units of government by providing cost-effective, competitive and equitable insurance benefits.

Measure: The number of employees covered by the program.

Definition: The number of employees enrolled in the program at the end of the fiscal year.

Rationale: This measure is a corollary to the measure on the number of employer groups. Both measures

Part 3: Substantiating the Performance Measures (Cont.)

together provide a better sense of how the program is doing in the marketplace than either measure alone. Ideally, the program will attract a large number of groups and a large number of employees.

Data Source: Employee enrollment data is provided by the program's contractor for enrollment and premium billing administration.

Factors Beyond Agency's Control That Affect Performance: The attractiveness of the program to employers may be affected by a variety of marketplace developments beyond the agency's control.

Objective 1. Ensure a quality workforce for local units of government by providing cost-effective, competitive and equitable insurance benefits.

Measure: Health insurance premium increases compared to other large group purchasers.

Definition: For the Public Employees Insurance Program (PEIP), health insurance premium increases for employee-only health coverage weighted by plan enrollment for all program participants. For other large group purchasers, overall average health insurance premium increases for HMO coverage.

Rationale: Health insurance premiums are by far the largest component of insurance benefit costs. This outcome measure demonstrates whether we are succeeding in controlling these costs by comparison with other large group purchasers.

For PEIP, this measure uses employee-only coverage because it is the only rate cell in common to all enrolled groups. Depending on a group's size and preferences, family rates may be divided into one, two or three distinct rate cells. Increases are weighted by plan enrollment so the composite figure will accurately reflect overall costs to the program.

This measure uses HMO coverage purchased by other large groups as a comparison because, beginning in 1994, all health plans available through PEIP will be HMO-type plans. Prior to 1994 the program offered a combination of PPO and indemnity plans. This provides a more accurate comparison because HMO increases are generally lower than indemnity plan increases.

Because premium increases for PEIP and other large groups are generally based on a calendar year cycle, the measures are converted to a fiscal year basis by combining one-half of the increase from each calendar year.

Data Source: For PEIP, premium and enrollment data are provided by the program's contractor for enrollment and premium billing administration. For other large group purchasers, average HMO health insurance premium increases are determined from the national data bases of actuarial consulting firms (e.g., Deloitte & Touche, Foster Higgins).

Factors Beyond Agency's Control That Affect Performance: Although purchasers' actions can affect the rate of increase, health care costs are also greatly affected by external factors including the introduction of new drugs, equipment and procedures; changes in the average age and other demographic characteristics of the covered population; and public health factors such as new diseases (e.g., AIDS) and behavior patterns (e.g., gun-related injuries).

Objective 1. Ensure a quality workforce for local units of government by providing cost-effective, competitive and equitable insurance benefits.

Measure: Employees' overall satisfaction with their health care.

Definition: Percentage of PEIP employee survey respondents reporting that they are extremely satisfied or very satisfied (5 or 6 on a 6-point scale) with the health care they receive through their health plans. This measure is based on the average of responses to seven questions concerning: overall quality, results of adults'

Part 3: Substantiating the Performance Measures (Cont.)

primary care, results of children's primary care, results of specialty care, quality of adults' primary care, quality of children's primary care, and quality of specialty care.

Rationale: Managed care health plans influence many aspects of health care delivery. Patients' satisfaction with their health care bears directly on whether they consider their health insurance benefits to be cost-effective, competitive and equitable.

Data Source: The agency plans to institute an employee survey comparable to the State Employee Group Insurance Survey conducted in 1991 and 1993. The survey will be initiated once program enrollment has reached a level where there is a significant number of enrollees in each participating health plan, which should be during FY 1995.

Factors Beyond Agency's Control That Affect Performance: The agency will work with participating health plans to review the survey results, including areas they are doing well and areas where improvement is indicated. As a large purchaser the agency can have some influence on the plans' management and agenda for improvement, but ultimately each plan's rating will be determined by its own activities and the quality of participating health care providers.

Objective 1. Ensure a quality workforce for local units of government by providing cost-effective, competitive and equitable insurance benefits.

Measure: Employees' overall satisfaction with their health insurance plans.

Definition: Percentage of PEIP employee survey respondents reporting that they are extremely satisfied or very satisfied (5 or 6 on a 6-point scale) with their chosen health plans. This measure is based on responses to the question: "All thing considered, are you satisfied or dissatisfied with having [Health Plan Name] as your health plan?"

Rationale: Patients' satisfaction with their health plans bears directly on whether they consider their health insurance benefits to be cost-effective, competitive and equitable.

Data Source: The agency plans to institute an employee survey comparable to the State Employee Group Insurance Survey conducted in 1991 and 1993. The survey will be initiated once program enrollment has reached a level where there is a significant number of enrollees in each participating health plan, which should be during FY 1995.

Factors Beyond Agency's Control That Affect Performance: The agency works will work with participating health plans to review the survey results, including areas they are doing well and areas where improvement is indicated. As a large purchaser the agency can have some influence on the plans' management and agenda for improvement, but ultimately each plan's rating will be determined by its own activities and the quality of participating health care providers.

Objective 1. Ensure a quality workforce for local units of government by providing cost-effective, competitive and equitable insurance benefits.

Measure: Dental insurance premium increases compared to other large group purchasers.

Definition: For the Public Employees Insurance Plan (PEIP), insurance premium increases for family dental coverage weighted by plan enrollment for all program participants. For other large group purchasers, overall average dental insurance premium increases.

Rationale: Dental insurance premiums are a significant component of insurance benefit costs. This outcome measure demonstrates whether we are succeeding in controlling these costs by comparison with other large group purchasers.

Part 3: Substantiating the Performance Measures (Cont.)

For PEIP, this measure uses employee-only coverage for consistency with the health insurance measure. Increases are weighted by plan enrollment so the composite figure will accurately reflect overall costs to the program.

Because premium increases for PEIP and other large groups are generally based on a calendar year cycle, the measures are converted to a fiscal year basis by combining one-half of the increase from each calendar year.

Data Source: For PEIP, premium and enrollment data are provided by the program's contractor for enrollment and premium billing administration. For other large group purchasers, average HMO dental insurance premium increases are determined from the national data bases of actuarial consulting firms (e.g., Deloitte & Touche, Foster Higgins).

Factors Beyond Agency's Control That Affect Performance: Although purchasers' actions can affect the rate of increase, dental care costs are also greatly affected by external factors including the introduction of new drugs, equipment and procedures; changes in the average age and other demographic characteristics of the covered population (e.g., need for orthodontia); and public health factors such as new diseases (e.g., AIDS and associated equipment sterilization requirements) and behavior patterns.

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Part 3: Substantiating the Performance Measures

Agency: Department of Employee Relations
Program: Minnesota Employees Insurance Program

Objective 1. Ensure a quality workforce and a positive business climate for private-sector employers by providing cost-effective, competitive and equitable insurance benefits.

Measure: The number of groups covered by the program.

Definition: The number of employer groups enrolled in the program at the end of the fiscal year.

Rationale: Because the program is voluntary, employer group enrollment is the most direct and tangible evidence of whether or not the program is meeting employers' needs. Employers have the option of enrolling in insurance plans available directly from insurance carriers and HMOs, other pools and association arrangements, or (for large groups) self-insurance. By providing a unique, multi-carrier pool structure with employee-level choice based on the "managed competition" model of health insurance purchasing, the program gives employers an employee benefits option not available from any other source.

Data Source: Group enrollment data is provided by the program's contractor for enrollment and premium billing administration.

Factors Beyond Agency's Control That Affect Performance: The attractiveness of the program to employers may be affected by a variety of marketplace developments beyond the agency's control.

Objective 1. Ensure a quality workforce and a positive business climate for private-sector employers by providing cost-effective, competitive and equitable insurance benefits.

Measure: The percentage of groups that elect to remain in the program upon renewal.

Definition: Among groups eligible to leave the program after their initial or subsequent two-year commitments, the percentage that choose to remain in the program.

Rationale: This measure is similar to the previous one but reflects group loyalty or retention rather than absolute enrollment levels. Employers joining the program commit to a two-year membership period. When that period expires they can leave the program or reenroll for another two years. A high retention rate indicates that, not only was the program attractive initially, but remains attractive to employers who have direct experience with it.

Data Source: Group retention data is provided by the program's contractor for enrollment and premium billing administration.

Factors Beyond Agency's Control That Affect Performance: The attractiveness of the program to employers may be affected by a variety of marketplace developments beyond the agency's control.

Objective 1. Ensure a quality workforce and a positive business climate for private-sector employers by providing cost-effective, competitive and equitable insurance benefits.

Measure: The number of employees covered by the program.

Definition: The number of employees enrolled in the program at the end of the fiscal year.

Rationale: This measure is a corollary to the measure on the number of employer groups. Both measures

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Part 3: Substantiating the Performance Measures

Agency: Department of Employee Relations
Program: Pay Equity

Objective 1. Increase local government compliance with the Local Government Pay Equity Act.

Measure: Percentage of local jurisdictions in compliance.

Definition:

Rationale:

Data Source:

Factors Beyond Agency's Control That Affect Performance:

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Part 4: Improving Programs and the Reporting Process

Agency: Department of Employee Relations

Process Used: The Department of Employee Relations established a performance review committee to prepare this report. At our second meeting we invited the department's union representatives to come and listen to the department's process to develop program objectives and measures. Their comments were used in the committee's approach in completing the department's final product. The committee started by reviewing the 94-95 biennial budget for the mission, program objectives, and measures. In a series of meetings, this group determined that although the initial budget material contains pertinent information the department could improve on the performance outcomes and the tools used to measure them. Another issue for the committee was to determine the definition of a program and whether or not to use the two biennial budget programs or to expand the number for better reporting of outcomes related to specific program purposes. We elected to increase the number of programs for this report to account for other statutory requirements. Once the initial work was complete, the individual division managers met with their staff to determine if the performance objectives and measures were satisfactory and asked for comments and suggestions to improve our objectives and measures. The Leadership Team also reviewed Part 2 of the report for appropriate objectives and measures. The resulting draft was presented to the Workers' Participation Committee for their review and comments. After this meeting, the committee finalized the department's performance objectives and measures and presented it to the department's Leadership Team for their approval. During this process, we realized that some of the final outcome measures would not be currently available due to the lack of documentation and the success of certain programs would be only measurable in future years.

Ways to Improve Program Outcomes: At this time we do not have any ways to improve program outcomes.

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