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Minnesota Department of Employee Relations

Gainsharing Pilot Program

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Gainsharing Pilot Program Plan
for
the Department of Employee Relations
initiated by
the 1995-1996 State Legislature
Chapter No. 248, Article 13, Pilot Projects

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Contents

Executive Summary	4
Introduction	6
Recommendations	7
• Legislative Changes for Chapter 248	
The Plan/Implementation	8
• Gainsharing Mathematical Formulas	
• Gainsharing Project Application	
Appendices	12
• Definitions	
• MN Statute 248, Article 13	

Executive Summary

The Minnesota Legislature voted in its 1996 session to enlist state employees' help in promoting effective and efficient government services. As an incentive for state employees, the legislation provides for sharing "gains" resulting from improvements in efficiency and effectiveness. These improvements or "gains" can include repeal of unnecessary state, federal, and local regulations, reductions in unnecessary staff.

The Department of Employee Relations is named as the pilot agency. During the biennium ending June 30, 1997, the Department of Employee Relations will implement a pilot incentive system, including economic incentives for unrepresented employees. The Commissioner of Finance must approve the system before implementation. This "Gainsharing Pilot" is open to all employees of the Department of Employee Relations.

To assist in developing the Gainsharing Pilot, a Gainsharing Task Force was established and charged with designing the implementation process. The Commissioner of Employee Relations will select members from another team to be the distribution team. The distribution team should be comprised of equal numbers of management and non-management state employees from outside the department. This team shall be responsible for deciding if the project submitted is eligible for Gainsharing and how the Gainsharing should be dispersed.

This plan includes suggestions for award distribution formulas. Because Chapter 248 poses some obstacles to equity and reasonableness, this plan also has some recommended legislative changes.

The Commissioner of the Department of Employee Relations designate the Open Enrollment Redesign in the Employee Insurance Division to be a gainsharing project. The project was completed and implemented by the Gainsharing/Redesign Team. The success of the project reinforced the recommendation of legislative change detailed in this report.

Though the Gainsharing/Redesign Team worked for six months to produce substantial savings and streamlining operational plans, the legislation precludes group awards.

Gainsharing can work for Minnesota state government, and we ask for the legislature to support our recommendation.

Introduction

The gainsharing concept has long been a part of the pay systems of many employers. In steel and farm supplies industries and manufacturing companies, case studies can be found on how gainsharing was applied and the success and failure experienced in the process. Government employers have also implemented gainsharing programs. The Government Employees' Incentive Awards Act of 1954 provides the legal basis for incentive programs in the federal government. The State of Minnesota, MN Statute 248, Article 13, Pilot Projects, supports the implementation of this newly created Gainsharing Pilot Program.

The basic object of Gainsharing theory is for the employer to create an environment from which employees and employers can benefit by working towards a common goal of improved productivity. Employee participation mechanisms encourage the employee to devise solutions to work-related problems. The increase in savings experienced by the employer is shared with the employee or group of employees who designed the improvements resulting in the savings. Elements of successful Gainsharing systems include but are not limited to:

- Management support at all levels
- Employee participation systems to identify and solve work-related problems
- Definable and practical measures of performance
- Union participation where relevant
- Definable and practical distribution of Gainsharing savings.

Recommendations for Legislative Changes

Some language changes and clarification of terms used in the chapter are necessary for a reasonable and equitable implementation of this Gainsharing plan.

Chapter No. 248, Section 3. [GAINSHARING] Subd. 2 [PILOT PROJECT.]

(8) the economic awards granted to unrepresented employees must be in the form of a lump sum award, and must not add to the base salary of employees.

“One-time awards” needs clarification. We recommend that it be changed to **“one lump sum award per year per individual.”**

(3) It must provide groups of non-managerial represented employees within the agency the possibility of receiving group rewards in the form of training opportunities, filling of unfilled employee complement, or other resources that benefit overall group performance.

“unfilled employee complement” is a concept that has been abolished by the legislature. State agencies only receive salary funds to meet their payrolls for existing filled positions. Positions unfilled are also unfunded.

The establishment of the “efficiency savings account” established to fund the Gainsharing pilot program would not cover the salary and benefits of a filled position in the long term.

The Plan/Implementation

To allow non-managerial underrepresented agency employees to earn economic rewards by suggesting operational changes, the Gainsharing Task Force recommends implementation of the following system:

- The underrepresented employees shall caucus and elect three members to the Gainsharing Project Award Selection Team.
- These members will not be eligible for awards, unless the caucus deems it appropriate.
- Chapter Number 248 mandates the committee be composed of equal members of management and non-management employees. The Commissioner of Employee Relations will select employees from departments other than the Department of Employee Relations. At least one of the members shall be representative from the Department of Finance.
- The Gainsharing Project Award Selection Team will select the mathematical formula for award distribution. Formulas can be selected from suggestions in this report or can be created by the selection team. The formula must be mathematically sound and can be determined on a case-by-case basis.

The formulas mentioned in this plan are suggested as guides for the Gainsharing Project Award Selection Team. Chapter Number 248 states that an *“efficiency savings account” can be created within each fund that is used to provide money for department services. Each account consists of money saved directly as a result of initiatives under this section. Any awards under this article must be paid from money in an efficiency savings account. One-half of the money in the account may be used for awards under this section, and the remainder must be returned to the fund from which the money was appropriated.* The “efficiency savings account” is to be implemented in the 1996 budget cycle.

The economic awards must be based on changes in operations suggested by non-managerial employees that result in *“objectively measurable cost savings of at least \$25,000”* or *“significant and objectively measurable efficiencies in services that the agency provides to its customers or clients, without decreasing the quality of these services.”* Projects submitted under this plan resulting in actual cost savings shall be reviewed by the fiscal division of the Department of Employee Relations and its fiscal findings presented to the Commissioner of the Department of Finance. Projects submitted under this plan resulting in “significant and objectively measurable efficiencies in services” will be subject to the Team’s definitions of “significant” and “objectively.”

The receiving of a Gainsharing award is exclusive. A potential recipient shall not be excluded from consideration because of recognition by other award programs or performance awards based on annual performance evaluations.

Monetary Award Distribution

Several mathematical formulas exist for the distribution of Gainsharing funds. We present the following formulas as guide. The charge of the Gainsharing Award Selection Team is to determine the formula for distribution of Gainsharing funds on a case-by-case basis.

Scanlon Plan: The Scanlon plan bases itself on the concept that increases in labor productivity are to be shared with employees. First, the employer establishes a stable and historical ratio representing productivity (the ratio of labor costs to either revenues, net sales, or sales value of production). The formula can be modified by including costs such as materials, overhead, and "rejects." Second, gains in productivity resulting from either increases in production or cost savings are shared with the employees when the observed ratio is less than the historical ratio.

Rucker Plan: When a value-added gain is realized, a bonus is paid out. "Value-added" means sales minus raw materials and services procured outside the company. There is an attempt to account for the increased value of sales (due to the market factors, inflation, and other factors not attributed to employee efforts) and the costs of materials and supplies. Inflationary and market effects are canceled out. The ratio of labor costs/value added (or sales minus raw materials) is the single ratio used in the Rucker plan. When the labor costs decrease, a bonus pool is established. The bonus pool is distributed between employees and the organization. Employees participating in the plan receive a percentage of their wages. The bonus pool could also be split evenly among all participating employees.

$$\frac{\text{(numerator) Labor Cost}}{\text{denominator) \% of value of production or sales}}$$

Improshar (improved production through sharing): This plan focuses on sharing physical productivity gains with employees. Hours are calculated for the manufacturing of each product, and a bonus is earned when the hours required to produce units decline.

For example, 100 employees produced 50,000 units over a 50 week period (200,000 hours needed to produce 50,000). This calculates the "base," which is $200,000/50,000$ or 4.0 hours per product. This represents the expected amount of hours worked to produce one unit. During the Improshar implementation period, 102 employees produce 1,300 units in 4,080 hours. The value of this new production is $1,300 \text{ units} \times 4.0 \text{ (base)} = 5,200$ hours. The hours represent amount of time anticipated to produce the 1,300 units. Given the observed production time of 4,080 hours, a gain exists ($5,200 - 4,080 = 1,120$ hours). This gain is split in half between the employees and management. $1,120/2 = 560$.

To determine individual employees' bonus, divide 560 (employee share of savings) / 4,080 (actual hours worked), which is 13.7%. Employees received a corresponding bonus that equals 13.7% of their time worked ($40 \text{ hours} \times 13.7\% = 5.48$ hours). Hours are multiplied by the employee's hourly wage to determine their bonus.

Appendices

Efficiency Savings Accounts. An account established within each fund that is used to provide money for department services. Each account consists of money saved directly as a result of initiatives under this section. Any awards under this article must be paid from money in an efficiency savings account. One-half of the money in the account may be used for awards, the other portion must be returned to the fund from which the money was appropriated.

Employee. The definition for the word employee used throughout this document is the definition used in Minnesota Statute 43A.

43A.02 DEFINITIONS.

Subd. 21. **Employee.** "Employee" means any person currently occupying, or on leave from, a civil service position.

Subd. 23. **Intermittent employee.** "Intermittent employee" means an employee who works an irregular and uncertain schedule which alternately begins, ceases and begins again as the needs of the agency require.

Subd. 30. **Permanent status.** "Permanent status" means the state or condition achieved by a tenured laborer or by an employee in the classified service who has successfully completed an initial probationary period or a probationary period required following reinstatement or reemployment, or whose probationary period is waived through specific statutory direction.

Subd. 32. **Probationary period.** "Probationary period", part of the examination process, means a working period following unlimited appointment to a position in the classified service, during which the employee is required to demonstrate ability to perform the duties and fulfill the responsibilities of the position.

Subd. 24. **Intern.** "Intern" means an individual who, for a work experience, is receiving academic credit from or is fulfilling an academic requirement of, an accredited educational institution.

Gainsharing. Umbrella term for a family of aggregate pay-for-performance approaches that link financial/incentive rewards for employees to improvements in the performance of the entire unit.

Memorandum of Understanding (MOU). An agreement made and entered into individually between the State of Minnesota and the Minnesota Association of Professional Employees (MAPE) and the American Federation of State, County and Municipal Employees (AFSCME).

Gainsharing

Chapter No. 248

Article 13, Pilot Projects

SEC. 3 (GAINSHARING.)

Subdivision 1. (FINDINGS.) The legislature recognizes state employees are crucial resources in providing effective and efficient government services to the people of Minnesota. The legislature believes that state employees should benefit from successful efforts they make to improve government efficiency and effectiveness. Efforts to improve government efficiency and effectiveness **include, but are not limited to, reductions in unnecessary paperwork, repeal of unnecessary state, federal, and local regulations, and reductions in unnecessary staff.**

Subdivision 2. (PILOT PROJECT.) During the biennium ending June 30, 1997, the Department of Employee Relations must implement a system of incentives including economic incentives for **unrepresented employees** for employees in the department. The system **must be approved by the Commissioner of Finance before being implemented.** The system must have the following characteristics:

1. **it must provide nonmanagerial unrepresented employees within the agency the possibility of earning economic rewards by suggesting changes in operation of the department's programs;**
2. **it must provide nonmanagerial represented employees within the agency the possibility of receiving individual economic rewards, if provided in a collective bargaining agreement, for suggesting changes in the operation of the department's program.**
3. **it must provide groups of nonmanagerial represented employees within the agency the possibility of receiving group rewards in the form of training opportunities, filling of unfilled employee complement, or other resources that benefit overall group performance;**
4. **any economic awards must be based on changes in operations suggested by nonmanagerial employees that result in objectively measurable cost savings of at least \$25,000 or significant and objectively measurable efficiencies in services that the agency provides to its customers or clients, without decreasing the quality of these services;**
5. **awards must be a minimum of \$500 up to a maximum of \$2,500 per year to unrepresented nonmanagerial employees who were instrumental in identifying and implementing the efficiency and cost-saving measures;**

6. **an "efficiency savings account" must be created within each fund that is used to provide money for department services. Each account consists of money saved directly as a result of initiatives under this section. Any awards under this article must be paid from MONEY IN AN EFFICIENCY SAVINGS ACCOUNT. ONE-HALF OF THE MONEY IN THE ACCOUNT MAY BE USED FOR AWARDS UNDER THIS SECTION, AND THE REMAINDER MUST BE RETURNED TO THE FUND FROM WHICH THE MONEY WAS APPROPRIATED.**
7. **no award shall be given except upon approval of a team comprised of equal numbers of management and nonmanagement employees selected by the Commissioner of Employee Relations FROM STATE EMPLOYEES OUTSIDE OF THE DEPARTMENT; and**
8. **the economic awards granted to unrepresented employees must be one-time awards, and must not add to the base salary of employees.**

Minnesota Department of Employee Relations
Employee Insurance Division

Open Enrollment Redesign Team
Final Report and Recommendations

**A Gainsharing
Project**

If you have questions or comments concerning this report,
or if you need this information in alternative formats, contact:

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I. Introduction

The Gainsharing/Open Enrollment Redesign Team was commissioned in November of 1995. The following members were selected from a group of volunteers:

Greg Bogen
Harry Carlson
Dann Chapman
Lorene Dimock
Gail Dube
Barie Kline
Jennifer LeTourneau
Dennis Maki
Sue Mountain

Facilitator: B. J. "Hannah" Hannah

The mission, objectives and charge for the open enrollment redesign were as follows:

Mission

Critically examine, rethink, and redesign the open enrollment process.

Objectives

- ♦ identify and meet customer and stakeholder needs—existing and future
- ♦ maximize use of existing and new technology
- ♦ reduce costs and/or make each part of the process more cost-effective
- ♦ reduce time spent by DOER staff, DDIRs, and customers on open enrollment
- ♦ eliminate unnecessary work
- ♦ reinvent the way work is done

Charge

- ♦ map the current process using input from the program and process leaders
- ♦ survey customers and stakeholders to determine existing and future needs
- ♦ identify the steps in the process that add value
- ♦ eliminate, reduce, or separate steps in the process that do not add value

- ♦ use resources outside the division (technical advisors) and outside the department (other state departments which have reengineered (Revenue) and other public and private-sector employers of similar size and complexity) to identify other options
- ♦ start with a clean sheet
- ♦ regularly report to the Steering Committee and to the division
- ♦ develop proposal—implementation plan
- ♦ present proposal—implementation plan to Steering Committee

Over the term of the redesign project, the Steering Committee conveyed the following “targets” for the Redesign Team:

- ♦ Design a process that takes as little time as possible.
- ♦ Involve the plans/carriers, get them to take responsibility.
- ♦ Determine whether employee meetings are necessary; develop efficient alternatives, if needed.
- ♦ Comply with all state and federal laws.
- ♦ Comply with all bargaining agreements.
- ♦ Only provide information employees need.
- ♦ Eliminate overtime.
- ♦ Simultaneous transmission of accurate data to plans, payroll and DOER.
- ♦ Seamless service to employees.
- ♦ Reduce costs.
- ♦ Innovate.

The organizational structure and administration of the Redesign Team are set forth in Appendix A.

II. Redesign Process

In the course of its operation, the Redesign Team:

1. Reviewed the current open enrollment process (See Appendix B);
2. Contacted other employers and agencies (See Appendix C);
3. Surveyed various stakeholders (See Appendix D);
4. Held lengthy brainstorming and creative discussions (See Appendix E); and
5. Had discussions with the various plans and carriers (See Appendix F).

The Redesign Team considered and subsequently rejected the concept that the open enrollment process be accomplished through outside vendors. The Team reasoned that outside vendors would not provide the level of service to which EID is committed. The Team concluded, instead, that the process can and will be done utilizing EID, DOER and other state agency staff and facilities as much as possible and to the extent costs justify.

The Redesign Team determined that an effective, efficient open enrollment process must be separated into four (4) subsections:

1. Materials,
2. Education,
3. Selection, and
4. Recording.

The Materials segment includes the drafting, design, printing, collating and distribution of informational materials to the employees.

The Education component covers the efforts by the Employee Insurance Division ("EID") and the Plans to explain the choices available to an employee so that the employee can make an informed and intelligent choice.

The Selection phase of open enrollment refers to the method(s) by which an employee communicates the various selections to EID and/or Plans.

The Recording function involves the means by which an employee's selection is recorded and maintained by both EID and the Plans.

The Redesign Team has studied and analyzed the entire open enrollment process, evaluated past practices and the costs thereof (see Appendix G) and devised a new, dramatically different method by which the open enrollment shall be conducted.

III. Recommendations

The Redesign Team recommends that all of the recommendations set forth below be implemented as soon as possible.

Materials

The open enrollment materials must be customized for each employee, printed in a cost effective manner, standardized for comparison purposes and distributed in a manner that greatly reduces cost and waste.

Each employee will receive a package (See Appendix H) that includes the following materials:

1. **Personal Benefits Statement**

This statement will remain unchanged from prior open enrollments. It sets forth the current coverage and the costs thereof. It will make it clear that the benefits and costs for the next year may be different. It also sets forth the employee's work county, social security number, department number and bargaining unit.

2. **Customized Plans and Rates**

This document will set forth the various plans that are available to the subject employee based on the employee's work and resident counties. It will also set forth the costs of only that coverage. The employee will not receive information with respect to plans that are not available to such employee.

3. **Plan Highlights**

This document will set forth a description of the various plans available to the employee. It will only describe plans that are available in the employee's work and resident counties.

4. **Postcards**

The employee will receive a set of postcards that may be used to request further information from the plans that are available to such employee. Postage shall be paid by the plans.

5. **For Your Information**

This document shall be used to provide various pieces of information to the employee. It will summarize any benefit changes, identify new developments, review the choices that are available, explain how to contact the plans and provide the general open enrollment instructions. It will also explain the DOER Internet home page operation and its contents.

6. Enrollment Worksheet

This form will explain the operation of the telephone enrollment system that is part of the Redesign Team's recommendation. It will provide a worksheet that lists all benefits and choices available and allows the employee to prepare in advance for enrolling by phone. The employee will be able to save this worksheet and compare it with subsequent confirmation notices.

7. Summary Plan Description (SPD)

The SPD is a summary of the benefits available to the employee. It is in booklet form and distributed every other year. The Redesign Team recommends that the SPD remain in its present form but printed in the same manner as other open enrollment materials and, in addition, made accessible through the Internet and, eventually, the workplace personal computers.

The hallmark of the new open enrollment process is the customization of employee materials. Employees will only receive information that relates to the plans that are actually available to the employee based upon the employee's work and resident counties. An employee will not receive information with respect to any plan that he or she is not eligible to elect. Customized rates and available plans will be determined by using data that is available through the SEMA4 system and the Insurance System (See Appendix I).

The materials will be designed and drafted in house utilizing the IPC Unit, the EID Information Officer and EID staff. This will eliminate the need for costly outside consultants that have been used in the past. The materials will continue to be attractive but the focus will shift from form to substance. The style and format of the materials will remain constant. They will not change every year or two. They will not win graphic awards; but, they will remain reasonably attractive.

The materials will initially be produced and printed in house, through InterTech, utilizing their high speed, customized printing equipment (See Appendix J). This will result in limited collating and a smaller, lighter package to be mailed, or otherwise distributed, to the employee. Future years will see a single process, high speed, customized printing process that requires no collating whatsoever.

The Plans will continue to provide informational materials to the employee. This includes summaries, certificates, directories and marketing materials. The Plans will be required to provide a standardized format that summarizes Plan benefits in such a manner that the employee can easily compare one or more Plans (See Appendix K).

The method of distribution of open enrollment materials will be revised to reduce costs and waste. The employee will be able to secure information regarding any plan available to the employee by calling the Plan and requesting the materials or by mailing a pre-addressed postcard to the Plan requesting same. The responsibility for explaining the Plan will be placed on the Plan and not EID. The DDIR's will only receive a limited number of

sets of Plan materials, no more than five (5) sets. There will no longer be large stockpiles of materials to be thrown away. Due to the fact that the Plans will be distributing materials upon request, the open enrollment package will be sent to the employee ten (10) days sooner than in the past.

The mailing costs incurred by EID to send materials to the employee will be monitored and minimized. Alternate methods will be considered, including new envelopes (See Appendix L).

Education

Currently EID utilizes four (4) methods in order to educate the employee with respect to the choices available at open enrollment:

1. Employee materials,
2. DDIR's,
3. Telephone support, and
4. Employee meetings.

The Redesign Team recommends that all of the above methods be continued and, in some cases, enhanced. In addition, the following methods will be used to expand and enhance the educational process:

1. Internet,
2. Videos,
3. Cable TV,
4. Plans, and
5. Video conferences.

The employee materials will be reduced in volume while increased in focus and value. The customized nature of the new materials format will reduce the questions and confusion. The employee will only get the information that he or she needs to make a decision.

The DDIR's are a valuable asset to the open enrollment process and EID as a whole. The DDIR will be eliminated from the selection process and relieved of the paper handling currently in force. As a result, the DDIR will be free to assist and educate the employees and provide increased customer service.

EID currently provides telephone support to the employee during the course of open enrollment through the phone room. The use of the telephone is an efficient method by which to assist the employee. The recommended telephone enrollment process will eventually provide for mid-call rollovers for employee assistance. It will also allow for a directed call system that allows the employee to contact the appropriate person to answer a particular question.

Employee meetings are by far and away the largest cost of educating the employees. Currently, nearly 80% of the cost is dedicated to employee meetings, yet less than 20% of the employees attend such a meeting (See Appendix G and M). While these meetings will not be eliminated completely, they can be greatly reduced in number and greatly increased in cost effectiveness. Future employee meetings will be focused on the "hot spots". Non-productive meetings will be reduced and eliminated. We will not provide personnel merely to sit behind tables and hand out booklets. We will concentrate the meetings where the greater number of employees are reached and in the areas where there are particular problems and concerns that year.

The Internet will be used to assist in the educational effort. DOER will establish a "Home Page" that will allow access to employee materials. In addition, a hyper-text connection to each plan will be possible whereby the current provider directories and summaries will be available. This developing communication tool will eventually allow for such things as on-line enrollment and has the potential to greatly reduce or replace printed materials (see Appendix N).

Videos will be used in the new open enrollment process to much greater advantage. Informational videos can be made in-house by EID and HRD or by outside vendors. The videos can vary from taped meetings to professional presentations. They may cover the entire state in general or focus on particular areas of the state or even particular benefit issues. The video(s) will be distributed to DDIR's for local use or may be used in conjunction with cable television. Of course, the videos will be "close-captioned" for the hearing impaired (see Appendix O).

Cable television is now available over the entire state with particular concentration in the metro area (See Appendix P). Cable TV is a very inexpensive means of communication and will allow many employees to become educated at home. Presentations can range from videos being repeatedly played to live presentations with opportunities to call-in questions. Cable TV is inexpensive, convenient for employees, available to large audiences in the metro area and ideal for retirees and the disabled shut-in.

Video conferencing will be used to better advantage. Already used on a trial basis, it has proved to be very effective. There are now nearly thirty (30) video conferencing sites statewide (See Appendix Q). The video conference can be produced in-house and can use the videos as well as live presentations. Such conferences are interactive, available to large audiences and a more efficient use of state and plan personnel.

Selection

The process by which the employee elects the plan and amounts of coverage is currently done by completing a paper application and forwarding it through the DDIR to EID. It is a slow, cumbersome process to handle and record each such form. The process takes months to complete, hours of overtime and a great deal of stress to all concerned. There is, and has been, technology available to allow the employee to make the open enrollment selections by telephone. Virtually all of the major employers that the Redesign Team contacted are using some form of a telephone enrollment. It will also be possible for an employee to make the open enrollment selections on-line through the workplace personal computer or the Internet. A telephone or computer selection capability will also present exciting opportunities to the day to day operations of EID as well as DOER.

A telephone enrollment system is referred to as Interactive Voice Response ("IVR"). An IVR uses a specialized personal computer and software that is connected to telephone lines. Open enrollment choices will be made from any "tone" generated telephone. The IVR would be available for use seven (7) days a week, twenty-four (24) hours a day. The IVR will become the backbone of the open enrollment selection process and will be supplemented by on-line computer access. The IVR will require interfaces with the Insurance System and SEMA4 systems (See Appendix R).

Virtually everyone has used an IVR system at one time or the other—most commonly through a bank. The IVR system will recognize the personal identification number of the employee and guide the employee through the selection process. It will not allow inappropriate choices and will provide immediate selection verification of the employee's choices while the employee is still on the phone. A confirmation of selections will also be sent to the employee within days. The IVR will maintain a record of the employee's selections and thereby preserve an audit trail.

The IVR will prove to be more accurate, more cost effective, more convenient and months quicker than the present paper system. Accordingly, the IVR should be made operational with respect to all employees as soon as possible. Introduction of the IVR on a pilot basis will only postpone the cost and time savings for another year.

Open enrollment selections will also be able to be made through the Internet. An employee with access to the Internet and Web browser software will be able to review the open enrollment information and make their selections. This, too, will be available seven (7) days a week and twenty-four (24) hours a day. This method will require a Web server, Web page software, Hyper Text Markup Language (HTML) and communication access to the Internet (See Appendix R).

The Insurance System will be modified to allow on-line access and open enrollment selection entry. The on-line access will display current benefit enrollment information. An employee with access to an on-line terminal or personal computer at their workplace or a designated location, such as a kiosk, will be able to enter his or her open enrollment selections (See Appendix R).

The IVR system has a myriad of uses to EID and DOER above and beyond the open enrollment selection process. It can be used by other groups at DOER for functions such as the job information line or weather emergency information. More importantly, it has exciting possibilities with respect to the day to day operations of enrolling and disenrolling employees. The opportunities for synergy are tremendous and will be considered during the implementation phase of the new open enrollment process. The Internet and on-line selection capabilities have similar promise for future efficiencies.

Recording

In the past, recording of the open enrollment selection has taken the bulk of the time spent on open enrollment. Each application has been processed by hand, one at a time.

The IVR selection process, as well as the on-line computer and Internet options, will eliminate the paper and the need to process individually and by hand. The selections made by an employee will be recorded instantaneously. The selection will also be recorded with the applicable plan through the developing MedNet network using Electronic Data Interface ("EDI") (See Appendix R and Appendix S).

Insurance System

The present Insurance System will be completely revised to provide for and accommodate, at least, the following:

- ◆ Profiles—special groups
- ◆ Provider and clinic numbers
- ◆ Plan and Care System IDs
- ◆ On-line enrollment
- ◆ Work and resident counties
- ◆ Dependents
- ◆ Electronic Data Interchange (EDI)
- ◆ Internet interface
- ◆ Remote access statewide
- ◆ Personal Benefits Statement

- ◆ Customized Plans & Rates
- ◆ Plan Highlights
- ◆ Interactive Voice Response (IVR)
- ◆ Multi-period eligibility and rates
- ◆ Generate immediate confirmation

See Appendix R for details.

Costs

The estimates of the various costs of the new open enrollment process and the savings effected thereby are set forth in Exhibit A attached hereto.

IV. Implementation of Recommendations

The recommendations of the Redesign Team will be implemented in three (3) phases:

- ◆ Phase 1—Open Enrollment 1996
- ◆ Phase 2—Open Enrollment 1997
- ◆ Phase 3—Future

See Appendix R for details.

Phase 1

Phase 1 represents the implementation that will be completed and operational for the open enrollment to be conducted in the fall of 1996, and includes the following:

- ◆ Modify the Personal Benefits Statement printing program to provide access to data from the PDEM insurance system and the SEMA4 HR/Payroll system including:
 - ◆ the current benefits of each employee and dependent and, if possible, beneficiary information;
 - ◆ bargaining unit;
 - ◆ list work/residence counties;
 - ◆ health and dental plans for which the employee qualifies; and
 - ◆ new rates for each plan in the county in which the employee works.

- ◆ Develop a WWW (World Wide Web) page that will be attached to DOER's Web site.
 - ◆ DOER's Web site should be functional by June, 1996. This will allow customers that have Internet access and Web browser software to access EID's Open Enrollment Web pages. The information that will be on these pages includes:
 - ◆ open enrollment instructions;
 - ◆ standardized Plan descriptions;
 - ◆ insurance companies information; and
 - ◆ Hyper links to carrier's Web pages.
- ◆ Use the new MedNet network to transfer open enrollment data to the carriers using Electronic Data Interface ("EDI").
- ◆ Implement all of the recommendations made under the heading of "Materials".
- ◆ Implement all of the recommendations made under the heading of "Education".

Phase 2

Phase 2 represents the implementation that will be completed and operational for the open enrollment to be conducted in the fall of 1997 and includes the following:

- ◆ Purchase and install an IVR (Interactive Voice Response) unit.
 - ◆ This system would allow employees, customers, and special groups to use their telephones to enter their open enrollment information. This will be the primary vehicle for our customers to enroll in the health and dental plans.
 - ◆ Create interfaces between the PDEM insurance and SEMA4 Payroll/HR Personnel system and the new IVR system.
- ◆ Enhance the WWW page to allow customers to perform the open enrollment selections using the Internet. The employee would fill out an electronic form, it would be validated and transferred to the insurance system.
- ◆ Create a new module for the PDEM insurance system
 - ◆ that will provide real-time on-line access for DDIR's and appropriate personnel to employee, retirees, etc. records. This module would display the current status of open enrollment. It would also allow for entry of the enrollment options. If

desired the DDIR's and appropriate personnel could update or enter new information as required by their jobs. This could be the vehicle for DDIR's and HR personnel to enter enrollment data for ADA people.

Phase 3

Phase 3 represents modifications that will be made for open enrollments conducted in 1998 and thereafter and includes the following:

- ♦ Redesigned Insurance System.
- ♦ IVR applications to the day to day operations of EID.
- ♦ On-line computer applications to the day to day operations of EID.

V. Advantages

The new open enrollment process will save dollars and time with a faster and more accurate process that is easier for the employee to navigate.

Cost savings will be effected by:

- ♦ Eliminating consultants,
- ♦ Reducing the printing costs,
- ♦ Reducing the mailing costs,
- ♦ Simplifying the collating of materials,
- ♦ Making employee meetings more cost effective and focused,
- ♦ Reducing overtime and the attendant stress to staff,
- ♦ Making current staff available for more effective uses, and
- ♦ Removing the paperwork burden.

Time savings will be effected by the elimination of paperwork and individual processing. The automatic choice selection of the IVR and/or computer options will speed the entire process by months, not days. Accordingly, the entire open enrollment could be postponed until November or, even December if desired.

Elimination of the huge mountain of paper to be processed by the DDIR will make them more readily available to the employee for individual questions and problems.

The entire new open enrollment process is designed to capture the necessary information at the source and to record it electronically and instantaneously. Accuracy can only be enhanced.

Customization of materials is another hallmark of the new process. The reduction and standardization of materials will ease the burden on the employee. More accessible educational methods and the IVR and/or on-line computer options will make it much easier for the employee to make intelligent and appropriate choices.

VI. Acknowledgments

In the course of its operation, the Redesign Team contacted a great number of sources. A list of such contacts is set forth in Appendix T.

See Appendix T for the details of such meetings, visits, contacts, etc.

The Redesign Team also acquired a number of reports and/or articles related to the open enrollment process. Appendix U contains a copy of each such report or article.

VII. Communications

The Redesign Team strived to keep the Redesign Steering Committee up to date with its progress. The division employees were periodically updated through various communication devices (See Appendix V).

The Redesign Team also made several presentations to various groups explaining its recommendations (See Appendix W).

VIII. Conclusion

The Redesign Team has created a new open enrollment process that is innovative, yet simple, and one that utilizes modern technology. The Redesign Team believes that its recommendations must be implemented as soon as possible in order to effect the greatest savings and efficiencies. The Redesign Team expects each and every recommendation to be implemented and stands ready to assist in the implementation process.

Open Enrollment Redesign Team

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Dan Chapman
Frank Geri
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May 8, 1996

bjh/oeredsgn

Open Enrollment Redesign

Potential Savings & Estimated Costs

Item #	Item Description	1995 Cost	1996 Savings	1996 Costs	Total
1995 OE Total		\$706,799.03			
1996 OE Savings & Estimate			(288,264.73)	\$531,828.04	\$531,828.04
	Materials Design	\$151,149.78			
M1	Mercer Contract - 1995	151,149.78	(150,879.78)	270.00	270.00
	Materials Total		150,879.78	270.00	270.00
Printing		\$103,487.50			
P1*	Summary Plan Description - Printing, multicolor (2-pocket Folder/Brochure) Quantity = 56,000	39,865.00	(39,865.00)	0.00	0.00
P2	Health/Dental Comparison Guide - Printing, multicolor (Single sheets/Wrap- around) Quantity = 56,000 Inserting	14,130.00 1900.00	(14,130.00) (1900.00)	0.00	0.00
P2 OER	Plan Hi-lights printed by InterTech as part of Personal Benefits Statement - See Line P17				
P3	For Your Information - (Your Step-By-Step Guide to Open Enrollment) Printing, multicolor Bi-weekly Active Employees (except 209, 211, 215) Quantity = 40,000 Quantity = 2000	2343.00 Includes Line Item #5 134.00	0.00	2343.00 134.00	2343.00 134.00

Item #	Item Description	1995 Cost	1996 Savings	1996 Costs	Total
P4	For Your Information - (Your Step-By-Step Guide to Open Enrollment) Printing, multicolor Bi-weekly Active Employees (209, 211, 215) Quantity = 3,000	200.00	0.00	200.00	200.00
P5	For Your Information - Printing, multicolor Your Step-By-Step Guide to Open Enrollment Bi-weekly Active Employees (224 - UTCE) Quantity = 3,000	Included in Line Item #3			
P6	For Your Information - (Your Step-By-Step Guide to Open Enrollment) Printing, multicolor IBUs (ees not on central payroll) Quantity = 1800	120.50	0.00	120.50	120.50
P7	Insurance Rate Guide Printing, multicolor Bi-weekly Active employees (except 209, 211, 215) Quantity = 46,000	6072.00 Includes Line Item #9 5561.00	(6072.00)	0.00	0.00
P7 OER	Customized Plans & Rates printed by InterTech as part of Personal Benefits Statement - See Line P17				
P8	Insurance Rate Guide Printing, multicolor Bi-weekly Active employees (209, 211, 215) Quantity = 4,000	528.80 529.00	(529.00)	0.00	0.00
P8 OER	Customized Plans & Rates printed as part of Personal Benefits Statement - See Line P17				

Item #	Item Description	1995 Cost	1996 Savings	1996 Costs	Total
P9	Insurance Rate Guide Printing, multicolor Bi-weekly Active employees (224 - UTCE) Quantity = 4,000	Included in Line Item #7 529.00	0.00	0.00	0.00
P9 OER	Customized Plans & Rates printed by InterTech as part of Personal Benefits Statement - See Line P17				
P10	Insurance Rate Guide Printing, multicolor IBUs (ees not on central payroll) Quantity = 2300	304.00	(304.00)	0.00	0.00
P10 OER	Customized Plans & Rates printed by InterTech as part of Personal Benefits Statement - See Line P17				
P11	Insurance Rate Guide Printing, multicolor COBRA continuees Quantity = 2000	685.00	(685.00)	0.00	0.00
P11 OER	Customized Plans & Rates printed by InterTech as part of Personal Benefits Statement - See Line P17				
P12	Combined Insurance Rate Guide/Your Step- By-Step Guide to Open Enrollment Printing, multicolor Early retirees (eligible for employer contribution) Quantity = 1700	640.00	(640.00)	0.00	0.00
P12 OER	Customized Plans & Rates printed by InterTech as part of Personal Benefits Statement - See Line P17				

Item #	Item Description	1995 Cost	1996 Savings	1996 Costs	Total
P13	Combined Insurance Rate Guide/Your Step-By-Step Guide to Open Enrollment Printing, multicolor Employees off Payroll (on leave, etc.) Quantity = 1200	840.00	(840.00)	0.00	0.00
P13 OER	Customized Plans & Rates printed by InterTech as part of Personal Benefits Statement - See Line P17				
P14	Retirees Health Plan Booklet Printing, multicolor Quantity = 10,000	9790.00	0.00	9790.00	9790.00
P15	Former Employees With Disabilities Health Plan Booklet Printing, multicolor Quantity = 700	2595.00	0.00	2595.00	2595.00
P16*	Retirees / Former Employees With Disabilities Dental Plan Booklet Printing, multicolor Quantity = 8200	5155.00	(5155.00)	0.00	0.00
P16 OER	One sheet for dental rates for Retirees / Former Employees With Disabilities Printing, one- or multi-color? Quantity = 8200			\$ XX, XXX Estimate	\$ XX, XXX Estimate

Item #	Item Description	1995 Cost	1996 Savings	1996 Costs	Total
P17	Pre-printed Personal Benefits Statement Printing, one-color (Computer feed paper) Quantity = 47,000 <i>NOTE: 46,089 x .055 = \$2534.86 not included in 1995 OE costs</i>	3180.00	(3180.00)	0.00	0.00
P2 OER	Plan Hi-lights printed by InterTech as part of Personal Benefits Statement				
P7 OER P8 OER P9 OER P10 OER P11 OER P12 OER P13 OER	Customized Plans & Rates printed by InterTech as part of Personal Benefits Statement Estimate per ee x 45,000 1 - PBS 1 - CPR 3 - avg Plan Hi-lights 5 - avg pieces printed x 45,000 ees 225,000 pieces printed x .055 per piece printed \$12,375.00 total <i>NOTE: P11 + 2% on rate</i>			\$12,375.00 Estimate	\$12,375.00 Estimate
	Postcards Estimated per ee x 45,000 X - Postcards x 45,000 ees XXX pieces printed x .XXX per piece printed \$ XX, XXX total			\$ XX, XXX Estimate	\$ XX, XXX Estimate
P18	Catalog Window Envelope Printing, (Special Converting), one-color Quantity = 47,000 Quantity = 1000	13,440.00 292.00	(13,440.00) (292.00)	0.00	0.00
P18 OER	Catalog Window Envelope Printing, one-color Quantity = 48,000			\$ XX, XXX Estimate	\$ XX, XXX Estimate

Item #	Item Description	1995 Cost	1996 Savings	1996 Costs	Total
P19	Open Enrollment Posters Printing, one-color Quantity = 2000	1055.00	0.00	1055.00	1055.00
P20*	Enrollment Worksheet Quantity = 48,000			\$ XX, XXX Estimate	\$ XX, XXX Estimate
	Printing Total		(87,032.00)	16,373.50 12,375.00 XX,XXX Estimate	16,373.50 12,375.00 XX,XXX Estimate
USPO - Mailing		\$143,663.32			
U1	Mailing - Permit 171 46,089 pcs - approx. 9oz @ \$2.38 each	143,663.32	(42,375.14)		
U1	46,089 pcs - approx 4.5 oz @ \$1.46 each = \$67,289.94 + 33,998.24 miscellaneous			101,288.18 Estimate	101,288.18 Estimate
	Mailing Total		(42,375.14)	101,288.18 Estimate	101,288.18 Estimate
Phone Room		\$27,771.60		\$27,771.60	\$27,771.60
	Phone Room			\$27,771.60	\$27,771.60
DDIR Training		\$15,060.31			
D1	Ordered Materials UPS	7475.91	(7475.91)		
D2	Video Mailing	501.90	(501.90)		
	DDIR Training		(\$7977.81)		7082.50 Estimate
DOER Materials		\$2500.00		\$2500.00	\$2500.00
	DOER Materials			\$2500.00	\$2500.00

Item #	Item Description	1995 Cost	1996 Savings	1996 Costs	Total
OE Meetings		\$13,197.79		\$13,197.79	\$13,197.79
O1	Video - 400 copies			4,648.24	4,648.24
O2	Video - close captioning			975.00	975.00
O3	Internet DOER Homepage				
O4	Cable TV - per one hour video replay			70.00 Estimate	70.00 Estimate
O5	Cable TV - Live call-in show 1 hour			1100.00 Estimate	1100.00 Estimate
O6	Video-conferencing 1995 pilot: 2 meetings - 6 sites & 3 sites 1996 estimate: 6 meetings - 3 sites each = 18 sites	645.00		1290.00 Estimate	1290.00 Estimate
<i>OE Meetings</i>				\$21,281.03 <i>Estimate</i>	\$21,281.03 <i>Estimate</i>
MIS		\$79,415.00		\$79,415.00	\$79,415.00
<i>MIS</i>				\$79,415.00	\$79,415.00
	Health Fair	\$2882.00		\$2882.00	\$2882.00
<i>Health Fair</i>				\$2882.00	\$2882.00
Staff		\$167,671.73		\$167,671.73	\$167,671.73
S1	Interactive Voice Response System			\$100,000 Estimate	\$100,000 Estimate
<i>Staff</i>				\$267,671.73 <i>Estimate</i>	\$267,671.73 <i>Estimate</i>
1995 OE Total		\$706,799.03			
1996 OE Savings & Estimate			(288,264.73)	\$531,828.04	\$531,828.04

