

**F10A02**  
**Office of Personnel Services and Benefits**  
**Department of Budget and Management**

***Operating Budget Data***

(\$ in Thousands)

	<b><u>FY 02</u></b> <b><u>Actual</u></b>	<b><u>FY 03</u></b> <b><u>Approp</u></b>	<b><u>FY 04</u></b> <b><u>Allowance</u></b>	<b><u>FY 03 - 04</u></b> <b><u>Change</u></b>	<b><u>FY 03 - 04</u></b> <b><u>% Change</u></b>
General Funds	\$17,507	\$10,106	\$8,918	-\$1,188	-11.8%
FY 2003 Cost Containment	0	-786	0	786	
Contingent & Back of Bill Reductions	0	0	-42	-42	
<b>Adjusted General Funds</b>	<b>\$17,507</b>	<b>\$9,320</b>	<b>\$8,876</b>	<b>-\$444</b>	<b>-4.8%</b>
Reimbursable Funds	4,269	6,243	4,318	-1,925	-30.8%
Contingent & Back of Bill Reductions	0	-3	-16	-12	
<b>Adjusted Reimbursable Funds</b>	<b>\$4,269</b>	<b>\$6,240</b>	<b>\$4,303</b>	<b>-\$1,937</b>	<b>-31.0%</b>
<b>Adjusted Grand Total</b>	<b>\$21,777</b>	<b>\$15,560</b>	<b>\$13,179</b>	<b>-\$2,381</b>	<b>-15.3%</b>

- Fiscal 2003 cost containment reflects the reversion of \$3,365 in reimbursable funds to support free transit ridership for State employees, contingent upon enactment of a provision in the Budget Reconciliation and Financing Act (BRFA) of 2003. It also includes reductions of \$786,203 in general funds to reflect cost containment measures taken through Board of Public Works' actions. Specific reductions include \$250,000 for a medical advisor services contract to reflect actual costs, \$236,203 in the State Labor Relations Board to reflect a high level of vacancies in the division, and \$300,000 for new information technology project training that was not implemented.
- The fiscal 2004 allowance reflects the elimination of the appropriation (\$41,943 in general funds and \$15,569 in reimbursable funds) for matching employee deferred compensation contributions up to \$600, contingent upon enactment of a provision in the BRFA of 2003.

***Personnel Data***

	<b><u>FY 02</u></b> <b><u>Actual</u></b>	<b><u>FY 03</u></b> <b><u>Working</u></b>	<b><u>FY 04</u></b> <b><u>Allowance</u></b>	<b><u>Change</u></b>
Regular Positions	174.50	170.50	156.50	-14.00
Contractual FTEs	6.30	7.10	5.90	-1.20
<b>Total Personnel</b>	<b>180.80</b>	<b>177.60</b>	<b>162.40</b>	<b>-15.20</b>

***Vacancy Data: Regular Positions***

Budgeted Turnover: FY 04	5.48	3.50%
Positions Vacant as of 12/31/02	22.00	12.90%

Note: Numbers may not sum to total due to rounding.

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- Although the Department of Budget and Management (DBM) – Office of Personnel Services and Benefits (OPSB) had 22.00 vacancies as of December 31, 2002, 14 of those vacancies are to be abolished in fiscal 2004 under the Governor’s cost containment effort. The turnover expectancy rate of 3.50% requires that 5.5 full-time equivalent (FTE) positions be held open in order to meet budgeted turnover. With the 8 vacancies left after the 14 abolitions and additional positions likely to become vacant during the year, OPSB will easily meet its turnover for fiscal 2004.
- The reduction in contractual FTEs is the result of a realignment of contractual positions in the department. The Central Collections Unit in DBM – Office of the Secretary has gained 1.80 FTE contractual positions.

## ***Analysis in Brief***

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### **Major Trends**

***While Statewide Personnel Expenditures Are Relatively Flat, Health and Prescription Spending Increases Dramatically:*** While spending overall has remained relatively flat due to the abolition of 1,387 FTE positions in the Governor's allowance and commensurate decreases in salaries and benefits, expenditures for health and prescription insurance have risen dramatically. This increase is due to both large increases in premiums and to underfunding in the fiscal 2003 budget.

### **Issues**

***Statewide Personnel Expenditures Grow 1.4% in Fiscal 2004:*** Personnel expenditures provided for in the budget bill increase 1.1%, or \$56.4 million over the fiscal 2003 working appropriation. Planned fiscal 2003 reversions and proposed transfers to the general fund through the BRFA of 2003 result in an effective increase of 1.4%, or \$69.1 million. Components of this growth are discussed in detail in the issues section.

***Health and Prescription Insurance Spending Increases:*** The fiscal 2004 cost of the Maryland State employees' health benefit is projected to increase 14.3% over fiscal 2003, an \$85.7 million increase in costs. Further, the fiscal 2003 appropriation made for this purpose is \$38.5 less than anticipated expenditures. The administration has also chosen to underfund health expenditures by \$5.0 million in fiscal 2004.

***State Employees and Medicaid Beneficiaries Prescription Purchasing:*** Pharmacy benefit managers and a Northeast region nonprofit Medicaid and State employee prescription formulary plan is discussed. The Department of Legislative Services recommends that DBM be required to fully consider participation in this nonprofit venture, or if participation is not feasible, to fully explain an alternate decision.

***Employee Buyout Pilot:*** DBM is asked to design a pilot project which would provide for employee buyouts equal to one month of salary for each year of employment, to a maximum of six months. The buyout would be available to State employees whose positions have been identified as least critical to agency functions. If eligible employees do not wish to separate from State service under this scenario, the regular layoff process could apply. DBM is required to analyze the cost-effectiveness of the pilot. Budget savings realized and other policy implications should be considered.

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***Vacancies Cover Abolitions Required Under Position Cap:*** The 75,889 regular FTE Executive Branch positions included in the fiscal 2004 allowance exceed the position cap recommended by the Spending Affordability Committee (SAC) by 1,789 positions. These 1,789 positions amount to 47% of vacancies existing on December 31, 2002, taking into account abolitions already made by the Governor in the allowance.

**Recommended Actions**

**Funds**

1. Add section limiting scope of sick leave incentive program.
  2. Add section deleting pay-for-performance funds remaining in the budget.
  3. Add section requiring reduction of health insurance expenditures in subobjects 0152 and 0154.
  4. Add section providing for a position cap.
  5. Amend Section 19 to read "Rule of 250."
  6. Add section requiring reporting of full-time equivalent regular and contractual position changes, and sworn police officer location.
  7. Add section establishing an employee buyout pilot project.
  8. Add section requiring full consideration for participation in nonprofit prescription formulary consortium.
  9. Adopt narrative requiring Annual Report of State Personnel, Fiscal Year 2003.
  10. Adopt narrative requiring a report of the number of positions in the government relations function in each agency.
  11. Reduce funds for employee awards. \$ 5,000
- Total Reductions \$ 5,000**

## **Updates**

***\$75.0 Million Is Transferred from Injured Workers' Insurance Fund (IWIF) Long-term Liability Account in Fiscal 2003:*** The Governor has proposed transferring \$75.0 million from the State's long-term liability account to the general fund in fiscal 2003, through the BRFA of 2003

***Workers' Compensation Assessments Show Large Decrease in Fiscal 2004:*** The Board of Public Works decided in November 2001 that the State should be required to maintain accounts separate from other IWIF clients. This decision resulted in a need for the State to more fully cover its operating account, which eventually resulted in a larger operating account balance than will be necessary at the end of fiscal 2003. This balance, coupled with the decision by the administration to not require a \$20.0 million appropriation into the long-term liability account results in a much lower agency assessment in fiscal 2004 than is the case in fiscal 2003.

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## ***Operating Budget Analysis***

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### **Program Description**

The Office of Personnel Services and Benefits (OPSB) provides policy direction for the human resources system established by the State Personnel and Pensions Article. The Executive Director manages OPSB and administers State personnel policies and the health benefit program. Specific functions within OPSB include salary administration and classification, employee development and training, recruitment and examination, employee relations, employee benefits, and medical services. It shares responsibility with State agencies for the administration of personnel functions through policy development, guidance, and interpretation.

Primary Managing for Results (MFR) goals include provisions that:

- employees in the State Personnel Management System (SPMS) will have the abilities required to perform work tasks at an efficient, effective, and productive level;
- State agencies will receive information and the interpretation of SPMS laws, regulations, policies, and procedures, State memoranda of understanding, and the statewide telework program;
- services by State health plan vendors will meet quality standards of performance; and
- agency requests for reclassification actions will meet the needs of the agency and will be completed in a timely fashion.

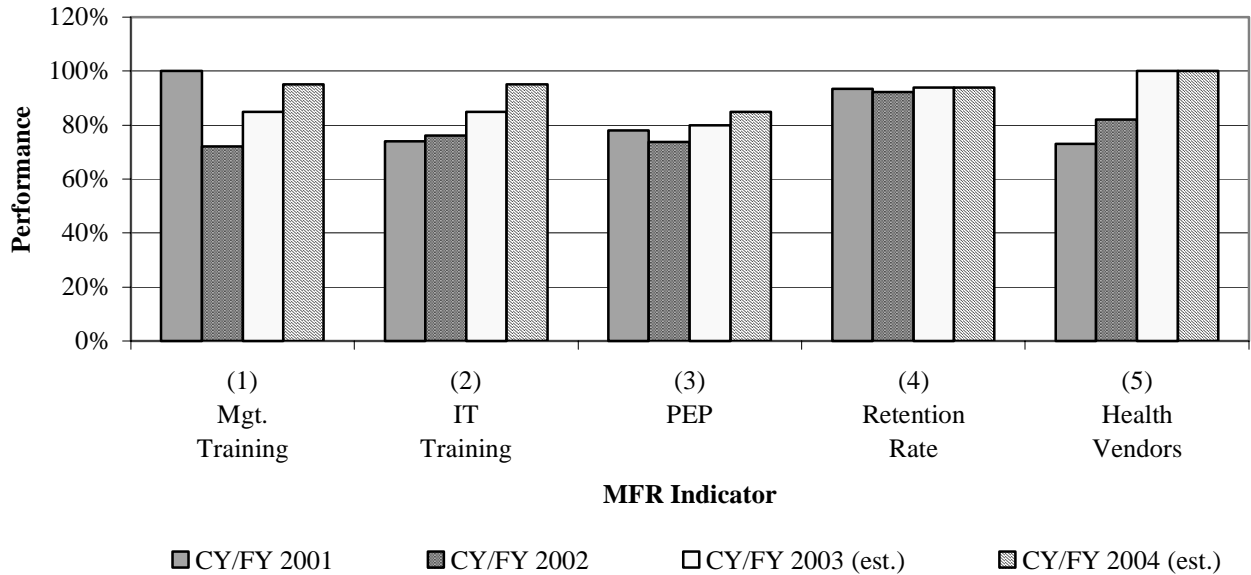
### **Performance Analysis: Managing for Results**

OPSB has shown the expected improvements in performance, as demonstrated by the following measures in **Exhibit 1**.

Actual performance has improved incrementally, but as in previous years, projected performance on a few measures appears too optimistic, given actual experience. For example, the percent of health vendors receiving a satisfactory rating by 85% of plan survey respondents is expected to be 100% in calendar 2003 and 2004, when actual performance indicates results in the 70% to 80% range. Statewide retention and percent evaluated using PEP, after showing slight decreases in fiscal 2002, are both expected to increase in fiscal 2003. These predictions appear too optimistic, given the fiscal situation of the State, levels of employee compensation, and the elimination of pay-for-performances bonuses in fiscal 2003. As the

**Exhibit 1**

**Office of Personnel Services and Benefits Performance Indicators**



- (1) Percent receiving managerial/supervisory training that acquired the competencies at the level covered by the course (fiscal year).
- (2) Percent receiving Information Technology (IT) training who acquired the competencies at the level covered by the course (fiscal year).
- (3) Percent of employees evaluated using the Performance Planning and Evaluation Program (PEP), a fiscal year measure.
- (4) Statewide retention rate (fiscal year).
- (5) Percent of health plan vendors who received a “satisfactory” rating by at least 85% of all plan survey respondents (calendar year).

Source: Department of Budget and Management

fiscal situation worsens, employees’ perception of benefit providers is likely to worsen; likewise, supervisors’ inclination to exercise due diligence in evaluating employees is likely to lessen after funds for pay-for-performance bonuses were deleted from the budget for fiscal 2003. Notwithstanding this criticism, the measures used appear useful as a way to gauge division performance. OPSB is urged to use variable rates of change in these measures to make its own management decisions.

**Fiscal 2003 Actions**

Fiscal 2003 cost containment reflects the reversion of \$3,365 in reimbursable funds to support free transit ridership for State employees, contingent upon enactment of a provision in the Budget Reconciliation and Financing Act (BRFA) of 2003. It also includes reductions of \$786,203 in general funds to reflect cost containment measures taken through Board of Public Works (BPW) actions. Specific BPW reductions include \$250,000 for a medical advisor services contract to reflect actual costs, \$236,203 in the State Labor Relations Board to reflect a high level of vacancies in the division, and \$300,000 for new information technology project training that was not implemented.

**Governor’s Proposed Budget**

**Exhibit 2** shows that the Governor’s fiscal 2004 allowance is \$13,179,780, or 15.3% less than the fiscal 2003 working appropriation. This decrease is primarily due to a reduction in consultant services (-\$2,662,287), coupled with reductions in a number of other areas. The reductions are partially offset by an increase in the turnover allowance and health insurance costs.

Fiscal 2004 cost containment consists of the proposed reduction of the State’s match for the deferred compensation contributions up to \$600, contingent upon enactment of a provision of the 2003 session BRFA. For DBM – OPSB, this means a reduction of \$57,512 (\$41,943 in general funds and \$15,569 in reimbursable funds). A discussion, framed in the context of select MFR goals, is provided below.

**Exhibit 2**

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**Governor’s Proposed Budget  
Office of Personnel Services and Benefits  
(\$ in Thousands)**

	<u>FY 02</u> <u>Actual</u>	<u>FY 03</u> <u>Approp</u>	<u>FY 04</u> <u>Allowance</u>	<u>FY 03 - 04</u> <u>Change</u>	<u>FY 03 - 04</u> <u>% Change</u>
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<b>Adjusted Grand Total</b>	<b>\$21,777</b>	<b>\$15,560</b>	<b>\$13,179</b>	<b>-\$2,381</b>	<b>-15.3%</b>

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**Where It Goes:**

**Personnel Expenses**

14.0 FTE abolished/transferred positions.....	-\$614
Turnover adjustments (including fiscal 2003 Labor Relations Board cost containment).	512
Employee and retiree health insurance.....	295
Workers' compensation premium assessment .....	-63
Deferred compensation match.....	-45
Other personnel .....	-22

**Other Changes**

Applications software contracts .....	-701
Education and training contracts .....	-629
Data processing training contracts .....	-500
Equipment replacement .....	-176
Printing/reproduction contracts .....	-168
Travel.....	-79
Programming, computer usage, data processing contracts .....	-49
Communication .....	-39
Other contracts .....	-65
Other nonpersonnel .....	-38

<b>Total</b>	<b>-\$2,381</b>
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**Employees in SPMS will have the abilities required to perform work tasks at an efficient, effective, and productive level.**

As shown in **Exhibit 3**, DBM has made a reduction of \$628,855 in education and training contracts in its fiscal 2004 allowance, through which it provides support to State agencies.

**Exhibit 3**

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**Original and Adjusted Education and Training Contract Expenditures  
Fiscal 2003 and 2004**

	<b><u>FY 2003</u></b> <b><u>Working</u></b>	<b><u>FY 2004</u></b> <b><u>Appropriation</u></b>	<b><u>FY 03-04</u></b> <b><u>% Change</u></b>
Original Education and Training Contracts	\$1,854,000	\$925,145	-\$928,855
Cost containment for IT Training	-300,000	0	300,000
Adjusted Education and Training Contracts	\$1,554,000	\$925,145	-\$628,855

Source: Department of Budget and Management; Department of Legislative Service

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**OPSB will meet the needs of State agencies for information and the interpretation of SPMS laws, regulations, policies, and procedures, State memoranda of understanding, and the statewide telework program.**

OPSB intends to maintain services in fiscal 2004 at the level provided in fiscal 2003 but has made many efforts to restrain spending where possible. For example, reductions include \$45,525 in budgeted expenditures for the State Labor Relations Board. The Division of Labor Relations, Division of Employee Relations, and Division of Salary Administration and Classification all show small increases in budgeted expenditures or are flat funded. The remaining divisions, Executive Direction, Division of Employee Benefits, the Medical Director, Division of Employee Development and Training, and Division of Recruitment and Examination, all show decreases in budgeted expenditures.

## Issues

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### 1. Statewide Personnel Expenditures Grow 1.4% in Fiscal 2004

State expenditures devoted to regular employee salaries and fringe benefits are relatively flat going into fiscal 2004. Personnel expenditures provided for in the budget bill increase 1.4%, or \$76.3 million over the fiscal 2003 working appropriation (**Appendix 4**). Planned fiscal 2003 reversions and reductions proposed in the BRFA of 2003 result in an effective increase of 1.4%, or \$69.1 million, and are shown in **Exhibit 4**, the details of which are discussed below.

#### Exhibit 4

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#### Regular Employee Personnel Expenditure Changes Fiscal 2003 Working Appropriation to 2004 Allowance (\$ in Millions)

<b>Fiscal 2003 Working Appropriation:</b>	<b>\$4,953.7</b>
Employee bonuses not awarded (Planned Reversion)	-28.8
Transit benefit (2003 session BRFA)	-1.5
<b>Adjusted 2003 Working Appropriation:</b>	<b>\$4,923.4</b>
Full general fund value of position abolitions for fiscal 2004 (salaries/variable fringes)	-37.4
Net impact on turnover:	64.3
Adjustment to turnover	81.9
Decrease in salary primarily attributable to PINs deleted in fiscal 2003	-17.6
New positions (salaries and fringes)	10.4
Other salary (additional assistance, overtime, shift differential, student payments, and other)	-18.9
Health insurance:	117.8
Existing employees and retirees	117.1
Special subsidies (MDOT)	0.6
Retirement	3.1
Workers' compensation insurance	-56.0
State deferred compensation match:	-15.1
Judiciary and Legislative general funds	2.5
Deferred compensation cost containment	-17.6
Employee transit benefit	1.3
Other changes	-0.2
<b>Adjusted Fiscal 2004 allowance</b>	<b>\$4,992.5</b>
<b>Increase</b>	<b>\$69.1</b>
<b>Percent Increase</b>	<b>1.4%</b>

Source: Department of Legislative Services

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**Employee Bonuses Not Awarded in Fiscal 2003 (-\$28.8 Million)**

Section 42 of the 2002 budget bill (Chapter 439, Acts of 2002) provided for the payment of employee lump-sum bonuses equal to half the value of what would have been the step, or increment, increase provided on salary schedules. Two conditions had to be met for payment of these bonuses:

- the individual employee had to receive a “meets standards” evaluation or better; and
- the Board of Public Works (BPW) had to, after the fiscal 2002 closeout was complete, determine that payment of \$28.8 million was affordable to the State.

Because BPW did not make a confirmatory decision that the payment was affordable, it is not to be paid during fiscal 2003. In the event that this happened, Section 42 provided that individual agency budgets would revert the funds set aside for this purpose.

**Fiscal 2003 State Employee Transit Benefit (-\$1.5 Million)**

Fiscal 2003 cost containment reflects the reversion of \$1.5 million in general funds to support free transit ridership for State employees in the Baltimore area, contingent upon enactment of a provision in the BRFA of 2003. These funds are restored in fiscal 2004, albeit at a slightly lower level than budgeted in fiscal 2003.

**Full General Fund Value of Position Abolitions for Fiscal 2004 (-\$37.4 Million)**

The administration is abolishing 1,329 full-time equivalent (FTE) positions in the fiscal 2004 allowance in non-higher education agencies. Of these, approximately 934 FTEs are supported with general funds, the budgeted salaries and fringe benefits of which are valued at \$32.8 and \$4.6 million respectively.

**Adjustments and Offset to Turnover Expectancy (\$81.9 Million, Offset by -\$17.6 Million)**

The administration has provided for decreases in the turnover adjustment for fiscal 2004 by adding \$81.9 million to the line item. This change results in a statewide turnover expectancy rate of 4.1%, in contrast to the 5.7% (including cost containment) rate expected in fiscal 2003. In fiscal 2004, however, an offset of approximately -\$17.6 million is assumed. This offset results from positions abolished in fiscal 2003 for which all associated funds were not taken, but were instead accounted for in cost containment. Cost containment has been treated in much the same way as turnover has, as an offset to funds spent on personnel costs. Turnover is intended to accommodate interruptions in full employment levels within agencies for eventualities like delays in hiring replacement personnel or for the opening of new facilities in the middle of a fiscal year. Cost containment, in contrast, is intended to simply accommodate budget savings. In fiscal 2004 nonspecific cost containment is budgeted at a much lower level than in fiscal 2003 (\$43.8 million in fiscal 2003 working appropriations, \$4.4 million in fiscal 2004

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allowance), partially due to the effect of 2003 abolitions. This “reduction” to the full value of the turnover expectancy in fiscal 2004 results in an approximately \$64.0 million net turnover expectancy figure, or an adjusted 4.0% turnover rate.

**Other Salary Adjustments**

Expenditures for additional assistance, overtime earnings, shift differential, student payments, and other miscellaneous salary items (including expenditures for reclassifications and leave payout upon resignation) decrease by \$18.9 million in fiscal 2004. These expenditures are decreasing at a much faster rate than salaries themselves, suggesting that to some degree they are discretionary.

**New Positions**

Statewide, in non-higher education agencies, 253 new positions are added (please refer to **Appendix 5**) for a total cost of \$10.4 million in fiscal 2004, as demonstrated in **Exhibit 5**. These new positions are in the Judiciary and other legal (106.5 FTEs, primarily in the Office of the Public Defender), executive and administrative control (28.0 FTEs, primarily in the Department of Aging and the Maryland Insurance Administration), retirement (4.0 FTEs), transportation (32.5 FTEs), and education (82.0 primarily in the State Department of Education and the School for the Deaf) functional areas. Positions are being added in the allowance to accommodate legislative initiatives, and also for new programs, new facilities, and contractual conversions.

**Exhibit 5**

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**Compensation of New Employees  
Fiscal 2004 Allowance**

New Employee FTEs	253.0
Salaries	\$9,279,146
Social Security	670,314
Active employee health insurance	1,590,203
Retiree health insurance	473,883
Retirement benefit	438,371
Turnover	-2,024,248
<b>Total budgeted</b>	<b>\$10,427,669</b>

Source: Department of Budget and Management; Department of Legislative Services

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## **Health Insurance**

In fiscal 2004, \$117.8 million has been added to the budget to cover increases in employee and retiree health insurance, including special subsidies (demonstrated in **Exhibit 6** under Issue 2). While special subsidies for union-sponsored insurance paid in the Maryland Department of Transportation (MDOT) have increased by \$0.6 million (3.5%), expenditures for the State health insurance benefit to existing employees and retirees have increased \$117.1, or 20.8%. Funding for new employees in fiscal 2004 includes \$2.1 million for health insurance, discussed above.

## **Retirement**

Budgeted State employer contributions to the State Retirement and Pension System increase only \$3.1 million this year due to changes in the State's actuarial methodology. Language in the BRFA of 2002 (Chapter 440 of 2002) created funding "corridors" for the two largest State systems that govern State employees and teachers. Under the new methodology, so long as funding for these two systems stays between 90% and 110% of actuarial full funding, the State's pension contribution rates remain unchanged. Because both systems remain within these corridors as of the fiscal 2002 valuation, the fiscal 2004 rates remain unchanged from the prior year. The only changes in State expenditures for these plans reflect changes to the payroll base. The smaller State systems – for judges, State Police, and other State law enforcement officers – kept the existing methodology and so the rates for those systems fluctuated due to changes in actuarial performance, primarily reflecting State investment declines.

## **Workers' Compensation Insurance**

While total workers' compensation insurance assessments are decreasing \$60.5 million in fiscal 2004 (please see Update 2), funds budgeted for this purpose have decreased \$56.0 million. This discrepancy is explained by the inclusion of nonbudgeted agencies in the total assessment cost. The decrease is the result of two conditions: funds provided in fiscal 2003 to the Injured Workers' Insurance Fund (IWIF) operating account were higher than necessary to cover claims in fiscal 2003. Also, the fiscal 2004 allowance does not provide for a \$20.0 million transfer to the long-term liability account, a departure from past practice. This transfer is covered by agency assessments. Please refer to Update 2 for a detailed explanation of these transfers and a detailed description of fluctuations in assessment levels.

## **State Deferred Compensation Match**

For members of the State Employees' Modified Pension System, the State has provided for a number of years (**Appendix 6**)<sup>1</sup>, a dollar-for-dollar match for a portion of contributions made to their Maryland 457, 403(b) and 401(k) supplemental retirement plans. In fiscal 2003 the State matches up to \$500. The administration intends to enable a transfer to the general fund through the BRFA of 2003 \$17.6 million in total funds from the \$18.9 million funds budgeted for the State's match of deferred compensation contributions in fiscal 2004. It also intends to discontinue the State match in fiscal 2004. The administration does not include transfers for this purpose in the Judiciary or in the Legislative Branch budgets, both of which are recommended in the respective analyses.

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<sup>1</sup> Appendix 6 also details changes to employee compensation over the last eight years.

## 2. Health and Prescription Insurance Spending Increases

The fiscal 2004 cost of the Maryland State employees' health benefit<sup>2</sup> is projected to increase 14.3 % over fiscal 2003, an \$85.7 million increase in costs, as demonstrated in **Exhibit 6**. Further, the fiscal 2003 appropriation made for this purpose is \$38.5 less than anticipated expenditures. The administration has also chosen to underfund health expenditures by \$5.0 million in fiscal 2004. The extent of the cost increases alone raises questions about whether the benefit is too generous. The extent of the underfunding raises concerns over whether the State can continue to cover the cost of the benefit at the level at which it is currently provided. **DBM is asked to comment on its plans for covering health insurance underfunding in fiscal 2003.**

### Exhibit 6

#### Employee and Retiree Health Insurance Fiscal 2003 and 2004 (\$ in Millions)

	<u>FY 2003</u>	<u>FY 2004</u>	<u>Increase</u>	<u>% Increase</u>
Health Maintenance Organization Premiums	\$59.6	\$61.4	\$1.8	3.0%
Preferred Provider Option Health Plans	185.4	209.6	24.2	13.1%
Point of Service Health Plans	140.8	158.0	17.2	12.2%
Prescription Plan	198.5	239.7	41.2	20.8%
Dental Plans	11.4	12.0	0.6	5.2%
Administration Costs	5.9	6.5	0.7	11.4%
<b>Total Cost</b>	<b>\$601.5</b>	<b>\$687.2</b>	<b>\$85.7</b>	<b>14.3%</b>
<b>Appropriation for Existing Employees and Retirees</b>	<b>\$563.1</b>	<b>\$680.2</b>	<b>\$117.1</b>	<b>20.8%</b>
<b>Appropriation for New Employees</b>	<b>\$0.0</b>	<b>\$2.1</b>	<b>\$2.1</b>	<b>-</b>
<b>Total Appropriation</b>	<b>\$563.1</b>	<b>\$682.3</b>	<b>\$119.2</b>	<b>21.2%</b>
<b>Underfunding*</b>	<b>-\$38.5</b>	<b>-\$5.0</b>	<b>-</b>	<b>-</b>
<i>Special Subsidies (MDOT)</i>	<i>\$17.6</i>	<i>\$18.2</i>	<i>\$0.6</i>	<i>3.5%</i>

\*The underfunding calculation does not apply to special subsidies.

Source: Department of Budget and Management; Department of Legislative Services

<sup>2</sup> This discussion will refer to State employee health benefit costs (Comptroller subobject 0152) and retiree health insurance costs (subobject 0154), not special subsidies for health insurance paid in the Maryland Department of Transportation (subobject 0153).

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To better assess Maryland’s health benefit, the Department of Legislative Services (DLS) has looked to other jurisdictions. It has examined the health benefit offered in the last half of calendar 2002 by:

- very large firms, Northeast region employers, and State/local government sector employers represented in a survey conducted by The Kaiser Family Foundation;
- the eight largest counties in Maryland;
- the contiguous states to Maryland; and
- New Jersey and Connecticut, two states in the Northeast region with similar median incomes to Maryland.

In comparing the State to the Kaiser Family Foundation results, large Maryland counties, contiguous states, New Jersey, and Connecticut, DLS looked at health and prescription insurance total premium<sup>3</sup> costs, the percentage of those costs paid by the employer, and selected benefits. This comparison suggests the following:

- The percentage of monthly health insurance premiums paid by the State on behalf of its employees choosing individual point-of-service (POS) and health maintenance organization (HMO) coverage was fairly typical in calendar 2002 compared to other very large firms and to firms in the Northeast region. For preferred provider organization (PPO) coverage, the State paid 80% of premiums on behalf of those opting for single coverage, lower than the average paid on behalf of the typical worker at very large firms and firms in the Northeast. Other state and local government sector employers, in contrast to Maryland, paid larger portions of monthly premiums for individual coverage, as demonstrated in **Exhibit 7**.

**Exhibit 7**

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**Percentage Paid by Employer for Monthly Health Insurance Premiums  
on Behalf of Typical Worker**

	<b>Individual Coverage</b>		
	<b><u>PPO</u></b>	<b><u>POS</u></b>	<b><u>HMO</u></b>
<b>State of Maryland</b>	<b>80%</b>	<b>85%</b>	<b>85%</b>
Very Large Firms	82%	81%	85%
Northeast Region	84%	82%	82%
State/Local Government Sector	91%	93%	89%

	<b>Family Coverage</b>		
	<b>80%</b>	<b>85%</b>	<b>85%</b>
<b>State of Maryland</b>	<b>80%</b>	<b>85%</b>	<b>85%</b>
Very Large Firms	75%	71%	78%
Northeast Region	81%	75%	76%
State/Local Government Sector	74%	75%	84%

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<sup>3</sup> In this document “premiums” will refer both to the cost of acquiring health insurance from a health insurance provider, as well as the monthly cost of health insurance coverage paid in self-insured plans.

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- The State’s health insurance and prescription insurance premiums exceed the premiums paid by most Maryland counties and by other states in the region (**Appendices 8 and 9**). The primary reason for the differential appears to be prescription drug costs. **Exhibit 8** compares the State’s health insurance and prescription premiums to those paid by local jurisdictions which contract separately for health and prescription insurance. While overall Maryland pays more than the comparison group, the differential is clearly concentrated in the premiums for prescription insurance. The remaining counties and comparison states pay a single premium for prescription drugs and health insurance making it impossible to compare the components.
- The State required lower copayments for prescriptions than did any other comparable jurisdiction, with some very narrow exceptions. This was especially true for prescriptions filled for durations longer than a month. This last point is discussed below.

**Exhibit 8**

**Maryland Monthly Health and Prescription Insurance Premiums  
Compared to Select Maryland Counties  
September 2002**

	<b>Health Insurance</b>					
	<b><u>PPO</u></b>	<b><u>PPO</u></b>	<b><u>POS</u></b>	<b><u>POS</u></b>	<b><u>HMO</u></b>	<b><u>HMO</u></b>
	<b><u>Low</u></b>	<b><u>High</u></b>	<b><u>Low</u></b>	<b><u>High</u></b>	<b><u>Low</u></b>	<b><u>High</u></b>
<b>Individual Coverage</b>						
State of Maryland	\$268.19	\$285.73	\$188.24	\$212.97	\$200.13	\$214.59
Montgomery County			282.39	282.39	230.54	233.47
Prince George’s County			261.32	261.32	171.75	183.05
Baltimore City	283.44	283.44			173.83	185.51
<b>Family Coverage</b>						
State of Maryland	\$670.49	\$714.36	\$470.60	\$532.43	\$499.84	\$557.93
Montgomery County			765.29	765.29	628.68	630.37
Prince George’s County			737.75	737.75	477.81	526.91
Baltimore City	683.48	683.48			422.33	535.08
	<b>Prescription Insurance</b>					
	<b><u>PPO</u></b>	<b><u>PPO</u></b>	<b><u>POS</u></b>	<b><u>POS</u></b>	<b><u>HMO</u></b>	<b><u>HMO</u></b>
	<b><u>Low</u></b>	<b><u>High</u></b>	<b><u>Low</u></b>	<b><u>High</u></b>	<b><u>Low</u></b>	<b><u>High</u></b>
<b>Individual Coverage</b>						
State of Maryland	\$133.35	\$133.35	\$133.35	\$133.35	\$133.35	\$133.35
Montgomery County			63.36	63.36	63.36	63.36

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	<b><u>PPO</u></b> <b><u>Low</u></b>	<b><u>PPO</u></b> <b><u>High</u></b>	<b><u>POS</u></b> <b><u>Low</u></b>	<b><u>POS</u></b> <b><u>High</u></b>	<b><u>HMO</u></b> <b><u>Low</u></b>	<b><u>HMO</u></b> <b><u>High</u></b>
Prince George's County			68.74	68.74	68.74	68.74
Baltimore City	178.50	178.50				
<b>Family Coverage</b>						
State of Maryland	\$266.69	\$266.69	\$266.69	\$266.69	\$266.69	\$266.69
Montgomery County			130.86	130.86	130.86	130.86
Prince George's County			157.74	157.74	157.74	157.74
Baltimore City	178.50	178.50				

Source: Department of Legislative Services

## **Why Are Maryland's Health Insurance Costs Higher and What Can Be Done?**

### **Prescription Insurance**

The Kaiser Family Foundation's research tells us that in 2002, of all firms of 200 or more workers, 99% to 100% provided a prescription drug benefit. Copayments are the most visible feature of most prescription insurance plans and most plans<sup>4</sup> used a three-tiered copayment structure, as does Maryland. These multi-tiered plans are designed to shift "...members' drug use to generics or preferred brands, for which the health plans have negotiated favorable rates, and by increasing patients' cost-sharing for nonpreferred brands."<sup>5</sup> Increasing the copayments associated with these multi-tiered plans is associated with lower overall drug spending. The Kaiser research tells us that the average calendar 2002 copayments, with no distinctions made for firm size, were \$9 for generic (tier 1), \$17 for preferred (tier 2), and \$26 for nonpreferred drugs (tier 3). Claims data from 1997 through 1999 used in "Employer Drug Benefit Plans and Spending on Prescription Drugs,"<sup>6</sup> research published in the *Journal of the American Medical Association (JAMA)*, tell us that copayments in three-tiered plans were then \$5, \$10, and \$25. Two-tiered plans were \$5 and \$15 (generic/brand drugs). In calendar 2002 Maryland charged<sup>7</sup>, in its three-tiered plan, \$3, \$5, and \$10 (preferred performance, formulary, and nonformulary, all with mandatory generic substitution). Even given the age of these data, they show that Maryland currently requires much lower copayments for prescriptions than is typical. This research also tells us (95%

<sup>4</sup> According to Kaiser, et al., 56% to 59% of PPO, POS, and HMO plans use a three-tiered copayment structure. Most use three separate payments for generic, preferred, and nonpreferred drugs, while Maryland requires generic medication if it is available, but has as its third tier "preferred performance" drugs. These are on a finite list of drugs for which the State requires the lowest level of deductible (\$3.00). Some of these preferred performance drugs are also generics.

<sup>5</sup> Joyce, Geoffrey F.; José J. Escarce, MD; Matthew D. Solomon; and Dana P. Goldman. "Employer Drug Benefit Plans and Spending on Prescription Drugs." *Journal of the American Medical Association*. Vol. 288, No. 14, October 9, 2002, p. 1734.

<sup>6</sup> Ibid.

<sup>7</sup> The State requires the same copayment levels in calendar 2003.

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confidence interval) that doubling copayments in a three-tier plan (from \$5, \$10, and \$15 to \$10, \$20, and \$30) reduced the health plans’ share of expenditures (annual average spending per member) by 44.6%<sup>8</sup>.

The comparison counties that used a three-tiered system of prescription copayments – Baltimore City, Frederick County, Harford County, Howard County, and Prince George’s County – all charged more for formulary (tier 2) and nonformulary (tier 3) drugs, as demonstrated in **Exhibit 9**. Further, it was not unusual for jurisdictions to charge more for a prescription written to last more than a month. Howard and Prince George’s counties, the two counties for which we have information on the maximum number of days supplied, charged more than twice as much as Maryland for nonformulary drugs for a 30-day supply. Prince George’s County charged more than four times as much for a 90-day supply copayment.

**Exhibit 9**

**Range of Prescription Copayments Paid in Maryland  
and in Select Maryland Counties**

	<u>Tier 1</u>	<u>Tier 2</u>	<u>Tier 3</u>	<u>Max. Days Supplied</u>
<b>State of Maryland</b>	<b>\$3.00</b>	<b>\$5.00</b>	<b>\$10.00</b>	<b>100</b>
Anne Arundel County	5.00 - 10.00			100
Baltimore City	5.00	10.00	15.00	n/a
Baltimore County	5.00			34
Frederick County	5.00	10.00	25.00	n/a
Harford County	5.00 10.00 20.00	10.00 20.00 40.00	25.00	n/a 34 100
Howard County	5.00 5.00 – 10.00	10.00	24.00	30 90
Montgomery County	4.00 - 15.00	8.00 - 10.00		n/a
Prince George's County	6.00 12.00	12.00 24.00	27.00 54.00	30 90

Source: Department of Legislative Services

<sup>8</sup> Joyce, et al., p. 1737.

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Delaware, Virginia, and West Virginia, the three states in the comparable group also utilizing a three-tiered copayment schedule, also charged comparatively high copayment amounts, as demonstrated in **Exhibit 10**.

**Exhibit 10**

**Range of Prescription Copayments Paid in Maryland  
and in Select States**

	<u>Tier 1</u>	<u>Tier 2</u>	<u>Tier 3</u>	<u>Max. Days Supplied</u>
<b>State of Maryland</b>	<b>\$3.00</b>	<b>\$5.00</b>	<b>\$10.00</b>	<b>100</b>
Connecticut	3.00	6.00		90
Delaware	7.50 15.00	15.00 30.00	40.00 70.00	30 90
District of Columbia	2.00 – 10.00 10.00	10.00 – 20.00		n/a 30
New Jersey	1.00 2.00 3.00	5.00 10.00 15.00		30 60 90
Pennsylvania	6.00 – 25.00 (greater of \$6 or 15%, to a max of \$25)			30 100
Virginia	5.00 10.00 10.00 20.00 3.00 – 40.00 17.00 – 20.00 5.00 – 15.00	15.00 30.00 20.00 40.00	30.00 60.00	30 90 31 90 90 34 60
West Virginia	10.00 5.00 10.00	20.00	50.00	90 31 90
Deductible:				
\$75 single/\$125 other levels	5.00	15.00	30.00	34
\$75 single/\$125 other levels	10.00	30.00	60.00	90

Note: Please note that some States have a wide variety of options for prescription coverage, which is reflected in the range of copayments required.

Source: Department of Legislative Services

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As mentioned above, multi-tiered prescription plans and the commensurate copayments are designed to steer members’ drug use to generics or preferred brands, for which favorable rates have been negotiated, and to increase cost sharing for nonpreferred brands. However, Maryland’s copayments are so low that one level’s copayments are virtually indistinguishable from the next. Paying \$2 more for a formulary drug, compared to a preferred performance drug, or even \$7 more for a nonformulary drug is a very weak disincentive, especially for a 100-day supply. **Because of this lack of significant differentiation between copayments, the absolute level of copayments compared to the comparable jurisdictions, and the fact that Maryland’s prescription premiums will rise approximately 21% in fiscal 2004, DLS recommends that:**

- **the State increase prescription copayments from \$3 (preferred performance), \$5 (formulary), and \$10 (nonformulary) for prescriptions covering up to 34 days of medication to \$6, \$10, and \$20 for the same types of drugs; and**
- **prescription copayments covering from 34 to 100 days worth of medication be increased to \$12, \$20, and \$40.**

The number of prescriptions filled at each level of copayment in fiscal 2002, the estimated copayments generated by these prescriptions, and the estimated direct increase in copayments under the scenario described above are demonstrated in **Exhibit 11**. Please note that if the cost of a prescription is less than the copayment required, the member pays only the cost of the prescription, and the benefit to the State of raising the copayment for that individual prescription would be less. Please also note that raising prescription copayments may result in a change in members’ behavior resulting in a reduction in the number of prescriptions filled, as discussed in the *JAMA* research, and would result in the savings demonstrated in **Exhibit 12**. Therefore, the savings would range from \$8.7 million, assuming that the same number of prescriptions will be filled in fiscal 2003 and 2004 as in 2002, to \$37.0 million, assuming the change in behavior predicted by the *JAMA* research. Both estimates assume calendar 2004 implementation.

**Exhibit 11**

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**Estimate of State Savings from Increased Prescription Copayments  
Based on No Changed Behavior by Members**

**Current Copayment Requirements**

	<u>Number of Claims</u>	<u>Copay</u>	<u>Payment to the State</u>	<u>Number of Claims</u>	<u>Copay</u>	<u>Payment to the State</u>
	<b>&lt;35-day Supply</b>			<b>&gt; 34-day Supply</b>		
Preferred	887,161	\$3.00	\$2,661,483	412,665	\$3.00	\$1,237,995
Formulary	1,117,411	5.00	5,587,055	216,697	5.00	1,083,485
Nonformulary	140,971	10.00	1,409,710	27,581	10.00	275,810
<b>Total</b>			<b>\$9,658,248</b>			<b>\$2,597,290</b>

**Proposed Copayment Requirements**

	<u>Number of Claims</u>	<u>Copay</u>	<u>Payment to the State</u>	<u>Number of Claims</u>	<u>Copay</u>	<u>Payment to the State</u>
	<b>&lt;35-day Supply</b>			<b>&gt; 34-day Supply</b>		
Preferred	887,161	\$6.00	\$5,322,966	412,665	\$12.00	\$4,951,980
Formulary	1,117,411	10.00	11,174,110	216,697	\$20.00	4,333,940
Nonformulary	140,971	20.00	2,819,420	27,581	\$40.00	1,103,240
<b>Total</b>			<b>\$19,316,496</b>			<b>\$10,389,160</b>
Full Fiscal Year Increased Copayment to State						
			\$9,658,248			\$7,791,870
<b>Calendar 2004 Implementation Increased Copayment to State</b>						
			<b>\$4,829,124</b>			<b>\$3,895,935</b>

Source: Department of Budget and Management; Department of Legislative Services

**Exhibit 12**

**Estimate of State Savings from Increased Prescription Copayments  
Savings Based on Predicted 44.6% Decrease in Spending<sup>9</sup>**

<u>Prescription Cost Per Member</u>	<u>No Change in Copays</u>	<u>Proposed Change in Copays</u>
Fiscal 2003 (Est.)	\$2,039	\$2,039
Fiscal 2004 (Est.)	\$2,462	\$1,703
<b>Cost Increase</b>	<b>\$423</b>	<b>-\$336</b>
<b>Percent Increase</b>	<b>20.8%</b>	<b>-16.5%</b>
Increase/(Decrease) vs. Fiscal 2003 Costs	\$41,214,225	-\$32,712,905
<b>Calendar 2004 Implementation Savings</b>		<b>-\$36,963,565</b>

Source: Department of Budget and Management; Department of Legislative Services

<sup>9</sup> This is the level of savings predicted due to the doubling of copayments in the *Journal of the American Medical Association* research. No additional savings from increasing copayments for maintenance drugs (> 34-day prescription) is assumed.

### **3. State Employees and Medicaid Beneficiaries Prescription Purchasing**

Maryland spends more than \$500 million to purchase prescription drugs on a fee-for-service basis for State employees, Medicaid/Maryland Children's Health Plan (MCHP) enrollees, and Maryland Pharmacy Assistance Program (MPAP)<sup>10</sup> beneficiaries. In an effort to control costs, some states, including Georgia, have created a single preferred drug list for state employees and medical assistance programs for the poor. The single preferred drug list provides states with greater leverage in pursuing discounts from manufacturers desiring inclusion of their products on the formulary.

Other states, including Connecticut, Hawaii, Maine, Massachusetts, New Hampshire, New York, Pennsylvania, Rhode Island, Vermont, and the District of Columbia, have taken this a step further and are planning to form a joint not-for-profit organization to create preferred drug lists and manage prescription drug benefits for state employees and Medicaid recipients. This effort is intended to increase the purchasing power of the states and prevent the unnecessary inclusion of high priced drugs heavily promoted by drug manufacturers into drug formularies.

Most drug benefits for state employees are managed by pharmacy benefit managers (PBMs). Maryland's PBM is AdvancePCS. PBMs negotiate rebates on many drugs included in their formularies, and advance a portion to the state, while keeping a portion for themselves. By placing these high priced drugs on their formularies, they are more likely to be requested by patients and purchased by participants. At the same time drug manufacturers are promoting these prescriptions to PBMs, they are also promoting them to physicians, making it more likely still that the prescriptions for a particular drug will be written. Even with rebates, which reduce the cost of certain prescriptions, the high initial price of these drugs could result in the net price of the prescription being significantly higher than the next best or a better alternative.

The Northeast region nonprofit would include coverage for mail order prescriptions and for prescription drugs imported from Canada (although this is being challenged by drug companies through market practices). The organization would develop its own preferred drug list and would have the ability to prevent the inclusion of undisclosed rebate arrangements in its formulary. Planning costs of this effort are being covered by The Heinz Family Philanthropies. According to the executive director of the foundation, the states hope to contract out most of the operations, like processing payment claims and selecting networks of pharmacies.

In addition to recommending increased copayments for prescription insurance, DLS recommends that the Department of Budget and Management (DBM) explore participation in this nonprofit effort. The State's current contract with AdvancePCS expires at the end of calendar 2003 (**Appendix 7**), but the State has three one-year renewal options.

**DLS has submitted budget language requiring that DBM fully explore prescription drug cost savings options before executing its calendar 2004 renewal option with AdvancePCS. At a minimum, DBM should explore (1) joining the nonprofit prescription formulary consortium**

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<sup>10</sup> The Maryland Pharmacy Assistance Program provides prescription drugs to Marylanders with incomes below 116% of the poverty level. It requires a \$5 co-pay, which is higher than that provided for State employees filling prescriptions on the preferred provider formulary administered by AdvancePCS.

currently being developed by a number of northeastern states; (2) developing a single preferred drug list for the State employees' prescription drug program and the Medicaid program; and (3) rebidding the current contract with AdvancePCS rather than exercising its renewal option for calendar 2004. DBM shall report to the budget committees by November 1, 2003, on the findings of its study and its plans for calendar 2004. The report shall include a cost-benefit analysis of the options considered.

#### **4. Employee Buyout Pilot**

The personnel reductions implemented over the last year and proposed for fiscal 2004 rely exclusively on the abolition of vacant positions. Restricting personnel reductions to vacant positions is a compassionate approach to shrinking the size of the State workforce, but it may leave critical functions understaffed while unnecessary layers of bureaucracy remain due to low attrition rates. For example, many of the personnel cuts to the Departments of Juvenile Justice and Health and Mental Hygiene are to direct care workers at State facilities. Vacancies in these areas are largely attributable to recruitment difficulties rather than overstaffing.

A more strategic approach to position abolitions may be necessary to further reduce the workforce. A strategic approach would entail requiring each State agency to perform a comprehensive review of its operations to determine which positions are least critical to its operations. It is possible that agency management will develop its plan that identifies some filled positions as the least critical to agency functions. Employees in these positions would be offered the buyout incentive – one month's salary for each year of service, with a maximum accumulation of six months of service. The buyout would not be available to State employees whose positions have not been identified as least critical to agency functions. This incentive would be available to individual employees in a rational, nondiscriminatory fashion, with a focus on the functions of the positions eliminated.

If eligible employees do not wish to separate from State service under this scenario, the regular layoff process could apply. Agencies identifying filled positions for elimination would be allowed to fill an equivalent number of more critical vacant positions that are not already exempt from the hiring freeze.

**DLS recommends budget bill language establishing a pilot employee buyout program in at least five State agencies. By August 1, 2003, agency administrations should develop written plans identifying the least critical functions and positions. Affected employees should be notified of the buyout option by August 15, 2003, and be given until October 1, 2003, to decide whether or not they will accept this incentive and until November 1, 2003, to separate from State service.**

**It is recommended that DBM be required to provide an analysis of the cost-effectiveness of the pilot. Budget savings realized and other policy implications should be considered.**

## 5. Vacancies Cover Abolitions Required Under Position Cap

The regular FTE positions included in the fiscal 2004 allowance exceed the position cap recommended by the Spending Affordability Committee (SAC). The SAC language imposes a cap of 74,100 FTE regular positions for Executive Branch agencies. Although the Governor abolished 1,387 FTE positions in the fiscal 2004 allowance, the cap requires the additional abolition of the 1,789 positions by which the allowance exceeds the cap. This reduction is approximately 47% of the 3,806 vacancies available on December 31, 2002, demonstrated in **Exhibit 13** (taking into account the abolitions made in the allowance). These vacancies *do not* take into account any separations from State service occurring between December 31, 2002, and June 30, 2004, which could be a substantial number.

### Exhibit 13

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#### Regular Full-time Equivalent Employees Turnover and Vacancies in the 2004 Allowance

	<u>Turnover Rate</u>	<u>Necessary Vacancies</u>	<u>Vacancies, Less Abolitions</u>	<u>Funded Vacancies/ (Unfunded Filled)</u>
Legislative	0.2%	1.5	-	-1.5
Judiciary & Legal	3.4%	160.0	279.1	119.1
Executive & Administrative Control	3.4%	54.7	62.4	7.7
Financial & Revenue Administration	4.6%	96.2	87.6	-8.6
Budget & Management	3.5%	17.2	19.0	1.8
Retirement	3.3%	6.2	4.0	-2.2
General Services	4.1%	31.5	65.5	34.0
Transportation	4.7%	437.6	428.0	-9.6
Natural Resources	4.0%	59.9	52.1	-7.8
Agriculture	4.6%	20.3	18.0	-2.3
Health & Mental Hygiene	3.7%	290.5	453.4	162.8
Human Resources	4.2%	316.6	284.3	-32.3
Labor, Licensing, & Regulation	4.6%	71.4	64.6	-6.8
Public Safety & Correctional Services	6.0%	678.2	514.5	-163.7
Other Education	4.3%	86.2	90.4	4.2
Housing & Community Development	3.0%	12.1	13.0	0.9
Business & Economic Development	3.7%	11.3	9.7	-1.6
Environment	2.7%	26.6	21.0	-5.6

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	<b><u>Turnover Rate</u></b>	<b><u>Necessary Vacancies</u></b>	<b><u>Vacancies, Less Abolitions</u></b>	<b><u>Funded Vacancies/ (Unfunded Filled)</u></b>
Juvenile Justice	9.1%	179.1	392.7	213.6
Police & Fire Marshal	2.0%	50.2	71.0	20.8
<b>Total</b>	<b>4.4%</b>	<b>2,607.2</b>	<b>2,930.1</b>	<b>322.9</b>
Higher Education	3.1%	671.6	875.7	204.1
<b>Total</b>	<b>4.0%</b>	<b>3,278.9</b>	<b>3,805.8</b>	<b>526.9</b>

Source: Department of Legislative Services

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## ***Recommendations***

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1. Add the following section:

SECTION XX. AND BE IT FURTHER ENACTED, That the scope of the sick leave incentive program established in Chapter 179, Acts of 2000 be limited to the number of pilot sites, units, or facilities selected by the Department of Budget and Management (DBM) for purposes of a continuing pilot evaluation program. DBM shall select any additional pilot sites, units, or facilities in the sick leave incentive pilot program based on sick leave usage and hours of operation; variation between agencies shall be considered. Sick leave incentive payments made shall be limited to the use of existing funds. DBM shall use the same system used in the February 1, 2002, report to the budget committees for tracking the costs and savings related to the sick leave incentive program and shall make another report on February 1, 2004, no matter the scope of the pilot.

**Explanation:** The first report of the sick leave incentive pilot program showed promising results. Funding constraints during fiscal 2004 do not allow additional expenditures to broaden the scope of the pilot, but the General Assembly believes that it should be continued and broadened if possible. Consideration should be given to extending the pilot to facilities that are not open 24 hours and do not use an inordinate amount of overtime to cover personnel out on sick leave. The language allows DBM to extend the scope of the pilot using existing funds, if possible.

<b>Information Request</b>	<b>Author</b>	<b>Due Date</b>
Report on pilot sick leave incentive program	DBM	February 1, 2004

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2. Add the following section:

SECTION XX. AND BE IT FURTHER ENACTED, That the fiscal 2004 appropriations made for pay-for-performance bonuses shall be deleted. Appropriations for the agencies listed below shall be reduced by the amounts indicated, inclusive of reductions made elsewhere in Comptroller subobject 0156.

<u>Budget</u>					
<u>Code</u>	<u>Agency</u>	<u>General</u>	<u>Special</u>	<u>Federal</u>	<u>Reimb.</u>
<u>E</u>	<u>Financial and Revenue Adm.</u>		<u>6,125</u>		
<u>H</u>	<u>General Services</u>	<u>473</u>			<u>1,431</u>
<u>J</u>	<u>Transportation</u>		<u>194,911</u>		
<u>P</u>	<u>Labor, Licensing, &amp; Reg.</u>	<u>36,939</u>		<u>260,204</u>	
<u>V</u>	<u>Juvenile Justice</u>	<u>13,946</u>			

Further, pay-for-performance bonuses shall not be paid in fiscal 2004.

**Explanation:** Pay-for-performance bonuses will not be awarded during fiscal 2004, but funds for that purpose remain in the budget. This language deletes those funds.

3. Add the following section:

SECTION XX. AND BE IT FURTHER ENACTED, That notwithstanding other provisions of law, funding for the employee health insurance and retiree health insurance benefit (subobjects 0152 and 0154) shall be reduced in fiscal 2004 by \$1,800,000 in general funds, \$900,000 in special funds, and \$900,000 in federal funds in accordance with a schedule determined by the Governor. These savings shall be realized through an increase in prescription copayments in calendar 2004 to \$6 for preferred performance, \$10 for formulary, and \$20 for nonformulary drugs prescribed for 34 days or less; and to \$12 for preferred performance, \$20 for formulary, and \$40 for nonformulary drugs prescribed for 35 days or more.

**Explanation:** Prescription insurance premiums are estimated to increase by approximately 21% in fiscal 2004. Further, copayments required of covered policyholders at the time a prescription is filled are very low compared to comparable states, large Maryland counties, and large employers, including private-sector employers. This reduction increases the State’s prescription copayments, provides for coverage of health insurance underfunding in the Governor’s allowance (approximately \$5.0 million), and reduces total expenditures for health insurance by \$3,000,000.

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4. Add the following section:

SECTION XX. AND BE IT FURTHER ENACTED, That:

- (A) For fiscal 2003 the total number of full-time equivalent (FTE) regular employees may not exceed 74,100 in Executive Branch agencies and the number of FTE contractual employees, as reported in the State Budget Books, may not exceed 8,800 in Executive Branch agencies;
- (B) To assist in the implementation of this section, the secretary of each principal department of the Executive Branch of State government, the Chancellor of the University System of Maryland, presidents of other public higher education institutions, and heads of independent agencies with more than 10 authorized positions, shall submit to the Governor a reorganization, reengineering, and position reduction plan not later than May 15, 2003. These plans shall provide for the continued performance of the core missions of the departments and for a reduction of not less than 2.5 percent in the total number of regular and contractual positions authorized in Section 1 of this Act and for reductions of not more than 6 percent of such positions;
- (C) The Governor shall submit to the Board of Public Works not later than June 15, 2003, a schedule for aligning the authorizations in Section 1 of this Act to the levels established in paragraph (A) of this section, and shall take such actions as necessary to implement any necessary reductions. This schedule may only alter position authorizations for agencies of the Executive Branch;
- (D) In implementing this section the Governor shall take into account:
- (1) the abundance of vacant positions resulting from the hiring freeze;
  - (2) opportunities for improved efficiency through the elimination of unnecessary layers of administration and consolidation of administrative units; and
  - (3) the need to maintain high quality services for vulnerable populations and promote public safety;
- (E) Operation of this section shall also cause a reduction in general fund appropriations to the agencies of the Executive Branch of not less than \$20,000,000; and
- (F) The Secretary of the Department of Budget and Management shall provide to the budget committees a list of abolished positions by eight-digit budget code on or before July 1, 2003.

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**Explanation:** The regular full-time equivalent (FTE) Executive Branch positions included in the fiscal 2004 allowance exceed the position cap recommended by the Spending Affordability Committee by 1,789 positions. The language imposes a cap of 74,100 on regular positions for Executive Branch agencies, requiring the abolition of those 1,789 positions. This reduction is 47% of the December 31, 2002, vacancies after accounting for position abolitions made by the Governor. The cap also provides for the further reduction of approximately 370 contractual FTE positions, bringing the total to no more than that required under the position cap implemented for fiscal 2003. Both these actions are designed to help close the budget gap and not further encumber the State in the out-years. The cap requires at least \$20,000,000 of general fund savings, which requires that the savings from approximately 450 abolished positions is captured, or approximately 25% of the required abolitions.

<b>Information Request</b>	<b>Author</b>	<b>Due Date</b>
List of abolished positions	DBM	July 1, 2003

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5. Amend the following section:

SECTION 19. AND BE IT FURTHER ENACTED, That the Board of Public Works, in exercising its authority to create additional positions pursuant to Section 7-236 of the State Finance and Procurement Article, may authorize during the fiscal year no more than ~~500~~250 positions in excess of the total number of authorized State positions on July 1, 2003, as determined by the Secretary of Budget and Management. Provided, however, that if the imposition of this ceiling causes undue hardship in any department, agency, board, or commission, additional positions may be created for that affected unit to the extent that positions authorized by the General Assembly for the fiscal year are abolished in that unit or in other units of State government. It is further provided that the limit of ~~500~~250 does not apply to any position that may be created in conformance with specific manpower statutes that may be enacted by the State or federal government nor to any positions created to implement block grant actions or to implement a program reflecting fundamental changes in federal/State relationships. Notwithstanding anything contained in this section, the Board of Public Works may authorize additional positions to meet public emergencies resulting from an act of God and violent acts of men, which are necessary to protect the health and safety of the people of Maryland.

~~In addition to any positions created within the limitation of 500 under this section, the~~ The Board of Public Works may authorize the creation of 250 positions within the executive branch provided that 1.25 full-time equivalent contract positions or the equivalent are abolished for each permanentregular position authorized and that there be no increase in agency funds in the current budget and the next two subsequent budgets as the result of this action. It is the intent of the General Assembly that priority is given to converting individuals that have been in a contract position for at least two years. Any position created by this method shall be counted within the limitation of 250 under this section.

In addition to any positions created within the limitation of ~~500~~250 under this section, the Board of Public Works may authorized the creation of no more than 150 positions within the Department of Human Resources to provide services purchased by Local Management Boards through contracts with local departments of social services. If a Local Management Board terminates a contract with a local department of social services during the fiscal year, all the positions created by the Board of Public Works to provide services under the terms of that contract shall also be abolished.

In addition to any positions created within the limitation of ~~500~~250 under this section, the Board of Public Works may authorize the creation of positions within the Department of Human Resources to provide services funded by grants from sources other than Local Management Boards. If any grant entity terminates a grant award with a local department of social services or other unit during the fiscal year, all positions created by the Board of Public Works to provide services under the terms of the grant award shall be abolished. The employee contracts for these positions shall explicitly state that the positions are abolished at the termination of the grant award. General funds, special funds, or any other State funds shall not be used to pay any of the salaries or benefits for

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these positions. Furthermore, the Department of Human Resources must provide a summary to the budget committees by December 1 of each year on the number of positions created under this section.

The numerical limitation on the creation of positions by the Board of Public Works established in this section shall not apply to positions entirely supported by funds from federal or other non-state sources so long as both the appointing authority for the position and the Secretary of Budget and Management certify for each position created under this exception that:

- (1) funds are available from non-state sources for each position established under this exception; and
- (2) any positions created will be abolished in the event that non-state funds are no longer available.

**Explanation:** These amendments reduce the allowable number of positions created by the Board of Public Works to 250, and places under the limit of 250 the number of contractual positions that can be converted to regular authorized positions.

6. Add the following section:

SECTION XX. AND BE IT FURTHER ENACTED, That the Department of Budget and Management (DBM) shall prepare a report for the budget committees upon creation of regular full-time equivalent (FTE) positions through Board of Public Works (BPW) action and upon transfer or abolition of positions. This report shall be provided in addition to that provided for in Section 22 of the 2003 session budget bill and as an appendix in the Governor’s budget book. It shall note, at the agency level:

- (1) where regular or contractual FTE positions have been abolished;
- (2) where regular or contractual FTE positions have been created; and
- (3) from where and to where regular or contractual FTE positions have been transferred.

Provision of contractual FTE position information in the same fashion as reported in the appendices of the fiscal 2004 Governor’s budget book shall be considered adequate.

Further, an appendix detailing the location of sworn police officer FTE positions for the fiscal 2003 actual appropriation, fiscal 2004 working appropriation, and fiscal 2005 allowance shall also be provided by program level in the Governor’s budget books.

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**Explanation:** It is necessary that DBM and the Department of Legislative Services have a shared understanding of where positions are located throughout State agencies. This reporting requirement provides that with BPW and administrative adjustments to the FTE regular and contractual position count both agencies will be working with the same data.

<b>Information Request</b>	<b>Author</b>	<b>Due Date</b>
Record of regular and contractual FTE position activity	DBM	As needed
Report of location of sworn police officer FTE positions by program level	DBM	With Governor’s budget books

7. Add the following section:

SECTION XX. AND BE IT FURTHER ENACTED, That the Department of Budget and Management (DBM) shall establish a pilot employee buyout program. The goal of the program would be to reduce the State workforce by requiring State agencies to determine the positions least critical to their operations. For each pilot agency, agency management shall develop formal, written organizational plan, including identification of any positions that are not critical to agency functions. Employees in these positions shall be offered a buyout incentive – one month’s salary for each year of service, with a maximum accumulation of six months of salary. This incentive shall be available to individual employees in a rational, nondiscriminatory fashion, with a focus on the functions of the positions eliminated.

Plans for this pilot shall be developed by DBM before May 1, 2003, including the selection of at least five agencies of varying size to participate in the pilot. Organizational plans developed by agency administrators shall identify any positions that are not critical by August 1, 2003, and notify employees affected by these plans by August 15, 2003. Employees, if eligible for the buyout based on the results of these organizational plans, shall have until October 1, 2003, to decide whether or not they would like to accept this incentive, and until November 1, 2003, to separate from State service. If eligible employees do not wish to separate from State service under this scenario, the regular layoff process shall apply. Agencies abolishing positions as part of the pilot program shall be authorized to fill an equivalent number of more essential positions that are not currently exempt from the hiring freeze.

DBM is required to provide a cost benefit analysis of the effectiveness of the pilot by June 1, 2004, to the budget committees. Budget savings realized and other policy implications should be considered.

**Explanation:** This pilot program is intended to explore the feasibility of offering employee buyouts on a broad basis. The goal of the program would be to reduce the State workforce by requiring State agencies to determine the positions least critical to their operations.

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<b>Information Request</b>	<b>Author</b>	<b>Due Date</b>
Analysis of the effectiveness of the employee buyout pilot	DBM	June 1, 2004

8. Add the following language:

Provided that the Department of Budget and Management (DBM) shall fully explore prescription drug cost savings options before executing its renewal option for calendar 2004 with the incumbent pharmacy benefit manager for the State employees prescription drug program. At a minimum, DBM shall explore (1) joining the nonprofit prescription formulary consortium currently being developed by a number of northeastern states; (2) developing a single preferred drug list for the State employees' prescription drug program and the Medicaid program; and (3) rebidding the current contract with AdvancePCS rather than exercising its renewal option for calendar 2004. DBM shall report to the budget committees by November 1, 2003, on the findings of its study and its plans for calendar 2004. The report shall include a cost-benefit analysis of the options considered.

**Explanation:** Prescription insurance costs are rising dramatically. The nonprofit nature of the formulary being developed by a number of northeastern states could bypass what many see as the downside of using a prescription benefits manager to provide health coverage – the unknown factors involved in the prescription rebate system.

<b>Information Request</b>	<b>Author</b>	<b>Due Date</b>
Quantitative report on prescription contract decision	DBM	November 1, 2003

9. Adopt the following narrative:

**Annual Report of State Personnel:** The Department of Budget and Management (DBM), Office of Personnel Services and Benefits, shall produce an annual report for agencies in the State Personnel Management System (SPMS) and for select groups not in SPMS covered by collective bargaining, as a document of record. The report shall include, but not be limited to, the same information provided in the Annual Report, Fiscal Year 2001, updated for fiscal 2003. If complete information is not available for certain sections as of the due date of October 1, 2003, updated information shall be provided when it is available.

<b>Information Request</b>	<b>Author</b>	<b>Due Date</b>
Annual Report of State Personnel, Fiscal Year 2003	DBM	October 1, 2003

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10. Adopt the following narrative:

**Government Relations Staffing:** The committees are interested in determining the number of State employees supporting government relations/legislative liaison functions. To this end, the Department of Budget and Management shall prepare a report that summarizes the number of positions and associated funds (by fund source) for personnel in each executive branch agency and public institution of higher education who perform government relations, legislative liaison, or public information work. This report shall contain information on full-time equivalent regular and contractual State positions and personnel hired in a consultant (Comptroller object 08) capacity. This report shall be submitted to the committees by October 1, 2003.

<b>Information Request</b>	<b>Author</b>	<b>Due Date</b>
Report on personnel working in a government relations capacity by agency	DBM	October 1, 2003

	<b><u>Amount Reduction</u></b>
11. Reduce funding for employee awards. Employee awards (e.g., plaques, pins) are reduced to the actual level of expenditure for fiscal 2002.	\$ 5,000 GF
<b>Total General Fund Reductions</b>	<b>\$ 5,000</b>

## Updates

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### 1. \$75.0 Million Is Transferred from Injured Workers’ Insurance Fund (IWIF) Long-term Liability Account in Fiscal 2003

The State of Maryland is self-insured for workers’ compensation claims. The State contracts with IWIF for claims processing and maintains two accounts with the fund. The operating account is utilized to pay annual claims against the State and cover administrative costs. The long-term liability account provides a reserve against the State’s future workers’ compensation liabilities.

Governor Ehrlich has proposed transferring \$75 million from the long-term liability account to the general fund in fiscal 2003 through the 2003 BRFA. The long-term liability fund is commonly called the “Unfunded Liability” account, which refers to the difference between what the actuaries have determined is adequate to cover future liability and what the State has deposited in the account. Coupled with the \$75.0 million transfer from the balance of the unfunded liability account is the administration’s decision not to appropriate \$20.0 million to the account, as has been the practice since fiscal 1999. These decisions will leave the long-term liability account with a balance of \$4.8 million at the end of 2003, and \$5.5 million at the end of 2004. The State’s resulting unfunded long-term liability is \$173.5 million at the end of 2003, and \$206.4 million at the end of fiscal 2004. Both balances are demonstrated in **Exhibit 14**.

### Exhibit 14

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#### Maryland’s IWIF Long-term Liability Account Fiscal 2002 through 2004

	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>
<b>Estimated Reserves Needed (June 30)</b>	<b>\$194,802,000</b>	<b>\$206,000,000</b>	<b>\$218,000,000</b>
<b>Estimated Long-term Liability Account Balance</b>			
Beginning Balance	\$107,518,959	\$97,542,503	\$4,849,934
Transfer to IWIF operating account to cover deficit (Dec. 31, 2001)	-34,000,000		
State’s contribution (June 30)	20,000,000	20,000,000	0
Transfer – 2002 BRFA (June 30)		-39,200,000	
Transfer – 2003 BRFA (June 30)		-75,000,000	
Interest	4,023,544	1,507,431	650,747
<b>Total Balances at IWIF (June 30)</b>	<b>\$97,542,503</b>	<b>\$4,849,934</b>	<b>\$5,500,681</b>
Balance of operating account <sup>1</sup>	9,077,550	27,687,402	6,115,743
<b>Unfunded Long-term Liability (June 30)</b>	<b>\$88,380,655</b>	<b>\$173,462,664</b>	<b>\$206,383,577</b>

<sup>1</sup> The balance of the operating account offsets the long-term liability of the State.

Source: Injured Workers’ Insurance Fund

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## 2. Workers' Compensation Assessments Show Large Decrease in Fiscal 2004

Agency assessments have fluctuated greatly over the last three years, increasing 27.6% in fiscal 2003, and decreasing 68.5% in fiscal 2004, as demonstrated in **Exhibit 15**.

### Exhibit 15

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<b>IWIF Assessments of State Agencies</b>			
<b>Fiscal 2002 through 2004</b>			
<b>(\$ in Thousands)</b>			
	<b><u>FY 2002</u></b>	<b><u>FY 2003</u></b>	<b><u>FY 2004</u></b>
Claims Paid <sup>1</sup>	\$33,741.8	\$42,756.4	\$41,087.3
Administration Costs <sup>2</sup>	7,495.5	9,094.2	8,968.9
Adjustment for Operating Cash Shortfall/(Surplus)	8,054.6	16,542.9	-22,200.0
<b>Subtotal</b>	<b>\$49,291.9</b>	<b>\$68,393.4</b>	<b>\$27,856.1</b>
Contribution to Reduce Future Liability <sup>3</sup>	\$20,000.0	\$20,000.0	\$0.0
<b>Total Agency Assessment/Appropriation</b>	<b>\$69,291.9</b>	<b>\$88,393.4</b>	<b>\$27,856.1</b>
Change in Total Assessments/Appropriations		\$19,101.5	-\$60,537.3
Percent Change in Total Assessments/Appropriations		27.6%	-68.5%

<sup>1</sup> Estimated to equal the claims paid in the most recent fiscal year for which actual data is available (two years prior).

<sup>2</sup> Estimated to equal the administration costs from two years prior.

<sup>3</sup> Transferred to the unfunded liability account.

Source: Injured Workers' Insurance Fund

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These fluctuations began with a fiscal 2002 BPW decision. On November 14, 2001, BPW approved an amendment to the State's contract with IWIF that included the requirement that IWIF maintain separate accounts for the State's funds. These funds had previously been commingled with other workers' compensation funds managed by IWIF.

As of December 31, 2001, IWIF established the separate accounts for the State's operating funds and future liability funds, and at the same time allocated to the operating account a portion of the total State funds on hand that would ensure a positive balance. Prior to that time, the State consistently ran a "deficit" in the operating portion, sometimes for as long as six months; IWIF would record a receivable (due from the State to IWIF) for the amount of the deficit. This deficit in the operating fund was covered by moving funds from the IWIF long-term liability account as of December 31, 2001, (fiscal 2002) to the operating account.

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When fiscal 2003 agency assessment levels were determined in August 2001, this transfer of funds from the long-term liability account to the operating account had not yet been required, and assessments were based on the then existing deficit situation in the operating fund. Then, in fiscal 2003, both the fiscal 2002 transfer had been made and assessments were higher than they needed to be – the deficit was addressed twice, in effect.

In the fiscal 2004 allowance, an adjustment is made to reflect the resulting necessary decrease in agency assessments due to the over-large agency assessment in fiscal 2003. The Governor has also chosen not to make an appropriation to the unfunded liability account, which had been made in the amount of \$20.0 million over the last few years. This decision contributed to the drop in agency assessments from \$88.4 to \$27.9 million. DBM has not assumed in its long-term forecast that the \$20.0 million appropriation to the long-term liability account will resume in fiscal 2005. This, however, is not a policy decision, so it is possible that appropriations may resume at this or another level in the future.

## *Current and Prior Year Budgets*

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**Current and Prior Year Budgets  
Office of Personnel Services and Benefits  
(\$ in Thousands)**

	<b><u>General Fund</u></b>	<b><u>Special Fund</u></b>	<b><u>Federal Fund</u></b>	<b><u>Reimb. Fund</u></b>	<b><u>Total</u></b>
<b>Fiscal 2002</b>					
Legislative Appropriation	\$23,284	\$0	\$0	\$4,515	\$27,799
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	-5,284	0	0	112	-\$5,172
Reversions and Cancellations	-492	0	0	-358	-850
<b>Actual Expenditures</b>	<b>\$17,508</b>	<b>\$0</b>	<b>\$0</b>	<b>\$4,269</b>	<b>\$21,777</b>
<b>Fiscal 2003</b>					
Legislative Appropriation	\$10,106	\$0	\$0	\$6,243	\$16,349
Cost containment/ contingent reductions	-786	0	0	-3	-789
<b>Working Appropriation</b>	<b>\$9,320</b>	<b>\$0</b>	<b>\$0</b>	<b>\$6,240</b>	<b>\$15,560</b>

Note: Numbers may not sum to total due to rounding.

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## **Fiscal 2002**

Fiscal 2002 budget amendments include, but are not limited to:

- A transfer of \$5,800,000 in general funds from the Division of Application Systems Management (discontinued “BPAS” personnel system project) in the Office of Information Technology into OPSB to partially cover the cost of statewide pay-for-performance bonuses.
- A transfer of -\$1,127,082 in general funds related to the reorganization of the Office of Information Technology and other expenditures.
- A transfer of -\$9,531,391 to various State agencies with nurse and institutional educator positions for “Annual Salary Review” reclassifications.
- A \$500,00 reduction in general funds for fiscal 2002 cost containment.

## **Fiscal 2003**

- The fiscal 2003 working appropriation reflects the reversion of \$3,365 in reimbursable funds to support free transit ridership for State employees, contingent upon enactment of a provision in the 2003 session BRFA.
- The reduction of \$786,203 in general funds indicates cost containment measures taken through BPW actions. It reflects \$250,000 in reductions taken in contractual services for a medical advisor to reflect actual contract costs for fiscal 2003. It also includes reductions of \$236,203 taken in the State Labor Relations Board to reflect a high level of vacancies in the division. Further, it reflects the fact that new information technology project training was not implemented through the Division of Employee Development and Training, saving \$300,000.

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Appendix 2

Object/Fund Difference Report  
DBM – Office of Personnel Services and Benefits

<u>Object/Fund</u>	<u>FY 02 Actual</u>	<u>FY 03 Working Appropriation</u>	<u>FY 04 Allowance</u>	<u>FY 03 - 04 Amount Change</u>	<u>Percent Change</u>
<b>Positions</b>					
01 Regular	174.50	170.50	156.50	-14.00	-8.2%
02 Contractual	6.30	7.10	5.90	-1.20	-16.9%
<b>Total Positions</b>	<b>180.80</b>	<b>177.60</b>	<b>162.40</b>	<b>-15.20</b>	<b>-8.6%</b>
<b>Objects</b>					
01 Salaries and Wages	\$ 18,100,038	\$ 9,501,659	\$ 9,391,234	-\$ 110,425	-1.2%
02 Technical & Spec Fees	139,138	283,268	275,114	-8,154	-2.9%
03 Communication	186,375	303,563	264,920	-38,643	-12.7%
04 Travel	213,790	293,660	215,015	-78,645	-26.8%
08 Contractual Services	2,999,092	5,676,157	3,013,870	-2,662,287	-46.9%
09 Supplies & Materials	27,608	38,326	15,850	-22,476	-58.6%
10 Equip – Replacement	67,796	185,910	10,000	-175,910	-94.6%
13 Fixed Charges	42,806	66,721	50,289	-16,432	-24.6%
<b>Total Objects</b>	<b>\$ 21,776,643</b>	<b>\$ 16,349,264</b>	<b>\$ 13,236,292</b>	<b>-\$ 3,112,972</b>	<b>-19.0%</b>
<b>Funds</b>					
01 General Fund	\$ 17,507,302	\$ 10,105,896	\$ 8,917,850	-\$ 1,188,046	-11.8%
09 Reimbursable Fund	4,269,341	6,243,368	4,318,442	-1,924,926	-30.8%
<b>Total Funds</b>	<b>\$ 21,776,643</b>	<b>\$ 16,349,264</b>	<b>\$ 13,236,292</b>	<b>-\$ 3,112,972</b>	<b>-19.0%</b>

Note: Fiscal 2003 appropriations and fiscal 2004 allowance do not include cost containment and contingent reductions.

**Fiscal Summary**  
**DBM – Office of Personnel Services and Benefits**

<u>Unit/Program</u>	<u>FY02</u> <u>Actual</u>	<u>FY03</u>		<u>FY03</u> <u>Working</u> <u>Appropriation</u>	<u>FY02 - FY03</u>		<u>FY04</u> <u>Allowance</u>	<u>FY03 - FY04</u>	
		<u>Legislative</u> <u>Appropriation</u>	<u>Appropriation</u>		<u>% Change</u>	<u>% Change</u>			
01 Executive Direction	\$ 1,594,192	\$ 1,978,598	\$ 1,978,598	\$ 1,978,598	24.1%	\$ 1,837,379	-7.1%		
02 Division of Employee Benefits	2,865,397	4,099,778	4,099,778	4,099,778	43.1%	2,878,819	-29.8%		
03 Medical Director	463,967	681,693	681,693	681,693	46.9%	598,467	-12.2%		
04 Division of Employee Relations	1,382,914	1,348,815	1,348,815	1,348,815	-2.5%	1,415,953	5.0%		
05 Division of Employee Development and Training	2,135,787	3,394,110	3,394,110	3,394,110	58.9%	1,946,798	-42.6%		
06 Division of Salary Administration and Classifications	1,340,042	1,350,499	1,350,499	1,350,499	0.8%	1,428,879	5.8%		
07 Division of Recruitment and Examination	2,523,951	2,679,171	2,679,171	2,679,171	6.1%	2,488,280	-7.1%		
08 Statewide Expenses	9,200,000	0	0	0	-100.0%	105,000			
09 Division of Labor Relations	79,637	204,086	204,086	204,086	156.3%	205,931	0.9%		
10 State Labor Relations Board	190,756	612,514	612,514	612,514	221.1%	330,786	-46.0%		
<b>Total Expenditures</b>	<b>\$ 21,776,643</b>	<b>\$ 16,349,264</b>	<b>\$ 16,349,264</b>	<b>\$ 16,349,264</b>	<b>-24.9%</b>	<b>\$ 13,236,292</b>	<b>-19.0%</b>		
General Fund	\$ 17,507,302	\$ 10,105,896	\$ 10,105,896	\$ 10,105,896	-42.3%	\$ 8,917,850	-11.8%		
<b>Total Appropriations</b>	<b>\$ 17,507,302</b>	<b>\$ 10,105,896</b>	<b>\$ 10,105,896</b>	<b>\$ 10,105,896</b>	<b>-42.3%</b>	<b>\$ 8,917,850</b>	<b>-11.8%</b>		
Reimbursable Fund	\$ 4,269,341	\$ 6,243,368	\$ 6,243,368	\$ 6,243,368	46.2%	\$ 4,318,442	-30.8%		
<b>Total Funds</b>	<b>\$ 21,776,643</b>	<b>\$ 16,349,264</b>	<b>\$ 16,349,264</b>	<b>\$ 16,349,264</b>	<b>-24.9%</b>	<b>\$ 13,236,292</b>	<b>-19.0%</b>		

Note: Fiscal 2003 appropriations and fiscal 2004 allowance do not include cost containment and contingent reductions.

**Employee Compensation**  
**Fiscal 2004 Increase over Fiscal 2003 Expenditures**  
**(\$ in Millions)**

	<b>FY 02</b>	<b>FY 03</b>	<b>FY 04</b>	<b>%</b>
	<b>Actual</b>	<b>Working</b>	<b>Allowance</b>	<b>Change</b>
			<b>Change</b>	<b>Change</b>
<b>Regular FTE Positions</b>	81,106	80,816	79,860	-1.2%
<b>Contractual FTE Positions</b>	8,907	9,152	9,543	4.3%
<b>Salary</b>				
Base Salary <sup>1</sup>	\$3,458.0	\$3,847.0	\$3,775.9	-1.8%
Additional Assistance	9.6	10.7	10.9	1.9%
Overtime Earnings	103.1	82.4	81.1	-1.6%
Shift Differential	10.1	10.1	10.0	-0.9%
Student Payments (USM Only)	31.1	27.5	24.8	-9.9%
Other Salary	15.1	24.3	9.3	-61.7%
<b>Total Salaries</b>	<b>\$3,627.0</b>	<b>\$4,001.8</b>	<b>\$3,911.9</b>	<b>-2.2%</b>
<b>Health Insurance</b>				
Active Employees <sup>1</sup>	\$382.6	\$438.0	\$528.6	20.7%
Retirees <sup>1</sup>	104.1	125.0	153.6	22.9%
Special Subsidies	13.1	17.6	18.2	3.5%
<b>Total Health Insurance</b>	<b>\$499.8</b>	<b>\$580.7</b>	<b>\$700.5</b>	<b>20.6%</b>
<b>Retirement</b>				
Early Retirement Surcharge	\$22.1	\$2.2	\$2.6	18.6%
Employees' Retirement System	108.7	121.1	119.5	-1.4%
Teachers' Retirement System	14.5	17.9	17.2	-3.8%
State Police Retirement System	18.3	19.8	20.9	5.5%
Maryland Transit Administration Pension System	15.8	16.7	18.9	13.6%
Optional Retirement/Pension System	47.0	50.2	52.0	3.6%
DNR Police Retirement System	12.9	16.6	15.2	-8.2%
Other Retirement Systems	0.6	0.5	0.0	-0.1%
<b>Total Retirement<sup>1</sup></b>	<b>\$239.9</b>	<b>\$244.9</b>	<b>\$246.9</b>	<b>0.8%</b>
<b>Social Insurance</b>				
Social Security Contributions <sup>1</sup>	\$256.5	\$281.8	\$277.9	-1.4%
Unemployment Compensation <sup>1</sup>	2.1	2.4	4.4	78.4%
Workers' Compensation	64.9	82.2	26.2	-68.1%
<b>Total Social Insurance</b>	<b>\$323.5</b>	<b>\$366.4</b>	<b>\$308.5</b>	<b>-15.8%</b>

	<u>FY 02</u>	<u>FY 03</u>	<u>FY 04</u>	<u>%</u>
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>
<b>Discretionary Employee Benefits</b>				
Sick Leave Incentive Program	\$0.1	\$0.4	\$0.4	\$0.0 -11.2%
Employee Transit Program	1.3	2.6	2.3	-0.3 -10.7%
Deferred Compensation Match	19.0	16.5	18.9	2.5 15.0%
Pay-for-performance Bonuses	12.6	0.1	0.5	0.4 293.3%
Employee Awards	0.5	0.3	0.6	0.2 70.5%
Tuition Waivers	15.6	13.4	13.4	-0.1 -0.4%
<b>Total Incentives</b>	<b>\$49.2</b>	<b>\$33.3</b>	<b>\$36.0</b>	<b>\$2.7 8.2%</b>
<b>Turnover expectancy</b>				
Turnover Expectancy (Excluding New Positions)	\$1.9	-\$238.5	-\$198.1	\$40.4 -16.9%
Cost containment	0.1	-43.8	-4.4	39.5 -90.0%
<b>Total Offsets<sup>1</sup></b>	<b>\$2.0</b>	<b>-\$282.4</b>	<b>-\$202.5</b>	<b>\$79.9 -28.3%</b>
Turnover Expectancy Rate		<b>-5.7%</b>	<b>-4.1%</b>	<b>-29.0%</b>
<b>Other</b>	<b>\$19.5</b>	<b>\$8.9</b>	<b>\$8.9</b>	<b>\$0.0 -0.4%</b>
<b>Contractual Employee Expenses</b>				
Special Payments Payroll <sup>2</sup>	\$160.4	\$184.4	\$190.2	\$5.8 3.2%
Special Payments Payroll – USM	211.1	199.7	210.8	11.0 5.5%
Patient and Student Payments <sup>2</sup>	17.1	16.6	17.8	1.2 7.4%
Social Security Contributions <sup>2</sup>	12.1	13.8	14.5	0.6 4.5%
Unemployment Compensation <sup>2</sup>	0.1	0.1	0.2	0.1 58.5%
Workers' Compensation <sup>2</sup>	0.1	0.0	0.0	0.0 3.4%
Contractual Turnover Expectancy <sup>2</sup>	0.0	-14.0	-12.9	1.0 -7.5%
Turnover Expectancy Rate	0.0%	-6.5%	-5.8%	-10.7%
<b>Total Contractual Expenses</b>	<b>\$400.8</b>	<b>\$400.6</b>	<b>\$420.5</b>	<b>\$19.9 5.0%</b>
<b>Total Personnel Expenditures</b>	<b>\$5,161.7</b>	<b>\$5,354.4</b>	<b>\$5,430.6</b>	<b>\$76.3 1.4%</b>

<sup>1</sup> Included in the turnover expectancy calculation for regular positions.

<sup>2</sup> Included in the turnover expectancy calculation for contractual positions.

Source: Department of Budget and Management; Department of Legislative Services

**Regular Full-time Equivalent Employees**  
2002 Actual to 2004 Allowance

	2002 <u>Actual</u>	2003 <u>Legis. Approp.</u>	Fiscal 2003 <u>Working Approp.</u>	<u>Abolitions</u>	<u>New Positions</u>	2004 <u>Allowance</u>
Legislative	730.0	730.0	730.0	-	-	730.0
Judiciary & Legal	4,390.7	4,584.7	4,614.7	-16.5	106.7	4,704.9
Executive & Administrative Control	1,618.8	1,577.7	1,603.7	-37.0	28.0	1,594.7
Financial & Revenue Administration	2,158.2	2,102.2	2,098.2	-12.0	-	2,086.2
Budget & Management	524.3	531.3	531.3	-38.5	-	492.8
Retirement	193.5	184.5	184.5	0.0	4.0	188.5
General Services	793.0	795.5	806.5	-32.0	-	774.5
Transportation	9,538.0	9,318.5	9,318.5	0.0	32.5	9,351.0
Natural Resources	1,629.2	1,577.2	1,577.2	-87.2	-	1,490.0
Agriculture	480.0	460.0	460.0	-21.0	-	439.0
Health & Mental Hygiene	8,535.8	8,099.4	8,211.9	-317.1	-	7,894.8
Human Resources	8,272.6	7,714.1	7,733.1	-123.0	-	7,610.1
Labor, Licensing, & Regulation	1,706.0	1,617.0	1,617.0	-68.0	-	1,549.1
Public Safety & Correctional Services	11,662.5	11,464.5	11,562.5	-258.5	-	11,304.0
Other Education	1,955.0	1,902.6	2,018.6	-106.7	82.0	1,993.9
Housing & Community Development	449.0	424.0	424.0	-18.1	-	405.9
Business & Economic Development	324.0	319.0	319.0	-9.0	-	310.0
Environment	1,028.0	1,032.0	1,032.0	-57.0	-	975.0
Juvenile Justice	2,122.7	1,996.2	1,996.2	-35.0	-	1,961.2
Police & Fire Marshal	2,589.5	2,509.5	2,574.5	-79.0	-	2,495.5
<b>Subtotal</b>	<b>60,700.7</b>	<b>58,939.9</b>	<b>59,413.4</b>	<b>-1,315.6</b>	<b>253.2</b>	<b>58,351.0</b>
Higher Education	21,386.2	20,595.5	21,402.5	-71.5	178.2	21,509.3
<b>Total</b>	<b>82,086.8</b>	<b>79,535.4</b>	<b>80,815.9</b>	<b>-1,387.1</b>	<b>431.4</b>	<b>79,860.3</b>

Source: Department of Budget and Management; Department of Legislative Services

**General Salary Increases, Increments, and Other Compensation**

Fiscal 1996 through 2004 Allowance

Fiscal Year	State Employees		Police, Natural Resources Police, and Park Ranger Salary Additions	Maximum Deferred Compensation Match by State	Pay-for-Performance Bonuses	Other
	General Salary Increase	Increments				
1996		Delayed 4 Months		n/a	n/a	
1997		On time for non-EPP EPP delayed	1.0%	n/a	n/a	
1998		On time for non-EPP No EPP	10.0%	n/a	n/a	
1999		On time	4.0%	n/a	Outstanding: \$300	
2000		On time	4.0%	\$600	Outstanding: \$1,000 Exceeds Standards: \$500	Salary schedules expand from 6 to 16 steps on 7/1/99 <sup>(1)</sup>
2001		On time		\$600	Outstanding: \$1,000 Exceeds Standards: \$500	Standard salary schedule expands by 4 grades on 7/1/00 <sup>(2)</sup>
2002		On time	\$850 <sup>(3)</sup>	\$600	Outstanding: \$500 Exceeds Standards: \$250	Salary schedules expand from 16 to 18 steps on 7/1/01 <sup>(1)</sup>
2003		None		\$500	None	
2004		None		None	None	

(1) The executive pay plan (EPP) and physicians' schedules did not expand.  
 (2) The standard salary schedule expanded to accommodate management service positions moved off the executive salary schedule.  
 (3) For MSP, NRP, and Park Rangers in Steps I-S only.

Source: Department of Budget and Management; and Department of Legislative Services

**State Employee Health and Supplemental Benefits Contracts – Calendar 2004**

<b>Service Plans</b>	<b>Current Contract Term</b>	<b>Vendor</b>	<b>CY 2002 Expenditures (\$ in Millions)</b>	<b>Value of Contract Award (\$ in Millions)</b>	<b>Expiration Date (Not Including Renewal Options)</b>
Preferred Provider Option (PPO)	01/01/00 through 12/31/02	CareFirst of MD (formerly BCBSMD)	\$193.9	\$554 (3-year contract)	Base contract expired 12/31/02
	3 years with 2 one-year renewal options			\$202 (1 yr renewal option)	Exercised first renewal option, expires 12/31/03
		MAMSI - MLH Eagle	\$20.3	\$554 (3-year contract)	Base contract expired 12/31/02
				\$23 (1 yr renewal option)	Exercised first renewal option, expires 12/31/03
Point-of-Service (POS)	01/01/00 through 12/31/02	CareFirst	\$63.1	\$280 (3-year contract)	Base contract expired 12/31/02
	3 years with 2 one-year renewal options			\$64 (1 yr renewal option)	Exercised first renewal option, expires 12/31/03
		MAMSI - MDIPA Preferred	\$72.0	\$298 (3-year contract)	Base contract expired 12/31/02
				\$68.2 (1 yr renewal option)	Exercised first renewal option, expires 12/31/03
		AETNA	\$22.1	\$343 (3-year contract)	Base contract expired 12/31/02
				\$23 (1 yr renewal option)	Exercised first renewal option, expires 12/31/03
Health Maintenance Organization (HMO)	01/01/00 through 12/31/02	Carefirst	\$34.7	\$286 (3-year contract)	Base contract expired 12/31/02
	3 years with 2 one-year renewal options			\$38 (1 yr renewal option)	Exercised first renewal option, expires 12/31/03
Service Plans	Current Contract Term	Vendor	CY 2002 Expenditures (\$ in Millions)	Value of Contract Award (\$ in Millions)	Expiration Date (Not Including Renewal Options)
		MAMSI - Optimum Choice	\$19.3	\$259 (3-year contract)	Base contract expired 12/31/02
				\$20 (1 yr renewal)	

Service Plans	Current Contract Term	Vendor	CY 2002 Expenditures (\$ in Millions)	Value of Contract Award (\$ in Millions)	Expiration Date (Not Including Renewal Options)
		Kaiser Permanente	\$18.6	option \$254 (3-year contract) \$22 (1 yr renewal option)	Exercised first renewal option, expires 12/31/03 Base contract expired 12/31/02 Exercised first renewal option, expires 12/31/03
Mental Health/Substance Abuse	01/01/01 through 12/31/03 3 years with 3 one-year renewal options	American Psych Systems, Inc.	\$11.2	\$34 (3-year contract)	12/31/03
Prescription Drug	01/01/01 through 12/31/03 3 years with 3 one-year renewal options	AdvancePCS (formerly PCS Health Systems)	\$221.3	\$790 (3-year contract)	12/31/03
Dental Services (Point-of-Service Option)	01/01/00 through 12/31/02 3 years with 2 one-year renewal options	United Concordia	\$17.0 DPOS and DHMO combined	\$79 (3-year contract) \$6 (1 yr renewal option)	Base contract expired 12/31/02 Exercised first renewal option, expires 12/31/03
Dental Services (DHMO Option)	01/01/00 through 12/31/02 3 years with 2 one-year renewal options	United Concordia	See DPOS	\$48 (3-year contract) \$10 (1 yr renewal option)	Base contract expired 12/31/02 Exercised first renewal option, expires 12/31/03

Service Plans	Current Contract Term	Vendor	CY 2002 Expenditures (\$ in Millions)	Value of Contract Award (\$ in Millions)	Expiration Date (Not Including Renewal Options)
		Dental Benefits Provider	\$5.9	\$53 (3-year contract) \$5.9 (1 yr renewal option)	Base contract expired 12/31/02 Exercised first renewal option, expires 12/31/03
Term Life Insurance	01/01/95 through 12/31/98 4 years with 1 four-year renewal option	Met Life	\$11.5	\$33 (4-year contract)	Expired 12/31/02
	01/01/03 through 12/31/05 3 years with 2 one-year renewal options	The Standard Insurance Co.	Effective 01/01/2003	\$34 (3-year contract)	12/31/05
Accidental Death and Dismemberment	01/01/95 through 12/31/98 4 years with 1 four-year renewal option	American Home Assurance	\$1.9	\$6 (4-year contract)	Expired 12/31/02
	01/01/03 through 12/31/05 3 years with 2 one-year renewal options	Metropolitan Life	Effective 01/01/2003	\$6 (3-year contract)	12/31/05
Long-term Care	01/01/00 through 12/31/03 4 years with 2 one-year renewal options	Unum Life Insurance Company of America	\$0.7	n/a	12/31/03
Flexible Spending Accounts	07/15/99 through 07/14/03 with 2 one-year renewal options	ERISA Administrative Services, Inc.	\$0.3	\$1 (3-year contract) administrative fees only	07/14/03

Source: Department of Budget and Management

**Maryland Monthly Health and Prescription Insurance Premiums  
Compared to Select Maryland Counties  
September 2002**

	<b>Individual Coverage</b>					
	<b><u>PPO</u></b>	<b><u>PPO</u></b>	<b><u>POS</u></b>	<b><u>POS</u></b>	<b><u>HMO</u></b>	<b><u>HMO</u></b>
	<b><u>Low</u></b>	<b><u>High</u></b>	<b><u>Low</u></b>	<b><u>High</u></b>	<b><u>Low</u></b>	<b><u>High</u></b>
State of Maryland						
Health Insurance	\$268.19	\$285.73	\$188.24	\$212.97	\$200.13	\$214.59
Prescription Insurance	133.35	133.35	133.35	133.35	133.35	133.35
<b>Total</b>	<b>\$401.54</b>	<b>\$419.08</b>	<b>\$321.59</b>	<b>\$346.32</b>	<b>\$333.48</b>	<b>\$347.94</b>
Montgomery County						
Health Insurance			\$282.39	\$282.39	\$230.54	\$233.47
Prescription Insurance			63.36	63.36	63.36	63.36
<b>Total</b>			<b>\$345.75</b>	<b>\$345.75</b>	<b>\$293.90</b>	<b>\$296.83</b>
Prince George's County						
Health Insurance			\$261.32	\$261.32	\$171.75	\$183.05
Prescription Insurance			68.74	68.74	68.74	68.74
<b>Total</b>			<b>\$330.06</b>	<b>\$330.06</b>	<b>\$240.49</b>	<b>\$251.79</b>
Baltimore City						
Health Insurance	\$283.44	\$283.44			\$173.83	\$185.51
Prescription Insurance	178.5	178.5			0	0
<b>Total</b>	<b>\$461.94</b>	<b>\$461.94</b>			<b>\$173.83</b>	<b>\$185.51</b>
Health (Includes Prescription) Insurance:						
Baltimore County	\$347.50	\$347.50	\$310.38	\$310.38	\$238.07	\$274.17
Anne Arundel	299.84	299.84	250.76	250.76	208.69	208.69
Howard County	305.57	305.57	256.33	256.33	208.21	241.25
Harford County	268.47	268.47			256.78	256.78
Frederick County			351.83	351.83	267.70	267.70

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Appendix 8 (Continued)

	<b>PPO</b>		<b>Family Coverage</b>		<b>HMO</b>	
	<b><u>Low</u></b>	<b><u>High</u></b>	<b><u>POS</u></b>	<b><u>POS</u></b>	<b><u>Low</u></b>	<b><u>High</u></b>
			<b><u>Low</u></b>	<b><u>High</u></b>		
State of Maryland						
Health Insurance	\$670.49	\$714.36	\$470.60	\$532.43	\$499.84	\$557.93
Prescription Insurance	266.69	266.69	266.69	266.69	266.69	266.69
<b>Total</b>	<b>\$937.18</b>	<b>\$981.05</b>	<b>\$737.29</b>	<b>\$799.12</b>	<b>\$766.53</b>	<b>\$824.62</b>
Montgomery County						
Health Insurance			\$765.29	\$765.29	\$628.68	\$630.37
Prescription Insurance			130.86	130.86	130.86	130.86
<b>Total</b>			<b>\$896.15</b>	<b>\$896.15</b>	<b>\$759.54</b>	<b>\$761.23</b>
Prince George's County						
Health Insurance			\$737.75	\$737.75	\$477.81	\$526.91
Prescription Insurance			157.74	157.74	157.74	157.74
<b>Total</b>			<b>\$895.49</b>	<b>\$895.49</b>	<b>\$635.55</b>	<b>\$684.65</b>
Baltimore City						
Health Insurance	\$683.48	\$683.48			\$422.33	\$535.08
Prescription Insurance	178.5	178.5			0	0
<b>Total</b>	<b>\$861.98</b>	<b>\$861.98</b>			<b>\$422.33</b>	<b>\$535.08</b>
Health (Includes Prescription) Insurance:						
Baltimore County	\$1,061.99	\$1,061.99	\$945.44	\$945.44	\$709.59	\$828.92
Anne Arundel County	839.57	839.57	702.15	702.15	734.75	734.75
Howard County	864.74	864.74	768.99	768.99	624.62	682.76
Harford County	800.66	800.66			770.35	770.35
Frederick County			1,037.02	1,037.02	784.60	784.60

Source: Department of Legislative Services

**Maryland Monthly Health and Prescription Insurance Premiums  
Compared to Select States  
September 2002**

	<b>Individual Coverage</b>					
	<b><u>PPO</u></b>	<b><u>PPO</u></b>	<b><u>POS</u></b>	<b><u>POS</u></b>	<b><u>HMO</u></b>	<b><u>HMO</u></b>
	<b><u>Low</u></b>	<b><u>High</u></b>	<b><u>Low</u></b>	<b><u>High</u></b>	<b><u>Low</u></b>	<b><u>High</u></b>
State of Maryland						
Health Insurance	\$268.19	\$285.73	\$188.24	\$212.97	\$200.13	\$214.59
Prescription Insurance	133.35	133.35	133.35	133.35	133.35	133.35
<b>Total</b>	<b>\$401.54</b>	<b>\$419.08</b>	<b>\$321.59</b>	<b>\$346.32</b>	<b>\$333.48</b>	<b>\$347.94</b>
Connecticut			\$293.99	\$448.39	\$246.05	\$302.31
Delaware	\$332.12	\$332.12	293.62	297.20	306.00	310.42
District of Columbia	324.56	324.56			186.32	224.92
Federal Government (nonpostal)					207.76	285.42
New Jersey						
Health Insurance			215.28	215.28	218.89	250.59
Prescription Insurance			82.34	82.34	82.34	82.34
<b>Total</b>			<b>\$297.62</b>	<b>\$297.62</b>	<b>\$301.23</b>	<b>\$332.93</b>
Pennsylvania						
Health Insurance	\$192.90	\$192.90	\$149.90	\$180.52	\$142.26	\$172.49
Prescription Insurance	76.36	76.36	76.36	76.36	76.36	76.36
<b>Total</b>	<b>\$269.26</b>	<b>\$269.26</b>	<b>\$226.26</b>	<b>\$256.88</b>	<b>\$218.62</b>	<b>\$248.85</b>
Virginia			\$295.00	\$307.00	\$260.00	\$565.00
West Virginia (Region 2)	\$281.00	\$414.00			268.00	422.00

	<b>Family Coverage</b>					
	<b><u>PPO</u></b>	<b><u>PPO</u></b>	<b><u>POS</u></b>	<b><u>POS</u></b>	<b><u>HMO</u></b>	<b><u>HMO</u></b>
	<b><u>Low</u></b>	<b><u>High</u></b>	<b><u>Low</u></b>	<b><u>High</u></b>	<b><u>Low</u></b>	<b><u>High</u></b>
State of Maryland						
Health Insurance	\$670.49	\$714.36	\$470.60	\$532.43	\$499.84	\$557.93
Prescription Insurance	266.69	266.69	266.69	266.69	266.69	266.69
<b>Total</b>	<b>\$937.18</b>	<b>\$981.05</b>	<b>\$737.29</b>	<b>\$799.12</b>	<b>\$766.53</b>	<b>\$824.62</b>

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Appendix 9 (Continued)

	<b><u>PPO</u></b> <b><u>Low</u></b>	<b><u>PPO</u></b> <b><u>High</u></b>	<b><u>POS</u></b> <b><u>Low</u></b>	<b><u>POS</u></b> <b><u>High</u></b>	<b><u>HMO</u></b> <b><u>Low</u></b>	<b><u>HMO</u></b> <b><u>High</u></b>
Connecticut			\$793.77	\$1,210.65	\$664.34	\$816.24
Delaware	\$855.46	\$855.46	753.48	768.42	798.46	799.96
District of Columbia	854.52	854.52			483.76	586.20
Federal Government (nonpostal)					486.16	660.16
New Jersey						
Health Insurance			558.51	558.51	562.42	651.44
Prescription Insurance			197.66	197.66	197.66	197.66
<b>Total</b>			<b>\$756.17</b>	<b>\$756.17</b>	<b>\$760.08</b>	<b>\$849.10</b>
Pennsylvania						
Health Insurance	\$511.15	\$511.15	\$386.99	\$457.07	\$383.45	\$434.18
Prescription Insurance	190.86	190.86	190.86	190.86	190.86	190.86
<b>Total</b>	<b>\$702.01</b>	<b>\$702.01</b>	<b>\$577.85</b>	<b>\$647.93</b>	<b>\$574.31</b>	<b>\$625.04</b>
Virginia			\$797.00	\$829.00	\$544.00	\$732.00
West Virginia (Region 2)	\$603.00	\$1,017.00			595.00	1,078.00

Source: Department of Legislative Services