



# State of New Hampshire

DEPARTMENT OF ADMINISTRATIVE SERVICES  
OFFICE OF THE COMMISSIONER  
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Concord, New Hampshire 03301

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August 21, 2014

Her Excellency, Governor Margaret Wood Hassan  
and the Honorable Council  
State House  
Concord, New Hampshire 03301

### REQUESTED ACTION

Authorize the Department of Administrative Services (DAS), pursuant to the provisions of RSA 21-l:54, to extend a temporary full-time Program Specialist IV/Fund Accountant position (#9T2654) in the Risk Management Unit (RMU). This request is to extend this position for eight (8) more months, from November 1, 2014 to June 30, 2015 to continue financial support of Risk Management Finance. **100% Agency Funds**

Funding is available in the Department of Administrative Services budget for SFY 15 as follows:

01-14-14-143510-29010000 Risk Management Unit	<b><u>SFY15</u></b>
059-500117	\$45,500
060-500600	<u>\$14,500</u>
	\$60,000

### EXPLANATION

The RMU administers the \$250 million State of NH self-funded employee and retiree health benefit program, the property and casualty insurance program, the state's self-funded workers compensation program, and other risk reduction programs. RMU currently has a permanent Senior Financial Analyst and a permanent Accounting and finance analyst to manage the accounting and finances of these programs. This two-person finance team runs the day-to-day operations of a \$250 million health benefits business which entails, among other tasks, collecting revenues and monitoring program receivables, verifying and paying vendor invoices, inter-agency invoicing, invoicing program participants, account reconciliation, and other financial management and reporting duties. The employee and retiree health benefit programs have approximately 40,000 members including state employees and retirees and their eligible dependents.

This temporary full-time position, established in October 2013, was created to assist with vacancy issues related to the two permanent positions in the RMU Finance Office and has

been vacant since February 2014. Although the Finance Unit became fully staffed in April 2014 for the first time since March 2013, the RMU's workload and that of the Finance Unit has grown considerably and this full-time temporary position is necessary to meet day-to-day operational needs.

In 2014, RMU's workload has been extremely heavy, caused by a "perfect storm" of events including administration of a new health benefit plan design, new vendor contracts, a heavy procurement schedule, and other new projects all of which increase the workload of the two-person finance team. This calendar year brought fundamental change to the employee health benefit program because of changes to the health benefit plan design and implementation of a new Pharmacy Benefits Management (PBM) vendor, Express Scripts. For the first time ever, the employee health benefit plan implemented a deductible that employees can offset by engaging in health promotion activities which allow them to earn Health Rewards of up to \$300 that, for the majority of state employees are deposited into a Health Reimbursement Arrangement (HRA). The RMU finance team is working with Employee Benefits Management, Inc. (EBM) to monitor the cash flow demands of the new HRA as well as overseeing the prepayment of HRA claims to EBM. Additionally, RMU Finance continues to work with Express Scripts, the state's new PBM vendor, to implement the many financial processes that are involved in administration of a PBM contract including the cash flow of rebates and subsidies. Finally, RMU Finance is working with the new "Advice to Pay" vendor that is conducting the medical determinations for short term disability income replacement benefits. This includes a state-wide inter-agency invoicing for the monthly invoice expense.

RMU is currently procuring for three contracts related to the administration of the employee health benefit program: dental benefits administration, medical consulting, and flexible spending account and health reimbursement account administration. Each of these procurements has required Finance Team participation in RFP drafting and the financial scoring of each bidder's proposal and contracting. To the extent that any of these procurements result in a new vendor contract, the Finance Team will need to work with the new vendor to build the financial processes that are the foundation of the contractual relationship.

On top of this workload, the RMU finance team has become engaged in two other resource demanding projects. In February 2014, the LBA began a FY 2014 financial audit of the internal service Fund 60 that supports the financing of the health benefit program. Consequently, the RMU Finance Team has spent a great deal of time meeting with LBA auditors and gathering information to answer auditor questions. This audit will be completed by the end of 2014 and may result in findings that require changes in financial processes. Finally, DAS recently informed Express Scripts of its decision to begin implementation of a Medicare prescription drug program called an Employer Group Waiver Plan (EGWP) for Medicare eligible retirees; the Medicare Prescription Drug Plan scheduled to take effect January 1, 2015 is expected to produce approximately \$750,000 in calendar year 2015 in retiree health benefit plan savings. The EGWP program will require considerable Finance Team involvement in the project implementation process as well as acute attention to changed financial processes in 2015 once the new EGWP program is operational.

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The Risk Management Unit seeks to recruit for the Temporary Fund Accountant position and at this time the position is currently only authorized through October 2014. This position is necessary to ensure uninterrupted day to day accounting processes related to the Health Benefit Program. If this position extension is approved, it would provide stability in the position and ensure committed candidates in the hiring process. RMU is building this position into its budget for the FY 2016-2017 biennium.

Your approval of this extension would be greatly appreciated.

Sincerely,

A handwritten signature in black ink, appearing to read "Linda M. Hodgdon", with a long horizontal flourish extending to the right.

Linda M. Hodgdon  
Commissioner