

Role and Overview

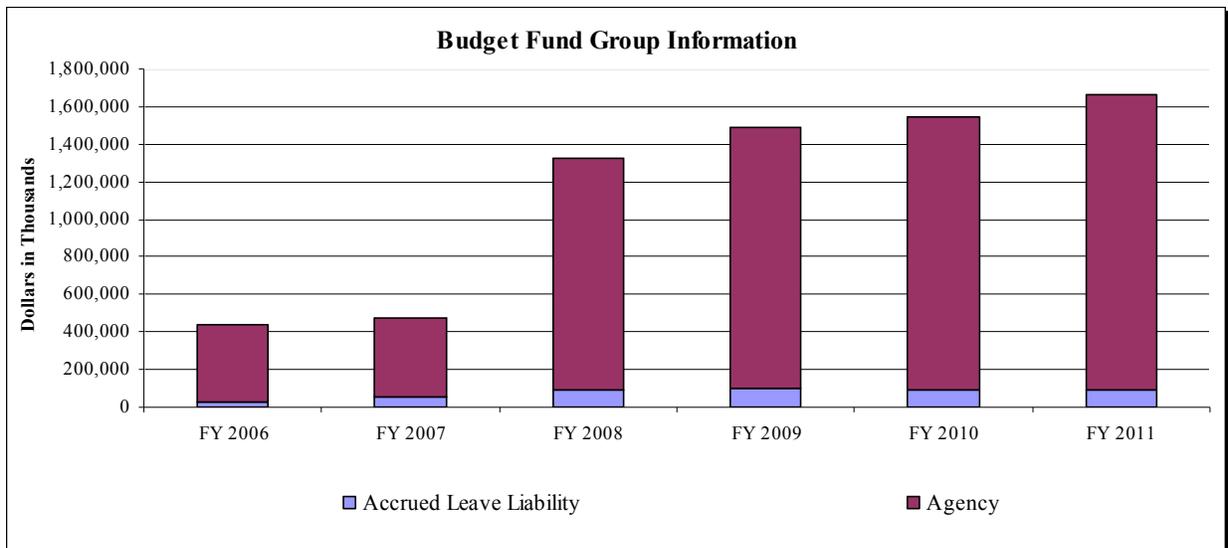
Employee Benefits Funds (PAY) is a budget presentation convention that deals with eight separate funds. These funds account for various transactions related to the benefits of state employees. The fiscal year 2008-2009 biennium budget presentation changed the name of this agency from “Accrued Leave Liability Fund Group” to “Employee Benefits Funds.” The name change was made because Employee Benefits Funds no longer accounts solely for the accrued leave liabilities of the state, but also accounts for the cost of other state employee benefits.

The eight funds shown on the budget tables for PAY are appropriated to and administered by the Department of Administrative Services (DAS). The funds are shown here rather than in the DAS budget in order to highlight the role they play in the centralized payment and accounting of these benefits. The funds receive revenue from agency payroll accounts, or from eligible participants, when payrolls are processed. The amounts received are based on payroll charges and payroll deductions. Disbursements are made from the health and life insurance funds to service providers, insurance providers, third-party administrators, and consultants such as auditors and actuaries. Disbursements from the leave funds and spending accounts are made primarily to eligible employees. Disbursements from the Disability Leave Fund include benefits to recipients and payments to actuarial and medical consultants who review disability claims. Disbursements from the payroll deductions fund include payments for various employee benefits and taxes owed to federal, state, and local taxing jurisdictions.

Agency Priorities

- Ensure that adequate revenues to fund all benefit programs are collected via charges to agencies and employees.
- Ensure that all required payments are made to vendors, employees, retirement programs, and taxing authorities on a timely basis.

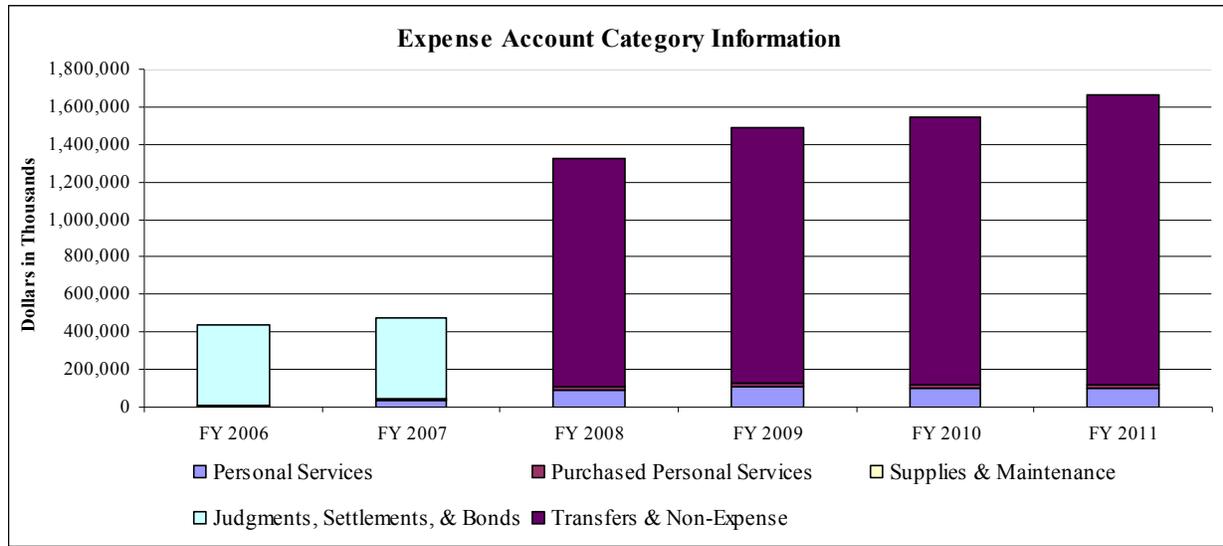
Summary of Budget History and Recommendations



- PAY’s Agency Budget Fund Group expenses increased in fiscal year 2008 because the payment of payroll withholdings for benefits and other contributions moved to the PAY budget from DAS.

State of Ohio
Employee Benefits Funds

(In Thousands) BUDGET FUND GROUP	ACTUAL			EST. FY 2009	% CHANGE FY 08-09	RECOMMENDED			
	FY 2006	FY 2007	FY 2008			FY 2010	% CHANGE	FY 2011	% CHANGE
Accrued Leave Liability	26,765	57,917	87,745	99,554	13.5	92,600	-7.0	95,300	2.9
Agency	410,867	421,513	1,235,711	1,390,702	12.5	1,451,446	4.4	1,563,126	7.7
TOTAL	437,633	479,430	1,323,456	1,490,255	12.6	1,544,046	3.6	1,658,426	7.4



- Due to changes in the method of coding transactions in the state accounting system, the Transfers & Non-Expense category expenditures have been aggregated and reported as the Judgments, Settlements, & Bonds category in fiscal years 2006 and 2007.

(In Thousands) EXPENSE ACCOUNT CATEGORY	ACTUAL			EST. FY 2009	% CHANGE FY 08-09	RECOMMENDED			
	FY 2006	FY 2007	FY 2008			FY 2010	% CHANGE	FY 2011	% CHANGE
Personal Services	36	32,069	93,251	106,808	14.5	99,845	-6.5	102,645	2.8
Purchased Personal Services	7,423	10,089	12,381	18,272	47.6	18,626	1.9	19,271	3.5
Supplies & Maintenance	14	1	2	8	259.9	8	0.0	8	0.0
Judgments, Settlements, & Bonds	430,160	437,270	0	0	0.0	0	0.0	0	0.0
Transfers & Non-Expense	0	0	1,217,821	1,365,167	12.1	1,425,567	4.4	1,536,502	7.8
TOTAL	437,633	479,430	1,323,456	1,490,255	12.6	1,544,046	3.6	1,658,426	7.4

PROGRAM SERIES 01: Health Insurance Benefits

The Health Insurance Benefits Program Series consists of seven programs that provide medical, dental, vision, and life insurance coverage for current and former state employees. Claims costs for all programs in this series are paid from the State Employee Health Benefit Fund.

Program 01.01: Ohio Med – Self-Insured PPO

This program pays the claims costs of the state's self-insured, preferred provider organization (PPO) health insurance program known as Ohio Med. This plan is administered by Medical Mutual of Ohio. Approximately 30,000 employees are currently enrolled in Ohio Med.

State of Ohio
Employee Benefits Funds

The Executive Recommendation will fund the following objectives:

- Pay state employee health insurance claims and administrative costs for state employees enrolled in the Ohio Med PPO; and
- Continue the Population Health Management strategy implemented in fiscal year 2008. Program goals include reducing the upward cost trend of employee health care coverage, reducing employee absence and disability, increasing the perceived value of health care benefits, increasing success in attracting and retaining employees, and increasing the return on investment of health care dollars.

FUND				RECOMMENDED	
GROUP	FUND	ALI	ALI NAME	FY 2010	FY 2011
AGY	8080	995668	State Employee Health Benefit	265,603,830	287,958,430
TOTAL FOR PROGRAM				265,603,830	287,958,430

Program 01.02: Self-Insured HMOs

This program pays the claims costs of the state's four self-insured health maintenance organization (HMO) health insurance programs from which state employees can select. Currently available plans are administered by Aetna, The Health Plan, Paramount, and United Healthcare. During the most recent open enrollment period, 12,064 employees enrolled with the Aetna HMO plan, 8,490 employees enrolled with the United HealthCare HMO plan, 896 employees enrolled in Paramount, and 818 employees enrolled in The Health Plan.

The Executive Recommendation will fund the following objectives:

- Pay state employee health insurance claims and administrative costs for those enrolled in one of the self-funded HMO programs; and
- Continue the Population Health Management strategy implemented in fiscal year 2008. Program goals include reducing the upward cost trend of employee health care coverage, reducing employee absence and disability, increasing the perceived value of health care benefits, increasing success in attracting and retaining employees, and increasing the return on investment of health care dollars.

FUND				RECOMMENDED	
GROUP	FUND	ALI	ALI NAME	FY 2010	FY 2011
AGY	8080	995668	State Employee Health Benefit	176,247,250	191,261,500
TOTAL FOR PROGRAM				176,247,250	191,261,500

Program 01.03: Dental Insurance

This program pays the benefits costs for the state's two dental insurance programs for state employees not covered by the Ohio Civil Service Employees Association (OCSEA) benefits trust. Currently available plans are provided by Delta Dental.

The Executive Recommendation will fund the following objectives:

- Pay the cost of dental insurance for state employees not covered by the Ohio Civil Service Employees Association benefits trust.

FUND				RECOMMENDED	
GROUP	FUND	ALI	ALI NAME	FY 2010	FY 2011
AGY	8080	995668	State Employee Health Benefit	12,403,750	13,472,400
TOTAL FOR PROGRAM				12,403,750	13,472,400

Program 01.04: Vision Insurance

This program pays the benefits costs for the state's two vision insurance programs for state employees not covered by the OCSEA benefits trust. Currently available plans are provided by Vision Service Plan and EyeMed Vision Care. Currently, 14,310 exempt employees have enrolled in Vision Service Plan, and 1,209 exempt employees are enrolled in the EyeMed plan.

The Executive Recommendation will fund the following objectives:

- Pay the cost of vision insurance for state employees not covered by the Ohio Civil Service Employees Association benefits trust.

FUND				RECOMMENDED	
GROUP	FUND	ALI	ALI NAME	FY 2010	FY 2011
AGY	8080	995668	State Employee Health Benefit	3,671,000	3,983,000
TOTAL FOR PROGRAM				3,671,000	3,983,000

Program 01.05: Managed Mental Health

Separate from the individual health plans, this program pays the premiums for the state's carve-out insurance program for mental health and substance abuse services. This plan is administered by United Behavioral Health.

The Executive Recommendation will fund the following objectives:

- Pay the cost of insurance for mental health and substance abuse services for state employees.

FUND				RECOMMENDED	
GROUP	FUND	ALI	ALI NAME	FY 2010	FY 2011
AGY	8080	995668	State Employee Health Benefit	11,681,000	12,621,000
TOTAL FOR PROGRAM				11,681,000	12,621,000

Program 01.06: COBRA

This program pays the claims costs for former state employees who opt to continue their health insurance, while paying the full monthly premium, for up to 18 months following the end of their state service. The COBRA medical coverage program currently has 284 individuals enrolled, with 115 individuals participating in the vision and dental care programs as well.

The Executive Recommendation will fund the following objectives:

- Pay state employee health insurance claims and administrative costs, pursuant to federal law, for those extending their state coverage at their own cost for up to 18 months following the end of their state service.

FUND				RECOMMENDED	
GROUP	FUND	ALI	ALI NAME	FY 2010	FY 2011
AGY	8080	995668	State Employee Health Benefit	12,000	12,000
TOTAL FOR PROGRAM				12,000	12,000

Program 01.07: Prescription Benefits

This program pays the benefits costs for the state's self-insured, carve-out prescription drug program for eligible state employees who have elected health care benefits. The contracted pharmacy benefits manager, Catalyst Rx, administers this program for the state.

State of Ohio
Employee Benefits Funds

The Executive Recommendation will fund the following objectives:

- Pay the cost of prescription benefits for state employees who are covered by any one of the health insurance plans offered by the state.

FUND				RECOMMENDED	
GROUP	FUND	ALI	ALI NAME	FY 2010	FY 2011
AGY	8080	995668	State Employee Health Benefit	82,176,750	89,335,100
TOTAL FOR PROGRAM				82,176,750	89,335,100

PROGRAM SERIES 02: Life Insurance Benefits

The Life Insurance Benefits Program Series consists of one program that provides life insurance coverage for state employees who are exempt from collective bargaining.

Program 02.01: Life Insurance Benefits

The Life Insurance Investment Fund is used to pay the premiums for the state's group life insurance benefit program for exempt employees. Approximately 16,000 employees are currently enrolled in the plan.

The Executive Recommendation will fund the following objectives:

- Pay the premium for the state's group life insurance benefit program for exempt employees.

FUND				RECOMMENDED	
GROUP	FUND	ALI	ALI NAME	FY 2010	FY 2011
AGY	8100	995670	Life Insurance Investment	2,229,834	2,229,834
TOTAL FOR PROGRAM				2,229,834	2,229,834

PROGRAM SERIES 03: Paid Leave Funds/Programs

The Paid Leave Funds/Programs Program Series consists of three programs that provide for accrued, disability, and parental leave payments for eligible State of Ohio employees.

Program 03.01: Accrued Leave

Upon termination from state service due to retirement or separation, the Accrued Leave Liability Fund provides for the payment to employees of accrued vacation, sick, and personal leave. In addition, payments for certain amounts of unused sick and personal leave are made to active employees, at their option, during an annual December conversion opportunity.

The Executive Recommendation will fund the following objectives:

- Make payments to fund state employees' accrued leave cash outs.

FUND				RECOMMENDED	
GROUP	FUND	ALI	ALI NAME	FY 2010	FY 2011
ALF	8060	995666	Accrued Leave	65,200,000	67,200,000
TOTAL FOR PROGRAM				65,200,000	67,200,000

State of Ohio
Employee Benefits Funds

Program 03.02: Disability Leave

The State Employee Disability Leave Benefit Fund provides disability and income protection for non-job related disabilities to eligible state employees. During fiscal year 2008, 3,431 employees received disability benefits.

The Executive Recommendation will fund the following objectives:

- Make payments to fund state employees' disability leave benefits.

FUND				RECOMMENDED	
GROUP	FUND	ALI	ALI NAME	FY 2010	FY 2011
ALF	8070	995667	Disability Fund	27,400,000	28,100,000
TOTAL FOR PROGRAM				27,400,000	28,100,000

Program 03.03: Parental Leave

The Parental Leave Benefit Fund is used to make payments to eligible employees using parental leave to care for newborn or adopted children. A total of 1,710 state employees utilized this program in fiscal year 2008.

The Executive Recommendation will fund the following objectives:

- Make payments to fund state employees' parental leave benefits, by which eligible employees receive a percentage of their pay for four weeks after an initial 14-day waiting period immediately following the birth or adoption of a child.

FUND				RECOMMENDED	
GROUP	FUND	ALI	ALI NAME	FY 2010	FY 2011
AGY	8110	995671	Parental Leave Benefit	3,900,000	4,000,000
TOTAL FOR PROGRAM				3,900,000	4,000,000

PROGRAM SERIES 04: Health and Dependent Care Spending Accounts

The Health and Dependent Care Spending Accounts Program Series consists of two programs that provide for the pre-tax deduction and subsequent repayment for health care and dependent care expenses to eligible employees who elect to participate.

Program 04.01: Dependent Care Spending Account

The Dependent Care Spending Account Fund enables eligible employees to set aside pre-tax money for work-related dependent care expenses. Funds are deducted from employees' wages each pay period. Account holders can then withdraw their funds on a tax-free basis as often as every two weeks. A qualifying dependent may be any child under the age of 13, a disabled child of any age who requires care, a parent requiring care and living in the employee's home, or a spouse or relative who is physically and/or mentally incapable of self-care. As of June 2008, nearly 700 employees were participating in this program.

The Executive Recommendation will fund the following objectives:

- Make transfer payments to fund state employees' tax-exempt dependent care expenses.

FUND				RECOMMENDED	
GROUP	FUND	ALI	ALI NAME	FY 2010	FY 2011
AGY	8090	995669	Dependent Care Spending Acct	2,969,635	2,969,635
TOTAL FOR PROGRAM				2,969,635	2,969,635

Program 04.02: Health Care Spending Account

The Health Care Spending Account Fund enables eligible employees to set aside pre-tax money for out-of-pocket health care expenses not covered by insurance. Funds are deducted from employees' wages each pay period. Account holders can then withdraw their funds on a tax-free basis as they incur eligible expenses. During calendar year 2008, 3,715 state employees were enrolled in this program.

The Executive Recommendation will fund the following objectives:

- Make transfer payments to fund state employees' tax-exempt health care expenses paid from wage deductions of up to \$3,000 per participant each calendar year.

FUND				RECOMMENDED	
GROUP	FUND	ALI	ALI NAME	FY 2010	FY 2011
AGY	8130	995672	Health Care Spending Account	8,977,689	12,000,000
TOTAL FOR PROGRAM				8,977,689	12,000,000

PROGRAM SERIES 05: Payroll Deductions

The Payroll Deductions Program Series provides a centralized mechanism for collecting and disbursing a number of state agency and employee payroll deductions. The series was new to PAY in the 2008-2009 Executive Budget, having been moved from the DAS Human Resources Program Series.

Program 05.01: Payroll Deductions

In the state's payroll deductions process, deductions for self-insured employee benefit programs; credit unions; union dues; and tax payments to federal, state, and local governments as well as school districts are sent either directly to the vendor or taxing entity or into funds set up for health, dental, and vision benefit programs; life insurance; flexible spending accounts; parental leave; and accrued leave. However, approximately 30 of the 1,000 different payroll deductions administered by the state are collected into this program's consolidated fund for retirement and other miscellaneous deductions for subsequent distribution.

The Executive Recommendation will fund the following objectives:

- Administer a pass-through fund to centralize the payment of selected state agency and employee payroll deductions, including retirement contributions and deferred compensation.

FUND				RECOMMENDED	
GROUP	FUND	ALI	ALI NAME	FY 2010	FY 2011
AGY	1240	995673	Payroll Deductions	881,573,000	943,283,110
TOTAL FOR PROGRAM				881,573,000	943,283,110

State of Ohio
Employee Benefits Funds

LINE ITEM SUMMARY - Employee Benefits Funds

FUND	ALI	ALI NAME	FY 2006 ACTUAL	FY 2007 ACTUAL	FY 2008 ACTUAL	FY 2009 ESTIMATE	FY 2010 RECOMMENDED	% CHANGE	FY 2011 RECOMMENDED	% CHANGE
8060	995666	Accrued Leave	24,032,450	44,372,568	62,907,471	76,038,787	65,200,000	-14.3	67,200,000	3.1
8070	995667	Disability Fund	2,732,975	13,544,074	24,837,446	23,515,086	27,400,000	16.5	28,100,000	2.6
TOTAL Accrued Leave Liability			26,765,425	57,916,643	87,744,917	99,553,873	92,600,000	-7.0	95,300,000	2.9
1240	995673	Payroll Deductions	0	0	742,781,252	823,900,000	881,573,000	7.0	943,283,110	7.0
8080	995668	State Employee Health Benefit	404,783,595	413,021,117	479,894,606	550,922,742	551,795,580	0.2	598,643,430	8.5
8090	995669	Dependent Care Spending Acct	2,664,591	2,521,023	2,370,986	2,969,635	2,969,635	0.0	2,969,635	0.0
8100	995670	Life Insurance Investment	1,922,909	1,986,238	1,897,445	2,229,834	2,229,834	0.0	2,229,834	0.0
8110	995671	Parental Leave Benefit	181,691	1,599,228	3,741,587	3,962,718	3,900,000	-1.6	4,000,000	2.6
8130	995672	Health Care Spending Account	1,314,554	2,385,381	5,024,944	6,716,576	8,977,689	33.7	12,000,000	33.7
TOTAL Agency			410,867,340	421,512,987	1,235,710,819	1,390,701,505	1,451,445,738	4.4	1,563,126,009	7.7
TOTAL Employee Benefits Funds			437,632,764	479,429,630	1,323,455,736	1,490,255,378	1,544,045,738	3.6	1,658,426,009	7.4