

DEPARTMENT OF STATE TREASURER – STATE HEALTH PLAN

COMPENSATION REVIEW AND RECOMMENDATIONS

December 20, 2016

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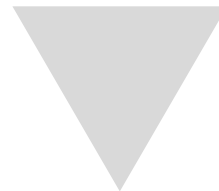
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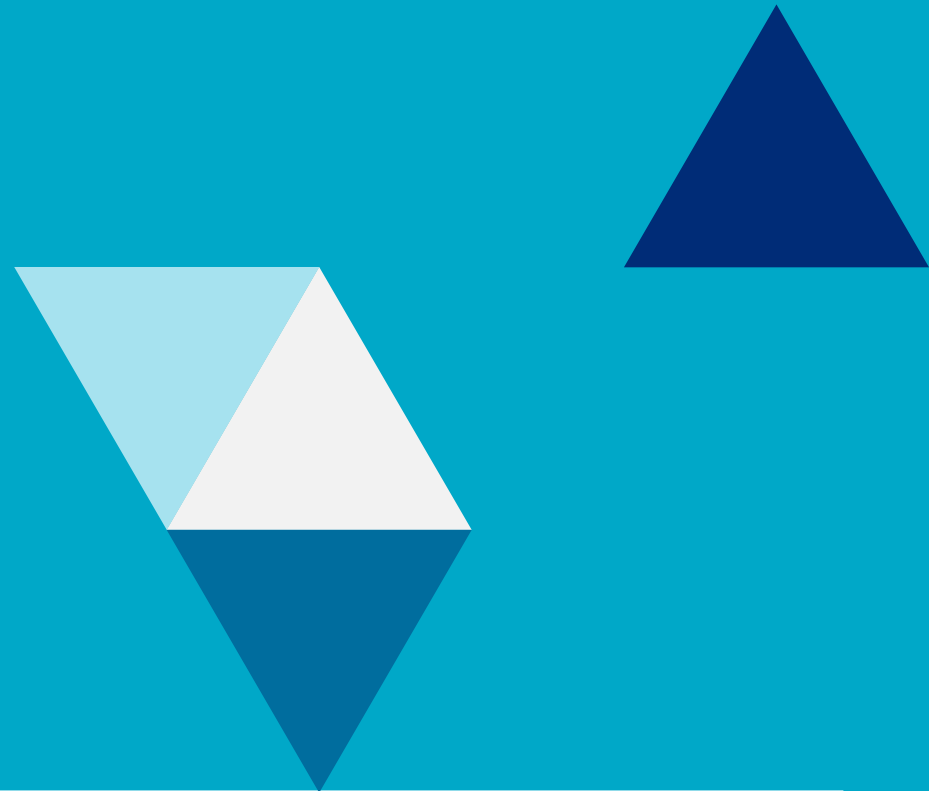
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INTRODUCTION



INTRODUCTION

- The North Carolina Department of State Treasurer (NCDST) engaged Mercer (“Mercer” or “we”) to review its compensation program for the members of the State Health Plan (SHP).
- This report includes Mercer’s review of SHP’s compensation program for the following classification titles (SHP preferred classification title in parentheses – if different):

Classification Title		
Healthcare Customer Experience Manager (Customer Experience Manager)	Public Health Program Consultant I (IHM Program Manager)	Healthcare Product Manager (Health Plan Product Manager)
Administrative Support Specialist - J (Customer Experience Associate)	Director of Contract Compliance (Contracting Manager)	Information & Communications Spec III (Communications Specialist)
Network Operations Manager (Operations Program Manager)	Director of Contracting & Legal Compliance (Director of Contracting and Health Plan Compliance)	Health Plan Business Analyst (Operations Business Analyst)
Analytics and Data Science Manager	Director of Customer Experience	Medical Director (Part-Time)
Bus Sys Analyst - A (IHM Analyst)	Director of Health Plan Informatics	Analytic Modeler
Bus Sys Analyst - J (Pharmacy Program Manager)	Director of Health Plan Operations	Nurse Consultant - A (IHM Clinical Program Manager)
Business Systems Analyst - A (Pharmacy Analyst)	Director of Integrated Health Management	Nurse Consultant - J (IHM Clinical Program Manager)
Chief Operating Officer	Director of Pharmacy Benefits	Paralegal III (Compliance Officer)
Communications Manager	Director of Policy Planning and Analysis	Pharmacist - J (Clinical Pharmacist)
Contracts Specialist II (Contracting Specialist)	Executive Administrator	Pharmacist (Clinical Pharmacist Manager)
Technical Support Technician - J (Website Communications Specialist)	Executive VP & Chief Operating Officer (Deputy Executive Administrator)	Policy Development Analyst (Health Policy Analyst and Legislative Liaison)
Data Analyst	Financial Analyst	Data Warehouse Developer
Data Librarian	Information Analyst	Quality Manager
Data Management Manager	Administrative Officer II (Quality Specialist)	Customer Experience Specialist

- This study is similar to previous studies conducted by Mercer for the Investment Management Division (IMD) and Supplemental Retirement Plan (SRP). Consistency between the three studies was a priority.

INTRODUCTION

PROJECT STEPS

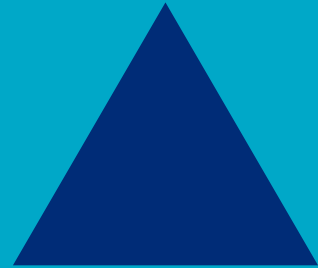
- Phase 1 – Planning and Strategy Development
 - The project team conducted an in-person kick off meeting with the internal project team to ensure roles and responsibilities were clearly defined.
 - The project team then hosted Stakeholder Interviews with SHP team members and other NCDST staff.
 - The purpose of these interviews was to inform the interviewees about the process and gather a deeper understanding of the roles in question.
- Phase 2 – Competitive Pay Analysis
 - Mercer defined appropriate comparator groups, identified benchmark jobs, and determined job matching strategies.
 - SHP confirmed the appropriate benchmark jobs for all classification titles.
 - Competitive market data was collected and employee compensation levels were compared to market data.
- Phase 3 – Compensation Framework Design
 - Mercer created a compensation framework with recommended grade “slotting” for each classification title and incumbent.
- Phase 4 – Communication of Results
 - This report will be utilized to present the results of our project to the various stakeholders.

INTRODUCTION

STATEMENT OF COMPENSATION OBJECTIVES AND SCOPE

- During our initial engagement with DST, Mercer crafted a proposed compensation philosophy based on our understanding of the organization. For continuity purposes, Mercer recommends similar language for the management of the SHP employees. The proposed compensation philosophy for SHP is below:
 - *The State Health Plan (“SHP”) within North Carolina's Department of State Treasurer exists to provide high-performing plan administration services for the State of North Carolina health benefit programs. SHP's ability to execute on this initiative hinges in large part on the ability to recruit and retain top talent within the industry. In order to ensure competitive compensation practices, SHP will periodically commission compensation studies to compare the existing rewards programs to those offered at similarly situated institutions. SHP will set a philosophy to provide base salary compensation to its core staff at the median of comparable organizations. This base salary philosophy will allow SHP to recruit and retain from other State organizations and from other for-profit entities.*

METHODOLOGY



METHODOLOGY

MARKET PRICING METHODOLOGY

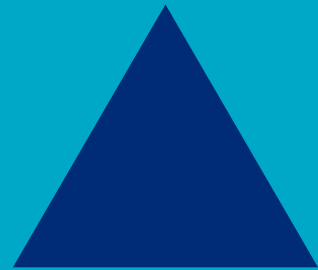
- To conduct the review of SHP's compensation, Mercer used the following survey sources:
 - Mercer's 2016 Integrated Health Network (IHN) Survey – Health Plan Module
 - Mercer's 2016 Mercer Benchmark Database (MBD) Survey
 - PRM Consulting Group's 2015 Not-for-Profit Management Survey
- Within the sources above, Mercer targeted the Health Insurance Industry scope, as available, to best represent the external market for SHP talent.
- All survey data was trended forward to December 1, 2016 using an annualized growth rate of 3.0%, the actual salary increase for jobs in 2015 and 2016¹.

METHODOLOGY

SALARY STRUCTURE & SLOTTING METHODOLOGY

- Mercer created a 16-grade salary grade structure to manage SHP classification titles.
- The salary structure was built with the following methodology:
 - All jobs were market priced against the compensation surveys.
 - The structure was built off of midpoints based on the median of the survey data.
 - The grades have ranges of +/- 20% of midpoint, and progressions from 12.5% to 15% (these are based on market data and consistent with market practices).
- To slot classification titles into the 16-grade structure, Mercer assigned each classification title to the grade where the midpoint was closest to the market value for the classification title.
 - Some classification titles were slotted in lower or higher grades than the market data recommended; this decision was based on Mercer and NCDST's understanding of a classification title's relative level compared to other roles in NCDST.
- Individual employee compensation was then compared to the salary structure based on incumbents' current pay and their assigned grade's midpoint, minimum and maximum. Individual compensation decisions will be made by NCDST based on a combination of factors, including performance, tenure, experience and position in grade.
- The following pages display the salary structure that was developed based on these market reference points.

SALARY STRUCTURE



SALARY STRUCTURE

- Mercer developed this 16-grade traditional structure using a target market positioning at the median of the market.

Grade	Min	Mid	Max	Progression	Range
10	\$36,000	\$45,000	\$54,000		50%
11	\$41,000	\$51,000	\$61,000	12.5%	50%
12	\$46,000	\$57,000	\$68,000	12.5%	50%
13	\$51,000	\$64,000	\$77,000	12.5%	50%
14	\$58,000	\$72,000	\$86,000	12.5%	50%
15	\$65,000	\$81,000	\$97,000	12.5%	50%
16	\$73,000	\$91,000	\$109,000	12.5%	50%
17	\$82,000	\$102,000	\$122,000	12.5%	50%
18	\$92,000	\$115,000	\$138,000	12.5%	50%
19	\$103,000	\$129,000	\$155,000	12.5%	50%
20	\$116,000	\$145,000	\$174,000	12.5%	50%
21	\$130,000	\$163,000	\$196,000	12.5%	50%
22	\$150,000	\$187,000	\$224,000	15.0%	50%
23	\$172,000	\$215,000	\$258,000	15.0%	50%
24	\$198,000	\$247,000	\$296,000	15.0%	50%
25	\$227,000	\$284,000	\$341,000	15.0%	50%

Grade labels were set beginning at 10

Range widths are set at a constant 50%, which allows for an ample range on either side of the midpoint to account for employee performance, experience, etc.

Midpoint progressions reflect typical level differentiation between jobs in the structure (increase from 12.5% up through 15% at the highest levels)

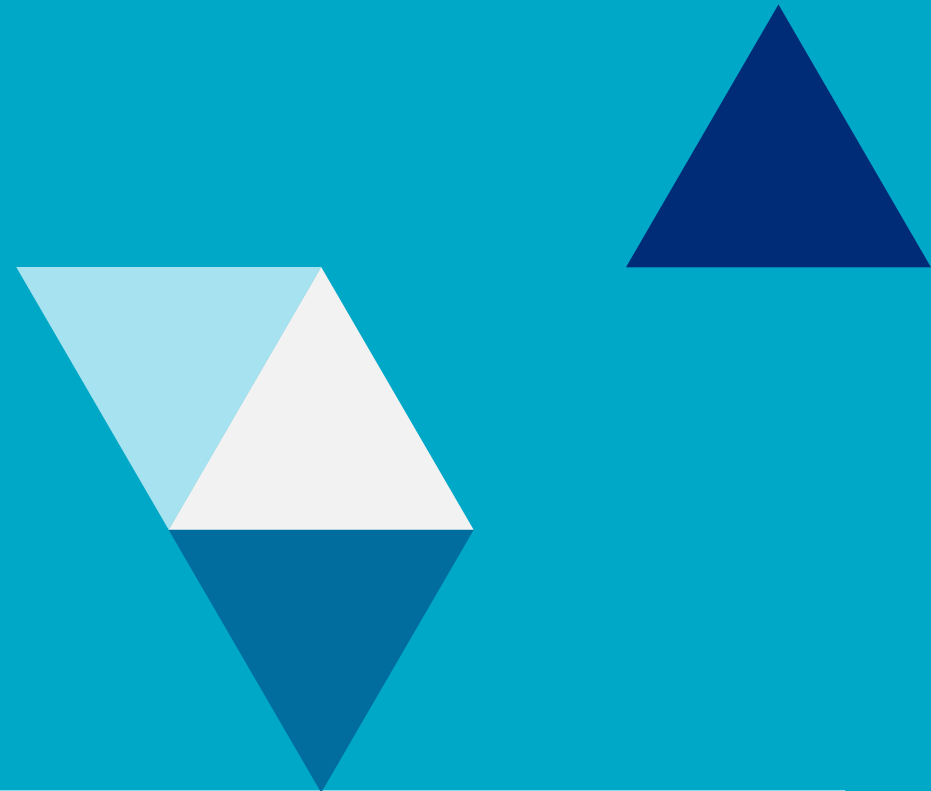
SALARY STRUCTURE

CLASSIFICATION TITLE SLOTTING

- SHP classification titles were slotted into grades based on competitive market benchmarking and relative level compared to other roles within NCDST:

Grade	Classification Title	Min	Mid	Max
10		\$36,000	\$45,000	\$54,000
11	Administrative Support Specialist - J (Customer Experience Associate), Technical Support Technician - J (Website Communications Specialist)	\$41,000	\$51,000	\$61,000
12	Customer Experience Specialist, Information & Communications Spec III (Communications Specialist), Data Librarian	\$46,000	\$57,000	\$68,000
13	Administrative Officer II (Quality Specialist), Public Health Program Consultant I (IHM Program Manager)	\$51,000	\$64,000	\$77,000
14	Contracts Specialist II (Contracting Specialist), Healthcare Customer Experience Manager (Customer Experience Manager), Business Systems Analyst - A (Pharmacy Analyst), Paralegal III (Compliance Officer), Data Analyst	\$58,000	\$72,000	\$86,000
15	Policy Development Analyst (Health Policy Analyst and Legislative Liaison), Bus Sys Analyst -A (IHM Analyst), Health Plan Business Analyst (Operations Business Analyst), Quality Manager	\$65,000	\$81,000	\$97,000
16	Financial Analyst, Communications Manager, Bus Sys Analyst - J (Pharmacy Program Manager), Healthcare Product Manager (Health Plan Product Manager), Information Analyst, Analytic Modeler	\$73,000	\$91,000	\$109,000
17	Director of Contract Compliance (Contracting Manager), Network Operations Manager (Operations Program Manager), Data Warehouse Developer	\$82,000	\$102,000	\$122,000
18	Nurse Consultant - A (IHM Clinical Program Manager), Nurse Consultant - J (IHM Clinical Program Manager), Pharmacist - J (Clinical Pharmacist), Analytics and Data Science Manager	\$92,000	\$115,000	\$138,000
19	Director of Contracting & Legal Compliance (Director of Contracting and Health Plan Compliance), Director of Integrated Health Management, Director of Policy Planning and Analysis, Director of Customer Experience, Data Management Manager	\$103,000	\$129,000	\$155,000
20	Pharmacist (Clinical Pharmacist Manager), Director of Health Plan Operations	\$116,000	\$145,000	\$174,000
21	Medical Director (Part-Time), Director of Pharmacy Benefits	\$130,000	\$163,000	\$196,000
22	Executive VP & Chief Operating Officer (Deputy Exec Administrator), Chief Operating Officer	\$150,000	\$187,000	\$224,000
23	Director of Health Plan Informatics	\$172,000	\$215,000	\$258,000
24		\$198,000	\$247,000	\$296,000
25	Executive Administrator	\$227,000	\$284,000	\$341,000

COST ANALYSIS



COST ANALYSIS

- Mercer conducted a cost analysis of bringing all classification titles to the minimum and midpoints of their assigned grades.
- The analysis on the following page is based on incumbent current salaries and budgeted salaries for vacant roles, if available.
- The cost analyses on the following pages and in the appendix are preliminary and tentative. Subsequent to the SHP Board meeting, the Treasurer will consider SHP management recommendations on individual salary implementation decisions based on individual competency, performance management ratings, tenure, experience, job duties, and other relevant factors.

COST ANALYSIS

FILLED & BUDGETED CLASSIFICATION TITLES

Grade	Classification Title	Min	Mid	Max	Total Cost by Grade - Filled & Budgeted Classification Titles	
					Cost to Grade Minimum	Cost to Grade Midpoint
10		\$36,000	\$45,000	\$54,000	\$0	\$0
11	Administrative Support Specialist - J (Customer Experience Associate), Technical Support Technician - J (Website Communications Specialist)	\$41,000	\$51,000	\$61,000	\$2,773	\$15,053
12	Customer Experience Specialist, Information & Communications Spec III (Communications Specialist)	\$46,000	\$57,000	\$68,000	\$0	\$6,922
13	Administrative Officer II (Quality Specialist), Public Health Program Consultant I (IHM Program Manager)	\$51,000	\$64,000	\$77,000	\$15,822	\$63,008
14	Contracts Specialist II (Contracting Specialist), Healthcare Customer Experience Manager (Customer Experience Manager), Business Systems Analyst - A (Pharmacy Analyst), Paralegal III (Compliance Officer)	\$58,000	\$72,000	\$86,000	\$3,424	\$25,469
15	Policy Development Analyst (Health Policy Analyst and Legislative Liaison), Bus Sys Analyst -A (IHM Analyst), Health Plan Business Analyst (Operations Business Analyst), Quality Manager	\$65,000	\$81,000	\$97,000	\$2,458	\$31,916
16	Financial Analyst, Bus Sys Analyst - J (Pharmacy Program Manager), Healthcare Product Manager (Health Plan Product Manager)	\$73,000	\$91,000	\$109,000	\$2,137	\$33,709
17	Director of Contract Compliance (Contracting Manager), Network Operations Manager (Operations Program Manager)	\$82,000	\$102,000	\$122,000	\$0	\$19,072
18	Nurse Consultant - A (IHM Clinical Program Manager), Nurse Consultant - J (IHM Clinical Program Manager), Pharmacist - J (Clinical Pharmacist)	\$92,000	\$115,000	\$138,000	\$24,171	\$80,171
19	Director of Contracting & Legal Compliance (Director of Contracting and Health Plan Compliance), Director of Integrated Health Management, Director of Policy Planning and Analysis	\$103,000	\$129,000	\$155,000	\$4,342	\$70,218
20	Pharmacist (Clinical Pharmacist Manager), Director of Health Plan Operations	\$116,000	\$145,000	\$174,000	\$0	\$51,560
21	Director of Pharmacy Benefits	\$130,000	\$163,000	\$196,000	\$0	\$27,339
22	Executive VP & Chief Operating Officer (Deputy Exec Administrator), Chief Operating Officer	\$150,000	\$187,000	\$224,000	\$26,490	\$100,490
23	Director of Health Plan Informatics	\$172,000	\$215,000	\$258,000	\$75,164	\$118,164
24		\$198,000	\$247,000	\$296,000	\$0	\$0
25	Executive Administrator	\$227,000	\$284,000	\$341,000	\$2,685	\$59,685
Totals:					\$159,466	\$702,776

COST ANALYSIS

UNBUDGETED CLASSIFICATION TITLES

- For vacant roles without a budgeted base salary, a separate analysis was conducted to determine the total cost of bringing in these new roles at the minimum and midpoint of their assigned grades.

					Total Cost by Grade - Unbudgeted Classification Titles	
Grade	Classification Title	Min	Mid	Max	Cost to Grade Minimum	Cost to Grade Midpoint
10		\$36,000	\$45,000	\$54,000	\$0	\$0
11		\$41,000	\$51,000	\$61,000	\$0	\$0
12	Data Librarian	\$46,000	\$57,000	\$68,000	\$46,000	\$57,000
13		\$51,000	\$64,000	\$77,000	\$0	\$0
14	Data Analyst	\$58,000	\$72,000	\$86,000	\$58,000	\$72,000
15		\$65,000	\$81,000	\$97,000	\$0	\$0
16	Communications Manager, Information Analyst, Analytic Modeler	\$73,000	\$91,000	\$109,000	\$219,000	\$273,000
17	Data Warehouse Developer	\$82,000	\$102,000	\$122,000	\$82,000	\$102,000
18	Analytics and Data Science Manager	\$92,000	\$115,000	\$138,000	\$92,000	\$115,000
19	Director of Customer Experience, Data Management Manager	\$103,000	\$129,000	\$155,000	\$206,000	\$258,000
20		\$116,000	\$145,000	\$174,000	\$0	\$0
21	Medical Director (Part-Time)	\$130,000	\$163,000	\$196,000	\$130,000	\$163,000
22		\$150,000	\$187,000	\$224,000	\$0	\$0
23		\$172,000	\$215,000	\$258,000	\$0	\$0
24		\$198,000	\$247,000	\$296,000	\$0	\$0
25		\$227,000	\$284,000	\$341,000	\$0	\$0
Totals:					\$833,000	\$1,040,000



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