MINUTES

MONTANA HOUSE OF REPRESENTATIVES
51st LEGISLATURE - REGULAR SESSION

SELECT COMMITTEE ON EMPLOYEE COMPENSATION

Call to Order: By Chairman Addy, on February 28, 1989, at 2:01 p.m.

ROLL CALL

Members Present: All members were present.

Members Excused: None.

Members Absent: None.

Staff Present: Judy Waldron, LFA
Lois Menzies, Legislative Council
Mary Liedle, secretary

Announcements/Discussion: Rep. Addy introduced the staff to the committee. He then announced the committee would hear a presentation on classification and pay systems, health insurance and labor negotiations.

PRESENTATION ON CLASSIFICATION AND PAY SYSTEMS

Laurie Ekanger, Administrator of the Personnel Division, Department of Administration made a presentation on the classification and pay systems. Prior to 1975 when the current pay systems were put into place there were a myriad of agencies with their own pay systems. Pay systems were decentralized within the various agencies and inequities existed among employees of different agencies performing similar job duties. In 1975 the Classification and Pay Act was passed by the legislature.

The goal of the Classification and Pay Act is to group all positions into defined classes based on similar duties, responsibilities and complexities of work so that for similar jobs the following objectives would be met:

a) applicants will be required to have similar qualifications
b) the same title can be used
c) pay will be equitable
d) there will be equal pay for comparable worth.

The goal for compensation was to attract and retain competent, qualified employees and to administer pay on the basis of merit, internal equity, competitiveness to the external labor market when fiscally possible.

The classification goals are being met but there are problems in some areas of compensation goals.

In 1975 employees began getting a state share toward the cost of their health insurance premiums. At that time the state share was $10 per employee per month. Today the state share is $115 per employee per month.

Ms. Ekanger provided the committee a handout showing the percent of salary increases from FY76 through FY89. (See exhibit 1) There are some problems arising due to the fact that salaries have been frozen the past two fiscal years and inflation has continued to rise. Many employees have filed appeals in an attempt to increase their income even by a small amount. Morale is low and employees continue to worry about the small increase presented by the current pay plan.

Laurie Ekanger explained the numbers of FTE currently on the state pay plan. The pay matrix for the statewide schedule includes 25 grades and 13 steps. There's about a 7.5% difference between grades and a 2% difference between steps. There are 8,470 FTE statewide, 109 liquor store employees, 811 blue collar (non university) employees, 46 FTE teachers for institutions and family services, 24 FTE at the School for the Deaf and Blind and 8 physicians. Ms. Ekanger said these numbers do not include the university system. Job titles, grades and means of advancement through the Liquor Store Plan are collectively bargained. Placement on the salary schedule is determined by the position held and the volume of business in the store. There are no "steps" but 5 year longevity increments and opportunity for a percentage of profits. Job titles, grades, pay rates and means of advancement through the Blue Collar Pay Schedule are also bargained. There are no "steps" in this plan. The teachers employed by accredited schools in state government have bargained matrices typical to school districts, with credit for years of service and educational attainment. State law allows for the establishment of a separate pay schedule for medical doctors if the rates outlined in the statewide pay schedule are not sufficient to attract and retain fully licensed and qualified physicians at the state institutions.

There are about 981 positions which are exempt from the pay schedule excluding the university system. The pay plans do not establish salary levels for elected officials and their personal staffs, county assessors and their chief deputy, officers and employees of the legislative branch, judges and employees of the judicial branch, members of boards and commissions appointed by the governor, the legislature and other elected officials, officers or members of the militia, agency heads appointed by the governor, academic and professional administrative personnel under board of regents contract, professional administrative personnel and live-in houseparents under state school for the deaf and blind contract, investment officer, assistant investment officer, executive director and three professional staff positions of the board of investments, four professional staff positions under the board of oil and gas conservation and the assistant director for security of the Montana state lottery. Each year there are more requests for exempt positions. This is a problem for the Department of Administration because it tends to take the system back towards the old way when each agency or department set its own schedule. It also tends to create inequities.

The statewide matrix is designed to take chaos and turn it into order. Classification is an orderly approach to ranking jobs according to pre-established criteria for the purpose of assigning pay ranges. In a classification system, the characteristics of the job, rather than the characteristics of the employee appointed to the job, provide the basis for setting pay. The classification system cover approximately 12,600 positions including 2000 university employees. It contains approximately 12,600 position descriptions. Every position has a position description on file. There are approximately 1550 classes within the system. A class is a group of positions that are similar enough in duties and responsibilities that the same title can be used to describe them and the same knowledge, skills and abilities can be required of each. Some classes, such as Highway Patrol Officer II, have over 100 positions. Others, such as State Dental Officer, have only one.

When a job comes in and the Department of Administration needs to assign a classification they determine that classification through two questions. First, they ask if the job is similar enough to be classed with any already existing job. Positions that are similar are allocated to the same class. Then they ask which jobs are more difficult and require greater skills. Then a grade is determined based on difficulty. When a job changes due to duties or responsibilities changing, the classification also changes. Classification changes can be requested by an employer or an employee. New positions must be classified before they can be filled. An "upgrade" is the reclassification of a position to a class at a higher grade and a "downgrade" is the reclassification of a position at a lower grade. In FY88 the Department of Administration looked at 2200 jobs to determine whether or not a classification change should be made. The changes that were made were almost all upgrades. The 2200 positions represented a 51% increase over the number of jobs looked at the previous year. The Department of Administration also reviewed 25 classes to be sure they were current and accurate and they rewrote 50 specifications.

The classification system has two major problems. First, it doesn't solve pay problems. The system does not consider the outside job market. There is nothing in the process that addresses the supply of or demand for workers who possess the required skills of a given class. The second problem is that there is no merit built into the system. If a person does a job better than anyone who has ever done the job it is still classified the same as if a person who did a horrible job occupied the position. Employees who are classified the same receive the same base pay regardless of how well they perform their duties. The classification is based on the job, not the employee.

Employees who are unhappy with their job classification can appeal. The appeal is a four step process. In FY88 there was an 82% increase in the number of appeals over FY87.

95% of all classified jobs fall between grade 5 and grade 17. The only way to move, for example, from a grade 6 to a grade 7 is to change jobs or to have a position upgrade due to added duties and responsibilities.

When there are recruitment problems agencies are sometimes allowed to hire a position at a higher step. This practice is somewhat controversial among other state employees who had to start at a step 1 and then someone else comes along and is hired at a step 4 or 5.

The state pay plan also includes other compensation in the form of benefits. These benefits include vacation, 15-24 days per year depending on length of service; sick leave at 12 days per year; holidays at 10.5 days per year; state share of PERS which is 6.4% of pay; state share of FICA which is 7.1% of pay and health, life and dental insurance of which the state share is $1380 per year.

The Department of Administration did a salary survey of the private sector in Montana and nine surrounding states and found that Montana state government pays below the in-state employers surveyed for some occupational categories and above in other categories. However, Montana state government pays less than neighboring states in all categories. Compared to neighboring state governments, Montana has dropped from approximately 12% below the overall average salaries reported on the 1986 salary survey to nearly 17% below. This can create recruitment and retention problems for Montana. Ms. Ekanger said in many areas Montana serves as a training ground for other employers.

<u>Questions From Committee Members:</u> (1A 12.29) Rep. Quilici: You say the liquor store employees and blue collar workers do not have steps in their matrices?

Laurie said the steps are negotiated, they are not built into the matrix.

(1A 14.53) Rep. Addy: What are the qualifications for exemptions?

Laurie Ekanger said getting on the list in the law. The list gets longer each year. Each year there is a flurry of bills that would add more positions to the list.

(1A 16.06) Rep. Addy: Is the argument for being an exempt position that they can't get employees for what is included in the state pay plan?

Laurie Ekanger said that is generally the argument.

(1A 25.54) Rep Quilici: Are there some jobs that would be paid more than a grade 25 earns if they weren't exempt positions?

Laurie Ekanger said she is not sure. Rod Sunsted said probably just the State Medical Examiner.

(1A 32.29) Rep. Addy: Has the number of appeals regarding job classifications gone up?

Laurie Ekanger responded that the number of appeals has gone up dramatically.

PRESENTATION ON COLLECTIVE BARGAINING

Rod Sunstedt made a presentation on collective bargaining to the committee. He began with the history of collective bargaining which was first introduced in 1969 for nurses. In 1971 teachers were also given the right to bargain collectively. In 1973 all employees were granted the right to collectively bargain with the exception of some managers and supervisors.

The bargaining authority is in the Collective Bargaining Act which is very similar to the National Labor Relations Act.

For most employees the right to strike comes with the right to bargain. There are some exceptions, however. Fire fighters do not have the right to strike. Nurses must give notice before striking. All other employees have the right to negotiate and the right to strike.

The authority to bargain and enter into contracts with unionized employees in state government rests with the governor or his designee.

Negotiations have generally taken place beginning in August. The attempt is to negotiate a plan to present to the legislature. The Governor must present a pay plan by November 15 of the year before the legislative session.

The State Personnel Division, Labor Relations and Employee Benefits Bureau, negotiates 73 of the 93 labor agreements in state government. The remaining 20 are the responsibility of the university system. The size of the units range from two members to approximately 750 members.

There are four basic types of contracts negotiated by the State Personnel Division. There are master agreements, supplemental agreements, contracts in common and separate contracts. The Montana Public Employees' Association which represents about 3100 state employees, negotiates a master agreement which is applicable to 16 of their 25 units. This agreement establishes the general provisions for all the covered employees except that the terms of this master agreement may be modified by the various supplemental agreements. Master agreements are also negotiated by the American Federation of State, County and Municipal Employees which represents about 850 state employees, and by the Montana Nurses' Association which covers the professional nurses at Montana State Hospital. The Montana Public Employees' Association has 16 supplemental agreements to their master contract. These agreements modify the master contract. They are negotiated separately and are applicable only to specific bargaining units. The American Federation of State, County and Municipal Employees has two supplementals which are applicable to the Montana Developmental Center and Montana State Hospital. These are negotiated separately from the master agreement. Several of the craft unions have common contracts which cover employees in several units. Those organizations which have master agreements, as well as all other unions, have separate contracts for various units. These are negotiated separately and are not affected by the master contracts.

The 55 collective bargaining agreements in existence prior to 1973 were negotiated in various ways. The Board of Examiners, which no longer has a role in personnel matters, negotiated several contracts and pay plans, as did various agencies and local managers. No one agency had the responsibility to oversee the labor relations aspect of state government.

There are some conflicting elements in the collective bargaining and pay plan process. The primary conflict is between the obligation of the employer to bargain with each bargaining unit on wages, hours, fringe benefits and other conditions of employment and the obligation of the employer to provide equal benefits to all employees regardless of whether they are organized or unorganized. As a result of this conflict, the Labor Relations Bureau will generally negotiate each contract twice; first for economics and second for the "other terms and conditions of employment".

Sue Romney, Director of Labor Relations and Personnel for the University system told the committee that she negotiates with 15 different labor organizations. She provided the committee a handout containing employee statistics, pay grade distribution, a labor relation status report and the current status of negotiations. (See exhibit 2)

Questions From Committee Members: (1B 1.26) Rep. Quilici: In your negotiations is there any movement to go over the executive recommendation of 1.5%?

Rod Sunstedt said no, he has not made any agreements. The governor's pay plan serves as his guideline as the state's negotiator.

(1B 2.40) Rep. Quilici: Have you taken into consideration there might be a hike in the health insurance costs?

Mr. Sunstedt responded that he has not kept any secrets with regard to information about the state health plan. This is a concern to state employees.

PRESENTATION ON STATE EMPLOYEE HEALTH PLAN

Laurie Ekanger gave a presentation on the state health plan including the history of the plan, the status of the plan now, and future projections.

The state health plan is a major medical plan. That means it is designed to provide almost unlimited protection against big medical bills. It does not pay the fist dollars of medical expense, however. There is a $150 deductible. After the deductible has been met, there is a 20% coinsurance so the employee pays 20% of the next $2500. The plan then pays 100% up to $1 million per member per lifetime. There are currently 28,000 people covered by the plan. The state pays $115 per employee per month, retirees and COBRA pay their own premiums and the employee covers the cost of dependents. The current premium cost is $102.80 per month. Employees may use the excess for dependents or to buy additional coverage. There is a contract with Blue Cross Blue Shield to administer claims. The plan is self-insured. Last year there was $19 million in claims.

Prior to September, 1979 every agency had its own plan. In 1979 the legislature passed a law allowing the state to set up a plan. The law allowed the university system to set up their own plan if they wished. They chose to do so.

There are several reasons costs continue to go up. These reasons include increased use, cost shifting, technological advances, new diseases, malpractice insurance, aging members and mandated benefits. More people are using the plan and getting more services. In 1989 half of the cost increases appeared to be due to more services. Hospitals and doctors shift costs for uninsured and insurance plans end up picking up the costs. The federal government also does cost shifting. They have done direct cost shifts from Medicare to the state plan. Over the past several years Medicare has forced employer plans to pay primary on all active employees and employee dependents who are Medicare recipients. Technological advances such as organ transplant capabilities and life saving capabilities for premature infants are routine now and are expensive whereas, a few years ago these capabilities didn't even exist. New diseases like AIDS and co-dependency also make costs rise. Co-dependency was not even considered a few years ago and now is number 1 in the treatment arena for the mental health field. This is a nationwide problem. The kind of cost increases experienced by the state plan are not unique. Blue Cross Blue Shield reports experiencing claims cost increases of 20% per year. Premiums for small employer groups have been increased by as much as 60% this year.

The options available for paying the increased costs include excess reserves, increasing employee shares, changing the state share and making changes in benefits. The first option, using excess reserves, has pretty much been exhausted during the current biennium. The employee share could be increased by increasing the premiums, increasing the coinsurance or increasing the deductible. The executive plan includes an increase in the state share of premiums of $10 per employee per month in FY90 and an additional $15 per employee per month in FY91. Benefit changes could involve managing high costs through case management or hospital bill audits; developing prevention programs such as health screenings and well baby programs; implementing consumer incentives; eliminating overgenerous benefits or negotiating lower prices with physicians and pharmacies.

There is a shortfall of $20,073,000 over the biennium. After considering cost savings, the pay bill, fluctuation reserve and removing $10 of current excess state share there will be a shortfall of $15 per employee per month. The figures presented by the Department of Administration anticipate a 15% inflation rate each year which is probably a high estimate. The inflation rate has been about 10% so far this year. If that continues there will be a larger fund balance than is predicted. Laurie Ekanger presented the committee a handout showing anticipated figures using a 15% inflation rate. (See exhibit 3) She said if the committee would, at any time, like to see figures based on a different percentage rate, the department would be happy to work up a handout. If something is not done to change the plan, the way it currently stands the plan would be insolvent by 1991.

Dave Evenson, Director of Benefits for the Montana University System presented the university health plan based on a 15% inflation rate. (See exhibit 4) Like the state plan, if something is not done this plan would be insolvent by the second year of the biennium.

The university plan has been in existence since 1971. This plan is partially self-insured. The plan has a $200 deductible and pays 80% of all allowable charges up to $2000. The plan covers 12,800 people; about 4000 employees, 1000 retirees and also includes employee dependents.

Mr. Evenson said that 11 cents out of every dollar spent in this country is for health care costs. There is no quick fix to the health care problem. It will get progressively more difficult if things go as projected.

Dave Evenson provided a comparison of the state plan and the university plan to school districts in the state. (See exhibit 5)

The university system is currently utilizing case management, employee wellness programs and home health care (as opposed to more expensive hospitalization) to fight rising costs.

<u>Questions From Committee Members:</u> (1B 20.33) Rep. Iverson: What would happen if no changes were made?

Laurie Ekanger said the plan would be insolvent by the end of the biennium.

(2A 2.40) Rep. Addy: Dave, what kinds of claims are we talking about that would cost $160,000?

Dave Evenson responded that the one he mentioned was a psychiatric claim. The plan is paying the cost of someone going out of state because the hospitalizing physicians didn't believe there was a place in state that could deal with the patient's condition.

(2A 4.32) Rep. Swysgood: The major impact we're going to be looking at is the cost of health insurance. If we do nothing we'll have another workers' comp problem on our hands, right?

Laurie Ekanger said no. If the legislature doesn't do something, the department will do something to keep the plan solvent.

ADJOURNMENT

Adjournment At: 4:08 p.m.

Kelly Addy

REP. KELLY ADDY, Chairman

KA/ml

DAILY ROLL CALL

EMPLOYEE COMPENSATION SELECT COMMITTEE

DATE February 28, 1989

NAME	PRESENT	ABSENT	EXCUSED
Representative Addy, Chair	X		
Representative Kasten	X		
Representative Iverson	X		
Representative Quilici	X		
Representative Spaeth	X		
Representative Swysgood	X		

Form CS-30A
Rev. 1985

EXHIBIT 1
DATE 2-28-89
HB

SAMPLE OF PERCENT SALARY INCREASES FROM PREVIOUS FISCAL YEARS
(EXCLUDES STEP INCREASES)
(EXCLUDES INSURANCE CONTRIBUTIONS)

Grade	FY76	FY77	FY78	FY79	FY80	FY81	FY82	FY83	FY84	FY85	FY86	FY87	FY88	FY89
4	5.0%	4.1%	7.0%	7.2%	5.1%	6.7%	12.9%	12.6%	1.7%	1.7%	3.1%	2.5%	0.0%	0.0%
8	5.0%	4.1%	4.8%	5.1%	4.2%	5.7%	10.8%	10.7%	1.7%	1.7%	2.3%	1.9%	0.0%	0.0%
12	5.0%	4.1%	3.3%	3.5%	3.6%	4.9%	9.2%	9.2%	1.6%	1.6%	1.7%	1.5%	0.0%	0.0%
16	5.0%	4.1%	2.8%	3.0%	4.5%	4.9%	8.5%	8.5%	1.6%	1.6%	1.6%	1.4%	0.0%	0.0%
20	5.0%	4.1%	2.7%	2.8%	5.4%	4.5%	8.5%	8.6%	1.6%	1.6%	1.6%	1.3%	0.0%	0.0%
CPI	5.4%	6.8%	7.7%	11.3%	13.1%	10.8%	6.4%	2.5%	4.2%	3.6%	1.6%	3.9%	4.1%	4.4%

SAMPLE OF PERCENT SALARY INCREASES FROM PREVIOUS FISCAL YEARS
(INCLUDES STEP INCREASES)
(EXCLUDES INSURANCE CONTRIBUTIONS)

		Step 2	Step 3	Step 4	Step 5	Step 6	Step 7	Step 8	Step 9	Step 10	Step 11	Step 11	Step 12	Step 12	Step 12
Grade	Step	FY76	FY77	FY78	FY79	FY80	FY81	FY82	FY83	FY84	FY85	FY86	FY87	FY88	FY89
8	1	7.5%	6.5%	7.2%	7.4%	6.5%	8.0%	13.1%	13.1%	3.9%	4.0%	2.3%	4.2%	0.0%	0.0%
12	1	7.4%	6.5%	5.8%	5.9%	5.8%	7.1%	11.5%	11.5%	3.8%	3.8%	1.7%	3.7%	0.0%	0.0%
16	1	7.0%	6.0%	4.7%	4.8%	6.7%	7.1%	10.7%	10.5%	3.7%	3.8%	1.6%	3.5%	0.0%	0.0%
CPI		5.4%	6.8%	7.7%	11.3%	13.1%	10.8%	6.4%	2.5%	4.2%	3.6%	1.6%	3.9%	4.1%	4.4%

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EXHIBIT 2
DATE 2-28-89
HB

MONTANA UNIVERSITY SYSTEM

Report to

House Select Committee on Employee Compensation

February 22, 1989

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Montana University System

Employee Statistics

1989

	FACULTY	ADMINISTRATORS/ PROFESSIONALS	CLASSIFIED	TOTAL
CHE		16	17	33
EMC	141	42	227	410
MSU	792	178	981	1,951
NMC	82	40	95	217
TECH	93	45	110	248
UM	422	65	761	1,248
WMC	44	29	57	126
	1,574	415	2,248	4,233

Montana University System
Pay Grade Distribution

Grade	CHE	UofM	MSU	WMC	NMC	EMC	Tech	Total
4		2	12	4	1			19
5		30	63		2	5	2	102
6	2	45	82	2	8	11	2	152
7	3	135	204	5	32	60	36	475
8	4	92	155	16	14	45	18	344
9	2	94	102	11	15	18	13	255
10	4	65	105	4	2	13	18	211
11	2	54	64	9	4	21	7	161
12		57	51	2	6	15	9	140
13		83	59	3	7	15	1	168
14		53	37	1	3	15	3	112
15		22	24		1	6		53
16		18	12			2	1	33
17		4	2			1		7
18		1	2					3
19		1						1
20		1	1					2
22		4	6					10
TOTAL	17	761	981	57	95	227	110	2,248

B O A R D O F R E G E N T S

LABOR RELATIONS/COLLECTIVE BARGAINING AGREEMENTS

STATUS REPORT

1989

SUMMARY
BOARD OF REGENTS
LABOR RELATIONS/COLLECTIVE BARGAINING AGREEMENT
1989 STATUS REPORT

Number of University System Bargaining Units

Faculty Member Bargaining Units:	4
Classified Employee Bargaining Units:	6
Craft Employee Bargaining Units:	8
Total Bargaining Units:	18

Number of Employees in University System Bargaining Units

Faculty Members in Bargaining Units:	689
Classified Employees in Bargaining Units:	1,555
Craft Employees in Bargaining Units:	242
Total Employees in Bargaining Units:	2,487

Vocational-Technical Center Bargaining Units

Instructional Personnel:	165
Support Staff:	45
Custodial/Maintenance:	28
Total Vo-Tech Employees in Bargaining Units:	238

MONTANA UNIVERSITY SYSTEM
LABOR RELATIONS/COLLECTIVE BARGAINING AGREEMENT
1989 STATUS REPORT

Collective Bargaining Agent	Approximate Number of Employees FTE	Pay System	Units Covered
American Association of University Professors Eastern Montana College	141	Negotiated Annual Wage	EMC
Montana Federation of Teachers Northern Montana College	82	Negotiated Annual Wage	NMC
Montana Federation of Teachers University of Montana	422	Negotiated Annual Wage	UM
Montana Federation of Teachers Western Montana College	44	Negotiated Annual Wage	WMC
American Federation of State, County, and Municipal Employees (AFSCME) AFL-CIO, Local #441 Montana State University	27	State Pay Plan	MSU (Miles City)
American Federation of State, County, and Municipal Employees (AFSCME) AFL-CIO, Local #2235 Northern Montana College	84	State Pay Plan	NMC
International Association of Machinists and Aerospace Workers Local #1463	10	Negotiated Hourly Wage	MSU TECH UM
International Brotherhood of Electrical Workers Locals #532, #768	18	Negotiated Hourly Wage	EMC MSU UM
International Brotherhood of Painters and Allied Trades Local #260	11	Negotiated Hourly Wage	EMC MSU UM

International Typographical Union Local #277 and Graphic Communication International Union Local #242-C	4 6 10	Negotiated Hourly Wage	UM
International Union of Operating Engineers Locals #375, #400	28	Negotiated Hourly Wage	MSU TECH UM WMC
Montana District Council of Laborers Locals #98, #1334	125	State Pay Plan	EMC MSU UM
International Brotherhood of Carpenters and Joiners of America	22	Negotiated Hourly Wage	EMC MSU TECH UM
Montana Public Employees Association	1,338	State Pay Plan	EMC MSU TECH UM
United Association of Plumbers and Pipefitters Locals #30, #41, #459	19	Negotiated Hourly Wage	EMC MSU UM
United Food and Commercial Workers' International Union Local #1981 and Butte Teamsters' Union Local #2	77 29 106	State Pay Play	MSU UM

and life saving capabilities for premature infants are routine now and are expensive whereas, a few years ago these capabilities didn't even exist. New diseases like AIDS and co-dependency also make costs rise. Co-dependency was not even considered a few years ago and now is number 1 in the treatment arena for the mental health field. This is a nationwide problem. The kind of cost increases experienced by the state plan are not unique. Blue Cross Blue Shield reports experiencing claims cost increases of 20% per year. Premiums for small employer groups have been increased by as much as 60% this year.

The options available for paying the increased costs include excess reserves, increasing employee shares, changing the state share and making changes in benefits. The first option, using excess reserves, has pretty much been exhausted during the current biennium. The employee share could be increased by increasing the premiums, increasing the coinsurance or increasing the deductible. The executive plan includes an increase in the state share of premiums of $10 per employee per month in FY90 and an additional $15 per employee per month in FY91. Benefit changes could involve managing high costs through case management or hospital bill audits; developing prevention programs such as health screenings and well baby programs; implementing consumer incentives; eliminating overgenerous benefits or negotiating lower prices with physicians and pharmacies.

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ADJOURNMENT

Adjournment At: 4:08 p.m.

Kelly Addy

REP. KELLY ADDY, Chairman

KA/ml

DAILY ROLL CALL

EMPLOYEE COMPENSATION SELECT COMMITTEE

DATE February 28, 1989

NAME	PRESENT	ABSENT	EXCUSED
Representative Addy, Chair	X		
Representative Kasten	X		
Representative Iverson	X		
Representative Quilici	X		
Representative Spaeth	X		
Representative Swysgood	X		

Form CS-30A
Rev. 1985

MONTANA UNIVERSITY SYSTEM
Status of Negotiations (2-27-89)

Agreements	Expiration Date	Opening Date	Opening Letters Received or Sent	Prebudget Negotiations Required
AFSCME 2235 (NMC)	June 30, 1989	Budget proposals submitted 2/15/89 Commence negotiations upon mutual agreement	Union has requested negotiations	Upon mutual agreement
AFSCME 441 (MSU)	June 30, 1989	March 1, 1989	Employer has sent reopener letter	No
Carpenters	June 30, 1989	March 30, 1989	No	No
IBEW	June 30, 1989	March 30, 1989	No	No
Printers/Pressmen	June 30, 1989	March 30, 1989	No	No
Laborers	June 30, 1989	March 30, 1989	No	No
MPEA	June 30, 1989	March 1, 1989	Union has requested negotiations	No
Machinists	June 30, 1989	March 30, 1989	No	No
Operating Engineers	June 30, 1989	March 30, 1989	No	No
Painters	June 30, 1989	March 30, 1989	No	No
Plumbers	June 30, 1989	March 30, 1989	No	No
UFCW/Teamsters	June 30, 1989	March 30, 1989	No	No
FACULTY				
AAUP/EMC	June 30, 1989	March 30, 1989	No	No
MFT/WMC	June 30, 1989	April 30, 1989	Union has requested negotiations	Upon mutual agreement
UTU/UofM	June 30, 1991	October 15, 1991	NA	Yes
MFT/NMC	June 30, 1991	March 30, 1991	NA	Upon mutual agreement
VOCATIONAL-TECHNICAL CENTER EMPLOYEES				
MFT/Faculty	NA	NA	Negotiations have commenced (18 meetings)	
MFT/Support Staff	NA	NA	Negotiations have commenced (2 meetings)	
Operating Engineers/ Maintenance Employees	NA	NA	Negotiations have not commenced	

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1. The state share increases by	10	dollars per month in FY90 (over the FY89 amount)
2. The state share increases by	15	dollars per month in FY91 (over the FY90 amount)
3. Interest earnings are based on	8	percent annually
4. Individual premiums are increased	35	dollars per month in FY90 (above the FY89 rate)
5. Family premiums are increased	35	dollars per month in FY90 (above the FY89 rate)
6. Individual premiums are increased	15	dollars per month in FY91 (above the FY90 rate)
7. Family premiums are increased	15	dollars per month in FY91 (above the FY90 rate)
Expenses		
1. Med. inflation is calculated at	15	percent per year
2. Dent. inflation is claculated at	7	percent per year
3. Transplant costs increase by	15	percent per year
4. Administrative costs increase by	5	percent per year
5. Screening costs increase by	10	percent per year
6. Cost reduction measures result in	5	dollars per month reduction in FY90 (below the FY89 expenditures)
7. Cost reduction measures result in	5	dollars per month reduction in FY91 (below the FY89 expenditures)
Demographics		
1. Active employees increase by	0	per year
2. Early retirees increase by	50	per year
3. Medicare retirees increase by	100	per year
4. COBRA participants increase by	50	per year

	9-1-87 through 8-31-88			9-1-88 through 8-31-89			9-1-89 through 8-31-90			9-1-90 through 8-31-91		
REVENUE	Number	$ per Emp	Total $	Number	$ per Emp	Total $	Number	$ per Emp	Total $	Number	$ per Emp	Total $
Active Employees												
State Contribution (Med & Den)	9946	$115.00	$13,725,480	10000	$115.00	$13,800,000	10000	$125.00	$15,000,000	10000	$140.00	$16,800,000
Employee Contribution(Med & Den)	9946	$27.74	$3,311,271	10000	$27.74	$3,328,800	10000	$51.04	$6,124,800	10000	$51.04	$6,124,800
Early Retirees Contribution												
Medical	615	$110.99	$819,106	665	$110.99	$885,700	715	$145.99	$1,252,594	765	$160.99	$1,477,888
Dental	572	$17.34	$119,022	622	$17.34	$129,426	672	$17.34	$139,830	722	$17.34	$150,234
Medicare Retirees Contribution												
Medical	1037	$71.69	$892,110	1137	$71.69	$978,138	1237	$106.69	$1,583,706	1337	$121.69	$1,952,394
COBRA Contributions												
Medical	129	$106.85	$165,404	179	$106.85	$229,514	229	$141.85	$389,804	279	$156.85	$525,134
Dental	118	$18.82	$26,649	168	$18.82	$37,941	218	$18.82	$49,233	268	$18.82	$60,525
Interest Income	11727	$8.97	$1,262,240	11981	$8.83	$1,268,910	12181	$7.09	$1,036,374	12381	$5.58	$829,035
Total Revenue	11727	$144.41	$20,321,282	11981	$143.69	$20,658,429	12181	$174.97	$25,576,341	12381	$187.92	$27,920,010
EXPENSES												
Ogran Transplant Re-insurance		$0.60	$84,323		$0.67	$96,327		$0.77	$112,552		$0.89	$132,229
Health Screenings		$0.33	$45,755		$0.35	$50,331		$0.39	$57,007		$0.42	$62,708
Life Insurance Premiums		$9.60	$1,351,384		$9.40	$1,351,384		$9.40	$1,351,384		$9.40	$1,351,384
Medical Claims Costs		$121.57	$17,108,490		$139.81	$20,100,763		$155.03	$22,661,045		$178.28	$26,487,416
Dental Claims Costs		$14.79	$2,080,953		$15.82	$2,274,473		$16.93	$2,474,692		$18.12	$2,692,125
Administrative Expenses		$5.14	$723,181		$5.28	$759,340		$5.45	$797,307		$5.63	$837,172
Total Expenses	11727	$152.03	$21,394,086	11981	$171.33	$24,632,618	12181	$187.97	$27,453,987	12381	$212.74	$31,563,034
Estimated Operating Defecit		($7.62)	($1,072,804)		($27.64)	($3,974,189)		($12.85)	($1,877,646)		($24.52)	($3,643,024)
FUND BALANCE												
Beginning Fund Balance			$18,037,264			$16,964,460			$12,990,271			$11,112,625
Less: Estimated Deficit			($1,072,804)			($3,974,189)			($1,877,646)			($3,643,024)
Estimated Ending Fund Balance			$16,964,460			$12,990,271			$11,112,625			$7,469,601
Less: Required Reserve			$8,217,266			$9,412,555			$10,539,759			$12,190,979
Fund Balance Excess/(Deficit)		$62.16	$8,747,194		$24.88	$3,577,716		$3.92	$572,866		($31.78)	($4,721,378)

EXHIBIT 4
DATE 2-28-89
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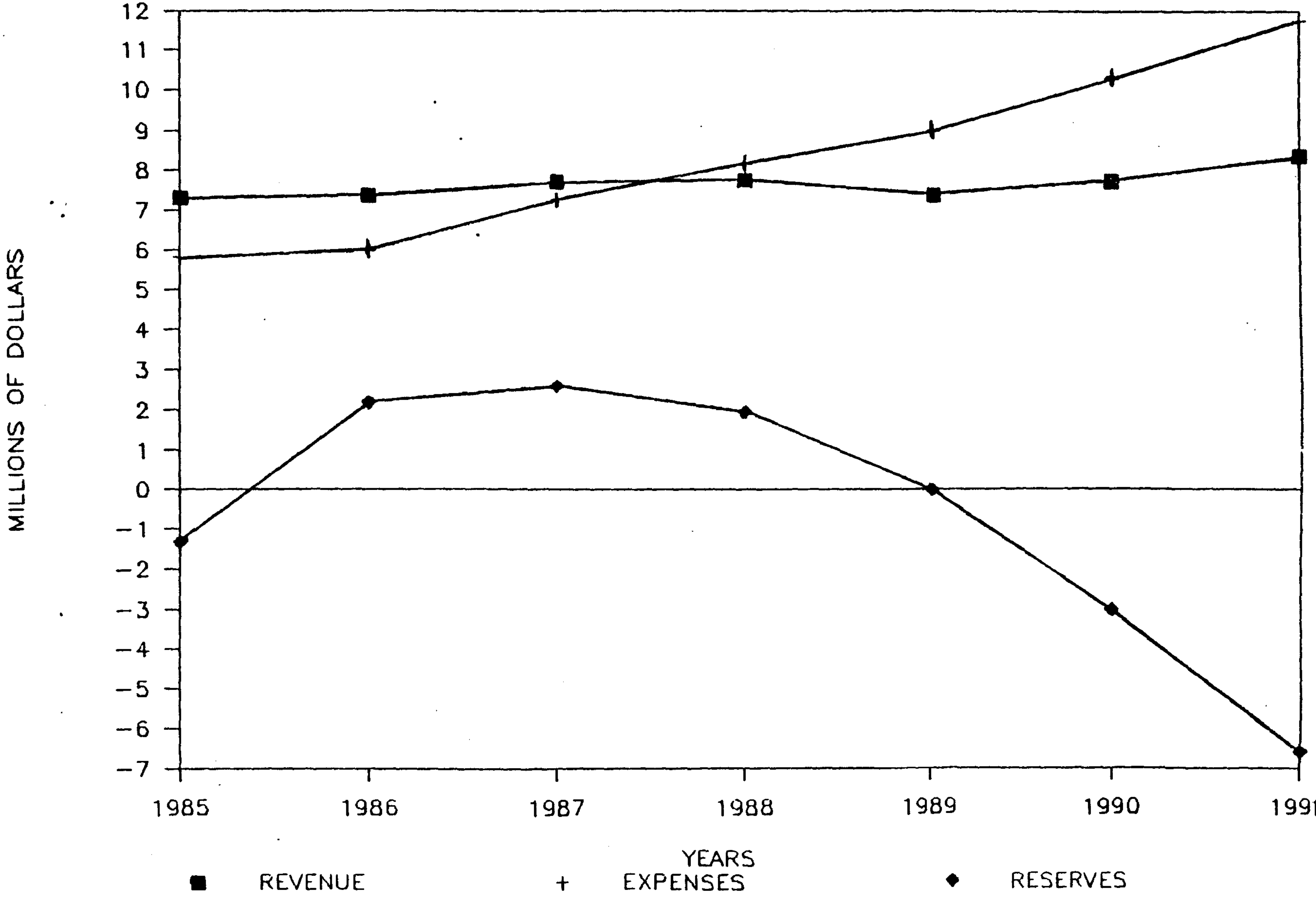
MONTANA UNIVERSITY SYSTEM

REVENUE, EXPENSES, RESERVE PROJECTIONS



MONTANA UNIVERSITY SYSTEM

GROUP BENEFITS PROGRAM

Projected Income, Expenses and Reserves

	FY 1985	FY 1986	FY 1987	FY 1988	Projected FY 1989	Projected* FY 1990	Projected* FY 1991
Income							
Premium	$7,042,514	$7,155,581	$7,421,360	$7,462,157	$7,100,000	$ 7,574,000	$ 8,285,000
Interest Earnings	$ 93,509	$ 239,426	$ 300,464	$ 308,360	$ 300,000	$ 150,000	75,000
Refunds	$ 192,031	$ 0	$ 0	$ 0	$ 0	$ 0	0
Total Income	$7,328,054	$7,395,007	$7,721,824	$7,770,517	$7,400,000	$ 7,724,000	$ 8,360,000
Expenses							
Operating	$ 52,127	$ 58,715	$ 62,240	$ 83,847	$ 90,000	$ 95,000	$ 90,000
Wellness	$ 49,660	$ 209,264	$ 266,496	$ 326,936	$ 300,000	$ 300,000	$ 300,000
Minimum Premium	$ 948,538	$1,089,742	$ 850,863	$1,178,333	$1,200,000	$ 1,500,000	$ 1,700,000
Claims	$4,770,000	$4,642,028	$6,107,000	$6,571,908	$7,400,000	$ 8,400,000	$ 9,660,000
Total Expenses	$5,820,325	$5,999,749	$7,286,599	$8,160,524	$8,990,000	$10,295,000	$11,750,000
Beginning Fund Balance	$ 0	$1,507,727	$4,363,992	$4,799,217	$4,409,210	$ 2,819,210	$ 248,210
Reserve Transfers	$ 0	$1,461,007	$ 0	$ 0	$ 0	0	0
Excess Income over Expenses	$1,507,727	$1,395,258	$ 435,225	$ (390,007)	($1,590,000)	$(2,571,000)	$(3,390,000)
Ending Balance	$1,507,727	$4,363,992	$4,799,217	$4,409,210	$2,819,210	$ 248,210	$(3,142,000)
Required Reserves							
IBNR	$1,431,472	$1,157,313	$1,194,395	$1,211,698	$1,419,240	$ 1,680,000	$ 1,740,000
Claim Stabilization	$1,400,000	$1,000,000	$1,000,000	$1,200,000	$1,400,000	$ 1,600,000	$ 1,700,000
Total Reserve Requirement	$2,831,472	$2,157,313	$2,194,395	$2,411,698	$2,819,240	$ 3,280,000	$ 3,440,000
Excess Reserve (deficit)	(1,323,745)	$2,206,679	$2,604,822	$1,977,512	$ 30	(3,031,790)	$(6,582,000)

* The projected deficit to reserves includes increases in the monthly contribution as proposed in Governor Schwinden's Executive Budget of $10 a month in 1990 and $15 a month in 1991.

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Dave Evenson
Montana Unviersity System

EXHIBIT 5
DATE 2-28-89
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Source: Montana School Boards Association: 1988-1989 Salary Survey

CLASS I SCHOOLS

Schools	Premium Category	Employee Cost	District Contribution
Anaconda	Employee		$300.00
	2 Party		$300.00
	Family		$300.00
	Composite		
Belgrade	Employee		
	2 Party		
	Family		
	Composite		$153.80
Billings	Employee		$156.00
	2 Party		$156.00
	Family		$156.00
	Composite		
Bozeman	Employee		
	2 Party		
	Family		
	Composite	$ 39.53	$150.27
Butte	Employee		
	2 Party		
	Family		
	Composite	$124.67	$207.35
Columbia Falls	Employee		
	2 Party		
	Family		
	Composite	NA	NA
Glasgow	Employee	$ 18.55	$265.96
	2 Party	$ 20.85	$265.96
	Family	$ 22.35	$265.96
	Composite		
Glendive	Employee		
	2 Party		
	Family		
	Composite	$ 44.76	$179.04

Schools	Premium Category	Employee Cost	District Contribution
Great Falls	Employee		$142.00
	2 Party		$142.00
	Family		$142.00
	Composite		$154.24
Havre	Employee		$131.00
	2 Party	$ 75.00	$145.00
	Family	$137.00	$145.00
	Composite		
Helena	Employee		$135.74
	2 Party	$ 79.63	$168.57
	Family	$ 95.00	$174.90
	Composite		
Kalispell	Employee		
	2 Party		
	Family		
	Composite		$188.45
Lewistown	Employee		
	2 Party		
	Family		
	Composite	$ 29.00	$189.70
Libby	Employee		
	2 Party		
	Family		
	Composite		$210.00
Livingston	Employee		$100.54
	2 Party	$ 64.58	$100.54
	Family	$ 94.52	$100.54
	Composite		
Miles City	Employee		
	2 Party		$181.00
	Family		
	Composite		
Missoula 1	Employee		
	2 Party		
	Family		
	Composite		$154.00
Missoula MCHS	Employee		$165.00
	2 Party		
	Family		
	Composite		$165.00
Average Composite		$ 26.44	$176.32

	Category	Employee Cost	State Cost
State of MT	Employee		$115.00
	Employee + Spouse	$ 37.20	$115.00
	Employee + Children	$ 39.20	$115.00
	Family	$ 61.20	$115.00
University System	Employee		$115.00
	Employee + 1	$ 30.34	$115.00
	Employee + 2	$ 65.21	$115.00

EXHIBIT 6
DATE 2-28-89
HB

House Select Committee

On

Employee Compensation

BACKGROUND ON CLASSIFICATION AND PAY ISSUES

Prepared By
State Personnel Division
Department of Administration
February 28, 1989

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PART ONE

EVOLUTION OF THE CENTRALIZED STATE PAY PLAN

I. The situation that existed prior to January 1, 1975, is as follows:

A. Pay systems were decentralized within the various agencies. Inequities existed among employees of different agencies performing similar job duties.

B. Classification and Pay Act of 1973 instructed the Department of Administration (D of A) to develop a job classification system and to "develop a wage and salary plan for presentation to the 1975 legislature." (The Collective Bargaining Act for Public Employees was passed the same year.)

The Classification and Pay Act set forth the following objectives:

1. Classification - To group all positions into defined classes based on similar duties, responsibilities, and complexities of work so that for similar jobs

   -- applicants will be required to have the similar qualifications;
   -- the same title can be used;
   -- pay will be equitable (2-18-202, MCA); and
   -- equal pay for comparable worth (1983, 2-18-208, MCA).

2. Compensation - To attract and retain competent, qualified employees, and to administer pay on basis of merit, internal equity, competitiveness to external labor market when fiscally able. (2-18-301, MCA.)

D of A conducted a state salary survey and, based on the survey, presented a pay system to the legislature. That system included the following major elements:

<u>Administration Proposal to 44th Legislature</u>

1. Twenty-five pay grades or skill levels that were developed by the interim study of state job classifications.

2. Eight pay rates or steps for each pay grade. Step 3 rates were established by the salary

survey as "recommended going rates" for the fiscal year ending June 30, 1975 (FY1975). The differentials between grades were about 9.7%, while the differentials between steps up to the increment between steps 4 and 5 were 4.75%. The remaining step differentials were 3%.

3. Progression from one step to another was to be automatic unless sub-standard performance was documented. Step 1 was the hire rate for each grade. Normally, the employee was to go from step one to step two after the first six months. Advancement to steps 3, 4, and 5 was to be at yearly intervals. Steps 6, 7, and 8 were to be longevity steps, each representing 4 years of state service.

4. This new statewide pay schedule was to be effective January 1, 1975, through June 30, 1975.

II. In 1975 the 44th Legislature adopted a statewide pay schedule.

A. HJR 37 passed during the 1975 legislative session establishing the first statewide pay matrix for classified employees. This matrix was retroactive to January 1, 1975. This first matrix contained the major elements of the schedule recommended by D of A, with the following major exceptions:

1. The salary rates proposed for grade 2 became the rates for grade 3, those for grade 3 became the rates for grade 4, and so on.

2. The proposed step 8 rates were eliminated.

3. Half steps were added between steps. Rates for these steps were the mid-points of each adjacent step. For example, step 6 1/2 (later called step 12) equaled step 6 plus step 7 divided by two. The matrix now had 13, rather than 8 steps.

B. Each eligible employee received a $10 contribution per month to partially offset health insurance premiums.

III. Subsequent salary increases were negotiated prior to each legislative session. The results were submitted for ratification and funding by the legislature. The amount of the insurance contribution is determined in the bargaining process.

IV. In 1979 the 46th Legislature established as law separate pay matrices for institutional teachers, blue collar crafts, and liquor store employees that had been negotiated in previous years. This brought the number of matrices in statute to seven.

V. The following chart summarizes increases in salary granted by the legislature from Fiscal Year 1976 through Fiscal Year 1989.

SAMPLE OF PERCENT SALARY INCREASES FROM PREVIOUS FISCAL YEARS
(EXCLUDES STEP INCREASES)
(EXCLUDES INSURANCE CONTRIBUTIONS)

Grade	FY76	FY77	FY78	FY79	FY80	FY81	FY82	FY83	FY84	FY85	FY86	FY87	FY88	FY89
4	5.0%	4.1%	7.0%	7.2%	5.1%	6.7%	12.9%	12.6%	1.7%	1.7%	3.1%	2.5%	0.0%	0.0%
8	5.0%	4.1%	4.8%	5.1%	4.2%	5.7%	10.8%	10.7%	1.7%	1.7%	2.3%	1.9%	0.0%	0.0%
12	5.0%	4.1%	3.3%	3.5%	3.6%	4.9%	9.2%	9.2%	1.6%	1.6%	1.7%	1.5%	0.0%	0.0%
16	5.0%	4.1%	2.8%	3.0%	4.5%	4.9%	8.5%	8.5%	1.6%	1.6%	1.6%	1.4%	0.0%	0.0%
20	5.0%	4.1%	2.7%	2.8%	5.4%	4.5%	8.5%	8.6%	1.6%	1.6%	1.6%	1.3%	0.0%	0.0%
CPI	5.4%	6.8%	7.7%	11.3%	13.1%	10.8%	6.4%	2.5%	4.2%	3.6%	1.6%	3.9%	4.1%	4.4%

SAMPLE OF PERCENT SALARY INCREASES FROM PREVIOUS FISCAL YEARS
(INCLUDES STEP INCREASES)
(EXCLUDES INSURANCE CONTRIBUTIONS)

Grade	Step	Step 2 FY76	Step 3 FY77	Step 4 FY78	Step 5 FY79	Step 6 FY80	Step 7 FY81	Step 8 FY82	Step 9 FY83	Step 10 FY84	Step 11 FY85	Step 11 FY86	Step 12 FY87	Step 12 FY88	Step 12 FY89
8	1	7.5%	6.5%	7.2%	7.4%	6.5%	8.0%	13.1%	13.1%	3.9%	4.0%	2.3%	4.2%	0.0%	0.0%
12	1	7.4%	6.5%	5.8%	5.9%	5.8%	7.1%	11.5%	11.5%	3.8%	3.8%	1.7%	3.7%	0.0%	0.0%
16	1	7.0%	6.0%	4.7%	4.8%	6.7%	7.1%	10.7%	10.8%	3.7%	3.8%	1.6%	3.5%	0.0%	0.0%
CPI		5.4%	6.8%	7.7%	11.3%	13.1%	10.8%	6.4%	2.5%	4.2%	3.6%	1.6%	3.9%	4.1%	4.4%

PART TWO

PAY SCHEDULES

I. The Statewide Pay Schedule

The statewide pay schedule covers approximately 8,470 FTE throughout state government (excluding roughly 2000 classified university system FTE). The pay matrix for the statewide schedule includes 25 grades (pay ranges) and 13 steps, essentially as established in 1975.

II. Other Pay Schedules

In addition to the statewide pay schedule, State of Montana employees are currently compensated according to several other pay schedules:

Pay Schedule	FTE (actual)
-- Liquor Store	108.62
-- Blue Collar (non-university system)	810.85
-- Teachers (Institutions and Family Services)	
-- 9 mo. plan	20.42
-- 12 mo. plan	25.50
-- School for the Deaf and Blind	
-- 9 mo. plan	0
-- 12 mo. plan	23.50
-- Physicians	8.00

Job titles, grades, and means of advancement through the Liquor Store Plan are collectively bargained. Placement on the salary schedule is determined by the position held (manager, clerk, etc.) and the volume of business in the store. There are no "steps" but 5 year longevity increments and opportunity for a percentage of profits.

Job titles, grades, pay rates and means of advancement through the Blue Collar Pay Schedule are also bargained. There are no "steps" in this plan.

The teachers employed by accredited schools in state government have bargained matrices typical to school districts, with credit for years of service and educational attainment.

Finally, state law allows for the establishment of a separate pay schedule for medical doctors if the rates outlined in the statewide pay schedule "are not sufficient to attract and retain fully licensed and qualified physicians at the state institutions" (2-18-303, MCA).

III. Exceptions and Exemptions

The pay plans listed above do not establish salary levels for the following state government positions:

- -- elected officials and their personal staffs
- -- county assessors and their chief deputy
- -- officers and employees of the legislative branch
- -- judges and employees of the judicial branch
- -- members of boards and commissions appointed by the governor, the legislature and other elected officials
- -- officers or members of the militia
- -- agency heads appointed by the governor
- -- academic and professional administrative personnel under board of regents contract
- -- professional administrative personnel and live-in houseparents under state school for the deaf and blind contract (board of education)
- -- investment officer, assistant investment officer, executive director, and three professional staff positions of the board of investments
- -- four professional staff positions under the board of oil and gas conservation
- -- assistant director for security of the Montana state lottery

There are currently 981 actual exempt FTE in state government (excluding the university system).

IV. University System

University system employees are compensated in several separate pay categories. These include:

- -- classified (statewide pay schedule)
- -- instructional (under collectively bargained regents contract)
- -- blue collar (bargained)
- -- professional administrative (under regents contract)

There are approximately 4000 FTE in all of the above categories combined.

PART III

CLASSIFICATION SYSTEM

I. "Classification" is an orderly, methodical approach to ranking jobs according to some pre-established set of criteria for the purpose of assigning pay ranges. In a classification system, the characteristics of the job, rather than the characteristics of the employee appointed to the job, provide the basis for setting pay.

The State Classification System covers approximately 12,600 positions including 2,000 university employees. It contains these components:

A. Approximately 12,600 Position Descriptions. These are descriptions of the duties and responsibilities that are assigned to individual positions.

B. Approximately 1550 Classes. A class is a group of positions that are similar enough in duties and responsibilities that the same title can be used to describe them, and the same knowledges, skills, and abilities can be required of each. Some classes, such as Highway Patrol Officer II, have over 100 positions. Others, such as State Dental Officer, have only one.

C. Class Specifications. These are written guidelines that describe the kind of positions that belong in the class.

NOTE: A "position" is a group of duties and responsibilities that can be described on a position description, assigned a position number, and authorized for budget expenditure. A position may have several incumbents and may be equivalent to more than one FTE. Conversely, a position may be less than an FTE. The number of classified positions is not equal to the number of employees in the executive branch.

II. The Classification Process.

Although the methodology is much more sophisticated in actual practice, the approach to classification can be described in these two questions:

A. **Which jobs are similar enough to be grouped together?** Positions that are similar are "allocated" to the same class. This is determined by comparing the position description to class specifications and selecting the one that best describes the positions, and by comparing the position to others that may be similar.

B. **Which jobs are more (or less) difficult and require greater (or fewer) skills?**
Classes are assigned to pay grades by making comparisons to other classes and determining relative difficulty.

III. Classification System Maintenance.

New positions must be classified before they can be filled. Existing positions may be reclassified (put into a different class) when the duties and responsibilities have significantly changed. An "upgrade" is the reclassification of a position to a class at a higher grade; a "downgrade" is the reclassification of a position to a class at a lower grade.

Changes in technology, in staffing patterns, and in program emphasis require the ongoing modification, addition, and deletion of classes from the system.

In FY1988 2,200 positions were reviewed (up 51%), 25 classes were reviewed, and 50 class specifications were rewritten.

IV. Classification System Objectives.

A classification plan is the cornerstone of a personnel management system. The system supplies information for use in:

A. budget planning and pay administration;
B. workforce planning;
C. recruitment and selection;
D. training;
E. performance appraisal;
F. employee relations; and
G. labor relations.

In addition, the Statewide Classification and Pay Plan meets these mandates:

A. It meets the federal requirement of equal pay for equal work. Positions that are assigned equal work are placed in the same class and assigned the same pay grade.

B. Pay is based on internal job comparisons rather than external marketplace factors. For this reason the state generally meets a standard of comparable worth as required in 2-18-208, MCA.

V. <u>Limitations of the Classification System</u>.

Classification ranks jobs into skill levels, grades 1 through 25. But because it is only a ranking process, it doesn't resolve pay problems. For example, there is nothing in the process that addresses the supply of or demand for workers who possess the required skills for a given class. Recruitment and retention problems must be resolved through other means.

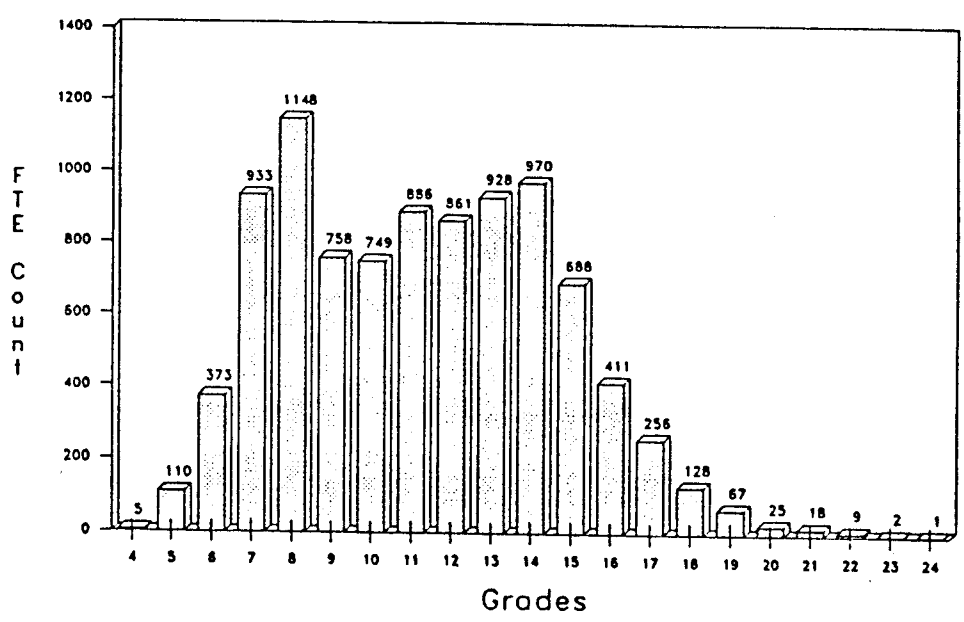
Another problem is that with no merit pay practices, employees who are classified the same receive the same base pay regardless of how well they perform their duties.

VI. <u>Appeals of Classification Decisions</u>.

Employees can appeal classification decisions. The appeal process has four steps, including a hearing before the Board of Personnel Appeals. In FY1988 there were 50 appeals (82% increase).

VII. <u>FTE Frequency Distribution by Grade</u>

The following chart shows that 95% of classified jobs fall within grades 5 and 17.



R3-SPD

PART FOUR

STATEWIDE PAY PLAN MATRIX

I. The statewide pay matrix is on page 11.

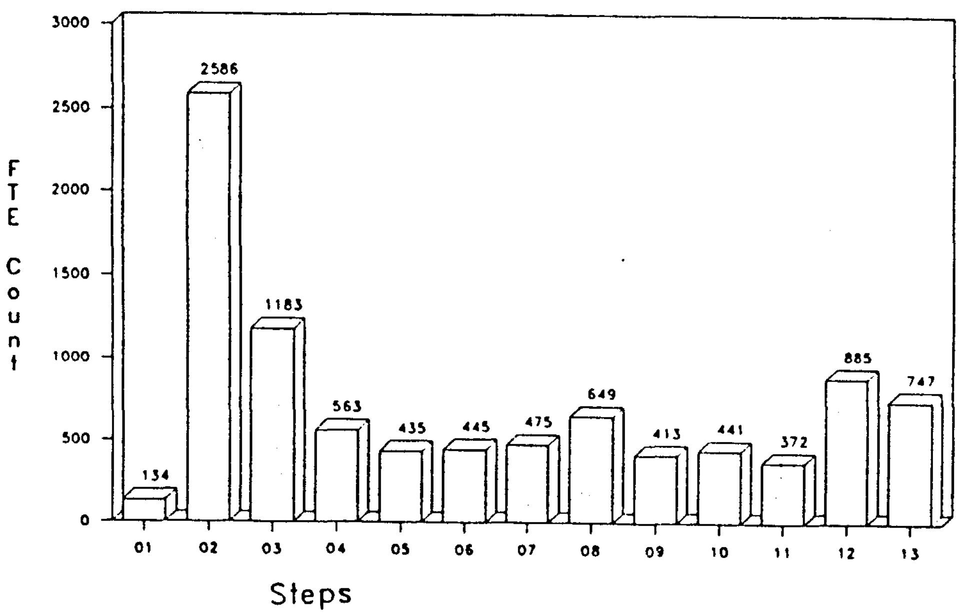
A. The matrix has 25 vertical pay grades which represent skill level. It has 13 horizontal "steps" which reflect longevity.

There is a 7.5% difference between grades and a 2% difference between steps.

B. How it works:

Employees new to state government are hired at step 1, exceptions may be given for difficult recruiting situations.

Employees advance to step 2 after 6 months, and then advance one step per year of service, with legislative approval. No step has been given in 3 of the past 4 years. The following chart shows the distribution of employees to steps.



To advance a grade, an employee must be selected for another position or their position must be reclassified.

The pay plan also includes a longevity increment for each five years of service.

STATE OF MONTANA 05/29/87

ANNUAL HOURS = 2080 DEPARTMENT OF ADMINISTRATION NOTE: INCLUDES INSURANCE.

1987 -- 1988
1988 -- 1989

PAY-MATRIX= STATE PERSONNEL DIVISION

MATRIX TYPE= ANNUAL

GRD	STEP 01	STEP 02	STEP 03	STEP 04	STEP 05	STEP 06	STEP 07	STEP 08	STEP 09	STEP 10	STEP 11	STEP 12	STEP 13
1	9,392	10,099	10,301	10,507	10,717	10,931	11,150	11,373	11,600	11,832	12,069	12,310	12,802
2	9,874	10,617	10,829	11,046	11,267	11,492	11,722	11,956	12,195	12,439	12,688	12,942	13,460
3	10,398	11,181	11,405	11,633	11,866	12,103	12,345	12,592	12,844	13,101	13,363	13,630	14,175
4	10,971	11,797	12,033	12,274	12,519	12,769	13,024	13,284	13,550	13,821	14,097	14,379	14,954
5	11,603	12,476	12,726	12,981	13,241	13,506	13,776	14,052	14,333	14,620	14,912	15,210	15,818
6	12,295	13,220	13,484	13,754	14,029	14,310	14,596	14,888	15,186	15,490	15,800	16,116	16,761
7	13,062	14,045	14,326	14,613	14,905	15,203	15,507	15,817	16,133	16,456	16,785	17,121	17,806
8	13,889	14,934	15,233	15,538	15,849	16,166	16,489	16,819	17,155	17,498	17,848	18,205	18,933
9	14,807	15,922	16,240	16,565	16,896	17,234	17,579	17,931	18,290	18,656	19,029	19,410	20,186
10	15,813	17,003	17,343	17,690	18,044	18,405	18,773	19,148	19,531	19,922	20,320	20,726	21,555
11	16,912	18,185	18,549	18,920	19,298	19,684	20,078	20,480	20,890	21,308	21,734	22,169	23,056
12	18,128	19,493	19,883	20,281	20,687	21,101	21,523	21,953	22,392	22,840	23,297	23,763	24,714
13	19,464	20,929	21,348	21,775	22,211	22,655	23,108	23,570	24,041	24,522	25,012	25,512	26,532
14	21,140	22,731	23,186	23,650	24,123	24,605	25,097	25,599	26,111	26,633	27,166	27,709	28,817
15	22,885	24,608	25,100	25,602	26,114	26,636	27,169	27,712	28,266	28,831	29,408	29,996	31,196
16	24,846	26,716	27,250	27,795	28,351	28,918	29,496	30,086	30,688	31,302	31,928	32,567	33,870
17	26,967	28,997	29,577	30,169	30,772	31,387	32,015	32,655	33,308	33,974	34,653	35,346	36,760
18	29,312	31,518	32,148	32,791	33,447	34,116	34,798	35,494	36,204	36,928	37,667	38,420	39,957
19	31,888	34,288	34,974	35,673	36,386	37,114	37,856	38,613	39,385	40,173	40,976	41,796	41,796
20	34,701	37,313	38,059	38,820	39,596	40,388	41,196	42,020	42,860	43,717	44,591	44,591	44,591
21	37,795	40,640	41,453	42,282	43,128	43,991	44,871	45,768	46,683	47,617	47,617	47,617	47,617
22	41,191	44,291	45,177	46,081	47,003	47,943	48,902	49,880	50,878	50,878	50,878	50,878	50,878
23	44,906	48,286	49,252	50,237	51,242	52,267	53,312	54,378	54,378	54,378	54,378	54,378	54,378
24	48,988	52,675	53,729	54,804	55,900	57,018	58,158	58,158	58,158	58,158	58,158	58,158	58,158
25	53,471	57,496	58,646	59,819	61,015	62,235	62,235	62,235	62,235	62,235	62,235	62,235	62,235

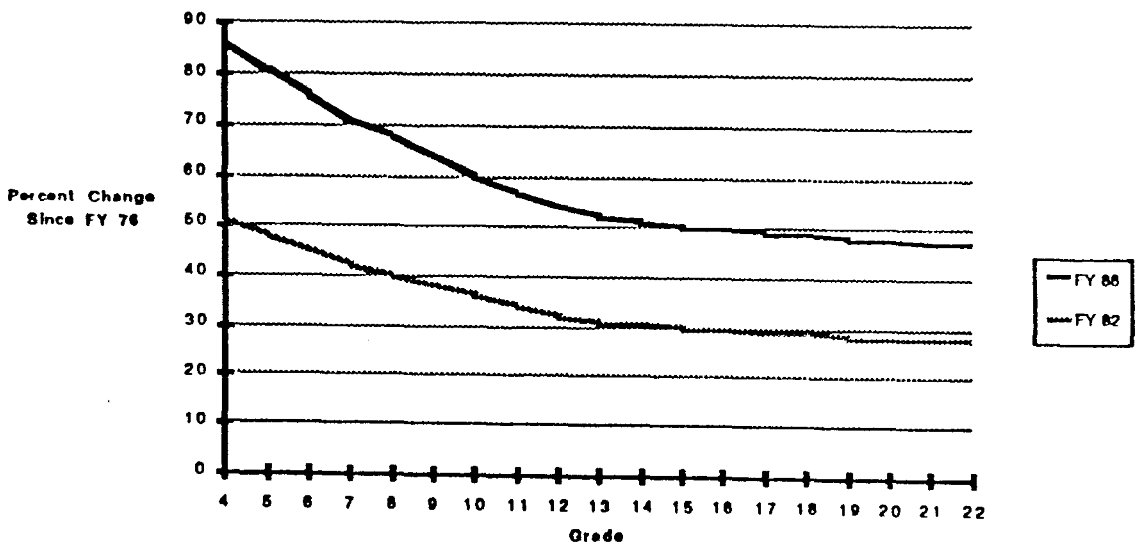
II. Compression in the Statewide Pay Matrix.

The State Legislature provides the pay matrices for classified employees. Since 1975, pay increases have not been proportionally equal for all grade levels, resulting in less pay differential between grades than when the system was designed. Lower graded positions have fared better with an 88% increase since 1975 at grade 4, while at grade 22 the increase has been 47%. Differential between grades was 9.7% in 1975. Now it's 7.5%. Within a grade the range from step 1 to step 13 is 32%, the equivalent of 3 grades.

The total percent of pay increases since FY1976 to the base, or Step 2 salary, at each grade is illustrated by the line graph below. This graph demonstrates that significantly smaller pay raises have been granted to Officials/Administrator, Professional, and Technical level classes -- those requiring the most extensive and/or specialized training.

The compression of the pay matrix has also created some problem with supervisory relationships. It is not uncommon for a supervisor to earn less than an employee in a subordinate position, who is at a lower grade but has more time in service.

Percent Increase at Step 2 in the Statewide Pay Matrix by Grade Level Since FY 1976



R3-SPD

III. Other Compensation.

Benefit	Benefits as a % of Salary	
Vacation 15-24 days a year depending on length of service.	Vacation	5.8% -- 9.2%
Sick Leave 12 days per year.	Sick leave	4.6%
Holidays 10.5 days per year (General election day every other year).	Holidays	4.0%
PERS State share	PERS	6.4%
FICA State share	FICA	7.1%
Insurance Health, Life, Dental. State share is $1,380 per year.	Insurance	7.3% average
	TOTAL	35.2% -- 38.6%

PART FIVE

1988 SALARY SURVEY FINDINGS

I. Summary of Findings

The 1988 Salary Survey indicates that Montana state government pays below the in-state employers surveyed for some occupational categories and above in other categories. Montana state government pays less than neighboring states in all categories.

	In-State	Neighboring States
Administrators/Officials	+ 9.8%	- 15.0%
Professional	- 5.8%	- 18.2%
Technician	- 2.4%	- 18.6%
Protective Service	- 7.7%	- 12.6%
Paraprofessional	+ 32.0%	- 4.9%
Clerical	+ .1%	- 9.9%
Skilled Craft	- 5.6%	- 7.6%
Service/Maintenance	+ 10.0%	- 9.9%

Compared to neighboring state governments, Montana has dropped from approximately 12% below overall average salaries reported on the 1986 Salary Survey to nearly 17% below. Compared to other Montana employers, the average state government salary for those classes surveyed is slightly higher (.7%).

II. Conclusions

A. Recruitment and retention of qualified, competent employees:

The state's compensation plan meets its recruitment and retention objectives with qualified success. As professional and administrative level salaries lag behind those paid by other employers, retention of skilled, experienced employees becomes a serious problem in some occupations. This problem is compounded by difficulty recruiting qualified workers to fill the vacant positions. Pay exceptions granted in the form of step advances provide a piecemeal solution to some recruitment problems.

B. Pay for meritorious performance:

The state has no merit pay policy or procedure in place, so managers cannot reward the most productive, efficient employees for outstanding performance.

C. Internal equity:

For those positions covered by the Statewide schedule, pay ranges are determined by internal comparisons. The state appears to be meeting its goal of internal equity for classified positions, but those covered by separate pay plans are compensated differently.

D. Competitiveness with external labor markets:

Competitiveness with relevant external markets is generally maintained for positions up to about grade 12, but after that point state government salaries generally lag behind. Past salary increases in the Statewide Schedule have been proportionally higher for lower graded classes. While the pay freeze has brought the lower graded classes more in line with what other employers pay, it has resulted in the professional level classes falling further behind in salary competitiveness.

PART SIX

SUMMARY OF COLLECTIVE BARGAINING FOR PUBLIC EMPLOYEES OF THE STATE OF MONTANA

I. THE LAWS

A. Historical Development

In 1969 the Registered Professional and Licensed Practical Nurses were afforded the right to bargain collectively by the Forty-first Legislative Assembly. Only minor changes to the original statute have been made in subsequent legislative sessions; the most notable change being the delegation of authority to administer the Nurses' Act and determine the appropriate units, to the Department of Labor and Industry (specifically the Board of Personnel Appeals). The rest of the Act remains essentially in tact from the original.

The teachers were the next group allowed by Montana law to bargain collectively in the public sector. The Professional Negotiations Act for Teachers was passed by the Forty-second Legislature in 1971. This Act was repealed in 1975 (Section 3, Chapter 117, Laws of 1975), at which time teachers and the university were included in the Act adopted in 1973, entitled "Collective Bargaining for Public Employees" (Section 39-31-101, M.C.A., et seq.).

The laws governing collective bargaining have remained essentially unchanged since 1973. There are two sections of the collective bargaining law which deserve highlighting because they have greatly influenced the collective bargaining process.

> 39-31-102. Chapter not a limit on legislative authority. This chapter does not limit the authority of the legislature, any political subdivision, or the governing body relative to appropriations for salary and wages, hours, fringe benefits, and other conditions of employment.
>
> 39-31-305. Duty to bargain collectively--good faith.
>
> .
> .
> .
>
> (3) for purposes of state government only, the requirement of negotiating in good faith may be met by the submission of a negotiated

> settlement to the legislature in the executive budget or by bill or joint resolution. The failure to reach a negotiated settlement for submission is not, by itself, prima facie evidence of a failure to negotiate in good faith.

These two sections have dictated the historical collective bargaining procedure whereby negotiations take place prior to and during the legislative session and the tentative agreements are presented to the legislature in bill form for approval.

B. Bargaining Authority

The authority to bargain and enter into contracts with unionized employees in state government rests with the Governor or his designee. Since issuance of Executive Order 9-77 and it successor, Executive Order 12-81, the Governor's designee has been the Chief of the Labor Relations Bureau, Department of Administration. This delegation of authority to the Chief of Labor Relations is supported by statute in M.C.A. 39-31-101 through 49 and by Attorney General's Opinion #68, Volume 68.

Additionally, Executive Order 12-81, created and authorized a Collective Bargaining Task Force to serve as the sole policy-making body for the executive branch of state government in collective bargaining. The Task Force is chaired by the Director of the Department of Administration. The membership consists of the Directors of four specific state agencies assisted by the Governor's Executive Assistant, the Administrator of the State Personnel Division and the Budget Director.

C. Timing of Bargaining

Executive Order No. 12-81 and its predecessors have also affected the timing of bargaining. Executive Order No. 12-81 states, in part:

> (3) The Chief Negotiator shall schedule negotiations under the Collective Bargaining for Public Employees Act so that full and complete negotiations can be concluded prior to the construction of the Executive Budget. Any negotiated wage settlement will be included as a part of the Executive Budget submitted biennially to the State Legislature. (Emphasis added.)

The 1978-1979 negotiations commenced during November, 1978, and ended at the conclusion of the AFSCME Institution Strike during the 1979 session. The negotiated settlements were adopted in bill form by the legislature.

The 1980-1981 negotiations commenced in September, 1980, and concluded in December, 1980. The negotiated settlements were not adopted by the legislature, and instead, a lump sum of money was appropriated and the negotiated settlements were established by Executive Order.

In 1979, AFSCME filed an unfair labor practice complaint against the State, claiming, among other charges, that the State did not commence negotiations soon enough to allow full negotiation to take place prior to the construction of the Executive Budget. In 1982, the Board of Personnel Appeals ruled that the State did commit an unfair labor practice by not starting negotiations until November, 1979. The Board Order included a Cease and Desist Order against the State.

As a result of this Board Order, the State commenced the 1982-1983 negotiations during late August and early September, 1982. The first settlement was reached on December 28, 1982. The negotiated settlements were adopted in bill form by the legislature.

The most significant change since the 1982-1983 negotiations was the passage of Senate Bill No. 235, which states in part:

> 17-7-111.
>
> .
>
> .
>
> .
>
> (3) The Budget Director must also prepare and submit to the Legislative Fiscal Analyst in accordance with 17-7-112:
>
> .
>
> .
>
> .
>
> (8) The proposed pay plan schedule for all executive branch employees with the specific cost and funding recommendations for each agency. Submission of a pay plan schedule under this subsection is not an unfair labor practice under 39-31-401.

17-7-112.

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.

(4) The proposed pay plan schedule required by 17-7-111(3) must be submitted to the Legislative Fiscal Analyst no later than November 15 in the year preceding the convening of the legislature.

This change has the effect of further accelerating the time period in which negotiations must be completed so that agreements, if reached, can be submitted to the Legislative Fiscal Analyst by November 15 in the year preceding the convening of the legislature.

II. BARGAINING UNITS

The State Personnel Division, Labor Relations and Employee Benefits Bureau, negotiates 73 of the 93 labor agreements found in state government. The remaining 20 are the responsibility of the University System. Fifty-five bargaining units were "grandfathered in" since they were in existence prior to the passage of the 1973 Act. In the fifteen years since the passage of the Act, an average of four bargaining units have been added each year.

The size of the units (number of covered employees) range from two members to approximately 750 members. Professionals, white collar, blue collar, crafts and law enforcement personnel are included in the various units, with approximately 5,600 organized employees, or approximately 57% of the state's workers. University system bargaining units are not included in this unit data.

III. COLLECTIVE BARGAINING AGREEMENTS

There are four basic types of contracts negotiated by the State Personnel Division.

A. Master Agreements

1. The Montana Public Employees' Association (representing approximately 3,100 state employees) negotiates a master agreement which is applicable to 16 of their 25 units. This agreement establishes the general provisions for all the covered employees except that the terms of this master

agreement may be modified by the various "supplemental" agreements. Supplemental agreements will be discussed later in this section.

2. The American Federation of State, County, and Municipal Employees (representing approximately 850 state employees) negotiates a master agreement which covers the employees represented by their organization at two institutions: Montana Developmental Center and Montana State Hospital (Galen). AFSCME has one other unit which is not affected by their master agreement.

3. The Montana Nurses' Association has a master agreement which covers the professional nurses at Montana State Hospital (Galen and Warm Springs Campuses).

B. Supplemental Agreements

1. The Montana Public Employees' Association has 16 supplemental agreements to their master contract. These agreements, as previously mentioned, modify their master contract. They are negotiated separately from the master negotiations and are applicable to only specific bargaining units.

2. The American Federation of State, County, and Municipal Employees has two supplementals which are applicable to the two institutions previously mentioned, Montana Developmental Center and Montana State Hospital. These are negotiated separately from the master.

C. Contracts in Common

Several of the craft unions have common contracts which cover employees in several units. As an example, the Electricians in Montana Developmental Center belong to separate bargaining units, but have identical contracts. The bargaining for these agreements is done on a coalition basis.

D. Separate Contracts

Those organizations which have master agreements, as well as all other unions, have separate contracts for various units. These, of course, are negotiated separately and are not affected by the master contracts previously discussed.

IV. NEGOTIATIONS

The 55 collective bargaining agreements in existence prior to 1973 were negotiated in various ways. The Board of Examiners, which no longer has a role in personnel matters, negotiated several contracts and pay plans, as did various agencies and local managers. Negotiations were handled in a hodge-podge manner at best. No one agency had the responsibility to oversee the labor relations aspect of state government.

Both collective bargaining and classification and pay plan legislation were adopted by the 1973 Legislature. The Collective Bargaining Act of 1973 granted organizational and bargaining rights to all state, county, and municipal employees. Teachers and university faculty were later included under the Act. In enacting Senate Bill 411, the 1973 Legislature directed the Department of Administration to develop a classification and pay plan for state employees. In 1975, the Legislature implemented the classification and pay plan by passing House Joint Resolution 37.

Prior to the adoption of the classification and pay plan, each department or agency maintained their own separate plans. Some of the plans were formalized, others were not. It was not uncommon for two employees performing similar duties in two different departments to be making considerably different salaries.

The State Personnel Division negotiates contracts for all state agencies, except the University System. The State Personnel Division is also responsible for the implementation and maintenance of the state classification and pay plan. In this regard, the State Personnel Division has jurisdiction (and responsibility) over all classified state employees, including those in the University System.

There are some conflicting elements in the collective bargaining and pay plan process. The primary conflict is between: (1) the obligation of the employer to bargain with <u>each</u> bargaining unit on wages, hours, fringe benefits, and other conditions of employment; and (2) the obligation of the employer to provide equal benefits to <u>all</u> employees regardless of whether they are organized or unorganized.

As a result of this conflict, the Labor Relations Bureau in the State Personnel Division will generally negotiate each contract twice; first for economics, and second for the "other terms and conditions of employment." The economic negotiations begin in late summer prior to the legislative year, after extensive conferences with the Office of Budget and Program Planning and the Governor's Collective Bargaining Policy Task Force. The result of these conferences is the establishment of guidelines for the economic round of negotiations. After the guidelines have been developed, the initial proposals drawn up and the bargaining tactics discussed, the state's negotiators begin meeting with the various units considered to be the "trendsetters." The Montana Public Employees' Association, American Federation of State, County and Municipal Employees, and the Warm Springs Independent Union have often been the trendsetting units for the general state pay matrix. The other three matrices (blue collar, teachers, and liquor division) have had other unions as their trendsetting, "bell weather" units. Negotiations with all trendsetters generally take place simultaneously.

At the conclusion of the economic negotiations, usually in the spring, the state negotiators begin negotiating the parts of the contract which are considered to be non-economic, primarily the working conditions. The majority of the contracts negotiated by the State Personnel Division expire on July 1, and the Division has generally completed the non-economic negotiations by that date. Naturally, some contracts may take longer than others to complete; it depends upon many variables. Additionally, those contracts which were less difficult to complete one year may be the most difficult in a subsequent year. There are no absolutes when it comes to predicting the outcome or duration of negotiations.

V. NEGOTIATIONS - IMPACT ON STATE EMPLOYEE PAY

Negotiations have historically established the general state matrix from which most state employees are paid. Since the first three matrices were adopted by HJR 37 in the 1975 session (Jan. 1975 - July 1975, July 1975 - July 1976, July 1976 - July 1977), collective bargaining has been the largest single factor guiding the evolution of the pay matrix.

1978-1979 Biennium

In 1977, collective bargaining over economics for the 1978-1979 biennium resulted in a settlement that included a flat dollar increase for step one salaries and a flat dollar increase plus a percentage increase for steps two through thirteen salaries. The settlement also included a COLA (Cost of Living Allowance) for the second year. The COLA clause was rejected by the legislature and subsequent negotiations added an amount to the original flat dollar increases to offset this loss. The percentage increase remained intact from the earlier settlement.

Although the bargaining agents bargain only for members of the unit(s) they represent, in 1977 the negotiated settlements had a "me too" effect. In other words, all classified employees received increases based upon the negotiated formula. Even the higher grades which are not represented had salaries adjusted by the same formula.

1980-1981 Biennium

Economic negotiations in 1979 also impacted the pay matrix for the 1980-1981 biennium. The negotiated settlement for the first year (FY 80) included a three percent increase plus a flat dollar increase of $360 at step two. The settlement for the second year (FY 81) was the same (3% plus $360 at step two). The negotiated settlement also specified that steps 3 and above would be two percent greater than the salary established for the previous step.

This negotiated settlement was specified in HB 891, with one exception. One-half of one percent additional increase was applied to the calculation of the salaries for grades fourteen and above. This additional increase was approved by the legislature for both the FY 80 and FY 81 matrices.

1982-1983 Biennium

The negotiated economic settlement for FY 82 included a five percent increase plus a $675 flat amount increase at step two. The settlement for FY 83 included a five percent increase plus a $725 flat amount increase at step two. The settlement also provided that step one would be 95% of step two and step three through step thirteen would be two percent greater than the preceding step. It should also be noted that the negotiated settlements and matrices for FY 80, FY 81, FY 82, and FY 83 included the state's contribution towards group insurance.

The salary matrices for FY 82 and FY 83 were established by Executive Order and were patterned after the negotiated settlements with one exception. For grades above grade fourteen, 8.7% was added to all step two salaries for the prior year including insurance. This adjustment was used for grades above fourteen for both FY 82 and FY 83.

1984-1985 Biennium

The negotiated economic settlements for FY 84 and FY 85 were adopted in HB 902 by the 48th Legislative Assembly. The settlement for FY 84 included an additional $10 per month for group insurance and a one and one-half (1 1/2) percent increase to the matrix. The settlement for FY 85 was identical to the settlement for FY 84.

1986-1987 Biennium

In 1985, the 49th Legislature adopted the Governor's Pay Proposals in HB 375. Annual step increases for employees were frozen in FY 86 for the first time since initiation of the classification and pay plan in 1975. For FY 86, a cost of living increase of the larger of either $300.00 or 1.5 percent was authorized. In FY 87, the bill called for another cost-of-living increase of the larger of $250.00 or 1.25 percent and a step increase on the employee's anniversary date. Additionally, the state increased its share of monthly health insurance premiums from $100 to $105 in FY 86 and then to $115 in FY 87.

Before the end of the FY 86-87 biennium, the state was projecting a major revenue short-fall of some $60,000,000 to $80,000,000. The Governor convened a special legislative session in June, 1986 to address the expected deficit. Among the budget reduction measures put forth by the administration, was a request to freeze the 1.25 percent cost-of-living increase, the step increase, and the additional $10.00 per month state contribution to health insurance premiums.

The response of the legislature was to pass HB 31 on June 28, 1986. This bill eliminated the appropriation for the pay plan and authorized the requested wage and insurance freeze if the state could obtain re-negotiated freeze agreements from 95% of all the state's labor contracts before July 18, 1986. Absent agreement by the unions, the Governor expected the state agencies to absorb the wage increase within their current budgets.

Despite warnings from the state's chief negotiator that jobs would be eliminated unless the freeze was accepted, no unions agreed to the freeze by the July 18th deadline. Thus, all employees, both union and non-union received the negotiated FY 87 increase. Numerous positions were eliminated in the ensuing months to fund the pay raise.

1988-1989 Biennium

For the FY 88-89 biennium, the 50th Legislature adopted a two-year wage freeze proposed by the Governor. Essentially, wage and insurance contributions were frozen for two years at the level of FY 87. In addition, step increases were frozen for the two years. After the longest negotiating period since 1975 all the bargaining units ultimately accepted this freeze in their contracts.

LABOR RELATIONS STATUS REPORT
#23
February 24, 1989

State of Montana
Department of Administration
Personnel Division
Labor Relations & Employee Benefits Bureau
Room 130, Mitchell Building
Helena, Montana

Compiled by: Peggy Barnekoff, Secretary
Labor Relations & Employee
Benefits Bureau
State Personnel Division

NEW UNITS (1988)

No new units certified.

See pages 5 and 6 for full names of bargaining agents.

Agency & Agent*	File Code No.	No. of Employees Covered	Type of Unit (See KEYS,	Pay Plan Page 4)
Department of Administration				
1. MFT-Data Processing	043	48	w	ST
2. MONTANA MAINTENANCE PAINTERS	045	4	c	BC
3. MPEA-Public Emp. Retirees Div.	064	13	w-p	ST
4. LABORERS - Security Guards	062	6	b	ST
5. LABORERS - Custodians	074	15	b	ST
6. LABORERS - Maintenance Workers	026	6	b	ST
** 7. CARPENTERS - Carpenters	076	2	c	BC
Department of Agriculture				
8. MPEA - Department Wide	041	46	p-w	ST
Board of Education				
MT School for Deaf & Blind				
9. MFT	072	48	p-w	O
MT Historical Society				
**10. CARPENTERS	076	1	c	BC
11. MFT	066	35	p-w	ST
Department of Family Services				
12. MPEA - Social Workers	052	159	p	ST
13. MFT	019	58	p	ST
Mountain View School				
14. MEA	053	9	p	T
15. MPEA	039	43	p-w-b-c-n	ST
Pine Hills School				
16. MEA	051	14	p	T
17. MPEA - Cottage Life Attendants	068	61	p-w	ST
18. MPEA - Professional Unit	069	8	p	ST
Department of Fish, Wildlife & Parks				
19. MPEA - Game Wardens	040	81	1	ST
20. MT ASSN. OF FISH/WILDLIFE BIOLOGISTS	073	96	p	ST
Department of Health				
21. MONTANA NURSES ASSOCIATION	054	4	n	ST
22. MPEA	034	182	p-w	ST
Department of Highways				
23. AFSCME - Maintenance	001	384	b-c	BC
24. CRAFT COUNCIL - Maintenance	002	319	b-c	BC
25. MPEA - Non-Maintenance	035	735	p-w-1	ST

*See Pages 5 and 6 for full names of bargaining agents.
**Carpenters have one unit in common for Dept. of Admin. and Bd. of Education.

Agency & Agent*	File Code No.	No. of Employees Covered	Type of Unit (See KEYS, Page 4)	Pay Plan
Department of Institutions				
Center for the Aged				
26. MPEA	059	81	p-w-b	ST
Corrections Division				
27. MFT-Community Correction Specialists	015	45	p-w	ST
Eastmont Training Center				
28. MPEA-Dev. Specialists	029	4	p	ST
29. MPEA-Aides and Service	056	82	b-c	ST
30. MPEA-L.P.N.'s	055	5	n	ST
Montana Developmental Center				
31. AFSCME	003	304	p-w-b-c-n	ST
32. CARPENTERS	021	4	c	BC
33. ELECTRICIANS	060	1	c	BC
34. MFT - Teachers	048	20	p	ST-T
35. MFT - Hab. Training Specs.	057	15	p	ST
***36. MACHINISTS	047	1	c	BC
37. OPERATING ENGINEERS	007	8	c	BC
****38. MT MAINTENANCE PAINTERS	044	2	c	BC
Montana State Hospital				
39. AFSCME	004	147	p-b-c-n	ST
40. CARPENTERS	020	5	c	BC
41. ELECTRICIANS	011	3	c	BC
42. HOTEL/MOTEL & RESTAURANT EMPLOYEES (Warm Springs)	023	36	b	ST
43. MFT/INDEPENDENT UNION (Warm Springs)	025	263	w-b-c	ST
44. MFT - Professionals(Warm Springs)	049	34	p	ST-T
*** MACHINISTS	047	2	c	BC
45. MFT-Alcohol/Drug Abuse Counselors (Galen)	065	8	w	ST
46. MNA	013	40	n	ST
47. OPERATING ENGINEERS	008	11	c	BC
48. MAINTENANCE PAINTERS LOCAL #1	014	5	c	BC
49. PLUMBERS	017	5	c	BC
50. LPN's (Warm Springs)	024	43	n	ST
51. TEAMSTERS	027	14	b	BC
Montana State Prison				
52. MPEA	005	336	p-w-b-c-n	ST-T
53. CARPENTERS	022	1	c	BC
54. ELECTRICIANS	012	1	c	BC
*** MACHINISTS	047	1	c	BC
55. PLUMBERS/BOILERMAKERS	018	3	c	BC

*See Pages 5 and 6 for full names of bargaining units.
***Machinists have one unit in common (with exception of Dept. of State Lands).
****Painters at MT Developmental Center and Prison are in combined unit.

Agency & Agent*	File Code No.	No. of Employees Covered	Type of Unit (See KEYS,	Pay Plan Page 4)
56. TEAMSTERS	028	2	c	BC
57. MFT - Social Workers	050	8	p	ST
**** MT MAINTENANCE PAINTERS	044	1	c	BC
Montana Veterans' Home				
58. MPEA	070	67	p-w-b	ST
59. MPEA - Nurses	075	21	n	ST
Swan River Forest Camp				
60. TEAMSTERS	006	11	p-w	ST
Women's Correctional Center				
61. MPEA	016	12	b	ST
Department of Justice				
62. MPEA - Registrar's Bureau	030	63	w	ST
63. MPEA - Highway Patrol	036	156	l	ST
64. MPEA - Driver Examiners	058	22	w	ST
Department of Labor & Industry				
65. MPEA - Cent. Serv./Job Serv./ Training/Unemp. Ins.	038	400	p-w	ST
66. MPEA - Workers' Compensation	067	164	p-w	ST
67. LABOR RELATIONS & APPEALS UNION Personnel Appeals Division	071	3	p	ST
Office of Public Instruction				
68. MPEA	063	76	p-w	ST
Department of Revenue				
69. MPEA - Liquor Warehouse	031	8	b	BC
70. MPEA - Income Tax Division	037	93	w	ST
71. UFCW - Clerks - Liquor Division	032	91	b	LS
72. UFCW - Managers - Liquor Division	033	40	w	LS
Department of Social & Rehabilitation Serv.				
73. MFT - Central/District Offices	061	239	p-w	ST
74. MPEA - County Offices	042	205	p-w	ST
Department of State Lands				
75. MACHINISTS - Forestry Division	046	10	c	BC
TOTAL NUMBER OF EMPLOYEES COVERED		5,599		

KEYS

Types of Unit	Pay Plan
p - professional	ST - State Matrix
w - white collar	BC - Blue Collar Plan
b - blue collar	LS - Liquor Store
c - craft worker	T - Teachers' Salary Schedule
l - law enforcement	O - Other
n - nurse	

*See Pages 5 and 6 for full names of bargaining units.

APPROXIMATE TOTALS BY AGENT

AGENT	UNITS	NO. COVERED	RANK
AFSCME (American Federation of State, County, & Municipal Employees, AFL-CIO)	Highways, Montana Developmental Center, Montana State Hospital (Galen)	835	2
CARPENTERS (United Brotherhood of Carpenters, AFL-CIO)	Administration, Historical Society, Montana Developmental Center, Montana State Hospital, Prison	13	14
CRAFT COUNCIL* (Public Employees Craft Council)	Highways	319	4
ELECTRICIANS (International Brotherhood of Electrical Workers, AFL-CIO)	Montana Developmental Center, Montana State Hospital, Prison	5	18-19
HOTEL/MOTEL (Hotel, Motel & Restaurant Employees)	Montana State Hospital (Warm Springs)	36	9
LABOR RELATIONS & APPEALS UNION (Independent)	Labor & Industry	3	20
LABORERS (Laborers' International Union, AFL-CIO)	Administration (Security Guards, Custodians, and Maintenance Workers)	27	10-11
MACHINISTS (International Association of Machinists, AFL-CIO)	Montana Developmental Center, Montana State Hospital, Prison, State Lands	14	15
MAINTENANCE PAINTERS LOCAL #1 (Independent)	Montana State Hospital	5	18-19
MONTANA ASSOCIATION OF FISH & WILDLIFE BIOLOGISTS (Independent)	Fish, Wildlife and Parks	96	6
MEA (Montana Education Association)	Mountain View School, Pine Hills School	23	12

*Voluntary coalition consisting of Laborers (LIU), Machinists (IAM), Operating Engineers (IUOE), Painters (IBPAT), and Teamsters (IBT).

APPROXIMATE TOTALS BY AGENT

AGENT	UNITS	NO. COVERED	RANK
MFT (Montana Federation of Teachers, AFT, AFL-CIO)	Administration, Montana Developmental Center, Montana State Hospital (Warm Springs Independent, Warm Springs Professional, School for Deaf and Blind, SRS (Central & Dist. Off.), Historical Society, Dept. of Institutions (Corrections Div.), Prison	821	3
MONTANA MAINTENANCE PAINTERS (Independent)	Administration, MT Developmental Center, and Prison	7	17
MPEA (Montana Public Employees Association)	Admin. (P.E.R.D.), Agriculture, F.W.P, Health, Highways, Center for Aged, Veterans' Home, Family Services, Mountain View, Pine Hills, Prison, Eastmont, Highway Patrol, Driver Examiners, Labor & Industry, Liquor Warehouse, Income Tax, County Welfare, O.P.I., Workers' Comp., Registrar's Bureau, Women's Correctional Center	3,123	1
MNA (Montana Nurses Association)	Health, Montana State Hospital	44	7
OPERATING ENGINEERS (International Union of Operating Engineers, AFL-CIO)	MT Developmental Center, Montana State Hospital	19	13
PLUMBERS/BOILERMAKERS (United Assn. of Plumbers, AFL-CIO-International Brotherhood of Boilermakers, AFL-CIO)	Prison, Montana State Hospital	8	16
UFCW (United Food & Commercial Workers, AFL-CIO)	Liquor Division, Revenue	131	5
TEAMSTERS (International Brotherhood of Teamsters)	Prison, Montana State Hospital, Swan River Youth Camp	27	10-11
WARM SPRINGS PRACTICAL NURSES (Licensed Practical Nurses Association)	Montana State Hospital (Warm Springs)	43	8
TOTAL NUMBER OF EMPLOYEES		5,599	

PART SEVEN

MONTANA EMPLOYEE HEALTH PLAN

I. HOW THE PLAN WORKS

A. 1. The State's Health Plan is a major medical plan. That means that it is designed to provide almost unlimited protection against big medical bills. It does not pay the first dollars of medical expenses. Each member is expected to pay the first $150 of allowable expenses each benefit year (the deductible) but no more than $450 per family. Each member is also expected to pay part (20%) of the next $2,500 of allowable charges (or $5,000 per family) - the co-payment. The Plan then pays 100% of any additional allowable expenses up to $1 million per member per lifetime.

This nearly unlimited protection against the big medical bills is possible for relatively low premiums because Plan members carry responsibility for the first small bills each year.

2. Who's Covered: 12,094 employees, retirees, COBRA. Including dependents, 28,000 people are covered under the State Plan.

3. Who Pays: state pays $115/mo/employee; retirees and COBRA self-pay; employee covers cost of dependents.

B. The State Plan is a self-insured plan. That means that the State is solely responsible for designing the Plan and for claims liability. Claims are currently administered by Blue Cross/Blue Shield under an administrative services contract. Blue Cross/Blue Shield adjudicates claims and provides initial payment. Premiums go into a trust fund. The State (Treasurer's Office) reimburses Blue Cross/Blue Shield for claims weekly through wire transfer from this trust fund. Earned interest stays in the fund. There were $19,000,000 in claims in plan year 1988.

C. State Plan benefit design is the responsibility of the Department of Administration, with the help of an advisory council and a consultant-actuary (currently Martin Segal Company).

II. HISTORY

A. The Statewide Benefit Plan was first instituted effective September 1, 1979, as provided by legislation 2-18-801 through 2-18-816, MCA, enacted that year. The legislation gave the Department of Administration responsibility for combining existing state groups into larger groups, designing State Employee Group Benefit Plans and negotiating and administering contracts for State Employee Group Benefit Plans. It provided an alternative to conventional insurance (i.e., self-insurance) after July 1, 1981. It also established an advisory council and required an annual audit. The University System was allowed and chose to set up a separate plan.

The first Statewide Plan was insured by Blue Cross of Montana. In the first two years under a two year contract with guaranteed rates, claims exceeded premiums because of unexpectedly high utilization and medical inflation. Blue Cross/Blue Shield requested a 46% rate increase to continue insuring the medical plan and the state decided to bid its entire benefit package.

B. For plan year 1981-1982 Blue Cross was again awarded the medical plan plus the dental plan because of its competitive bid and premiums were increased $10.00. The Plan was also redesigned to bring future costs under control. The following changes were made:

1. $100 deductible was implemented;
2. payment was changed from 90% to 80%;
3. a 12-month waiting period for pre-existing conditions was established;
4. the maximum benefit for mental/nervous services was lowered; and
5. a health promotion program was established to encourage employees to improve their health.

During the 1981-1982 benefit year the State Plan began the progression from fully insured to fully self-insured.

Starting with the 1981-1982 plan year a minimum premium arrangement was negotiated with Blue Cross. Under this arrangement approximately 91% of the premium was kept in a state account which earned interest and the balance sent to Blue Cross for expenses and risk insurance. Claims were paid from the state account. If on an aggregate basis any months claims exceeded a liability limit, they became Blue Cross' responsibility. This arrangement protected the state against severe fluctuations in claims.

C. Effective plan year 1983-1984, the State became fully self-insured except for stop loss coverage. A decision had been made to again go out to bid because of unacceptable claims service. A contract for administrative services only (ASO) plus stop loss was awarded to Mutual of Omaha.

Under this arrangement all premiums (which for family coverage are a combination of state contribution and employee contribution) were deposited into the state trust fund. All claims payments were made from this fund. An aggregate annual stop loss set at 120% of expected claims limited the states' annual liability.

In the summer of 1984 the State received a proposed increase in administrative fees of 89% from Mutual of Omaha because of a much higher volume of claims than expected. The state consequently again went out to bid and again made cost saving modifications to the State Plan including an increase in the deductible to $150.

D. The contract for plan year 1984-1985 was awarded to Montana Physicians' Service (Blue Shield) and again contained stop loss protection.

E. Effective plan year 1985-1986 the State dropped its stop loss protection and became fully insured. This decision was made in response to a request for a 39% increase in rates for stop loss coverage and because of adequate reserves.

F. Effective plan year 1986-1987 organ transplant benefits were added and insured through Equitable because of difficulties in predicting utilization in this changing field of medicine. Premiums were increased $5.00.

G. Current Status. The State Plan has since maintained a greater degree of stability in premiums and claims administration. We are also in our fifth year with the same claims administrator - Blue Shield now merged with Blue Cross. As a result of becoming self-insured the State was able to take advantage of high interest rates and good claims experience to build up excess cash reserves in the trust fund. During the 1989 biennium pay freeze, premiums could be frozen, with excess reserves making up the shortfalls. However, changes will have to be made in the 1991 biennium to balance revenue and cost in the health plan.

III. WHY ARE COSTS GOING UP?

A. Increased use of medical services. Almost half of the State Plans' 1987 cost increases appeared to be due to more services.

B. Cost Shifting

1. By hospitals and doctors for uninsured, who face tougher controls on the charges that will be reimbursed; and
2. By federal programs.

Direct cost shifts from Medicare to the State Plan. Over the past several years Medicare has forced employer plans to pay primary on all active employees and employee dependents who are Medicare recipients. Just now, inactive disabled. Uninsured.

C. Technological advancements such as organ transplant capabilities and life saving capabilities for premature infants. Projecting the incidences and potential liability for organ transplants is so susceptible to error that the State Plan reinsures this benefit. These extra insurance costs of $92,500 per year didn't exist three years ago and are expected to increase 15% next year.

D. New diseases like AIDS, co-dependency.

E. Increased malpractice actions and increased insurance costs as well as extra defensive medical treatment.

F. Changing demographics. The State Plan, like most plans, has an increasing percentage of older members who have higher claims costs. The number of retirees grows every year.

G. Mandates

1. State mandated benefits. Although the self insured State Plan is not required to provide mandated insurance benefits, each new mandate brings employee and provider demand for the same coverage, and most mandated benefits have been included in the State Plan.
2. Federal mandated benefits. The COBRA requirement that employee benefit plans allow former employees and formerly covered dependents to continue on the Plan for a period of time has proven quite costly. Although COBRA participants must self-pay the premiums, the premium must be the same as for active employees and claims costs for individuals who choose to continue are twice as high as for active employees. It also increased administrative expenses resulting in an extra FTE to handle all the notification, billing and record keeping requirements.

This is a nationwide problem. The kind of cost increases experienced by the State Plan are not unique. Blue Cross/Blue Shield reports experiencing claims cost increases of 20% per year. Premiums for small employer groups (City of Townsend) have been increased by as much as 60% this year.

IV. HOW CAN WE MEET THESE COSTS?

The size of the projected cost increases for FY90 and FY91 presents the legislature with the apparent dilemma of either funding its usual share of the cost increase which may be difficult given available revenues or passing a bigger share of the costs to employees. The option of funding these increases with excess reserves will end in FY90.

A. Excess Reserves: A large reserve cushion was built up in the early eighties through a combination of conservative projections based on long term forecasts, a period of slowed growth in medical cost inflation, and high interest rates. The recent spurt in medical cost inflation combined with last bienniums' decision to use excess reserves rather than devote scarce revenues to an unneeded increase in funding, will result in depletion of most excess reserves by the end of this year with only minor excess for next year. Need allocated reserve to be sound.

B. Increase State Contribution

C. Increase Employee Costs
Premiums
Cost sharing (deductibles/co-payments)

D. Benefit Design Changes to slow cost increases.
Although many of these cost increases are difficult to influence by a single employer plan, some can be affected. Cost containment measures being taken or considered for the State Plan include:

1. Programs to manage highest costs.
   a. Case Management - Case management services are provided by Managed Care organizations who employ registered nurses to identify high cost medical cases which could benefit from case management. These include premature births, organ transplant cases, and stroke or accident cases requiring extensive rehabilitation. Small percent of cases account for large percent of costs. Case managers explore with the physician or other provider alternative treatment options which may be a preferred course of treatment not considered because of benefit limitations. These limitations are waived when so doing produces cost savings.
   b. Audit hospital bills.
2. Prevention/early detection. The State Plan has added several preventive benefits such as mammograms and proctoscopic exams for older plan members to catch health problems before they get too serious. It has also offered a low cost, work-site health screening provided through contract by Saint Vincent Hospital and Health Center to provide early identification of elevated cholesterol, elevated blood pressure and other health risks which are correctable. Low cost smoking cessation, weight loss and beginning exercise programs have also been organized on site to encourage employees to make healthy lifestyle changes. Savings from these measures are not immediate but other employers have achieved impressive savings to program cost ratios of 2:1 to 6:1.
3. Plan design changes to provide incentives to employees to be better health care consumers. This year the State Plan was modified to provide 90% reimbursement after deductible for generic prescription drugs and 70% reimbursement after deductible for brand name prescription drugs. Generic drugs are usually comparable to brand name drugs and cost 20% to 60% less. Other incentives being considered include payment of travel costs to

obtain a <u>second opinion for high cost</u> surgery which is known to be questionable value a significant percentage of the time.

4. Restructuring or eliminating over generous benefits such as the <u>accident supplement</u>. The accident supplement pays the Plan members deductible and co-payment requirements in case of accidents--providing 100% payment for accidents but not illnesses. This difference in treatment between accidents and illness was due to a perception that treatment for accidents is unavoidable so cost sharing will not help assure prudent use of medical services. The current trend is to treat accidents and illness the same recognizing that the two types of treatment are both unavoidable in some cases and both avoidable in others. The disparity is now considered unfair to those whose costs tend to be for illness.
5. <u>Negotiating better prices</u> with physicians and other providers. Blue Cross/Blue Shield has entered into agreements with physicians to accept the prevailing fee allowed by Blue Cross/Blue Shield as payment in full. Physicians have agreed not to balance bill the patient for charges that exceed what Blue Cross/Blue Shield will allow. If the State Plan could enter into a similar agreement with physicians, it could lower its allowance to that provided by Blue Cross/Blue Shield for its regular business without the plan member getting stuck with excess charges. <u>UCR</u>. Do more direct competitive contracting for limited services similar to the health screening contract. Some plans have been able to save money for the plan and its members on maintenance drugs which must be taken for long periods of time by contracting with a pharmaceutical supplier to provide them at high volume discount rates. HMO's. PPO's.

These are some of the measures being tried or considered by the Department and Advisory Council. They all require careful review and costing to determine their feasibility. They have worked with varying degrees of success by other employers.

CLAIMS INFLATION*

1982	9,016,000	
1983	10,729,000	19%
1984	11,397,000	6%
1985	13,056,000	15%
1986	14,018,000	7%
1987	16,656,000	19%
1988	19,448,000	17%

* Unadjusted for premium growth. Premium income grew 2.6% from 1987 to 1988.

STATE CONTRIBUTION PER MONTH

	Individual Premium	State Share Contribution	Excess Contribution
1982-1983	$ 77.67	$ 80.00	$ 2.33
1983-1984	83.70	90.00	6.30
1984-1985	93.70	100.00	6.30
1985-1986	96.20	105.00	8.80
1986-1987	101.20	115.00	13.80
1987-1988	101.20	115.00	13.80

ESTIMATE OF REVENUE SOURCES

	1990	1991	
Shortfall			20,073,000
Cost Savings	(5)	(5)	(2,363,000)
Excess State Share	(10)	(10)	(2,641,000)
Pay Bill	(10)	(25)	(5,487,000)
Fluctuation Reserve			(4,721,000)
Employees	15	15	4,861,000

SECTION V
PROJECTION OF REVENUES AND EXPENSES
PER ELIGIBLE EMPLOYEE PER MONTH

	9-1-87 THROUGH 8-31-88 ($)	9-1-87 THROUGH 8-31-88 Per Capita	9-1-88 THROUGH 8-31-89 ($)	9-1-88 THROUGH 8-31-89 Per Capita	9-1-89 THROUGH 8-31-90 ($)	9-1-89 THROUGH 8-31-90 Per Capita	9-1-90 THROUGH 8-31-91 ($)	9-1-90 THROUGH 8-31-91 Per Capita
Revenue:								
State contributions	$13,725,250	$97.66	$13,800,000	$96.10	$13,800,000	$94.52	$13,800,000	$92.99
Employee contributions	5,312,712	37.80	5,341,556	37.20	5,341,556	36.59	5,341,556	35.99
COBRA/New Retiree contributions	0	0.00	218,890	1.52	437,779	3.00	656,669	4.42
Interest Income	1,262,240	8.98	1,418,045	9.87	949,465	6.50	0.00	0.00
Total Revenue	20,300,202	144.44	20,778,491	144.69	20,528,800	140.60	19,798,225	133.41
Expenses:								
Organ Transplant	$84,323	$0.60	96,215	$0.67	112,496	$0.77	131,497	$0.89
Screening	45,755	0.33	53,764	0.37	58,402	0.40	66,782	0.45
Life Insurance Cost	1,351,384	9.62	1,381,470	9.62	1,404,558	9.62	1,427,646	9.62
Self-Funded Medical Cost	17,108,490	121.73	20,103,133	139.99	23,504,976	160.99	27,475,050	185.14
Self-Funded Dental Cost	2,080,953	14.81	2,275,099	15.84	2,475,040	16.95	2,691,825	18.14
Administration Expense	723,181	5.15	759,340	5.29	797,307	5.46	837,172	5.64
Total Expenses	21,394,086	152.22	24,669,021	171.79	28,352,779	194.19	32,629,974	219.87
Estimated Operating Deficit	($1,093,884)	($7.78)	($3,890,530)	($27.09)	($7,823,979)	($53.59)	($12,831,746)	($86.46)
Beginning Fund Balance	$18,397,000		$17,303,116		$13,412,586		$5,588,607	
Less: Estimated Deficit	(1,093,884)		(3,890,530)		(7,823,979)		(12,831,746)	
Estimated Ending Fund Balance	$17,303,116		$13,412,586		$5,588,607		($7,243,141)	
Less: Required Reserve	(8,105,966)		(9,414,072)		(10,889,418)		(12,603,670)	
Fund Balance Excess/Deficit	$9,197,150		$3,998,514		($5,300,811)		($19,846,811)	
Eligibility - Total	11,712		11,967		12,167		12,367	
Actives	9,946		10,000		10,000		10,000	
Retirees	1,652		1,802		1,952		2,102	
Cobra	114		165		215		265	

Assumptions used in the projections for Section V are as follows:

1. State contributions are based on $115 per active employee per month.
2. Employee contributions are based on a fixed "per active" basis.
3. New Retiree/COBRA contributions have been developed utilizing the assumption that 54% of new retirees are medicare and 46% are non-medicare participants. Income is estimated at $107.50 per COBRA participant, $71.30 per medicare retiree and $111.50 per non-medicare retiree.
4. Interest income is projected at a rate of 8% on investments for each respective year.
5. Organ Transplant premiums are expected to increase 15% per year.
6. Screening costs are projected to increase 8% in 1989-90 and 12% in 1990-91.
7. Life Insurance cost would not increase for Plan A, any increase in Plans B-E would be offset by employee contributions.
8. Medical costs are assumed to increase at a rate of 15% per year.
9. Dental costs are assumed to increase at a rate of 7% per year.
10. Administration costs are estimated to develop 5% higher per year.
11. We have assumed active eligibility to remain constant at 10,000 after 1987-88, with the retirees increasing by 150 per year.
12. We have assumed COBRA participants to increase 50 per year.

STATE OF MONTANA
GROUP INSURANCE
MEDICAL & DENTAL
PAID CLAIMS DATA

MONTH	PAID CLAIMS	PREMIUMS	LOSS RATIO	INTEREST & EXCESS INCOME	ADMINIS/ TRATIVE EXPENSE	TOTAL INCOME	TOTAL EXPENSE	TOTAL LOSS RATIO	UNALLOCATED RESERVE
SEP 81	$470,000	$903,000	0.52	$56,000	$68,000	$959,000	$538,000	0.56	
OCT 81	$336,000	$899,000	0.37	$56,000	$68,000	$955,000	$404,000	0.42	
NOV 81	$687,000	$887,000	0.77	$56,000	$68,000	$943,000	$755,000	0.80	
DEC 81	$563,000	$896,000	0.63	$56,000	$76,000	$952,000	$639,000	0.67	
JAN 82	$629,000	$891,000	0.71	$56,000	$76,000	$947,000	$705,000	0.74	
FEB 82	$859,000	$899,000	0.96	$56,000	$76,000	$955,000	$935,000	0.98	
MAR 82	$1,028,000	$892,000	1.15	$56,000	$91,000	$948,000	$1,119,000	1.18	
APR 82	$793,000	$900,000	0.88	$56,000	$91,000	$956,000	$884,000	0.92	
MAY 82	$755,000	$913,000	0.83	$56,000	$91,000	$969,000	$846,000	0.87	
JUN 82	$1,264,000	$901,000	1.40	$56,000	$91,000	$957,000	$1,355,000	1.42	
JUL 82	$796,000	$904,000	0.88	$66,000	$91,000	$970,000	$887,000	0.91	
AUG 82	$836,000	$998,000	0.84	$66,000	$91,000	$1,064,000	$927,000	0.87	
TOTAL	$9,016,000	$10,883,000	0.83	$692,000	$978,000	$11,575,000	$9,994,000	0.86	
SEP 82	$724,000	$1,001,000	0.72	$66,000	$108,000	$1,067,000	$832,000	0.78	
OCT 82	$821,000	$1,005,000	0.82	$66,000	$108,000	$1,071,000	$929,000	0.87	
NOV 82	$980,000	$1,002,000	0.98	$66,000	$107,000	$1,068,000	$1,087,000	1.02	
DEC 82	$558,000	$998,000	0.56	$66,000	$107,000	$1,064,000	$665,000	0.63	
JAN 83	$957,000	$993,000	0.96	$66,000	$108,000	$1,059,000	$1,065,000	1.01	
FEB 83	$994,000	$1,005,000	0.99	$66,000	$108,000	$1,071,000	$1,102,000	1.03	
MAR 83	$1,001,000	$989,000	1.01	$66,000	$108,000	$1,055,000	$1,109,000	1.05	
APR 83	$822,000	$995,000	0.83	$66,000	$108,000	$1,061,000	$930,000	0.88	
MAY 83	$987,000	$989,000	1.00	$66,000	$108,000	$1,055,000	$1,095,000	1.04	
JUN 83	$1,079,000	$995,000	1.08	$66,000	$108,000	$1,061,000	$1,187,000	1.12	
JUL 83	$804,000	$993,000	0.81	$83,000	$112,000	$1,076,000	$916,000	0.85	
AUG 83	$1,002,000	$995,000	1.01	$83,000	$112,000	$1,078,000	$1,114,000	1.03	
TOTAL	$10,729,000	$11,960,000	0.90	$826,000	$1,302,000	$12,786,000	$12,031,000	0.94	
SEP 83	$853,000	$1,147,000	0.74	$83,000	$47,000	$1,230,000	$900,000	0.73	
OCT 83	$818,000	$1,142,000	0.72	$83,000	$47,000	$1,225,000	$865,000	0.71	
NOV 83	$435,000	$1,146,000	0.38	$83,000	$47,000	$1,229,000	$482,000	0.39	
DEC 83	$663,000	$1,150,000	0.58	$83,000	$47,000	$1,233,000	$710,000	0.58	
JAN 84	$997,000	$1,150,000	0.87	$83,000	$47,000	$1,233,000	$1,044,000	0.85	
FEB 84	$870,000	$1,150,000	0.76	$83,000	$47,000	$1,233,000	$917,000	0.74	
MAR 84	$1,267,000	$1,155,000	1.10	$83,000	$47,000	$1,238,000	$1,314,000	1.06	
APR 84	$1,177,000	$1,160,000	1.01	$83,000	$48,000	$1,243,000	$1,225,000	0.99	
MAY 84	$1,230,000	$1,164,000	1.06	$83,000	$48,000	$1,247,000	$1,278,000	1.02	
JUN 84	$1,038,000	$1,170,000	0.89	$83,000	$48,000	$1,253,000	$1,086,000	0.87	
JUL 84	$921,000	$1,170,000	0.79	$127,000	$48,000	$1,297,000	$969,000	0.75	
AUG 84	$1,128,000	$1,175,000	0.96	$127,000	$49,000	$1,302,000	$1,177,000	0.90	
TOTAL	$11,397,000	$13,879,000	0.82	$1,084,000	$570,000	$14,963,000	$11,967,000	0.80	

STATE OF MONTANA
GROUP INSURANCE
MEDICAL & DENTAL
PAID CLAIMS DATA

MONTH	PAID CLAIMS	PREMIUMS	LOSS RATIO	INTEREST & EXCESS INCOME	ADMINIS/ TRATIVE EXPENSE	TOTAL INCOME	TOTAL EXPENSE	TOTAL LOSS RATIO	UNALLOCATED RESERVE
SEP 84	$784,000	$1,290,000	0.61	$127,000	$41,000	$1,417,000	$825,000	0.58	
OCT 84	$1,102,000	$1,288,000	0.86	$127,000	$45,000	$1,415,000	$1,147,000	0.81	
NOV 84	$980,000	$1,292,000	0.76	$127,000	$41,000	$1,419,000	$1,021,000	0.72	
DEC 84	$898,000	$1,296,000	0.69	$127,000	$43,000	$1,423,000	$941,000	0.66	
JAN 85	$838,000	$1,309,000	0.64	$127,000	$40,000	$1,436,000	$878,000	0.61	
FEB 85	$1,178,000	$1,315,000	0.90	$127,000	$52,000	$1,442,000	$1,230,000	0.85	
MAR 85	$1,004,000	$1,312,000	0.77	$127,000	$49,000	$1,439,000	$1,053,000	0.73	
APR 85	$1,059,000	$1,315,000	0.81	$127,000	$51,000	$1,442,000	$1,110,000	0.77	
MAY 85	$1,416,000	$1,321,000	1.07	$127,000	$56,000	$1,448,000	$1,472,000	1.02	
JUN 85	$1,304,000	$1,329,000	0.98	$127,000	$53,000	$1,456,000	$1,357,000	0.93	
JUL 85	$1,162,000	$1,334,000	0.87	$144,000	$48,000	$1,478,000	$1,210,000	0.82	
AUG 85	$1,331,000	$1,341,000	0.99	$156,000	$53,000	$1,497,000	$1,384,000	0.92	
TOTAL	$13,056,000	$15,742,000	0.83	$1,570,000	$572,000	$17,312,000	$13,628,000	0.79	
SEP 85	$1,019,000	$1,360,000	0.75	$157,000	$50,000	$1,517,000	$1,069,000	0.70	
OCT 85	$1,051,000	$1,358,000	0.77	$157,000	$51,000	$1,515,000	$1,102,000	0.73	
NOV 85	$920,000	$1,362,000	0.68	$153,000	$43,000	$1,515,000	$963,000	0.64	
DEC 85	$969,000	$1,363,000	0.71	$152,000	$45,000	$1,515,000	$1,014,000	0.67	
JAN 86	$1,195,000	$1,364,000	0.88	$155,000	$50,000	$1,519,000	$1,245,000	0.82	
FEB 86	$1,060,000	$1,361,000	0.78	$153,000	$49,000	$1,514,000	$1,109,000	0.73	
MAR 86	$1,142,000	$1,362,000	0.84	$152,000	$53,000	$1,514,000	$1,195,000	0.79	$8,901,899
APR 86	$1,250,000	$1,365,000	0.92	$151,000	$55,000	$1,516,000	$1,305,000	0.86	$9,112,899
MAY 86	$1,580,000	$1,374,000	1.15	$149,000	$54,000	$1,523,000	$1,634,000	1.07	$9,001,899
JUN 86	$1,216,000	$1,380,000	0.88	$151,000	$52,000	$1,531,000	$1,268,000	0.83	$9,264,899
JUL 86	$1,263,000	$1,382,000	0.91	$142,000	$57,000	$1,524,000	$1,320,000	0.87	$9,468,899
AUG 86	$1,353,000	$1,385,000	0.98	$144,000	$57,000	$1,529,000	$1,410,000	0.92	$9,587,899
TOTAL	$14,018,000	$16,416,000	0.85	$1,816,000	$616,000	$18,232,000	$14,634,000	0.80	
SEP 86	$1,560,000	$1,372,000	1.14	$226,000	$66,000	$1,598,000	$1,626,000	1.02	$9,559,899
OCT 86	$1,299,000	$1,364,000	0.95	$209,000	$61,000	$1,573,000	$1,360,000	0.86	$9,772,899
NOV 86	$1,009,000	$1,410,000	0.72	$186,000	$52,000	$1,596,000	$1,061,000	0.66	$10,307,899
DEC 86	$1,148,000	$1,410,000	0.81	$183,000	$57,000	$1,593,000	$1,205,000	0.76	$10,695,899
JAN 87	$1,180,000	$1,415,000	0.83	$179,000	$60,000	$1,594,000	$1,240,000	0.78	$11,049,899
FEB 87	$1,117,000	$1,402,000	0.80	$180,000	$56,000	$1,582,000	$1,173,000	0.74	$11,458,899
MAR 87	$1,345,000	$1,404,000	0.96	$177,000	$59,000	$1,581,000	$1,404,000	0.89	$11,635,899
APR 87	$1,448,000	$1,404,000	1.03	$178,000	$62,000	$1,582,000	$1,510,000	0.95	$11,707,899
MAY 87	$1,601,000	$1,407,000	1.14	$179,000	$58,000	$1,586,000	$1,659,000	1.05	$11,634,899
JUN 87	$1,552,000	$1,411,000	1.10	$178,000	$64,000	$1,589,000	$1,616,000	1.02	$11,607,899
JUL 87	$1,746,000	$1,411,000	1.24	$179,000	$61,000	$1,590,000	$1,807,000	1.14	$11,390,899
AUG 87	$1,651,000	$1,422,000	1.16	$179,000	$60,000	$1,601,000	$1,711,000	1.07	$11,280,899
TOTAL	$16,656,000	$16,832,000	0.99	$2,233,000	$716,000	$19,065,000	$17,372,000	0.91	

STATE OF MONTANA GROUP INSURANCE PLANS
MEDICAL AND DENTAL FINANCIAL DATA
FIGURES IN MILLIONS

MONTH	PREM. INCOME	INTEREST INCOME	STATE SHARE EXCESS	TOTAL INCOME	CLAIMS	BUREAU EXP.	BC/BS EXP.	TRANS-PLANT EXP.	TOTAL EXP.	LOSS RATIO	UNALLO-CATED RESERVE
SEP 87	$1.421	$0.084	$0.037	$1.542	$1.401	$0.021	$0.031	$0.007	$1.460	0.947	$11.649
OCT 87	1.421	$0.084	0.036	1.541	1.423	0.021	0.070	0.007	1.521	0.987	
NOV 87	1.427	$0.084	0.034	1.545	1.310	0.021	0.050	0.007	1.388	0.898	
DEC 87	1.430	$0.084	0.032	1.546	1.567	0.021	0.044	0.007	1.639	1.060	
JAN 88	1.434	$0.084	0.034	1.552	1.412	0.021	0.038	0.007	1.478	0.952	
FEB 88	1.432	$0.084	0.035	1.551	1.681	0.021	0.038	0.007	1.747	1.126	
MAR 88	1.440	$0.084	0.032	1.556	1.813	0.021	0.038	0.007	1.879	1.208	
APR 88	1.442	$0.084	0.034	1.560	1.864	0.021	0.038	0.007	1.930	1.237	
MAY 88	1.447	$0.084	0.035	1.566	1.711	0.021	0.039	0.007	1.778	1.135	
JUN 88	1.454	$0.084	0.034	1.572	1.831	0.021	0.039	0.007	1.898	1.207	
JUL 88	1.460	$0.100	0.035	1.595	1.521	0.025	0.039	0.007	1.592	0.998	
AUG 88	1.461	$0.100	0.036	1.597	1.914	0.025	0.039	0.007	1.985	1.243	
TOTAL	$17.269	$1.040	$0.414	$18.723	$19.448	$0.260	$0.503	$0.084	$20.295	1.084	
SEP 88	$1.473	$0.100	$0.036	$1.609	$1.556	$0.025	$0.039	$0.008	$1.628	1.012	$8.747
OCT 88	1.471	0.100	0.035	1.606	1.654	0.025	0.042	0.008	1.729	1.077	
NOV 88	1.478	0.100	0.035	1.613	1.667	0.025	0.041	0.008	1.741	1.079	
DEC 88	1.484	0.100	0.033	1.617	1.645	0.025	0.041	0.008	1.719	1.063	