

## 2016-18 Executive Progress Report

Commonwealth of Virginia  
Secretary of Administration

Department of Human Resource Management

### At A Glance

The Virginia Department of Human Resource Management is the central state agency dedicated to providing a broad range of leadership, services, and guidance to the Commonwealth.

Staffing 96 Salaried Employees, 3 Contracted Employees, 107 Authorized, and 12 Wage Employees.

Financials Budget FY 2017, \$17.93 million, 38.27% from the General Fund.

Trends  
Legend

↑ Increase, ↓ Decrease, → Steady

Key Perf Areas  
Productivity  
Legend

↑ DHRM Customer Satisfaction  
↑ Improving, ↓ Worsening, → Maintaining

For more information on administrative key, and productivity measures, go to [www.vaperforms.virginia.gov](http://www.vaperforms.virginia.gov)

## Background and History

### Agency Background Statement

The Department of Human Resource Management (DHRM) provides a wide variety of human resource services to state government agencies, as well as some local government entities.

Office areas within the agency include Agency Human Resource Services, Equal Employment Services, Employment Dispute Resolution, Employee Programs, Health Benefit Services, State Employee Workers' Compensation Services, Information Technology, and Contracts and Finance.

### Major Products and Services

DHRM consists of the following ten service areas: Agency Human Resource Services, Human Resource Service Center, Personnel Development Services, Personnel Management Information System, Equal Employment Services, State Employee Program Services, State Employee Workers' Compensation Services, Health Benefits Services, Employment Dispute Resolution Services, and Administration and Support Services. Each Service Area provides a diverse array of services which are measured by customer satisfaction. The average of all customer satisfaction results for service area produces the Agency Key Measure of DHRM Customer Satisfaction.

Agency Human Resource Services provides statewide support to the Commonwealth around human resource policy, consulting, compensation, salary administration, employment, shared services, talent management, data stewardship, and analytics.

Human Resource Service Center provides customized, fee-for-service human resource services to client state agencies at a lower cost than those typically provided by in-house staff.

Personnel Development Services provides the COVLC (Commonwealth of Virginia Learning Center) which was implemented with the objective of providing a more efficient and effective method of maximizing training at an acceptable cost.

Personnel Management Information System or PMIS is an on-line transaction-based system containing employee and benefits records of all active and separated employees.

Equal Employment Services provides statewide support to the Commonwealth around Equal Employment Office (EEO) policy, consulting, compliance, investigation, reporting, and grievance appeals.

Employment Dispute Resolution Services provides statewide support to the Commonwealth around AdviceLine, mediation, training, grievances and hearings.

State Employee Programs provides statewide support to the Commonwealth around communications, employee discounts, workplace giving, employee wellness, and employee events.

Health Benefits Services provides statewide support to the Commonwealth around the state health plans, local government health plans, retiree health plans, Line of Duty Act (LODA) health benefits plans, flexible spending, COBRA administration, policy, systems, employee services, employer services, ombudsman services and vendor services.

State Employee Workers' Compensation Services provides statewide support to the Commonwealth around Workers' Compensation policy, claims administration, return to work services, loss control services and training.

Administration and Support Services includes Information Technology, Administration, and Contracts and Finance. Information Technology provides statewide support services to the Commonwealth around Personnel Management Information System (PMIS), Benefits Eligibility System (BES), Time, Attendance and Leave (TAL), COVA Learning Center, human resource data warehouse services, human resource web applications, and employee self-service portals.

Contracts and Finance provides support services to the agency service areas around contracts, procurement, finance, travel and mail.

### Customers

#### Customer Summary

Customers of DHRM include all of Virginia State Government, state employees, local governments and citizens of the Commonwealth. The agency expects to see an increase in customers using the Shared Service Center that provides comprehensive on-site human resource services to agencies without human resource staff. The DHRM Shared Service Center (SSC) evolved in the mid-1990s when a few small agencies with no in-house human resource expertise asked if DHRM could provide routine transactional services for them for a fee. This included personnel and benefits transactions, posting job announcements, and when necessary, providing support in the resolution of non-routine personnel matters. To date the SSC has reduced the average client's HR administrative services cost by 30% to 50%. The agency also expects to see an increase in customers with the implementation of Line of Duty Act (LODA) and COVA Local health plans.

Customer Table

Predefined Group	User Defined Group	Number Served Annually	Potential Number of Annual Customers	Projected Customer Trend
Governor	Governor, staff and cabinet	16	16	Stable
General Assembly	Senators, delegates & staff	140	140	Stable
State Agency(s),	State agencies	243	243	Stable
State Agency(s),	All Service Areas within the Department of Human Resource Management	7	7	Stable
State Government Employee	State Employees	125,197	125,197	Stable
Taxpayer	Job seekers using Recruit Management System	38,000	0	Stable
Attorney General	Judicial branch	1	1	Stable
Employee	Injured workers	8,056	125,197	Stable
Employer/ Business Owner	Private sector business receiving Workers' Compensation Training	0	0	Stable
Federal Agency	Acts as state liaison with federal Savings Bond Program and provides support for federal queries	0	0	Stable
Federal Agency	Federal Government Agencies	2	10	Stable
Interstate Entity	Other states	49	49	Stable
Local or Regional Government Authorities	Local governments receiving Workers' Compensation Training	12	1,000	Stable
Non-Profit Agency (Boards/Foundation),	Answers queries about state policies and activities and provides customer service and information to	0	0	Stable
Resident	General Public	0	0	Stable
Retirees	State Medicare Retirees in health plan	37,477	37,477	Stable
State Government Employee	State employees in state health plan	89,859	89,859	Stable
Retirees	State non-Medicare retirees in state health plan	5,512	5,512	Stable
Consumer	Total participants in state employee health plan	232,572	232,572	Stable
Local or Regional Government Authorities	The Local Choice groups in plan	336	1,000	Increase
Local Government Employee	Participants in The Local Choice	69,393	69,393	Increase

**Finance**

**Financial Summary**

Agency funding consists of general fund and non-general funds. The fiscal year 2016 percentage split is 52.6 percent general fund and 47.4 percent non-general fund.

General funds support the Agency Human Resource Services, Employment Dispute Resolution and Equal Employment Services functions and the Commonwealth of Virginia Knowledge Center. All other areas of the agency are served by non-general funds.

**Fund Sources**

Fund Code	Fund Name	FY 2017	FY 2018
0100	General Fund	\$6,860,977	\$4,790,839
0200	Special	\$8,465,825	\$0
0202	Training And Forms Recovery Fund	\$10,300	\$10,300
0227	Human Resource Service Center Fund	\$664,231	\$664,231
0235	Cvc Program Fund	\$248,646	\$248,646
0250	Employee Dispute Resolution Services Fund	\$311,871	\$311,871
0700	Trust And Agency	\$1,367,467	\$1,560,372

**Revenue Summary**

General Fund appropriations have steadily decreased, increasing the reliance on Non-General Fund sources.

The agency utilizes two funding sources that are not derived from the Commonwealth. The Health Benefits Services section that serves local government and schools is funded from premiums paid by participating entities. The section of Employee Services that serves the workforce giving program (CVC Program) is funded entirely from employee donations.

The human resource Shared Service Center is funded from both general fund and non-general fund agencies using the services as their human resource function. This funding is identified as special funds.

The State Employee Workers' Compensation Services area is funded through a trust fund that flows from agency premiums.

The state employee portion of health benefits services is funded from the Health Insurance Fund (HIF). HIF funding is derived from both employer and employee premiums.

The Employment Dispute Resolution section that provides grievance and hearing support is funded by agencies that experience the need for those services.

**Performance**

**Performance Highlights**

The Virginia Department of Human Resource Management (DHRM) is the central human resource agency for the Commonwealth of Virginia. We are dedicated to promoting a culture of leadership that cultivates a talented and proficient public workforce for the citizens of Virginia. We design and deliver the framework for human resource programs through a system of centralized program and operational services for state government and their stakeholders, including employee information, online learning systems, salary administration, human resource policy, human resources shared services, equal employment services, state employees workers' compensation services, state and local government health benefits programs, wellness, and workplace giving.

The agency has developed efficient business processes and has made greater use of technology to automate those processes. The agency has been in the forefront in using technology with the development of a statewide Time, Attendance and Leave system which was made available to state agencies in the Spring of 2013. In March 2017, the agency implemented the modernization of the Personnel Management Information System and Benefits Eligibility System; 1970's legacy systems that were migrated from a Unisys mainframe to a client server environment.

During 2017, the State Employee Workers' Compensation Pilot Program was established. Settlement of 59 cases resulted in avoided future cost liability of \$14 million. Though these cases represent only 5% of potential cases to be settled, the program has reached 33% of the actuarially forecasted cost avoidance savings.

The agency key performance measure is customer satisfaction. This is measured in each service area of the agency and all results are

averaged to compute the overall result. The agency target is to have 90 percent of survey respondents rate the services received from DHRM as good or better. DHRM has consistently met and exceeded this measure target.

The agency productivity measure is average employer health care cost. The goal of controlling the cost of health care is a program goal. The state employee health plan's annual cost trend should be equal to or below the average national large employer health care annual cost trend.

#### Selected Measures

Measure ID	Measure	Alternative Name	Estimated Trend
12900000.001.001	Percentage of DHRM customers rating services received as good or better	DHRM Customer Satisfaction	Improving
129.0001	Percentage by which diabetes pilot group costs are less than control group costs	VBID - Diabetes	Improving
129.0005	Percentage of Executive Branch employees whose salary data is published online	Employee Salary Data Online	Improving
129.0002	Percentage of self-insured state employee health plans and buy-up options below the ACA 40% excise tax benchmark.	ACA Excise Tax	Improving
129.0003	Percentage of succession plan indicators published on DHRM's website	Succession Planning	Improving

#### Key Risk Factors

The Department of Human Resource Management routinely conducts an analysis of potential impediments to accomplishing the agency's mission. The following have been identified:

- As the need for services increase, funding and staffing levels have not increased
- Eroding total compensation compared to the market
- Rising national and regional health care costs
- Aging workforce
- Inadequate central information systems
- Inflexibility of laws, regulations, policies and procedures
- Risk aversion
- Unfunded mandates
- Continuous change
- Health reform uncertainty

#### Agency Statistics

##### Statistics Summary

DHRM produces a variety of annual reports which may be viewed at the following web address: <http://www.dhrm.virginia.gov/reports.html>

These mandated reports include but are not limited to:

##### General

- [Employee Compensation Report](#)
- [Commonwealth Human Resources At-A-Glance 2016](#)
- [Commonwealth Human Resources At-A-Glance Archive](#)

##### Reports to the General Assembly

- [2017 HAC Subcommittee Report on the State Workforce and Health Insurance](#)
- [2016 Annual Salary Survey Report](#)
- [2016 Health Benefits Ombudsman Report](#)
- [2016 Commission on Employee Retirement Security & Pension Reform](#) - Compensation Work Group, October 28, 2016
- [2016 Commission on Employee Retirement Security & Pension Reform](#) - September 20, 2016
- [2016 Commission on Employee Retirement Security & Pension Reform](#) - September 14, 2016
- [2016 Commission on Employee Retirement Security and Pension Reform](#) - July 11, 2016
- [2016 HAC Subcommittee Report on the Budget, Health Insurance, Workforce, Compensation, & Information Technology](#)
- [2016 Senate Finance Subcommittee Report on the Budget, Workforce, Compensation, Health Insurance, & Information Technology](#)
- [2015 Health Benefits Ombudsman Report](#)
- [2015 DHRM Line of Duty Act Report](#)
- [2015 Review of the Public Employee Health Programs in the Commonwealth](#)

- [2015 HAC Subcommittee Report on the State Workforce and Health Insurance](#)
- [2015 Senate Finance Subcommittee Report on Compensation and Health Insurance](#)
- [2015 Annual Salary Report](#)
- [Health Benefits Annual Reports](#)
- [Reports Archive](#)

## **Presentations**

- [2016 DHRM HR Symposium - Commission on Employee Retirement Security and Pension Reform](#)
- [2016 Virginia Sheriffs' Institute - Local Option Health Plan](#)
- [2016 VGEA Presentation on Employee Health Benefits](#)
- [2016 VGEA Presentation on Retiree Health Benefits](#)
- [2015 VEIAA Presentation](#)
- [2014 VEIAA Health Benefits Presentation](#)
- [2015 VGEA Presentation - Roanoke](#)

## **Full-Time Equivalent (FTE) Reports**

- [State Employment Level Trends 1991 – 2011](#)
- [Total by Agency](#)
- [Monthly Employment Data](#)
- [Historical Trend by Agency](#)

## **Workforce Reports**

- [State Salaries as of June 30, 2016](#)
- [State Government Workforce Succession Trends Report](#)
- [Commonwealth Workforce Data Reports for Classified Employees](#)
- [Agency Workforce Planning Reports and Tools](#)
- [Archived Commonwealth Workforce Reports](#)

## **Health Benefits Administration**

- [2014 Open Enrollment Report](#)

## **Office Area Reports**

- [2016 Agency Human Resource Services](#)
- [2016 Employee Programs](#)
- [2016 Employment Dispute Resolution](#)
- [2016 Equal Employment Opportunity Services](#)
- [2016 Health Benefits](#)
- [2016 Information Technology](#)
- [2016 Workers' Compensation Services](#)

**Statistics Table**

<b>Description</b>	<b>Value</b>
Maximum Employment Level - FY 16	110,538
Salaried Employees - FY 16	103,585
Wage Employees - FY 16	21,612
Contractors - FY 16	4,260
Percentage General Fund Employees - FY 16	47
Percentage Non-General Fund Employees - FY 16	53
Average Age Employee - FY 16	47
Average Years of Service - FY 16	12
Average Education Year - FY 16	14
Percentage Male - FY 16	46
Percentage Female - FY 16	54
Percentage Minority - FY 16	35
Vacancy Rate - FY 16	13
Percentage of Employees Eligible to Retire Today - FY 16	12
Percentage Veteran - FY 16	8
Average Salary - FY 16	48,203

## Management Discussion

### General Information About Ongoing Status of Agency

#### FUTURE DIRECTION (immediate, short-term, and long-term)

The Department of Human Resource Management (DHRM) has developed immediate, short-term, and long-term goals for the agency.

In the short-term, DHRM is working to implement the Line of Duty Act and COVA Local Health Programs (SB364 - Chafin), and continue the Workers' Compensation Settlement Program. The agency is focusing on innovative health care initiatives, for example Value Based Insurance Design (VBID) for Diabetes, COPD/Asthma, and Hypertension, as well as increasing utilization of the on-site clinic. DHRM will continue to work with the Speaker's Commission by partnering with JLARC on their total compensation study and other issues that may arise from the Commission.

DHRM will continue to improve an effective consumer driven health plan, and as part of this, will continue to explore opportunities for new technologies, including the use of electronic medical records and improved cost and quality.

### Information Technology

- **Adequate funding:** Funding and staffing shortfalls threaten the overall quality of the Agency's services, its ability to initiate much needed new programs, its ability to compete in the market for talent, and the timely implementation of system changes and updates. The actual IT staffing model does not allow for adequate system support / documentation, and severely limits planning efforts and efforts for new initiatives. Since there is not enough staff over which to spread the operational workload, cross-training of existing resources and thorough documentation of systems cannot occur.

- **Quick and Accurate Response** to inquiries: DHRM must be able to respond quickly and accurately to information queries from various constituents such as the Governor, the General Assembly, management, employees, the public, and the press; It needs flexible systems to be able to adapt to unplanned mandates;

- DHRM migrated PMIS and BES from the legacy UNISYS mainframe to a Windows .NET environment. This effort addressed a short-term need but it does not address DHRM's long term need to provide a robust HR solution to Commonwealth agencies. DHRM will need additional monies starting in FY18 to pursue this long-term need.

- DHRM was given central funding to support the Commonwealth Learning Center – staffing, system hosting, software upgrades and software licensing. This replaced the previous funding model that required participating agencies to pay their share of the total cost.

- **Significant increases in the DHRM's IT costs** are expected due to the following:

(1) ACA (Affordable Care Act) Reporting - requires annual changes to existent systems to satisfy IRS reporting requirements - Automated systems need to be developed and/or changed, implemented and operated to satisfy this code change.

(2) LODA (Line of Duty) code change - will require DHRM to create a new health benefits program with specific eligibility and enrolment rules - Automated systems need to be developed and/or changed, implemented and operated to satisfy this code change.

(3) Senate Bill 364 - Chafin (2016) creates the opportunity for a new health benefits program for local governments, local school divisions, and other political subdivisions. This new program will require new automated systems to be developed, implemented, and operated to satisfy the legislative requirements.

(4) IT INFRASTRUCTURE TRANSITION - DHRM actual environment includes 99 desktops which 95 are fully encrypted, 70 laptops, 227 email boxes, 15 printers, 4 physical servers, 25 virtual servers and 17 Terabytes of storage providing support to 46 sensitive applications. In a situation of transition to a different 3rd party provider DHRM will need funding and resources to support this initiative.

(5) SECURITY SHARED SERVICES - DHRM is engaged with VITA Security Shared Services and signed a MOU for ISO Services from VITA and a MOU for IT Security Audit Services from VITA. This engagement increases cost with IT security and does not address all of the security needs of the agency.

(6) CLOUD APPLICATION HOSTING - While not using it presently, DHRM needs to consider it a viable option in the near future. DHRM does not have funding to support any anticipated costs with this initiative.

(7) INTERNET UTILIZATION - More applications and automated processes will be available to a larger audience that use DHRM programs and services. The internet utilization will increase considerably this upcoming biennium. The Local Choice entities that are starting their participation, and the future participation of Schools and Local Governments in the COVA Local and LODA plans will contribute to a higher volume of web traffic. DHRM does not have funding to support any anticipated costs with this increase.

(8) High demands for UPGRADING AND MODERNIZING SYSTEMS to comply with new state and federal laws and regulations.

### Workforce Development



The greatest factor impacting DHRM is the potential retirement of many of its employees. Knowledge transfer is an important aspect of the agency's Workforce Plan.

28.1 percent of DHRM employees will be eligible for retirement within five years. This is 3.3 percent higher than the Commonwealth as a whole (24.8 percent).

### **Physical Plant**

DHRM utilizes leased space in the James Monroe Building, 101 North 14th Street, Richmond VA 23219. Nine employees in the State Employee Services area are home-based and provide CommonHealth Services throughout the state.

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