STATE OF CONNECTICUT
LIEUTENANT GOVERNOR NANCY WYMAN

Connecticut Health Insurance Exchange
Human Resources Subcommittee Special Meeting

Human Resources Subcommittee

Thursday, August 6, 2015
Capitol Building, Room 410
DRAFT Meeting Minutes

Members Present:
Robert Tessier (Chair); Maura Carley

Members Present by Telephone:
Robert Scalettar, M.D.; Vicki Veltri

Other Participants:
James Wadleigh, Melinda Brayton

I. Call to Order and Introductions

The Meeting of the Human Resources Subcommittee was called to order at 11:38 a.m.

II. Review and Approval of Minutes

Robert Tessier requested a motion to approve the minutes from the May 28, 2015 Special Meeting. Motion was made by Robert Scalettar, M.D. and seconded by Vicki Veltri. ***Motion passed***. Maura Carley noted that she was not present at the May 28, 2015 meeting.

III. Variable Pay Plan Presentation

Robert Tessier stated that the subject matter goes back to Kevin Counihan's contract. It was his recommendation to the Committee speaking on behalf of himself and the SLT at the time that they believed that staff-wide variable compensation program would be a very helpful tool especially in the early stages of the Exchange. Mr. Tessier added that Anne Melissa Dowling and Dr. Scalettar had previous experience with the variable pay concept. The first year of a bonus (2013) was across the board and not based on individual goals because the individual goals had not been set. The Committee had hoped that it would be only the first year but with the CEO transition and other issues, the end of FY2015 compensation was not discussed, nor were AHCT managers prepared to set and meet goals, as well as managing performance against goals. As a result, the recommendation was made to the Committee for a 6% bonus in July 2015. This would be given to all staff who were full time employees and past the end of the probationary period. The agreed amount was 3.5% and awaits formal approval.

Maura Carley seemed to recall that past decisions were made in the moment and was under the impression that the intention was to move from a cost of living increase to a merit based performance review; it is not clear. Mr. Tessier recalled that the cost of living increase was never discussed nor was a variable plan. He does not believe that a policy for one or the other is in place. Vicki Veltri stated that there needs to be consideration as to where Access Health CT is now and not look back believing that the Committee had not vetted any plan. There was a discussion moving toward merit and what is the Committee's role going from this point forward. Dr. Scalettar stated that there is a good foundation now particularly following the Kardas Larson report. Ms. Carley replied that her recollection was that year one was an unusual situation and not to be repeated. Mr. Tessier added that this was the strong sentiment of the Committee. Mr. Tessier stated that the issues needed to be level set and a broad discussion followed regarding a variable pay plan. Staff retention is of concern balancing AHCT's non-profit quasi status.

Ms. Brayton provided a presentation defining variable pay plans and stated that this is the time to start from ground zero adding that it is the CEO that sets the culture of the organization. A variable pay plan would be part of the culture. When the prior CEO left, AHCT was not prepared to pay for performance. With Mr. Wadleigh now as CEO, there is a budget that reflects how the organization will be managed internally through FY 2016. Mr. Wadleigh stated that there is a need to do a better job, from a performance review and compensation perspective. Discussions on compensation should begin during budget planning in March; be finalized in April; and should be implemented in May.

Mr. Wadleigh noted his preference for a merit-based plan as opposed to a cost of living plan. In the last nine months, AHCT managers received formal training on performance reviews, ratings, and setting goals for 2016. Staff was informed that July 2016 increases will be based on meeting organizational, departmental, and personal goals. He and Melinda Brayton are going through all of the reviews to make sure they are consistent organization-wide. AHCT is now set up to implement an annual review process in May and June each year.

In order to clarify what a variable pay plan would entail, recommendations were sought from two outside consultants, who could assist in the development of a variable pay plan if one should be decided on. Further, Ms. Brayton added there needs to be a common understanding of what a variable pay plan is. There is a difference between merit pay, which increases base salary, and variable pay. Variable pay maintains a low base salary without changes to base salary annually. Reward for performance is paid out in a bonus and is not guaranteed. There is growing interest in the private sector and public sector organizations for using variable pay plans. Dr. Scalettar asked if there has been a conversation as to any insight as to organization size and the relevance. Ms. Brayton replied variable pay is based more on the economy, culture and budget. The variable pay plan becomes a part of the organization culture. In the coming year, Human Resources will create an improved career landing page which is an important resource for potential candidates. A variable pay plan would be advertised on that landing page.

Ms. Brayton continued with the purpose of the variable pay plan. If there is a variable pay plan, there must be performance measures in place at AHCT. Managers are required to talk to their employees four times a year and need to measure against goals set.

Ms. Brayton summarized the planning for a variable pay plan. Management of a variable pay plan was also reviewed. It is geared toward meeting organization goals and assumes quarterly updates on progress towards goals between managers and employees. This is tracked by Human Resources. Mr. Tessier questioned whether a young organization with a schedule like AHCT's makes managing a variable pay plan harder than in a more stable mature organization. Administration of a variable pay plan was reviewed. There is internal administration but also budget considerations. One consideration was board approval of a lump sum allowing CEO discretion on its distribution. AHCT goals for July 2015 and July 2016 were reviewed.

Mr. Tessier commented that the goals and objectives are now simpler, clearer and more concise. Ms. Brayton stated that progress reviews will be quarterly but the major annual review would be June each year. The 3% cost of living suggested for July 2015 adjustment has not been distributed and is based on inflation and economic factors. Mr. Tessier asked if there has been any research of Connecticut statutes that create or authorize what a quasi can do. Ms. Brayton replied no. Mr. Tessier asked if it might be possible to engage a consultant with experience in these types of plans along with Connecticut quasi publics where AHCT could obtain concrete options.

At this point, Ms. Carley stated that she has a concern with the variable pay plan approach. In her experience, many organizations have moved to a merit pay plan. A merit base system would give flexibility without bringing the controversy that a bonus does. Merit increases the base salary. Dr. Scalettar stated that there would be a minimum increase reflecting merit based on personal or at most department objections. The larger issue with variable pay is the great profits of corporations and resulting CEO bonuses. Mr. Wadleigh went back to what the culture of the organization should be. Mr. Wadleigh would like it to be more merit based with cost of living included in the range of merit increase provided to employees.

There was discussion and a decision to dispense with the bonus/variable pay plan idea. Mr. Wadleigh asked that Ms. Brayton develop options for a merit based compensation plan rather than hiring a consultant. Mr. Tessier added that the big criticism of a merit based plan is that it is susceptible to favoritism by managers based on subjective performance rating and requested Ms. Brayton to take this into account when pulling together the options. Ms. Veltri asked to look at cost of living adjustments for other quasi's .

IV. Executive Session

Robert Tessier requested a motion to proceed into Executive Session to discuss matters exempt from disclosure under C.G.S. §1-200(6)(A). Motion was made by Vicki Veltri and seconded by Robert Scalettar, M.D. James Wadleigh was invited into Executive Session. **Committee members present proceeded into Executive Session at 12:52 a.m.**

Meeting was called back to order at 12:57 p.m.

V. Adjournment

The next meeting will be held on September 17, 2015. Mr. Tessier suggested that agenda items include the final two reports from Kardas-Larson and a policy on the shelf-life of the salary benchmarking against market.

Robert Tessier requested a motion to adjourn. Vicki Veltri made the motion and Maura Carley seconded. ***Motion passed unanimously.*** Meeting adjourned at 12:57 p.m.