

**Testimony of Kirsten LC Figueroa, Commissioner
Department of Administrative and Financial Services**

**Before the Joint Standing Committees on
Appropriations and Financial Affairs and
Health Coverage, Insurance and Financial Services**

**“An Act Making Unified Appropriations and Allocations for the Expenditures
of State Government, General Fund and Other Funds and Changing Certain
Provisions of the Law Necessary to the Proper Operations of State
Government for the Fiscal Years Ending June 30, 2023, June 30, 2024 and
June 30, 2025”**

March 1, 2023

Good afternoon, Senator Rotundo, Representative Sachs, and members of the Joint Standing Committee on Appropriations and Financial Affairs; Senator Bailey, Representative Perry and members of the Joint Standing Committee on Health Coverage, Insurance and Financial Services. I am Kirsten Figueroa, the Commissioner of the Department of Administrative and Financial Services. I am here today to testify in support of the fiscal year 2024-2025 biennial budget bill, LD 258, specifically those items on today’s agenda relating to DAFS.

This budget advances the Governor’s guiding belief that to build a stronger, more prosperous state where opportunity is available to all, we must invest in the infrastructure that supports the people of Maine, our greatest asset.

That is why this budget proposal strengthens the very things that Maine people rely on every day to succeed, building on the strong success of the currently enacted budget and the last legislative session to tackle Maine’s greatest challenges.

We have governed cautiously and in a fiscally prudent way over the past four years, making sure that – even in the hardest of times during the pandemic – we live within our means. This budget proposal continues that practice.

We look forward to the discussions over the next several months as we outline each initiative and the impact of the proposed investments.

Department of Administrative and Financial Services

The Department of Administrative and Financial Services (DAFS) consists of ten bureaus, a handful of boards and commissions, and more than 1,200 employees serving the public and all three branches of state government.

The Department has a broad range of responsibilities. We serve as the principal fiscal advisor to Governor Mills, prepare the state budget, coordinate the financial planning and programming activities of state agencies, prepare the financial records of the state, and advise the Maine Legislature on the economic status of the state and financial statutes of state government.

Additionally, DAFS oversees all aspects of: human resources, including employee benefits, contract negotiations, recruiting, retaining, training and performance; information technology services, including cyber security, data management, application development, project management, technology infrastructure, accessibility, and network services; maintenance, repairs and capital improvements of state-owned buildings and grounds; leased space; procurement, contracting and vendor management; state postal services; surplus property; tax collection, tax law and tax policy; and fleet management.

Various internal services for state agencies are provided by the Department, including review of accounting transactions and procedures and the implementation of account controls. We oversee three state-owned landfills. We also administer the state's lottery operations, medical and adult use cannabis programs, and the sale of distilled spirits within Maine's borders.

DAFS employees are respected as conscientious stewards of the State's assets: fiscal, human, physical and technical. We are valued for the professional expertise we provide that ensures State departments and agencies efficiently, effectively, and economically fulfill their important missions for the people of Maine. We lead and collaborate with open doors, open minds, and open hearts.

DAFS has five committees of jurisdiction – plus significant interaction with the Joint Standing Committee on Appropriations & Financial Affairs.

Today's testimony is about HCIFS-related initiatives proposed in the biennial budget.

Accident – Sickness – Health Insurance

I'll begin on **page A-3**, the **Accident-Sickness-Health Insurance** program. This program funds: management and administration of a series of benefits and services available to employees and eligible ancillary groups and retirees, including the State employee health plan, dental plan, direct reimbursement accounts, deferred compensation, vision care, and life insurance; management of contracted services for employee assistance programs, including Living Resources; and the development of health and safety policies and programs to reduce the incidence of illnesses and injuries to employees.

I will begin with the baseline in this account. The General Fund baseline budget is just over \$770,000 in each year. The program also includes allocation for three separate Internal Service Funds: the Retiree Health Insurance Fund; the Accident-Sickness-Health Insurance Internal Service Fund; and, the Firefighters and Law Enforcement Health Insurance Program Fund. The baseline for Accident-Sickness-Health Insurance Internal Service Fund includes Personal Services supporting 15 positions and All Other allocation totaling approximately \$3.1 million each year. The baseline allocation for the Retiree Health Insurance Fund is \$117 million each year. The baseline allocation for the Firefighters and Law Enforcement Health Insurance Program Fund supports one position and All Other totaling nearly \$150,000 each year.

There are six initiatives in this program.

This first initiative continues one Public Service Manager II position until June 6, 2025, to assist with the design of the benefits portion of the Human Resource Management System (HRMS) project. This position works to identify and mitigate existing business risks associated with benefits solution architecture. This position is critical to the successful transition of highly manual and paper-driven benefits processes to the modern HRMS, working as the benefits lead with the necessary knowledge of state and federal insurance requirements as well as current and historical knowledge of state government benefits data elements.

This initiative increases the allocation in the Accident, Sickness & Health Insurance Internal Services Fund by \$122,487 in fiscal year 2024 and \$129,126 in fiscal year 2025.

The second initiative establishes one Public Service Coordinator I position serving as a Health and Wellness Benefits Contract Analyst responsible for the management, review, negotiation, tracking, and compliance for the high volume of contracts necessary to implement and carry out the programs of Employee Health and Wellness. The office manages 22 vendor contracts and up to five additional Business Associate Agreements, which outline parties' obligations to safeguard and maintain the privacy of protected health information, during each fiscal year. This position will be responsible for tracking, ensuring compliance, and managing the correspondence and negotiations-related communication between the Office of Employee Health and Wellness, the Office of the Attorney General, and the vendor and ensuring final contract documents are appropriate and signed. The volume and complexity of this work necessitates an additional position. While the types of contracts vary, other state offices deploy teams of employees to manage contracts, with one office reporting a model of 6 contracts per full time equivalent. This new position is critical to achieving a more focused, efficient, and effective management of these contracts. This initiative increases the allocation in the Accident, Sickness & Health Insurance Internal Services Fund by \$102,076 in fiscal year 2024 and \$107,833 in fiscal year 2025.

The last initiative on **page A-3** establishes 2 Public Service Coordinator I positions to support state employees with all benefits and retirees with health insurance, including educational sessions on retirement for state employees. Employee Health and Wellness currently has three funded Benefits Specialist positions to provide all aspects of benefits support for 25,700 members on the State of Maine Health Plan and 9,048 members on the State of Maine Medicare Advantage plan. In addition to providing member support, education, and communication through 550+ emails per month per specialist, 200+ calls per month per specialist, and walk-in customers, duties also include processing for new hires, leaves of absence, cobra benefits, and new retirees; refund requests; and monthly payroll reconciliation exception reports for medical, dental and vision insurances. These new positions are critical to ensuring a manageable workload for each specialist while providing an improved customer experience for employees and retirees.

This initiative increases the allocation in the Accident, Sickness & Health Insurance Internal Services Fund by \$182,060 in fiscal year 2024 and \$192,674 in fiscal year 2025.

Turning to **page A-4**, the next initiative establishes one Office Specialist II position to provide advanced office and administrative support to the Office of Employee Health and Wellness. Currently all members of the team—including the executive director and lead managers—attempt to patch together the administrative support required to effectively run the office and meet the needs of vendors, employees, retirees, and other customers. This position will perform these tasks and more to fill this critical need thereby allowing for timely and thorough completion of priority and strategic initiatives and activities by other staff. This initiative increases the allocation in the Accident, Sickness & Health Insurance Internal Services Fund by \$89,088 in fiscal year 2024 and \$94,240 in fiscal year 2025.

The second initiative on **page A-4** provides funding for the proposed reclassification of one Public Service Coordinator I position to better align work responsibilities with classification. This initiative increases the allocation in the Accident, Sickness & Health Insurance Internal Services Fund by \$7,259 in fiscal year 2024 and \$10,817 in fiscal year 2025.

The final initiative in this program increases the allocation in the Firefighters and Law Enforcement Health Insurance Program Fund by \$10,000 in each fiscal year to align allocations with projected expenditures and available resources. This Fund provides health insurance coverage to retired county and municipal law enforcement officers and retired municipal firefighters, as authorized under Title 5, section 286-M. Increasing allocation will reduce the need for mid-year financial orders.

State Benefit Mandate Defrayal (Z373)

There is one initiative on **page A-50** for the new **State Benefit Mandate Defrayal** program. This initiative provides \$3.8 million in each fiscal year for the cost of the benefit mandate providing coverage of infertility treatment as enacted by Public Law 2021, chapter 692, An Act To Provide Access to Fertility Care. The federal Affordable Care Act requires states to defray the costs of any state benefit mandates enacted after December 31, 2011. Qualified health plan issuers must quantify the cost attributable to each additional required benefit based on an actuarial analysis

and the state must make payments for those costs either directly to the enrollees whose plans include this benefit or to the carrier that has paid the benefit. The defrayal only applies to individual and small group markets. What this means, at a high level, is that if a state mandates coverage beyond the ten essential health benefits provided for under the Affordable Care Act benefit plan, the state must cover the cost by either reimbursing the health plan or the enrollees. The \$3.8 million was estimated by an actuary based on estimated costs of fertility services. This amount could vary based on a number of factors including actual cost sharing that carriers may implement or specifics related to the coverage that may be defined through rulemaking by the Bureau of Insurance.

Trade Adjustment Assistance Health Insurance

The Trade Adjustment Assistance Health Insurance program is on **page A-54**. This program provides a group health insurance product for individuals certified to receive federal assistance for health coverage under the terms of the tax credit program within the federal Trade Adjustment Assistance Reform Act of 2002. Individuals certified under the Trade Adjustment Assistance Reform Act are workers who have been displaced because of foreign competition. Although there have not been any expenses in this program since 2010 this is still an active program that could have participants. The program includes a baseline Federal Expenditures Fund allocation of \$8,385 in each fiscal year and \$75,000 each year as a baseline in the Other Special Revenue Funds account.

There are no proposed changes to this Program.

Part H

Part H begins on **language page 10**. This Part adjusts the annual rates of pay used to determine the State's contribution towards an employee's health insurance premium. As an employer, the State of Maine pays 85% to 100% of employee-only health insurance premiums for full time employees (prorated for part-time). The contribution is based on the employee's annual salary. Currently, for those employees with an annual salary of \$30,000 or less, the state contributes 95% of the cost of the employee-only plan. For those earning between \$30,000 and \$80,000, the contribution is 90%. For those earning over \$80,000, the State's contribution is

85%. These salary tiers have been in effect since the program was established in fiscal year 2010.

Part H adjusts the tiers to \$50,000, \$50,000 to \$100,000, and over \$100,000, respectively. In the State's last round of collective bargaining, the minimum hourly rate of pay was increased to \$15 per hour. At that rate there are no full-time employees in the below \$30,000 range.

The State also has a Health Credit Premium Program where the State may pay an additional 5% toward the cost of health insurance. Annually, the State Employee Health Commission designs the health credit premium program whereby employees are provided incentives to engage in healthy behaviors in an effort to improve the health status of the state employee population and to help reduce costs to the state employee health insurance program. Upon completion and documentation by the employee, they are eligible for a higher level of contribution from the State. This Part also aligns the tiers to \$50,000, \$50,000 to \$100,000, and over \$100,000 with contributions from the State of 100%, 95%, and 90%, respectively.

This Part authorizes the transfer of funds between programs and departments and if necessary, from the Salary Plan and between Department's Personal Services appropriations, to support this Part.

This concludes my testimony. Thank you. I am happy to address any questions you may have.