



Improving Leave Without Pay Payment Process

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Background Information

The South Carolina Public Employee Benefit Authority (PEBA) was created July 1, 2012, and is governed by an 11-member Board of Directors who supervise and direct the agency's functions.

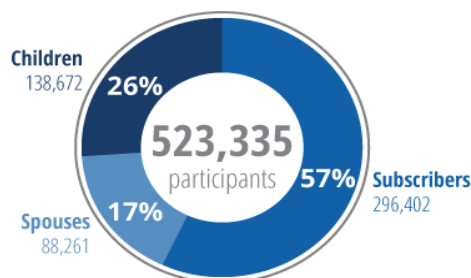
PEBA is the state agency responsible for the administration and management of the state's retirement systems and employee insurance programs for South Carolina's public workforce.

More than 600,000 public employees are covered by the five defined benefit retirement plans, and PEBA administers insurance benefits to more than 500,000 members. An additional 50,000 members participate in the State Optional Retirement Program.

PEBA offers several insurance products/programs to more than 500,000 people (including spouses and dependents) throughout South Carolina. PEBA is responsible for the prudent fiscal stewardship of the funds and for helping to ensure that the State Health Plan remains an affordable yet comprehensive option for our state's employers and individual members.

More than 800 employer groups participate in PEBA retirement and/or insurance benefits programs including state agencies, public colleges and universities, public school districts, as well as optional employers such as counties and municipalities.

As of January 2023



824
employers
<hr/>
State agencies 87
Higher education 27
School districts 83
Charter schools 73
Optional employers 554

Problem Statement

There are 87 employers that pay premiums to PEBA through the South Carolina Enterprise Information System (SCEIS) system. PEBA sends an enrollment file to SCEIS daily. SCEIS uses the information on the file (benefit, effective date, type of entry, coverage level and premium) to determine the premiums to be deducted on the next payroll. There is currently not another option for these employers to pay premiums to PEBA as the monies collected must be recorded by SCEIS at the individual subscriber level for each insurance product offered. These payments are made up of two components, an employee, and an employer portion. Generally, employee portions are payroll deducted by SCEIS and then combined with the employer portion and remitted electronically to PEBA twice a month following the payroll cycle.

This process becomes unworkable when an employee goes on Leave Without Pay (LWOP). SCEIS still collects and remits the employer portion but obviously cannot deduct the employee portion because there is no paycheck.

PEBA's current policy for employees that are on unpaid leave and are still benefits eligible states,

Eligible employees are responsible for paying only the employee's share of the premium while on unpaid leave. All premiums should be paid to the employer by the first of the month. If an employee fails to pay their employer by the first of the month, the employer can cancel their coverage due to nonpayment by submitting an Active Termination Form.

[Employers are to] collect the total monthly premium due for employees on unpaid leave. Make sure the personal check(s) includes the employee's BIN. Submit the personal checks from the employees on unpaid leave, along with a *personal check form* of the plans/coverage for each. If you do not collect the monthly premium from a subscriber while they are in unpaid leave status, SCEIS will collect the total amount due from the first payroll check the subscriber receives once they are no longer in unpaid leave status. If you remit the monthly premiums, notify SCEIS that the payments have been sent to PEBA so they will not deduct the incorrect amount. SCEIS will continue to remit the monthly employer premiums for the subscriber while they are in unpaid leave status. (PEBA, p.148)

Most often an employee is on LWOP due to hospitalization, serious illness or injury, or a personal matter that has made them unable or unavailable to work. Many times, their mobility and ease of transportation is limited due to their situation. Many of the state's active employees do not have paper checks for their checking accounts and typically use debit cards or electronic options such as Apple Pay, Venmo, or Cash App to make payments. Since there is currently not an electronic option where this type of payment can be accepted at PEBA, they are forced to obtain a cashier's check or money order to submit to their employer to send to PEBA. Due to their extenuating circumstances, for most employees on LWOP the need to get to a location that issues money orders or cashier's checks causes a hardship.

Additionally, this process is cumbersome for benefits administrators (BA). These are typically small amounts for only a few employees but consists of several steps to complete the process

accurately. PEBA consistently receives complaints from employees and BA's about how difficult and what an inconvenience this process is.

The process is also a bottleneck for PEBA staff when processing the daily payments. When these payments come into PEBA they must be processed manually and are time consuming and the paperwork is often riddled with errors.

PEBA's mission is to provide competitive retirement and insurance benefit programs for South Carolina employers, employees, and retirees. Our agency's vision is serving those who serve South Carolina. The mission, vision, and strategic goals drive the processes and flow of our everyday work. Two of PEBA's strategic goals for 2023 are:

- Enhance the customer service experience for members and employers.
- Improve internal efficiencies through new system implementation.

In doing this project, I explored options for improving internal efficiencies and enhancing the customer service experience by improving the LWOP payment process to make it more automated for the employee on LWOP, the BA at their agency, and PEBA's internal staff.

Ideally, the process needs to have electronic options for the employee to pay premiums to the employer, electronic options for the BA to get the information to SCEIS and remit payment to PEBA, and an automated process for PEBA staff to process payments received. If this can be achieved, PEBA will indeed improve the way we serve those who serve South Carolina.

Data Collection

Due to the completely manual process for processing LWOP payments collecting data proved to be challenging. There were four data points that seemed relevant to giving a complete picture of where the problems exist in the current process. First, the number of LWOP payments processed monthly for FY23 and percentage that are money orders or cashier's checks was needed to determine the extent of the workload and inconvenience to employees. A query was run for the number of LWOP payments processed monthly, but the system does not collect what type of check is used and that information had to be gathered manually. Second, I looked at the number of errors made by BA's monthly on the paperwork mailed in with the payments, most common types of errors, and the groups making errors. I needed this information to see how widespread the issue was among agencies and what information was causing the errors. This information had to be gathered manually by reviewing LWOP sheets for FY23. The third and fourth pieces of data that I tried to collect were to determine where in the process the slow down existed. I attempted to determine the number of days it took to submit LWOP payments by agency to find the total number of days from the date the premium was due until PEBA has received the payment. I also tried to find the number of days between date of check written by employee and date PEBA receives the payment. This information will help determine the length of time that groups are holding checks before filling out paperwork and submitting to PEBA. In both these instances, gathering this information proved to be an almost impossible task. The data was being gathered manually and that was excessively time consuming. We had to look through AR subsidiary accounts to find payments and then try to compare to where SCEIS should have payroll deducted insurance payments but did not. The research often was not

definitive. The decision was made that the benefit of gathering this information did not outweigh the time and cost.

Data Analysis

The State Health Plan is a self-funded, or self-insured plan meaning it does not pay premiums to an insurance company, but rather collects member and employer premiums, holding the funds in trust to pay claims and administrative expenses. There are currently 87 state agencies that pay premiums to PEBA through the SCEIS system. For fiscal year 2023, PEBA received 1,192 LWOP payments, averaging about 100 per month. The least number of payments received in a month was 75 and the highest number of payments was 122. These payments were received from 40 different state agencies, some of which have multiple locations across the state where different personnel are collecting payments at their locations and processing paperwork separately. Of these agencies, 22 agencies had less than 10 payments, eight agencies had between 10-20, five agencies had between 30-50, four agencies had between 60-100, and two agencies accounted for the largest amounts at 231 or 19% of total payments and 313 or 26% of total payments. (See Appendix A)

Because most employees on LWOP have unusual circumstances, we know that cashier's checks and money orders are more difficult for employees on LWOP to acquire yet they account for a combined 69% of the total LWOP payments that are received. We can infer from this information that the vast majority of employees on LWOP are being inconvenienced by this paper driven process. The process is not user friendly or compassionate of the circumstances for the employees or the employers it is looking to serve. Additionally, at PEBA, the scanner

used to electronically process checks cannot read money orders so amounts have to be entered manually. This makes the process even slower for PEBA staff. (See Appendix B)

There are other factors that make the process cumbersome for the PEBA staff, paperwork is often sent incorrectly or contains errors. When analyzing the data, we found that 26% of the LWOP payments submitted had some type of error that required rework or research before they could be processed. In analyzing the data, we learned that 12% of all payments are not sent in using PEBA's required form, requiring the information to be copied onto a new form here in house. Another 9% of all payments have math errors or the check amount does not match the amount on the form and so rework is required. Payments must be applied to accounts at the benefit level so PEBA staff must know what the subscriber intended if the exact amount is not paid. Additionally, 9% come in with a missing or incorrect Benefits ID # (BIN) or a missing Group number. This requires research to be done so that monies are applied to the correct employee's account. (See Appendix C)

While no data records of complaints have been kept at PEBA, account reps confirm that this process is a source of frustration for BA's who report that the process is difficult for them and a hardship for their employees on LWOP. BA's have also reported keeping checks in desk drawers for several weeks before they "get around" to completing the paperwork required for PEBA and SCEIS. Because we are a self-insured health plan this delay interrupts our needed daily cash flow.

The Proposed Solution

Analyzing the data confirmed that an automated process was needed and that it would require IT development enhancements to our current systems, both our in-house accounting system and the Employer Benefit System (EBS) portal that employers use to send insurance information to PEBA. After several brain storming meetings an idea was hatched, and upper management approved the resources for the developers from each system to begin working on the project in early 2024.

The proposed solution will provide a new page in the EBS portal where employers can enter the information that was previously recorded on the paper form required to be sent with the paper check to PEBA. At 3pm each day an IT system job will run that sends this information to SCEIS. The SCEIS system will then create an Interdepartmental Transfer (IDT) billing for the employer to pay to PEBA. When the employer pays the IDT through the SCEIS system, SCEIS will be able to record the payment on the individual member's account at the insurance product level. PEBA will receive this payment electronically and be able to process it in our internal accounting system. There is already a system in place where SCEIS payments and PEBA's account receivable records are reconciled by group at the individual level monthly. Discrepancies can be caught and corrected, or balances are trued up once in a year in our Accumulator Roll Up process.

This solution meets our objectives of:

- Enhance the customer service experience for members and employers.
- Improve internal efficiencies through new system implementation.

Most employers have options to accept payment electronically which will alleviate the stress of employees having to get money orders or cashier's checks at a time when circumstances make this difficult. Employers could offer payment methods such as pay by e-check, debit, or credit card. These payments could be made online through a portal or over the telephone. The new process puts control back in the hands of the agency instead of PEBA mandating how this must be handled.

For the BA's the process is improved in multiple ways. Efficiencies will be improved with only one form to fill out in the EBS portal that will get the needed information to SCEIS and PEBA cutting down on redundant work. IDT payments will be more secure than mailing paper checks multiple times. Sometimes a check can go from employee to regional office to main office to PEBA. There will be electronic records of what has been submitted and paid helping the process to move in the direction of being paperless.

For PEBA staff this is a major improvement process in-house. Errors should be almost eliminated as the EBS portal will check our database and not allow incorrect group or BIN numbers. The EBS form will also do the math and require the payment sent to match payment amount entered. Both these factors will relieve frustration and rework time while improving accuracy of accounts.

In addition, as the process becomes more automated it will be easier to track data in the future. There will be a record of entries available in EBS for both employers and PEBA staff.

Implementation Plan

Starting in mid-January the IT staff will begin to develop the new pages in the EBS and accounting system. Business users from PEBA will be involved in the development process to make sure the new system meets the needs of LWOP employees, the BAs at their agencies, and the PEBA staff. IT has estimated about four months to develop the pages and behind the scenes processes needed. After everything is fully developed in a test environment and approved by PEBA's IT, ORD, and business users we will gather a small group of BAs to test the system. This group will consist of BAs from groups with a large number of payments each month as well as a smaller employer who may not have a designated BA for this role. Also considered when forming the group will be the number of errors committed and whether the group has multiple locations where BAs collect checks. Testing of the new system will also need to be done by the SCEIS staff. Based on the feedback and issues encountered by the BETA group of BA's and the internal SCEIS staff, changes will be considered and made as necessary to correct or improve the process. This testing process could be another several months with the BETA group of BAs and SCEIS. Once the process is refined, training will need to be provided for PEBA's employer services team and for all BA's. I plan to do this training by video as well as having a written policy. Once all these pieces are in place then PEBA can roll out the new pages in EBS system and the improved process to all State Agency employers.

Evaluation Methods

To evaluate the effectiveness of the new process for making LWOP payments PEBA will re-gather the data points collected at the beginning of this project. This information will show if

the change in process has decreased the number of errors and therefore cut down on the time spent by PEBA staff doing research and rework. We will verify with SCEIS that they have a reduction in errors in the paperwork submitted to them as well as a reduction in incorrecion deductions being taken when a LWOP employee returns to work. We will also survey the BA's multiple times. We will survey the BETA group during implementation process. We will survey them again shortly after the go live date and then survey all BA's 6 months after the launch of the new EBS page. In the survey we will be looking to make sure that we have met PEBA's objective of enhancing the customer service experience for members and employers. We will ask questions about employee satisfaction since we cannot survey the employees themselves. We will also focus on the efficiencies and ease of the process improvements for the BA's. As an added benefit, the training video will be an enhancement that can be used as new personnel are hired into BA positions. No training exists currently from PEBA for this process outside of our policy as stated in the BA manual.

Summary and Recommendations

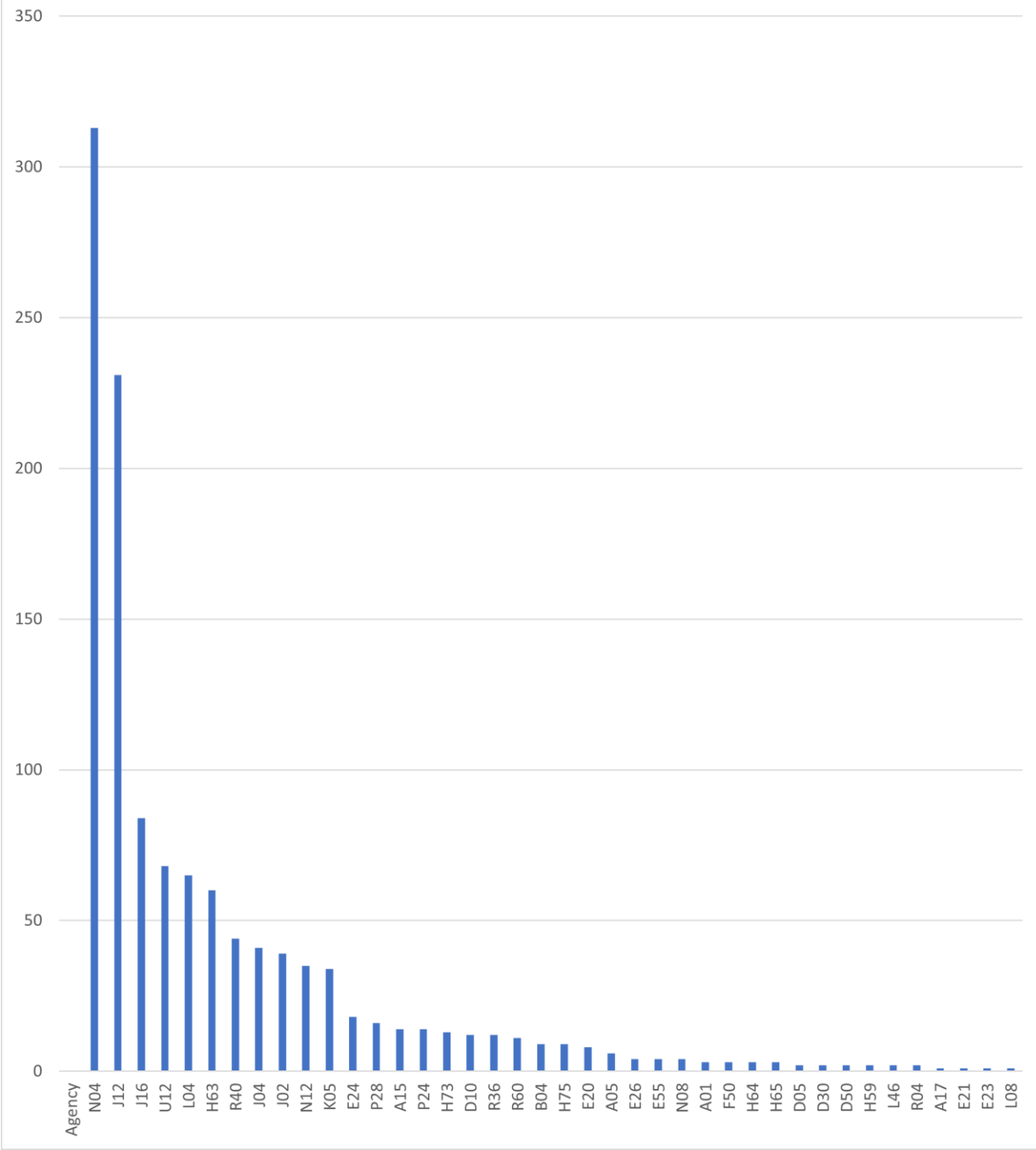
In summary, PEBA is excited about improving the LWOP process and I feel that we have arrived at a comprehensive solution that improves the experience for all users of this process. SCEIS should receive more timely and accurate data. The employee will be better served by having electronic options to make getting payments processed easier. They will also benefit from paperwork having less errors and going directly to SCEIS so there is no risk of being over-deducted upon return from leave. BA's will have fewer complaints from employees and have their process efficiency and accuracy improved. This process is a source of frustration for every

BA that I have interviewed. They will have a more considerate option to offer to employees and have more control over how the process is handled at their agency giving them added flexibility. They will fill out one form that will go to both PEBA and SCEIS. The new process cuts down on paperwork and should virtually eliminate errors. In-house the improvement will be time saving and improve accuracy. All in all, there is no down-side to improving this process, there is very little cost involved and we are helping to meet strategic objectives. On a more long term scale we will be able to use this process improvement to make further enhancements to the new PEBA:Connect system as it is developed. PEBA is proud to be able to continually improve the way we serve those who serve South Carolina.

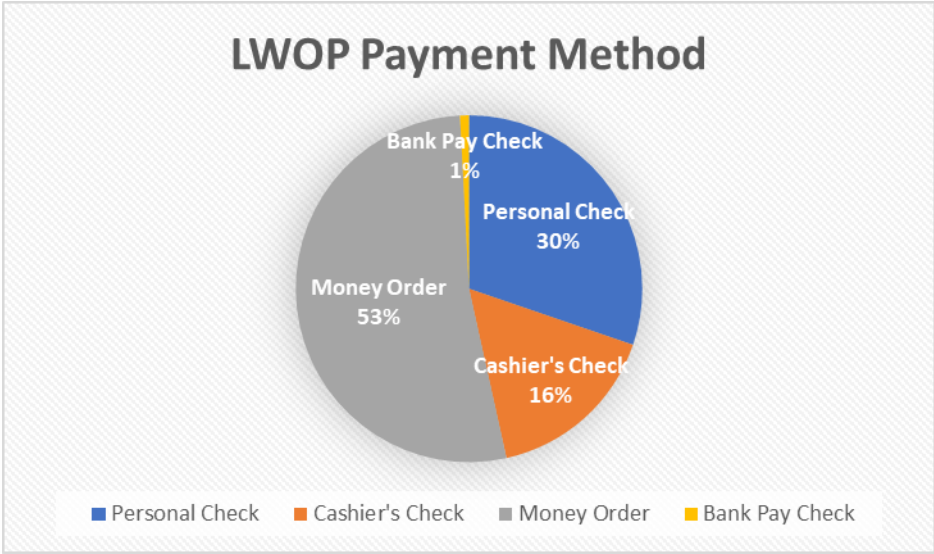
Appendix A – Number of LWOP payments processed monthly for FY23

Number of LWOP Payments by Agency by Month													
By Agency													
	July 22	Aug 22	Sept 22	Oct 22	Nov 22	Dec 22	Jan 23	Feb 23	Mar 23	Apr 23	May 23	June 23	Total LWOP
N04	34	24	23	26	19	20	34	28	29	17	28	31	313
J12	22	20	15	29	20	16	24	8	16	17	20	24	231
J16	7	3	5	8	4	8	4	5	8	12	8	12	84
U12	6		6			15	7	2	7	12	7	5	67
L04	5	5	6	5	4	2	5	5	9	3	7	9	65
H63	8	12	5	5	3	3	4	2	7	3	4	4	60
R40	5	6	5	3	5	3	3	3	7	1	1	1	43
J04	3	1	3	7		6	3	4	3		5	6	41
J02	2	2	1	5	1	6	3	2	6	1	4	6	39
N12	2	2	2	2	3	1	3	2	4	5	5	4	35
K05	1	7	3	2	2	2	2	4	1	3	3	3	33
E24	2	1	1	1	1	1	1	1	3	2	2	2	18
A15	2	2	2	2	2	2	2						14
P24		1		1		4	1	2	2	1		2	14
P28	5	1	2							3	2	1	14
H73	2	1	2	1	2		1				2	2	13
D10				1		3	1	1	1	2	1	2	12
R36							3	2	1		3	3	12
R60	5	1	1	1	1	1	1						11
B04	3	1	1	1	1		1	1					9
H75	2	1	2		2	1	1						9
E20		1	3		1		2		1				8
A05	1		1	1	1				1			1	6
E26									1	1	1	1	4
E55	2	1	1										4
N08				1	1	1					1		4
A01						2		1					3
F50											2	1	3
H64								1			2		3
H65						1		1	1				3
D05					2								2
D30									1	1			2
D50											2		2
H59									1	1			2
L46	1	1											2
R04											1	1	2
A17								1					1
E21	1												1
E23									1				1
L08	1												1
L24												1	1
	122	94	90	102	75	98	106	76	111	85	111	122	1192

Number of LWOP by Agency

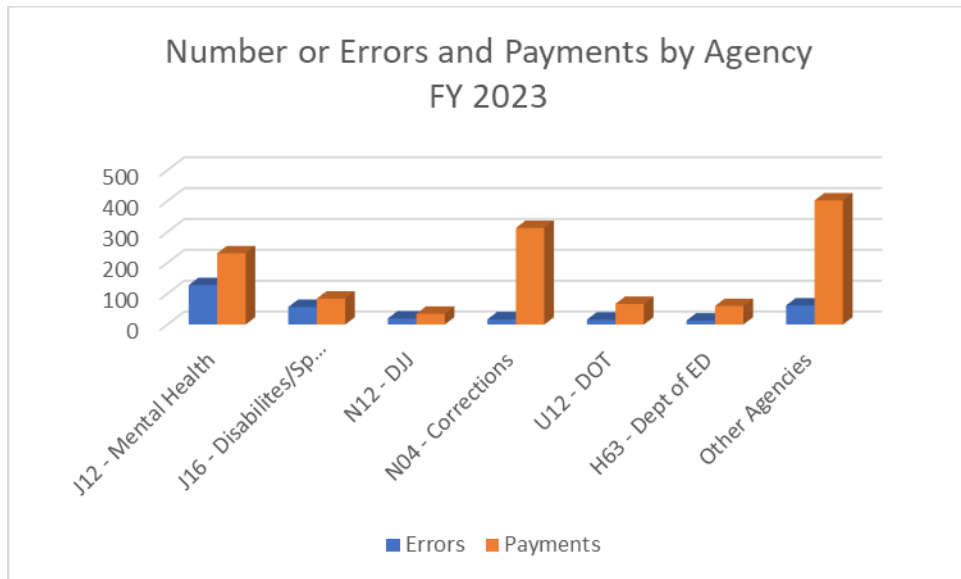
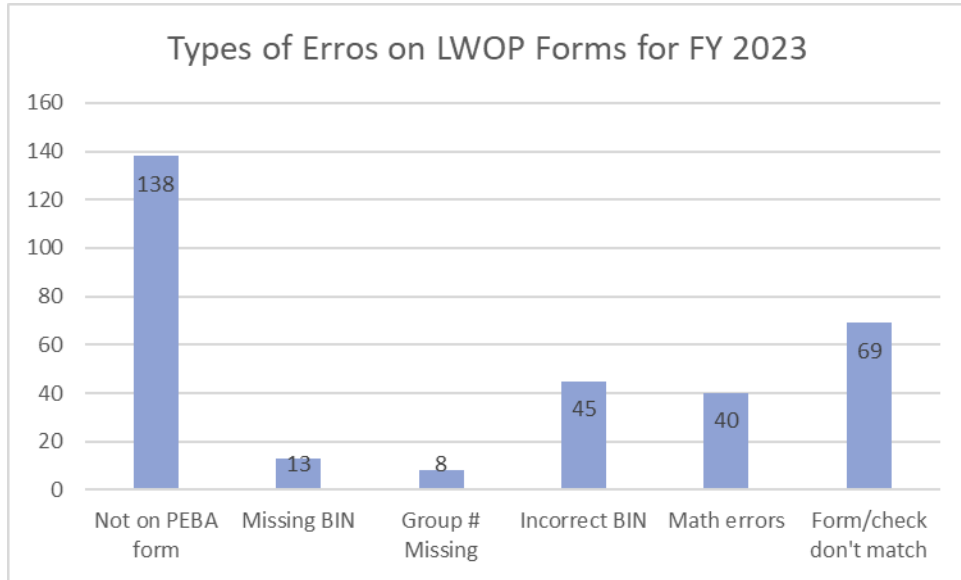


Appendix B – LWOP payment method for FY 2023



Personal Check	362
Cashier's Check	195
Money Order	630
Bank Pay Check	10

Appendix C – Number and type of errors made by BA’s monthly FY23



References

PEBA. (2023) Benefits Administrators Manual. Columbia, SC: PEBA