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**Blue Cross and Blue Shield of Florida, Inc.**

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# **1998 Compensation Program**

## **Information Guide**

**March 7, 1998**



DATE: February 20, 1998  
TO: All Employees  
FROM: Carol Corn, <sup>CAC</sup> Human Resources  
SUBJECT: 1998 Compensation Program

Your copy of the 1998 Compensation Information Guide is attached. This Guide contains highlights of the 1998 Compensation Program, the current Pay for Performance Chart, salary ranges for each employee category, the 1998 Pay Period Schedule and commonly asked questions and answers.

The compensation program for 1998 has been approved by the Human Resources Committee and the Board of Directors and is effective March 7, 1998. Marketing's compensation program will be implemented effective April 1, 1998. Approved changes to the Program are a result of analyses of competitive market conditions and input received from employees and management.

I highly encourage you to review all the attached materials; if you have questions, please ask your manager or contact any of the Human Resources staff members listed in the Guide. Human Resources welcomes the opportunity to discuss the compensation program at a Two Way Communication meeting at management's request - our goal is to ensure that all employees understand the pay programs and how they are affected by them.

Please note that the 1998 Compensation Guide can be found on Exchange by accessing Public Folders, Corporate Manuals and selecting the 1998 Compensation Program Guide button. The Guide has also been published on Government Program's ccMail in the Public Folders.

Attachment



**BLUE CROSS AND BLUE SHIELD OF FLORIDA  
1998 COMPENSATION PROGRAM GUIDE**

**Effective March 7, 1998**

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**OVERVIEW**

This Guide provides you with an outline of the 1998 Compensation Program, effective March 7, 1998. The Guide includes an overview of the Compensation policy, the 1998 salary ranges, the 1998 Pay for Performance Chart, the 1998 Schedule for Pay Periods and commonly asked questions and answers.

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**IMPLEMENTATION  
SCHEDULE**

The implementation schedule for the Compensation Program year is:

Management Communication regarding Bring to Minimum increases	2/18/98
Guides sent to Management	2/23/98
Guides sent to Employees	3/02/98
Effective date of the 1998 Program	3/07/98
Automatic Bring to Minimum increases (reflected in 3/26/98 paycheck)	3/07/98
Communication to Employees by Management (in staff meetings and/or one-on-one meetings)	2/27 to 3/13/98
Updated ECNs distributed beginning	3/23/98

Human Resources staff is happy to provide consultative services to managers when you meet with your employees. Please feel free to direct any questions or concerns to any member of the staff. You may contact:

Alex Harrison	905-6099
Michele Seymour	905-8167

## COMPENSATION POLICY

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The compensation policy of Blue Cross & Blue Shield of Florida is to maintain our competitive position in our defined labor markets. In direct relation to this policy, our objective is to provide a cash compensation package that allows the Company to attract, retain and motivate qualified employees with appropriate skills, at an economically feasible cost, to meet business needs.

Supporting this objective are two goals:

- ◆ The goal for **exempt** compensation is to provide earnings opportunities equal to the average of salaries paid by a large base of national companies and managed care companies with whom we compete for labor.
- ◆ The **non-exempt** goal is to provide earnings opportunities equal to those of major employers in the metropolitan areas throughout the State with whom we compete for labor.

## ANNUAL PROCESS FOR DEVELOPING THE COMPENSATION PROGRAM

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Each year the Company participates in approximately 30 compensation surveys to determine competitive salary practices and wages paid for jobs similar to ours.

- ◆ **Exempt** data are drawn from national and managed care surveys;
- ◆ **Non-exempt** data are drawn from local surveys in the major cities where we have offices.

Using the information gathered in the surveys and our current salary structure and practices, we then compare, analyze and project new salary structures and merit increase guidelines. Once again, staff analyzed survey data within major job families identified in the Company to better assess the competitive labor markets for 1998. The major job families identified include:

- Business Support (facilities, safety/security)
- Clerical/Administrative
- Information Systems
- Medical Management
- Professional/Technical
- Sales/Marketing
- Secretarial
- Service (claims and customer service)

Once developed, the proposed ranges are reviewed and approved by the Human Resources Committee, the CEO, and the Board of Directors.

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**RESULTS  
OF  
MARKET  
ANALYSIS**

Analysis of competitive labor market data indicate moderate movement in base salaries for exempt and non-exempt ranges.

Analysis also indicated that a merit increase budget of 4.0% (4.7% for Information Technology jobs) is competitive in the marketplace.

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**THE APPROVED  
1998 COMPENSATION  
PROGRAM**

Following is the approved 1998 Compensation Program:

- ◆ the effective date of the 1998 Compensation Program is **March 7, 1998**;

- ◆ the Exempt range ("E" line), the Information Technology range ("D" line), the Marketing range ("M" line) and the Non-Exempt range ("N" line) will be adjusted to reflect market data;

- ◆ the Secretarial ranges will continue on a range separate from other non-exempt positions, and will be adjusted to reflect market data;

- ◆ merit increases:

salary increases for individual employees will vary from 0% to 6%; and

salary increases for Information Technology employees will vary from 0% to 7.5%;

- ◆ incentive plans:

the Board has approved the development of incentive plans for grades E13 through E17 and D09 through D17. Human Resources will initiate design and implementation with area management of these plans in 1998.

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**PAY FOR PERFORMANCE  
CHART**

A modification in the administration of merit increases for employees will be made in 1998. If the merit award will exceed the maximum of the salary grade (over 120% of midpoint), it will be required that the award be calculated as a base/lump sum combination increase so as to not exceed 120% of midpoint in base salary. This modification ensures that the Pay for Performance Chart guidelines are consistent with Salary Administration Policy.

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**SCHEDULE FOR  
PAY PERIODS**

For your convenience and information, we have included the 1998 Schedule for Pay Periods with this Guide.

- ◆ *Please remember that the effective date of any transaction is always the beginning of the pay period.*
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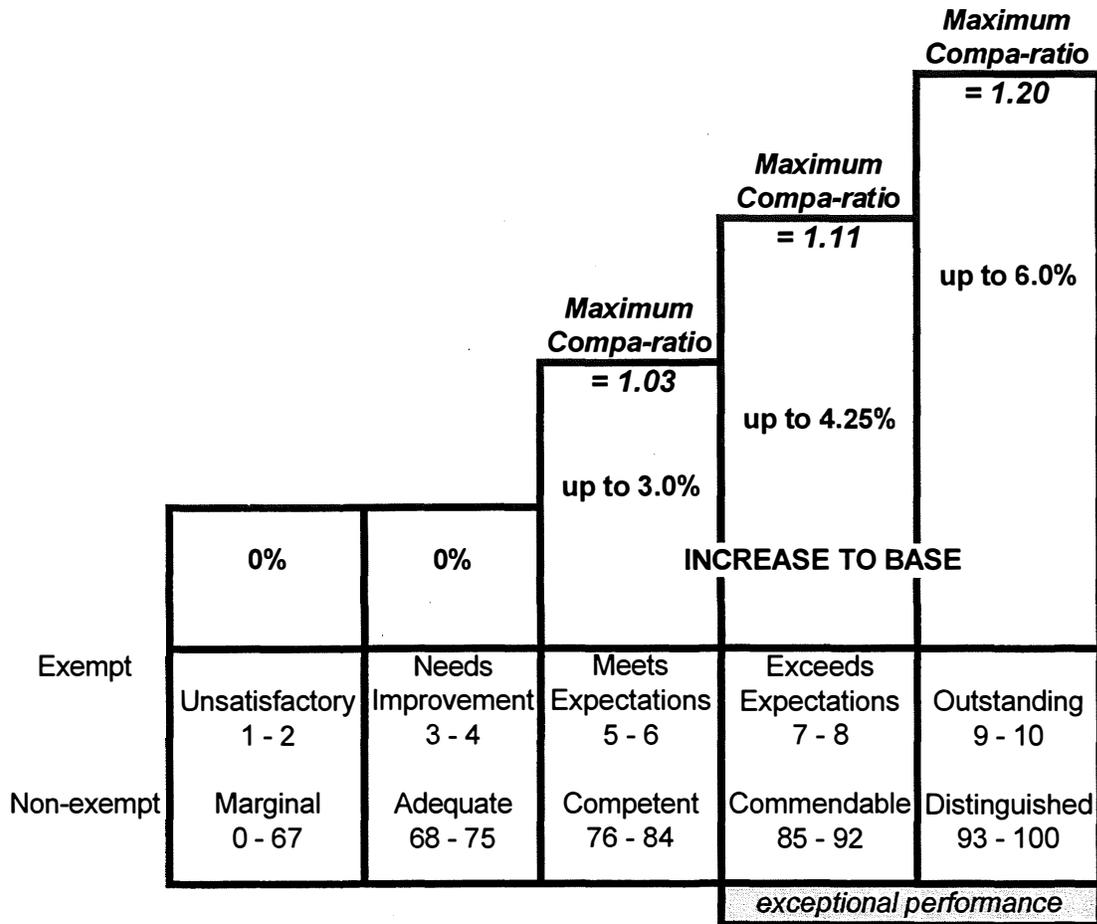
**QUESTIONS  
AND  
ANSWERS**

Questions and answers about the 1998 Compensation Program and other compensation-related topics are included in this Guide to assist you in your understanding of your compensation program.

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**1998 CORPORATE PAY FOR PERFORMANCE CHART**  
**All Blue Cross and Blue Shield Employees (Except D - Line)**

**INCREASE GIVEN AS LUMP SUM**



If an employee's compa-ratio is below the maximum compa-ratio of his/her performance level, the manager will give the whole merit award as add to base, as long as the maximum of the salary grade (1.20) is not exceeded. If the merit award will exceed the maximum of the salary grade it will be necessary to calculate a base/lump sum combination increase.

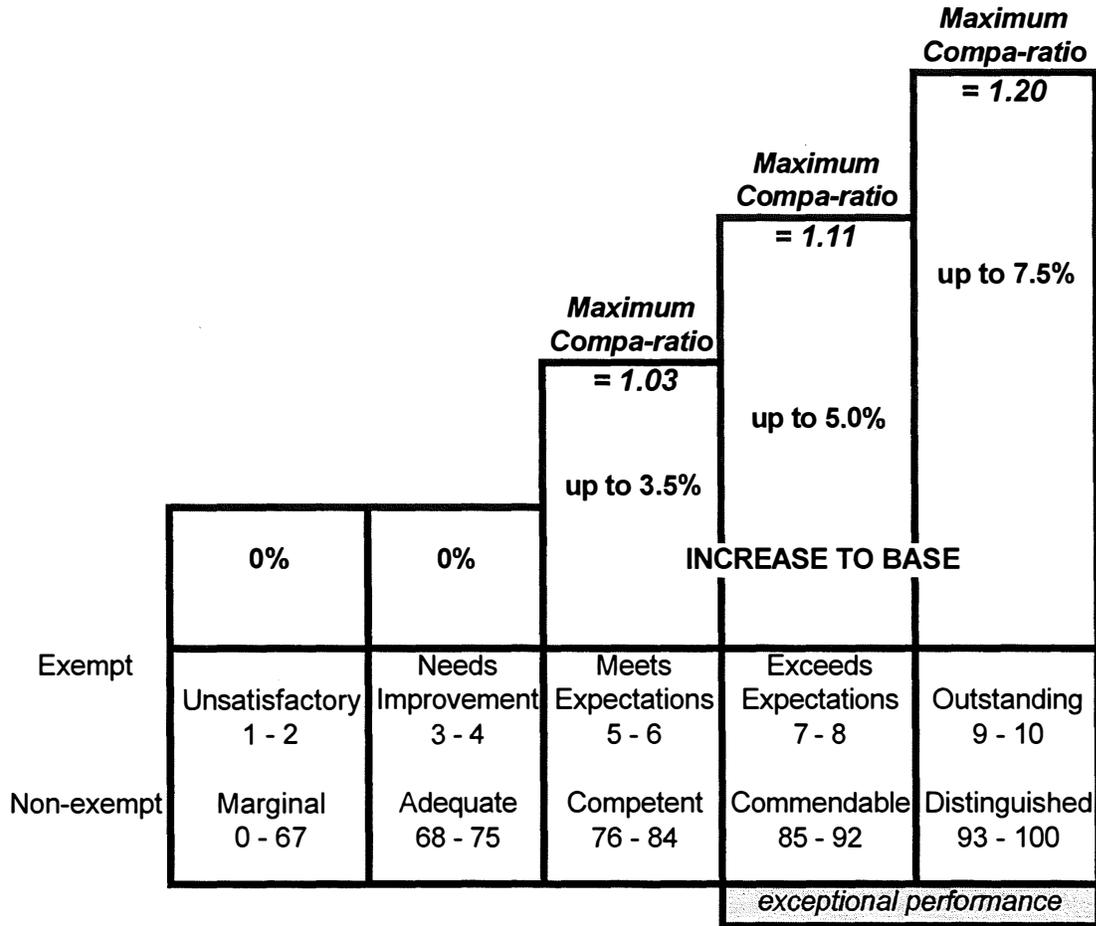
If an employee's compa-ratio is at or above the maximum compa-ratio of his/her performance level, the manager will give the whole merit award as lump sum.

Management will have the option to grant accelerated merit increases as early as six months into the performance year to employees who meet all three of the following criteria:

- are employed in a position for at least six months
- and**
- are below a compa-ratio of 1.03 of a salary range
- and**
- whose performance is "exceptional"

**1998 CORPORATE PAY FOR PERFORMANCE CHART**  
**BCBSF Information Technology Employees (D-line)**

**INCREASE GIVEN AS LUMP SUM**



If an employee's compa-ratio is below the maximum compa-ratio of his/her performance level, the manager will give the whole merit award as add to base, as long as the maximum of the salary grade (1.20) is not exceeded. If the merit award will exceed the maximum of the salary grade it will be necessary to calculate a base/lump sum combination increase.

If an employee's compa-ratio is at or above the maximum compa-ratio of his/her performance level, the manager will give the whole merit award as lump sum.

Management will have the option to grant accelerated merit increases as early as six months into the performance year to employees who meet all three of the following criteria:

- are employed in a position for at least six months
- and**
- are below a compa-ratio of 1.03 of a salary range
- and**
- whose performance is "exceptional"

# BLUE CROSS AND BLUE SHIELD OF FLORIDA

1998

Exempt

Salary Ranges

*(Rounded to the nearest \$100)*

Salary Grade	Minimum Annual	Midpoint Annual	Maximum Annual
E09	\$27,100	\$33,900	\$40,700
E10	\$31,100	\$38,900	\$46,700
E11	\$34,600	\$43,300	\$52,000
E12	\$38,200	\$47,800	\$57,400
E13	\$43,200	\$54,000	\$64,800
E14	\$49,800	\$62,200	\$74,600
E15/31	\$57,200	\$71,500	\$85,800
E16/32	\$65,200	\$81,500	\$97,800
E17/33	\$73,500	\$91,900	\$110,300
E34	\$83,600	\$104,500	\$125,400

Effective 3/7/98

BCBSF PROPRIETARY  
Use pursuant to Company instructions.

# BLUE CROSS AND BLUE SHIELD OF FLORIDA

1998

## Information Systems

### Salary Ranges

*(Rounded to the nearest \$100)*

Salary Grade	Minimum Annual	Midpoint Annual	Maximum Annual
D09	\$28,900	\$36,100	\$43,300
D10	\$32,600	\$40,800	\$49,000
D11	\$38,200	\$47,700	\$57,200
D12	\$42,600	\$53,300	\$64,000
D13	\$47,700	\$59,600	\$71,500
D14	\$55,000	\$68,800	\$82,600
D15/31	\$61,500	\$76,900	\$92,300
D16/32	\$70,200	\$87,700	\$105,200
D17/33	\$78,700	\$98,400	\$118,100
D34	\$90,100	\$112,600	\$135,100

Effective 3/7/98

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**BLUE CROSS AND BLUE SHIELD OF FLORIDA**

**1998**

**Non-Exempt**

**Salary Ranges**

*(Rounded to the nearest \$100)*

Salary Grade	Minimum Annual	Midpoint Annual	Maximum Annual
N02	\$10,900	\$13,600	\$16,300
N03	\$11,800	\$14,800	\$17,800
N04	\$12,800	\$16,000	\$19,200
N05	\$14,000	\$17,500	\$21,000
N06	\$15,400	\$19,200	\$23,000
N07	\$17,400	\$21,700	\$26,000
N08	\$19,600	\$24,500	\$29,400
N09	\$22,000	\$27,500	\$33,000
N10	\$25,100	\$31,400	\$37,700

**Effective 3/7/98**

**BCBSF PROPRIETARY**  
Use pursuant to Company instructions.

# BLUE CROSS AND BLUE SHIELD OF FLORIDA

1998

## Secretarial

### Salary Ranges

*(Rounded to the nearest \$100)*

Title	Salary Grade	Minimum Annual	Midpoint Annual	Maximum Annual
Secretary A	N06	\$17,800	\$22,300	\$26,800
Secretary B and Team Secretary Legal	N07	\$20,200	\$25,300	\$30,400
Executive Secretary A	N08	\$23,800	\$29,800	\$35,800
Executive Secretary B	N09	\$28,600	\$35,800	\$43,000
Executive Secretary C	N10	\$33,000	\$41,200	\$49,400

Effective 3/7/98

BCBSF PROPRIETARY  
Use pursuant to Company instructions.

**1998 SCHEDULE FOR PAY PERIODS  
AND  
ECN PROCESSING**

<u>Pay Period</u>	<u>Date Due To HRIC</u>	<u>Reflected in Check</u>
12/27/97 - 01/09/98	12/31/97	01/15/98
01/10/98 - 01/23/98	01/15/98	01/29/98
01/24/98 - 02/06/98	01/29/98	02/12/98
02/07/98 - 02/20/98	02/12/98	02/26/98
02/21/98 - 03/06/98	02/26/98	03/12/98
03/07/98 - 03/20/98	03/12/98	03/26/98
03/21/98 - 04/03/98	03/26/98	04/09/98
04/04/98 - 04/17/98	04/09/98	04/23/98
04/18/98 - 05/01/98	04/23/98	05/07/98
05/02/98 - 05/15/98	05/07/98	05/21/98
05/16/98 - 05/29/98	05/21/98	06/04/98
05/30/98 - 06/12/98	06/04/98	06/18/98
06/13/98 - 06/26/98	06/18/98	07/02/98
06/27/98 - 07/10/98	07/02/98	07/16/98
07/11/98 - 07/24/98	07/16/98	07/30/98
07/25/98 - 08/07/98	07/30/98	08/13/98
08/08/98 - 08/21/98	08/13/98	08/27/98
08/22/98 - 09/04/98	08/27/98	09/10/98
09/05/98 - 09/18/98	09/10/98	09/24/98
09/19/98 - 10/02/98	09/24/98	10/08/98
10/03/98 - 10/16/98	10/08/98	10/22/98
10/17/98 - 10/30/98	10/22/98	11/05/98
10/31/98 - 11/13/98	11/05/98	11/19/98
11/14/98 - 11/27/98	11/19/98 ••	12/03/98
11/28/98 - 12/11/98	12/03/98	12/17/98
12/12/98 - 12/25/98	12/17/98 ••	•12/31/98 •

**Last Pay Day in 1998**

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12/26/98 - 01/09/99	12/31/98	01/14/99
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- Please show the beginning of the pay period as the effective date for all transactions.
- All updates received in HRIC by noon of pay day--and are correctly completed-- will be reflected in the next pay check.
- Dates are subject to change due to holidays.

# **QUESTIONS & ANSWERS**

*(Covers all employee groups)*

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## **COMPENSATION PROGRAMS**

**Q: What is a salary range and how is it developed?**

A: Every year the Company participates in a large number of salary surveys, both local, managed care and national, to find out what other companies pay for jobs similar to ours. This data are then compared to current BCBSF salary range midpoints to determine how competitive our salaries are to other companies. A salary range is just what the name implies, a spread of dollars, from a minimum to a maximum. The midpoint of each salary range represents the average salary that is being paid in the local and/or national markets for fully seasoned, competent performers.

The spread for each salary range is designed to be large enough to allow for broad differences in individual performance or experience. That way, the range can accommodate the less experienced as well as the seasoned, superior performers. How you move within your salary range depends mostly on your performance.

**Q: What do the minimum, midpoint, and maximum salaries of a position mean?**

A: The minimum of the salary range normally represents the hiring rate for a position when the candidate is less experienced or proficient than the seasoned performer with the required skills. Under certain conditions, an employee may be hired below the minimum (training rate) in recognition of the fact that the employee may not yet have all of the minimum required skills.

The midpoint represents the market value of the position--the average rate which employers in the relevant markets pay for fully seasoned, competent performers.

The maximum generally represents the highest economically feasible rate which the Company will pay someone for performing the duties of the position. Under normal circumstances, the range maximum is not to be exceeded. Employees earning between the midpoint and the maximum of their salary ranges are being paid a premium for sustained, **exceptional** performance.

**Q: What is meant by the term “compa-ratio”?**

A: A “compa-ratio” is the employee’s *annual salary divided by the midpoint* of the employee’s assigned salary range. If an employee’s compa-ratio is equal to 100%, it means that their salary is equal to the midpoint of that salary range and, on average, equal to those of proficient performers in other companies with similar jobs.

**Example:**

Salary Grade:	N08
Midpoint:	\$24,500
Employee’s current salary:	\$19,900
Compa-ratio:	\$19,900 divided by \$24,500 equals .81 or 81% of the midpoint

**Q: How often are salary ranges adjusted and incentive programs implemented?**

A: Human Resources reviews our compensation program at least once each year to see how our pay practices, range midpoints and incentive programs compare with other companies. When this review is completed, the Company makes any necessary salary range adjustments and recommends incentive programs, if appropriate, to keep us competitive.

**Q: What does the term “competitive salary” mean?**

A: A competitive salary is a pay level which enables BCBSF to attract and keep qualified employees. Generally, it is neither the highest nor the lowest in the market, but somewhere near the average of the range of rates paid for similar positions by other employers.

**Q: Are there differences between “direct compensation” and “indirect compensation”?**

A: Yes.

- **Direct compensation** (also called *total cash compensation*) is the total cash payment made to an individual in a given year. It may include wages/salaries (base salary), commissions, incentives, bonuses, ad-hoc cash awards, etc.
- **Indirect compensation** includes your employee benefits such as health care, life insurance, salary deferral, pension, holidays, vacation, etc.
- Combining direct and indirect compensation gives you your **total compensation**.

**Q: Was any thought given to the different economic and labor markets throughout Florida in establishing the salary structures?**

A: Yes. Each year we compare our salary ranges to the average wages paid by our competitors throughout Florida to ensure all employees are paid competitively and no significant area wage differential exists. Because we use basically the same salary surveys each year, we are able to identify and monitor existing or emerging trends. If we see significant differences, we are able to make adjustments as may be needed. This is true for not only non-exempt, but exempt ranges as well.

**Q: Were market rates analyzed statewide or by Geographic Business Unit?**

A: Market rates were analyzed two ways, both statewide and by Geographic Business Unit. In order to establish separate ranges, significant differences in market wages (defined as 5% or more) need to exist before consideration is given. Historically, the differences between GBUs continue to be, on average, less than 5%. This year a special study will be conducted in South Florida to determine if adjustments to our salary ranges are needed to remain competitive.

**Q: Why are secretarial ranges different from the non-exempt ranges?**

A: Each year we compare our salary ranges to the average wages paid by our competitors throughout Florida to ensure our secretaries are paid competitively and no significant area wage differential exists.

Based upon our market data, secretaries continue to be paid above other comparable non-exempt positions within the state. Therefore, it was determined we should keep the separate pay ranges for the two groups.

### **SALARY INCREASES & PAY FOR PERFORMANCE CHART**

**Q: How long does it normally take an employee to progress to the midpoint of their salary range?**

A: It's difficult to identify a specific time table. It depends on several factors:

1. the individual employee's performance;
2. the movement of the salary range due to market conditions and the fluctuations in the economy that impact the labor market; and
3. year-to-year changes in the merit increase percentage on the Pay for Performance Chart, if any.

**Q: How is the size of my annual increase determined?**

A: The general rule remains that the better you perform, the greater your salary opportunities. Your increase is determined primarily by your performance.

**Q: Explain the difference between compa-ratio and the maximum of the salary range.**

A: The *compa-ratios* used in the Pay For Performance chart for each performance level drive the decision to award merit increases as an addition to base salary or as a lump sum.

The *maximum of the salary range* is the highest dollar amount the Company is willing to pay in base salary for jobs in a particular salary range, based upon performance.

**Q: Are part-time employees eligible for an annual merit increase?**

A: Part-time regular employees who normally work between 20 and 35 hours a week are eligible for an annual merit increase. The merit increase amount is based on the Pay for Performance Chart. As with full-time employees, a regular part-time employee must have at least a "Meets Expectations" rating to be considered for an increase.

Part-time employees participating in school sponsored co-op programs will not be eligible for a merit increase. These employees normally work less than a full year and are not allowed to exceed 1,000 hours annually. Human Resources will consider salary adjustments for students based on market conditions.

**Q: Is my salary increase based on my performance or is it strictly an across-the-board, cost of living increase?**

A: The Company's compensation policy is designed to reward employees on the level of performance. An across-the-board cost of living increase does not sufficiently differentiate between performance levels.

**Q: Can an employee be hired with or promoted to a salary that is less than the minimum of the salary range?**

A: Yes. When a newly-hired or promoted employee does not meet the minimum requirements of the position assumed, a training rate below the minimum may be established. A training rate allows the employee's salary to remain below the minimum of the range for a specific period of orientation and learning (usually no longer than 6 months). Training rates are established on a case-by-case basis.

## JOB EVALUATION

**Q: Who actually evaluates the jobs?**

A: Human Resources is held solely responsible for evaluating all jobs, assigning appropriate salary grades, and coordinating the results with requesting management. In situations where requesting management does not agree with Human Resource's recommended salary grade assignment, an appeal may be made to the designated job evaluation Committee for resolution. Committee members are drawn from senior members of management throughout the Company and are trained in the Hay job evaluation methodology. The designated Committee may also be convened to assist in evaluating new or revised benchmark jobs, or jobs that would universally apply throughout the Company.

**Q: How are grades assigned to jobs?**

A: After the job duties of the position are defined and analyzed, the job can then be measured or "evaluated" using three factors, or "yardsticks." These factors include know-how, which measures the type and degree of knowledge and skill needed to do the job; problem-solving, which measures how the job requires know-how to be used; and accountability, which is the measured effect of the specific job on end results.

Each of these "yardsticks" has a spread of possible points. Human Resources evaluates each job by assigning points for each factor and totaling the points the job has received on all three factors. Jobs are then grouped and assigned to salary grades based on these point totals.

**Q: Are secretarial jobs classified using the same method?**

A: Within BCBSF, secretarial grade levels are determined by reporting relationship. It is important to know, however, that the knowledge, skills and abilities required for the various levels of secretaries to support management closely parallel what is required of comparable levels within the Company.

**Q: Are jobs evaluated based on the performance of the person doing the job?**

A: No. Jobs are evaluated based upon the content of the job, measured by the factors of know-how, problem-solving and accountability, as described in the Hay job evaluation methodology. This job evaluation system was developed by The Hay Group, an internationally recognized consulting firm. The system has been specially designed to meet the needs of our Company. It provides an objective method of assigning grades to jobs in a consistent and equitable manner. This method of evaluation is supported by management and is widely used by our competitors and throughout American industry.

**Q: Once a job is evaluated, does the evaluation always stay the same?**

A: Not necessarily; the Company analyzes and possibly re-evaluates jobs as significant changes in the job content and labor market conditions occur.

**Q: How is it determined if a job is exempt or non-exempt?**

**A:** The Fair Labor Standards Act (FLSA) provides regulations to distinguish between exempt and non-exempt jobs. This law sets minimum wage and overtime pay regulations for office/clerical job duties and responsibilities which are termed "non-exempt". Certain types of jobs are exempt from these regulations (e.g. overtime pay) based upon salary and job content criteria. The regulations set forth under the law require that those employees classified as Executive, Administrative, Outside Sales, or Professional meet strict requirements in order to qualify for "exempt" status. Human Resources uses guidelines provided in the FLSA to determine if a position is exempt or non-exempt.

### **PERFORMANCE APPRAISALS**

**Q: Who in the organization reviews performance and who determines the amount of salary increases?**

**A:** Performance appraisals are administered by the employee's immediate supervisor, who then recommends an appropriate salary action based on the employee's performance within established salary administration guidelines. Both the performance appraisal and salary action are then reviewed by successive levels of management.

**Q: What can I do if I have questions about my performance appraisal?**

**A:** If you have questions about your supervisor's appraisal of your work, you are encouraged to discuss your questions with your supervisor, or you can attach a separate, signed statement outlining your questions or concerns. Signing the appraisal does not signify acceptance, only that you have received and acknowledge the appraisal. Your questions and concerns will be considered by management, who will review the appraisal to determine if there are any errors, misunderstandings or disagreements. If you continue to have doubts or concerns with management's appraisal, you may pursue this matter in accordance with the Employee Problem-Solving Policy.

**Q: How frequently are performance appraisals given?**

**A:** All employees are appraised at least annually, and those employees with a "competent" or better performance rating may be considered for a merit increase based on the established salary administration guidelines. Poor performers typically receive no merit increase until competent performance is achieved through a development plan.

A manager has the option to grant an accelerated review as early as six months into the performance year under the following conditions:

1. an employee has been in a position for at least six months, **and**
2. the employee's salary is below 1.03 compa-ratio of his/her salary range, **and**
3. the employee's performance is either "exceeds/commendable" or "outstanding/distinguished".

***NOTE: All three (3) criteria must be met for the employee to qualify for an accelerated review.***