

Introduction

You have recently been hired as a Total Rewards Director for Emerging Pharmaceuticals, a growing pharmaceuticals manufacturer on the West Coast of the United States with 25 global locations. Emerging Pharmaceuticals was started by a group of private investors in 2011 and has skyrocketed in revenue over the last 3 years. Projected revenue for Emerging Pharmaceuticals is expected to top \$5 Billion by the end of the calendar year.

Your job is new to the organization, created because the organization has increasingly been losing talent to Medtronic, one of Emerging Pharmaceuticals' main competitors. Turnover of new hires with less than 2 years of employment at Emerging Pharmaceuticals is 25%. The vice president of human resources at Emerging Pharmaceutical feels it's important to compare the health, wealth and work/life offerings of Emerging Pharmaceuticals with Medtronic and is expecting you to develop a Total Rewards strategy for the coming year that will retain critical employees, respond to the needs of multiple generations in the workforce, and keep costs under control.



Emerging Pharmaceuticals Workforce

The workforce at Emerging Pharmaceuticals has tripled since its inception in 2012, growing to a total of 15,000 employees working in jobs such as scientists, research analysts, IT techs, sales, administrative support, call centers, patient advocates, clinical trial specialists, patent attorneys, and middle- and senior-level management. The employee demographics with employment types are shown below.

Global Full-Time Employees

Age and Status Demographics	Total in Current Calendar Year
Total of all employees	15,000
30 and under	2,640
31-50	10,018
51 and above	2,012
Total Females	7,042
Locations	
U.S.	10,100
Asia- Pacific	865
Canada	895
U.K.	2003
Latin America	807

Global Part-Time Employees

Age and Status Demographics	Total in Current Calendar Year
Total part-time employees	330
30 and under	105
31-50	125
51 and above	100
Total Females	247
Locations	
U.S	220
Asia- Pacific	23
Canada	27
U.K.	45
Latin America	15

Employment Type

Employment Type by Position	Total in Current Calendar Year
Administrative Support Staff	6,600
Professional	4,375
Clinical/Scientists/Research Analysts	2,450
Middle Managers	1,200
Senior Management	375

Employee Value Proposition

The employee value proposition (EVP) at Emerging Pharmaceuticals in the early stages was focused on challenging work, competitive pay and opportunities to advance. In response to the increasing exodus of employees to Medtronic, the vice president of human resources hired an external consultant to conduct employee focus groups. She is concerned with the results, especially in employees aged 31-50 with at least 2 children, which make up 37% of the workforce. The vice president learned of employee concerns about selections and costs in the health plans; disenchantment with the 401(k) plan, which has no employee match; and questions about career paths, advancement opportunities, and work hours. The high level of organizational growth has put pressure on all positions in the organization.

Here are the aggregated results of the focus groups’ responses:

TOPIC CATEGORIES FROM EMPLOYEE RESPONSES	% RESPONDED AS IMPORTANT
Work remotely	10%
Tuition reimbursement	8%
Healthy lifestyle reward/Voluntary benefit options	6%
Financial Wealth Options/Pension Match	5%
Paid Time Off/ Family Time Options	8%
Market “right” pay for position	10%
Opportunities to use skills/abilities	3%
Job-specific and company-sponsored general training	8%
Professional development opportunities	9%
Workplace safety	2%
Community engagement/Corporate social responsibility	5%
Recognition of job performance/variable pay options	8%
Employee respect and diversity in the work environment	6%
Trust between employees and Sr. Management	5%
Teamwork within department	7%

The vice president read comments such as:

- *I never get home before dinner and we have a new baby at home. I leave for work at 6 a.m., fight highway traffic to be in by 8, and extra work always ends up on my desk towards the end of the day. I can't seem to get out of the office until 7 p.m. and home by 8:30. By the time I get home my son is already asleep. I wish the company had a way for me to work from home.*
- *I don't see how I can move up in the organization when management positions require a degree, and the tuition reimbursement for school is so low. Thirty-five hundred a year doesn't go very far. Just the textbooks can cost \$1,000.*
- *There are some real safety hazards in my lab; OSHA would have a field day.*
- *While I understand that the organization had to implement a "working spouse" surcharge for my health insurance, my husband and I are really into a healthy lifestyle. We don't smoke, we exercise and eat right and there's no incentive for us – my husband's health plan is not as good and we are concerned about coverage because we're trying to save for our first home. But now I have to pay another \$50.00 per month to cover him in our plans. How come there are no rewards for people like us who really work to take care of ourselves?*
- *The company claims they care about providing good rewards for us, but there are no voluntary benefit options, the pension plan has no match, and I don't know how I can save enough to retire. Are the profits just going to the "people at the top" and leaving the rest of us behind?*
- *The paid time off schedule only goes up to 18 days after 10 years of employment, with no sick time. I guess we're supposed to leave after 10 years. Is this a way to get rid of older employees?*
- *I always go the "extra mile" at work and my manager doesn't seem to notice.*
- *I like my job, but a couple of people I worked with left recently for better pay at another company.*

After reading all of the employee feedback, you and the vice president decide to compare Emerging Pharmaceuticals Health, Wealth and Work/Life Total Rewards structure with information from Medtronic and make some revisions to the total rewards strategy for Emerging Pharmaceuticals.

Health Options for Emerging Pharmaceuticals

Emerging Pharmaceuticals offers two health plan options to employees: the Value Preferred Provider Plan (Value PPO) and the Choice Plus Preferred Provider Plan (Choice+ PPO). The Value PPO has lower bi-weekly costs but higher out-of-pocket costs at the time of service. The Value PPO uses a narrow network of providers with higher penalties for out of network providers. The Choice+ PPO has higher bi-weekly costs, but lower out-of-pocket costs. The Choice+ PPO offers a broader network of providers for participant choice.

Emerging Pharmaceuticals and Medtronic Comparison

Emerging Pharmaceuticals promotes the use of generic drugs and has established a \$5.00 co-pay for generic prescriptions, and the organization is considering a partnership with Care Compare, a benefits selection tool that helps employees search for and compare the cost of procedures at various providers or facilities. If an employee uses Care Compare, Emerging Pharmaceuticals offers a financial incentive for selecting the lowest-cost provider.

Medical (bi-weekly costs)

Value Preferred Provider Plan (lower premiums but high out-of-pocket costs)	Choice+ Preferred Provider Plan (higher bi-weekly premiums but lower out-of-pocket costs)
Employee Only - \$57.50	Employee Only - \$86
Employee Plus One- \$157.50	Employee Plus One-\$141.50
Employee plus two or more- \$257.50	Employee plus two or more - \$500

Health Plan Designs - Value Preferred and Choice+ Plans

Plan Design Elements	Value PPO – 80 % Co-insurance- In-Network	Value PPO – 80 % Co-insurance- Out of Network	Choice+ PPO- 100% Co-Insurance- In Network	Choice+ PPO- 100% Co-Insurance- Out of Network
Office Visit Copay	\$25	\$75	\$10	\$20
Urgent Care	\$35	\$85	\$20	\$45
Emergency Room	\$250	\$250	\$100	\$100
Inpatient	\$500	\$1,250	\$250	\$250
<i>Out-of-Pocket Maximum</i>				
Employee	\$1,000	\$3,000	\$750	\$1,250
Employee plus one	\$2,000	\$5,000	\$1,500	\$2,500
Employee plus two	\$3,000	\$7,000	\$2,250	\$3,750

Note: All plans are subject to a working spouse surcharge for spouses of employees who have the option of coverage with their own employer. The surcharge is an additional \$25.00 per paycheck.

Note: There are no wellness incentives for Emerging Pharmaceutical's medical plans.

Dental (bi-weekly costs)

Comprehensive Plan- Preferred Provider	Basic Plan- Network Only
Employee Only - \$12.50	Employee Only - \$7.50
Employee Plus One- \$18.00	Employee Plus One-\$14.50
Employee plus two or more- \$40.00	Employee plus two or more - \$25.00

Dental Plan Designs – Basic and Premium Plan

Plan Design Elements	Basic Plan	Premium Plan
Diagnostic/Preventive Care	\$100 deductible per person, all other work covered by the plan	\$150 deductible per person, all other work covered by the plan.
Basic Restorative Procedures	75% coinsurance	50% coinsurance
Major Restorative Procedures	No coverage	50% coinsurance
Orthodontia	No Coverage	50% coinsurance, lifetime max to \$1,500
Calendar Year Maximum	\$800 per person	\$2,000 per person

Vision (bi-weekly costs)

One Plan Design for All Employees
Employee only - \$6.67
Employee Plus One - \$11.00
Employee Plus Two - \$13.65

Plan Design Elements	Plan Co-Pays
Vision Exam	\$20 copay
Prescription Glasses (instead of contact lenses)	\$30 copay. Prescription glasses (frames and lenses) covered 1x each calendar year to max of \$140
Contact Lenses (instead of prescription glasses)	\$165 allowance for contact lenses 1x each calendar year

Emerging Pharmaceuticals Insurance Enrollment Summary - U.S. Location			
Medical Plan and Level of Coverage	Full Time	Part Time	Total Employees
Value Preferred Provider Plan			
Employee only	285	7	292
Employee plus one	400	10	410

Emerging Pharmaceuticals and Medtronic Comparison

Employee plus two or more	2,500	34	2534
Choice Plus			
Employee only	315	6	321
Employee plus one	500	10	510
Employee plus two or more	2,000	65	2065

MEDTRONIC 2018 Health Plans Side by Side Comparison		
	CHP with HSA	PPO Plan
Company-Provided Account Contribution	HSA Contribution	N/A
	\$500/ Employee only	
	\$750/ Employee + spouse OR Employee + children	
	\$1250/family	
Deductible	\$1,400/ Employee only	\$500 Employee only
	\$2,800/ Employee + spouse OR Employee + children	\$1,000/family
	\$3,600/family	
Out-of-Pocket Maximum (includes deductible)	\$3,500/ Employee only	\$3,500/ Employee only
	\$7,000/Employee + spouse OR Employee + children	\$7,000/family
	\$9,000/family	
Primary Care Provider Visit	20% co-insurance, after deductible	\$20 copay

Emerging Pharmaceuticals and Medtronic Comparison

Specialist Visit	20% co-insurance, after deductible	\$40 copay
Co-insurance	20%	20%
Preventive Care	0%	0%
	100% covered by plan	100% covered by plan
Emergency Room	20% co-insurance, after deductible	\$150 copay
Online Care/Virtual Visit	100% covered by Plan, after deductible	100% covered by Plan, you pay nothing
Medtronic Mounds View Clinic	100% covered by Plan, after deductible	100% covered by Plan, you pay nothing

Salary Comparison

Job Title	Emerging Pharmaceuticals Pay Range				Medtronic Pay Range			
	<i>Average at domestic locations</i>				<i>Average at domestic locations</i>			
Scientists	Average	\$93,500	Range	\$82,000 to \$100,000	Average	\$103,900	Range	\$92,000 to \$112,000
Research Analysts	Average	\$76,000	Range	\$63,000 to \$95,000	Average	\$86,547	Range	\$71,000 to \$125,000
Clinical Specialist	Average	\$69,000	Range	\$63,000 to \$90,000	Average	\$78,000	Range	\$70,000 to \$128,000
IT Developers	Average	\$90,000	Range	\$85,000 to \$120,000	Average	\$95,370	Range	\$89,000 to \$132,000
Non- Clinical Manager	Average	\$54,000	Range	\$48,000 to \$68,000	Average	\$61,750	Range	\$55,000 to \$74,000
Clinical Manager	Average	\$100,000	Range	\$75,000 to \$110,000	Average	\$105,000	Range	\$75,000 to \$120,000

Wealth Benefits at Emerging Pharmaceuticals

The 401(k) plan has only been in effect for 3 years. The first 2 years of operations, Emerging Pharmaceuticals had no 401(k) in place, and when the organization was ready to start a plan, contributions were not retro to the earlier years of operations, even though the organization had some positive revenue results. The vice president of human resources read some comments from employees about the absence of retro funding, but has not thought about the impact of the employee feedback to this point.

The **WEALTH PLAN** at Emerging Pharmaceuticals has two primary elements: a core contribution, and employee savings. Emerging Pharmaceuticals makes a core contribution to the 401(k) at the end of each calendar year. The core contribution is 3% of eligible pay for each eligible employee. The definition of eligible pay includes annual salary and anything considered to be regular wages. Pay not eligible for a core contribution is pay earned because of a performance bonus, lump sum for unused PTO, or workers' compensation payments. Emerging Pharmaceuticals makes the core contribution whether you are saving as an employee or not. Employees are not eligible for the pension plan until after completing 1,000 hours of service at Emerging Pharmaceuticals.

Employees can save up to the IRS limits each year and should consider options to save as much as possible. Contributions are made on a pre-tax basis and there is a catch-up contribution of an additional \$6,000 for employees age 50 and older.

Work-Life Benefits at Emerging Pharmaceuticals

The work-life benefits at Emerging Pharmaceuticals include paid time off, paid holidays, tuition assistance, and limited remote opportunities. The major holidays are in addition to paid time off and include New Year's Day, Memorial Day, July 4th, Labor Day, Thanksgiving, the day after Thanksgiving, and Christmas Day. Paid time off is front-loaded according to years of service and is a use-it-or-lose-it benefit. Paid time off is also used for illness. There is no separate illness bank of time. The paid time off schedule is developed off of years of service and, because Emerging Pharmaceuticals is a young company, the table of time only shows 10 years. There are no provisions for time-off banks beyond 10 years. If an employee has paid time remaining in their bank of time after December 15th of any year, the time will be lost. Paid time off banks are reset on or around January 1st of each year. There is no carryover provision and no provision to "buy out" any paid time off.

The schedule for Paid Time Off is as follows:

Continuous Years of Service	PTO in Days	PTO in Hours	Monthly Accrual in Hours
3 years or less	10	80	6.15
After 3 years	12	96	7.38
After 6 years	15	120	9.23

At 10 years and every year thereafter	18	144	11.07
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NOTE: *As the Total Rewards Manager, you should think about how a short term list of time off affects retention of employees.*

Remote Work Options

Remote work options at Emerging Pharmaceuticals are only available to scientists or analysts who develop data analytics for drug/patient outcomes. The remote work option requires daily huddles by Skype for Business and attendance at unit meetings at least once a week. Emerging Pharmaceuticals will provide the appropriate computer equipment and connections. Employees are required to be online by 8:00 a.m. each day and may be required to work on the weekends as requested. There is no reimbursement for home-based Wi-Fi, which is vital to work remotely from home.

Tuition Reimbursement

The tuition reimbursement program is available to eligible employees. Employees must have completed at least 1 year of service and will be reimbursed for education that is considered either an “upskill” related to the employee’s current position, or coursework as part of an undergrad or graduate degree (doctoral-level education is not included) at an accredited U.S. college or university. The yearly benefit is 100% up to \$2,000 for an undergraduate degree and up to \$3,500 for a graduate degree.