

**MINUTES OF THE  
ADVISORY COMMITTEE TO THE  
LEGISLATIVE COMMISSION'S COMMITTEE TO STUDY  
THE PUBLIC EMPLOYEES' BENEFITS PROGRAM  
(ACR 10, 2003 LEGISLATIVE SESSION)  
March 20, 2004**

The first meeting of the Advisory Committee to the Legislative Commission's Committee to Study the Public Employees' Benefits Program (PEBP) (created as a result of Assembly Concurrent Resolution 10 – 2003 Legislative Session) was held at 9:00 a.m. on March 20, 2004, in Room 4412 of the Grant Sawyer Office Building, 555 East Washington Street, Las Vegas, Nevada. Exhibit "A" is the Agenda Packet and Exhibit "B" is the Attendance Roster.

**Advisory Committee Members in Attendance:**

Peter Alpert, Teachers' Health Trust  
Doug Bierman, Intertech Services Corp.  
Sue Brand, Retired Representative  
Allin Chandler, Clark County Association of School Administrators (CCASA)  
Sam Connally, University of Nevada-Las Vegas  
Laura Dancer, Washoe County School District  
Tim DeRosa, Business Benefits Incorporated  
Robert Hadfield, Nevada Association of Counties (NACO)  
Nancy Howard, Nevada League of Cities and Municipalities  
Bob Johnston, Retired Public Employees of Nevada (RPEN)  
Hal Keaton, Lincoln County  
Tom Marshall, Washoe County School District  
Rusty McAllister, Professional Firefighters of Nevada  
Daryl Moore, City of Henderson  
Linda Nichols, University of Nevada-Reno  
Walt Rulffes, Clark County School District  
Woody Thorne, Public Employees' Benefits Program (PEBP)  
Randy Waterman, City of Sparks  
Gary Wolff, Teamsters Local #14

**Advisory Committee Members Absent:**

Al Bellister, Nevada State Education Association (NSEA)  
Kirk Brower, Humboldt County School District  
Janell Carlos, Mineral County School District  
Steven Cook, Mineral County School District  
J. David Fraser, Nevada League of Cities & Municipalities  
Don Giancursio, Sierra Health  
Ann Hoskins, Retired Representative  
James Ithurralde, Eureka County  
Ralph Jaeck, City of Reno  
Rick Kester, Douglas County School District  
Scott MacKenzie, State of Nevada Employees' Association (SNEA)  
Terrance Marren, City of Mesquite  
Geof Stark, Churchill County  
George Stevens, Clark County

Ali Tognoni, Eureka County School District  
Ty Windfelt, Hometown Health

**Legislators Present:**

Senator Mark Amodei  
Senator Bob Coffin  
Senator Dean Rhoads  
Assemblywoman Chris Giunchigliani  
Assemblyman Pete Goicoechea

**Staff Present:**

Mark Stevens, Assembly Fiscal Analyst, Fiscal Analysis Division  
Bob Atkinson, Senior Program Analyst, Fiscal Analysis Division  
Eileen O'Grady, Principal Deputy Legislative Counsel, Legal Division  
Mary Alice McGreevy, Senior Deputy Legislative Counsel, Legal Division  
Sherie Silva, Secretary, Fiscal Division  
Becky Lowe, Secretary, Fiscal Division

**Exhibits:**

Exhibit "A" – Meeting Packet and Agenda  
Exhibit "B" – Attendance Roster  
Exhibit "C" – Fiscal Issues Work Group Agenda  
Exhibit "D" – Policy and Benefits Issues Work Group Agenda

Assemblywoman Giunchigliani opened the meeting of the Advisory Committee to the Legislative Commission's Committee to Study the Public Employees' Benefits Program at 9:20 a.m. She explained that even though the Legislature was exempt from the open meeting law, attempts were always made to comply with it to the fullest degree possible. ACR 10 had been interpreted to read that the legislators on the legislative interim study committee could not serve as chair or vice chair of the Advisory Committee. She had been seeking nominations from the Advisory Committee members for a chair and vice chair, and she submitted the names of Nancy Howard from the Nevada League of Cities as chairperson and Tim DeRosa, Business Benefits, Inc. as vice chair.

SENATOR RHOADS MOVED THAT NANCY HOWARD AND TIM DeROSA BE ELECTED CHAIR AND VICE CHAIR, RESPECTIVELY, OF THE ADVISORY COMMITTEE TO THE LEGISLATIVE COMMISSION'S COMMITTEE TO STUDY THE PUBLIC EMPLOYEES' BENEFITS PROGRAM.

ASSEMBLYMAN GOICOECHEA SECONDED THE MOTION, AND THE MOTION CARRIED UNANIMOUSLY.

Assemblywoman Giunchigliani explained that in order to comply with the open meeting law, agendas had to be posted for the two scheduled work group sessions, and Advisory Committee members were free to select which session they would prefer – Fiscal Issues or Policy and Benefits Issues. Legislative members would divide themselves up as the facilitators for the working groups. As reflected on the Fiscal Issues Work Group Agenda (Exhibit "C"), the following issues were to be considered:

- A. *An examination of the methods used for determining premiums, equitable employee contributions based on actual costs to the state and coverage for active and retired state and non-state public employees and their dependents.*

- B. A review of the administration and solvency of the Fund for the Public Employees' Benefits Program.*
- C. A review of the financial contributions, if any, that non-state public employers have made to assist their retired employees in maintaining health insurance coverage.*
- D. Consideration of options for pre-funding retiree health benefits for all members of the Public Employees' Benefits Program.*
- E. Consideration of a state subsidy mechanism providing for a specific dollar amount or a specific percentage of the cost for employees and separately for their dependents, including an appropriate funding method.*
- F. Consideration of the feasibility, desirability, and financial impact of authorizing large groups of participants to withdraw from the Public Employees' Benefits Program to obtain group insurance from other sources.*
- G. Consideration of the feasibility and financial impact of the state of Nevada forming one or more purchasing coalitions with surrounding states or with private entities, or both.*

The Policy and Issues Work Group would consider the following items (Exhibit "D"):

- A. The feasibility of soliciting proposals for a contract that would take over the entire statewide operation or the regional operation of group health insurance funded by public employees and public employers.*
- B. An examination of the relevant facts to determine whether all members of the Public Employees' Retirement System should be required to participate in a statewide program of health insurance funded by public employees and public employers.*
- C. The desirability of eliminating or changing the composition of the Board of the Public Employees' Benefits Program.*
- D. Consideration of whether it is feasible or desirable to allow voluntary participation of public employees and public employers in such a program.*
- E. The feasibility and desirability of establishing a program similar to the Federal Employees Health Benefits Program, which provides a choice through local and national carriers.*
- F. Consideration of requiring non-state public employers' benefits plans to include reinstatement rights for their retirees as currently required by the Public Employees' Benefits Program.*
- G. An analysis and review of issues related to prescription drugs.*

Assemblywoman Giunchigliani suggested that the meeting recess and the two work groups meet to discuss their respective agendas. She asked members to reconvene at 11:00 to submit each group's recommendations and report any further relevant information. She asked Ms. Howard and Mr. DeRosa to assume control of the meeting.

Chairwoman Howard officially called the meeting of the Advisory Committee to order. She explained the Committee would be breaking into two work groups, one for policy issues and one for fiscal matters, and she invited members to participate in the group of their choice. She declared a recess of the meeting for the

purpose of work group meetings and requested that members return at 11:00, at which time the full Advisory Committee meeting would resume. The meeting recessed at 9:30 a.m.

Chairwoman Howard reconvened the Advisory Committee meeting at 11:20 a.m. She reported that the Fiscal Issues work group had engaged in a lively discussion, and it was determined that it was not possible to resolve the following issues until solutions were found to the other five fiscal issues:

- F. Withdrawal of large groups of participants from PEBP, and
- G. Purchasing coalitions.

Ms. Howard said it was decided that the two matters would be dealt with later – possibly after this interim period.

The work group had also decided that the following items should be dealt with concurrently:

- B. Administration and solvency of the Fund for PEBP;
- C. Contributions of non-state public employers to costs of coverage for their retirees (short-term);
- D. Prefunding of retiree health benefits (long-term); and
- E. Consideration of state subsidy mechanism which separates the cost for employees, their dependents, and retirees.

Finally, Chairwoman Howard explained that Item A, Methods used for determining premiums, employee contributions and coverage for PEBP participants, could not be resolved until the impact of the other items was known. She remarked that this was a heart-wrenching issue being faced by all towns, cities and counties, and it could not be argued that what was right for one group of people would not be right for everyone as a whole. However, how to get there and how to pay for it would have to be the number one priority.

Assemblywoman Giunchigliani affirmed that the first two priorities were Item C, a review of the financial contributions, if any, that non-state public employers have made to assist their retired employees in maintaining health insurance coverage; and Item E, consideration of a state subsidy mechanism providing for a specific dollar amount or a specific percentage of the cost for employees and separately for their dependents, including an appropriate funding method.

Assemblywoman Giunchigliani then asked Tim DeRosa to review the discussion from the Policy and Benefits work group.

Mr. DeRosa reported the Policy and Benefits group had gone through a lively discussion as well. The major conclusion was that all retirees and active employees should have an equal level of benefits across the board. The first decision that must be made was whether the state and the Legislature believed that equal coverage should be provided.

Mr. DeRosa said there had been much discussion regarding the issue of segregation of active employees and retirees and the coverage provided by the subsidy. There was also discussion about the predictive modeling that had been discussed at Friday's meeting of the Legislative Committee, and how that potentially could help create a better environment as time went on.

The Policy and Benefits work group also discussed self-funded versus fully insured plans, and comparisons of both pricing and benefits were made between the Clark County Association of School Administrators' (CCASA) plan, which was a fully insured plan for school district administrators, and the state plan. Mr.

DeRosa said it was suggested that a request for proposal (RFP) be prepared that would encourage fully insured carriers to produce proposals for the state. Although details were not discussed, there appeared to be consensus among the group's members that it would be wise to consider this action.

The work group also discussed rural areas, particularly hospitals in northern Nevada that appeared to be charging more for services simply because "they can." Mr. DeRosa said members of the group thought this issue should be aggressively pursued; if it was true hospitals were charging more, it was an underlying driver to any premiums being paid under any scenario, whether self-funded or fully-insured. He added that non-profit hospitals versus for-profit hospitals were also discussed. Mr. DeRosa believed everyone agreed it would be a good idea to insure everyone, i.e., actives and retirees. If that was the underlying core value, then the question was how to accomplish this and finance the plan.

Senator Coffin asked what the priorities of the group were. Mr. DeRosa replied that the group had not officially prioritized the list of items, but it appeared to him that it was critical that it be determined that the goal would be to insure, on an ongoing basis, all actives and all retirees. He felt that the intent of Assembly Bill (AB) 286 (2003 Legislative Session), was to do it fairly and equitably without segregating the retiree population. Although a vote had not been taken, Mr. DeRosa believed that was the number one priority of the group.

Assemblywoman Giunchigliani said the issue of contributions for non-state employees was woven into the group's priority, which was to end the segregation issue. She posed the following questions: How do we get to that? Do we know that every plan in the state of Nevada, regardless if it is local, state, or county, not only lets retirees stay in their plan, but has a provision for paying for them? If not, should we know what it is and how to deal with it? Who does each plan cover, and is it limited?

Chairwoman Howard suggested that it would be a good idea to have more presentations from other public employers in the state. She thought that the Nevada Association of Counties (NACO) and the Nevada League of Cities could help coordinate the presentations. She recalled that her work group had also recommended that Kaiser be asked to give a presentation.

Assemblywoman Giunchigliani suggested that Kaiser could be scheduled when the federal employees' group was scheduled to appear.

With regard to AB 286, Advisory Committee member Gary Wolff said it was his understanding that the main concern with the bill was that state employees and retirees not be impacted by the non-state participants. His group was concerned that if everyone was mixed together, money would have to come from state employees' pockets to help fund local government employees in the benefits program. Mr. Wolff understood that if a teacher in the Clark County School District retired into the state plan, the Clark County School District would be required to pay the subsidy for that teacher. At this time there appeared to be confusion with regard to the intent of AB 286. He wondered if an opinion from the Attorney General should be requested.

Chairwoman Giunchigliani asked Eileen O'Grady, Principal Deputy Legal Counsel, Legal Division, to comment on the legal opinion on AB 286 issued by the LCB Legal Division.

Eileen O'Grady explained that before AB 286, the law was that a local government had to allow an employee who retired to either elect to continue coverage with the local government or to join PEBP upon retirement. The governing body was not required to pay for that coverage, but as a result of AB 286, if that local government employee elected to join PEBP upon retirement, the governing body would be required to contribute to the cost of the coverage in the same way as the state contributed for its employees. Ms. O'Grady added that there was an Attorney General's (AG) opinion as well. She asked Kateri Cavin, the Deputy Attorney General for PEBP, to comment on the AG's opinion.

Kateri Cavin, Deputy Attorney General, testified that a legal opinion had been issued by the AG's office which was very similar to the LCB opinion and came to similar conclusions. She suggested that the issue would probably have to be resolved in court, which would likely not be possible before February 2005, when the Legislature would convene.

In response to Senator Coffin's comments on a need for improvements in the program offered by PEBP, Chairwoman Giunchigliani said the Policy and Benefits work group had considered the structural issues of PEBP and what could make it more attractive. Some of the local governments were afraid that they would be forced into the state plan, and the state plan was not attractive to them. The Legislature tried to give assurances that this was not the intent; the goal was to eventually have the groups want to join because the state plan was the best. However, as it was presently looked at by employees, as well as employers, it was not necessarily that attractive.

Chairwoman Giunchigliani added that some local plans were also not attractive to retirees. A local plan might allow retirees to continue with coverage, but if the employer did not assist with the premium, or if retirees were unable to access benefits, then that plan would not be attractive to the retiree. Therefore, those retirees chose the state plan, and if the local employer did not contribute to the premium, the state plan suffered.

She stated it was essential that contributions be made by the non-state employers for their retirees in the state plan, especially if that was the only viable plan available to them.

Senator Coffin referred to the Fiscal work group's desire to have a presentation from Kaiser and the possibility that additional providers in northern Nevada could result in lower prices. He wondered what was wrong in Washoe County and the northwestern part of the state, noting that there were only two hospitals, and the bulk of the state employees were in that part of the state. Because there were only two hospitals, the rates were extremely high. It was his assumption that the state plan was being "bombed" by the northern "monopoly" of pricing. He wondered if competition or creating the threat of competition would have an effect on pricing. Senator Coffin observed that participants in the southern part of the state were able to find cheaper health plans because the hospitals were cheaper.

Chairwoman Giunchigliani agreed with Senator Coffin's observations, adding that her work group had engaged in the same discussion; there could potentially be a monopoly. She said Senator Amodei had suggested that the Committee pursue the statutory requirements that would prevent a monopoly from occurring. She added that the work group had also discussed an RFP for privatization, and one question was whether more expertise was needed in writing the requests for proposal in order to bring more competition into the bidding and arrive at a more "market-driven" model for the program.

Advisory Committee member Sam Connally suggested that the Committee ask PEBP to provide actual cost data for the northern part of the state and a comparison with Clark County. He remarked that it was intuitive that with more competition, the rates might be lower in southern Nevada. However, Anthem Blue Cross Blue Shield had sent their products for the private sector to his home because he purchased private coverage for family members. He noted that the company imposed a 10.73 percent surcharge for Clark County, and there were two completely different rate schedules for Clark County and the rest of Nevada. Therefore, the rates were actually higher in Clark County. He suggested the assumptions must be tested.

Senator Coffin observed that individual plans would be higher in southern Nevada because it was difficult to obtain coverage in the southern part of the state at a reasonable cost without the contractual arrangements of a group plan.

Chairwoman Howard remarked that the Fiscal work group had not spent a lot of time discussing AB 286, but there was discussion concerning the unfunded mandate and the liability that it created for local governments.

Every one of them was currently struggling to try to fund the subsidy payment; it was a critical issue.

Assemblyman Goicoechea noted there was enabling language in AB 286 that would allow the local government to pay a lesser subsidy and provide coverage in the plan that it provided in lieu of the PEBP plan (Section 1, subsection 4). Technically, if the local government had a good plan and the retirees continued coverage in that plan, and if it was cheaper than the state subsidy, it would be possible to have a lower cost by keeping the retirees in the local plan. He remarked that the issue was really about providing coverage for retirees, regardless of the entity, and he added that the LCB Legal Counsel and the Attorney General concurred in that interpretation.

Chairwoman Giunchigliani asked if it was known how many retirees from each local government were in PEBP versus the number in local plans. Woody Thorne, Executive Officer of PEBP, replied he did not know the numbers of local government retirees in the local plans, so he could not provide percentages relative to the number in PEBP. Mark Stevens advised that the information might be available from the Public Employees' Retirement System.

Chairwoman Giunchigliani asked Mr. Thorne if PEBP knew how many retirees qualified for Medicare. Mr. Thorne said in 2001 a survey was conducted of all retirees who were of Medicare age and in PEBP, and over 98 percent had Medicare, Part A and B.

Chairwoman Giunchigliani remarked there appeared to be more questions than answers, but this was only the first working meeting. She noted that a meeting of the legislative committee was scheduled in May, but she wondered if the Advisory Committee would want to meet earlier.

Assemblyman Goicoechea asked if the Legislative Committee members would attend the Advisory Committee work sessions. Chairwoman Giunchigliani replied they would be invited to attend, but would not be required to do so. He suggested that the legislators attend in order to be kept informed.

It was agreed that the Advisory Committee would meet as a single group on April 21, 2004 at 9:30 a.m. in Las Vegas, and the meeting would be videoconferenced to Carson City from 9:30 a.m. to 4:00 p.m.

Assemblywoman Giunchigliani thanked everyone for their indulgence and the staff for their assistance. The meeting was adjourned at 11:55 a.m.

Respectfully submitted,

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Sherie Silva, Secretary

APPROVED:

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Nancy Howard, Chairwoman

Date: \_\_\_\_\_

