



Public Employees' Benefits Program (PEBP)

**Presentation to:
Legislative Commission's Budget
Subcommittee**

January 29, 2015



Agenda

- **Agency Overview and Financial Status**
- **Plan Overview**
- **2015-17 Governor's Recommended Budget**
- **Priority and Performance Based Budget**
- **Other Post-Employment Benefits Liability**
- **Other Issues**



Agency Overview and Financial Status of PEBP



Current Funding and Fiscal Year 2015 Projections

Mission, Vision and Philosophy Statements

Funding Model

Subsidization

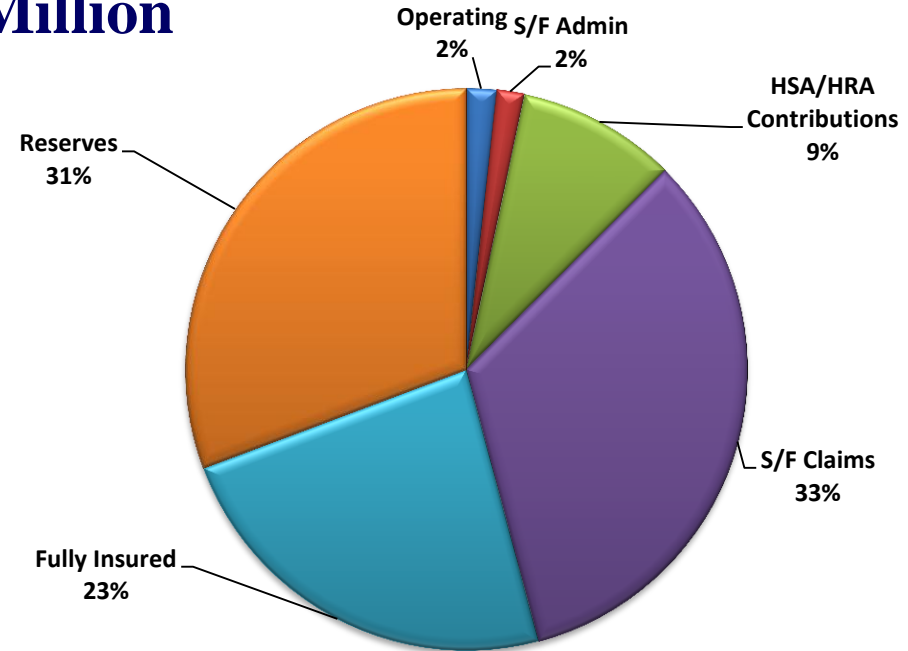
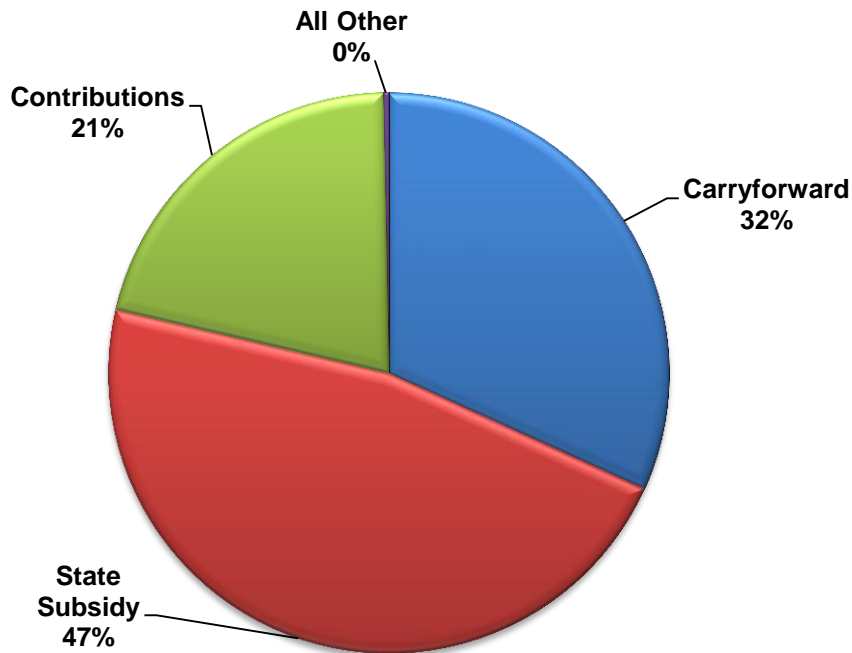


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Current Budgeted Funding FY 2015

\$531.5 Million

Sources



Uses



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FY 2015 Projection

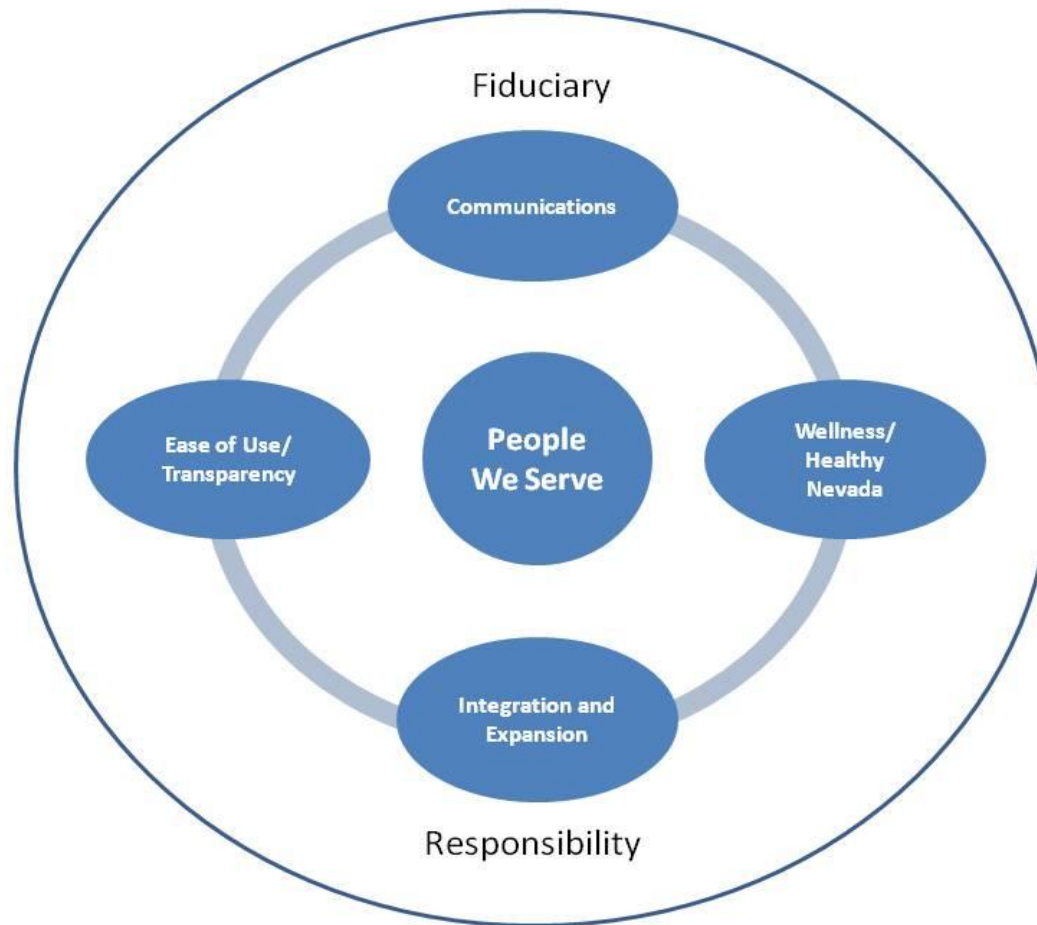
Budgeted and Projected Income (Budget Account 1338)					
Description	Budget	Actual 12/31/14	Projected	Difference	
Carryforward	168,828,144	168,828,144	168,828,144	0	0.0%
State Subsidies	249,200,164	109,344,676	225,839,895	(23,360,269)	-9.4%
Contributions	111,849,545	43,305,019	88,098,292	(23,751,253)	-21.2%
All Other	1,618,585	514,849	1,120,589	(497,996)	-30.8%
Total	531,496,438	321,992,687	483,886,921	(47,609,517)	-9.0%
Budgeted and Projected Expenses (Budget Account 1338)					
Description	Budget	Actual 12/31/14	Projected	Difference	
Operating	9,116,056	2,290,434	6,873,929	2,242,128	24.6%
Self-Funded Admin	8,490,219	4,539,250	9,484,557	(994,338)	-11.7%
Self-Funded Claims	177,406,515	73,343,275	160,957,055	16,449,460	9.3%
HSA/HRA Contributions	53,927,746	34,116,584	49,858,381	4,069,364	7.5%
Fully Insured Products	124,592,677	56,288,525	113,977,149	10,615,528	8.5%
Reserves	157,950,377	151,408,195	142,723,001	15,227,376	9.6%
Total	531,483,590	321,986,263	483,874,073	47,609,518	9.0%



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Vision: To operate a well managed group insurance program that promotes a healthy population and protects members from catastrophic financial loss

Mission:



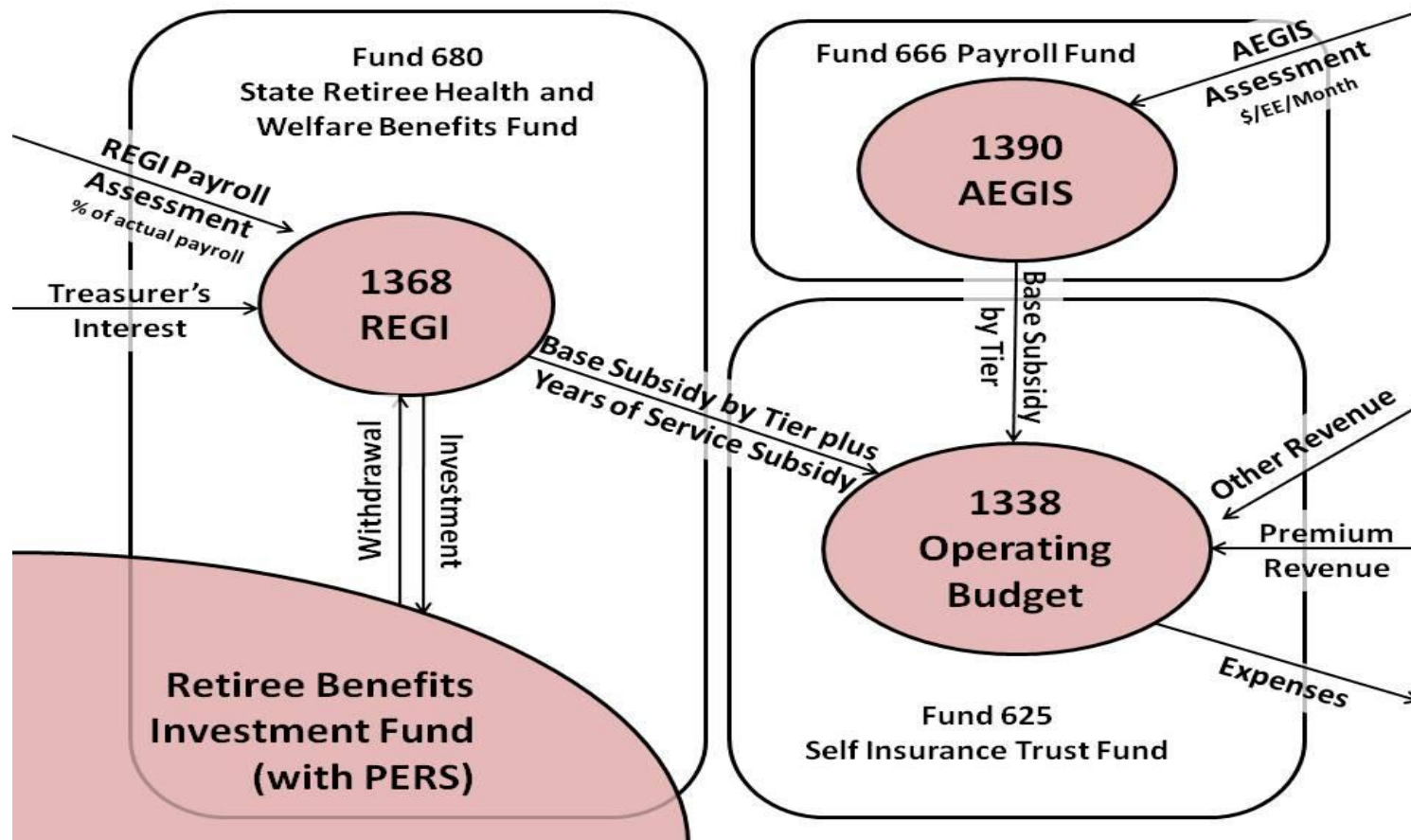


PEBP Board Philosophy Statements

- **PEBP strives to be an innovative health benefit program.**
- **PEBP believes that protection from catastrophic healthcare expense to the participant is core to the program.**
- **PEBP believes that personal responsibility is a cornerstone to the health and welfare of its members.**
- **PEBP commits to providing tools to assist participants in managing their healthcare resources.**
- **PEBP commits to maintaining transparency regarding the operation and finances of the plan.**
- **PEBP commits to a clear communication of program design to all stakeholders.**
- **PEBP Board members and staff possess managerial and financial expertise in the health benefits industry.**



How PEBP is Funded





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Subsidization

	Current
Active Primary	
Base Plan (CDHP)	93%
All Other Plans (HMOs)	78%
Active Dependent	
Base Plan (CDHP)	73%
All Other Plans (HMOs)	58%
Retiree Primary	
Base Plan (CDHP)	64%
All Other Plans (HMOs)	49%
Retiree Dependent	
Base Plan (CDHP)	44%
All Other Plans (HMOs)	29%



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State Subsidy Composite %

	FY 2014	FY 2015	FY 2016	FY 2017
Employees				
Actual/Projected/Governor Recommends	82.9%	81.7%	81.8%	81.7%
Non-Medicare Retirees				
Actual/Projected/Governor Recommends	57.2%	55.4%	55.4%	55.0%
Medicare Retirees*				
Actual/Projected/Governor Recommends	62.1%	61.0%	60.9%	66.8%

*Medicare retirees receive a Health Reimbursement Arrangement (HRA) which they use to purchase individual policies on a Medicare Exchange. This amount reflects the average HRA against the average Medicare policy including the premium for Part B as well as prescription drug and dental policies.



Plan Overview



Eligible Participants

Current Enrollment & Projections

Current Benefit Options

Plan Design Enhancements

Wellness Program



Eligible Participants

- **State**
 - **Active employees**
 - **Retirees**
 - **Eligible at the time of retirement, or**
 - **Re-enroll during an annual open enrollment period**
- **Non-state**
 - **Actives if employer “participates” in the Program**
 - **Retirees**
 - **Eligibility frozen for those enrolled as of 11/30/08 except those from any “participating” entity**
 - **“All in or all out” policy of SB 544 (2007)**



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Enrollment

	FY 2014 (Actual)	FY 2015	FY 2016	FY 2017
State				
Actives	23,582	23,852	23,852	23,852
Early Retirees	3,865	3,845	3,882	3,873
Medicare Retirees	5,272	5,329	5,833	6,048
	32,719	33,026	33,567	33,773
Non-State				
Actives	14	14	6	0
Early Retirees	2,980	2,796	1,951	1,411
Medicare Retirees	4,753	4,787	5,163	5,379
	7,746	7,597	7,120	6,790
Total	40,465	40,623	40,687	40,563
Increase		0.39%	0.16%	-0.30%



Current Benefit Options

- **Medical Coverage (Including Prescription Drugs)**
 - **Active Employees and Non-Medicare Retirees:**
 - Self-funded Consumer Driven Health Plan (CDHP) coupled with a Health Savings Account or a Health Reimbursement Arrangement
 - Health Maintenance Organization (HMO) Option
 - **Medicare Retirees eligible for Premium Free Part A:**
 - Medicare Advantage or Medicare Supplement (Medigap) and Part D RX plans through a private market Medicare Exchange
 - **Health and Wellness Program**
- **Dental**



Current Benefit Options (cont.)

- **Basic Life Insurance**
- **Long Term Disability**
- **Voluntary Products**
 - **Flexible Spending Accounts – Medical, Limited Purpose and Dependent Care**
 - **Additional Life Insurance**
 - **Long Term Care**
 - **Short Term Disability**
 - **Home & Auto**



Plan Design Enhancements

- **One-time HSA/HRA Contributions (\$9.0 M)**
 - \$400 for each primary participant
 - \$100 for each dependent (maximum of 3 dependents)
- **One-time Retiree HRA Contributions (\$4.5 M)**
 - \$2 per month per year of service for Medicare retirees
- **Lower CDHP Deductible (\$2.1 M)**
- **Increased CDHP Co-Insurance (\$1.5 M)**
- **Annual CDHP Preventive Vision Exam (\$1.3 M)**



Plan Design Enhancements (cont.)

- **Increased Dental Out of Pocket Maximum (\$3.3 M)**
- **Increased Life Insurance (\$3.3 M)**
- **Additional HRA Contributions (\$0.5 M)**
 - \$400 for each primary non-state retiree
 - \$100 for each dependent of a non-state retiree
- **Medicare Part B Premium Credit (\$1.1 M)**
- **Wellness Incentives (\$5.9 M)**



NVision Health & Wellness Program

Program Goals

- Inform participants of their health risks
- Improve participants' health and quality of life
- Reduce avoidable claim costs associated with preventable conditions



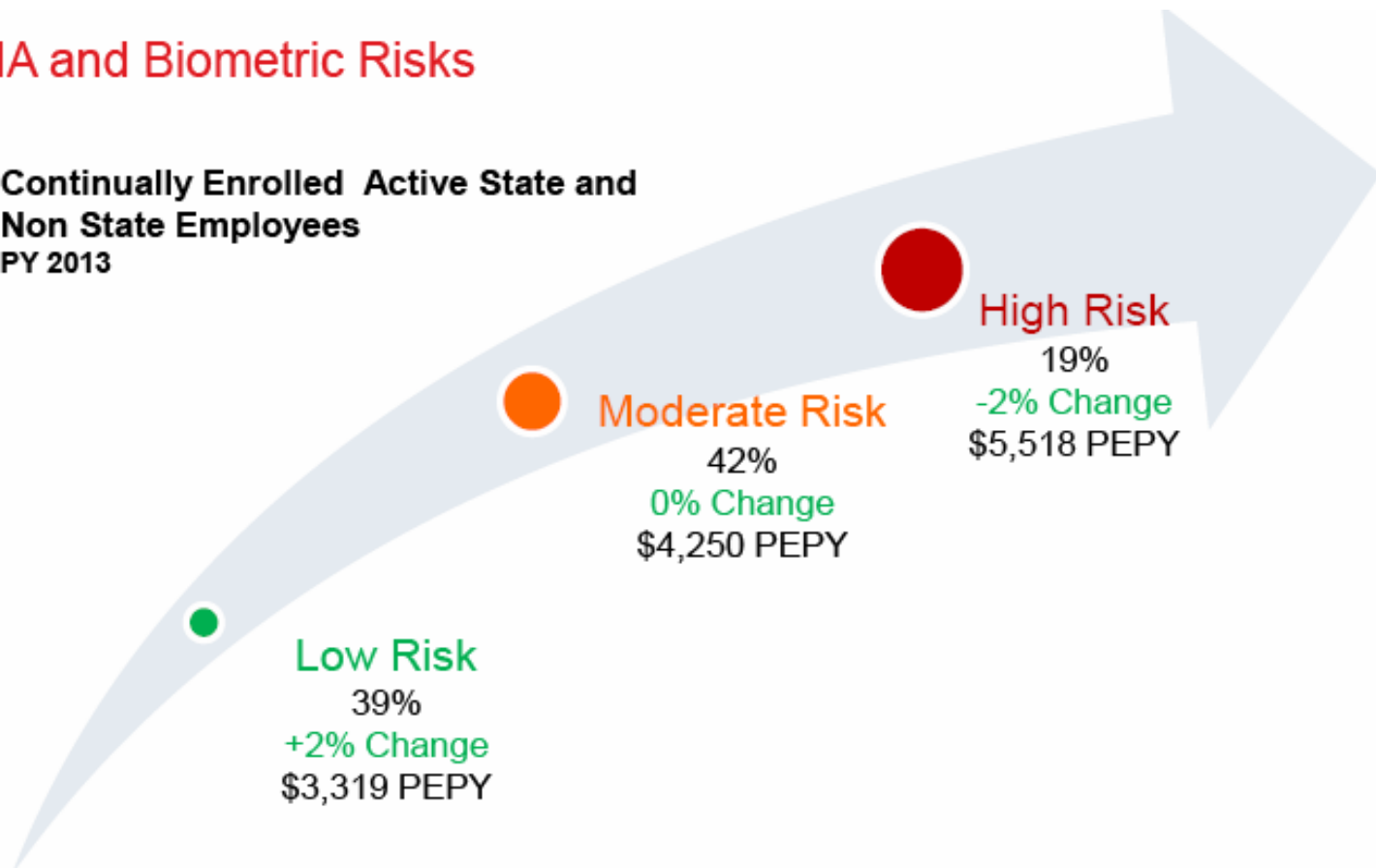


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Health Information on Demand

HA and Biometric Risks

Continually Enrolled Active State and
Non State Employees
PY 2013





Governor's 2015-17 Recommended Budget



Summary

Reserve History

Decision Unit Overview

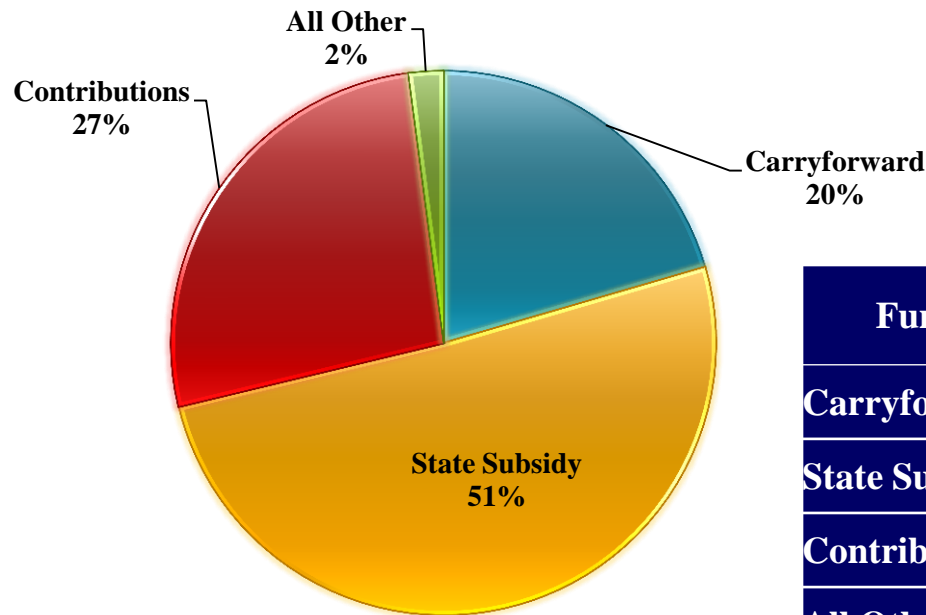


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Governor Recommends 2015 - 17

\$950.6 Million

Sources



Funding	Base	Maint	Enhance	Biennium Total
Carryforward	342.9	(44.3)	0.0	298.6
State Subsidy	479.6	(11.2)	1.9	470.2
Contributions	193.1	(14.9)	0.7	178.9
All Other	2.8	-	-	2.8
	1,018.4	(70.4)	2.6	950.6

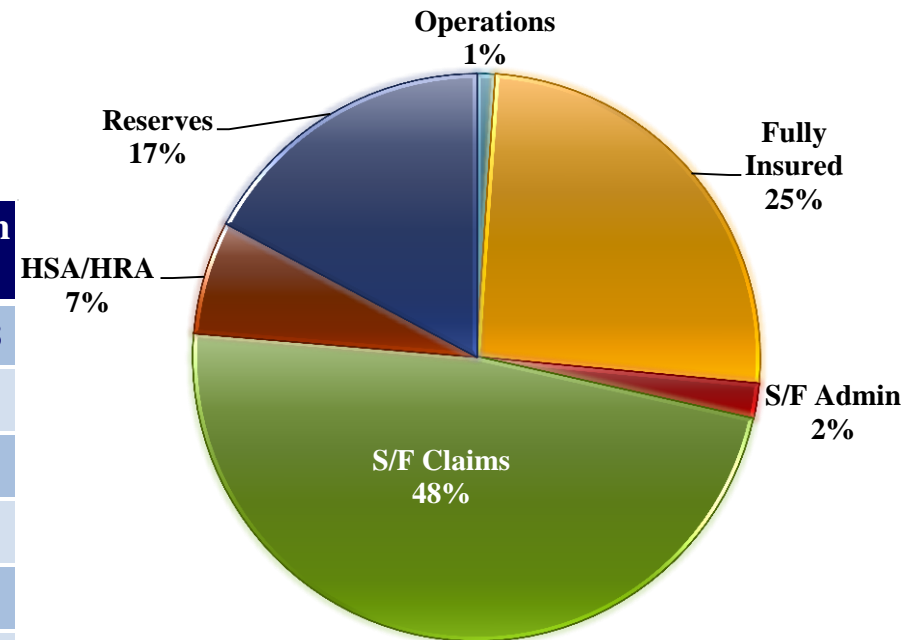


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Governor Recommends 2015 - 17

\$950.6 Million

Expenses	Base	Maint	Enhancements	Biennium Total
Operations	10.6	5.9	0.4	16.8
Fully Insured	227.0	40.5	0.1	267.6
S/F Admin	17.1	2.8	0.2	20.1
S/F Claims	290.0	24.4	-	314.4
HSA/HRA	97.8	6.2	1.8	105.8
Reserves	375.9	(150.1)	0.0	225.8
Total	1,018.4	(70.4)	2.6	950.6

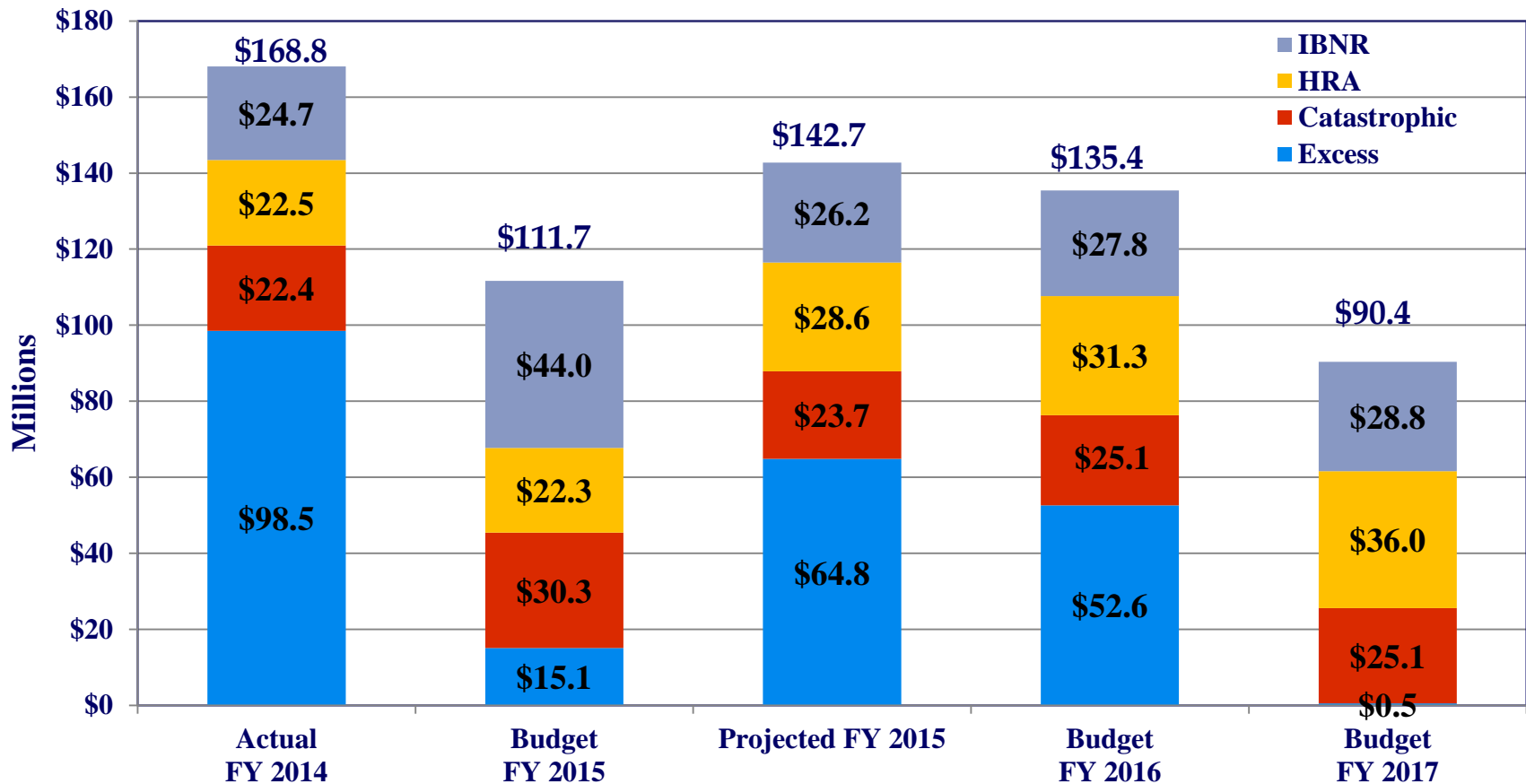


Uses



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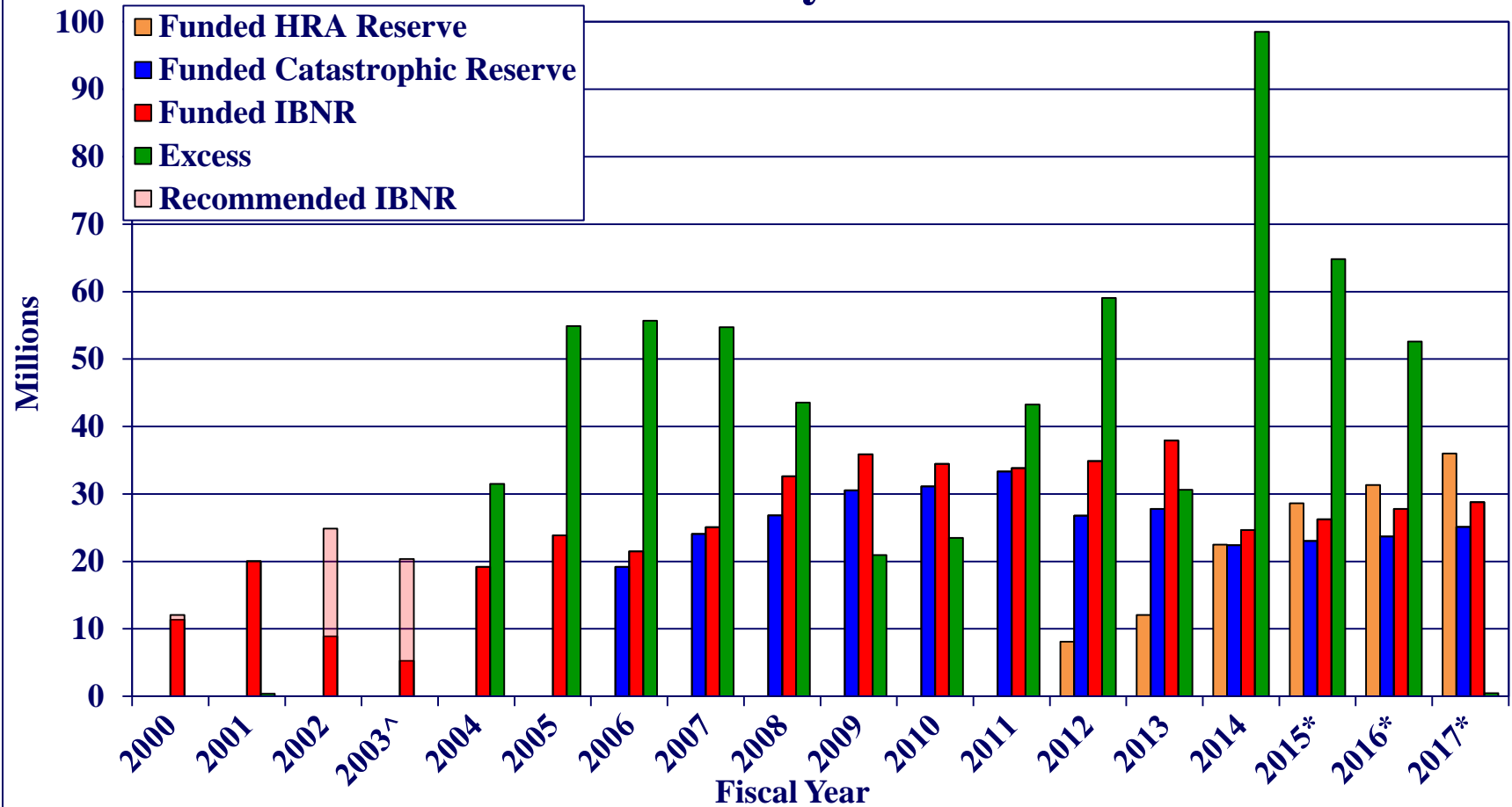
Governor's Recommended Budgeted Reserves





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Reserves by Fiscal Year



^Supplemental Appropriation

January 4, 2015

*Projected as of



Maintenance Decision Units

M101: Inflation Increases

- Based on actuarial trend projections, historical inflation and contract maximum increase provisions
- \$16.4 M in FY 16 and \$36.7 M in FY 17

	FY 2016	FY 2017
Medical Claims	6.0%	6.0%
Rx Claims	6.0%	6.0%
Dental Claims	3.0%	3.0%
HMO Premiums	6.0%	8.0%
Life Insurance Premiums	0.0%	0.0%
LTD Premiums	7.25%	0.0%



Maintenance Decision Units (cont.)

M102: Reserve Adjustments

- Based on actuarial estimates provided by Aon Hewitt and utilization of HRA accounts
- (\$17.3) M in FY 16 and (\$14.9) M in FY 17

M103: Plan Design Enhancements

- \$25.1 M in FY 16 and \$25.4 M in FY 17

M104: Medicare Exchange Inflation

- HRA contribution proposed to increase to \$1 per month per year of service in 2017 to a base amount of \$12
- \$2.4 M in FY 17



Maintenance Decision Units (cont.)

M200: Enrollment Changes – State Employees and Retirees

- Based on projected enrollment using historical data and known changes
- \$6.4 M in FY 16 and \$6.1 M in FY 17

M201: Enrollment Changes – Non-State Employees and Retirees

- Based on projected enrollment using historical data and known changes and adjusted for decreasing non-state enrollment
- (\$10.0) M in FY 16 and (\$13.7) M in FY 17



Maintenance Decision Units (cont.)

M501: Federal Mandates (BDR 15A9501209)

- Eligibility Waiting Period for New Employees
- Provides funding to implement BDR which amends statute language to comply with the Patient Protection and Affordable Care Act (PPACA)
- Eligible first of the month on or after date of hire
- \$143k in FY 16

M502: Federal Mandates

- Patient Centered Outcomes Research Institute Fee
 - \$2 per plan member in FY16 and FY17 (increases by inflation going forward)
- Transitional Reinsurance Fee
 - \$44 per plan member in CY15 and \$28 per plan member in CY16
- \$2.7 million in FY 16 and \$1.8 million in FY17



Budget Enhancements

E276: TriCare Exception (BDR 15A9501207)

- Allows Medicare participants enrolled in TriCare to receive Health Reimbursement Arrangements (HRA) and life insurance benefits without enrolling in a PEBP sponsored medical plan.
- \$1.0 M in FY 16 and \$1.1 M in FY 17

E277: Health Information Exchange (HIE)

- Allows participating physicians with consent of the patient access to clinical health information.
- The cost is 21 cents per member per month for those enrolled in the CDHP.
- \$111k in FY 16 and \$107k in FY 17



Governor's 2015-17 Recommended Budget

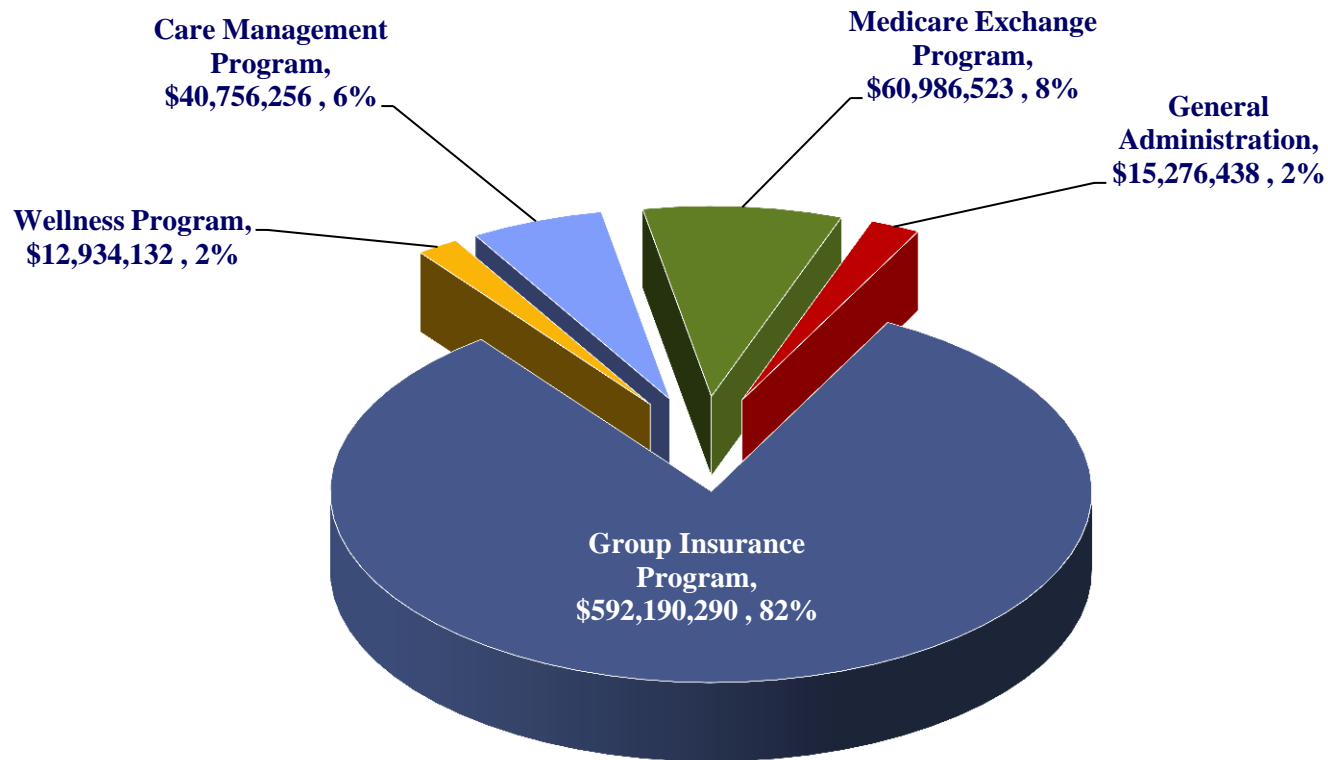


*Priorities and Performance Based Budget
Performance Indicators*



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Health Services Core Function Activities





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Performance Indicators

	FY 2014 Budget	FY 2014 (actual)	FY 2015 Budget	FY 2016 Gov Rec	FY 2017 Gov Rec
Expense Ratio	4.11%	3.90%	4.79%	5.51%	5.42%
Claims Loss Ratio	106.90%	91.41%	102.56%	114.70%	125.97%
Generic Drug Utilization	82.00%	80.96%	82.05%	82.62%	82.62%
Medical Network Use	92.00%	92.98%	92.98%	92.98%	92.98%
Dental Network Use	93.20%	90.91%	90.91%	90.91%	90.91%
Appeals per 1,000 Participants	0.15	0.05	0.10	0.10	0.10



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Performance Indicators

	FY 2014 Budget	FY 2014 Actual	FY 2015 Budget	FY 2016 Budget	FY 2017 Budget
% Participating in Diabetes Care Mgt.	New	32.48%	33.48%	33.48%	33.48%
% Participating in Obesity Care Mgt.	New	9.84%	28.98%	28.98%	28.98%
% Participating in Wellness Program	New	33.15%	34.00%	34.00%	34.00%
% of Participants Physically Active	New	47.19%	50.01%	50.01%	50.01%
% of Participants Receiving Dental Visit	New	49.27%	49.27%	49.27%	49.27%



Other Post-Employment Benefits



Governmental Accounting Standards Board Statements 43 and 45



Other Post-Employment Benefits (OPEB)

- **Liability to the State of the cost to provide subsidized health insurance to retirees**
 - **Comprised of cash subsidy and benefit of commingling experience with less expensive active employees (“implicit” subsidy)**
 - **Earned during working career and considered “deferred compensation” since it is provided after retirement**
 - **Governmental Accounting Standards Board (GASB) requires recognition of cost when incurred not paid**
 - **Record liability in financial statements or footnotes**



OPEB (cont.)

- **OPEB liability is actuarially calculated based on current plan design and these components:**
 - The number of employees and retirees eligible for the retiree health insurance benefit;
 - The amount of the benefit already earned;
 - The life expectancy of the employees and retirees;
 - The estimate of how long employees/retirees will receive the benefit in the future;
 - The investment earnings of any funds set aside to cover the long term liability, and
 - The estimated medical trend rate associated with the medical plan in future years.



OPEB (cont.)

- **Current eligibility for cash subsidy**
 - **Five years of service total with Nevada public system(s)**
 - **Fifteen years of service if hired after January 1, 2010**
 - **No subsidy for employees hired after January 1, 2012**
 - **Everyone receives implicit subsidy**
- **"Base" amount established each Legislative session for following two years**
 - **Amount received based upon date of retirement and years of service (for post 1/1/94 Retirees)**



GASB OPEB Valuation – July 1, 2013

- **Present Value of Benefits \$2.02 Billion**
 - Total amount of the expected benefits to be paid in the future including amounts earned by existing employees throughout the remainder of their working career
- **Actuarial Accrued Liability \$1.27 Billion**
 - Snapshot of the liability for benefits earned as of 7/1/13
- **Annual Required Contribution \$140.8 Million**
 - Cost of benefits earned during FY14 plus 30 year amortization payment on previous unfunded liabilities
 - “Pay-as-you-go” subsidy payments about \$53.2 M



Other Issues



Affordable Care Act

Regulation changing employer subsidies for non-state retirees



Patient Protection and Affordable Care Act

- **Reporting requirements for Minimum Essential Coverage (“MEC”) and Applicable Large Employer (“ALE”)**
- **Electronic Transaction Certification**
- **Excise, or “Cadillac”, Tax in 2018**



Non-State Retirees

- **Current employer subsidy is a flat dollar amount based on the dollar amount for State retirees**
- **State retirees' subsidy is a percentage of the premium based on plan and tier selection**
- **Proposed regulation would change non-state retirees to the same percentages as a State retiree**
 - **Some retirees' rates will decrease while others increase**
 - **Some local governments will pay a higher subsidy while others may actually pay less**



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Questions?

The State of Nevada Public Employees' Benefits Program - Windows Internet Explorer

http://pebp.state.nv.us/index.htm

Windows Internet Explorer

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Welcome to the Public Employees' Benefits Program

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New Instructional Videos!

Did you know PEBP offers a virtual library of instructional videos to assist you with learning about your benefits? Check them out and check back often for more videos.

Do you want to eat healthier, but not sure where to start?

Start here by viewing Dr. Tracey Green's **healthy eating webinars**.

Health and Wellness Webinars

HealthSCOPE - Treatment Cost Estimator

Healthcare Blue Book

Fair Health Consumer Price Look-Up

Health and Wellness Diabetes Care Management Program Flyer

Qualifying Event Timeline and Supporting Documents

Plan Year 2015 Benefits

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