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Public Employees' Benefits Program (PEBP)

**Presentation to:
Sunset Subcommittee of the
Legislative Commission**

April 27, 2012

EXHIBIT D - SUNSET SUBCOMMITTEE
Document consists of 21 pages.
Entire Exhibit Provided.
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Topics

- **Overview of PEBP**
- **Governance**
- **Why the PEBP Board exists**
- **Overlap with other Boards and Commissions**



What PEBP Does

- **Provides Health Insurance Benefits to:**
 - **State employees (including NSHE, LCB, PERS, Boards & Commissions and Legislators)**
 - **Non-state employees if the employer “participates” in the Program**
 - **State retirees at the time of retirement or who re-enroll during our annual enrollment period (subject to a one-time break in coverage)**
 - **Non-state retirees who were enrolled as of 11/30/08 except from any “participating” entity (“All in or all out” policy of SB 544 (2007))**



Eligible Participants

- **As of April 1, 2012**
 - **23,803 Active Employees**
 - 23,541 State; 262 Non-State
 - **8,706 State Retirees**
 - 3,615 Non-Medicare; 5,091 Medicare
 - **8,424 Local Government Retirees**
 - 3,934 Non-Medicare; 4,490 Medicare
- **About 1,000 who will never have Medicare Part A**



Current Benefit Options

- **Medical Coverage (Including Prescription Drugs)**
 - **Self-funded Preferred Provider Organization (PPO) High Deductible Health Plan Option**
 - Includes contributions to Health Savings Accounts (HSA) or Health Reimbursement Arrangements (HRA)
 - Includes first dollar wellness/preventive coverage
 - Voluntary Live Well, Be Well Prevention Plan wellness program, Diabetes Care Mgmt and Obesity Care Mgmt
 - **Health Maintenance Organization (HMO) Option**
 - Available in all 17 Nevada counties
 - Single blended “statewide” HMO rate



Current Benefit Options

- **Medicare Retiree Coverage**
 - **Provided through a Medicare Exchange**
 - **Do not receive premium subsidies but have access to an Health Reimbursement Arrangement (HRA)**
 - **\$10 per month per Year of Service (YOS)**
 - **minimum 5 YOS (\$50/month; \$600/year)**
 - **maximum 20 YOS (\$200/month; \$2,400/year)**
 - **Can be used for premiums and other out of pocket costs**
 - **Can use HRA for expenses of both primary retiree and spouse**
 - **Eligible to participate in Dental (voluntary)**
 - **Eligible for Basic Life (except reinstated retirees)**



Current Benefit Options

- **Medicare Retiree Coverage**
 - **Offers Medicare Advantage and Medigap or Medicare Supplement plans provided by recognizable insurance companies (e.g., Anthem, Cigna, Aetna, Humana, United Healthcare, etc.)**
 - **PEBP retirees enrolled in:**
 - **342 plans from 53 different carriers**
 - **73% enrolled in Medicare Supplement or Medigap Plans**
 - **27% enrolled in Medicare Advantage Plans**



Current Benefit Options

- **Dental**
 - Includes 4 preventive cleanings per year
- **Basic Life Insurance**
 - \$10,000 for active employees
 - \$5,000 for retirees
- **Long Term Disability**
- **Do not allow coverage of a spouse/domestic partner who has access to other employer based coverage**



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Current Benefit Options

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



GASB OPEB Valuation – July 1, 2010

- **Present Value of Benefits \$1.8 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 \$977 Million**
 - Snapshot of the liability for benefits earned as of 7/1/09
- **Annual Required Contribution \$120 Million**
 - Cost of benefits earned during FY 10 plus 30 year amortization payment on previous unfunded liabilities
 - “Pay-as-you-go” subsidy payments about \$47 million



Governance

- **PEBP is governed by:**
 - **Nevada Revised Statutes Chapter 287 Sections 0402 to 049**
 - **Certain provisions of sections 005 through 040 for participating local government organizations**
 - **Certain sections of Chapters 689B and 695G relating to compliance of a self-insurance plan with fully insured plan requirements (NRS 287.04335)**
 - **Nevada Administrative Code Chapter 287 Sections 005 through 690**



Governance

- **Board is comprised of nine members appointed by Governor to 4 year terms (NRS 287.041):**
 - (a) One member who is a professional employee of the Nevada System of Higher Education, appointed by the Governor upon consideration of any recommendations of organizations that represent employees of the Nevada System of Higher Education. (Currently Jacque Ewing-Taylor (Vice Chair))
 - (b) One member who is retired from public employment, appointed by the Governor upon consideration of any recommendations of organizations that represent retired public employees. (Currently George Campbell)
 - (c) Two members who are employees of the State, appointed by the Governor upon consideration of any recommendations of organizations that represent state employees. (Currently Leo Drozdoff, Director of the Department of Conservation and Natural Resources (Chair) and one vacancy)



Governance

- **Board is comprised of nine members appointed by Governor (NRS 287.041):**
 - (d) One member appointed by the Governor upon consideration of any recommendations of organizations that represent employees of local governments that participate in the program. (Currently Dawn Stout, City of Elko)
 - (e) One member who is employed by this State in a managerial capacity and has substantial and demonstrated experience in risk management, portfolio investment strategies or employee benefits programs appointed by the Governor. The Governor may appoint the Executive Officer of the Public Employees' Retirement System to fill this position. (Currently Charles Duarte, Administrator, DHCFP)
 - (f) Two members who have substantial and demonstrated experience in risk management, portfolio investment strategies or employee benefits programs appointed by the Governor. (Currently Jeffery Garofalo and Robert Moore)
 - (g) The Director of the Department of Administration or the designee of the Director. (Currently Julia Teska)



Governance

- **Board qualifications (NRS 287.041):**
 - **2. Of the six persons appointed to the Board pursuant to paragraphs (a) to (e), inclusive, of subsection 1, at least one member must have an advanced degree in business administration, economics, accounting, insurance, risk management or health care administration, and at least two members must have education or proven experience in the management of employees' benefits, insurance, risk management, health care administration or business administration.**
 - **3. Each person appointed as a member of the Board must:**
 - **(a) Except for a member appointed pursuant to paragraph (f) of subsection 1, have been a participant in the Program for at least 1 year before the person's appointment;**
 - **(b) Except for a member appointed pursuant to paragraph (f) of subsection 1, be a current employee of the State of Nevada or another public employer that participates in the Program or a retired public employee who is a participant in the Program;**
 - **(c) Not be an elected officer of the State of Nevada or any of its political subdivisions; and**
 - **(d) Not participate in any business enterprise or investment:**
 - **(1) With any vendor or provider to the Program; or**
 - **(2) In real or personal property if the Program owns or has a direct financial interest in that enterprise or property.**



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Why Board Exists – NRS 287.043

- **1. The Board shall:**
 - **(a) Establish and carry out a program to be known as the Public Employees' Benefits Program which:**
 - **(1) Must include a program relating to group life, accident or health insurance, or any combination of these; and**
 - **(2) May include:**
 - **(I) A plan that offers flexibility in benefits, and for which the rates must be based only on the experience of the participants in the plan and not in combination with the experience of participants in any other plan offered under the Program; or**
 - **(II) A program to reduce taxable compensation or other forms of compensation other than deferred compensation,**
for the benefit of all state officers and employees and other persons who participate in the Program.
 - **(b) Ensure that the Program is funded on an actuarially sound basis and operated in accordance with sound insurance and business practices.**



Why Board Exists – NRS 287.043

- **2. The Board shall (summarized):**
 - (a) ...commingle the claims experience of active and retired officers and employees into a single risk pool for the purpose of establishing rates
 - (b) ...negotiate and contract with local governments that wish to obtain insurance for their employees and retirees; establish separate rates for local governments.
 - (c) ...provide public notice in writing of any proposed changes in rates or coverage to each participating public agency at least 30 days before the effective date.
 - (d) If a proposed change is a change in the premium or contribution charged for, or coverage of, health insurance, provide written notice of the proposed change to all participants in the Program. The notice must be provided at least 30 days before the date on which a participant in the Program is required to select or change the participant's policy of health insurance. (Open enrollment requirements)
 - (e) Purchase policies of life, accident or health insurance...from any company qualified to do business in this State or provide similar coverage through a plan of self-insurance.
 - (f) ...establish other employee benefits as necessary.



Why Board Exists – NRS 287.043

- **2. The Board shall (summarized):**
 - **(g) Investigate and approve or disapprove any contract for a large group to leave the program**
 - **(h) Adopt regulations and perform other duties including, the establishment of:**
 - **(1) Fees for applications...and late payment of premiums...;**
 - **(2) Conditions for entry and exit by local governments:**
 - **(I) Minimum 4 years of participation for entry;**
 - **(II) Requirement that retirees whose coverage began after November 30, 2008, terminates upon exit of the local government; and**
 - **(III) May exclude employees and retirees who are eligible for health coverage from a trust that arose out of collective bargaining or is created by 29 U.S.C. 186;**
 - **(3) Procedures by which a group of participants may leave and reenter;**
 - **(4) Specific procedures for the determination of contested claims;**
 - **(5) Procedures for termination of coverage of local government retirees; and**
 - **(6) Procedures for the payment from local governments for their retirees.**



Why Board Exists – NRS 287.0434

- **The Board may (summarized):**
 - **1. Use its assets only to pay the expenses of health care for its members and covered dependents, to pay its employees' salaries and to pay administrative and other expenses.**
 - **2. Enter into contracts relating to the administration of the Program, including, without limitation, contracts with licensed administrators and qualified actuaries**
 - **3. Enter into contracts with physicians, surgeons, hospitals, health maintenance organizations and rehabilitative facilities for medical, surgical and rehabilitative care and the evaluation, treatment and nursing care of members and covered dependents**
 - **4. Enter into contracts for the services of other experts and specialists as required by the Program**
 - **5. Charge and collect an administration fee from an insurer, health maintenance organization, organization for dental care or nonprofit medical service corporation.**
 - **6. Charge and collect premiums due from local governments.**



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Why Board Exists

- **The Board may (summarized):**
 - establish a plan of life, accident or health insurance and provide for the payment of contributions into the Program Fund, a schedule of benefits and the disbursement of benefits from the Program Fund. The Board may reinsure any risk or any part of such a risk. (NRS 287.0433)
 - allocate the money paid to the Program by the State agencies between the cost of premiums and contributions for group insurance for each state officer or employee, except a member of the Senate or Assembly, and the dependents of each state officer or employee. (NRS 287.044(6)) (set employee contribution amounts during the rate setting process)



Overlap with Other Boards/Commissions

- **The 2011 legislature created the Silver State Health Insurance Exchange to comply with the Federal Patient Protection and Affordable Care Act (Federal Health Care Reform). While the Exchange is not yet operational, there could be potential synergy or overlap down the road.**
- **The Exchange is supposed to be operational by January 1, 2014. The leadership of both organizations should monitor activities and collaborate to ensure efforts are not duplicated.**



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Questions?