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Public Employees' Benefits Program (PEBP)

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

January 30, 2013



Agenda

- **Agency Mission & Vision**
- **Plan Overview**
- **Financial Status and Reserves**
- **2013-15 Governor's Recommended Budget**
- **Priority and Performance Based Budget**
- **Other Post-Employment Benefits Liability**
- **Legislative Agenda**



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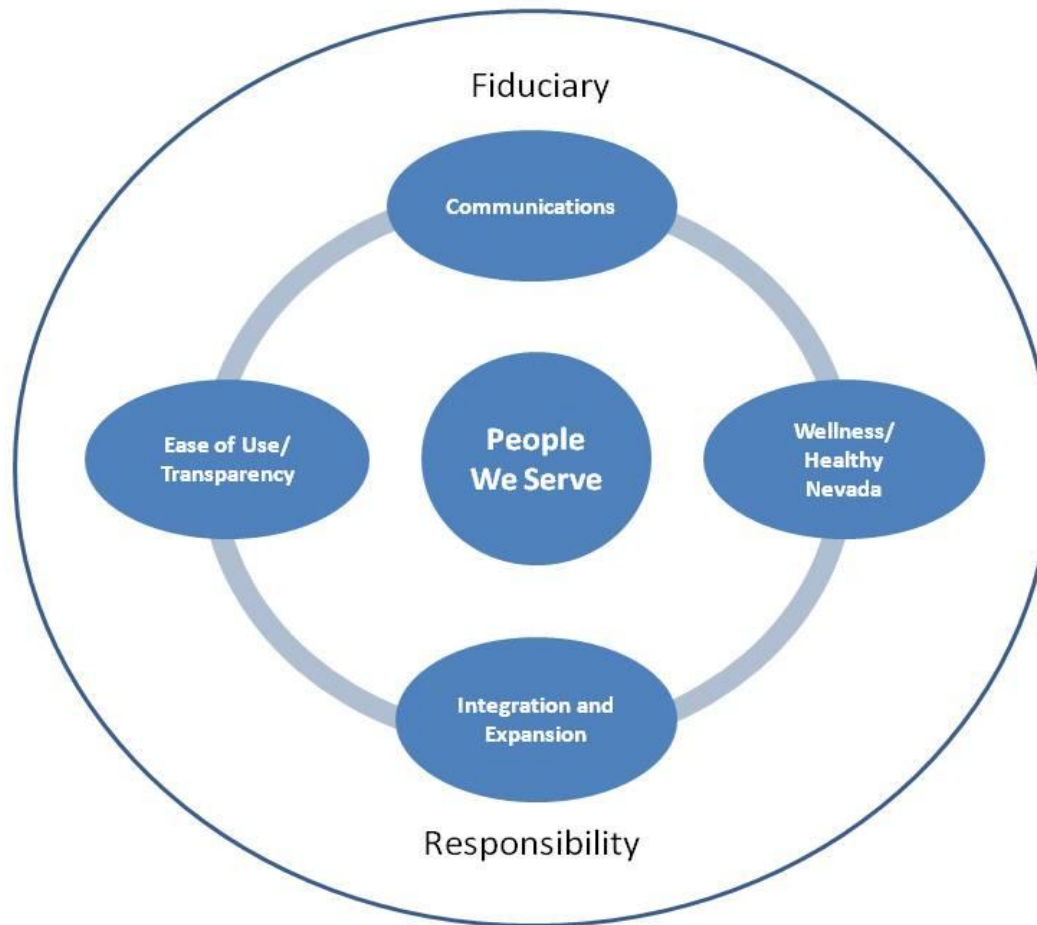
Agency Mission and Vision





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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





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.**



Plan Overview



Eligible Participants

Current Enrollment & Projections

Current Benefit Options

Wellness Program



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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 2012 (Actual)	FY 2013	FY 2014	FY 2015
<u>State</u>				
Actives	23,534	23,289	23,146	23,146
Early Retirees	3,914	3,375	4,090	4,189
Medicare Retirees	4,768	5,429	5,152	5,354
	32,216	32,093	32,388	32,689
<u>Non-State</u>				
Actives	228	69	55	34
Early Retirees	4,380	3,251	2,986	2,476
Medicare Retirees	4,239	4,787	4,465	4,532
	8,847	8,107	7,506	7,042
Total	41,063	39,876	39,894	39,731
<u>Percentage Change</u>		-2.1%	0.05%	0.41%



Current Benefit Options

- **Medical Coverage (Including Prescription Drugs)**
 - **Active Employees and Non-Medicare Retirees:**
 - **Self-funded Consumer Driven Preferred Provider Organization High Deductible Health Plan Option 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**



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





NVisionHealth & Wellness Program (cont.)

Four Year Program:

- Year One – Educate Yourself**
- Year Two – Get Active**
- Year Three – Eat Right**
- Year Four – See Results**

Components:

- Registration**
- Health Assessment Questionnaire**
- Biometric Screening**
- Preventive Screenings**
- Action Programs**



Financial Status of PEBP



Current Funding

Fiscal Year 13 Projections

Reserves

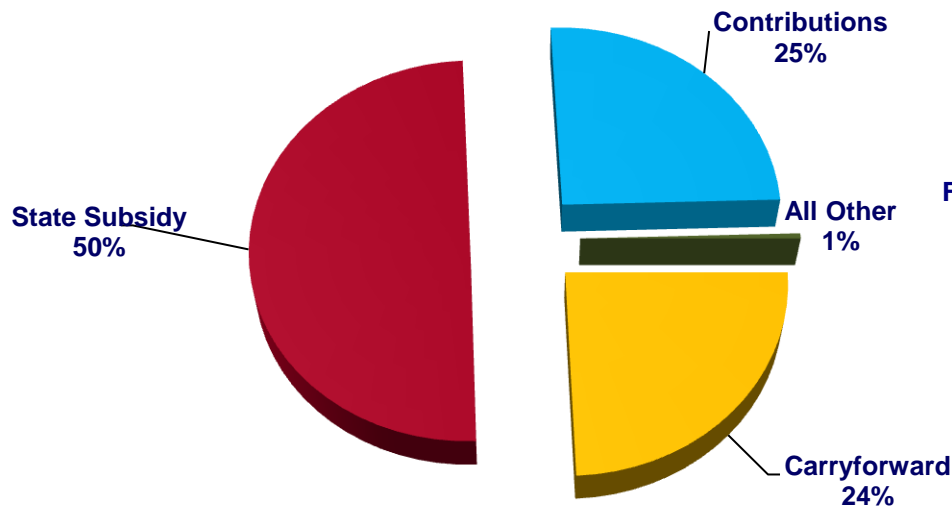


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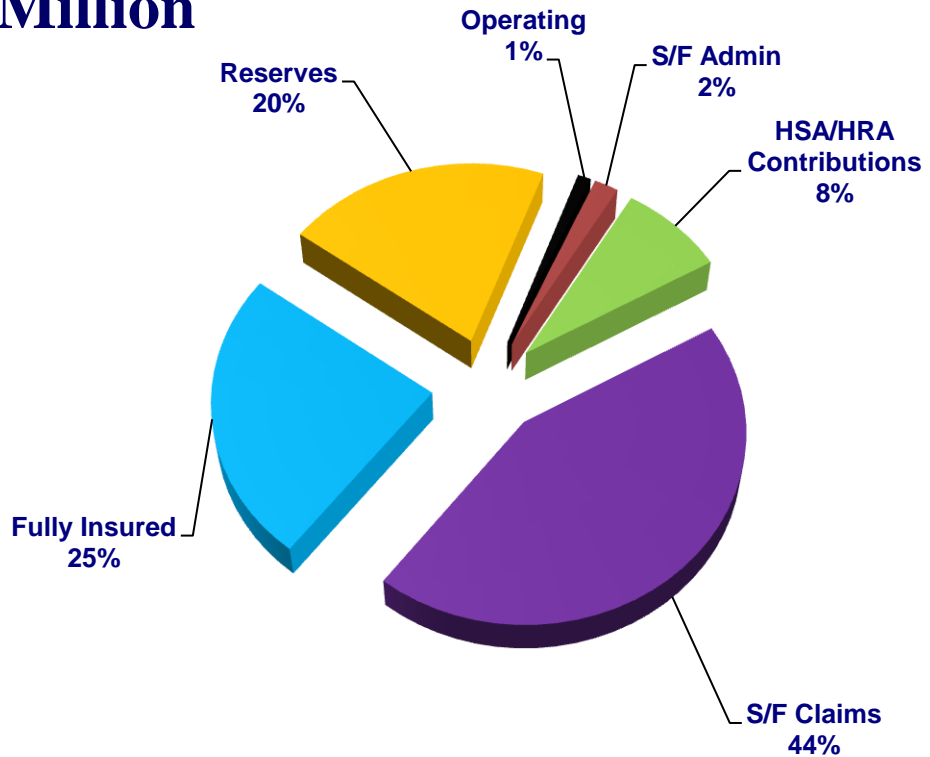
Current Budgeted Funding FY 2013

\$528.4 Million

Sources



Uses





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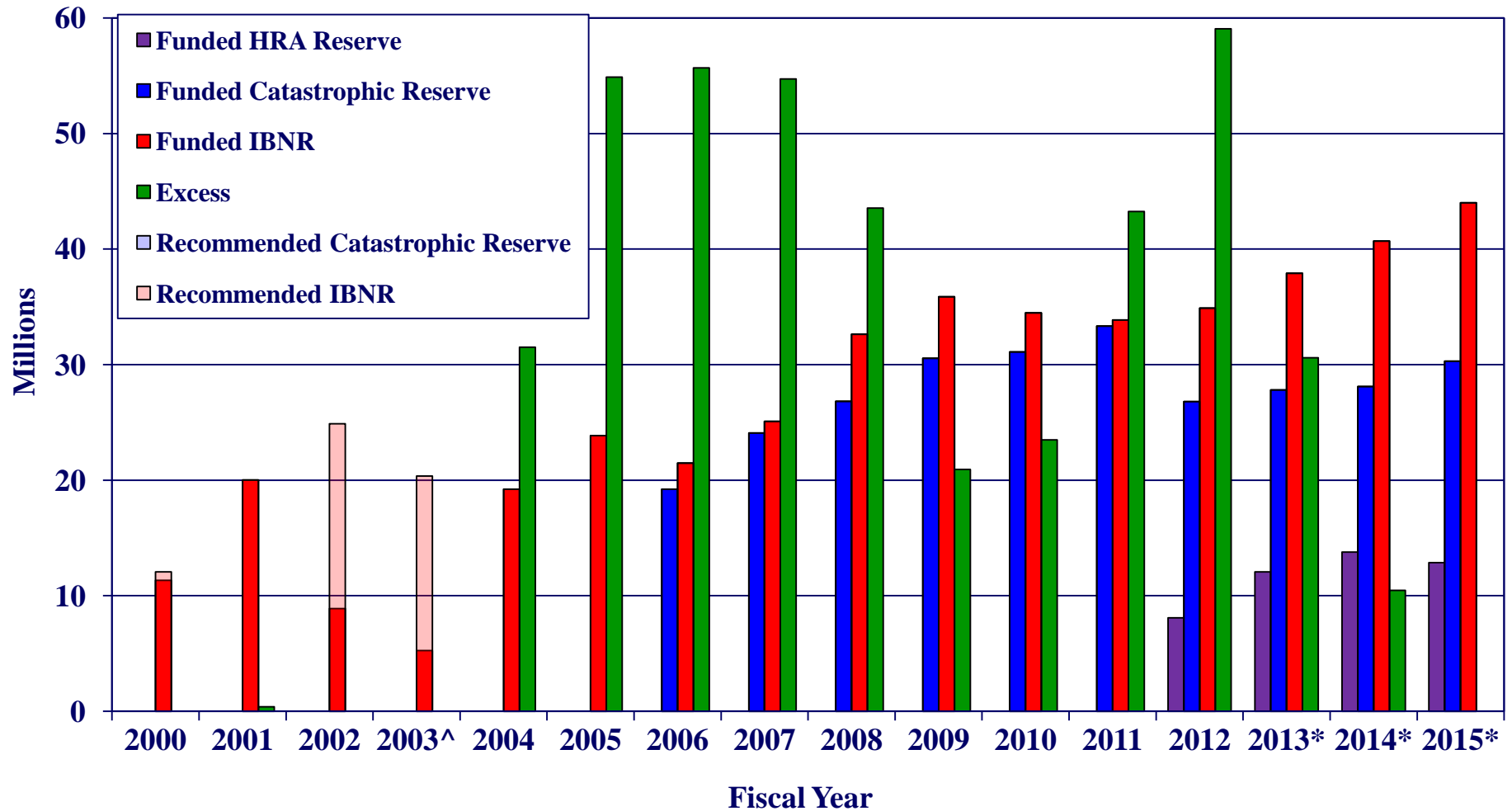
FY 2013 Projection

Budgeted and Projected Income (Budget Account 1338)					
Description	Budget	Actual 11/30/12	Projected	Difference	
Carryforward	128,851,573	128,851,573	128,851,573	0	0.0%
State Subsidies	263,461,206	91,545,045	230,080,719	(33,380,487)	-12.7%
Contributions	133,725,522	40,515,586	105,154,005	(28,571,517)	-21.4%
All Other	2,314,874	2,196,871	8,263,402	5,948,528	257.0%
Total	528,353,175	263,109,076	472,349,699	(56,003,476)	-10.6%
Budgeted and Projected Expenses (Budget Account 1338)					
Description	Budget	Actual 11/30/12	Projected	Difference	
Operating	5,453,485	1,663,812	5,219,090	234,394	4.3%
Self-Funded Admin	9,896,992	3,356,304	8,581,420	1,315,572	13.3%
Self-Funded Claims	231,298,404	58,230,505	188,806,225	42,492,179	18.4%
HSA/HRA Contributions	43,642,058	26,061,437	47,610,923	(3,968,865)	-9.1%
Fully Insured Products	129,706,770	46,247,988	111,252,906	18,453,864	14.2%
Reserves	108,355,466	127,549,029	110,879,136	(2,523,670)	-2.3%
Total	528,353,175	263,109,076	472,349,699	56,003,474	10.6%



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Reserves by Fiscal Year



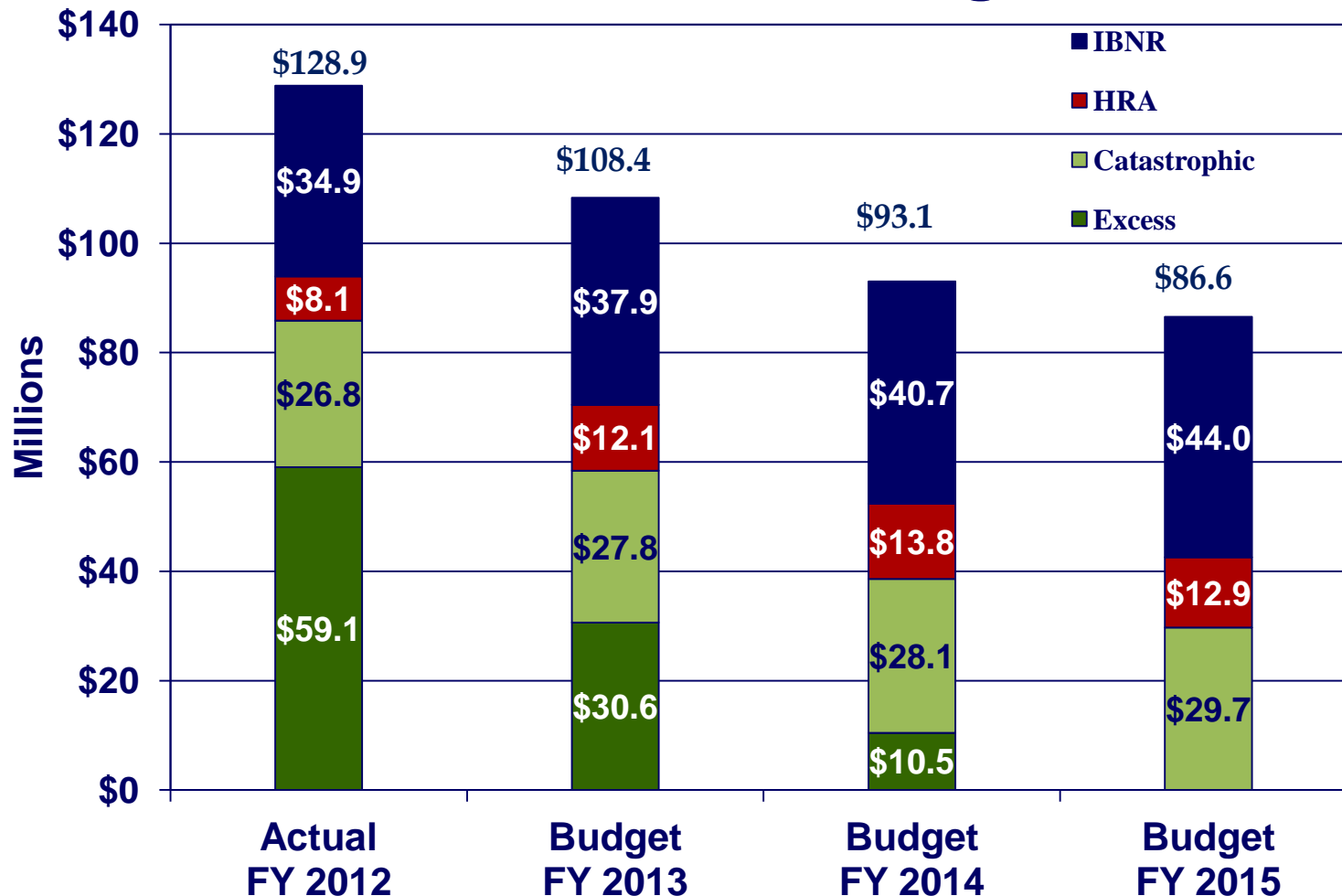
[^]Supplemental Appropriation

*Projected as of January 3, 2013



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Governor's Recommended Budgeted Reserves





Plan Year 2013 Rebate of Excess Reserves

- **Rate mitigation (\$6.9 M)**
- **One-time HSA/HRA Contributions (\$11.8 M)**
 - \$400 for each primary participant
 - \$100 for each dependent (maximum of 3 dependents)
 - \$200 for actives over age 45 and retirees over 20 YOS
- **One-time Retiree HRA Contributions (\$3.9 M)**
 - \$2 per month per year of service for Medicare retirees
- **Subsidize domestic partners the same as spouses (\$500k)**



Governor's 2013-15 Recommended Budget

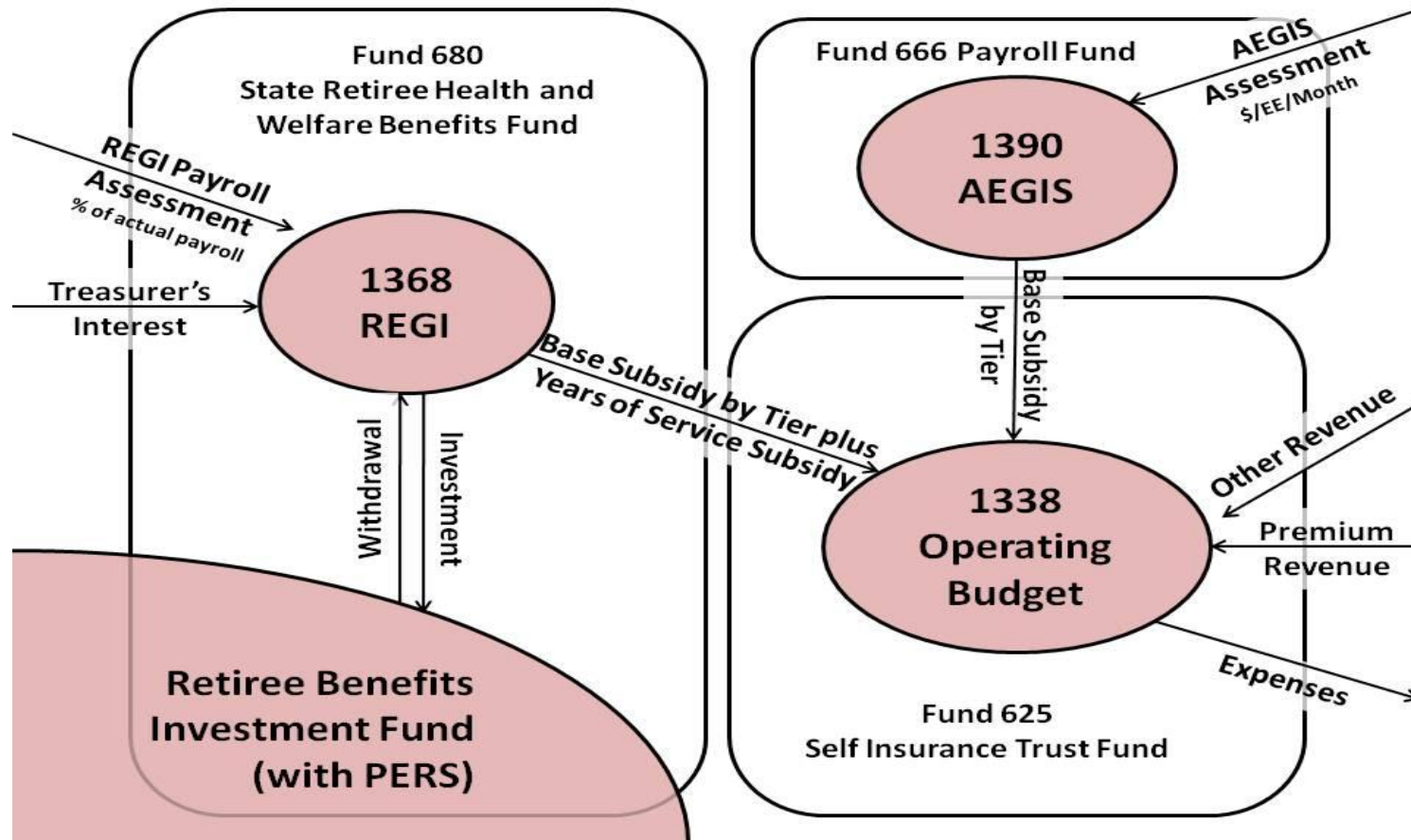


Summary



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How PEBP is Funded

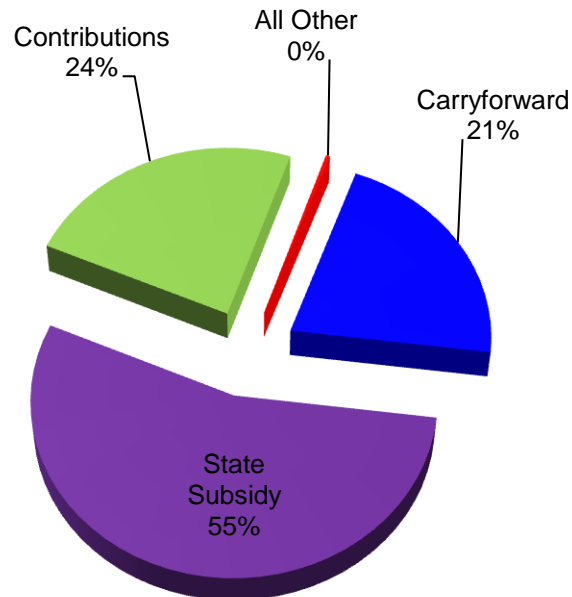




Governor Recommends 2013 - 15

\$939.5 Million

Sources



Funding	Base	Maint	Enhance	Biennium Total
Carryforward	240.4	(35.2)	(3.8)	201.4
State Subsidy	424.2	88.4	0.2	512.9
Contributions	200.7	21.2	0.1	222.0
All Other	10.4	(7.2)	-	3.2
Total	875.8	67.3	(3.5)	939.5

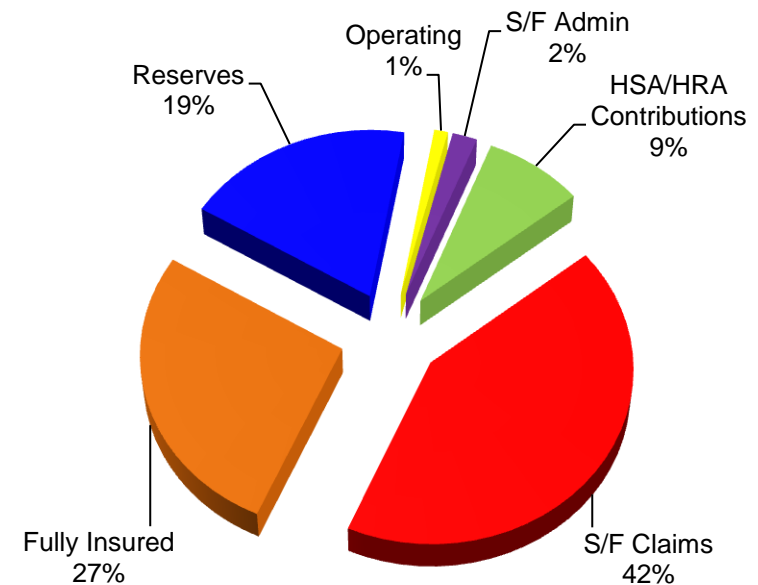


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Governor Recommends 2013 - 15

\$939.5 Million

Funding	Base	Maint	Enhance	Biennium Total
Operations	10.2	0.4	0.1	10.7
Fully Insured	211.7	42.6	-	254.3
S/F Admin	16.1	3.4	-	19.5
S/F Claims	296.4	100.7	-	397.1
HSA/HRA	53.6	20.7	3.9	78.3
Reserves	287.8	(100.7)	(7.5)	179.6
Total	875.8	67.3	(3.5)	939.5



Uses



Maintenance Decision Units

M101: Inflation Increases

- Based on actuarial trend projections, historical inflation and contract maximum increase provisions
- \$48.9 M in FY 14 and \$54.5 M in FY 15

	FY 2014	FY 2015
Medical Claims	9.0%	8.75%
Rx Claims	9.0%	8.75%
Dental Claims	4.5%	4.5%
HMO Premiums	8.0%	12.5%
Life Insurance Premiums	10.0%	10.0%
LTD Premiums	10.0%	10.0%



Maintenance Decision Units (cont.)

M102: Reserve Adjustments

- Based on actuarial estimates provided by Aon Hewitt and utilization of HRA accounts
- IBNR and Catastrophic Reserves using 95% Confidence Interval
- (\$2.8) M in FY 14 and \$1.4 M in FY 15

M103: Medicare Exchange Inflation

- HRA contributions proposed to increase \$1.00 per month per year of service in the 2014-2015 biennium to a base amount of \$11
- Based on inflation in Medicare Advantage plans (10%-20%); Medicare supplement plans (5%-8%) and Medicare RX plans (10%-20%) provided by Extend Health actuaries
- \$2.0 M in FY 14 and FY 15



Maintenance Decision Units (cont.)

M200: Enrollment Changes

- Based on projected enrollment using historical data and known changes and adjusted for decreasing non-state enrollment
- (\$10.2) M in FY 14 and (\$16.0) M in FY 15

M501: Federal Mandates

- Comparative Effectiveness Research Fee
- Starts in FY 13 at \$1 per insured person per year
- Increases in FY 14 and beyond to \$2 per insured person per year adjusted for inflation
- \$144k in FY 14 and FY 15

E804: Division of Human Resource Management

- \$3k in FY 14 and FY 15



Budget Enhancements

E225: Data Analytics

- Creates a data warehouse to improve query and analysis capability
- More easily benchmark our plan to national averages
- \$105k in FY 14 and \$110k in FY 15

E227: Staff Training

- Allows new staff to increase skills and knowledge in the healthcare
- \$9k in FY 14 and FY 15

E275: Medicare HRA Contribution

- One-time \$2 per month per year of service contribution to Health Reimbursement Arrangement Accounts
- \$3.9 M in FY 14 only



Governor's 2013-15 Recommended Budget

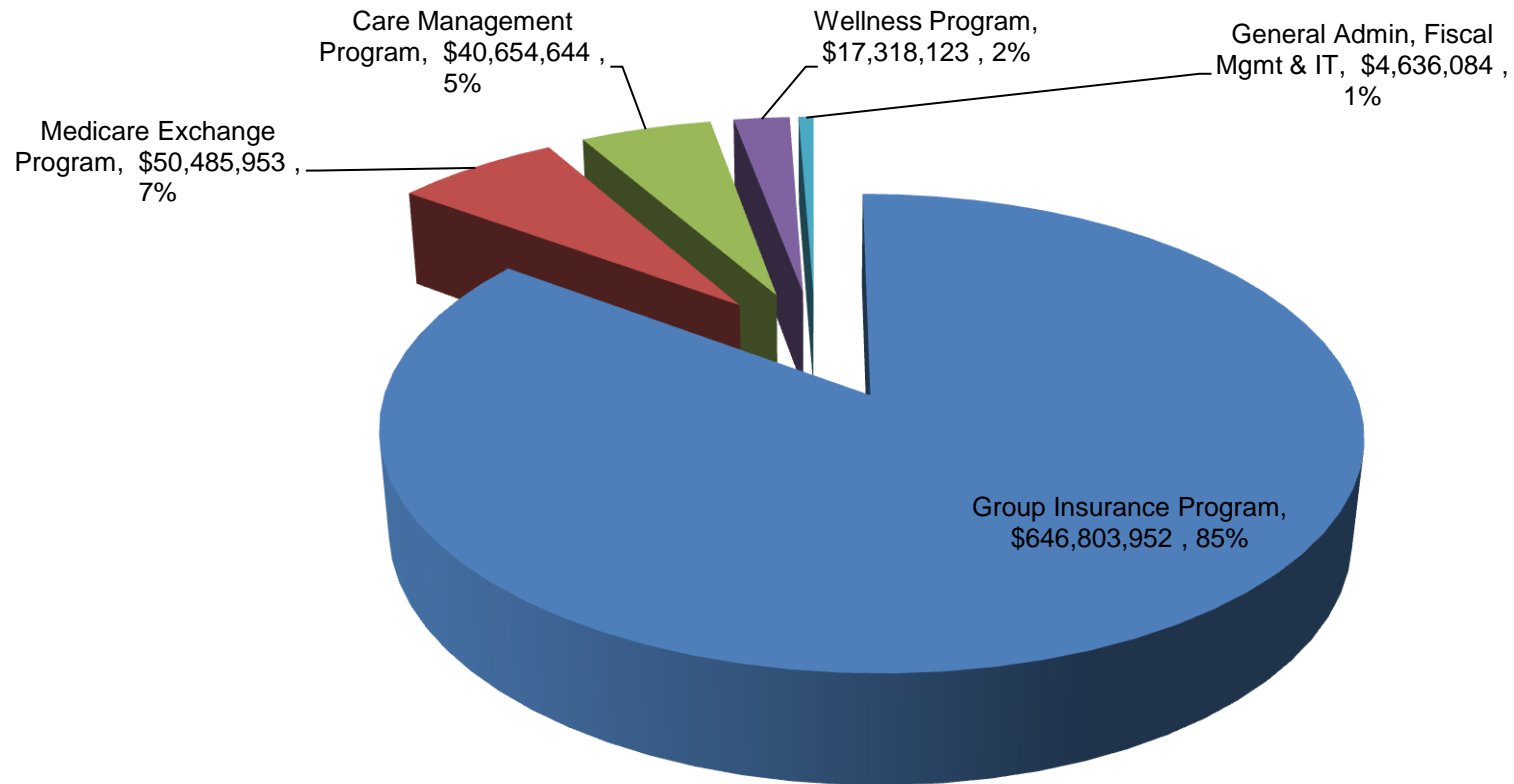


*Priorities and Performance Based Budget
Performance Indicators*



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Health Services Core Function Activities





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Performance Indicators

	FY 2012 Budget	FY 2012 (actual)	FY 2013 Budget	FY 2014 Gov Rec	FY 2015 Gov Rec
Expense Ratio	4.20%	4.01%	3.72%	4.11%	3.96%
Claims Loss Ratio	106.70%	87.15%	103.08%	106.90%	101.07%
Generic Drug Utilization	71.60%	78.00%	71.60%	82.00%	83.00%
Medical Network Use	94.50%	92.00%	94.50%	92.00%	92.00%
Dental Network Use	93.20%	89.00%	93.20%	93.20%	93.20%
Appeals per 1,000 Participants	0.15	0.10	0.15	0.15	0.15



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, 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 7/1/10
- **Annual Required Contribution \$119.9 Million**
 - Cost of benefits earned during FY11 plus 30 year amortization payment on previous unfunded liabilities
 - “Pay-as-you-go” subsidy payments about \$47 M



Legislative Agenda



Senate Bill 34

Healthcare Reform Impact



Senate Bill 34 (BDR 23-377)

- **Revises method of commingling claims experience**
- **Current:**
 - **One pool for State employees and retirees (except those on the Medicare Exchange)**
 - **One pool for non-state employees and retirees (except those on the Medicare Exchange)**
- **Proposed:**
 - **One pool for “participating” employees and retirees (except those on the Medicare Exchange)**
 - **One pool for retirees of non-participating employers**



Affordable Care Act Implementation

- **Mandatory Coverage:**
 - Children to age 26
 - Preventive Care
 - Pre-existing conditions
 - Elimination of lifetime maximums
- **Fees**
 - Patient Centered Outcomes Research Institute
 - Transitional Reinsurance Program
- **Impact of the Silver State Health Insurance Exchange**



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Questions?

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

Welcome to the PEBP Intr... Suggested Sites

Nevada PUBLIC EMPLOYEES' BENEFITS PROGRAM

PEBP
Health Matters.

Home	<p>Welcome to the Public Employees' Benefits Program</p> <hr/> <p>Important Drug Recall</p> <p>Atorvastatin Recall</p> <p>Atorvastatin Recall FAQs</p> <table border="1"> <tr> <td> <p>E-PEBP Online Enrollment Tool</p> <ul style="list-style-type: none"> New Hire Enrollment Mid-year Qualifying Events <p>Qualifying Event Timeline and Summary of Supporting Documents</p> <p><i>**The e-PEBP Online Enrollment Tool supports Microsoft Internet Explorer, version 6.x and up and Firefox, version 2.x and up. Not all versions of Netscape Navigator, Safari, and Google Chrome are supported.</i></p> </td> <td> <p>Plan Year 2013 Master Plan Document</p> <p>Plan Year 2013 Rates Effective July 1, 2012</p> </td> </tr> <tr> <td colspan="2"> <p>Consumer Driven Healthcare Expense Planning Tools</p> </td> </tr> <tr> <td> <p>Healthcare Blue Book*</p> <p><i>Healthcare Blue Book is a free consumer guide to help you</i></p> </td> <td> <p>Fair Health Consumer Price Look-Up*</p> <p><i>Fair Health Consumer Price Look-Up provides an easy-to-use</i></p> </td> </tr> </table>	<p>E-PEBP Online Enrollment Tool</p> <ul style="list-style-type: none"> New Hire Enrollment Mid-year Qualifying Events <p>Qualifying Event Timeline and Summary of Supporting Documents</p> <p><i>**The e-PEBP Online Enrollment Tool supports Microsoft Internet Explorer, version 6.x and up and Firefox, version 2.x and up. Not all versions of Netscape Navigator, Safari, and Google Chrome are supported.</i></p>	<p>Plan Year 2013 Master Plan Document</p> <p>Plan Year 2013 Rates Effective July 1, 2012</p>	<p>Consumer Driven Healthcare Expense Planning Tools</p>		<p>Healthcare Blue Book*</p> <p><i>Healthcare Blue Book is a free consumer guide to help you</i></p>	<p>Fair Health Consumer Price Look-Up*</p> <p><i>Fair Health Consumer Price Look-Up provides an easy-to-use</i></p>	<p>Plan Year 2013</p> <p>Plan Benefits</p> <p>Premium Rates</p> <p>New Hire Resources</p> <p>Retiree Resources</p> <p>Find a Provider</p> <p>Mandatory Notices</p> <p>Forms</p> <p>Publications</p> <p>PEBP News</p>
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