



Public Employees' Benefits Program

Presentation to:
Legislative Commission's Budget Subcommittee
January 31, 2017

Agenda

Agency Overview

- Agency Goals

FY17 Plan Overview

- Eligibility
- Benefit Offerings
- CDHP Plan Design
- HMO Plan Design

Current Budget

- FY17 Budget Projection



Agenda (cont.)



2017-19 Governor's Recommended Budget

- Enrollment Projections
- Inflation Assumptions
- Employer Contributions (Subsidy)
- Budget Enhancements
- CDHP Plan Design Enhancements
- HMO Plan Design Options
- Priority and Performance Based Budget

Other Post-Employment Benefits Liability

GASB Valuation



Agency Overview

PEBP is governed by NRS 287 and overseen by a 10-member Board appointed by the Governor.

PEBP's Mission:

“Recognizing the fiduciary responsibility of the Board, the Program shall design and manage a group health and life insurance program centered around the people we serve, promote a healthy population and protect members from medical related catastrophic financial loss.”

PEBP employs a staff of 32 full-time employees responsible for enrollment and eligibility, member services, public information, quality control, fiscal services, and information technology.



Agency Overview (cont.)

PEBP is funded by a combination of employer contributions (subsidy) and employee/retiree premium payments. PEBP does not receive any direct allocation from the State's General Fund.

PEBP is an employer sponsored group health and life insurance program providing benefits to approximately 43,000 primary participants (employees and retirees) and 27,000 dependents.

Agency Goals



Access

Quality

Affordability

Plan Overview

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)

Plan Overview (cont.)

Current Benefit Offerings

- 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
- Dental Coverage
 - Provided to all participants (state/non-state, employees/retirees, CDHP, HMO, and the Medicare Exchange)

Plan Overview (cont.)

Current Benefit Offerings (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 Insurance



CDHP Plan Design Enhancements

Fiscal Year 2017

Benefit	Base Plan (PY 2012)	Enhanced Plan (PY 2017)
Deductible	Individual: \$1,900 Family: \$3,800	Individual: \$1,500 Family: \$3,000
Coinsurance	75% / 25%	80% / 20%
Annual Vision Exam	Subject to Deductible/Coinsurance	No cost to Participant
Dental Maximum Benefit	\$1,000	\$1,500
CDHP HSA/HRA Contributions	Individual: \$700 Dependent: \$200 (max 3)	Individual: \$1,100 Dependent: \$300 (max 3)
Medicare HRA One-Time Contribution	None	\$2 per month per year of service
Life Insurance	Employee: \$10,000 Retiree: \$5,000	Employee: \$25,000 Retiree: \$12,500

HMO Plan Design

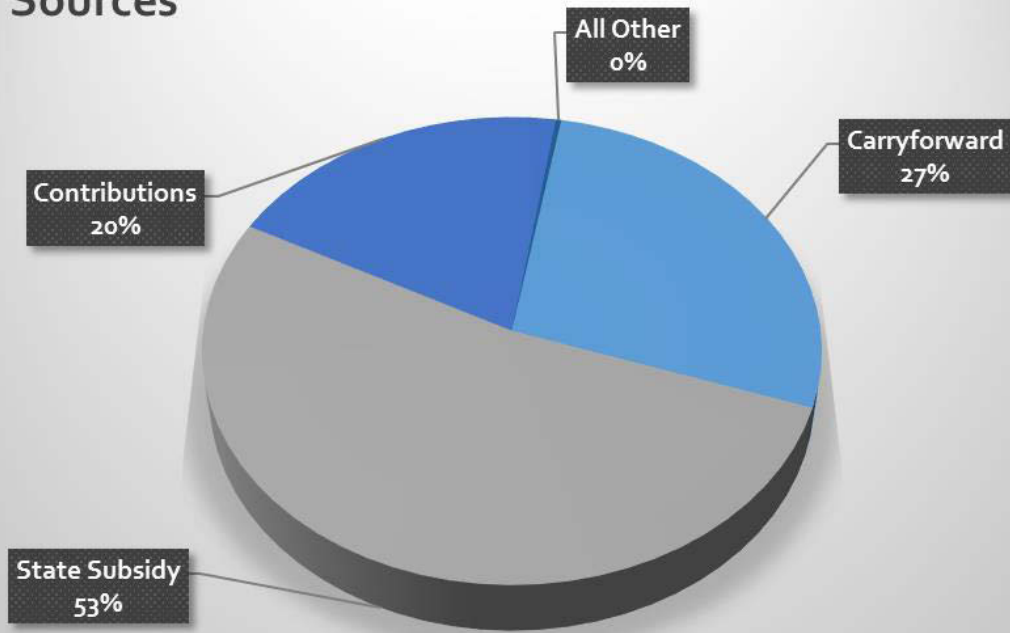
Fiscal Year 2017

Benefit	Health Plan of NV (Southern Nevada)	Hometown Health Plan (Northern Nevada)
Primary Care Physician (PCP) Visit Copay	\$15	\$25
Specialist Visit Copay	\$25	\$45
Emergency Room Visit Copay	\$150	\$300
Hospital In-Patient Services Copay	\$300/admit	\$500/admit
<u>Retail Pharmacy</u>		
Preferred Generic	\$7	\$7
Preferred Brand	\$35	\$40
Non-Formulary	\$55	> of \$75 / 40%
Specialty	\$55	30%
Out-of-Pocket Limit	\$6,000 individual \$12,000 family	\$6,600 individual \$13,200 family
PCP Referral Requirement	Yes	No

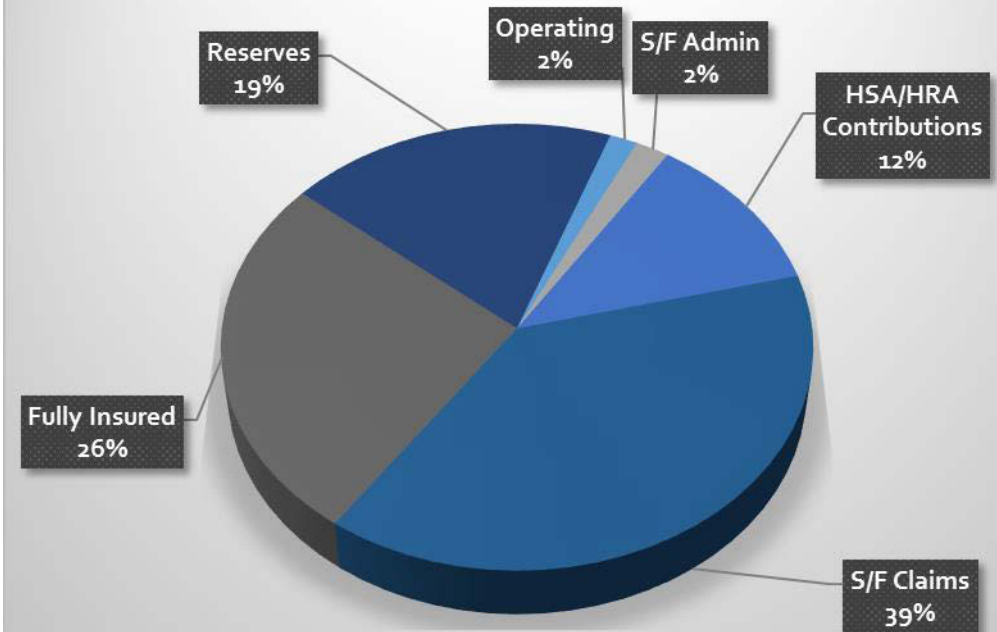
Current Budgeted Funding FY 2017

\$477.3 Million

Sources



Uses

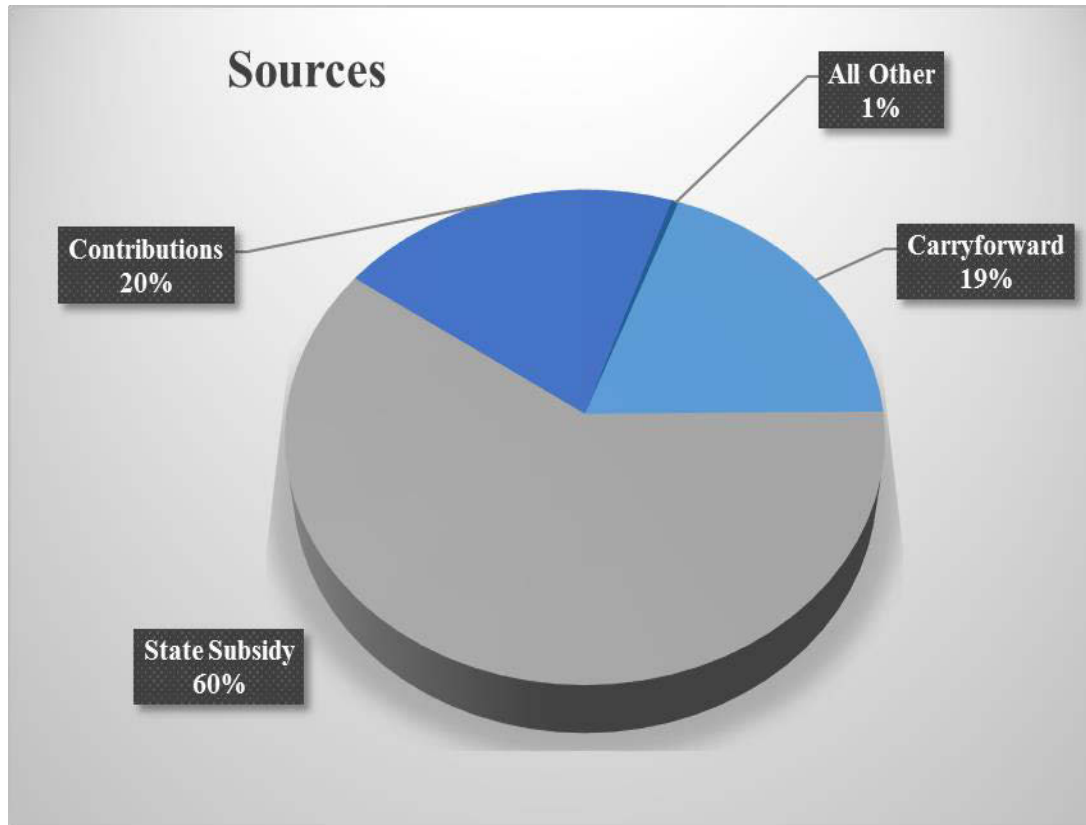


FY 2017 Budget Projection

Budgeted and Projected Income (Budget Account 1338)					
Description	Budget	Actual 12/31/16	Projected	Difference	
Carryforward	139,569,074	139,569,074	139,569,074	0	0.0%
State Subsidies	250,633,515	106,393,771	261,261,963	10,628,448	4.2%
Contributions	94,221,957	47,018,701	92,985,177	(1,236,780)	-1.3%
All Other	1,413,838	1,132,729	2,861,526	1,447,688	102.4%
Total	485,838,384	294,114,274	496,677,739	10,839,355	2.2%
Budgeted and Projected Expenses (Budget Account 1338)					
Description	Budget	Actual 12/31/16	Projected	Difference	
Operating	7,893,694	2,835,885	7,373,941	519,753	6.6%
Self-Funded Admin	9,497,858	4,678,593	9,472,124	25,734	0.3%
Self-Funded Claims	184,287,642	82,921,180	184,357,810	(70,168)	0.0%
HSA/HRA Contributions	61,304,710	39,435,216	59,112,572	2,192,138	3.6%
Fully Insured Products	125,820,279	54,961,768	110,354,414	15,465,865	12.3%
Total Expenses	388,804,183	184,832,642	370,670,862	18,133,322	4.7%
Restricted Reserves	89,893,723	89,893,723	92,810,487	(2,916,764)	-3.2%
Excess Reserves for Benefit Enhancements	7,140,478	19,387,910	33,196,390	(26,055,912)	-364.9%
Total Reserves	97,034,201	109,281,633	126,006,878	(28,972,677)	-29.9%
Total of Expenses and Reserves	485,838,384	294,114,274	496,677,739	(10,839,355)	-2.2%

Governor's Recommended Budget

\$942.6 Million

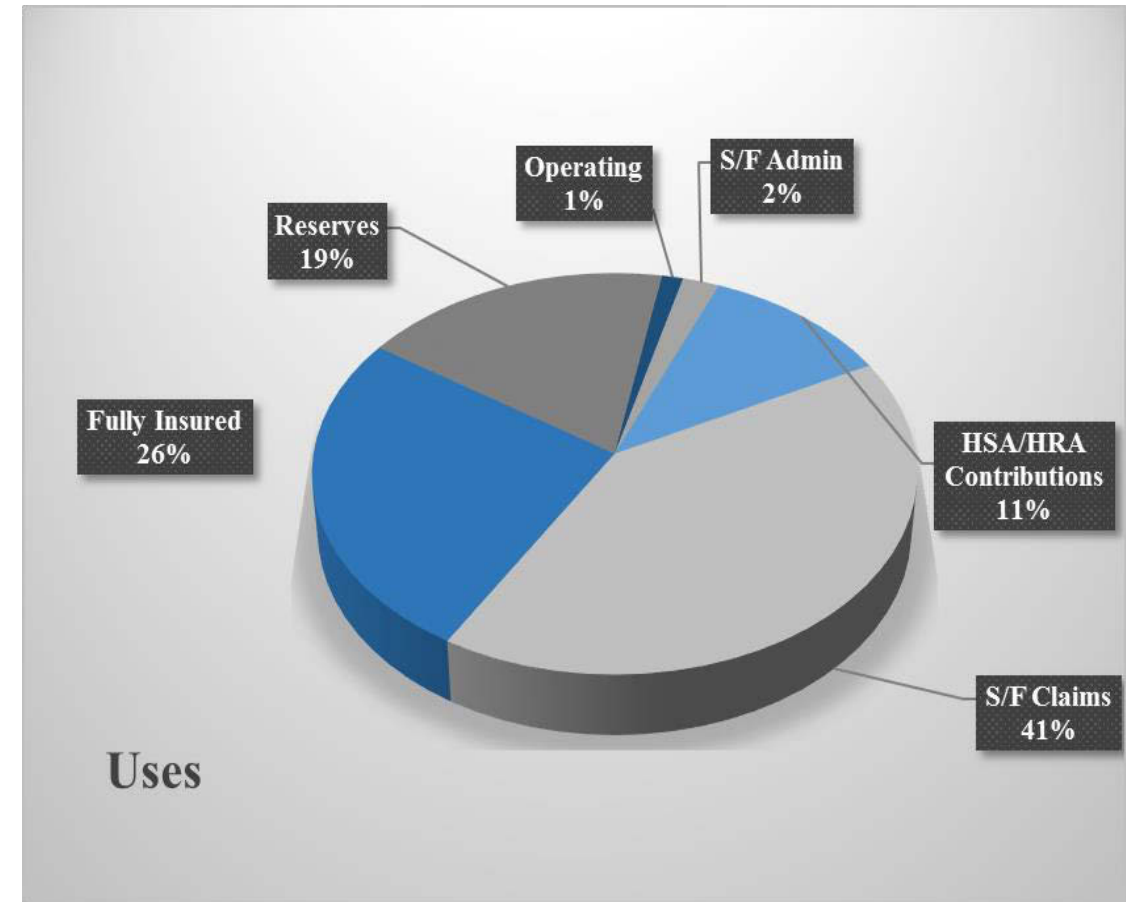


Funding	FY 2018	FY 2019
Carryforward	\$97.0 M	\$84.9 M
State Subsidy	\$273.3 M	\$292.6 M
Contributions	\$95.0 M	\$96.1 M
All Other	\$1.9 M	\$1.9 M
Total Funding	\$467.2 M	\$475.4 M

Governor's Recommended Budget

\$942.6 Million (cont.)

Expenditures	FY 2018	FY 2019
Operating	\$5.7 M	\$5.9 M
Self-Funded Admin	\$10.2 M	\$10.2 M
HSA/HRA Contr.	\$54.3 M	\$50.6 M
Self-funded Claims	\$189.3 M	\$198.9 M
Fully Insured	\$122.8 M	\$122.8 M
Reserves	\$84.9 M	\$87.2 M
Total Expenditures	\$467.2 M	\$475.4 M



Governor's Recommended Budget

Enrollment Projections

	2015 Projections		Current Governor's Recommended Budget			
	FY 2016	FY 2017	FY 2016 (Actual)	FY 2017	FY 2018	FY 2019
State						
Actives	23,852	23,852	24,957	25,742	26,841	26,900
Early Retirees	3,882	3,873	3,986	4,060	4,025	4,091
Medicare Retirees	5,833	6,048	5,941	6,362	6,727	7,105
	33,567	33,773	34,884	36,164	37,593	38,096
Non-State						
Actives	6	0	9	9	9	9
Early Retirees	1,951	1,411	2,104	1,730	1,193	757
Medicare Retirees	5,163	5,379	5,069	5,178	5,386	5,602
	7,120	6,790	7,182	6,917	6,588	6,368
Total	40,687	40,563	42,066	43,081	44,181	44,464
Percent Change		-0.30%		2.41%	2.55%	0.64%



Governor's Recommended Budget

Inflation Assumptions

Inflation Assumptions are based on actuarial trend projections, historical inflation and contract maximum increase provisions

	Fiscal Year 2018	Fiscal Year 2019
Medical claims	3.1%	3.6%
RX Claims	7.0%	7.0%
Dental Claims	2.0%	2.0%
HMO Premiums (North/South)	5.4%/17.3%	4.0%/4.0%
Life Insurance Premiums	0%	10.0%
Long Term Disability Premiums	0%	10.0%

\$24.1 million in FY 18 and \$41.6 million in FY 19

Governor's Recommended Budget

Employer Contributions (State Subsidy)

	FY 2016	FY 2017	FY 2018	FY 2019
<i>State Employees – Monthly Assessments</i>	\$701.73	\$699.25	\$743.00	\$740.92
		-0.35%	6.26%	-0.28%
<i>Non-Medicare State Retirees – Monthly Assessments</i>	\$425.57	\$451.15	\$445.03	\$451.23
		6.01%	-1.36%	1.39%
<i>Medicare Retirees – Monthly HRA Contribution (Average)</i>	\$165.00	\$180.00	\$180.00	\$180.00



Governor's Recommended Budget *Enhancement Units*

E225: Eliminate Continuing Education Requirement for PEBP Board Members

- BDR 17A9501573 submitted to support the decision unit and recommendation
- (\$16,445) in Fiscal Year 2018 and (\$16,445) in Fiscal Year 2019

E275: Board Approved Benefit Enhancements

- The PEBP Board approved the continuation of benefit enhancements and various cost containment strategies for the Consumer Driven Health Plan in Fiscal Year 2018.
- Enhancements funded through a reduction of Excess Reserves
- \$7.8* million in Fiscal Year 2018

**This figure will be updated in a budget amendment based on decisions made by the PEBP Board at the Board meeting on January 19, 2017. PEBP Board approved \$12.9 million.*



Governor's Recommended Budget

CDHP Plan Design Enhancements – FY 2018

Benefit	Base Plan (PY 2012)	Enhanced Plan (PY 2018)
Deductible	Individual: \$1,900 Family: \$3,800	Individual: \$1,600 Family: \$3,200
Coinsurance	75% / 25%	80% / 20%
Annual Vision Exam	Subject to Deductible/Coinsurance	\$25 Copay
Dental Maximum Benefit	\$1,000	\$1,500
CDHP HSA/HRA Contributions*	Individual: \$700 Dependent: \$200 (max 3)	Individual: \$900 Dependent: \$200 (max 3)
Life Insurance*	Employee: \$10,000 Retiree: \$5,000	Employee: \$20,000 Retiree: \$10,000
Preventive Drug List	None	20% Coinsurance applied to preventive/maintenance drugs

**Approved after Governor's Recommended Budget. A budget amendment will be submitted.*



Governor's Recommended Budget

HMO Plan Design – FY 2018

Benefit	Health Plan of Nevada PY 2017	Hometown Health Plan PY 2017	PEBP Preferred Plan Benefit Design (PY 2018)
Primary Care Physician (PCP) Visit Copay	\$15	\$25	\$25
Specialist Visit Copay	\$25	\$45	\$45
Emergency Room Visit Copay	\$150	\$300	\$300
Hospital In-Patient Services Copay	\$300/admit	\$500/admit	\$500/admit
<u>Retail Pharmacy</u>			
Preferred Generic	\$7	\$7	\$7
Preferred Brand	\$35	\$40	\$40
Non-Formulary	\$55	> of \$75 / 40%	\$75
Specialty	\$55	30%	40%
Out-of-Pocket Limit	\$6,000 individual \$12,000 family	\$6,600 individual \$13,200 family	\$7,150 individual \$14,300 family
PCP Referral Requirement	Yes	No	No



Governor's Recommended Budget

HMO Alternate Plan Design – FY 2018*

Benefit	PEBP Preferred Plan Benefit Design (PY 2018)	Alternate Plan Benefit Design PY 2018
Primary Care Physician (PCP) Visit Copay	\$25	\$5
Specialist Visit Copay	\$45	\$25
Emergency Room Visit Copay	\$300	\$1,000
Hospital In-Patient Services Copay	\$500/admit	\$1,000/day (max \$3,000)
<u>Retail Pharmacy</u>		
Preferred Generic	\$7	\$25
Preferred Brand	\$40	\$50
Non-Formulary	\$75	\$75
Specialty	40%	40%
Out-of-Pocket Limit	\$7,150 individual \$14,300 family	\$7,150 individual \$14,300 family
PCP Referral Requirement	No	Yes

**Board approved January 19, 2017 – On the Agenda for Board of Examiners Meeting, February 14, 2017.*



Governor's Recommended Budget

Priorities and Performance Based Budget

Performance Measures	FY 2016 Actual	FY 2017 Projected	FY 2018 Projected	FY 2019 Projected
Expense Ratio	4.88%	4.89%	4.18%	3.99%
Claims Loss Ratio	101.85%	118.85%	105.28%	99.08%
Generic Drug Utilization	83.83%	81.77%	82.00%	82.00%
Medical Network Utilization	96.00%	96.00%	96.00%	96.00%
Dental Network Utilization	93.80%	93.80%	93.80%	93.80%
Appeals Ratio per 1,000	0.12	0.10	0.10	0.10
% Participating in Diabetes Care Mgt.	36.56%	38.39%	41.35%	44.30%
% Participating in Obesity Care Mgt.	27.71%	25.66%	25.66%	25.66%
% of Participants Receiving Dental Visit	47.91%	47.91%	47.91%	47.91%
% of Eligible PEBP Members Receiving Preventative Office Visit	35.28%	40.00%	40.00%	40.00%



Other Post Employment Benefits (OPEB)

Liability to the State of the cost to provide subsidized health insurance to retirees.

Liability is actuarially calculated based on current plan design and certain components.

- Demographics to include life expectancy
- Number of employees and retirees eligible and benefit already earned
- Estimated medical trend associated with medical plans in future years

Current eligibility for Cash Subsidy.

- Five years of service with Nevada Public system
- Fifteen years of service if hired after January 1, 2010
- No subsidy for employees hired after January 1, 2012

Governmental Accounting Standards Board (GASB) requires recognition of cost when incurred - not paid.



GASB OPEB Valuation

July 1, 2015 (FY 2016)

Present Value of Benefits \$2.1 Billion

- Total amount of expected benefits to be paid in the future

Actuarial Accrued Liability \$1.4 Billion

- Snapshot of the liability for benefits earned as of 7/1/2015

Annual Required Contribution \$142.7 Million

- Cost of benefits earned during FY2016 plus 30 year amortization on previous unfunded liabilities
- “Pay-as-you-go” subsidy payments about \$63.1 million of which the state paid \$35.9 million or 57%



Questions?

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