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January 17, 2020

TO: Peter Long, Board Chair, Public Employee Benefits Program
& Public Employee Benefits Program Board; & Laura Rich, Interim
Executive Officer, PEBP

FROM: Douglas Unger, Immediate Post-Chair, UNLV Faculty Senate; & member,
UNLV Employee Benefits Advisory Committee

RE: Priorities for CDHP plan improvements, for possible action, or for legislative advocacy

Dear Chair Long, PEBP Board, and Interim Executive Director Rich:

I am writing to you as the representative of the UNLV Faculty Senate tasked with employee benefits, and as a member of the UNLV Employee Benefits Advisory Committee.

The PEBP Board's robust discussion of the potential for improving plan benefits depending on available resources at the November 21, 2019 PEBP Board meeting is very much appreciated by our UNLV Faculty Senate in coordination with other representatives of NSHE institutions and state employee organizations. Thank you all for such thought, care and thoroughness in your deliberations, and for considering the possibility of including future plan improvements in your budget request to the Governor and the vigilant committees of the Nevada Legislature.

Our Employee Benefits Advisory Committee at UNLV has set a prioritized list of what we believe are modest and possible CDHP plan improvements. We remain unsure until this January board meeting of the accrual of excess reserves mid-year, and understand the uncertainties in the estimating of excess reserves. We also understand the necessary prudence the PEBP Board must exercise in considering any plan improvements that would require additional allocations of funds or the commitment of additional anticipated resources in the future.

Please know that the UNLV Faculty Senate and Employee Benefits Advisory Committee supports the request by the NFA and RPEN for PEBP to contract for an independent actuarial review of current reserves policy and rate-setting assumptions. We appreciate the estimates and recommendations by AON, but we also believe an independent review and assessment of current policies will be very useful not only for State Employee advocacy but for the PEBP Board in making future decisions.

We request that the PEBP Board consider and discuss how PEBP manages reserves along with cost-saving measures within existing plan designs as potential resources for funding modest

UNLV | FACULTY SENATE

CDHP plan improvements. We will detail suggested funding strategies to consider after reviewing our requested plan improvement priorities, which are as follows:

1. Raising the Dental Maximum Benefit by \$500 from \$1500 to \$2000. Rationale: our CDHP plan members have not seen a raise in dental benefits for, literally, decades. Indeed, the benefit maximum has remained the same for Nevada state employees for 30 years (the benefit was set at \$1500 in 1989). This amounts to an effective reduction in dental coverage of 70.4% relative to the rising costs of dental care over the past 30 years, or a current benefit that is now approximately 29.6% of its original value (please see the calculator cited by the Nevada Faculty Alliance -- <http://www.in2013dollars.com/Dental-services/price-inflation/1989-to-2019?amount=1500>). This modest adjustment in the benefit would help plan members to catch up at least somewhat with the increasing costs of dental care. According to the AON estimate reported at the November 21, 2019 PEPP Board meeting, the cost of this requested dental enhancement would be \$1,080,000.00.
2. Lowering the Out-of-Pocket-Maximum for CDHP plan members by \$400 for individuals, from \$3900 to \$3500; and \$800 for families, from \$7800 to \$7000. We believe lowering the maximum out-of-pocket costs for the approximately 12% of Nevada state employees who regularly pay that maximum will benefit fellow employees who are most in need of relief, and would constitute the most ethical allocation of PEPP funds fitting and proper to the social and moral purpose of group health insurance. Furthermore, lowering Out-of-Pocket-Maximums to these levels would re-shape the CDHP plan to offer a plan more competitive with comparable High Deductible Health Plans in the Western region. This adjustment would help our state with much-needed employee and faculty retention. The estimated cost by AON reported at the November 21, 2019 PEPP Board meeting for this enhancement is \$1,780,000 (or less than \$2,000,000). We believe this request is most reasonable within the existing PEPP budget, and we can't emphasize enough our predicted boost to the morale and satisfaction of Nevada state employees by making these modest plan improvements.

These two requests above for CDHP plan enhancements are very strong priorities. We hope they will be considered as such, with the two additional requests below as additional enhancements:

3. & 4. We recommend leaving the individual HSA/HRA contribution at the base \$700 for individuals (as is current in the plan) and raising the HSA/HRA Dependent contribution by \$300 each for families (up to three dependents). The increased allocation for this Dependent contribution will, again, allocate PEPP resources to those who most need them, who are generally younger faculty and state employees with lower salaries who are raising families for whom health care costs can be most burdensome and, in some cases, prohibitive to seeking care. We believe this re-allocation of resources within the CDHP plan would be of benefit for the hiring of talented new employees and the retention of the most productive and promising into the future. Based on our internal accounting (without AON confirmation) the cost of this enhancement would be roughly \$2,000,000.

UNLV | FACULTY SENATE

5. Eliminating the \$25 copay for the Preventative Vision exam, which would restore this modest benefit to pre-recession levels and would encourage more state employees to use it for preventative care. We believe that adding a cost to preventative care by this copay is counter-productive to the health of state employees. Copay elimination would also bring the CDHP plan into a benefit mix more competitive with plans in the Western region. AON estimates the cost would be \$271,988 (or something less than \$300,000).

Please note: the two top priority CDHP plan enhancement requests taken together are estimated to cost less than \$3,000,000. We believe there should be room in the existing PEPP budget to cover these costs, from excess reserves and/or by savings from improved plan design.

Also please note: Agenda item #6, Attachment #6 (p. 15) from the November 21, 2019 PEPP Board meeting reports that PEPP retains among the most conservative IBNR and Catastrophic Reserves of any state or private sector insurance plan in the nation (it is perhaps the most conservative policy in the nation – total reserves on hand, including HSA/HRA reserves, total \$131,020,094, exclusive of excess reserves). AON suggests that merely by lowering the “confidence interval on Catastrophic Reserves to 50 days on hand rather than 60 days would release \$8.3 million back to the plan.” AON also reports that “lowering the margin on the IDNP from a 95% to a 75% level would release \$6.6 million back to the plan.” We further note that even a very conservative, more modest lowering of the IDNP margin to 90% would release approximately \$1.3 million to the plan. For PEPP to recommend to the Governor’s office and vigilant committees of the Nevada Legislature to revise the reserve policy to 50 days for the Catastrophic Reserve and to 90% for the IBNR reserve would release in excess of \$9 million to the plan, which would be enough to fund on its own our top two requested CDHP enhancements for three biennial budget cycles before any additional funding from the state need be requested. And if these revised policies should be approved and implemented, PEPP would still maintain among the most conservative reserves of any health plan anywhere.

At the November PEPP Board meeting, much discussion revolved around the issue of “one time only” funding from reserves, both excess reserves and any others. We assert to the PEPP Board that, in practice, all funding allocations from the state of Nevada budgeting process are one time only, reliable for only one two-year budget cycle. We point to the drastic cuts to state budgets across the board suffered due to the 2008-09 economic downturn, and the 2011-12 cut to state employee health benefits funding that changed the structure of our health plans and other benefits as examples to support this assertion. There are no entitlements. In all of Nevada history, no one area of state funding can be relied upon to remain consistent or even as promised the biennium before. The Governor’s recommendations and the legislative budgeting process depend, it seems to us, on changing politics and shifting fiscal demands within a hard-to-predict landscape of economic circumstances and insecure tax policies and revenue sources. The total cost of all 5 of our requested CDHP plan enhancements is less than or roughly \$5,000,000; our top two priorities would cost \$3,000,000, and our first priority only \$1,000,000. So if all or any

UNLV | FACULTY SENATE

part of this funding can be secured through “one time only” or any other base of funding, we hope the PEBP Board will consider its expenditure to enhance our plan.

Thank you for considering these modest improvements to the CDHP plan, in priority order, for possible action, or for inclusion as a significant plan members’ group request for the budgeting process to be brought before the Governor’s Office and Nevada Legislature this spring. We believe the requests, taken individually, one by one, are modest ones; and we believe that by allocating excess reserves and/or by modifying very conservatively plan reserve policies that PEBP can find ways to cover the costs of these enhancements without additional state budget requests; or, if these sources are not deemed prudent, we believe modest requests for increases to the Governor’s office and Legislature in the next budgeting process might also yield enough to cover costs to improve our health plan in ways that will be most welcome and prove meaningful to the quality of life of Nevada state employees.

As always, we thank you for your service to our state, and for your good care in stewarding our PEBP benefits --



Douglas Unger
Past-Chair, UNLV Faculty Senate
Past-Chair, Council of Faculty Senate Chairs, NSHE

E-mail: [REDACTED]

Ph: 7 [REDACTED]

From: memberservices@peb.nv.gov <memberservices@peb.nv.gov>

Sent: Wednesday, January 15, 2020 3:43 PM

To: Member Services <memberservices@peb.nv.gov>

Subject: New submission from Contact Us

Full Name
Fredrick Luellen Doctor
Phone
[REDACTED]
Email
[REDACTED]
Question / Comments
<p>TO: PEBP Board Members RE: Benefits Program and Supplements</p> <p>Your website showed an upcoming survey but it has disappeared from my screen -- thus this email. First, a sincere thank you for keeping PERS and PEBP in solid financial operation for all of us. Secondly, that adjustment you made in late September, 2019, as a result of your audit was greatly appreciated. My concern now, for your upcoming board meeting, pertains to increased insurance premiums (which you cannot control) and PEBP's reimbursement program. I do hope this is on the agenda for your upcoming board meeting.</p> <p>My specific concern is the premium on my Humana Prescription Drug Program. For the past three years the annual premiums have been: 2017: \$204.00; 2018: \$244.87 (up 20%); 2019: \$358.80 (additional 46.5%); 2020: \$774.00 (up an additional 115.7%. That totals 182.2% in three years. Hopefully the Feds will work toward controlling these increased costs of prescription drugs. In the meantime, I am requesting that you give serious consideration toward increasing the monthly supplements for medical insurance premiums. I sincerely thank you for your attention to this matter.</p> <p>Fred L. Doctor, WCSSD Retiree</p>