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**AGENDA ITEM**

Action Item

Information Only

**Date:** January 23, 2020

**Item Number:** VII

**Title:** EPO End-of-Year Evaluation

**SUMMARY**

The Public Employees' Benefits Program (PEBP) has evaluated the first year of the Exclusive Provider Option (EPO) plan and how it compares to the northern Nevada HMO plan for PY 2018. PEBP also analyzed what PY 2019 and future years would have looked like had the EPO plan not been implemented and had retained the northern Nevada HMO plan.

On November 30, 2017, the PEBP Board approved the development and implementation of a PEBP managed self-insured Exclusive Provider Organization (EPO) plan as replacement for the northern Nevada Health Maintenance Organization (HMO) plan. The EPO plan is available in northern and rural Nevada and was effective July 1, 2018.

**REPORT**

**ENROLLMENT AND RATES**

PEBP experienced very minimal migration from PY 2018 to PY 2019 with the loss of the Hometown Health HMO plan and the addition of the PEBP Premier EPO plan. State employee enrollment increased by 4 employees, state retiree enrollment decreased by 8 retirees, and non-state retiree enrollment decreased by 61 retirees (the non-state retiree population decreases annually as there are no employees aging into retirement to replace the retirees aging into Medicare or passing away).

Average Enrollment			
Plan Tier	PY 2018	PY 2019	Enrollment Change
State Employee – Participant Only	2,056	2,036	-20
State Employee – Participant + Spouse	387	379	-8
State Employee – Participant + Child(ren)	983	1,024	41
State Employee – Participant + Family	421	412	-9
<b>Total State Employee</b>	<b>3,847</b>	<b>3,851</b>	<b>4</b>
State Retiree – Retiree Only	444	429	-15
State Retiree – Retiree + Spouse	89	92	3
State Retiree – Retiree + Child(ren)	43	45	2
State Retiree – Retiree + Family	18	20	2
State Retiree – Surviving Spouse	3	3	0
<b>Total State Retiree</b>	<b>597</b>	<b>589</b>	<b>-8</b>
Non-State Employee – Participant Only	3	3	0
Non-State Employee – Participant + Spouse	1	1	0
Non-State Employee – Participant + Child(ren)	0	0	0
Non-State Employee – Participant + Family	0	0	0
<b>Total Non-State Employee</b>	<b>4</b>	<b>4</b>	<b>0</b>
Non-State Retiree – Retiree Only	193	144	-49
Non-State Retiree – Retiree + Spouse	29	23	-6
Non-State Retiree – Retiree + Child(ren)	13	9	-4
Non-State Retiree – Retiree + Family	5	5	0
Non-State Retiree – Surviving Spouse	1	0	-1
<b>Total Non-State Retiree</b>	<b>241</b>	<b>180</b>	<b>-61</b>

Plan year 2019 HMO/EPO overall rates (employer subsidy plus member premium) were lower than the plan year 2018 HMO overall rates. The overall rates were up to \$22 less depending on tier of coverage. The rate changes for each tier are shown below:

<b>Total HMO Rate</b>			
<b>Plan Tier</b>	<b>PY 2018</b>	<b>PY 2019</b>	<b>Rate Change</b>
<b>State Employee</b>			
State Employee – Participant Only	\$825.66	\$814.91	(\$10.75)
State Employee – Participant + Spouse	\$1,603.10	\$1,581.21	(\$21.89)
State Employee – Participant + Child(ren)	\$1,193.68	\$1,195.05	\$1.37
State Employee – Participant + Family	\$1,976.12	\$1,961.35	(\$14.77)
<b>State Retiree</b>			
State Retiree – Retiree Only	\$802.75	\$798.13	(\$4.62)
State Retiree – Retiree + Spouse	\$1,585.19	\$1,564.43	(\$20.76)
State Retiree – Retiree + Child(ren)	\$1,175.77	\$1,178.27	\$2.50
State Retiree – Retiree + Family	\$1,958.21	\$1,944.57	(\$13.64)

Additionally, PEBP members on the HMO/EPO plan experienced significant savings in PY 2019 over PY 2018. State employees saved between \$31 and \$65 while state retirees saved between \$19 and \$49 on their monthly premiums shown below:

<b>Participant HMO Premium</b>			
<b>Plan Tier</b>	<b>PY 2018</b>	<b>PY 2019</b>	<b>Rate Change</b>
<b>State Employee</b>			
State Employee – Participant Only	\$173.63	\$142.43	(\$31.20)
State Employee – Participant + Spouse	\$485.90	\$429.62	(\$56.28)
State Employee – Participant + Child(ren)	\$319.89	\$284.89	(\$35.00)
State Employee – Participant + Family	\$637.15	\$572.08	(\$65.07)
<b>State Retiree</b>			
State Retiree – Retiree Only	\$397.99	\$379.06	(\$18.93)
State Retiree – Retiree + Spouse	\$942.40	\$896.26	(\$46.14)
State Retiree – Retiree + Child(ren)	\$657.53	\$635.63	(\$21.90)
State Retiree – Retiree + Family	\$1,201.94	\$1,152.83	(\$49.11)

If PEBP would have chosen to continue with Hometown Health HMO for PY 2019, rates (employer subsidy plus member premium) would have increased dramatically with Hometown Health requiring a 13% rate increase over PY 2018 and Health Plan of Nevada requiring a 15% rate increase over PY 2018.

Because PEBP chose to implement the new EPO plan, Health Plan of Nevada agreed to ultimately decrease rates by 8% over PY 2018.

The tables below show the savings to the state and to the member from the EPO implementation over the projected costs of moving forward with the Hometown Health HMO proposal.

<b>Total HMO Rate</b>			
<b>Plan Tier</b>	<b>PY 2019 Projected</b>	<b>PY 2019 Actual</b>	<b>Rate Change</b>
<b>State Employee</b>			
State Employee – Participant Only	\$938.15	\$814.91	(\$123.24)
State Employee – Participant + Spouse	\$1,827.69	\$1,581.21	(\$246.48)
State Employee – Participant + Child(ren)	\$1,359.21	\$1,195.05	(\$164.16)
State Employee – Participant + Family	\$2,248.75	\$1,961.35	(\$287.40)
<b>State Retiree</b>			
State Retiree – Retiree Only	\$921.37	\$798.13	(\$123.24)
State Retiree – Retiree + Spouse	\$1,810.91	\$1,564.43	(\$246.48)
State Retiree – Retiree + Child(ren)	\$1,342.43	\$1,178.27	(\$164.16)
State Retiree – Retiree + Family	\$2,231.97	\$1,944.57	(\$287.40)

<b>Participant HMO Premium</b>			
<b>Plan Tier</b>	<b>PY 2019 Projected</b>	<b>PY 2019 Actual</b>	<b>Rate Change</b>
<b>State Employee</b>			
State Employee – Participant Only	\$163.97	\$142.43	(\$21.54)
State Employee – Participant + Spouse	\$497.34	\$429.62	(\$67.72)
State Employee – Participant + Child(ren)	\$321.77	\$284.89	(\$36.88)
State Employee – Participant + Family	\$655.15	\$572.08	(\$83.07)
<b>State Retiree</b>			
State Retiree – Retiree Only	\$437.59	\$379.06	(\$58.53)
State Retiree – Retiree + Spouse	\$1,037.97	\$896.26	(\$141.71)
State Retiree – Retiree + Child(ren)	\$721.78	\$635.63	(\$86.15)
State Retiree – Retiree + Family	\$1,322.16	\$1,152.83	(\$169.33)

Any rate changes to PEBP plans have a direct effect on the contribution (subsidy) that is provided by the state. The subsidy that the state provided in PY 2019 was a total of \$276,650,263. If PEBP did not implement the EPO plan and approved the HMO rate increases as requested, the state would have provided a total of \$291,382,807 for PY 2019. PEBP saved the state over **\$14.7 million** by implementing the EPO plan and not increasing HMO rates.

<b>State Subsidy</b>		
<b>Plan Year</b>	<b>AEGIS PEPM</b>	<b>AEGIS Total</b>
Plan Year 2018	\$743.00	\$239,162,069
Plan Year 2019 (Projected)	\$783.89	\$246,806,616
Plan Year 2019 (Actual)	\$740.92	\$233,278,354
<b>Plan Year</b>	<b>REGI PEPM</b>	<b>REGI Total</b>
Plan Year 2018	\$445.03	\$41,709,247
Plan Year 2019 (Projected)	\$473.54	\$44,576,190
Plan Year 2019 (Actual)	\$451.23	\$43,371,909

#### UTILIZATION AND COST

Below are the medical and prescription utilization comparisons of the PY 2018 HMO and the PY 2019 EPO showing the total claims costs and the cost to the plans on a per member per month (PMPM) basis.

<b>HMO vs EPO Utilization</b>		
<b>Medical Utilization</b>	<b>PY 2018</b>	<b>PY 2019</b>
Plan Paid PMPM	\$416	\$400
Total Claims Cost	\$42,268,876	\$40,764,731
<b>Rx Utilization</b>	<b>PY 2018</b>	<b>PY 2019</b>
Plan Paid PMPM	\$112.55	\$108.46
Total Claims Cost	\$11,428,766	\$11,132,222

## PLAN BENEFITS

To ensure a smooth transition from the PY 2018 Hometown Health HMO plan and the PY 2019 EPO plan, the PEBP Board aligned the PY 2019 EPO plan design with the PY 2018 Hometown Health HMO plan design with the following changes:

- Specialty prescriptions decreased from a 40% coinsurance to a 30% coinsurance (reducing out-of-pocket costs to members)
- EPO participants were offered access to Dr. on Demand (online virtual visit telemedicine provider)
- EPO participants were offered access to Health Care Bluebook (online provider quality and cost comparison tool)

## COST ANALYSIS ON PLAN YEAR 2020

Utilizing projected base PY 2019 rates that included the 13% rate increase for Hometown Health HMO plan and the 15% rate increase for Health Plan of Nevada and keeping all other factors identical to the actual PY 2020 rate setting, projected PY 2020 rates were developed to show what rates would have been had PEBP chosen to continue the Hometown Health HMO plan.

The tables below show the future year savings to the state and to the member from the EPO implementation over the projected costs of moving forward with the Hometown Health HMO proposal.

Plan year 2020 HMO/EPO overall rates were lower than what the plan year 2020 HMO overall rates would have been. The state saved between \$141 and \$327 for state employees and retirees.

<b>Total HMO Rate</b>			
<b>Plan Tier</b>	<b>PY 2020 Projected</b>	<b>PY 2020 Actual</b>	<b>Rate Change</b>
<b>State Employee</b>			
State Employee – Participant Only	\$949.27	\$808.62	(\$140.65)
State Employee – Participant + Spouse	\$1,842.58	\$1,561.28	(\$281.30)
State Employee – Participant + Child(ren)	\$1,369.30	\$1,182.60	(\$186.70)
State Employee – Participant + Family	\$2,262.61	\$1,935.26	(\$327.35)
<b>State Retiree</b>			
State Retiree – Retiree Only	\$928.83	\$788.18	(\$140.65)
State Retiree – Retiree + Spouse	\$1,822.14	\$1,540.84	(\$281.30)
State Retiree – Retiree + Child(ren)	\$1,348.86	\$1,162.16	(\$186.70)
State Retiree – Retiree + Family	\$2,242.17	\$1,914.82	(\$327.35)

PEBP members on the HMO/EPO plan experienced significant savings in PY 2020 over what PY 2020 rates would have been if the Hometown Health HMO plan was still an option. State employees saved between \$24 and \$93 while state retirees saved between \$65 and \$188.

<b>Participant HMO Premium</b>			
<b>Plan Tier</b>	<b>PY 2020 Projected</b>	<b>PY 2020 Actual</b>	<b>Rate Change</b>
<b>State Employee</b>			
State Employee – Participant Only	\$161.38	\$137.47	(\$23.91)
State Employee – Participant + Spouse	\$491.90	\$415.95	(\$75.95)
State Employee – Participant + Child(ren)	\$316.79	\$275.84	(\$40.95)
State Employee – Participant + Family	\$647.31	\$554.32	(\$92.99)
<b>State Retiree</b>			
State Retiree – Retiree Only	\$427.26	\$362.56	(\$64.70)
State Retiree – Retiree + Spouse	\$1,016.85	\$859.32	(\$157.53)
State Retiree – Retiree + Child(ren)	\$704.48	\$609.39	(\$95.09)
State Retiree – Retiree + Family	\$1,294.07	\$1,106.15	(\$187.92)

If PEBP did not implement the EPO plan in PY 2019, the state would have provided a total of \$305,645,795 in subsidy for PY 2020. With the current state subsidy to be provided totaling \$294,779,672, PEBP saved the state over **\$10.9 million** in PY 2020 by implementing the EPO plan and not increasing HMO rates.

<b>State Subsidy</b>		
<b>Plan Year</b>	<b>AEGIS PEPM</b>	<b>AEGIS Total</b>
Plan Year 2020 (Projected)	\$791.77	\$257,842,989
Plan Year 2020 (Actual)	\$760.79	\$247,753,564
<b>Plan Year</b>	<b>REGI PEPM</b>	<b>REGI Total</b>
Plan Year 2020 (Projected)	\$564.86	\$47,802,806
Plan Year 2020 (Actual)	\$551.77	\$47,026,108

## CONCLUSION

On November 30, 2017, the PEBP Board voted to replace the northern Nevada HMO plan with a PEBP managed self-insured EPO plan. This decision was made to continue with the PEBP mission to provide employees, retirees, and their families with access to high quality benefits at affordable prices.

Members on the EPO plan saw little change in benefits that were provided on the HMO plan and had a few benefit enhancements. Members also saved between \$19 and \$65 per month on premiums in 2019 and between \$24 and \$188 per month on premiums in 2020. The state saved a total of \$14.7 million in 2019 and \$10.9 million in 2020 totaling a total savings to the state of **\$25.6 million** in the first 2 years.