



**STEVE SISOLAK**  
Governor

**PETER LONG**  
Board Chair



STATE OF NEVADA  
**PUBLIC EMPLOYEES' BENEFITS PROGRAM**  
901 S. Stewart Street, Suite 1001 | Carson City, Nevada 89701  
Telephone 775-684-7000 | 1-800-326-5496 | Fax 775-684-7028  
www.pebp.state.nv.us



**LAURA RICH**  
Interim Executive Officer

**AGENDA ITEM**

Action Item

Information Only

**Date:** January 23, 2020

**Item Number:** VIII

**Title:** Budget Enhancement Options – Fiscal Years 2022 and 2023

**SUMMARY**

This report addresses the budget enhancement concepts for the 2021-2023 Biennium (Fiscal Years 2022 and 2023) and is intended to allow the board to direct PEBP to gather additional information/analysis on ideas to be included in the FY22-FY23 budget submission.

The results of the analysis will be presented to the Board in May for final decisions and prioritization and will be included in the budget request submitted to the Governor’s Finance Office (GFO). Once GFO makes their final adjustments, the budget will be included as part of the Governor’s Recommended Budget next legislative session.

This report briefly discusses the following options:

1. Advocate Benefit Enhancement Requests
  - a. Dental Maximum Benefit Increase
  - b. CDHP Out-of-Pocket Maximum Decrease
  - c. Base HSA/HRA Contribution
  - d. Vision Copay Elimination
  - e. Increase Life Insurance Benefit
  - f. Independent Actuarial Review
2. PEBP Budget Enhancement Recommendations
  - a. Eligibility System Replacement
  - b. Addition of Staffed Las Vegas Office
  - c. HSA/HRA Supplemental Funding
3. PEBP Budget Savings Recommendations
  - a. SaveOn Program

## REPORT

Below is a brief description of suggested enhancements to be included in the 2021-2023 biennial budget request.

### ADVOCATE BENEFIT ENHANCEMENT REQUESTS

Advocacy groups to include the Nevada Faculty Alliance (NFA), American Federation of State, County and Municipal Employees (AFSCME), Retired Public Employees of Nevada (RPEN), and UNLV Faculty Senate have submitted requests below for benefit enhancements to be included in the FY 2022 – FY 2023 biennial budget request.

- ***Increasing the Dental Benefit Annual Maximum***  
Between PY 2012 through PY 2014 the annual maximum dental benefit was \$1,000 per participant. That benefit increased to \$1,500 per participant beginning in PY 2015. The request is for an increase from the current \$1,500 to a maximum of \$2,000.
- ***Reducing Out-of-Pocket Maximums***  
Since PY 2012, the annual out-of-pocket maximums for individuals and families have been \$3,800/\$7,800. The request is to reduce the out-of-pocket maximum by \$400 from the current \$3,900/\$7,800 to an out-of-pocket maximum of \$3,500/\$7,400.
- ***CDHP HSA/HRA Funding***  
The request is to increase the base dependent HSA/HRA contributions from \$200 per dependent (max 3) to \$300 per dependent (max 3). PEHP projects roughly 19,000 dependents on the CDHP plan.
- ***Eliminating \$25 Copay for Annual Vision Exams***  
In November 2016, the PEHP Board approved implementing a \$25 copay for annual vision exams beginning in Plan Year 2018 to help offset the costs of other enhanced benefits. The request is to eliminate the \$25 copay for annual vision exams.
- ***Increase Life Insurance Benefit***  
Between PY 2012 to PY 2014, the life insurance benefit for employees and retirees was \$10,000/\$5,000. That benefit increased in PY 2015 to \$25,000/\$12,500. The request is for an increase to the life insurance benefit.
- ***Independent Actuarial Review***  
As a result of questions arising from the continuous accrual of excess reserves, the request has been made to enlist the services of an independent actuarial review to determine the accuracy of AON Consulting who has been the contracted actuary for PEHP since 2003. PEHP believes a Request for Information (RFI) should be performed to ensure information on costs and services can be collected.

**PEBP Recommendation:** PEBP recommends the Board determine which advocate enhancement requests it would like staff to pursue additional analysis on, to be considered as part of the final budget enhancement options which will be presented to the Board in May.

## PEBP BUDGET ENHANCEMENT RECOMMENDATIONS

PEBP has several recommendations to be included as budget enhancements. Some of these recommendations are to plan for large expenditures in advance, and some recommendations are enhancement ideas.

- ***Eligibility and Enrollment System Replacement***

PEBP's enrollment and eligibility system vendor, Morneau Shepell has been a PEBP partner since 2006. In 2018, the Board approved an amendment to the current contract which provided PEBP with an upgrade to the member portal and enhanced benefit offerings through a voluntary benefit platform at no cost to PEBP and a two-year extension for Morneau Shepell. Morneau Shepell failed to meet the deliverable deadline of May 1, 2019 which gave PEBP the right to cancel the amendment. PEBP continues to work closely with Morneau Shepell and is expecting that the agreed upon deliverables will be in place by Open Enrollment in May 2020. If PEBP determines Morneau Shepell has not met the requirements of the amendment, PEBP may need to consider a solicitation. In preparation for this possibility, PEBP will need to include a budget enhancement for the cost of replacing the existing eligibility and enrollment system. PEBP believes an RFI should be performed in order to identify approximate costs associated with a system replacement.

- ***Las Vegas Location***

Approximately 18,000 PEBP members reside in the Las Vegas area, yet PEBP does not have a physical presence to be able to serve these members on a daily basis. PEBP is considering researching the feasibility and costs of establishing a location and staffing of a Las Vegas office so that PEBP can provide face-to-face assistance and expand the education and outreach to members in the South. PEBP will need to research the approximate costs of office space as well as appropriate level of staffing to be included in the budget request.

- ***Supplemental HSA/HRA Funding***

PEBP does not anticipate having a large amount of excess reserves available to provide a supplemental HSA/HRA contribution for PY 2022 and PY 2023; however, during the budget building process, PEBP would like the authority to include a supplemental contribution as an enhancement if we do show a large excess reserve balance.

**PEBP Recommendation:** PEBP recommends the Board determine which PEBP enhancement requests, and any additional requests, it would like staff to pursue additional analysis on, to be

considered as part of the final budget enhancement options which will be presented to the Board in May.

**PEBP BUDGET SAVINGS RECOMMENDATIONS**

The recommendation below will not add any expense to PEBP and will ultimately result in a cost savings to PEBP.

- ***SaveOn SP Program***

In July 2019, PEBP implemented the Board approved policy change to disallow copay assistance from applying to accumulators. Although this is a common practice implemented by many large employers across the nation, it has been challenged and is currently being addressed on the federal level. The final rule has not been released, however PEBP anticipates having to make changes to this policy when the final rule is released. The plan has realized savings from this implementation, but it has not been popular among members who utilize the copay assistance and are not accustomed to having to meet any out of pocket expenses.

The SaveOn program is designed to work in conjunction with (or replace, depending on final regulations from HHS) PEBP’s current copay assistance policy by not only increasing the cost savings to the plan but also reducing the patient’s responsibility back to zero. To accomplish this, the program designates select drugs for which copay assistance dollars are being used and designates them as non-essential health benefits. This allows the plan to carve out the specific benefit from the plan established copays and deductibles and instead set a specific copay so that it can maximize the manufacturer assistance dollars and ultimately realize a cost savings to both the member and the plan.

*Example:*

Standard Plan: Copay assistance is paid on behalf of the member and accumulates toward their deductible and out-of-pocket maximum.				
PLAN PAYS	COPAY ASSISTANCE PAYS	MEMBER PAYS	TOTAL PLAN COST	TOTAL MEMBER COST
1 <sup>st</sup> fill – Member responsibility (\$1,000 deductible + \$150 copay) = \$1,150				
\$1,150	\$1,130	\$20	\$1,150	\$20
2 <sup>nd</sup> fill – Member responsibility (\$150 copay) = \$150				
\$2,150	\$130	\$20	\$2,150	\$20

SaveOn: Select specialty drugs are classified under the category of non-essential health benefits. This removes them from deductible and out-of-pocket requirements and copays are increased to maximize the funding through the copay assistance programs.				
PLAN PAYS	COPAY ASSISTANCE PAYS	MEMBER PAYS	TOTAL PLAN COST	TOTAL MEMBER COST
1 <sup>st</sup> fill – Member responsibility (Copay \$830)				
\$1,470	\$810	\$20	\$1,490	\$0
2 <sup>nd</sup> fill – Member responsibility (\$150 copay) = \$150				
\$1,470	\$810	\$20	\$1,490	\$0

The SaveOn program is not offered directly through Express Scripts (ESI) or through an ESI subcontractor. This means PEBP must sign a joinder amendment to the Master Program Agreement if the program is to be implemented and as a result, will require additional legal review to ensure PEBP remains in compliance with all state contracting regulations and policies.

***PEBP Recommendation:*** PEBP recommends the Board approve further analysis on the SaveOn Program to be considered as part of the final budget enhancement options which will be presented to the Board in May.