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LAURA RICH
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AGENDA ITEM

Action Item

Information Only

Date: March 31, 2020

Item Number: IV.IV.I

Title: Chief Financial Officer Budget Report

Summary

This report addresses the Operational Budget as of December 31, 2019 to include:

1. Budget Status
2. Budget Totals
3. Claims Summary

Budget Account 1338 – Operational Budget – Shown below is a summary of the operational budget account status as of December 31, 2019 with comparisons to the same period in Fiscal Year 2019. The budget status is reported on a cash basis and does not include incurred expenses and income owed to the fund.

The budget status report reflects actual income of \$195.7 million as of December 31, 2019 compared to \$182.6 million as of December 31, 2018 or an increase of 7.2%. Total expenses for the period have increased by \$28.6 million or 16.6% for the same period.

The budget status report shows Realized Funding Available (cash) at \$144.4 million. This compares to \$152.8 million for last year. After subtracting \$58.8 million for reserves for Incurred but not Reported (IBNR) claims, \$42.4 million for the Catastrophic Reserve and \$36.2 million for the HRA Reserve, the remaining balance is \$7 million in Excess reserves. The table below reflects the actual revenue and expenditures for the period.

Operational Budget 1338

	FISCAL YEAR 2020			FISCAL YEAR 2019		
	Actual as of 12/31/2019	Work Program	Percent	Actual as of 12/31/2018	Fiscal Year 2019 Close	Percent
Beginning Cash	150,276,433	150,276,433	100%	143,129,728	143,129,728	100%
Premium Income	187,733,763	382,017,605	49%	177,248,452	363,123,752	49%
All Other Income	7,959,417	9,151,598	87%	5,352,384	13,001,438	41%
Total Income	195,693,181	391,169,203	50%	182,600,836	376,125,190	49%
Personnel Services	1,244,900	2,835,868	44%	1,269,566	2,721,398	47%
Operating - Other than Personnel	967,249	2,383,964	41%	1,040,040	2,142,352	49%
Insurance Program Expenses	199,101,863	391,635,970	51%	170,146,158	363,036,252	47%
All Other Expenses	299,417	669,431	45%	521,305	1,078,483	48%
Total Expenses	201,613,428	397,525,233	51%	172,977,069	368,978,485	47%
Change in Cash	(5,920,248)	(6,356,030)		9,623,767	7,146,705	
REALIZED FUNDING AVAILABLE	144,356,185	143,920,403	100%	152,753,495	150,276,433	102%
Incurred But Not Reported Liability	(58,790,000)	(58,790,000)		(51,800,000)	(51,800,000)	
Catastrophic Reserve	(42,400,000)	(42,400,000)		(39,900,000)	(39,900,000)	
HRA Reserve	(36,204,203)	(36,204,203)		(31,676,056)	(31,676,056)	
NET REALIZED FUNDING AVAILABLE	6,961,982	6,526,200		29,377,439	26,900,377	

Current Budget Projections

The following table represents projections for FY 2020 based on data available as of December 31, 2019. The projection reflects total income to be more than budgeted by 0.9% (\$546.1 million vs \$541.4 million), total expenditures are projected to be more than budgeted by 1.0% (\$402 million vs \$397.5 million); total reserves are projected to be more than budgeted by 0.3% (\$144.4 million vs \$143.9 million).

Budgeted and Projected Income (Budget Account 1338)					
Description	Budget	Actual 12/31/19	Projected	Difference	
Carryforward	150,276,433	150,276,433	150,276,433	0	0.0%
State Subsidies	286,540,424	144,428,607	292,599,916	6,059,492	2.1%
Non-State Subsidies	29,202,769	14,341,867	28,931,666	(271,103)	-0.9%
Premium	66,274,412	28,963,290	57,771,856	(8,502,556)	-12.8%
All Other	9,151,598	7,959,417	16,481,390	7,329,792	80.1%
Total	541,445,636	345,969,614	546,061,261	4,615,625	0.9%
Budgeted and Projected Expenses (Budget Account 1338)					
Description	Budget	Actual 12/31/19	Projected	Difference	
Operating	5,889,263	2,511,566	5,444,107	445,156	7.6%
State Employee Ins Cost	294,710,442	151,616,029	284,262,964	10,447,478	3.5%
State Retirees Ins Cost	41,439,426	24,377,396	62,718,211	(21,278,785)	-51.3%
Non-State Employees Ins Cost	140,039	47,380	165,669	(25,630)	-18.3%
Non-State Retirees Ins Cost	15,384,713	5,022,451	12,053,593	3,331,120	21.7%
State Medicare Ret Ins Cost	23,155,087	11,399,259	21,197,543	1,957,544	8.5%
Non-State Medicare Ret Ins Cost	16,806,263	6,639,347	15,810,628	995,635	5.9%
Total Insurance Costs	391,635,970	199,101,863	396,208,609	(4,572,639)	-1.2%
Total Expenses	397,525,233	201,613,428	401,652,716	(4,127,483)	-1.0%
Restricted Reserves	137,394,203	137,394,203	141,342,651	(3,948,448)	-2.9%
Excess Reserves for Benefit Enhancements	6,526,200	6,961,982	3,065,894	3,460,306	53.0%
Total Reserves	143,920,403	144,356,185	144,408,545	(488,142)	-0.3%
Total of Expenses and Reserves	541,445,636	345,969,614	546,061,261	(4,615,625)	-0.9%

State Subsidies are projected to be more than the budgeted amount by \$6.1 million (2.1%), Non-State Subsidies are projected to be less than budgeted by \$0.3 million (0.9%), and Premium Income is projected to be less than budgeted by \$8.5 million (12.8%). This overall increase in projected revenue is due in part to a slight increase in actual rates as compared to the budgeted rates as well as a decrease in average enrollment as compared to budgeted enrollment and a change in the mix of plan tiers. The mix of participants is as follows:

- 0.79% fewer state actives,
- 0.51% fewer state non-Medicare retirees,
- 0% fewer non-state actives,
- 1.12% fewer non-state, non-Medicare retirees
- 2.04% fewer state Medicare retirees, and
- 1.52% fewer non-state Medicare retirees.

Expenses for Fiscal Year 2020 are projected to be \$4.2 million (1.0%) more than budgeted when changes to reserves are excluded. Operating expenses are projected to be less than budgeted by \$0.4 million (7.6%). Employee and Retiree insurances costs are projected to be more than budgeted by \$4.6 million (1.2%) when taken in total (see table above for specific information).

Total reserves for the year ending June 30, 2020 are projected to be \$144.4 million. Reserves include \$58.8 million for Incurred but not Reported (IBNR) claims, \$42.4 million for the Catastrophic Reserve to insure plan solvency, \$40.2 million in HRA reserves, and excess of the required reserves of \$3.1 million.

A projected shortfall in State Retiree Insurance Costs of \$21.3 million and in Non-State Employee Insurance Costs of \$0.03 million will need to be funded with Catastrophic Reserve authority. This will leave a projected shortfall in the Catastrophic Reserve authority at the end of the year of \$21.3 million.

Recommendations

None.