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AGENDA ITEM

Action Item

Information Only

Date: September 24, 2020

Item Number: IV.II.I

Title: Chief Financial Officer Budget Report

Summary

This report addresses the Operational Budget as of June 30, 2020 to include:

1. Budget Status
2. Budget Totals
3. Claims Summary
4. Differential Cash Available for FY 2021

Budget Account 1338 – Operational Budget – Shown below is a summary of the operational budget account status as of June 30, 2010 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 \$370.1 million as of June 30, 2020 compared to \$373.0 million as of June 30, 2019 or a decrease of 0.8%. Total expenses for the period have increased by \$22.1 million or 6.0% for the same period.

The budget status report shows Realized Funding Available (cash) at \$132.0 million. This compares to \$150.0 million for last year. After subtracting \$58.8 million for reserves for Incurred but not Reported (IBNR) claims, \$24.2 million for the Catastrophic Reserve and \$36.2 million for the HRA Reserve, the remaining balance is \$12.5 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 6/30/2020	Work Program	Percent	Actual as of 6/30/2019	Fiscal Year 2019 Close	Percent
Beginning Cash	150,276,433	150,276,433	100%	143,129,728	143,129,728	100%
Premium Income	353,826,673	382,017,605	93%	360,793,540	363,123,752	99%
All Other Income	16,243,687	15,819,606	103%	12,203,752	13,001,438	94%
Total Income	370,070,360	397,837,211	93%	372,997,292	376,125,190	99%
Personnel Services	2,504,369	2,835,868	88%	2,630,988	2,721,398	97%
Operating - Other than Personnel	2,026,253	2,383,964	85%	2,103,793	2,142,352	98%
Insurance Program Expenses	383,531,409	416,502,437	92%	360,776,627	363,036,252	99%
All Other Expenses	606,816	669,431	91%	1,062,125	1,078,483	98%
Total Expenses	388,668,846	422,391,700	92%	366,573,534	368,978,485	99%
Change in Cash	(18,598,487)	(24,554,489)		6,423,758	7,146,705	
REALIZED FUNDING AVAILABLE	131,677,946	125,721,944	105%	149,553,486	150,276,433	100%
Incurred But Not Reported Liability	(58,790,000)	(58,790,000)		(51,800,000)	(51,800,000)	
Catastrophic Reserve	(24,201,541)	(24,201,541)		(39,900,000)	(39,900,000)	
HRA Reserve	(36,204,203)	(36,204,203)		(31,676,056)	(31,676,056)	
NET REALIZED FUNDING AVAILABLE	12,482,202	6,526,200		26,177,430	26,900,377	

Current Budget Projections

The following table represents projections for FY 2020 based on data available as of June 30, 2020. 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 6/30/20	Projected	Difference	
Carryforward	150,276,433	150,276,433	150,276,433	0	0.0%
State Subsidies	286,540,424	267,802,656	292,590,729	6,050,305	2.1%
Non-State Subsidies	29,202,769	28,187,570	28,309,827	(892,942)	-3.1%
Premium	66,274,412	57,836,447	57,845,642	(8,428,770)	-12.7%
All Other	16,228,497	16,243,687	17,070,199	(525,926)	-3.2%
Total	548,522,535	520,346,793	546,092,831	(3,797,333)	-0.7%
Budgeted and Projected Expenses (Budget Account 1338)					
Description	Budget	Actual 6/30/20	Projected	Difference	
Operating	5,889,263	5,137,438	5,295,331	593,933	10.1%
State Employee Ins Cost	294,710,442	281,681,642	280,060,913	14,649,529	5.0%
State Retirees Ins Cost	66,274,434	54,814,711	58,257,984	8,016,450	12.1%
Non-State Employees Ins Cost	171,498	152,262	155,555	15,943	9.3%
Non-State Retirees Ins Cost	15,384,713	10,821,631	11,413,356	3,971,357	25.8%
State Medicare Ret Ins Cost	23,155,087	21,746,222	20,795,956	2,359,131	10.2%
Non-State Medicare Ret Ins Cost	16,806,263	14,314,940	15,572,408	1,233,855	7.3%
Total Insurance Costs	416,502,437	383,531,409	386,256,172	30,246,265	7.3%
Total Expenses	422,391,700	388,668,846	391,551,503	30,840,198	7.3%
Restricted Reserves	119,195,744	119,195,744	139,294,953	(20,099,209)	-16.9%
Differential Cash Available	6,526,200	12,482,202	15,246,375	(8,720,175)	-133.6%
Total Reserves	125,721,944	131,677,946	154,541,328	(28,819,384)	-22.9%
Total of Expenses and Reserves	548,113,644	520,346,793	546,092,831	2,020,814	0.4%

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 \$0.1 million (3.1%), and Premium Income is projected to be less than budgeted by \$8.4 million (12.7%). This overall decrease in budgeted 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:

- 0.47% fewer state actives,
- 0.64% fewer state non-Medicare retirees,
- 1.04% fewer non-state actives,
- 4.07% fewer non-state, non-Medicare retirees
- 2.23% fewer state Medicare retirees, and
- 2.61% fewer non-state Medicare retirees

Expenses for Fiscal Year 2020 are projected to be \$30.8 million (7.3%) less than budgeted when changes to reserves are excluded. Operating expenses are projected to be less than budgeted by \$0.6 million (10.1%). Employee and Retiree insurances costs are projected to be less than budgeted by \$30.2 million (7.3%) when taken in total (see table above for specific information). The significant reduction in projected expenditures compared to the budget is substantially due to the claims suppression experienced between March and June during the COVID-19 shutdown.

Total reserves for the year ending June 30, 2020 are projected to be \$154.5 million. Reserves include \$58.8 million for Incurred but not Reported (IBNR) claims, \$42.4 million for the Catastrophic Reserve to insure plan solvency, \$38.1 million in HRA reserves, and a projected differential of cash available of \$15.2 million.

Differential Cash Available for FY 2021

PEBP ended FY 2020 with \$154.5 million of cash on hand to balance forward to FY 2021. The FY 2021 budget was built with a balance forward amount of \$140 million. PEBP will submit work programs to transfer the additional cash authority from FY 2020 to FY 2021 and make necessary adjustments to the required reserve and claims category authority for FY 2021. Once all the adjustments are approved through the state budget process, PEBP is projecting a final differential cash available for FY 2021 of \$8.3 million.

Recommendations

None.