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AGENDA ITEM

- Action Item
- Information Only

Date: December 2, 2021

Item Number: VII

Title: PY23 Plan Design Options

SUMMARY

This report provides options for PY23 plan design as directed by the PEBP Board on September 30, 2021.

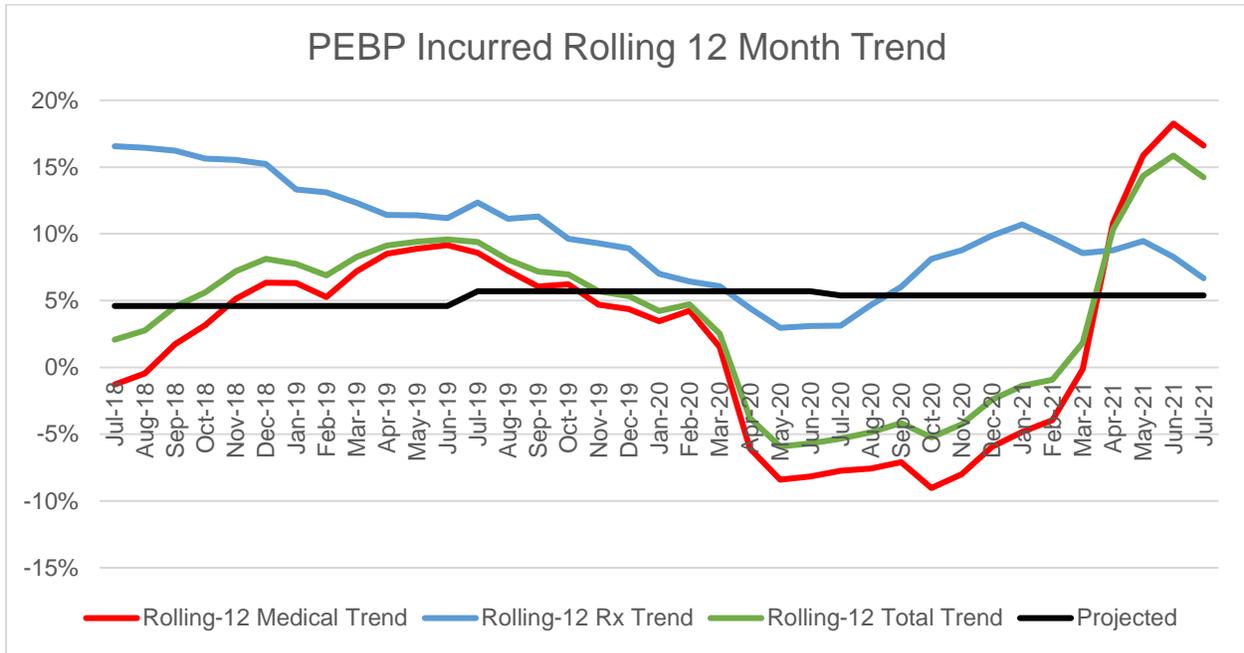
BACKGROUND

At the September 30 Board meeting, Aon presented information regarding plan trend, the impact of COVID and recommendations relating to PEBP's differential cash levels (<https://pebp.state.nv.us/wp-content/uploads/2021/09/9-Plan-Year-23-options-Combined.pdf>). Aon's original recommendation, after expected trend and all other required expenditures such as Medicare HRA funding and premium buy-downs were applied, was to use \$12M in differential cash. The Board later approved that the \$12M be used to develop plan design that could be funded over 3 years with a primary focus of restoring deductibles and out-of-pocket maximums.

REPORT

Since PEBP's last Board meeting many changes have taken place that have led PEBP and Aon to make new recommendations. Aon has been able to run more recent utilization and apply a variety of very significant savings projections stemming from the new contracts in the process of being awarded. After factoring in additional CRF dollars, the recommendation has **increased from \$12M to approximately \$26M**. Because some contracts (such as the PBM) have not been finalized, approximate savings were used in coming up with this figure and depending on the outcome of the final negotiated contract, may impact the actual savings.

PLAN EXPERIENCE



The chart above illustrates the impact of COVID-19 on the plan; it highlights the claims suppression in addition to the beginning of the anticipated sharp claims spike. The delta between what is budgeted for (black line) and actual claims experience (green line) exemplifies the reasoning behind why PEBP must “reserve” some of the excess cash the plan has accumulated during the course of the pandemic.

PLAN DESIGN OPTIONS

Option 1:

This plan design takes a conservative approach, using approximately \$21.7M in differential cash:

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	CDHP			Copay		EPO/HMO			Total
	Current	Pre-Pandemic	Proposed	Current	Proposed	Current	Pre-Pandemic	Proposed	Proposed
3-Year Plan Design Cost (assumes 6% Med/Rx trend)		\$11,948,000		\$4,413,000		\$5,321,000			\$21,682,000
COVID Surcharge (assumes 80% vaccination rate)		\$0		\$0		\$0			\$0
		\$11,948,000		\$4,413,000		\$5,321,000			\$21,682,000
Deductible (Individual w/in Family)	\$1,750/\$3,500 (\$2,800)	\$1,500/\$3,000 (\$2,800)	\$1,500/\$3,000 (\$2,800)	\$500/\$1,000 (\$500)	\$0/\$0 \$0	\$150/\$300 (\$150)	\$0/\$0 \$0	\$100/\$200 (\$100)	
OOP Max (Individual w/in Family)	\$5,000/\$10,000 (\$6,850)	\$3,900/\$7,800 (\$6,850)	\$4,400/\$8,800 (\$6,850)	\$5,000/\$10,000 (\$5,000)	\$4,000/\$8,000 (\$4,000)	\$5,000/\$10,000 (\$5,000)	\$7,150/\$14,300 (\$7,150)	\$5,000/\$10,000 (\$5,000)	
Coinsurance	20%	20%	20%	20%	20%	20%	N/A	20%	
Primary Care Visit	20% after ded.	20% after ded.	20% after ded.	\$30	\$30	\$25	\$20	\$20	
Specialist Visit	20% after ded.	20% after ded.	20% after ded.	\$50	\$50	\$40	\$40	\$40	
ER visit	20% after ded.	20% after ded.	20% after ded.	\$750	\$750	\$750	\$500	\$600	
Inpatient Hospital	20% after ded.	20% after ded.	20% after ded.	20% after ded.	20% after ded.	\$750	\$500	\$600	
Outpatient Surgery	20% after ded.	20% after ded.	20% after ded.	\$500	\$500	\$350	\$350	\$350	
Rx Generic	20% after ded.	20% after ded.	20% after ded.	\$10	\$10	\$10	\$10	\$10	
Rx Formulary	20% after ded.	20% after ded.	20% after ded.	\$40	\$40	\$40	\$40	\$40	
Rx Non-Formulary	20% after ded.	20% after ded.	20% after ded.	\$75	\$75	\$75	\$75	\$75	
Rx Specialty	20% after ded.	20% after ded.	20% after ded.	30% after ded.	30% after ded.	30% after ded.	20%	20%	
All other services	20% after ded.	20% after ded.	20% after ded.	20% after ded.	20% after ded.	20% after ded.	Varies	20% after ded.	
HSA employer contribution	\$600	\$700 + \$200/dep	\$600	N/A	N/A	N/A	N/A	N/A	
Actuarial Value	83.7%	88.0%	85.5%	85.4%	88.4%	88.2%	92.9%	89.9%	

Option 2:

This plan design takes a moderate approach, using approximately \$26M in differential cash:

	CDHP			Copay		EPO/HMO			Total
	Current	Pre-Pandemic	Proposed	Current	Proposed	Current	Pre-Pandemic	Proposed	Proposed
3-Year Plan Design Cost (assumes 6% Med/Rx trend)		\$16,106,000		\$4,413,000		\$5,321,000			\$25,840,000
COVID Surcharge (assumes 80% vaccination rate)		\$0		\$0		\$0			\$0
Total Cost (after surcharge)		\$16,106,000		\$4,413,000		\$5,321,000			\$25,840,000
Deductible (Individual w/in Family)	\$1,750/\$3,500 (\$2,800)	\$1,500/\$3,000 (\$2,800)	\$1,500/\$3,000 (\$2,800)	\$500/\$1,000 (\$500)	\$0/\$0 \$0	\$150/\$300 (\$150)	\$0/\$0 \$0	\$100/\$200 (\$100)	
OOP Max (Individual w/in Family)	\$5,000/\$10,000 (\$6,850)	\$3,900/\$7,800 (\$6,850)	\$4,400/\$8,800 (\$6,850)	\$5,000/\$10,000 (\$5,000)	\$4,000/\$8,000 (\$4,000)	\$5,000/\$10,000 (\$5,000)	\$7,150/\$14,300 (\$7,150)	\$5,000/\$10,000 (\$5,000)	
Coinsurance	20%	20%	20%	20%	20%	20%	N/A	20%	
Primary Care Visit	20% after ded.	20% after ded.	20% after ded.	\$30	\$30	\$25	\$20	\$20	
Specialist Visit	20% after ded.	20% after ded.	20% after ded.	\$50	\$50	\$40	\$40	\$40	
ER visit	20% after ded.	20% after ded.	20% after ded.	\$750	\$750	\$750	\$500	\$600	
Inpatient Hospital	20% after ded.	20% after ded.	20% after ded.	20% after ded.	20% after ded.	\$750	\$500	\$600	
Outpatient Surgery	20% after ded.	20% after ded.	20% after ded.	\$500	\$500	\$350	\$350	\$350	
Rx Generic	20% after ded.	20% after ded.	20% after ded.	\$10	\$10	\$10	\$10	\$10	
Rx Formulary	20% after ded.	20% after ded.	20% after ded.	\$40	\$40	\$40	\$40	\$40	
Rx Non-Formulary	20% after ded.	20% after ded.	20% after ded.	\$75	\$75	\$75	\$75	\$75	
Rx Specialty	20% after ded.	20% after ded.	20% after ded.	30% after ded.	30% after ded.	30% after ded.	20%	20%	
All other services	20% after ded.	20% after ded.	20% after ded.	20% after ded.	20% after ded.	20% after ded.	Varies	20% after ded.	
HSA employer contribution	\$600	\$700 + \$200/dep	\$600	N/A	N/A	N/A	N/A	N/A	
Actuarial Value	83.7%	88.0%	86.1%	85.4%	88.4%	88.2%	92.9%	89.9%	

Option 3:

This plan design takes a more liberal approach, using approximately \$34M in differential cash and restoring plan design back to pre-pandemic levels. It is important to note that due to the introduction of the low deductible copay plan in PY22, returning exactly to pre-pandemic plan design while still achieving the split of actuarial values is not possible. The plan design below comes as close as possible while continuing to incorporate the LD plan:

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	CDHP			Copay		EPO/HMO			Total
	Current	Pre-Pandemic	Proposed	Current	Proposed	Current	Pre-Pandemic	Proposed	Proposed
3-Year Plan Design Cost (assumes 6% Med/Rx trend)		\$17,401,000		\$5,324,000		\$11,085,000			\$33,810,000
COVID Surcharge (assumes 80% vaccination rate)		\$0		\$0		\$0			\$0
Total Cost (after surcharge)		\$17,401,000		\$5,324,000		\$11,085,000			\$33,810,000
Deductible (Individual w/in Family)	\$1,750/\$3,500 (\$2,800)	\$1,500/\$3,000 (\$2,800)	\$1,500/\$3,000 (\$2,800)	\$500/\$1,000 (\$500)	\$0/\$0 \$0	\$150/\$300 (\$150)	\$0/\$0 \$0	\$0/\$0 \$0	
OOP Max (Individual w/in Family)	\$5,000/\$10,000 (\$6,850)	\$3,900/\$7,800 (\$6,850)	\$3,900/\$7,800 (\$6,850)	\$5,000/\$10,000 (\$5,000)	\$4,000/\$8,000 (\$4,000)	\$5,000/\$10,000 (\$5,000)	\$7,150/\$14,300 (\$7,150)	\$5,000/\$10,000 (\$5,000)	
Coinsurance	20%	20%	20%	20%	15%	20%	0%	10%	
Primary Care Visit	20% after ded.	20% after ded.	20% after ded.	\$30	\$30	\$25	\$20	\$20	
Specialist Visit	20% after ded.	20% after ded.	20% after ded.	\$50	\$50	\$40	\$40	\$40	
ER visit	20% after ded.	20% after ded.	20% after ded.	\$750	\$750	\$750	\$500	\$600	
Inpatient Hospital	20% after ded.	20% after ded.	20% after ded.	20% after ded.	20% after ded.	\$750	\$500	\$600	
Outpatient Surgery	20% after ded.	20% after ded.	20% after ded.	\$500	\$500	\$350	\$350	\$350	
Rx Generic	20% after ded.	20% after ded.	20% after ded.	\$10	\$10	\$10	\$10	\$10	
Rx Formulary	20% after ded.	20% after ded.	20% after ded.	\$40	\$40	\$40	\$40	\$40	
Rx Non-Formulary	20% after ded.	20% after ded.	20% after ded.	\$75	\$75	\$75	\$75	\$75	
Rx Specialty	20% after ded.	20% after ded.	20% after ded.	30% after ded.	30% after ded.	30% after ded.	20%	20%	
All other services	20% after ded.	20% after ded.	20% after ded.	20% after ded.	20% after ded.	20% after ded.	Varies	20% after ded.	
HSA employer contribution	\$600	\$700 + \$200/dep	\$600	N/A	N/A	N/A	N/A	N/A	
Actuarial Value	83.7%	88.0%	86.3%	85.4%	89.0%	88.2%	92.9%	91.7%	

- All proposed EPO/HMO changes include an estimated plan design change cost to the HPN HMO plan based on actuarial value changes. Final cost impacts would have to be priced out by UHC.
- Based on incurred claims normalized for claims suppression due to COVID-19 trended to PY2023 based on a 5% medical and 8% Rx trends. Contract and plan design change savings have been incorporated as currently known.
- Enrollment is based on October 2021 enrollment
- The use of excess reserves is subject to approval by the Interim Finance Committee

As the Board considers the spend down of surpluses, there are still many unknowns. The largest one is when the claims trend will return to normal levels. Also, the recent guidance on COVID-19 mandates and required weekly testing for unvaccinated members is not determined and largely out of the control of PEBP. While the level of testing and treatments remains elevated, this has a direct impact on the Plan’s costs and will continue to need monitored closely.

Recommendation:

Staff recommends option 2, which projects spending \$26M over 3 years.