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AGENDA ITEM

Action Item

Information Only

Date: January 28, 2021

Item Number: XI

Title: Executive Officer Report

SUMMARY

This report will provide the Board, participants, public, and other stakeholders information on the overall activities of PEBP.

REPORT

INTERIM RETIREMENT AND BENEFITS COMMITTEE

On December 16, 2020 PEBP attended and presented at the annual Interim Retirement and Benefits Committee meeting (IRBC). Statutorily, PEBP is required to present information on the program for the previous plan year. However, this year PEBP coordinated with LCB staff to and the decision was made to take on a different approach. PEBP provided the committee with the required reports, but the presentation to the committee members focused instead on PEBP Board decisions made throughout 2020 and the upcoming Plan Year 2022 Board approved plan benefit design. PEBP presented the Board approved plan design and benefit changes based on the 12% budget proposals submitted to the Governor's Finance Office as well as a summary of previous policy and budgetary decisions made earlier this year to address FY21 budget reserve requirements.

Several IRBC members are also members of the money committees which will be hearing and approving the PEBP budget during the upcoming legislative session, so the information provided at IRBC serves as critical education and insight for both legislators and PEBP.

LEGISLATIVE SESSION

Nevada's 81st Legislative session will begin on February 1, 2021. As of date, PEBP is tracking 101 Bill Draft Requests (BDR) that may impact the Public Employees' Benefits Program. As

more information becomes available on these bills, that number will likely be reduced significantly.

Beginning in February, PEBP will be scheduling monthly Board meetings to provide the Board a summary of the bills that are expected to impact the program, including a description of the potential impact, bill status and fiscal note. Although state agencies typically take a neutral stance when providing legislative testimony on bills, it is important that the Board be able to weigh in and provide direction to ensure that the testimony being provided aligns with the consensus of the Board.

SCR-10 UPDATE

In November, the PEBP Board was provided information on SCR-10, a Senate Concurrent Resolution directing the Legislative Commission to conduct a feasibility study for a public option to improve the stability of Nevada's health insurance market, decrease the number of insured Nevadans and increase access to affordable health insurance coverage. On Tuesday, January 19, 2020 Manatt Health presented a report to the Legislative Commission. The report outlines two potential public options models; one achieved through the Public Employees' Benefits Program, and the other through the Silver State Health Insurance Exchange.

The PEBP option, as described in the report, would allow Nevadan's to purchase health coverage through PEBP and would be eligible to enroll in identical plans as those offered to state employees and retirees. Because of the affordability of PEBP plans and the ability to leverage existing contracts and infrastructure, it is projected that this option would likely offer more affordable premiums than a comparable gold-level plan offered on the market today. In general, the PEBP option would save those seeking coverage approximately 9% overall, with a greater savings in rural areas where health insurance premiums are typically much more expensive. Manatt estimates that this option will attract approximately 6,500 enrollees.

Although on the surface this option appears to be a win-win for Nevadan's and PEBP, there are several factors that could potentially have a negative impact on the program:

- Risk pools – It is determined that the introduction of a new stand-alone risk pool is not viable, so the Manatt recommendation includes blending the new risk pool with the existing state active and retiree populations.
 - This option will likely be most attractive to those in the rural communities where the cost of healthcare is costly. Introducing a higher concentration of claims in the rural counties will likely drive overall claims costs up and will result in higher premiums, which will have to be absorbed by all PEBP members.
 - It is unknown what the demographics of this risk pool will be. If the new population is older or less healthy than the current state risk pool, it will likely have a negative impact on rates.
- Costs – The report estimates that the cost of the PEBP option is estimated to be approximately \$7-\$9.5M, mainly to fund required reserves. There are additional costs not factored in that PEBP expects may need to be considered, including necessary

eligibility and enrollment system upgrades to administer the new group and premium age banding criteria, staffing increases and IT implementations to ensure this option can be displayed on the individual marketplace as an option to consumers.

The second option provides a path for a state sponsored Qualified Health Plan Model offered through the Silver State Health Insurance Exchange. This model is shown to be feasible if the state is able to implement significant cost containment mechanisms, such as setting provider reimbursement caps, which is likely to be a significant and highly political undertaking. In this model, the enrollment estimate of previously uninsured individuals is 1,500 - 4,900 new enrollees. Like the PEBP option, this option also comes with fiscal implications as well as required federal and state regulatory changes.

The full report on this study can be located here:

<https://www.leg.state.nv.us/App/InterimCommittee/REL/Interim2019/Meeting/21146>

CONCLUSION

PEBP is preparing for a busy and extremely unique legislative session. In addition, internal preparations for major plan changes have started, including staff training, master plan document updates and mass communications that will be required to ensure members are aware of the changes occurring within the program. Although the next six months will be taxing on staff, the PEBP team is up for the challenge and is confident in our ability to succeed.