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AGENDA ITEM

- Action Item
- Information Only

Date: March 24, 2022

Item Number: X

Title: Plan Year 23 Rates for State and Non-State employees, retirees and dependents

SUMMARY

This report provides the PEBP Board and members of the public information on PY23 rate development and proposed rates.

REPORT

RATE DEVELOPMENT

Step 1: Underwriting

PEBP Board policy requires Aon to set rates/trend aggressively – a 50% chance rates will be sufficient to cover expected claims costs and a 50% chance they will be short

1. Aon gathers claims data (medical/Rx/dental) for the previous 12-24 months
2. Claims are completed based on prior seasonality and claims lag and trended forward to PY23.
3. Plan design changes, changes to contracts, PBM market checks and any other projected savings are applied.
4. Enrollment expectations by tier and plan are applied along with utilization assumptions and actuarial values
5. Base Rates Per Participant Per Month (PPPM) are then established for the three plan offerings (CDHP, Copay, and EPO) separated by Medical, Pharmacy, and Dental expected Claims. EPO and HMO rates are blended.

Step 2: Enrollment weighting

Assumptions such as overall growth or decline, plan enrollment, assumed workforce changes or retirement influxes.

Step 3: Admin loads applied

Administrative loads such as administrative fees, HSA funding, and PEBP operating costs are applied appropriately.

Step 4: Tiering

The base rate is weighted by projected enrollment by tier. Per PEBP Board policy the following tiering methodology is then applied:

Participant = X
Participant + Spouse = 2X
Participant + children = X+Y
Participant + family = 2X + Y

X is the average cost of an adult and Y is the average cost of a child.

Step 5: Addition of Life Insurance

PPPM Life insurance costs are then added to each tier of the three plans to arrive at final overall rates. Life insurance costs differ for actives and retirees and life insurance costs for those on the Exchange is absorbed entirely by members on self-funded plans.

PLAN YEAR 23 RATES

PY 2023 premiums are increasing **6.6% in aggregate**, including 2.3% from plan design enhancements that will be paid from excess reserves. Rates were determined by utilizing the most recent 12 months (12/2020-11/2021) of incurred claims experience paid through February 2022. Aon did not incorporate prior claims experience as it was impacted by the COVID-19 claims suppression. It is important to note that in order to avoid significant increases to premiums, which in the second year of the budget biennium are absorbed entirely by the employee, little to no conservatism was applied.

COVID-19 Impact:

1. Baseline COVID-19 Impact- **There is no COVID-19 adjustment** to recent claims experience as the last 12 of medical claims experience contains the impact of COVID-19 lulls and outbreaks. This claims experience includes COVID-19 testing and treatment costs, vaccine administrative costs, and suppression of other claims to make room for COVID-19 patients.
2. Future COVID-19 Waves- The expectation is for continuing seasonal COVID-19 waves. Costs are expected to be the same as or slightly less than previous COVID-19 waves.

- Deferred Care- Initial expectations assumed there would be a rebound of deferred care claims but this has yet to occur. A stabilizing market indicates this seems unlikely in the near term however, actuaries continue to monitor other indicators such as healthcare employment levels, cancer costs and specialty drug pricing for potential cost increases. Hence, little to no expected net cost impact.

Trend Impact: Medical trend of 5.4% and 6.7% pharmacy

U.S. inflation rates are at the highest levels since the 1980s; inflation is linked to healthcare spending through healthcare wages. Economy-wide inflation is expected to add around 1 point to medical trends from 2021 → 2022 and from 2022 → 2023. For plan year 2023, Aon utilized healthcare trend closer to historical PEBP experience and **did not include an extra 1%** due to inflation but it is recommended to monitor trend levels.

Plan Design Change:

The benefit enhancements are worth 2.3% funded through differential cash.

Procurement Savings:

All of the contractual changes are incorporated into the premium rates including PBM contract, life insurance, HRA/HSA, transparency, and telemedicine.

Contributions:

State contributions are increasing in aggregate by 5.8%, which includes an additional subsidy of **\$3M** to limit the increase in state active and retiree premiums. The additional subsidy was not applied to non-states since this group did not experience overall increases.

State Active Employees	Dollar Increase			Percentage Increase			Enrollment			
	CDHP	Copay	EPO/HMO	CDHP	Copay	EPO/HMO	CDHP	Copay	EPO/HMO	TOTAL
Employee Only	\$ 2.33	\$ 3.87	\$ 16.82	5%	6%	12%	9,143	2,008	3,564	14,715
Employee + Spouse	\$ 10.23	\$ 13.32	\$ 39.23	4%	5%	9%	1,195	406	569	2,170
Employee + Child(ren)	\$ 5.28	\$ 7.41	\$ 25.24	4%	5%	10%	2,968	943	1,749	5,660
Employee + Family	\$ 13.20	\$ 16.84	\$ 47.63	4%	5%	9%	1,942	668	687	3,297

State Retirees Non-Medicare	Dollar Increase			Percentage Increase			Enrollment			
	CDHP	Copay	EPO/HMO	CDHP	Copay	EPO/HMO	CDHP	Copay	EPO/HMO	TOTAL
Retiree Only	\$ 6.98	\$ 8.53	\$ 21.48	3%	3%	6%	1,888	220	650	2,758
Retiree + Spouse	\$ 18.00	\$ 21.09	\$ 47.00	3%	3%	6%	580	82	90	752
Retiree + Child(ren)	\$ 11.10	\$ 13.23	\$ 31.06	3%	3%	6%	249	55	76	380
Retiree + Family	\$ 22.14	\$ 25.78	\$ 56.57	3%	3%	6%	209	40	37	286

Plan Year 2023 State Rates - Active Employees

State Active Employees	Statewide CDHP					Copay PPO					EPO/HMO				
	Rate	Base Subsidy	Design Spend Down	Excess Subsidy	Participant Premium	Rate	Base Subsidy	Design Spend Down	Excess Subsidy	Participant Premium	Rate	Base Subsidy	Design Spend Down	Excess Subsidy	Participant Premium
Employee Only	674.67	605.16	16.30	6.25	46.96	695.83	605.16	16.28	6.25	68.14	783.32	605.16	10.91	6.25	161.00
Employee + Spouse	1,340.02	1,043.90	32.62	12.50	251.00	1,382.33	1,043.90	32.56	12.50	293.37	1,557.32	1,043.90	21.82	12.50	479.10
Employee + Child(ren)	924.17	769.69	22.43	8.59	123.46	953.27	769.69	22.39	8.59	152.60	1,073.57	769.69	14.99	8.59	280.30
Employee + Family	1,589.52	1,208.43	38.72	14.84	327.53	1,639.77	1,208.43	38.68	14.84	377.82	1,847.58	1,208.43	25.91	14.84	598.40

Plan Year 2023 State Rates - Non-Medicare Retirees

State Retirees Non-Medicare	Statewide CDHP					Copay PPO					EPO/HMO				
	Rate	Base Subsidy	Design Spend Down	Excess Subsidy	Participant Premium	Rate	Base Subsidy	Design Spend Down	Excess Subsidy	Participant Premium	Rate	Base Subsidy	Design Spend Down	Excess Subsidy	Participant Premium
Retiree Only	670.83	407.01	16.31	6.25	241.26	691.99	407.01	16.28	6.25	262.45	779.48	407.01	10.91	6.25	355.31
Retiree + Spouse	1,336.18	702.09	32.62	12.50	588.97	1,378.49	702.09	32.56	12.50	631.34	1,553.48	702.09	21.82	12.50	817.07
Retiree + Child(ren)	920.33	517.67	22.43	8.59	371.64	949.43	517.67	22.39	8.59	400.78	1,069.73	517.67	14.99	8.59	528.48
Retiree + Family	1,585.68	812.75	38.72	14.84	719.37	1,635.93	812.75	38.68	14.84	769.66	1,843.74	812.75	25.91	14.84	990.24
Surviving/Unsubsidized Dependent	670.83	-	16.31	-	654.52	691.99	-	16.28	-	675.71	779.48	-	10.91	-	768.57
Surviving/Unsubsidized Spouse + Child(ren)	920.33	-	22.43	-	897.90	949.43	-	22.39	-	927.04	1,069.73	-	14.99	-	1,054.74

Plan Year 2023 Non-State Rates - Active Employees

Non-State Active Employees	Statewide CDHP					Copay PPO					EPO/HMO				
	Rate	Base Subsidy	Design Spend Down	Excess Subsidy	Participant Premium	Rate	Base Subsidy	Design Spend Down	Excess Subsidy	Participant Premium	Rate	Base Subsidy	Design Spend Down	Excess Subsidy	Participant Premium
Employee Only	974.53	-	-	-	974.53	1,019.85	-	-	-	1,019.85	931.73	-	-	-	931.73
Employee + Spouse	1,939.75	-	-	-	1,939.75	2,030.39	-	-	-	2,030.39	1,854.14	-	-	-	1,854.14
Employee + Child(ren)	1,336.49	-	-	-	1,336.49	1,398.80	-	-	-	1,398.80	1,277.63	-	-	-	1,277.63
Employee + Family	2,301.70	-	-	-	2,301.70	2,409.34	-	-	-	2,409.34	2,200.04	-	-	-	2,200.04

Plan Year 2023 Non-State Rates - Non-Medicare Retirees

Non-State Retirees Non-Medicare	Statewide CDHP					Copay PPO					EPO/HMO				
	Rate	Base Subsidy	Design Spend Down	Excess Subsidy	Participant Premium	Rate	Base Subsidy	Design Spend Down	Excess Subsidy	Participant Premium	Rate	Base Subsidy	Design Spend Down	Excess Subsidy	Participant Premium
Retiree Only	970.69	706.87	24.29	-	239.53	1,016.01	731.03	24.05	-	260.93	927.89	557.96	14.62	-	355.31
Retiree + Spouse	1,935.91	1,301.82	48.60	-	585.49	2,026.55	1,350.15	48.11	-	628.29	1,850.30	1,003.99	29.24	-	817.07
Retiree + Child(ren)	1,332.65	929.99	33.41	-	369.25	1,394.96	963.20	33.07	-	398.69	1,273.79	725.21	20.10	-	528.48
Retiree + Family	2,297.86	1,524.93	57.70	-	715.23	2,405.50	1,582.32	57.13	-	766.05	2,196.20	1,171.24	34.72	-	990.24
Surviving/Unsubsidized Dependent	970.69	-	24.29	-	946.40	1,016.01	-	24.05	-	991.96	927.89	-	14.62	-	913.27
Surviving/Unsubsidized Spouse + Child(ren)	1,332.65	-	33.41	-	1,299.24	1,394.96	-	33.07	-	1,361.89	1,273.79	-	20.10	-	1,253.69