



Joe Lombardo
Governor

NEVADA HEALTH AUTHORITY

PUBLIC EMPLOYEES' BENEFITS PROGRAM

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February 24, 2026 Unofficial Board Meeting Transcript

Tyler Hopkins: Chair Wells, we are now live on YouTube.

Chair Jim Wells: Thank you. Good afternoon. I'll call to order the meeting of the Public Employees' Benefits Program scheduled for today, February 24th, 2026 at 1 p.m. Can I get a roll call, please?

Jessica Crane: Hello everybody. Starting roll call. Chair Jim Wells?

Chair Wells: Here.

Jessica Crane: Joy Grimmer?

Vice Chair Joy Grimmer: Here.

Jessica Crane: Janelle Woodward?

Member Janell Woodward: Here.

Jessica Crane: Jennifer McClendon?

Member Jennifer McClendon: Here.

Jessica Crane: Laura Rich?

Member Laura Rich: Here.

Jessica Crane: Jim Barnes?

Member Jim Barnes: Here.

Jessica Crane: Blaine Harper?

Member Blaine Harper: Here.

Jessica Crane: Chris Viton?

Member Chris Viton: Here.

Jessica Crane: Keiko Duncan?

Member Keiko Duncan: Here.

Jessica Crane: Tom Zumtobel?

Member Tom Zumtobel: Here

Jessica Crane: And Tarryn Emmerich-Choi? Okay, it appears Tarryn is absent, but we do have a quorum. Thank you.

Chair Wells: Thank you very much. We will move to agenda item number two, public comment. No action may be taken under any matter raised under this item unless it's included in a future agenda item as an item on which action may be taken. Public comments to the board will be taken under advisement but will not be answered during the meeting.

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Comments may be limited to three minutes per person at the discretion of the chair. Additional three minute comment periods may be allowed on individual items at the discretion of the chair. We are not going to have an additional public comment period today. The total time allotted to public comment may be limited to an hour and I've been informed by our um attorney that it is a reasonable amount of time. So, let's see how much public comment we have. We'll decide how to make the determination for the reasonable amount of time. Any members of the public may make public comment by using the call-in number provided above. That number is 669-900-6833. Today's meeting ID is 842-56-98-62000 and the pound sign. Persons unable to attend the meeting in person or by telephone and persons whose comments may extend past the three minute limit may submit their public comment in writing at the beginning of the public comment period. Please state and spell your name for the record at the beginning of your testimony.

And before we start, I'm going to make a little bit of public comment. Um, I read all of the unique public comments that were submitted at least as of yesterday morning. I am a little bit disappointed that the unions and the faculty alliance submitted basically cut and paste emails and had their members submit them at mass. I do appreciate all those who took the time to provide personal impacts, who offered recommendations and who were respectful and courteous in recognizing the gravity of the situation we face and the difficult decisions this board has to make regarding plan benefits and design and premiums not just this year but every year.

I will say that there was no board support for the 84% increase. The 84% increase provided at the last meeting was what the actuaries believed at the time was the amount that would be necessary to fix a problem all in one fiscal year. Since that time, I've had some meetings with staff regarding the way that the rates are tested. We have determined that the rates for the employer shares were not tested for plan years 25 and 26 and incorrect amounts have been transferred from AEGIS and REGI for the last 18 months.

The staff is currently working on a reconciliation of the amount that is due from Aegis and Reggie that will be transferred into the operating budget account and we're hoping to have that in the next month. In the meantime, that calls into question some of the amounts that we think are short in regard to reserves. As a result, we the discussion today will probably be a little bit different than what is on the board agenda. I don't know if we're going to be talking about additional benefit reductions at this juncture. Um we do still need to talk about the rates and the rate setting methodology and making sure that the rates are set correctly reflecting the um actuarial costs or actuarial benefits are of each individual plan. So those discussions will continue to occur today. We are not setting rates today. The rates will not be set until the March meeting.

With that I'll be happy to open it up to public comment. We'll start here in Carson City. Anybody who's interested in making public comment, please come up to the table and spell your name.

Ms. Balderson Knight: Good afternoon. My name is Julie Balderson Knight. J U L I E B A L D E R S O N K N I G H T. I am a state worker. I'm not here on state time. My comments are my own. I've worked for the state for about 13 years currently. I work for the Nevada Health Authority Office of Data Analytics. So hopefully you're not surprised I'm here to talk about some numbers.

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First of all, I want to make sure we're flagging for the board. There's about a \$36 million fiscal blind spot in the current proposal. While the presentation you're going to hear today focuses on the \$6 million in quote unquote savings through benefit cuts, it completely ignores the roughly \$43 million in hidden liabilities those cuts will trigger for Nevada taxpayers. According to the state's own data, the state of Nevada is already the fifth largest employer of Medicaid recipients. I've prepared a handout for the board actually that shows that pushing more families onto Medicaid and triggering even a moderate 6% in workforce turnover driven by premium shock will cost the general fund about five times more than what this board is quote unquote saving with benefit cuts.

To be clear, this is circular fiscal logic, but you don't have to do this. There are other options. Also, in my handout for you, I've provided you with a roadmap for roughly \$47 million in alternative savings without cutting benefits. By leveraging the four alternatives that I've outlined, we can achieve seven times the impact from the current proposal. I know you don't have a lot of time for me to go over any of this, so I'm just going to hand this down. And that's all I have for you today. Thank you for the time.

Chair Jim Wells: Thank you, Miss Balderson.

Ms. Crane: Just to let you know, Tarryn Emmerich-Choi is now present.

Chair Wells: Thank you.

Mr. Gordon: Good afternoon. My name is Dan Gordon, D A N. Last name is G O R D O N. I'm the president of the Nevada Police Union and NPU represents almost a thousand men and women of Nevada's category 1 state police officers, highway patrol, parole and probation, capital police, investigation division, fire marshals, training division, university police, north and south, game wardens, park rangers, and department of agriculture officers.

With the recent news articles and the release of the PEBP rate proposals, many members have expressed concern with the possibility of rate increases to health insurance premiums. An increase would create several issues for all state employees enrolled in the state's health system, the healthcare system. This, coupled with the recent increase to our retirement deduction, our PERS, would mean take-home pay of our essential public safety officers would be greatly impacted.

Some of our members have reached out to NPU expressing their possible intention of leaving state service for other law enforcement agencies and others expressing thoughts of leaving public safety altogether. At a time when our staffing level and manpower issues are excessively low, this would be damaging for the state and public safety. NPU looks forward to getting engaged with stakeholders, the PEBP board, and the Nevada Health Authority and want to assist in any way we can. We look forward to solutions that will have a minimal impact on all state employees and to a long-term stability. Thank you.

Mr. Ervin: Kent Ervin K E N T E R V I N for the Nevada Faculty Alliance. Good afternoon. The fiscal crisis at PEBP is distressing news for state employees who are being asked to absorb a deficiency of 130 million. According to one of the presentations, the origins of which have not been fully explained. The highest priority for the board now is to determine why Segal's and

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PEBPs' revenue estimates are according to one of the presentations 100 million per year lower than the legislatively budgeted amounts. That's a huge unexplained shortfall.

I appreciate that folks are working on it, but what is the actual deficiency in reserves? As recently as October, the executive officer reported that replenishment of reserves was covered by the budget. The December presentation by Segal and Plan Design did not mention shortfalls. Then the fiscal crisis hammer came down in January and in February is at least 56 million worse. Segal's revised presentation from just yesterday afternoon removed the information about revenue and reserves, which is alarming. Why weren't red flags raised earlier?

There should be an independent audit. Any decisions on benefits cuts or premiums must be postponed until the board has full answers. Regarding the plan design proposals on the in the presentation today. First, any increases in employee premiums should be phased in over at least three years with state support sought in the next budget cycle. The rates for ongoing expenses should be priced separately with a temporary surcharge for restoration of reserves at the minimum levels in FY2027 to keep reserves from going further in deficit. Board members, please ask for a breakdown of the proposed rates between ongoing expenses and one-time replenishment of reserves.

Second, out-of-pocket maximum should not be increased over fiscal year 2026 levels. The whole point of health insurance is to protect against catastrophic medical debt. Third, the board should retain the current flat dollar employer contributions across the three plan options. The proposed arbitrary percentages create inconsistencies by plan option and dependent tier and are unfair and inequitable. For example, a single parent would pay more to add a child than a couple would pay to add a child. The percentages institutionalize the cross subsidies in the form of employee contributions that vary by plan options.

Until the budget questions and discrepancies are fully answered, any action on rate setting or plan design must be postponed. Employees should be protected from errors on the part of PEBP or its actuary. Please remember PEBP's stated mission and values. Affordable access to health care, accountability, transparency, fairness, compassion, sustainability. Thank you.

Ms. Opferman: Good afternoon. For the record, my name is Tess Opferman here on behalf of the AFSCME retirees representing the dedicated state workers who spent their careers serving Nevada. We're deeply concerned and disheartened by the budget situation now facing PEBP. We were told in January that things were difficult, but the situation reported today is far worse. While we see a massive shortfall on paper, the origins of this crisis have not been clearly explained to the people who will be paying for it.

We believe a crisis of this magnitude requires a more responsible long-term approach and we urge the board to consider the following. To echo some of the things Kent suggested, we would like an independent audit to be done. Before we absorb tens of millions in costs, we need an independent look at what accounting and how these revenue gaps actually occurred. It makes no sense that we are suddenly in a fiscal crisis immediately after the legislature and governor provided a record-breaking funding. We need an outside expert to audit PEBP's books to explain how this budgeting went so wrong.

We reject premium shock and protect the vulnerable. No one should see their health care costs double overnight. We must keep a level of shared support between plans to keep them affordable and avoid a yo-yo effect that makes financial planning impossible for those on fixed

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incomes. And finally, committing to a three-year phase in any premium increase or plan D enrichment must be phased in over at least three years.

We cannot bridge a two-year budget hole by breaking the household budgets of state employees of state employees and retirees in a single year. We realize additional conversations will be held by this board and with the legislature, and we look forward to finding solutions that do not put the entirety of this cost burden on its members. Thank you very much.

Chair Wells: Anyone else want to make follow comment here at Carson City?

Ms. Cadod: Good afternoon. My name is Laura Cado and I have no title, just a concerned

Chair Wells: Can you spell your name for us, please?

Ms. Cadod: Cadod, C A D O D and just a concerned retired county employee. I'm speaking today in strong opposition to the proposed premium increases for both retirees and active employees. The magnitude of these increases is alarming. We are not talking about modest adjustments. We are talking about dramatic heights that would place a significant and ongoing financial burden on the very people who have built and continue to sustain this state. Retirees live on fixed incomes. They do not receive cost to living adjustments that keep pace with sudden spikes in health care premiums. They cannot work more hours or negotiate higher salaries.

When premiums rise sharply, it forces impossible choices between health care, housing, groceries, utilities, and other basic necessities. This is not an abstract policy outcome. It is a real and immediate hardship. Active employees are not in a better position to absorb these increases. For years, state employees have effectively carried the burden of budget shortfalls through suppressed wages, limited cost of living adjustments, and benefit tradeoffs. Time and again employees have been asked to sacrifice in order to help this state balance its books. Now once again they are being asked to shoulder the cost. This pattern does not bode well for morale recruitment or retention. Significant premium increases particularly for employees covering spouses and children could mean hundreds of additional dollars per month. That is real money out of family budget at a time when housing, food, and everyday expenses remain high.

Public servants should not be penalized for their commitment to serving Nevada. We all recognize the importance of maintaining a financially sound plan and responsible reserves, but the solutions cannot continue to be shifting cost onto employees and retirees. The people affected by these changes are long serving public servants, parents, grandparents, and neighbors. They have already given to the state. It is unreasonable to ask them to carry even more. I urge the board to reconsider the scale and structure of these increases. And having listened to the speakers before me, I urge you to listen to their comments. Thank you.

Chair Wells: Anymore public Comment in Carson City? We have to wait a second for our person to come back. There he is.

Mr. Hopkins: Chair Wells, we have about 37 in the lobby right now. I'll go get the slide up. Joining this Zoom meeting as an attendee is for making public comment only. If you now wish to make a public comment, please leave the Zoom meeting now so you're not accidentally called upon. Please feel free to watch it via the YouTube live stream on the PEBP YouTube channel. A

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link for the live stream is located on the agenda. For those who have joined for public comment, your name or the last four digits of your phone number will be announced. You have been advised you have been unmuted. Please slowly state and spell your name for the record and then proceed with your comments. As a reminder, for those on the phone, please press star six to unmute. And everyone, I'm going since I have a lot of people in the public comment lobby, I'm going to do those on the phone first and I'll go down alphabetical. Caller with the last four digits 0070. You have permission to speak. Please slowly state and spell your name for the record.

Mr. Fonseca: Hello members of the PEBP board. My name is Jorge Fonseca. That's J O R G E F O N S E C A and I'm a faculty member at UNLV, but I'm speaking on my own time and on my own behalf. At the beginning of this board of this meeting, a board member expressed disappointment that many public comments appeared similar or repeated and I'd like to address that directly. When a large number of people submit similar comments, it's not a failure of originality. It is evidence of sheer concern. Not everybody's a politician, a policy analyst or a professional speaker. Many of us are educators, administrative staff, frontline workers, and retirees who may not have a polished rhetoric, but we absolutely have the right to be heard. If comments sound similar, it is because the impact of this proposed increases will be similarly devastating across households.

An increase approaching 84% is not a minor adjustment. There's a difference between affordability and hardship for many people and employees and retirees is meaning the difference between choosing health care or other essential expenses. Dismissing repeat concerns risk dismissing the very people PEBP is meant to serve. I urge the board to reject extreme premium increases. Consider face adjustments over multiple years. Increase employee and state contributions to prevent shifting the burdening primary onto employees.

Public employees are not asking for special treatment. We're just asking for sustainable, reasonable solutions that protect access to health care. Uh when many voices sound the same, it's not coordination. It's just consensus. Thank you for your time and consideration.

Chair Wells: Thank you, Mr. Fonseca.

Mr. Hopkins: Caller with the last four digits 0891. Please fully state and spell your name for the record if wish to make public comment.

Ms. Laird: Good afternoon, Executive Officer Carsten, Board Chair Wells, and fellow board members and staff. My name for the record is Terri Laird, T E R R I L A I R D. I'm the executive director of RPEN, the Retired Public Employees of Nevada incorporated in 1976. We have 14 chapters statewide serving nearly 7,000 dues paying members. We are in full support of the grave concern expressed by hundreds of participants on the PEBP website giving public comment who worry about the ever escalating cost of health care. RPEN works alongside other public employee groups you will or have heard from already who are also very worried about what's happening and what will be decided today or in the near future.

As you are keenly aware, wages for entry- level state jobs are lower than they should be and now co health care costs along with PERS contribution costs. It doesn't leave much for these folks to live on. Additionally, retirees living on fixed incomes have similar concerns and rising

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health care costs impact them as well, especially when health reimbursement arrangements haven't been changed over for over 10 years.

We hope this board will consider suggestions before you long and hard as well as all of the public comments received on this subject before acting on something that could have dire consequences not just for them but for the state as well. If employees leave because they cannot afford no longer afford to work here and the retirees who serve their state and earn the benefits they're receiving deserve better, too. Thank you.

Chair Wells: Thank you, Miss Laird.

Mr. Hopkins: The last four digits 1026. Please slowly spell state and spell your name for the record.

Ms. Charles: Good afternoon. My name is Cassie Charles. C A S S I E C H A R L E S. Calling on behalf of AFSCME, the state's largest union representing state workers. State employees dedicate their careers and their lives to serving the good people of Nevada. and they deserve fair and just health plans that provide quality health care at a cost that they can afford. We encourage this board to extend the premium growth by the longest time possible with the lowest possible impact on workers who are already struggling to get by and feed their families. Every year we grow more and more concerned with the costs that state employees face every day, seeing increases in contributions to PERS and low cost of living adjustments. We see continuously how this not only contributes to uh worker livelihood and safety, but it contributes to high turnover and increased vacancies in our state workforce. We are deeply concerned by this budget shortfall and are advocating for a budget audit to ensure the brunt of these costs does not fall on the workers. Thank you for your consideration.

Mr. Hopkins: Thank you. Caller with the last four digits 6010. Please slowly state and spell your name for the record. Caller with the last 4 digits 6010. You have permission to speak. Please press star six to unmute. If we wish to make public comment. Caller with the last four digits 2440, please state and spell your name for the record if you wish to make public comment. Follow with the last four digits. Zero. Oh, sorry. With the last four digits 6517, you have permission to speak. Please slowly state and spell your name for the record of comment if you wish to make public comment.

Ms. Binder: Hi, this is Anna Binder, A N N A B I N D E R. I'm the spouse of an NDOC employee and I do request that these comments be preserved in the official meeting records. My husband has served the state of Nevada for over 15 years. Every day he goes to work in an environment where violence is unpredictable, where staffing shortages increase danger, and where there is no guarantee he will come home safely. This is the reality correctional families live with. We depend entirely on his income and his benefits. We are also raising children with special needs. Health care is not optional for our family. It is a medical necessity that determines whether our children receive the care they need.

Correctional officers sacrifice their safety, health, and their time with their families to serve this state. They accept risks most people will never accept. A workforce that makes that

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level of sacrifice deserves benefits that reflect professional, moral, and human support. Because when benefits become unstable or unaffordable, officers leave, staffing shortages worsen, and the working environments become even more dangerous for the men and women still showing up for and for the families waiting for them at home. Nevada asks correctional officers to risk their lives to serve. They deserve stability. They deserve support and they deserve to know the state stands behind them. Thank you.

Chair Wells: Thank you, Miss Binder.

Mr. Hopkins: caller with the last four digits of 9966. Please slowly state and spell your name for the record.

Mr. Borchardt: Good afternoon to the 10 PEBP board members who were appointed by the governor of Nevada. My name is Robert Bochartd, last is B O R C H A R D T. A recently retired Nevada Highway Patrol sergeant who gave 27 years of service. I served the state from 1998 to 2025 and retired with badge number 12. I tell you this because I have personally been affected by years of no raises, 348 hours of Furlow, cuts in every type of extra pay given, no step increases for years, loss of longevity pay, denial of covid funds, and the list goes on and on and on how the state of Nevada took advantage of its employees.

Two days ago, I was notified of a possible insurance increase of anywhere from 26 to 117%. I spent 27 years of my life paying into PERS, consistently being paid less than every other police agency in Clark County. And the one benefit that NHP offered was lower insurance rates upon retirement. Was I thrilled at \$688 a month to insure my family? No. but it was better than the \$1,200 or \$1,500 my friends with other Clark County police departments were paying. So, that one benefit might be gone now.

Now, how is this going to affect the Nevada Highway Patrol and the safety of the motoring public? Well, what's going to happen is there's going to be a mass exodist. I watched over 400 employees come and go in 27 years due to poor pay, poor benefits, and overwhelming workload. The Nevada Highway Patrol has less state troopers working on the road in Las Vegas than 1984. Those of us born and raised here in Las Vegas remember how small it was back then. Nevada had 420 motor vehicle deaths in 2025, which is completely unacceptable. And you can bet with fewer state troopers on the highways, we'll see higher death rates. But once again, mass exodus because of poor pay and poor insurance benefits.

So now let's talk about our hardworking retirees who gave some of them gave more than half their lives uh working for the state of Nevada. Most retirees are living on a fixed income and NHP retirement isn't exactly the greatest. But what little cushion they could have might be gone. This is totally unacceptable. Give 25 to 30 years of your life to the state of Nevada and have this happen to you. I 100% disagree with any insurance rate increase and there must be an alternate solution. The state of Nevada cannot keep balancing itself on the hardworking employees it should be protecting. Thank you very much for your time.

Chair Wells: Thank you, Mr. Borchardt.

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Mr. Hopkins: Caller with the last four digits 8277. You have permission to speak. Please slowly state and spell your name for the record.

Ms. Razo: Yes. Hi, good afternoon. My name is Ariana Razo. A R I A N N A R A Z O. I work for NSHE and I'm reaching out today to give public opposition towards the increases as well. As we all know, funding in higher ed is pretty low and our wages are not increasing to match this astronomical increase in pay for insurance.

And I completely agree with all of those who have spoken so far, especially towards my retirees cuz that is one of the biggest benefits of working as a state employee is to have lower costs of insurance is to have access to these other great things that help us to serve the community. And if I can't serve my community with the resources are given to me, I may be looking for more private work instead or private practice instead. So I definitely am in um opposition to this and someone else had mentioned that an audit should be done and I firmly support that as well. Thank you so much.

Mr. Hopkins: Caller with the last four digits 6789. You have permission to speak. Please slowly state and spell your name for the record. Follow last four digits 6010. Please slowly state and spell your name for the record if you wish to make public comment. Caller with the last four digits 2440. Please slowly state and spell your name if you wish to make public comment. Uh you caller A. Douglas, you have permission to speak. Please slowly state and spell your name for the record. Chair Wells, we have about 17 in the lobby right now, so maybe a little bit over a dozen left. Uh Doug Unger, you have permission to speak. Please slowly state and spell your name for the record.

Mr. Unger: Doug Unger, D O U G U N G E R, immediate past president, UNLV chapter, Nevada Faculty Alliance, and member UNLV employee benefits advisory committee. For the record, the unacceptably high cost plan designs presented in agenda item number four are not in any way the fault of members of the PEBP board. You must be as surprised and dismayed as state employees are by the numbers Segal reported on January 20th and the 56 million discrepancy in state contributions reported today and even disturbed as we are at the discrepancies in Segal's numbers compared to the April 2025 PEBP budget budget closing amounting to more than \$200 million for financial year 26 and 27 and on which Segal proposed radical increases in premiums and out-of-pocket maximums are based.

Clearly, some office somewhere in state government or the PEBP actuary can't get its numbers straight. We've lost trust in PEBP's numbers on which the peace of mind, paychecks, and health of state employees now depend. We've asked the interim finance committee of the legislature to help secure an immediate independent audit of PEBP before setting new plan designs and rates. The good members of this board, state employees, and the citizens of Nevada must be assured that decisions are based on accurate numbers, not on egregious fiscal or accounting mistakes. Furthermore, unless Segal's proposed plan designs are replaced with more affordable options, horror stories in health care among our state employees will happen. Stories of near bankruptcy, of those who put off necessary procedures and employees who flee for jobs with better benefits. This has happened in the past and it will happen again. You must find alternative plans to what Segal is proposing. Thank you.

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Chair Wells: Thank you, Dr. Unger.

Mr. Hopkins: Andrea Hernandez, you have permission to speak. Please slowly state and spell your name for the record. Andrea Hernandez, you have permission to speak.

Ms. Hernandez: I mean, hi. Um, my name is Andrea Hernandez. A N D R E A H E R N A N D E Z. Um I am speaking against this. As a single parent, you turn to the state for the benefits and you are actively trying to take that away from us. Single income households literally cannot afford for this to go up. It will force us to choose between taking care of our children's health or staying employed or being forced to leave the state. You're looking at a mass exodus not just in single agencies. You're looking at a mass exodus all the way across the board. I implore you to look at alternative solutions to this problem.

Chair Wells: Thank you, Ms. Hernandez.

Mr. Hopkins: Amber Leon, you have permission to speak. Please slowly state and spell your name for the record if you wish to make public comment. Amber Leon. uh, Dr. Leela P, you have permission to speak. Please slowly state and spell your name for the record.

Ms. Pazargadi: Yes, my name is Leila Pazargadi. L E I L A. Um, thank you for the board to turning your attention to this critical matter. I know that you're just as surprised and shocked as we are at these numbers. I am an English faculty member at Nevada State University, a state employee, a mom of one, and I'm enrolled on the family plan of the LDPPO plan through PEBP. I want to speak briefly about faculty retention and workforce stability. If we can trust Segal's numbers, which sounds like we can't, the report projects 122 million funding gap for PY 2027. Under the current methodology, fully closing that gap would require employee and retiree premiums to rise as much as 133%.

Even under a phased approach, member premium share would increase from 19.3 to nearly 24 to 28%. Simply put, for faculty salaries that have not risen at that pace, this represents a significantly effective pay cut. The LDPPO plan is already projected to see substantial experience-based cost increases and moving fully to that model without accounting for migration behavior risks destabilizing enrollment patterns. So, if premiums spike sharply, employees may shift plans, potentially increasing aggregate costs and worsening the funding gap. And I see no modeling in the report that addresses this elasticity.

Additionally, plan design changes generate approximately what seems to be maybe six million in savings, 11 million, it's not clear, a fraction of the structural gap. So, we have all these problems that we have to take a look at. My concern is that when healthcare premiums rise dramatically faster than wages, total compensation falls, and that affects recruitment, mid-career retention, and our ability to compete with peer states like Arizona, Colorado, and Utah. Higher education salaries in Nevada are already modest compared to peer states. And many of us accept lower wages in exchange for stability and benefits. And health insurance was one of those that was part of the compensation calculation when candidates decide whether to accept a position here. So if premiums double, our effective take-home pay drops significantly. That makes

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recruitment harder. It makes retention harder. And it particularly affects early career faculty, mid-career faculty with families and those caring for aging parents. When we lose faculty, we lose program continuity, institutional knowledge, student mentorship, research productivity, accreditation stability, and replacing faculty is expensive and time consuming.

I respectfully ask the board to commission a new external audit with accurate figures. Whether reserve restoration must occur immediately or could be phased over multiple years at minimum three years. What migration modeling has been conducted under proposed premium increases? Has total compensation competitiveness been evaluated relative to peer states? Why are multi-year projections assuming zero legislative funding changes or adaptive premium policy when both historically fluctuate? And what strategy exists to stabilize uh AEGIS and REGI rather than shifting costs primarily to employees? Public higher education depends on attracting and attaining talented educators and we cannot compete on salary alone. Benefits matter. So if health care coverage becomes affordable, some of us or unaffordable, excuse me, some of us will reconsider whether we can remain in PEBP or in state employment. And that would be a loss not only for faculty but for students and for Nevada. I urge the board to seek a balanced approach that restores fiscal health without undermining the workforce that delivers public education. Thank you for your time and for your service.

Chair Wells: Dr., can you please spell your last name?

Ms. Pazargadi: Oh, excuse me. Pazargadi. P A Z A R G A D I

Chair Wells: Thank you, doctor.

Mr. Hopkins: See, will that be B. Ergen, please uh please state and spell your name for the record if we should make public comment. Uh D. Wiggins, you have permission to speak. Please slowly state and spell your name for the record if you wish to make public comment. Uh caller J. Justice, you have permission to speak. Please slowly state and spell your name for the record. Let's see, Lorayn uh Walser, you have permission to speak. Please state and spell your name for the record.

Ms. Walser: Uh yes, good afternoon. My name is Lorraine Walser. That's L O R A Y N W A L S E R. and I am a recent retiree after 21 years with the state of Nevada. Um, as a pension recipient, I consider myself to be on a fixed income. As a retiree, increased health insurance costs will reduce my pension significantly. Making health insurance more expensive while cutting benefits is simply inexcusable. Um, I would like to know what alternatives were considered other than negatively impacting worker budgets. Um, I would also like to request an audit done of the your pricing systems. I thank you for your time and await your solutions to protect state workers and retired employees. Thank you.

Chair Wells: Thank you, Miss Walser.

Mr. Hopkins: Uh, Nicole, you have permission to speak. Please slowly state and spell your name for the record if you wish to make public comment.

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Ms. Toth: Hi, my name is Nicole Toth. N I C H O L E. Last name Toth T O T H. Um I am an employee with the state of Nevada. I've only been an employee for maybe two and a half years at this point, so I'm fairly new. Um, I I left the private sector uh to at a significant pay cut because of the benefits of this position. Um, I currently pay \$202 a month for myself and my child. Uh the projections that I've seen in the uh the PowerPoint that was available online. I didn't understand everything in it, but I did see that what is being proposed is my premium going from \$202 to \$425. Um that is just simply unacceptable. I can't I can't afford to do that. And if that is what is actually going to happen, I unfortunately will have to leave the state of Nevada. And that saddens me mostly because this is a honestly a great place to work. uh coming from the private sector. Um it saddens me to think that this is even a possibility from the state of Nevada. Um I did hear other people implore the board to do an independent audit, which I fully support. Um, and I hope that you take everyone's individual experiences into account. Thank you.

Chair Wells: Thank you, Miss Toth.

Mr. Hopkins: See, uh, Macias, you have permission to speak. Please slowly state and spell your name for the record if wish to make public comment.

Ms. Macias Um, my name is Amanda Macias. A M A N D A last name M A C I A S. Um, and you said where I work.

Chair Wells: No, we don't.

Ms. Macias: Oh, okay. Sorry. So, um, I'm actually just going to read out a comment that I submitted online. Um, it's fairly long, but I'm submitting this public comment to formally oppose and propose the the proposed increases to employee health insurance premiums and the simultaneous reduction in benefits being considered by the board. The proposal to increase premiums by 60 to 130% while also increasing deductibles, raising co-payments, and introducing new prescription deductibles places a severe and unreasonable financial burden on state employees. These changes are especially concerning when viewed alongside increasing retirement contribution rates, reduced retention incentives, and minimum annual pay increases that fail to keep pace with inflation and the rising cost of living.

As a state uh employee, um I believe it is important to emphasize that these decisions affect more than just our paychecks. They affect the morale, stability, and the integrity of the workforce responsible for maintaining public safety. Um so I do work for the Department of Corrections with the Nevada. Um so as an officer, you know, work in the we work as one of the most demanding and high-risk environments in state government. Every day we're tasked with maintaining order, protecting one another, and ensuring the safety of the public. Um, these responsibilities require a workforce that is supported, respected, and valued by the state we serve. Unfortunately, proposals like this send the opposite message. When the state increases financial burdens on its employees while simultaneously reducing benefits and limiting comp uh compensation growth, it singles or signals a lack of respect and recognition for the work that the officers and other state employees perform every day. Over time, policies like this erode morale,

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weaken trust in leadership and demand uh damage the integrity of the department. Low morale within correctional institutions is not a minor issue. It directly impacts staff retention, recruitment, safety, and operational effectiveness when officers feel unsupported or undervalued. Agencies struggle to retain experienced personnel, leaving facilities understaffed and placing additional strain on those who remain.

Um, I am a single parent and the majority of my monthly financial obligations already consists of medical expenses um, on top of my own medical expenses. So, the proposed increases in premiums and out-of- pocket expenses would sign significantly affect my ability to provide necessary healthcare for my family. Um, I do have the HMO and I alone pay \$189.20 some every two weeks. That's a lot. That' that's over four like \$400 on just medical premiums. Um while some state employees may qualify for medic Medicaid due to extremely low wages, many of us do not qualify for Medicaid um and still cannot reasonably absorb increases with this magnitude. This increase it creates a dangerous gap where employees earn too much to qualify for assistance but not enough to afford dramatically increased health insurance costs. If these increases um move forward, many employees may be forced to forge health insurance entirely because the premiums and out-of- pocket uh costs will simply become unaffordable. Um, I will be opting out of uh health insurance with the state if it does increase because that that doubles the amount that I already pay along the side along with the fact that we don't get increases and the increases that we were we were promised reduced significantly down to 1%. While everything else increases, including the medical and you guys, like I said, you guys are taking benefits away from us. Um, I'm not going to continue the rest of the statement because it's long, but I hope you got the gist of it.

Chair Wells: Thank you, Miss Macias.

Mr. Hopkins: Uh, Sarah Surrain. You have permission to speak. Please slowly state and spell your name for the record.

Ms. Surrain: Hi, my name is Dr. Sarah Serrain. My name is spelled S A R A H S U R R A I N. And I'm a faculty member at UNLV, but I'm participating in this call on my own time and my comments are my own. And for the record, I am providing uh public comment to express strong opposition to the proposed health insurance rate increases. I'm a new faculty member who um just moved here to Nevada in 2025 to join UNLV. And my when I decided to move to the state of Nevada and launch my independent research program here, the benefits package were um a key part of my calculations. The timing of my hire meant that I wasn't eligible for some recent adjustments to faculty salaries. But despite the lower salary compared to other R1 universities, I decided to come here knowing that at least I would have affordable health care. And so if this rate increase goes through, the math will change dramatically. I'll be forced to consider whether I can afford to continue to um pursue my my tenure track career here at uh UNLV.

And um just as a side note, I'm also uh you know hiring um new people for my lab and I'm working on hiring a postocck for my federally funded grant. But a rate increase like this will make it much harder for me to attract qualified applicants for this position. And it will, as other people have commented, lead to people leaving the public sector and not coming to Nevada. Um, so I urge you to follow the advice of my fellow employees and retirees we've heard from today

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and pause this rate increase. Get to the bottom of the reason for these short calls, these shortfalls with an independent audit and uh explore other solutions. Thank you so much.

Chair Wells: Thank you, Dr. Surrain.

Mr. Hopkins: Uh Sean uh Thomasson, you have permission to speak. Please slowly state and spell your name for the record if you wish to make public comment. Terresa Pitman, you have permission to speak. Please slowly state and spell your name for the record if you wish to make public comment. Caller with the last four digits 2440. You have permission to speak. Please press star six to unmute. And please slowly state and spell your name for the record. Hello. I can see you're unmuted. I can see that you're trying to speak.

Mr. Fong: Hello, distinguished members of the PEBP board. This is uh Frank Fong F O N G.

Chair Wells: Go ahead, sir.

Mr. Fong: Uh I have uh served this the state of Nevada as a uh parole and probation officer for many years and I proudly state that I can protect the citizens of Nevada from the boogeyman uh so they can sleep well at night. Um what the state has done to reward my loyalty is in this fiscal year is that they've increased PERS by 4%. They've given us no COLA. Now they're talking about raising healthcare. Uh, at the same time, the legislature came out and said they just wanted to make us whole. I'm not sure whose math they took that maybe that's why we're ranked 49th in the state in in the country as far as education, but that math doesn't matter.

At the same conversation, uh, we have funneled over \$1.2 billion into a rainy day fund. Well, I think for every state employee, we should be issued an umbrella because it's raining. And I believe that um this is due to all the mismanagement and the incompetency and the fiduciary fiscal uh uh irresponsibility that's occurred. And now you're asking for these employees who have been loyal to the state to pay that portion back uh out of their fair share. And at the same time uh we're not able to keep up with the cost of living and you're asking us to be able to compete with other agencies. There's no wonder why we have a failure to not only attract but retain quality personnel. Uh thank you.

Mr. Hopkins: Uh let's see. Call with the last four digits 332. Please slowly state and spell your name for the record. If you wish to make public comment, you press star six to unmute. And let me go through a couple of ones that were still here on the phones. Caller with the last four digits 6010, please press star six to unmute. Please slowly state and spell your name for the record. A. Douglas, please slowly state and spell your name for the record. J. Justice, you have permission to speak. Please slowly stay and spell your name for the record if you wish to make public comment. We got one. Moto G, you have permission to speak. Please slowly state and spell your name for the record if you wish to make public comment. M. Rooker, you have permission to speak. Please slowly state and spell your name for the record. V. Wiggins. I apologize if I went over you. Uh Teresa Pitman. Chair Wells, that concludes public comment.

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Chair Wells: Thank you. So, we'll close agenda item number two, public comment. Move to agenda item number three, Mr. Rivera.

Brandee Mooneyhan: It's actually Mr. Rowe filling in for Mr. Rivera today. Sorry.

Chair Wells: Mr. Rowe.

Mr. Rowe: Thank you very much. Apologies to chair. Uh this is Dag Isaac Rowe from the AG's office. I am going to read a disclosure out. Uh hello everyone. My name is Isaac Rowe, deputy attorney general for the record. This agenda item is to allow me to make a disclosure regarding the conflicts of interest on behalf of the board members who are eligible for the public employee benefits program PEBP benefits. Pursuant to NRS281A.420. On behalf of the board members who are eligible for PEBP benefits or those families who are eligible for PEBP benefits, I offer this disclosure that they will be voting on those items that may affect the benefits available to them or their family members. The law does not require abstention from voting merely because the board members or their family is eligible for PEBP benefits. At this time, I invite any member of the board who has an additional disclosure to make it now. Thank you.

Chair Wells: Thank you, Mr. Rowe. Any additional disclosures from board members? Seeing none, we'll close agenda item number three. Move to agenda item number four. Presentation on potential plan design changes and rate methodology for plan year 2027.

Executive Officer Carsten: I was going to say here I just have a narrative and then he's going to do the presentation.

So, um for the record, this is Theresa Carsten. Um, Chair Wells and I did not coordinate because I think our commentary is going to be pretty similar. But before Segal starts their uh, presentation, I'd like to begin by addressing um, board members and PEBP members as well as other stakeholders by acknowledging that the intent of this meeting was to address the board requests for additional plan options for consideration specific to two-year and three-year phased in approach that would be more favorable to members. I apologize if slide materials from the January presentation were misunderstood or misrepresented to the community at large as I truly believe it was clear for those of us that participated in the January board meeting that none of the board members indicated that a one-year recovery period would be considered for plan year 27.

Additionally, since the last meeting, I have received more information on the status of an internal review of our previous budget build as well as our fiscal processes and systems coding that may impact our projected assets and expenditures by the end of the year. As the review is not completed, I cannot speak to actual figures, but to date, the review findings indicate that PEBP has potential assets that were not previously accounted for. Once the review is completed, I will have enough information to disclose publicly the amount available. I expect this information to be available for the March board meeting. As a result of this new information, PEBP and Segal discussed revising the slides from the previously scheduled and cancelled February 18th, 2026 meeting. Reserves will be less than projected or budgeted by the end of the year, but reserves will exist for the beginning of program year 27. Although replenishing reserves

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over time will be part of today's discussion, the goal of today's meeting materials is to create a discussion about plan costs, viability, sustainability in a manner that is not only fiscally responsible, but also as affordable to members as possible. Mr. Ward, you may begin.

Mr. Ward: All right. Thank you. Uh Richard Ward, W A R D for the record with Segal Consulting. All right. So, I appreciate the the opening comments and I'm going to direct us to start on what's numbered as page three in our materials, which I believe is uh page 11, right in the in the board doc as numbered in the PDF, page 10.

Member Harper: As just quick point of order. Uh, member Harper, for the record, would it be possible to share the slides on the screen for people who are following along with the YouTube recording?

Mr. Hopkins: Not a bad idea. I should be able to do one moment, please. Sorry.

Mr. Ward: All right.

Mr. Hopkins: Oh, hold on board. It's under the board packet. What? What? What page?

Mr. Ward: The page 10 of the PDF.

Mr. Hopkins: Let me get ready. screen right apologies by the way everybody. Okay. There we go.

Mr. Ward: So, echoing some of the comments from Chair Wells and Executive Officer Carsten, uh, there there's a a review underway of of the finances in PEBP and also the information that we've been using for our analysis. And and candidly, our analysis relies upon information that's provided to us. And so what's come to light in the last couple of weeks is that we were not provided the the final AEGIS and REGI funding levels. And so our projections through last month through the J through January have been using rates that are higher than were actually the in the final approved budget for the state. And this slide summarizes the uh that that restatement.

So between fiscal years 26 and 27, they're about 3 and 4% lower for both for for AEGIS and and substantially lower for REGI. And in total, that results in uh not quite 30 million a year in in uh in a reduction in expected revenue. And that's about 56 million over the biennium. That's still about a 30% increase in state funding in the AEGIS or in total between the AEGIS and the REGI. Uh but it is a it is a a a different situation by 3 to 4% from a revenue perspective than the projections that we've been sharing over the last couple of months.

Member Zumtobel: Excuse me. Can I ask you a question or Tom Zumtobel for the record? Um, can you help me to understand? So, so, so you're not responsible to get the data. You get it from PEBP. But don't you don't you have an expectation what the data would look like? If it's if it's that far off, wouldn't you have an obligation to push back and say this doesn't look correct?

Mr. Ward: Yes. However, I will say the fiscal year 25 AEGIS was \$759. And both of the figures for fiscal year 26 are approximately a 30% increase.

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Mr. Zumtobel: How does that relate to the previous month though? I mean, I'm just trying to understand how numbers that are that far off would be presented without how it surprised everybody.

Mr. Ward: Well, it was a substantial increase. We it was communicated that there'd be a substantial increase that was included there that uh sizable increase was included in the governor's proposed budget. Right. Okay. And and then that was that's the 1022 that we have here as uh is in the row as previous and then that number was never is never updated from our perspective to us never communicated to us that it was updated.

Executive Officer Carsten: So Theresa Carsten, for the record, I I I think what happened was a budget was built uh for govern Governor's recommended budget and it had numbers that Segal was provided and discussed and and then the legislatively approved budget came back in at a different amount and I don't think that was communicated from previous administration back to Segal. Um and I then I think Chair Wells and I just saw on a slide in was it December or January? I can't remember. Um the AEGIS and REGI amounts in one of the presentations and we're like oh no that's not right. Um and that's when we started our discussions with Mr. Ward.

Member Zumtobel: I I I want to make sure my questions are heard correctly because I have zero interest in placing blame or or are done fine. I I just really need I I don't because I think even your explanation so the governor presented a budget the legislature approved a different number but we were still working off the governor's number?

Executive Officer Carsten: I think they were yes Segal was.

Member Zumtobel: how is is but how how?

Executive Officer Carsten: the document so there are documents correct that are released through so the the AEGIS is released through a bill that's public um the fringe and wage memo memo comes from governor's finance office that's public on their website. I I think the previous history is that those amounts were previously communicated to actuaries through emails or conversations and um I did not provide those until I got here and we understood that they were operating off of different amounts. I can't speak to how I mean I can't speak to how it was communicated before I was here but I think that's the problem is the final approval those documents were not shared until just recently.

Mr. Ward: I will say the level of collaboration that it sounds like you're expecting is the level of collaboration that we have with the 20 plus other states that we work with. And the level of collaboration that executive officer Carsten is noting over the last couple of weeks and the last couple of months is more what we would expect.

Member Zumtobel: But you're paid a lot of money to do what you do for us, right? I mean, a pretty significant cont. I don't know the number, but I I would imagine you get paid pretty good money. And because you're a professional organization, Segal, I mean, you have a lot of state

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contracts. If if we're not doing what other states do, isn't it isn't that part of your role to point that out?

Mr. Ward: Our clients manage their plans how they see fit at times.

Member Zumtobel: That's not a comfortable answer. I mean, that doesn't I I could hear you saying that, but I I feel like that's what a board like this does is hire professionals to be helpful. The people on this board don't know all the things, you know. They don't have the exposure you have. And that seems like that's part of the role. But if you say it's not your job, it's not your job.

Mr. Ward: Well, I think we might be saying slightly different things. So we can make recommendations and provide advice, but we're not making decisions. And I would say also there is uh there is a gap between the official PEBP budget projection for revenue and the projection that we provided.

Member Zumtobel: Yeah. Yeah.

Mr. Ward: And we didn't see the final projection that PEBP submitted as part of the state budget.

Member Zumtobel: Yeah.

Mr. Ward: There wasn't an opportunity for us to have a conversation about it.

Member Zumtobel: No. And and I'm sorry that that I I came off the way I did because I really didn't intend to, but your answer triggered me a little bit. But I um it it has to all start with revenue. And if if the revenue isn't correct, then you can't

Mr. Ward: I I totally agree. That is the that is the most direct thing to to calculate. And to if I may circle back to something that I may not have addressed in a previous question is you're asking, well, didn't you notice?

Member Zumtobel: Yeah.

Mr. Ward: Okay. The we do a a monthly review of of PEBP and that includes both revenue and expenses and it's just it's a it's a cash assess type assessment. So it's on a cash basis and the revenue that has been flowing into PEBP has been the timing of it has been irregular. Okay. So in fiscal year 25 there were about 15 REGI pay monthly REGI payments. So REGI had fallen behind and then it caught up and some months there are two or three and some months there are zero and it may go two or three months without without there being any transfer.

Member Zumtobel: Mhm.

Mr. Ward: At least let me say that was the case back then. It's hard to get a bead on what to expect with that sort of timing variation. because there also when it comes through if it looks like

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there's two or three months it's not two or three times a very specific number. It just looks like it's about three times what you might expect for a monthly number.

Member Zumtobel: Mhm.

Mr. Ward: And with these rates being for the for the ages being about 3% different, it it's hard to notice a 3% gap in the per capita rate when you have that sort of timing variation.

Member Zumtobel: Yeah. Yeah.

Mr. Ward: Also also actuaries are not the accountants.

Member Zumtobel: No, but but but if

Mr. Ward: and I'm trying not to be defensive here, but I'm just trying from our perspective that that's been our experience. Yeah. And we are looking forward to being able to be more helpful.

Member Zumtobel: because if it flows inconsistency inconsistently, I mean 3% over a year is all something anybody can deal with, right? And you know, but but what you described, if it's that inconsistent and then you're basing projections off of some period where there's inconsistency, that's concerning, right?

Mr. Ward: Yeah. We did our revenue projections from the ground up. Yeah, it's a per capita rate.

Member Zumtobel: So, we have enrollments times the rates. That's the number that we got. Is it like a running 12 or what? What what what is the So, do you have 12 months of a rate or do you have a quarter of a rate? What what is the basis?

Mr. Ward: We our revenue projections are not based off of a run rate. No, you could not because they don't start that way. Let me put it that way. Because if you base it off of a run rate when you have irregular payments, you may take a 12-month period that has 14 or 15 months worth of payments. And then if you project that forward, then you're over projecting revenue.

Member Zumtobel: I don't know if I agree with that.

Mr. Ward: If you don't know that it's 14 or 15 months,

Member Zumtobel: if you don't know it, but if you know it.

Mr. Ward: So, so what we do is we take So, the final ages here is 991. Yeah. 991 times the number of employees times 12.

Member Zumtobel: But but that's the problem, right? that that's what you thought you said I think if I'm understanding this conversation correctly and go the the

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Mr. Ward: I'm sorry the the monthly projections are on a cash basis so we're also looking to anticipate or account for the fact that there may be some of these some catchup payments if it looks like if it looks like so if we are in April for the fiscal year that ends in June and let's say eight monthly payments have come in or it looks like eight monthly payments. We're not necessarily going to assume that all the revenue is going to come in for the year because it might come in after June 30th and if it comes in a week after June 30th and on a cash basis it's in the next fiscal year from the way that this report uh is structured and then similarly if it if it's early enough in the year we may we may expect that there would be some catchup during the year.

Member Zumtobel: I'm going to ask one more quick question. I'll stop. The claims are not You don't You don't capture the claims on a cash basis.

Mr. Ward: We do for that report.

Member Zumtobel: You do?

Mr. Ward: Mhm.

Member Zumtobel: Okay.

Mr. Ward: That report is on a cash basis. And then and then when we're looking at the expected costs for a year, we're projecting on an incurred basis and then also factoring in the expected rebates, pharmacy rebates that are becoming more significant as time goes on. That's a that's a material component to uh PEBP considers it revenue. So that's a material component that wasn't as important even 10 years ago.

Member Zumtobel: Okay. Okay. Thanks, Chairman Wells, I I just want to understand the revenue a little bit better.

Chair Wells: So, we'll talk a little bit more about it. Rich?

Member Rich: um uh Theresa, I just have a quick question. If these numbers were not communicated to the actuaries uh or the wrong numbers were communicated to the actuaries whichever is the case um were the wrong numbers or no no updated numbers communicated to other vendors such as the eligibility you know it tells us and you know those folks too because that would cause issues as well right so were the rates tested did is that

Mr. Rowe: and and this is Isaac Rowe DAG for the record. just for the record if anyone can whoever is speaking can they just say their name for the record.

Member Rich: Sorry I'm out of practice. Laura Rich for the record. Um yeah. So, um,

Executive Officer Carsten: Teresa Carson, for the record, I I think Chair Wells mentioned that at the top in his comment is that, um, the rates for we think for for at least last year and possibly the

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year before were not tested correctly. So, the system is not reflecting um accurate rates in there. As far as communication to vendors, the the rate information was provided to the vendor, it was the system is not reflecting what was provided.

Member Rich: Ah, so does that also mean, Laura Rich, for the record, does that also mean that agencies are being um

Chair Wells: different issue.

Member Rich: Okay. Sorry

Executive Officer Carsten: that's a good question.

Chair Wells: Member Grimmer.

Vice Chair Grimmer: Okay. Uh Joy Grimmer for the record. So, my question was going to be um do we know if the uh revenue received into budget account 1338 is based off of the um 991 premium or is it the 759 premium or are we exploring that?

Executive Officer Carsten: Theresa Carsten, for the record, I I think that's where it gets tricky. also relates to some of the misinformation or misunderstanding that Segal may have is we receive our AEGIS and REGI into two different budget accounts and then they're transferred to 1338. So, uh the amount that and correct me if I'm wrong, Chair Wells, the amount that gets transferred into 1338 is not the rate of AEGIS or REGI by employee. It's based off of plan member and tier. So, um, so we get an invoice out of, uh, Telus every month that basically says who received a benefit and in what amount and then we can transfer that money. Um, because the system is inaccurate. That's that's where we're doing the review because those are the assets that we think we've discovered that can be moved, but we have to have the proper backup and accounting for them before we do move them.

Vice Chair Grimmer: Okay. Thank you.

Chair Wells: All right, we're going to take five minutes and do PEBP 101. I think it would help everybody. The way that AEGIS and REGI work is that the state puts a flat dollar amount in. In this case, it's \$991 for every active employee who is covered under PEBP insurance. Whether they work for the state, the university system, the boards and commissions that we cover, the legislative branch, everybody puts in 991 per month. That money is accumulated in the AEGIS budget account and then it is transferred out based on the plan and tier that is selected. So once we set rates and we set the split between the employee contribution and the state contribution, the employee contribution deducted from paychecks and remitted to PEBP, the the amount that's the employer is on a separate bill within the system that is then transferred from AEGIS to the to the main budget account. That dollar amount that's supposed to be being transferred for the employer share from AEGIS into the main budget account is incorrect and that is what we are

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reconciling at this point. The 991 that is coming out of agency budgets and being transferred into AEGIS I believe is correct.

But if you remember the audit for the retirees fund in December I think we had that on the agenda. The auditors pointed out that at least one year we were using the wrong rate for too many pay periods. So the pay period the rate wasn't being changed when it should have been changed at the at the beginning. So the way the retired employee group insurance works is it is a percentage of payroll because retirees don't pay in. So that the the this the budget office and the legislature basically take the amount that's necessary for all the retirees and converts that into a percentage of payroll and then that percentage of payroll is run against everybody's payroll whether the the university system the legislative branch state payroll wherever you come from and you remit that into the retired employees group insurance account. The money that comes out of the retired employee group in insurance account is predicated on the plan and tier that the individual retiree selects.

And so one of my big questions is the 991 is a little bit irrelevant. The premiums dictate how much money is coming in based on the amount that is assigned to the different plans and tiers that are that are coming out. So if the 991 was too much, we should have a surplus at in AEGIS at the end of the year or in REGI at the end of the year. If it is too little, we have a deficit. That deficit sometimes generates future year payments when the when the state makes it up. And so the the AEGIS and REGI accounts are kind of outside the whole premium process. And so it concerns me a little bit I think now that we are focused so much on the 991 when it really is the amount that is the based on the plan and tier selection of the individual employees. So when plan year 26 rates were set they were they set you assuming that there was 1,022 coming in and we're only getting 991 or were they set with the 99 how were the rates set for the current plan year for 2026?

Mr. Ward: They're set with the 1022, but I'm going to direct us to go a move ahead to it's slide seven in in our materials, which I guess would be nine perhaps in the in the PDF. No, not I'm sorry. further. one one second. No, it's further back. Sorry. It is slide 19 per our numbering which I believe is 21 in the PDF. Yes. So for for plan year 26, the rates were set such that there is an amount in that third column under plan year 26 that would be expected to be um utilized if you will in the second year of the biennium.

Executive Office Carsten: So they they in they inflated the rate for 26 to build towards 27

Mr. Ward: Right, the the base subsidy should balance back to the ages of 1022 and I will acknowledge that in the last two weeks we have a much improved understanding of how the revenue flows within PEBP. That was that was not something we were really read into prior.

Member Zumtobel: Chairman Wells, can you help me to understand how that connects to your comment? Because I I thought I was tracking what that you were saying that now that I look at this slide, I don't know how it tracks back to either the the 921 or the 1027.

Chair Wells: So, so the idea is that you would take the number of participants in participant only coverage times the 806. Yeah. The number in the participant plus spouse times 1390.

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Member Zumtobel: Gotcha.

Chair Wells: Go with it. And then you total that and divide by total number of participants. That's how the 991 is calculated.

Member Zumtobel: Okay. And the rates are set on revenue. But wouldn't they be set on expense? Supposed to be set on premiums or on expense.

Chair Wells: Expense.

Member Zumtobel: Yeah. Right. But but the rates are set on revenue.

Chair Wells: I don't know. That's a good question.

Mr. Ward: So yes, the the base so the the published rates in aggregate reflect the expected expenses in aggregate. And I'm saying it that way because there's interplan subsidies historically. Okay. The base subsidy balances back to the 1022. those figures would be different if we had known that it was 991. And then and then the third column when since it's negative that reflects an expected um building of assets. So it's a an expected gain. So assets held in I hesitate to use the word reserve but but um for the second year because the the fund the state funding was going to go was going to decline in year two regardless.

Executive Officer Carsten: Was the was the plan to use that additional subsidy to buy down rates the following year? Yes.

Mr. Ward: Yes.

Executive Officer Carsten: I was trying to use the same words so I can keep it straight in my head. Is that true?

Mr. Ward: But if we if we'd had the 991, if that had been our understanding, those two middle columns would look different. I don't know about the the fourth column because that's the that's a decision that the board makes based off of the information that's available at the time, but the first column would likely be the same.

Member Rich: Um, Laura Rich for the record. Um, and Mr. Ward. I don't know if you have the answer, but I'm just I'm trying to I'm trying to understand how these rates were just not communicated. Just knowing the processes internally. Um, typically budget closing is PEBP's budget closing is usually sometime Aprilish, um, maybe. Um I believe the previous executive officer retired uh sometime in July. So there was a time frame there where you know it it wasn't new leadership or anything like that. Um, can you kind of explain like, you know, where you think that communication, a lack of communication or how, you know, I I think that there's

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there's processes internally and I'm just trying to understand how this just completely fell through the cracks because it's a big, you know, it's a it's a big deal.

Chair Wells: It was very shocking to find that we when when we noticed that the that the numbers that were in here did not match what was in the bill. I mean, and frankly, I'm just used to looking at the bill. Um, and it's like, okay, they don't match, but you know.

Member Rich: Yeah. Laura Rich, for the record, Exactly. There's internal processes and I know this isn't the first the first um session you guys have been through. So, can you just kind of walk us through like what happened? We just, you know, it's it's just shocking.

Mr. Ward: Should I respond to you know one

Chair Wells: Lets do one and member Harper you can be next.

Mr. Ward: Okay. Um the there was the whole rates discussion based off of the the the information that we had at the time which is the the the higher figures the 1022 and the 982 and that's reflected in this in these rates here.

Member Rich: Well, but this would have been the time frame between probably May and July. So this would have had to have been communicated or should have been communicated in July and is there I mean was can you just kind of elaborate on that? Was there just no discussions no followup to this is what happened during session?

Mr. Ward: I see I mean okay I understand the question now better. I I went I went further back in time than you wanted me to. Um, I I would say a lack of communication is the best way to to characterize it. And so admittedly, we didn't go looking for it, but it wasn't shared with us that it was that the final didn't align with the initial proposed. And had that been the case then I think it would have merited or had we known at the time in July or June or whenever then it would have it would have merit it would it would have merited at least a discussion of some kind and none of that took place.

Chair Wells: Yeah. And I will say in general the that that number does not really change once the board sets rates. Historically, the the number does not change once the board set rates because the because the board sets rates before the April 1st and so even though the budget may not be officially closed historically that whatever is used in the budget process is what ends up in the bill and so I don't know where the disconnect is. Member Harper.

Member Harper: uh Blaine Harper for the record rates are set in March. What date was AB583 from the 2025 session introduced? And did the numbers change after the fact? Was the board actually working with the numbers that finally had appropriations at the time?

Chair Wells: The bills all come out at the end of session. So, it's part of what the what we call I call we used to call the big six. So, all the appropriations, authorizations, capital improvement, payroll, the the payroll bill, they all come out at once at the end of session. But the numbers in them generally have been agreed upon for this particular bill for the first year of the biennium

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has typically been agreed upon before well before the rates are set. So I I don't know. I just don't know. I don't know what else to tell you. That's the type

Mr. Ward: I I have an additional and I don't know why it was done this way. I am aware of a prior session, not not last year,

Chair Wells: 23.

Mr. Ward: Is it 23 where where the board set rates in March and then the the AEGIS and the and or the REGI were changed were different became different after March and then the board I believe reconvened and re-evaluated the the rate situation. That's that's before our contract, but that's my understanding. I don't know if that would have happened here, but there from our perspective, we didn't know that that should have been a consideration.

Chair Wells: You know, the the program runs on a cash basis like you're talking about, but we when we set rates, when we set these rates, there's an intent that they cover the claims for a 12-month period. There's an intent that that irregardless of whether that claim is submitted on the first the second day of the plan year or one year and 364 days after because we have the 12-month limit after a plan year closes for a claim to be submitted and and and pay. So you've got a 24-month period in which you could have claims for a 12-month period. These rates are supposed to be set that include the IBNR reserve that run out for that for that year and they're supposed to cover any of the HRA and HSA contributions.

So when those rates are set 12 months after the end of the year and it's and really it's you could probably do it now because the number of claims that we're currently paying for 2025 is probably relatively low. But at what point are we going back and looking? Did 24 rates do what we expected? Did 2024 rate revenues cover the expenses for the claims that were incurred in that 12-month period. I think that's what the gist gets down to because then if you know what your 24 rates are, you may not know what your 25 rates whether there was a plus or minus yet, but you should know at this point whether 24 is a plus or minus. And and has that calculation ever been done?

Mr. Ward: I believe so, but I need to ref I'd like to reference the look back analysis that we provide every year in August to comment on that.

Chair Wells: I don't know that that was ever provided to the board. I know I've seen the look back analysis because I asked for it, but I don't know that that was ever presented to the board.

Mr. Ward: I don't know if it has either. We we provided it to staff

Chair Wells: and frankly that's a very important thing for us to know. It should have been what why it wasn't I I don't know. I thought maybe it had been done before I got here because I did I was appointed in July. So I thought maybe it had been already done. But knowing that it hasn't we should be doing that because because I basically that's where you start everything. your 25 inflation, your 26 inflation, your 27 inflation, utilization changes, plans, the plan migration

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changes, all that has to be predicated off of some starting point that we that everybody agrees on. And without without us having that, I I think I think where we are today is is difficult.

I think and I think that's why we're starting to to see a lot of questions as to whether or not we the numbers can be relied upon. You know, we get there's an audit that's done of of PEBP every year. Unfortunately, they're a year behind right now. And so the 24 I don't know what audit we're on. Yeah. Assume we're going to be on the 24 audit will be 27. But so we do get an audit. our numbers are audited and and frankly the audit is one of the places where we found that there was a problem with the retired employee group insurance rate being charged. So everybody a lot of people ask for an audit to be done. Audits are done routinely at this program while they are behind they are routinely done. Right now what we are doing is an audit of the last year and a half to make sure that the numbers being transferred into the main budget account from the AEGIS and REGI accounts are appropriate. Wow. But I but I still am struggling with why that \$12.28 or \$24.52 depending on your tier where that came from and and what that really looks like if we were using a a number that was not correct because we're at a different starting point,

MR. Ward: Right.

Chair Wells: So where do we go? How do we how do we get comfortable that the rates in 26 26 are set somewhat accordingly so that we can figure out what to do for 27 in 3 weeks or whenever the meeting is

Mr. Ward: the most rec so a couple of comments we we certainly restate that if that's if that's helpful to see what the third the second and third columns would be but in our monthly reports we are generally projecting a break even year. So it given that the that the revenue is pulled the way that you described which is based off of the second and fourth columns essentially and that's the revenue that we see in the budget tracker that we're provided when we have expense expenses and revenue to date which at this point would be through um we have we haven't done the January one yet, but we've done the December one. So on a cash basis, first 6 months take we have the that experience and then we're projecting for the next 6 months we're basically break even and that's been our projection since early on in this fiscal year and that's remained fairly consistent and the ex the experience as it emerges has tracked with that expectation. So that tells me that in aggregate these rates are appropriate,

Chair Wells: but the numbers that are coming in are don't equate to that table. So the 806 that you see there, we're not we're not moving 806 in. That's what that's the that's the issue that we are trying to reconcile.

Mr. Ward: And I don't know what that what that rate is that's being.

Chair Wells: If we move more in, does that mean that we are generating a surplus? If if what we have move if what you're seeing on a cash basis to date is is at a break even point and we know that we have not brought in the number the amount of revenue that we should have brought in. We know that for a fact at this point that for the first six months of this plan year we have not

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brought in the cash that we should have been brought in. Does that mean we are running currently at a surplus?

Mr. Ward: That would likely be the case. Yes.

Chair Wells: Exactly. And then and then so that's why I am very reluctant to make any additional plan design changes. And frankly, I'm getting to the point where I don't even know what to do with rates in in 3 weeks without additional information.

Member Rich: Uh Laura Rich, for the record, can I suggest that um because of the situation that we're put in that we make a decision now to um shorten open enrollment to 15 days instead of 30 days so that it gives us an extra two weeks to um figure things out basically. um you know because we we do we run against that open enrollment period um and that's why we have rates in March is so that you can load everything into the system in April and you can have everything ready to go May one um for people to uh enroll in in plans and so if you shorten and we've done it before several years um usually it's legislature related but um you know where we shorten that window to 15 days and it is problematic for employees in a way because we do, you know, they they have 15 less days to figure out what plan is best for them. But I think given the circumstances, we need to, you know, really take our time and um take a methodical approach to what we're doing here.

Chair Wells: Let me let me ask staff what they think about a shortened open enrollment.

Ms. Mooneyhan: Uh Brandy Bonhan, for the record, I just want to point out that I'm not sure that this action is contemplated by today's agenda. So perhaps it would be on the next agenda.

Chair Wells: It would have to be on the next agenda. I get it. But but we still need to know from a process. Logistically, I would defer to my colleagues.

Mr. Proper: Uh Nick Proper, for the record, we can do it. We've done it before. Um it's hectic, but we can do it.

Chair Wells: What's the timing for putting the information in and testing rates? Knowing that we have not done that correctly for at least the last two years, we need to do a better job this time of testing rates. How much time do you need to test rates before they go into effect?

Ms. McJoy: I spoke to the vendor yesterday about that and she said it takes about 3 to four weeks for them to actually test those rates. So, she wanted me to provide her as soon as I possibly can with the rates. I told her that was at a later discussion, but they need that much time.

Chair Wells: Mr. Zumtobel

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Member Zumtobel: Tom Zumtobel for the record. I just wanted to make sure I understood the way you guys were both using the term break even. I I just want to know break even against premium break even. What was break even against what? Revenue I guess, right?

Mr. Ward: I revenue equals expenses is how

Member Zumtobel: so last year all the all of the um state money all of the the premiums by employees were the same amount as claims expense.

Mr. Ward: Once you consider Once you consider uh rebates and

Member Zumtobel: in aggregate.

Mr. Ward: Yes. So and in aggregate that's correct.

Member Zumtobel: So so you run you run like a 100% loss ratio. Maybe that's not Let me take that question back. So you that that is there administrative expenses in there in the two also?

Mr. Ward: Yes.

Member Zumtobel: Okay. Okay.

Mr. Ward: So just that's why that's why expenses not claims. Yeah. Okay. So it includes vendor expenses, it includes internal operational expenses that are that are that are supported by by the revenue

Member Zumtobel: and and had um I know the reserves are short, but at least had enough to cover the IBNR in addition to that that we're aware of.

Chair Wells: You read it.

Mr. Ward: Yes. Right. Okay. Yeah. I mean that's the place to start. You're right. That's where you start.

Chair Wells: Member Harper.

Member Harper: Blaine Harper for the record. uh since it sounds like it will be considered at the next meeting um potentially shortening the enrollment period, but we don't know yet what kinds of rates we'll be looking at. Um, I I'd like to also put forward consideration of the possibility of a second switch period if it turns out that the premiums are moving by, you know, less than anything that people have been flagging in the slides, but there are still potentially impactful numbers that the board will need to be considering next month. And I I don't want people to have too short of a window to make their choice.

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Chair Wells: Understood. It's much more difficult when you start allowing in in your plan changes because you've got deductibles and co-pays and which plan are you on? It has to be done before the the start of plan year. You can't you can't allow for changes during a plan year without it. It would be a disaster for the UMR just couldn't handle it because they wouldn't know your accumulators would change. If you went from an HMO to a to a non-HMO product, it would be you we would have premiums for part of the year, but then you would have to go start when did you start the accumulator? So, they might have been on it for three months and now you're going to start the accumulator. Well, they only have nine months to do that accumulator. It just that's why we don't allow unless you have unless you have a qualifying event that's why we don't allow changes during the plan year.

Member Harper: Blaine Harper for the record. Thank you for the clarification and uh you know hope hopefully we can get a good sense of numbers to work with uh in terms of that rate setting discussion next month. Um, I I am I am concerned that we have so many public comments coming in where people feel like they're making a choice between whatever they have now with whatever premium comes versus making a fresh choice among plan options, you know, whether whether people actually can break out a spreadsheet and find a better plan. what we saw in the you know four cases uh in the January board packet there is not a single case where the HMO EPO was actually meeting for our participants needs better than the LDPPO everybody was saving money across those four cases if they chose the LDPPO instead of the EPO HMO and you know so there there's potentially an opportunity for communication um but but yeah I I I see a lot of people still feeling like they're between a rock and a hard place

Chair Wells: And I think long term I'm not sure how sustainable the EPO HMO is. the we are a little bit at the whim of United when they set rates and we have a cap within our contracts but they can they have and I don't know if they did this year but historically they've come they they say this is what our you know we want more but we'll settle for the cap and so you've got you're always at that at the whim and it's a very rich plan and there's not a lot of participation in it anymore and at some point if you want to remain in that plan and I think there was a a good example in one of the slides comparing other states there was a plan that had a little bit richer of a plan. I think ours is about 90 between 90 right around 90%. I think theirs was about 93%. But if you look this an individual was paying \$635 a month for a 93% plan. And so at some point we're going to have to realize if you want a 90% plan the premiums are going to be very high to get and I think that will make people make very different decisions. And that comes down to the kind of the cross subsidization and and whether or not we are going to continue that policy of of cross subsidization of plans which is kind of what you're seeing now is that the that this the CDHP is running a at a surplus the other two plans running at a deficit.

Member Zumtobel: Tom Zumtobel too. Sorry, but that the other piece of that too that happens that that lots of times We don't realize your healthy people drop off, right? They're the ones that don't keep the coverage any longer and then your expenses go up because the people that are willing to pay more are the ones that are sick and then all you have is a plan of people that are high risk and it gets into a death spiral honestly.

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Chair Wells: And frankly, I think that that that plan is relatively close to a death spiral. Yeah. I mean, we I think we were about 8,000 participants, 9,000 participants and then we introduced this medium plan and we're about half that now.

Member Zumtobel: Yeah. And I'm really nervous about our the rates that were talked about before and I'm very happy they're not being talked about now until we get to the right numbers. But if people will drop off and go to Medicaid or whatever and then you know across the board all the expense stays the expensive care stays on this plan. So it's raising rates is not always the answer. Sometimes lowering the rates can be the answer frankly and it's tricky.

Chair Wells: We have a um fairly solid participation rate for employees.

Member Zumtobel: Yeah.

Chair Wells: Uh maybe not so much for families, but for employees we do. I I have another question. So, and this kind of goes to the the whole rate setting methodology. Law says they're we're supposed to have a single risk. we have single premiums or single uh subsidies, excuse me, across the the three plans. And I think that's a little bit of a fallacy because you have different if if you're on a different tier, you get a different subsidy. So, we don't have flat subsidies. We have flat subsidies by tier, meaning that a employee with that's covering their family is getting about it's about \$9,000 a year more in in subsidization than an employee is, but the law says we're supposed to have a single risk for state actives and retirees. So if we put all those people, all of our participants into a this single risk pool, how do we differentiate the premiums for the plans to ensure that if we do this flat, if we maintain the flat subsidy that the that the employee contribution is indicative of the cost of of deployment? Is it is it can we tie it to the actuarial value? Um how would we go about doing?

Mr. Ward: There are a couple of different ways. Uh Richard Ward for the record. There are a couple of different ways to to do it at its I think most fundamental approach is that we get data on claims expenses and administrative expenses by plan option. So, we know the claims associated with the CDH and we know the claims associated with the EPO and and whether the full premiums are determined based off of those plans specific experience so that there's a a a straight correlation or whether there's there's some blending. uh the fact that it's that the claims for all three plans are paid out of one account or one pool I think to me means that there is a uh one composite aggregate risk pool regardless of how the rates are set.

So right now the rates for the CDH are higher than the expenses and for the EPO they're the rates are lower. Right. Well, the the claims are still getting paid for the EPO. the EPO is not the the the revenue and the and the expenses are not run out of a separate account and the EPO is about to go is not about to go insolvent because it's all blended together and and so so there's there's that approach which uh has been discussed over the last couple of last couple of meetings and then there's a a pooled approach, more pooled approach or more blended approach where the differential in the premiums for the employees is more closely correlated to the difference in the actuarial value or the plan values. So that the difference in the premium reflects the difference in the expected member out of pocket between two plan options. So that gets down to a to a a

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decision for the employee to consider whether to pay a higher premium for less out of pocket or pay a have a lower premium and then have more out-of- pocket exposure.

Chair Wells: Okay. So currently the way that the premiums were calculated is using kind of the former approach where we have the the assumed claims from the the three plans are kind of uh done independently. Is that how the rates were set for a year?

Mr. Ward: I would say that the the rates were set with an not as rigorously as I just characterized. It was it was done it was it was done more on a a basis of um what is a tolerable increase for the EPO and the HMO. I'll just say it that way. And that's not our determination. I'm just I'm I'm communicating the the discussion at the time and and and so the difference in the premiums because the sorry I'm going to interrupt myself here just for a sec for the you were mentioning the a selection spiral. So there was, I think, a consideration for the for the increases in the EPO and the HMO to to not exacerbate a selection spiral. And so thinking about how how much that increase quote should be. And and so as a as a result, the difference in the premiums between the plans and the difference in the in the plan values are not as aligned as in the example that that I that I was mentioning before and we've seen and I think that's been uh determined by the membership people are migrating. So the difference in the the premium between the EPO and the low deductible plan is greater than the difference in the plan value and people are leaving the EPO and the HMO. And then kind of the reverse is the case on the on the CDH and people are leaving the CDH for the low deductible PO

Chair Wells: which is which is evident in the science.

Mr. Ward: Right. Right. and and so re-calibrating those differentials would slow and perhaps even reverse that migration, but people tend to unless they're disrupted that people tend to stay in the plan that they're in. So, I think a lot of unless there was a concerted effort to drive membership out of the PO, and I'm not suggesting or recommending that's the case, but without without that sort of uh without that sort of policy, I think a lot of the people in the PO would likely stay with a with a if there was a small calibration in the premiums and the and the benefits. And I'm not suggesting changing the benefits or the premiums, but that's just if that happened.

Chair Wells: First, Member Harper.

Member Harper: uh, so I think there's a slide in Mr. Ward's presentation that speaks to this. What can we get that shared on the screen?

Mr. Ward: The migration is the next one.

Member Harper: Yes.

Mr. Ward: So that's slide four, which I believe is uh page page 11 page 11 of the of the PDF. Yeah. So this is the this is this slide is consistent with prior board packets and it shows over a several year period the the migration from the CDH and there you go that's it from the CDH and

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primarily from the CDH and to a lesser degree but still from the EPO and the HMO. The CDH is the top line, which if you're looking at it in color, is more of a darker purple. And then there's kind of a gray light pink line in the middle. That is the low deductible PO. And you can see that enrollment increasing steadily since its introduction in 22. And then the EPO and the HMO are shown separately. um and they relatively speaking have been those enrollments have been more consistent but there has been a gradual decline in those enrollments over time and right now the the ratio there's about 5,800 subscribers in the EPO and the HMO combined I know we mentioned 9 10,000 lives but that's total membership this is just the employee contracts family units in the in those two plans comb combined. And then the other two plans are each about 2 and a half times that enrollment each at uh over between 13 and 14,000. So, as as the premiums for the EPO and the HMO have increased and the CDH has continued to subsidize the other plans, I think we're seeing people gradually um they may not be making that specific assessment, but they're they're feeling a difference in the the relative values in the total value of these plan options, and they're moving to the low deductible PO.

Member Harper: Blaine Harper, for the record, I I agree with that observation. Um, I think the it's not in this month's packet, but last month's packet, the per employee per month experience comparing the three plan options. My takeaway reflecting on that in combination with this migration pattern is that the premium pricing for the LDPPO resembles the CDHP pricing for premiums, but the cost PEBP side is closer to the the EPO HMO option for the LDPPO. Um and you know so rather than seeing really any migration worth commenting on from the EPO HMO to the LDPPO which really serves that interest well um we are seeing people flee the CDHP because the premiums have been hiked in ways that are not actually based on plan experience in the CDHP and people are sensitive to that. That that is what I see over over the last five years.

Executive Officer Carsten: Theresa Carsten, for the record, I would say based off of the experience of the plans are not appropriately priced and have not historically been appropriately priced. And I think that's one of the things that we want as part of the board discussion is how do we get back to that? Right.

Member Rich: Laura Rich, for the record, um my recollection is that when the low deductible was um introduced, there was a desire for kind of a mid-level plan and that was the whole reason to um you know to introduce the low deductible. Some people just didn't want to. The the high deductible plan was not affordable and the EPO and HMO was potentially, you know, their the premiums were um too expensive. So they there was a need and desire for that middle level tier. Um additionally there was a board policy decision that the discussion was around being plan agnostic right we don't care which plan someone enrolls in. We should not care what plan someone enrolls in. And so to give it you know kind of a you know just arbitrary number PEBP will give \$1,000 you know to this plan this plan and this plan. we do not care which one you enroll in. Um but it's that's dependent on the on the plan being priced appropriately, right? Because the CDHP might be let's say that the price is um you know uh \$1,020. So then the difference would be uh that the employee pays that \$20. Then the low deductible plan, let's say that's \$1,100. And so the employee pays that that the difference of \$100. So it that the strategy was, you know, to be plan agnostic and apply a flat, you know, the same amount per plan um and

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the employee pays the difference, but that's really dependent on the plan being priced correctly. So can you explain kind of where we went array there and what happened?

Mr. Ward: Richard Ward for the record. Um, it is our it it is our belief that that practice that the practice let me say it. So that's the that is the public policy or has been the public policy although behind the scenes there's been cross subsidies and that practice was in place when we started working with PEBP and and so there was uh I'll just say it it's been a long-standing practice where there's been interplan subsidies between

Member Zumtobel: I think to Laura's question that somebody would have had to make a decision. I think you're asking when the decision was made to do.

Mr. Ward: I don't know when the decision was made because it was made before before we started working with PEBP .

Member Zumtobel: The boards would have the board would have had to make the board sets the the rights. The board is the ultimately sets the ranks because the employees share. Yeah. If it's what you said earlier and I wasn't Tom for the record that it's a legislatively a single risk pool, right? And what Laura just described, ideally that's that's how you would manage a single risk pool because the risk would always be the same no matter what plan somebody went in. So the board then made a decision to go outside of the

Chair Wells: right and and I think that's the problem. That's why the plans are priced inappropriately is because former boards and former executive directors have made decisions and brought forth to the board for their approval rates that are not set in accordance with what member Rich is is talking about. And I think we if we're going to continue to do this, we're going to have to get back to that. Otherwise, you continue to have the cross subsidization. And I think that was where kind of the discussion about percentage of premium came in. I I I think I'm I would be okay with a flat dollar amount, but you've got to have the premiums priced accordingly. And right now, I just don't think that they are.

Member Zumtobel: Well, the other thing that happens when it gets cross subsidized or whatever, then there's just no accountability, right? There's no accountability.

Chair Wells: So, I'm going to be super simplistic about where we are or where I think how I think we need to proceed. And you tell me if I'm like totally off base. We have 2024 data, complete 2024 data, how much we collected in revenues and how much we spent out, premiums, administrative costs. We have a we have a a dollar plus or minus for 2025. probably 98% there. I don't know. I don't know exactly what the what the runout tale looks like anymore. Let's say assume we're 98% there. So, we we have a pretty good idea of where 2025 rates and expenses got us plus or minus. If we take those and kind of trend those forward to 26, the current year plan that we're in, that would change the one chart that we had up earlier that was using the wrong state contribution. And more use inflation, projected inflation, which is what which is what the premiums really are supposed to be based on. It's today's actuals plus tomorrow's inflation, right?

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to get us to 20 to what we should be setting for 2027. And then what we need to see is the plans priced accurately to reflect the actuarial value so that if we do a flat subsidy, we know what the amount is that the employee is going to have to contribute out of their paycheck.

Mr. Ward: I'd like to offer one suggestion to what you just said rather than the rates reflecting actuarial value. I think what we've been talking about is the projected expenses. And I'm saying it that way because the the if if you really want to be agnostic as regarding which plan people choose, then the rates for those plans need to reflect the expected expenses for those plans.

Chair Wells: And isn't that But isn't that what actuarial evaluation kind of portends?

Mr. Ward: Um,

Executive Officer Carsten: Theresa Carsten, for the record, I thought actuarial value. So, like when I look at this and it says the HMO is a 91.4% actuarial value. I thought that that meant like the plan would pay like 90% of expected expenses and the member would pay the remaining 8.6 sixth either through premiums, co-pays, deductibles, etc.

Mr. Ward: Not premiums, not premiums, just the right co-pays, deductibles, they're they're out of pocket. That and

Executive Officer Carsten: so when when we're using that phraseology, that's kind of the split between the plan versus the cost share to the member,

Mr. Ward: Right. And if and if we want to if we have rates if we want to set rates that differ between plans by the difference in the actuarial value and let's say one plans I'm going to try to make this simple 80% the other one's 90% and let's just pretend that's a 10% difference to illustrate then the the the difference in the rates will be 10%. But that will that will reflect some cross subsidies at some point between the plans because their expenses are not going to be 10%. Especially if you have the more expensive people in the richer plan and selection

Member Zumtobel: but it's a little bit apples and oranges the the way that chairman Wells was using he didn't say actuarial value necessarily. He said acturial because actuarial value is absolutely what you guys are talking about right it's the value of the plan. You were just asking for an actuarial study and then he said projection and you were asking what's the difference between an actuarial study and a projection. Is that correct?

Chair Wells: Well, what I was trying to get at was a definitive tie in the rates in the premiums, the total premium kind of to the actual experience.

Member Zumtobel: Yeah. Right. Right. Yeah. Of the plan. Right.

Chair Wells: So, I I'm okay using actual as long as we project for some migration.

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Mr. Ward: Oh, yeah.

Chair Wells: And I don't know how to actually do that because I think we're going to see and then I think the other thing that we're going to have to talk about is if the premiums are too big is there and I think that's where we get into the you know phase in but I think at some point the plans have to stand on their own. I I I don't think we can continue the cross subsidization of the EPO HMO and the and the low deductible PO with the CDHP. So whether that happens all at once or over a couple of years or or three years, it doesn't mean that the state's going to necessarily pick up more of that because because what you're saying now is we are artificially buying down the employee contributions for those rates.

Mr. Ward: Correct.

Chair Wells: And if we get more state money, then then you're going to have you're going to continue to have the same problem with the CDHP being overfunded and the other two plans being underfunded and offset with a subsidy.

Mr. Ward: Correct.

Chair Wells: So I think from my perspective, that's kind of where I think we I don't think we should be talking about more plan design changes at this particular juncture. I don't I don't think I'm not comfortable addressing more plan design changes until we have a better idea of rates and how much money we actually have. So I would be okay with leaving the plan design that we've approved to date for the upcoming plan year with no additional changes for today.

Member Harper: Blaine Harper, for the record, I think given that we need to see, you know, what one interpretation would be that we might need to see people move back towards the CDHP. You know, there there isn't a balance with the subsidies where they are and the numbers of participants where they are. One thing that would be helpful to balance the budget would be if the proportion were simply greater on the CDHP. if we had better signals, you know, absence of negative signals or presence of positive signals for the CDHP, I I think that it might be worth undoing the change about the CDHP out-of- pocket max that that we approved at the December meeting. Um, and if if it's okay, I'd like to move that we maintain the same out-of-pocket max for the CDHP in plan year 27 as in plan year 26.

Chair Wells: So if I recall we did correct that's what slide five is they have to say that that's what's been did we move it in January

Member Harper: Blaine Harper for the record we moved it in December um which is how it is presented in red on slide five of the Segal presentation um as 5K individual 10k family for SL 26. It's 4K individual 8K family.

Chair Wells: Oh, I see what you're saying. Maintain the 2026.

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Member McClendon: This is Jennifer McClendon for the record. I would second that motion.

Chair Wells: All right, we have a motion and a second. Any further discussion?

Member Rich: Laura Rich, for the record, did we just do that for the CDHP? I thought we did that across the board.

Member Harper: We changed Oh, sorry, Blaine Harper, for the record, we changed all three out of pocket maxes. Well, not all. There are all four. We didn't do all four. We did three. Uh, it's the CDHP, the LDPO, and the GPO. Those three plan options had changes at the December meeting.

Member Rich: So, are you proposing we only revert the CDHP decision or all of the the entire decision? I think it needs to be either all or none. I I don't know if we need to we don't have enough information to cherry-pick right now.

Member McClendon: This is Jennifer McClendon for the record. My understanding of member Harper's motion is that by not increasing that specific plans out of pocket maximum, we can possibly encourage and certainly not discourage people from being in that plan since that is the cheapest plan. So, if we make that plan less valuable by increasing the out-of-pocket maximum, it's possible that more people will move out of that plan. And from the discussion today, it seems like we need to keep the people in that plan who are there and maybe attract more people in. So, by making the plan less attractive, we're we're not going to achieve that goal. Am I understanding you correctly? So by keeping it the same, we'll at least protect the people who are in that plan and keep the numbers there st more stable potentially.

Member Rich: Laura Rich for the record, I um I don't think we have enough information to understand, you know, I think we're mudding the waters even more. I think we really need to understand the what we're working with before we make more decisions. Just

Executive Officer Carsten: Theresa Carsten for the record. I just want to remind I I think when we were talking back in December when we're letting the math flow like the CDHP plan could have very well ended up like if we're talking about covering costs the way they are, it it it sounded to me like then that that uh for an individual that cost could be very near zero. So, I mean I I think depending on how it comes in and what having plans priced for what they're cost by plan and tier that will help you guys maybe determine what other drivers might assist in in keeping plans uh I understand what you're trying to do, member Harper, make the plan attractive, but I think that member Rich's comment is like if we do too many motions without additional information, then what kind of plan do we end up with?

Chair Wells: And I think Mr. Ward will want to say something.

Mr. Ward: Yes. Uh Richard Ward, for the record, in in the spirit of um providing advice or additional comment or additional perspective. Um one of the one point the point that I want to make is that generally it's better to have when you have a lean plan, a middle plan, and a richer

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plan that for benefit provisions to flow accordingly. So by lowering the max out of pocket, you would have the lowest max out of pocket for the leanest plan. And then that sets up some uh some additional selection that's going to be difficult to project and to consider in the in our projections. And also we find that it generally it's confusing for the member if you have a plan that has a richer benefit value but a higher max out of pocket or a higher deductible than other. So generally it's easier for members to understand the the exposure in a given plan design if things flow in one direction. So I just wanted to offer that for as you're considering what to do here.

Chair Wells: Appreciate that.

Member Harper: Blaine Harper for the record. Um, we received out-of-pocket max information at the January board meeting that was not available at the December meeting. And that's actually key information in my assessment, which I think our participants are very sensitive to, which is that choosing the CDHP at the 4,000 8,000 level for out-of-pocket max, there's a one in eight chance basically of hitting that. Um I I don't have the slide number from the January packet off the top of my head, but people are moving partly because that is the plan where they are truly exposed. They are not as protected from the out-of-pocket max. They are half as protected as on the LDPPPO or the EPO HMO. And that exposure is not negligible to state workers.

Member Zumtobel: Tom Zumtobel for the record, what's the timing that is it? I agree with member Rich that if we do it in a vacuum, then maybe we're doing the same thing we did before. So, is this does this decision have to happen today or can it h can we look at it all together and make because I don't I don't disagree with what you're saying. I just don't know if it has to happen today.

Member Harper: Blaine Harper, for the record, I think that it's possible our decision at the December board meeting about changing any out-of-pocket maxes that that decision was made in more of a vacuum than we are in now. And you know, so I'm I'm open if if member Rich would be interested in motioning to change all three. Um I I guess procedurally I would need to rescind the motion.

Member Zumtobel: Um but yeah I I yeah I would argue against agree too. I just was trying to listen to the advice where there is reasons to make the plan sequential. You know when you do one benefit and then all a sudden you're actuarially trying to to to drive people and if you have a deductible that's not in sync with the others for whatever reason. But but I think getting allowing Segal to give us that logic of why they think that applies then we put it in context of what you're trying to accomplish to have a plan that protects people. Right? I mean that if that's all I hear out of you is that you want something most affordable should also provide protection is kind of I what I hear is your objective which I think is correct. I just unless we have to make a decision I would go back to making a decision based on us having the right data and making a collective decision.

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Chair Wells: So question for you if this were the second option would that still be doable to bring back it

Mr. Ward: just a change in the out of pocket?

Chair Wells: So, so we have that would be so the first option plan design as currently stands rates set appropriately coming out of the 24/25 known information and then the second set of plan or the second set of premiums would reflect the adjustment of just the CDHP being reduced to 4,000 and 8,000.

Mr. Ward: Yes. Uh an additional comment if I may is that that will come into play as we're considering migration and selection because we'll have I would expect the plan with the lowest premium would have the lowest maximum out of pocket and for members that know they're going to hit the max out of pocket regardless of what plan that would be a clear choice for them to yeah to migrate towards.

Chair Wells: I I'm really worried about the adverse migration that we would that we would have if you did if you just did that to the high deductible plan. Yeah,

Member Harper: I I I just uh so Blaine Harper, for the record, I I'm looking for clarification. What will be brought back to the March meeting if if it is left for today? Um, I'm I'm open to the idea of the out-of- pocket maxes all, you know, all three out of pocket max changes um going on the table instead. But what what possibilities are still open in March?

Chair Wells: We have to we have to inform the actuaries what we want brought back for. I don't I I don't think it would be prudent for us to ask for a dozen options. I think we need to be you know one or two options of what we're going to do. Recognizing that we still have this issue with the premiums for the two other plans that are that are out of sync. I'm a little bit concerned about increasing benefits at a time where we don't know if we have enough money because I think that you will see the people who are going to hit that out-of- pocket maximum are going to go to that plan. And just like Mr. Ward said, you got the le the lowest premium and the lowest out of pocket. And you have to you have to remember the state also puts in contributions. So it's really not a \$4,000 out of pocket. It's \$4,000 less the premium or the HSA or HRA contributions that are already made on behalf of the participants.

Member Harper: Blaine Harper, for the record, the change that I'm proposing would not raise it for plan year 27. We're not we're not making it a richer benefit than it has been if if the CDHP out of pocket max changes in in the way that I'm proposing. It's simply that playing year 26 the way that it is, the way that it's been for a couple of years continues in plan year 27 because we we just moved it up. We just exposed people, you know, we we exposed participants to, you know, an additional \$2 million about in liability for the people who are choosing the lowest premiums possibly because that is the plan they can afford. And sitting with that information, reflecting on the January meeting, that is something that I think, you know, moving the out-of- pocket max on the CDHP is a very different consideration from the other plans.

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Chair Wells: Any additional public comment? There's a motion in a second. All those in favor say I.

Member Haper: I.

Member McClendon: I.

Member Emmerich-Choi: I.

Chair Wells: Can you raise your hand? Oh, is she is she the one that said she's. all those opposed?

Chair Wells: No.

Vice Chair Grimmer: No.

Member Duncan: No.

Member Rich: No.

Member Barnes: No.

Member Viton: No.

Member Woodward: No.

Member Zumtobel: No.

Chair Wells: Motion fails. So we will continue to have this um continue to have the plan design as approved in January. I I will ask that you bring it back in in March so we can see the impacts and including what you think would be migration and segregation so we can have the discussion again. I think that's fair. Anything else the board members want to discuss about rates? Is everybody first of all I guess is everyone comfortable with what we've discussed using the 24 and 25 to date actuals plus inflation to kind of see where the premiums should be given the flat dollar amount subsidy and eliminating the subsidization of the cross subsidization of the two richer plans. Everybody's comfortable with that that direction

Member Zumtobel: but What I what I don't see and maybe you've talked about it in in other meetings and in one of the public speakers Miss Knight referenced in that a copy of her suggestions didn't make it around to me. So I don't know if there was they haven't made copies so everybody has it. I I don't I don't see any um active rate reduction because whenever we set plan premiums for our um plan, we always get an actuarial rate of you know six or seven or 8% whatever the number is and then we tell them the the the the five or 10 or 8 millions of dollars that we know that we have programs in place that ends up being worth two or three points of

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inflation and so that we end up having our rates closer to whatever five versus nine because we tell them what we're going to do and I don't know not benefit changes actual active case management management programs and those things I don't know where that occurs in this

Chair Wells: yeah so I will tell you my opinion of the disease management programs we have we have abysmal participation um I think over the summer I think we need to have discussion about exactly what you're talking about utilization management cost controls formulary changes you know all the stuff that still has an impact but it's ways that we can control and then we will roll that into 2028.

Member Zumtobel: Okay. And that's the board responsibility not PB's responsibility that's I don't understand is it is it or PB will the staff will bring us how will it how would it occur?

Chair Wells: So so the the staff will bring recommendations and the board will

Member Zumtobel: okay

Chair Wells: and we're going to have a strategic planning session. I don't know if we set a date, but we're gonna and that's kind of where we have this kind of discussion is in that meeting.

Member Zumtobel: So, that is not gonna that there there's nothing out there that's going to help us to impact the potential um premium increases this year because of there were a couple of small changes that

Member Zumtobel: Yeah, I saw the five million. Yeah. Yeah.

Chair Wells: It's not it's not point. Okay. So, so I don't hear anything else. I think that's the that's what we're going to bring back. We're going to bring back the rates using 24/25. If you don't have the data, please let Miss Carsten know immediately um so that we can get those that information to you. Um and then using the inflation for 26 and 27 to get us to kind of where we should be next year, true plan, true plan cost based on the three the three plans. Okay, I think that's the direction for March. And then and then this does the the um alternative the single alternative would be the reduction of the out of pocket max

Mr. Ward: just on the one plan.

Chair Wells: Can you do it on one and all three? Is it is it is that too difficult? Okay, let's do it both.

Mr. Ward: It means more slides. Heads up.

Chair Wells: Well, we didn't use many of your slides.

Mr. Ward: No, no. So I guess so I guess we have a slide we have a slide surplus that we can apply to the next meeting. Is that how that that's how that works, right?

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Chair Wells: Yes. Anything else we want to discuss before we close

Mr. Ward: as a point of clarification? So the the third scenario where the um where the out of pocket is adjusted for more than just the CDHP that's to revert all the plans back to the current plan year 26 levels. Is that correct?

Chair Wells: Correct.

Mr. Ward: Okay.

Chair Wells: Any additional comments before we close this agenda item? Hearing none, we will close agenda item number four. We'll move to the second period of public comment. No action may be taken on a matter raised under public under this item unless it is included on a future item is an item in which action may be taken. Uh public comments will be taken under advisement but will not be answered during the meeting. Uh comments will be limited to three minutes per person at the discretion of the chair. Uh members of the public um that will exceed the three minutes. Please submit your public comment in writing. Um please state and spell your name at the beginning of your testimony. Any public comment here at Carson City?

Mr. Ervin: Kent Ervin K E N T E R V I N Nevada Faculty Alliance. I I appreciate the discussion today. Um we still don't know a lot about the budget that is essential. We still don't know of the rates presented today. how much of it is for ongoing expected claims and how much of those rates were to cover some deficient reserves. I think that's an important discussion next time because replenishing reserves is mostly a one-time expense that could be spread out but ongoing claims you have to cover. I do want to correct the record on one statement that was made during the discussion regarding the AEGIS and REGI budget numbers. The numbers that the legislature passed in the April 15th budget hearing were exactly the numbers that were in the governor's recommended budget in January of 2025. So it was not the case that the legislature changed what the governor recommended. The only place I have seen the incorrect numbers other than here recently were in a presentation that the former executive officer made to the legislature in February and they were just in a chart. They weren't in a table. So I don't know where those numbers came from. It's kind of water in the bridge now, but I did want to correct the record. Thank you.

Chair Wells: And in all transparency, and I usually I would not respond, but in all transparency, what we have been told by the legislature is where the numbers came from is not what the numbers are in the bill. That's what we have a meeting on Friday to decide where that difference came from. Any other public comment here in Carson City?

Ms. Balderson Knight: Good afternoon again. For the record, my name is Julie Balderson Knight. J U L I E um B A L D E R S O N K N I G H T I appreciate the conversation today. I am hearing a lot of uh hints uh what would sound like a workforce impact analysis, a root cause analysis. I am curious and would like to hear the board acknowledge the equity impact of what these changes would mean across the workforce for your members. um specifically when you

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know that certain employees perhaps of a certain age tend to be um not in a position to switch easily to a CDHP plan um due to cost if if the board would be willing to acknowledge some structural inequity between age um I'm not going to say discrimination but I'm going to say just inequity um among members based on their age. Additionally, you know that this um even just based on the data that's existing for state employees who are on Medicaid tend to be lower income, tend to be women, tend to be minorities. Um so again, we know that when you do across the board change, it doesn't hit everybody the same way. So you're all in the same storm, but you're not at all in the same boat. So, um, I would really appreciate some acknowledgement from the board maybe at the next meeting around the equity impact. Thank you. That's all I have.

Chair Wells: Any added public comment here to Carson City? No one get to the table. Any public.

Mr. Hopkins: Chair Wells, we have about six in the lobby. I will have a slide up there in one moment please. The reminder pending this meeting and is for making public comment only. You do not wish to be called upon for public comment, please leave now so you're not accidentally called upon. Caller with the last four digits 6010, please press star six to unmute and you have permission to speak. Please slowly state and spell your name for the record if you wish to make public comment. E. Wiggins, you have permission to speak. Please slowly state and spell your name for the record. And Motorola Moto G, you have permission to speak. Please slowly state and spell your name for the record if you wish to make public comment. And Nichole, it looks like you're still in the lobby. I'm not sure if you still want to make public comment, but if you do, please slowly state and spell your name for the record. Chair Wells, that concludes public comment.

Chair Wells: Thank you. We will close the second public comment period. A motion for Adjournment.

Member Rich: I'll move to Adjourn.

Vice Chair Grimmer: I'll second.

Chair Wells: Motion and Second. All those in favor say I.

All board members: I.

Chair Wells: Opposed? See everybody in a couple weeks.

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