NEVADA HEALTH AUTHORITY

PEBP Finances

How money flows, what we found, & what comes next

Stacie Weeks

Director, Nevada Health Authority

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Agenda

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How PEBP is financed and how money flows

- What funds PEBP
- Three budget accounts
- Solvency and reserves

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Key findings as of April 16, 2026

- Revenue tracking and reconciliation
- The COVID buy-down and the hole it left
- Budget workbook, rates and other issues

3

Where things stand and next steps

- The “quoted” $50.1M
- PY2027 cash vs. reserves required
- Next steps

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How PEBP is financed and how money flows

Where PEBP's money comes from, how it moves through three budget accounts, and the reserves it must hold

What funds PEBP

Employer contributions

Paid by state employer groups at rates the Legislature sets: a flat amount per employee (AEGIS) and a percentage of payroll (REGI). This is how state money reaches PEBP.

Member premiums

Paid by employees and retirees. The PEBP Board sets them each plan year, so they are PEBP's main lever between sessions.

Rx rebates and other revenue

Prescription drug rebates and other revenues deposited to the Admin. Account.

PY2027 projected revenue: $544M, including AEGIS/REGI transfers (Segal, Oct. 2026)

Why the General Fund isn't a direct option

- No direct General Fund appropriation: state money arrives only through employer contributions
- Employer rates are set by the Legislature and can't be raised without legislative action
- PEBP cannot accept state contingency funds between sessions
- New state money comes only in session, e.g. the 2025 employer contribution increase

Between sessions, PEBP's only levers are benefits and member premiums.

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Three accounts, one direction of flow

WHO PAYS

Employer groups

- DHRM Central Payroll
- NDOT
- NSHE
- Boards & Commissions
- LCB
- PERS

STATE BUDGET ACCOUNTS · MONEY HELD, NOT SPENT

AEGIS · BA 1390
Actives: flat rate per employee

REGI · BA 1368
Retirees: % of payroll

Admin. · BA 1338
Operating account; holds reserves

+ member premiums, Rx rebates

WHAT THE MONEY BUYS

Medical care
Hospitals, doctors, clinics

Pharmacy
Prescription drugs

Operations
Staff, vendors, systems

AEGIS and REGI are pass-through accounts. They collect employer contributions and transfer them monthly to the Admin.

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What solvency means for PEBP

Solvency: having enough money set aside to pay every claim the plan already owes, with a cushion for months when claims run high.

PEBP offers both. Reserves matter most for its self-insured products, where PEBP itself carries the claims risk.

Fully insured products

- PEBP pays a fixed premium to an insurance company
- The insurer pays claims and carries the risk
- The insurer must hold the reserves

Self-insured products

- PEBP pays members' claims directly from its own funds
- PEBP carries the risk when claims run high
- Reserves are the only cushion: no insurer, and no state contingency funds between sessions

"Not solvent" does not mean claims go unpaid. When PEBP's Executive Officer told the Board in August that PEBP is not considered solvent, she meant its reserves are not fully funded.

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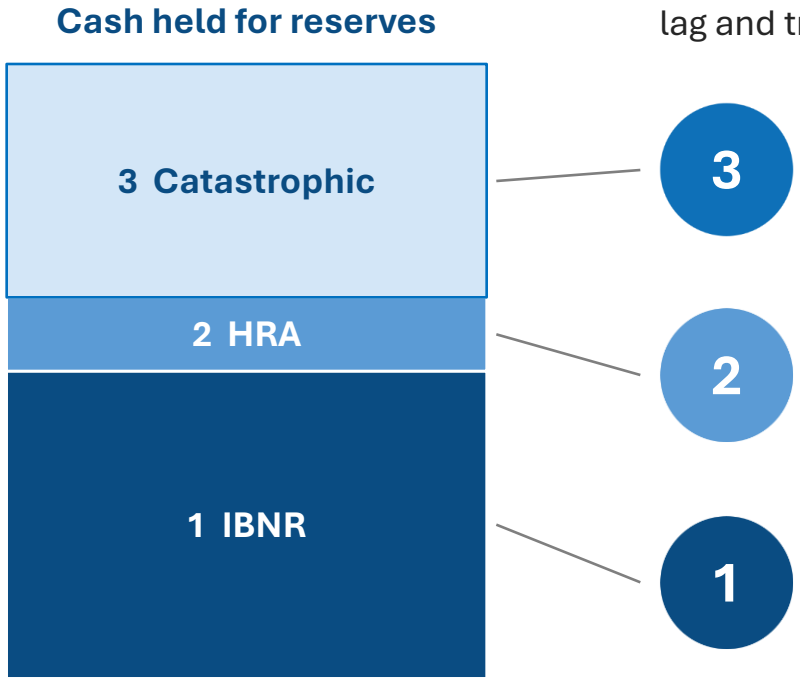
Reserves fill from the bottom up

Set by the actuary: IBNR and catastrophic amounts are based on claims experience, payment lag and trend; the HRA reserve is 80% of unused balances.



3 Catastrophic reserve

Emergency cushion for claims above projections, at least 45 days of estimated claims. Funded last.

2 HRA reserve

80% of unused CDHP and Medicare Exchange HRA balances: money members have already been promised.

1 IBNR reserve

Claims already incurred but not yet billed. These are bills PEBP already owes, so they come first.

HOW IBNR CASH PAYS A CLAIM

1 Care delivered
Member gets care; PEBP now owes the bill

→

2 Cash set aside (IBNR)
Actuary estimates unbilled claims; that much cash is held back

→

3 Claim submitted
Provider bills, weeks or months later; claim is approved

→

4 IBNR cash pays it
Held cash pays the claim; new premiums refill the reserve

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PY2027 required amounts and PEBP's projected position are shown in part 3.

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Key findings as of April 16, 2026

From NVHA's fiscal review memorandum to LCB and GFO, signed with PEBP's Executive Officer and CFO

Five findings

AS OF APRIL 16, 2026

1	**Revenue tracking lacked safeguards**	Collections were never checked against what each employer group owed
2	**Reconciliation procedures not followed**	Short and late contributions went uncorrected
3	**COVID buy-down accounts didn't end when funds ran out**	Placeholder accounts held back employer contributions
4	**2025–27 budget workbook inaccurate**	Workbook PEBP submitted to the Legislature overstated revenues
5	**Rate and coverage decisions or issues**	Underpriced plans, added costs and reserve use strained stability

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Revenue tracking lacked safeguards

FINDING #1 · AEGIS EXAMPLE WITH ILLUSTRATIVE NUMBERS

Old method: start from the cash

	$950,000	received from an agency
÷	**$1,000**	approved rate per employee
=	**950**	employees assumed covered

Shortfall found: $0

The math always balances, so underpayments never show up.

New method: start from enrollment

	1,000	employees enrolled (Ariel)
×	**$1,000**	approved rate per employee
=	**$1,000,000**	owed by the agency
−	**$950,000**	actually received

$50,000 short: flagged

Posted to a running balance and followed up with the agency.

REGI had the same gap. Payroll checks were manual, some employer groups never sent retiree payroll data, and there was no running balance. The new REGI tracker multiplies payroll by the approved percentage and keeps a running balance.

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Reconciliation processes were lacking

FINDING #2 · CONTINUING THE SLIDE 9 EXAMPLE

Finding 1 was the tool. Finding 2 was the follow-through: even a flagged shortfall only matters if someone collects it.

Before: the shortfall was never chased

$50,000 short
Agency underpays

→

No follow-up
Procedures not followed by prior staff

→

Still short
Gap carries into the next month

→

Less to pay claims
Short, late transfers strain cash flow

Now: a follow-up process is underway

$50,000 flagged
Running balance shows it

→

CFO contacts agency
Trained staff follow the procedure

→

Escalate if needed
GFO Director steps in if not fixed promptly

→

Collected and posted
Balance reconciled; money reaches Admin.

Errors ran both ways. Overpayments, including possible Central Payroll double payments, also went unreconciled and may be owed back.

New risk: CORE.NV. Since the rollout, errors in file transfers between Central Payroll and DHRM have caused more incorrect collections.

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The buy-down left a hole: unnoticed and unfilled

FINDING #3 · FROM PEBP BOARD RECORDS AND NVHA'S REVIEW

By 2022

Board commits ~$26M of COVID-era excess to hold down costs through PY2025

End of PY2023

The excess is used up, two years early

PY2024

Rates still assume it. FY2024 opens $24M short; last $1.3M taken from the HRA reserve

PY2025

Half of the needed premium increase paid from the catastrophic reserve

Unnoticed

Ariel kept charging members the lower buy-down amounts, and placeholder accounts kept holding back employer money. No reconciliation caught it.

Unfilled

Instead of resetting rates to full cost, the gap was covered with one-time money: the HRA reserve, then the catastrophic reserve. Neither was replenished.

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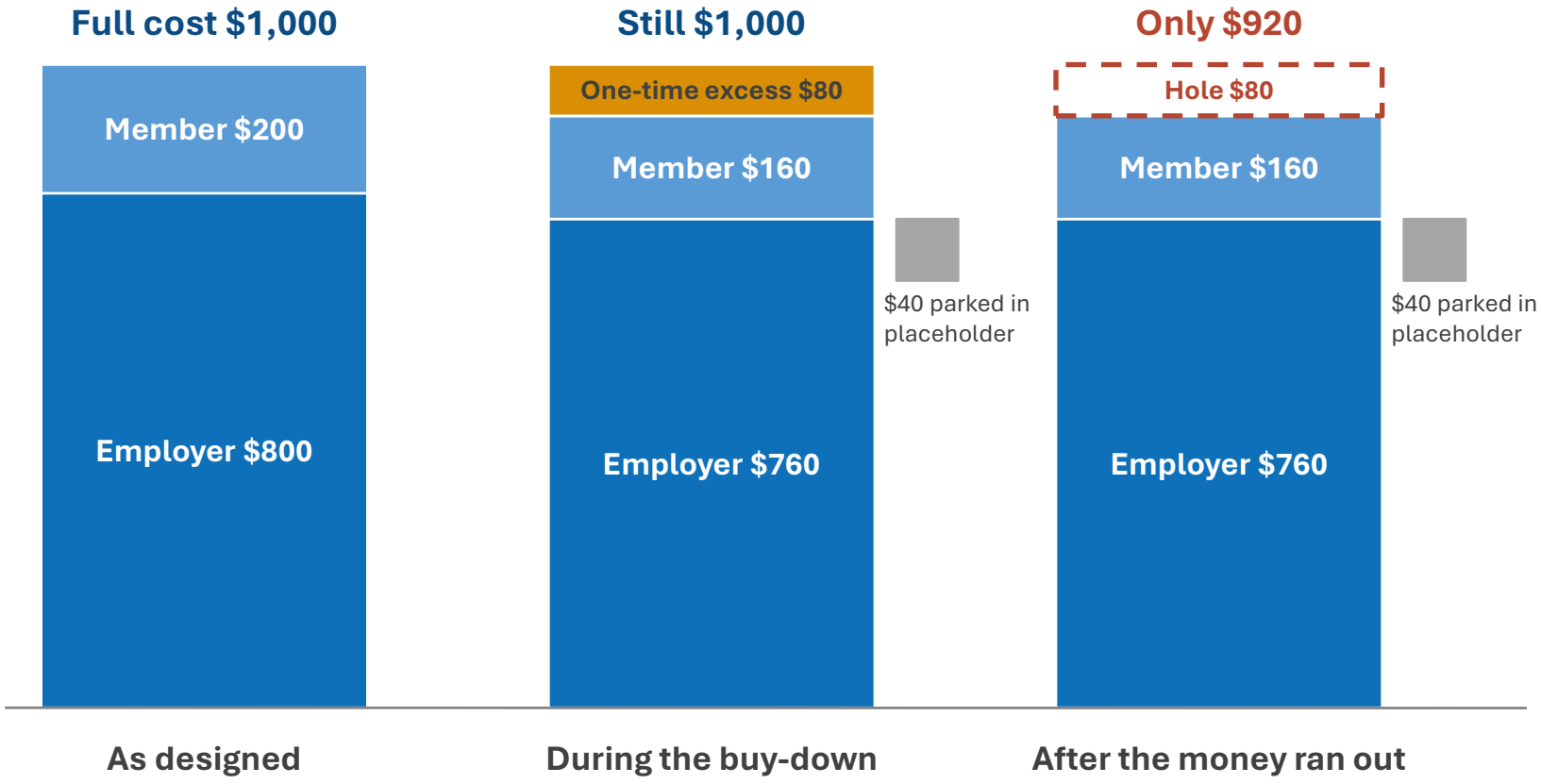
How the hole formed, one member at a time

FINDING #3 · ILLUSTRATIVE NUMBERS FOR ONE MEMBER, PER MONTH



Member premiums
Ariel kept charging $160 instead of $200 after the excess ran out: $40 short every month, not billed to members.

Employer contributions
Agencies paid the full $800, but $40 sat in a placeholder account in AEGIS/REGI instead of reaching the Admin. Account.

$80 hole per member
Claims still cost $1,000. Operating cash and reserves made up the gap.

Illustrative, based on the best information NVHA and PEBP staff have on how the buy-down was implemented; the dollar amounts and member/employer split are not actual. Board records show most of the ~$26M paid for restored benefits, and the placeholder accounts may have reduced collections even while the excess lasted. About $15M of placeholder money is being transferred back.

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Recovery: ~$15M moving to pay claims

FINDING #3 · CORRECTIVE ACTION

~$31M

held in AEGIS / REGI, carried into FY2027

~$15M + ~$16M = ~$31M

after the $18.7M FY2027 payment posted early

~$15M to the Admin. Account

Approved by the Board in March 2026; pays claims



$3.7M moved, Jul.–Sept. ~$11.3M more expected

~$16M still being reconciled

With GFO and Central Payroll; not counted until settled

If PEBP revenue
Transferred with Board approval

If overpaid
Returned to the employer group

FIXES IN PLACE

Ariel corrected
Correct rates; placeholder accounts removed; buy-down no longer applied

Moved to BETS
State system now tracks Admin. Account revenue and spending

Regular reporting
AEGIS/REGI balances in Board reports starting in December

Note: in March and April 2026, PEBP and NVHA estimated $18.4M (~$14M AEGIS, $4.4M REGI) in placeholder funds as PEBP revenue. After further review, the amount approved by the Board in March for transfer came to about $15M, which is already counted in the actuary's PY2027 projections.

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PEBP’s 2025-27 budget workbook was inaccurate

FINDING #4

What we found

- BA 1338 tracker needed manual projection updates and was hard for staff to follow
- Workbook shared with LCB and GFO never updated to the budget request, despite their requests
- Approved revenues exceeded enrollment-based projections, overstating PEBP revenue
- Miscommunication with the actuary; unclear who owned the budget build workbook

Corrective action

- NVHA contractor and PEBP CFO are building a new budget build workbook
- Developed with PEBP's actuary, GFO and LCB fiscal staff
- Goal: correctly calculate need for the upcoming biennium

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Other issues that strained financial stability

FINDING #5 · RATE AND COVERAGE DECISIONS OR ISSUES SINCE 2022

Low-deductible plan underpriced

Rates approved do not appear to have been actuarially prudent. They drew members from the CDHP and EPO/HMO, forcing cross-subsidies and premium shortfalls

Benefits added on one-time money

Benefits restored with ~$26M of one-time excess. It ran out at the end of PY2023, but PY2024 rates were still built on it.

Plan losses left unaddressed

EPO/HMO lost ~$25M in each of plan years 2023 and 2024 and still ran a deficit in 2026; low-deductible plan in deficit since 2024

Reserves and new funds used for buy-downs

Mar. 2024: half of the PY2025 employee premium increase paid from the catastrophic reserve. Mar. 2025: PY2026 rates used the higher state contribution to hold employee premiums flat (state share ~93.5%), not to rebuild reserves

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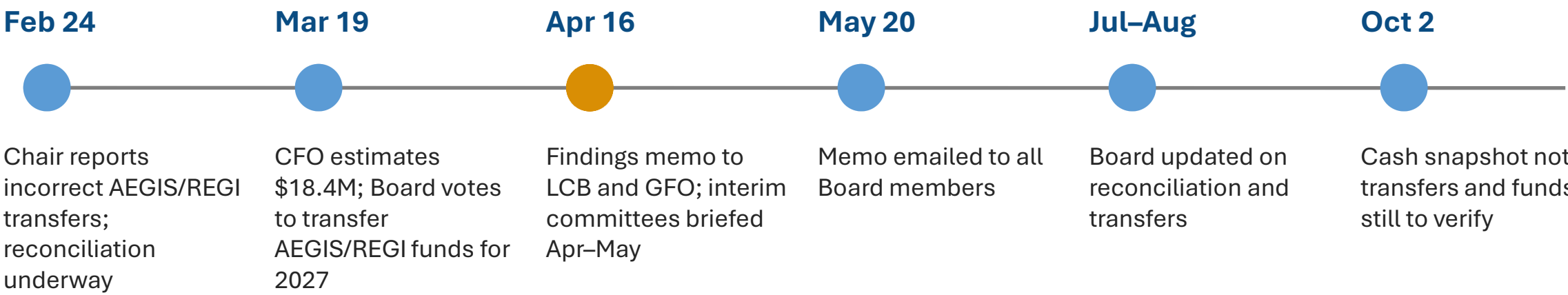
Where things stand and next steps

What has happened since the April memo, what the AEGIS/REGI balances are, and the plan from here

Reported publicly as the problems were found



The gap: Board budget reports covered only the operating account. AEGIS and REGI balances, normally small, were not reported, so the Board could not see them build up. Starting in December, reports will include them.

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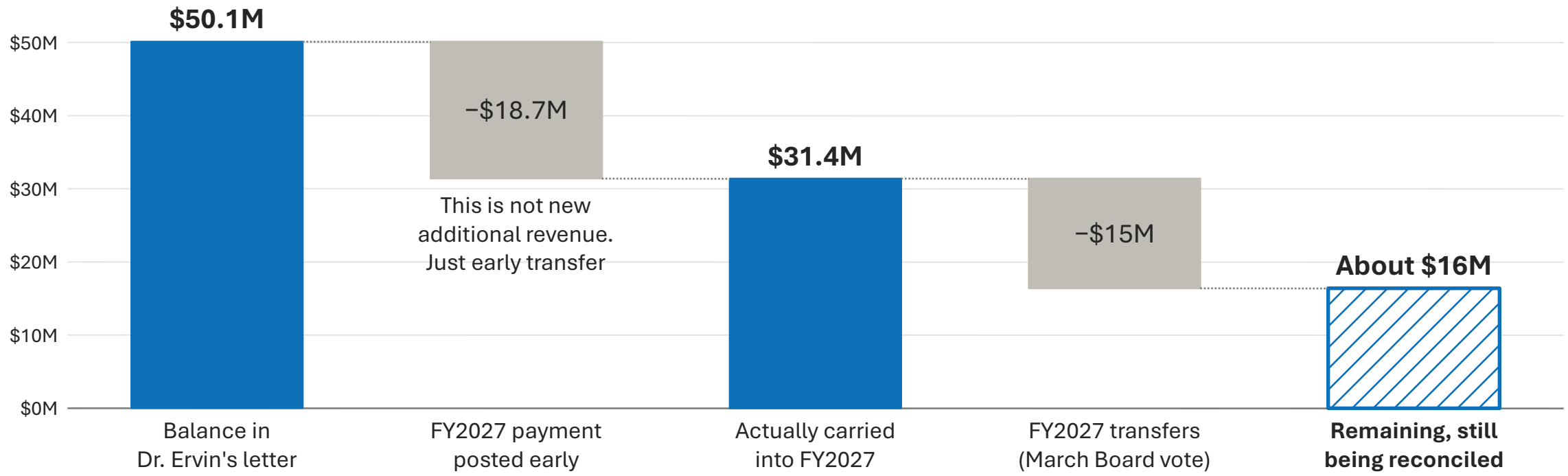
What the “quoted” $50.1M actually represents

FY2026 ENDING BALANCES CARRIED INTO FY2027, IN MILLIONS OF DOLLARS

Why we're explaining this: Dr. Ervin's October 26 open letter cited the $50.1M as unused employer money that could offset premium increases. Most of it is already committed or not yet verified.



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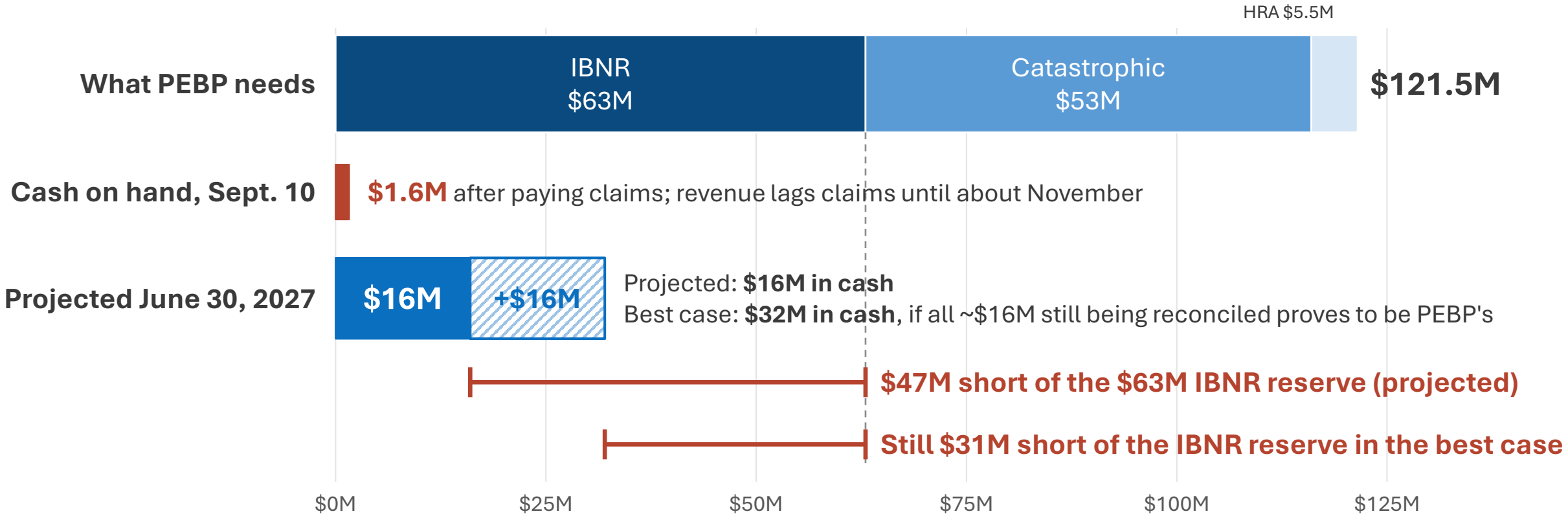
FY2027 transfers: $3.7M transferred July–September 2026; about $11.3M more expected by June 30, 2027. Hatched bar: may include employer overpayments to be returned; final amount set by the reconciliation audit. Sources: 2027–2029 Agency Request Budget; NVHA and PEBP fiscal staff; PEBP Executive Officer report, Oct. 2, 2026.

PY2027: $47M short of claims already owed

Projected year-end cash vs. required reserves, plan year 2027. The requested $40 million in one-time funds is for FY2028-2029



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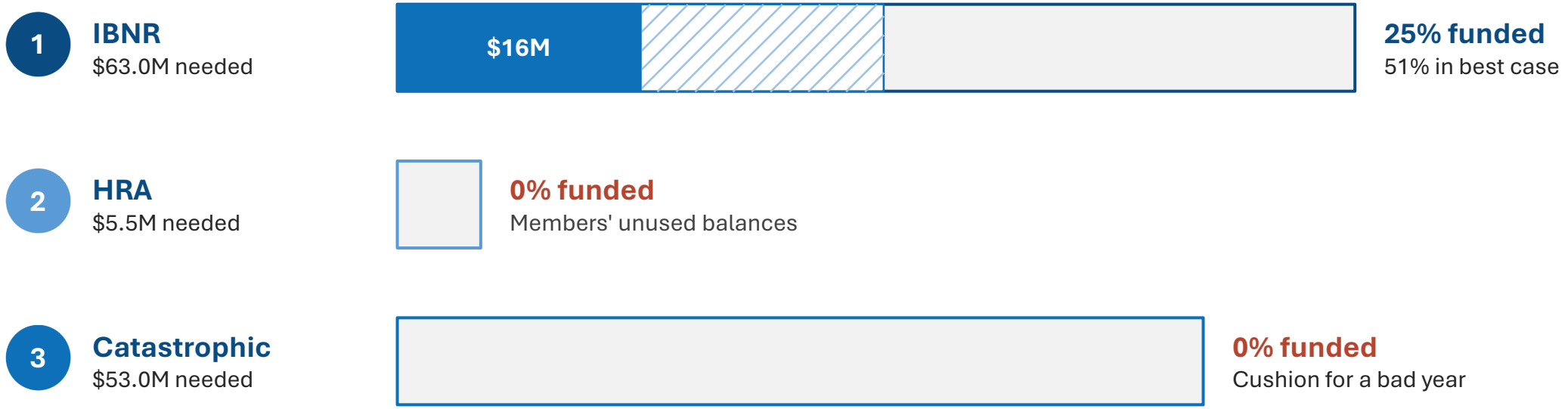
Projected cash includes the premium phase-in and this year's AEGIS/REGI transfers: about $15M, with $3.7M transferred July–September and about $11.3M more expected. IBNR = incurred but not reported claims. Reserve requirements as of the Aug. 20, 2026 Board packet. Not shown: about $7M in administrative operating cash (PEBP estimate); the Aug. 20 packet separately cites $28M in operating cash for July claims. Reserves are funded with cash, the basis Segal uses to assess solvency. Sources: Segal projection and reserve requirements, PEBP Board packets, Aug. 20 and Oct. 2, 2026.

PY2027: every reserve tier falls short

Projected funding of each required reserve on June 30, 2027, filled in priority order. Bars are drawn to the same dollar scale.



Solid: Segal's projected cash ($16M). Hatched: best case if all ~$16M still being reconciled proves to be PEBP's. Segal: actuarial solvency requires fully funded IBNR and HRA reserves ($68.5M). Not shown: about $7M in administrative operating cash (PEBP estimate). Sources: Aug. 20, 2026 Board packet; Segal and Executive Officer report, Oct. 2, 2026.

$1.6M cash on hand Sept. 10, 2026, after paying claims

$16M projected cash June 30, 2027: 13% of the $121.5M required

$105M short of all required reserves ($89M in the best case)

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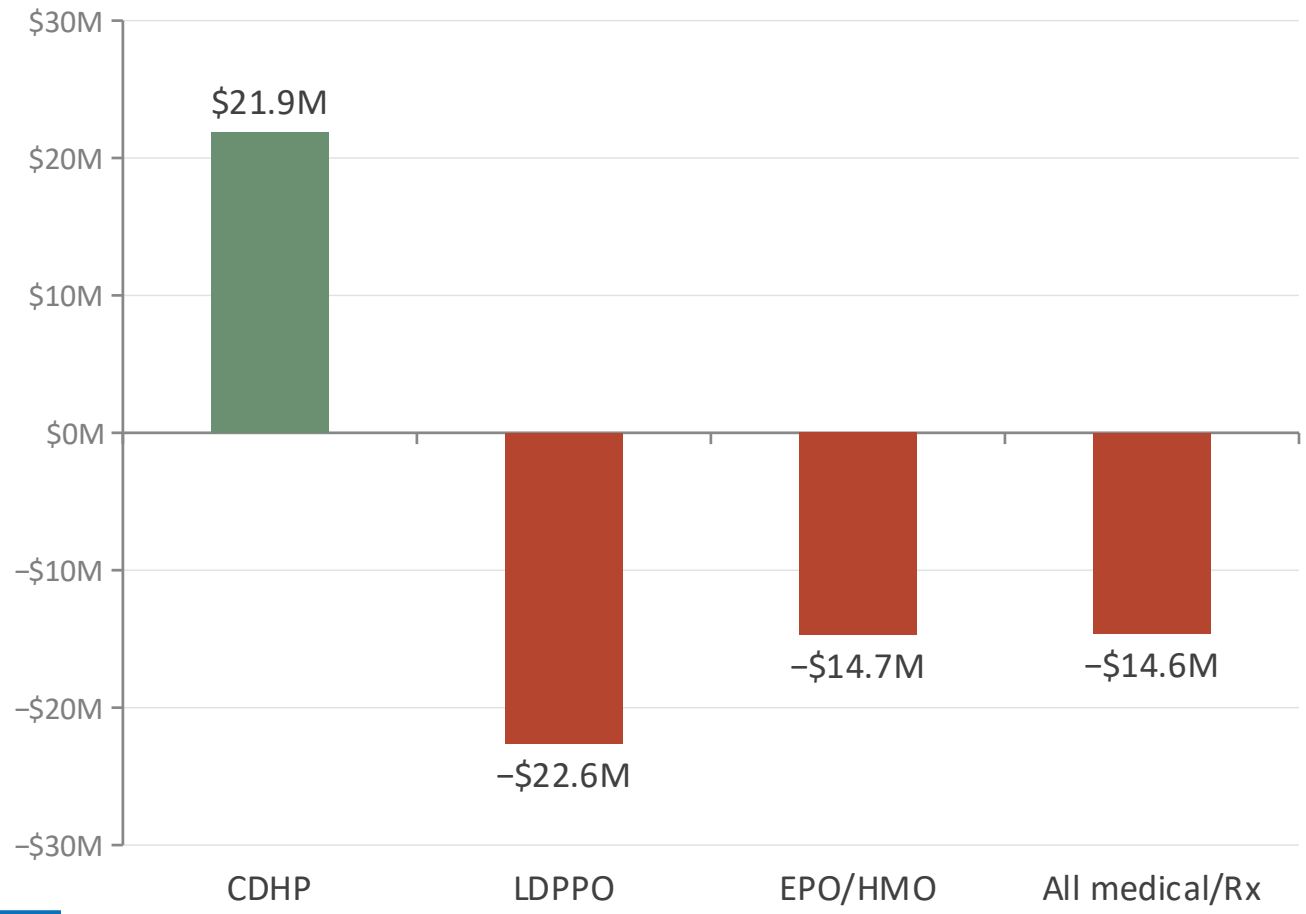
Fixing the accounting alone won't fix the deficits

PLAN YEAR 2026 NET RESULTS BY PLAN (SEGAL) · THE DEFICITS ARE STRUCTURAL



+15% / +44%

Rate increase needed for LDPPO / EPO/HMO to match claims (Segal, Feb. 2026)

21%

of EPO members moved to the LDPPO for PY2027

6% / 11%

PY2027 cost trend, medical / pharmacy

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Next steps

Underway now

- Full AEGIS/REGI reconciliation audit with GFO: every dollar moved to PEBP or returned
- Monthly reconciliation, BETS, rebuilt budget workbook
- More NVHA fiscal oversight; new lead actuary and competitive actuarial procurement
- Segal tying FY2023–2026 results to cash

December Board

- First monthly financial report including AEGIS and REGI balances
- Reconciliation update, with any verified transfers brought for approval
- Segal to re-evaluate PY2028 phase-in steps

2027 Session

- ~$40M one-time for FY2028–2029 to rebuild reserves and funds for increased care management options for TPA contract
- Enhancement to fund the IBNR reserve at 50%
- Corrected AEGIS, REGI and revenue projections in G01
- Support for an independent legislative audit
- Upcoming TPA procurement to align with other large carrier procurements in other markets to leverage better deal with carrier and providers

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Questions?

Thank you for your participation!

Learn More & Stay Involved

Website: **www.pebp.nv.gov**

Contact Us

Theresa Carsten
PEBP Executive Officer
tcarsten@nvha.nv.gov

Lynnette Aaron
Deputy Director, Healthcare Financing
l.aaron@nvha.nv.gov

For accommodations or translated materials, please contact us at the information above.

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