



# **Public Employees' Benefits Program**

**Presentation to:  
Joint Ways & Means and Finance  
General Government Subcommittee**

**February 18, 2009**



# Topics

- **FY 2009 Financial Status**
- **Governor's 2009-11 Recommended Budget**
  - **Budget Impact**
  - **Preliminary Participant Contribution Rates**
  - **GASB 43/45 Impact**
- **Legislative Request (SB 103)**



# **FY 2009 Financial Status**



## **FY 2009 Projection**

- **Projected Realized Funding Available**
  - \$12.6 m greater than current work program  
(\$18.9 m greater than Legislatively Approved Budget)
- **PEBP remains conservative in projection due to:**
  - Self-funded claim trends can change quickly
  - Average daily medical & dental claims over \$700,000
  - Drain on benefits due to expected plan and contribution changes for new year



## FY 2009 Projection

<b>Budgeted and Projected Income (Budget Account 1338)</b>				
<b>Description</b>	<b>Budget</b>	<b>Projected</b>	<b>Difference</b>	
Carryforward	93,428,094	93,428,094	0	0.0%
State Subsidies	248,708,685	213,332,667	(35,376,018)	-14.2%
Contributions	87,380,681	102,101,900	14,721,219	16.8%
All Other	7,713,516	9,978,205	2,264,689	29.4%
<b>Total</b>	<b>437,230,976</b>	<b>418,840,866</b>	<b>(18,390,110)</b>	<b>-4.2%</b>
<b>Budgeted and Projected Expenses (Budget Account 1338)</b>				
<b>Description</b>	<b>Budget</b>	<b>Projected</b>	<b>Difference</b>	
Operating	4,998,084	4,949,924	48,160	1.0%
Self-Funded Admin	12,597,451	11,210,444	1,387,008	11.0%
Self-Funded Claims	263,645,190	235,639,077	28,006,113	10.6%
Fully Insured Products	84,230,704	82,719,747	1,510,957	1.8%
Reserves	71,759,547	84,321,674	(12,562,127)	-17.5%
<b>Total</b>	<b>437,230,976</b>	<b>418,840,866</b>	<b>18,390,110</b>	<b>4.2%</b>



# Local Government Retiree Subsidy Payments

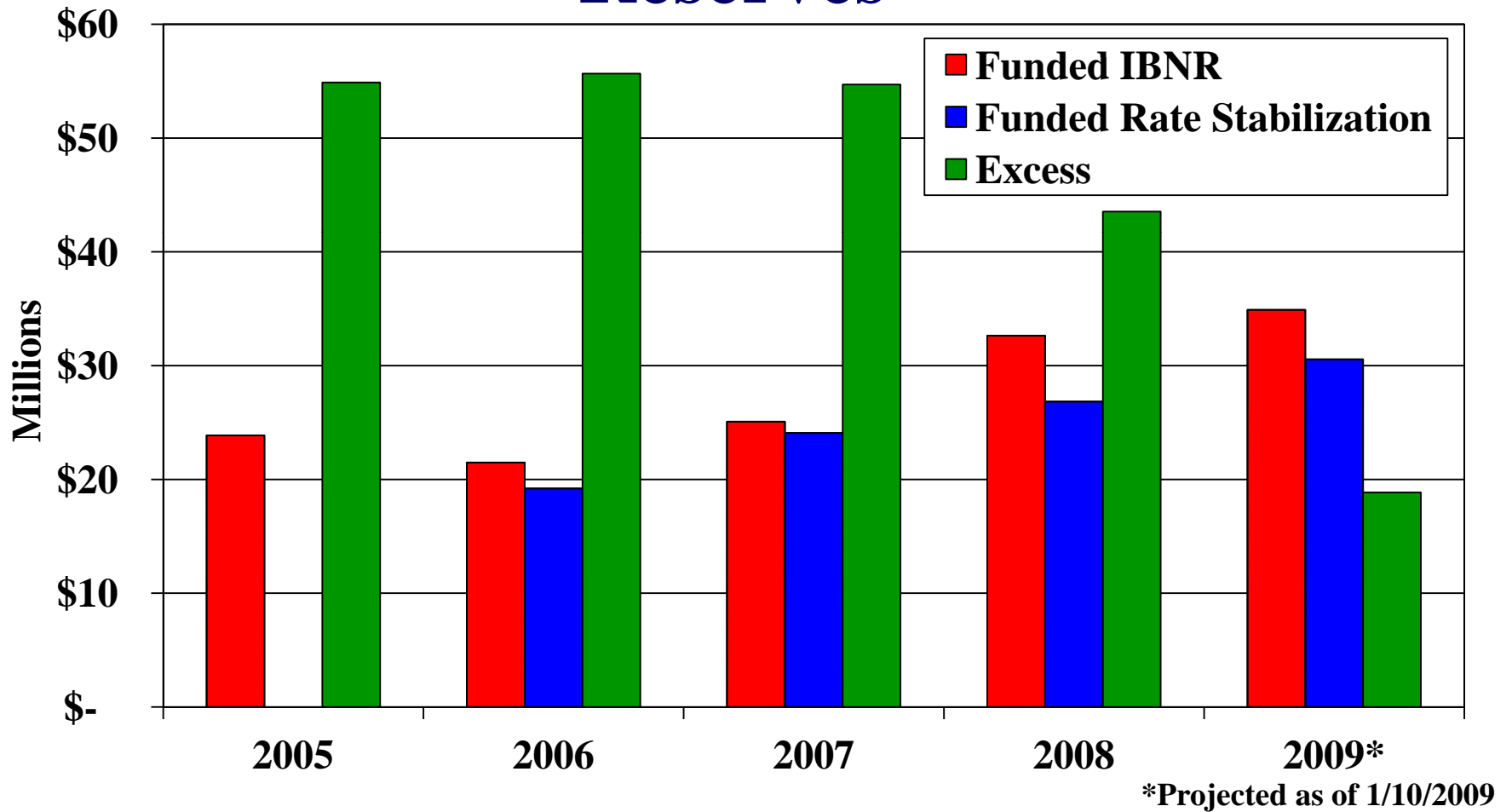
(as of 2/13/09)

- **LVMPD**
  - **Owes \$670,335**
    - **\$558,067 past due**
      - All late fees
      - Subsidy prior to July 2005
  - **277 retirees in PEBP**
  
- **Caliente**
  - **Paid in full through January 2009 premiums**



*We're in it together*

# Reserves





# **GASB 43/45 Valuation FY 2008**

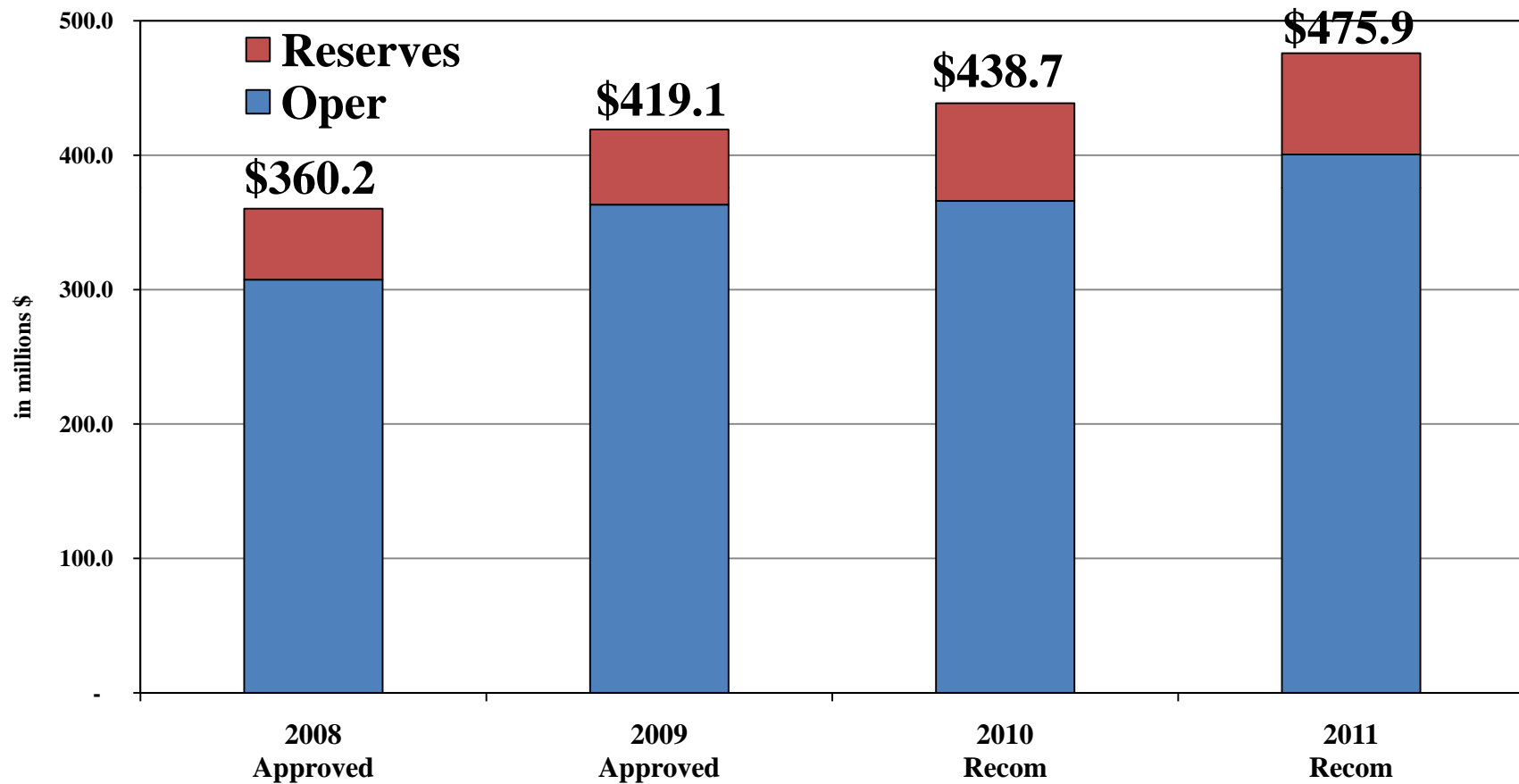
- **First formal valuation conducted for the State**
- **Present Value of Benefits: \$4.0 billion**
- **Annual Required Contribution: \$287.2 million**
  - **Unfunded portion \$228.1 million**
  - **Recorded in Retiree Fund financial statement notes**
- **Reflects \$25.7 million "pre-funded" in FY 2008**



# Governor's 2009-11 Recommended Budget



# PEBP Budget – Account 1338

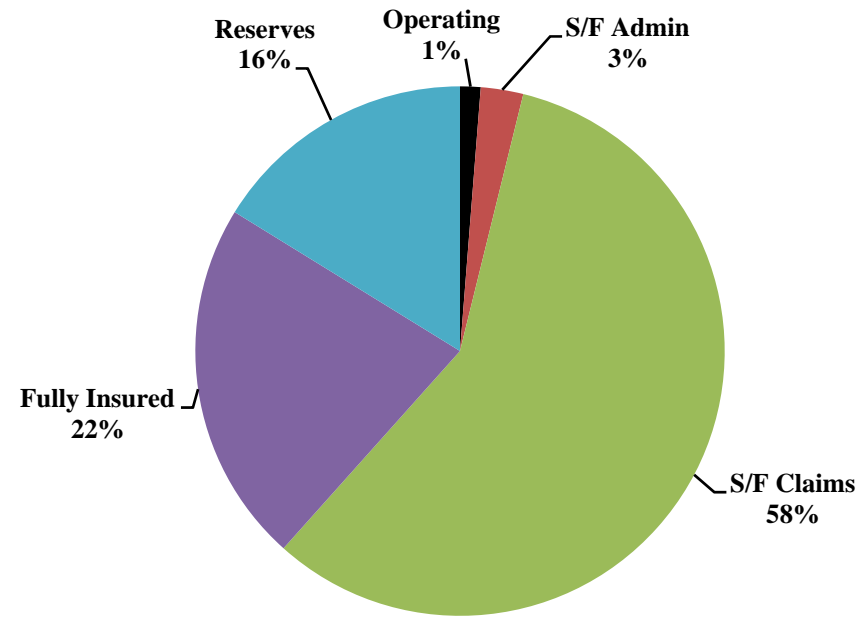
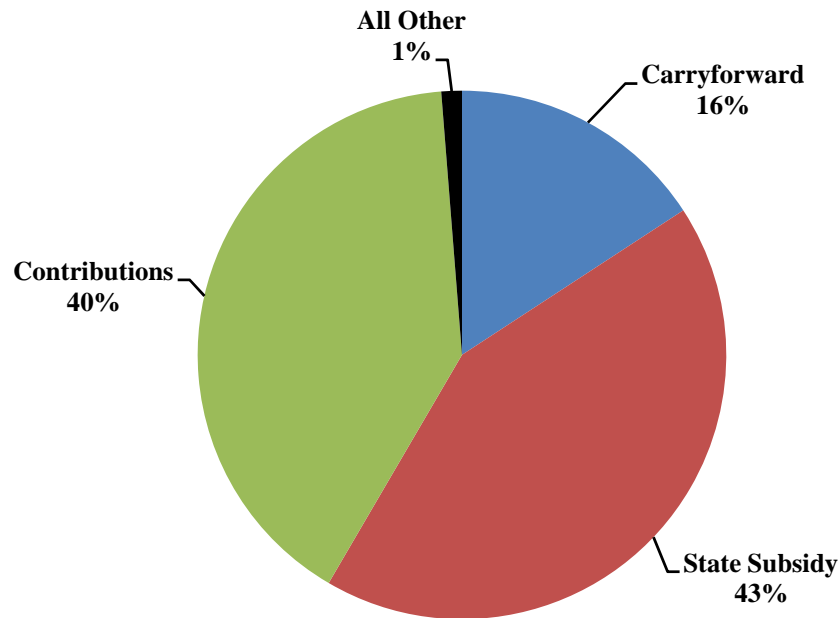




# PEBP Budget – Account 1338 Governor's Recommended \$914.6 million

## Sources

## Uses





## PEBP Budget – Account 1338

### funding by decision unit type

Funding	Base	Maint	Reductions	Equip Replace	Biennium Total
Carryforward	143.5	2.3	(1.4)	-	144.4
State Subsidy	391.7	141.6	(143.6)	0.2	389.9
Contributions	195.6	70.7	102.6	0.1	368.9
All Other	11.4	-	-	-	11.4
	742.3	214.6	(42.4)	0.2	914.6

(in millions \$)



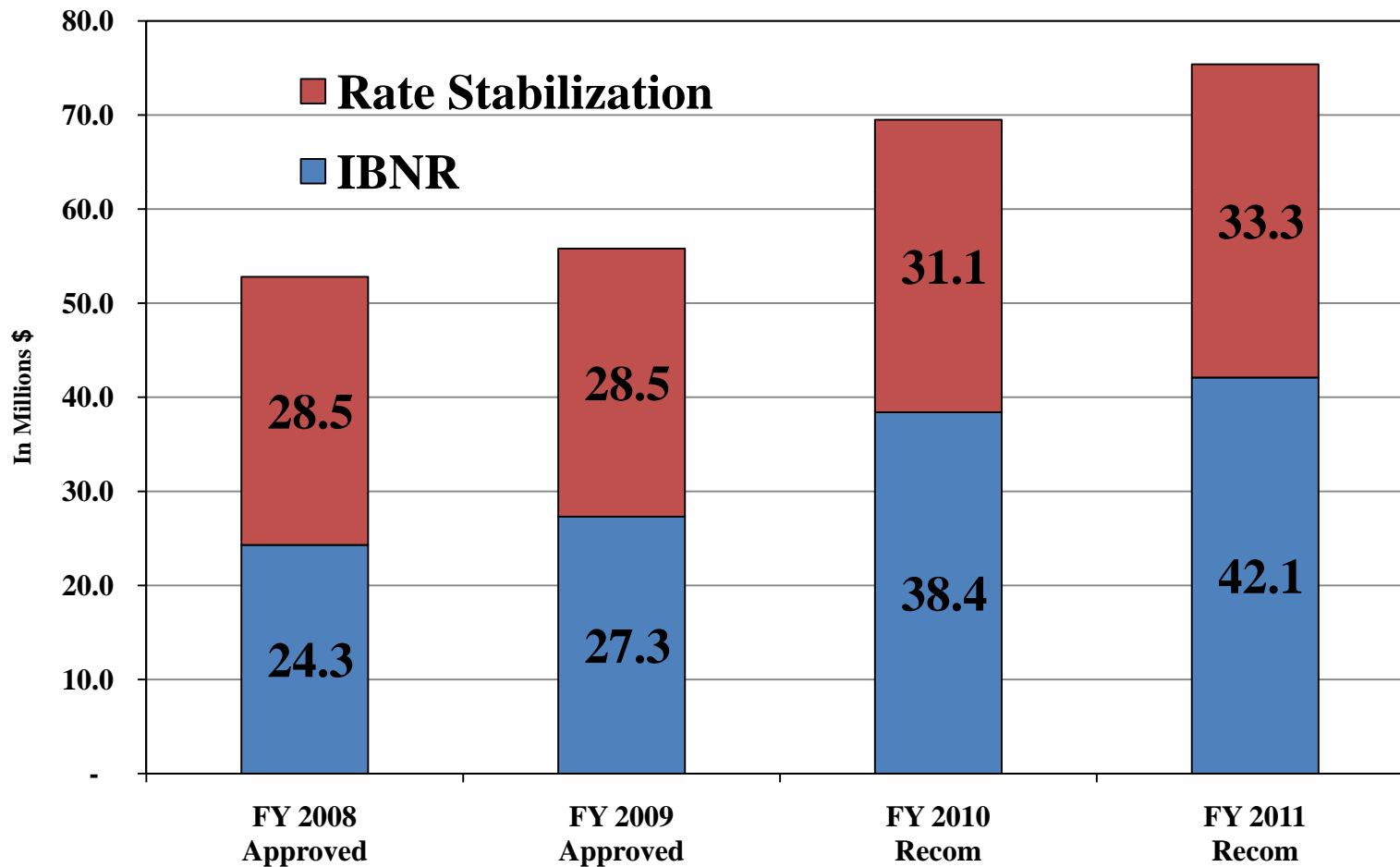
## PEBP Budget – Account 1338 expenditures by decision unit type

Expenses	Base	Maint	Reductions	Equip Replace	Biennium Total
Operations	10.6	0.1	(0.5)	0.2	10.6
Fully Insured	164.3	27.1	10.8	-	202.2
S/F Admin	22.7	1.1	-	-	23.8
S/F Claims	401.1	178.0	(49.1)	-	530.0
Reserves	143.5	8.2	(3.6)	-	148.1
<b>Total</b>	<b>742.3</b>	<b>214.6</b>	<b>(42.4)</b>	<b>0.2</b>	<b>914.6</b>



# PEBP Budget – Account 1338

## Reserves





# PEBP Budget – Account 1338

## Enrollment Projections for Maintenance Budget

	FY 2008 (Actual)	FY 2009	FY 2010	FY 2011
<b>State</b>				
Actives	26,243	26,565	26,317	26,261
Early Retirees	2,930	3,059	3,252	3,372
Medicare Retirees	4,125	4,417	4,586	4,844
	<b>33,300</b>	<b>34,041</b>	<b>34,155</b>	<b>34,477</b>
<b>Non-State</b>				
Actives	803	943	964	964
Early Retirees	3,639	5,406	5,740	5,740
Medicare Retirees	2,454	3,315	3,452	3,452
	<b>6,896</b>	<b>9,664</b>	<b>10,156</b>	<b>10,156</b>
<b>Total</b>	<b>40,194</b>	<b>43,705</b>	<b>44,311</b>	<b>44,633</b>
<b>Increase</b>		<b>8.7%</b>	<b>1.4%</b>	<b>0.7%</b>



# **PEBP Budget – Account 1338**

## **Assumptions for Maintenance Budget**

- **Medical & prescription claims increased**
  - **9.5% in FY 2010**
  - **9.0% in FY 2011**
- **Dental claims increased 6.5% per year**
- **IBNR and Rate Stabilization Reserves funded**
- **Insured product inflation 10% per year**



# PEBP Budget – Account 1338

## Base and Maintenance Decision Units

	FY 2010 Gov Rec	FY 2011 Gov Rec
<b>B000 – Base</b>	<b>\$370.9 M</b>	<b>\$371.3 M</b>
<b>M100 – Statewide Inflation</b>	<b>-\$80,808</b>	<b>-\$47,101</b>
<b>M101 – Self funded claim and fully insured product inflation</b>	<b>\$64.3 M</b>	<b>\$95.6 M</b>
<b>M102 – Reserve adjustment</b>	<b>\$2.3 M</b>	<b>\$5.9 M</b>
<b>M200 – Enrollment growth cost increase</b>	<b>\$21.1 M</b>	<b>\$25.5 M</b>
<b>M300 – Fringe Benefit Rate Adjustment</b>	<b>\$1,879</b>	<b>\$27,869</b>



# PEBP Budget – Account 1338

## Enhancement Decision Units

	FY 2010 Gov Rec	FY 2011 Gov Rec
<b>E660 – PEBP Board Reductions</b>	<b>-\$19.8 M</b>	<b>-\$22.2 M</b>
<b>E661 – Governor’s Additional Reductions</b>	<b>\$0</b>	<b>\$0</b>
<b>E670 – 6% Salary Reduction</b>	<b>-\$118,557</b>	<b>-\$121,005</b>
<b>E671 – Suspend Merit Salary</b>	<b>-\$26,820</b>	<b>-\$65,405</b>
<b>E672 – Suspend Longevity</b>	<b>-\$5,475</b>	<b>-\$6,675</b>
<b>E673 – Governor’s Benefit Reductions – PEBP</b>	<b>-\$49,258</b>	<b>-\$60,598</b>
<b>E710 – Replacement Equipment</b>	<b>\$164,981</b>	<b>\$75,376</b>



# Decision Unit E660

**PEBP Proposal to Meet Target**



**Cost Shift**

**Plan Design Reductions**



## State Subsidy Target (E660)

- **Maintain State cost at FY 2009 levels**
  - Use FY 2009 PPPM AEGIS assessment (\$626.16)
  - Use FY 2009 total REGI budget (\$44.0 M)

	FY 2010	FY 2011	Total
<b>Estimated State Active Enrollment</b> (Excludes COBRA Participants)	26,117	26,061	
<b>AEGIS Assessment</b>	\$626.16	\$626.16	
<b>AEGIS</b>	\$196.2 M	\$195.8 M	\$392.1 M
<b>REGI</b>	\$44.0 M	\$44.0 M	\$88.1 M
<b>Total Target</b>			\$480.2 M

- **Reductions needed to meet target**
  - **\$50.8 m** when PEBP Board finalized request
  - **\$53.0 m** in Governor's Recommended Budget



# **PEBP Proposals to Meet Budget Target**

## **Decision Unit E660**

### **Cost Shifts**

- **Reduce subsidy percentage**
- **Allocate Medicare Part D between plan and retirees**
- **Propose limitation to future retiree subsidy**

### **Plan Design Changes**

- **Remove HAQ & incentives**
- **Implement single deductible option for the self-funded plan**
- **Index annual out-of-pocket and annual deductibles**
- **Eliminate ADD/ADHD neurotherapy & psychotherapy**
- **Hold HMO increases to 5%**
- **Adjust reserves accordingly**



# **Decision Unit E661**

## **Governor's Recommendations**

**\***

### **Active Employee Subsidy**

### **Retiree Subsidy**

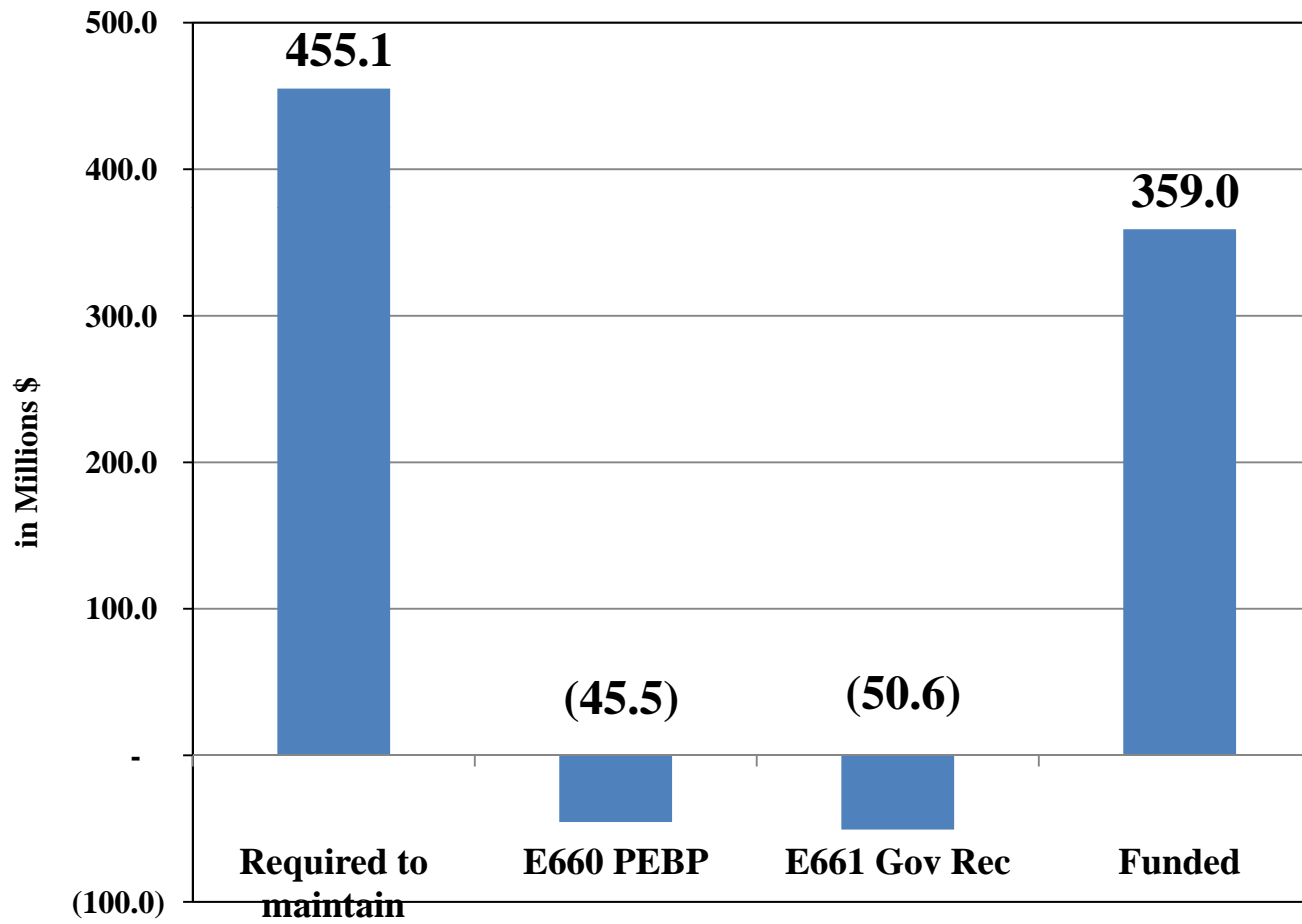


## **E661 – Active Employee Subsidy**

- **SAGE Commission recommended subsidy for active employees be based upon survey of private sector employers in Nevada with greater than 100 employees**
- **Governor's recommendation lowers composite subsidy percentage to 75%**
- **Two year subsidy savings \$50.6 million in addition to PEBP proposal**



# E660 + E661 Subsidy Reductions - Actives





## Subsidy Requests - Actives

	FY 2008	FY 2009	FY 2010	FY 2011
<b>Approved</b>	<b>\$557.30</b>	<b>\$626.16</b>		
<b>Agency Request</b>			<b>\$679.22</b>	<b>\$739.80</b>
<b>Agency Request after Budget Reductions</b>			<b>\$627.33</b>	<b>\$682.28</b>
<b>Gov Recommend</b>			<b>\$549.00</b>	<b>\$596.75</b>
<b>Composite % before Budget Reductions</b>	<b>90%</b>	<b>90%</b>	<b>90%</b>	<b>90%</b>
<b>Composite % after Agency Reductions</b>			<b>85%</b>	<b>85%</b>
<b>Composite % Gov Recommended</b>			<b>75%</b>	<b>75%</b>

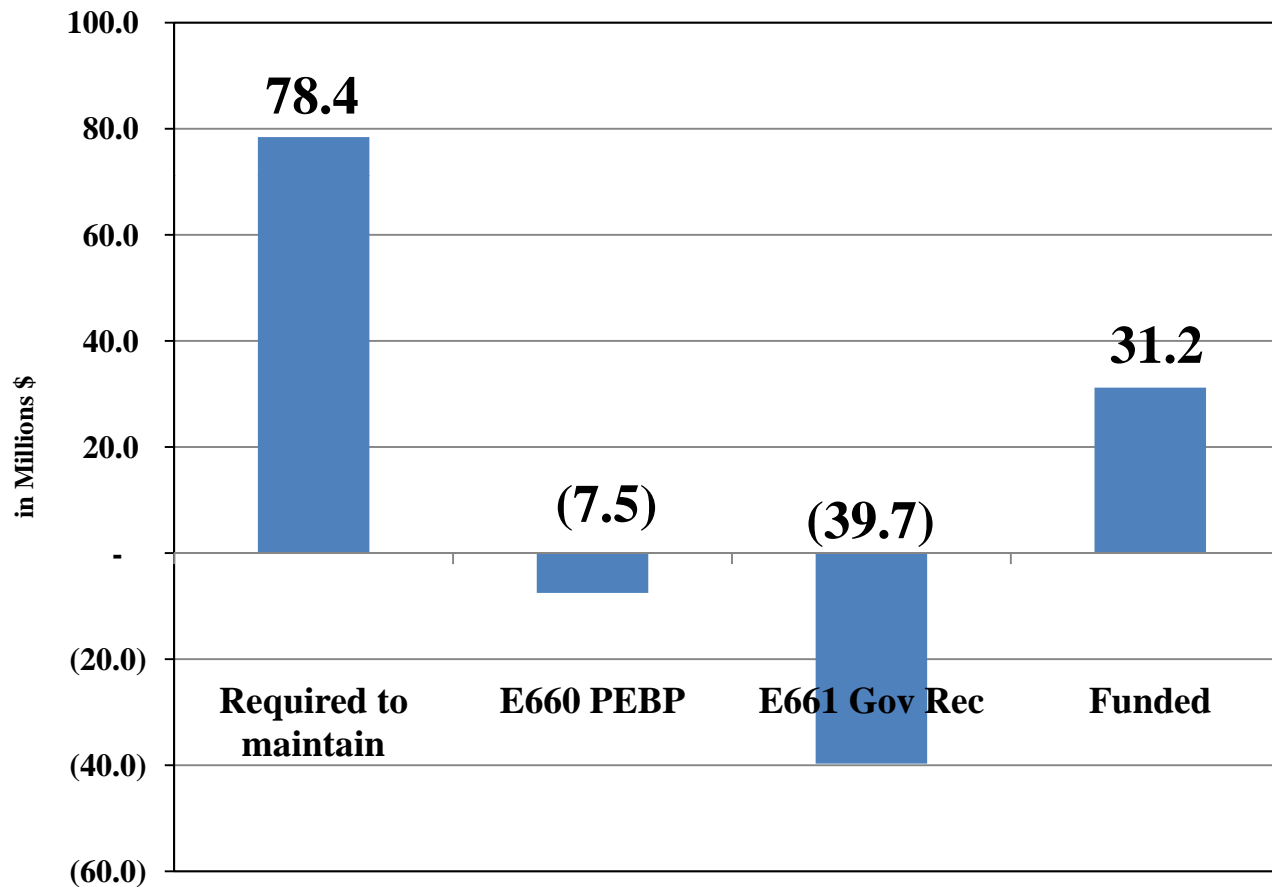


## **E661 – Retiree Subsidy**

- **State subsidy for all Medicare retirees eliminated effective July 1, 2009**
- **State subsidy for all current non-Medicare retirees reduced by 50% over a two year period**
- **No State subsidy for any employee retiring July 1, 2009 or later**
- **Non-state retirees would be similarly impacted**
- **Two year subsidy savings \$39.7 million in addition to PEBP proposal**



# E660 + E661 Subsidy Reductions - Retirees





## Subsidy Requests - Retirees

	FY 2008	FY 2009	FY 2010	FY 2011
<b>Approved</b>	<b>\$365.34</b>	<b>\$410.48</b>		
<b>Agency Request</b>			<b>\$346.38</b>	<b>\$376.57</b>
<b>Agency Request after Budget Reductions</b>			<b>\$314.01</b>	<b>\$341.37</b>
<b>Gov Recommend</b>			<b>\$383.19*</b>	<b>\$307.34*</b>
<b>Composite % before Budget Reductions</b>	<b>59%</b>	<b>60.7%</b>	<b>60.7%</b>	<b>60.7%</b>
<b>Composite % after Agency Reductions</b>			<b>57.8%</b>	<b>57.8%</b>
<b>Composite % after Gov Recommend Budget Reductions</b>			<b>45.6%*</b>	<b>30.4%*</b>



# Summary

## Reduction in State Subsidy

	Current	Agency Request	FY2010 Gov Rec	FY2011 Gov Rec
<b>Active Primary</b>				
Base Plan	100%	94%	75%	75%
All Other Plans	95%	85%	75%	75%
<b>Active Dependent</b>				
Base Plan	85%	74%	75%	75%
All Other Plans	75%	67%	75%	75%
<b>Retiree Primary</b>			Non-Medicare Retirees retired prior to July 1, 2009*	
Base Plan	73%	65%	55%	37%
All Other Plans	67%	61%	50%	34%
<b>Retiree Dependent</b>				
Base Plan	51%	43%	38%	26%
All Other Plans	45%	41%	34%	23%

\* All Medicare retirees and anyone retiring after June 30, 2009 would receive 0% subsidy



## E660 + E661 Subsidy Reductions

	Actives	Retirees
Required to maintain	455.1	78.4
E660 PEBP	(45.5)	(7.5)
E661 Gov Rec	(50.6)	(39.7)
Funded	359.0	31.2
	-21%	-60%



# Impact on Participant Rates – Actives

State Active	PY 2009	Gov Rec PY 2010	Difference	
	PPO \$500 Ded	PPO \$725 Ded		

**EXAMPLE Only – Not Final**

## Employee Only

Rate	\$560.42	\$596.23	\$35.81	6%
State Subsidy	532.40	447.17	(85.23)	-16%
Participant Share	\$28.02	\$149.06	\$121.04	432%

## Employee + Spouse

Rate	\$1,294.62	\$1,366.17	\$71.55	6%
State Subsidy	1,083.05	1,024.63	(58.42)	-5%
Participant Share	\$211.57	\$341.54	\$129.97	61%



# Impact on Participant Rates - Retirees

State Non-Medicare Retiree	PY 2009 PPO \$500 Ded	Gov Rec	Difference	
		PY 2010 PPO \$725 Ded		
<b>EXAMPLE Only – Not Final</b>				
<b>Retiree Only</b>				
Rate	\$545.98	\$581.57	\$35.59	7%
State Subsidy	365.81	319.86	(45.95)	-13%
Participant Share	\$180.17	\$261.71	\$81.54	45%
<b>Retiree + Spouse</b>				
Rate	\$1,280.18	\$1,351.51	\$71.33	6%
State Subsidy	696.20	612.44	(83.76)	-12%
Participant Share	\$583.98	\$739.07	\$155.09	27%



# Impact on Participant Rates - Retirees

State Medicare Retiree	PY 2009	Gov Rec	Difference	
	PPO \$500 Ded	PY 2010 PPO \$725 Ded		
<b>EXAMPLE Only – Not Final</b>				
<b>Retiree Only</b>				
Rate	\$314.33	\$420.65	\$106.32	34%
State Subsidy	210.60	-	(210.60)	-100%
Medicare Part D	30.28	-	(30.28)	-100%
Participant Share	\$73.45	\$420.65	\$347.20	473%
<b>Retiree + Spouse</b>				
Rate	\$723.98	\$962.49	\$238.51	33%
State Subsidy	394.94	-	(394.94)	-100%
Medicare Part D	60.56	-	(60.56)	-100%
Participant Share	\$268.48	\$962.49	\$694.01	258%



# Impact on Participant Rates - Retirees

State Retiree with Part B Only	PY 2009 PPO \$500 Ded	Gov Rec PY 2010 PPO \$725 Ded	Difference	
<b>EXAMPLE Only – Not Final</b>				
<b>Retiree Only</b>				
Rate	\$314.33	\$420.65	\$106.32	34%
State Subsidy	210.60	231.36	20.76	10%
Medicare Part D	30.28	-	(30.28)	-100%
Participant Share	\$73.45	\$189.29	\$115.84	158%
<b>Retiree + Spouse</b>				
Rate	\$723.98	\$962.49	\$238.51	33%
State Subsidy	394.94	437.26	42.32	11%
Medicare Part D	60.56	-	(60.56)	-100%
Participant Share	\$268.48	\$525.23	\$256.75	96%



## Impact on GASB 43/45

	FY 2008 Final	FY 2009 PEBP Proposal	FY 2009 Gov Rec
<b>Present Value of Benefits</b>	<b>\$4.0 b</b>	<b>\$3.6 b</b>	<b>\$1.0 b</b>
<b>Annual Required Contribution</b>	<b>\$287.2 m</b>	<b>\$241.3 m</b>	<b>\$66.0 m</b>
		<b>-9%</b>	<b>-75%</b>



# Retired Employees Group Insurance (REGI) Account 1368 Base and Maintenance Decision Units

	FY 2010 Gov Rec	FY 2011 Gov Rec
<b>B000 – Base</b>	<b>\$52.2 M</b>	<b>\$52.2 M</b>
<b>M100 – Statewide Inflation</b>	<b>-\$9,649</b>	<b>-\$5,895</b>
<b>M101 – Self funded claim and fully insured product inflation</b>	<b>\$7.7 M</b>	<b>\$12.0 M</b>
<b>M102 – Reserve adjustment</b>	<b>\$277,950</b>	<b>\$448,647</b>
<b>M160 – Eliminate GASB Prefunding</b>	<b>-\$26.1 M</b>	<b>-\$26.1 M</b>
<b>M200 – Enrollment growth cost increase</b>	<b>\$2.5 M</b>	<b>\$3.2 M</b>
<b>M300 – Fringe Benefit Rate Adjustment</b>	<b>\$227</b>	<b>\$3,495</b>



## REGI – Account 1368 Enhancement Decision Units

	FY 2010 Gov Rec	FY 2011 Gov Rec
<b>E660</b> – PEBP Board Reductions	-\$3.5 M	-\$4.0 M
<b>E661</b> – Governor’s Additional Reductions	-\$16.1 M	-\$23.6 M
<b>E670</b> – 6% Salary Reduction	-\$14,186	-\$15,123
<b>E671</b> – Suspend Merit Salary	-\$3,219	-\$8,201
<b>E672</b> – Suspend Longevity	-\$658	-\$836
<b>E673</b> – Governor’s Benefit Reductions – PEBP	-\$5,852	-\$7,519
<b>E710</b> – Replacement Equipment	\$19,832	\$9,438



# AEGIS – Account 1390

## Base and Maintenance Decision Units

	FY 2010	FY 2011
<b>B000 – Base</b>	<b>\$169.7 M</b>	<b>\$169.8 M</b>
<b>M100 – Statewide Inflation</b>	<b>-\$43,956</b>	<b>-\$25,463</b>
<b>M101 – Self funded claim and fully insured product inflation</b>	<b>\$35.1 M</b>	<b>\$51.8 M</b>
<b>M102 – Balancing decision unit to recommended reserve levels</b>	<b>\$1.3 M</b>	<b>\$1.9 M</b>
<b>M200 – Enrollment growth cost increase</b>	<b>\$11.5 M</b>	<b>\$13.8 M</b>
<b>M300 – Fringe Benefit Rate Adjustment</b>	<b>\$1,032</b>	<b>\$15,095</b>



# AEGIS – Account 1390

## Enhancement Decision Units

	FY 2010	FY 2011
<b>E660 – PEBP Board Reductions</b>	<b>-\$21.8 M</b>	<b>-\$23.6 M</b>
<b>E661 – Governor’s Additional Reductions</b>	<b>-\$24.3 M</b>	<b>-\$26.3 M</b>
<b>E670 – 6% Salary Reduction</b>	<b>-\$64,627</b>	<b>-\$65,319</b>
<b>E671 – Suspend Merit Salary</b>	<b>-\$14,667</b>	<b>-\$35,419</b>
<b>E672 – Suspend Longevity</b>	<b>-\$2,994</b>	<b>-\$3,616</b>
<b>E673 – Governor’s Reductions – PEBP Category 01</b>	<b>-\$26,658</b>	<b>-\$32,476</b>
<b>E710 – Replacement Equipment</b>	<b>\$90,212</b>	<b>\$40,838</b>



## Performance Indicators

	<b>FY 2008 Budget</b>	<b>FY 2008 (actual)</b>	<b>FY 2009 Budget</b>	<b>FY 2010 Gov Rec</b>	<b>FY 2011 Gov Rec</b>
<b>Expense Ratio</b>	<b>6.3%</b>	<b>5.8%</b>	<b>5.2%</b>	<b>4.5%</b>	<b>4.4%</b>
<b>Claims Loss Ratio</b>	<b>121.3%</b>	<b>108.3%</b>	<b>110.0%</b>	<b>101.0%</b>	<b>100.3%</b>
<b>Generic Drug Utilization</b>	<b>60%</b>	<b>65%</b>	<b>63%</b>	<b>65%</b>	<b>65%</b>
<b>Medical Network Use</b>	<b>89%</b>	<b>93%</b>	<b>89%</b>	<b>93%</b>	<b>93%</b>
<b>Dental Network Use</b>	<b>79%</b>	<b>85%</b>	<b>79%</b>	<b>85%</b>	<b>85%</b>
<b>Appeals Ratio</b>	<b>.15/1000</b>	<b>.50/1000</b>	<b>.15/1000</b>	<b>.15/1000</b>	<b>.15/1000</b>



# PEBP Legislative Request

- **Senate Bill 103**
  - **SB 544 (2007) clarifications**
  - **SB 547 (2007) retiree trust fund clarifications**
  - **Clarification of State subsidy allocation**
  - **Assistance regarding collection of retiree subsidies**



## **Next Steps**

### **February -**

**PEBP Board approved extending the plan year to 10/31/09**

**Added cost dependent upon final subsidy levels approved**

### **June –**

**Set rates**

### **September –**

**Conduct Open Enrollment Meetings**

### **November –**

**Begin new plan year (eight month duration)**



# Questions?



PEBP Budget Updates	
02-05-09	<a href="#">Plan Year Extension</a>
02-05-09	<a href="#">PEBP Budget Update</a>
01-15-09	<a href="#">PEBP Budget Update</a>
12-03-08	<a href="#">Budget Reduction Target</a>
11-06-08	<a href="#">PEBP Budget Update</a>
11-06-08	<a href="#">Budget Target Recommendation</a>
10-09-08	<a href="#">PEBP Budget Update</a>
10-09-08	<a href="#">Budget Plan Design Options</a>
09-09-08	<a href="#">Board Actions Taken</a>
09-09-08	<a href="#">2009-11 Budget Reduction Decision Unit</a>
08-14-08	<a href="#">PEBP Shares in State's Fiscal Dilemma</a>