

In The Matter Of:
Public Employees' Benefits Program Board
Teleconferenced Open Meeting

Friday
March 11, 2016

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STATE OF NEVADA
PUBLIC EMPLOYEES' BENEFITS PROGRAM
TELECONFERENCED OPEN MEETING
FRIDAY, MARCH 11, 2016
CARSON CITY, NEVADA

THE BOARD: LEO DROZDOFF - Chairman
JACQUE EWING-TAYLOR -
Vice-Chairperson
ROSALIE GARCIA - Member
ANA M. ANDREWS - Member
DON BAILEY, SR. - Member
JUDY SAIZ - Member
JIM WELLS - Member
JEFFREY A. GAROFALO - Member
ROSALIE GARCIA - Member
ROBERT T. MOORE - Member
DR. CHRISTOPHER R. COCHRAN - Member

For the Board: DENNIS BELCOURT
Deputy Attorney General

Executive Staff: DAMON HAYCOCK
Executive Officer
LAURA RICH
Operations Officer
CELESTENA GLOVER
Chief Financial Officer
KARI PEDROZA
Executive Assistant
NANCY SPINELLI
Public Information Officer
MEGAN SLOAN
Contract Manager
CHRIS DeSOCIO
Chief Information Tech Officer

REPORTED BY: CAPITOL REPORTERS
NICOLE ALEXANDER, NV CCR #446

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1 CARSON CITY, NEVADA; FRIDAY, MARCH 11, 2016; 9:00 A.M.
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2
3
4 CHAIR DROZDOFF: Kari, would you call the
5 roll?

6 MS. PEDROZA: Jackie Ewing-Taylor?

7 VICE-CHAIR EWING-TAYLOR: Here.

8 MS. PEDROZA: Ana Andrews?

9 MEMBER ANDREWS: Here.

10 MS. PEDROZA: Don Bailey?

11 MEMBER BAILEY: Here.

12 MS. PEDROZA: Bob Moore?

13 MEMBER MOORE: Here.

14 MS. PEDROZA: Judy Saiz?

15 MEMBER SAIZ: Here.

16 MS. PEDROZA: Jim Wells?

17 MEMBER WELLS: Here.

18 MS. PEDROZA: Jeff Garofalo?

19 MEMBER GAROFALO: Here.

20 MS. PEDROZA: Rosalie Garcia?

21 And Leo Drozdoff?

22 CHAIR DROZDOFF: And I'm here. Thank you.

23 MS. PEDROZA: We have a quorum.

24 CHAIR DROZDOFF: Thanks, Kari. So I want to
25 start today's meeting with a couple of notes. As many of

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1 you know, maybe not in the audience, that somebody who is
2 very near and dear to the PEBP family, Lou DeRosa, passed
3 away earlier, and I think we want to take a moment of
4 silence in his honor and just reflect on what a truly
5 nice man he was and how effective he was at working with
6 PEBP, so I'd like to do that. Thank you. So always keep
7 him in our hearts.

8 For Board members, Kari is collecting a -- if
9 you're interested, and if you're not, no problem -- but
10 she is collecting funds to get flowers or whatever we
11 want to do for Lou. So if you're interested, just go see
12 Kari at a break. I don't know. Have there been
13 arrangements made?

14 MS. PEDROZA: There have not yet.

15 CHAIR DROZDOFF: Okay. But you'll certainly,
16 between you and Damon, you'll let us know?

17 MS. PEDROZA: Absolutely.

18 CHAIR DROZDOFF: Okay. Second order of
19 business is we have a new court reporter today, Nicole.
20 Sometimes, as this Board knows, we have a tendency to
21 talk over each other, so we can blame this on Nicole and
22 say let's not do that today. I will do my best to play
23 traffic cop and to introduce or when people want to
24 speak, if you would let me know, and I'll do my best to
25 make sure that the names are announced. If by chance I

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1 do that, please feel free to make sure the record is
2 clear on who is speaking. So with that, let's open up
3 public comment. We'll start in Carson City, and then go
4 to Las Vegas.

5 MS. LOCKARD: Good morning, Mr. Chair. My
6 name is Marlene Lockard: M-a-r-l-e-n-e Lockard:
7 L-o-c-k-a-r-d, representing Retired Public Employees of
8 Nevada. I will be very brief. I just would like to put
9 on the record, and I know I sound like a broken record,
10 but as we review the rate options today and the potential
11 for increase, some of those options is very concerning,
12 as we've stated in the past.

13 And I think a point that gets lost, as we
14 talk about burning through excess reserves and that very
15 soon we'll be out of those excess reserves, I want
16 everyone to keep in mind that we are, at the same time,
17 accumulating excess reserves. And so I think at the
18 legislative oversight -- Mr. Haycock can correct me. I
19 think it was over \$56 million or something to date at
20 that time. So I think the excess reserves and the
21 continuation of accruing excess reserves, in my mind,
22 begs the question of whether or not we ever should have
23 decreased benefits and increased costs to begin with
24 because since 2011, we have had this ongoing
25 accumulation.

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1 And I understand fully that the benefit
2 enhancements are burning through the excess reserves that
3 had been previously allocated to those enhancements, but
4 as we're looking at a potential rate increase now, I
5 think we need to factor in what our current accrual basis
6 is and try to add that into the mix of your discussion.
7 Thank you.

8 CHAIR DROZDOFF: That's fair. And before I
9 move on, I just -- I'm sure we're going to dig into that
10 quite deeply today, so I certainly appreciate you putting
11 that on the record. Maybe just something for you to
12 think about, representing your employees. I mean, I
13 guess I have a basic question that again, doesn't
14 necessarily need amplification today, but I don't think
15 there's any question that you would have that, you know,
16 the trends for health insurance across the country and
17 indeed in this state are going up in some cases, you
18 know, drugs in particular are going up, double-digit
19 inflation.

20 I don't doubt the fact that we have to really
21 take a good hard look at rates and if we're creating
22 savings or not or what we can do to create more. But I
23 do think this. At some point in the not-too-distant
24 future, there will be a more significant day of
25 reckoning. There will be the pressures on keeping rates

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1 flat versus pretty high cost of living or cost of health
2 insurance increases.

3 Is it possible to get a sense from your
4 membership that ultimately, if faced with that -- and I
5 understand you're saying maybe we're not faced with that
6 today, but ultimately, we will be. What are you looking
7 for then? Are you looking for flat rates, or are you
8 looking for, if you would, reduction in plan design, or
9 what matters more? Because that would be important to
10 know. As this Board tries to figure out what its
11 membership wants, it would be good to know what's your
12 A-number-1 concern? Is it cost no matter what? Is it
13 level of service no matter what? That would be helpful.

14 MS. LOCKARD: Thank you, Mr. Chairman. I
15 think there's a couple of things, and we fully recognize
16 that the buy down or the increased enhancements from the
17 previous, that there would be a day of reckoning. I
18 think my concern has been that we have continued lately
19 in discussions to talk about that the day of reckoning is
20 coming without a full discussion of the continuation of
21 accruing --

22 CHAIR DROZDOFF: I understand that.

23 MS. LOCKARD: -- current recent excess
24 reserves. So I think at some point, we need to get on a
25 page where our projections are meeting the actual costs

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1 so we don't have -- and that at some point, we true up
2 and exactly what you're saying. We fully recognize that
3 at some point, there may be or have to be an adjustment
4 in benefits or an increase in some costs.

5 But another element that's been lost, and I
6 know that the budget office and others would totally
7 disagree, is during the last session, because of those
8 excess reserves, PEBP was able to allow the State to have
9 the premium holiday. So you could make the argument that
10 PEBP helped the State General Fund during a time when
11 they were looking for money and that there could be --
12 when the State now is getting back on their feet and
13 revenues are improved, although I recognize we're not out
14 of it, that there could even be a payback to PEBP for the
15 premium holiday because those came out of excess
16 reserves.

17 CHAIR DROZDOFF: They came out -- yeah, I
18 mean, we'll get to that when we get there.

19 MS. LOCKARD: Right.

20 CHAIR DROZDOFF: I mean, those were some of
21 prepayments paid by -- I mean, that was not PEBP money,
22 and I think, you know, when we get to Agenda Item 3, I'll
23 ask Jim to kind of clarify that again because it's still
24 out there as that. I mean, and I certainly understand
25 what you're saying, that maybe the State can contribute

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1 more, but as Jim will tell you, there was and it's been
2 in the press, there's a bunch of kickoff meetings, and
3 basically, the direction from budget office and the
4 administration is flat budget. So at least in the next
5 two years, you know, I don't know that that's necessarily
6 in the cards. But anyway, I don't really want to belabor
7 the point.

8 MS. LOCKARD: I understand your comment and
9 what you're saying. The potential shell shock, a premium
10 increase or benefit decrease to our members. And I guess
11 what I'm trying to say is that at some point, we need to
12 smooth and true up all of this so we avoid that, but we
13 need to -- because the last several discussions, we have
14 not talked about the current accrual of excess reserves.
15 And so my point today is I want to make sure that that's
16 factored in.

17 CHAIR DROZDOFF: And you've made that point,
18 and we'll do it. And like I said, all I'm saying is not
19 necessarily for this meeting or whenever. It would be
20 helpful, though, as we engage with RPEN if there was --
21 I mean, look. I don't care if it's a year from now or
22 two years from now. We have gone through reserves. I
23 understand your point that we need better information to
24 kind of understand what the glide path, so to speak,
25 would be. But at some point, that's going to happen. At

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1 some point, getting clear direction or input from RPEN
2 about look, this is what matters most to us would be
3 helpful. That's really all I'm trying to say.

4 MS. LOCKARD: Understood. But for the
5 record, we oppose increases and decreases in benefits.

6 MEMBER MOORE: I'm going to write that down.

7 MR. HARRIS: Mr. Chairman, Board Members,
8 Jack Harris, State President, Retired Public Employees of
9 Nevada. Today, I understand that we're going to have a
10 meeting later this month with Willis Watson staff, and
11 hopefully the subject -- I'm sure the subject of customer
12 service will come up.

13 We had a situation, not only myself, but it
14 was found out it was statewide that a situation that we
15 went for a long period of time not being able to contact
16 anybody or a claims representative. I submitted a claim
17 on January 28th, noticed on January or February 1st that
18 it had the wrong customer service -- or the wrong service
19 state. So I tried calling customer service, their claims
20 department, was connected to right away to -- it came up
21 with a menu. The menu said select 3 to talk to a claims
22 representative.

23 Well, I pushed 3, came on the information of
24 how to submit a claim, the numbers to contact, and then
25 it said -- went right back to the menu. And I did it

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1 again and again and again. I did it for three days. I
2 kept trying to contact customer or claims and a live
3 person. I waited 20 minutes one time. On the 17th time
4 where I had to give my name, my Social Security and
5 verify the last three letters of my name, it said my
6 account was not identified, and I was connected with the
7 benefit advisor immediately, came right on the line to
8 help me.

9 Well, the only thing she said she could do
10 for me was to kind of give me or contact the number to
11 call the claims department. So I called the claims. I
12 said, "That's the one I've been calling." And she says,
13 "You know, you're the second person today that this has
14 happened to that I've had to call." Now, that was on
15 February, I think it was February 1st or February -- or
16 like February 4th after three days. And I did it 20
17 days.

18 In Winnemucca on March 1st, one of our
19 members came up and said he had a reoccurring claim that
20 he'd been submitting over the last couple of years that
21 came back denied. So he calls the claims department and
22 he gets the menu. And the menu kept going over, "Push
23 3." Never was able to contact.

24 Yesterday, one of our members brought to our
25 attention that she had had a claim denied. She

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1 resubmitted it. It was \$241.14, and a check was sent to
2 her for \$24.11. So she had been trying to call the
3 claims department. I did call this morning. I did
4 contact somebody and go through. I did -- because with
5 PEPB's help, we've been able to work with Debra Nelson
6 from over at OneExchange on a couple other problems. I
7 had contacted her, and she said she would check into it
8 and gave me an e-mail that she would contact the right
9 people, and the problem has been corrected, but we went
10 for over six weeks without the ability to call the claims
11 department. And I think that would be a customer service
12 because who else do you call? There's nobody else that
13 you can call on the menus, and there's no one number that
14 you can call for information or help. So that's one.

15 There are some positives, if you might want
16 to bring some positives to their attention too. One of
17 our members last week mentioned to me that he had
18 received a call from OneExchange asking why he had never
19 accessed or used his health reimbursement account, "And
20 do you realize that you're building up all of these
21 moneys?" Well, you know, he stated "I wasn't aware" --
22 because he had enrolled outside, how that worked. Well,
23 they've gone back and they were paying his premiums by
24 going back a year, so he's being reimbursed for the
25 premiums. So not everything is negative. There are

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1 positives.

2 And the one other positive is that they're
3 working with PEBP or with Nancy going out into the
4 communities, out to the rural communities, and they're
5 starting another sweep on Monday, and Debra Nelson
6 herself is going to be making that swing to go out. So
7 not everything is negative. There's a lot of positives
8 to it, but it's -- hopefully, these claims -- I don't
9 think I'm a regular member of the agenda up here on that,
10 but we'd appreciate if you would bring that to their
11 attention.

12 CHAIR DROZDOFF: I could tell you that it is
13 in fact RPEN's public comment in last measure that's
14 driving the visit that we're -- and I'm planning to go
15 with Damon later this month.

16 MR. HARRIS: And we appreciate your attention
17 you have given to us. Thank you.

18 CHAIR DROZDOFF: You're welcome. Yes?

19 MR. RANFT: Good morning, PEBP Board Members
20 and Mr. Haycock. My name is Kevin Ranft: R-a-n-f-t,
21 representing State Active Employees with AFSCME Local
22 4041. Again, we'd like to thank everyone for really
23 coming together to a certain degree to try to keep these
24 rates somewhat low. The proposals today, as we know, are
25 still somewhat disappointing on the HMOs. Ultimately, we

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1 appreciate you guys keeping the HMOs. A lot of our
2 members and state employees are very excited about that.

3 They are concerned about the slight increase.
4 I believe it ranges around \$3 up to \$15. It dips into
5 their cost of living adjustment that they're receiving in
6 July of this year. Last cost of living adjustment was
7 offset by the PERS. So ultimately, again and again,
8 these state employees are not receiving any type of cost
9 enhancement to build their lives and to stay in Nevada.
10 So that's concerning. So that ultimately has to be
11 looked at long-term, and I know I've had conversations
12 with Mr. Haycock, and he has taken certain steps, I
13 believe, to really review that, and I know the Board will
14 be involved in that and legislators, and so that's
15 exciting, and we want to be a part of that as well. So
16 like Marlene said, we're adamantly opposed to an increase
17 in premiums and any reduction in benefits.

18 So with that being said, there's 20,000-plus
19 state employees involved in PEBP. And I really think we
20 understand the trends. We understand the cost is going
21 up in health care. We also have power. We really have
22 power. We've got to utilize that. Not that you guys
23 haven't, but sometimes state employees need to understand
24 that the power is being used by potentially 20,000-plus
25 state employees and non-state employees being involved in

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1 this program. We should tell these HMOs, the other
2 insurance groups, you know, these employees are tired of
3 seeing the trends go in the direction that they are.

4 What is available? You know, what options
5 are out there? What is a comparable study from the
6 western states? The state employees want to see that.
7 Maybe that would help them understand what's going on
8 instead of just saying, "Your rates are going up." They
9 would rather know a little bit more information about it.
10 So it would be nice to see a comparison from the western
11 states. What is the HMOs, what is the high-deductible
12 plans from the comparable states out there, and I think
13 that you would really help them understand. And again,
14 it would help us understand, but at the same time, again,
15 we do appreciate the high deductible staying, you know,
16 being somewhat flat, and then ultimately, the HMO is
17 increasing the retirement, the retirees, they're
18 increasing them a little bit more. It is concerning.
19 They're on a very limited income even compared to state
20 employees.

21 And I know Priscilla Malone is unavailable
22 today to be here due to some medical concerns, but
23 ultimately, she would really be concerned on behalf of
24 the retirees. So with that being said on Item 3, again,
25 I would appreciate that comparison be released.

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1 And then regarding Item 4 on Mr. Haycock's
2 performance evaluation, I've only been here working with
3 him for about a little over six months, but he has
4 reached out to our organization numerous times. I've met
5 with him, and he really has a grasp, we feel, of the
6 direction of this ultimate PEBP insurance program. You
7 know, ultimately, sometimes we're going to agree to
8 disagree, but what's nice about it, he has reached out to
9 our organization, so we feel that we can work with him,
10 and we would appreciate your support in that through his
11 evaluation.

12 So ultimately, the state employees, as you
13 know, are concerned, and they just want a little bit more
14 input. And I think he's -- Mr. Haycock's going to be
15 doing some of that through a survey, and we'd like to be
16 a part of help writing some of those questions for the
17 survey. With that being said, thank you for your time,
18 and thank you.

19 CHAIR DROZDOFF: Thank you, Mr. Ranft. Is
20 there anybody else in Carson City that's got a public
21 comment? Okay, Mike. We'll go one more up here after
22 Peggy and then, Jeff, we'll go down to Las Vegas.

23 MS. LEAR BOWEN: Good morning. My name and
24 my words, for the record, Peggy Lear Bowen. P-e-g-g-y
25 space, L-e-a-r, space, B-o-w-e-n. First and foremost,
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1 thank you very much for all of your hard work and
2 everything that you do in regards to our benefits.

3 With the public comment this morning, I'd
4 like to quote Don Miguel Ruiz, The Four Agreements. And
5 the quote is this: "Today is the beginning of a new
6 dream." Everything is looking forward not looking
7 backward, and I would hope that in your deliberations
8 today, that you remember, I hope, that the non-state
9 employees and retirees were singled out and separated for
10 the purpose of accountability to say what impact it had
11 on the insurance program as offered to the participants.

12 That accountability is how much they spend at
13 the doctors, how much they spend at the dentist, and
14 their actual impact upon being a part of this
15 organization, but I don't believe -- and I'll stand by
16 this -- that they were ever meant to be separated when it
17 came for benefits. And they were never meant to be
18 separated for additional rates or higher rates because
19 they shouldn't have cost more in terms of the benefits
20 received or the amount that they had to pay out in order
21 to participate in the program. They were counted,
22 brought in as equal that way. The separation was
23 accountability only and so that when rates are being
24 considered, that the rates you consider are for one and
25 all, and we don't -- we never revisit a situation where

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1 some rates are flat and some rates are so exorbitant, it
2 drove people out of being insured by PEBP.

3 And in keeping that in mind, I would hope
4 that you would go forward with that concept so that we --
5 and the reason for that was nothing more than giving
6 bigger bang to the buck; that the numbers involved in
7 seeking people to be vendors where we have X amount of
8 employees and the non-state employees were in that pool
9 number. They weren't separated out and have to pay \$40
10 for a prescription instead of \$2, that sort of thing.
11 And so we are united with you as non-state employees in
12 the operation of going out and funding and getting
13 vendors for your program. And I think that's terribly
14 important.

15 The other point of concern that I had had to
16 do with process, and I'm not quite sure what to do about
17 it. And it had to do with last meeting's agenda where a
18 RFP -- and let me cancel that. Where it was to be
19 discussed whether we were going to continue on, whether
20 negotiations had ceased, or where we were going to go to
21 that meeting as a PEBP Board.

22 And I believe that on your agenda -- I know
23 that on your agenda, that was listed as an agenda item to
24 be heard at 1:00 o'clock. I also know, as learned, that
25 at 11:45, that the RFP was rescinded by a body other than
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1 PEBP. And I don't think anyone had the legal standing to
2 withdraw that RFP in order to beat the deadline, or for
3 whatever reason, it was withdrawn at 11:45 when you have
4 an agenda that says it will be heard at 1:00 o'clock by
5 the entity that is authorized to put out RFPs, to rescind
6 RFPs, to modify RFPs. That's when it was to be heard.

7 And to my knowledge, that anyone who acts
8 beforehand is in violation of an open meeting law maybe,
9 or other laws, maybe, but it's still a violation. And
10 for lack of other place to go, because an attorney
11 general person sat on that committee that withdrew it and
12 because the state purchasing withdrew it, and that our
13 gentleman, Damon Haycock, was sitting there with his
14 hands tied, who couldn't act any way or the other because
15 of liability and having to follow the attorney's
16 direction, whether it was right or wrong.

17 And I, as an individual, I don't know if -- I
18 can file a violation of the open meeting law and then
19 tell me it wasn't, but I believe you, as an entity, have
20 a perfect right to question the legal direction that you
21 were given or that you had to abide by as not -- as maybe
22 being possibly in error or whatever. I believe that
23 issue, for right, wrong, or however it turned out, should
24 have been heard by this Board, and you were denied and
25 usurped that right by an entity that didn't have the

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1 right to do it legally or in statute because -- and
2 Mr. Wells wants me to quote him. "We are doing this, and
3 there's nothing you can do about it." And being reminded
4 we have -- at the legislative meeting regarding guiding
5 PEBP what they were going to do and how they were going
6 to write the insurance program and how they were going to
7 set it up. And around 2011, Mr. Wells maybe, but the
8 point being, the Legislature said, "You're right. PEBP
9 does this by legal -- by its legal definition, and what's
10 in place in statute and regulation, but we have the power
11 of the purse string." Well, I don't believe that the
12 purchasing department or the attorney general has the
13 purse string power over you. Only the Legislature does.
14 And so I'd appreciate it if you'd look into that matter.

15 Last point. Mr. Haycock has done an absolute
16 superhuman job of bringing back PEBP credibility with the
17 members, with the media, and everyone else because of the
18 openness and willingness to sit down and talk with any
19 entity and bring in as many ideas as possible, and the
20 transparency has been fantastic, not only for Board
21 meetings, but committee meetings and everything else.
22 And you could not have a better man in place who is more
23 aware of what he can and can't do.

24 And the fact that you weren't notified was
25 because he was held by restraints for different things,
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1 and hold him accountable for the changes he's made and
2 see if they are the good changes and the changes being
3 that of open transparency, not only for -- for all the
4 stakeholders including the staff. Just the change in
5 morale in that office when that system was broken, when
6 he came on board and was hired, he was told it was
7 broken. And he said that not as a challenge, but as a
8 goal to heal wounds, to bring people together and make us
9 one family again. And I would highly, highly recommend
10 that he not only have a staff evaluation of his
11 performance, but maybe he's deserved a raise, a paid
12 vacation and travel points. Thank you very much.

13 CHAIR DROZDOFF: Thank you.

14 MR. MURPHY: Mr. Chairman, Board members,
15 good morning. Thank you for the opportunity to speak.
16 For the record, my name is Mike Murphy: M-i-k-e
17 M-u-r-p-h-y. I'm President of Anthem Blue Cross and Blue
18 Shield.

19 I have a few prepared remarks, as you can
20 imagine. I'm going to spend a minute just to recap the
21 processes thus far as we've experienced it. The RFP that
22 was issued stated very clearly a desire to move to a
23 single statewide HMO provider. During the January 12th
24 Board meeting, the Board voted to retain Anthem as that
25 single statewide HMO carrier. Board members stated many

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1 benefits PEBP members would receive as a result of making
2 this decision. Reasons included but weren't limited to:
3 access to both major hospitals in Northern Nevada, open
4 access to networks in the south, access to out-of-state
5 providers in our Away From Home Care Program, not to
6 mention the ability to work with one organization as a
7 partner to help craft the future direction of the benefit
8 program, as we've heard this morning the need to do.

9 During the Board meeting on January 26th, the
10 Board voted down a proposal to withdraw the RFP by a vote
11 of four to two, thereby assuring members of the PEBP
12 benefit plan they would receive the benefits I've just
13 outlined. A third meeting was scheduled to revisit the
14 decision to withdraw the RFP, but prior to that meeting
15 without Board consideration, the RFP was abruptly
16 cancelled with notice to all bidders that materials were
17 to be destroyed within three days of that notice.

18 There's been stated very loudly prior to and
19 during the negotiations with Anthem and publicly that
20 rates were not to be a penny over current rates. Many
21 reasons have been given: state budgetary constraints
22 that would not allow for any additions, the consideration
23 of the cost to members of the plan, just to name a few.

24 The failure of Anthem to the meet no-increase
25 ultimatum ultimately resulted in negotiations abruptly

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1 being brought to an end. During the last Board meeting,
2 it was stated very clearly the rates to be negotiated
3 with current carriers were to be flat at an absolute
4 minimum. There was to be no consideration given claims
5 experience. You can imagine my reaction when I learned
6 that the rates to be ratified by the Board today are not
7 only an increase for every HMO PEBP member, but an
8 increase very close to what was rejected during
9 negotiations with Anthem. If you recall during the last
10 meeting, I made a statement of warrant. There was no
11 guarantee that your current vendors would secure the
12 rates they offered the State in their RFP proposals, and
13 clearly, they did not.

14 In the last Board meeting, PEBP participants
15 also voiced their concerns that while they might tolerate
16 a rate increase for greater benefits, the current vendors
17 should not be rewarded or benefit from an extension of
18 the same plans, yet it appears that is precisely what the
19 Board is being asked to ratify today.

20 It's been discussed by the Board at the
21 December meeting that the current vendor in the north's
22 bid was approximately 12 percent below current rates by
23 the calculation of the rates that were stated at that
24 meeting. The rates being ratified today are therefore
25 approximately 12 percent of that in the north. You're

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1 being asked to ratify a no-bid extension to the current
2 contracts. As part of making an informed decision and
3 insuring that PEBP members in state aren't leaving money
4 on the table or are accepting lesser benefits to the
5 disadvantage of the participants, we suggest that it's
6 prudent that you consider the operations and alternatives
7 that you have before you.

8 One of those options outlined by this Board
9 was a plan B in which Hometown would be awarded the
10 north, and Anthem, the second-highest bidder regionally,
11 would be awarded the south. Examine the figures closely.
12 The proposal would have yielded the state a savings of,
13 by our calculations with the information that's available
14 to us, nearly \$9 million in the northern region, far from
15 what's being ratified today. Members would have seen a
16 decrease in premium, and in the state, a reduction in
17 budget spent.

18 I'm here to urge you not to ratify the
19 proposed rates included in your packet and instead, take
20 one of two actions. If this Board and PEBP has decided
21 that a small increase is acceptable, as it appears it is,
22 I would suggest and request that you award the statewide
23 contract to Anthem as the winner of the bid that was
24 outlined in the RFP and consistent with the stated
25 preference that was in the RFP. This has been voted on

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1 numerous times and will secure the benefits of open
2 access, access to both hospitals in the north, and
3 numerous other significant benefits for the PEBP members
4 or, two, if prices truly came and that issue should trump
5 all of the benefits outlined above for the good of the
6 State and all PEBP members, I would request that you
7 award contracts outlined by plan B which was discussed by
8 this Board and award Anthem the contract in the south and
9 hold the current vendor in the north to its promise of
10 approximately 12 percent rate reduction.

11 Your governing law says you can do what is in
12 the State's best interest. This plan would allow not
13 only for open access in the south, a rate decrease for
14 all PEBP members. Awarding the contract would also
15 secure the benefits for five years and save the state
16 budget the significant costs of going through this RFP
17 again in just a few months, as the RFP allowed until
18 April 1st to finalize the contract, and Anthem and
19 Hometown have both agreed to PEBP's contractual terms.
20 There is no reason why these benefits cannot be delivered
21 to the PEBP participants within the timeline of the RFP
22 that was stated in the outline.

23 I appreciate your consideration, I appreciate
24 your time, and thank you for all of your efforts. If you
25 have any questions, I'm more than happy to answer them.

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1 Again, thank you.

2 CHAIR DROZDOFF: Are there any questions for
3 Mr. Murphy? I'll just say this at the very real risk of
4 maybe making things worse. You know, I think I speak on
5 behalf of the Board that we would say that the RFP
6 process that we went through and that Anthem dealt with
7 -- and the other vendors too -- dealt with us in good
8 faith was flawed and I -- yeah. I wish it didn't go the
9 way it did. I have no doubt that Anthem dealt with us in
10 good faith.

11 You know, we are at a point where the RFP has
12 been rescinded. I know that that, for a lot of good
13 reasons, doesn't sit right with you. I also know that
14 you are correct that the rates that were ultimately
15 negotiated were not nearly as favorable as those -- what
16 we expected might happen. You know, at this point in the
17 game though, I just think for a variety of reasons, we're
18 going to talk about rates today. I don't know whether
19 you're going to stay or not.

20 MR. MURPHY: I will.

21 CHAIR DROZDOFF: We're going to do our level
22 best to understand why there's even small rate increases.
23 I do think that having a much more complete and
24 appropriate RFP process will serve our participants the
25 best, and I also think it will serve our vendors and

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1 potential vendors the best. Having clear direction on
2 issues like we've talked about, you know, the statewide
3 preference, open networks versus closed, you know, plan
4 design versus rates. I think there's a multitude of
5 things that we must do better on.

6 I think you and your team were very good to
7 deal with. I know I couldn't even imagine the kind of
8 effort and money and time that went into it. That's not
9 lost on any of us. I guess my hope is that you bear with
10 us. I mean, this was not a great process, but we are
11 going to revisit it in less than a year. And I encourage
12 you, to the greatest extent that I can, to please
13 participate in that process, and I think it will be
14 better for you and the participants in the long run.

15 MR. MURPHY: May I respond to the comments?

16 CHAIR DROZDOFF: Yeah.

17 MR. MURPHY: Thank you. Just a couple of
18 things. I do understand the confusion that's been
19 voiced, and I've heard discussed, you know, again. What
20 I'll reiterate is the RFP that was issued was pretty
21 clear in the desired responses. It's been essentially
22 the same RFP and the same desired response and what was
23 put forth by the vendors for years.

24 I do understand there's a lot -- I would say
25 in dealing with negotiations, it is not as if there was a
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1 lack of information that was available to the Board, to
2 the negotiating team, to the Executive Director in making
3 the decision, in making the decision of the rates and
4 negotiations. And the RFP responses -- I don't know
5 whether they were complete, but I would assume they were
6 complete because all of the carriers that responded to
7 them have also been responding for years to this RFP. I
8 would urge you again today, as I know the RFP has been
9 cancelled, we believe that there are absolutely options
10 for this Board to consider even though the RFP has been
11 rescinded.

12 You are allowed to act in what is in the
13 State's best interest. You are allowed to consider that,
14 and I would urge and request that you do that today, even
15 with the RFP being rescinded. So I appreciate that, and
16 I really do appreciate the comments and the compliments.
17 We certainly, as you said, have tried through this whole
18 process to act in good faith, to comply with all of the
19 purchasing requirements and guidelines that have been set
20 forth both in the RFP and by purchasing guidelines, and
21 from what I've said in every meeting I've been here, our
22 desire is to build a relationship, and our desire was to
23 build a relationship with the State, as we have years
24 ago, to come up with a plan to help partner with the
25 State to build a benefit plan that works in the future.

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1 So again, I appreciate your comments and the
2 efforts that we've made and you all have made, and again,
3 the difficult decisions that are before you. So thank
4 you very much.

5 CHAIR DROZDOFF: Thank you, Mr. Murphy.

6 MR. MURPHY: Thank you.

7 CHAIR DROZDOFF: Jeff, is there anybody down
8 south?

9 MEMBER GAROFALO: Yes, there is.

10 CHAIR DROZDOFF: Okay.

11 MR. UNGER: Good morning. My name is Douglas
12 Unger: D-o-u-g-l-a-s U-n-g-e-r. I'm a member of the
13 Executive Committee of the UNLV Faculty Senate. First of
14 all, I'd like to express, on behalf of our faculty, my
15 sympathies and condolences to Mr. DeRosa's family and to
16 everyone who knew him. Our own experience with him in
17 his position solving issues and problems for our faculty
18 and employees, he was just a wonderful advocate and a
19 wonderful communicator, and he will be missed, and I'm
20 very shocked at the news of his passing and just want to
21 assure the Board that it's felt down here.

22 CHAIR DROZDOFF: Thank you.

23 MR. UNGER: Speaking to the issue that's on
24 the agenda today concerning the one-year extension of the
25 HMO contract at the increased rates, I'd like to express,
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1 on behalf of the UNLV Faculty, how disappointed we are
2 that we are stuck in the same contract and in the same
3 situation as we've been before.

4 We were very much looking forward to
5 switching over to an Anthem-based HMO with its open
6 access and its obvious advantages as a plan because in
7 general, the HPN plan, as you've all learned through your
8 vetting process, is at best second-rate, and in some
9 evaluations, third-rate compared to the other options
10 that were offered to us.

11 Furthermore, the blending of the premiums,
12 north to south, allowing a very good HMO plan in the
13 north to be paid for out of the paychecks of the faculty
14 and employees in Southern Nevada is unjust and wrong. In
15 fact, it's Orwellian. Some animals, you know, all of the
16 animals are equal, but some animals are more equal than
17 others. We feel it. We see it. We know it. We feel
18 that it's an injustice.

19 What we want is better choice in our HMO
20 plans and better choice of providers in our PPO plans.
21 I'd like to thank the Board for the countless hours that
22 you've put in looking at the RFP papers. I know that
23 many of you on the Board sacrificed sleep, sacrificed
24 time with your family, and sacrificed time out of your
25 personal lives in that whole process. I would like to

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1 work again toward a much fairer and more just and
2 equitable HMO plan that is statewide, and if not that, at
3 least a plan that separates out the premiums so that one
4 set of State of Nevada employees is not paying for the
5 much better plan of another State of Nevada employee.

6 The third point that I'd like to make is I
7 appreciate very much Mr. Damon Haycock's presence on your
8 Board as Executive Officer. I've written a letter to the
9 Board to that effect and would like to state again just
10 how important his communication and advocacy on behalf of
11 the Board has been. He has changed the perception of the
12 PEBP Board and its work, and he's been a wonderful
13 communicator, and from our point of view, a breath of
14 fresh air in the entire process. Thank you very much.

15 CHAIR DROZDOFF: Mr. Unger, if you could sit
16 tight for a second. I certainly appreciate well wishes
17 for Mr. DeRosa's family. I appreciate your input on
18 Damon. I want to just check with you. I have a similar
19 question to the one I asked Marlene earlier. Look. You
20 rattled off many of the, I think, sort of real advantages
21 of statewide HMO network.

22 As I asked Ms. Lockhard about price versus
23 sort of other benefits, you raised the issue of an open
24 network. I did when I was talking to Mr. Murphy as well.

25 I do think that one of the -- I do know that one of the
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1 things that this Board will do between now and the next
2 RFP process, which is really just a matter of months
3 away, is to try to settle on some key principles that
4 matter most to us. Is a state network most important?
5 Is an open network versus a closed network most
6 appropriate? So that's a lead-in to this question.

7 You clearly have made your sort of distaste
8 for a closed network known. But my question is, does
9 that trump, if you would, the cost consideration some? I
10 mean, all things being equal -- and you may not like the
11 premise of the question, but I'm really trying to come up
12 with something that is going to be reflective of the
13 group you represent. If an open network is truly what
14 you and your members want, is there a recognition that
15 that may cost more and is that okay?

16 MR. UNGER: The Nevada System of Higher
17 Education is a very unusual amalgamation, collection of
18 employees. We have the privileged few, the faculty, and
19 the professional administrative faculty, and we have the
20 state employees, who are in the PERS system, and we all
21 share the same benefit pool. I'm sure if you ask
22 different constituencies what they prefer, they would
23 probably give you different answers.

24 I can speak for UNLV faculty, and we have
25 studied and polled our membership, and I can tell you
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1 what the faculty would like to see: more choice. And
2 I've seen the Board work through different options, for
3 example, on different kinds of deductibles for the PPO
4 and considering it when you're talking about the future
5 of that self-funded plan. What we would like is more
6 opportunity and more choice.

7 If we had the possibility of getting a
8 similar contract to what's offered in the north, my
9 opinion is that most of our faculty and our staff would
10 prefer that even though the expense might be a little
11 higher simply because of the open access advantage to
12 that kind of plan and the other advantages it offers, at
13 least the Anthem plan offered, of being able to support
14 our children out-of-state and to be able to be covered
15 while traveling and all of the other different
16 advantages.

17 So I think as you're thinking through what we
18 would like, the faculty would prefer different levels of
19 choice and different possibilities so that we would quite
20 possibly have a choice of an open-ended HMO and perhaps a
21 three-tiered level choice on the self-funded plan rather
22 than a single deductible choice on the self-funded plan.
23 We would pay more for additional choice, and I think we'd
24 agree to paying more.

25 What we would like is stability in the
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1 system. And I don't know -- it's what I've wanted out of
2 the whole State of Nevada budgetary process for 25 years
3 and never seen, too, is stability; the ability to be able
4 to plan five and ten years ahead of time and know what
5 our situation is going to be. In our state budget
6 process, I understand that that's not going to be the
7 case even in the next biennium. But with our health
8 benefits, maybe we could get some stability and
9 understand that we would like better choices, especially
10 with the HPN HMO. I don't think it's a good plan, and I
11 do not have much faith in UnitedHealthcare that
12 underwrites it. I don't think that they have offered the
13 PEBP Board a very good deal. I just don't think it's a
14 good deal in the south. So we'd like more choice.

15 CHAIR DROZDOFF: Thank you for your candid
16 answer. Okay. Any other public comment? Is there any
17 more down south? We'll stay in the south. Come on up,
18 sir. You'll go next.

19 MS. CAMERON: Good morning. My name is Vicki
20 Cameron: V-i-c-k-i C-a-m-e-r-o-n. On a more positive
21 note, I just wanted to let this Board know that we are
22 supportive of PEBP. And based on that, I am the
23 President of the Henderson Chapter of RPEN, and we are
24 hosting a PEBP forum on April 20th from 1:00 to 4:00 p.m.
25 at the Flamingo Library in Las Vegas, and there will be a

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1 representative from PEBP, Nancy Spinelli; and also a
2 representative from OneExchange, Chris Garcia; there to
3 do presentations for any state -- or any employee that's
4 involved in PEBP to attend that meeting if they have
5 questions regarding the enrollment period, questions
6 regarding HSA, HRA. So I do want you to know that we do
7 support you, and we're trying to help you get the
8 participants educated in what's available to them. Thank
9 you very much for your time.

10 CHAIR DROZDOFF: Thank you. Thank you very
11 much. Go ahead, sir.

12 MR. MCCURDY: Good morning. Thank you for
13 the opportunity to speak. My name is Bryan McCurdy:
14 B-r-y-a-n M-c-C-u-r-d-y, and I represent myself and my
15 wife. Between us, we've got 58 years' worth of active
16 service with the State of Nevada, and now pushing
17 somewhere around 10 years worth of retired service with
18 the State of Nevada between the two of us. And over that
19 time, the two of us have seen the benefits that were
20 provided for the State of Nevada employees, your
21 constituents, have been ripped apart, and the cost for
22 those benefits have significantly increased.

23 There was a point in time when I was allowed
24 to go to the optometrist, and the optometrist -- and this
25 was a bill that was paid by my insurance. The

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1 optometrist offered me two pair of glasses. Today, if I
2 go to the optometrist, I pay the optometrist full fare,
3 and then through a lot of other paper shuffling, I'm then
4 reimbursed a whole \$120. And if I have to buy a pair of
5 glasses, which are a medical device prescribed by a
6 physician, that medical device is not allowable as part
7 of my deductible.

8 I'm having a difficult time understanding how
9 this works. At this time, I understand that there are --
10 that the State of Nevada is the actual insurance company
11 for those of us who are on the self-funded, and that
12 there are also two different entities that are being
13 utilized to prepare and make the payments that may go out
14 to physicians and/or to constituents. I'm having a bit
15 of difficulty trying to figure out how it is that we need
16 two different entities to prepare the bills that go out
17 and to pay the bills that go out.

18 We're one entity with the State of Nevada.
19 Why can't the State of Nevada, who is the insurance
20 company, actually go ahead and have its own billing and
21 make it and do its own billings? I do believe that the
22 purchasing division actually does billings. That's part
23 of their job. So I'm having a great deal of difficulty
24 understanding a lot of this. Most of this stems from the
25 fact that at this moment in time, I have a number of

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1 claims that are outstanding which have not been paid
2 either to the doctor or nor to my deductible, and the
3 minutia of the whole thing is not relevant to you folks.

4 What I'm concerned about is the fact that we
5 have so many fingers in the pie, and we are apparently
6 paying all of these -- we must be paying all of these
7 people. We have a gentleman over here who is from
8 Anthem. He has, you know, he's obviously here to get his
9 company paid to do a service for us, and he brought up
10 something that had me even more dismayed. He said that
11 you have a directive to see to it that you do the best
12 for the State of Nevada.

13 Well, I would say that your actual
14 constituency is not the State of Nevada. It is the
15 employees who are part of PEBP. And your real job should
16 be to see to it that we, the members of the PEBP, those
17 of us who put in our time, those of us who are putting in
18 our time today, are given the best possible benefit that
19 you can come up with. And I am truly dismayed at what
20 has gone on over the years and the way that we have been
21 given, as was put in a movie one time about a guy who got
22 a divorce, he said, "Yeah, it was she got the mine. She
23 got the gold in the mine, and I got the shaft." Well, as
24 public employees, it appears to me that, you know, we're
25 getting a divorce here, and I'm getting the shaft. And

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1 I'm kind of tired of it, and I appreciate the time that
2 you are allowing me to go ahead and speak to this.

3 And as far as would I accept a higher premium
4 for the benefit I'm receiving? At this moment in time,
5 it occurs to me that based on what has gone on over the
6 past 30-plus years that I've been involved in this, in
7 this system, that no, you owe me a great deal more, and
8 you owe me money back for what I've put into the system.
9 I came into this with the idea that this was an actual
10 benefit that was being supplied to me by the State of
11 Nevada. And it occurs over time that it is not a
12 benefit. It is a liability, and it's been proven again
13 and again year after year that the liability is being
14 placed squarely on my shoulders for bad decisions that
15 have been made and of bad times.

16 I understand bad times. I understand that,
17 you know, that the marketplace took a huge hit on what --
18 on our pocketbooks, on the State's pocketbook. I
19 understand all of that. And I understand going ahead and
20 giving that to -- having that roll downhill. But at the
21 same time, when we continue to see our benefits ripped
22 out from underneath of us and the cost of those benefits
23 increase significantly over time, I just -- I'm totally
24 dismayed, and I truly wish that you folks would take a
25 much harder and closer look at all of that. Thank you

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1 for your time.

2 CHAIR DROZDOFF: Thank you. All right. I
3 think since we have an -- oh. Rosalie just joined us. I
4 think what we're going to do is we will take a 10 -- we
5 have, obviously, a pretty weighty matter. So even though
6 it's a little bit early, we'll take a 10-minute break,
7 and we'll get back to Agenda Item 3. So we are going --

8 (Recess was taken.)

9 CHAIR DROZDOFF: I see Tena and Stephanie are
10 up there, but Kirby, you said you wanted to say a few
11 words. I'll let you start and go to Tena.

12 MS. BOSLEY: Thank you. Good morning. Kirby
13 Bosley with Aon. I just wanted to set the stage a little
14 bit with what you are about to hear is really a two-part
15 discussion. We have Stephanie, who is the actuary,
16 Stephanie Messier. We're going to go through claims
17 projections based on plan design, and then Tena will pick
18 up the discussion from then as we get into rates. We
19 also have Steve Caulk here. Steve is another one of our
20 actuaries, and is our lead -- say hello, Steve --
21 early-trend actuary. He 's been very involved in helping
22 us get this work done as has been John Bowen, another
23 actuary sitting next to Steve.

24 All I wanted to say -- the public comment was
25 so wide ranging, we're bringing this back to self-funded
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1 plans, so that's the context here, and our assignment has
2 been to calculate the needed premium for the old plan
3 design, if that makes sense. So as we talked about
4 earlier, remember that we did improve the benefits, and
5 the idea is that the improved benefits would be funded
6 through reserves. So that was our assignment. That's
7 what was done.

8 Again, we calculated the needed premium for
9 the \$1,900 deductible plan, and if we keep benefits the
10 way they are, as Stephanie will point out, that should
11 generate approximately a \$5.9 million shortfall in
12 funding, as has been instructed. In other words, that
13 would come from reserves plus additional shortfalls
14 resulting from continuing HSA funding. So that's the
15 context. I just wanted to just bring us back to what we
16 were talking about and turn it over to Stephanie. Thank
17 you.

18 MS. MESSIER: Great. Once again, this is
19 Stephanie Messier. Diving into our presentation again, I
20 am focusing on your CDHP plan this morning. So just to
21 give you kind of a summary before we dive into all of the
22 numbers, I know it's a lot of numbers. I like them, but
23 not everybody does.

24 So our executive summary here is what have we
25 done for you today? We have taken into account your
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1 updated experience now that has been incurred through
2 January of 2016. On the medical plan, because the run
3 out is little bit longer than it would be for pharmacy
4 and for dental, we are cutting that off and only using
5 experience through December. We are including payments
6 made through January just because again, it has a longer
7 tail. I want to complete those claims a little bit less,
8 so I'm adding in an additional month of payments but not
9 using the incurred experience through January. That is
10 very immature, and more errors can be brought into your
11 projections if we are including that.

12 We are also trending it forward to Plan Year
13 2017 using a 6 percent trend rate for medical, 8 percent
14 for pharmacy, 2 and three-quarters for dental. At the
15 last trend meeting in January, I think we were estimating
16 anywhere between 6 and 9 percent. So you'll see here the
17 medical did come in on the lower side of 6. Go ahead.

18 CHAIR DROZDOFF: Bob Moore has a question.

19 MS. MESSIER: Yes, Bob.

20 MEMBER MOORE: Yes. For the record, Bob
21 Moore. On your experience period, are you using the most
22 recent 12, or are you using the most recent experience in
23 this plan year?

24 MS. MESSIER: I'm using the most recent 24
25 months, two sets of 12-month periods, and then blending
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1 them with credit.

2 MEMBER MOORE: Thank you.

3 MS. MESSIER: Excellent question. Thanks,
4 Bob. We are also including the savings that has been
5 estimated from using -- moving to the new pharmacy vendor
6 in the upcoming plan year, so that is decreasing the
7 total pharmacy spend by about \$4 million. So you are
8 seeing some savings in this plan rate development from
9 moving to that new pharmacy vendor. It's definitely
10 absolutely helping the increase that you would be seeing.
11 It would be larger had we not gotten that \$4 million
12 savings by switching pharmacy vendors in the upcoming
13 plan year. This resulted in an overall base rate
14 increase of 3 percent for the state and non-state.

15 Using your updated experience, trending it
16 forward, again, unfortunately in the medical world and in
17 the pharmacy world, a dollar-a-gallon of milk today will
18 not cost you a dollar next year. It will cost you \$1.06;
19 sometimes \$1.10. It's just the way the medical and
20 pharmacy world works. It trends forward at a higher
21 rate. Even when we get paid or what we see as pay
22 increases, it does move forward at a higher rate. So
23 overall, a 3 percent is below trend. So you've had some
24 better experience that we updated, but you would still
25 see a 3 percent increase.

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1 Now again, this is before we priced your plan
2 back to your old design. So had we not done that, you
3 would be seeing a 3 percent increase. Because we are
4 pricing at that older design, you are basically going to
5 see the numbers at the very bottom of the page there.
6 It's a .03 percent increase for state population, .18 for
7 the non-state population, but this is before there's an
8 additional savings coming through on the admin fee side
9 from the pharmacy vendor, and those are the sorts of
10 numbers that Tena adds to our claims projections because
11 she's doing the admin fee portion of it. So I'm not
12 including that savings, and that's why you'll see
13 positive numbers for the increase. But at the end of the
14 day when it comes through on the employee side, that's
15 where the admin savings is being captured, so it actually
16 is going to be a slight decrease to your membership.
17 They're getting that additional fee savings. So at the
18 time this presentation was put together, Tena hadn't
19 finished all of her final little adjustments in the admin
20 fee, so my numbers are a little bit different than what
21 you'll see there.

22 I was initially estimating a .31 cent per
23 month saving for an active employee-only coverage.
24 Currently, it's looking like it's going to be .25 cents
25 instead of .31. Similarly, on non-state, originally, I
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1 was projecting \$1.89 saving per month for a retiree
2 employee-only coverage. Currently, that's looking like
3 about .77. But again, it's still a savings. It is not
4 an increase on your CDHP plan. Any questions?

5 On the next page, we do have a lot of
6 numbers, but this is what goes into building your base
7 rate. Similar to last year, we're showing you the first
8 couple of columns relates to your medical plan. The next
9 two relates to the pharmacy, and the final section is
10 dental. You will notice you do have more subscribers in
11 the dental plan, again, as that's being offered outside
12 just the CHP/state employee/non-state population.

13 So the period that we are looking at for
14 medical, similar to Bob's question earlier, we are
15 looking at all of calendar year 2014 and all of calendar
16 year 2015, and we merged those two together, trend those
17 numbers forward. We're using an 80 percent weight on the
18 most recent period. We're trying to give you more weight
19 to your better experience, more recent experience as well
20 as that's currently that plan design that you're
21 offering, so the experience that you're seeing there,
22 we're giving more weight to that to come up with a final
23 number, you'll see on the first highlighted line, of
24 \$488.20. Currently, your rate is \$463.61. And again,
25 that's because currently, we are pricing for a plan that

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1 you're not offering. We're pricing it for a leaner plan,
2 and we will do so again this year, and you will be
3 burning down reserves by about \$5 million on the state
4 side, about another million on the non-state side.

5 Also important to point out is that
6 adjustment for that new pharmacy vendor. The red line
7 you're seeing before the first highlighted line, you're
8 saving about \$13 per employee per month by switching to
9 that vendor, so you're saving \$3.2 million on the state
10 population for the switch, and that's just in the first
11 year with the new vendor. Any questions here?

12 Next is our non-state. And again, it's
13 important to point out these are your base rates. Tena
14 will be adding in admin fees and your other products,
15 life, disability when she goes through your final rates.
16 We're just talking about the base claims buildup here.
17 So here's a non-state side. Similar on the layout. You
18 are still seeing that decreasing population, but they do
19 have higher claims costs. So on a prior page where
20 you're seeing about numbers closer to \$500 on the medical
21 side, here on the non-state population, it's a little
22 over \$700. It's \$729.

23 Similarly, we are blending two 12-month
24 periods together, trending it forward, applying the
25 adjustment for the new pharmacy vendor. There's a larger

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1 per-employee savings because they are more heavy
2 utilizers of pharmacy services. So they are saving that
3 \$.3 million here on your non-state membership by
4 switching to the new pharmacy vendor, is our estimate for
5 the upcoming year. Overall, again, the increase here
6 would be .2 percent before the admin fee savings comes
7 through for the pharmacy when Tena does her rate buildup.
8 Questions?

9 So I just wanted to again point out that we
10 are underpricing your plan. We are underpricing your
11 plan because we are basically pricing it for the \$1,900
12 deductible which you are not currently offering for that
13 old co-insurance. So doing so costs you \$3.8 million in
14 the upcoming year for these plan enhancements on the
15 pharmacy and the medical side. It costs you another \$2.1
16 million for the dental plan enhancements that were put in
17 place that we are not pricing for. So doing nothing, you
18 are going to be spending \$6 million more than you are
19 budgeting for. There's \$6 million coming out that you
20 are not planning for. Again, that would be coming out of
21 excess reserves, but it's still important to know it's
22 been spent.

23 There's another \$10 million being spent on
24 the additional HSA bonus funding in the upcoming plan
25 year. So in total, my estimation on the CDHP plan is
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1 about \$16 million for those enhancements. Questions? And
2 I just wanted to get the conversation started. And I
3 know we keep talking about doomsday is coming, but we are
4 getting to a point where reserves are going to be
5 depleted, and while we have good news to share with you
6 this year with the pharmacy coming into place, you're
7 seeing basically a flat renewal on the CDHP plan. But
8 that's -- most likely, if I was a betting person -- and
9 I'm not because I'm an actuary and I like a sure thing --
10 you're going to be seeing most likely a higher renewal
11 next year. There will be trend that happens year after
12 year. Again, that milk that is now \$1.06 this year will
13 likely be \$1.12 next year in terms of the medical costs.
14 And you have that pricing differential that you've
15 currently put in place that burns an additional \$6
16 million, so if you want to continue offering the current
17 plan to your participants again next year, there's an
18 additional \$6 million that you would need to come up with
19 to sustain that plan.

20 If you don't have any excess reserves, that
21 \$6 million essentially would be pushed potentially
22 through to participants. So next year, we could be
23 sitting here looking -- and this is just assuming a
24 fairly average experience. If you have better
25 experience, great. We won't be looking at this 9 to 12

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1 and a half percent number. But if your experience runs
2 worse in the next 12 months, we could be looking at a 15
3 or 18 percent number. Not to try to call "Fire" in a
4 church or anything, but again, it could be a fairly
5 significant increase you're looking at next year to keep
6 the current plan design because we are again underpricing
7 it to burn down those reserves.

8 So with the admin fee credit, you are seeing
9 a slight decrease in rates. This slide was just meant to
10 show there's about \$350,000, so rather than giving the
11 .25 cent per month credit to your participants that we
12 talked about earlier, my recommendation potentially would
13 be that you just hold rates flat this year. You don't
14 push that .25 cent detriment through knowing again,
15 you're probably going to be looking at a 9 to 12 percent
16 increase next year. I understand it would be great to
17 decrease by .25 cents, and you could certainly do so, and
18 I believe that's the rates that Tena has put together for
19 you today. I just wanted to kind of give you a second
20 option just to hold the rates flat. It doesn't save you
21 a ton of money, but again, it's just a little bit less
22 that you'd have to then again ask for next year as you're
23 looking to kind of hold benefits potentially for next
24 year the same as they are today.

25 It's also important to note if the SHO
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1 Network is ever removed, if you go through the HMO RFP
2 process again and potentially the SHO Network is lost for
3 your CDHP participants, our current estimate of that cost
4 based on the amount of CDHP members that are currently
5 the SHO Network today and what we estimate the difference
6 in discounts to be, it would likely cost PEBP an
7 additional 6- to \$8 million a year. So that's an
8 additional amount that we would have to build into your
9 pricing next year should you lose the SHO Network. So I
10 just want you to keep that in mind. Not only do you have
11 trend you'll be facing next year, the current
12 underpricing for a plan design that you're not -- you're
13 pricing for but not currently offering. You're offering
14 a richer plan than you're pricing for. You may have this
15 potential additional moneys that you'll be faced with
16 next year.

17 CHAIR DROZDOFF: So, Stephanie, this is Leo.
18 I think this is an important point, really not
19 necessarily for today's discussions because we aren't
20 losing the SHO Network, but as you heard in many of my
21 questions to the public commenters, trying to take a look
22 at future years not very far out -- so this is probably
23 more of a question for Damon. But again, if we are
24 contemplating -- not contemplating. If we are going to
25 look at a new HMO RFP next year and if that is a

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1 potential outcome, let's put it that way, certainly a
2 potential outcome is the loss of the SHO Network.

3 Is there anything that can be looked at now,
4 be evaluated now so that if and when that happens next
5 year, that this 6- to \$8 million figure can be
6 ameliorated? And I don't want to spend a lot of time. I
7 know we're on rate structures, but this is a big number,
8 and I just want to know if there's something that we
9 could identify now as part of putting this RFP together
10 for next year if there's something we can do about this
11 issue.

12 EXECUTIVE OFFICER HAYCOCK: Thank you,
13 Mr. Chairman. For the record, Damon Haycock. There's
14 always things that we can look at, and we did. On
15 January 12th of this year when the Board selected Anthem
16 as a statewide HMO vendor, we quickly and aggressively
17 looked at how we would be able to replace the Sierra
18 Health Care Options Network if the network were to go
19 away. And to echo what Stephanie has stated here today,
20 we initially received information from other networks in
21 Southern Nevada that supports her estimates down here,
22 that 6- to \$8 million. Now, that doesn't mean that in
23 the next year or two or three or whatever is decided that
24 that number can't come down. But today, I feel very
25 confident in Stephanie's assessments because she received
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1 direct information from those networks through our
2 vendor.

3 CHAIR DROZDOFF: No, no. I don't call into
4 question that either. I'm asking for -- I'm asking,
5 though, so that next year when -- or later on this year
6 when we are again trying to compare apples to apples, if
7 we know that by taking a direction one way it's going to
8 have a 6- to \$8 million impact in upcoming years, my
9 question is, are there things -- I mean, is that just the
10 way it is in future years no w? Not this year. This
11 year, I buy the number. But is there anything that can
12 and should be done to see if that number -- to see if
13 that amount will in fact be the case next year and
14 subsequent years if the decisions are made so that the
15 SHO Network is lost?

16 EXECUTIVE OFFICER HAYCOCK: For the record,
17 Damon Haycock. Thank you again, Mr. Chairman. Yes,
18 there are things that can be done. But until we take
19 those steps, we won't know what the new or additional
20 requirements will be for replacing that network. Once we
21 bring back the policy decision to the Board to decide on
22 if they want a statewide HMO and are they willing to lose
23 the SHO Network, that should activate very, again,
24 aggressive discussions with the networks down south.

25 I think it's important to note that if
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1 everything remains the same -- and I'm not saying it
2 will, and I'm not advocating that it does, but if
3 everything remains the same and this Board chooses a
4 different HMO in Southern Nevada and we lose the SHO
5 Network, that increase, that 6- to \$8 million isn't going
6 to be absorbed by those HMO participants that are getting
7 this new plan design. It's going to be absorbed by the
8 consumer-driven health plan participants that made a
9 specific choice to pay less for their health insurance
10 every month and pay more for their access to doctors when
11 they go see them. And so in essence -- and these are my
12 words, these are not the Board's -- that if we were to
13 increase the consumer-driven health plan to absorb this
14 6- to \$8 million a year, that folks on the CDHP would be
15 subsidizing the premiums for the folks on the HMO plan.
16 And I don't know if that's a decision that has been
17 contemplated, but it warrants more discussion.

18 CHAIR DROZDOFF: All right. Well, as I said,
19 this is about this year's rate, but I definitely agree
20 that it warrants more discussion. So sorry for the
21 little down the rabbit hole, Stephanie, but I wanted to
22 get that on the record.

23 MS. MESSIER: No problem, Mr. Chair. I
24 appreciate that. That does conclude my slides portion of
25 this presentation. If there aren't any other questions

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1 for me, I'm going to turn it over to Tena, who will walk
2 you through the additional additions on top of the base
3 rates.

4 CFO GLOVER: Good morning. My name is
5 Celestena Glover. I'm the Chief Financial Officer for
6 the Public Employees Benefits Program. So today, as
7 Stephanie said, we are going to walk through the rates
8 based on the information provided to us by Aon. We'll
9 talk about the rates for the HMOs, and we'll talk about
10 how the plan is subsidized.

11 So our topics will include an overview of the
12 rate components, in other words, what makes up the rates,
13 the rate structure, the enrollment assumptions I used
14 when I developed the rates, the subsidy policy which
15 comes from our duties, policies and procedures; a plan
16 design overview, the HSA and HRA contributions, how we
17 are projecting the excess reserves. We'll discuss
18 previous Board commitments as they relate to those
19 reserves, which include the additional HSA and HRA
20 contributions, and then the plan design enhancements.
21 We'll discuss the HMO rates, as I've indicated earlier,
22 we'll look at CDHP trend, and then we'll do the final
23 rate card approval based on the Board's decisions.

24 So the rate components include our breakeven
25 rates and our loaded rates. So basically, the base rates
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1 which you have been seeing in our rate cards, those are
2 the rates that are set to pay our claims, so medical,
3 health, dental, or to pay the premiums to the HMO
4 vendors. The loaded rates, so you'll hear both terms,
5 "base rates," that's without any operational costs. The
6 "loaded rates" are when I finally add in the admin costs
7 which include salary, buying papers and pens, paying for
8 our building, our utilities, all of the things that we
9 require to run our office. The HSA and HRA
10 contributions, so we have a base contribution. A single
11 individual receives \$700, a dependent receives \$200, up
12 to three dependents, and then of course we have the
13 Medicare HRA contributions.

14 Then we'll talk about the subsidy policy or
15 the subsidy component, so you'll have the base plan
16 participant subsidy percentage, and I'll have a table
17 reflecting those. As I said, they come out of our
18 duties, policies, and procedures. You'll note that there
19 is a differential between the CDHP and the HMO, and
20 there's also a differential from the primary participant
21 and the dependents.

22 So the rate structure that you will see we
23 have had in place since July 2011, and this is plan year
24 2012. That structure included participant only, which is
25 a dollar amount, the participant plus spouse, which is

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1 two times that dollar amount, participant plus children,
2 which is the adult cost plus a composite of cost for
3 children, and then the family cost is two adults plus
4 those children. And you'll see that X is an average
5 adult, and Y is the average composite cost for children.
6 This is how we get to the rates that we use -- when we
7 set our rate cards. Any questions?

8 So with this, I do try to update our
9 enrollment projections using historical data as well as
10 our current data. In my assumptions, I assumed no
11 increase in the state employee positions. We accounted
12 for those in the current year when we were notified of
13 the new positions that were going to be approved during
14 the 2015 session, and we're seeing those positions coming
15 on now. There will be no new state retirees, and this is
16 due to SB 544. That's the same as we've been seeing for
17 the last several years, and then I am noting an average
18 monthly decrease of 30 non-state non-Medicare retirees.
19 Fifteen of those are transitioning into the Medicare
20 Exchange. The other 15 are dropping off the plan for
21 various reasons. They've either opted to go to other
22 coverage or return to their former employer's coverage,
23 and in some cases, those folks have passed away. There's
24 been, I'm assuming, no significant migration to and from
25 the HMO and the CDHP. Should we change plans, change

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1 design, those could change, and then no significant
2 changes to the number of dependents on our plan.

3 So the enrollment projections -- I'm sorry
4 that's not bigger -- but my enrollment projections, what
5 you'll see, you'll see the projected numbers that we used
6 in 2015, and then what the actual numbers turned out to
7 be, which was 1.61 percent higher than we originally
8 thought we were going to have. For 2016, we're looking
9 at another 1.55 percent increase, and then in 2017, just
10 over a half percent increase. I'm holding the non-state
11 actives flat through that. We have nine employees from
12 the non-state governments. We don't see that changing.
13 Those are very small improvement districts, and they
14 really don't have a lot of other options because those
15 groups are very small.

16 Early retirees, I did make some adjustments
17 to these numbers based on what I'm actually seeing for
18 individuals leaving the plan or moving onto the Exchange.
19 So my projection actually showed that my non-state
20 retiree group would be around 1,400, but the real number
21 probably is closer to 1,800, so I made that adjustment to
22 reflect the difference between the 2,130 in 2016 and the
23 1,796 you'll see in 2017, and then using the same
24 assumptions to adjust for the Medicare retirees. Any
25 questions?

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1 CHAIR DROZDOFF: Yeah. Tena -- go ahead.
2 Jim Wells.

3 MEMBER WELLS: Thank you, Mr. Chairman. For
4 the record, Jim Wells. I'm going to be honest. I have a
5 little bit of grief with the projected enrollment for the
6 state active and state early retirees on here. If you
7 look at the FY 16 projected and 17 projected, you're
8 looking at an increase in state employees of a little
9 over a thousand people, and despite a trend where we have
10 been going up slowly in early retirees and a decrease of
11 almost 700 people of early retirees from '16 to '17, and
12 that has an impact on the life and LTD costs that are
13 associated with it as well as the HSA versus HRA
14 components that are out there, so it will change slightly
15 the outcome of the rates. But I think in general, the
16 363 people in person increase, I think is relatively
17 reasonable. It's where they're at that bothers me.

18 CHAIR DROZDOFF: So would you -- so are you
19 saying there should be less actives and more early
20 retirees?

21 MEMBER WELLS: Yeah. Again, this is Jim
22 Wells. When we passed the FY 15 -- Legislature passed
23 the budgets for FY 16 and 17, most new positions are
24 front-loaded into the first year of the biennium. There
25 are a couple of small exceptions in this biennium, but in
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1 general, most of the new positions in the biennium occur
2 in the first year. So to show a thousand employee
3 increases is not necessarily very realistic. At the same
4 time, the trend lines for me for the retirees just looks
5 like it's flipping, and I don't have a good understanding
6 as to why.

7 CHAIR DROZDOFF: Tena?

8 CFO GLOVER: And again, this is Celestena
9 Glover, for the record. I did talk to Mr. Wells about
10 this and agree with his assumptions that these numbers do
11 look like they may be off a little bit. When I go back
12 and finalize the rate cards and do the calculations, I
13 will let you know if it's significantly changed or how
14 much it changes our HRA and HSA contribution. I think
15 the number is small enough that across the Board, it
16 won't have a significant change. I think it will be
17 pennies when you look at our whole population. So that
18 is part of our technical adjustments that we'll do when
19 we finalize those cards.

20 CHAIR DROZDOFF: Tena, I had -- that was
21 going to be one of my questions. Just, you know, I
22 really have no basis to speak out, so I just looked at
23 these and just tried to see what stood out for me. And
24 so that answer is good. I'd like to ask you about the
25 early retirees, non-state. It looks like it's pretty

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1 much a pretty linear reduction year to year of about 350
2 employees or early retirees. I'm assuming that that's
3 relatively linear because you're just doing the math and
4 people are moving into the Medicare retirees. But again,
5 my question isn't necessarily framed because of rates,
6 but as questions that have come up about what to do with
7 these folks. Is that a linear progression that you would
8 see going -- continuing around that same -- even beyond
9 2017?

10 CFO GLOVER: Again, Celestena Glover, for the
11 record. We will see it to a point. We do know that
12 there are a certain number of retirees that will never go
13 to the Medicare Exchange. They didn't pay into Medicare,
14 so they won't qualify for free Part A. So we know that
15 there is probably going to be in the neighborhood of 500,
16 400 or 500 people that will always be on the early
17 retiree enrollment.

18 The numbers that I'm showing there are based
19 on 30 retirees per month actually dropping. Each month
20 when I get the report, I see 30 less, so 360 over the
21 year. So it does look linear. Of those 30, 15 are
22 moving onto the Medicare Exchange. So at some point,
23 that number will come to basically a halt a few years
24 from now where it will just stay at a certain number, and
25 that drop will be because they've left the plan for some

1 other reason than the Medicare Exchange.

2 CHAIR DROZDOFF: Okay. And again, Board
3 Members, I'm really more asking not for the rates but
4 asking that at some point on a future agenda item, we
5 will be talking about what to do longer term with
6 non-state active and non-state retirees. So I think
7 that's helpful information. Thank you.

8 CFO GLOVER: So the slide that you have
9 before you talks about our subsidy policy. This is
10 established in our duties, policies, and procedures. And
11 you'll see there's a standardized differential for
12 dependents and the plans, and a single blended statewide
13 HMO rate is considered when we create the subsidy.
14 Basically, the base plan, which for the purposes of this
15 discussion is the CDHP, an active employee receives a 93
16 percent contribution toward their rates. For all other
17 plans, in this case our HMOs, those same active employees
18 that opt for the HMO plan will receive a 78 percent
19 subsidy or employer contribution. The retiree, again, 64
20 percent for the base plan and 49 percent for all other
21 plans, and then the dependents, you'll reflect a 20
22 percent differential between the primary and the
23 dependent on those plans.

24 When this policy was put in place, it was put
25 there in part to allow participants to choose between
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1 lower premiums and higher out-of-pocket costs which is
2 where the CDHP comes in. So their deductibles, the
3 out-of-pocket, the co-insurance that they have to pay
4 meeting their max out-of-pocket before the plan picks up
5 cost at a hundred percent, or they could pick a higher
6 premium with the lower out-of-pocket cost, that being the
7 HMO. The individuals on the HMO on day one go right into
8 cost sharing, where the individuals on the CDHP have to
9 meet their deductibles before cost sharing begins, and
10 then they have to meet their out-of-pocket before the
11 plan picks up a hundred percent. So it was just a way to
12 try to even out.

13 Ideally, if you had two individuals that had
14 the exact same health care needs, their costs should be
15 similar. There's never going to be a time where they're
16 going to be exact. As we know, there's been lots of
17 discussion, the HMO plan design in the north is different
18 than the HMO plan design in the south. But this was a
19 way to try to balance things out somewhat. Questions?

20 So now we're going to talk a little bit about
21 plan design. So effective July 1st, 2016 or plan year
22 2017 -- gets a little confusing -- these are the
23 assumptions that were made as part of the setting of the
24 plan rates. Now, Stephanie talked about how we used a
25 \$1,900 deductible and a \$3,900 out-of-pocket as well as

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1 the 75/25 percent co-insurance. And at the time, we did
2 not have a vision benefit. So this, the rates you will
3 see, will be based on that plan design, but what we're
4 really doing is we're providing for a \$1,500 deductible
5 for the individual and \$3,000 for the family,
6 co-insurance at 80 percent. The plan will pay once that
7 deductible is met and then one annual vision examination
8 each plan year. And then finally, on the dental plan,
9 the annual maximum benefit was increased from \$1,000 to
10 \$1,500. The plan is priced at the \$1,000 level, but we
11 are actually providing a \$1,500 benefit. Any questions?

12 Again, another component that we talked about
13 in a previous slide, HSA and HRA contributions. So
14 you're looking at \$700 for the primary participant, and
15 \$200 for each dependent up to three dependents. That is
16 the base. This does not take into account the additional
17 one-time. We keep referring to them as one-time
18 contributions. However, we've been given these
19 contributions for a couple of years now. The base
20 contribution table is before you, and you'll note that in
21 total when you take all of our employees, retirees,
22 Medicare retirees, you're looking at a total of \$47.3
23 million to pay HSA and HRA benefits at the base level.
24 For plan year 2017, the Medicare HRA contribution
25 increased from \$11 per month per year of service to \$12

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1 per month per year service, and which does take that into
2 account.

3 So reserves assumptions. There's been a lot
4 of discussion about reserves and whether or not the plan
5 is accumulating reserves that are not shown in these
6 tables. The \$127 million that is shown in the dark blue
7 with the white writing, that is everything that I believe
8 we will have when Plan Year '16 closes. That is June
9 30th of this year, every penny we're going to accumulate
10 in excess and all of the reserves that were mandated to
11 keep funded to keep this plan financially solvent.

12 So taking into account the IBNR,
13 catastrophic, and HRA reserves that we are mandated to
14 keep funded and then looking at the Affordable Care Act
15 taxes that we have to pay at the \$1.4 million, I will
16 have, hopefully, just under \$34 million at the end of
17 this plan year. That is every penny we're projecting.
18 That's everything we believe we're going to have. Now,
19 keep in mind, this is a projection. It could go up a
20 million. It could come down a million. It could come
21 down a few million or go up a few million. So this is a
22 projection based on current expenditures, where we're
23 having shortfalls, or if we're having any surpluses
24 within our budget.

25 CHAIR DROZDOFF: Tena, just getting geared
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1 up, obviously, you know, the Board's got some questions.
2 I want you to get through this chart and the next one,
3 but then I'm going to kind of stop the discussion based
4 on Board interest, based on Ms. Lockhard's question. I
5 think it's important that we drill down here on, for lack
6 of a better term, the certainty piece because there's
7 different ideas about how much reserves we have, whether
8 we're still generating reserves, so I want you to get
9 through this chart and next, but then I'm going to take a
10 step -- take a pause.

11 CFO GLOVER: On the next chart, you will see
12 the commitments made by the PEBP Board to burn off that
13 \$33 million. So \$33,689,343. This list shows you what
14 we believe based on trend and enrollment and the amount
15 we've agreed to put into either the HSA and HRA or what
16 we believe the enhanced benefits are going to cost. So
17 this list, when you take in the Medicare HRA, the
18 additional contributions for the CDHP, so \$400 for a
19 primary and \$100 for a dependent, up to three dependents,
20 and then taking into account the Part B premium credits,
21 you can see from this list, these have all been adjusted
22 slightly for enrollment. And this is where Jim's comment
23 came in where the retiree and active employee may flip,
24 but when it comes to early retiree and the employee, if
25 they're getting an HSA contribution, they receive the

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1 same contribution. The Medicare Exchange has a different
2 setup.

3 Then if you look at our life insurance, and
4 this is something that, you know, we don't see it. It's
5 not part of the rate component because the additional
6 life insurance is being paid for by the reserves. We
7 increased it from up to \$25,000 for an employee from the
8 \$10,000 it used to be, and from up to \$12,500 from the
9 \$5,000 it used to be for the retirees. And then, of
10 course, the deductible changes, the co-insurance, the
11 dental, and then the vision exam.

12 We budgeted for \$25.1 million to pay for all
13 of these enhancements. My new numbers say they're going
14 to cost us about \$28.7 million. I think it was 7.
15 Anyway, so if my projections are correct and I have \$34
16 million available, I am saying that I'm going to be just
17 under \$5 million when 2017 closes. So June 30th of 2017,
18 I'm saying I will have \$5 million left, if my projections
19 are right. I don't have a crystal ball. I can't predict
20 the future. This is as good as I get. But keep in mind
21 what we had in the budget, we've already burned more than
22 we originally said we were going to.

23 Now, we did build about a million dollars
24 into reserves above what we thought we were going to
25 have. That's why we're sitting here at 5 because our

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1 budget was we would close the year with approximately
2 \$3.1 million in reserves, and at that time when we were
3 developing the budget and going through the 2015 session,
4 it was the Board's desire to maintain some level of
5 excess reserves in case we had some unforeseen costs, and
6 this was a place where we could go and tap into those
7 funds if they were available to offset any deficits.
8 Obviously, it's a very limited amount of money. And
9 there I'll stop.

10 CHAIR DROZDOFF: Thank you. And that is --
11 so I just want to highlight the point that -- and then
12 we'll go to Bob Moore. However you want to put it,
13 you're basically saying that for a variety of factors,
14 trend plus all of these other things that we've put into
15 place and want to keep, we are chewing up 28.7 of 33.7
16 worth of reserves just in this fiscal year?

17 CFO GLOVER: Correct.

18 CHAIR DROZDOFF: I'm going to go to Bob and
19 then, Jim, did you want to say -- then I'm going to go to
20 Jim Moore. Go ahead, Bob.

21 MEMBER MOORE: Thank you, Mr. Chairman. For
22 the record, Bob Moore. Tena, what did we burn in the
23 15-16 surplus, 15-16 plan year?

24 CFO GLOVER: So in Plan Year 2015, we burned
25 off about \$25 million.

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1 MEMBER MOORE: So it was fairly consistent.
2 25 last year, 28 this year?

3 CFO GLOVER: Yes.

4 MEMBER MOORE: Okay. So it's sort of --

5 CFO GLOVER: And part of the -- I'm sorry.

6 MEMBER MOORE: Go ahead.

7 CFO GLOVER: Part of the increase is because
8 our enrollment has increased. Part of that increase is
9 because of trend. And as Jim said, we have all of our
10 new positions, but what we're also seeing is vacant
11 positions are being filled when they were being held
12 vacant before, so that's part of it. So my adjustments
13 are in part the trend that I received from Aon, the 6 and
14 the 8 and the 2 and three quarters for medical or
15 accidental, and then the increase in our enrollment.

16 MEMBER MOORE: So basically, it's being
17 liquidated at the rate we had anticipated?

18 CFO GLOVER: Yes.

19 MEMBER MOORE: It's behaving as we wanted it
20 to behave a couple of years ago?

21 CFO GLOVER: Correct.

22 MEMBER MOORE: And I know Mr. Wells is going
23 to make the comment about adding to that number, so I
24 won't do that. I think you are.

25 I want to reiterate something that was said
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1 because it's extremely important. We've developed a
2 price, and I'm going to use Stephanie's -- it's a great
3 one -- we're using a price to purchase a quart of milk,
4 but we're delivering a gallon of milk. The difference in
5 that cost is being paid for out of that unallocated
6 surplus on purpose to draw that number down. If we still
7 want a gallon of milk next year, we're going to have to
8 dig a little deeper. And that's the Armageddon that I
9 think Stephanie was talking about. At some point when
10 that excess reserve is drawn down, you're going to have a
11 rate increase that is higher than one would anticipate in
12 the absence of that revenue. Just a real important
13 distinction. Thank you, Mr. Chairman.

14 CHAIR DROZDOFF: No, that is right. And
15 that's why I think it's important to ask our members,
16 whether they be retired or actives, whether it's, you
17 know, look. We're all sensitive -- most of us on this
18 Board are in fact either state employees or retired state
19 employees, so we are in fact very sensitive to rates.

20 But that is the key point, Bob, is that
21 there's no trend analysis that's showing health care
22 costs dropping. In some cases, they're double-digit
23 increases. And what we need to really try to figure out,
24 and I'm sure there are still some cost saving things that
25 we can do. The vendor that we selected for our pharmacy,
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1 for example, helped. So I think there are things that we
2 can do. But we do need to get input from our
3 participants that are at least reflective of some level
4 of reality that, you know, at some point in the
5 not-too-distant future, if rates are sacrosanct, then
6 there are going to have to be things done on plan design
7 to keep us where we need to be. And it would be really
8 helpful over this next year while we're doing all of this
9 other work to begin to get that level of input from our
10 participants. We kind of know what we're going to be
11 dealing with next year. Jim?

12 MEMBER WELLS: Thank you, Mr. Chairman.
13 Again, Jim Wells, for the record. And I think Mr. Moore
14 put it pretty eloquently. I mean, we are really going
15 exactly where we thought we would when we made the
16 commitments in FY 15 for Plan Year '15 to burn down the
17 excess reserves over that three-year period. We are
18 pretty much right on track with what was submitted to the
19 Legislature and approved in the budget and for the
20 agency. So I think from that perspective, we're right on
21 track for where we thought we would be.

22 I can't reiterate enough that the reserves
23 that are being burned down, it was an intentional use of
24 those reserves by the Board. It was not the Legislature
25 or the Governor's Office who decided to fund those

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1 enhancements and benefits, and there's going to be a day
2 of reckoning. And right now, for those of you who did
3 not read the paper or were not in attendance on
4 Wednesday, agencies are going to be asked to look at
5 their budget again in this session. There are a lot of
6 unknowns still, and there just isn't the revenue coming
7 in that we believed when the Legislature closed that will
8 fund all of the needs of state government. So if we're
9 going to be looking at fairly flat state contributions
10 for the upcoming biennium for this plan, and I think we
11 need to set that expectation right now.

12 Ms. Lockhard talked about building excess
13 reserves. I've gone through these numbers. I've looked
14 at the spreadsheets that Ms. Glover puts together to do
15 these. I'm actually convinced -- I found a couple of
16 minor technical things for her to fix, but other than
17 that, I think that the numbers that she is showing here
18 are accurate. I think there is a -- let's get the other
19 piece of this off the table.

20 This plan is funded two main ways. It's
21 funded by participant contributions, the employees and
22 retirees, and the state and local government employers
23 who had to -- who employed those retired non-state
24 individuals, and then State funds is a large chunk of
25 this budget. When we put in a budget request to the

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1 Legislature, we have to budget what we think our rates
2 are going to look like for the upcoming two years of the
3 biennium. So if we think that rates are going to be \$500
4 next year and \$550 next year, as we put together the
5 budget, we will make sure the state funds its share at
6 the Board-approved contribution amounts or percentages.
7 We will make sure that the State budgets that money, as
8 over the last few years, our rates have been relatively
9 flat, and that has been reflected in employee and retiree
10 rates. So what we have budgeted for employees and
11 retirees to pay is not what they have been paying in the
12 second year of the biennium. They've been paying less
13 because our rates have been flat.

14 On the flip side of that, the State also
15 saves money when those rates are flat. That money is the
16 money that was taken and given back to the State because
17 it didn't need it for the fiscal year '15. Looking at
18 Tena's spreadsheet, I think we're going to have a little
19 bit of the same thing coming in FY 17. Her numbers show
20 that the amount that will be required to be paid in by
21 the State will be slightly less than what the State has
22 budgeted. In reality, that's a really good thing because
23 the second part of budgeting for flat revenues in the
24 next biennium is agencies are being asked to provide a 5
25 percent reduction. And so the 5 percent reduction will

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1 also apply to internal service funds like this one.

2 And so I think the reality is coming into FY
3 18, so Plan Year '18, with a little bit extra money will
4 soften what would be an additional blow on top of the
5 fact that we are going to have to go back to pricing this
6 plan on the plan that it is, not the plan that it used to
7 be. That's all I have, Mr. Chairman.

8 CHAIR DROZDOFF: Thank you. Anything else?
9 Jeff?

10 MEMBER GAROFALO: Jeff Garafalo. Thank you.
11 So my only question is from an actuarial standpoint, the
12 percentage of confidence we have for the IBNR and
13 catastrophic reserves as they're set -- because we are
14 bringing ourselves down to a fairly low amount of what's
15 remaining, and I know that's 4.9 million bucks there, but
16 if having a better confidence percentage would actually
17 end up increasing the reserve numbers, I'm afraid we
18 could end up being negative, and I just wonder how, in
19 conformance with industry standards and norms, our
20 assumptions are in terms of the percentage of confidence,
21 and if we've gone aggressive there, to reduce the stated
22 necessary reserves for no known liabilities.

23 MS. MESSIER: This is Stephanie Messier again
24 with Aon. I'll answer that question. From the IBNR and
25 the catastrophic reserve perspective, the direction that
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1 we've been provided by PEBP is to be a 95 percent
2 confidence interval, which is very much in line with what
3 we would see at most state entities, so you're definitely
4 not taking a more aggressive approach there. You're
5 taking what we would recommend as being the very prudent
6 approach in terms of your IBNR and your catastrophic
7 reserve. So you're at a 95 percent confidence interval.
8 I will say this is a good opportunity. I meant to do so
9 earlier.

10 In terms of what we are doing for your trends
11 on setting your base rate, we're doing more of a 50/50
12 estimation. So typically, I would go with a little bit
13 higher like pharmacy trend, something closer to 10, but
14 because we are being directed to be a little bit more
15 aggressive in terms of the projection for the upcoming
16 year's rate, I'm using 8 percent. So we are getting a
17 little bit more aggressive in terms of where we're
18 setting your base claims rate estimations, but in terms
19 of your reserves, we are definitely taking a more
20 conservative approach and having the 95 percent
21 confidence interval in play on those numbers.

22 MEMBER GAROFALO: And if you were to use the
23 more conservative projection on pharmacy trend, what
24 would be the fiscal impact to the projected budget?

25 MS. MESSIER: Once again, this is Stephanie
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1 Messier. I haven't ran those numbers, but I would
2 estimate you're going to see another 3 percent on top of
3 the numbers that you're seeing here, so it's about -- I
4 think it would be between 4- and \$6 million.

5 MEMBER GARCIA: Mr. Chairman, this is Rosalie
6 Garcia. Hello?

7 CHAIR DROZDOFF: Yeah. Would you speak
8 closer to the mic, Rosalie?

9 MEMBER GARCIA: Sorry about that. I have a
10 clarification that I thought that maybe this is the time
11 to mention it. It had been mentioned previously in open
12 comments with regard to the premium holiday that was
13 provided out of our reserves to the State, and Mr. Wells
14 touched on it just briefly, but please correct me if I'm
15 wrong in any of my explanation. I just want to be very
16 clear for our members because I hear it over and over
17 again that our reserves were used to bail out the state
18 budget.

19 And I may not be able to say it very
20 eloquently, but I do want to be very clear that as I
21 understood, the money that was provided for the holiday,
22 the premium holiday, was actually a return of funding
23 that the State had provided for our PEBP members. It was
24 not extra money for funding. It was because we had
25 provided that same benefit to our membership, that the

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1 State was then, in turn, provided a refund of what moneys
2 they had provided for our budget and what had been
3 sitting in reserves. Correct?

4 CHAIR DROZDOFF: Rosalie, this is Leo. Yes,
5 that is correct. It was never participant money. Jim,
6 did you want to add to that?

7 MEMBER WELLS: This is Jim Wells again.
8 Let's be clear about a couple of things. One, it wasn't
9 a premium holiday. Premium holiday is when there is a
10 premium holiday of premiums paid into the plan. There
11 was no such premium holiday. The State continued to pay
12 its contribution for employees and retirees for all 12
13 months of FY 15. What happens is when we budget, we have
14 to budget two years in advance.

15 So I'm going to give you a couple of
16 examples. We budget for the first year at \$600 in gross
17 premiums. The State's contribution to that for an
18 individual is \$42. We pay 7 percent. The State pays the
19 other 93 percent. In the second year of the biennium, we
20 project that the trend, utilization and inflation is
21 going to increase that \$600 premium to \$642 if you use a
22 7 percent inflation number, which is pretty common.

23 Under that same 7 percent/93 percent
24 scenario, the employee's contribution goes up to about
25 \$45, and the State's contribution goes from \$558 in the
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1 first year on the \$600 premium to \$597 on the second year
2 because the State's paying 93 percent. So when the
3 inflation hits, the State is paying a bulk of the
4 inflation because it pays a larger percentage than the
5 employees and retirees.

6 When the rates were flat and we charged
7 employees \$42, we still charged the State agencies \$597.
8 So that \$597 should have remained at \$558 based on the
9 rates set by the Board. It did not and cannot because
10 the legislation that creates that number requires the
11 agencies to pay what's in the legislation every year.

12 What was done in the 2015 was to take that
13 difference between the \$597 that was put into the agency
14 budgets and reduced it to the \$558 that was needed from
15 the agency budgets based on the rates that were set for
16 Plan Year '15. That is the money that was returned, and
17 the State General Fund only got a fraction of it. The
18 money went back to the agencies that paid for it. So if
19 it was a federal grant, if it was a self-supporting
20 budget at a university, if it was PEBP where our rates
21 are provided by the premiums that are paid to us, it went
22 back to the agency that it was paid from. And that is
23 what the FY 15 amount was that was taken and returned to
24 the agencies, was amounts that were not necessary because
25 of rates were flat from the first year of the biennium to

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1 the second year when they had been projected to go up by
2 inflation and trend.

3 CHAIR DROZDOFF: And it is really important.

4 MEMBER GARCIA: Thank you. That's exactly --

5 CHAIR DROZDOFF: Sorry, Rosalie. I'm glad
6 you drilled down on it. It is an important concept to
7 make sure is understood. What else you got?

8 MEMBER GARCIA: I do have -- I have another
9 question for us, the Board. With regard to the SHO
10 Network, because the SHO Network can essentially go at
11 any time, and especially given the previous threat,
12 should we have a contingent plan built into our
13 commitments?

14 CHAIR DROZDOFF: What do you mean?

15 MEMBER GARCIA: Well --

16 CHAIR DROZDOFF: Like what kind of --

17 MEMBER GARCIA: -- the SHO Network can get --
18 the SHO Network or UnitedHealthcare can give us a
19 three-month, I believe, three-month notice that the
20 network will no longer be provided, and I understand that
21 that will cost PEBP in the event that happens. Should
22 that cost be included in as a Board commitment
23 contingency? I don't know. I mean, how real is that?

24 CHAIR DROZDOFF: I think -- well, I don't
25 think it's a real issue for this plan year. I mean, I
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1 think that they've negotiated -- and, Damon, you could
2 correct me if I'm wrong, but I think they've negotiated
3 what they need to with our current vendors, and that
4 basically keeps the SHO Network in place. I don't think
5 there's any contingency needed for this year.

6 But what I was asking for is as we endeavor
7 to evaluate HMO proposals next year, this is just a very
8 important factor to keep in mind, which is that there is
9 sort of this not clear impact to CDHP participants if
10 there's a SHO -- if the SHO Network is lost. So I think
11 we're okay for this year, but I do think it's something
12 moving forward that we're going to have to definitely be
13 cognizant of and build into our assumptions, if you
14 would, for future years. So I don't know if you see a
15 difference.

16 MEMBER GARCIA: This is Rosalie Garcia again.
17 I do want to -- need a clarification that whether that
18 SHO Network plan still has the option to give us notice,
19 a three-month notice.

20 CHAIR DROZDOFF: It's six months, but they
21 do.

22 MEMBER GARCIA: Because -- okay. So it's six
23 months. And because of that, it does limit the ability
24 of the Board to act on behalf of our members, and I feel
25 that to be a very dangerous position to ever be placed in
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1 again. We may want to make sure that we don't place our
2 members in that type of position. That's all.

3 CHAIR DROZDOFF: In general, I agree with
4 your line of thinking. I think that's right. I think
5 that's an important -- however we got here, this is, you
6 know, this network is both important, but is a -- yeah.
7 It's a vulnerability. I don't disagree with that. Jim?

8 MEMBER WELLS: Thank you, Mr. Chairman. Jim
9 Wells again, for the record. Following up on
10 Ms. Garcia's comments, I think that it's really important
11 to point out that that \$6 million impact to the plan is
12 not just a plan impact, that the discounts that they are
13 providing will hit the individual participants when they
14 go to use those services before they've hit their
15 deductible and while they're -- before they have hit
16 their out-of-pocket maximums. So the risk here is not
17 just for the plan itself. The risk is also for the
18 individual consumers of health care.

19 CHAIR DROZDOFF: Yeah. Absolutely. This is
20 Leo. It's, as I said, it's an asset, but it's a
21 vulnerability at the same time.

22 MEMBER SAIZ: Mr. Chairman?

23 CHAIR DROZDOFF: Go ahead, Judy.

24 MEMBER SAIZ: Judy Saiz, for the record. Can
25 you hear me okay? How do we know there would be that
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1 much of a hit to the participants? What type of a
2 disruption report is looking at their discounts? How is
3 that analysis completed? It depends on what other
4 network would come in with what other discounts and how
5 many providers.

6 EXECUTIVE OFFICER HAYCOCK: For the record,
7 Damon Haycock. Thank you, Ms. Saiz. That's a great
8 question. In our efforts to respond to the potential
9 loss of the SHO Network, we reached out to our current
10 third-party administrator, HealthSCOPE Benefits, and
11 asked them if they would assist us in determining exactly
12 what you just asked. And they reached out to the other
13 Southern Nevada networks and requested official and
14 confidential bids on what it would cost if we were able
15 to utilize their services.

16 Those bids were presented to HealthSCOPE and
17 were analyzed by our friends at Aon, and so to answer a
18 little bit more, I think I will push it to Stephanie or
19 Kirby because I know that they performed the exact
20 analysis, but the initial numbers were ran against our
21 population, our utilization, and what the expected impact
22 would be to the plan.

23 MS. MESSIER: This is Stephanie Messier
24 again, for the record. So the claims that we did
25 receive, I think, is more what PEBP was paying, so in
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1 terms of what the participants are paying is not
2 something that was analyzed. However, given the
3 difference in discounts that we saw, Mr. Wells is
4 absolutely correct.

5 When the member goes to that facility and
6 sees that differential, because they have to hit their
7 deductible first and then they have to pay the
8 co-insurance, that difference in discount is immediately
9 hitting them. They're getting a bill for -- I don't want
10 to quote numbers because again, it's confidential, but I
11 can use my milk example. If that milk is now \$1.10 for
12 them and it used to be a dollar, they're seeing a 10
13 percent increase immediately off the bat as they're
14 working to reach their deductible before the plan starts
15 to pay for something, so impact to them would be
16 immediate and sizable.

17 CHAIR DROZDOFF: So it would be good -- it's
18 11:25. I know you guys are going to need to take a break
19 to set rates, and I don't know whether we're going to get
20 there by noon or not, but I know a couple of people have
21 noon commitments. So let's see how we can proceed.

22 CFO GLOVER: Celestena Glover, for the record
23 again. So this next slide, we're going to talk about the
24 HMO rate blending, how we get to that rate, if you'll see
25 on the following slide. So the method we used, we

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1 basically take the individual premiums, so the rates that
2 the HMO vendors provide to us by tier. We then weight it
3 by projected enrollment by tier, so we look at what our
4 projected enrollment will be for the north, for the
5 south, for the retiree, for active, who has dependents,
6 who doesn't have dependents on the plan. We weight that
7 cost according to what that enrollment looks like, and
8 then we combine those dollar amounts. So it's not taking
9 HPN's rate and Hometown's rate and adding them together
10 and dividing them by two. We actually take it by each
11 individual tier and by retiree and active.

12 And so this next slide, what you'll see is
13 Hometown Health, their rates in the first column for
14 state and non-state, HPN's rates. This is their base
15 rate without any consideration for dental or admin or any
16 of those costs that I will then add in. We weight it by
17 the enrollment, as I indicated in the previous slide, and
18 then we come up with a blended amount. The blended
19 amount includes dental. It does not include admin costs.
20 This is strictly the weighted rates plus dental, which is
21 approximately \$35 for a single person, double that for a
22 participant and spouse, and so forth and so on. So the
23 \$717 that you see on the first line, that is the blend
24 based on enrollment for both plans plus dental. Any
25 questions?

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1 CHAIR DROZDOFF: Go ahead. Jim Wells.

2 MEMBER WELLS: Thank you. Again, James
3 Wells, for the record. And since this came up in public
4 comment, I think now is the time to address the blending
5 yet again. The blending occurred in 2011, and it
6 occurred for a couple of reasons. One, this was the only
7 area in compensation that was different between the north
8 and the south, was the amount that the employees and/or
9 retirees paid for their HMO coverage. The CDHP or PPO at
10 the time was already blended between the north and the
11 south into a single rate. So we, in 2011, blended the
12 HMO rates. It is no different than the CDHP from that
13 perspective. They are blended into a single rate, north
14 and south.

15 We are not alone in having a discrepancy in
16 the north versus south or more urban versus less urban
17 areas of the country. California has a simple or similar
18 problem between Sacramento and San Francisco and Los
19 Angeles and San Diego. Bigger magnitude, but the same
20 issue. And so when we did this, again, it was to fix the
21 one area of compensation where the north and the south
22 had different pay.

23 If there is this great desire to look at
24 total compensation from a cost of living standpoint, then
25 you would need to go back and look at a variety of other

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1 factors, and the pay differentials for the north and
2 rurals would end up being higher paid than their southern
3 counterparts. And so I think that when we did this, that
4 was the intent, was to standardize the compensation for
5 state employees across the Board.

6 CHAIR DROZDOFF: This is Leo Drozdoff. And
7 yes, that's true. Again, just as an advocate for a
8 statewide HMO though, because there is such a disparate
9 change in what those two plans are, to me, that's why
10 it's very -- it will be very advantageous if we, in my
11 view, not having to do this, if you would, somewhat after
12 the fact, but just having a -- I think there's a lot of
13 value in having a state vendor, statewide vendor who
14 will, by virtue of offering the same plan, will
15 ameliorate many of these issues.

16 But you're right. It was brought up. We're
17 basically in a holding pattern. There's a lot of
18 distaste about that in some circles about continuing this
19 for another year. I'm going to say what I said to
20 Mr. Murphy earlier, which is I hope that the Board and
21 staff will use this -- and purchasing -- will use this
22 next few months to really design an excellent
23 specifically-designed purchasing program so that we don't
24 have to keep arguing about this point. Go ahead.

25 EXECUTIVE OFFICER HAYCOCK: For the record,
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1 Damon Haycock. One of the issues that seems to continue
2 to surface is access to care in Southern Nevada. And
3 there is questions regarding if utilizing or we continue
4 to utilize Health Plan of Nevada, how are they going to
5 address the inadequacies or the potential idea that they
6 do not provide appropriate access to care?

7 They've provided me some information, but I'm
8 a big fan of hearing from the horse's mouth. And if this
9 Board will indulge, I'd like if Mr. Dolan would come up,
10 just for a quick moment, and give us -- just give a quick
11 discussion on exactly how you guys address access. And
12 make it very small and make it fast because we have a lot
13 to do.

14 CHAIR DROZDOFF: Yeah. I would stress the
15 quick because like I said, we've got an impending noon
16 hour, and these guys have to take a break.

17 MR. DOLAN: Thank you, Mr. Chairman. Paul
18 Dolan, for the record, with Health Plan of Nevada. In
19 working with Damon, we did get some -- gather information
20 on a number of encounters over the past 12 months to all
21 of our specialties, and we did find an interesting fact
22 that the encounters actually, relative to our total book
23 of business under HPN, PEBP's actually close to 18
24 percent above utilization by specialists from our other
25 groups. So to us, that indicated there's not a

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1 restriction as much as just the shortage overall of
2 providers in the state. I'm not sure what else, Damon
3 you wanted to --

4 EXECUTIVE OFFICER HAYCOCK: Damon Haycock,
5 for the record. I'll make this extremely brief. I did
6 reach out to Health Plan of Nevada because I had heard
7 multiple times that people are having issues accessing
8 the doctors that they needed to and that there was
9 exorbitant wait times. I did receive a document which I'm
10 still waiting on, just a little bit of further
11 clarification on the actual process for overflow in
12 Southern Nevada when folks utilize the HMO network that
13 HPN provides. And when those folks are filled up or
14 those providers are filled up, how do those folks then
15 get seen by additional doctors in, say, the SHO Network?
16 And so there is a process. It was explained, and I have
17 the actual document, but I want the definitions more on
18 what is considered "stat" and "emergent" and "urgent
19 care" to determine what the time frame should be. But
20 once we collect that from Health Plan of Nevada, we will
21 circulate that though to all the participants, and I
22 thank you for the quick time to indulge.

23 CHAIR DROZDOFF: Thank you, Mr. Dolan. Tena,
24 turn it back to you.

25 CFO GLOVER: So the last thing I want to say
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1 about the HMO rates, what you're seeing here on this
2 chart reflects rates from Hometown Health at the same
3 level as they are for the current plan year. They did
4 not change. And for Health Plan of Nevada, they did go
5 up 7 percent for state retirees and employees and 9.07
6 percent for non-state retirees. The data they presented
7 to us to support their increase was significantly higher,
8 and they did back off those rate increases to try to
9 mitigate the impact to both PEBP and our participants.

10 CHAIR DROZDOFF: Questions? Judy? Judy
11 Saiz.

12 MEMBER SAIZ: This is Judy Saiz, for the
13 record. This may or may not be the appropriate time to
14 say this. I'll try to keep it brief also. Looking at
15 these rates, these are, you know, they're frustrating
16 probably to all of us because during the last Board
17 meeting, it was definitely said over and over that we
18 would keep the rates flat. Damon, Leo said that Damon --
19 not to quote exactly, but Damon gets the idea he's
20 received that direction.

21 Now we're seeing an increase, and because of
22 my experience, okay, going back, you guys know that I
23 really wanted a statewide HMO carrier. And I knew that
24 we would be able to negotiate with Anthem because of my
25 experience as a broker, which we did. And we got the

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1 increase to just maybe around 3 percent with Anthem. Now
2 we're seeing an increase of about 3 percent overall with
3 these new rates, and this is inconceivable to me. This
4 -- it's something I can't support.

5 I think we have a couple of options. We
6 either go back to Health Plan Nevada, talk to them about
7 reducing the rates to make it flat, or even though I know
8 this Board doesn't have an appetite for this, what
9 Mr. Murphy said, go with Hometown Health in the north and
10 Anthem in the south. It's funny because what he had said
11 today, I had already talked with Tena about and had my
12 own numbers going, and there is a savings of about \$9
13 million if you were to go with Hometown Health in the
14 north and Anthem in the south and secured it for five
15 years, you'd save about \$9 million. We're going to throw
16 that \$9 million away and go with the one-year rate
17 guarantee.

18 And I just want this on record that we're
19 throwing that money away by not going with Hometown up
20 north and Anthem down south, and we're talking about the
21 difference in 6- to \$8 million for the SHO Network if we
22 lost it and be able to make it up for right there. I
23 just think if we vote for this increase, we kind of just
24 keep digging ourselves into a hole with our credibility
25 and our integrity, and I can't support that. And I just

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1 want that on the record, that Anthem did negotiate with
2 us in good faith, and now we're backing out of the deal
3 to keep the rates flat.

4 CHAIR DROZDOFF: Your comments are on the
5 record. As I said earlier, my view is however we got
6 here -- and don't get me wrong. I'm not happy with how
7 we got here. But the RFP has been pulled, and I kind of
8 knew this was going to happen. You know, we were not
9 going to get, if you would, the same level of rates. But
10 the one thing that I will ask you to just think about is
11 that we had the ability to basically have, yeah, we're
12 just sort of limping along for one more year, but it is
13 in fact just one more year.

14 If we -- first of all, I don't think we could
15 do what you're asking for because the RFP has been
16 pulled. But even if we could, that would still have --
17 that would still be based on sort of minimal input by the
18 Board about balancing cost versus other aspects of the
19 plan, and it would lock us in for another five years.
20 You're correct that we could probably realize, if we
21 could do what you're proposing, we could realize some
22 immediate savings, but it would come at the cost of,
23 again, a split vote. And but most importantly, we would
24 still have two systems.

25 Purchasing withdrew the RFP. I think that we
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1 have the ability to get it right and to get it right for
2 a five-year period of time. And if HP or HPN or Anthem
3 or Prominence bids on a much clearer proposal and if this
4 Board decides that it really does value a statewide HMO
5 vendor, I think we will be better served.

6 I understand what you're saying. I'm glad
7 you put it on the record. I know you've been an advocate
8 of a certain approach, but like I said, one, I don't
9 think we could do it. And two, I think it would
10 perpetuate a problem for another five years. And so
11 you're entitled, obviously, to vote however you do, but I
12 just needed to make those points.

13 MEMBER SAIZ: Mr. Chair?

14 CHAIR DROZDOFF: Yes, ma'am.

15 MEMBER SAIZ: So I had two options there. To
16 go back to Health Plan of Nevada to try to get the
17 decrease so that it's flat.

18 CHAIR DROZDOFF: I'm assuming -- and again,
19 Damon can correct me if I'm wrong -- I'm assuming that
20 they went, both HPN and HHP, and got the very best rates
21 that they could get.

22 EXECUTIVE OFFICER HAYCOCK: This is Damon
23 Haycock, for the record. This is correct. We went back
24 to Health Plan of Nevada, and they provided us with a
25 rate renewal that was less than what they bid on their
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1 RFP. And when we looked at it and evaluated it, we saw
2 that on the non-state retiree side, we still felt that it
3 was too much to bear for our non-state retirees. So I
4 asked them again to take a closer look, and they reduced
5 it again at 1 percent. I think that they came to the
6 table as good partners and recognized that they only have
7 a one-year guarantee, and they provided a rate less than
8 what they bid on this five-year RFP.

9 MR. BELCOURT: Chair, Dennis Belcourt, for
10 the record. Just to make it clear, there can't be any
11 decision today about any RFP action, and I think that the
12 only reason that we could even discuss this is because
13 the open meeting law does allow a response to comments
14 that were made in public comment, but it doesn't allow
15 any deliberation of those issues. So I think I just want
16 to make that clear for the record.

17 CHAIR DROZDOFF: Okay. Appreciate that.
18 Thank you.

19 MEMBER GARCIA: This is Rosalie Garcia. I
20 just had a point of clarification with regard to the
21 withdrawal of the RFP, and perhaps Dennis can help me
22 with this here. I thought that it was in fact not the
23 decision of the Department of Purchasing, nor the
24 decision of our attorney generals, but the decision of
25 the PEBP organization; is that correct?

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1 EXECUTIVE OFFICER HAYCOCK: For the record,
2 Damon Haycock. I think if, Ms. Garcia, if you go back
3 and look at the transcripts from that entire meeting,
4 you'll see that the decision was made in coordination
5 with PEBP, the Division of Purchasing, and the Division
6 of Purchasing's attorney general under their guidance, as
7 they have the sole authority -- I shouldn't say "sole
8 authority," but their attorney general has the authority
9 to interpret their statutes.

10 And based on the fact that we did not have a
11 clear, defined, voted on and Board-approved second option
12 where all Board members were allowed to vote yay or nay
13 on, that we did not have that clear option, and in
14 interpreting NRS 333 -- and I will try not to do a
15 butchering job -- that without a second option and
16 negotiations had ended, the law specifically states we
17 had to cancel the RFP. And yes, I was part of that
18 decision, and so was our administrator, and so was the
19 attorney generals' office.

20 MEMBER GARCIA: I appreciate that. Rosalie
21 again. However, it's my understanding that it is
22 ultimately the responsibility of the state agency who had
23 initiated the RFP to make decisions with regard to that
24 action. So therefore, ultimately, it was and still is
25 the responsibility of PEBP to have made that final yay or
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1 nay. That's all.

2 CHAIR DROZDOFF: Okay. Anything else? Okay.
3 Tena, have you got to your --

4 CFO GLOVER: Just about. Again, Celestena
5 Glover, for the record. So this next slide, you'll see
6 what the CDHP rates look like. Again, these are not
7 loaded rates, and going off what Stephanie told us in her
8 presentation, we used medical at 6 percent, Rx at 8
9 percent, dental at 2.75 percent. You'll notice from
10 current to the renewal rates for the state, we see no
11 increase essentially, and from the non-state group from
12 current to renewal, we see less of a percent, 0.2
13 percent.

14 Now, again these rates are not loaded, and
15 there -- we'll be making technical adjustments to insure
16 that we have no formula errors, the things that Jim has
17 pointed out that they need to make some changes, but
18 these are essentially where the base rates will be.
19 Depending on the Board's decision, we'll see where we go
20 from here.

21 So my next question to the Board, does the
22 Board wish to approve the rates as I have presented them
23 in this slide, or do you have other questions before we
24 get that far?

25 CHAIR DROZDOFF: Bob Moore.
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1 MEMBER MOORE: Thank you, Mr. Chairman. For
2 the record, Bob Moore. Once again, I need to disclose
3 that my son is a corporate officer with United Health
4 Group, and the Commission on Ethics has indicated I must
5 disclose that relationship. However, the relationship is
6 such that I can vote and discuss the issue, and it's my
7 decision. But I do need to make that disclosure. We are
8 picking a vendor. We're just talking about rates, but
9 nevertheless, in an abundance of caution, I would like to
10 make that disclosure. Thank you, Mr. Chairman.

11 CHAIR DROZDOFF: Thank you.

12 MEMBER SAIZ: Mr. Chairman, I guess I'd
13 better disclose also I'm an insurance broker and that I
14 deal with many of the carriers, and some of the ones that
15 are involved in today's discussion, but it wouldn't
16 influence my decisions at all.

17 CHAIR DROZDOFF: Okay. Thank you. Any other
18 -- anything else? Any other disclosures? Anybody
19 interested in answering Tena's question?

20 MEMBER MOORE: Mr. Chairman, for the record,
21 Bob Moore. I don't have any questions on I guess it's
22 the Amended Appendix A that I've got, and I'm having a
23 hard time distinguishing between the one that was in my
24 packet and the one that was in front of me when I got

25 here. I think I found a couple of rates that were
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1 different, but the vast majority of the rates are the
2 same.

3 CFO GLOVER: Correct. So thanks to Ana
4 Andrews and her review, when we put out Appendix A, the
5 first page of that has the total rates, and these are the
6 loaded rates. And in the non-state retiree, the southern
7 HMO column, those numbers were picked up from a previous
8 spreadsheet, and so they should have matched the northern
9 rates, and they didn't, so we just had to correct that
10 table so that they all matched. So the north and south
11 rates are the same for each group.

12 MEMBER MOORE: Thank you, Tena. For the
13 record, Bob Moore. Having said that, Mr. Chairman, I am
14 prepared to make a motion.

15 CHAIR DROZDOFF: Go ahead.

16 MEMBER MOORE: I would move that the Board
17 approve the rates as they appear in the amended -- I'm
18 going to call it the Amended Appendix A.

19 CHAIR DROZDOFF: Is there a second?

20 MEMBER WELLS: Second.

21 CHAIR DROZDOFF: Second by Jim Wells.

22 MEMBER GAROFALO: I'll second that.

23 CHAIR DROZDOFF: I got one up here. Thanks,
24 Jeff. Any discussion? Go ahead, Jim, and then Jeff.

25 MEMBER WELLS: Thank you, Mr. Chairman. If
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1 I'm reading Appendix A correctly, it's talking about what
2 Ms. Messier referred to a little earlier as slight
3 reductions in the total rates, hence slight reductions in
4 the subsidy and employee contributions for the CDHP. I'm
5 almost inclined to leave those flat and use that money
6 for next year as opposed to having a reduction when we're
7 already going to have our -- facing increases in the next
8 plan year.

9 CHAIR DROZDOFF: I think that's good
10 direction. I think it's consistent with the vote because
11 they're going to go and run those rates anyway, so they
12 just need to, I mean, we're going to get a chance to look
13 at the actual numbers, but I think that's good direction
14 when you run them.

15 MEMBER MOORE: Mr. Chairman, for the record,
16 Bob Moore. I would concur with that recommendation and
17 so amend my motion to reflect that.

18 CHAIR DROZDOFF: I don't even think you need
19 to amend it. I think it's a recommendation. I think
20 it's consistent with the motion. Anything else? Jeff?

21 MEMBER GAROFALO: No. That was covering my
22 comment.

23 CHAIR DROZDOFF: Okay. And so you guys are
24 good with that direction? Okay. So is there anything
25 more that we need to do, or is now a good time to break

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1 for lunch and allow you guys to set rates? What? Oh,
2 okay. We'll -- yes, we'll vote, but recognizing that we
3 will see the rates again. Yeah, details. All right.
4 I'll call for the question. All of those in favor,
5 please say aye.

6 (The majority of the vote was in favor of the motion.)

7 CHAIR DROZDOFF: Any opposed?

8 MEMBER SAIZ: No.

9 MEMBER GARCIA: No.

10 CHAIR DROZDOFF: Okay. And any abstained?
11 So, Nicole, please make sure the record indicates that
12 Ms. Saiz and Ms. Garcia voted no. Everybody else was
13 yes. So we will take a break, and we will take a break
14 for lunch, and let's shoot to be back at 1:00 o'clock.

15 (Recess was taken.)

16 CHAIR DROZDOFF: I just wanted to relay the
17 reason why Jim and I were late is -- probably not too
18 many of you all know that today is the 100-year
19 anniversary of the commissioning of the USS Nevada, and
20 they had a large ceremony over at the Capitol including,
21 amazingly, a surviving member of the USS Nevada who spoke
22 today. And it's truly an amazing story. For those of
23 you who have ever gone to Pearl Harbor, there's obviously
24 the memorial of the USS Arizona where it and others sunk
25 in place, but the USS Nevada was actually the only ship

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1 that got out of the harbor, and though it was heavily
2 damaged and took about two years, it was repaired, and it
3 was in operation and basically helped lead the effort to
4 win World War II. And it was, like I said, the only ship
5 that got out of Pearl Harbor. And it's prominently
6 mentioned when you go visit. So anyway, it was a very
7 good ceremony.

8 It's still going on. It would have been
9 awkward and inappropriate, disrespectful to leave, so Jim
10 and I stayed until it was okay. So, again, I appreciate
11 your indulgence on why we're a little bit late. So with
12 that, Tena, I'll get back to where we're at.

13 CFO GLOVER: Okay. We're on the home
14 stretch. Celestena Glover, for the record. So what you
15 will see before you are the rate cards the way they sit
16 right now after making the adjustments to the CDHP rate
17 to keep them flat. You won't have a copy of this. I did
18 this here, and I have no way of printing it. So I'll go
19 through very briefly what the rate cards look like
20 currently.

21 Essentially, they're matching 2016 for the
22 CDHP, and then the increases that you saw in my
23 presentation for the HMO. These will not be published
24 immediately. I've already had that question asked. We
25 will go back and go through this with a fine-tooth comb

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1 to make sure we have not missed anything, and then as
2 soon as we're sure that everything is good, it's been
3 checked front, center and back, then we'll post it on the
4 website and get that information for open enrollment.

5 So with that, I don't know how well you can
6 see this, but basically what you're seeing for the state
7 rates, in 2016, the current year, participant-only state
8 employee was paying \$41.91. And as you can see from this
9 rate card, they will continue to pay \$41.91. And this
10 will go straight down with every employee with a spouse,
11 with children, or with a family spouse and children. We
12 use the same rate for domestic partners, so if they're an
13 active employee with a domestic partner on the plan, they
14 get the same rate based on the tier they're in. The only
15 change is the tax liability, and we don't calculate that.
16 That's a payroll issue. So that's where they'll see
17 their difference.

18 For the State, you'll also note the HMO
19 rates. If you go to Appendix A and go to page 3, you'll
20 see the difference in the employees' portion. It will
21 show you that, I believe, they were at \$164 previously.
22 They'll be at \$167 for the new plan year, and that is
23 based on the rates provided to us by Hometown Health and
24 Health Plan of Nevada, and blending those rates and
25 adding our admin costs and the dental plan.

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1 This next page is the rates for the state
2 retirees. This is for a 15-year retiree. There will be
3 some adjustments up and down based on the years of
4 service. There's a years-of-service table at the end of
5 this document. So if they have less than 10 years -- or
6 less than 15 years of service down to 5 years, they
7 actually pay more based on the years of service. If they
8 have more than 15 years up to 20 years, they'll pay less.
9 And when I get to that table, you'll see by how much.
10 But if you look at page 4 of your Appendix A, if you want
11 to see it now, the tables are there. If you look at this
12 one, this is the non-state active employees. That's the
13 nine people I was telling you about. This is what their
14 rates are. We don't calculate their subsidy, so that's
15 why you don't see a subsidy here, but their rates are the
16 same for the CDHP, and then they will see a slight
17 increase on the HMO, the same as the state employees.

18 And again, for the 15-year retirees on the
19 non-state side, since we changed our methodology for
20 calculating the subsidy for this group of people, we made
21 it match the method that we used for the state retirees.
22 You'll now see a differential by the tier and the plan
23 that those individuals pick just the same as our
24 employees and retirees or for our retirees. They too
25 will have an adjustment up or down according to their

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1 years of service. So less than 15 years, they will pay
2 more. Their employer will pay less. More than 15 years,
3 they will pay less, and their employer will pay more
4 toward their coverage.

5 This is the domestic partner, and we provide
6 some basic information to give them an idea of what the
7 tax implication is. I won't guarantee it's perfect
8 because I'm not a tax specialist, and I don't do that.
9 This is the table I was talking about for the years of
10 service. So you'll see at 15, there's a zero there.
11 That's because that is the base subsidy. There's no
12 adjustment up or down there, but if somebody was at 10
13 years of service, they would pay \$161 more. Their
14 employer would pay \$161 less. A 20-year retiree, they
15 will pay \$161 less, and their employer will pay \$161
16 more, and that's for every plan and tier.

17 So when somebody needs to see what they're
18 actually going to pay, those are the tables they would
19 use to adjust their own premium. And like I said, all of
20 this will be published on our website.

21 This is the Medicare Exchange HRA. As I
22 noted earlier, it's going from \$11 per year of service to
23 \$12 per year of service per month. So this reflects that
24 slight increase. So a 15-year retiree will receive \$180
25 a month. A 5-year will get \$60, and a 20-year will get

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1 \$240 a month. And then the last part, or the COBRA
2 rates, obviously with COBRA, they don't receive a
3 subsidy, and they actually pay 102 percent. So the 2
4 percent are the admin costs. That is the end of that
5 presentation.

6 So, at this stage, assuming there aren't any
7 additional questions, I have questions for you. So
8 basically, what happens now is I need the Board's
9 approval, obviously, so I can move forward and finalize
10 these rates, do all of the fine tuning that I'm going to
11 need to do, and then finally publish them.

12 So what I'm asking your consideration for is
13 approval of the rate cards, which includes the total
14 rates, the state subsidy, the participant contributions,
15 the years of service adjustments, and the COBRA
16 participants being assessed at 102 percent of the normal
17 rate, and allow us to make technical adjustments to all
18 of these things including the AEGIS and REGI
19 distribution, AEGIS being the Active Employee Group
20 Insurance for contributions, and the REGI being the
21 retiree.

22 CHAIR DROZDOFF: Well done, Tena. Thanks.
23 Questions?

24 MEMBER GARCIA: This is Rosalie.

25 CHAIR DROZDOFF: Go ahead, Rosalie.
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1 MEMBER GARCIA: I wanted to absolutely
2 clarify or have it clarified that services connected with
3 these rates have not changed from the previous year,
4 meaning we are absolutely, in every faction, whether it
5 be CDHP or the HMO, the benefits are the same with no
6 change.

7 CFO GLOVER: This is Celestena Glover, for
8 the record. You are correct. We base the rates on the
9 same plan design that we have today.

10 MEMBER GARCIA: Thank you.

11 CHAIR DROZDOFF: Any other clarifications?
12 I'd be happy to accept a motion then.

13 VICE-CHAIR EWING-TAYLOR: Mr. Chairman, I
14 would move that we accept the rates as presented by
15 PEBP's CFO.

16 CHAIR DROZDOFF: And the ability to make
17 technical corrections.

18 VICE-CHAIR EWING-TAYLOR: And the ability to
19 make technical corrections. Thanks.

20 CHAIR DROZDOFF: Is there a second?

21 MEMBER GAROFALO: I will second that.

22 CHAIR DROZDOFF: That's a second from Jeff
23 Garafalo. Any further discussion? Seeing none, I'll
24 call for the questions. All of those in favor, please
25 say aye.

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1 (The majority of the vote was in favor of the motion.)

2 CHAIR DROZDOFF: Any opposed? Any abstain?

3 The motion carries.

4 MEMBER SAIZ: Mr. Chairman, I'm a no.

5 CHAIR DROZDOFF: Judy. Okay. So we have one

6 no. Anything more from any other staff or Aon on this

7 one before we move on? No? So we'll go to agenda.

8 MEMBER WELLS: Jim Wells. Thank you,
9 Mr. Chairman. Again, for the record, Jim Wells. We just
10 approved rates that subsidized employees. They subsidize
11 dependents. They subsidize retirees. There was a
12 comment this morning in public comment about comparison
13 to other individual organizations and, you know, we did
14 some comparisons to organizations over the years, and I
15 know oftentimes, especially in Las Vegas, we are compared
16 to the Clark County School District, which is a totally
17 inaccurate comparison. I mean, the Clark County School
18 District is isolated to a community that is much less
19 cheaper than the state as a whole. They only subsidize
20 their employees. They provide no subsidies for their
21 retirees.

22 And so if our plan were to have those same
23 characteristics, we would have a much richer plan at a
24 much lower cost. It is the demographic and the
25 geographic locations of our participants and the

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1 decisions over the course of many years to subsidize both
2 dependents and retirees that have made this plan what it
3 is today. And I think that we need to not ever forget
4 that when we start talking about comparing ourselves to
5 other plans.

6 CHAIR DROZDOFF: As always, I think that's a
7 very valid and important point to continue to make
8 because it's not -- as people get older, costs go up.
9 And so yes, the decision, in my view, the right one to
10 subsidize dependents and retirees, does in fact come with
11 a cost.

12 MEMBER GARCIA: Rosalie. In that same
13 conversation, and this may not be the time, but it might
14 be a good time for us to consider going ahead and getting
15 comparable rates for the next year because similar to
16 salary compensation schedules, there are insurance rates
17 that are available, and people do feel more comfortable
18 knowing how we sit comparatively. So we might want to
19 consider that.

20 CHAIR DROZDOFF: Well, I think it's probably
21 -- as Jim said, I think we did do some of that, but we do
22 have a relatively new Board, so I think we will ask. We
23 can certainly do that. We can ask Damon and staff to do
24 that, but it's important that when they do that that they
25 find -- that they try to compare as quickly or as much as
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1 they can apples to apples, which is to say they need to
2 find sort of other states, statewide rates that in fact
3 have made the decision to subsidize dependents and
4 retirees. And if those are out there, and I know there's
5 some, yeah, that can certainly be presented. Okay.

6 So I'm going to move on to Agenda Item 4, and
7 I know that there's a lot of consternation from a lot of
8 people about this agenda item. I want to make it clear
9 that I put this agenda item on, and I will explain to you
10 why and what I hope to get out of today as well as
11 perhaps moving forward. And I want to make sure I make
12 clear what this agenda item is not.

13 I think if we go back six months or so and we
14 made -- and these are just personal observations.
15 Hopefully, you'll find them helpful. When we made this
16 decision to select Damon as the Executive Director of
17 PEBP, we did so at a time that was very busy. We did so
18 at a time where we were in the middle of a lot of --
19 there were some staff changes. There was also quite a
20 bit going on with regard to vendor selection, and we kind
21 of just jumped right into it. In addition, the previous
22 two executive directors had the benefit, and I'll call it
23 that, of actually working for PEBP in different
24 capacities before they became the executive director, and
25 I'm speaking of Leslie Johnstone and Jim Wells. That
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1 wasn't -- that also wasn't the case here.

2 Similarly, this Board has struggled for a
3 long time about what its role is, how it evaluates
4 itself, and how it evaluates its executive director. We
5 have had -- and I credit Bob Moore with this -- we have
6 had efforts, and perhaps they're final efforts, to try to
7 do just that. And we do have some draft work and good
8 work. But I will also say, and I put this right out
9 there, and I lay this at my own feet as well as anybody
10 else. I also feel that we haven't necessarily done a
11 great job of explaining what our expectations are. And
12 indeed, I think if we were to kind of poll members of the
13 Board, we might find that there are different
14 expectations held by different members, and I don't think
15 that's helpful. But I also know that there was a great
16 deal of dissatisfaction that was represented to me by
17 several Board members about, most notably, the HMO
18 process and a desire by Board members to want to talk
19 about that and want to talk about Mr. Haycock's
20 performance.

21 And I felt and still feel that wherever you
22 stand on that, it's important for the Board and the
23 Executive Director and the staff to not be working at
24 odds with each other and not having -- certainly, I think
25 there's always going to be a level of tension. That's

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1 probably healthy, but an unnecessary level of tension is
2 in nobody's best interest. So I felt that beginning that
3 discussion, admittedly perhaps six months late, was the
4 proper course of action.

5 I think that we find ourselves today at a
6 place where there's, if you would, culpability or
7 whatever the word you want to choose, on all of our parts
8 in terms of -- like I said, most notably me, in terms of
9 that I do believe that there is an unnecessary level of
10 tension that exists today between the Director and the
11 Board. And I want -- frankly, I just want to try to make
12 that better. I feel that it's important for the Board
13 to, in a constructive way -- this is not a discipline
14 section -- and for those who may want to make it that, I
15 want to make it clear that that's not what my intention
16 was, and that's not what we will be doing today. If that
17 is a position that's held by members of the Board, we can
18 talk about that at a later date.

19 What I want this to be is a bit of an honest
20 discussion about how we found ourselves here, but most
21 importantly, what we do now, what we do in explaining the
22 Board's expectation of itself and to the Executive
23 Director, and by extension then, your entire staff. I
24 want this to be, as I said, constructive. I felt that if
25 we pretended, if we didn't do this -- and there are

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1 people that told me we shouldn't -- that I was afraid
2 that whatever sort of tensions and feelings of animosity
3 would only escalate, and so that's why we're here today.

4 My plan is to ask each of the Board members
5 and Mr. Haycock to do a really good job of listening, do
6 a really good job of explaining where they are and why
7 they may have whatever feelings they have. My hope is
8 that we will set expectations, hopefully today, and if
9 not, shortly thereafter, of what we all expect this
10 relationship to be, and then we go from there. And if
11 those expectations at that point don't get met or there's
12 frustrations, then we can talk about something else.

13 So I want to be clear about what this is, why
14 I put it on the agenda, and what it's not. And I hope
15 people will appreciate that and engage in a productive
16 discussion. I have no interest in continuing where we
17 are because I think there is a level of frustration that
18 we perhaps all share, so I don't want that. I do want
19 there to be -- I'm sure some of these discussions may be
20 a little bit -- what's the word I'm looking for -- they
21 may be a little tough. I think that's okay. But what's
22 not going to be okay is certainly any sort of potshots,
23 but also not saying anything and just complaining because
24 I think this effort is frankly long overdue, and perhaps
25 we should have done it before we even selected our next

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1 executive director.

2 And I think that he would be the first to
3 tell you, I do think, that there have been missteps made
4 by the executive director, and I want him to listen to
5 some of that as well so that we all leave today hopefully
6 better, in a better place than we started. It's a pretty
7 -- perhaps a low-bar expectation, but that's -- I wanted
8 you to know what I was thinking.

9 So I'm happy at this point to let Mr. Haycock
10 or any other Board member who have presented to me some
11 of their frustrations, but ultimately, I want to move
12 into where we go from here. So I will go -- let me see
13 who. I know Ms. Ewing-Taylor wants to say something.
14 Down south, do I have anybody that wants to say anything
15 at this start?

16 MEMBER GAROFALO: I'd be happy to comment
17 too, Mr. Chairman.

18 CHAIR DROZDOFF: Okay. So I will start --

19 MEMBER GAROFALO: It's Jeff, for the record.

20 CHAIR DROZDOFF: Yeah. Jeff. I got you. So
21 I will start with Ms. Ewing-Taylor and see if there's
22 anybody else up here, and then we will move to the south,
23 and then frankly, I'll move to you, David.

24 VICE-CHAIR EWING-TAYLOR: Thank you,
25 Mr. Chairman. Jacque Ewing-Taylor, for the record. 4.1
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1 discusses or asks for a discussion of the criteria for
2 performance evaluation, and there are a number of things
3 that I want to talk about relative to that, but the first
4 is that I firmly believe that the evaluation of the
5 Executive Officer is the purview of the Board. I believe
6 it states that in the duties, policies and procedures,
7 whichever version that you look at. So it is incumbent
8 upon us to set up the criteria for that individual's
9 performance and then to regularly evaluate him or her on
10 those criteria.

11 I think what I am most concerned about today,
12 frankly, is the evaluation that was done by Mr. Haycock.
13 He actively solicited comments and statements from
14 vendors, people over whom he has some control of their
15 economic interests, and I find that disturbing. I do not
16 believe that was an ethical thing to do. If the Board
17 wants feedback from vendors or employees or staff, it is
18 our job to ask for that and to gather that information.
19 It is not the individual being reviewed.

20 One of the things that Mr. Moore's group
21 talked about last summer was creating a 360-degree review
22 process, and those of us who spent some time in human
23 resources are familiar with that. And if you'll beg my
24 indulgence just for a moment, for those that might not be
25 familiar with it, that is a process by which essentially

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1 the hiring authority gathers data in what is a 360-degree
2 circle from the people around the individual being
3 reviewed. So we would, if we were doing that, gather
4 information from PEBP staff, potentially from vendors,
5 from participants, retirees, actives, and it would come
6 full circle to a formal review process.

7 Personally, I like 360-degree reviews, but I
8 want to be very clear. It is not the person being
9 reviewed who conducts those data-gathering activities.
10 It is the reviewing entity. In this case, it would be
11 the Board. Potentially, it would be the Board's
12 designee, perhaps a contractor. So I have chosen, for
13 those reasons, not to read any of the letters of support
14 that were sent by vendors, employees, or anyone else, and
15 I will not consider them in what we do here today. That
16 is a personal decision, and I would simply ask that the
17 Board consider that and then act on your own conscience.
18 Thank you, Mr. Chairman.

19 CHAIR DROZDOFF: You're welcome. Jeff?

20 MEMBER GAROFALO: Jeff Garafalo, for the
21 record. So I was pleased to hear the Chairman's comments
22 today because I actually called him when I saw this
23 agenda item and said, "What is it we're trying to do?"
24 Because I don't think that we have the parameters to,
25 without notice, start disciplining our Executive Officer
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1 because we've not provided the parameters or given any
2 chance for improvement. So I'm glad that this is
3 basically a session about that.

4 I've had many off-line discussions with him,
5 and my impression is that he's very committed to the job.
6 He is committed to trying to make improvements with the
7 organization, and that he wants to have forward progress.
8 I do share some of the concern about soliciting his
9 support and the letters of support that were solicited,
10 especially because we have the timing of approving large
11 budget items from some of our vendors at the time when
12 the vendors are being asked whether they would endorse
13 him or support him. So those kinds of discussions, even
14 if it's done in a 360-review, those tracks need to be
15 separated temporally so that they're not overlapping each
16 other in that way.

17 That said, I do get feedback from many of the
18 organizations that advocate to us on behalf of parts of
19 our membership that they do like our Chief Executive
20 Officer, and they do feel that he has increased
21 communication and done things that are supportive. Where
22 we talk about the internal dynamics of PEBP, I've heard
23 anecdotally, probably mostly from him, that things are
24 better. The staff feels better. The climate is better.
25 And I thought to myself, I really don't know anything

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1 about that, and I don't know how we would figure that out
2 unless we did an independent evaluation of that because I
3 don't know if they like him better than they like Jim
4 Wells or Leslie or who is the most popular, who had the
5 best environment for thriving and for dynamic thinking
6 for the folks who are on the line every day swinging axes
7 trying to make this plan run. And so I think it would be
8 a good idea to try and get a better feel for that on an
9 independent basis.

10 I do think that -- I'll say two things with
11 respect to performance that I think are potentially areas
12 of improvement, and that is I do think that the RFP
13 process went really completely off the rails. I
14 understand that we use the same basic concept that we've
15 used for years, but we have a new climate where there are
16 people competing, and we did not set it up right from the
17 beginning to score it in a way that would -- and also to
18 give notice to the people submitting proposals that we
19 might take some amalgam of their responses and that we
20 reserved our right to take bits and pieces of them, do
21 the north or the south or both. And I think it would
22 have been good for the Board, even though I think the
23 Board made the wrong decision in voting against the
24 withdrawal of the RFP initially, I think that was a very
25 bad decision. The fact that he did it unilaterally when

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1 the Board was going to meet shortly thereafter, I think
2 is problematic. You've got to give the Board a chance to
3 make its mistakes or do what it has to do, and the Board
4 should follow the advice of counsel.

5 So that, and then I'll say this in terms of
6 climate. We have had some indications that there is some
7 friction within the organization, and I'm a -- he's
8 coming into a new environment, a new climate. It is very
9 hard to be the new sheriff in town when you've not been
10 part of the clique before. One of the reasons why you
11 have a new Executive Officer come in is because you want
12 change, and those individuals bring with them new people
13 that have different dynamics and different ideas, and it
14 is disruptive but sometimes beneficial to have the status
15 quo interrupted and changed. It can make for a more
16 dynamic organization. So the fact that that kind of
17 thing happens is not necessarily a bad thing. But if
18 there is a lot of friction or if there is a dynamic that
19 is negative, then as a guy who's been in this situation
20 where I became a partner in a law firm and got a bunch of
21 authority and was generally in a very bad mood and was
22 told by an administrator, "You know, people feel you
23 before they see you, and they run. And that's why nobody
24 is around to help you."

25 I can tell you I personally became
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1 introspective when I realized that was going on and tried
2 to change my behavior, and that's why I'm such a
3 wonderful person today. That's in jest. But I do think
4 if there is some smoke, there could be some fire, and
5 that could be a reason to look introspectively for our
6 Executive Officer and to really think critically about
7 whether or not there's an unintended impact with the
8 dynamics that are being created within the organization.
9 I don't think any of that is necessarily negative, and I
10 don't think any of it is incurable. And I do think, as I
11 said, his heart is in the right place. So I think we
12 need to have responsibility to create a system and a
13 dynamic where there's a fair evaluation and give
14 indications of where we want correction and then react to
15 how well that's done.

16 CHAIR DROZDOFF: Thank you, Jeff. Is there
17 anybody? Any other Board member? Judy.

18 MEMBER SAIZ: Yes.

19 MEMBER GARCIA: This is Rosalie.

20 CHAIR DROZDOFF: Sorry. Let's stay with
21 Rosalie, and then we'll go to Judy.

22 MEMBER GARCIA: Rosalie Garcia. Although I
23 recognize that the Board or -- I appreciate the Board is
24 recognizing a job for the Executive Officer, a job
25 description and duties and responsibilities for the
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1 Executive Officer, some areas of executive management are
2 assumed and cannot be written in detail in a job
3 description.

4 This area, I believe, with regard to the
5 chain of communication when decision-making, will speak
6 to the incumbent and not the duties of the position. And
7 I just want to reiterate that regardless of how
8 responsible the Board feels in employing a person to be
9 our Executive Officer, I believe that there is a certain
10 level of executive management expertise that comes with
11 the job, and that transcends any kind of written job
12 description. And I believe that we really need to make
13 sure as a Board that the person who is in the position
14 can meet those requirements. That's all.

15 CHAIR DROZDOFF: Judy?

16 MEMBER SAIZ: Judy Saiz, for the record.
17 Rosalie basically said one of the items I was going to
18 speak to. My question is, other directors, other
19 executive officers, people who were the heads of
20 agencies: Ana, Jim, Leo, Don, when you were the head of
21 printing, did you have step-by-step performance?

22 MEMBER BAILEY: No.

23 MEMBER SAIZ: So it's assumed and expected
24 that a person coming into a position like this would have
25 the managerial skills and the judgment to do the job.

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1 And that bothers me that in a way -- that we're taking
2 this route now. I'm glad we are going down this path six
3 months later, but I would think when we hire someone in
4 his position, any of you that I just mentioned, that it
5 comes with it. You're interviewed. You have these
6 skills already, this mindset, these management skills,
7 the judgment skills.

8 And I don't really know, I mean, we're going
9 to outline like a classified employee? You need to do
10 this and this and do this and do this? And I just feel
11 that Damon should have known this, and this and this and
12 this in his position.

13 And a couple of things I agree definitely
14 with Jacque on the soliciting of vendors. To me, that
15 showed poor judgment. She said it was unethical, but I
16 think, you know, I think it's poor judgment to do
17 something like that. The way the quality control officer
18 was handled, I think that's a poor management decision.
19 But again, my voice is that when we hire a person making
20 X amount of money in that type of a position, the person
21 should already have the mindset and the skills to perform
22 those duties, that we don't need to remind him six months
23 in that he hasn't performed those duties.

24 CHAIR DROZDOFF: Anybody else? Well, I'll
25 just be clear. I mean, I'm not advocating that we treat
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1 the executive director as a classified employee, but I
2 will tell you, I mean, I've been on this Board a long
3 time. Having a level of expectation, I mean, working
4 with a Board, you asked, and so yeah, I run a 900-person
5 agency, but I'll tell you working with a Board is always
6 a little bit tricky because there's always a tension and
7 there's always not a clear demarcation of
8 responsibilities.

9 And I think we, as a Board, came to that over
10 a year ago which is why -- or longer -- which is why we
11 asked for Bob and his group to try to, you know, to try
12 to get, if you would, less distance there. So I want to
13 be clear, especially, I guess, to Judy and Rosalie, that
14 I'm not advocating that. I'm just saying we seem to, in
15 my view you know, look.

16 I wanted to have a discussion because it's
17 clear from some of the statements that there's a large
18 level of dissatisfaction that exists, but I want to try
19 to fix it. And the only way I know how to fix it is to
20 actually talk about it a little bit and to, like I said,
21 mostly to listen. So I'm hoping that Damon is listening,
22 and now I hope that you all will listen when I ask him to
23 say whatever he wants to say to kind of get this started.
24 Oh, yeah. Sorry, Jim. Is there any other Board members
25 that want to say anything before we --

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1 MEMBER BAILEY: I'm going to.

2 CHAIR DROZDOFF: Okay. So I'm going to go to
3 Don, Bob, and then Ana. All right. Well, everybody.
4 Fine. Go ahead, Don.

5 MEMBER BAILEY: For the record, Don Bailey.
6 I'm very uncomfortable doing this in the first place,
7 especially in a public meeting, and we're following the
8 law, so I understand that. But I'm uncomfortable with
9 it, and I got to tell you that on the record.

10 I agree with Jacque. I think solicitation of
11 a vendor base was out of line. I don't think it was
12 professional, and I'm hoping Damon's hearing that from us
13 so he doesn't repeat that again.

14 My other -- Judy, down at the other end,
15 there's been some things that this Board has asked of the
16 executive director, and we've either waited a long time
17 to get the information, or we didn't get it at all. One
18 of the things that stands out in my mind that I feel
19 uncomfortable with was we had a committee put together
20 led by Bob Moore and his committee, and he did an
21 excellent job of putting things together for strategic
22 policies and procedures and Board activity. And that
23 went on ignored for at least two months plus. I felt
24 that's out of hand. I mean, this Board has limited time
25 as it is. We're all here volunteering, and we have

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1 limited time. We have other things to do, and we should
2 not have to wait two or three months to get information
3 so we can make better decisions for our membership, which
4 is why we're all here for our members, active and
5 retired.

6 I've been uncomfortable with some of the
7 things, but I have to go on record as also saying
8 probably in the last couple meetings, it's been a little
9 awkward the way the vendors were handled, and that's a
10 bad word, "handled," I guess, but we pursued their
11 information for contracts, and I'm uneasy about that
12 because I don't think the Board got a real good shake on
13 that one. I think things were just eliminated, and a
14 very small group. So as a Board member, I sit here.

15 But on a positive side, I have to say that
16 Damon has changed a bit since the last meeting and, you
17 know, I've got to compliment him on that too. He's
18 reaching out trying to talk to the Board and trying to
19 talk to our members, which to me is most important that
20 he communicates with the vendors. And he's done that
21 with UNLV. He's done that throughout the state. So it's
22 a plus and a minus.

23 I also would go on record as saying
24 unfortunately, I was out of the country when he was
25 nominated to take over as executive director, so I can't
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1 really go too far with that. Sooner or later, a Board
2 member or somebody is going to be absent, and I was
3 absent in that case. But if he doesn't have guidelines
4 that were given to him by the Board, then it's a little
5 hard to scold anybody. I think guidelines are needed. I
6 mean, you don't need to put it in a -- you can put it in
7 some general verbiage from the Board to Damon,
8 constructive guidelines if he could sort of muster along.

9 I also agree with Judy on one thing. On a
10 salary level, when coming in, an executive director
11 should be able to make solid decisions, use common sense,
12 and communicate with the Board more. So that's it,
13 Mr. Chairman.

14 CHAIR DROZDOFF: Okay. Bob?

15 MEMBER MOORE: Bob Moore. Thank you,
16 Mr. Chairman. For the record, Bob Moore. I would, in
17 one sense, echo what Don has said. This is, in my view,
18 a completely inappropriate forum to do this. I mean --

19 CHAIR DROZDOFF: Okay. So I need to stop
20 that because this is the only forum.

21 MEMBER MOORE: I know, Mr. Chairman. I know
22 it's the only forum I have. It's the law.

23 CHAIR DROZDOFF: Okay.

24 MEMBER MOORE: I understand that. I'm
25 chastising the Legislature for imposing this burden on
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1 us. It's uncomfortable for Mr. Haycock, and it's
2 uncomfortable for the Board.

3 CHAIR DROZDOFF: Yes, it is.

4 MEMBER MOORE: Having said that, I also
5 believe that the principal job of any Chief Executive
6 Officer is to demonstrate good judgment, sound
7 decision-making processes, and working collegially with
8 the Board, and I've seen a profound absence of all of
9 those. You know, I've been Damon's worst critic, and I'm
10 not apologizing for that. There have been some very,
11 very bad decisions made. I've seen some very bad
12 judgment has taken place that I think has hurt the agency
13 more than the general public may or may not know, and I
14 think eventually, we're going to pay for it. So I for
15 one am not pleased with the performance. I'm not sure it
16 can be fixed.

17 And although I'm tempted to go through a big
18 laundry list of particular issues I've got, I'm going to
19 refrain from doing so because I don't see any value in
20 doing that at this particular time, but I am not happy
21 with the performance. I'm not seeing good judgment, I'm
22 not seeing good decisions being made, and I think it's
23 hurting the agency. I for one would welcome a letter of
24 resignation. Thank you, Mr. Chairman.

25 CHAIR DROZDOFF: Ana?
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1 MEMBER ANDREWS: Ana Andrews, for the record.
2 Can you hear me? I agree with some of the comments that
3 have been made here today. I want everybody also to look
4 at our policies and procedure, duties. Policies and
5 procedures, specifically page 5, Executive Officer and
6 agency administration. It's a very high level way of
7 describing what it is that the Executive Officer has to
8 do, and I believe that those of us as Board members, it's
9 incumbent upon us to come up with a criteria if that's
10 what we want to do to set the expectations.

11 Personally, I have been contacted by Damon
12 many times asking questions or asking for information.
13 I'll be honest with you. I'm an administrator, and in
14 response to what Judy said, asked before, I don't have a
15 job description. I was interviewed. I mean, I applied
16 for the job, I interviewed for it, and I was hired, and
17 I'm pretty sure my boss at the time decided, okay. I
18 think she's going to be able to be do the job.

19 However, on a regular basis, I am asked if I
20 need anything else or what else could be improved. And
21 so I think that as a Board, as a body, we all -- I don't
22 want to say we all have fault, but I think that each one
23 of us sees things differently. Our expectations are all
24 different, and to be honest with you, Damon has ten
25 bosses, not one Board. Thank you.

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1 CHAIR DROZDOFF: Thank you, Ana. And I'll go
2 to Jim. You are last --

3 MEMBER WELLS: Thank you, Mr. Chairman. Jim.

4 CHAIR DROZDOFF: -- from a Board member
5 perspective.

6 MEMBER WELLS: Jim Wells, for the record.
7 And actually, that's a little bit -- one of the reasons
8 why I wanted to go last is I've been on both sides of
9 this now, and there is some difficulty sitting in Damon's
10 seat understanding what it is for ten now different
11 people to want on a daily basis.

12 Over the course of time, there have been a
13 couple of different styles or attempts to outline
14 expectations for the Executive Officer, and there was at
15 one point, I believe, under Ms. Johnstone, a work
16 agreement, I believe, is what they termed it, and it was
17 broad-based principles that were expected that the
18 Executive Officer would follow in relation to working
19 with the Board and others.

20 When I came, we tried to do the matrix of
21 this is what we're trying to accomplish this year and to
22 give some semblance of an idea of whether we were making
23 progress on things that the Board thought were important,
24 so we came up with a plan process, and there is a whole
25 matrix of things that we said we're going to try to do

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1 this by this time and finish this by this time, and
2 that's helpful in a setting like this where there are ten
3 different people that are looking at a single individual.

4 I understand that nothing turns on a dime.
5 And when I took this job or Damon's job, when I took
6 Damon's job, I had some clear expectations because of the
7 times that we were in. So there was some things that had
8 to be done right away, and that rose to the priority.
9 There were some things that came out of that that then
10 raised to the next priority. And so it does become a
11 matter of, as the Executive Officer, working to
12 prioritize what is the most important thing today. Not
13 next week, not next month, not next year, but today, and
14 never losing sight of the overarching scope of long-term,
15 where do we want to be five years from now?

16 And so I think that I had three phases that I
17 really looked at when I came in. We had the plan
18 liability and the financial stability piece. Out of that
19 came a need for some internal changes to make sure our
20 customer service was focused better. And my third phase,
21 which I never really got to, was management service, and
22 that was getting my management team to be a cohesive unit
23 working together, and that was a struggle when I was
24 there. We worked hard on some of it, and there were
25 times where it was better than others, but that was the

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1 next step because I think that's the next evolution in
2 having the team that Damon supervises work in concert and
3 help him succeed.

4 CHAIR DROZDOFF: Okay. So I am going to turn
5 it over to Damon. And as I said, look. I appreciate --
6 I knew this was -- well, I knew a few things. I knew
7 that there was no sort of clear way to try to get these
8 concerns out there in an attempt to make it better, which
9 is truly my motivation.

10 I do appreciate that everybody did speak up.
11 It does have to be done in public. I certainly wish it
12 didn't, but that is what the rules are. And with that,
13 Damon, you know, look. You and I have talked about this
14 a lot just so everybody knows this. This is not a lot of
15 fun for any of us. As I said, the motivation is to try
16 to make things better. In order to make things better,
17 you have to sort of candidly diagnose where people stand,
18 and I think, for better, for worse, you've got a level of
19 candor. I think it's important for you to provide a
20 level of candor as well, and once we do that, we'll
21 figure out where we go next.

22 EXECUTIVE OFFICER HAYCOCK: For the record,
23 Damon Haycock. Thank you, Mr. Chairman and Members of
24 the Board. I sincerely appreciate all of the feedback.
25 I listened. I've taken notes. And I am not going to
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1 waste your time and give excuses for actions that I have
2 taken or not taken. That would be beneath you, and it
3 would be beneath me.

4 I'd like to go and talk a little bit about
5 what I've heard to make sure that I understand, and then
6 I'd like to conclude with a request of my own. So, Madam
7 Chair Ewing-Taylor, you mentioned that you and many
8 others have mentioned that soliciting vendors was the
9 wrong answer, and I've written it about four times and in
10 all caps, and I vow to you all that I will not do that
11 again.

12 It wasn't done to solicit letters of support.
13 There is a report attached to this agenda item, and it
14 was only to provide information. I came from the heart
15 that I just wanted to provide as much information to help
16 the Board as possible barring any specific criteria that
17 had been laid out. You'll notice if you do decide to go
18 back and read those that not everything is great, and I
19 recognize that. And I appreciate the candid responses
20 that I received from a lot of our stakeholders. I can't
21 imagine it ever being a bad idea to ask folks how to work
22 better with them, but I recognize in this medium, this
23 was not the appropriate place to do so. For that, I
24 apologize.

25 For Mr. Garafalo -- and I appreciate all of
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1 the opportunity to speak with him in-between some of the
2 things I know he has to deal with, I welcome an
3 opportunity for my staff to be queried, to be surveyed.
4 I tried to do something like that at the beginning.
5 You've seen some of the results. I think they share a
6 good story, but it may not share the entire story.

7 And with that, I want to make sure that
8 everyone knows that I have nothing to hide, and I welcome
9 any opportunity for my staff to share what the good is,
10 what the bad is, and if there's any ugly. And it will
11 give a clear indication as to where we need to go as an
12 agency, at least as far as internal discussions and
13 internal teamwork.

14 There is certain things that I agree with
15 Ms. Garcia that you need to show up to this job with
16 certain skills, and I think that the evaluation of those
17 skills, as so eloquently stated, is here at the Board
18 level. But I can't imagine that every decision that I
19 have made has been a lack of judgment or the wrong one.
20 And I think if you'll indulge me for a moment, I'd like
21 to basically share my most basic philosophy because this
22 philosophy is what determines my decision-making pretty
23 much consistently at any time. If we break it down to
24 its most simplest function, what do we do here at PEBP?
25 What does the health plan do? We are supposed to help

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1 people get to their doctor. And every decision that we
2 make collectively or individually needs to either
3 maintain the same level or increase the ability for
4 people to see their doctor.

5 We should not and hopefully cannot make those
6 decisions that produce barriers, increase costs, reduce
7 access, cause difficulty for people to go and get the
8 health care that they need. I don't want to be that guy
9 that ever goes and talks to a state employee or a retiree
10 and says, "I need you to make a decision today. I need
11 you to decide if you're going to go get the health care
12 or you're going to put food on the table or you're going
13 to pay your mortgage or your phone bill." It shouldn't
14 have to be an either/or. Health care is a basic right
15 that we all should have, and it is our job as a health
16 plan to produce the easiest process and most beneficial
17 way for folks to do that.

18 And so when I make my decisions, whether they
19 be who I vendor with, the negotiations that I take to
20 lower rates, the desire to implement new processes and
21 implement communication that may not have existed before,
22 it all boils back to that premise, that philosophy. And
23 so that's why I make the decisions that I make. And
24 hopefully, you agree or can at least understand that
25 that's not a bad philosophy to have, and if I need to

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1 change that, then I need to know.

2 As far as other information that I've
3 received here that there was some mishandling of certain
4 activities -- and I'm not going to open old wounds on
5 this HMO RFP. I recognize that there were a couple of
6 opportunities that I had to end it and to end it in
7 accordance with the Board, and I missed those
8 opportunities. One directly occurred right after the
9 November 19th Board meeting when this Board agreed to not
10 have second-level reviews as long as we had two Board
11 members, at minimum up to five, on the RFP Committee.
12 And the very next day, there was an RFP Committee for the
13 HMO evaluation.

14 In hindsight, of course -- and I spoke with
15 the Chair about this, and I believe he agrees, I missed
16 an opportunity to get ahold of that RFP Committee and
17 say, "Hold up, Folks. Let's see if we can honor what
18 occurred yesterday and let's push this out. We have some
19 time, and let's see if we can solicit another Board
20 member to participate so we can then adhere to the
21 standard practice of procurement," which I believe was
22 cleaner than the second-level review. So I missed that
23 opportunity.

24 And then to purchasing's credit right after
25 the December 7th meeting, they came to me and they said,
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1 "Damon. We don't like how this meeting went. We feel it
2 is a problem, and it is causing a lack of integrity with
3 the request for proposal process." And the purchasing
4 administrator at the time said, "Damon, we need to pull
5 this RFP." And in my eternal optimism, I thought at that
6 point, we can still pull it out. We're going to meet
7 back in January. This Board is still going to be able to
8 review the materials, and they're going to make the best
9 decision for the State. And I missed that opportunity at
10 that time as well. And then thereafter -- and I heard
11 from someone recently, I was just chasing the fix. And
12 that is correct. There is, of course, some opportunities
13 that exist that I think are coming around the bend for
14 all of us, and let me take just another quick step back.

15 CHAIR DROZDOFF: Take as long as you want.

16 EXECUTIVE OFFICER HAYCOCK: A few years ago
17 when my father passed away, it reminded me that there's
18 sayings that he used to tell me my whole life. He said,
19 "Damon, do you want be part of the problem, or do you
20 want to be part of the solution?" And some things, I'm
21 sure all of our parents have told us, it really sticks
22 with you. So regardless of what happens today or
23 anything that is said here this afternoon, I can't tell
24 you how motivated I am to be part of the solution, to be
25 part of the solution with this Board, to continue to move

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1 PEBP forward, to go to maybe that next iteration that
2 Mr. Wells said, to try to really reconnect or refine the
3 management team.

4 I have some very, very talented people that
5 work at PEBP. I inherited a lot of them, and they have a
6 breadth of knowledge and experience that I hope to one
7 day have. And I think that with some additional team
8 building, my management team can come even closer
9 together. I appreciate the comments that Miss Andrews
10 has said. I know she recognizes that there are things
11 that are done behind the scenes when you're running an
12 agency that Boards don't necessarily see or hear about
13 that are critical.

14 But above all, what I wanted to talk about
15 here today, given the opportunity, is that I need clear
16 direction, clear direction and collective direction. I
17 have received direction from individual Board members
18 over the last six months that may or may not have
19 contradicted with other Board members over the last six
20 months.

21 To give you just a quick example -- and
22 Mr. Bailey said it very eloquently -- he said, "Why does
23 it take more than two months to get a strategic plan or a
24 policies and procedures document back into the Board's
25 hands?" I'm a go-getter. Sometimes I move too fast.

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1 Immediately after the September Board meeting, I wanted
2 it on the October one, but I was advised by a Board
3 member that that was not the intent of that October Board
4 meeting. And anytime thereafter where I wanted to put it
5 on Board agendas, there was a Board personnel action that
6 took precedence. And so it wasn't for a lack of trying.
7 It was for trying to be amenable to individual Board
8 members. I have been tasked to go look into things, I've
9 been tasked to have my consultants analyze things. We
10 have various Board members calling contractors outside of
11 the agency's knowledge. And so I think we have an
12 opportunity to continue to work together as a team, but I
13 need clear direction.

14 The January 12th meeting that we had where
15 there was -- Anthem was selected as a statewide vendor,
16 that was clear direction. Immediately following that,
17 there was only a couple of Board members who gave their
18 ideas, their opinions, their mandates on what the
19 negotiations should look like. But I didn't get a Board
20 motion. I didn't know if they were speaking for the
21 entire Board, if the entire Board agreed with them. And
22 so I did the best I could with those negotiations. And
23 similarly, that's happened at multiple Board meetings.
24 And so I firmly believe that this Board has in its best
25 interests the participants, the state taxpayers, the

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1 state as a whole. If I could get consistent and clear
2 direction, I promise you that I won't fail you. And with
3 that, I'll turn it back to Mr. Chairman.

4 CHAIR DROZDOFF: So as I said, and whether or
5 not the -- and again, Damon, I appreciate that level of
6 candor too. What I am endeavoring to do today, as I said
7 at the outset, was to at least begin this discussion,
8 one. And two, whether there is agreement on this point
9 or not, I do believe that it is in everybody's best
10 interest to in fact set expectations and do so more
11 formally than we've done thus far. Yes, there's a level
12 of, you know, you either have it or you don't, but
13 there's also a level of expectation, and I feel we were
14 pretty close with some of the work that Bob's committee
15 did. I'd like to, at the next Board meeting, finalize
16 that.

17 I also think -- and I think Damon brought up
18 this point and Ana brought it up. A number of people
19 did. I do think this Board has to look at itself a
20 little bit too. I mean, it's all for the best of
21 intentions. I understand that. I don't think there's
22 any bad-intentioned person on this Board. But I think
23 it's also fair to say -- and the reason why you want a
24 sort of diverse Board is for that reason. But I think
25 it's a fair observation to say, "All right. You've got a

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1 diverse Board who has differences of opinion and
2 different priorities and different strengths, and we're
3 going to put the executive director and staff in the
4 unenviable and perhaps untenable position of trying to
5 satisfy ten different Board members." I think that is a
6 problem.

7 As I said, I've got, in my department,
8 there's a dozen or so boards, and some -- and again,
9 they're always made up of solid folks, but they all come
10 with differences of opinion. And so I think one of the
11 things, in addition to trying to put a level of
12 expectation for the Executive Officer, I honestly do
13 think it would be beneficial, whether it's this Executive
14 Officer or another one, for this Board to understand
15 that, you know, trying to place a level of expectation on
16 itself too. Because I think if we don't, we're going to
17 make it impossible for the staff, not just the executive
18 director. I think we're going to wear them all out. I
19 think we're seeing some of that. That concerns me
20 greatly. So I think the Board has to also kind of look
21 in the mirror a little bit and take a look at what it
22 does and what it can do better.

23 So I will say for me, what I would like to
24 do, unless there's really strong disagreement, is at the
25 next Board meeting, I would like, if Bob's willing to do
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1 it, sort of a presentation on the work that was done that
2 was never finalized. It may need to be freshened up a
3 bit in light of what we've talked about today, but I'd
4 like to start there.

5 And I'd also, like I said, that's just not
6 for the Executive Officer but also for the Board because
7 I do think the Board has to take on the fact that it can
8 do better too. It has a responsibility for this office
9 to work well and for our participants to get the best
10 coverage they can, that we are at least most of the time
11 paddling in the same direction. And I got to tell you,
12 it's not for bad intent, but I feel like sometimes we're
13 not doing that right now. And so I hope that when we get
14 together next meeting, we can talk both about what the
15 expectation of the Executive Officer is, but also the
16 expectation of the Board. So for me, that was my
17 proposed next step. But again, I'm happy to hear what
18 others have to say on that. Go ahead, Jim.

19 MEMBER WELLS: Thank you, Mr. Chairman. Jim
20 Wells, for the record. I think that's a good start. I
21 think bringing back some of the work that Mr. Moore and
22 the group did with trying to set up a level of or a
23 process to evaluate the Board and the Executive Officer.
24 There was some templates that we put together for his
25 work group that I don't know that ever got much further

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1 than the discussion days. I think -- not just those. I
2 think that that is a way to bring back or take a look at
3 the work agreement that Leslie Johnstone and I did.
4 Again, it was high-level documents. It was not a
5 step-by-step you do this, you do that. And I'm sure
6 somebody around the office can find a copy of the old
7 agreement.

8 And I still think as a Board member, I think
9 for me, part of it is and part of the reason I developed
10 that matrix of here's what I'm going to do, do you agree?
11 gives the Board an opportunity to put its stamp on some
12 of the activities that they are asking the Executive
13 Officer to do. And maybe for the next meeting, maybe
14 they can put together his matrix of where he thinks we
15 should be going, his top ten priorities and when he wants
16 to finish them by, and then let's take a look and see if
17 it is in line with what our priorities are.

18 CHAIR DROZDOFF: Those are two good -- okay.
19 So, yeah, those are two good additions in addition to the
20 work that Bob did. I do like the idea of taking a look
21 at the work agreement as well as tasking the Executive
22 Officer to put together a -- take a look at what was done
23 previously, but by all means, paint with your own brush
24 what you feel based on your time on the job and what your
25 vision is, where you think we want to head. I think

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1 those are two excellent suggestions. Go ahead, Jacque.

2 VICE-CHAIR EWING-TAYLOR: Thank you,
3 Mr. Chairman. Jacque Ewing-Taylor, for the record. The
4 Chair and I had discussed briefly at one point the idea
5 of surveying the PEBP staff, knowing that there were
6 issues and some level of discontent. And I had, in
7 thinking about that, prepared a sample survey that we
8 could send out and wanting to make it very clear to the
9 staff that this was a Board survey, that it was not
10 Damon's survey, it was not the PEBP staff survey, that it
11 was something that the Board was going to do. I worked
12 on it in conjunction with some HR folks that I know and
13 based on some of the work that I did as an HR director
14 many moons ago. We still have that survey. It's
15 certainly something that can be deployed again.

16 My concern is -- remains that Damon also did
17 a survey, and there's such a thing in the survey staff
18 community as survey fatigue, and that does concern me a
19 little bit. It also concerns me that the -- if we are to
20 do this, I do believe that it should come from either the
21 Chair or myself or, you know, another one or two Board
22 members that we should meet with the staff and assure
23 them in no uncertain terms that it would be confidential,
24 and that we expected their honesty and their help in
25 making the Board better, frankly, and making their

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1 experience at PEBP better, which in turn will make our
2 participants' experiences with PEBP better. That's still
3 on the table if that's something we want to pursue. So I
4 don't know how the rest of the Board feels about that,
5 but maybe we can discuss that briefly?

6 CHAIR DROZDOFF: I think we should. And just
7 to give it a little bit more and, you know, hindsight
8 being 20/20, I mean, Jacque is very concerned, as I'm
9 sure we all are, about the PEBP staff. And it's ironic
10 and a little bit frustrating that yeah, I did. I backed
11 her off. I liked the idea, so we're clear. I thought it
12 was a very good idea. I didn't want to do that in
13 advance of this Board meeting because I felt, and I guess
14 still feel that it would be good if the Board kind of
15 weighed in on that. And then the ironic part, of course,
16 is that she -- part of the frustration of course is then
17 Damon's survey went out and it was like, "Oh, God. I
18 wish that didn't happen." But be that as it may, I think
19 in light of all of that, in addition to Jim's suggestion,
20 I do believe that an honest survey that is from the Board
21 to the staff would be helpful. And I recognize that
22 there may be an element of survey fatigue, but I
23 guarantee you most of them are watching this meeting and
24 they're probably a little bit worried about what it means
25 for themselves as well as the participants. So, you

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1 know, they always have the ability not to do the survey.
2 So far, I'm not hearing a bad idea. I like Jim's ideas.
3 I liked this idea. I liked it at the time. I just felt
4 that I wanted to have -- I wanted to have the Board weigh
5 in a little bit on it.

6 And I guess what I'll say is we don't need --
7 I'll put it this way. Unless there is an objection to
8 doing the survey, which I'd like to hear, I would task
9 Ms. Ewing-Taylor to be on the lead -- I'm happy to put my
10 name on that as well -- to in fact initiate that survey
11 coming from the Board and being delivered to the Board.
12 So unless anybody feels strongly against that, that can
13 also be something that we move forward with today.

14 MEMBER ANDREWS: Leo?

15 CHAIRMAN DROZDOFF: Yes, Ana.

16 MEMBER ANDREWS: Ana Andrews, for the record.
17 The only thing I would ask -- and I'm assuming this will
18 be done -- is that it is a survey that we all get to see
19 what questions, what's being asked, that we all approve
20 it and that it goes out, that it's not a pre -- already
21 prepared survey. Does that sound like a plan?

22 CHAIR DROZDOFF: We can certainly do it that
23 way. So you want the survey to be prepared and brought
24 to the Board at our next meeting and make sure we're
25 good?

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1 MEMBER ANDREWS: Yes.

2 CHAIR DROZDOFF: Okay.

3 MEMBER ANDREWS: Thank you.

4 CHAIR DROZDOFF: All right. Sure. Are you
5 good with that?

6 MEMBER MOORE: Be careful what you ask for.

7 CHAIR DROZDOFF: Bob?

8 MEMBER MOORE: Thank you, Mr. Chairman. For
9 the record, Bob Moore. I'm wondering -- and I'm sort of
10 looking at Rosalie and Ana, and Chris isn't here. Is
11 there any wisdom -- if we're going to look at the duties,
12 policies and procedures at the next meeting, is there any
13 wisdom in reconvening that subcommittee just to give it a
14 final last look under the hood?

15 CHAIR DROZDOFF: I don't see any downside to
16 it. You're listening to it now. You have the benefit of
17 kind of knowing -- it certainly could be freshened up.

18 MEMBER MOORE: It's two years old now.

19 CHAIR DROZDOFF: Right.

20 MEMBER MOORE: Ana and Rosalie, are you okay
21 with that?

22 MEMBER GARCIA: Yes. And if I may add, our
23 esteemed member, Chris Cochran, did join us late in the
24 session.

25 MEMBER MOORE: Okay. If we're going to do
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1 that, maybe we should ask Kari to coordinate a meeting
2 with the subcommittee sometime between now and whenever,
3 April 21st, I guess, or something. Thank you.

4 CHAIR DROZDOFF: Are there any other ideas
5 moving forward? I do have one, but I'll go last. Any
6 other ideas? All right. No, so my idea is -- again, I'm
7 very careful. I don't want to blur the lines of the
8 Executive Officer responsibility and Board Chair
9 responsibility, but I will offer this.

10 And maybe this happens after the survey
11 results are done that -- and I've mentioned this to
12 Damon, so it won't come as a surprise to him. But if
13 there is some sort of coming out of that, maybe this can
14 be a survey question, you know, some sort of retreat or
15 some sort of way to get -- the survey results come in.
16 Great. What are you going to do with them? If a way to
17 tie those together is some sort of get-together with the
18 staff and the Executive Officer, I'm willing to do that
19 too. Is there anything else?

20 Like I said, this Board, this agenda topic
21 was purposefully open-ended to allow for this kind of
22 discussion. I think it's been of value, although
23 certainly not without cost. Is there anything else? And
24 I, like I said, I view 4, 4.1, 4.2 and 4.3 sort of as all
25 one big thing. Based on what I've heard today, I've got

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1 a list of a few things that we will endeavor to move
2 forward on, which is at the next meeting, take a look --
3 well, before the next meeting, have a new subcommittee
4 meeting to, with fresh eyes, take a look at the work that
5 Bob Moore's subcommittee did. That's Item 1.

6 Item 2 is to prepare and present the old work
7 agreement that was developed with the- Executive Officer
8 Leslie Johnstone. Next is to task Damon with putting
9 together -- to take a look at what was done previously by
10 Executive Officer Wells, but certainly he doesn't need to
11 follow that template, but to put together some sort of
12 matrix anticipating what he expects his top issues to be,
13 again, for Board review and action. Ms. Ewing-Taylor
14 will, through Kari, will provide the survey to Board
15 members, and we will move to complete that or get that
16 survey out to staff as soon as possible based on that,
17 and a possible outcome of that survey work would be a
18 get-together with PEBP staff. Is there anything else
19 that people want to say?

20 DIRECTOR HAYCOCK: Real quick. For the
21 record, Damon Haycock. I might have misheard you,
22 Mr. Chairman. I believe you were going to bring the
23 survey back to the Board for approval at the next Board
24 meeting.

25 CHAIR DROZDOFF: Yeah. Well, as soon as
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1 possible.

2 DIRECTOR HAYCOCK: All right. Thank you.

3 CHAIR DROZDOFF: Is there anything else?

4 Okay. People have not been bashful so far, so I'm going
5 to assume then that there is not anything more to add for
6 this Agenda Topic 4 today. All right. I will note for
7 the public that we've got the rest of the agenda item and
8 for our court reporter, this should all go fairly
9 quickly. If it doesn't, we'll take another break. But
10 for members of the public, you'll have an opportunity to
11 weigh in on this last discussion as we close under Agenda
12 Item 8, public comment there. Okay. So with that, let's
13 go to Agenda Item 5.

14 DIRECTOR HAYCOCK: Thank you, Mr. Chairman.
15 Again, for the record, Damon Haycock. Agenda Item 5
16 discusses the 2017 bill draft requests. These bill draft
17 requests or BDRs, they're submitted by legislators,
18 legislative committees, the Governor, state agencies, and
19 local governments, obviously when someone wants to change
20 a law. There are two basic types of BDRs: the
21 non-budgetary, which propose language changes to law that
22 include no fiscal impact or no change to an agency's
23 budget, and then there are the budgetary ones that are
24 accompanying the budget that is presented in the agency
25 request and ultimately, if approved through Governor's
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1 recommended budget, to the Legislature.

2 So at the time of writing this report, I had
3 to get it out before we had an opportunity to visit with
4 the Governor's Office of Finance during their budget
5 kickoff session that occurred on Wednesday, March 9th,
6 and so some of the timelines here are a little bit
7 different. Before I go into specific BDRs that staff
8 have presented as well as the list that a Board member
9 has, just an update.

10 This cycle is going to be a little different.
11 There are going to be something called legislative
12 summaries, and I'm going to ask Director Wells to back me
13 up if I miss something, but instead of inundating the
14 Governor's Office, who only gets 110 BDRs every session,
15 by going directly into the full development of that bill
16 draft request, we are to submit legislative summaries to
17 the Governor's Office to be reviewed and determine if
18 they meet the Governor's initiatives. Similarly, the
19 Governor's Office may reach out to our agency and other
20 agencies around the state to request specific bill draft
21 requests to support the initiatives of the next
22 legislative session. So those legislative summaries,
23 though, are due on April 15th. And that's extremely
24 important because if we do not get them in by then,
25 normally we would be able to get them in, I believe, in

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1 May, but because of the desire to get a jump start on
2 these from the Governor's Office and the Governor's
3 Office on Finance, that these need to be decided upon, at
4 least in concept today, and then we can submit those on
5 behalf of the Board by April 15th as a legislative
6 summary. And then if those are approved by the
7 Governor's Office, we can bring them back in May to the
8 Board meetings itself. Did I summarize that about right,
9 Director? Okay.

10 So with that, let's -- well, before I
11 continue, is there any questions on that process? So
12 with that, I'm going to continue. On page 2 and 3 of
13 this report are a pair of bill draft request ideas.
14 These are things in response to certain situations that
15 have occurred over the last six months that I've been
16 aware of. The first is to revise NRS 287.04345, the
17 procedure for awarding contracts to vendors. And not to
18 continue to talk about the elephant in the room, but at
19 the November 19th Board meeting, the Board approved the
20 elimination of the second-level review process with the
21 caveat that there would be a minimum of two Board members
22 and a maximum of five Board members on request for
23 proposals evaluation committees. So what PEBP staff are
24 recommending is that we eliminate Section 2 of NRS
25 287.04345, that unnecessary -- excuse me, that to align
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1 the law with this recent Board action.

2 The second-level review process, we believe,
3 unnecessarily exposes this procurement process to
4 additional legal ramifications and operational
5 difficulties, as I think some of us have experienced in
6 the last few months. This process for second-level
7 review is rather lengthy and can be replaced by internal
8 policy to ensure maximum Board inclusion into contract
9 awards. It's the same type of logic that was presented
10 at the November 19th, 2015 Board meeting. Hopefully, the
11 intent is to be more inclusive with Board members on the
12 onset to avoid these public reviews on the outset. And
13 before I continue to the next one, I'd like to get
14 comments from the Board or questions or concerns.

15 CHAIR DROZDOFF: Any questions or
16 observations?

17 MEMBER GARCIA: Yes. This is Rosalie Garcia.

18 CHAIR DROZDOFF: Go ahead, Rosalie.

19 MEMBER GARCIA: I don't immediately see the
20 need to have to change the NRS. I think I need a better
21 understanding of why and what specifically, you know, I
22 believe that it's an internal process that we changed
23 with regard to the second-level review, but maybe I'm
24 just not understanding it properly.

25 DIRECTOR HAYCOCK: For the record, Damon
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1 Haycock. Thank you, Ms. Garcia. You are correct. There
2 is no mandate that we eliminate that section from our
3 statute, and of course the corresponding section in NRS
4 333. It is my recommendation that we do. I cannot see a
5 good result that comes up out of this process. Again,
6 I'm still obviously here only six months. My
7 understanding is this process hadn't been truly tested
8 before, and based on the tests that occurred recently, I
9 don't personally see the value in having a second-level
10 review. I think it is redundant to the already approved
11 and accepted procurement process that's outlined in NRS
12 333, that adding this additional layer isn't always a
13 good idea, but that it could, again, produce some
14 negativity, and to have it out of the statute would
15 protect the Board and any additional Board members that
16 come on throughout the years to clean this up once and
17 for all. And that's my comments.

18 CHAIR DROZDOFF: Rosalie?

19 MEMBER GARCIA: Oh, and then --

20 CHAIR DROZDOFF: Go ahead.

21 MEMBER GARCIA: Yes. Thank you. I really
22 think that I need the advice from our attorneys general
23 with regard to what would happen if we didn't change this
24 particular part of the NRS. Would we still be able to
25 incorporate the spirit of what the Board's intentions

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1 are? I don't take it lightly. I know nobody does, but I
2 just do not take changing law lightly.

3 MR. BELCOURT: Dennis Belcourt, Deputy
4 Attorney General. If the Board chooses not to use this
5 section or this provision, this option, it doesn't -- it
6 could choose not to do so. You know, taking it out would
7 simply eliminate the possibility that you could use it.
8 It's as simple as that. I don't, you know, it's really
9 either empowering or somewhat disempowering the Board.
10 That's what it's all about. I don't see a legal
11 consequence from taking it out or leaving it in other
12 than you're, you know, less power or more power.

13 CHAIR DROZDOFF: Jim?

14 MEMBER WELLS: Thank you, Mr. Chairman. Jim
15 Wells, again, for the record. I think the legal
16 consequences are using this section incorrectly. I was
17 not in favor of putting this in when it was put in, and I
18 would be in favor of having this as a single BDR to
19 remove the ability of the Board to have a second-level
20 review. It is the only agency in state government where
21 there is a second level of review. It is the only one
22 that is done in a public setting like this. And frankly,
23 the deputy attorney general who was assigned to PEBP back
24 in the mid 2000's precluded them from having that
25 second-level of review because we had a problem very

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1 similar that we just had with the HMO, and there was a
2 legislator and a former Board chair who thought it was
3 important that the Board have this authority. It hasn't
4 been used until now, and it didn't work well again. And
5 I would prefer that these be submitted as a single BDR to
6 remove these sections from the statutes.

7 CHAIR DROZDOFF: Well, Rosalie, you're asking
8 the questions, so you don't need to respond, but I think
9 you got a sense of why it's being asked for.

10 So, Damon, what are you looking for today?
11 Do you want to go through all of what you're proposing?
12 Are you looking for -- what are you --

13 MEMBER WELLS: Let me just make a motion that
14 we consolidate these first two requests and have
15 Mr. Haycock submit a legislative summary to the
16 Governor's Office to remove these sections. And for me,
17 it's all of NRS 287.04345 and the applicable sections in
18 333.335.

19 CHAIR DROZDOFF: Okay. There's a motion. Is
20 there a second?

21 MEMBER BAILEY: I second that.

22 CHAIR DROZDOFF: Second by Don Bailey. Okay.
23 Any further discussion?

24 MEMBER MOORE: Mr. Chairman, I --

25 CHAIR DROZDOFF: Bob Moore, for the record.
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1 MEMBER MOORE: Thank you. Bob Moore, for the
2 record. I'm the guilty party that submitted those other
3 four BDRs, and maybe one of the BDRs I have suggested --
4 which probably won't fly because it never does -- may
5 resolve this issue, so I'm wondering the prudence of
6 moving forward before you take that vote. One might
7 decide the other, but I certainly would yield to whatever
8 you would like to do, Mr. Chairman.

9 CHAIR DROZDOFF: So how many -- Damon, how
10 many -- what was your plan? How many of these -- what
11 were you going to present?

12 DIRECTOR HAYCOCK: So, for the record, Damon
13 Haycock. I was really just going to present the two that
14 are on that first page and a half, and then I was going
15 to turn this over to Member Moore to go ahead and propose
16 his proposed BDRs. And what ultimately we were looking
17 for is just guidance and direction on what to draft for
18 our legislative summaries per Board direction, and then
19 we would submit them on behalf of the Board.

20 CHAIR DROZDOFF: All right. So, Mr. Wells,
21 are you okay? We've got a motion and a second. Are you
22 okay with sort of tabling that discussion until we hear
23 these other BDRs?

24 MEMBER WELLS: Yes.

25 CHAIR DROZDOFF: All right. Let's go through
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1 the rest of them.

2 MEMBER MOORE: Thank you, Mr. Chair. For the
3 record, Bob Moore. I have assembled four BDRs that I
4 would very much like to see. And the page, it's not
5 numbered, but it's the page following 3 which, I guess,
6 would be page 4. I am suggesting four BDRs. The first
7 is to amend 333.335(2). This is an incomprehensible
8 piece of statute that says if you're going to buy
9 something and it's very technical, and you have an
10 evaluation committee, you can't hire somebody to come in
11 and assist you to make that evaluation.

12 If the PEBP wanted to build a nuclear power
13 plant, I would like to have a nuclear physicist come in
14 and sit on the evaluation committee. That would probably
15 mean we would probably have to pay that person to do
16 that, but the current statute prohibits you from doing
17 that. So it just makes good sense to me that if you're
18 evaluating a very, very complicated proposal that you
19 should have the authority to bring in an outside expert
20 to give you some guidance, but current statute prohibits
21 that. So my first suggestion is we get rid of that
22 language.

23 BDR No. 2, as I previously articulated
24 probably a half hour ago -- which this will never fly,
25 but, you know, why not, is to change 241 to allow

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1 performance reviews for the Executive Officer to be held
2 in a closed session for the benefit of the person being
3 reviewed, and for the benefit of the Board and, quite
4 frankly, for the benefit of the general public who are
5 going to be the recipients of a more candid, forthright
6 review than might otherwise take place in a very
7 uncomfortable open setting.

8 BDR No. 3 is absolutely, positively my
9 favorite one. And if you'll bear with me, the language
10 I'm referring to is NRS 332.115. Now, this is what's
11 effectually called the Local Government Purchasing Act.
12 These are the laws regarding purchasing that every public
13 entity in Nevada must deal with, and I think there's 197
14 public entities listed on the PERS website as being
15 public entities in State of Nevada. And if you'll read
16 through 332.115, it says contracts -- well, these are
17 contracts that don't require competitive bidding through
18 purchasing. Contracts -- and I'm quoting, "Contracts
19 which by their nature are not adapted to award by
20 competitive bidding," and then there's a list of those.
21 B is professional services, and F is insurance.

22 Public entities in the State of Nevada are
23 not required to use competitive bidding or in the
24 purchasing department to purchase insurance or
25 professional services. Even the State of Nevada -- and
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1 I'm going to ask Ana to give you a nod up or down here --
2 when you purchase your liability insurance, that's not
3 done through the State Department of Purchasing. What
4 the State does is they appoint three brokers, and then
5 you say you need property or liability coverage for
6 something, and you tell those brokers to go to the
7 marketplace. Here are our bids of expectations. You
8 brokers go to the marketplace, bring to us proposals, and
9 then we'll review those proposals. That's basically the
10 process.

11 MEMBER ANDREWS: Bob, yes. That is just with
12 one clarification. We do an RFQ, not an RFP every five
13 years, and we set up two pools, one for property and
14 casualty, and one for worker's compensation and safety.
15 And we establish contracts with all of them approved by
16 the BOE, and then we can say, as you stated, these two
17 brokers, "Please could you go see what you can get us?"
18 Additionally, all public political subdivisions can also
19 ride back -- piggyback on those contracts. The NSHE, for
20 instance, does that.

21 MEMBER MOORE: The point being, your
22 procurement is done by insurance brokers.

23 MEMBER ANDREWS: Exactly.

24 MEMBER MOORE: Okay. Thank you. So the
25 Local Government Purchasing Act says they don't have to
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1 buy insurance or professional services through this
2 formal process. Now the next two pages are all the
3 public entities in the State of Nevada who do not have to
4 use the purchasing process to get their insurance. And
5 it's a rather extensive list, and I believe there's 197
6 on there. All of them.

7 The next page is the purchasing procurement
8 requirements for PEBP. What PEBP must do is NRS
9 287.04345. "The Board shall review any recommendation
10 for awarding a contract submitted to the Board pursuant
11 to NRS 333.335." In other words, unlike all public
12 entities in Nevada, PEBP is not exempt from the
13 provisions of Local Government Purchasing Act.

14 Listed on the next page, for theatrical
15 enjoyment, are all of the public entities that have to
16 use purchasing. Oops, there's only one. PEBP. No
17 better argument could be made for this BDR than the most
18 painful process you've just gone through of which,
19 fortunately, I was not a part. I can absolutely claim I
20 was out of the country, so had nothing to do with it.
21 But I hope, with all comedy aside, the Board can see the
22 need to get this stuff done. Here are the examples.
23 Here's the arguments for this BDR. I'm not going to read
24 all of them. The procurement is best done by brokers,
25 not PEBP or the purchasing department.

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1 I'm told that in our budget, we're paying the
2 purchasing department over \$700,000 a year to let our
3 RFPs out, which I'm also told is somewhere around 30
4 percent of their entire budget. So I would think if
5 we're paying 30 percent of our entire budget, we ought to
6 have 30 percent of the employees over in our office
7 working for us. It's outrageous. A professional broker,
8 of course I've been out of the business for a number of
9 years, thank God, but I think a professional broker would
10 probably charge you somewhere around \$25,000 for an RFP.
11 It's not rocket science. They turn on their RFP machine
12 and hit the print button. It's not hard to do. The
13 broker gets you proposals, brings it back to you for your
14 review. That's the way insurance is purchased. The
15 statute says they're exempting things that don't adapt
16 themselves well to this process, and PEBP is the only
17 public entity in Nevada that has to do it this way. So I
18 would urge your support for that BDR.

19 And the last one I am proposing probably
20 doesn't require a BDR, but in the duties, policies,
21 procedures committee, there was some great discussion
22 about how do you get something on an agenda? How does a
23 Board member do that? And the current -- it's not in
24 statute. It's in administrative code. It says those are
25 done by -- the chairman has that sole prerogative.

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1 That's going to be -- we have a great chairman because we
2 do, and so far, he's never denied me an Agenda Item, but
3 I think it would be nice if the Board members had an
4 opportunity to add an Agenda Item. So that's a quick
5 summary, Mr. Chairman, of the four BDRs that I'm
6 suggesting and would be certainly willing to answer any
7 questions. Thank you.

8 CHAIR DROZDOFF: I see Jeff Menicucci, who is
9 the purchasing guy. Jeff, did you want to say anything?

10 MR. MENICUCCI: Yes, I do. And I'd like to
11 preface my remarks.

12 CHAIR DROZDOFF: Jeff, mention yourself.

13 MR. MENICUCCI: This is Jeff Menicucci. I'm
14 a Deputy AG. I'm one of the Deputy AGs. I'm the only
15 one assigned to the purchasing division. I want to
16 preface my remarks by two caveats. First of all,
17 whatever I say here is not an attorney general opinion.
18 Those must be requested formally. They are issued
19 formally. They go through an extensive internal process
20 and review.

21 The second thing I'd like to say is that Jeff
22 Haag, who is the administrator of the purchasing
23 division, has said that he would welcome the opportunity
24 to collaborate with and confer with PEBP to create and
25 draft a bill draft request that would serve the interests

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1 of the State, the employees, the retirees, and the
2 taxpayer, and he welcomes the opportunity and hopes we
3 have that opportunity to consult and confer. But I did
4 want to make certain statements here, and these are based
5 on my experience in dealing with the State procurement
6 statutes, and I have three major points to make.

7 The first one is we can't confuse Chapter 332
8 with Chapter 333. 332 is for local governments. Chapter
9 333 is for the State, more specifically, agencies within
10 the executive department of the State of Nevada. PEBP is
11 such a state agency and falls under Chapter 333. In that
12 chapter, there's a section, 333.335. It makes specific
13 reference to PEBP. And the reason it does is it grants
14 PEBP exemptions that are not available to other state
15 agencies. The reason the Legislature did so was that
16 PEBP has its own statute which grants certain authority
17 to approve or disapprove and to grant contracts and to
18 award contracts. And so PEBP was granted certain
19 exemptions from the normal state procurement processes,
20 and that means a couple of things. First of all, PEBP is
21 removed entirely from Chapter 333 or removed for purposes
22 of awarding certain contracts such as group health
23 insurance, third-party administration and so forth. It
24 does not fall into Chapter 332 because it's not a local
25 government. And it means that if the exceptions of

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1 333.335 are removed, then PEBP has no special status
2 under 333, and it becomes even more difficult to
3 harmonize PEBP's authority under its statute with the
4 general procurement statutes.

5 The second major point I'd like to make has
6 to do with insurance. And as Ana Andrews stated, the
7 risk manager is responsible for obtaining insurance for
8 state agencies in the State of Nevada, and that means
9 that she can go out and either provide self-insurance or
10 obtain and procure and negotiate commercially-available
11 insurance policies. Local governments cannot use Risk
12 Management Division for their insurance, so they have to
13 go out and get theirs through their normal procurement
14 processes under Chapter 332, and that's why there's a
15 specific mention of insurance in that statute.
16 Conversely, buying group health insurance or third-party
17 administrator services is a unique purchasing function
18 for PEBP. It's kind of like the risk management section
19 where personnel doesn't have to go out and get their own
20 group health insurance for their own employees because
21 PEBP is doing that. PEBP personnel also doesn't have to
22 go out and get their own liability and property insurance
23 because risk management is doing that for them.

24 And this is not to say that there are not
25 inconsistencies or lack of harmony in the statutes as
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1 they currently exist, and some of them are fairly glaring
2 dissonances. For example, we ran into this recently.
3 The Board has authority to hold a second-level review in
4 which it can evaluate proposals for contracts. Under the
5 general purchasing statute, proposals are confidential
6 until a contract award is actually made, so this poses
7 the difficulty of how you're going to evaluate proposals
8 in a public meeting which has been the practice and also
9 appears to be required by the PEBP statute and not be
10 able to make the contents of those proposals public. And
11 that's one of the reasons that NRS 287.04345 has been
12 kind of a problem in making that match up with the
13 general procurement requirements of Chapter 333.

14 So I'm not here to tell the Board that no
15 changes are required but simply to offer again the
16 services of the purchasing division in trying to reach a
17 bill draft request that makes sense and would be workable
18 in the future.

19 MEMBER MOORE: No questions. For the record,
20 Bob Moore. No questions, Mr. Chairman, but I would like
21 a short rebuttal. I'm not in the slightest bit confusing
22 332 and 333. Not at all. They're completely different
23 animals. What I'm suggesting is you cut and paste that
24 sentence in 332 and paste it into 333. The way we're
25 purchasing -- the PEBP purchases insurance is not the
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1 most efficient, economical, productive way to purchase
2 insurance. It's uneconomical, unproductive, and you
3 don't get the bang for the buck. Nor do you get the
4 proposals that you should.

5 I sat on a couple of evaluations committees,
6 for example, group term life. Somebody is going to
7 correct me. We got, I think, five proposals before I was
8 -- when I was working, I would expect to get 15, 20, 30
9 proposals because we just don't do it that way. We're
10 not using the marketplace the way it's used, and
11 therefore, the State is not getting the bang for the
12 buck, our membership is not getting the bang for the
13 buck, it's not productive, it's not efficient, and it's
14 just not economical. It makes no sense whatsoever.

15 MR. MENICUCCI: Jeff Menicucci again, if I
16 can respond to Member of the Board. Certainly, changes
17 could be made to Chapter 333. No particular exception is
18 made for insurance primarily because that's devoted to
19 the authority of the risk manager in this state. There
20 is a specific chapter, of course, for PEBP, but it
21 doesn't match up very neatly with Chapter 333, and you
22 hope that some of the problems can be corrected without
23 creating further problems going forward.

24 CHAIR DROZDOFF: Jim Wells.

25 MEMBER WELLS: Thank you, Mr. Chairman.
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1 CHAIR DROZDOFF: Ana, did you want to add
2 something too?

3 MEMBER ANDREWS: Yes.

4 CHAIR DROZDOFF: Okay. Then go Jim, then
5 Ana.

6 MEMBER WELLS: Jim Wells, for the record.
7 Mr. Menicucci, just a quick clarification. You mentioned
8 that the conflict between the 333.335 the additional
9 language that's in 333.335 is due to the statutes in 287,
10 and I assume that you're specifically referencing the
11 04345 section that authorizes that second-level of
12 review?

13 MR. MENICUCCI: Yes, Mr. Wells.

14 MEMBER WELLS: Thank you. Mr. Chairman, the
15 reason I asked for that clarification is that was all one
16 BDR when it was put in it, so it would all be one BDR to
17 take back out. That was all done as one piece. It was
18 not done purchasing first or separate or from the PEBP
19 statute so that those two things were put in in
20 conjunction in 2011.

21 I'd like to hit on a couple of things that
22 Bob Moore talked about. The purchasing assessment has
23 been fixed. It is a four-year phasing. Obviously, when
24 you pay for 28 percent of purchasing's costs and you quit
25 paying for 28 percent of it, somebody else has to.

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1 So they are moving that away. The purchasing
2 assessment goes down in FY 17. Tena can correct -- give
3 me a correct number if you'd like it, but that will
4 continue to drop over the next three years until that's
5 completely phased in. So they have recognized after many
6 years, we were able to get that changed, and they are now
7 -- will adequately or accurately bill the purchasing
8 assessment to the state purchasing department. There are
9 other ways to do the procurements that you're talking
10 about within the current confines of purchasing statutes
11 without having an exception for insurance, and they would
12 be something very similar to what Miss Andrews and her
13 office does in utilizing the RFQ process for obtaining
14 quotes --

15 MEMBER ANDREWS: Qualified vendors.

16 MEMBER WELLS: -- basically qualifies
17 vendors, qualified providers. And we could do something
18 like that within the confines of the existing statutes.
19 As to the first part on compensation, you're right. We
20 do not compensate members of the evaluation committee.
21 That has not precluded us from using professionals and
22 specialists to evaluate and provide certain information
23 relating to those proposals. So almost always, Aon
24 provides certain information relating to the cost of that
25 particular proposal.

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1 There are real problems with the compensation
2 from the evaluation committee members, and I think that
3 one is really outside the scope of what we could propose
4 to the statutes technically. Changes technically should
5 be associated with things that you are in control of. So
6 in this instance, it would be Chapter 287. I can tell
7 you that I couldn't agree with you more on your second
8 one about having the evaluations done in closed session.
9 I will tell you that has been tried, and I won't be up
10 there testifying in favor of it again because I was the
11 unfortunate person who had to testify in favor of it the
12 last time and get beat up by legislators over it, so that
13 is a very, very tough sell at the Legislature.

14 CHAIR DROZDOFF: Ana?

15 MEMBER ANDREWS: Ana Andrews, for the record.
16 I just want to clarify one thing just so it's on the
17 record. NRS 331.184 does give the risk manager the
18 authority to procure insurance with the exception of
19 group life, accident or health insurance. Thank you.

20 CHAIR DROZDOFF: Okay. So Mr. Moore had an
21 opportunity to present his four ideas. I think what I
22 heard at least Mr. Wells say, and to some extent
23 Ms. Andrews, is that 2 makes sense but good luck. One,
24 you have the ability to bring in experts, just not on the
25 compensation committee, but they can be brought in and be
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1 paid for. Three, it sounds like there's a non-statutory
2 fix; and four, it didn't sound like there was perhaps a
3 statutory fix needed.

4 You know, again, I would say on that one that
5 this goes back to what I said on a previous Agenda Item.
6 I think the Board, as I said, I want there to be a
7 diversity of opinions on this Board, and I think
8 ultimately, that leads to better actions. I do worry
9 about this in that this has the ability to -- because of
10 that diversity of the Board, you do have the ability for
11 sort of PEBP issues to show up, and as I said, I mean, I
12 certainly appreciate the comment. I certainly do my best
13 to listen to what Board members have to say, but I'll be
14 candid with you too. I do sort of filter it and try to
15 think about what is going to work for all of us. I do
16 think that one, if there really was an issue or a
17 problem, can probably be dealt with without a statutory
18 fix.

19 So I guess I'll listen to the Board at this
20 point. I mean, we've got -- we do have a motion and a
21 second on the table. So, Jim, is there anything that you
22 heard that causes you to not want to move forward with
23 Robert's Rules sort of thing? Is there anything you have
24 heard that precludes us from voting on that based on what
25 we've heard?

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1 MEMBER WELLS: Jim Wells for the record,
2 Mr. Chairman. I think I've kind of outlined what I
3 thought about the other two provisions that would hit
4 what I consider a procurement, which is what the BDR was
5 that we were discussing with the motion, and I don't know
6 that I would try to change either 1 or 3 as a part of
7 that BDR. So I think I would stand by the motion to
8 consolidate pages 2 and 3 into the single legislative
9 summary.

10 CHAIR DROZDOFF: All right. Is there any
11 more discussion on that motion? Bob?

12 MEMBER MOORE: Thank you, Mr. Chairman. For
13 the record, Bob Moore. I'm going to disagree on the
14 first BDR. I would very much -- I think the Board would
15 very much like the opportunity to, if required, bring in
16 an outside expert to sit on an evaluation committee. I
17 don't see the harm in doing that. If you want to bring
18 in a -- I can't think of a good example but, for example,
19 the PBMs. It would have been nice if we could have had
20 one or two or three PBM expert people, in addition to
21 Aon, to come and sit on that evaluation to help us out
22 and pay them whatever, \$20, \$50 bucks an hour, have the
23 option.

24 CHAIR DROZDOFF: I just want to be clear
25 about this. I mean, what it sounded like is that there
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1 was a -- we could have done it and they wouldn't
2 necessarily be on the committee, but we -- if Board
3 staff, whoever, felt that having other pharmacy medicine
4 managers that didn't bid on it, we could have paid for
5 them to be part of it. They just wouldn't have been
6 voting members.

7 MEMBER MOORE: I was told that we couldn't do
8 that.

9 MEMBER GARCIA: Excuse me. Mr. Chairman,
10 this is Rosalie.

11 CHAIR DROZDOFF: Yeah, Rosalie.

12 MEMBER GARCIA: I'm sorry to interrupt, but
13 since we do have the purchasing director attorney general
14 there, perhaps this is a question he could help us with.
15 Could we, at any time in -- well, when developing our RFP
16 process and the review process, is a state agency allowed
17 to have an external entity such as a contractor
18 participate in the RFP process? Is this --

19 DIRECTOR HAYCOCK: For the record, Damon
20 Haycock. Miss Garcia, I think we have used folks that
21 we've paid to review RFPs. I remember involving the
22 consultant from the pharmacy look at the RFP for the PBM
23 before it went out, and I can't imagine you didn't
24 request payment for it. I think the law precludes an
25 individual from being a designated member sitting on an

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1 evaluation committee, and that's the only preclusion, so
2 similarly to how Aon performed an evaluation.

3 CHAIR DROZDOFF: Go ahead, Mr. Moore.

4 MEMBER MOORE: For the record, Bob Moore. If
5 that's the interpretation, I was misinformed, and I'm
6 okay with that as long as -- if we can do that. I was
7 previously told that was absolutely verboten, so I stand
8 corrected, and yeah.

9 CHAIR DROZDOFF: Tena?

10 MEMBER GLOVER: Celestena Glover, for the
11 record. In the PBM RFP evaluation that was brought up,
12 we did have a pharmacist on the evaluation committee.
13 She is a state employee and is a pharmacist, so we did
14 use those services. So we do go out to other agencies
15 who may have a specialist in that area and ask them to
16 participate. So with the actuary RFP, we got an actuary
17 from the insurance to come sit, the financial, we got an
18 accountant from the controller's office to sit on the
19 evaluation committee. And they are state employees, so
20 we don't compensate them separately.

21 CHAIR DROZDOFF: But just for clarity's sake
22 though, if, in addition to all of that, you wanted
23 somebody else, not a committee member, but you wanted a
24 level of expertise to inform that committee, could you do
25 that?

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1 MEMBER GLOVER: We use them, as Damon
2 indicated, to help us with the RFP itself, but not to sit
3 on an evaluation committee and be paid to do so.

4 CHAIR DROZDOFF: I understand that, but what
5 I'm saying is, is that are you precluded from doing that,
6 or is that what the -- go ahead.

7 MEMBER WELLS: Again, this is Jim Wells, for
8 the record. So Subsection 2 of NRS 333.335, "A majority
9 of the members of the committee must be state officers or
10 employees." So there's your first requirement. You have
11 to have a majority that are state officers or employees.
12 "The committee may include persons who are not state
13 officers or employees and possess expert knowledge or
14 special expertise that the chief of the using agency or
15 the Administrator of the Purchasing Division determines
16 is necessary to evaluate a proposal." There's your
17 outside expertise coming in. "The members of the
18 committee are not entitled to compensation for their
19 service on the committee." So you cannot be a voting
20 member of the committee and receive compensation.
21 However, you could still be a specialist, as we've used
22 Aon time and again, to provide expertise. They just
23 cannot be a voting member of the evaluation committee.

24 CHAIRMAN DROZDOFF: Right. So that's what
25 I'm --

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1 MEMBER MOORE: I'm okay with this.

2 CHAIR DROZDOFF: So everybody is good with
3 that?

4 MEMBER MOORE: Yeah. I was misinformed about
5 that, and I'm okay with that.

6 CHAIR DROZDOFF: Okay.

7 MEMBER MOORE: If I may continue,
8 Mr. Chairman.

9 CHAIR DROZDOFF: Yeah.

10 MEMBER MOORE: Mr. Wells, you're with me on
11 No. 2? Knowing full well it's probably DOA, but I want
12 to keep throwing mud against the wall. Sooner or later,
13 it's going to stick. So are you okay with No. 2? And
14 No. 3, I'm going to lose that argument, but with great
15 disappointment.

16 CHAIR DROZDOFF: Well, you are and you
17 aren't. I mean, again, I guess what they're saying is
18 that with one slight -- you can work within -- they
19 believe that they can essentially get the outcome you
20 want without changing the statute by using -- by just
21 changing the process a little bit. Am I correct on that?

22 MEMBER WELLS: Yes.

23 CHAIR DROZDOFF: That's all.

24 MEMBER MOORE: I'll take your word for it.

25 Thank you, Mr. Chairman.

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1 CHAIR DROZDOFF: Okay. So we still have --
2 any other questions with regard to the motion on the
3 floor? Seeing none, all of those in favor, please say
4 aye.

5 (The majority of the vote was in favor of the motion.)

6 CHAIR DROZDOFF: Any opposed?

7 MEMBER MOORE: Opposed.

8 MEMBER GARCIA: Opposed.

9 CHAIR DROZDOFF: Any abstain? Okay. The
10 motion carries. So I think that leaves us with --
11 Mr. Moore, if you want to pursue it, you can make a
12 motion on your Item 2, if you'd like.

13 MEMBER MOORE: Thank you, Mr. Chair. For the
14 record, Bob Moore. I would like to -- are we on Agenda
15 Item 6?

16 CHAIR DROZDOFF: No. We're still on BDRs.

17 MEMBER MOORE: Oh. No comment, Mr. Chairman.
18 I'm fine.

19 CHAIR DROZDOFF: All right. So before we go
20 Agenda Item 6, how long is that going to take?

21 DIRECTOR HAYCOCK: For the record, Damon
22 Haycock. I believe Mr. Moore just mentioned he wanted to
23 revisit Agenda Item 6, the strategic plan and Board
24 duties, policies and procedures by bringing back the
25 subcommittee between now and the next Board meeting. So
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1 unless you'd like to go over it, we cannot entertain this
2 Agenda Item, move right to consent.

3 MEMBER MOORE: Bob Moore. Mr. Chair, for the
4 record, Bob Moore. I move to table Item 6 until the
5 subcommittee can revisit and bring it back to the April
6 21st meeting.

7 CHAIR DROZDOFF: Okay. Do we need a motion?

8 MEMBER GARCIA: Rosalie Garcia. Second.

9 CHAIR DROZDOFF: Oh, I was going to say.
10 That's fine. We'll just do it officially. So we've got
11 a motion from Bob Moore and a second from Rosalie Garcia.
12 Any other discussion?

13 MEMBER WELLS: Just one comment. It was
14 going to be something I cleaned up if we actually
15 approved this. Jim Wells again, for the record. On page
16 14, the legislative agenda section, given the changes
17 outlined by the Governor's Office on the two-step
18 process, that probably should be outlined in the
19 legislative agenda paragraph. It now has the one-step
20 mid-May time frame.

21 CHAIR DROZDOFF: Okay. That's right. Jim,
22 can you -- how do we fix that officially?

23 MEMBER WELLS: For the record, Jim Wells. I
24 think what you need to do is, as we're planning, it would
25 be very similar to what we had today where the concept is

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1 brought to the Board early, and the concept is submitted
2 to the Governor's Office. The Governor's Office will
3 approve or deny the concept and send it back to you, and
4 I don't have -- Damon's got the date because I saw he has
5 the agenda from Wednesday, but the Governor's Office will
6 take a few weeks. They will look at it, approve it, and
7 then you have to submit a final version by June 1st.

8 CHAIR DROZDOFF: Right. So do I get to go
9 back to Agenda Item 5 and fix it there --

10 MEMBER WELLS: No.

11 CHAIR DROZDOFF: -- or is it something you're
12 saying on the record for us to be aware of?

13 MEMBER WELLS: Jim Wells again, for the
14 record. That's how I made the motion was that Item 5 is
15 the legislative summary that was submitted for the April
16 14th. This is just to clean it up going forward in that
17 duties, policies and procedures.

18 CHAIR DROZDOFF: Okay. So --

19 MEMBER MOORE: Mr. Chairman, it's page 14,
20 Item 5? Is that that -- okay. Might I ask Item 4?
21 Might I ask Mr. Wells to give us some suggested language?

22 MEMBER WELLS: Sure.

23 MEMBER MOORE: Thank you.

24 CHAIR DROZDOFF: Okay. So we're good with
25 where we are? Because we still have a motion and a
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1 second. Okay. Call for the question. All of those in
2 favor, please say aye.

3 THE BOARD: Aye.

4 CHAIR DROZDOFF: Any opposed? Any abstain?
5 The motion carries. All right. So now we're at the
6 consent agenda, and unless there's any changes, I'll take
7 a motion on the consent. Oh, okay. So we'll pull out
8 the minutes.

9 MEMBER MOORE: Mr. Chairman, could we pull
10 out 7.2 as well? Just brief comment?

11 CHAIR DROZDOFF: Sure, because that's all
12 that's left. So let's take 7.1. Jim, you pulled 7.1, so
13 tell me what you want to talk about with regard to the
14 minutes.

15 MEMBER WELLS: Thank you, Mr. Chairman. I am
16 going to abstain from voting on the minutes, as I was
17 absent from the meeting on February 16th.

18 CHAIR DROZDOFF: Okay.

19 MEMBER MOORE: For the record, Bob Moore. I
20 will also abstain, as I was not at that meeting.

21 CHAIR DROZDOFF: All right. Let me make
22 sure.

23 MEMBER GAROFALO: Mr. Chairman, I will also
24 abstain, as I was absent.

25 MEMBER GARCIA: Mr. Chairman, Chris Cochran
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1 also abstains, as he was not present at that meeting.

2 CHAIR DROZDOFF: So I've got Judy, one, two,
3 three, four, five, six. Rosalie is six.

4 MEMBER ANDREWS: And Jacque.

5 CHAIR DROZDOFF: That's why I was checking.
6 I need to wait for Jacque. I don't think --

7 MEMBER GARCIA: No, that was Chris.

8 CHAIR DROZDOFF: No, I understand. I'm
9 making sure if we call for the question that we've got
10 enough -- we've got a quorum to vote it. So at the risk
11 of that, it sounds like there are enough voting members
12 to make that happen. So I would take a motion on 7.1.

13 MEMBER BAILEY: Mr. Chairman, for the record,
14 Don Bailey. I move to approve February 16th, 2016's
15 minutes.

16 CHAIR DROZDOFF: Is there a second?

17 MEMBER ANDREWS: I second it. Ana Andrews.

18 CHAIR DROZDOFF: So motion by Don Bailey.
19 Second by Ana Andrews. Any further discussion? Seeing
20 none, all of those in favor, please say aye.

21 (The majority of the vote was in favor of the motion.)

22 CHAIR DROZDOFF: Any opposed?

23 MEMBER GARCIA: Aye.

24 CHAIR DROZDOFF: Any abstain ?

25 MEMBER MOORE: Abstain.
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1 MEMBER WELLS: Aye.

2 CHAIR DROZDOFF: Four abstentions: Mr. Jim
3 Wells, Bob Moore, Jeff Garofalo, and Chris Cochran.

4 Let's go to 7.2. Bob, you had a comment?

5 MEMBER MOORE: Mr. Chairman, once again, sick
6 of being redundant. I'll disclose that we're discussing
7 the PBM contract. My son is an employee of United Health
8 Group, who owns Catamaran, so although I could vote on
9 this issue, I choose to not vote on the issue, but I do
10 need to disclose that relationship. Thank you,
11 Mr. Chairman.

12 CHAIR DROZDOFF: Okay. Damon, is there
13 anything else you want to add?

14 DIRECTOR HAYCOCK: For the record, Damon
15 Haycock. This contract has one last part that we need to
16 finalize, but we have successfully come to negotiations,
17 and we're excited to implement a new vendor for the State
18 of Nevada. We're looking at some significant savings, as
19 was noted by Stephanie Messier earlier today, and that
20 has attributed to a flat rate for our consumer-driven
21 health plan. So with that, that's my comments.

22 CHAIR DROZDOFF: I'd be happy to accept a
23 motion.

24 MEMBER BAILEY: Motion.

25 MEMBER WELLS: (Indicating.)
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1 CHAIR DROZDOFF: I got a motion from Jim
2 Wells. Is there a second?

3 MEMBER BAILEY: Second. Don Bailey.

4 CHAIR DROZDOFF: Second by Don Bailey. Any
5 further discussion on Agenda Item 7.2? Seeing none, I'll
6 call for the question. All of those in favor, please say
7 aye.

8 (The majority of the vote was in favor of the motion.)

9 CHAIR DROZDOFF: Any opposed? Any abstain?
10 Bob Moore abstained. Okay. The motion carries. So
11 before we move into public comment, for everybody's
12 benefit, can I get a show of hands both here and in Las
13 Vegas? Who is planning to do public comment? I'm trying
14 to figure out whether we need to take a short break. I
15 have one in Las Vegas and one in Carson City. Is that
16 it? So let's go to Las Vegas first. Thank you, ma'am.
17 If you could identify yourself, that would be great.

18 MS. CAMERON: Sorry. I thought the mic was
19 on. This is Vicki Cameron, for the record. V-i-c-k-i
20 C-a-m-e-r-o-n. I am a PEBP participant. I attended the
21 last interim finance committee meeting in Las Vegas where
22 the issue of the non-state non-Medicare early retirees
23 was brought up. I did ask that body to please make some
24 legislative changes to fix this issue, and I was somewhat
25 dismayed that this Board did not include that in their
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1 BDRs. I would like to see a BDR addressing the
2 non-state, non-Medicare early retirees to comingle us
3 into the overall group entirely so that we are not
4 continually addressing this issue year after year. Thank
5 you.

6 CHAIR DROZDOFF: Okay. And what is the time
7 frame on BDRs? It was today? Okay. Well, fair enough.
8 I, you know, I was looking -- Ms. Cameron, you may recall
9 that we were looking at some of the trends. We are
10 starting to get to a, you know, what may be sort of a
11 minimum threshold to do that. You know, I'll say this.
12 I mean, I know that members of this Board have long felt
13 that there were -- this was a legislative fix, and it
14 sounds like that committee seems to think that it should
15 be a PEBP Board fix. There's perhaps a way to find a
16 path, but I think what you probably heard today was that
17 there wasn't anything agreeable.

18 I think there's probably a way to fashion a
19 discussion item that, should somebody want to pursue it
20 in the future, we can maybe do that. But this is what
21 was presented and what was voted on. So I appreciate
22 what you had to say, and I think it doesn't stymie
23 further discussions. It just means that it's not going
24 to be a PEBP BDR. Jim?

25 MEMBER WELLS: Jim Wells again, for the
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1 record. Technically, because there is a cost associated
2 with that to the State, that could be submitted as a
3 budgetary BDR in September. However, as I mentioned
4 earlier, the State will be limited in its resources to
5 approve enhancements.

6 CHAIR DROZDOFF: Yeah. Well, I appreciate
7 that. So that says that if the Board does want to take
8 this on itself, we may have a bite at the apple. Okay.
9 Peggy?

10 MS. LEAR BOWEN: Thank you for all of your
11 hard work today. It was difficult, I know. I want to
12 again quote Don Miguel Ruiz -- my name and my words for
13 the record. I want to again quote Don Ruiz, and it's
14 called -- and the quote is this: "Don't make
15 assumptions. Find the courage to ask the questions and
16 to express what you really want. Communicate with others
17 as clearly as you can to avoid misunderstandings,
18 sadness, and drama." With just this one agreement among
19 everyone here, you can completely transform your life.
20 The name of the book I'm quoting from is called The Four
21 Agreements.

22 There are a couple of -- there was a BDR that
23 I thought that maybe you might want to submit because of
24 the constant need to work with the attorney general's
25 office, that you might want to follow PERS's footsteps
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1 and put in a BDR to dictate and ask for a dedicated
2 attorney general from the AGs office for PEBP and have
3 answers to your questions by someone who is not spread so
4 thin over many different areas with only a finite amount
5 of time that they can devote to you, and that might be
6 very helpful in terms of I never heard an answer to
7 statements or questions. I thought I heard from down
8 south a direct question about whether or not the entity
9 that filed for the pulling of the RFP was in fact,
10 according to state statute, regulation or wishful
11 thinking, authorized to do that. Was that not the action
12 of the Board, and did you not have it on an agenda with a
13 set time?

14 And should it not have been heard by this
15 Board because you were never notified as a Board in a
16 Board meeting the negotiations had come to a halt. And
17 therefore, some people felt action needed to be taken,
18 and I thought it was taken away from you and that I think
19 that what would help you all a great deal is to take more
20 written motions than have them just word crafted in the
21 -- as we have done in the air, and it's worked for you
22 well for the most part, but there are times that just a
23 simple word or phrase makes all the difference in the
24 world, and it came out one way, but "That's not what I
25 meant" came out later. I don't know if it was meant or

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1 absolutely made, but when Jacque Ewing-Taylor made the
2 motion regarding the adoption of what's going on in the
3 future, and it was including the purchasing agent and the
4 attorney general and PEBP people -- she asked for the
5 purchasing department and their attorney general -- she
6 asked for their consideration which is absolutely
7 wonderful. And then in the final part of that motion,
8 she said, "And their approval" of what you were doing.

9 And there's nowhere that anything dictates
10 that you approve your own things and you work it out
11 later as to whether or not that's the way you wanted it
12 to go. You don't have another entity saying, "Okay.
13 Take your RFPs and whatever you're going to do and turn
14 it over to purchasing and their approval." But on the
15 record at the last meeting, an approval was included in
16 the motion.

17 And I think that it would behoove everyone to
18 get it in writing, your actual motions, before you take a
19 vote so any wordsmithing or any, "Wait a minute, I didn't
20 really mean that," you have the opportunity to work with
21 it instead of it just coming out. And that's important.
22 And when I've chaired boards and commissions at the state
23 level and everywhere else, the communication should -- if
24 you want to talk with a member, it's helpful if you want
25 to talk with the staff or anybody else or go to a vendor

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1 or anybody else, that you work not with the executive
2 director, but you work with your chair.

3 And in one instance, we had to have a
4 majority of the group that if it wasn't on the agenda and
5 folks wanted it on the agenda, if we had 50 percent plus
6 one, we could put it on the agenda even over the
7 objection of the chair. But we set up a process by which
8 to communicate so that the executive director is not
9 working for 10 or 12 or 13, whatever the make of your
10 Board is, and you might want to consider that for your
11 process.

12 Last point. When Mr. Moore's group
13 regathers, I would hope that -- and I might be confused
14 on who was the original makeup of the group, but I would
15 hope if that's the group that includes at least two PEBP
16 Board members in going down, what was doing, that you all
17 voted to have Judy on a group and that she might be part
18 of what Mr. Moore's doing, or I might be overstepping my
19 bounds. I just want to make sure that it's not just one
20 Board member sitting in with a makeup of a survey. As a
21 teacher, I know you can survey to get the answers you
22 want. And so it was not important -- as important for
23 them to bring back a survey to you from Jacque. What was
24 important to you is that you have people from this Board
25 sitting in the makeup of that survey so no one can sit

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1 back later and say, "Well, they didn't ask the right
2 questions." You want an honest survey saying how people
3 are doing and what's going on, and you want it honestly
4 from the point -- and I heard Ana ask for this, at least
5 that's what I think I heard. So I'm asking questions at
6 this point. I'm not going to assume. I'm not going to
7 make an assumption.

8 I want to know if you really want to know if
9 people are doing their job. This Board and this staff
10 was broken when Damon was hired, and you were told for
11 the record that staff morale was low. Well, in order to
12 reboot staff morale, you're going to give guidance to
13 them how to go about that and fix a major fix and make
14 this a great working situation again.

15 And you heard the compliments. I read the
16 letters. I, for the record, was not solicited by Damon
17 for my output today. That came from my heart because it
18 was so good to feel like I was walking in and there were
19 no secrets, that I knew what we were going to discuss at
20 any given Board meeting, and that it was going to be
21 available electronically and telephonically, that you
22 weren't going to meet at some park somewhere for a
23 strategic planning process, that the only people who
24 could attend it were those that were physically present
25 down in the south, and that you couldn't meet for another

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1 strategic planning thing over here. We left this
2 building, went over the Richard Bryan Building, and I was
3 told -- and there were witnesses when I was told this --
4 that, "If I could have closed it down more, I would
5 have." And then the next one was closed down more. And
6 I ended up calling whoever is at the Legislature to call
7 the executive director to make sure no votes were taken
8 in that meeting because it was closed down. I never ever
9 want to have to spend any period of my life to do that
10 again. Open, public and free. This man is to be given
11 accolades. Thank you for all of your hard work. I hope
12 I covered Jacque's motion, getting an attorney, and the
13 subcommittee with Judy. Thank you.

14 CHAIR DROZDOFF: Thank you. So I will call
15 this meeting closed. The Board needs to stick around
16 with Dennis for a few minutes. So let's give everybody
17 five, ten minutes to clear out.

18 (The meeting concluded at 3:38 p.m.)

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1 STATE OF NEVADA,)
2 CARSON TOWNSHIP.)

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I, NICOLE ALEXANDER, Official Court Reporter for the State of Nevada Public Employee's Benefits Program, do hereby certify:

That on the 11th day of March, 2016, I was present at said meeting for the purpose of reporting in verbatim stenotype notes the within-entitled public meeting;

That the foregoing transcript, consisting of pages 1 through 186, inclusive, includes a full, true and correct transcription of my stenotype notes of said public meeting.

Dated at Carson City, Nevada, this 18th day of March, 2016.

NICOLE ALEXANDER, CA CSR #13909

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