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**LAURA RICH**  
Executive Officer

## AGENDA ITEM

Action Item

Information Only

**Date:** March 31, 2020

**Item Number:** IV.IV.I

**Title:** Chief Financial Officer Budget Report

### Summary

This report addresses the Operational Budget as of December 31, 2019 to include:

1. Budget Status
2. Budget Totals
3. Claims Summary

Budget Account 1338 – Operational Budget – Shown below is a summary of the operational budget account status as of December 31, 2019 with comparisons to the same period in Fiscal Year 2019. The budget status is reported on a cash basis and does not include incurred expenses and income owed to the fund.

The budget status report reflects actual income of \$195.7 million as of December 31, 2019 compared to \$182.6 million as of December 31, 2018 or an increase of 7.2%. Total expenses for the period have increased by \$28.6 million or 16.6% for the same period.

The budget status report shows Realized Funding Available (cash) at \$144.4 million. This compares to \$152.8 million for last year. After subtracting \$58.8 million for reserves for Incurred but not Reported (IBNR) claims, \$42.4 million for the Catastrophic Reserve and \$36.2 million for the HRA Reserve, the remaining balance is \$7 million in Excess reserves. The table below reflects the actual revenue and expenditures for the period.

**Operational Budget 1338**

	FISCAL YEAR 2020			FISCAL YEAR 2019		
	Actual as of 12/31/2019	Work Program	Percent	Actual as of 12/31/2018	Fiscal Year 2019 Close	Percent
Beginning Cash	150,276,433	150,276,433	100%	143,129,728	143,129,728	100%
Premium Income	187,733,763	382,017,605	49%	177,248,452	363,123,752	49%
All Other Income	7,959,417	9,151,598	87%	5,352,384	13,001,438	41%
Total Income	195,693,181	391,169,203	50%	182,600,836	376,125,190	49%
Personnel Services	1,244,900	2,835,868	44%	1,269,566	2,721,398	47%
Operating - Other than Personnel	967,249	2,383,964	41%	1,040,040	2,142,352	49%
Insurance Program Expenses	199,101,863	391,635,970	51%	170,146,158	363,036,252	47%
All Other Expenses	299,417	669,431	45%	521,305	1,078,483	48%
Total Expenses	201,613,428	397,525,233	51%	172,977,069	368,978,485	47%
Change in Cash	(5,920,248)	(6,356,030)		9,623,767	7,146,705	
REALIZED FUNDING AVAILABLE	144,356,185	143,920,403	100%	152,753,495	150,276,433	102%
Incurred But Not Reported Liability	(58,790,000)	(58,790,000)		(51,800,000)	(51,800,000)	
Catastrophic Reserve	(42,400,000)	(42,400,000)		(39,900,000)	(39,900,000)	
HRA Reserve	(36,204,203)	(36,204,203)		(31,676,056)	(31,676,056)	
NET REALIZED FUNDING AVAILABLE	6,961,982	6,526,200		29,377,439	26,900,377	

***Current Budget Projections***

The following table represents projections for FY 2020 based on data available as of December 31, 2019. The projection reflects total income to be more than budgeted by 0.9% (\$546.1 million vs \$541.4 million), total expenditures are projected to be more than budgeted by 1.0% (\$402 million vs \$397.5 million); total reserves are projected to be more than budgeted by 0.3% (\$144.4 million vs \$143.9 million).

<b>Budgeted and Projected Income (Budget Account 1338)</b>					
<b>Description</b>	<b>Budget</b>	<b>Actual 12/31/19</b>	<b>Projected</b>	<b>Difference</b>	
Carryforward	150,276,433	150,276,433	150,276,433	0	0.0%
State Subsidies	286,540,424	144,428,607	292,599,916	6,059,492	2.1%
Non-State Subsidies	29,202,769	14,341,867	28,931,666	(271,103)	-0.9%
Premium	66,274,412	28,963,290	57,771,856	(8,502,556)	-12.8%
All Other	9,151,598	7,959,417	16,481,390	7,329,792	80.1%
<b>Total</b>	<b>541,445,636</b>	<b>345,969,614</b>	<b>546,061,261</b>	<b>4,615,625</b>	<b>0.9%</b>
<b>Budgeted and Projected Expenses (Budget Account 1338)</b>					
<b>Description</b>	<b>Budget</b>	<b>Actual 12/31/19</b>	<b>Projected</b>	<b>Difference</b>	
Operating	5,889,263	2,511,566	5,444,107	445,156	7.6%
State Employee Ins Cost	294,710,442	151,616,029	284,262,964	10,447,478	3.5%
State Retirees Ins Cost	41,439,426	24,377,396	62,718,211	(21,278,785)	-51.3%
Non-State Employees Ins Cost	140,039	47,380	165,669	(25,630)	-18.3%
Non-State Retirees Ins Cost	15,384,713	5,022,451	12,053,593	3,331,120	21.7%
State Medicare Ret Ins Cost	23,155,087	11,399,259	21,197,543	1,957,544	8.5%
Non-State Medicare Ret Ins Cost	16,806,263	6,639,347	15,810,628	995,635	5.9%
<b>Total Insurance Costs</b>	<b>391,635,970</b>	<b>199,101,863</b>	<b>396,208,609</b>	<b>(4,572,639)</b>	<b>-1.2%</b>
<b>Total Expenses</b>	<b>397,525,233</b>	<b>201,613,428</b>	<b>401,652,716</b>	<b>(4,127,483)</b>	<b>-1.0%</b>
Restricted Reserves	137,394,203	137,394,203	141,342,651	(3,948,448)	-2.9%
Excess Reserves for Benefit Enhancements	6,526,200	6,961,982	3,065,894	3,460,306	53.0%
<b>Total Reserves</b>	<b>143,920,403</b>	<b>144,356,185</b>	<b>144,408,545</b>	<b>(488,142)</b>	<b>-0.3%</b>
<b>Total of Expenses and Reserves</b>	<b>541,445,636</b>	<b>345,969,614</b>	<b>546,061,261</b>	<b>(4,615,625)</b>	<b>-0.9%</b>

State Subsidies are projected to be more than the budgeted amount by \$6.1 million (2.1%), Non-State Subsidies are projected to be less than budgeted by \$0.3 million (0.9%), and Premium Income is projected to be less than budgeted by \$8.5 million (12.8%). This overall increase in projected revenue is due in part to a slight increase in actual rates as compared to the budgeted rates as well as a decrease in average enrollment as compared to budgeted enrollment and a change in the mix of plan tiers. The mix of participants is as follows:

- 0.79% fewer state actives,
- 0.51% fewer state non-Medicare retirees,
- 0% fewer non-state actives,
- 1.12% fewer non-state, non-Medicare retirees
- 2.04% fewer state Medicare retirees, and
- 1.52% fewer non-state Medicare retirees.

Expenses for Fiscal Year 2020 are projected to be \$4.2 million (1.0%) more than budgeted when changes to reserves are excluded. Operating expenses are projected to be less than budgeted by \$0.4 million (7.6%). Employee and Retiree insurances costs are projected to be more than budgeted by \$4.6 million (1.2%) when taken in total (see table above for specific information).

Total reserves for the year ending June 30, 2020 are projected to be \$144.4 million. Reserves include \$58.8 million for Incurred but not Reported (IBNR) claims, \$42.4 million for the Catastrophic Reserve to insure plan solvency, \$40.2 million in HRA reserves, and excess of the required reserves of \$3.1 million.

A projected shortfall in State Retiree Insurance Costs of \$21.3 million and in Non-State Employee Insurance Costs of \$0.03 million will need to be funded with Catastrophic Reserve authority. This will leave a projected shortfall in the Catastrophic Reserve authority at the end of the year of \$21.3 million.

### **Recommendations**

None.