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**AGENDA ITEM**

Action Item

Information Only

**Date:** September 30, 2021

**Item Number:** IX

**Title:** Potential Plan Design Changes for PY23

**SUMMARY**

This report will provide the Board, participants, public, and other stakeholders information on the overall activities of PEBP.

**BACKGROUND**

Generally, preparation for the upcoming plan year begins before the prior plan year has even ended. In past years, PEBP has kicked off benefit design planning by holding strategic planning sessions where staff, Board members and partners come together to identify areas of opportunity and cost saving solutions for the plan. Ideas are then typically presented to the Board in September which in turn provides staff a roadmap for the November plan design meeting.

The volatility brought on by the pandemic, coupled with the volume of contracts which have already been or will be implemented has greatly impacted PEBP's ability to conduct thorough analysis and review of any innovative solutions that could benefit the program. With major contracts such as the Third Part Administrator (TPA) and the Pharmacy Benefit Manager (PBM) out to bid, it is impossible to review potential solutions and determine cost savings without knowing which vendor will be awarded the contract or the terms of the contract. Additionally, on July 1, PEBP transitioned to the Aetna network. Since claims costs make up the majority of the PEBP budget, PEBP may see a significant budgetary impact, and with only two months of data and other pandemic related variables, it is difficult to confidently make recommendations using supporting data. Lastly, members have already experienced significant change with the various transitions that have occurred this plan year, and there is even more change on the

horizon with the implementation of a new enrollment system, new TPA technology, and potentially other new vendors and systems as these solicitations get awarded. It is staff's opinion that it may be in the best interest of members, staff, and the program to let the dust settle before any more significant changes are implemented.

## **REPORT**

AON REPORT

See Attachment A

## RECOMMENDATIONS

Considering the projected surplus and the recent benefit cuts, staff recommends the Board consider spending down a portion of these funds conservatively to ensure any benefits that are restored can continue to remain funded in the next biennium assuming no drastic changes to PEBP's budget in the next biennium. By using the surplus in a phased approach, it provides the safety net that is necessary for the long-term funding and sustainability of restored benefits. It also leaves the plan open to allocate any potential Rescue Plan funding in a similar manner should this become a reality.

It is important to note that statutorily, PEBP will ultimately require legislative approval of the use of these funds by the Interim Finance Committee (IFC). Once the Board has approved the plan benefit design in November, it will need to be submitted as an IFC agenda item.

### ***Recommendation 1 options:***

- 1. Develop plan design enhancements using \$4M to allocate toward funding the restored benefits through PY25.***
- 2. Develop plan design enhancements using \$6M to allocate toward funding the restored benefits through PY24***
- 3. Develop plan design enhancement using a different methodology approved by the Board***

### ***Recommendation 2 options:***

- 1. Based on previous Board guidance discussed at the July 22 Board meeting, staff shall use the above funding to determine plan design restorations/enhancements, prioritizing deductibles, out-of-pocket maximums, and copays.***
- 2. Staff to provide alternative benefit restoration options such as restoration of life insurance, LTD, etc.***
- 3. Staff to provide a combination of all of the above.***



# Nevada Public Employee Benefits Plan Briefing: Presentation to the Board

September 30, 2021 PEBP Board Meeting

Prepared by Aon  
Health Solutions

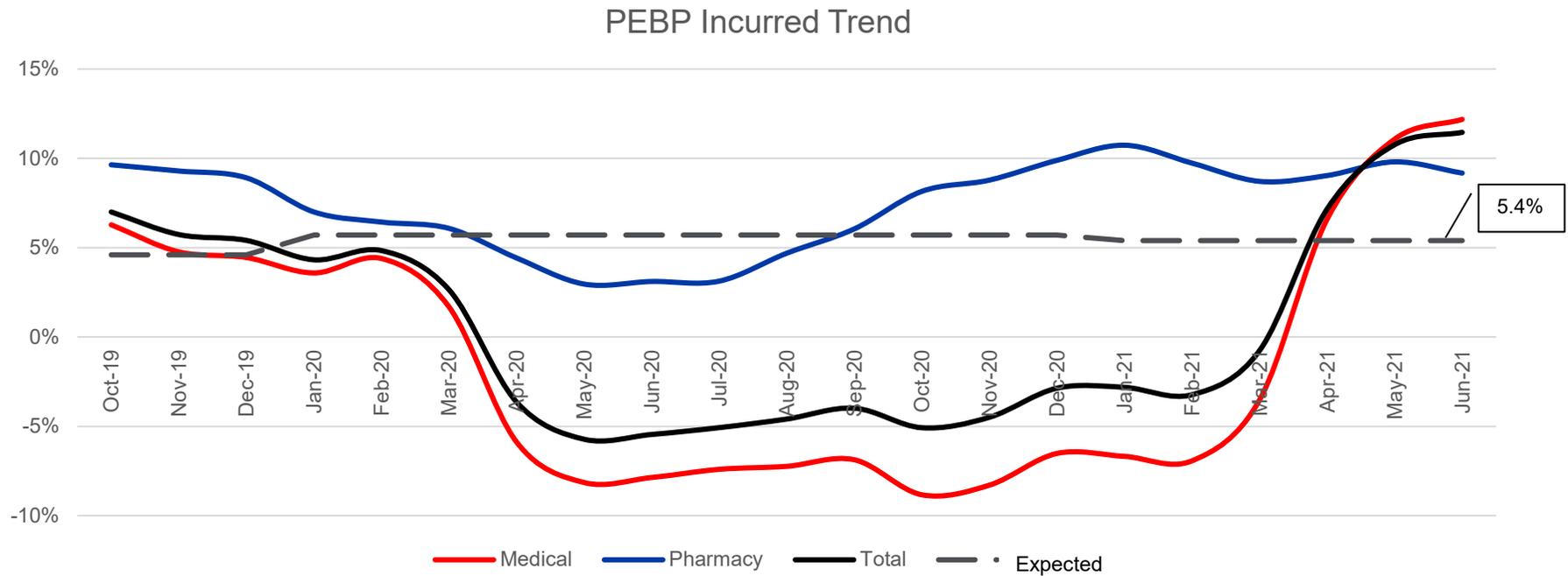
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# Agenda

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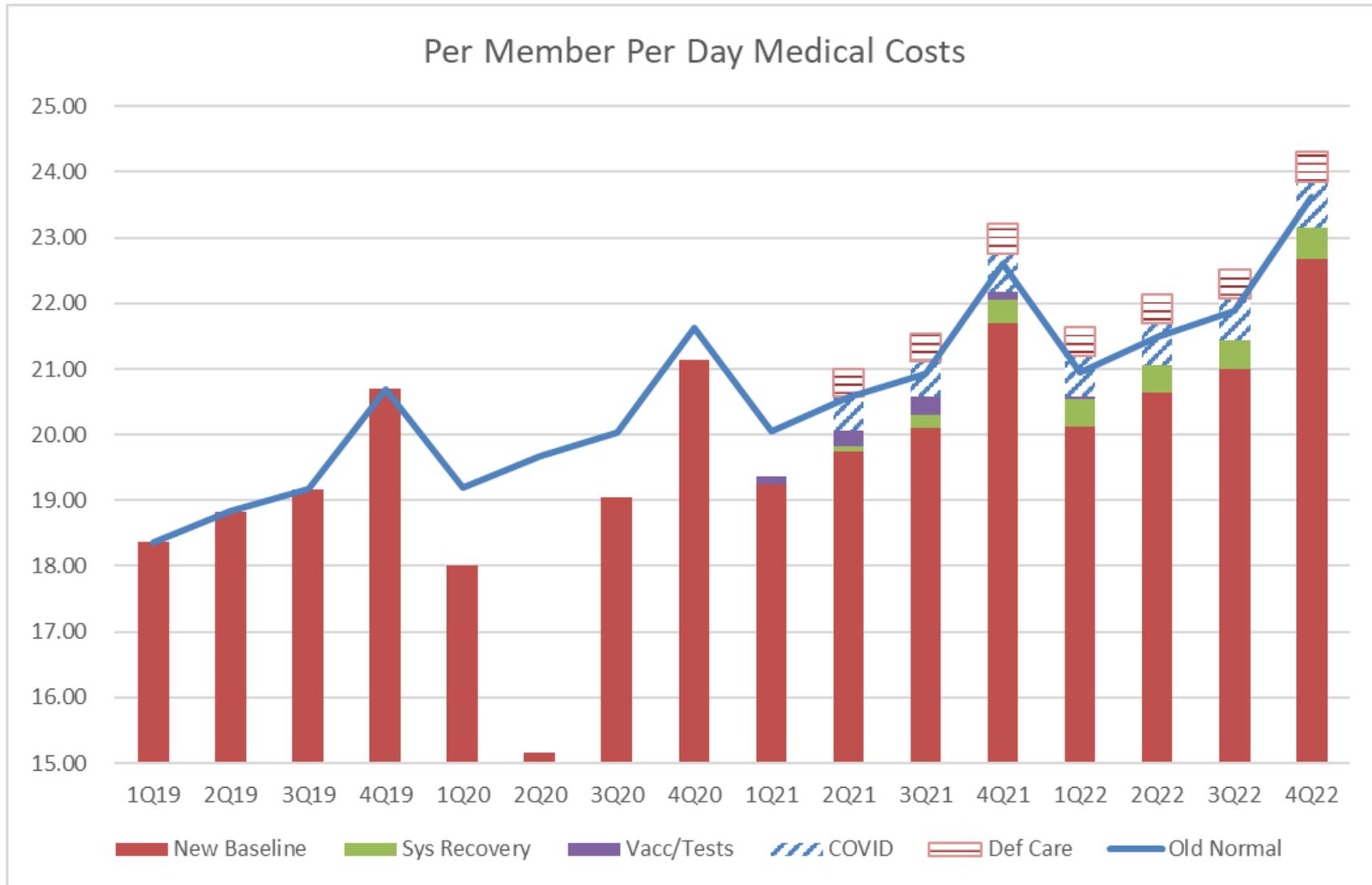
- PEBP Incurred Paid Claims Trend
- National Impact of Covid-19
- Historical Differential Cash Available
- Levers to Return Differential

# PEBP Incurred Claims Trend on a Rolling 12 Month Basis



- Medical trend dropped significantly in March 2020 and has been rebounding beginning February/March 2021 and most recently at 12% in June 2021
- Pharmacy trend has been more consistent during 2020, but is trending higher than expected at 9% thru June 2021
- Expected FY21 medical/Rx trend was 5.4%

# How Will the System Recover Towards Pre-COVID-19 Equilibrium? (National Experience)



# COVID Impact 2021 and 2022 Claims Projection

- In addition to the 5.4% projected healthcare trend for PEBP, the figures below are the estimated supplementary impact of COVID-19 on a **national level**
- Medical-only expectations, based on currently available information
- Expectations will continue to be revised as new data and experience emerges



## Medical Only

### 2021 Projection

*System Capacity: -5% to -3% Impact*

*COVID-19 Impacts: +1 to + 4% Impact*

- Vaccines and testing (1%–2% increase)
- COVID-19 direct costs in excess of suppressed claims (0%–1% increase)
- Deferred care return and increased severity in excess of suppressed claims (0%–1% increase)

Combined  
-4% to +1% Impact

### 2022 Projection

*System Capacity: -5% to -3% Impact*

*COVID-19 Impacts: 1% to +5% Impact*

- Vaccines and testing (1%–2% increase)
- COVID-19 direct costs (0%–1% increase)
- Deferred care return and increased severity (0%–2% increase)

Combined  
-4% to + 2% Impact

# COVID-19: 2021 and 2022 Projected Market Impacts

The effects of COVID-19 are expected to continue in 2021 and 2022, with some factors inflating costs and other factors suppressing costs.

## Rebound Claims

Rebound claims that were suppressed in 2020 and 2021 due to lockdowns and general deferred utilization may rebound in 2022.

## Conditions

Members that neglected care may have unmanaged chronic conditions which can result in an increase in severity. Also, off season waves of other diseases may contribute additional costs.

## Direct Costs

There will be a cost for ongoing testing and vaccinations (including boosters for variants and reduced immunity over time). Additionally, ongoing direct COVID-19 acute and chronic “long hauler” claims will result in additional costs.

## Health System and Economic Conditions

Continued provider consolidation may increase market leverage and drive higher costs. Stimulus and economic recovery may cause utilization spike.



## Avoided Claims

Claims suppressed during additional waves in 2021 may not return

## Continued Precautions

Continued social distancing and mask-wearing may reduce the spread of other diseases (like the flu) and also impact the likelihood of members seeking care

## Virtual Care

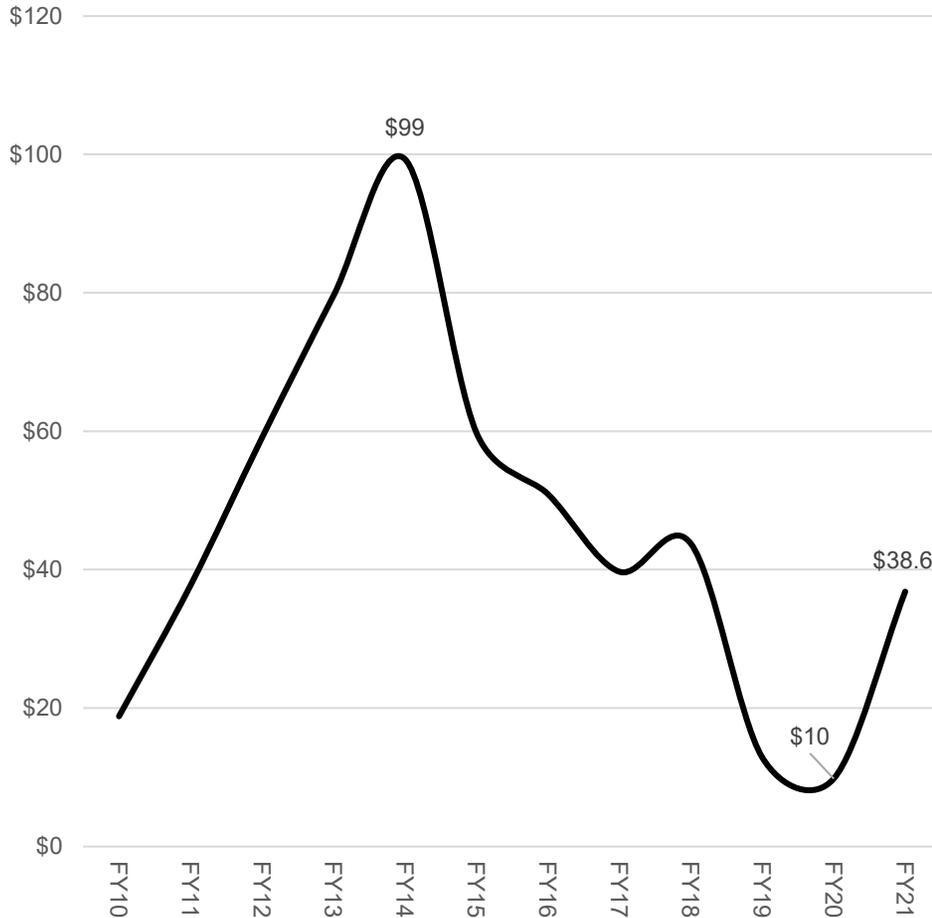
Increased member utilization of virtual care options could reduce overall professional category spend

## Health System Capacity

Reduced staffing levels may limit the return of deferred care until capacity levels return to normal

# Historical Differential Cash Available

PEBP Differential Available (in millions)



Historically, PEBP has spent down differential cash available over a longer duration, reducing year-over-year impacts to members

- Beginning FY22, the differential cash available is \$38.6M with \$9.1M planned to be spent in FY22.

## Considerations for other adjustments

- Expected COVID rebound of 4%, or \$12M, due to claims suppression
- Vendor contracts as of July 1, 2021 have limited experience with new pricing
- New vendor contracts will be effective July 1, 2022 which will be dependent on board's actions in coming months. This may impact claims volatility and reserve levels.

## Breakdown of Differential Cash Available

	In Millions	Comments
FY 2021	\$38.6	
Allocated FY2022 Projections	<u>-\$9.1</u>	Buy-down subsidies and Medicare HRA
FY2022 Projected Balance	\$29.5	
FY2023 Medicare Subsidy	-\$5.2	Funded via excess per legislature
COVID rebound of 4%	<u>-\$12</u>	This assumes recent trends of 12% will moderate to closer to 5.4% budget trend
<b>Projected Differential Cash Available</b>	<b>\$12.3</b>	
Allocated over 3 Years	<b>~\$4 million</b>	To be spent in FY23, FY24, and FY25
Allocated over 2 Years	<b>~\$6 million</b>	To be spent in FY23 and FY24

Allocating any differential cash available over 2-3 years will allow PEBP to maintain any benefit enhancements for that time period regardless of budget status.

# Levers to Return Surplus

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## Premium Credits/Holidays

### Pros

- Everyone receives a return of premium; including non-utilizers contributing to the excess surplus
- Those that use the plan efficiency and likely generate more of the surplus will benefit from lower contributions
- Contributions are typically the most important cost share element for employee perception since it is an immediate impact
- Timing of implementation is flexible (e.g. does not have to be in place at the beginning of the plan year)

### Cons

- Retains current out of pocket cost sharing

## Plan Design Enrichment

### Pros

- Those that use the Plan most receive the benefit

### Cons

- Those that use the plan most are not generating the surplus
- Employees that do not have medical claims are still paying premiums and gaining little extra value
- If benefits become richer, may need to increase in the future due to healthcare inflation. This could cause member noise and confusion

### Impact

- The members will realize savings in deductibles, copays before coinsurance and out-of-pocket maximums