In The Matter Of:

Public Employees' Benefits program

transcript Proceedings Telephonic open Meeting

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PUBLIC EMPLOYEES' BENEFITS PROGRAM BOARD

TRANSCRIPT OF PROCEEDINGS

TELEPHONIC OPEN MEETING

THURSDAY, JANUARY 24, 2018

CARSON CITY AND LAS VEGAS, NEVADA

The Board: PATRICK CATES, Chairman
DON BAILEY, Co-Chair
LINDA FOX - Member
JOHN PACKHAM - Member
TOM VERDUCCI - Member
LEAH LAMBORN - Member.
CHRISTINE ZACK- Member

For the Board: BRANDEE MOONEYHAM
Deputy Attorney General

For Staff: DAMON HAYCOCK
Executive Officer
LAURA LANDRY
Executive Assistant
CELESTENA GLOVER
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THURSDAY, JANUARY 24, 2019, CARSON CITY, NEVADA

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CHAIRMAN CATES: Okay. Let's call to order the Public Employees' Benefit Program meeting. Let's start with the Agenda Item Number One, role call.

MS. LANDRY: Don Bailey?

MEMBER BAILEY: Here.

MS. LANDRY: Patrick Cates?

CHAIRMAN CATES: Here.

MS. LANDRY: Linda Fox?

MEMBER FOX: Here.

MS. LANDRY: Leah Lamborn?

MEMBER LAMBORN: Here.

MS. LANDRY: John Packham?

MEMBER PACKHAM: Here.

MS. LANDRY: Tom Verducci?

MEMBER VERDUCCI: Here.

MS. LANDRY: Christine Zack?

MEMBER ZACK: Here.

MS. LANDRY: And Member Jennifer Bonilla has been excused.

CHAIRMAN CATES: Thank you.

So we will move to Agenda Item Number Two, public comment. We will limit public comment to three minutes. I understand we have somebody here from the insurance commission. We'll give them a little more time, but everyone else we'll limit it to three minutes. So anybody up north please come to the table and state your name for the record.

MR. UNGER: Douglas Unger, chair counsel of faculty --

CHAIRMAN CATES: Push the little green light.

MR. UNGER: Got it. I'm Douglas Unger, chair counsel, faculty senate chair for the Nevada System of Higher Education for the record.

Good morning. It's a pleasure to speak to you here in your northern home office today and to be able to thank the PEBP Board and staff personally for their service to our state and for our NSHE Faculty.

Speaking to the upcoming Agenda Item 13, the evaluation of Executive Officer Damon Haycock, I wish to express on behalf of the 7,000 faculty in the NSHE system our appreciation for Mr. Haycock and his capable and compassionate leadership. Since he was appointed executive officer in July 2015, Mr. Haycock has changed the culture of PEBP in its relationship to NSHE Faculty to encourage cooperation and collaboration.

His informative communications have helped our faculty better understand what the PEBP does and that the

Board, staff and faculty are aligned in our common goals to secure and maintain the best possible health plans for Nevada State employees.

We express our gratitude to Mr. Haycock to this and more and fully support and advise the most positive evaluation possible of his performance.

About Agenda Item 11 that you will consider today regarding proposed plan design changes for the CDHP self-funded plan, I have written a letter addressed to Chairman Cates and the Board requesting that regardless of any action taken by the Board today that the Chair place on the agenda for the March 28th meeting the deliberation and consideration of a different plan design that would lower deductibles and maximum out of pocket costs for plan members instead of contributing excess reserves to the HSA/HRA accounts.

We have submitted a rough outline of a lower deductible plan design that should conform well with the Governor's recommended budget without need for more funding from the state. I've detailed our rationale for suggesting such a plan in my January 23rd letter to Chairman Cates and the PEBP Board. But to reiterate here, we feel strongly that a lower deductible plan design would provide more humane and compassionate coverage for our state employees who suffer from chronic, acute or terminal illnesses or who must pay for pregnancies and natal care.

We are asking Chairman Cates to allow the Board to deliberate this option at the March meeting. Who knows what might result from such a discussion. We trust Chair Cates and the Board understand our goodwill in making this request and our sincere desire to collaborate altogether with PEBP and with our legislature and the Governor to provide within the resources available the best possible healthcare for Nevada State employees.

Thank you Chairman Cates and members of the Board for your consideration. Thank you.

CHAIRMAN CATES: Thank you.

MR. ERVIN: Good morning. My name is Kent Ervin, E-r-v-i-n representing the Nevada Faculty Alliance the independent association of faculty statewide NSHE institutions, that's the Nevada System of Higher Education. I was just over in another building where they told us to tell them what all of the acronyms were.

The -- so NFA also submitted a written public comment which I hope you have had a chance to review so I won't go into detail on that. I would like to ditto Doug Unger's concerns and request that the Board consider the option of lowering the deductibles and out of pocket maximums and just a couple of points on that.

On Agenda Item Eight you will hear about the Governor's recommended budget which includes a mandated $400 per month into HSA's. So unless the Board requests the legislature to change that, that's what it will be. Personally I think it's a little bit unwise to set that in advance when excess reserves can be volatile. As we know, they can go up by 14.6 between November and January, 14.6 million between November and January. We hope they aren't going to go down as a pattern, but the Board needs a flexibility to do what it needs to do come March.

And then -- but given the extra excess reserves, 15,000,000, actually we think you can afford all of what's in the recommendations in Item 11, including that $400 and also commit or possibly commit in March for lowering the deductible and out of pocket maximum by modest amounts the total of that package and including smaller amounts for dental and vision is $4,000,000 per year, and there appears to be enough for that.

But at least we request that you ask Aon today to do the appropriate analysis just on those two items, deductibles and out of pocket maximum so the Board can have that discussion in March of given the new, whatever new numbers we have between January and March on what you can do for participants.

And echoing Doug Unger's concerns that those are what effect people's healthcare needs this year, in the next year most, and that's a trade off between putting more money into HSA's for everybody, including the healthy folks who can save it for the future versus helping out the folks who really have serious health needs this coming year. Thank you very much.

CHAIRMAN CATES: Thank you.

Do we have more public comment in Carson City?

MS. RICHARDSON: Thank you. For the record my name is --

CHAIRMAN CATES: The mic.

MS. BARB: For the record my name is Barbara Richardson. I'm actually here on an official capacity, not as a member of the public. So my role here is as the Commissioner of insurance division for State of Nevada.

And basically I just wanted to come and talk to you all about a couple of issues just so you keep it in your mind on moving forward on some of your decisions. One of the things that would be helpful for you to know is that as the Commissioner I now regulate what is a 16 billion dollar regulatory industry, and we have over 25,066 admitted carriers in the state that are selling products to our consumers.

With that, we have 166,000 licensees who actually make those suggestions to our consumers, and the reason why I'm here, which seems like a small thing, is we care about what our licensees tell people and, unfortunately, I was listening to the Board meeting the last Board meeting when Morneau Shepell actually made its presentations, one of our licensees. I want to clear some things up so everybody is on the same page.

They misstated at the last Board meeting that they had all of their licenses and appointments in place, and they also licensed all of the products they were proposing to the PEBP Board at the time. At that time that is not an accurate statement. We believe it was a misstatement, and they may not have understood the question as it was posed, but I thought it would be helpful to know this.

We are working right now with Morneau Shepell right now to make sure that becomes an accurate statement by the time they actually move forward.

The other thing for you all to know is that Morneau Shepell is working with a company called Corestream. I think they mentioned that many times. However, Corestream is just a trade name. It's a trade name for Empower Benefits. So if you want to look up information on Morneau

Shepell and its partner, its partner is actual Empower Benefits. I thought that would be helpful to get on the record.

So at this time I just wanted to let you know that neither of those agency -- neither Empower Benefits nor Morneau Shepell are fully appointed to work with the companies that they listed on their exhibit with PEBP, and one of the reasons was is they use brand names. So they would use the name Travelers. They would use the name Liberty Mutual. Unfortunately, Liberty Mutual has, if you call Liberty Mutual group, it has ten companies under it so you need to actually get all of those bits and pieces if you're going to sell product from one of the other Liberty mutual affiliates. For example Safeco is a Liberty Mutual affiliate.

So the question really is what they are offering. So we're trying to make sure that the information to the -- to the employees here is as clear as possible so they know what they are buying.

The other thing that we're trying to work with Morneau Shepell on is that -- that they might have to come back to you with different company names or with different information that more specifically actually accurately describes what they are selling to the state employees. So we just wanted to let you know that that -- that's our intention to push them back this direction when they have that list fully flushed out.

The last issue I just want to bring up is that they have presented us with a series of group plans versus a series of individual plans. So I think there was some misunderstanding, my belief, and this may not be true, so I'm assuming, I'm telling you that right now is all of the plans that were going to be on this voluntary benefits plan were going to be individual.

Well, Morneau Shepell is not presenting all of them as being individual plans. Selling them as group plans which means they are not overseen by the insurance division the same way. Individual plans, we look at the rates, and we look at the forms. If they are group plans, we only look at the forms, and the rates are negotiated, so that would put you all in a position of negotiating the rates and the oversight, and then the rates would include not just the fees that are paid but also the commissions.

So I just thought that would be information that would be helpful for you moving forward while you still had time to make some decisions or have some time to -- to act or ask us any questions, so that's it.

CHAIRMAN CATES: Thank you.

MS. RICHARDSON: Thank you.

CHAIRMAN CATES: Any other public comment in Carson City? Is there any public comment in Las Vegas?

MS. EATON: Yes, there is.

CHAIRMAN CATES: Okay.

MR. BORGOS: This is Bruce Borgos representing Morneau Shepell. Last name spelling is B-o-r-g-o-s.

And I just want to reiterate really what the Commissioner just detailed for the Board. We certainly presented at the last Board meeting all of the information which we understood to be true and correct at that particular time.

Since that time we have received as of yesterday three requests from the division of insurance for additional information, and we have responded to the first two. The one that we received yesterday we will be responding by the end of this month per their request, and it's certainly our intent to fully cooperate with the division and make sure they get all of the information that they need in order to feel comfortable about the voluntary benefits that we are seeking to provide to PEBP members, and we certainly appreciate their partnership in this. That's it.

CHAIRMAN CATES: Thank you.

Is there any other public comment in Las Vegas?

MS. EATON: No.

CHAIRMAN CATES: Okay. Seeing none, we'll close Agenda Item Number Two and move to Agenda Item Number Three, PEBP Board disclosures for applicable Board meeting agenda items.

MS. MOONEYHAN: Thank you, Mr. Chair. Brandee Mooneyhan for the Attorney General's Office.

This agenda item is to allow for an ethics disclosure on behalf of the Board members who are eligible for PEBP benefits.

Of the current Board members, all except Ms. Zack and Mr. Verducci, are eligible for PEBP benefits. Meaning they, their spouses and dependents may receive health, dental, life insurance and other benefits through PEBP.

On today's Agenda Item Number 11, regarding proposed plan changes and Item Number 12, regarding a contract for utilization management and large case management services where certain PEBP members relate to the PEBP benefits available to PEBP members.

When the PEBP members who vote on their own benefits or benefits that their spouses or dependents may receive that may trigger the disclosure requirements under Nevada's ethics law NRS 281A.420. On behalf of the PEBP members who are participants, I offer this as a general disclosure pursuant to the ethics law, and I also invite any member who may have anything to add in this regard, please do so at the close of this agenda item.

I would also like to note that the Board members may still vote if the benefit or detriment to them is not greater than that accruing to similarly situated PEBP members. Thank you.

CHAIRMAN CATES: Thank you.

Unless anybody else has anything on this item, we'll go ahead and close Agenda Item Number Three and move to Agenda Item Number Four, presentation on ethics and government.

Welcome.

MS. PRUTZMAN: Good morning. Thank you for having me. My name is Judy Prutzman, and I am the associate counsel with the Nevada Commission on Ethics, and how appropriate that we had a little taste of what a disclosure looks like before I came here to talk to you about our Nevada ethics and government law.

I think in the past you have received pretty thorough presentations from our executive director Yvonne Nevarez-Goodson. I just want to see who here has not received any ethics training. Nobody, okay, wonderful.

Okay. So I'm going to keep this short. I'm going to just get -- this will be just a refresher. I'll update you on some of the things that are happening recently with our commission and some of the recent cases and then really want to just open it up for questions from you. As you know, the reason I'm here is because you as public officers are under the jurisdiction of ethics and government law for your conduct during the jurisdictional period which is two years.

Some of you who also serve in positions of public employment with the state also are subject to the ethics law, so there are a lot of different things that you need to think about.

So first I want to talk about our ethics commission and just kind of give you an idea of what we've been doing. We do have a full commission. I've been with the commission for about three years, and we now have all of our eight positions fully appointed, and I don't know if any of you have ever had an experience with -- with the ethics commission or had an opportunity to receive any guidance from them.

We do provide confidential advisory opinions and that gives a public employee or a public officer an opportunity to come before the commission, pose a potential ethics question and receive some confidential guidance, and we really enjoy that type of work. I work on sort of what I would call the prosecutorial side and so when you we do receive complaints from the public, I investigate those complaints and present them to the commission.

But we have a full commission right now, which is very exciting, a good diverse group of current or prior public -- public officers, public employees, and they are very engaged in their -- they are very involved.

They have recently -- well, there's one case I can talk about because it recently became public. For the first time in a very long time the commission has now taken an interest in initiating complaints on their own which the statute does allow them to do. The vast majority of our complaints do come from the public or other public employees or public officers, and but the commission does have the authority when it becomes aware of conduct that might violate the ethics law. They have the authority to initiate a complaint on their own.

And there was a complaint that was just resolved with a stipulated agreement, settlement basically that the commission had initiated against a board member of the Las Vegas Convention and Visitor's Authority, and that complaint was related to conduct that involved the use of basically government resources in the form of Southwest Airlines gift cards that had been used by the board member for personal travel.

So it's kind of a I think new -- new era for the commission. We do have commissioners who are paying close attention to issues. Many times those do come to the attention of the commission and commission staff through media reports, but the commission would not initiate a complaint unless there was other information, public documents and that type of thing that would corroborate what the media is reporting. So that's something sort of new the direction I've seen the commission go in.

Our current commission also seems to be a little more willing to impose slightly higher fines. We can by statute, we I mean the commission, can impose fines up to $5,000 for the first violation of the ethics law, first willful violation up to 10,000 for the second willful violation, up to 15 for the third, and the mass majority of our cases do get resolved through settlement negotiations. I present a stipulated agreement to the commission, and I am seeing a little more interest from the commissions in -- in seeing higher fines imposed on some of the violations that we've seen come through the office.

So just to remind you what we're concerned about in the ethics law is personal interest that create conflicts.

Those would be pecuniary interest, any financial interest that you may have that are related to matters that you may act on. The disclosure that was, general disclosure provided this morning is an example of a disclosure of what we would consider a pecuniary interest. So in other words some of you may have a financial interest in the matters that you're reviewing today related to plan design changes and that is a conflict that may be appropriate for disclosure and/or abstention.

And, you know, my boss, I always hear her say at trainings like this, it's okay to have conflicts. We all have private lives, and we all have private relationships that create those conflicts. The conflict itself is not the issue. The issue is that you have to understand how to appropriately deal with that conflict. And in your position, in this particular position in a public meeting context, conflicts require you to think about whether disclosure of that conflict would be appropriate and possibly abstention from actually acting on the matter.

For those of you that are public employees, the disclosure in abstention disclosure also applies. Conflicts require you in your public position to ask yourself do -- do I have -- do I have an obligation to disclosure to somebody who has authority over me that a conflict exists and perhaps

I shouldn't act on this particular matter in my public employment.

So, let's see, we have a code of conduct. I'm not going to go through all of those provisions. Basically, we have about ten statutory provisions that address some of the prohibited conduct that we're talking about. Receiving gifts that could effect your ability to act impartially in your public position is the first one, and then we have a lot of provisions related to the improper use of your public position to create unwarranted advantages for yourself or people that you are in certain relationships with, family members, business associates, things like that.

Using non public government information, using governmental property for your personal benefit, and this is actually an area that we have seen more complaints coming in. Using government resources can be as seemingly insignificant as using your government e-mail to conduct personal business, and that becomes a problem when it appears as if the public e-mail was being used to somehow influence the person on the other side of the e-mail for some personal reasons. So in other words, let's say using your government e-mail to solicit some fundraising efforts or, you know, donations, that type of thing.

So there is a limited personal use exception built into the law and that basically would make limited use of government resources and, again, you know, it's usually things like e-mail, use of the telephone, use of your government time during your workday. If it's something that is allowed by policy by your employer, the cost is nominal for you to use the resources that way, it doesn't interfere with your job, and there's no appearance of impropriety.

We did have a case that was resolved last year that involved a sheriff's use of a government letterhead, and there was no actual cost involved in using that particular letterhead, but the primary concern to the commission was the appearance of impropriety, and so this government letterhead had been used by the sheriff. This is all public now so I can talk about it.

The sheriff of Storey County had used the government letterhead for a political endorsement for someone who was running for federal office. The commission looked at that and believed that that appearance of impropriety violated the ethics law even though it was considered a very nominal use of government resources because use of the government letterhead in that fashion made it appear as if the entire sheriff's office and not just the sheriff himself was endorsing this particular political candidate, so those are some of the things to think about.

I hope you all are well versed and well advised on your disclosure in abstention obligations. I'm sure you are. We have a Safe Harbor provision built into the law which basically says if you have received advice from your counsel and that counsel has, you know, done the due diligence in consulting with the recent case law of the commission and provide you that advice, then you have, even if that advice turns out to be wrong, you do have a Safe Harbor and you can use that as a defense.

So we always tell public officers when in doubt call your attorney or disclose. You know, there's nothing wrong with disclosing the conflict that may not actually constitute a conflict under the ethics law. Just better to be safe than sorry.

That's all I really was going to say. I'm happy to answer any questions or concerns you may have at this time.

Again, the commission, the commission staff in particular, we consider ourselves a resource as opposed to sort of a prosecuting agency. I mean, we do have to process the complaints that come in. We're receiving a lot more complaints recently for some reason. I think part of the reason we are is because our executive director is conducting a lot of training, reaching a lot of different levels of government. That is one of our primary missions is to provide education, communication, outreach. Staff is always available to answer questions you may have if you want to call in. And, of course, if you would like to present a formal request for an advisory opinion, that's -- that's something we provide as well.

So does anyone have any particular questions?

CHAIRMAN CATES: Thank you. Thank you very much for that. I do have one question.

MS. PRUTZMAN: Uh-huh.

CHAIRMAN CATES: On one of your slides it talks about commitments in private capacity.

MS. PRUTZMAN: Uh-huh.

CHAIRMAN CATES: And it talks about family and relatives.

MS. PRUTZMAN: Yes.

CHAIRMAN CATES: For the record, could you describe for us what constitutes family or relatives under the law.

MS. PRUTZMAN: Sure, so we have actually a chart located in our regulations and it shows you kind of in a step by step fashion the types of family members you have to be concerned about. What it is is relatives within the third degree consanguinity which essentially means if you are related to someone by three degrees. So it goes, let me think. You can probably help me on this. Without it in front of me, I'm like -- the obvious ones are those within the immediate circle.

CHAIRMAN CATES: Right.

MS. PRUTZMAN: Okay. Parents, spouses, siblings but then when you follow that chart, you have to kind of follow through people like your spouse. Like it reaches your in-law's.

CHAIRMAN CATES: Right.

MS. PRUTZMAN: And also your spouse's siblings. It reaches your children and that applies to step -- step -- you know, by marriage type of relationships. So it's three degrees of consanguinity or affinity. Consanguinity I believe means you're related. I'm looking at you. You're the attorney that probably has to explain this more than I do.

Consanguinity has to do with people you're related to by blood.

CHAIRMAN CATES: Right.

MS. PRUTZMAN: And affinity are the individuals that you're related to by marriage, okay. So it goes three -- you know, basically three steps in both directions. Does that make sense?

CHAIRMAN CATES: That makes sense. I thank you for that. We can refer back to the regulations. I just wanted to make sure everybody understood it wasn't just immediate family. It goes beyond that.

MS. PRUTZMAN: Not just -- kind of when you look at the chart, it reaches some surprisingly, you know, sort of what people would consider remote relatives or, you know, estranged relatives.

And, you know, we've had some interesting situations where there was -- there was a case involving a city counsel member who had failed to disclose a financial interest of -- of his father's and then voted on the matter. Well, it raised sort of an interesting nuance which is, okay, just because this is my relative and clearly somebody that creates the type of commitment in a private capacity the ethics law is concerned about, the facts of the case indicated that the father and the son really were not communicating, okay. They were estranged so he simply did not realize that his father even had this financial interest in order to disclose it.

So certainly, you know, those considerations kind of change the analysis, but the bottom line still is, you know, under the law, you do have a -- it's presumed that you have a relationship with those, you know, in a certain defined family positions.

CHAIRMAN CATES: Uh-huh.

MS. PRUTZMAN: And that you would reasonably understand what their interests are. But, you know, in that particular case we also have some other commission law that says, well, you can only disclose what you actually know.

CHAIRMAN CATES: Right.

MS. PRUTZMAN: And/or which you reasonably should have known, and so we had to look very carefully at the facts of that case to see if that particular individual should have known what his father's interests were.

And the law does also, by the way, it's been updated to reflect that domestic partnerships do also create the type of commitment in a private capacity that require disclosure and then the same sort of third degree analysis would go through that domestic partner.

And we actually -- I'm dealing with a case right now, I'm investigating where, you know, we also, you know, relationships with significant others take on a lot of different forms these days so it may not be a spouse. It may not be a domestic partner but if you're living with somebody and it is a relationship that looks substantially similar to one of those relationships, you know, depending on the facts and the circumstances of that case, that also could create an obligation for disclosure, and we've come across situations like that more and more it seems, kind of leaves us in the awkward situation of asking some, you know, pretty personal questions, but, you know, just trying to get at what the nature of the relationship is to understand if it creates the type of conflict we're concerned about.

CHAIRMAN CATES: Okay, thank you. Thank you for that.

MS. PRUTZMAN: Yeah. You know, another one too, and I know this is your handout, this has come up more and more often when we look at commitments in a private capacity, sitting on private boards, for example a nonprofit board which seems to be quite common, you know, you're all engaged, involved citizens, I would not be surprised if many of you are also involved in other boards in your private capacity, and the commission has issued quite a few decisions lately that look at that relationship and have determined that if you sit on -- it's a pretty bright lined law -- rule at this point that if you do sit on a board of directors for something like a nonprofit organization, that does create the type of relationship that you should disclose.

So for example if you were here trying to decide whether to take action on something that involved the Boys and Girls Club, you know, one of you sat on the board, that would be a relationship that you would be expected to disclose.

CHAIRMAN CATES: Okay, thank you for that.

Any other questions, comments?

MR. HAYCOCK: I have one.

CHAIRMAN CATES: Go ahead.

MR. HAYCOCK: Thanks, Mr. Chair. For the record Damon Haycock.

Just is there any information you can give us heading into session? What are you guys looking at as revising any of the laws or any of the issues you have run across so we can get kind of a sneak peek idea that would be applicable to this group.

MS. PRUTZMAN: Yeah, that's a good question. I think there's not really anything too significant. We changed our code of conduct significantly in the last session so actually I should have probably mentioned that because I'm not sure that would have been in your last training. So all of the conduct that is prohibited in our code of conduct, you know, seeking unwarranted benefits, securing gifts, using non public information, most of those use to only apply to conduct involving a personal benefit to yourself, and it's now been expanded so that if you're doing any of those things in an effort to provide a personal benefit to somebody you have a commitment in a private capacity to, it applies to that too, so that is a pretty significant expansion to law, and we got that put in place in 2017.

We are really attempting to clear up some of the terms in our law that tend to create litigation. You know, it's like the lawyers fighting over what does it really mean. For example what is an appearance of impropriety. We do have some commission decisions that have sort of interpreted what that means or the types of situations where we think an appearance of impropriety exists but it's really not defined. So we're looking at creating a definition that more clearly gives guidance to, you know, what we're thinking about, but I can't really think of anything significant. It's a lot of cleanup, you know, the cleanup bill, Omnibus bill that includes a lot of.

MR. HAYCOCK: Thank you.

MS. PRUTZMAN: Also, I guess I should also say with the cooling off provisions, and I didn't touch on that at all today, that's really -- it tends to be most applicable to public employees coming from certain positions, but it could also apply to a public officer if you were to leave a post like this and then go out and seek employment with, you know, for example a vendor or any entity that this Board has had any regulatory authority over, the cooling off provisions would apply, and we are looking at changing those up to make those a little less burdensome I guess I'll say and provide more clear guidance because that does -- that's an area.

We get a lot of advisory requests. We don't get so many complaints from people regarding cooling off violations, but we do get a lot of soon to be retired public employees or prior public officers coming to the commission for advice on how -- how they -- what type of employment they are allowed to seek after they -- their public position ends. So we're cleaning up some of those, but.

CHAIRMAN CATES: So now that leads me to another question.

MS. PRUTZMAN: Okay.

CHAIRMAN CATES: I understand the concept cooling off period for entities for which we have some regulatory authority.

MS. PRUTZMAN: Right.

CHAIRMAN CATES: I don't believe that we're really a regulatory body.

MS. PRUTZMAN: Right.

CHAIRMAN CATES: We have vendors but if we're just doing business with a company, does that apply if we're not regulating that business?

MS. PRUTZMAN: There is -- let me see here. Let

me see if I find my -- there is possibly the provision --
MR. HAYCOCK: Page 16.
MS. PRUTZMAN: Are you numbered?
MR. HAYCOCK: I am numbered.
MS. PRUTZMAN: Oh, good. I saw your hand out over there, and they weren't numbered.
Right, on page 16, I believe NRS 281A or 281A.550 I think it's subsection 5. No, that's not it. Let's see here, there is a provision that prohibits employment with an entity that has entered into a contract.
CHAIRMAN CATES: Okay.
MS. PRUTZMAN: So that's the provision that you would probably have to be most concerned about and it would have to be a contract that I'm assuming your contract exceeds it's a certain dollar amount.
CHAIRMAN CATES: Right.
MS. PRUTZMAN: And so -- but, again, the analysis there would be, you know, were you in a position to influence the terms of that contract and were you involved in awarding that contract and so that's -- that's the type of thing that would apply, okay.
CHAIRMAN CATES: Yeah, that's helpful. I think that could be very applicable to us.
MS. PRUTZMAN: Right, and there's a lot of --

they are so fact specific. So I always hesitate to say in this situation, you wouldn't be able to go work for so and so because there are a lot of facts that the commission would look at and there also are some exceptions to the rule. So even if cooling off would normally apply, the commission asks questions like, you know, was the public interest involved. You know, so even though this might be otherwise a violation, do you have some special expertise to provide to this organization that would be beneficial to the state or the public.

CHAIRMAN CATES: Okay.

MS. PRUTZMAN: They are very fact specific.

CHAIRMAN CATES: In other words, it's complicated.

MS. PRUTZMAN: It's complicated.

CHAIRMAN CATES: And come and ask for confidential opinions, right?

MS. PRUTZMAN: Exactly, exactly. It's really difficult to provide, you know, just sort of off the cuff advice. A lot people will call and say I'm thinking of doing this and there's so many questions, and so we always encourage people to come to the commission. It's confidential.

You know, if the person takes the advice or doesn't, you know, the commission is not going to run after you and hold you -- hold it against you but it's -- it's a good idea to get those facts flushed out.

CHAIRMAN CATES: Okay.

MS. PRUTZMAN: So we do encourage that.

CHAIRMAN CATES: All right, thank you.

Any other questions or comments? I think we're good.

I appreciate your time.

MS. PRUTZMAN: All right. Well, thank you. Thanks a lot.

MEMBER ZACK: Thank you.

CHAIRMAN CATES: Okay. We'll close Agenda Item Number Four, move to Agenda Item Number Five, presentation on open meeting law.

MS. MOONEYHAN: Good morning, once again, Brandee Mooneyhan from the attorney's general office.

Mr. Haycock has asked me to provide a brief refresher on Nevada's open meeting law which, of course, applies to this Board as a public body. I think it's a refresher for everybody similar to the ethics presentation.

So you had a power point that has a lot of detail and, of course, that's available for your reference, but we're not going to go through those word for word, and we're just going to hit the highlights today, the key requirements of the law, key definitions and the hows and whys of this Board's compliance with the law. I'll open it up for questions at the end, but please feel free to ask as we go along while you have all of the information you need. So even though we're trying to be brief, I don't want to sacrifice information for the sake of speed.

Every state, District of Columbia, federal government, all of them have open meeting laws. They are called Sunshine Laws in some states. In general they are designed to ensure that the people's business is done in a transparent way. So, of course, that's the main reason to comply with the law.

But in order to ensure that boards comply with the law, the legislature has also provided various remedies for violations, such as investigation by the Attorney General's Office which has jurisdiction over the open meeting law provisions. That can lead to the board's actions being voided and having to be addressed again. It can lead to being sued by people whose rights are violated and board members can even face criminal penalties in certain circumstances. It has to be pretty extreme, but that is available. So for both doing the work of the government transparently and also avoiding those penalties, those are some of the things to keep in mind.

One reassuring aspect of the law is that violations often can be litigated or corrected. In fact, the AG's office recommends that. If you realize that an action was taken in violation of the law, there are usually some ways to kind of have a redo. Usually that includes undoing the improper action and having a new deliberation and new action that complies with the law.

If you want to read the entire open meeting law, it's not that long. It's in NRS Chapter 241. There are also several Supreme Court opinions and on the Attorney General's website, the AG has issued numerous opinions. There's also an open meeting law manual if you want to get into the details but, again, the bottom line is that all deliberations and actions need to be done in the open. The Supreme Court, the Nevada Supreme Court has said the law should be construed broadly so if there's any gray area, we tend to error on the side of openness.

In the handout there's also -- there's a definition of deliberation. I think since this is a refresher, the Board members know that's usually examining, weighing, reflecting your discussion about whether things should be adopted or not, that needs to be done out in the open.

There's also a very detailed definition of what constitutes a meeting, but the highlights, it boils down to two essentials things. There needs to be a quorum gathered and the body must either deliberate or take action.

One issue that comes up again and again in open meeting law is serial meetings or constructive quorums. That's when a subgroup of the bigger body gets together, smaller subgroups, several of them basically get together to discuss the same topic, and the open meeting law states over and over again that public bodies can't circumvent the law, the spirit or the letter of the law by doing things such as meeting in smaller groups.

There is some authority that it may be okay in terms of briefing on topics or something similar to that but if you were going to do something like that, I'm going to adopt what Ms. Prutzman said and that is please, please call your lawyer before you decide to have sub meetings.

Recently, fairly recently the legislature has addressed our modern world. They adopted the open meeting law in 1960 and have amended it several times, but most recently they have added provisions regarding electronic communications. Of course, you couldn't text in 1960, but now they have said, again, just like with the sub groups, you can't use those to circumvent the spirit or the actual letter of the open meeting law. So, of course, we recommend that board members do not text each other about board business. In addition to open meeting law concerns, that can also make your private text subject to the Public Records Act which is another reason to avoid that.

Of course, there are exceptions to the open meeting law, things that aren't meetings such as social functions where no deliberation or action is taken. Meetings with counsel, you can deliberate in private, but all actions still need to be taken on the record and, again, counsel will lead you through that if that becomes necessary.

Today's agenda actually is a good example. There is a statute that allows for, actually requires the meeting to be closed to discuss certain things, and you'll see on the agenda that points to the exact statute and still gives a lot of information about what is being discussed and why.

Just the Supreme Court has said the law is broad but exceptions are very construed narrowly. So, again, we're going to error on the side of doing most things in the public.

Of course, certain things, and this Board doesn't do it a lot, but the law also addresses a lot of licensing boards might talk about people's character, mental health, their criminal records. Those kind of things the law does a law for closing that, protecting confidential information, that sort of thing.

Again, if something came up for the board's discussion that implicated somebody's mental health, that sort of thing, we also, of course, have to be aware of HIPAA but, again, we would work that out beforehand to make sure that we were open as possible while complying with the privacy protections.

There's information in here about agenda requirements. Of course, they have to -- they are very strict. They have to be given enough information to let the public and the press know if they want to come to the meeting and participate.

Some of the slides go into detail about several situations where agendas were very vague. They had some kind of vague information about, you know, they are going to talk about public information, and then they ended up being, topics that created a lot of media interest and that sort of thing. The Supreme Court has said it needs to be pretty specific. As a matter of fact, if there's been a lot of public interest to be more specific.

One of the examples in there is about the Aces stadium in Reno, the Reno City Council had done a very vague information that could have related -- a vague agenda item but eventually the city realized that, and this is an example too of the litigation. They realized that they had violated the open meeting law. So they undid the information, re-noticed it with enough information and that was enough according to the Attorney General to cure that problem, so that's an example of overcoming that.

Again, this Board commonly does this, materials have to be provided to the public that are provided to the board members. Of course, PEBP puts those on the website. A copy must also be provided to a person that requests it. So if somebody sends a link to the materials or e-mail, that's sufficient but if they demand a paper copy, they have the right to request one paper copy, and it doesn't have to necessarily be mailed to them and usually the group as big as PEBP's membership probably cannot afford to mail to everybody that wants one.

Meetings must be recorded and minutes must be prepared. This slide again describes what has to be in that. They are fairly detailed and must be recorded or transcribed which, of course, we're doing again today.

And the law also addresses public comment. Again, today's agenda is a good example. It must either be included before the first action item and, again, at the end of the meeting or you can also allow it on each item one by one or both, but you have to do at least one. You can't go wrong with allowing more, but you have to do one or the other as a minimum.

I believe the Board is familiar that it cannot take action on a new item raised in public comment. I believe we had examples of that today as well. People suggested things being put on the next agenda item, but the Board, of course, couldn't act on anything that was brought up just today.

Similar -- similarly the Board can place reasonable time and place restrictions on public comment. For example, limit the comment to three minutes. Those usually need to be spelled out and, of course, the Board cannot stop comments based on content. So people can say whatever they want, critical. They can disagree with the Board entirely, and there's really no reason to halt it unless it's disruptive or unduly repetitive.

So that kind of covers the highlights. If there are any questions?

CHAIRMAN CATES: Unduly repetitive, huh.

MS MOONEYHAM: Yeah, unduly.

CHAIRMAN CATES: I'll make a note of that.

MS. MOONEYHAN: Unduly.

CHAIRMAN CATES: Okay. Okay.

MS. MOONEYHAN: They can be a little repetitive.
CHAIRMAN CATES: Okay. Any questions?
Go ahead.
MR. HAYCOCK: I would like to add one thing if I can.
CHAIRMAN CATES: Go ahead.
MR. HAYCOCK: For the record Damon Haycock. Thank you, Ms. Mooneyhan.
Excellent examples. I think a couple of more that we all experienced here over the last year are relevant. We inadvertently failed to notify one of the perspective vendors that we were going to be discussing their contract back in April and we had to push that meeting.
We also back in I believe September we're looking to approve voluntarily benefit offerings and failed to announce the actual carrier's name so we couldn't vote on those.
I think we do a really good job of meeting the open meeting law and you do an excellent job and your predecessor when you're reminding us when we're about to not follow the open meeting law, so we appreciate that. But for the most part, and hopefully you can agree with this that this Board follows the law, sometimes even more so than is necessary to ensure that we are as transparent as possible.

MS. MOONEYHAN: I do agree with that. This Board presents no concerns. If anything, we do tend to error on the side of openness.

CHAIRMAN CATES: Thank you.

MEMBER BAILEY: Thank you.

MEMBER LAMBORN: Thanks.

CHAIRMAN CATES: Okay. Let's move to Agenda Item Number Six. This is the consent agenda, several items on here.

Do any of the members wish to hear any of these items? Seeing -- I'm sorry. Go ahead.

MEMBER VERDUCCI: Tom Verducci for the record.

I would like to pull section 6.2.1. I just had a question.

MEMBER BAILEY: I didn't hear him.

CHAIRMAN CATES: 6.2.1.

MEMBER VERDUCCI: 6.2.1.

CHAIRMAN CATES: That's the obesity care management.

MEMBER BAILEY: I got it.

CHAIRMAN CATES: Go ahead, Tom.

MEMBER VERDUCCI: Okay. Yes, my question is on the average overpaid member under the obesity care management, we're showing 191 percent variation. It seems like kind of a big number. I'm not sure if that's a small population group or what that would pertain to, but it seems like a pretty big number for an overpayment.

MR. HAYCOCK: So for the record Damon Haycock. Thank you Mr. Verducci.

And this is one of the statistics that is 100 percent accurate, and we're actually pleased with it and let me tell you why. The obesity care management program that was implemented I believe back in 2012 through HealthSCOPE Benefits is designed to really connect the physician, the doctor with the member and have a more personal connection to try to address the obesity chronic disease problem. That means that folks will see their doctor more often, but then they will -- are supposed to because of that, that interaction see the hospital and have less situations where they have emergent care.

Another good statistic and this is on page four of that agenda item, the OV that stands for office visit not for overpayment, and if you look up six or seven lines, you'll see that the paid per admit is about $5,000 less than folks that don't participate on the program even though we're spending a good 600 or $560 more on the combined office visit.

So what we're doing is we're spending a little bit more in one area to save a whole lot more in the other, and that's why you'll see in those variance columns when it comes to inpatient cost, the dramatic reduction of cost on our members versus what we end up paying in office visits. So we would rather pay money to the doctor to have a better relationship with a member to address obesity, and results are very good, and they show throughout the emergency room visits. They show throughout the inpatient facility costs.

If you look at what the hospital cost distribution, the hospital inpatient, that's on the first page, you know, we're 39 percent less for people who participate in this program. So it goes back to that personal touch between the physician and the member which is really part and parcel to this low cost program that is so successful. Even so successful we were asked to present on it earlier last year on the success of such a low technology but high touch process. So we want to pay more on office visits so we can avoid paying more in hospital care.

MEMBER VERDUCCI: Excellent, thank you for the clarification.

CHAIRMAN CATES: Any other items?

MEMBER LAMBORN: I do.

CHAIRMAN CATES: Go ahead.

MEMBER LAMBORN: Mr. Chair, I wasn't going to ask but since we're on this item, same exact topic.

Damon, can you tell me what the cost is to per patient or how is the vendor paid for this care management program, do you know, off the top of your head?

MR. HAYCOCK: For the record Damon Haycock.

I might have to pitch this to Mary Catherine from HealthSCOPE Benefits. That's who we use through this. I don't remember paying for it at all. We don't, yeah, this is a service that is built into their current offerings of the excellent partner that is HealthSCOPE.

MEMBER LAMBORN: Thank you.

CHAIRMAN CATES: Anything else anyone would like to discuss on this item? Seeing and hearing none, I'll call for a motion, any motion at all. I think we need a motion to accept.

Go ahead, Tom.

MEMBER VERDUCCI: Tom Verducci for the record.

I'll make a motion that we accept Item Number Six all of the consent items.

CHAIRMAN CATES: Thank you. Do we have a second?

MEMBER ZACK: Mr. Chair, Christine Zack. I'll second the motion.

CHAIRMAN CATES: Thank you.

We have a motion to accept all of the items in

Agenda Item Number Six and a second. Any discussion on the motion? Hearing and seeing none, I'll call for a vote. All those in favor of the motion signify by saying aye. Opposed?

(The vote was unanimously in favor of the motion.)

CHAIRMAN CATES: Motion carries.

Okay. We will close Agenda Item Six, move to Agenda Item Number Seven, presentation on self-funded claims trend experience and projections of the composite rate transfer plan year 2019.

Welcome.

MS. MESSIER: Good morning. For the record I'm Stephanie Messier and Steve Caulk with Aon.

And just a reminder we are going to be talking today and we're using the slides that are in your packet so I'll be referring to those numbers just to keep you all on track as we're going through a lot of numbers.

We are here to talk about your historical trend. Then we'll give you some information on what we're seeing nationally from your competitors and other like entities, as well as just kind of give you just a bit of a preview what we're expecting to see when we're talking about plan year '20. Again, we're not doing that today. That is at the March meeting. We'll be talking to you about rates, but this is more informative about trends and more of a historical lookback.

Similar to last year, at the very bottom of your agenda we just want you to keep this in mind as we're talking about a rate action that we'll be doing in March. It's a combination of both how your experience has run, as well as the pricing trend that we'll be talking about at the very end of the presentation.

Moving to slide three, starting basically after this meeting, we're going to be taking a look at your most recent 24 months of experience and then again, this is going to be both on the CDHP plan, as well as at the March meeting, we'll be starting to look at your EPO plan. Obviously there we do not have the full 24 months of self-funded experience but that is what we are going to be pulling.

And then we have to move it forward by a year and a half in order to set the base rates for plan year '20. So as you might imagine a lot of things may change as we are trending things forward for a year and a half and while Steve and I are good, we're predicting things in the future, and we don't have a crystal ball, but that is our job as actuaries to try to use our best judgment to put you in a good financial position for plan year '20 rates, and it's really kind of what slide three is trying to illustrate for you.

Moving on to slide four, this was a little bit more of an important slide back when you had different mechanisms within your pricing whereas you offered plan design enhancements but you didn't put them as part of the price because you were using them to sort of spend down the excess reserves. So we just wanted to keep this in here just to show again the differences you've had in terms of your plan design over time and things that may be impacting the numbers that you see in future slides in terms of what was happening in your trend.

Starting in plan year '15 there was the enhancement made of the additional HSA/HRA funding which is probably the most impactful that we saw in terms of your trend movement in that particular year and then more recently, you know, there was those changes as you're all aware to the HSA/HRA funding where the $200 was tied to preventive program for the primary participants only.

And then we've also listed out some of the other changes, but as you might imagine, like the small change to the vision plan didn't really have an impact on your overall dollar spending. It has a small impact but, again, it's not much to move the needle in terms of your trend.

Moving to slide five, here's where we do have a lot of numbers on the page, but I think some of the most impactful ones to kind of take a look at is your experience trend is in that first section and as you've seen and probably have been discussed on multiple different Board meetings is you had negative one percent from plan year '16 over '15, flat from '17 over '16 and two percent '18 over '17.

And, you know, we're kind of trying to keep in mind with the equation again at the bottom, your rate action was different than what we saw in terms of year, actual year from one year over the next. Because of those plan design enhancements in plan year '15, it was a very large increase in terms of experience over plan year '14. So the rate action that happened in plan year '16 was a much larger number because that experience was finally flowing through and so we set the plan year rates for 2016. We had to make up for the difference in budget that happened in 2015, and so it was larger than what we would say is the pricing trend, the amount by which we're moving your claim experience forward.

Conversely, the actual experience in 2016 helped when we went to set your rates for 2017. So while we still moved your experience forward, your experience had done very well so your overall rate action even though we used a four percent pricing trend, the rates didn't change by anything.

It was a zero percent rate change that year. So it's just kind of a good way to read this chart.

And then at the bottom of the page, we just wanted to include some information in terms of how has your base rate budget performed versus your actual claims, and you'll see in each of the last three plan years we were within two percent. So there was about 1.8 million dollars we over-budgeted in terms of just your claims projections in plan year '16. We were off by 3,000,000 in plan year '17, and we were off by three and a half million in plan year '18. Again, that's within two percent of what we were projecting, so not accumulating a lot of excess reserves in those years, pretty close to what we were predicting. And, again, we're probably going to error on the side of making sure you're not at a 60,000,000 shortfall because that's a lot harder to make up when that happens.

The next few slides I'll go through a little bit quickly. It's really just trying to break out the different pieces. It's kind of just taking that previous slide and just putting them to more graphical form for those of us that prefer pictures over just a bunch of numbers on a chart.

So here we're showing plan year '16. We were expecting your trend to be at six percent. We were coming off of that high '15 -- plan year '15 experience period, but we did see that experience regulate and was in negative 1.5 percent overall. Again, similar to what we talked about on the prior slide, plan year '17 was much more of a flat year. We were expecting a 4.2 percent number and then the same thing for plan year '18.

And sometimes, as we know, there's been plan design changes after rates have been set, as Mr. Haycock is chuckling to himself over there, and so, yes, sometimes that will effect our ability to predict claims accurately but obviously good news for the plan is it's saving money. So, again, that's the 4.6 number is what we were expecting for plan year '18 and the plan came in at a two percent rate.

The next ones just break down the different pieces. The prior slide there had your medical, pharmacy and dental all combined, and the next three slides just separates that experience out.

The medical is pretty similar. As you might imagine, it's a pretty big driver when we combine those three items together, but when we pull out the pharmacy, I think Mr. Haycock has done a good job of advising you that your pharmacy has gone up quite a bit, and you will see that in that chart on plan year '18. The expected trend was seven percent and your pharmacy claims ran at 20 percent trend, and this is gross amounts prior to rebates.

And then finally we have the dental broken out and here we have been asked as well to not just show you the actual to expect the trends, but we're also breaking out your active 365 population from the Medicare Exchange folks who were on your dental plan, and you will notice those Medicare Exchange folks do seem to be having higher trends than your active 365 retirees. Thankfully they are a larger portion of the population, the actives, so that your overall actual trend which is the second bar on the page is, you know, coming in pretty close to what we're expecting at two percent. It came in at 1.6 for plan year '18 but, again, that was really being helped by those actives that were flat at zero percent for the last couple of years.

And with that, I'm going to turn it over to Steve to walk through some comparisons.

MR. CAULK: As Stephanie mentioned, my name is Stephen Caulk for the record. So now I want to put what Stephanie walked through in terms of particular trends that have been realized by PEBP in terms of a national context and what we see going on in the national healthcare trends.

On slide ten, we pull sources on reported trends from all of the major consulting houses, as well as the Kaiser Foundation and PWC.

When you look at the table on the bottom left, I think there are two real conclusions that I make there. First off, on the bottom, the PEBP trend, as Stephanie pointed out, is very good. The national trend range from three to five percent over a three-year period. I credit PEBP Board and the executive staff for a very strong management program in terms of realizing zero percent trends over those three years, so outperforming what we see happening in the national basis so a very great result.

I think one of the challenges that we're faced as actuaries is trying to discern if that is sustainable because we don't typically see clients being able to sustain flat and zero trends over the long term. Certainly a lot of the initiatives that you placed over the last few years have certainly contributed to this. So then it's looking for that next initiative and continually being diligent about finding places for savings.

The other thing I would conclude here too, also as Stephanie pointed out, that the last few years we've been off by less than two percent in terms of the actuarial projection. That is pretty much in line, if you look at any given year, these reports are anywhere from three to five percent. So two percent in terms of a margin for error is pretty tight because these are businesses that tend to have up to 60,000,000 members. So depending on the actual realized trend there can be certain volatility in here in those measurements.

Along with slide ten in terms of those data sources, we also have a data source the S&P Healthcare index and we've reported on that over the last few years. The S&P is a little bit volatile but, again, PEBP's trend is favorable to the S&P. For the S&P it does break it out into Nevada specific trends, and so last year the policy '18 year trend was 14.4 percent. Nationally the U.S. trend healthcare was 3.7 so Nevada did trend a touch higher but PEBP trended at two percent so exceeded both indexes in '18. Similarly for '17, you can see the three percent and three percent for Nevada, 3.4 nationally, and PEBP exceeded those as well.

I also wanted to on slide 12 give a little context for how we as actuaries measure trend and how we end up building up our projection. If you look on the far left, the components of trend that really go into these numbers we're reporting are based on these four items. So there's the underlying price trend, so this is just the cost of an office visit, an inpatient stay or a procedure year over year. So this will be important in the slide as we measure this in terms of that underlying price and how prices go up year over year.

Mix is another component where that you see a shift in services. So as technology improves and new services are introduced, there's a shift in terms of going from, the classic example is going from X-rays to MRI's. An X-ray is pretty cheap and when you get into the MRI world, the technology that is involved gets a little more expensive.

Today we see the mix coming in some of these specialized individual medicine therapies. So where cancer may be treated at the 60, $70,000, we see some cancer therapies that are approaching half a million and a million dollars. So that mix of service will have an impact on your underlying cost.

Utilization is similar in terms of what it represents in terms of more services, so you go to the doctor more. You go to the hospital more, more ER visits, so we looked up measuring how utilization changes year over year and that's one of our components.

The last would be plan design and so for instance if you were to increase the deductibles or lower deductibles that will have an impact on your trend. So we've had some of those discussions before in measuring that out.

What drives those components is all in the middle in terms of things like lifestyle risk, that's going to govern how much you use medical services. The economy actually is a surprising impact of people in a recession and stressed from a monetary standpoint, they tend to put off services and use that a little bit differently. And then, of course, I mentioned regulation and technology will also impact the utilization and price of services as do the differences in terms of the MNA in the marketplace. So when we see a hospital systems buy up provider groups and so on, how they are able to command different prices in the market also underlying our trend.

Then finally on slide 12 I wanted to point out on the right kind of the four places where we think are effective on mitigating trends. I would also just mention how these align with a lot of PEBP actions and Mr. Haycock and his efforts to manage trend. So when you look at your provider choice, so things like Healthcare Bluebook directing people to more cost effective providers is very important to all mitigating trend.

Your wellbeing, we just talked about the obesity care management program, things like that are a great focus. We adapted design and experience. That really talks about managing care and moving it to the most effective sites so, again, that would be similar to Healthcare Bluebook, looking at different avenues to make sure that you're getting the right care at the right place.

The next few slides I wanted to highlight from a national perspective. What has been driving our trends, and Ernst Reinhardt is a famous healthcare economics researcher, and he came up with a title It's The Price Of Stupid. And when you look at that kind of moniker really reflects that recently we've seen price driving healthcare trend. So we've seen just generally price inflation in the three to five percent range nationally.

On page 13, we actually highlight the accumulative change in price utilization and we're pulling this source from the Healthcare Cost Institute, so this is a national database and research firm that looks at healthcare costs.

The key point here, if you look at the solid lines, these are all different inpatient services that you would get. Those are all going up anywhere from 18 percent to 30 percent over the four-year period. The dotted lines are utilization, and utilization has remind relatively flat the following, and so we see this typically across most healthcare services where price is driving your trend. So as a focus for managing cost price is very important so certainly see that in terms of some of the initiatives that PEBP has undertaken.

We also want to provide for your information on slide 14 and 15 part of the same data source. This is a national database. They have price data on select markets across the country, and so we pulled from their source Reno and Las Vegas just so you can get a perspective and these are not reflective of what PEBP has contracted but rather what the average costs are on these markets.

So they are comparing, if you look on page 14 in Reno, the 2016 price level overall is actually six percent for medical services below the national average. The price growth has been 13 percent over that four-year period. Compared to Las Vegas, it's actually very similar from a price perspective where they are three percent below national average, but the price growth in Las Vegas we see has been more markedly uptake for those four years. And then so the overall you can look at that for inpatient, outpatient and professional and see the different relativities.

One more slide I promise. I know you're all engaged with more numbers than an actuary should be blessed with. So on page 16, I mentioned earlier a mix and shift of services of what we're seeing more recently in terms of some of these new therapies. I'm not a medical doctor so please don't hold me to a lot of these statements in terms of the actual details but from an actuary in that perspective, we see a lot of some of these cancer treatments where these specialized cancers are being managed and being able to be treated through manipulating genes. They call it Car-T cell therapy, so Primera is one of the more recent ones that has been released in 2017. That comes up with a price tag of 475,000, a very limited scope today in what they are able to do, but the amount of effort they are putting into these therapies we would expect that to expand, very promising just from an aspect of being a person that may be faced with cancer one day, very exciting therapies but certainly would have a significant financial burden to consider, especially as we turn to page 17 and think about our overall '20 trend projections.

So given all of these dynamics, when we look at our client base, we're looking at trends for policy year '20 somewhere in the range of four to six percent. Insurance carriers typically are a bit higher than what we think they are going to be realized trends. They are in the six to nine range.

So for our pricing trends we would recommend somewhere in that four to six range, four to seven, depending on the financial stability of the plan. Knowing that we have some reserves, we probably would be more on the tighter end of that range. For dental trends, we see a pretty moderate dental trend in that one to three range.

With that I'll pause for questions.

CHAIRMAN CATES: Thank you.

Any questions from the members?

John, go ahead.

MEMBER PACKHAM: John Packham for the record.

I'm going to have you mentally think about slides six, seven, eight and nine at the same time. When you look at the actual trends, the light blue bar, would be a mistake to make an inference on what the trends are. For example, on slide six where it goes from negative 1.5 percent to two, would you expect the actual to be even larger in plan years '19 and '20 on any one of those?

MS. MESSIER: Again, this is Stephanie Messier for the record.

I do think based on some of the numbers we've seen for the first six months of the current plan year, I do think you're going to come in a little higher than the two percent.

MEMBER PACKHAM: Uh-huh.

MS. MESSIER: I don't think we are going to ring any alarm bells just yet but certainly based on some large claims that we've seen so far come through this plan year, we do think you're going to be north of the two percent. I don't know that you're going to see flat for sure.

MEMBER PACKHAM: A follow-up to that is, I mean no great surprise, it looks like pharmacy is the real wild card, and I just was struck by the fact that the medical seems to be kind of a flat trend but the pharmacies again doing that and was wondering when you looked at that last slide 17 you presented, would it be more appropriate to segregate the medical and prescription drug pricing projections?

MS. MESSIER: Yes, we definitely do do that when we do your underwriting. We use different trend rates for the medical and as well as the for the pharmacy. The pharmacy may end up being higher than that seven percent that we have listed on slide 17 so that, you know, combined, you're probably going to be in that four to seven percent range, but certainly the medical may end up being closer to the four. We may end up using, you know, a ten on the pharmacy. So that blended together, you're closer to say five, five and a half.

We're certainly taking a look and, you know, using as much up to the minute data as we can when we start to do plan year '20 rates because again we're moving it forward 18 months. We try to get as much of that most recent experience as we can, but that's kind of what we're thinking right now.

MEMBER PACKHAM: Thank you.

CHAIRMAN CATES: Any other questions or comments?
Tom, go ahead.
MEMBER VERDUCCI: Yes, Tom Verducci for the record. Thank you very much for this report.
And what really does jump out here is the pharmacy cost and a couple of points on that. Is this a national trend or is this specific to PEBP and what type of impact do you see at this point having in terms of the cost of the program by year's end?
MR. CAULK: I would say there's also one thing that we mention in terms of the pharmacy trend part of that is being driven by our site of care program, so getting more the contracting of Mr. Haycock, negotiating with the PSI was more favorable in terms of some of the drugs being dispensed and medical side of things to moving those to pharmacy has had a small, some impact on this.
From a national perspective and then tying that into some recent headlines, I'm sure you've seen drug manufacturers have announced significant price increases that they have kind of held off from last year, and so we expect those to put pressure on pharmacy trends as well.
MEMBER VERDUCCI: Okay, thank you, and I did have one additional question. We did hear testimony at the beginning of the meeting in terms of adjustments to out of

pocket maximums and deductibles. In terms of running a report, is that very labor intensive where it would take hours or is it a fairly simple report if the Board was to request you to look into those two items?

MR. CAULK: It should be pretty quick and easy.

MS. MESSIER: Yeah, I would imagine it would not be overly labor intensive.

MEMBER VERDUCCI: Thank you.

MS. MESSIER: Yes.

CHAIRMAN CATES: Any other questions or comments?

Okay, thank you.

MS. MESSIER: Thanks.

CHAIRMAN CATES: All right. Let's close Agenda Item Number Seven, move onto Agenda Item Number Eight, presentation on PEBP's fiscal year '20-2021, Governor recommends budget.

MS. GLOVER: Good morning. Celestena Glover for the record.

Today I'm going to talk about the Governor's recommended budget compared to what PEBP's agency request budget was. It's going to be a pretty high level overview. I'm not going to go into a lot of detail because we've had two other budget reports up to this, so the basics have already been provided.

What I want to start with is the Governor's recommended budget totaled 1.1 billion dollars for the biennium compared to the 1.12 that PEBP requested. In actual numbers this is a 32.8 million dollar reduction to our budget and which equates to about three percent.

Medical inflation obviously is a big driver. We just heard the trend report. We went in with a six, eight and three, six percent on medical, eight on pharmacy and three percent on dental, and they at the close of our budget for -- to transition from agency requesting Governor's recommended, they reduced the inflation assumptions to meet other agencies assumptions, and so medical has been reduced to 3.7 in the first year and 3.8 in the second. RX is being held at the same. Dental, they held flat at the three percent, similar to what we asked for. And then HPN, we kept the HMO rates at six percent to match our medical trend, and they used 3.7 and 3.8 percent. Again, they being our Governor's finance office and that is what is being recommended by the Governor in the Governor's recommended budget.

Essentially what this results in is a change in our medical by about 38 percent the first year and 37 percent in the second year. RX is a reduction of 54 percent in each year, and then our HMO is similar to the medical where it's a reduction by 38 and 37 percent respectively. Depending on where the rates are set in March this may or may not be an issue for us, but we would like to bring it to everybody's attention. We did request one thing but the recommendation is significantly different.

Finally we have the subsidies and enhancements. So when we started out we had a rate projection that we used to develop the budget based on the medical inflation, RX, dental and HPN's inflation that we used to develop the budget. The budget was submitted back in August and obviously the information we had back then is not the same as what we have today. So we went in asking for the active employee group insurance, which we typically refer to as the subsidy to be $772 in the first year and $814 in the second year, and those were again reduced to 757.83 in the first year, $785.53 in the second year.

You'll see similar changes to the pre Medicare retiree. We call it REGI, it's the Retired Employee Group Insurance, their subsidy. There was a significant increase in the first year. This is to essentially cover a shortfall we're projecting in 2018 and 2019. And then the Medicare HRA, we did request an additional dollar each year per month per year of service, and they agreed to the dollar in the first year and kept it at that same amount in the second year. So we're looking at -- we requested 195, that's for a 15-year retiree in the first year, and $210 in the second year. The Governor's recommended budget includes $195 in each year.

And then our enhancements decision unit, as you'll recall, we have requested that a general counsel position, unclassified staff pay increases, reclassification of the financial analyst position to an ASO2, that's the administrative services officer, equipment replacement and additional HSA and HRA funding, but we were added 200 dollar level.

So what occurred during Governor's recommended budget, they removed pretty much all of our enhancements except the reclassification, and they changed the additional HSA/HRA from 200 we recommended in plan design to $400, and I think it was also mentioned in public comment. $400 in the first year for each primary participant and then $100 in the second year. Obviously, this is all being paid by reserves so it will be predicated on the fact there will be available reserves to cover that at the time. If not, then obviously that will be a decision that executive staff and the Board will work on to determine how they will propose this.

This is all Governor's recommended budget. It still has to go through the legislative process, so these all could change before session is done in June, but this is where we are sitting as of today.

And with that I'll take any questions.

CHAIRMAN CATES: Thank you.

MEMBER LAMBORN: Chair?

CHAIRMAN CATES: Go ahead.

MEMBER LAMBORN: Leah Lamborn for the record.

Tena, can you tell me what the agency request inflation factors are based on and what the Governor recommends are based on.

MS. GLOVER: This is Celestena Glover for the record.

Agency request we work with Aon and we ask them to give us an idea of we're -- obviously, it's way early. When we ask for that, we ask for it in June for, you know, a year from now. So they gave us this six, eight and three percent and then when the Governor's office finance office goes back and look at it, they look at Medicaid corrections and PEBP and they make determinations. I don't know what data they use, and they try to match PEBP to Medicaid and corrections. Obviously, none of us are the same, but I think in their world they are trying to keep it consistent, but that's where we end up changing that inflation.

MEMBER LAMBORN: So just a follow-up if I may.

So you're not sure if it's based on CPI, Consumer Price Index?

MS. GLOVER: No, they didn't provide that information to us.

CHAIRMAN CATES: Any other questions or comments?

MR. HAYCOCK: Can I add something?

CHAIRMAN CATES: Yeah.

MR. HAYCOCK: For the record Damon Haycock.

Just to add a little bit of additional information to this. Although, the Governor's finance office did reduce our inflation, this is something that they did last time, and we were able to successfully manage it. We don't how things are going to go. You heard the trend presentation by Aon previously. However, this was something we were -- we were asked to live with last -- for the last two years, and we were able to successfully do that to the tune of creating excess reserves. So I don't want this to appear that we are not in support of the actions.

We know that when we submit our numbers as Ms. Glover says, it's premature to what is occurring throughout the marketplace, and often we are conservative at the agency request part, and then as we work with our partners at the Governor's finance office, we hone it down a little bit more to something hopefully everybody can live with.

We are concerned with the pharmacy trend. As you heard at the last presentation, we are doing everything humanly possible to work on that. You will continue to hear more recommendations and suggestions from PEBP throughout the next I'm sure couple of years to try to curb that trend. That is our concern that that will crest these numbers.

We are working with our partners in Health Plan of Nevada. As you see, that they were initially put in for a six percent increase and that was reduced to 3.7 and 3.8 respectively. So we are working with our HMO partners to ensure that they can support what is in the Governor's recommended budget and we hope to be able to provide an answer back at the March Board meeting that we are all in alignment.

But this report here is, as Tina has mentioned, a high level overview of how things shook out. PEBP is not really scared about what came out of this. Although, we would have loved to have gotten some of our enhancements. We recognize that we are one piece of the entire state puzzle, and we are here to support the Governor's recommended budget. That's all I wanted to add.

CHAIRMAN CATES: Thank you.

Any other questions or comments?

Okay. We will close Agenda Item Number Eight and move on to Agenda Number Nine, presentation on PEBP's 2018 member satisfaction survey.

MR. HAYCOCK: For the record Damon Haycock. Thank you very much, Mr. Chair.

This is a repeat of what we did last year. If you remember as part of our URAC accreditation, one of the things we hadn't done is ask how our customer service levels were received by our membership directly, as well as by our clients which is those various employers and those agency representatives that provide us information to put their employees into our system. We repeated this again. It was released through the same exact channels, communication channels. It was out on October 29th. It ended December 7th. Of course, we sent out reminders.

Moving on to page two, as we get into the bread and butter of this -- of this actual item that we ended up having 5,674 initial responses, that's a response rate of 7.8 percent.

I'll talk a little slower. I'm sorry.

Out of the 44,000 folks that could have responded to it is 7.8 percent low. It's lower than we want but is it low for an external survey across the national standard? No, it is not. It's actually a little bit higher than what is generally expected.

However, what's interesting this time compared to last time, last time we ran this survey we had about a 60/40 split. 60 percent responders were employees, and 40 percent responders were retirees which is about what our proportion is in our program across all of our population.

This time it flipped. We had about 44 percent employees and 56 percent retirees, and so good on the retirees for jumping out here and giving us their opinions as we need to know exactly how we service all of our population as we appreciate and respect all of them equally.

We asked the same exact questions again and here's a synopsis of it. You'll see attached are the actual survey questions with the pretty charts and who responded. I'm not necessarily going to go into a lot of detail unless you ask for it, but things to take away is that for the most part the highest response rate that we've received on any of our questions was in the ten, extremely satisfied, so we appreciate that. And the -- similar to the report provided last year, we tried to group them in the highest levels, eight to ten, and you'll see in the majority of all of the sub-questions about those customer satisfaction items were anywhere from almost 60 percent to 75 percent.

All of these are a slight, slight increase, either, you know, less than or up to a couple of percentage points. So we look at that from year to year as an incremental improvement, but we attribute the -- the higher levels of customer service responses to our dedication to providing multiple mediums of communication to our membership. Those in-person meetings are very important, walk-in's, e-mails, all of those customer service statistics that we report on on a quarterly basis. It will be another one later on in my executive officer for the second quarter, you'll see that we take pried in our abilities and capacity to serve our members, and we believe that these member satisfaction surveys show a positive result for PEBP and the staff we have here today.

As always, I'm a perfectionist, and I hate any score below perfect. It's just who I am. I can't change that. So that means that we will look at everything here and try to find ways to improve. One of the interesting things that I will point out to on the types of communication that we -- we did add another one which I believe was text messaging, if someone would be interested. This is on slide number nine that is in the attachment. How would you like to receive future communications from PEBP, and text messaging had 880 respondents that wanted to have that. That's something new.

You'll see in the second bar, social media is still way down. We were poised to create a social media campaign a couple of years ago and when we did the last customer satisfaction survey, we realized that isn't what people are asking for, at least the responders so why create a solution for no problem. Again, it shows that a very small amount of folks would like to have social media, but that text messaging is something that we're going to look for in the implementation of our upgrades to our systems as we move forward this year.

It's one of the things that I am very personal about because as many of us get those dentists that remind us, hey, you have an appointment, you know, next week, please type that you're going to show up, I think those are very helpful. My dentist is so astute that when I leave the office, I get a text that says, oh, by the way, in six months or four months, here is the next date of your appointment. So it will be an opt in type of process. I don't want to get too much into the details until we figure it out.

But overall we believe the satisfaction survey was successful. It was positive, and it was an incremental improvement, and we look forward to performing this again near the end of this calendar to then again report back to the Board.

And with that, I'll take any questions.
CHAIRMAN CATES: Thank you, Damon.
Any questions? Go ahead.
MEMBER ZACK: Christine Zack for the record.
Damon, I just have a quick question. What's the status of creating the Linkden page for PEBP?
MR. HAYCOCK: For the record Damon Haycock.
I have dropped the ball on that, so the status is that I need to pick the ball back up again, Ms. Zack, and create a Linkden page to help with our communication campaign. I'm sure my communication staff are listening today and that will be added to our plan moving forward. Thank you.
MEMBER ZACK: Thank you. I noticed that RPEN had one so I thought that probably it was time for us to get one too.
MEMBER BAILEY: Follow the leaders.
CHAIRMAN CATES: All right, thank you.
Any other questions or comments? Seeing and hearing none, I'll close this agenda item.
Move to Agenda Item Number Ten, executive officer report.
MR. HAYCOCK: Thank you, Mr. Chair. Damon Haycock for the record.

Again, this is a report that is provided every Board meeting to give you just a brief overview of what's happening at PEBP that isn't in any other reports. You'll see the second quarter customer service statistics, very similar for the first half of this year to the first half of last year during the same time frame. Our call volume is down a little bit, but all of the other statistics are pretty well in line.

You'll see that our call duration is a little bit longer. We're spending a little bit more time with our members, but we're not sacrificing speed to answer or abandonment rate or those types of things. Please pay close attention the last statistics on total e-mails. Again, that thing again is continuing to increase another ten percent over last year to this year just in the first half. We recognize this is one of the most heavily utilized communication channels, and we have designated staff to answer those.

And from our response rate we believe that this is a successful mechanism to get the information out to our membership. It really helps that they can read it when they want to, and they can take time to digest it and have something in front of them for later to reference.

We are at or below industry standards as far as

-- maybe I should have said at or above industry standards because we're doing -- we're doing well compared to what traditional call centers and those types of services provide.

A little update on Healthcare Bluebook, we, of course, implemented this back in July and for the first six months we've had over 49,000 searches. We think that this is an amazing tool and even if folks don't earn the incentives, which I'll talk about here in a second, it still provides a very transparent opportunity to see what the cost of care is going to be at the various locations for the services that they need. I've used the program. My staff has used the program. My family has used the program. I hear nothing but positive results, and we are driving the course of care.

A great example is that second bullet, 167 members to date have already received over $8,000 worth of incentives to go to lower cost providers, and please recognize that there is no incentive that is so high that it doesn't cover the savings of that movement, and it's generally a small fraction. So every time a member receives an incentive check, PEBP and the plan and the member are winning. Not only is this across Nevada, in both rural and urban areas but as well as outside of the state in multiple states across the nation where we have our employees and retirees residing.

We just recently completed the SALGBA Regional Conference. We are very proud to host this in Henderson, Nevada. It was from January 14th through 16. We partnered with and SALGBA was the state and local government benefits association, one of the entities that we are very active in. We had approximately 90 attendees, including public sector representatives from multiple states, Oklahoma, Texas, Wisconsin. We had folks from California, North Carolina, Arizona, Indiana, Montana, Alabama and Utah. We had vendors that flew all over the country but that's what they do so I didn't really put them in here.

What we really wanted to do and to set ourselves apart on this regional conference was to talk about bold initiatives, some of the things we have accomplished and other states have accomplished that are really moving the needle on things like trend. As you heard Mr. Caulk say from Aon earlier during our trend presentation, there are certain activities that PEBP and you as Board members have improved that have really helped to control costs and trend. We are not alone in this process.

There was an amazing presentation by North Carolina. We actually were able to skype them in. They could not -- they could not leave. Everyone is gearing up for sessions right now, but their state treasurer and their executive director was able to give us a full -- a full presentation on how they are in the process of overhauling their entire system to create a Medicare Plus Model, something that we had talked about passionately back when we were looking at implementing the Saint Mary's pilot. They are doing it statewide on everybody.

This follows suit to a presentation that we received from Montana who did this in 2014, and they have received so much success that their state legislature is sweeping their reserves. They ended up projecting a 9,000,000 dollar reserve loss by 2018 and they were at I think 118,000,000 dollar reserve surplus, and the legislature went and yanked about $20,000,000 from them. So they were able to do this process of basically revamping their program into a Medicare Plus reimbursement model across the board at a certain Medicare rate. They do not have, you know, percentage off-build contracts or these per diem contracts. It is all strictly a percentage of Medicare.

We received a lot of support of appreciation for our efforts, and we did create networking opportunities for multiple attendees. I did get -- I was reached out recently by some vendors. They were happy and they had an opportunity to talk to other vendors and kind of synergize some things that they are doing. I assume that is going to equal a pitch to me later, but we were honored to be selected to sponsor this conference and, of course, we look forward to the continued partnership with SALGBA in the future.

Moving forward, unfortunately, this is going to be Ms. Glover's last Board meeting here as PEBP's CFO. She's retiring from the state effective February 8th. I find that convenient right when session starts. She has worked for PEBP since 2012 as our CFO and has worked for the state since 1995, held positions in seven different state agencies. I thought I had a lot. She has trumped me again and promoted up the chain. She started from the bottom and worked her way up to this CFO position, and she should be commended for that.

We have, of course, all relied heavily on her reporting of her financial statements and as well as any of the financial reportings you heard earlier, trusting in her methodologies and strategically planning for financial solvency. She is always next to me at the table when we go to the board of examiners or to the interim finance committee. And I often when I get stumped look over to my right and Tena has the answer, and it's something we're going to miss as we move forward.

We are though promoting Cari Eaton. She is down in Las Vegas. I'll put her on the spot. She is the financial analyst that has also been with PEBP since 2015, and she's been Tena's backup for the last three years. She's held CFO positions at the Silver State Insurance Exchange, as well as other financial positions and agencies like the public utilities commission. Cari does have 15 years of experience and has been mentored by Tena to step in and to seamlessly do so as PEBP CFO position.

So there was a statement that was made to me recently that said, oh, Damon, there's no real succession planning at PEBP, and I beg to differ. This report says otherwise. Tena will be missed greatly and please join me in congratulating her on her retirement and wish her well in her next chapter of her life, and please join me and congratulate Cari Eaton as PEBP's CFO starting Monday, February 11th.

My conclusion is just that it's pretty much the same stuff. We do continue to provide high quality and timely customer service. It is very important to us. We prioritize transparency. We want to provide tools that help our members become true consumers of healthcare. We will miss our outgoing CFO, but we welcome our new one, and I will take any questions. Thank you, Mr. Chair.

CHAIRMAN CATES: Thank you, Damon.

I want to personally thank Tena for her service to the state, not just in her current role but in her long state career. I think she's been a tremendous asset for this program. I think very highly of her. Her professionalism, her expertise, her fiscal acumen are a key part of success of this program.

And, Cari, welcome you have big shoes to fill.

So but thank you very much for your service. It is deeply appreciated.

MS. GLOVER: Thank you.

CHAIRMAN CATES: Any questions?

MEMBER BAILEY: Mr. Chair, I would like to say something.

CHAIRMAN CATES: See if we can get some tears going. Come on.

MEMBER BAILEY: For the record Don Bailey.

And I would like it on the record, she's been a Godsend to PEBP. As all of you can relate to finances is the most difficult any board can deal with, how to control money, how to spend money, do we add the money, that's the big thing and when you don't have it, how can we work around the financial end. She has always guided this Board and very well and being as I'm in my sixth year now, she's been around there to always answer any of my questions, and so I congratulate you on your retirement.

MS. GLOVER: Thank you.

MEMBER BAILEY: I congratulate the young lady in the south taking over, but you will be missed, Tena.

MS. GLOVER: Thank you.

MEMBER BAILEY: So thank you.

CHAIRMAN CATES: Any other questions or comments? Okay, seeing none, we'll close Agenda Item Number Ten. Are you -- maybe take a break. Let's take a ten-minute break. I'll drop the gavel at five minutes till.

(Whereupon, a brief recess was taken.)

CHAIRMAN CATES: All right. Let's call the meeting back to order late.

Let's move on to Agenda Item Number 11, discussion and possible action regarding additional proposed plan design changes for plan year 2020-2021.

MR. HAYCOCK: Thank you, Mr. Chair. For the record Damon Haycock.

This agenda item was initially designed to meet basically one -- one pretty simple requirement. Back in November the PEBP Board as you all approved specific plan benefit design decisions, those decisions, of course, will move forward. However, there was an addition to what the decisions that you guys have already made as part of the Governor's recommended budget. We felt it was important to align or to offer the opportunity to align your decisions with theirs or if you decide you would like to disagree with the Governor's recommended budget and then move a different direction.

But we wanted just primarily to help align the Governor's recommended budget decisions with the PEBP Board's decision so we are one front moving forward into the legislature in the next couple of weeks.

Just to kind of go over the background, you guys already approved on November 29th the co-pay accumulator program. This was a cost saving activity on the pharmacy benefit, the mandatory Smart 90 Network, again, a pharmacy benefit, cost saving activity. These are two tools in our toolbox to try to address that pharmacy trend as we move forward.

I would assume you will see more, not necessarily at the March Board meeting; although, we are looking at formulary changes that we'll be bringing to the Board for -- for an MPD or master plan document approval process as we do every March, and we'll talk about that then.

You guys had approved an initial $100 at first of additional HSA/HRA funding which is tied to enrollment and to technology applications, Healthcare Bluebook and Doctor on Demand, and then we tabled the idea of any additional HSA or HRA contributions pending the availability of excess reserves. Initially we thought we would be able to bring that back at the March meeting, but it's now in the Governor's budget so we can talk about it now. We feel the timing is appropriate.

You guys also approved an increase in the Medicare part B premium credits for members, those pre Medicare or excuse me, those Medicaid eligible retirees on the CDHP, HMO, EPO and then enhanced nutrition services pilot at UNLV, we are moving forward with that project, and we have had a lot of success in ironing out the details. I think we're close to being able to have everything done the way that it needs to be done in the next couple of months so we can announce it.

And then, of course, the new voluntary benefits, it would be applicable to all members across the program, and you all approved the various types of benefits and the carriers associated with them.

Finally, you did defer shifting the cost of the Medicare eligible retiree HRA administrative fees and life insurance premiums from the plan to those retirees as recommended by PEBP in November.

Now, that we've received the Governor's recommended budget, we wanted to address a couple of factors. You've heard earlier today about excess reserves, and you've heard the number of $15,000,000. I want to talk a little bit about that and what happened and why.

We have repeated the same excess reserve reconciliation that we have showcased back in September at the Board meeting and again in November at the Board meeting, but we've added two new lines to it. One of them is a revision to the increased IBNR or incurred but not reported or otherwise known as incurred but not paid reserve, and we are revising that down from the 14.6 million dollars that we basically pre-funded that bucket with which then, of course, increases the available balance at the bottom from 5,000,000 to 19.7.

So when we developed the EPO plan, there were many assumptions made based on national standards, our current CDHP and testimony leveraged by the outgoing HMO plan. If you recall back in November of 2000 and I guess now '17, there was testimony then by Hometown Health that we should be very cautious about a move away from the HMO because the PPO network costs or rates were higher than what the negotiated HMO rates were and so by default if utilization remained pretty similarly, we would end up paying more for the same services that we were receiving on the HMO plan moving forward with this EPO plan.

There was some other testimony cited about limousines picking people up from Douglas County and sending them up to the hospital in Reno to receive infusions and other forms of testimony that did at least give my staff and I concern about how -- what type of situation were we taking and as Ms. Lockard likes to say what are the unintended consequences moving forward with that decision.

And so what we did at the time last November is we thought, well, this EPO plan is in its infancy. We don't know how it's going to operate. We don't know if we made the right decision but coupled with moving to the EPO plan, we significantly decreased rates. If you recall one of the reasons why we selected the EPO plan or we recommended and you approved it as the Board was that the rate increases that were being proposed by our Northern Nevada HMO partner were at 13 percent at the time and because this is an off year of the legislature, there is no mechanism to go back and increase the employer contribution level.

And so the -- the inflation that was built into our budget for the HMO plan for this current year was four percent. So anything above the four percent inflation would be 100 percent absorbed off the backs of the members. And so normally you get some cost shifting between an increase. So today, especially moving into session, if we are going to increase our claims by $1, the idea is that the -- or the rates by a dollar that the state pays a significant portion of it and the member pays their smaller portion to the tune of 93 percent state and seven percent if you're just a single employee on our PPO plan. So the lion share is absorbed by the state.

In this instance the lion share of that HMO premium increase would have been absorbed by the member, and what we were able to do through further negotiations with our Southern Nevada partners because we blend rates is we were able to take that 13 percent increase and turn it into an eight percent decrease in their submitted rates so that way we ended up having a 21 point swing, so that's a huge decrease in rates, and we were concerned that we may have been a little too aggressive.

And so to hedge the bet on this process, at least for the first six months to the year, we ensured that we pre-funded the incurred but not paid reserve, and that reserve is generally in the first year of any health plan. It is organically developed by collecting premiums that don't pay claims that year but are supposed to then pay claims the following year which the following year you start collecting more premiums and so you basically kick that can down the road until you finally close down the plan and you take that bucket of IBNR or IBNP reserves and you pay those tail end claims to shut the plan down.

I'm going to imagine that Hometown Health is going to have to do that this year after shutting down the HMO plan or as PEBP shut down the HMO plan for its member any claims that are coming in now are not being supported by any premiums because we're not paying them, so they have to use their reserves. That's an example of what IBNR or IBNP is for, but we refunded it.

We received information from our actuaries that said you are going to want to cover all of this year's claims this amount of IBNR but it was supposed to occur organically. So we initially pre-funded it and now that we've received some of our experience back and it's still very premature, but we've received information on at least the first six months of the year, it appears that the rate is going to hold.

So if the rate is going to hold, it's going to organically create this $15,000,000 of IBNR reserves that will be carried forward into the next year and so, therefore, we don't need to double account for them.

And so as we looked at this process, we wanted to release those reserves back into the program to be spent, and I don't know if this is through fortunetelling or just through some form of psychic ability, it just so happens that we need this money or a portion of it to pay for what the Governor has assigned in our budget to enhance the HSA funding from the $100 we already approved to the $400.

And so, again, that's not all of it, but that's the general synopsis of why we have these excess reserves. So we believe today we are collecting enough money in rates that we are going to be able to satisfy all of our expenses and create this IBNR reserve moving forward so we don't have to double create it today.

So going back as to what we're going to recommend, we're literally tying this recommendation into that Governor's recommended budget report. That we are suggesting today that we up the $100 that we're already approved to the $400 that is proposed in the Governor's recommended budget, but we found a way to kind of marry up what the Board has been doing and asking what we've been participating in with what is in the Governor's recommended budget.

So the Governor recommended a 400 dollar amount, you have already approved the first $100 of that amount tied to Healthcare Bluebook and Doctor on Demand, and we are recommending after testimony at the last Board meeting when we think we don't want to tie it to the preventative services, we received a lot of responses since that say, you know, that's a good thing and you have already reported to the legislature at the interim retirements benefit committee that it is moving the needle positively. So we believe that -- that we can continue this same program with a small change.

The issues that we presented at November that I presented to you all about some of the administrative burden in trying to determine if someone has met the requirements for the preventative services, we were working with our third party administrator HealthSCOPE to significantly ease those requirements.

And so the idea is today to recommend that $100 already tied to Healthcare Bluebook and Doctor on Demand to again repeat the other $100 tied to the preventive services but make it very simple so members are not at the whims of the providers that may be miss-coding certain services or not providing enough information.

So when it comes back in March, we can show you exactly what those simplified requirements are, but I think you'll see that it is going to be so much easier for members to achieve that it doesn't dissuade members from receiving this benefit. It actually appropriately incentivizes them to do so, and we hope that that preventive utilization will continue to increase because we know how important that is.

So we are looking at the estimated costs, including the $300 more on top of what you've already approved. So in the budget, as Ms. Glover says, there was $400 approved for the first year and 100 for the second. That equates to about $9,000,000 in the first year, but you've already earmarked 2.4 million of it for the first $100. The difference is about 7,000,000, and we are recommending that you all approve that to align again with the Governor's recommended budget.

MEMBER PACKHAM: Could I ask a question?

MR. HAYCOCK: Go ahead, please.

MEMBER PACKHAM: John Packham for the record.

Are those costs that are listed in that table assuming 100 percent compliance when I think the preventive at best has been about 50 percent?

MR. HAYCOCK: For the record Damon Haycock. Excellent question, Mr. Packham.

Yes, we traditionally book 100 percent of the cost. We do this also with our HRA reserve. If you recall a couple of years ago during the last session we tried to reduce that down to what we thought was a more fiscally prudent and a little less conservative level, and we received a lot of responses from the legislature saying they were uncomfortable with us not funding that at its peak.

What the last thing we want to do is to actually have what we didn't think would happen which is a runon on that funding, and then we thought, well, we're only going to fund it at 50 percent or 40 percent or what have you. So, yes, it is funded at 100 percent because we are making it available to 100 percent of the eligible population.

We can choose a different number and we can release more funds but I would -- I would be a little bit concerned that if we get it wrong, we would have to dip into other areas, and the last thing we would want to do is do that. Does that answer your question?

MEMBER PACKHAM: Uh-huh.

MR. HAYCOCK: Moving along, you also heard testimony -- I've received a lot of feedback on my recommendation to shift the Medicare Exchange HRA admin fees and life insurance to those Medicare Exchange Retirees. I testified on this to the Interim Retirements Benefit Committee. I did not receive a positive response. I believe that we have the funding to cover those as we have been covering them since 2011, and I'm willing not to die on this hill and move forward if you all are so that we can fund this for these Medicare Exchange Retirees and ensure that they don't have to absorb this moving forward.

One of the things that you will see moving forward a couple of agenda items later, from this one is in my executive officer evaluation supplemental material that this $1.50 per month per retiree on the HRA, that is scheduled to go away. We have negotiated, and I'll talk a little bit more about that later on today, but we've negotiated that going away. So we're really only talking about a million dollars that we're going to put towards this group of folks. That's our recommendation and since we have the funding, we feel it's an appropriate use.

And to kind of go along with the paradigm that I believe PEBP has been consistent, at least for the past few years, is that when we have money, we try to provide it to everybody. We don't want to leave any group out but if we don't have money, then we want to have everybody help out in this process. This is the kind of quintessential ideology of group health insurance.

So we recommend that not only do we meet the requirements of the Governor's recommended budget with this additional HSA funding, but we also sure up this issue of Medicare retiree fees and pay for those moving forward as well.

What does the funding result look like? As you just heard my recommendation basically in a nutshell that similar to what was done at the end of November's report, we have the starting amount. We're going to show you what the final amount is. Yes, there is still funding on the table but as you heard today, our pharmacy trend is, and I'm going to use the term massive, right. We are not just in the early double digits. We are moving pretty far pretty fast. There are emerging treatments that are coming out that are in the hundreds of thousands if not into the million dollars.

I can tell you today that our high cost claims are trending much higher than they were at this point last year. So we had somewhere around 165ish high cost claims. We're already at 100, and I have personally seen something like ten of them come over in the last two weeks, and these are costs that are at least $100,000 or more.

So I'm concerned that the trend, the flat trend that Aon showed and as they stated earlier that that trend is not going to hold and that costs, we're finally going to have to deal with a year that isn't as excellent as we've been promoting for the last three, but my suggestion is that we hold back on that 5.7 million dollar for a number of reasons.

Number one, there is no dedicated expense to change the health plan in the Governor's recommended budget. The Governor's recommended budget was developed based on the information that the Board approved back in May of last year to create what the policy was and then it was further approved in September and then in November as what the plan is supposed to look like, and so that's what the Governor's finance took and built whatever budget they wanted to support PEBP with and for us to move forward.

So to align with the Governor's finance office budget and the Governor's recommended budget, excuse me, I suggest we don't make any significant changes to the plan, especially when it couldn't be approved until March which is in the middle of session, there's the first reason.

The second reason, we lowered rates and we don't know if those rates will hold, it appears they will, at least on the EPO side and on the CDHP side. We reduced them significantly for the first time in program history all at the same time to be more aggressive to reduce the accumulation of excess reserves, and we don't even have a year to determine if that was successful.

And, third, we have the EPO plan that was released in July or excuse me, released, it was implemented in July of last year and, again, we don't even have a full year of data yet, and so we are very concerned about kind of giving away the farm without knowing at least what a year looks like with significant rate reductions to the entire program and the implementation of a new self-insured EPO plan where we have absorbed that risk with no full year data on exactly what it's going to cost.

Kind of giving you the firehose, I appreciate the question in the middle, Dr. Packham, and if there's any other questions, I will entertain them now. Thank you, Mr. Chairman.

CHAIRMAN CATES: Thank you, Damon.

Any questions or comments from the members?

I would like to ask that we consider some of the items that people discussed in public comment, co-pays and deductibles. I don't know if that's affordable but in March we at least ought to have some analysis of what that would look like.

Go ahead, Tom.

MEMBER VERDUCCI: Thank you, Mr. Chair. Tom Verducci for the record.

You know, I think we have a very solid package here. We've heard testimony in terms of reducing the out of pocket maximum or reducing the deductible and the out of pocket maximum. I would like to suggest that we just have Aon run the report as outlined in the public comments that we received from NFA.

MR. HAYCOCK: May I?

CHAIRMAN CATES: Sure.

MR. HAYCOCK: For the record Damon Haycock.

So just to succinctly restate, you would like an agenda item on the March Board meeting to discuss additional plan design opportunities as discussed by public comment and the actuarial analysis to back it up?

MEMBER VERDUCCI: Yes, that is absolutely correct.

CHAIRMAN CATES: Yes, I concur.

MR. HAYCOCK: Okay.

CHAIRMAN CATES: Go ahead.

MEMBER PACKHAM: I will defer to the experts that do that analysis but will that be done like in increments or just what's the best way of doing that?

MR. HAYCOCK: For the record Damon Haycock.

I don't want to state what's the best way. I think there's multiple ways to do it. What is requested specifically in the -- the public comment submitted by the Nevada Faculty Alliance is something that I think we can do relatively quickly. I think our actuaries have done something similar to that. Some of those numbers are already there that were pulled out, such as eliminating the co-pay for the annual vision exam. We have already done the math on that. We have presented it in the past.

The dental change, Aon already performed that service for us in November if you recall. So really the only change they are going to look at is reducing the deductible and for an individual. It's only going down $150 to the IRS minimum and then out of pocket max, I think that in and of itself isn't something going to be something too difficult to do. I don't know if you want to see that broken into different levels.

MEMBER PACKHAM: No.

MR. HAYCOCK: But as requested, I think we can meet that time frame.

MEMBER LAMBORN: Leah Lamborn for the record.

So I just want to make sure we are clear that these proposals which I support and doing the analysis, they would be in lieu of what's in the Governor's budget, the additional 400 HSA?

MR. HAYCOCK: For the record Damon Haycock.

That's a question for you all, right. Do you want an either or or do you want to see if they can do it for the 5.7 million that's left on the table? You know, there's an opportunity. If you look at the numbers that Mr. Ervin submitted, he believes, you know, from a straight math perspective, I can't disagree with him, that he's asking for somewhere in the vicinity of $4,000,000 which is less than the 5.7 that's on the table.

What I will tell you today and you will hear in

March is that PEBP has enriched the plan through enhancing the benefits for deductibles and co-insurance and that type in the past and we did it through the use of excess reserves that were supposed to go away, and everybody was okay with giving benefits that went away three years later, and that's something I would be very cautious about recommending to you that we use excess reserves for something that I'm going to assume is a long term sustainable desire versus a one shot like we're going to give an extra couple of hundred dollars to HSA this year because we already have that base benefit in place.

So we had a lot of public comment, a lot of public testimony, a lot of concern by our advocate groups that the enhanced benefits groups that were initially provided in '15, '16 and '17 that we were supposed to sunset were going to go away, and we were able to I think through successful plan management contract negotiation and a lot of help from the state's contribution, we were able to shift those over in March of 2017 for plan year '18 base plan moving forward, and I think everybody benefitted from that.

So my concern and I'll tee it up here but I'll go into even more detail in March is not that we enrich the plan. My concern is that we enrich the plan with excess reserves. Eventually we're going to run out and if the idea is, well, you keep making them every year, we were at $90,000,000 at one time. We are not at $90,000,000 this year, and so we are spending them down. We are just not spending them down as fast as we're projecting to spend them down. A couple of years ago we got a really good experience and they went up, right.

But if you build a health plan on the expenditures of excess reserves, what is the plan when those excess reserves go away, whether that's this year, next year, ten years from now, what's the plan and are we obligating future state legislatures based on our excess reserve, just something to think about.

Today we're asking you to align with the Governor's recommended budget, with the $400, and that still leaves approximately 5.7. And, again, that number will change by March because excess reserve changes but right now today, we believe that leaves 5.7 million and that we -- we are firmly, you know, in support of doing any analysis to determine if there's a better way to spend that down or an additional alternative that meets some of the requests of our advocates. Long answer but hopefully that helps.

CHAIRMAN CATES: Thank you. I'll just make the comment that I'm a little skeptical that we will be able to afford the co-pay and deductible changes for the reasons you just stated, but I want to see the analysis, and we can talk about that in March. You know, when you look at the budget, particularly when you look at the changes that the Governor's finance office made to the inflation factors for the sake aligning it across programs, that makes me nervous, particularly on the pharmacy piece.

We are not Medicaid, and we are not corrections and if we overshoot those and run low on funds, it's the member that are going to have to pay. If that happens to Medicaid, they are not going to make Medicaid recipients pay for it or they're not going to make inmates pay for it. So I am cautious and concerned about that.

And at this point I would think that aligning with the Governor's budget is probably the most prudent thing to do until we get more experience but, however, I think the analysis ought to be considered and we can discuss it.

Any other questions or comments? Would anybody like to make a motion?

MEMBER PACKHAM: I'll try. This is my first time. John Packham for the record.

I would like to propose that we approve Agenda Item 11 with the additional ask of PEBP staff to prepare the actuarial analysis for the four items that NFA brought forward.

CHAIRMAN CATES: Okay. Is that clear? Do we have a second on the motion?

MEMBER VERDUCCI: Tom Verducci for the record.

I'll second the motion.

CHAIRMAN CATES: Okay. We have a motion and a second. Is there any discussion on the motion? Hearing and seeing none, I'll call for a vote. All those in favor of the motion signify by saying aye. Opposed?

(The vote was unanimously in favor of the motion.)

CHAIRMAN CATES: Motion carries.

Okay. Agenda Item Number 12, discussion and possible action to approve a four-year contract with American Health Holdings for Utilization Management Large Case Management Service for PEBP members on the CDHP and EPO plans.

MR. HAYCOCK: For the record Damon Haycock. Thank you, Mr. Chair.

As mentioned in the agenda, if there is any questions regarding the negotiated process or what other bidders had presented, we can close the meeting and we can answer those questions to be in alignment with the statute that was built off of Senate Bill 502 last session if you recall.

I am going to turn this over to Cari Eaton, who is currently today our contract manager and who put a lot of work into this solicitation, soon to be our chief financial officer, who's going to go over the highlights, and we just need to know if you want further detail to close the meeting or if you would like to move forward with PEBP's recommendation. Thank you.

MS. EATON: Thank you. Cari Eaton for the record.

PEBP's current UMCM or utilization management case management contract with Hometown Health ends on June 30th, 2019. The Board approved the development of UMCM request for proposal at the July 26th, 2018 Board meeting. The RFP was released through the State of Nevada Purchasing Division on August 27th, 2018. And vendor responses were scored based on experience, competence, expertise, conformance and costs, and two responses were received.

The evaluation committee which included one Board member reviewed the responses and chose American Health Holding Inc. as the winner. And some of the reasons given by the individual evaluators for their scores were aggressive pricing, licensed registered nurses in all 50 states, expertise of staff, caseload sizes, quick turnaround time, great vendor references, on-line case management system, recommended several additional UMCM services to improve PEBP performance and minimal exceptions to the RFP.

PEBP has successfully negotiated a contract with an effective date anticipated to be February 12, 2019 upon board of examiner's approval through June 30th, 2023. The services are expected to begin July 1st, 2019, pending implementation, and the contract maximum is $8,000,000.

PEBP staff recommends that the Board ratify the evaluation committee's recommendation, that a contract be approved with American Health Holding Inc. to provide utilization management and large case management services beginning July 1st, 2019.

And I can answer any questions anyone has.

CHAIRMAN CATES: Okay, thank you. So let me make sure I understand this correctly. If we want to do anything other than ratify this, if we have questions about the procurement, we need to go into a closed meeting, correct?

MR. HAYCOCK: For the record Damon Haycock.

I'll turn this over to Brandee but if I remember the statute correctly, you have three options I think which is approve the contract as submitted and by PEBP. You can close -- you can cancel the RFP, if I remember correctly, or you can close the meeting and basically have a discussion about why we chose AHH versus any other competitors. What were some of the negotiated points that were considered confidential, and we have to come back into the open meeting to have any final action.

Is that safe?

MS. MOONEYHAN: That's correct.

MR. HAYCOCK: Thank you.

CHAIRMAN CATES: Thank you. So I would ask does anybody wish to discuss the RFP, the process? Does anybody have a desire to do that so we can go into closed meeting?

MEMBER BAILEY: We had a Board member on it, right?

CHAIRMAN CATES: Yes.

MEMBER LAMBORN: Mr. Chair, I have one question. I don't think it's about the RFP specifically. I just want to -- does that include can we get information on a comparison of this amount, the 8,000,000 dollar contract versus what we currently pay and how that compares?

MR. HAYCOCK: Excellent question. For the record Damon Haycock.

This is an increase in costs. The original submitted bid for all vendors who submitted responses was a pretty sizable increase. Right now we pay around $3.50 for UMCM services on the Consumer Driven Health Plan, and we pay about $7 on the EPO plan because it's supposed to be a more managed care operation. The vendors propose somewhere in the $7 range for everything.

We were able to successfully negotiate that down by I think 1.8 million dollars over four years, and we created a tiered structure on utilization management where volume drives down costs or so if -- actually, the less volume the less cost, kind of different than normal supply and demand, but there's a fixed cost to providing precertifications and sending out notices and those types of things, and so we've had some significant increases to our utilization management precertification process from this current year to the year before, and we're going to be working with this vendor very closely, this partner to curb a lot of those unnecessary low value, high cost type of actions that don't bring real value to the program and in doing so, we'll be able to drop that tier down.

What you will see is that even though this is an increase to the projected cost for the utilization management, we have more than made up for that in other contract negotiations that we brought forward, so we found a way to balance this out.

MEMBER LAMBORN: Thank you.

CHAIRMAN CATES: Any other questions or comments?

Would anybody care to make a motion?

MEMBER BAILEY: Mr. Chair, I'll make a motion. For the record Don Bailey.

I make a motion to approve Item 12, ratify the evaluation committee's recommendation and that we should approve it as read.

CHAIRMAN CATES: Okay, thank you.

I have a motion. Is there a second?

MEMBER LAMBORN: Leah Lamborn. I second.

MEMBER FOX: Linda Fox.

CHAIRMAN CATES: I think Leah gets credit for that. She's quicker.

Okay. We have a motion and a second. Any discussion on the motion? Hearing and seeing none, I'll call for a vote. All of those in favor of the motion signify by saying aye. Opposed?

(The vote was unanimously in favor of the motion.)

CHAIRMAN CATES: Motion carries.

Okay. We'll move from Agenda Item 12 to Agenda Item 13. I've been looking forward to this all day, discussion of possible action to evaluate the performance of Damon Haycock, PEBP's executive officer.

Having never done this before, I assume everybody has read through the agenda item. I guess I'll open it up to the members to make any comments you would like. I mean, I think there's a thorough background here on the performance of the program, and we've received various comments from folks on this item so I'll just open it up to members for discussion.

Go ahead, Tom.

MEMBER VERDUCCI: Tom Verducci for the record.

I have some prepared comments that I would like to make on performance of the executive officer. I think Damon has done an outstanding job in improving the communication advocacy groups during the last -- during the last two years. The morale in his department has completely turned around. His reports are always clear and concise. He has demonstrated to be a true leader. We're very lucky to have him. He's a hard worker.

His knowledge of the inner working of PEBP and the needs of the program is amazing. He is excellent at multitasking. He's always there for any questions that I have. I've called him and sent him e-mails on the weekends, on his vacations. He responds to me right away. He's fully equipped to run this agency and always puts the needs of the members first.

He has put new programs and procedures in place to save the plan a ton of money. He's introduced preventive plans such as Doctor on Demand. Healthcare Bluebook and created the first nationally recognized health sector program through URAC.

He's put Nevada on the map in a serious way with SALGBA and received multiple awards for innovation and organization of the year. Damon continually seeks new initiatives to reduce costs. He's handled multiple RFP requests, has taken swift action to make changes as we encounter problems. I could not think of a better executive officer to run the plan.

On a constructive note, he can work on improving the awkward position we find ourselves in when the Board is faced with making last minute decisions with a short time frame, to allow a process to evaluate in a more detailed discussion to occur.

This can be accomplished by perhaps arranging special teleconference meetings in advance of a regular Board meeting, maybe a week in advance or if we can't come to a conclusion perhaps we carry it out into a separate teleconference Board meeting the following week. This would allow a broader evaluation process.

Lastly, we are very fortunate to have Damon leading our plan as he has made remarkable achievements and gone way beyond the call of duty as a loyal and dedicated public servant, and that's it for my remarks.

CHAIRMAN CATES: Okay. Thank you, Tom.

MEMBER VERDUCCI: You're welcome.

CHAIRMAN CATES: Any other comments? Go ahead.

MEMBER ZACK: Mr. Chair, Christine Zack for the record.

I do not have any prepared comments but just want to say I'm constantly worried that we're going to lose Damon to the for profit private sector where he would be appropriately compensated for all of the work that he does, so I wanted to thank him for sticking with us and for all of his hard work.

CHAIRMAN CATES: Thank you. Go ahead.

MEMBER LAMBORN: Mr. Chair, Leah Lamborn for the record.

I ditto what everybody else has said today. I think the numbers, I'm a numbers person, speak for themselves on Item Number Seven, pages ten and 11 when we are compared, our trends for PEBP are compared to the national average in Nevada's and our trends are way better than theirs. I find Damon to be innovative and assertive. You don't get a lot of that sometimes in government employees, so ditto.

CHAIRMAN CATES: Thank you.

Any other comments?

MEMBER BAILEY: For the record Don Bailey.

I echo Tom's notes. I think I wrote those notes for him, but I don't want to steal his thunder, but Damon has done a good job for the Board, and I hope -- what we're getting back from his staff is a very good job. Sometimes he pushes a little hard but on the other hand sometimes we need to be pushed, but I've warned him about that over the telephone, and I only call him on weekends, so or after hours.

So but he's just done a pretty good job for this Board and for PEBP and for the State of Nevada, and so I thank you for that, Damon, and that's my comment.

CHAIRMAN CATES: Thank you.

Any other comments?

MEMBER FOX: Linda Fox for the record.

CHAIRMAN CATES: Go ahead.

MEMBER FOX: So I do think it's awkward to publicly review somebody but that's what we're doing. So to prepare for, this I did read the previous review from 2016. I reviewed the PEBP staff survey that was submitted to us and then just my own interactions with Damon and my own expectations of an executive officer.

As far as that staff survey, I also supervise a group of people and I don't know that I would have faired as well as he did. I thought it looked really good and positive.

I think we want our executive officer to be innovative and motivated, which he certainly is. I agree with the comments about his availability because I have certainly called Damon after hours, before a meeting and he's always made himself available and very helpful.

We would expect our executive officer to keep abreast of what is new and what other organizations are doing. In particular, I think the willingness to kind of stick your neck out and put yourself at risk to some extent is valuable in that you may say something that is unpopular, and we've seen that over some meetings, like kind of personal attacks because Damon did speak up and say what he thought we should do, et cetera, and I think that's very brave, and I think that's necessary in an executive officer.

He and I have not always agreed on everything but that is why we vote, so that's all I have.

CHAIRMAN CATES: Thank you.

Other questions or comments from the members?

Well, I will put in my two cents. I think as the Board chairman I get an opportunity to work with Damon probably more than most of the other members. I think I would echo all of the comments that I have heard you all make. I think Damon's service has been exemplary. He is very innovative. He leans in hard for the benefit of the program. Sometimes that has ruffled some people's feathers, and I think that he's developed good relationships with our partners, but it hasn't been without some contention but that's what happens when you lean in and try to change things for the better, and I think he's done that very successfully.

And I think the state is extremely fortunate to have him in this -- in this position, and I am personally very thankful to -- to him for all of the work he does and how much he interacts with me and keeps me informed of what's going on and seeks my counsel, and I feel like we have a very good partnership. And thank you, Damon, for your service. I appreciate that.

Any other questions or comments?

So I'm a little unsure of how we should proceed with this. Should we do a motion to say atta-boy or I think we just did that.

MR. HAYCOCK: So for the record Damon Haycock.

If I could just speak a couple of minutes. I'm not going to talk about this report, but what's really important is that any success that I've had individually is a success that I've been afforded because the Board has supported the processes and some of the recommendations but equally as important, the staff that has done the work in the trenches so that I don't have to micromanage my organization, and I can concentrate on innovative solutions on looking outward from Nevada and seeing what we can bring back in.

I cannot except 100 percent credit of the kind words because as much as I know I earned some of them, my staff has earned the bulk of them and I would be remiss if I -- if I didn't respond that way because they have allowed me to do what I do best so that I don't have to do all of the other things that they do.

And I think with this Board, especially the relationship that we have is always positive. I know I'm not batting a 1,000 on my recommendations and I shouldn't or we don't need a board and if you don't agree with anything I say, then I'm the wrong guy for this job, and so the idea is that some of the recommendations move forward and some of them don't, and I don't take that personally. I think that's really a testament to the success of this type of environment that you all are a check on me, and I try to provide you a recommendation for the membership so I think this process works very well.

But any evaluation on me is an evaluation on this program, and an indirect way it's an evaluation on I think you guys as Board members. And in the past PEBP has struggled with how they evaluate themselves, how they evaluate the executive officer, whether it was committees that were designed. There was issues that they wanted to address and then ultimately tabled. It's an interesting process to go back and do the research, but we left this as an action item for a couple of reasons.

One, Mr. Chairman, I didn't know if you wanted to hear any additional public comment at this time, and generally you take them only during action items. And, two, I didn't know what type of recommendation to put but if you watch the news lately, there's votes of confidence or no confidence for folks in leadership positions so there's always that opportunity as well or you can say what you've already said, and I assume we can just end the item without actually taking an action, so to answer your question.

But I appreciate the opportunity to work here. I appreciate the folks and the leeway you give me and most importantly the tolerance when I do stick my neck out that ruffles some feathers that you allow me to come back and try to fix things.

Thank you, Mr. Chairman.

CHAIRMAN CATES: Thank you, Damon. Yes, and thank you for acknowledging your staff. I recognize the success of this program is due to a lot of the efforts that the people that you lead, that is a testament to their hard work. It's also a testament to your leadership.

MR. HAYCOCK: Thank you.

CHAIRMAN CATES: So I thank you for that.

I do want to mention compensation. You have this in the report. If it were in my power I would grant you -- I would recommend a nice pay raise for you. I wrote a white paper on the pay disparity at the state versus local government, particularly in leadership roles. I'm unclear, we have statutory authority to set the salary, but the legislature has the final say on that. I'm wondering if you can maybe speak to that for a minute and your understanding of that and how it's laid out.

MR. HAYCOCK: Yea, for the record Damon Haycock.

I pitched this to Ms. Mooneyhan back when I was writing this report. I'm going to put her on the spot and explain the nuances from the different statutes. I'm well aware and I can interpret ours, but as we all know, PEBP is part of the unclassified pay bill, and all of our unclassified salaries are on there. Our classified staff are part of the overall compensation that the legislature approves. We do support the Governor's recommended budget every session, as we should, and we recognize that we're not, you know, a single island. We are part of a chain of nations, right, as we are all state agencies trying to accomplish very similar things.

But if Ms. Mooneyhan doesn't mind and you're comfortable --

CHAIRMAN CATES: Yes.

MR. HAYCOCK: -- I would like her to talk about it from the legal standpoint.

MS. MOONEYHAN: Brandee Mooneyhan, Attorney General's Office for the record.

Yes, we did talk about it. Oh, sorry. Once again, it's Brandee Mooneyhan from the Attorney's General's Office.

At the end of the day the legislature has the ultimate authority. Of course, the Board can decide and the executive officer of PEBP is exempt from that 95 percent of the Governor's salary limit. You did take action to that effect last spring I believe, but at the end of the day the legislature decides what people are going to get paid, and I believe the Governor's office, they also have the authority to accept and make their own recommendation for the budget.

CHAIRMAN CATES: Very good. Thank you. Which I think we've already made that recommendation. So I guess we'll just leave it as an atta-boy.

MEMBER BAILEY: And find that harder to eat.

CHAIRMAN CATES: There are three percent raises built into the Governor's budged so there's that, that's good.

Okay. Well, it doesn't seem like we need to take any action on this item. I think we'll go ahead and close this item, move onto Agenda Item 14, public comment.

MS. LOCKARD: Thank you, Mr. Chairman, and members of the PEBP Board. My name is Marlene Lockard, and I'm representing the Retired Public Employees of Nevada.

First, I would like to thank all of you for your action last November when you deferred action on increasing the administrative and life insurance fee to Medicare retirees. That is very much appreciated, and I would like to thank Damon for his recommendation today to keep PEBP applying the excess reserves and other funds to continue payment of those two items.

Second, I would like to thank Tena and congratulate her on her retirement. I know I've been a thorn in her side for several years, and she has always been very professional, and I appreciate that very much.

And lastly I would like to thank and congratulate Damon. We have -- Damon reinstituted meetings with legislative advocates of various interest groups and has opened that door for dialogue and questions and more in depth review of some of the items that come before you. That's very much appreciated, and we thank you, Damon, for continuing those meetings even if those meetings get a little fun at times, but it's very much appreciated that we can speak candidly to you, and we thank you and the Board. Thank you very much.

CHAIRMAN CATES: Thank you.

MS. MALONEY: Good morning -- no, I think we're still morning, so good morning to the Board, and I always love going behind or following Ms. Lockard. Priscilla Maloney with the AFSCME, American Federal State County Municipal Employees, retirees chapter because I get to say great me too to great speeches, but I just want to echo especially what she said about the wonderful staff that you all as Board members get to work with.

Ms. Glover, please don't forget us. I hope you're going to stay in Nevada. A lot of -- PERS tell me a lot of our retirees home means Nevada for great retirement too which makes all of the sense in the world because we have got so much going on here.

And, Damon, again everything Ms. Lockard said, and the AFSCME retirees are very grateful that you put such effort into meeting with us and also as Ms. Lockard said, sometimes things get sporty but it is -- it's all well intentioned, and I know if Dr. Ervin was here, he would be thrilled with the last vote on that item because I think more information is never a bad thing. What we do with it globally is a different story, and but just to at least get those two things out, out of pocket costs and deductible because actually that was a national trend back in 2011, as I know Damon knows to move folks from a more traditional setup as an employer paid public health plan to a consumer driven high deductible plan, and so that's a national trend or was and it's -- it would be interesting to at least get an idea of that basic IRS base level for those two particular items, plug that information into our system and see what it would look like today.

Anyway, so thanks again to everybody who's been helping us for the last, I don't know, how long has it been, Damon, two years?

MR. HAYCOCK: Three and a half.

MS. MALONEY: Oh, you have it down there, right, okay. Anyway, yes --

MR. HAYCOCK: 12 days and 16 hours.

MS. MALONEY: But who's counting.

MR. HAYCOCK: Who's counting.

MS. MALONEY: But these are challenging times for anyone in healthcare, whether you're a private employer or a public one and just so appreciate all of the efforts that have been happening over the last three and a half years. All right, so thank you very much.

CHAIRMAN CATES: Thank you.

MS. LAIRD: I won't take very long. I don't know if she left it on. Thank you very much. My name is Terri Laird, and I'm the executive director at RPEN, Retired Public Employees of Nevada and as you know, we've changed our logo a bit just to say that we represent all public employees of Nevada, not just the retirees.

And I also wanted to ditto what Marlene and Priscilla said. We want to thank Damon for the transparency. I think that's the key word that we all are used to now and working with us, he's been a breath of fresh air stemming from my ten-year history this month with RPEN. So thank you to the staff, as well as to the Board for all of your assistance with us, and we look forward to working with you in the future. Thank you.

CHAIRMAN CATES: Thank you.

Do we have anymore public comment? Is there any public comment down south?

MS. EATON: No one in Vegas.

CHAIRMAN CATES: Okay. Seeing and hearing none, we will close Agenda Item 14 and move to Agenda Item 15. This meeting is adjourned.

STATE OF NEVADA,)
) ss.
CARSON CITY.)

I, KATHY JACKSON, Official Court Reporter for the State of Nevada, Public Employees' Benefits Program Board, do hereby certify:

That on Thursday, the 24th day of January, 2019, I was present at the Public Employees' Benefits Program, Carson City, Nevada, for the purpose of reporting in verbatim stenotype notes the within-entitled public meeting;

That the foregoing transcript, consisting of pages 1 through 124, is a full, true and correct transcription of my stenotype notes of said public meeting.

Dated at Carson City, Nevada, this 8th day of February, 2019.

KATHY JACKSON, CCR
Nevada CCR #402

Kathy Jackson
Capitol Reporters
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STATE OF NEVADA

PUBLIC EMPLOYEES' BENEFITS PROGRAM

AFFIRMATION

Pursuant to NRS 239B.030

The undersigned does hereby affirm that the following document DOES NOT contain the social security number of any person:

1) Public Employees' Benefits Program Board
   Regular Meeting, 1/24/19

KATHY JACKSON DATE

C

D

Q