

Proposed Budget Reserves Fiscal Year 2021



NEVADA PUBLIC EMPLOYEES' BENEFITS PROGRAM

April 27, 2020

Background:

Due to an expected decline in revenues as a result of the COVID-19 pandemic, agency's have been asked to come up with proposed budget reserves of 4% for Fiscal Year 20, and 6/10/14% for Fiscal Year 21.

PEBP's 6% target is approximately \$24.5M.

Each additional 4% increase adds an additional \$16.3M

At the March 31st Board Meeting, the PEBP board approved the ESI Market Check contract amendment and the implementation of the SaveOn program. These amount to \$6.4M in savings for FY21, leaving PEBP's target at approximately \$18.1M.

Option 1



HSA/HRA Base Funding Decreases

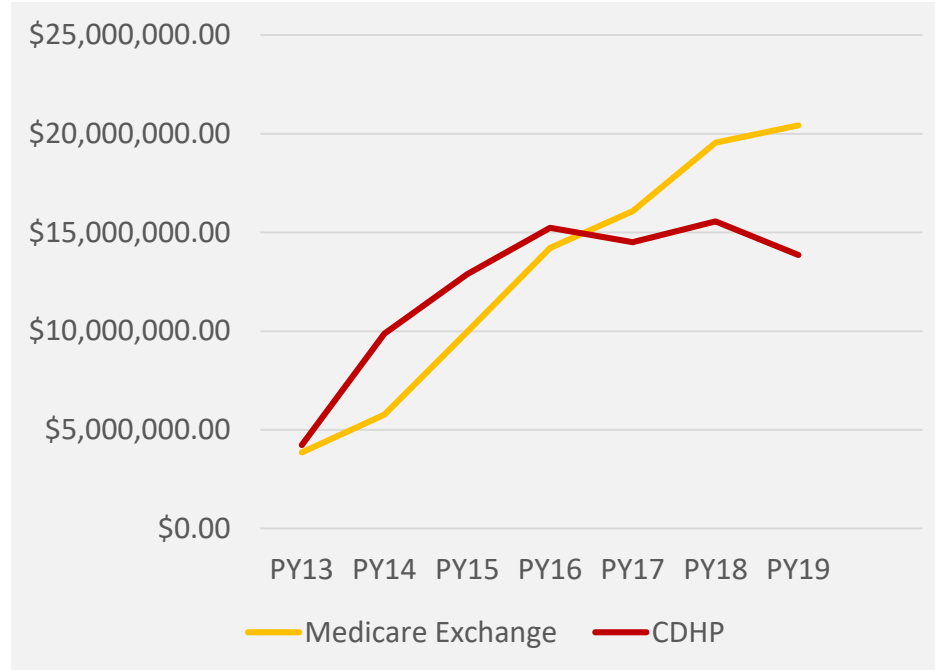
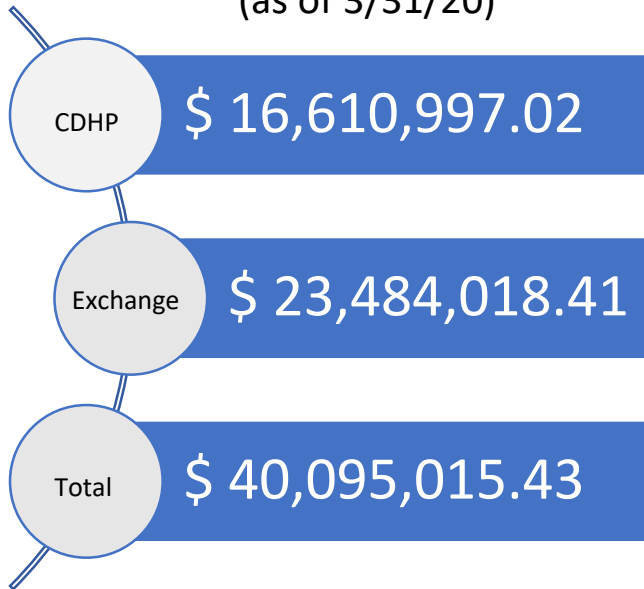
	SAVINGS
July 1, 2019 Total Base Cost (\$700/EE; \$200/Dep)	\$0
New Base - \$700/EE; \$100/Dep	\$ 1.7M
New Base - \$700/EE; \$0/Dep	\$ 3.5M
New Base - \$600/EE; \$100/Dep	\$ 4.1M
New Base - \$600/EE; \$50/Dep	\$ 5.0M
New Base - \$600/EE; \$0/Dep	\$ 5.8M
New Base - \$500/EE; \$0/Dep	\$ 8.1M

	IMPACT			
	High	Medium	Low	N/A
Active	X			
Pre-Med Retiree	X			
CDHP	X			
HMO/EPO				X
Medicare Retiree				X

Option 2

HRA Required Reserve Funding Levels

HRA Balances
(as of 3/31/20)



Funding Levels	SAVINGS
95%	\$ 2M
90%	\$ 4M
85%	\$ 6M
80%	\$ 8M
75%	\$ 10M

Current policy requires PEBP to fund the HRA Reserve at 100%. Reducing those levels frees up one time funding. ***Note that choosing option 3 will change savings amounts for option 2 as option 3 will inherently reduce the overall reserve levels (refer to next slide)**

HRA Required Reserve Funding Levels (Option 2)

If chosen with option 3

Funding Levels	Savings if capped at \$5k	Savings if capped at \$8k	Savings if capped at \$10k
95%	\$ 1.5M	\$ 1.7M	\$ 1.8M
90%	\$ 3.1M	\$ 3.5M	\$ 3.6M
85%	\$ 4.6M	\$ 5.2M	\$ 5.4M
80%	\$ 6.2M	\$ 6.9M	\$ 7.2M
75%	\$ 7.8M	\$ 8.6M	\$ 9.0M

Medicare Exchange HRA Rollover Caps

Rollover Cap Amount	% of Accounts	Savings
Over \$10K	5.5% (698)	\$ 3.8M
Over \$8K	7.5% (944)	\$ 5.4M
Over \$5K	12.2% (1536)	\$ 9.1M

IMPACT				
	High	Medium	Low	N/A
Active				X
Pre-Med Retiree				X
CHDP				X
HMO/EPO				X
Medicare Retiree			X	

- Those members that are accruing large balances likely either have no need for the HRA funding due to \$0 Medicare plan premiums and no need for reimbursement.
- Most Medicare Exchange members that take advantage of the HRA will not be affected by the HRA caps because they will never accrue large balances.
- 117 accounts (total cash balance ~\$2M) have had zero activity in the last 5 years
- There are participants with balances over \$20k who have never used their HRA.

Considerations:

- Effective January 1, 2021
- Effective May 30, 2021

Premium Surcharge

By Tier	Savings
Premium Surcharge by Tier	
\$5 EE/\$10 E+S/\$10 E+C/\$15 E+F	\$2.9M
Premium Surcharge to All	
\$5	1.9M
\$10	3.9M
\$15	5.8M

IMPACT				
	High	Medium	Low	N/A
Active		X		
Pre-Med Retiree		X		
CHDP		X		
HMO/EPO		X		
Medicare Retiree				X

Although a premium surcharge would probably be one of the least palatable options, arguably it is the easiest to eliminate as economic conditions improve

Reducing Catastrophic Reserves

Reduction (days)	Savings
50	\$7M
45	\$10.5M

On April 9th, the board voted to approve a very conservative reduction to catastrophic reserves from 62 days down to 60 days. This option reduces the cat reserve even further, releasing one time funds.

MEMBER IMPACT				
	High	Medium	Low	N/A
Active				X
Pre-Med Retiree				X
CHDP				X
HMO/EPO				X
Medicare Retiree				X

Adding Deductible to HMO/EPO

Implement \$100 Ind/\$300 Family deductible = 1% decrease in claims

\$697K Savings

Considerations:

Savings are only realized with the EPO. No savings are realized when applying this benefit change to the HMO. Will plan design change be implemented across the HMO and EPO or only EPO?

MEMBER IMPACT				
	High	Medium	Low	N/A
Active				X
Pre-Med Retiree				X
CHDP				X
HMO/EPO		X		
Medicare Retiree				X

Life Insurance

Reduction to Basic Life	Savings
\$25,000/\$12,500	\$0
\$20,000/\$10,000	\$2.1M
\$10,000/\$5,000	\$3.1M

	IMPACT			
	High	Medium	Low	N/A
Active			X	
Pre-Med Retiree		X		
CHDP				X
HMO/EPO				X
Medicare Retiree		X		

# of Life Insurance Claims		
	PY18	PY19
Actives	41	47
Retirees	294	273

Considerations:
 PEBP offers Voluntary Life policies. Approximately 1,356 retirees and 3,082 actives have purchased voluntary life policies

Increasing CDHP Out of Pocket Max

Adjusting OOPM from \$3900/\$7800 to \$4500/\$9000 (6,850 limit for a member within the family) = 1.1% decrease in claims

\$2.1M Savings

% Meeting OOP Max		
	PY18	PY19
Emp only	8.8	9.3
E + Children	1.2	1.4
E + Spouse	4.1	4.5
E + Family	1.2	1.4

MEMBER IMPACT				
	High	Medium	Low	N/A
Active		X		
Pre-Med Retiree		X		
CHDP		X		
HMO/EPO				X
Medicare Retiree				X

Increasing Specialty Rx Coinsurance to HMO/EPO

Return Specialty Rx from 20%
back to 30% or 40%

= \$450K / \$815k Savings

Considerations:

Savings are only realized with the EPO. No savings are realized when applying this benefit change to the HMO. Will plan design change be implemented across the HMO and EPO or only EPO?

MEMBER IMPACT				
	High	Medium	Low	N/A
Active		X		
Pre-Med Retiree		X		
CHDP				X
HMO/EPO		X		
Medicare Retiree				X

Recommendations:

\$6.9M

- Option 2 – Reduce HRA required reserve funding to 80%.

\$7M

- Option 3 – Implement HRA cap at \$8,000.

\$5.4M

- Option 5 – Catastrophic Reserves to 50 days.

\$4.5M

- ESI Market check Savings

\$1.9M

- SaveOn Program projected savings

\$25.7M