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Michelle Weyland  
 Chief Financial Officer  
 Public Employees' Benefits Program  
 3427 Goni Road, Suite 109  
 Carson City, NV 89706

**Re: Estimate of IBNR as of June 30, 2023**

Dear Michelle:

Segal has completed its evaluation of the State of Nevada Public Employees' Benefits Program (PEBP) liability for claims that were Incurred but Not Reported (IBNR) as of June 30, 2023. The reserve is calculated to estimate the outstanding liability for covered services received prior to July 1, 2023 and paid after June 30, 2023. Our estimate of incurred but not reported (IBNR) claims includes unreported claims, reported but unprocessed claims, and claims processed but unpaid by your administrator. Segal has estimated the reserves for the PEBP's self-insured active & retiree medical, prescription drug, and dental plans to be **\$52,874,000** as of June 30, 2023. This is an increase of \$2,844,000 or 5.7% from the prior reserve estimate as of June 30, 2022.

The IBNR estimates by coverage as of June 30, 2023 are shown in the following table. Medical and dental IBNR estimates include a 10% catastrophic margin. Prescription drug IBNR estimates do not include a margin due to the minimal time between claim adjudication and plan payment. Included in the FY2023 Prescription Drug IBNR figures is an estimate of incurred but not paid tertiary claims attributable to the SaveOnSP program in the amount of \$756,000.

Benefit Plan	FY2022			FY2023		
	CDHP	Premier (EPO)	Copay	CDHP	Premier (EPO)	Copay
Medical	\$28,942,000	\$9,049,000	\$7,830,000	\$26,154,000	\$10,872,000	\$9,932,000
Prescription Drugs	<u>\$1,774,000</u>	<u>\$811,000</u>	<u>\$488,000</u>	<u>\$2,023,000</u>	<u>\$1,000,000</u>	<u>\$1,215,000</u>
Total Medical IBNR	\$30,716,000	\$9,860,000	\$8,318,000	\$28,177,000	\$11,872,000	\$11,147,000
Medical Expense Margin	\$0	\$0	\$0	\$0	\$0	\$0
	<b>Dental</b>			<b>Dental</b>		
Dental		\$1,136,000			\$1,678,000	
Dental Expense Margin		\$0			\$0	
	<b>Total</b>			<b>Total</b>		
Total IBNR		\$50,030,000			\$52,874,000	
Total Expense Margin		\$0			\$0	
<b>Total All Reserves</b>		<b>\$51,030,000</b>			<b>\$52,874,000</b>	

The change in liabilities from the previous reserve estimate can be attributed to the following:

- Overall, enrollment levels decreased by 1.6% in FY2023. Since the implementation of the new Copay plan on July 1, 2021, CDHP and Premier (EPO) plan members have been migrating to the richer Copay plan. For FY2023, enrollment in the CDHP and Premier (EPO) plans reduced by 16.9% and 14.4%, respectively as a result of migration. The Copay plan membership has increased by 71.3%

	CDHP Plan	Premier (EPO)	Copay	Total
FY2022	33,027	7,463	8,261	48,750
FY2023	27,430	6,389	14,151	47,970
Percent Change	-16.9%	-14.4%	+71.3%	-1.6%

Our estimate does not include any amounts for accounts payable due to claims paid by UMR or Express Scripts prior to July 1, 2023, that had been recorded on the carrier's lag report as paid on or before June 30, 2023. Furthermore, if your financial statements identify actual amounts known to be paid after June 30, 2023 for services that were incurred prior to July 1, 2023 (e.g. recorded as an account payable) from the unknown amounts, those known amounts should be subtracted from the estimated liability we have provided so that the total amount of known and unknown liability remains equal to our estimated IBNR. A breakdown of liabilities by coverage, plan, State/Non-State and eligibility status can be found in Exhibits I, II and III. A description of our standard calculation methodology, which was employed for our Medical, Prescription Drug, and Dental estimates, is also enclosed.

Our Medical and Dental estimates rely upon claims paid through June 30, 2023, as furnished by HealthSCOPE and UMR. Our Prescription Drug estimates rely upon claims paid through June 30, 2023 as furnished by Express Scripts. We did not audit this data and our review was limited to determining that it appears to be reasonable and acceptable for the projection of outstanding liabilities under the plan. The estimated number of months of claims covered by the IBNR, prior to the 10% margin, is shown below, by plan and coverage.

Benefit Plan	FY2022			FY2023		
	CDHP	Premier (EPO)	Copay	CDHP	Premier (EPO)	Copay
Medical	2.6	2.1	2.9	2.7	2.5	1.9
Prescription Drugs	0.6	0.6	0.6	0.7	0.7	0.7
	<b>Dental</b>			<b>Dental</b>		
Dental	0.5			0.8		
	<b>Overall</b>			<b>Overall</b>		
<b>Total IBNR</b>	<b>2.0</b>	<b>1.6</b>	<b>2.2</b>	<b>2.1</b>	<b>2.0</b>	<b>1.5</b>

### Catastrophic Reserve

At the April 29, 2020 Board Meeting, PEBP's Board elected to reduce the Catastrophic Reserve level from 62 days of claims to 50 days of claims. We have estimated the Catastrophic Reserve

to be \$41.8 million as of June 30, 2023 for PEBP's CDHP, Premier (EPO) and Copay plans. This is based on the projected total incurred claims for FY2023 (\$305,735,000).

Plan	As of 6/30/2022	As of 6/30/2023
CDHP	\$22,446,000	\$20,198,000
Premier (EPO)	\$8,921,000	\$9,712,000
Copay	\$7,059,000	\$11,852,000
<b>Total</b>	<b>\$38,426,000</b>	<b>\$41,762,000</b>

### Actuarial Certification

We certify to the best of our knowledge, the data, methods, and assumptions used to develop the estimated liability for IBNR claims are reasonable and are calculated in accordance with generally accepted and consistently applied actuarial principles. Although our conclusions are based on assumptions and methods that are reasonable for this purpose, actual experience can vary from our estimate, and this difference may be material. This estimate is intended to measure PEBP's liability for unpaid claims as of June 30, 2023 and it should not be relied upon for any other purpose.

In addition, the Coronavirus (COVID-19) pandemic continues to evolve and may impact the US economy and health plan claims projections for most health plan sponsors. As a result, estimates of claim expenses could be impacted by emerging events. At this point, it is unclear what the long-term cost impact will be for health plan sponsors.

I am a Fellow of the Society of Actuaries, a Fellow of the Conference of Consulting Actuaries, and a Member of the American Academy of Actuaries. I meet the *Qualification Standards for Actuaries Issuing Statements of Opinion in the United States* promulgated by the American Academy of Actuaries and am qualified to render an opinion with regard to loss reserves, actuarial liabilities, and related items.

Sincerely yours,



Richard Ward, FSA, FCA, MAAA  
West Region Market Director, Public Sector

### Exhibit I Medical IBNR Estimate

Plan	IBNR Reserves as of June 30, 2022	IBNR Reserves as of June 30, 2023	Change %	% of Prior 12 Months Paid Claims	10% Margin	Total IBNR with Margin
<b>CDHP</b>						
State						
Actives	\$19,175,000	\$17,067,000	-11.0%	21.6%	\$1,707,000	\$18,774,000
Retirees	<u>\$6,494,000</u>	<u>\$5,645,000</u>	<u>-13.1%</u>	<u>24.7%</u>	<u>\$565,000</u>	<u>\$6,210,000</u>
Sub-total	\$25,669,000	\$22,712,000	-11.5%	22.3%	\$2,272,000	\$24,984,000
Non-State						
Actives	\$9,000	\$7,000	-22.2%	21.1%	\$1,000	\$8,000
Retirees	<u>\$632,000</u>	<u>\$1,057,000</u>	<u>67.2%</u>	<u>24.7%</u>	<u>\$105,000</u>	<u>\$1,162,000</u>
Sub-total	\$641,000	\$1,064,000	66.0%	24.7%	\$106,000	\$1,170,000
<b>Plan Total</b>	<b>\$26,310,000</b>	<b>\$23,776,000</b>	<b>-9.6%</b>	<b>22.4%</b>	<b>\$2,378,000</b>	<b>\$26,154,000</b>
<b>EPO</b>						
State						
Actives	\$6,837,000	\$8,492,000	24.2%	21.8%	\$849,000	\$9,341,000
Retirees	<u>\$1,244,000</u>	<u>\$1,337,000</u>	<u>7.5%</u>	<u>17.9%</u>	<u>\$134,000</u>	<u>\$1,471,000</u>
Sub-total	\$8,081,000	\$9,829,000	21.6%	21.1%	\$983,000	\$10,812,000
Non-State						
Actives	\$1,000	\$1,000	0.0%	30.0%	\$0	\$1,000
Retirees	<u>\$145,000</u>	<u>\$54,000</u>	<u>-62.8%</u>	<u>17.9%</u>	<u>\$5,000</u>	<u>\$59,000</u>
Sub-total	\$146,000	\$55,000	-62.3%	18.1%	\$5,000	\$60,000
<b>Plan Total</b>	<b>\$8,227,000</b>	<b>\$9,884,000</b>	<b>20.1%</b>	<b>21.1%</b>	<b>\$988,000</b>	<b>\$10,872,000</b>
<b>Copay</b>						
State						
Actives	\$5,892,000	\$7,430,000	26.1%	14.8%	\$743,000	\$8,173,000
Retirees	<u>\$1,152,000</u>	<u>\$1,491,000</u>	<u>29.4%</u>	<u>20.1%</u>	<u>\$150,000</u>	<u>\$1,641,000</u>
Sub-total	\$7,044,000	\$8,921,000	26.6%	15.5%	\$893,000	\$9,814,000
Non-State						
Actives	\$7,000	\$3,000	-57.1%	16.3%	\$0	\$3,000
Retirees	<u>\$68,000</u>	<u>\$105,000</u>	<u>54.4%</u>	<u>20.2%</u>	<u>\$10,000</u>	<u>\$115,000</u>
Sub-total	\$75,000	\$108,000	44.0%	20.0%	\$10,000	\$118,000
<b>Plan Total</b>	<b>\$7,119,000</b>	<b>\$9,029,000</b>	<b>26.8%</b>	<b>15.5%</b>	<b>\$903,000</b>	<b>\$9,932,000</b>
<b>Grand Total</b>	<b>\$41,656,000</b>	<b>\$42,689,000</b>	<b>2.5%</b>	<b>20.2%</b>	<b>\$4,269,000</b>	<b>\$46,958,000</b>

**Exhibit II  
 Prescription Drug IBNR Estimate**

Plan	IBNR Reserves as of June 30, 2022	IBNR Reserves as of June 30, 2023	Change %	% of Prior 12 Months Paid Claims	0% Margin	Total IBNR with Margin
CDHP	\$1,774,000	\$2,023,000	14.0%	5.94%	\$0	\$2,023,000
EPO	\$811,000	\$1,000,000	23.3%	5.94%	\$0	\$1,000,000
Copay	\$488,000	\$1,215,000	149.0%	5.94%	\$0	\$1,215,000
<b>Grand Total</b>	<b>\$3,073,000</b>	<b>\$4,238,000</b>	<b>37.9%</b>	<b>5.94%</b>	<b>\$0</b>	<b>\$4,238,000</b>

- Estimates do not reflect the impact of any pharmaceutical manufacturer rebates due to PEBP resulting from the utilization of brand drugs.
- Estimates for PY2023 include an estimate of SaveOnSP tertiary claims IBNR of \$755,562.

**Exhibit III  
 Dental IBNR Estimate**

Plan	IBNR Reserves as of June 30, 2022	IBNR Reserves as of June 30, 2023	Change %	% of Prior 12 Months Paid Claims	10% Margin	Total IBNR with Margin
State						
Actives	\$683,000	\$970,000	42.0%	6.4%	\$97,000	\$1,067,000
<u>Retirees</u>	<u>\$256,000</u>	<u>\$415,000</u>	<u>62.1%</u>	<u>7.1%</u>	<u>\$41,000</u>	<u>\$456,000</u>
Sub-total	\$939,000	\$1,385,000	47.5%	6.6%	\$138,000	\$1,523,000
Non-State						
Actives	\$0	\$0	0.0%	0.0%	\$0	\$0
<u>Retirees</u>	<u>\$94,000</u>	<u>\$141,000</u>	<u>50.0%</u>	<u>7.2%</u>	<u>\$14,000</u>	<u>\$155,000</u>
Sub-total	\$94,000	\$141,000	50.0%	7.1%	\$14,000	\$155,000
<b>Grand Total</b>	<b>\$1,033,000</b>	<b>\$1,526,000</b>	<b>47.7%</b>	<b>6.62%</b>	<b>\$152,000</b>	<b>\$1,678,000</b>

**Exhibit IV  
 FY2023 Average Employee Count**

Group	Medical			Dental
	CDHP	Premier (EPO)	Copay	
<b>State</b>				
Active	13,206	2,874	6,584	25,815
<u>Retiree</u>	<u>2,717</u>	<u>511</u>	<u>644</u>	<u>10,007</u>
Sub-total	15,922	3,385	7,228	35,822
<b>Non-State</b>				
Active	3	2	1	6
<u>Retiree</u>	<u>368</u>	<u>61</u>	<u>27</u>	<u>3,977</u>
Sub-total	371	63	28	3,983
<b>Total</b>	<b>16,293</b>	<b>3,448</b>	<b>7,255</b>	<b>39,805</b>

## Data, Assumptions, and Methodology

We have relied upon claims and membership data provided by HealthSCOPE, Express Scripts and LifeWorks, with payments through June 30, 2023. We accepted this information without audit and have relied upon the source for the accuracy of the data; however, we did review the information for reasonableness and consistency. On the basis of this review, we believe the data and information provided to be sufficiently complete and accurate, and that it is appropriate for the purposes intended.

### Assumptions and Methodology – Segal IBNR reserve model

The Segal IBNR model utilizes **detailed** monthly claims data that shows the amount of monthly claim dollars paid in each month of the reserve determination period relative to the month services were incurred. We project total Incurred Claims by month and then subtract known Paid Claim runoff by incurred month to calculate the completion factors for the estimated IBNR reserves. This method results in highly accurate estimates of IBNR reserves in large stable environments.

#### Calculation Methodology

Consistent with best practices in the industry, Segal blends two distinct methods to estimate monthly incurred claims:

1. *Claims Lag Method* - The first method estimates incurred claims by determining the payment patterns for each month of incurred claims. For example, for claims incurred in September 2021, we will review claims paid in September, October, November, and each succeeding month through June 2022. We review each month's payment patterns and utilize these cashflows to estimate the remaining claims to be paid that have been incurred for each month.
2. *Claims Projection Method* – The second method develops a projected per capita total incurred claims estimate for each month. This estimate is based on the expected total incurred claims for prior months, trended forward and adjusted for plan changes. The per capita incurred claims are multiplied by that month's enrollment and the total paid claims reported to date are subtracted to determine the expected incurred but not paid for that month.

The first method (Claims Lag Method) generally provides better estimates for more mature months, meaning months with more paid claims data. The second method (Claims Projection Method) generally provides better estimates for more recent months, where there is less paid data available. Our approach develops an estimate for each method for each month and blends the two based on the relative credibility, resulting the Claims Lag Method estimates receiving more weight for older months and the Claims Projection Method estimates receiving more weight for recent months.