



CELESTENA GLOVER
Executive Officer

JOE LOMBARDO
Governor

STATE OF NEVADA
PUBLIC EMPLOYEES' BENEFITS PROGRAM
3427 Goni Road, Suite 109, Carson City, Nevada 89706
Telephone 775-684-7000 | 702-486-3100 | 1-800-326-5496
<https://pebp.nv.gov>

JOY GRIMMER
Board Chair

AGENDA ITEM

Action Item

Information Only

Date: September 26, 2024

Item Number: 6

Title: Plan Year 2026 Plan Design Report

SUMMARY

This report will provide the Board, participants, public, and other stakeholders information and recommendations for a deeper analysis on the potential plan benefits for Plan Year 2026.

REPORT

Budget Status

During the September 2023 PEBP Board meeting, PEBP staff reported that Fiscal Year 2023 was closed with an excess reserve having reached a balance of \$0. In addition, PEBP experienced a beginning cash balance for Fiscal Year 2024 at \$24.1 million dollars under what was legislatively approved. The beginning of Fiscal Year 2025 also experienced a beginning cash balance at an amount significantly less than budgeted in the amount of \$43.6 million.

Any increases to plan benefits or changes in plan design that result in additional costs will be borne by either the employer, employee or both and is dependent upon the funding approved during the upcoming legislative session.

Plan Design Considerations

Based on the limited availability of funding and the upcoming legislative session PEBP staff proposes to continue life insurance benefits of \$25,000 for employees and \$12,500 for retirees. A portion of this was paid with general funds approved during the 2024/2025 biennium, but will be funded through employer, employee, and retiree contributions. In addition, PEBP staff will consider options for Plan Year 2027 during the upcoming strategic planning meeting and will bring those back to the board for consideration at a future meeting.

Consumer Driven Health Plan (CDHP)

The Internal Revenue Service (IRS) has recently updated the annual deductible and out of pocket maximums for health savings account (HSA) eligible plans in calendar year 2025. The annual deductible will increase to \$1,650 for self-only coverage and \$3,300 for family coverage (up from \$1,600 and \$3,200 in 2024) while the annual out-of-pocket expenses are not to exceed \$8,300 for self-only coverage or \$16,600 for family coverage (up from \$8,050 and \$16,100 in 2024). In addition, the IRS also raised HSA contribution limits to \$4,300 for individuals and \$8,550 for families (up from \$4,150 and \$8,300 in 2024). The catch-up contribution for those aged 55 and over remains at \$1,000 above the HSA limit.

PEBP staff proposes a restoration of the Health Savings Account (HSA) and Health Reimbursement Arrangement (HRA) to \$700 for the primary and \$200 per dependent to a maximum of \$600 for those employees and retirees enrolled in the Consumer Driven Health Plan (CDHP).

Low Deductible Preferred Provider Option (LDPPPO)

PEBP proposes to continue the LDPPPO as a standard PPO plan with no deductible. With this change PEBP suggests eliminating Low Deductible from the plan name and refer to it as the PPO plan, updating all documentation related to the plan to reflect this change. The payment structure for the LDPPPO currently includes some copays and some co-insurance (80/20%) requirements. PEBP staff will work with the appropriate vendors to analyze and determine the best payment structure for that plan and bring back options for the Board's approval during the November 2024 meeting.

HMO/EPO Plan Viability

As discussed in previous meetings, staff believe it is time to consider and make the difficult decision of the viability of maintaining both the HMO and EPO plans. Both plans have become increasingly more expensive for both the members and the plan. In addition, adverse selection further affects the rating of the plan.

- The Health Maintenance Organization (HMO) is a fully insured plan offered in southern Nevada (primarily Clark County). HPN is also experiencing significant increases in claims costs and in the most recent renewal plan rates increased approximately 12%. The current contract is with Health Plan of Nevada (HPN) and is due to expire and the close of plan year 2025 (June 30, 2025). PEBP has released a Request for Proposal (RFP) for HMO services, consequently, PEBP is unable to discuss with HPN the projected renewal for Plan Year 2026 and beyond. Therefore, PEBP has included in the budget submission a potential rate increase of 20% which is the maximum allowed in the current contract.
- The Exclusive Provider Option (EPO) plan is a self-funded plan and was created as an answer to the HMO for the northern region of the state. The coverage area is limited, and

plan design is very restrictive providing no coverage for out-of-state or out-of-network benefits. Over the lifespan of this plan, it has come to the attention of PEBP and vendors that many members enroll without fully comprehending the restrictive nature of the plan. Members and their families often require care outside of the EPO network (including out of state), requiring PEBP vendors to enter into one-off agreements with providers so that members can obtain the care they need.

- Although, all the plan offerings have experienced increased costs during the last three plan years on a per employee per month basis, the EPO is significantly more costly than either the LDPPO or the CDHP. The following is from the Plan Year 2024 EMR report and is provided for comparison. CDHP = \$837, LDPPO = \$1,029 and the EPO = \$1,671.

PEBP staff recommends the Board consider eliminating one or both the EPO and HMO plans. Further the elimination of the EPO and/or the HMO plans will require participants to select a new plan during open enrollment. However, should a participant not select a new plan, then the most reasonable course of action is to transition those participants into the LDPPO plan. Furthermore, PEBP staff proposes to enter a communication campaign to ensure that we reach as many PEBP participants as possible regarding these changes and requirements. Finally, should the board eliminate the HMO plan the current RFP must also be cancelled and will require the Board's approval to do so.

STAFF RECOMMENDATION:

Increase the Health Savings Account and Health Reimbursement Arrangement to \$700 for the primary and \$200 for dependents up to a maximum of \$600 for those enrolled in the CDHP.

Maintain life insurance benefits at \$25,000 for employees and \$12,500 for retirees for all primary plan members.

Transition the LDPPO to a standard PPO plan with a payment structure to be approved at the November 2024 Board meeting.

Eliminate the EPO Plan as recommended in the report above.

Eliminate the HMO Plan as recommended in the report above to include cancellation of the RFP.

Note: Other options proposed by the PEBP Board during discussion of this agenda item may require a motion and vote.



Nevada Public Employees' Benefits Program

EPO and HMO Considerations

September 26, 2024

Current Plan Designs and Premiums

Below is a summary of the in-network benefits for each plan currently offered by PEBP:

	Consumer Driven Health Plan (CDHP)	Low Deductible (LDPPO)	Premier Plan (EPO)	Health Plan of Nevada (HMO)
Actuarial Value*	76.7%	85.2%	88.3%	91.4%
Service Area	Global	Global	Northern Nevada	Southern Nevada
Annual Deductible (medical and prescription combined)	\$1,600 Individual \$3,200 Family \$3,200 Individual Family Member Deductible	\$0	\$100 Individual \$200 Family \$100 Individual Family Member Deductible	N/A With exception of Tier 4 prescription drug coverage
Medical Coinsurance	20% after deductible	20% after deductible	20% after deductible	N/A
Out-of-Pocket Maximum	\$4,000 Individual \$8,000 Family	\$4,000 Individual \$8,000 Family	\$5,000 Individual \$10,000 Family	\$5,000 Individual \$10,000 Family
Primary Care/ Specialist Office Visit	20% after deductible	\$30/ \$50 copay per visit	\$20/ \$40 copay per visit	\$25/ \$40 (\$25 with referral) copay per visit
Urgent Care Visit	20% after deductible	\$80 copay per visit	\$50 copay per visit	\$50 copay per visit
Emergency Room Visit	20% after deductible	\$750 copay per visit	\$600 copay per visit	\$600 copay per visit
In-Patient Hospital	20% after deductible	20% after deductible	\$600 copay per visit	\$600 copay per visit
Outpatient Surgery	20% after deductible	\$500 copay per visit	\$350 copay per visit	Ambulatory Facility \$50 copay Hospital \$350 copay
Rx 30-days**	20% / 20% / 100% / 20%	\$10 / \$40 / \$75 / 30% (mail only)	\$10 / \$40 / \$75 / 20% (mail only)	\$10 / \$40 / \$75 / 20%***
Employee Only Premium	\$55.26	\$85.26	\$181.24	\$181.24

* Actuarial Value based on FY22 and FY23 data.

** 30-day supply Tier 1 / Tier 2 / Tier 3 / Tier 4

***Deductible: \$100 Individual, \$200 Family

Plan Efficiency

- Plan Efficiency is a metric that measures health risk management
- Efficiency normalizes for differences in plan design and member risk
- Lower adjusted PMPMs indicate better risk management
- The LDPPO is the most efficient plan, and the EPO is the least efficient plan

	CDHP	LDPPO	EPO
PMPM (a)	\$535.97	\$598.16	\$932.82
AV (b)	76.7%	85.2%	88.3%
Risk Score* (c)	0.92	1.01	1.28
Efficiency** (d) = (a÷b)÷c	\$758.67	\$692.13	\$822.95

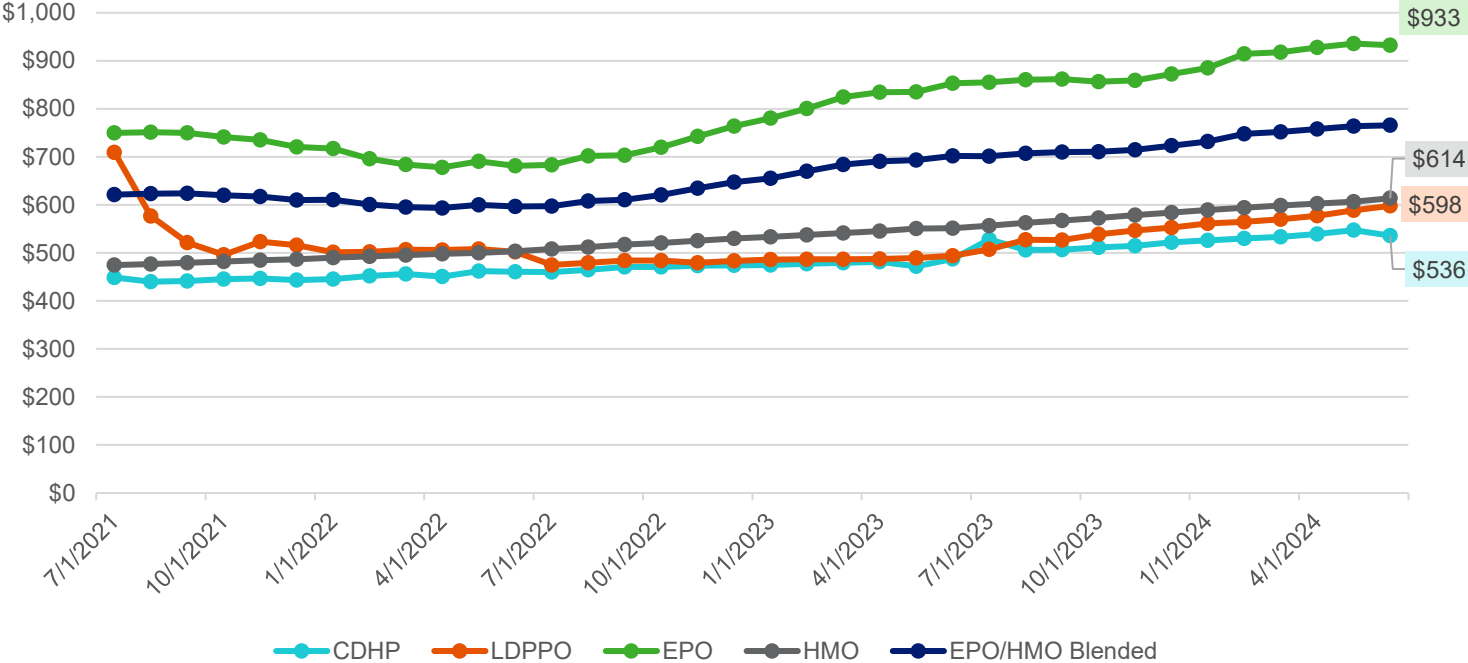
* Risk scores are normalized for the average risk score each plan year.

** Allowed amount per unit of risk.

Historical PMPMs

- Lower HMO premiums have subsidized the higher total costs for the EPO
- CDHP is the lowest cost plan on a PMPM basis

PMPM Cost History by Plan
Rolling 12-month basis



1. Self-insured plan costs include medical and Rx claims net of rebates, ASO fees, HRA claims and HSA funding.
 2. Fully insured HMO costs include premiums and HRA claims.
 3. Prior to 7/1/2023, only the CDHP plan included HSA funding and HRA claims. In PY2024, all participants in all four plans received additional HRA funding.

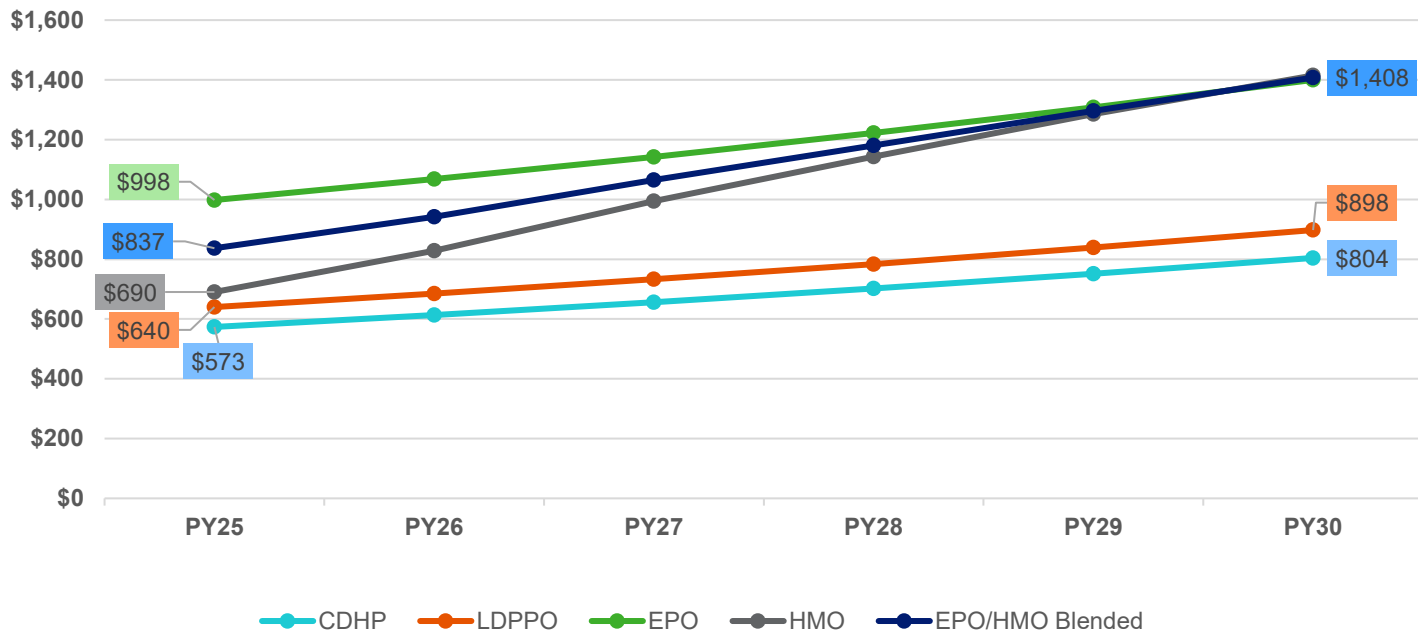
HMO Increases Have Been Capped

- Premium increases capped at 9% for PY2023 and PY2024 limited PEBP exposure to true cost increases
- Contractual premium increase cap for PY2025 was 20%
- Necessary premium in PY2025 renewal was \$770 PEPM, or +29%
- HPN proposed premium for PY2025 was \$671 PEPM, or +12%
- Calculated renewal action = 29%, but HPN proposed rate action was about 12%
- Premiums lag expenses by 17%, which is not sustainable over the long term
- HMO premiums are anticipated to increase significantly above “normal trend” for several years

Projected PMPMs

- HMO premiums expected to trend at higher rate to catch up to claims
- Blended EPO/HMO costs expected to increase at higher rate, widening the gap in costs
- Benefit difference between EPO/HMO and LDPPO remains at 3% (EPO) and 6% (HMO)

PMPM Cost Projection by Plan



1. Self-insured plan costs include medical and Rx claims net of rebates, ASO fees, HRA claims and HSA funding.
2. Fully insured HMO costs include premiums and HRA claims.
3. Prior to 7/1/2023, only the CDHP plan included HSA funding and HRA claims. In PY2024, all participants in all four plans received additional HRA funding.
4. Trend assumptions: 7% for EPO, CDHP and LDPPO; 20% and graded down to 10% for the HMO

Historical Employee-Only Premiums

- EPO/HMO premiums are ~2x the LDPPPO premiums and ~3x the CDHP premiums

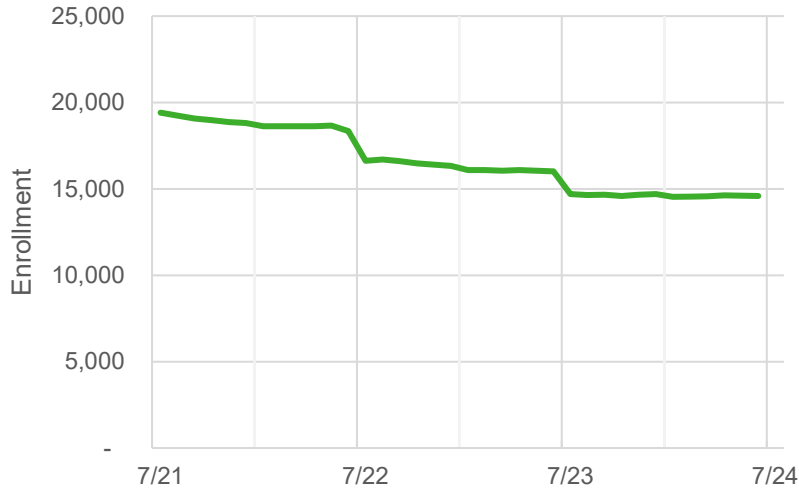
Employee-Only Premiums By Plan



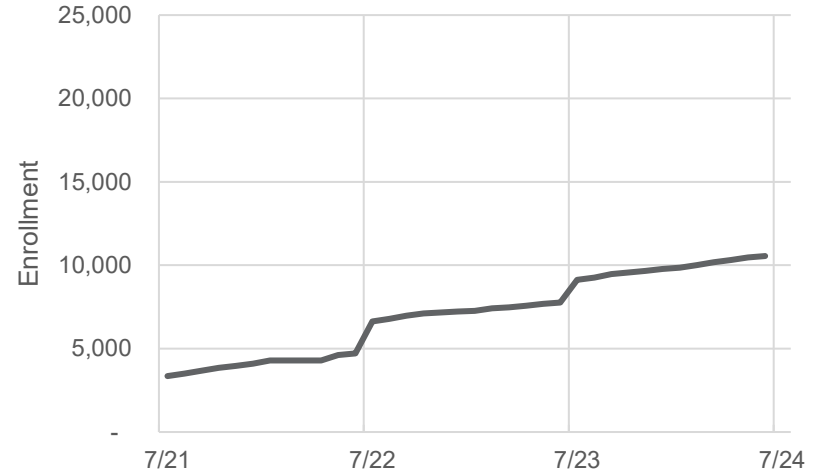
Migration to the LDPPO

Members are migrating to the LDPPO from both the EPO/HMO and the CDHP

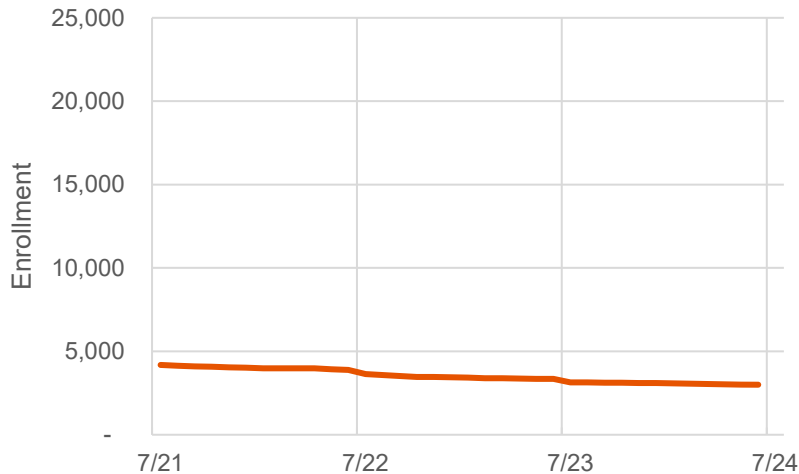
CDHP



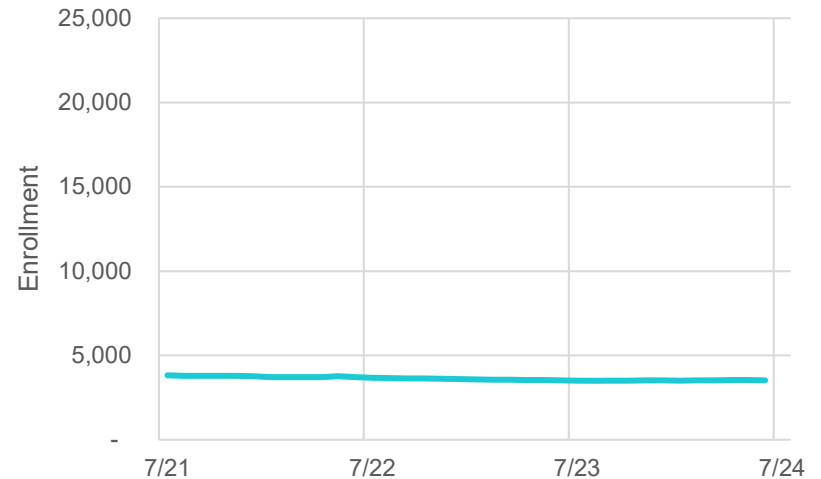
LDPPO



EPO



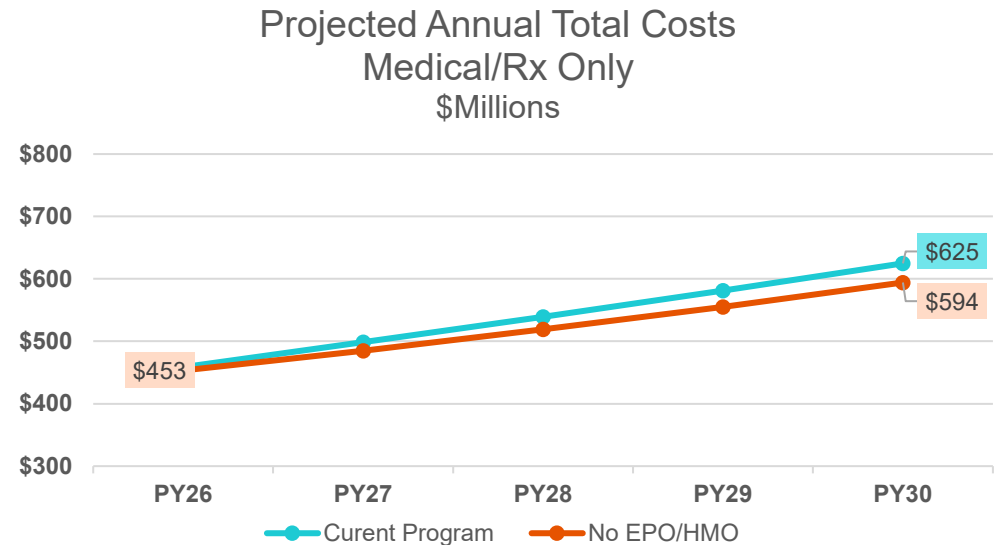
HMO



Projected Annual Costs (State EEs)

- Eliminating the EPO and HMO reduces PEBP costs
- Initial savings (\$5M in PY26) increase annually (\$31M in PY30)
- PEPM savings approximately \$46 in PY30
- Savings from:
 - Plan Design
 - Retention/Admin
 - Rx Rebates
 - Reduced trend for HMO
- Some Cost Increases:
 - Change in Managed Care
 - Network contracts

\$Millions			
	Current	No EPO/HMO	Annual Savings
PY26	\$458.6	\$453.3	\$5.3
PY27	\$498.5	\$485.1	\$13.4
PY28	\$539.1	\$519.0	\$20.1
PY29	\$581.4	\$555.3	\$26.0
PY30	\$624.9	\$594.2	\$30.7



1. Self-insured plan costs include medical and Rx claims net of rebates, ASO fees, HRA claims and HSA funding at \$600 per year for the HDHP plan.
 2. Fully insured HMO costs include premiums and HRA claims.
 3. Prior to 7/1/2023, only the CDHP plan included HSA funding and HRA claims. In PY2024, all participants in all four plans received additional HRA funding.

Employee Premium Impact and Next Steps

- Higher Cost EPO/HMO members moving into CDHP and LDPPO will likely increase premiums for those plans

State Active Employees			
PY2025 Employee Only Contributions			
	CDHP	LDPPO	EPO/HMO
Current	\$55.26	\$85.26	\$181.24
No EPO/HMO	\$55-65	\$90-\$120	N/A

- Final Employee Premiums for PY2026 will be dependent upon:
 - AEGIS/REGI for PY2026-27 biennium
 - Final plan design
 - Anticipated migration/enrollment elections

Up Next

- Review Plan Design for LDPPO and CDHP

Questions

