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Executive Officer

JOE LOMBARDO
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JACK ROBB
Board Chair

AGENDA ITEM

Action Item

Information Only

Date: March 28, 2024

Item Number: 7

Title: Plan Year 2025 (PY25) Proposed Rates

SUMMARY

This report provides the Board and members of the public with information on PY25 proposed rates.

BACKGROUND

RATES DEVELOPMENT

Step 1: Underwriting

PEBP Board policy requires its actuary, Segal, to set rates/trend aggressively – a 50% chance rates will be sufficient to cover expected claims costs and a 50% chance they will be short.

1. Segal gathers claims data (medical/Rx/dental) for the previous 12-24 months.
2. Claims are completed based on prior seasonality and claims lag and trended forward to PY25.
3. Plan design changes, changes to contracts, PBM market checks and any other projected savings are applied.
4. Enrollment expectations by tier and plan are applied along with utilization assumptions and actuarial values.
5. Base Rates Per Participant Per Month (PPPM) are then established for the three plan offerings (CDHP, LD, and EPO) separated by Medical, Pharmacy, and Dental expected Claims. EPO and HMO rates are blended.

Step 2: Enrollment weighting

Assumptions such as overall growth or decline, plan enrollment, assumed workforce changes or retirement influxes.

Step 3: Admin loads applied

Administrative loads such as administrative fees, HSA/HRA funding for the CHDP, and PEBP operating costs are applied appropriately.

Step 4: Tiering

The base rate is weighted by projected enrollment by tier. Per PEBP Board policy the following tiering methodology is then applied:

Participant = X
Participant + Spouse = 2X
Participant + children = X+Y
Participant + family = 2X + Y

X is the average cost of an adult and Y is the average cost of a child(ren).

Step 5: Addition of Life Insurance

PPPM Life insurance costs are then added to each tier of the three plans to arrive at final overall rates. Life insurance costs differ for actives and retirees and life insurance costs for those on the Exchange are absorbed entirely by members on the self-funded plans.

REPORT

For several years PEBP has had claims that were overall favorable. However, there have also been discussions that we must consider the possibility of higher than budgeted trends. If that happens when there are no excess reserves the shortfall between available employer contributions and employee premium would be funded entirely through an increase in employee premiums as there is no mechanism to adjust the subsidy levels outside of a legislative session. During the December 2022 PEBP Board meeting, the board at that time approved the use of excess reserves to mitigate rate increases over a 3-year period to include Plan Year 2023, 2024 and 2025. In September 2023, PEBP staff reported the excess reserves had been fully exhausted. Therefore, the decision made by the PEBP Board at that time can no longer be supported.

The Governor's Recommended Budget includes a trend of 3.91% for medical, 3.67% for pharmacy, and 2% for dental; however, Segal has provided different trend projections for Plan Year 2024 of 4% for medical, 19.2% for pharmacy (10.8% adjusted for RX rebates), and 2% for dental. Projected trend for Plan Year 2025 is 3%, 10% and 2% respectively (see Segal's presentation for detail).

At the December 7, 2023, meeting the PEBP board voted to accept the renewal provided by Health Plan of Nevada for the HMO plan. That renewal resulted in an increase of just over 12%.

The standard rate development methodology along with consideration of claims experience, projected trend was utilized to develop the rate tables provided in Attachment 7A.

RECOMMENDATION:

Staff recommends the Board approve Plan Year 2025 rates as proposed with the ability to make technical adjustments as necessary.

Premium Comparison Tables

State Employees and Retirees

| | PY2024 | | | PY2025 | | | Difference | | | State Employee Premium Mitigation From PY24 | | | PY2025 Premium | | |
|------------------------|----------|----------|------------|----------|------------|------------|------------|----------|----------|---|-------|-------|----------------|----------|------------|
| | CDHP | Copay | EPO | CDHP | Copay | EPO | CDHP | Copay | EPO | CDHP | Copay | EPO | CDHP | Copay | EPO |
| Active Rates | | | | | | | | | | | | | | | |
| Participant | \$46.96 | \$68.14 | \$161.00 | \$63.56 | \$102.38 | \$201.48 | \$16.60 | \$34.24 | \$40.48 | 7.22 | 22.35 | 22.43 | \$56.34 | \$80.03 | \$179.05 |
| Participant + Spouse | \$251.00 | \$293.36 | \$479.10 | \$291.54 | \$369.20 | \$567.40 | \$40.54 | \$75.84 | \$88.30 | 12.64 | 42.91 | 43.06 | \$278.90 | \$326.29 | \$524.34 |
| Participant + Children | \$123.46 | \$152.60 | \$280.30 | \$149.05 | \$202.44 | \$338.70 | \$25.59 | \$49.84 | \$58.40 | 9.28 | 30.06 | 30.14 | \$139.77 | \$172.38 | \$308.56 |
| Participant + Family | \$327.53 | \$377.82 | \$598.40 | \$377.04 | \$469.26 | \$704.62 | \$49.51 | \$91.44 | \$106.22 | 14.68 | 50.64 | 50.79 | \$362.36 | \$418.62 | \$653.83 |
| Retiree Rates | | | | | | | | | | | | | | | |
| Participant | \$241.26 | \$262.44 | \$355.30 | \$272.12 | \$310.94 | \$410.04 | \$30.86 | \$48.50 | \$54.74 | 7.22 | 22.35 | 22.43 | \$264.90 | \$288.59 | \$387.61 |
| Participant + Spouse | \$588.96 | \$631.34 | \$817.06 | \$656.00 | \$733.64 | \$931.84 | \$67.04 | \$102.30 | \$114.78 | 12.64 | 42.91 | 43.06 | \$643.36 | \$690.73 | \$888.78 |
| Participant + Children | \$371.64 | \$400.78 | \$528.48 | \$416.06 | \$469.44 | \$605.72 | \$44.42 | \$68.66 | \$77.24 | 9.28 | 30.06 | 30.14 | \$406.78 | \$439.38 | \$575.58 |
| Participant + Family | \$719.36 | \$769.66 | \$990.24 | \$799.94 | \$892.16 | \$1,127.52 | \$80.58 | \$122.50 | \$137.28 | 14.68 | 50.64 | 50.79 | \$785.26 | \$841.52 | \$1,076.73 |
| Surviving Spouse | \$648.62 | \$681.60 | \$786.84 | \$708.40 | \$747.22 | \$846.32 | \$59.78 | \$65.62 | \$59.48 | | | | | | |
| Survivor + Children | \$889.78 | \$935.10 | \$1,079.82 | \$970.98 | \$1,024.36 | \$1,160.62 | \$81.20 | \$89.26 | \$80.80 | | | | | | |

Non-State Employees and Retirees

| | PY2024 | | | PY2025 | | | Difference | | | | | | | | |
|------------------------|------------|------------|------------|------------|------------|------------|------------|----------|----------|-------|-------|-------|----------|----------|------------|
| | CDHP | Copay | EPO | CDHP | Copay | EPO | CDHP | Copay | EPO | CDHP | Copay | EPO | CDHP | Copay | EPO |
| Active Rates | | | | | | | | | | | | | | | |
| Participant | \$914.11 | \$973.25 | \$971.19 | \$997.33 | \$1,063.39 | \$1,075.11 | \$83.22 | \$90.14 | \$103.92 | | | | | | |
| Participant + Spouse | \$1,818.84 | \$1,937.12 | \$1,933.01 | \$1,979.98 | \$2,112.10 | \$2,135.54 | \$161.14 | \$174.98 | \$202.53 | | | | | | |
| Participant + Children | \$1,253.38 | \$1,334.70 | \$1,331.88 | \$1,365.83 | \$1,456.66 | \$1,472.77 | \$112.45 | \$121.96 | \$140.89 | | | | | | |
| Participant + Family | \$2,158.11 | \$2,298.57 | \$2,293.69 | \$2,348.47 | \$2,505.37 | \$2,533.20 | \$190.36 | \$206.80 | \$239.51 | | | | | | |
| Retiree Rates | | | | | | | | | | | | | | | |
| Participant | \$241.26 | \$262.44 | \$355.30 | \$272.12 | \$310.94 | \$410.04 | \$30.86 | \$48.50 | \$54.74 | 7.22 | 22.35 | 22.43 | \$264.90 | \$288.59 | \$387.61 |
| Participant + Spouse | \$588.96 | \$631.34 | \$817.06 | \$656.00 | \$733.64 | \$931.84 | \$67.04 | \$102.30 | \$114.78 | 12.64 | 42.91 | 43.06 | \$643.36 | \$690.73 | \$888.78 |
| Participant + Children | \$371.64 | \$400.78 | \$528.48 | \$416.06 | \$469.44 | \$605.72 | \$44.42 | \$68.66 | \$77.24 | 9.28 | 30.06 | 30.14 | \$406.78 | \$439.38 | \$575.58 |
| Participant + Family | \$719.36 | \$769.66 | \$990.24 | \$799.94 | \$892.16 | \$1,127.52 | \$80.58 | \$122.50 | \$227.28 | 14.68 | 50.64 | 50.79 | \$785.26 | \$841.52 | \$1,076.73 |
| Surviving Spouse | \$910.28 | \$969.42 | \$967.36 | \$990.86 | \$1,056.92 | \$1,068.64 | \$80.58 | \$87.50 | \$101.28 | | | | | | |
| Survivor + Children | \$1,249.54 | \$1,330.86 | \$1,328.04 | \$1,359.36 | \$1,450.18 | \$1,466.30 | \$109.82 | \$119.32 | \$138.26 | | | | | | |

Projected Enrollment

Monthly Reserve Cost

Annual Reserve Cost

| | Projected Enrollment | | | Monthly Reserve Cost | | | Annual Reserve Cost | | | |
|------------------------|----------------------|-------|-------|----------------------|---------------|---------------|---------------------|-----------------|-----------------|-----------------|
| | CDHP | Copay | EPO | CDHP | Copay | EPO | CDHP | Copay | EPO | |
| Active Rates | | | | | | | | | | |
| Participant | 7,880 | 4,846 | 3,197 | \$ 56,889.99 | \$ 108,308.55 | \$ 71,701.53 | \$ 682,679.88 | \$ 1,299,702.56 | \$ 860,418.39 | |
| Participant + Spouse | 877 | 807 | 480 | \$ 11,087.81 | \$ 34,620.65 | \$ 20,686.89 | \$ 133,053.70 | \$ 415,447.75 | \$ 248,242.62 | |
| Participant + Children | 2,119 | 2,091 | 1,496 | \$ 19,660.05 | \$ 62,855.46 | \$ 45,099.69 | \$ 235,920.61 | \$ 754,265.52 | \$ 541,196.25 | |
| Participant + Family | 1,271 | 1,372 | 579 | \$ 18,657.11 | \$ 69,473.02 | \$ 29,425.69 | \$ 223,885.27 | \$ 833,676.19 | \$ 353,108.33 | |
| | | | | \$ 106,294.95 | \$ 275,257.67 | \$ 166,913.80 | \$ 1,275,539.46 | \$ 3,303,092.03 | \$ 2,002,965.60 | \$ 6,581,597.08 |
| Retiree Rates | | | | | | | | | | |
| Participant | 1,590 | 445 | 581 | \$ 11,479.80 | \$ 9,945.75 | \$ 13,031.83 | \$ 137,757.60 | \$ 119,349.00 | \$ 156,381.96 | |
| Participant + Spouse | 481 | 180 | 84 | \$ 6,079.84 | \$ 7,723.80 | \$ 3,617.04 | \$ 72,958.08 | \$ 92,685.60 | \$ 43,404.48 | |
| Participant + Children | 206 | 109 | 82 | \$ 1,911.68 | \$ 3,276.54 | \$ 2,471.48 | \$ 22,940.16 | \$ 39,318.48 | \$ 29,657.76 | |
| Participant + Family | 149 | 79 | 36 | \$ 2,187.32 | \$ 4,000.56 | \$ 1,828.44 | \$ 26,247.84 | \$ 48,006.72 | \$ 21,941.28 | |
| | | | | \$ 21,658.64 | \$ 24,946.65 | \$ 20,948.79 | \$ 259,903.68 | \$ 299,359.80 | \$ 251,385.48 | \$ 810,648.96 |

\$ 7,392,246.04

| Non-State | | | | | | | | | | |
|------------------------|------|-------|-----|------------|----------|------------|-------------|-------------|-------------|---------------|
| | CDHP | Copay | EPO | CDHP | Copay | EPO | CDHP | Copay | EPO | |
| Retiree Rates | | | | | | | | | | |
| Participant | 280 | 16 | 148 | \$2,021.60 | \$357.60 | \$3,319.64 | \$24,259.20 | \$4,291.20 | \$39,835.68 | |
| Participant + Spouse | 31 | 13 | 25 | \$391.84 | \$557.83 | \$1,076.50 | \$4,702.08 | \$6,693.96 | \$12,918.00 | |
| Participant + Children | 5 | 1 | 11 | \$46.40 | \$30.06 | \$331.54 | \$556.80 | \$360.72 | \$3,978.48 | |
| Participant + Family | 5 | 0 | 4 | \$73.40 | \$0.00 | \$203.16 | \$880.80 | \$0.00 | \$2,437.92 | |
| | | | | \$2,533.24 | \$945.49 | \$4,930.84 | \$30,398.88 | \$11,345.88 | \$59,170.08 | \$ 100,914.84 |

Total Reserve Cost \$ 7,493,160.88

Premium Comparison Tables

State Employees and Retirees

| | PY2024 | | | PY2025 | | | Difference | | | Premium Mitigation 50% of State Premium | | | PY2025 Premium | | |
|------------------------|----------|----------|------------|----------|------------|------------|------------|----------|----------|---|---------|---------|----------------|----------|------------|
| | CDHP | Copay | EPO | CDHP | Copay | EPO | CDHP | Copay | EPO | CDHP | Copay | EPO | CDHP | Copay | EPO |
| Active Rates | | | | | | | | | | | | | | | |
| Participant | \$46.96 | \$68.14 | \$161.00 | \$63.56 | \$102.38 | \$201.48 | \$16.60 | \$34.24 | \$40.48 | \$8.30 | \$17.12 | \$20.24 | \$55.26 | \$85.26 | \$181.24 |
| Participant + Spouse | \$251.00 | \$293.36 | \$479.10 | \$291.54 | \$369.20 | \$567.40 | \$40.54 | \$75.84 | \$88.30 | \$20.27 | \$37.92 | \$44.15 | \$271.27 | \$331.28 | \$523.25 |
| Participant + Children | \$123.46 | \$152.60 | \$280.30 | \$149.05 | \$202.44 | \$338.70 | \$25.59 | \$49.84 | \$58.40 | \$12.80 | \$24.92 | \$29.20 | \$136.26 | \$177.52 | \$309.50 |
| Participant + Family | \$327.53 | \$377.82 | \$598.40 | \$377.04 | \$469.26 | \$704.62 | \$49.51 | \$91.44 | \$106.22 | \$24.76 | \$45.72 | \$53.11 | \$352.29 | \$423.54 | \$651.51 |
| Retiree Rates | | | | | | | | | | | | | | | |
| Participant | \$241.26 | \$262.44 | \$355.30 | \$272.12 | \$310.94 | \$410.04 | \$30.86 | \$48.50 | \$54.74 | \$8.30 | \$17.12 | \$20.24 | \$263.82 | \$293.82 | \$389.80 |
| Participant + Spouse | \$588.96 | \$631.34 | \$817.06 | \$656.00 | \$733.64 | \$931.84 | \$67.04 | \$102.30 | \$114.78 | \$20.27 | \$37.92 | \$44.15 | \$635.73 | \$695.72 | \$887.69 |
| Participant + Children | \$371.64 | \$400.78 | \$528.48 | \$416.06 | \$469.44 | \$605.72 | \$44.42 | \$68.66 | \$77.24 | \$12.80 | \$24.92 | \$29.20 | \$403.27 | \$444.52 | \$576.52 |
| Participant + Family | \$719.36 | \$769.66 | \$990.24 | \$799.94 | \$892.16 | \$1,127.52 | \$80.58 | \$122.50 | \$137.28 | \$24.76 | \$45.72 | \$53.11 | \$775.19 | \$846.44 | \$1,074.41 |
| Surviving Spouse | \$648.62 | \$681.60 | \$786.84 | \$708.40 | \$747.22 | \$846.32 | \$59.78 | \$65.62 | \$59.48 | | | | | | |
| Survivor + Children | \$889.78 | \$935.10 | \$1,079.82 | \$970.98 | \$1,024.36 | \$1,160.62 | \$81.20 | \$89.26 | \$80.80 | | | | | | |

Non-State Employees and Retirees

| | PY2024 | | | PY2025 | | | Difference | | | | | | | | |
|------------------------|------------|------------|------------|------------|------------|------------|------------|----------|----------|---------|---------|---------|----------|----------|------------|
| | CDHP | Copay | EPO | CDHP | Copay | EPO | CDHP | Copay | EPO | CDHP | Copay | EPO | CDHP | Copay | EPO |
| Active Rates | | | | | | | | | | | | | | | |
| Participant | \$914.11 | \$973.25 | \$971.19 | \$997.33 | \$1,063.39 | \$1,075.11 | \$83.22 | \$90.14 | \$103.92 | | | | | | |
| Participant + Spouse | \$1,818.84 | \$1,937.12 | \$1,933.01 | \$1,979.98 | \$2,112.10 | \$2,135.54 | \$161.14 | \$174.98 | \$202.53 | | | | | | |
| Participant + Children | \$1,253.38 | \$1,334.70 | \$1,331.88 | \$1,365.83 | \$1,456.66 | \$1,472.77 | \$112.45 | \$121.96 | \$140.89 | | | | | | |
| Participant + Family | \$2,158.11 | \$2,298.57 | \$2,293.69 | \$2,348.47 | \$2,505.37 | \$2,533.20 | \$190.36 | \$206.80 | \$239.51 | | | | | | |
| Retiree Rates | | | | | | | | | | | | | | | |
| Participant | \$241.26 | \$262.44 | \$355.30 | \$272.12 | \$310.94 | \$410.04 | \$30.86 | \$48.50 | \$54.74 | \$8.30 | \$17.12 | \$20.24 | \$263.82 | \$293.82 | \$389.80 |
| Participant + Spouse | \$588.96 | \$631.34 | \$817.06 | \$656.00 | \$733.64 | \$931.84 | \$67.04 | \$102.30 | \$114.78 | \$20.27 | \$37.92 | \$44.15 | \$635.73 | \$695.72 | \$887.69 |
| Participant + Children | \$371.64 | \$400.78 | \$528.48 | \$416.06 | \$469.44 | \$605.72 | \$44.42 | \$68.66 | \$77.24 | \$12.80 | \$24.92 | \$29.20 | \$403.27 | \$444.52 | \$576.52 |
| Participant + Family | \$719.36 | \$769.66 | \$990.24 | \$799.94 | \$892.16 | \$1,127.52 | \$80.58 | \$122.50 | \$227.28 | \$24.76 | \$45.72 | \$53.11 | \$775.19 | \$846.44 | \$1,074.41 |
| Surviving Spouse | \$910.28 | \$969.42 | \$967.36 | \$990.86 | \$1,056.92 | \$1,068.64 | \$80.58 | \$87.50 | \$101.28 | | | | | | |
| Survivor + Children | \$1,249.54 | \$1,330.86 | \$1,328.04 | \$1,359.36 | \$1,450.18 | \$1,466.30 | \$109.82 | \$119.32 | \$138.26 | | | | | | |

Projected Enrollment

Monthly Reserve Cost

Annual Reserve Cost

| | Projected Enrollment | | | Monthly Reserve Cost | | | Annual Reserve Cost | | | |
|------------------------|----------------------|-------|-------|----------------------|---------------|---------------|---------------------|-----------------|-----------------|-----------------|
| | CDHP | Copay | EPO | CDHP | Copay | EPO | CDHP | Copay | EPO | |
| Active Rates | | | | | | | | | | |
| Participant | 7,880 | 4,846 | 3,197 | \$ 65,399.85 | \$ 82,963.86 | \$ 64,700.80 | \$ 784,798.20 | \$ 995,566.35 | \$ 776,409.64 | |
| Participant + Spouse | 877 | 807 | 480 | \$ 17,780.84 | \$ 30,594.61 | \$ 21,210.54 | \$ 213,370.13 | \$ 367,135.37 | \$ 254,526.52 | |
| Participant + Children | 2,119 | 2,091 | 1,496 | \$ 27,106.72 | \$ 52,107.72 | \$ 43,693.13 | \$ 325,280.63 | \$ 625,292.64 | \$ 524,317.54 | |
| Participant + Family | 1,271 | 1,372 | 579 | \$ 31,461.62 | \$ 62,723.27 | \$ 30,769.81 | \$ 377,539.50 | \$ 752,679.22 | \$ 369,237.72 | |
| | | | | \$ 141,749.04 | \$ 228,389.46 | \$ 160,374.28 | \$ 1,700,988.45 | \$ 2,740,673.58 | \$ 1,924,491.41 | \$ 6,366,153.44 |
| Retiree Rates | | | | | | | | | | |
| Participant | 1,590 | 445 | 581 | \$ 13,197.00 | \$ 7,618.40 | \$ 11,759.44 | \$ 158,364.00 | \$ 91,420.80 | \$ 141,113.28 | |
| Participant + Spouse | 481 | 180 | 84 | \$ 9,749.87 | \$ 6,825.60 | \$ 3,708.60 | \$ 116,998.44 | \$ 81,907.20 | \$ 44,503.20 | |
| Participant + Children | 206 | 109 | 82 | \$ 2,635.77 | \$ 2,716.28 | \$ 2,394.40 | \$ 31,629.24 | \$ 32,595.36 | \$ 28,732.80 | |
| Participant + Family | 149 | 79 | 36 | \$ 3,688.50 | \$ 3,611.88 | \$ 1,911.96 | \$ 44,261.94 | \$ 43,342.56 | \$ 22,943.52 | |
| | | | | \$ 29,271.14 | \$ 20,772.16 | \$ 19,774.40 | \$ 351,253.62 | \$ 249,265.92 | \$ 237,292.80 | \$ 837,812.34 |
| | | | | | | | | | | \$ 7,203,965.78 |

| | Non-State | | | | | | | | | |
|------------------------|-----------|-------|-----|------------|----------|------------|-------------|------------|-------------|---------------|
| | CDHP | Copay | EPO | CDHP | Copay | EPO | CDHP | Copay | EPO | |
| Retiree Rates | | | | | | | | | | |
| Participant | 280 | 16 | 148 | \$2,324.00 | \$273.92 | \$2,995.52 | \$27,888.00 | \$3,287.04 | \$35,946.24 | |
| Participant + Spouse | 31 | 13 | 25 | \$628.37 | \$492.96 | \$1,103.75 | \$7,540.44 | \$5,915.52 | \$13,245.00 | |
| Participant + Children | 5 | 1 | 11 | \$63.98 | \$24.92 | \$321.20 | \$767.70 | \$299.04 | \$3,854.40 | |
| Participant + Family | 5 | 0 | 4 | \$123.78 | \$0.00 | \$212.44 | \$1,485.30 | \$0.00 | \$2,549.28 | |
| | | | | \$3,140.12 | \$791.80 | \$4,632.91 | \$37,681.44 | \$9,501.60 | \$55,594.92 | \$ 102,777.96 |

Total Reserve Cost \$ 7,306,743.74