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## PLAN YEAR 2019 REPORT TO PARTICIPANTS AND STAKEHOLDERS

### PURPOSE, MISSION, VISION AND VALUES

#### *PURPOSE*

The Public Employees' Benefits Program (PEBP) administers a group health and life insurance program which offers comprehensive medical, prescription drug, dental, vision, life, and long-term disability insurance. Our organization is responsible for designing and managing a quality health care program for approximately 43,000 primary participants and 27,000 covered dependents, totaling over 70,000 lives.

#### *MISSION*

Provide employees, retirees, and their families with access to high quality benefits at affordable prices.

#### *VISION*

PEBP will be a member focused, nationally recognized, affordable program of employer sponsored benefits serving employees, retirees, their families and the Nevada taxpayer.

#### *VALUES*

- Service
- Innovation
- Accountability
- Transparency
- Fairness
- Integrity
- Compassion
- Sustainability
- Collaboration

**PLAN YEAR 2019 OVERVIEW**

PEBP continued to provide a Consumer Driven Health Plan (CDHP) alongside one regional Health Maintenance Organization (HMO) plan and one new self-funded regional Exclusive Provider Organization (EPO) plan for active employees and non-Medicare retirees while covering Medicare retirees through an individual market exchange.

*PROGRAM ENROLLMENT*

As of June 30, 2019, the following enrollment was recorded:

Plan	Employees	Pre-Medicare Retirees	Dependents	Total Lives
CDHP	19,675	3,862	18,989	42,526
EPO – North	3,893	759	3,837	8,489
Health Plan of Nevada (HMO – South)	3,292	554	2,792	6,638
Total Pre-Medicare Lives	26,860	5,175	25,618	57,653
Medicare Enrollment	Employees	Medicare Retirees	Medicare Dependents	Total
Medicare Exchange (Via Benefits)	0	12,365	1,736	14,101
Tricare	0	174	23	197
<b>Total *</b>	<b>26,860</b>	<b>17,714</b>	<b>27,377</b>	<b>71,951</b>
	<b>Employees</b>	<b>Retirees</b>	<b>Dependents</b>	<b>Covered Lives</b>

*\*PEBP's total program is split 60% Employees / 40% Retirees (Pre-Medicare + Medicare)*

**PEBP'S SELF-INSURED CDHP**

*ENROLLMENT*

Looking at average enrollment throughout Plan Year 2019 (versus a snapshot near the end of the plan year shown above), the CDHP experienced the following:

1. 2.7% increase in State Employees (from 19,100 to 19,612) with 2.1% increase in total lives (from 36,389 to 37,138).
2. No change in Non-State Employees (4 each year) with flat covered lives (7 each year).
3. 1.9% increase in State Retirees (from 3,165 to 3,224) with 2.5% increase in covered lives (from 4,681 to 4,799).
4. 16.0% decrease in Non-State Retirees (868 to 729) with 13.2% decrease in covered lives (from 958 to 832).

*UTILIZATION AND COST*

The CDHP experienced increased (4.7%) medical costs on a per employee/retiree per month (PEPM) basis in Plan Year 2019 (PY19) versus Plan Year 2018 going from \$450 in 2018 to \$471 in 2019. A slightly smaller increase (4.4%) was experienced when factoring in all the dependents on a per member per month basis (PMPM) going from \$248 to \$259. The increased utilization was directly related to an increase of 34 High Cost Claimants (+20.7%) from the previous year. PEBP defines High Cost Claimants as members with claims greater than \$100,000. The average High Cost Claimant paid amount was \$219,374, and 34 claims x \$219,374 = \$7.5 million, so without these claims, the plan would have realized small increases in total overall costs but increased enrollment resulting in approximately 1.2% decrease (negative trend).

In pharmacy coverage, the PEPM increased moderately (+9.0%) from \$70.79 in Plan Year 2018 to \$75.88 in Plan Year 2019. When factoring in drug rebates earned in that time frame (not necessarily realized as there is an approximate 180-day lag in receiving rebates), the PEPM increased only 5.1% going from \$55.94 in 2018 to \$58.80 in Plan Year 2019. Those rebates equated to just over \$8.7 million (a \$1.3 million (16.9%) increase over 2018). The increased costs in pharmacy coverage are attributed to specialty drugs as that high trend (9%) was offset by negative trend (-0.5%) in non-specialty drugs.

*NEW PROGRAMS & SERVICES*

The PEBP Board approved a new online transparency service through Healthcare Bluebook. This service utilized PEBP claims data and national quality standards to highlight low cost high quality providers of care for PEBP members. Some of those services were so variable that PEBP provided incentive checks to members who selected the lower cost options to drive utilization. Over the course of the year, there were 77,125 provider searches conducted on the website, 4,770 guided tours, and \$26,550 in incentive checks sent to members who selected high quality low cost providers.

To combat rising pharmacy costs, the PEBP Board also approved the implementation of a voluntary narrow pharmacy network for 90-day drug fills at select retail pharmacies and mail order services.

PEBP also implemented incentivized enhanced HSA/HRA funding tied to requirements. In Plan Year 2018, those requirements included preventive annual doctor and dentist visits, lab work, and a teeth cleaning. In 2019, the Board approved splitting the funding to preventive care and enrollment in online tools (Dr. on Demand and Healthcare Bluebook) to expose as many members as possible to these cost saving services. PEBP also implemented a 3-dimensional (3D) mammography preventive benefit paid by the plan at 100%.

*CONTINUED PROGRAMS & SERVICES*

The PEBP Board approved utilizing excess reserves to continue to provide a higher level of life insurance (\$25,000 employee / \$12,500 retiree), an enhanced HSA/HRA benefit of \$200 (see above for specifics), and the administrative fees associated with the Medicare Exchange HRA and life insurance premiums for Medicare retirees.

**PEBP'S SELF-INSURED EPO**

In November 2018, PEBP was faced with a significant regional HMO premium increase (13%). The PEBP budget was approved by the Legislature with a 4% inflation, so the larger portion of the increased premiums would be absorbed by PEBP members. After significant analysis was completed, PEBP presented and the Board approved a self-insured PEBP managed Exclusive Provider Organization (EPO) plan to replace the northern Nevada HMO for Plan Year 2019. PEBP's HMO/EPO rates were blended and the result was a 8% decrease overall.

PEBP patterned the EPO plan closely to the outgoing HMO plan to ensure minimum disruption for those members. PEBP's enrollment and utilization during the first year of the EPO plan are described below.

*ENROLLMENT*

Looking at average enrollment throughout Plan Year 2019 (versus a snapshot near the end of the plan year shown above), the EPO experienced the following:

1. State Employees: 3,878
2. Non-State Employees: 4
3. State Retirees: 599
4. Non-State Retirees: 181
5. Dependents: 3,835
6. Total Covered Lives: 8,488

*UTILIZATION AND COST*

The EPO experienced medical costs on a per employee/retiree per month (PEPM) basis in Plan Year 2019 (PY19) of \$729. When factoring in all the dependents on a per member per month basis (PMPM), the costs were \$400. High Cost Claimants were high at 39, averaging the same per capita as the CDHP of 4.6 per 1,000. The plan paid a higher average for these High Cost Claimants at \$274,612 per claim versus the CDHP of \$219,374 per claim.

In pharmacy coverage, the EPO costs were much higher than the CDHP with a PEPM of \$141.58 reduced by rebates (\$3.35 million) to \$108.71. Highest utilization was attributed to specialty drugs by the state retiree population.

PEBP will be able to report on year-over-year trend for this EPO plan next September after we close out Plan Year 2020 (Year 2).

## **ACCOMPLISHMENTS**

### *STRATEGIC PLANNING*

PEBP successfully held its second annual Strategic Planning Session in August 2018. In November 2018, the Board approved the revised Strategic Plan. PEBP's updated Strategic Plan is located on our website in the "About Us" section available from the top menu of every webpage.

Three simple yet purposeful overall strategies continued to guide the Program:

1. Improve access to care;
2. Improve the member experience; and
3. Reduce costs to the Program

Every PEBP staff recommendation is framed within those overall strategies, and specific strategies were developed in the areas of program administration, transparency, collaboration and communication. For Plan Year 2019, PEBP met almost all of the strategic objectives set out from the plan.

### *2018 MEMBER SATISFACTION SURVEY*

In October through December 2018, PEBP conducted a satisfaction survey to gauge firsthand knowledge of our membership. In this survey, PEBP asked a series of customer satisfaction questions, and of the responses, participants rated PEBP between 7.34 and 8.28 (up from 6.88 and 8.01 in 2017) on a scale of 1 (not satisfied) to 10 (extremely satisfied).

The highest rating (10 – extremely satisfied) had the most responses, and some positive results can be seen below:

- Prompt follow-up of requests: 70% of responses scored between 8-10
- Communication on benefits: 66% of responses scored between 8-10
- Quality of information PEBP provides: 71% of responses scored between 8-10
- Quality of customer service at PEBP: 75% of responses scored between 8-10
- Training and Education at PEBP: 59% of responses scored between 8-10
- Benefit information available: 63% of responses scored between 8-10

Compared to last year, all of these results are an increase of 4-9% per category.

PEBP continues to prioritize training, education and communication of our benefits. We want to see those lower results increase again next year.

### *AMERICAN BUSINESS AWARD – 2<sup>ND</sup> YEAR IN A ROW*

In May 2019, PEBP was selected from nominations nationwide as winner of a top-ranking award from the 17th annual American Business Awards. PEBP was selected as winner of a Gold Stevie Award in the category of Organization of the Year - Non-Profit or Government - Large category

for the second year in a row. We are excited to continue receiving accolades by national organizations.

### *CONTRACTING*

#### American Health Holdings

PEBP entered into a new contract with American Health Holdings for Utilization Management / Large Case Management (UM/CM) for services beginning Plan Year 2020 (July 1, 2019). The former UM/CM contract was held by Hometown Health Providers who elected not to rebid on the solicitation when their contract term expired.

#### Express Scripts

PEBP performed a market check on our Pharmacy Benefits Manager, Express Scripts in early 2018 resulting in annual savings and increased rebates totaling over \$5 million.

#### HealthSCOPE Benefits

PEBP renegotiated fees with our Third Party Administrator lowering the Per Employee Per Month costs from \$14.50 to \$13.95, reduced subrogation fees from 35% recovery to 18%, and enhanced recovery fees from 25% to 22% of savings. Total annual savings were \$277,500 per year.

#### Willis Towers Watson

PEBP extended the contract for Medicare Exchange services to Medicare eligible retirees out to 2025 and eliminated all Health Reimbursement Account (HRA) fees starting July 1, 2019. This extension saves PEBP approximately \$240,000 per year.

#### Morneau Shepell

PEBP extended the Morneau Shepell contract for eligibility and enrollment services to include for Plan Year 2020 the implementation of an upgraded member portal and a seamless integration of a third-party voluntary benefit platform offering expanded benefits to members.

#### The Standard

PEBP canceled the Voluntary Life and Short-Term Disability contract as these products and services were shifted to Morneau Shepell's Voluntary Benefit platform (see above).

### *CUSTOMER SERVICE*

#### Phone Calls, Walk-ins, and Emails

PEBP received approximately 46,000 phone calls in Plan Year 2019 – an increase of almost 5,000 calls over Plan Year 2018. The average time to answer calls was almost 43 seconds and the abandoned call rate was 2.55%. These figures rose from Plan Year 2018 primarily due to a pushed out Open Enrollment to respond to Legislative approval of employer contributions and rate setting, a new member facing portal which created questions, and a cadre of additional voluntary benefits requiring additional communication to members.

The average time to answer calls was 13 seconds greater than industry standards (43 seconds versus 30 seconds) and the abandoned call rate exceeded industry standards and the performance guarantees included in our vendor contracts (3% respectively). PEBP also received 1,153 total walk-ins during the same time period. In addition to phone calls, members also contact PEBP member services through email via the PEBP website. In Plan Year 2019, PEBP received over 19,600 emails which was almost 2,000 more than the previous year.

In-person Education and Outreach

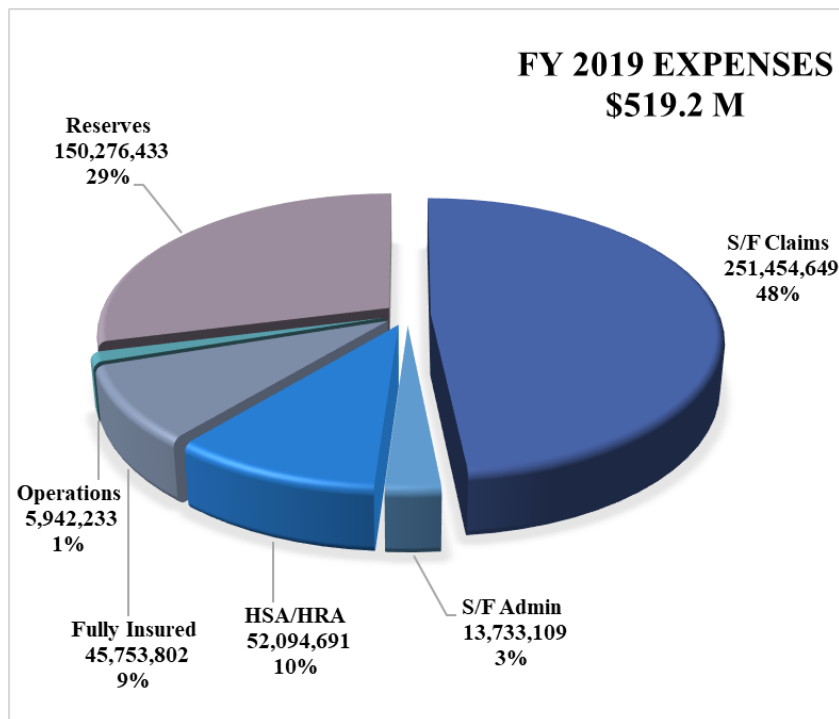
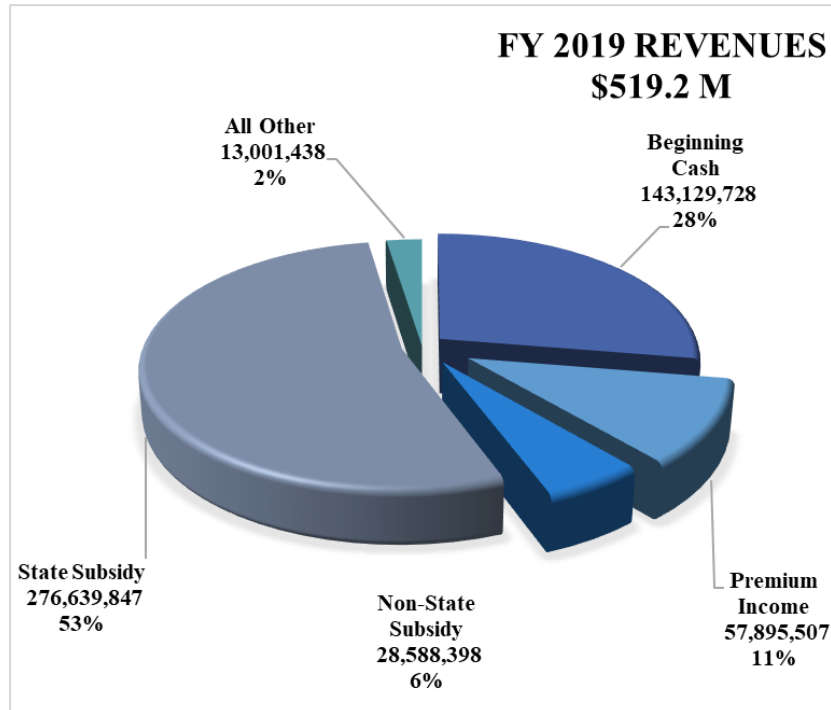
During the month of May, 492 state employees attended a series of open enrollment meetings across the state hosted by PEBP staff and vendors. In addition, 64 employees attended via the new interactive webinar based presentations. The presentation material was also made available on the PEBP website in order to make it accessible to those who could not attend.

*FISCAL YEAR PERFORMANCE INDICATORS*

PEBP did not meet our stated goals last year but we did come close. Appeals increased and we attribute that to adding a new plan in northern Nevada. Our other ratios were all within 1% except generic drug utilization, however, PEBP has had a generic-over-brand drug policy for years to keep generic drug utilization as high as possible.

<b>Performance Measures</b>	<b>Goal</b>	<b>Actual</b>
Expense Ratio	4.15%	4.63%
Claims Loss Ratio	98.66%	97.31%
Generic Drug Utilization	92.59%	85.64%
Medical In-Network Utilization	96.4%	95.6%
Dental In-Network Utilization	94%	93.7%
Appeals per 1,000 Participants	0.21	0.34

**PROGRAM FINANCES**





### *2019 FINANCIAL OVERVIEW*

The Program continues to maintain financial solvency with fully funded Incurred But Not Paid (IBNP) reserves for each of the last fourteen plan years and a fully funded Catastrophic reserve for each of the last twelve plan years. As of June 30, 2019, there were 26.1 million dollars in the Program above those required reserve levels on a budgetary basis (cash as opposed to accrual).

PEBP derived its revenue in Fiscal Year 2019 from four primary sources: State Subsidies (53%); Employee and Retiree Premium (11%), Non-State Employer Contributions which includes the SB522 supplemental subsidy (6%), other revenue to include prescription rebates (3%), and funds carried forward from Previous Years (28%).

Program revenues can only be spent on Program expenses. In Fiscal Year 2019, the expenses of the Program were: Self-Funded Administration, Claims and Health Savings Accounts and Health Reimbursement Arrangement Contributions (61%), Fully Insured Premiums (9%), and Agency Operations (1%). The balance, approximately 29%, was reserved and carried forward to Fiscal Year 2020.

### *RESERVE UTILIZATION*

The conservative financial policies advocated by the actuarial consultants and adopted by the Board, the adoption of plan design changes when necessary to balance increasing medical costs, and the responsible funding of benefit enhancements ensure the plan is run in a fiscally prudent manner. As part of the annual rate setting process, the Board determines how to utilize any reserves accumulated in excess of those actuarially required to maintain the financial solvency of the Program.

In November 2017, the Board approved the Plan Benefit Design for Plan Year 2019 (beginning July 1, 2018). The rates were approved in March 2018 and included the continuation of the following enhancements:

- Medicare Exchange Life Insurance Premiums (\$0.4 million);
- Medicare Exchange HRA Administrative Fees (\$0.4 million);
- CDHP HSA/HRA Enhanced Funding (\$4.7 million); and
- Increase basic group life insurance benefit from \$10k to \$25k for employees and from \$5k to \$12.5k for retirees (\$3.6 million)

The Board also approved additional uses of excess reserves for Plan Year 2019 for enhanced benefits:

- 3-Dimensional Mammography paid as a preventive benefit (\$200k);
- One-time \$2/month/year-of-service supplemental HRA funding for Medicare retirees (\$5.4 million)

## **FUTURE CHALLENGES**

### *THE RISE OF HIGH COST CLAIMANTS*

In Plan Year 2019, PEBP experienced a significant increase in High Cost Claimants (members with claims  $\geq$  \$100,000). Many of these claims are directly related to chronic disease and many of these members are on PEBP's large case management program. As PEBP looks to control costs and help these members through these critical issues, it will be equally important to address health issues to prevent and avoid these claims moving forward. Many programs and services exist to prevent and treat chronic disease and PEBP can explore these opportunities for long-term success.

### *CONTINUED INCREASES TO SPECIALTY DRUGS*

In Plan Year 2019, PEBP again experienced high trend with regards to specialty drug utilization. High cost drugs continue to flood the market and new conditions for older high cost drugs are approved daily. With the federal government limiting certain cost containment programs like PEBP's new Plan Year 2020 copay accumulator program, the solutions and opportunities to mitigate these high costs grow smaller and smaller each year. PEBP will need to continue to research and analyze options to ensure the high costs of drugs don't lead the program to a point of eventual insolvency.