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INFORMATIONAL FACT SHEET - 2003 LEGISLATIVE SESSION

Public Employees' Benefits Program

FREQUENTLY ASKED QUESTIONS

(April 2003)

What is the Public Employees' Benefits Program?

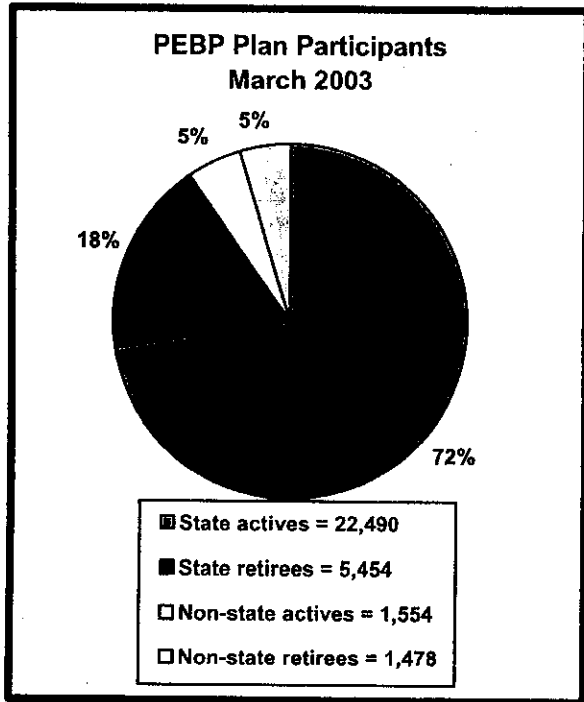
The Public Employees' Benefits Program (PEBP) is a state agency that administers the State Health Plan for state and other public employees. The PEBP is legislatively mandated to provide health, pharmacy, dental, and vision benefits, life insurance, accidental death and dismemberment insurance, and long term disability insurance. The agency has the responsibility to ensure the long-term viability of the program. The first group insurance program was created in 1963 and restructured into the PEBP in 1999 (see Senate Bill 544 of the 1999 Legislative Session).

PEBP Mission Statement
"As the sole state agency legislatively approved to administer health benefits for public employees, the Public Employees' Benefits Program will design, deliver, and manage a quality, comprehensive health care program with reasonable cost sharing for all participating public and non-public employees, retirees, and dependents in a cost-effective, fiscally responsible and actuarially sound manner ensuring long-term viability of the program."

Who Participates in the PEBP?

The program serves nearly 31,000 participants, including:

- State employees and their families;
- State retirees, their families, and survivors;
- State Senators and members of the Nevada State Assembly;
- University and Community College System of Nevada (UCCSN) professional employees under annual contracts and their families;
- Non-state participating public agency (municipalities and special districts) employees and their families; and
- Non-state participating public agency retirees and certain Public Employees' Retirement System (PERS) retirees and their survivors.



Who are non-state participants and what local governments participate in the PEBP program?

A non-state active participant is one who is currently employed by a local government that has opted to participate in the PEBP program pursuant to Nevada Revised Statutes (NRS) 287.045. Meanwhile, a non-state retiree is a retired public employee from a participating local government or a retired employee from a local government that does not participate in the PEBP who has opted into the program individually. Prior to 1969, school districts in Nevada having less than 25 employees were the only non-state public entities eligible to join the PEBP. Assembly Bill 302 of the 1969 Legislative Session allowed counties, all school districts, municipal corporations, and political subdivisions to negotiate with the State's group insurance for inclusion in the program. Prior to 1993, the separate treatment of retirees and the division of rating pools was not addressed specifically in the NRS. Senate Bill 278 of the 1993 Legislative Session allowed those retirees who were employed by local governments that did not take part in the

State's group insurance program to participate. The 1993 legislation required that the claims experience of non-state retirees could not be "commingled" or compared with other groups when setting insurance premiums. In 2001, Assembly Bill 564 authorized the commingling of state active and state retirees for purposes of rate setting. Local governments and political subdivisions with either active employees, retired employees, or both as part of the PEBP include:

- | | | |
|--------------------------------------|---|--|
| Churchill County School District | Eureka County | Pershing County Water District |
| City of Caliente | Kingsbury Grade GID | Round Hill GID |
| City of Ely | Lander County | Tahoe-Douglas Fire Protection District |
| Clark County Conservation District | Lander County Sewer and Water District | Town of Fernley |
| Clark County Health District | Mineral County School District | Washoe County Conservation District |
| Clark County School District | North Lake Tahoe Fire Protection District | Washoe/Storey Conservation District |
| Elko County Agricultural Association | Nye County School District | White Pine County School District |

How is the PEBP Funded?

The operations of the PEBP are funded through legislative appropriation as part of the biennial budget process. Insurance plans within the PEBP are funded through contributions of program participants or their employers. State employee participants, for example, are subsidized by their respective state agencies for their health insurance coverage. The current average subsidy for an active state employee is \$465.78. State agencies must build into their budgets the cost of providing this subsidy to their active employees. Meanwhile, state retirees are also subsidized by the State based on a formula of the number of years employed in state service. The average subsidy for each retired

state employee in 2003 is \$263.89. Many non-state participants do receive a subsidy from their participating local government while they are actively employed. However, most retired local government employees who opt into the State's PEBP program upon retirement from their local government employer do not receive a subsidy for their insurance premiums. These non-state retirees are responsible for paying the full cost of their monthly premiums.

Rate Increases for 2003

In the past year, there has been growing concern regarding the increased insurance premiums paid by participants of the PEBP. These rate increases stem from a number of factors, but are primarily due to the rising costs of health care. The non-state retiree participants of the PEBP have experienced the greatest increase in their rates. As noted earlier, most non-state retiree participants do not receive a subsidy toward their insurance premiums from their former local government employer. According to NRS 287.045, when setting the rates for non-state retirees who were not members of the PEBP prior to retirement, the PEBP Board cannot compare or commingle the insurance claims experience of other members of the PEBP. The law also requires that the rates for this group must reflect the "full actuarial costs" based upon past claims experience. Because the total number of non-state retirees is small (compared to the rest of the PEBP participant population) and the average age of this group tends to be older than the remainder of the PEBP population, the claims experience of the group is generally more unstable. The insurance rates for this small, non-state retiree group must be set based on the sometimes irregular claims history of the group. This accounts for the higher rate increases experienced by non-state retirees.

What are the monthly insurance premiums for state and non-state participants in the PEBP in 2003, and how do they compare with the 2002 premiums?

Several insurance plan options are available for PEBP participants. In northern Nevada, a self-funded preferred provider organization (PPO) is offered. In southern Nevada, both a PPO network as well as a Health Maintenance Organization (HMO) is offered. A majority of the PEBP plan participants (86 percent) participate in the self-funded PPO network. The tables below show select out-of-pocket rates for the self-funded PPO options in 2002 and 2003.

Self Funded PPO Plans

State Active Employees

Group Name	2002 Monthly Premium	2003 Monthly Premium
Employee Only	\$0 (subsidized)	\$0 (subsidized)
Emp. & Spouse	\$135.08	\$147.81
Emp. & Children	\$121.43	\$112.62
Emp. & Family	\$256.35	\$256.59

State Early Retirees (under age 65)

Group Name	2002 Monthly Premium	2003 Monthly Premium
Retiree Only	\$132.05	\$104.55
Retiree & Spouse	\$451.75	\$406.74
Ret. & Children	\$394.42	\$334.79
Ret. & Family	\$622.59	\$629.13

State Medicare Retirees (over age 65)

Group Name	2002 Monthly Premium	2003 Monthly Premium
Retiree Only	\$0 (subsidized)	\$0 (subsidized)
Retiree & Spouse	\$180.19	\$164.56
Ret. & Children	\$258.61	\$176.12
Ret. & Family	\$350.99	\$301.64

Non-State Active Employees

Group Name	2002 Monthly Premium	2003 Monthly Premium
Employee Only	\$322.08	\$468.42
Emp. & Spouse	\$628.54	\$920.66
Emp. & Children	\$559.40	\$812.98
Emp. & Family	\$865.86	\$1,253.48

Non-State Early Retirees (under age 65)

Group Name	2002 Monthly Premium	2003 Monthly Premium
Retiree Only	\$347.11	\$711.67
Retiree & Spouse	\$675.22	\$1,435.34
Ret. & Children	\$617.96	\$1,263.04
Ret. & Family	\$936.27	\$1,967.92

Non-State Medicare Retiree (over age 65)

Group Name	2002 Monthly Premium	2003 Monthly Premium
Retiree Only	\$233.06	\$251.87
Retiree & Spouse	\$445.91	\$475.18
Ret. & Children	\$503.91	\$572.37
Ret. & Family	\$707.27	\$686.85

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What legislative proposals are being considered during the 2003 Legislative Session to address the PEBP?

In recent months, legislators have received many letters, phone calls, and other inquiries regarding the PEBP, its structure, policies, and insurance rates. In response, the Legislature is considering several bills regarding group insurance for public employees. These measures include:

Assembly Bill 165: Revises provisions relating to Public Employees' Benefits Program.

Sponsored by: Assembly Committee on Ways and Means

Assembly Bill 222: Revises provisions relating to Public Employees' Benefits Program.

Sponsored by: Assemblywoman Chris Giunchigliani

Assembly Bill 249: Makes various changes concerning Public Employees' Benefits Program.

Sponsored by: Assembly Committee on Government Affairs, on behalf of the PEBP.

Assembly Bill 286: Revises provisions governing health insurance for retired officers and employees of local governments.

Sponsored by: Assemblywoman Ellen Koivisto

Assembly Bill 454: Directs Legislative Auditor to conduct performance audit of Public Employees' Benefits Program.

Sponsored by: Assembly Committee on Government Affairs

Senate Bill 215: Revises provisions relating to Public Employees' Benefits Program.

Sponsored by: Senator Raymond Shaffer

Assembly Concurrent Resolution No. 10: Directs Legislative Commission to conduct interim study of operations of Public Employees' Benefits Program.

Sponsored by: Assembly Committee on Elections, Procedures, and Ethics

For information regarding the current status of these legislative measures, please refer to the Nevada State Legislature's Internet website at: www.leg.state.nv.us.

For further information regarding the Public Employees' Benefits Program, including proposed insurance premiums for 2003-2004, please visit the PEBP Internet website at: www.pepb.state.nv.us.