

NSHE PEBP Benefits Task Force Meeting – October 1, 2010

Summary Notes by G. Bomotti

(Note: All Task Force members were in attendance, as well as Vice Chancellor Bart Patterson)

1. Update on meeting schedule with PEBP Board Chair (scheduled for 10/1 at 11:30am)

Bart, Jim and Mark Stevens will attend the meeting. Jim will work with Bart to finalize notes after the meeting, which will be shared with the Task Force. NSHE will specially want to ask the PEBP Chair about two specific data items: can we get data on NSHE retirees from PEBP; and can we get NSHE claim experience data from the PEBP data set, for at least the past 3 years, although up to 5 years would be desirable. NSHE will also highlight concerns about the PEBP plan for FY12. It was noted that PEBP may or may not be able to track retiree data for state classified that worked at NSHE, although it was assumed the data for professional/faculty in NSHE could be separated out.

2. Update on selection of consultant to address scope of work.

Several well known national consulting firms were contacted to see if they had interest in assisting us. Of those contacted the following responded:

Gallagher Benefit Services

Mercer

Sibson/Segal

Hays Companies

Sibson/Segal called back and indicated they would need to withdraw, given other work their consultants are involved with. Hayes is a national firm and has reasonable responses, but Gallagher and Mercer proposals were deemed of highest quality. Both Mercer and Gallagher had extensive higher education experience and access to significant data for comparative purposes. Additionally, Gallagher has experience with the City of Henderson and Washoe County Schools, and is familiar with PEBP. Gallagher also has a price range which was a fraction of the amount suggested by Mercer. For these reasons we wish to move forward to contract with Gallagher effectively immediately, with a contract "Not to exceed \$25,000".

Gallagher Senior Vice President Don R. Heilman will be the principle on this engagement. The first priority items they will focus on include the following:

- a. Evaluation of PEBP plan within a broader context, and in specific with what other employers support, and including comparing PEBP with what other Nevada private businesses of similar size provide to their employees. It would also be good to have this comparative data for similar sized private businesses in other states.
- b. Provide comparative data from other states/institutions of higher education (broken down by active and retiree, as well as employee, dependent, and domestic partner), and specifically considering how other public institutions of higher education structure their health care programs (i.e. are they part of large state pools; are there system pools; are there campus pools, etc.).

- c. Assist in developing viable near term (FY12/FY13 in specific) alternative options (if any) to supplement PEBP plan for NSHE employees, and estimating costs and possible effects on PEBP plans/projections. (Note: these options may or may not be programmatically and/or financially feasible.)

It was noted that if in fact we are able to get the PEBP data on NSHE participants, we will talk with the consultant (coordinating with Bart) about getting their help to analyze the information, as we would not be able to complete this task on our own.

Most of the interactions with the consultant will be via technology. We have him scheduled for the 10/15/10 meeting with the Task Force, where he can give an update on status of the scope of work, and respond to any questions/comments from Task Force members. We will determine at a later date if we need to ask the consultant to attend one of our meetings in person, vs. electronically.

Gerry Bomotti will follow-up to assure the contract is finalized and signed by Bart asap.

3. Update on NSHE communications web site for health care information. Bart Patterson

Chris and Bart updated the Task Force on plans for the System web site. The web site will have the option for individuals to submit comments/questions. Those comments/questions will go to Chris who will work with the Chair on summarizing the information for the Task Force, as well as preparing responses to FAQ's. We will be careful to direct appropriate questions to the PEBP web site. Chris is also working to draft other material for the web site, to include the charge to the Task Force, the membership, and other factual information that we approve. There will also be a general introduction for the web site. We will run the draft of all this information by the HR offices for each NSHE institution before it is finalized. Our hope is that we will have this web site up and operational sometime early next week.

4. Update on efforts by NFA and others to impact PEBP plan. Jim Richardson

Jim gave an update on NFA activities, as well as activities of a "Benefits Coalition" group that effectively worked together last session to help bring about positive change in the PEBP plans for the current biennium. Jim also updated individuals on some discussions with legislative leadership. Jim also noted that at the PEBP meeting next Thursday they will be talking about potential priority "add-backs" if there is additional funding to be found. It was also noted that legislative leaders have been getting pressure from the business community in the state to reform public employee benefits. While there are limited options to change the PERS benefits for existing employees and retirees, there are options in the PEBP area, and this seems to be added reason for the focus. These issues will likely be ones that NSHE will face throughout the next legislative session, and it was noted that many people do not realize that professional staff and faculty in NSHE are not participating in PERS, and therefore do not contribute to a future state financial liability, but health benefits are extremely important when combined with the current defined contribution retirement plan. The NSHE seems rather unique, in the fact that we participate in a defined contribution retirement plan, and perhaps there are some advantages we can garner from that fact.

5. Discussion of options/feasibility of direct communications with NSHE retirees.

There is no NSHE retiree group at this time, and we do not have data to track these individuals (either centrally outside of PEBP or at the campus level). There is a larger PEBP group of retirees, but it was noted this group may be dominated by state classified perspectives, and likely would not include issues of interest to professional/faculty. Some concern was also raised about whether direct communication from NSHE with this retiree group would be effective. We will wait to hear the outcome of the request to PEBP for NSHE retiree information, and discuss this issue again. We may also consider asking the executive director of the current state retiree group to come to a future Task Force meeting.

6. Review DRAFT NSHE data on current enrollment in PPO and HMO plans, along with salary range of enrollees (plus those who declined coverage).

This data has been collected and was provided to the Task Force. There are many similarities between BCS and BCN participants, including the very low percent of those who opt out of coverage (about 1.8% overall) and the fact that a significantly larger percentage of those opting out are from the lowest salary level. This data will be part of the report package we put together for the Task Force report to the Chancellor, as important background information. It was also noted that we need to discuss the issue of differential premiums by salary level in the future, and there was a discussion as to whether or not the PEBP Board was also taking up this discussion.

7. Review DRAFT historical information on PPO and HMO premium and plan changes over the past five (5) years.

The draft information was provided, just recently updated for the HMO North information. It was noted that this too would be background data/information that we would want to include in our final report to the Chancellor. We would like to finalize this data/information at next week's Task Force meeting, if possible. Each HR office was asked to review this information and submit any/all comments/suggestions to the Chair asap.

8. Review DRAFT information on models for out-of-pocket expenses for PPO vs. CDHP.

This updated information was discussed. It was noted that PEBP has some data on this as well, and may be using more state "average" data vs. information that would be applicable to each NSHE region (Las Vegas; Reno area; Elko). The Chair asked each HR office to look at these models and determine what might be the best options for the employees they support. It was also noted that we needed to include a footnote on any of these models to highlight that the HSA contributions are assumed constant in future years for purposes of these examples, however, those assumptions could be changed in the future.

9. Discussion of when to invite Jacquie Ewing Taylor to a meeting of the Task Force (10/8 and 10/22 are good options for her calendar)

We will invite Jacquie to the next Task Force meeting – 10/8/10. We will put her on the agenda early and ask her to make any comments she wishes about the PEBP plan and they we will have questions from Task Force members. One specific question that was raised is to seek clarification

as to whether the PEBP is going to require a mandatory contribution from the employee to the HSA. Jim Richardson also noted that Jacque recently gave a presentation to NSHE individuals up north, and he would send that information to Chris, who will copy all Task Force members.

10. Update future meeting schedule and plan of work for the task force. (Note: We have tentatively scheduled each Friday as a meeting date through mid November)

We have meetings scheduled each week through November 12, with the option to cancel if any are not needed. One of the discussions we will have is to identify and prioritize adjustments to the existing PEBP plan that would be important to NSHE. This will be one of the recommendations we need to provide to the Chancellor. In this regard it was noted that each Task Force member should carefully review the draft "Overall High Level Summary of Major Changes Proposed" to make sure they thought it was complete and accurate, as we will use this as a guide to help identify and prioritize recommended adjustments.

11. A question was raised about institutional faculty senate's working on PEBP issues and going directly to the local institutional HR office for data and information, and whether the NSHE-wide faculty senate was assuming there would be coordination on this issue. Jim Richardson agreed to contact Erik Herzik about this matter, copying the Chair as well as Chris Cochran, to discuss this matter. It was a general sense of the Task Force that more coordination on data gathering, and communications with the Task Force, would be better than many individual activities.

Possible Future Agenda Items:

October 8, 2010

1. Jacque Ewing Taylor will join the Task Force. She will provide some comments from her perspective on the PEBP Plan for 2012, and then address any questions or comments from the Task Force members.
2. Update on discussions with PEBP Board chair (10/1/10), including status of getting access to NSHE retiree data and data on NSHE employee experience.
3. Initial discussions on identifying and prioritizing adjustments to the existing PEBP plan that would be important to NSHE.
4. Finalize, if possible, data on historical information on PPO and HMO premium and plan changes over the past five years (awaiting feedback from institutional HR offices).
5. Follow-up discussion about communications with NSHE retirees.
6. Status update on consultant work
7. Status update on NSHE web site.
8. Update future meeting schedule and plan of work for the task force.

October 15, 2010

1. Don Heilman, Area Senior Vice President, Gallagher Benefit Services will join the Task Force electronically to talk about status of his scope of work and to field questions/comments from the Task Force.

Overall High Level Summary of Major Changes Proposed
(DRAFT)

1. Retain the PPO plan structure relative to in/out network, but essentially it would become what might be described as a Catastrophic Health Care program (or high deductible program). HMO options will continue, but the rates will be blended for north and south, leading to significant increases in the south and potential decreases in the north.
2. The Consumer Driven Health Plan (CDPH) would have high deductibles (\$2,000 annual individual and \$4,000 Family) without any co-payments until after these were met, leading to much higher out of pocket costs until after these were met (see attached chart).
3. The Co-insurance rate that employee's will have to pay is going up from 20% to 25%.
4. Introduction of Health Savings Accounts (HSA) for active employees to "seed" a portion of the high deductibles (and Health Reimbursement Accounts (HRA) for retirees). \$600 seed money for employee and \$200 for each dependent up to max of \$1,200. HSA's roll-over from year to year, HRA's don't.
5. Prescription medications are now subject to the high deductibles.
6. Blending the rates for the HMO programs north and south, which will lead to much larger increases for those in the southern HMO program (subsidy of the northern HMO).
8. Elimination of \$125 every other year for glasses, frames, or contact lenses
9. No coverage for spouse or domestic partner who has, or who are eligible for, coverage under their own employer sponsored health care plan (PEBP will have to police this issue).
10. All Dental benefits are eliminated, other than four (4) cleanings per year.
11. Medicare Retirees (current and future) will be moved to a Medicare Exchange program. A Medicare Exchange program is a broker service that provides retirees with information on various Medicare supplement plans available in the market. Services provided include negotiating discounts, identifying providers, and comparing costs.
12. Premiums for employees not yet set, but clearly a significant decrease in the current percentage that is paid for the employee (see summary table at bottom of sheet). Combined with high deductibles it is possible many more employees will opt out of health care covered through PEBP.
13. Basic life insurance amount reduced by half (\$5k vs. \$10k). Eliminated dependent life insurance.
14. Reduction of Long term disability income, from 60% to 40%.

Other Potential Task Force Adjustments to Discuss:

1. Subsidy rate for employee vs. dependents.
2. Premium rates tied to employee salary level.