Nevada System of Higher Education
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November 18, 2010

Public Employee Benefits Program Board
c/o James R. Wells, CPA,
Executive Officer
901 S. Stewart Street
Suite 1001
Carson City, NV 89701

Dear Board,

As Chancellor of the Nevada System of Higher Education, I would like to first take this opportunity to thank the Board and the staff of the PEBP for all of your hard work. As you are aware, the issue of health care coverage is one of vital importance to the Nevada Higher Education System and its employees. The quality of our health insurance benefits is one of the significant factors in the recruitment and retention of quality faculty and staff, particularly in a budget climate in which we have experienced furloughs and continuing uncertainty.

As the magnitude of the financial impacts facing PEBP became apparent, I formed a task force to examine the changes occurring in our health care benefits. PEBP staff have assisted the task force by providing us with data through the vendors, and Chair Kirner, Vice Chair Ewing-Taylor and Executive Director Wells have provided us with background and explanations of the changes to the PEBP program.

While the work of the NSHE task force continues and should be completed by the end of the year, I would like to share with you some of the concerns that have emerged regarding the PEBP changes planned for FY 2012 plan year. Among the primary concerns that have been provide to me from the task force:

1. Deductibles are in addition to the "stop-loss" amounts, creating an even larger increase in out of pocket expenses. We understand the PEBP is planning to address this issue, and hope there will be some action on this at the December 2, 2010 meeting.
2. The new structure for prescription drug coverage will have significant financial impact on those individuals who are under regular monthly drug requirements.
3. Could PEBP consider offering a "low" and "high" deductible option as existed in the past, even with the assumption that the premiums would be significantly different?

4. We are interested in understanding what options for Dental coverage are being investigated by PEBP, either through a fully insured/participant paid program or partially covered by premiums, and whether PEBP is considering optional vs mandatory participation.
5. There is confusion as to why PEBP proposes 4 cleanings per year under the only remaining dental coverage, and whether a change to 2 would allow a redirection of funds to some other dental coverage area.
6. There is unique concern about the LTD reduction, as many NSHE employees are not eligible for LTD under Social Security or under PERS. While many State employees are eligible for disability retirement benefits under PERS, it in general does not apply to NSHE faculty and professional staff most of our professional employees are on the NSHE Defined Contribution Retirement Plan. This has a major negative impact on NSHE faculty and professional staff that is not true for any other PEBP covered employers.
7. There is great interest in understanding what rate reductions PEBP has negotiated, on behalf of its members, for covered medical procedures. The assumption is that in this economy vendors may be willing to agree to price concessions. What PEBP rate decreases over existing PPO in-network costs are projected for medical procedures for FY12/FY13? There is a desire to understand whether cost sharing will be absorbed by the medical providers, and not just the overall plan and the individual participants.
8. The same basic question as above, but for the HMO providers - what have been the results of the PEBP rate negotiations with HMO providers relative to the rates that would be effective for the FY12 plan year? Also, how are the health care providers selected? Again, is the cost sharing being absorbed, at least in part, by providers.
9. What are the PEBP assumptions on final enrollments for next plan year in the CDHP and HMO plans compared to existing PPO and HMO levels? What are the PEPB assumptions on the level of eligible participants that would drop all coverage? For those who might drop all coverage, what are the PEBP assumptions on whether this would result in any significant cost transfer to other health care programs in the state (e.g. HSS, UMC, etc.)?
10. A concern also is being expressed as to whether the HMO programs would even be able to support any significant increase in participants (given the number of health care providers now supporting those programs), especially a migration from the PPO plan, and how the premiums might impact any possible migration. The current assumption is that both the northern and southern HMO plans currently suffer from a significant lack of access to medical providers. What discussions has PEBP had with the HMO providers about their current and projected future ability to serve covered participants?
11. Our retirees (and those current employees that might be considering retirement in the near future) are specifically concerned about the implementation of the Medicare Exchange program, and having sufficient time to fully understand the program before it is implemented. What is the PEBP plan to help assure the implementation of this new program is effective and efficient?

12. There are a number of significant concerns arising from the new policy on spouse or domestic partner coverage. For a participant who covers their spouse or domestic partner, PEBP coverage will be eliminated for the spouse or domestic partner who have or who are eligible for overage under their own employer sponsored health plan (this policy exists now for any PEBP covered individuals).

    a. How is it feasible for PEBP to monitor and enforce this new policy, especially relative to whether the spouse or domestic partner declined alternative coverage from their employer? If it cannot be monitored and enforced, can it be effectively implemented?
    b. This policy has been in effect for PEBP participants, but combined with the large increase in deductibles will have a significant financial impact on PEBP covered employees (a cumulative deductible for a family under this circumstance will be $6,000, a combination of the individual and family) up from the existing cumulative deductible of $2,400 (the $6,000 would net down based on HSA contributions, but still represents a significant increase). Employees whose spouse/domestic partner works for a non-PEBP may also see a major financial impact as they will now be subject to two deductibles.
    c. There is also concern that the options available to a spouse or domestic partner through a non-PEBP plan may not be anywhere equivalent.
    d. A great concern has been raised relative to the fact that the PEBP plan year is on a fiscal year basis, where it appears the plan year for most employers is on a calendar year basis, meaning the spouse or domestic partner are currently in open enrollment (for a CY11 plan year) and it is not clear what viable options are available to deal with this first year of implementation of this new rule (given the overlap for the last six months of CY11 with the first six months of FY12 PEBP coverage). It is not clear the other employers outside PEBP will in fact consider this PEBP policy change as a "qualifying event" under their plan and allow a spouse to enroll in health coverage mid plan year. Has PEBP verified their assumptions about the qualifying event with other employers in the state, and if so, which ones?

NSHE set up a web site to gather employee comments/suggestions on the PEBP changes.

A summary of the 232 comments received to date is outlined below:

* employees saying they will opt out of PEBP benefits altogether
* employee considering or working on leaving NSHE
* employees considering or working on leaving the state
* recurring concern about retention & recruitment of quality faculty & employees
* concern about MS drugs & others being labeled "specialty drugs"
* many with the $6000 deductible issue for couples who both work for the state w/dependents
* recurring suggestions to reduce cleanings to 2 per year and add some dental coverage back into the basic plan.

I am including a chart of these comments for the Board's reference.

SURVEY RESPONSES		
As of November 3, 2010		
	Total Responses	%
Respondents	232	
Supports Changes	1	0.43%
Supports Extending the plan year	2	0.86%
Other comments/suggestions	229	98.71%
AREAS OF CONCERN		
Overall affordability	182	
High Deductibles	102	
High Out of Pocket Costs	93	
Dental	80	
Prescription	33	
Vision	30	
Lack of HMO Providers	14	
Blending of HMO Rates	13	
Spouse Eligibility	11	
Reduction in Life Insurance	8	
Reduction in LTD	4	
Medicare Exchange	2	

We understand that the State of Nevada and the PEBP Board have a daunting task of dealing with the State's budget situation. We wanted to let you know of the concerns our employees are expressing and the importance of this issue to the entire System. While we recognize many of these issues cannot be solved without adequate funding, as the NSHE task force completes its work, we will certainly continue our dialogue with PEBP about how these impacts can best be managed and any viable alternatives.

Yours truly,

Daniel Klaich

Cc: Vice Chairperson, Jacque Ewing-Taylor