

## NSHE PEBP Benefits Task Force Meeting – November 5, 2010

### Summary Notes by G. Bomotti

(Note: Two task force members were unable to attend this meeting)

1. Follow-up discussion on identifying and prioritizing adjustments to the existing PEBP plan that would be important to NSHE.

The draft listing is highlighted below. Each Task Force member voted for the three (3) top priorities. Note: this will not be a final vote on these priorities, as we will continue to discuss them until we have consensus about our recommendation to the Chancellor. The votes from the Task Force members are included in “( )” in front of each item below.

- A. **(13)**: Prescription Drug Coverage.
- B. **(12)**: Overall affordability of the Plan/Out-Of-Pocket levels. Address the high deductible amounts, and the fact that in the current plan the deductibles are in addition to the “stop-loss” amounts (note: Jacques indicated PEBP intends to address this issue, and we still need to follow-up on the clarification to this issue). It was even noted that there is a desire for PEBP to consider offering a “low” and “high” deductible option as existed in the past, even with the assumption that the premiums would be significantly different. The co-insurance level also comes into this discussion, specifically the move down to 75% coverage after the deductible is met. There is a major concern that the PEBP plan may not be perceived as affordable, especially for lower paid individuals, and whether we will see many more opt out of coverage (which in some cases could mean no medical coverage, with an expectation that when they consume medical care it is paid for through other sources, including the public hospital and other state/county health and human services programs).
- C. **(6)**: LTD reduction, and the note about many NSHE employees not being eligible for LTD under Social Security.
- D. **(4)**: Dental Coverage (Note: there is confusion as to why PEBP proposes 4 cleanings per year and whether a change to 2 would allow a redirection of funds to some other higher priority area).
- E. **(2)**: HMO issues, including overall affordability and the blended rate north and south (and what the rate will be, for those who are concerned about the CDHP as a viable alternative), but also wondering if there are options to strengthen the HMO offerings with more doctors in the plan. It should also be noted that there is a split on the reception of this issue, with those in the north (in general) supporting the PEBP plan and those in the south (in general) being against it. 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.
- F. **(1)**: Eligibility of spouse/domestic partner, or at least requiring comparable coverage for non-eligible (also added question about spouses on a CY vs. FY plan basis – how is PEBP going to address this? It was noted that PEBP is now aware of the question, but they have not provided a response). It was also noted that this change will have an even greater impact on employees where the spouse/domestic partner also works for NSHE or another state agency, as the cumulative deductible for a family under this circumstance will be \$6,000 (individual of \$2,000 and then family of \$4,000).

**Note: The two items listed below may be treated differently from the plan issues highlighted above. The Task Force will discuss this at future meetings.**

- G. **(1):** A discussion of whether it would be better to delay the Medicare Exchange program implementation for a year, so that more information and understanding of the change could be effectively communicated to faculty and staff.
  - H. Extend the enrollment period, as was done last legislative session. Concern is being expressed about how easily employees will be able to adjust to the radical changes in the PEBP plan, and still have July 1, 2011 implementation date.
2. Drafting of a letter for the Chancellor to consider sending to the PEBP in advance of their December 2, 2010 meeting.

The Task Force talked about preparing such a draft, and finding out from PEBP when the material for the agenda for the next meeting is finalized. This would be a draft from the Task Force through Bart to the Chancellor for consideration, and the initial ideas for what topics would be included are outlined below:

- a. Concern about the fact that in the current plan the deductibles are in addition to the “stop-loss” amounts (at least that is our understanding from the discussion at the last PEBP meeting).
- b. Highlight the desire for PEBP to consider offering a “low” and “high” deductible option as existed in the past, even with the assumption that the premiums would be significantly different.
- c. Inquiry into what option for Dental coverage are being investigated by PEBP, either through a fully insured/participant paid program or partially coverage for premiums.
- d. 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 higher priority area.
- e. A significant concern about the LTD reduction, and noting that many NSHE employees are not eligible for LTD under Social Security.
- f. What are the PEBP rate decreases for the PPO in-network costs for medical procedures for FY12/FY13 vs. current and recent past, and specifically those that would relate to the FY12 plan year? There is a desire to understand what cost sharing are for the medical providers, not just the overall plan and the individual participants.
- g. 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? The same desire has as noted in the item immediately above.
- h. What are the PEBP assumptions on any significant migration from the current PPO plan into the CDHP, or the HMO plans, and vice versa? What are the PEPB assumptions on the level of eligible participants that would drop all coverage?
- i. 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?
- j. 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 coverage under their own employer sponsored health plan. How is it feasible for PEBP to

monitor this, especially relative to whether the spouse or domestic partner declined alternative coverage? There is also concern that the options available to a spouse or domestic partner may not be anywhere equivalent. 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 for selection for 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 was also noted that this change will have an even greater impact on employees where the spouse/domestic partner also works for NSHE or another state agency, as the cumulative deductible for a family under this circumstance will be \$6,000 (individual of \$2,000 and then family of \$4,000).

- k. Include a summary as well as the raw feedback from the NSHE employee comments on the PEBP changes.

3. Status update on work of consultant, Don Heilman, and overall data gathering, et. al.

Gerry Bomotti noted that Don is making good progress on gathering the comparative data on regional public institutions as well as other publics in Nevada. We have been working on the private employers in the state and have a number of good contacts, but are still needing contacts for a total of four (4). It was also noted that Pat LaPutt prepared the attached summary of overall benefit levels from existing AAUP data.

4. Discussion about the Draft report to the Chancellor and ideas for what might be included.

The charge from the Chancellor is noted below, but it is also important to identify any other key ideas that should be considered for inclusion in the final report.

“\*Review and analyze the current legislative recommendations of the PEBP Board.

\*Put the PEBP recommendations in perspective, both as to recent cuts and their impact on employees. This may be redundant, but we want to know how this impacts a typical employee.

\*Propose alternatives to the current proposals.

\*Provide comparison with benefits provided in other states for perspective.

You may also discuss the longer term sense of staying in the system but this should only be considered after the Task force gathers the information above.”

Note: See attachment for rough/early draft of some potential ideas/suggestions for issues to be considered in final report.

5. Update on Technical/Legal Issues which might impact any changes in what NSHE can offer employees for benefits outside of the PEBP plan.

Bart noted that he had a recent discussion with PEBP about this and other related issues and he described the discussions as positive.

6. What are the PEBP rate decreases on the PPO in-network costs for medical procedures for FY12/FY13 vs. current and recent past?

This is a follow-up question being directed to PEBP, as it has come up in several discussions, including those recent discussions led by legislative leadership.

7. Status update on information from PEBP in response to data/information request.

Bart noted that he has not heard anything new from PEBP, but is actively working with them to get an update.

8. Status update on employee feedback received through the NSHE web site.

Chris Haynes updated the Task Force on the 233 comments that have been received to date. She noted that the top items mentioned in the comments were overall affordability; prescription drug coverage; and dental coverage. She will prepare a summary for near future distribution to the Task Force, but has previously provided the information pasted below.

- employees saying they will opt out of PEBP benefits altogether
- employees 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 labeled as "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 in
- recurring requests to offer a separate dental/vision plan for purchase
- recurring idea that large families should pay more than childless couples
- recurring idea that those who make more should pay more

Several of the comments didn't address any specific issue but expressed frustration at not understanding the changes and wanting to know what the HMO changes are. Several were unclear whether the out of pocket max includes the deductible. Many said they'd be willing to pay more for more coverage and seem to be unaware that they will already be paying more for less.

9. Update on discussions with Chancellor about extension of time for Task Force work.

Bart Patterson noted that the Chancellor was willing to provide more time as long as the Task Force was making progress.

10. Update future meeting schedule and plan for work of Task Force and Draft Agenda items for November 19, 2010 Task Force Meeting. The previously scheduled November 12 Task Force meeting is cancelled. Our next meeting will be November 19, at which time Jacque Ewing Taylor will join the Task Force for discussion. We are also adding/scheduling Task Force meetings for December 10<sup>th</sup> and December 17<sup>th</sup>.

- a. Discussion with Jacque Ewing Taylor, to provide overall comments for the Task Force on status updates on PEBP activities, as well as to provide comments to the Task Force on the initial priority listing developed based on the current PEBP plan.
- b. Follow-up discussion on identifying and prioritizing adjustments to the existing PEBP plan that would be important to NSHE.
- c. Discussion of DRAFT letter to the PEBP proposed by the Task Force to the NSHE Chancellor.
- d. Status update on work of consultant, Don Heilman, and overall data gathering, et. al.
- e. Discussion about the Draft report to the Chancellor and ideas for what might be included.
- f. Update on Technical/Legal Issues which might impact any changes in what NSHE can offer employees for benefits outside of the PEBP plan.
- g. Status update on information from PEBP in response to data/information request.
- h. Status update on employee feedback received through the NSHE web site.
- i. Update future meeting schedule and plan for work of Task Force.

**SOURCE: 2009-10 AAUP Report on the Economic Status of the Profession.**

Benefits represent the institution or state contribution on behalf of the individual faculty member; the amount does not include employee contribution. Benefits include: retirement, medical insurance, disability income protection, tuition for faculty dependents, dental insurance, social security, unemployment, group life insurance, and workers' compensation.

	<b>Benefits as % of Salary</b>	<b>Contributing to Social Security</b>	<b>Adjusted Rate without Social Security*</b>
Average of all states (not including Nevada)	28.83		23.25
<b>ARIZONA</b>			
Arizona State University	28.8	Y	22.6
Northern Arizona University	33.9	Y	27.7
University of Arizona	27.7	Y	21.5
<b>CALIFORNIA</b>			
San Francisco State University	25.5	Y	19.3
San Jose State University	25.4	Y	19.2
University of CA-Berkeley	33.4	Y	27.2
University of CA-Davis	34.6	Y	28.4
University of CA-Irvine	34.4	Y	28.2
UCLA	33.2	Y	27
University of Southern California	34.7	Y	28.5
<b>COLORADO</b>			
Colorado State University	25.1	N	25.1
Colorado State University-Pueblo	18.9	N	18.9
University of Colorado-Boulder	25.5	N	25.5
University of Colorado-Denver	22.1	N	22.1
<b>MONTANA</b>			
Montana State University-Billings	32.4	Y	26.2
Montana State University-Bozeman	27.3	Y	21.1
Rocky Mountain College	23.4	Y	17.2
University of Montana	31.7	Y	25.5
University of Montana-Western	35.7	Y	29.5
<b>NEVADA</b>			
University of Nevada Las Vegas	21.6	N	21.6
University of Nevada Reno	21.6	N	21.6

<b>NEW MEXICO</b>			
New Mexico State University-Grants	26.1	Y	19.9
New Mexico State University-Main	27.6	Y	21.4
University of New Mexico-Main	26.1	Y	19.9
University of New Mexico-Taos	28.2	Y	22
University of the Southwest	26.6	Y	20.4
<b>OKLAHOMA</b>			
Northwestern Oklahoma State University	29.4	Y	23.2
Oklahoma State University-Main	31.2	Y	25
Oklahoma State University-Oklahoma City	36.2	Y	30
Southeastern Oklahoma State University	23	Y	16.8
Southwestern Oklahoma State University	37.3	Y	31.1
University of Tulsa	29.6	Y	23.4
<b>TEXAS</b>			
Texas A&M University	19.3	Y	13.1
Texas State University-San Marcos	22.2	Y	16
University of Dallas	30.2	Y	24
University of Houston	23.8	Y	17.6
University of North Texas	16.1	Y	9.9
<b>WYOMING</b>			
Northwest College	35.7	Y	29.5
University of Wyoming	31.5	Y	25.3
<b>UTAH</b>			
Southern Utah University	40.8	Y	34.6
University of Utah	21.3	Y	15.1
Utah State University	37.2	Y	31

\* Rate is adjusted if the institution is contributing into Social Security. The rate is reduced by 6.2%

### **Potential Issues for Final Recommendations to Chancellor Klaich**

1. Highlight the critical nature of health care benefits for the retention and recruitment of NSHE faculty and staff.
2. Potential recommendations on supplemental contribution options for NSHE to employees within PEBP? An option for the UNLV SDM to offer a dental plan could be part of this discussion.
3. Potential recommendations on NSHE legislative response to PEBP plan.
4. Potential recommendation on the option for a graduated rate/premium structure based on income levels.
5. Initiate activities to determine the feasibility of withdrawal from PEBP at some future point, and either setting up own self-funded program or partnering with some other public employer.
6. Potential recommendation for NSHE to develop a proposal for specific alternatives to meet the needs of NSHE employees for health care benefits.
7. Option to consider Retirement and Health Care programs as a package, given they are the two largest benefit programs by far. Most NSHE professional/faculty do not participate in PERS, thus NSHE is rather unique in this area compared with other state/public employees in the state, and we therefore do not contribute to any future state retirement liability.
8. Task Force recommendation option. Health Care benefits are a critical and required offering for our faculty and staff, in order to retain and recruit quality employees. NSHE needs to take a more active and consistent role in tracking our health care programs, as the near term projections appears to suggest on-going challenges. NSHE could be in the position of having a similar task force in another two years, unless there is some focused effort to remain engaged in this activity.
9. Options for the UNLV SDM to offer plans?

### **Potential Supplemental Information to Help Frame our Data Presentation (Las Vegas Chamber Information; SAGE Report Information; and Nevada Taxpayer Association Data).**

#### **2008 State and Local Employee Compensation and Benefits Analysis – Las Vegas Chamber of Commerce:**

These reports from the Las Vegas Chamber have driven some of the debate about public employee compensation and benefits in Nevada. One of these reports looks specifically at retiree health care benefits. The last report listed below is the Analysis Brief, Volume 2, Issue 1 State-to-State Comparison of Public Employee Compensation Levels – 2008, Updated in January 2010. Pasted below are some quotes from this report below, which are important background and context for the NSHE employee benefits.

"Nevada's state and local government employees were paid more than the national averages in all but four job classifications: 1) air transportation (94.6 percent of the national average); 2) social insurance administration (96.6 percent of the national average); 3) elementary and secondary instruction (95.3 percent of the national average); and 4) higher education instruction (95.0 percent of the national average)."

"There continued to be notable variances between wages earned by state and local employees. State workers' average annual salary of \$55,300 was 107 percent of the national average and ranked 9th highest nationally. By

contrast, public employees classified as "local" reported earning salaries 117 percent of the national average, which placed the group 8th highest nationally. Worth noting is that the U.S. Census Bureau data classified K-12 teachers as "local" employees. If teachers are removed from the "local" calculation, Nevada's local government workers report wage payments 131 percent of the national average."

"Also worth noting is that approximately 82 percent of state and local government employees participate in the "Employer-Pay" plan offered by Nevada Public Employees' Retirement System (PERS), as opposed to the "Employer/Employee-Pay" plan. Those participating in the "Employer-Pay" plan receive a lower salary in exchange for contributions to be made on their behalf to their own retirement fund by their employer. Both the "Employer-Pay" plan and the "Employer/Employee-Pay" plan have unique advantages and disadvantages, but what is relevant to this analysis is the fact that the majority of government employees in Nevada "earn" higher salaries than what is generally reported as take home pay."

<http://www.lvchamber.com/files/pdf/FAB-public-private-comp-analysis.pdf>

<http://www.lvchamber.com/files/pdf/FAB-state-to-state-comparison.pdf>

<http://www.lvchamber.com/files/pdf/FAB-retiree-health-subsidy.pdf>

<http://www.lvchamber.com/files/pdf/FAB-public-employee-comp-update.pdf>

**Information from final SAGE Report – Nevada Spending and Government Efficiency Commission. Page 18-19.**

“In 2008, the Las Vegas Chamber commissioned Hobbs, Ong & Associates and Applied Analysis to analyze state and local fiscal issues including public sector employee compensation levels with particular emphasis on wage, salary and benefit parity between public and private sector employees in Nevada.....It is important to note that SAGE was primarily concerned with state employees, who are paid significantly less than their counterparts working for city and county jurisdictions in Nevada. For example, state workers were paid at 102% of the national average, ranking 15<sup>th</sup> nationally among the 50 states and District of Columbia, while “local” public sector employees in Nevada earned 116% of the national averages, making them 8<sup>th</sup> highest paid in the nation. If Nevada’s teachers, who are paid 6.5% less than the national average, are removed from this “local” employee category, the state’s local government workers report wages which are 131% of the national average.”

**NEVADA ISSUES = a publication of the Nevada Taxpayers Association, Issue 7, July 2010, page 7**

“20. Both the employer and the employee should share all retirement contributions.

Reason: In Nevada, the Public Employee Retirement System (PERS) functions in place of Social Security for government employees. State employees make their employee contribution either through a payroll deduction reflected on their pay stub, or by being placed on a lower salary scale. *The same is not true for local government employees* who collectively bargain and are permitted to declare their employee contribution as being “in lieu of equivalent basic salary increases or cost-of-living increases, or both.” This effectively shields local government employees from sharing the cost of their retirement, contrary to the intent of the law.”