



NEVADA FACULTY ALLIANCE

The [Nevada Faculty Alliance](#) is the independent statewide association of faculty of the Nevada System of Higher Education. The NFA is affiliated with the American Association of University Professors, which advocates for academic freedom, shared governance, and faculty rights. The NFA works to empower faculty to be wholly engaged in our mission to help students succeed.

Public Employees' Benefits Program Budget Restoration

• Benefit Cuts at May 7 Budget Closing

Drastic cuts in benefits affecting the most vulnerable

- Increased maximum out-of-pocket costs by thousands of dollars per year **hurt employees who have a major health crisis or need high-cost treatments.**
- Added 20% coinsurance on the HMO/EPO plans, removing the benefit of predictable copayments on the higher-premium option.
- Completely eliminated the Long-Term Disability (LTD) Insurance benefit, hurting future **disabled employees who will have no safety net.**
- **A one-month holiday will reduce employee premiums by 8.3% for the year.** Taking the holiday into account, employee monthly premiums are increasing by 33% over pre-pandemic FY2020 premiums for the base high-deductible plan.

• Long-Term Disability Insurance

Safety net for state employees

- If LTD is not restored, current state employees will have no coverage if they become disabled after July 1.
- **The State of Nevada has opted out of Social Security**, so state employees are not eligible for Social Security Disability.
- **Voluntary LTD insurance** through PEPB will not be available until Jan. 2022 and **will cost 0.58% of salary** for middle-aged employees at the current level, prohibitive for many.
- The average time employees stay on LTD is about 5 years—ending upon death, age 65, or return to work.

• Past Benefit Cuts Have Been Permanent

Costs transferred to state employees

- PEPB benefit reductions used in 2011 to help solve budget shortfalls after the Great Recession.
- Costs transferred to participants in the form of employee premiums and high deductibles and out-of-pocket maximums, which have been increased for FY2022.

• Use Available Funds to Restore Benefits

PEBP Excess Reserves and American Rescue Plan

- An end-of-year excess cash balance of **\$33M** was predicted at the May 7 PEPB budget closing. Less than \$8M has been allocated (\$4.4M for FY2022 premium relief and \$3.3M for Medicare retiree HRA contributions).
- The May 4 Economic Forum added **\$586M** to the biennial budget. The state will receive **\$2.9B** from the American Rescue Plan, which can be used to offset revenue shortfalls due to COVID19.
- Because PEPB open enrollment started on May 1, **it is too late to change plan design for FY2022, but FY2023 benefits can still be restored to pre-pandemic levels.**

• Priorities for PEPB Budget Restorations

Protect the most vulnerable state employees

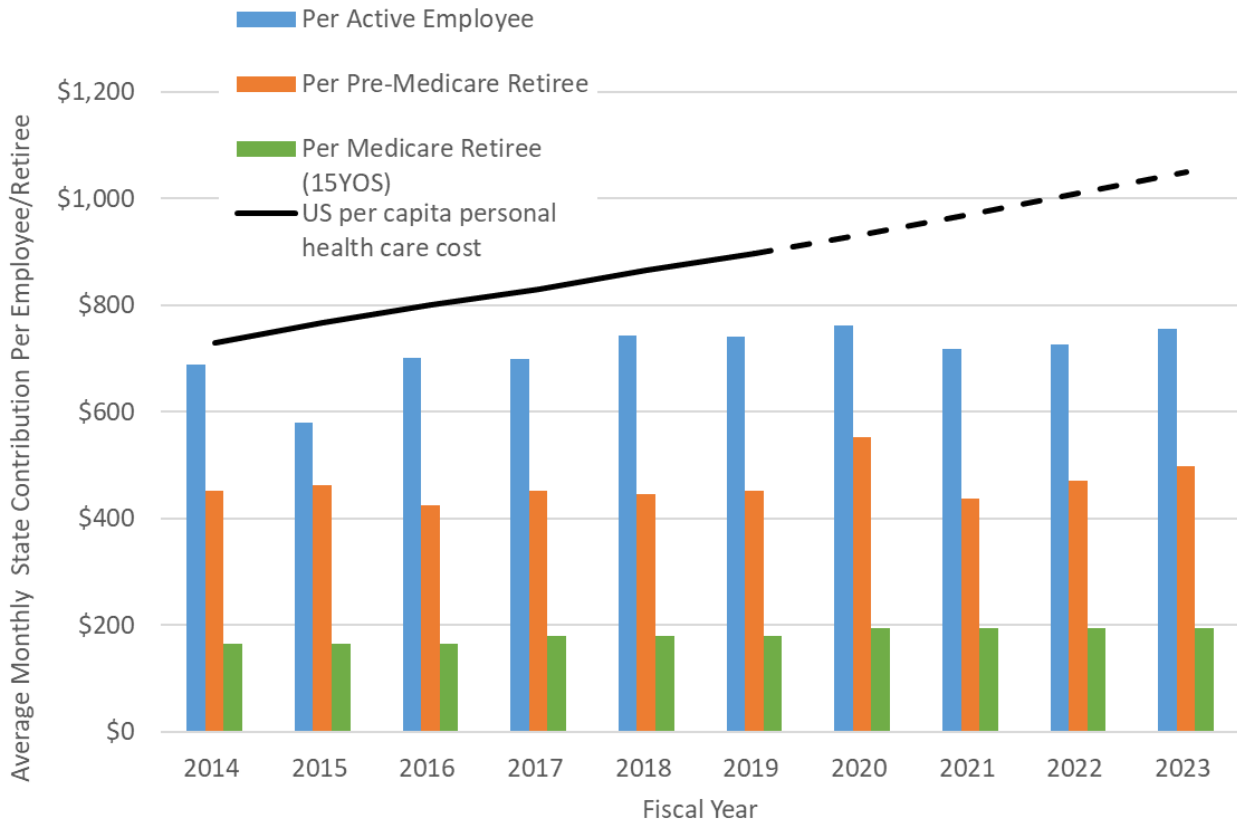
- **Restore Long-Term Disability at the FY2021 level at a cost of \$4.6M/year** (less than \$15/month per employee).
- **Restore life insurance benefits** at a cost of about \$3.5M/year.
- **For FY2023, restore PEPB premiums to pre-pandemic FY2020 levels** at an estimated additional cost of \$10M to \$14M.
- **For FY2023, roll back the deductibles, out-of-pocket maximums, and coinsurance to pre-pandemic FY2020 levels.** The cost requires an actuarial analysis, but a rough estimate based on past PEPB projections is \$15M.

• PEPB Actuarial Audit

Second opinion for prudence and accountability.

PEPB has a ten-year history of underestimating excess reserves, by tens of millions of dollars. AON has been the contracted actuary for decades. **An audit of AON's actuarial rate-setting methods and PEPB's assumptions and methods at a cost of \$100K is overdue and should be required.**

PEBP Employer Contributions Per Employee or Retiree



Source: PEBP funding bills. State contributions include coverages for dependents. FY2022-FY2023 per May 7 budget closing.
 US trend: <https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/NationalHealthAccountsHistorical.html> (post-2019 projected at 4% trend)

State contributions for PEBP benefits per employee have been relatively flat since 2014 while health care costs have risen over 40%. The cost difference has been shifted to PEBP participants through high deductibles, higher out-of-pocket maximums, and premiums.

Nevada Faculty Alliance Fact Sheet

Comparison of pre-pandemic FY2020 plan versus FY2022 plan design

PEBP Base High-Deductible Plan (CDHP)

Tier	Employee-Only			Employee plus Family		
Fiscal Year	FY2020	FY2022*	Change	FY2020	FY2022*	Change
Deductible	\$1500	\$1750	+17%	\$3000	\$3500	+17%
Out-of-pocket (OOP) maximum	\$3900	\$5000	+28%	\$7800	\$10000	+28%
HSA/HRA employer contribution	\$1100	\$600	-45%	\$1700	\$600	-60%
Employee premium (monthly)	\$31	\$45	+45%	\$212	\$314	+48%
Net Annual Max (OOP+premium-HSA)	\$3171	\$4936	+56%	\$8644	\$13171	+52%

- ELIMINATED long-term disability insurance benefit (currently 60% of income up to \$7500/month). Affects current active state employees after July 1, 2021.
- Other plan design changes for High-Deductible Plan (CDHP):
 - Reduced Employer Contribution percentage from 95.0% to **92.9%** for employee premiums and from 75.0% to **68.5%** for dependent premiums.
 - Health Savings Account contributions decreased to \$600 per participant, eliminated additional amounts for dependents.
 - Narrow pharmacy network (excludes CVS and Walgreens) for 30+ day prescriptions
 - Lower payments for out-of-network providers.
 - Actuarial value for CDHP reduced from 87% to 81%.
- Added “low-deductible” mid-level plan with \$500/\$1000 deductible and copays with 84% actuarial value, lower than the FY2021 high-deductible plan.
- For the HMO/EPO plans, added \$150 (single)/\$300 (family) deductible, 20% co-insurance for some services, and 30% coinsurance for Rx, reducing the actuarial value from 92% to 89% .
- Reduced life insurance to \$12,500 for actives and \$7,500 for retirees (from \$25,000 and \$12,500, respectively).

Source: PEBP rate sheets and open enrollment materials.
Updated 5/10/2021