1. Update on work of consultant, Don Heilman, on data gathering and options for supplemental NSHE programs.

*Update on comparative data. We hope to get another draft of information from Don next week, and will share that with the Task Force. Information from that report will be important parts of the final report to the Chancellor. We will also work with Bart/System to help assure this document can have a final update after the February 2011 rates are available from PEBP, as this is an important factor in completing that report.

*Summary information to date from NSHE analysis of Private Employees in the state. We contacted a total of nine (9) private employers in the state of Nevada to request information on the health care benefits they provide to their employees. Not all were willing to provide this data, and those that did were, in general, only willing to share more general data than what was gathered through the Gallagher survey. However, in total we received information from six (6) of the employers covering banking, resort/casino industry, public utility companies, and other private employers. However, these six (6) private employers in Nevada cover an estimated 12,000 employees (so larger than all of NSHE) and therefore we are pleased with the return. Overall the results indicate that the current PEBP plan is in line with those of these private employers, but they are in general not making major changes for the 2011 plan year (they are on calendar year plan schedule while PEBP is on a fiscal year plan). Therefore, with the plan changes occurring July 1, 2011, we/NSHE drop in comparison to what they are offering their employees. It was also noted that some of these private employers offer health care programs for their retirees.

*Update on supplemental benefit options (for current employees and retirees). The “flexible benefit credit” approach to provide employees with additional health care funding seemed to be the most flexible and easiest to implement, if the Board so chose this direction. This approach would cover both CDHP and HMO participants. However, this approach would not be applicable for retirees, and we need to also discuss the overhead associated with NSHE providing additional health care benefits directly to “retirees”, since they are not currently linked with NSHE in any way (their interactions are directly through PEBP, and while we could more easily identify those in the RPA retirement program, those in the PERS system may be very difficult to identify).

*Include specific information about differences in NSHE Retirement Plans. There was discussion about how and/or whether to make any comments about the current fact that NSHE has a defined contribution retirement program, and NSHE and other State of Nevada workers have a different option for PERS contributions compared with other public entities in the state. After further discussion, it was agreed that the following factual statement should be included in the Gallagher report.

It is important to note that NSHE is the only public entity in Nevada that has a defined contribution retirement program. This program covers all academic and administrative professional staff (with exceptions for small numbers of professional staff grandfathered in PERS), but all NSHE state classified obviously participate in the PERS retirement system. For all NSHE and State of Nevada employees under PERS, an employee contribution is made either through a payroll deduction or the employer pays the entire contribution on behalf of the employee and the employee's salary is reduced to reflect that contribution. For all other public employees in Nevada there is no election and the employer covers the PERS contributions.
2. Finalize discussion on identifying and prioritizing adjustments to the existing PEBP plan that would be important to NSHE.

The final vote on these priorities is attached. This information will be part of the final report to the Chancellor.

3. Final plan/proposal on analysis of information from PEBP on NSHE experiences/transactions.

Bart noted that he is still working on a final scope of work for what we would do and what the consultant would do, but clearly the System is going to assure a full analysis of this information. It is not anticipated that the results would be available until several months.

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

The Task Force had an excellent discussion of all these issues, and based on that information Gerry Bomotti will provide an updated draft for Task Force consideration. An initial DRAFT of the discussion document is attached.

5. Future Task Force work.
   a. Will exchange draft material for our final report to assure it meets everyone’s needs. We may need to have a short meeting after the first of the year to assure we can finalize the report.
   b. We may also have a meeting with the Chancellor, if he wishes to call it in order to discuss our report.
Attachment #1:

Final discussion on identifying and prioritizing adjustments to the existing PEBP plan that would be important to NSHE. Each Task Force member voted for the three (3) top priorities, and the votes are included in the “( )” in front of each item below:

a. (15): Overall affordability of the Plan/deductibles. 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 opting 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). It is noted that while we do not have premium rates, the assumption is that there will be significant increases combined with significant decreases in the value of the program.


c. (10): LTD reduction, and the note about many NSHE employees not being eligible for LTD under Social Security.

d. (3): 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. It is important for the System to recognize the split, as it will likely lead to significant concern if the rates move in the directions expected. 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.

e. (2): Dental Coverage.

f. 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. 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. (Note: recent action by the Board of Examiners seems to eliminate this as a current option).

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.
Attachment #2:

DRAFT of Final Recommendations to Chancellor Klaich

We appreciate the fact that Chancellor Klaich charged this Task Force to review the major changes in the health care programs offered to NSHE employees through PEBP. We have taken our charge seriously and within the final report are providing a series of recommendations for the Chancellor’s consideration. We provide these recommendations within the context of the critical nature of health care benefits for the retention and recruitment of NSHE faculty and staff, and the fact that NSHE is unique amongst public employers in this state relative to having a defined contribution retirement program for its professional staff and faculty (and which does not contribute to a future state financial liability). Not only do we have concern for our ability to retain and recruit faculty and staff, it is possible these major health care changes could lead to significant differences in future retirements for NSHE faculty and staff who may have concerns about lack of adequate retiree health care benefits, which could lead to less turnover and less opportunity to rehire new employees at lower salary levels.

The recommendations below are sorted into one category that is more urgent, and a second category that while critical and important, may have slightly longer time periods for consideration. Please note, the recommendations below are not in any priority order.

2011 Legislative Session and Near-Term PEBP Related Health Care Plan Action Recommendations:

a. The Task Force recommends that NSHE be very active in the upcoming legislative session in supporting improvements in the PEBP health care program over what has been approved by the PEBP Board. While we are mindful of the financial constraints, the major changes in health care program support should be a high priority for NSHE.

b. Give consideration to extending 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 a July 1, 2011 implementation date. It is recognized there is a relatively large cost associated with this option.

c. Recommendation to develop a communications plan with an external focus, to highlight that NSHE employees do not have high benefits, and are not in the PERS retirement program (except for classified).

d. Recommendation to identify health care providers in the state (especially dentists) who might well claim that they, as small businesses, will likely suffer financially (and eliminate positions) due to significant changes in health care coverage like this.

e. Recommendation for spouse or domestic partners that are covered under non PEBP plans, to allow flexibility for the six (6) month period of overlap between those on calendar year plan schedule. 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). The PEBP plan year is on a fiscal year basis, where it appears the plan year for many employers is on a calendar year basis, meaning the spouse or domestic partner may face challenges in claiming a qualifying event for opting into their employer health plan midyear. The PEBP could resolve this issue by being flexible during the six (6) month overlap period.

f. Recommendation to phase-in the HMO rates in the North, if in fact these rates drop over what exists now. There is a PEBP policy for short-term/2 year subsidy for large rate increases, and this is inserted below. It should be noted that this subsidy policy is currently in effect with the Northern HMO program.
Below is language from the PEBP Board Duties, Policies and Procedures, which was adopted in 2008:

Supplemental subsidy allocation:
*A supplemental subsidy will be allocated to any tier and plan with participant contribution increases:
- greater than one and a half times the blended medical trend as provided by plan actuaries, and
- greater than $100.

*The supplemental subsidy will be the amount required to reduce the participant contribution percent increase to the average of the unsubsidized participant contribution and the blended medical trend, but no lower than the amount required to reduce the increase of the participant contribution to $100.

Other Overall Recommendations:

a. Task Force recommendation. Health care benefits are a critical and required offering for our faculty and staff, in order to retain and recruit quality employees. Health care coverage, along with retirement program offerings, are the two key benefit programs important to all NSHE employees. NSHE needs to take a more active and consistent role in tracking our health care programs, as the near-term projections appear to suggest on-going challenges. Therefore, it is the recommendation of this Task Force that NSHE establish a system-wide standing committee on NSHE benefits overall, to include health care benefits but not just limited to this program. It is essential that we be pro-active and stay ahead of the curve in terms of influencing the direction of our future health care coverage for NSHE employees, and the entire benefit package for NSHE employees. This would include a focus on future health care coverage (including impacts of federal requirements), but also deal with retirement issues. This group would also focus on, working with System staff, how we can effectively communicate with legislators and other key groups that NSHE employees have major differences in retirement coverage, and our "compensation" is not consistent with the previous reports distributed about overall "public employee compensation." The System needs to take immediate action in communicating the facts to key constituent groups.

b. If the current PEBP plan for FY12 cannot be changed, request the Board of Regents to provide some funding to support a Flexible Health Benefits Account for each NSHE employee to offset medical cost increases and improve retention and recruitment. The “flexible benefit credit” approach to provide employees with additional health care funding seemed to be the most flexible and easiest to implement of any options reviewed. It is recognized that a key factor in implementing this recommendation is identifying funding, especially in this financial climate. A secondary priority would be to provide some supplemental policies available to NSHE employees in areas not covered by the health plan (dental, vision, life insurance, etc.).

c. Potential challenges and key Issues to address if supplemental benefits are provided: Several key issues need to be addressed if the Board of Regents decides to provide supplemental health care benefits, and these are highlighted below.

   a. A major issue relates to identifying funding to provide additional health care support, which will be challenging in this fiscal environment.

   b. Another major issue that would have to be discussed relative to supplemental benefits is a legal one relative to the Board’s authority over NSHE state classified staff. It is clearly the view of the Task Force that any supplemental benefits authorized by the Board cover ALL NSHE employees. However, we are aware that there are technical and
legal differences relative to the Board of Regents’ authority over academic and administrative faculty vs. state classified. State classified staff are, in general, the lowest paid employees within NSHE, and at highest risk for not being able to afford coverage.

c. A second major issue that would have to be discussed relative to supplemental benefits involves retirees. The supplemental benefit approach recommended by this Task Force would not be applicable for retirees, at least under the current administrative structure. In fact, we have not been able to identify any supplemental option for retirees that would not require the development of an administrative solution to the fact that NSHE does not have direct interactions with retirees (i.e. they are not in our payroll/HR system). Retirees interact directly with PEBP for health care, and this information does not come through NSHE. While we could more easily identify those retirees in the RPA retirement program (with the cooperation of PEBP), those in the PERS system may be very difficult to identify (and were not included in the recent data received from PEBP on NSHE claims). There would be other issues that would need to be addressed, including who would meet an NSHE developed definition of “retiree” eligible for supplemental benefits (e.g. NSHE being the last place they worked before retirement?). The Task Force did not have a unanimous position on the issue of providing supplemental benefits to retirees, and a majority felt current employees would be a higher priority. It was also noted that NSHE could address this current challenge in directly supporting retirees within its planning for an alternative future overall structure for NHE providing benefits for its employees.

d. Task Force recommendation on the option for a graduated rate/premium structure based on income levels (or allocation of supplemental benefits from NSHE based on the same). The Task Force recommends that if supplemental support for health care benefits are provided by the Board of Regents, those benefits be distributed in an inverse relationship to the employee’s salary (i.e. the lower the salary the more the funding amount).

e. Task Force recommendation on arguing for flexibility in managing all “benefits,” in specific the option to consider Retirement and Health Care programs as a package within all benefits, given they are the two largest benefit programs by far. Additionally, there may well be an added opportunity this coming legislative session with an expected significant increase required for the PERS employee/employer contributions (moving from the current 11.25% for employee and employer to 12.25%). 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. If NSHE received the normal funding for retirement, health care and all other benefits, but was given the flexibility to manage them as needed, we would be able to consider a total compensation review of our competitiveness for recruitment and retention of faculty and staff, with no increase in funding from the state over what they provide to all other agencies.

f. **Option #1**: The Task Force recommends that NSHE immediately begin researching long-range options to identify alternative approaches to providing health care benefits for NSHE employees that are independent and outside of the current PEBP program, including viable options for communications and/or action steps initiated in the 2011 legislative session. This could include consideration of fully insured programs, self-insured, and/or combining with other large public employee groups. A key priority includes not only the programs offered, but their overall affordability and the value they provide compared with other large employers.

g. **Option #2**: The Task Force recommends that NSHE immediately begin researching long-range options to identify alternative approaches to providing health care benefits for NSHE employees. A key priority includes not only the programs offered, but their overall affordability and the value they provide compared with other large employers.
h. The PEBP Board has been most helpful in providing NSHE with actual claims experience on NSHE employees within PEBP. NSHE should finalize the analysis of the data from PEBP on actual claims experience for NSHE employees in a form appropriate to compare the revenue and expenses from NSHE, along with utilization trends relative to the NSHE population. The results of this analysis will be important to understanding the longer range options and opportunities for NSHE relative to health care programs.

i. The Task Force recommends that NSHE should argue for alternative approaches to what exists now relative to how PEBP negotiates rates for medical procedures (and including overhead and profit costs). It is not clear that PEBP is as aggressive as it should be in effectively negotiating favorable rates with health care providers, on behalf of all PEBP members.

j. NSHE should consider developing specific health care options for NSHE employees for the following biennium (2013-2015). These options/alternatives should consider ways NSHE resources of health professionals, health programs (med school, dental school, nursing programs, etc.), and health and wellness centers might be used as part of an overall plan to provide health care benefits to our employees.
Estimated Amounts per Month to provide Supplemental Benefits.

Estimated Cost/Year  $4.8M  $9.6M  $14.4M  $19.2M

Amount/year to Employee $600  $1,200  $1,800  $2,400

NSHE FY11 State GF Budget = $558.9M. Therefore, 1% is $5.6M

Information that provides some context for understanding/misunderstanding of compensation and benefits:

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."


“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 15th nationally among the 50 states and District of Columbia, while “local” public sector employees in Nevada earned 116% of the national averages, making them 8th 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." (Note: it is important to highlight to legislators and others that this data applies to public workers over which they have no direct control for any element of compensation, and those they have control over are about average).

NEVADAISSUES = 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.”