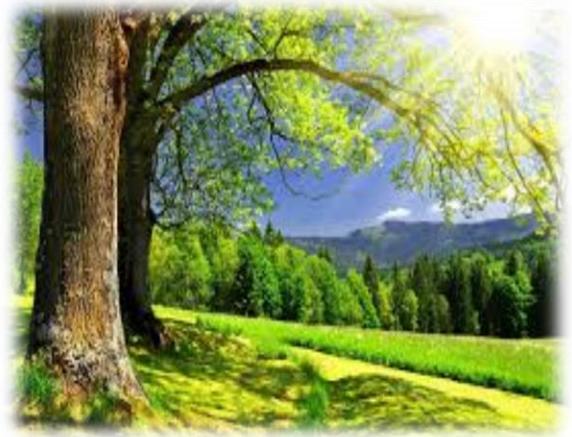


June 2016 Benefits Update

Damon Haycock
PEBP Executive Officer



The Public Employees' Benefits Program (PEBP) has exciting news to share after our recent June 17, 2016 Board meeting.

On June 17, 2016, the PEBP Board approved our third party administrator, HealthSCOPE Benefits, to contract with and implement Doctor on Demand as a virtual visit telemedicine provider for all Consumer Driven Health Plan (CDHP) participants. This new service will allow participants the ability to access licensed doctors in Nevada (and out-of-state for those residing outside Nevada) 24 hours a day, 7 days a week through a computer, smart phone, or other device at a low cost that is Health Savings Account (HSA) / Health Reimbursement Arrangement (HRA) eligible. We will provide a full description of the program and how to use it soon as we finalize implementation. Doctor on Demand is projected to save approximately \$500,000 per year. Additionally, the PEBP Board approved the transition to a different out-of-state national Preferred Provider Organization (PPO) network which will save PEBP (and therefore the participants) approximately \$2 million per year.

As mentioned in a previous newsletter, PEBP was able to keep all current CDHP benefits at flat rates for the upcoming Plan Year 2017 beginning July 1, 2016. Similarly, PEBP was able to keep all Health Maintenance Organization (HMO) benefits with only slight rate increases for next year. Due to a projected complete reduction of excess reserves, this situation will not be able to continue in Plan Year 2018 (starting July 1, 2017).

PEBP is developing the agency budget for the next two years (July 1, 2017 – June 30, 2019). Like all other State agencies, PEBP has been directed by the Governor's Finance Office to build two versions of our budget – a "flat" budget with no new costs, and a "5% cut" budget reducing the available funding provided by the State by approximately \$12.5 million per year.

It is important to note medical care rises every year. Similar to buying milk at the grocery store, it is anticipated the costs to access healthcare will go up. This is usually referred to as "inflation." A gallon of milk this year will be more expensive next year. Most of us expect and accept this and adjust accordingly. We may pay more for the gallon of milk and drink the same amount, or we pay more for the gallon of milk and drink less buying less milk over time, or we may even stop buying milk altogether. In medical care, we can't stop seeing our doctors or stop taking our medicines. So for many of us, we accept we will pay more.

On top of inflation, costs can rise if more people on a health plan increase their use of medical services. This additional use is called "utilization," and it is applied across the entire population of plan participants. Today, a

person may be healthy and rarely use medical care. Tomorrow, the same person may experience a situation where they need to see the doctor more often, like finding out they now have high blood pressure or being diagnosed with Diabetes. This increased utilization added to medical inflation equals the total increased costs (“trend”) health plans use to develop rates. PEBP has increasing trend each year. Rates should, and will, go up to meet the increased costs to access medical care. The goal is to minimize those increases.

To meet these budgetary requirements, PEBP is conducting a survey in July to all CDHP and HMO participants to solicit input on future plan benefit designs and willingness to pay higher rates. The responses to the survey will assist PEBP negotiate HMO contracts scheduled to begin July 1, 2017 as well as assist the PEBP Board define the CDHP benefit design moving forward.

PEBP is dedicated to doing everything possible to reduce plan costs, appropriately project plan needs, and lessen the burden of increased rates on participants. As we find ways to improve the health plan and reduce costs, like implementing Doctor on Demand and a new less expensive national PPO network, we will continue to share these victories with all of you. In the meantime, please take the time to respond to the upcoming survey and provide PEBP and the Board critical information to continue to provide participants high quality healthcare at affordable prices.

Public Employees’ Benefits Program

775-684-7000 or 800-326-5496

Email: mservices@peb.state.nv.us www.pebp.state.nv.us