

ASSEMBLY BILL NO. 365—ASSEMBLYMEN
KIRNER AND HICKEY

MARCH 21, 2011

Referred to Committee on Government Affairs

SUMMARY—Makes various changes relating to the Public Employees' Benefits Program. (BDR 23-604)

FISCAL NOTE: Effect on Local Government: No.
Effect on the State: Yes.

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EXPLANATION – Matter in ***bolded italics*** is new; matter between brackets **[omitted-material]** is material to be omitted.

AN ACT relating to the Public Employees' Benefits Program; revising the procedure for the Board of the Public Employees' Benefits Program to contract with a vendor; authorizing the Board to engage the services of an attorney who specializes in health plans and health care law; revising the provisions of certain contracts entered into by the Board that the Commissioner of Insurance must approve; making various changes concerning the Executive Officer of the Board; revising provisions governing the authority for certain groups to leave the Program; and providing other matters properly relating thereto.

Legislative Counsel's Digest:

1 Existing law establishes the Public Employees' Benefits Program and the
2 Board of the Public Employees' Benefits Program to administer the Program. (NRS
3 287.0402-287.049) **Section 1** of this bill establishes a procedure to allow the Board
4 to participate in the selection of certain vendors. **Section 5** of this bill allows the
5 Board to engage the services of an attorney who specializes in health plans and
6 health care law. **Section 6** of this bill revises the provisions of certain contracts
7 entered into by the Board that the Commissioner of Insurance must approve.
8 **Section 7** of this bill revises the provisions governing the authority for groups of
9 300 or more employees leaving the Program to secure insurance from another
10 source. **Section 8** of this bill authorizes the Executive Officer to observe the
11 activities of a committee formed to evaluate contracts awarded on behalf of the
12 Board.



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THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN
SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

Section 1. Chapter 287 of NRS is hereby amended by adding thereto a new section to read as follows:

1. The Board shall review any recommendation for awarding a contract submitted to the Board pursuant to NRS 333.335. The Board may:

(a) Approve the recommendation of the Chief of the Purchasing Division of the Department of Administration or of a committee appointed to evaluate a proposal and award the contract as recommended; or

(b) Schedule a separate public meeting to award the contract.

2. If the Board conducts a separate meeting pursuant to paragraph (b) of subsection 1, it shall:

(a) Disclose the review by the Board of the vendors whose proposals scored the highest;

(b) Identify the criteria it will use to evaluate the high scoring proposals;

(c) Consider the ranking given to a proposal by a committee appointed to evaluate the proposal, if any;

(d) With regard to a request for proposals, evaluate the responses of vendors interviewed by the Board; and

(e) Award the contract based on the best interests of the State.

3. The Board is not bound by the recommendation of the Chief of the Purchasing Division or the committee appointed to evaluate the proposal.

Sec. 2. NRS 287.0402 is hereby amended to read as follows:

287.0402 As used in NRS 287.0402 to 287.049, inclusive, **and section 1 of this act**, unless the context otherwise requires, the words and terms defined in NRS 287.0404 to 287.04064, inclusive, have the meanings ascribed to them in those sections.

Sec. 3. (Deleted by amendment.)

Sec. 4. (Deleted by amendment.)

Sec. 5. NRS 287.043 is hereby amended to read as follows:

287.043 1. The Board shall:

(a) Establish and carry out a program to be known as the Public Employees' Benefits Program which:

(1) Must include a program relating to group life, accident or health insurance, or any combination of these; and

(2) May include:

(I) A plan that offers flexibility in benefits, and for which the rates must be based only on the experience of the participants in the plan and not in combination with the experience of participants in any other plan offered under the Program; or



(II) A program to reduce taxable compensation or other forms of compensation other than deferred compensation, for the benefit of all state officers and employees and other persons who participate in the Program.

(b) Ensure that the Program is funded on an actuarially sound basis and operated in accordance with sound insurance and business practices.

2. In establishing and carrying out the Program, the Board shall:

(a) For the purpose of establishing actuarial data to determine rates and coverage for active and retired state officers and employees and their dependents, commingle the claims experience of such active and retired officers and employees and their dependents for whom the Program provides primary health insurance coverage into a single risk pool.

(b) Except as otherwise provided in this paragraph, negotiate and contract pursuant to paragraph (a) of subsection 1 of NRS 287.025 with the governing body of any county, school district, municipal corporation, political subdivision, public corporation or other local governmental agency of the State of Nevada that wishes to obtain exclusive group insurance for all of its active and retired officers and employees and their dependents, except as otherwise provided in sub-subparagraph (III) of subparagraph (2) of paragraph (h), by participation in the Program. The Board shall establish separate rates and coverage for active and retired officers and employees of those local governmental agencies and their dependents based on actuarial reports that commingle the claims experience of such active and retired officers and employees and their dependents for whom the Program provides primary health insurance coverage into a single risk pool.

(c) Except as otherwise provided in paragraph (d), provide public notice in writing of any proposed changes in rates or coverage to each participating public agency that may be affected by the changes. Notice must be provided at least 30 days before the effective date of the changes.

(d) If a proposed change is a change in the premium or contribution charged for, or coverage of, health insurance, provide written notice of the proposed change to all participants in the Program. The notice must be provided at least 30 days before the date on which a participant in the Program is required to select or change the participant's policy of health insurance.

(e) Purchase policies of life, accident or health insurance, or any combination of these, or, if applicable, a program to reduce the amount of taxable compensation pursuant to 26 U.S.C. § 125, from any company qualified to do business in this State or provide similar



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1 coverage through a plan of self-insurance established pursuant to
2 NRS 287.0433 for the benefit of all eligible participants in the
3 Program.

4 (f) Except as otherwise provided in this title, develop and
5 establish other employee benefits as necessary.

6 (g) Investigate and approve or disapprove any contract proposed
7 pursuant to NRS 287.0479.

8 (h) Adopt such regulations and perform such other duties as are
9 necessary to carry out the provisions of NRS 287.010 to 287.245,
10 inclusive, including, without limitation, the establishment of:

11 (1) Fees for applications for participation in the Program and
12 for the late payment of premiums or contributions;

13 (2) Conditions for entry and reentry into and exit from the
14 Program by local governmental agencies pursuant to paragraph (a)
15 of subsection 1 of NRS 287.025, which:

16 (I) Must include a minimum period of 4 years of
17 participation for entry into the Program;

18 (II) Must include a requirement that participation of any
19 retired officers and employees of the local governmental agency
20 whose last continuous period of enrollment with the Program began
21 after November 30, 2008, terminates upon termination of the local
22 governmental agency's contract with the Program; and

23 (III) May allow for the exclusion of active and retired
24 officers and employees of the local governmental agency who are
25 eligible for health coverage from a health and welfare plan or trust
26 that arose out of collective bargaining under chapter 288 of NRS or
27 a trust established pursuant to 29 U.S.C. § 186;

28 (3) Procedures by which a group of participants in the
29 Program may leave the Program pursuant to NRS 287.0479 and
30 conditions and procedures for reentry into the Program by those
31 participants;

32 (4) Specific procedures for the determination of contested
33 claims;

34 (5) Procedures for review and notification of the termination
35 of coverage of persons pursuant to paragraph (b) of subsection 4 of
36 NRS 287.023; and

37 (6) Procedures for the payments that are required to be made
38 pursuant to paragraph (b) of subsection 4 of NRS 287.023.

39 (i) Appoint an independent certified public accountant. The
40 accountant shall:

41 (1) Provide an annual audit of the Program; and

42 (2) Report to the Board and the Interim Retirement and
43 Benefits Committee of the Legislature created pursuant to
44 NRS 218E.420.



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(j) Appoint an attorney who specializes in employee benefits.
The attorney shall:

(1) Perform a biennial review of the Program to determine whether the Program complies with federal and state laws relating to taxes and employee benefits; and

(2) Report to the Board and the Interim Retirement and Benefits Committee of the Legislature created pursuant to NRS 218E.420.

3. The Board shall submit an annual report regarding the administration and operation of the Program to the Director of the Legislative Counsel Bureau for transmittal to the appropriate committees of the Legislature, or to the Legislative Commission when the Legislature is not in regular session, for acceptance or rejection not more than 6 months before the Board establishes rates and coverage for participants for the following plan year. The report must include, without limitation:

(a) Detailed financial results for the Program for the preceding plan year, including, without limitation, identification of the sources of revenue for the Program and a detailed accounting of expenses which are segregated by each type of benefit offered by the Program, and administrative costs. The results must be provided separately concerning:

(1) Participants who are active and retired state officers and employees and their dependents;

(2) All participants in the Program other than those described in subparagraph (1); and

(3) Within the groups described in subparagraphs (1) and (2), active participants, retired participants for which the Program provides primary health insurance coverage and retired participants in the Program who are provided coverage for medical or hospital service, or both, by the Health Insurance for the Aged Act, 42 U.S.C. §§ 1395 et seq., or a plan that provides similar coverage.

(b) An assessment of actuarial accuracy and reserves for the current plan year and the immediately preceding plan year.

(c) A summary of the plan design for the current plan year, including, without limitation, information regarding rates and any changes in the vendors with which the Program has entered into contracts, and a comparison of the plan design for the current plan year to the plan design for the immediately preceding plan year. The information regarding rates provided pursuant to this paragraph must set forth the costs for participation in the Program paid by participants and employers on a monthly basis.

(d) A description of all written communications provided generally to all participants by the Program during the preceding plan year.



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(e) A discussion of activities of the Board concerning purchasing coalitions.

4. The Board may use any services provided to state agencies and shall use the services of the Purchasing Division of the Department of Administration to establish and carry out the Program.

5. *The Board may engage the services of an attorney who specializes in health plans and health care law as necessary to assist in carrying out the Program.*

6. The Board may make recommendations to the Legislature concerning legislation that it deems necessary and appropriate regarding the Program.

~~7.~~ 7. A participating public agency is not liable for any obligation of the Program other than indemnification of the Board and its employees against liability relating to the administration of the Program, subject to the limitations specified in NRS 41.0349.

~~8.~~ 8. As used in this section, "employee benefits" includes any form of compensation provided to a public employee except federal benefits, wages earned, legal holidays, deferred compensation and benefits available pursuant to chapter 286 of NRS.

Sec. 6. NRS 287.0434 is hereby amended to read as follows:
287.0434 The Board may:

1. Use its assets only to pay the expenses of health care for its members and covered dependents, to pay its employees' salaries and to pay administrative and other expenses.

2. Enter into contracts relating to the administration of the Program, including, without limitation, contracts with licensed administrators and qualified actuaries. Each such contract with a licensed administrator:

(a) Must be submitted to the Commissioner of Insurance not less than 30 days before the date on which the contract is to become effective for approval as to the ~~reasonableness of administrative charges in relation to contributions collected and benefits provided.~~ *licensing and fiscal status of the licensed administrator and status of any legal or administrative actions in this State against the licensed administrator that may impair his or her ability to provide the services in the contract.*

(b) Does not become effective unless approved by the Commissioner.

(c) Shall be deemed to be approved if not disapproved by the Commissioner within 30 days after its submission.

3. Enter into contracts with physicians, surgeons, hospitals, health maintenance organizations and rehabilitative facilities for medical, surgical and rehabilitative care and the evaluation,



1 treatment and nursing care of members and covered dependents.
2 The Board shall not enter into a contract pursuant to this subsection
3 unless:

4 (a) Provision is made by the Board to offer all the services
5 specified in the request for proposals, either by a health maintenance
6 organization or through separate action of the Board.

7 (b) The rates set forth in the contract are based on:

8 (1) For active and retired state officers and employees and
9 their dependents, the commingled claims experience of such active
10 and retired officers and employees and their dependents for whom
11 the Program provides primary health insurance coverage in a single
12 risk pool; and

13 (2) For active and retired officers and employees of public
14 agencies enumerated in NRS 287.010 that contract with the Program
15 to obtain group insurance by participation in the Program and their
16 dependents, the commingled claims experience of such active and
17 retired officers and employees and their dependents for whom the
18 Program provides primary health insurance coverage in a single risk
19 pool.

20 4. Enter into contracts for the services of other experts and
21 specialists as required by the Program.

22 5. Charge and collect from an insurer, health maintenance
23 organization, organization for dental care or nonprofit medical
24 service corporation, a fee for the actual expenses incurred by the
25 Board or a participating public agency in administering a plan of
26 insurance offered by that insurer, organization or corporation.

27 6. Charge and collect the amount due from local governments
28 pursuant to paragraph (b) of subsection 4 of NRS 287.023. If the
29 payment of a local government pursuant to that provision is
30 delinquent by more than 90 days, the Board shall notify the
31 Executive Director of the Department of Taxation pursuant to
32 NRS 354.671.

33 **Sec. 7.** NRS 287.0479 is hereby amended to read as follows:

34 287.0479 1. If approved by the Board pursuant to this
35 section, a group of not less than 300 active state officers or
36 employees ~~for~~ and retired state officers or employees ~~[- or any~~
37 ~~combination thereof,]~~ that participate in the Program may leave the
38 Program and secure life, accident or health insurance, or any
39 combination thereof, for the group from an:

40 (a) Insurer that is authorized by the Commissioner of Insurance
41 to provide such insurance; or

42 (b) Employee benefit plan, as defined in 29 U.S.C. § 1002(3),
43 that has been approved by the Board. The Board may approve an
44 employee benefit plan unless the Board finds that the plan is not
45 operated pursuant to such sound accounting and financial



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1 management practices as to ensure that the group will continue to
2 receive adequate benefits.

3 2. Before entering into a contract with the insurer or approved
4 employee benefit plan, the group shall submit the proposed contract
5 to the Board for approval. The Board may approve the contract
6 unless the departure of the group from the Program would cause an
7 increase of more than 5 percent in the costs of premiums or
8 contributions for the remaining participants in the Program. In
9 determining whether to approve a proposed contract, the Board shall
10 follow the criteria set forth in the regulations adopted by the Board
11 pursuant to subsection ~~f4~~ 5 and may consider the cumulative
12 impact of groups that have left or are proposing to leave the
13 Program. Except as otherwise provided in this section, the Board
14 has discretion in determining whether to approve a contract. If the
15 Board approves a proposed contract pursuant to this subsection, the
16 group that submitted the proposed contract is not authorized to leave
17 the Program until 120 days after the date on which the Board
18 approves the proposed contract.

19 3. *The Board shall not approve a proposed contract between*
20 *an insurer or approved employee benefit plan and a group*
21 *pursuant to subsection 2 unless:*

22 (a) *The group is organized for reasons other than acquiring*
23 *insurance;*

24 (b) *The members of the group share job definitions,*
25 *classifications or employers, or are otherwise members of a job-*
26 *related group formed for reasons other than acquiring insurance;*

27 (c) *The group has legal authority to enter into contracts and*
28 *bind its members, meets the requirements of state and federal law*
29 *concerning nondiscrimination, and has the ability to purchase*
30 *insurance; and*

31 (d) *The group includes all active state officers and employees*
32 *who satisfy the requirements of paragraph (b) for inclusion in the*
33 *group and all retired state officers and employees who satisfied*
34 *those requirements at the time of their retirement.*

35 4. The Board shall disburse periodically to the insurer or
36 employee benefit plan with which a group contracts pursuant to this
37 section the total amount set forth in the contract for premiums or
38 contributions for the members of the group for that period but not to
39 exceed the amount appropriated to or authorized for the
40 participating state agency that employs the members of the group
41 for premiums or contributions for the members of the group for that
42 period, after deducting any administrative costs related to the group.

43 ~~f4~~ 5. The Board shall adopt regulations establishing the
44 criteria pursuant to which the Board will approve proposed contracts
45 pursuant to subsection 2.



Sec. 8. NRS 333.335 is hereby amended to read as follows:

333.335 1. Each proposal must be evaluated by:

(a) The chief of the using agency, or a committee appointed by the chief of the using agency in accordance with the regulations adopted pursuant to NRS 333.135, if the proposal is for a using agency; or

(b) The Chief of the Purchasing Division, or a committee appointed by the Chief in accordance with the regulations adopted pursuant to NRS 333.135, if the Chief is responsible for administering the proposal.

2. A committee appointed pursuant to subsection 1 must consist of not less than two members. A majority of the members of the committee must be state officers or employees. The committee may include persons who are not state officers or employees and possess expert knowledge or special expertise that the chief of the using agency or the Chief of the Purchasing Division determines is necessary to evaluate a proposal. The members of the committee are not entitled to compensation for their service on the committee, except that members of the committee who are state officers or employees are entitled to receive their salaries as state officers and employees. No member of the committee may have a financial interest in a proposal. *If the contract is being awarded for the Public Employees' Benefits Program, the Executive Officer of the Program may observe the activities of the committee, but may not vote or otherwise participate in the evaluation.*

3. In making an award, the chief of the using agency, the Chief of the Purchasing Division or each member of the committee, if a committee is established, shall consider and assign a score for each of the following factors for determining whether the proposal is in the best interests of the State of Nevada:

(a) The experience and financial stability of the person submitting the proposal;

(b) Whether the proposal complies with the requirements of the request for proposals as prescribed in NRS 333.311;

(c) The price of the proposal; and

(d) Any other factor disclosed in the request for proposals.

4. The chief of the using agency, the Chief of the Purchasing Division or the committee, if a committee is established, shall determine the relative weight of each factor set forth in subsection 3 before a request for proposals is advertised. The weight of each factor must not be disclosed before the date proposals are required to be submitted.

5. ~~[[The]~~ *Except as otherwise provided in this subsection, the* chief of the using agency, the Chief of the Purchasing Division or the committee, if a committee is established, shall award the



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1 contract based on the best interests of the State, as determined by the
2 total scores assigned pursuant to subsection 3, and is not required to
3 accept the lowest-priced proposal. *If the contract is being awarded*
4 *for the Public Employees' Benefits Program, the Chief of the*
5 *Purchasing Division or the committee, if a committee is*
6 *established, shall submit recommendations for awarding the*
7 *contract to the Board for the Public Employees' Benefits Program,*
8 *which shall award the contract in accordance with section 1 of*
9 *this act.*

10 6. Except as otherwise provided in NRS 239.0115, each
11 proposal evaluated pursuant to the provisions of this section is
12 confidential and may not be disclosed until the contract is awarded.

13 **Sec. 9.** This act becomes effective on July 1, 2011.

