

**EXECUTIVE AGENCY
FISCAL NOTE**

AGENCY'S ESTIMATES

Date Prepared: March 29, 2017

Agency Submitting: Public Employees' Benefits Program

Items of Revenue or Expense, or Both	Fiscal Year 2016-17	Fiscal Year 2017-18	Fiscal Year 2018-19	Effect on Future Biennia
Self-Funded Claims (Expense)		\$8,900,000	\$9,256,000	\$19,637,530
Fully-Insured (Expense)		\$4,000,000	\$4,160,000	\$8,825,856
Total	0	\$12,900,000	\$13,416,000	\$28,463,386

Explanation

(Use Additional Sheets of Attachments, if required)

BDR 57-675 requires an insurer that provides coverage through a network plan to reimburse out-of-network physicians the lesser of the amount billed or 80th percentile for the particular service in the geographic area where the service was provided. The Public Employees' Benefits Program reviewed claims paid to both in an out of network providers and took into consideration how this BDR may incentivize in-network providers to leave current networks. PEBP currently realizes discounts of approximately 60% on average for claims paid to in-network providers. It is difficult to determine the full fiscal impact of this bill should it pass, however PEBP believes the fiscal impact will range from \$8.9 million annually based on migration of 25% of physicians from the networks to \$35.1 million annually if 100% of physicians migrated from the networks on the Consumer Driven Health Plan. The fiscal note as submitted assumes a migration of 25% of physicians from in-network to out-of-network. The fiscal impact is expected to increase with medical inflation into future years. PEBP reached out to the 2 Health Maintenance Organizations and they anticipate a \$4 million (combined) increase per year. The requirements of this BDR will result in an overall increase in claims costs requiring an increase to employer and employee contributions or a reduction to plan benefits to offset this increase.

Name Damon Haycock

Title Executive Officer

GOVERNOR'S OFFICE OF FINANCE COMMENTS

Date Wednesday, March 22, 2017

The agency's response appears reasonable.

Name Nikki Hovden

Title Exec Branch Budget Officer

DESCRIPTION OF FISCAL EFFECT

BDR/Bill/Amendment Number: 57-675

Name of Agency: Public Employees' Benefits Program

Division/Department: _____

Date: 21-Mar-17

Fiscal Analysis of Network Migration

Physician Claims In-Network (in Millions)	Current In- Network Discount	Physician Claims No Discount (in Millions)	80% Usual and Customary Projected Discount	25% Migration from In-Network - Out-of-Network (in Millions)	50% Migration from In-Network - Out-of-Network (in Millions)	75% Migration from In-Network - Out-of-Network (in Millions)	100% Migration from In-Network - Out-of-Network (in Millions)
\$39	60%	\$97.5	23.5%	\$8.9	\$17.8	\$26.7	\$35.6

The In-Network Discount is an average supplied by PEBP's Third Party Administrator who pays PEBP's claims.

The 80% Fair Health Usual and Customary Discount is the projected discount for non-network physician billed claims.

Assuming network physicians will be paid much less than non-network physicians, PEBP assumes a level of migration off the network.

This bill incentivizes non-network physician payments at the expense of health plans.

PEBP will apply all increased costs to the state/non-state employers and employees/retirees in the form of rate increases.

As Provided by the Health Plan of Nevada

		FY 18	FY 19	FY20	FY 21	FY20/21 Combined
CDHP Costs Trended Forward	4%	8,900,000.00	9,256,000.00	9,626,240.00	10,011,289.60	19,637,529.60
HMO Costs Trended Forward	4%	4,000,000.00	4,160,000.00	4,326,400.00	4,499,456.00	8,825,856.00
		<u>12,900,000.00</u>	<u>13,416,000.00</u>	<u>13,952,640.00</u>	<u>14,510,745.60</u>	<u>28,463,385.60</u>

HPN provided costs of \$2 million. This amount was doubled to account for Northern HMO