

**MINUTES OF THE MEETING OF THE
SENATE COMMITTEE ON FINANCE
AND
ASSEMBLY COMMITTEE ON WAYS AND MEANS
SUBCOMMITTEES ON GENERAL GOVERNMENT**

**Eightieth Session
May 1, 2019**

The joint meeting of the Subcommittees on General Government of the Senate Committee on Finance and the Assembly Committee on Ways and Means was called to order by Chair Yvanna D. Cancela at 8:07 a.m. on Wednesday, May 1, 2019, in Room 2134 of the Legislative Building, Carson City, Nevada. [Exhibit A](#) is the Agenda. [Exhibit B](#) is the Attendance Roster. All exhibits are available and on file in the Research Library of the Legislative Counsel Bureau.

SENATE SUBCOMMITTEE MEMBERS PRESENT:

Senator Yvanna D. Cancela, Chair
Senator David R. Parks
Senator Pete Goicoechea

ASSEMBLY SUBCOMMITTEE MEMBERS PRESENT:

Assemblywoman Heidi Swank, Chair
Assemblywoman Daniele Monroe-Moreno, Vice Chair
Assemblywoman Sandra Jauregui
Assemblyman Al Kramer
Assemblyman Jim Wheeler

STAFF MEMBERS PRESENT:

Cindy Jones, Assembly Fiscal Analyst
Alex Haartz, Principal Deputy Fiscal Analyst
Leandra Copeland, Program Analyst
Felicia Archer, Committee Secretary
Desirae Munns, Committee Secretary

CHAIR CANCELA:

The Subcommittees will not be taking any action on the budgets for the Public Employees' Benefits Program (PEBP). We will start the meeting with the Silver State Health Insurance Exchange (SSHIX) B/A 101-1400.

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SPECIAL PURPOSE AGENCIES

SILVER STATE HEALTH INSURANCE EXCHANGE

Silver State Health Insurance Exchange Admin — Budget Page HEALTH INS
EXCHANGE-3 (Volume III)
Budget Account 101-1400

LEANN DRA COPELAND (Program Analyst, Fiscal Analysis Division, Legislative
Counsel Bureau):

The SSHIX Admin B/A 101-1400 begins on page 3 of the General Government
Joint Subcommittee Closing List #7 ([Exhibit C](#)). There are two major closing
issues for this budget.

Major closing issue 1 concerns the transition to a State-based Exchange (SBE)
from a State-based Exchange on the federal platform (SBE-FP). There are
12 enhancement decision units under major closing issue 1 which deal with the
transition. The Governor recommends the SSHIX continue transitioning to a
private technology system or an SBE operating model.

The first enhancement decision E-275 is discussed on page 4 of [Exhibit C](#). The
decision unit concerns the new technology vendor which would be funded with
reserve reductions of \$5.8 million in fiscal year (FY) 2020 and \$5.2 million in
FY 2021. After the transition, SSHIX would pay ongoing maintenance and
operating fees of \$5.2 million per year. The SSHIX is confident it will experience
a successful transition.

E-275 Educated and Healthy Citizenry — Page HEALTH INS EXCHANGE-5

ASSEMBLYWOMAN SWANK MOVED TO RECOMMEND TO THE FULL
COMMITTEES TO APPROVE THE GOVERNOR'S RECOMMENDATION
FOR RESERVE REDUCTIONS IN THE SSHIX B/A 101-1400 OF
\$5.8 MILLION IN FY 2020 AND \$5.2 MILLION IN FY 2021 TO ALLOW
SSHIX TO CONTINUE CONTRACTING WITH ITS SELECTED SBE VENDOR
TO TRANSITION FROM AN SBE-FP TO A SBE.

SENATOR PARKS SECONDED THE MOTION.

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ASSEMBLY: THE MOTION CARRIED. (ASSEMBLYMAN WHEELER WAS ABSENT FOR THE VOTE.)

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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Ms. COPELAND:

The second enhancement decision unit E-282 under major closing issue 1 is discussed on page 5 of [Exhibit C](#). Through this decision unit, the Governor recommends reserve reductions of \$558,400 in FY 2020 to allow the Project Management Office (PMO) to continue to oversee the transition to an SBE.

E-282 Educated and Healthy Citizenry — Page HEALTH INS EXCHANGE-8

The recommended funding would support five temporary contract positions to staff the PMO. The SSHIX testified that it works collaboratively with the PMO, the vendor, and U.S. Department of Health and Human Services and the Centers for Medicare and Medicaid Services (CMS) to quickly identify and resolve issues.

ASSEMBLYWOMAN SWANK MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE THE GOVERNOR'S RECOMMENDATION FOR RESERVE REDUCTIONS IN THE SSHIX B/A 101-1400 OF \$558,400 IN FY 2020 TO CONTINUE TO FUND THE PMO OVERSIGHT OF THE TRANSITION TO A SBE.

SENATOR PARKS SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED. (ASSEMBLYMAN WHEELER WAS ABSENT FOR THE VOTE.)

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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Ms. COPELAND:

The third enhancement decision unit E-276 under major closing issue 1 is discussed on page 5 of [Exhibit C](#). Since the SSHIX plans to utilize a private platform for plan year 2020, the Governor recommends eliminating the fee paid to CMS. The elimination of the fee paid to CMS would lead to an increase in reserves.

E-276 Educated and Healthy Citizenry — Page HEALTH INS EXCHANGE-6

SENATOR PARKS MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE THE GOVERNOR'S RECOMMENDATION TO DECREASE THE SSHIX B/A 101-1400 FEES PAID TO CMS FOR USE OF <[HTTPS://WWW.HEALTHCARE.GOV](https://www.healthcare.gov)> BY \$487,960 IN FY 2020 AND BY \$7 MILLION IN FY 2021 WITH CORRESPONDING INCREASES IN RESERVES IN EACH FY.

ASSEMBLYWOMAN SWANK SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED. (ASSEMBLYMAN WHEELER WAS ABSENT FOR THE VOTE.)

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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Ms. COPELAND:

The SSHIX currently consists of 13 full-time unclassified positions. The Governor recommends an additional 9 classified positions in several different enhancement decision units under major closing issue 1. These positions will perform functions currently provided by CMS.

The recommended positions would be in the classified service rather than the unclassified service. In order for this to occur Assembly Bill (A.B.) 496 would need to be approved. The bill was heard by the Committee on Ways and Means on April 15, 2019. To determine general staffing requirements associated with operating an SBE, the SSHIX reviewed several states with the SBE operating model.

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ASSEMBLY BILL 496: Revises provisions governing the employees of the Silver State Health Insurance Exchange. (BDR 57-1215)

The fourth enhancement decision unit E-277 under major closing issue 1 is discussed on page 7 of [Exhibit C](#). This decision unit requests to establish a Policy and Compliance Unit (PCU). The Governor recommends one insurance regulation liaison and two management analysts positions. These positions would serve as organizational experts on health care policy and compliance, and provide support for the appeals and consumer support functions.

E-277 Educated and Healthy Citizenry — Page HEALTH INS EXCHANGE-6

Through other states' best practices and success, the SSHIX determined three positions would be needed to support policy research and analysis.

SENATOR PARKS MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE THE GOVERNOR'S RECOMMENDATION IN THE SSHIX B/A 101-1400 OF RESERVE REDUCTIONS OF \$312,166 IN FY 2020 AND \$346,716 IN FY 2021 TO FUND THE PROJECTED COST OF A PCU INCLUDING ONE INSURANCE REGULATION LIAISON AND TWO MANAGEMENT ANALYST POSITIONS AND ASSOCIATED OPERATING EXPENSES AND FOR THOSE POSITIONS TO BE IN THE CLASSIFIED SERVICE CONTINGENT UPON APPROVAL OF A.B. 496.

ASSEMBLYMAN KRAMER SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED. (ASSEMBLYMAN WHEELER WAS ABSENT FOR THE VOTE.)

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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Ms. COPELAND:

The fifth enhancement decision unit E-279 under major closing issue 1 is discussed on page 7 of [Exhibit C](#). This decision unit requests to establish a Consumer Assistance Unit (CAU). To establish a CAU, including three new

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program officers and associated operating costs, the Governor recommends reserve reductions. These positions would facilitate relationships with and provide support to health and dental insurance carriers selling plans on the SBE. Additionally, they would provide support to navigators, enrollment counselors, and insurance agents and brokers, and perform quality assurance functions.

E-279 Educated and Healthy Citizenry — Page HEALTH INS EXCHANGE-7

The SSHIX indicates the recommendation for three positions is based on data provided by CMS on call center metrics such as the volume and topic of calls. The SSHIX indicates both the vendor-operated call center and the CAU would handle consumer assistance calls. The vendor-operated call center would address lower-level issues, and the CAU would address requests with a higher level of complexity. At the March 21, 2019, budget hearing the SSHIX indicated it plans to use open enrollment to determine the number of consumer complaints being addressed to develop workload statistics.

SENATOR GOICOECHEA MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE THE GOVERNOR'S RECOMMENDATION IN THE SSHIX B/A 101-1400 OF RESERVE REDUCTIONS OF \$271,960 IN FY 2020 AND \$283,757 IN FY 2021 TO FUND THE PROJECTED COST OF A CAU INCLUDING THREE NEW PROGRAM OFFICERS AND ASSOCIATED OPERATING EXPENSES AND FOR THE POSITIONS TO BE IN THE CLASSIFIED SERVICE CONTINGENT UPON APPROVAL OF A.B. 496.

ASSEMBLYMAN KRAMER SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED. (ASSEMBLYMAN WHEELER WAS ABSENT FOR THE VOTE.)

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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Ms. COPELAND:

The sixth enhancement decision unit E-281 under major closing issue 1 is discussed on page 8 of [Exhibit C](#). Through this decision unit the Executive Budget recommends establishing a Security and Reconciliation Unit (SRU) which would be staffed with two new business process analysts to reconcile enrollment and plan selection data and ensure data integrity across external partners. The positions and associated operating costs would be funded with reserves.

E-281 Educated and Healthy Citizenry — Page HEALTH INS EXCHANGE-8

The two positions would provide consumer and carrier support services including case management, ensuring accurate subsidy reimbursements for Nevada insurance carriers and carrier support escalations.

The SSHIX indicates that the GetInsured platform would track and monitor all reconciliation efforts and would provide metrics by which to measure employee workload. The SRU would focus primarily on data integrity and ensuring data is transferred accurately between the SSHIX' system and carriers' systems.

SENATOR PARKS MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE THE GOVERNOR'S RECOMMENDATION IN THE SSHIX B/A 101-1400 OF RESERVE REDUCTIONS OF \$185,111 IN FY 2020 AND \$210,687 IN FY 2021 TO FUND THE PROJECTED COST OF ESTABLISHING AN SRU INCLUDING TWO NEW BUSINESS PROCESS ANALYST POSITIONS AND ASSOCIATED OPERATING EXPENSES AND FOR THE POSITIONS TO BE IN THE CLASSIFIED SERVICE CONTINGENT UPON APPROVAL OF A.B. 496.

ASSEMBLYWOMAN SWANK SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED. (ASSEMBLYMAN WHEELER WAS ABSENT FOR THE VOTE.)

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SENATE: THE MOTION CARRIED UNANIMOUSLY.

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Ms. COPELAND:

The seventh enhancement decision unit E-280 under major closing issue 1 is discussed on page 9 of [Exhibit C](#). The Governor recommends one new management analyst position and associated operating costs for the existing Fiscal Unit to support increased audit requirements, writing of procedures, and to interact with SSHIX' stakeholders. This decision unit is funded with reserve reductions.

E-280 Educated and Healthy Citizenry — Page HEALTH INS EXCHANGE-7

Operating as an SBE would expand audit requirements. The SSHIX indicates existing staff would be unable to absorb the additional audit responsibilities.

ASSEMBLYWOMAN SWANK MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE THE GOVERNOR'S RECOMMENDATION IN THE SSHIX B/A 101-1400 FOR RESERVE REDUCTIONS OF \$79,792 IN FY 2020 AND \$100,773 IN FY 2021 TO FUND THE COST OF ONE NEW MANAGEMENT ANALYST POSITION AND ASSOCIATED COSTS FOR THE FISCAL UNIT TO SUPPORT INCREASED AUDIT REQUIREMENTS, WRITING OF PROCEDURES AND TO INTERACT WITH STAKEHOLDERS AND FOR THE POSITION TO BE IN THE CLASSIFIED SERVICE CONTINGENT UPON APPROVAL OF A.B. 496.

SENATOR PARKS SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED. (ASSEMBLYMAN WHEELER WAS ABSENT FOR THE VOTE.)

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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Ms. COPELAND:

The eighth enhancement decision unit E-284 under major closing issue 1 is discussed on page 10 of [Exhibit C](#) which concerns printing and postage costs.

E-284 Educated and Healthy Citizenry — Page HEALTH INS EXCHANGE-9

Due to the transition to an SBE, the SSHIX would be required to send forms and notices currently generated and distributed by the CMS. In addition, the SSHIX would need to inform consumers about the transition from <HTTPS://WWW.HEALTHCARE.GOV> to a State-based platform. The Governor recommends additional outgoing consumer correspondence funded with reserve reductions.

ASSEMBLYWOMAN JAUREGUI MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE THE GOVERNOR'S RECOMMENDATION IN THE SSHIX B/A 101-1400 FOR RESERVE REDUCTIONS OF \$241,714 IN FY 2020 AND \$193,118 IN FY 2021 TO FUND THE COST OF ADDITIONAL PRINTING AND POSTAGE OVER THE 2019-2021 BIENNIUM.

SENATOR PARKS SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED. (ASSEMBLYMAN WHEELER WAS ABSENT FOR THE VOTE.)

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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Ms. COPELAND:

There are four other enhancement decision units related to major closing issue 1 which are shown in the table on page 10 of [Exhibit C](#). The decision units total \$123,573.

E-283 Educated and Healthy Citizenry — Page HEALTH INS EXCHANGE-9

E-286 Educated and Healthy Citizenry — Page HEALTH INS EXCHANGE-10

E-288 Educated and Healthy Citizenry — Page HEALTH INS EXCHANGE-10

E-291 Educated and Healthy Citizenry — Page HEALTH INS EXCHANGE-12

The Governor recommends \$123,573 funded with reserves reductions over the 2019-2021 biennium for other items related to the transition.

SENATOR PARKS MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE THE SSHIX B/A 101-1400 ENHANCEMENT DECISION UNIT E-283 FOR \$94,317 IN FY 2021 TO FUND INCREASED ANNUAL, INDEPENDENT AND EXTERNAL AUDIT COSTS; ENHANCEMENT DECISION UNIT E-286 FOR A COST SAVINGS OF \$77,924 OVER THE 2019-2021 BIENNIUM ASSOCIATED WITH THE EXISTING CALL CENTER OPERATIONS THAT WOULD BE PROVIDED BY THE SBE VENDOR EFFECTIVE SEPTEMBER 1, 2019; ENHANCEMENT DECISION UNIT E-288 FOR TOTAL TRANSFERS OF \$42,180 OVER THE 2019-2021 BIENNIUM TO THE ADMINISTRATION BUDGET OF THE DEPARTMENT OF HEALTH AND HUMAN SERVICES, DIVISION OF WELFARE AND SUPPORTIVE SERVICES B/A 101-3228 TO SUPPORT THE COST OF HEARINGS FOR EXCHANGE PARTICIPANTS; ENHANCEMENT DECISION UNIT E-291 FOR \$65,000 OVER THE 2019-2021 BIENNIUM TO FUND THE COST OF A FEDERALLY-MANDATED SECURITY AND PRIVACY CONTROL ASSESSMENT REPORT.

ASSEMBLYWOMAN SWANK SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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HEALTH AND HUMAN SERVICES

WELFARE AND SUPPORTIVE SERVICES

HHS-Welfare - Administration — Budget Page DHHS-DWSS-9 (Volume II)
Budget Account 101-3228

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Ms. COPELAND:

Should the Subcommittees approve continuing the transition to an SBE during the 2019-2021 biennium, the Subcommittees may wish to recommend issuing a letter of intent to the SSHIX to provide semiannual updates to the Interim Finance Committee on the transition.

ASSEMBLYWOMAN SWANK MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE ISSUANCE OF A LETTER OF INTENT DIRECTING THE SSHIX TO REPORT TO THE INTERIM FINANCE COMMITTEE ON A SEMIANNUAL BASIS ON THE TRANSITION TO AND OPERATION OF THE SBE PLATFORM, APPROPRIATENESS OF STAFFING LEVELS, ENROLLMENTS TRENDS AND THE STATUS OF THE SSHIX REVENUE AND RESERVES.

SENATOR PARKS SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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Ms. COPELAND:

Major closing issue 2 is discussed on page 11 of [Exhibit C](#) which concerns marketing and outreach. There are two decision units under this major closing issue. The first is enhancement decision unit E-289 regarding the expiration of federal funds.

E-289 Educated and Healthy Citizenry — Page HEALTH INS EXCHANGE-11

As a result of the expiration of a \$2.2 million federal exchange establishment grant in FY 2018, the Governor recommends reestablishing costs in the 2019-2021 biennium funded with reserve reductions.

SENATOR PARKS MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE THE GOVERNOR'S RECOMMENDATION IN THE SSHIX B/A 101-1400 OF RESERVE REDUCTIONS TOTALING \$2.2 MILLION IN

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EACH FY OF THE 2019-2021 BIENNIUM TO FUND THE COST OF NAVIGATORS, IN-PERSON ASSISTERS, BROKERS AND MARKETING AND OUTREACH.

ASSEMBLYWOMAN JAUREGUI SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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Ms. COPELAND:

The second enhancement decision unit E-290 under major closing issue 2 is discussed on page 11 of [Exhibit C](#). The Governor recommends increasing the marketing and outreach budget by \$374,128 in each year of the 2019-2021 biennium to support increased contracted marketing services. The decision unit is funded by the utilization of reserves. The SSHIX indicates additional marketing funds would address increased marketplace competition and confusion resulting from constantly changing federal rules.

E-290 Educated and Healthy Citizenry — Page HEALTH INS EXCHANGE-11

The SSHIX noted the importance of having young and healthy people purchase insurance. This would stabilize the insurance risk pool leading to a stable rate structure.

The table on page 12 of [Exhibit C](#) shows enrollment trends by age group.

SENATOR PARKS MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE THE GOVERNOR'S RECOMMENDATION IN THE SSHIX B/A 101-1400 FOR RESERVE REDUCTIONS OF \$374,128 IN EACH YEAR OF THE 2019-2021 BIENNIUM TO FUND THE COST OF INCREASED MARKETING AND OUTREACH.

ASSEMBLYWOMAN MONROE-MORENO SECONDED THE MOTION.

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ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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Ms. COPELAND:

There are three other closing items for the SSHIX B/A 101-1400 starting on page 12 of [Exhibit C](#). Enhancement decision unit E-285 concerns the increase in subawards to navigators, in-person assisters and brokers. Enhancement decision unit E-710 concerns replacement equipment. These recommendations appears reasonable to Staff.

E-285 Educated and Healthy Citizenry — Page HEALTH INS EXCHANGE-9
E-710 Equipment Replacement — Page HEALTH INS EXCHANGE-12

The third other closing item concerns the revenue and reserve projections. The agency's reserve projections appear reasonable to Staff.

ASSEMBLYMAN WHEELER MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE THE SSHIX B/A 101-1400 OTHER CLOSING ITEMS AS RECOMMENDED BY THE GOVERNOR WITH AUTHORITY FOR FISCAL STAFF TO MAKE TECHNICAL ADJUSTMENTS AS NECESSARY.

SENATOR GOICOECHEA SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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ASSEMBLYMAN KRAMER:

The SSHIX is transitioning from a SBE-FP to a SBE. This is a dramatic change for insurance providers in Nevada. We are looking forward to not increasing rates but increasing reserves and health insurance services to the residents of Nevada.

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SENATOR CANCELA:

The Subcommittees will not be making decisions or motions on the Public Employee's Benefit Program (PEBP) B/As.

ALEX HAARTZ (Principal Deputy Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau):

The PEBP has four B/As which begin on page 15 of [Exhibit C](#). I will begin with the main operating account B/A 625-1338, then will move to the Non-State Retiree Rate Mitigation B/A 101-1369. The final two are staff closing budgets, Retired Employee Group Insurance B/A 680-1368 and Active Employees Group Insurance B/A 666-1390 which are holding accounts and are dependent upon decisions made within the PEBP B/A 625-1338.

SPECIAL PURPOSE AGENCIES

PUBLIC EMPLOYEES' RETIREMENT SYSTEM

PEBP - Public Employees Benefits Program — Budget Page PEBP-6 (Volume III)
Budget Account 625-1338

PEBP - Non-State Retiree Rate Mitigation — Budget Page PEBP-16 (Volume III)
Budget Account 101-1369

PEBP - Retired Employee Group Insurance — Budget Page PEBP-17 (Volume III)
Budget Account 680-1368

PEBP - Active Employees Group Insurance — Budget Page PEBP-20 (Volume III)
Budget Account 666-1390

The PEBP B/A 625-1338 has one major closing issue beginning on page 17 [Exhibit C](#). On April 3, 2019, Fiscal staff received Budget Amendment No. A192861338 ([Exhibit D](#)) from the Office of the Governor, Governor's Office of Finance (GFO). A summary of the changes reflected in the budget amendment in [Exhibit D](#) can be found on page 17 of [Exhibit C](#).

These changes are regarding the proposed plan design included in the Governor's recommended budget as submitted. The first four bulleted items deal

with technical adjustments which have been included in the budget, such as revising the projected enrollment of State and non-State retirees, adjusting the projected inflationary rates for claim costs, revising certain per-participant third-party administrative costs and making adjustments between the budgeting of projected costs of inflation and caseload.

The last two bulleted items are the primary changes which increases the recommended one-time Health Savings Account (HSA)/Health Reimbursement Arrangement (HRA) contribution in FY 2021 from \$100 to \$125 per participant and reduces the FY 2021 State contribution percentage to match the contribution percentage included in the Governor's recommended budget as submitted in order for the percentages to be consistent across both FYs.

The table on page 18 of [Exhibit C](#) displays the plan year 2019 benefit level, the benefit levels funded through the Governor's recommended budget as submitted and the result of the budget amendment in [Exhibit D](#). The only change is in the HSA/HRA contribution for FY 2021 which is increased from \$100 to \$125. This is the magnitude of the change in the plan design with regard to actual benefits.

The Governor's recommended budget for the PEBP B/A 625-1338 both as submitted as well as amended includes a specific decision point with regard to the use of excess reserves to fund the \$400 and the \$125 contribution to participant's HSA/HRA.

Enhancement decision unit E-230 concerns major closing issue 1a as discussed on page 19 of [Exhibit C](#). This decision unit is funded with \$12.5 million in excess reserves over the 2019-2021 biennium. The amount of funding is projected to serve approximately 24,000 participants who would benefit as a result of this decision unit if approved. The cost is approximately \$9.5 million in FY 2020 and \$3 million in FY 2021.

E-230 Efficient and Responsive State Government — Page PEBP-12

When the PEBP B/A 625-1338 budget is closed, the decision before the Subcommittees is if they wish to approve the expenditures of excess reserves totaling \$9.5 million in FY 2020 and \$3 million in FY 2021 to fund one time

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additional HSA/HRA contributions per primary participant of \$400 in FY 2020 and \$125 in FY 2021.

During the budget presentations, the PEBP indicated there would be required activities, consistent to plan year 2019, which participants would have to perform to qualify for the additional HSA/HRA contribution. The activities would include a primary care doctor visit, basic laboratory work and a dentist office visit among other activities. The requirements are a way to improve health and promote better health status of participants.

Staff would note, as recommended by the Governor, the additional \$400 HSA/HRA contribution does not have any requirements. The intent is participants would receive the funds without having to complete any associated activities.

ASSEMBLYMAN KRAMER:

The State's health insurance program is self-funded with a reserve of approximately \$140 million. We made the decision that the reserves are in excess of what is needed to prudently manage the program going forward. Basically, we have collected more than we need. Is enhancement decision unit E-230 giving back contributions participants have paid into the program in a manner that is fair?

MR. HAARTZ:

Yes. That is correct.

SENATOR GOICOECHEA:

Historically, we seem to go through peaks and valleys with this program. I hope the projections are accurate, because I would not want to see a rate increase in a couple of years due to these additional HSA/HRA contributions.

MR. HAARTZ:

Enhancement decision unit E-231 concerns major closing issue 1b as discussed on page 19 of [Exhibit C](#).

The Governor recommends increasing the base monthly HRA contribution that Medicare Exchange participants receive from \$12 to \$13. If retirees who participate in the PEBP are not fully Medicare eligible, they remain on either the preferred provider organization network (PPO) or the health maintenance organization (HMO) plans. Whereas, Medicare eligible participants are required to enroll in the PEBP sponsored Medicare Exchange. To offset their monthly Medicare premiums, the PEBP has provided a monthly subsidy based upon the retirees years of service. For example, with 15 years of service, a Medicare Exchange retiree would receive \$195 per month instead of \$180 per month. This decision unit is funded with non-State employer subsidies and State subsidies totaling \$2.8 million in FY 2020 and \$2.9 million in FY 2021. This benefit would be provided to approximately 13,500 Medicare Exchange retirees at the end of 2021.

Staff would note Medicare Exchange retirees currently receive \$14 per month for each year of service up to 20 years. The \$14 per month was based upon a decision by the PEBP Board for plan year 2019 which is funded by excess reserves.

When the PEBP B/A 625-1338 budget is closed, the decision before the Subcommittees is if they wish to approve non-State employer subsidies and State subsidies totaling \$2.8 million in FY 2020 and \$2.9 million in FY 2021 to increase by \$1, from \$12 to \$13, the monthly HRA contribution provided to State and non-State retirees enrolled in the PEBP sponsored Medicare Exchange in each year of the 2019-2021 biennium as recommended by the Governor.

Major closing issue 1c concerns the State contribution percentages beginning on page 20 of [Exhibit C](#). In the Executive Budget, there is no specific decision unit which relates to the State contribution percentages.

These percentages operate in the background and are one of the main cost drivers for how the State's contribution and the participant's premium is determined. The State contribution percentages determine the total State contribution revenue needed and are the basis for the per-participant per-month (PPPM) State contribution for active employees and the base State contribution amount for retirees as well as the monthly premium to be paid by participants.

Since the implementation of the high deductible health plan (HDHP) the State has "traditionally" contributed 93 percent of the monthly premium cost for active employees on the HDHP-PPO and 81 percent for the HMO and the exclusive provider plan (EPO).

The table on page 21 of [Exhibit C](#) provides information on contribution percentages for the plan year 2019, the Governor's recommended budget as submitted, the PEBP Board percentages adopted at the Board meeting on March 28, 2019, and the contribution percentage as amended by the Budget Amendment in [Exhibit D](#). The contribution percentages are divided into four participant types: State active primary employee, State active employee dependent, non-Medicare State retiree, and non-Medicare State retiree dependent. As discussed previously, the Budget Amendment in [Exhibit D](#) reduces the contribution percentages for FY 2021 to align with the Governor's recommended budget as submitted for FY 2020.

Staff would note to fund the recommended contribution percentages for FY 2020 as submitted and FY 2021 as amended by the Budget Amendment in [Exhibit D](#); State subsidy revenues totaling \$266.5 million in FY 2020 and \$278 million in FY 2021 would be needed.

At its March 28, 2019, meeting, the PEBP Board adopted contribution percentages as reflected in the table on page 21 of [Exhibit C](#) which were higher than both the Governor is recommended budget as submitted and the Governor's recommended budget as amended contribution percentages. However, they are consistent with the contribution percentages adopted for plan year 2019. The PEBP Board's percentages are generally 2 percent higher than percentages recommended by the Governor.

Staff provided the impact of a uniform 1 percent increase to the contribution percentage recommended in the Executive Budget as shown in box 1 on page 21 of [Exhibit C](#). Also included in box 1 is information regarding the estimated cost if the Senate Committee on Finance and the Assembly Ways and Means Committee (Money Committees) were to adopt a 1 percent increase to the Governors recommended budget. In FY 2020, approximately \$3.3 million in additional revenue would be needed of which approximately 60 percent — or \$2 million — would be funded through increased General Fund appropriations. In

FY 2021, approximately \$3.4 million in additional revenue would be needed of which \$2 million would be funded through increased General Fund appropriations.

The reason why the increase would not be funded entirely with General Fund appropriations is because the State share of each participants contribution is tied to how the position is funded. If a position is funded 100 percent with a federal grant, then the grant would absorb the cost increase — likewise if the position was fee funded.

For comparison purposes, Staff has provided the impact of a uniform 2 percent increase to the contribution percentage recommended in the Executive Budget as shown in box 2 on page 22 of [Exhibit C](#). The 2 percent increase closely mirrors the contribution percentages adopted by the PEBP Board. If a 2 percent increase was adopted, the cost for FY 2020 would cost approximately \$6.6 million in additional revenue and approximately \$6.9 million in FY 2021. The General Fund appropriations of those amounts would be \$4 million in FY 2020 and \$4.1 million in FY 2021.

Attachment 1 on page 30 of [Exhibit C](#) provides a comparison of the estimated monthly premium active employees and non-Medicare eligible retirees would pay based upon the contribution percentages contained in the Governor's recommended budget as submitted, as amended by the Budget Amendment in [Exhibit D](#) and if increased by a uniform 1 percent and 2 percent. As stated previously, the Budget Amendment in [Exhibit D](#) did not change the contribution percentages for FY 2020. However, due to third-party administration costs, inflation and various other rate adjustments, there is an increase in FY 2020 between the amount in the Governor's recommended budget as submitted and the FY 2020 amount in the Governor's recommended budget as amended amount.

For example, an active participant who is enrolled in the HDHP-PPO would pay \$43.25 in FY 2020 under the Governor's recommended budget as submitted or \$43.56 under the Governor's recommended budget as amended. These amounts reflect the participants share under the HDHP-PPO of 7 percent. The remaining 93 percent is the State subsidy. If a plus 1 percent adjustment to the State contribution percentage was adopted through the Governor's

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recommended as amended budget, an active participant would pay \$37.34, and if a plus 2 percent adjustment was adopted an active participant would pay \$31.12. For comparison, an active participant would pay \$31.73 in monthly premiums for FY 2020 as adopted by the PEBP Board.

ASSEMBLYMAN KRAMER:

Is the difference in rates due entirely to the State subsidized amount paid by either General Fund appropriations or other funding sources, or is the difference in rates based on what we think the expenses will be?

MR. HAARTZ:

I want to make sure I understand the question since you used the term "rate." If you are looking at attachment 1 on page 30 of [Exhibit C](#), the table represents the participant premium.

ASSEMBLYMAN KRAMER:

The participant premium is what I was referring to.

MR. HAARTZ:

The "rate" is the combination of the State's share of the monthly insurance rate which is driven by the contribution percentage. For the example given, the State's contribution percentage was 93 percent, and the participant premium was 7 percent. The total monthly insurance rate is based upon claims experience as well as trends which is a combination of actual utilization, inflation and other administrative load costs that rolls up into the monthly insurance rate.

ASSEMBLYMAN KRAMER:

Does this mean the table on page 30 of [Exhibit C](#) assumes those costs are constant, and the participant premiums shown in the table is the difference between the State subsidy and the monthly insurance rate?

MR. HAARTZ:

That is correct.

ASSEMBLYMAN KRAMER:

The PEBP's Board came up with a percentage that they thought was fair, and the rest would come from General Fund appropriations or other funds that make up the State subsidy. Other information on the chart on page 30 of [Exhibit C](#) reflects the Governor's recommended budget as amended including what a uniform 1 percent or 2 percent addition to the contribution percentage for the State's subsidy would do to the participant premium. Was the information on the table provided to inform the Subcommittees what an increase would do to the participant premium if the Money Committees make a motion to approve a 1 percent, 2 percent or leave the Governor's recommend rate going forward?

MR. HAARTZ:

You are correct. The table demonstrates the impact of the uniform plus 1 percent and uniform plus 2 percent of increasing the State's cost and how that would reduce the participants costs.

When the PEBP B/A 625-1338 budget is closed, the decision before the Money Committees is if they wish to approve the FY 2020 and FY 2021 contribution percentages recommended by the Governor as amended by the budget amendment in [Exhibit D](#).

Major closing issue 1d for the PEBP B/A 625-1338 beginning on page 22 of [Exhibit C](#) concerns the Active Employee Group Insurance (AEGIS) and Retired Employee Group Insurance (REGI) rates, which represents the State's share. The table on page 23 of [Exhibit C](#) provides information on the PPPM State's AEGIS contribution. For example, for FY 2020 the Governor's recommended budget as amended, which are background cost adjustments and inflationary adjustments, the contribution would be \$746.05. This is a "composite" amount based upon the total number of active employees and dependents enrolled by "tier" and "plan". A "tier" means participant only, participant plus spouse or participant plus family. A "plan" is the HDHP-PPO or HMO/EPO.

In addition, the table shows the Governor's recommended budget as submitted for FY 2021 contribution would be \$785.63. The Governor's recommended budget as amended to align the contribution percentages with FY 2020 would be \$765.13. The table contains historical information regarding prior year AEGIS contribution amounts.

If the Money Committees decided to approve a uniform 1 percent increase to the contribution percentage as recommended by the Governor, then the Money Committees should adopt box 1A on page 23 of [Exhibit C](#) which provides estimates for the State's share. For example, a uniform 1 percent increase to the Governor's recommended budget as amended for FY 2020 AEGIS PPPM would be \$754.91.

If the Money Committees decided to approve a uniform 2 percent increase to the contribution percentage as recommended by the Governor, then the Money Committees should adopt box 2A on page 23 of [Exhibit C](#). For example, a uniform 2 percent increase to the Governor's recommended budget as amended for FY 2020 AEGIS PPPM would be \$763.76.

The table on page 24 of [Exhibit C](#) provides information on the PPPM State's REGI contribution. For example, for FY 2020 the Governor's recommended budget as amended, the contribution would be \$537.93. The FY 2021 contribution rates drops to \$461.87. The decrease in the rate for FY 2021 is due to the projected revenue shortfall of \$4.4 million for the REGI State contribution revenue. As recommended by the Governor, the shortfall will be funded in FY 2020, and once the shortfall has been paid off, the rate will drop down to \$461.87 based upon the Governor's recommended budget as amended.

Box 1b on page 24 of [Exhibit C](#) provides the amount needed to fund the REGI contribution if a uniform 1 percent increase to State contribution percentages were adopted. Box 2b provides the amount if a uniform 2 percent increase were adopted.

When the PEBP B/A 625-1338 budget is closed, the decision before the Money Committees is if they wish to approve the AEGIS and REGI base contribution levels as recommended by the Governor as amended by the Budget Amendment in [Exhibit D](#). Staff would suggest if the Money Committees approve a State contribution percentage increase, then they should similarly approve the AEGIS and REGI base contribution levels.

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ASSEMBLYMAN KRAMER:

The amounts in box 1a on page 23 of [Exhibit C](#) are the AEGIS PPPM rates which include the rate if a uniform 1 percent increase to the State contribution percentage were adopted. These rates are the General Fund or other fund subsidy.

There are 6 other closing items for the PEBP B/A 625-1338 which begin on page 25 of [Exhibit C](#). Other closing item 1 concerns several base budget adjustments which Staff has reviewed and are reasonable and consistent with the current PEBP plan benefits.

Other closing item 2 on page 25 of [Exhibit C](#) concerns plan inflation/trend adjustments under enhancement decision unit M-101. The word "trend" encompasses both inflation and utilization changes and is based upon actuarial projections and adjustments from the GFO.

M-101 Agency Specific Inflation — Page PEBP-8

The table on page 26 of [Exhibit C](#) shows the actual, budgeted and Governor recommended inflationary/trend increases for the HDHP-PPO and HMO/EPO for FY 2020 and FY 2021. Based upon projections from the PEBP's actuary, AON Consulting, the PEBP's Agency recommended budget contained a 6 percent inflation increase for medical claims for both years of the 2019-2021 biennium. Also contained in the PEBP's Agency recommended budget for FY 2020 and FY 2021 was a 7 percent and 8 percent inflation increase for prescriptions drug claims, respectfully; and a 2 percent and 3 percent inflation increase for dental claims, respectfully. The Governor's recommended budget as amended includes updated information provided by AON Consulting to include an increase in medical claims percentages of 1.63 percent for FY 2020 and 5.33 percent for FY 2021. Staff would point out that the prescription drug claim inflationary costs is projected to be 16.9 percent in FY 2020 and 20.61 percent in FY 2021.

Based upon the updated inflationary percentages and the reallocation of projected medical, prescription drug and dental claims costs between inflation and caseload decision units contained within the Budget Amendment in [Exhibit D](#) appear reasonable to Staff.

Other closing item 3 on page 26 of [Exhibit C](#) concerns plan reserve levels for the PEBP B/A 625-1338. The table on page 27 of [Exhibit C](#) shows information for FY 2020 and FY 2021 regarding the HRA Reserve, the Incurred But Not Recorded (IBNR) Reserve and the Catastrophic Reserve that are actuarially necessary. The Excess Reserve is not actuarially necessary and occurs when revenues collected exceed claims paid for medical, dental and pharmaceutical costs.

In maintenance decision unit M-102 the Governor recommends two uses of the PEBP B/A 625-1338 Excess Reserves. The first use of \$21.4 million is to fund the actuarially-recommended increases to the HRA, IBNR and Catastrophic Reserves. The second use of \$12.5 million is to fund the HSA/HRA contributions of \$400 in FY 2020 and \$125 in FY 2021.

M-102 Agency Specific Inflation — Page PEBP-9

Staff would point out by the end of FY 2021 the Excess Reserve balance will be \$500,000. Due to the level in the Excess Reserve, Staff would recommend that back language be added to the 2019-2021 biennium Authorization Act requiring the IFC's approval prior to any allocation of the Excess Reserves, projected or otherwise budgeted in the Excess Reserve category, regardless of the purpose. This will ensure the Money Committees are informed and aware of any intended use of the Excess Reserves.

Other closing item 4 on page 27 of [Exhibit C](#) concerns plan enrollment/caseload changes through maintenance decision units M-200, M-201 and M-202. There is not a significant increase projected in the number of participants which is not unusual. There will be adjustments made once the Money Committees approve the budgets and the number of new positions is determined.

M-200 Demographics/Caseload Changes — Page PEBP-10

M-201 Demographics/Caseload Changes — Page PEBP-10

M-202 Demographics/Caseload Changes — Page PEBP-11

The table on page 28 of [Exhibit C](#) shows information regarding the 2019-2021 biennium the Governor recommended as amended PEBP plan enrollment changes based upon the participant type. State active employee and

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non-Medicare retiree enrollment caseload changes are reflected in maintenance decision unit M-200; non-State active employee and non-Medicare retiree enrollment caseload changes are reflected in maintenance decision unit M-201 and State Medicare and non-State Medicare eligible retiree enrollment caseload changes are reflected in maintenance decision unit M-202.

Other closing items 5 and 6 for the PEBP B/A 625-1338 are on page 29 of [Exhibit C](#). Enhancement decision unit E-710 concerns replacement equipment and enhancement decision unit E-816 concerns unclassified position change.

E-710 Equipment Replacement — Page PEBP-13
E-816 Unclassified Position Changes — Page PEBP-13

ASSEMBLYMAN KRAMER:

When we talk about the uniform 1 percent or 2 percent increase to the State contribution percentage of the subsidies, it is independent of what the reserve level is as shown in the table on page 27 of [Exhibit C](#). The reserve is actuarially calculated and is separate from the rates and the subsidy being provided by the General Fund or other funds. The two are completely different segments.

MR. HAARTZ:
You are correct.

CHAIR CANCELA:
Seeing no other questions from the Subcommittees on the PEBP B/A 625-1338, you may continue to the next B/A.

MR. HAARTZ:
The Non-State Retiree Rate Mitigation B/A 101-1369 begins on page 31 of [Exhibit C](#). There is one major closing issue which concerns the continuation of rate premium mitigation for non-State, non-Medicare retiree participants inclusive of Budget Amendment No. A193461369 ([Exhibit E](#)).

Senate Bill No. 552 of the 79th Session made a statutory change to align the monthly premium paid by a non-State, non-Medicare retiree with the monthly premium paid by a similarly enrolled State non-Medicare retiree. To allow local

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government's time to allocate additional funding for higher subsidy costs, a four-year phase in period was established in S.B. No. 552 of the 79th Session.

The phase-in period consisted of the State providing General Fund appropriations to cover the increased local governments share. The State subsidized 100 percent of the local government share in FY 2018, 75 percent in FY 2019, 50 percent in FY 2020 and 25 percent in FY 2021.

The Governor's recommended budget continues that phase-in period by providing approximately \$1 million in General Fund appropriations in FY 2020 and approximately \$460,000 in FY 2021.

CHAIR CANCELA:

Seeing no questions from the Subcommittees on the non-State Retiree Rate Mitigation B/A 101-1369, you may continue to the next B/A.

MR. HAARTZ:

The REGI B/A 680-1368 beginning on page 33 of [Exhibit C](#) and the AEGIS B/A 666-1390 on page 37 and 38 are the two holding accounts where the State's contributions are collected from each State B/A.

The REGI contribution collected flows to B/A 680-1368. There are no major closing issues for this B/A. There is one other closing item concerning the revised REGI assessment as adjusted through Budget Amendment No. A193481368 ([Exhibit F](#)). The table on page 34 of [Exhibit C](#) shows information in regards to the REGI PPPM contribution depending on what the Money Committees approve in terms of the contribution percentages.

The AEGIS contributions collected flows to B/A 666-1390. There are no major closing issues for this B/A. There is one other closing item which concerns AEGIS State contribution adjusted through Budget Amendment No. A193471390 ([Exhibit G](#)). The table on page 38 of [Exhibit C](#) represents the AEGIS PPPM State contributions which would held in this account and then transferred into the PEBP B/A 625-1338 when needed.

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When the Money Committees close both the REGI B/A 680-1368 and the AEGIS B/A 666-1390, they should be consistent with the contribution percentage decisions made in the PEBP B/A 625-1338.

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CHAIR CANCELA:

Having no other business before these Subcommittees and seeing no one for public comment, this meeting is adjourned at 9:15 a.m.

RESPECTFULLY SUBMITTED:

Tom Weber,
Committee Secretary

APPROVED BY:

Senator Yvanna D. Cancela, Chair

DATE: _____

Assemblywoman Heidi Swank, Chair

DATE: _____

EXHIBIT SUMMARY				
Bill	Exhibit / # of pages		Witness / Entity	Description
	A	1		Agenda
	B	1		Attendance Roster
	C	38	Leannandra Copeland / Legislative Counsel Bureau	General Government Joint Subcommittees Closing List #7
	D	9	Alex Haartz / Legislative Counsel Bureau	Budget Amendment #A192861338
	E	3	Alex Haartz / Legislative Counsel Bureau	Budget Amendment No. A193461369
	F	3	Alex Haartz / Legislative Counsel Bureau	Budget Amendment No. A193481368
	G	3	Alex Haartz / Legislative Counsel Bureau	Budget Amendment No. A193471390