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## **Extension of Plan Year**

**February 5, 2009**

### **Issue**

In order to begin the Plan Year 2010 on July 1, 2009, it would be necessary for participant contribution rates to be approved at the Board's March 12, 2009 meeting. Preparation time for staff to present recommended rates would require having a "solid" estimate of the State subsidy amounts by early February. PEBP is concerned about current uncertainties that exist regarding the State subsidy that will be funded in the upcoming biennium. Should PEBP move forward with setting rates per the Governor's budget, open enrollment would occur during the month of May. If the Legislature made any material changes to the subsidy amounts, a second open enrollment would be required. This would be a confusing and costly set of circumstances that PEBP would like to avoid if possible.

### **PEBP Board Action Taken**

Therefore, the PEBP Board agreed to extend the current plan year (Plan Year 2009) from June 30, 2009 through October 31, 2009 (to a 16-month plan year). Plan Year 2010 will begin on November 1, 2009 and will end on June 30, 2010 (to an 8-month plan year). After this, subsequent plan years will continue on the normal plan year schedule from July 1<sup>st</sup> through June 30<sup>th</sup>.

What this means for the self funded medical, vision and dental PPO Plan for Plan Year 2009 is the following:

- 1) Annual deductible requirements will carry over through October 31, 2009 (includes medical, dental and prescription).
- 2) Benefits tied to annual frequency maximums (e.g. home health care, SNF, vision exams) will not start over on July 1, but will on November 1, 2009.
- 3) Individual and family out of pocket maximums will carry over through October 31, 2009 and start over again on November 1, 2009.
- 4) Annual dental maximums will not start over on July 1, but will on November 1, 2009 (applies to both PPO and HMO participants).
- 5) Annual wellness benefit of \$2,500 will not start over on July 1, but will on November 1, 2009.

What this means for the self funded medical, vision and dental PPO Plan for Plan Year 2010 is the following:

- 1) Annual deductible requirements will accumulate for eight months rather than twelve months.
- 2) Benefits tied to annual frequency maximums (e.g. home health care, SNF, vision exams) will accumulate for eight months rather than twelve months.
- 3) Individual and family out of pocket maximums will accumulate for eight months rather than twelve months.
- 4) Annual dental maximum will accumulate for eight months rather than twelve months (applies to PPO and HMO participants).
- 5) Annual wellness benefit of \$2,500 will accumulate for eight months rather than twelve months.

The flexible spending plan under IRS Section 125 will be modified as follows:

- 1) A 'short' plan year of July 1, 2009 to October 31, 2009 will be implemented. PEBP is now in contact with the plan administrators (ASI) to finalize the dollar maximums allowed during this period. This information will be included in future budget updates as soon as possible.
- 2) Another 'short' plan year will then be held from November 1, 2009 through June 30, 2010.
- 3) Thereafter, plan years will return to the normal plan year schedule from July 1<sup>st</sup> through June 30<sup>th</sup>

Current plan participant premiums/contributions will remain in effect through October 31, 2009 with no changes.

### **Next Steps**

PEBP will move forward with regulation changes necessary to make this temporary change in the plan year.

PEBP will mail a formal communication packet to all participants in late April. The packet will include a letter describing the temporary change in plan year, information regarding the new dental network to be effective July 1, 2009, and flexible spending program enrollment forms.

New plan rates to effective November 1, 2009 would be set by the PEBP Board no later than early July and open enrollment would then be held during the month of September.