



NEVADA RETIREES CHAPTER 4041

To: Nevada Legislature: Joint Meeting of the Assembly Committee on Ways and Means and the Senate Committee on Finance
From: Tess Opferman, AFSCME Retirees Chapter 4041
Date: February 14, 2025
Subject: State Retiree Healthcare costs and the HRA

In the fall of 2024, AFSCME Retirees conducted a survey of our members to assess how much they are spending on their healthcare costs. In particular, we wanted to better understand whether our members were utilizing their Health Reimbursement Arrangement (HRA) and how much of their healthcare costs were covered by this account.

Legislative history:

Pre-2011, those who had retired from the State of Nevada with at least 30 years of service were guaranteed full healthcare coverage on the state healthcare plan. For decades, public sector employees were incentivized by better benefits despite lower wages in comparison to private sector jobs. Full retirement healthcare coverage was one such benefit and many employees remained with the state for 30 years or longer to be eligible for this benefit. However, due to budget cuts in 2011, the Public Employee Benefits Program changed this benefit. Rather than providing full healthcare coverage, PEBP decided to move state retirees to Medicare, a less costly form of care for the state. Additionally, they created the Health Reimbursement Arrangement (HRA), a separate account that would give retirees funding to cover additional healthcare expenses, such as supplemental plans, dental and vision, and prescription drugs. While retirees were no longer on the state plan, the HRA was designed to cover all additional out of pocket costs, meaning all retiree healthcare costs would continue to be covered by the state.

The HRA is calculated based on the number of years an employee worked for the state. In 2011, the calculation was \$11 per month per year worked, with a minimum of 5 years (\$55 per month) and a maximum of 20 years (\$220 per month). Because of rising healthcare costs, in 2015, this amount was increased to \$13 per month per year worked (minimum of \$65 per month for five years worked; maximum of \$260 per month for 20 years or more worked).

Unfortunately, despite significant increase in healthcare costs, this amount hasn't increased since 2015.

AFSCME Retiree Survey:

In September 2024, the AFSCME Retirees, Chapter 4041, sent a survey out to over 800 members to better understand their healthcare costs and specifically, if and how they used the HRA. Key takeaways:

- 1. Retirees do not understand their HRA benefit:**

Of surveyed members, only 50% could accurately state how much they receive from PEBP or through their HRA. Many respondents gave numbers that were significantly higher than is possible, such as \$5700 and \$3500, presumably reflecting the retiree's PERS benefit. This clearly shows that retirees do not know or understand the HRA.

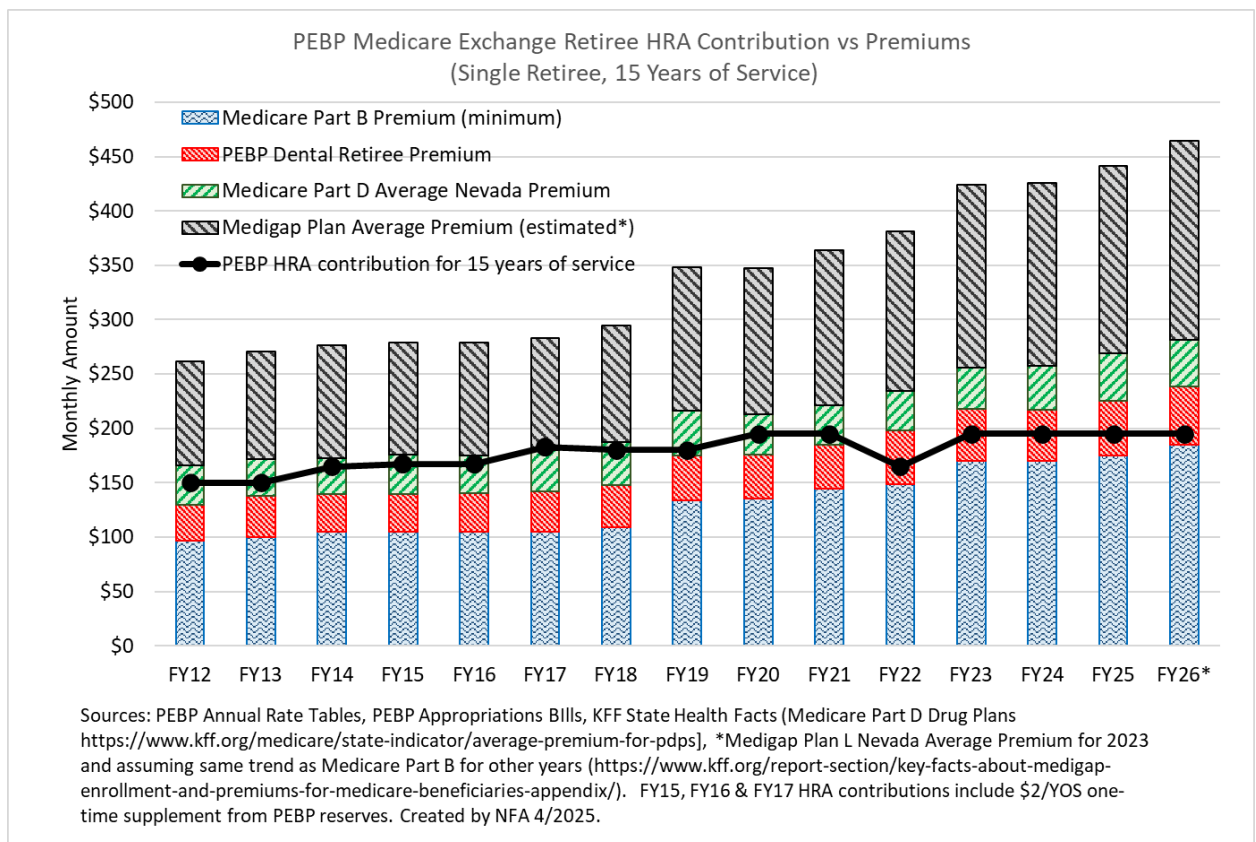
While this is disappointing, it is not surprising. During the 2023 session, PEBP argued against an increase to the HRA because retirees are not utilizing these accounts. HRA accounts are capped at \$8000 and PEBP sweeps funds from many accounts due to lack of use and account balances exceeding the cap. AFSCME Retirees hold that seniors do not know how to utilize these accounts and in some cases don't know the funds exist. Alas, survey results back this conclusion. PEBP's education sessions are not enough; PEBP and Via Benefits need to do more to ensure retirees are able to easily use these funds.

2. Healthcare costs far exceed the HRA:

Of the respondents who showed an understanding of their HRA benefit, 100% stated that their HRA was not sufficient enough to cover healthcare costs. Reporting recipients receive between \$195 and \$260 (average: \$244) per month through their HRA. However their average yearly out of pocket healthcare costs were nearly \$4000, averaging about \$335 per month. Even those receiving the maximum monthly reimbursement and using it are spending significantly more per month on their healthcare.

3. Healthcare costs are increasing while the HRA remains the same:

We know healthcare costs have increased over time. Here is a chart of retiree healthcare costs, including Medicare Part B, PEBP Dental Retiree Premiums, average Medicare Part D, and average Medigap Plan. Costs have gone up; the HRA has not.



4. A Case Study:

We will call respondent #47 Roberta. Roberta wrote:

“Our premiums keep going up every year but the reimbursement of 260 hasn't at all.”

Roberta worked for the State of Nevada for 30 years and receives the maximum HRA of \$260. However, between Medicare Part B, her supplemental plan, dental, prescription drugs, and other miscellaneous expenses, she is spending a total of \$550 a month. This means she is paying about \$290 out of pocket monthly, and this amount will continue to increase yearly.

Conclusion:

Many of our retirees will report that part of the reason they stayed in the public sector in Nevada was because of the promised healthcare benefits. Despite lower wages, they were assured their healthcare costs would be covered through retirement. We are failing them. The changes made in 2011 to move retirees from the State plan to Medicare was not in the best interest of retirees. The HRA, originally meant as a solution to cover out of pocket expenses is no longer doing as intended. Year after year, retirees living on a fixed income are spending more on their healthcare costs and they simply can't afford it.

During the 2025 session, we ask the legislature to look closely at this group of Nevadans.

Our request:

Pass AB188 and ensure state retirees have access to healthcare benefits they deserve.



The **Nevada Faculty Alliance** is the independent statewide association of professional employees of the Nevada System of Higher Education (NSHE). The NFA is affiliated with the American Association of University Professors and the American Federation of Teachers. *The Nevada Faculty Alliance works to empower our members to be fully engaged in our mission to help students succeed.*

Assembly Bill 188: Restore Retiree Health Benefits for State Employees

- **AB 188** restores retiree health benefits for state employees hired after 2011 and for PEBP Medicare Exchange retirees.
- State employees hired after the Great Recession deserve the same benefits as those hired in better economic years.
- Robust retiree health benefits are needed to compete with other Nevada public employers, and especially to retain mid-career professional employees who carefully consider health care and retirement benefits.

Problems: <i>Cuts to retiree health benefits are unfair to newer state employees and hurt retention</i>	Solutions: <i>AB 188 reverses cuts to retiree health benefits for state employees</i>
• When state employees hired after 2011 retire they will have no retiree health benefits through the Public Employees Benefits Program (PEBP). Because these state employees have not yet met the minimum of 15 years of service, the State has had no cost savings.	• Restore retiree health benefits for state employees hired after December 31, 2011. These employees would receive PEBP health benefits upon retirement and after at least 15 years of service. [Sec. 3]
• In 2011, retirees on Medicare were removed from PEBP coverage and required to buy supplemental coverage through a private exchange. PEBP Medicare retirees only receive a contribution to a Health Reimbursement Arrangement (HRA). The HRA contribution has not been increased since 2015 and has not kept up with cost increases for Medicare Part B premiums and supplemental insurance (Figs. 1 & 2).	• Encourage the Governor and Legislature to provide equitable benefits to PEBP Medicare retirees by requiring PEBP to calculate and report the cost of supplemental insurance to provide benefits that are actuarially equivalent to those for pre-Medicare PEBP retirees [Sec. 1].
• A retiree's ability to drop PEBP coverage (e.g., due to coverage from other employment or through a spouse) and rejoin was reduced to once in a lifetime.	• Allow retirees to reinstate PEBP coverage after more than one gap [Sec. 4].
• Retiree HRA account balances have been capped at \$8,000, which means they have fewer funds for out-of-pocket costs or catastrophic health events.	• Prohibit PEBP from capping HRA balances for Medicare Exchange retirees [Sec. 3(7)]

Cost analysis: Minimal impact on fringe rate for retiree health benefits

- Retiree health benefits are paid by a fringe-rate assessment on all state salaries, which averaged 2.50% since FY2010. **This fringe rate should remain about the same with AB 188**, as long as the ratio of retirees to the total state payroll remains stable.
- January 1, 2027, is the earliest that post-2011 state hires could retire with the minimum 15 years of service to receive a benefit under AB 188. PEBP [estimates](#) 73 such retirees in FY2027, compared with a total PEBP state retiree population of [12,776](#). That would raise the fringe rate by only 0.01% (from 2.50% to 2.51%) for FY2027 (Fig. 3), which the Retired Employee Group Insurance Fund could absorb. PEBP [predicts](#) a total of about 1,000 additional retirees over 10–12 years, which could raise the fringe rate by 0.20%, but that may not consider the natural decrease of retirees hired before 2011. **The cost of restoring state retiree health benefits is very modest.**
- An itemization from PEBP is needed, but **removing the cap on HRA balances and allowing more than one reinstatement are expected to have little fiscal impact.**
- AB 188 increases the Other Post-Employment Benefits (OPEB) accounting liability that must be reported (Fig. 4), but **the Treasurer's Office has indicated that AB188 is unlikely to affect the state's credit ratings.** PEBP has always been on a pay-as-you-go basis, and AB 188 will not change that.

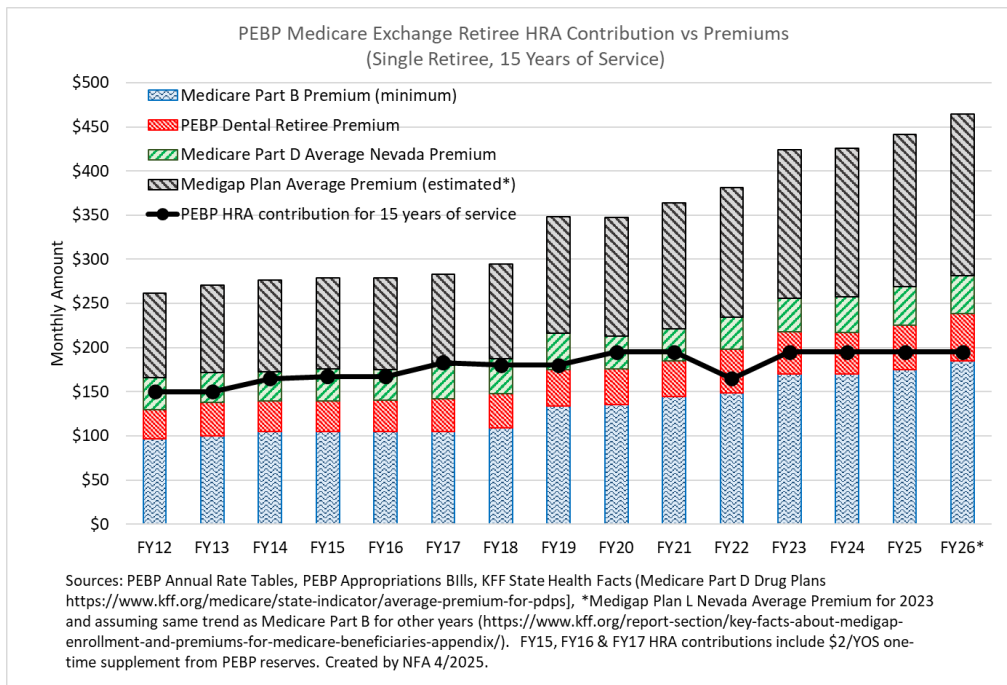


Figure 1. Comparison of PEBP contribution to Health Reimbursement Arrangements (HRAs) for Medicare Exchange retirees (15 years-of-service base amount) and cost of Medicare B, Medicare D, PEBP dental and Medigap supplemental coverage. **The HRA contributions have not kept up with increases in the cost of premiums for PEBP Medicare Exchange retirees.**

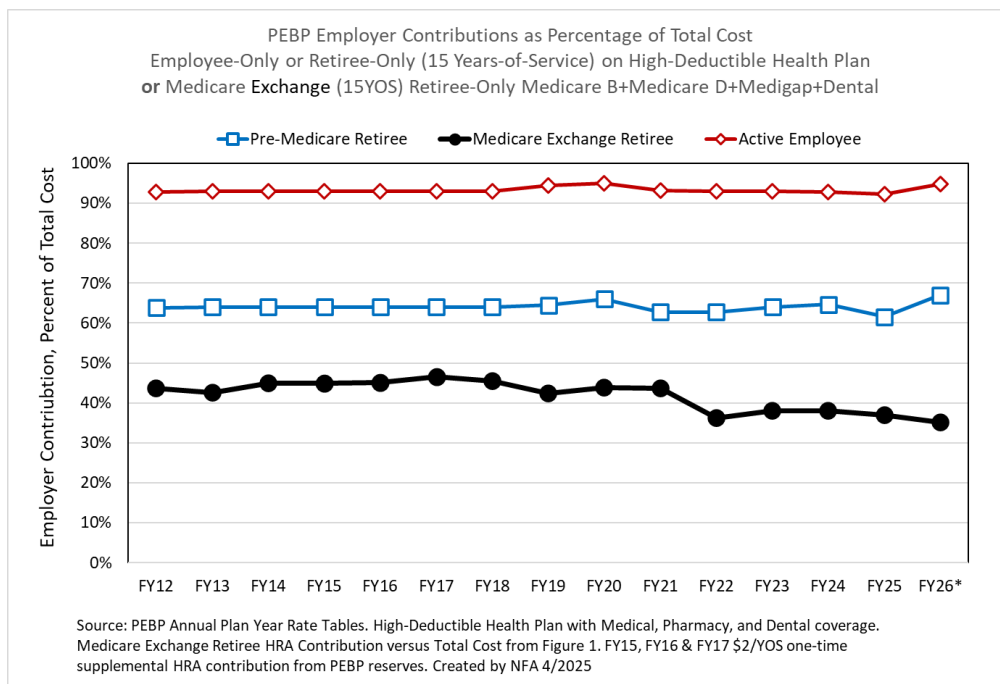
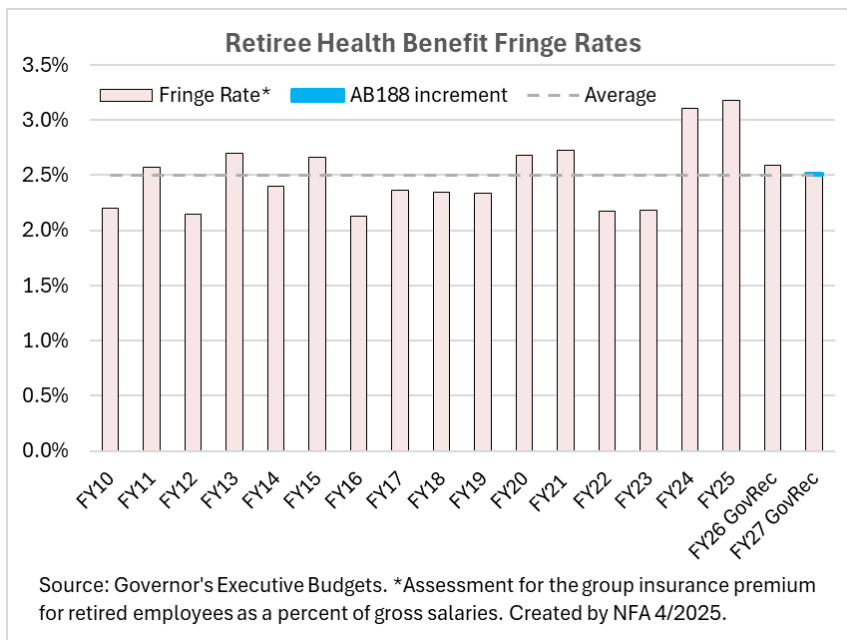
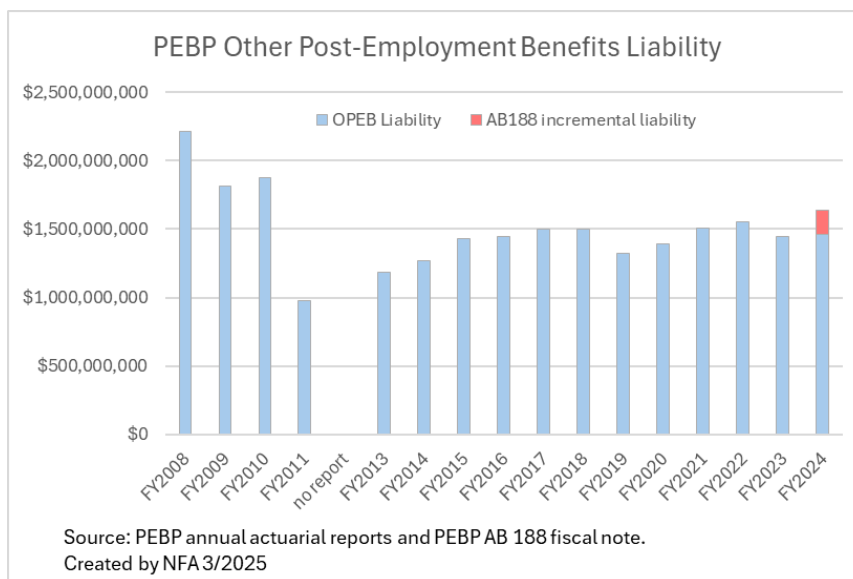


Figure 2. Employer contributions toward health insurance for active state employees and state retirees as a percentage of the total cost. **The contribution percentage has held about steady or increased for active employees and pre-Medicare retirees, but has decreased over time for PEBP Medicare Exchange retirees.**



2.50% average fringe rate;
0.014% increment in FY2027
for AB 188

Figure 3. Historical fringe rate assessments for state retiree health benefits, FY2010–2027. The retiree health fringe rate has varied from 2.13% to 3.18% since FY2010, and per the PEPB budget closing it will be 2.59% in FY2026 and 2.50% in FY2027. The average is 2.50% of state salaries, paid by the employing agency funding source and deposited into the Retired Employees’ Group Insurance (REGI fund 1368). Transfers from the REGI fund to PEPB pay for retiree benefits. Based on [12776](#) enrolled retirees and [73](#) additions in FY2027, **the projected increment in the fringe rate due to AB 188 is 0.014% in FY2027 and 0.20% long term for [1000](#) additional retirees, smaller than the year-to-year fluctuation due to other sources.**



Small increase in liability

Figure 4. Reported Other Post-Employment Benefits (OPEB) accounting liability for PEPB from FY2008 to 2024. The OPEB liability declined after the major cuts to retiree benefits in 2011, primarily moving Medicare retirees to the private insurance exchange. According to PEPB’s [fiscal note](#), AB 188 would increase the OPEB future liability by \$179 million, from \$1.46 billion to \$1.64 billion (upon enactment). **The Office of the State Treasurer has indicated that the increase in the OPEB liability from AB 188 is unlikely to change the state’s credit ratings.** PEPB is on a pay-as-you-go basis; no annual payments against the future liability are being made or contemplated.