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## Understanding Changes to your Health Plan for 2027

Premiums for the Public Employees Benefit Program (PEBP) are increasing for plan year 2027. These changes are necessary to ensure PEBP can continue to cover medical, pharmacy, and dental costs for all members.

### A. *Why are premiums increasing?*

As a self-funded plan, PEBP can only use employer and employee contributions to pay for health care costs. PEBP must collect enough in premiums to pay for the actual cost of care each year. ***Importantly, PEBP cannot increase the cost of the program to the state's budget or request contingency funding in between legislative sessions to help address shortfalls.*** These funding adjustments must occur during the legislative session through changes to the employer's (i.e., the state's) contribution levels.

For plan year 2027, there are **three major factors** affecting employee premium increases: (1) higher health care costs; (2) insufficient premium revenues; and (3) delayed premium increases for employees.

- 1. Higher health care costs:** Like other coverage programs, PEBP is experiencing a **spike in health care inflation**. This means the actual price of medical care and prescription drugs is outpacing typical inflation in the market. Primary drivers of inflation are often the cost of new medical technologies and medications, increased use of covered services, provider salary increases, and the prevalence of chronic disease and high-cost conditions within a covered population. This issue is not unique to PEBP or Nevada; health insurance markets nationwide are experiencing large upticks in inflation.
- 2. Insufficient premium revenues:** Premium collection revenues have been **insufficient (or short)** for the past few years. This relates to how excess reserve funds after COVID were implemented, which lowered **premium increases for employees** starting in plan year 2023. By plan year 2025, these excess funds had been depleted. However, the lower premium amounts continued to be collected from employee paychecks and were not adjusted to account for the loss of these excess funds. This resulted in premium collection revenues being short. Additionally, it appears that premium rates over the last few years may have been **priced too low**, especially for the low-deductible plan. When premium rates are set too low (below the unit cost) and too many individuals migrate to the underpriced plan(s) (especially healthier individuals), it can threaten market stability. For PEBP, this has created a precarious financial situation, where PEBP has been unable to collect enough premiums to cover the increases in the cost of care across all plans without facing premium increases in plan year 2027.

**3. Delayed premium increases** - The use of one-time excess reserve funds to lower employee premiums resembles the premium subsidy model used in state exchanges. However, this causes participants to be insulated from the actual premium rates and cost growth of health insurance. Unlike the exchange market, the subsidization of PEBP premiums has been **temporary in nature and paid for with one-time funding**. For example, for plan year 26, PEBP used one-time state funds approved by the 2025 state legislature to subsidize employee premiums once again, instead of addressing deficient premium revenues and reserves. PEBP reserves were depleted by the board to mitigate rate increases in plan year 2025. While these decisions briefly helped members by creating low monthly premiums, the solution was temporary and did not address long term financial viability of the program. Members are now faced with a subsidy cliff (and sticker shock) now that the one-time funds have been expended and member premiums were not increased over time to adjust for actual program costs.

#### ***B. What decisions have been made?***

To keep the plan financially stable, the PEBP Board considered reducing benefits, increasing premiums, and a combination of both. The board ultimately chose an approach that **prioritized coverage and spread necessary premium increases over time**. To avoid large premium increases at once, PPO Plan increases will be phased in over 3 years. HMO/EPO plan increases will be phased in over 2 years.

Without addressing the insufficient premium collections, PEBP risks not having sufficient revenues and reserves to cover health care costs of its participants.

#### ***C. What is being done to prevent this happening again?***

PEBP and the Nevada Health Authority are working with multiple national consultants on **long-term solutions to prevent this from happening in future years**. While the board has taken steps to protect the long-term stability of the current plans with these increases, looking ahead, PEBP and NVHA in coordination with the board will review plan design and cost-saving opportunities, procure for a new prescription benefit manager contract with cost containment levers, evaluate vendor programs and care management strategies, improve budget forecasting and oversight, increase auditing and oversight functions, seek necessary changes to address actuarial soundness of rates, and update policies on how reserve funds are used.

#### ***D. Where can I find detailed information about the actual premiums approved?***

See [Plan Year 2027 Premium Rate Guide](#)