

Governor Brian Sandoval
Chairman

James R. Wells, CPA
Clerk of the Board



Attorney General Adam Paul Laxalt
Member

Secretary of State Barbara K. Cegavske
Member

STATE OF NEVADA BOARD OF EXAMINERS

209 E. Musser Street, Room 200 / Carson City, NV 89701-4298
Phone: (775) 684-0222 / Fax: (775) 684-0260
<http://budget.nv.gov/Meetings>

MINUTES

Date and Time: February 14, 2017, 10:00 AM

Location: Old Assembly Chambers of the Capitol Building
101 N. Carson Street
Carson City, Nevada 89701

Video Conference Location: Grant Sawyer Building
555 E. Washington Avenue, Ste. 5100
Las Vegas, Nevada 89101

MEMBERS PRESENT:

Governor Brian Sandoval
Attorney General Adam Paul Laxalt
James R. Wells, Clerk

MEMBER EXCUSED:

Secretary of State Barbara Cegavske

OTHERS PRESENT:

Rudy Malfabon, Director, Department of Transportation
Dennis Gallagher, Deputy Attorney General, Department of Transportation
Brett Kandt, Chief Deputy Attorney General, Attorney General's Office
Jeff Haag, Division Administrator, Purchasing Division
Reesha Powell, Deputy Division Administrator, Division of Child and Family Services
Damon Haycock, Executive Officer, Public Employee Benefits Program
Ed Epperson, CEO, Carson-Tahoe Health
Joan Hall, CEO, Nevada Rural Hospital Partners
Helen Lidholm, CEO, St. Mary's Medical Group
Ty Windfeldt, CEO, Hometown Health
Alan Olive, CEO, Northern Nevada Medical Center

1. Call to Order / Roll Call

Governor Sandoval called the meeting to order. He noted that Secretary of State Cegavske would not be attending the meeting.

2. Public Comment (No action may be taken upon a matter raised under public comment period unless the matter itself has been specifically include on an agenda as an action item)

There was no public comment.

3. Approval of the December 19, 2016 and January 10, 2017 Minutes
(For possible action)

The Attorney General moved for approval of the December 19, 2016 and January 10, 2017 Meeting minutes. Governor Sandoval seconded the motion. The motion passed unanimously.

4. State Vehicle Purchases (For possible action)

Pursuant to NRS 334.010, no automobile may be purchased by any department, office, bureau, officer or employee of the State without prior written consent of the State Board of Examiners.

AGENCY NAME	# OF VEHICLES	NOT TO EXCEED:
Department of Administration – Fleet Services Division	13	\$315,645
Department of Conservation and Natural Resources – Division of Environmental Protection, Bureau of Waste Management	1	\$29,892
Division of Minerals	1	\$30,052
Total	15	\$375,589

Mr. Wells explained this item is a request for 15 vehicles. The first item is a request from Fleet Management to replace 12 vehicles that have met the age and mileage replacement thresholds. All but two of the vehicles are leased to individual agencies and are not part of the daily fleet rental. The other two vehicles are part of the daily rental fleet, one is in Carson City and the other one in Las Vegas. All vehicles were included in the respective agencies’ legislatively approved budgets. The last vehicle on the list was totaled in an accident.

The second item is from the Department of Conservation and Natural Resources, Division of Environmental Protection to replace a vehicle that has become too costly to

repair. Funding for this vehicle will come from reserves in the Hazardous Waste Management Account.

The third item is a request from the Division of Minerals to replace one vehicle that was totaled in an accident. The funds for this vehicle are coming from agency reserves.

Governor Sandoval asked if these requests were all part of the regular budget. Mr. Wells confirmed and added, other than the ones that have been replaced for vehicle accidents. Governor Sandoval asked if all vehicles have exhausted their useful life. Mr. Wells confirmed and added that all vehicles have met either the age or mileage for replacement or have become too costly to repair.

The Attorney General moved for approval of the state vehicle purchases. Governor Sandoval seconded the motion. The motion passed 2-0.

5. Approval to Pay a Cash Settlement (For possible action)

Pursuant to Article 5, Section 21 of the Nevada Constitution, the State Board of Examiners may approve, settle or deny any claim or action against the State, any of its agencies or any of its present or former officers, employees, immune contractors or State Legislators.

Department of Transportation (NDOT) – Administration - \$1,333,000

The department requests settlement approval in the total amount of \$1,333,000 to fully resolve an eminent domain action to acquire 1.5 acres of real property owned by the Robarts 1981 Trust, located at 515 and 701 Desert Lane and 700 S. Martin Luther King Boulevard in Las Vegas for Project NEON. NDOT previously deposited \$4,517,000 with the Court for a right of occupancy. NDOT now requests an additional \$1,333,000 to resolve the action. Approval of the additional amount of \$1,333,000 would bring the total to \$5,850,000.

Mr. Wells stated agenda item 5 is requesting approval for a cash settlement from the Department of Transportation in the amount of \$1,333,000 to fully resolve an eminent domain action to acquire 1.5 acres of real property for Project NEON. Approval of the additional amount would bring the total settlement to \$5,850,000.

Director Malfabon stated that this settlement is related to Project NEON which is the large reconstruction project near I-15. He went on to say that NDOT has acquired about 1.5 acres which had two apartment buildings on site. NDOT initially offered the landowner approximately \$4.5 million for the property and requesting settlement authority for an additional \$1,333,000, for a total amount of \$5,850,000 to resolve this case.

Director Malfabon stated, *what happened Governor and Board Members is they had actually filed an inverse case against us saying that NDOT was affecting their property, even before we started the process of taking their property. We got through that.*

Eventually, we got to the point of them making an offer, saying their property is worth \$10 million. We thought that was kind of inflated.

We believe that this is a fair settlement for the additional \$1,333,000 above the amount that's already been deposited with the Court. Our Chief Deputy Attorney General, Dennis Gallagher is here to respond to any questions from the Board as far as the legal issues associated with this case. Again, I wanted to point out that we needed the property. We believe it's a fair settlement for the property and it addresses all the risks associated with this case. Should we go to court, typically the jury can be more sympathetic to the property owner. Here we have NDOT taking these apartment buildings and kind of upsetting their business there. So, I think it is in the best interest of the taxpayers.

Mr. Dennis Gallagher noted that the settlement is fair, just and equitable to both the property owner, as well as the taxpayers. The exposure, in this case, was well over \$10 million. It would've cost the State at least \$30,000 to try it. If the jury split the values of the property between the State and the property owner, the value would have been about \$7.2 million plus costs and interest, which would have taken it over \$7.5 million. This settlement is in the best interest of the State.

Governor Sandoval asked for clarification for the record as this is an all-in settlement of about \$5.85 million. Mr. Gallagher said yes. Governor Sandoval asked for confirmation that it was noted to be \$30,000 to try this case. Mr. Gallagher noted that amount would be just for experts. The case would have been tried in house by the AG's Office from start to finish. Governor Sandoval asked what would've been the anticipated fees and costs for the other side. Mr. Gallagher noted, with their experts, they would have incurred fees of over \$50,000 through trial. Governor Sandoval asked with the demand made on the other side, is the settlement several million dollars below that. Mr. Gallagher said yes.

Governor Sandoval stated, you cannot really put a dollar amount on it but there are the opportunity costs in terms of getting this project done. And, I will say this, in my other responsibility as Chairman of the Transportation Board, which we just met yesterday, at least historically we were constantly in protractive litigation and you had the uncertainty of litigation and the uncertainty of the exposure. This allows the project to move forward and as you reported yesterday, Project NEON is on time, on schedule and on budget. Those are all good things. I want to complement your office and who is responsible for managing this litigation to find a reasonable place where we can settle these cases. As you said, it's important. We have to give the landowners the fair value for their property but at the same time, we have to be good stewards of taxpayer money and so we can't overpay. Always trying to thread that needle is a challenge. I think you've done that in this case.

The Attorney General made a motion to approve the payment of a cash settlement in the sum of \$1,333,000. Governor Sandoval seconded the motion. The motion passed unanimously.

6. Authorization to Approve a Provider Agreement (For possible action)

Department Health and Human Services – Division of Child and Family Services

The division is requesting Board of Examiners' approval of the following provider agreement form to enable them to enter into an agreement with providers of:

- Advanced Foster Care
- Youth Parole foster homes

Mr. Wells explained that item 6 is a request from the Department of Health and Human Services, Division of Child and Family Services for the Board to approve a new provider agreement for advanced foster care and youth parole foster homes. This new agreement replaces the current Specialized Foster Care provider agreement by removing duplicative regulatory language and language that did not support revised Advance Foster Care Program policies and procedures. In addition, it adds language approved in the 2015 legislative session to support the Advance Foster Care Program and the System of Care grant best practices.

Governor Sandoval had no questions but stated, *some of you have been in these meetings before where we have approved these but these are incredibly important in terms of efficiency. Historically, we would have to wait for BOE approval for these types of agreements, time after time. In the meantime, the client and in this case, foster care for kids and youth parole foster homes would not be able to accept their clients. This is something that really improves the delivery of care for these populations and it is very important in terms of making sure that we get service at the earliest possible moment to this population.*

The Attorney General moved to approve the provider agreement presented in agenda item number 6. Governor Sandoval seconded the motion. The motion passed unanimously.

7. Approval of Contract for Services of Independent Contractor Form (For possible action)

The Purchasing Division is requesting Board of Examiners' approval of the following contract forms for use by officers, departments, institutions, boards, commissions, and other agencies in the Executive Branch of state government:

- Contract for Services of Independent Contractor for Less Than \$50,000 (Short)
- Contract for Services of Independent Contractor (Standard)

Mr. Wells explained that agenda item 7 is a request for the Board to approve new Independent Contractor Forms. The current independent contractor form supports the contract summaries that are provided in the Board's BOE packets were last updated

October 2011. The Purchasing Division and the Office of the Attorney General are proposing two templates going forward, one for contracts under \$50,000 which are generally approved by the Clerk of the Board and will be further known as the Short Form. Contracts for over \$50,000, which must be approved by the Board of Examiners, will be known as the Standard Form. Should these changes be approved by the Board today, we will send out an all-agency memorandum notifying agencies of the new form and the date upon which mandatory use of the revised form will be required.

Governor Sandoval asked for a brief record about what is trying to be accomplished. He also complimented both Brett Kandt and Jeff Haag for their time. He noted, *again, this is in the name of efficiency. Particularly on those contracts that are \$50,000 or less, which will enable us and those who are contracting with the State, to have as the basic of a legal agreement that you can have. It's something that can get approved administratively through the BOE process. I think this again is going to help in terms of efficiency and understanding as we move forward with the contracts in the future.*

Brett Kandt, Chief Deputy Attorney, Attorney General's Office, explained that since the State contracts for millions of dollars in services each year, it is important that the contract form contains all the terms and conditions necessary to ensure contractor performance and to protect the State. It is also important that contract form undergoes periodic review and revision. In addition, state agencies have long requested a short-form for contracts under \$50,000. Mr. Kandt went on to say that in the process of revising the Standard Form, a Short Form was created. Although, it is important to note that the dollar amount of a contract doesn't necessarily correlate to the potential risk or liability that can inure to the State in the event of a contractor's breach or error or misconduct. He added that he is confident after this comprehensive review and revision process that these form contracts protect the State and taxpayer dollars to the greatest extent possible.

Jeff Haag, Administrator, Purchasing Division, noted that the intent of this contract is to expedite the contracting process and negotiations. As this form is made available to state agencies, they will be asking agencies to provide feedback. Not only for the practical application of the form but from the vendors that the State is doing business with to ensure that efficiencies actually being gained. Mr. Haag thanked Mr. Kandt and Jeff Manachuchi from the Attorney General's Office. He noted, that they were tremendous partners throughout this process. Governor Sandoval noted, sometimes in the individual negotiations, it will state that the party has requested a modification or the striking of a provision of the contract. He asked, will it be clear that this is the contract and there will not be any changes to these new forms. He went on to say that it defeats the purpose if we allow for changes and modifications moving forward. Mr. Kandt confirmed and noted that these forms have been carefully crafted. They have all the essential terms and conditions necessary to protect the State. Contractors need to understand that if they are proposing to contract with the State, these are the terms and conditions that are going to govern that contract and that they need to agree to.

Governor Sandoval said that, *in other words, if you have a vendor or a provider of service, it's take it or leave it. This is the State's contract. You either like it and sign it*

or don't contract with the State. Mr. Kandt confirmed and added, essentially that's what we expect.

Governor Sandoval stated, *in all fairness and I don't want to sound overbearing here, but this is a pretty standard contract with boilerplate provisions. It is not so onerous that I would think that it would be objectionable by a private party who is entering into a contract with the State.* Mr. Kandt agreed and added, it's not onerous and once again, we're talking about the expenditure of taxpayer dollars and we have an obligation and responsibility to ensure that those tax dollars are protected and that these services that we contract for are provided as expected.

The Attorney General moved to approve the contract for the form of the contract for services for independent contractors. Governor Sandoval seconded the motion. The motion passed unanimously.

8. Authorization to Contract With a Current and / or Former Employee
(For possible action)

A. Department of Administration – Nevada State Library, Archives and Public Records

Pursuant to NRS 333.705, subsection 1, the division requests to contract with former employee, Roberta DeBuff, through a contract with Manpower. The contract will be effective on the date of BOE approval (anticipated to be February 14, 2017) through June 30, 2017.

B. Office of the Military –

Pursuant to NRS 333.705, subsection 1, the office requests authority to contract with former state military security employees through AlliedBarton Security Services who has a Master Services Agreement with the State. It is anticipated that these employees will be employed by AlliedBarton effective March 1, 2017.

Mr. Wells said agenda item 8 includes two requests to contract with current and/or former employees pursuant to NRS 333.705 Subsection 1.

The first request is from the Department of Administration, State Library, Archives and Public Records Division, to contract with a former Librarian to provide training to new staff on management of federal grant programs as well as a sub-grant program and other library development activities. This request is based on two of the three employees in the Library Development program leaving since last August. The contract is from today's approval through June 30, 2017 for approximately eight hours a week at a rate of \$40.00 per hour.

The second request is from the Office of the Military to contract with up to 32 former state Military Security Officers through Allied Barton Security Services. This is a result of a review of the Master Cooperative Agreement with the federal government and the identified need to change the security staffing for the agency's facilities. The use of private security forces will allow for expanded coverage at the agency's facilities. This

request is subject to the approval of an emergency work program for implementation. The contract provides for an hourly rate of \$26.24 per hour and will be effective March 1, 2017.

The Attorney General moved to approve the authorization to contract with a current and/or former employee. Governor Sandoval seconded the motion. The motion passed unanimously.

9. Leases (For possible action)

Mr. Wells explained, there are six leases in agenda item 9 for approval by the Board and no additional information has been requested by any of the members.

The Attorney General moved to approve the leases as described in agenda item number 9. Governor Sandoval seconded the motion. The motion passed unanimously.

10. Contracts (For possible action)

Mr. Wells explained that there are 39 contracts in agenda item 10 for approval by the Board. Members have requested additional information on the following: Contract Number 16 between the Department of Health and Human Services Division of Child and Family Services and the University of Nevada, Las Vegas. Contracts 36 and 37 between the Public Employees' Benefits Program and Health Plan of Nevada and Hometown Health Plan, Inc.

Governor Sandoval said that he completely supports contract 16 but he thinks it is important to discuss why. He noted the relevance to the pipeline for social workers in the State of Nevada, which connects, obviously, to the social workers in schools and the shortage of mental health care providers in the State.

Reesha Powell, Deputy Administrator, Division of Child and Family Services, agreed and added, *we contract with both the University of Nevada, Las Vegas, as well as the University of Nevada, Reno, which I believe that will be coming forward next month or during the next BOE session. We partner with them and they provide initial child welfare training for all of our social workers in both the Division of Child and Family Services and our County partners. Department of Family Services in Clark County and Department of Social Services in Washoe County. Then they also do some advanced training for our staff, as well as through the University of Nevada, Reno, we have a stipend program that encourages new social workers to join the Division of Child and Family Services.*

Governor Sandoval noted the contract is for \$5.5 million dollars. He asked, *can you go a little bit deeper in terms of what it means in the real world, in terms of those that are participating and the type of training they get and the number of individuals in the program?* Ms. Powell noted the number of participating individuals would be difficult to answer. Ms. Powell explained *this particular contract is for the University of Nevada, Las Vegas. They have approximately 900 staff. It would be all the new staff that they*

train because of, unfortunately, the field that child welfare is, there is a lot of turnover. The average social worker lasts about 18 months. So, every 18 months, new people need to be trained in the field of child welfare.

Ms. Powell further explained these contracts provide that initial training. It's a 10-week class. Five weeks in the classroom and then five weeks on the job training. Then after that, they also do over the next year as well, the social work staff, they provide some advanced training like motivational interviewing and working with children. Also, the lesbian, gay, bisexual, transgender training, which is good. We're also trying in this contract to do a more online learning. We have not had that opportunity before with our current system and with the wave of technology, we're finding that this may be a better way to reach more staff and get them more fully involved in the training program.

Governor Sandoval said one thing that peeked his curiosity was that you said they only last 18 months. He asked, *have you diagnosed the issue and determined why this is happening.* Ms. Powell explained that there are studies that show that 18 months is about the average rate. Ms. Powell went on to say *that in Nevada, we are constantly looking at it for the Division of Child and Family Services. We have looked at it whether it be a pay difference between the County agencies and DCFS. Some of our communities, at least for DCFS are very rural and there's just not the professional staff out there to do these jobs, so it's constantly turning over.*

The Governor asked for contracts 36 and 37 to be heard.

Damon Haycock, Executive Officer, Public Employees Benefits Program, explained that contracts 36 and 37 are two separate contracts for Health Maintenance Organization (HMO) plans for the State of Nevada. The Hometown Health Plan, is for \$347 million dollar contract over a four-year period, beginning July 1, 2017. The second contract is for \$231 million dollars for Health Plan of Nevada which is also a four-year contract. Mr. Haycock went on to say *they are two regional HMO Providers, providing these services. They are incumbents. We have had these contracts in the past with them and the Evaluation Committee did approve them again.*

Traditionally, PEBP has provided a single Health Maintenance Organization plan in Northern Nevada and again in Southern Nevada, but those plans were not the same as far as plan benefit design. We had folks coming to us, repeatedly to our Board, to our staff, to other entities and agencies asking for a similar plan benefit design as we are part of the overall compensation package for employees and retirees of the State and those local jurisdictions that we support.

Therefore, our PEBP Board, back in June of last year, approved a single statewide plan benefit design to be implemented in a request for proposal so we could address that issue. That is the preferred plan benefit design. We are going to call it the Standard Design because it's simpler to remember. Then we also built into that design a couple of key features that weren't available across the State for everybody.

One of those, and it's been a bone of contention, is an open access model. In Northern Nevada, we have traditionally had the ability for members to bypass a primary care physician and schedule an appointment directly with a specialist, so they don't require that PCP referral. However, in Southern Nevada, as a cost containment control, there has been that PCP referral requirement and this has fixed that problem and created that equality amongst members across the State. There's that issue and then secondly, some of the co-pays and some of the pharmacy costs have increased to try to offset the ever-increasing costs of healthcare and their increasing risk pools that they have for the remaining participants.

Alongside that standard plan, we're going to be offering an alternate plan design. This alternate plan design is designed to not replace the standard design but give a second option to people in specific service areas where it will be offered as kind of a buy-down plan, a lesser monthly premium cost plan. It has some lower copays in primary care visits and specialist visits but increased costs for emergency rooms and outpatient surgeries and inpatient hospital stays, as again, trying to get that rate down. As well as, a closed access model. In that model, it's similar to what is in Southern Nevada today, which is you have to see a primary care physician before you see a specialist.

Now, one of the key issues or key circumstances with this alternate plan design is although it will be offered in the same exact counties in Southern Nevada that the current standard design will be offered, the alternate design in Northern Nevada will be at a reduced service area level. The reason is to get the plan equal to be North and South, the same plan benefit design. Again, trying to ensure that equality and that parity. The two companies that we have contracted with, the two health plans, needed to be able to mimic those processes so it would be equal and they both utilize their own owned or contracted providers. Therefore, to reduce the markup and the profit as you continue to outsource along the supply chain of healthcare. The more they own of that supply chain, the lesser the cost is to everybody.

In Northern Nevada, they have a smaller group of service areas because they don't have their own owned doctors out in many of the rural areas. However, when we did an analysis, if hypothetically if everybody—and we don't expect this—but, if everybody moved from the standard plan to the alternate plan, it would still cover 93% of the Northern Nevada rural area. We believe this is a necessary tradeoff to get that rate lowered.

Why we talk about the rates is the rates that are proposed in these contracts, when you add the PEBP administrative load, the life insurance premiums, the dental premiums to them, we're anticipating at this moment, somewhere between 7-9% increase to rates on the HMO. We recognize for many participants that's something that they either can't or don't want to afford. Therefore, we negotiated this alternate plan design that's actually going to come in somewhere around 1-3% increase. It provides some relief for a select group of folks that want to participate, which is not required.

Of course, as we provide a new plan design, we have to be transparent. We have to share this information collectively and purposefully to all of our participants. We're

going to do it in a multitude of ways. If the Board of Examiners approves these contracts today, tomorrow we already have a newsletter that's going to go out to the State that is prepared to discuss the differences in these plans and some of the circumstances. I'm going to go over a little bit of it here just because I think it's important to put it on the record, Governor.

One of those is that PEBP recognizes that healthcare is personal and different for everyone. Participants will either have two or three different options next plan year, depending on their location, to meet the needs of themselves and their families. We are not going to have a positive open enrollment which means, we're not going to ask people to come in and purposely select a plan. If they like the plan they're on and they accept the rates they have on that plan, they will be automatically re-enrolled as we have done in the last few years. We're not putting anyone out to have to make those decisions, but if they want to choose a new plan, some of the differences are outlined in this document as the first step of our transparency.

The standard plan, again, is offered across the State, similar to current plan and concept, changes to some copays and prescription costs have been updated but they'll, in Southern Nevada, have that open access model, as I mentioned earlier. The alternate plan goes into a little bit more detail here, that it does have some of those higher costs for emergency services and things I mentioned, but also that the primary care physician pool may be reduced in their areas and they may be required to pick a new PCP. They're going to have an opportunity to reach out to PEBP and to the health plan to determine if there are providers in their network to help them make that decision. Also, that participants in Northern Nevada should expect to be referred to the Renown System of Care because that is that supply chain that they're able to provide cost containment strategies. It does affect some folks, especially in Northern Nevada, but we believe it's a necessary tradeoff to get that rate down to that 1-3%.

Governor Sandoval asked for clarification, if he is in the standard plan, his cost or the rate is going to go up 7-9% and if he were to go to the alternative plan, it's 1-3%. Mr. Haycock confirmed and added *that is the anticipation but that they have not finalized the rates. They are still are going to have that occur at the March 23rd, Board Meeting. They may move up or down a little bit based on recent analysis and the cost of our overhead, or if we can get creative.*

Governor Sandoval stated, before the PEBP Board, this was something that was discussed publicly within the meetings. Everything that you presented today was something that was presented in a public forum before it was adopted. Mr. Haycock confirmed and added, this plan was described in detailed at the January Board Meeting. He went on to say that it was actually teed up back in June when the Board approved the Preferred Plan benefit design and the request for proposal that was released in July where they discussed that they were looking for a statewide plan, but that there would also be an alternate plan available option as well. It was the hope back then that they would get lower rates, so there could be a buy-up plan. It turned out that they needed to activate that option to do a buy-down plan, to produce some of that relief to the membership.

Governor Sandoval asked, then how many times between that first introduction in June 2016 and now was it something that was discussed in a public meeting. Mr. Haycock explained, *we discussed it in June and I believe in July, but once the RFP was released, we had to keep it confidential through the procurement process per NRS 333 and we—I provided small updates that I could, every opportunity, every Board Meeting, but we really couldn't get into the meat of the negotiations until a letter of award was sent out which was done, I think either the week of or the week before the January Board Meeting.*

Governor Sandoval noted he would use himself as a hypothetical. *If I choose to stay in the standard plan and I live here in Carson City and I have a doctor here in Carson City that is not part of the Hometown Health physician I can continue to see the providers that I've always seen. I can go to Carson-Tahoe Hospital. I'll pay 7-9%, but I will maintain my current personal healthcare group.* Mr. Haycock noted the short answer is yes. *There are a couple of caveats. If your provider leaves the network, decides to move out of state, there are always those issues that people have when their doctors leave them, they don't leave their doctors. But yes, today, the situation does not change for a member on the standard HMO plan.*

Governor Sandoval furthered the hypothetical, *now, let's say I want to save some money. So, I choose to go to the alternative HMO and I live here in Carson. My doctor is not part of that HMO. He/she doesn't belong to Hometown Health, if I choose to do that, I won't be able—or, I guess I could, but I won't be able to get the rights that I'd like or that I had if I choose that alternative plan.* Mr. Haycock explained *if you were to move over from the standard plan to the alternate plan, your rates will go down, somewhat significantly depending on your tier, but you may have to give up your primary care physician if that primary care physician is not on the Renown System of Care. You may be asked to select a new one, which Renown and Hometown Health will reach out to the participant and work with PEBP to help that individual find a primary care physician. It's just done to reduce the rate.*

Governor Sandoval noted he is not being critical but thinks it's important to put this out there. The bottom line is the Hometown Health doesn't have any providers here in Carson City. Mr. Haycock noted he didn't have the total number on hand today. They do have providers, they just don't have every single provider under their Renown System of Care in Carson City moving on to the alternate plan, folks would have to go to basically a Renown owned primary care physician. That's a reduced amount of PCP providers.

Governor Sandoval stated, *you completed your presentation to what the key to all this is and I should know this number but the great majority of state employees are here in Carson City. They have to know and understand that if they choose the alternative plan, they are most likely going to have to travel to Washoe County or Reno and Sparks in order to get their healthcare.* Mr. Haycock explained to receive specialist care, potentially hospital services for sure. *It's my understanding, a couple of primary care physicians in Carson City under the Renown System of Care, so that they won't have to travel for all of their primary care needs to Washoe County. Again, it's a much-*

reduced amount of folks. Just to give you a level set, there is about 2,000-ish folks, covered lives on the current standard HMO in Carson City. There are about 5,000 folks that are available on the Consumer Driven Health Plan. We're talking about whoever decides to migrate over of those 2,000 covered lives. It's not the entire totality of the state service here in this town.

Governor Sandoval asked what the timeframe for election is. Mr. Haycock said open enrollment begins May 1st through May 31st. That is when employees will be able to select whichever health plan works for them and their families.

Governor Sandoval asked how they would ensure that everyone is fully aware of what the consequences of that decision will be. Mr. Haycock explained *we're going to hit it in multi-steps. First, we're going to, if approved today, send something out tomorrow. We're in the process of developing and finalizing a side-by-side analysis of all three available options pending where you live. You'll be able to see apples to apples, what each plan has and where—what types of benefits you can expect to receive and then, of course, we'll populate it with rates once the Board approves them in March.*

We'll also send out additional information over the next few months, as well as partner with our two HMO providers to send out information to current HMO participants and the state as a whole. We want to pepper this process so there's no one who is left unaware, to the best of our ability. We'll partner with various advocacy groups because it's not just employees on these plans, there are retirees also. It's all of our newsletters and announcements go out to the retired public employees of Nevada. Therefore, we believe we're going to try to hit it from multiple fronts and then we'll also announce the open enrollment meetings in our open enrollment material. Again, we're going to pepper this process to transparently explain these issues to all of the participants in our plan.

Governor Sandoval noted he doesn't typically take testimony through public comment at this point but thinks that it is important to hear from at this point in the meeting. He asked if any of the parties to the contract would like to make a statement.

Ed Epperson, CEO, Carson-Tahoe Health stated *thank you very much for this opportunity. I would like to put on the record that Carson-Tahoe Health is the primary provider of primary care physician, specialty care physician, in and out patient hospital, lab, diagnostic and treatment services to the Carson region. We are contracted and have been for some years with Hometown Health to provide services to PEBP members and matching whatever rates Renown provides those members.*

Hometown Health is owned by the Renown System. It is not an independent insurance company. Its CEO is the Renown CEO. As we understand this new plan, it will have several impacts. The first and greatest one is about where patients can get their care. It will require, I think we just heard, PEBP members to be assigned to a physician—primary care physician, employed by Renown only, all referrals for specialty care of any sort, endocrinology, neurology, etc., will also go there for Renown physicians.

Also, all referrals for the outpatient lab, diagnostics, treatments, hospitalization—we just heard that I think as well, confirmed, will go to Renown facilities in Reno.

We also believe this circumvents the very agreement we made with PEBP and Hometown Health years ago to match rates with Renown so PEBP employees never had the reverse incentive, most of which live here in Carson, of course, to have to go somewhere else to get care, that they would not have a penalty over that.

Other impacts that we anticipate are it does remove choice, by PEBP members to stay in the community where they care and have for years. We think it will have a financial impact on this rural, if we can call ourselves that, and some of these other folks can speak to other rural hospitals, what impact they'll have. We think it's anti-competitive. It reduces competition, not the opposite. It basically supports Renown's desire to steer insured patients to its facilities leaving the burden of the underserved to the rural communities.

What this plan doesn't do is reduce costs, because again, we have an agreement that says we will match whatever price, Renown, as the other provider of most of the care to PEBP members. It also is not, in my opinion, going to improve quality. Late last year, Medicare came out with a new star rating system for hospitals. Renown has the lowest star rating of the hospitals in the region. It is the only one-star hospital in that survey.

In summary, our concerns are that this new plan circumvents the agreement that Carson-Tahoe has with Hometown Health to serve PEBP members at the same rates. That includes everything from physician care to hospitalization, outpatient, lab, etc. We're concerned about PEBP members being adequately informed of what this really means and what the impact will be. We're concerned that it's anti-competitive, a long-term impact. And again, we don't think this is being done to achieve cost reduction or quality. Thank you.

Governor Sandoval asked when you say 'circumvent', my understanding is that you did not present before the PEBP Board, these concerns. Mr. Epperson responded we had no idea that this plan was being altered in a way that would circumvent the agreement that we've continued to have in place as one of the two providers within Hometown Health at all.

Governor Sandoval noted that Mr. Epperson said it removes choice. The Governor said that that is not 100% true. He went on to say that State employees will have a choice, albeit they'll have to pay more to go see your healthcare system or receive care from your health care system but they do have a choice. Mr. Epperson stated, what my comments were meant to reflect, what I understand of the requirement in this new plan that you be established with a primary care physician, basically owned by Renown only. That choice sounds like it would be gone.

Governor Sandoval clarified, by participating in the alternative plan. Mr. Epperson confirmed that was his understanding. Governor Sandoval noted if an employee stays

in the standard plan, they won't be able to continue to go to the Carson-Tahoe Hospital and see your medical providers here in Carson City. Mr. Epperson confirmed that was his understanding.

Joan Hall, CEO, Nevada Rural Hospital Partners stated her concerns, *this is for Douglas, Lyon and Churchill Counties who have Renown contracts according to this gap analysis and the distance that those individuals would have to travel for basic primary care. Also, we all recognize that hospitals in rural Nevada are economic engines for their communities. When we take away the better-insured patients from those areas, it has a negative impact on not only the hospitals but on the healthcare of the community. Patients that have to travel to Reno for lab tests. ER, ER is a big concern of ours, especially in Churchill and Lyon where they have hospitals but aren't Renown physician controlled. That's a concern for us in rural Nevada. My husband, as a PERP employee, would always choose something that costs less, without—even though I think he thinks he's a knowledgeable person, he'd look at just the dollars and then not consider that he'd have to travel to Reno for care. I'm worried about that.*

Governor Sandoval clarified, there's still a choice, correct. Ms. Hall confirmed and added, *I think that people look at the cost and forget the ramifications. Then there's always if you're in Churchill and you have to go to the ER, are you going to go all the way to Reno? Or, are you going to go to your—in Yerington or are you going to go to South Lyon, to Reno? And then you have probably that balance billing issue, that none of us like to talk about because it would be out of network.*

Helen Lidholm, CEO, St. Mary's Medical Group in Reno, stated for the record that she is here in support of my colleagues, Ed Epperson and Joan Hall. *I am here to express our concerns that this decision eliminates choice for healthcare in Northern Nevada by excluding St. Mary's.*

Ty Windfeldt, CEO, Hometown Health, stated, *thank you Governor and members of the Board for allowing me to address the Board today. Just a couple of things I wanted to point out. I apologize, I'm fighting a cold. We would never offer this plan if it wasn't a choice. We would never offer this plan as a standalone plan. It is something that we've been working with for about 18 months now, as an organization and really the goal is we are trying to find a way to control some of these costs because they've gone up so much. You've seen it at the State of Nevada, some of our other clients have seen it as well. So, we're really looking for a new way to deliver in some of these very expensive areas of medical care. We put together this program and I wanted to address the one issue related, too—it doesn't reduce costs because we actually have a risk bearing agreement with the Renown providers. We share in the risk on this program. They are financially involved in trying to help us control the unnecessary utilization. There are some mechanisms there that will provide some protection for the plan if the costs go above what we have expected. We do believe that this plan does have some ability to control cost. It is part of our accountable care organization, which is something that Centers for Medicare & Medicaid Services (CMS) started several years ago and we've been very proud to participate in the CMS shared savings, accountable care organization and we're now very proud to be able to roll this program*

out to some of our other clients. We also want to make sure that it's not forced on anyone. It's a choice program.

One other thing that I wanted to comment is, anybody who chooses this plan like they would have on any of our other plans they have emergency and urgent care services worldwide. So, if somebody is on this plan and is out of the main area in which their primary care physician lives, they would still have emergency and/or urgent care services available to them. Happy to answer any questions you might have.

Governor Sandoval asked for clarification and stated, *let's say I live in Fallon and I have an emergency. Do I have to choose to drive to one of your providers in Reno for that emergency care at the risk of spending a lot more money, or can I go right there in Fallon or Yerington?* Mr. Windfeldt noted *you would go right there in Fallon. You'd go wherever you are. And you'd be responsible for the same out of pocket expense you would've been if you were in Reno or in any other market. If you have an emergency and you have a copay for that emergency service, regardless of where you are, you will have a benefit for you available. That includes individuals who might be traveling or on vacation in some other state, they would also have that same benefit afforded to them.*

Governor Sandoval noted *the testimony was different from what I just heard that if I'm on the alternative plan and I need emergency care that it's going to cost me a lot more money if I seek it locally.* Mr. Windfeldt noted *if you are on the alternative plan, you are going to have emergency services afforded to you no matter where you are. It would be the same copay that you would've paid.*

Alan Olive, CEO, Northern Nevada Medical Center and Universal Health Services, stated, *most of our servicers are in Las Vegas and Southern Nevada where we have quite a few hospitals in the North. We have one hospital, medical group, and behavioral health. Really my comment today is more on Triple Aim. We're part of the Silver State Accountable Care Organization (ACO), the State's largest ACO and very comprehensive. We bid for the South, but we're not on for the North. Really my comment focuses on the Triple Aim which is cost, quality and service/access. Ultimately, I would say, the hypothetical going forward if it's not solved obviously soon before May is what if a provider is able to provide the services at the requested rates. What if there was more choice and access in Carson, in Reno, in Fallon and throughout the rural areas at rates that were agreed to that were an improvement. That's really my question and proposal going forward. Obviously, it won't solve it today but that would be a recommendation I would provide.*

Mr. Wells stated that the Board received a letter from Carson-Tahoe Health that will be included in the minutes of this meeting. (Attachment A)

The Attorney General moved to approve Contracts 1-39 as presented in agenda item number 10. Governor Sandoval seconded the motion. The motion passed unanimously.

11. Master Service Agreements (For possible action)

Mr. Wells explained, there are four master service agreements in agenda item 11 for approval by the Board this morning and no additional information has been requested by any of the members.

The Attorney General moved to approve the master service agreements present in agenda item number 11. Governor Sandoval seconded the motion. The motion passed unanimously.

12. Information Item

Pursuant to NRS 333.700, the Clerk of the Board may approve all contract transactions for amounts less than \$50,000. Per direction from the August 13, 2013 meeting of the Board of Examiners, the Board wished to receive an informational item listing all approvals applicable to the new threshold (\$10,000 - \$49,999). Attached is a list of all applicable approvals for contracts and amendments approved from December 21, 2016 through January 23, 2017.

Mr. Wells explained there were 21 contracts under the \$50,000 threshold approved by the Clerk between December 21, 2016 and January 23, 2017. This item is informational, and no additional information has been requested by any of the members.

13. Information Item

State of Nevada – Compact with Pyramid Lake Paiute Indian Tribe Governing Class III Gaming

Pursuant to Public Law 100-497, the Indian Gaming Regulatory Act, codified at 25 U.S.C. §§ 2701-2721 and 18 U.S.C. §§ 1166-1168, a fourth extension is made to the compact between the Pyramid Lake Paiute Indian Tribe and the State of Nevada. This extension provides the regulatory framework to the operation of certain Class III gaming on Indian lands of the tribe, for the time period of February 23, 2017 to February 23, 2019.

Mr. Wells explained Item 13 is an information item on the fourth extension of the Tribal-State Gaming Compact between the Pyramid Lake Paiute Indian Tribe and the State of Nevada which provides the regulatory framework for certain operations of Class III gaming on Indian lands of the Tribe pursuant to the Federal Indian Gaming Regulatory Act. This two-year extension allowed pursuant to Article X, extends the compact from February 23, 2017 to February 23, 2019. The original Compact approved in 2009 allows extensions for up to 20 years upon the mutual written consent and without additional approval from the Secretary of the Interior.

Governor Sandoval asked for clarification that there are no differences between this new contract and the prior one. Mr. Wells noted it's his understanding that the only change is the date. The rest of the original Compact stays intact.

14. Information Item – Report

A. Department of Motor Vehicles – Complete Streets Program

Per the Governor's request during the November 2015 BOE meeting, a letter was sent to Clark and Washoe counties and Carson City Consolidated Municipality requesting a report on how the Complete Streets Program funds are being utilized. This report is for funds received through September 2016.

B. Complete Street Program Uses

Pursuant to NRS 482.480, Subsection 11, the Department of Motor Vehicles shall certify to the State Board of Examiners the amount of the voluntary contributions collected for each county by the department and its agents, and that the money has been distributed as provided in statute. This report is for the period beginning October 1, 2016 and ending December 31, 2016.

Mr. Wells explained there are two information reports in agenda item 14. The first is a report from the Department of Motor Vehicles on the voluntary contributions that

were collected by the county pursuant to NRS 482.480, which is the Complete Streets Program. This is for the period from October 1, 2016 to December 31, 2016.

During the quarter ending December 31, the Department collected \$70,790 which is slightly higher than the \$65,946 collected in the same period last year but slightly less than the \$84,358 collected last quarter. Of that amount, just under 78% was from Clark County, just over 16% from Washoe County, just over 3% from Carson City and just under 3% from Douglas County. They started participating in late FY 2016. After deducting 1% to administer collections and distributions, the Department distributed \$70,082 to the four counties with \$54,527 going to Clark County, \$11,404 to Washoe County, \$2,150 to Carson City and \$2,000 to Douglas County.

As far as statistics, approximately 13.5% of those registering a vehicle during the quarter contributed to the Complete Streets Program. That ranged from 10.4% in Douglas County to 14.3% in Clark County. This is approximately the same as the same quarter in the previous year but is down from the 14.2% who contributed in the last quarter.

The second item is a report on the uses of the Complete Streets funds by the four recipient counties. This has been an ongoing report since the November 2015 meeting. Carson City used their funds for bike racks on the Downtown Carson Corridor project. Washoe County is planning to use them for a safe route to school program and multi-modal improvements on certain streets in either FY 2018 or 2019. Douglas County used them to partially fund the addition of bike lanes in the Buckeye Lane reconstruction project. Clark County is working to allocate their calendar year 2016 funds for City of Henderson and City of Mesquite projects that will be completed during the calendar year 2017. It is expected that the Regional Transportation Committee in Clark County will approve those projects later this month.

There were no additional questions.

15. Public Comment (No action may be taken upon a matter raised under public comment period unless the matter itself has been specifically include on an agenda as an action item)

There was no public comment.

16. Adjournment (For possible action)

The Attorney General made a motion to adjourn. Governor Sandoval seconded the motion. The motion passed unanimously and the meeting was adjourned.

Attachment A
Board of Examiners Meeting
February 14, 2018



CARSON TAHOE
— HEALTH —

February 3, 2017

Mr. Mike Willden
Governor's Chief of Staff
101 N. Carson Street
Carson City, Nevada 89701

Dear Mr. Willden,

Please accept this letter as Carson Tahoe Health's opposition to the PEBP Hometown Health HMO Contract approved by the PEBP Board on January 19, 2017 for submittal to the Board of Examiners for their final action.

Carson Tahoe Health's opposition to the Hometown Health HMO Contract is based on several concerns. The primary concern is one which I don't believe your staff may have been privy to when they negotiated this contract and is in regards to the "closed access" provisions of the contract under the Alternative Plan Benefit. This "closed access" would require a State employee to obtain a primary care physician referral to schedule and receive specialist appointments and care. This wouldn't be a significant concern except for the fact the HMO contract, under the Alternate Plan Benefit, is requiring State employees to utilize Hometown Health and Renown's "own primary care physicians" for the area including Carson City, Churchill, Douglas, Lyon, Storey and Washoe Counties, basically our entire region. We believe this is a tremendous conflict of interest since Renown and Hometown Health are owned by the same company.

Last year, Hometown Health Plan made a proposal to Carson Tahoe Health's (CTH's) Primary Care Physicians for CTH's physicians to join their Accountable Care Organization (ACO). This is a payment arrangement in which primary care physicians are placed at financial risk for the cost of care. Those physicians control all referrals to specialist physicians, imaging and other studies, labs, hospitals, etc. They will not refer outside their company. Since Renown's ACO primary care entity has no specialists in the Carson region, everything will be referred to Renown in Reno under the PEBP proposed HMO contract. When CTH's Primary Care Physicians were told by Hometown Health that if they joined the ACO, they would be required to refer all patients to Renown, our physicians said "No." They would not join.

Unfortunately, we believe the PEBP HMO contract is nothing more than a veiled attempt to monopolize health care in this region by squeezing out not only Carson Tahoe, but also Saint Mary's. In PEBP staff's report to the PEBP Board dated January 19, 2017, it states on page 5: "In order to reduce the monthly premiums, both vendors (Hometown Health and Health Plan of Nevada) needed to control costs by utilizing their own primary care physicians." We do not believe it will "control costs" since CTH's rates for PEBP is the same rates as Renown (which was a concerted effort by CTH years ago to control our costs and match Renown's rates). Therefore, the "closed access" isn't about controlling costs, it's about directing more State employees to Renown. It's the higher patient volume that may lower their costs. Was this divulged to State staff during contract negotiations? In particular, was it divulged that Renown's primary care physicians would only refer patients to Renown?

Mike Willden
February 3, 2017
Page Two

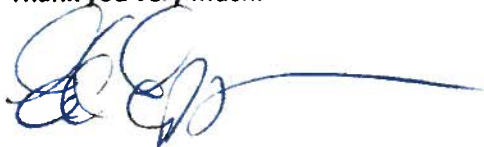
In the long run, if Carson Tahoe and Saint Mary's no longer exist, the State will be left negotiating with one hospital in Northern Nevada. They will have a monopoly. There will be no competition to reduce future costs.

We know the good faith intent of PEBP and State Purchasing staff was to reduce the monthly premiums for State employees, however, we believe this contract will lead to greater costs for the employees who will have to drive to Reno for their primary care physician appointments and for all their medical care because Renown's physicians will refer only to Renown. It will also lead to greater costs for State employees in the long run if Hometown Health and Renown are able to funnel the State employees living in Carson City, Douglas County and Lyon County to Reno and Renown for all their medical care services. This will detrimentally affect not just our State employees, but CTH, Carson City physicians and Saint Mary's.

We would like the opportunity to meet with you to discuss this issue in more detail. We are concerned the PEBP Hometown Health HMO Contract will go to the Board of Examiners on February 14th without the additional scrutiny and thought this type of endeavor requires. We therefore, would respectfully request the Board of Examiners hold off on a decision of this contract until more facts and information can be obtained.

I have contacted your staff, through Mary Walker, to set up a meeting with you. We sincerely appreciate your efforts regarding this issue and we certainly appreciate the hard work PEBP and Purchasing staff have put into this. We, however, believe more study is required to determine the full impact of the HMO contract on State employees and the Northern Nevada health care delivery system.

Thank you very much.

A handwritten signature in blue ink, appearing to read 'Ed Epperson', with a long horizontal flourish extending to the right.

Ed Epperson, President & CEO
Carson Tahoe Health