

AGENCY NAME:	Public Employee Benefit Authority		
AGENCY CODE:	F500	SECTION:	108



Fiscal Year 2020-21 Agency Budget Plan

FORM A - BUDGET PLAN SUMMARY

OPERATING REQUESTS (FORM B1)	For FY 2020-21, my agency is (mark "X"): <input type="checkbox"/> Requesting General Fund Appropriations. <input type="checkbox"/> Requesting Federal/Other Authorization. <input checked="" type="checkbox"/> Not requesting any changes.
NON-RECURRING REQUESTS (FORM B2)	For FY 2020-21, my agency is (mark "X"): <input type="checkbox"/> Requesting Non-Recurring Appropriations. <input type="checkbox"/> Requesting Non-Recurring Federal/Other Authorization. <input checked="" type="checkbox"/> Not requesting any changes.
CAPITAL REQUESTS (FORM C)	For FY 2020-21, my agency is (mark "X"): <input type="checkbox"/> Requesting funding for Capital Projects. <input checked="" type="checkbox"/> Not requesting any changes.
PROVISOS (FORM D)	For FY 2020-21, my agency is (mark "X"): <input type="checkbox"/> Requesting a new proviso and/or substantive changes to existing provisos. <input type="checkbox"/> Only requesting technical proviso changes (such as date references). <input checked="" type="checkbox"/> Not requesting any proviso changes.

Please identify your agency's preferred contacts for this year's budget process.

	<i>Name</i>	<i>Phone</i>	<i>Email</i>
PRIMARY CONTACT:	John Pannell	803-737-4675	jpannell@peba.sc.gov
SECONDARY CONTACT:	Travis Turner	803-734-0574	tturner@peba.sc.gov

I have reviewed and approved the enclosed FY 2020-21 Agency Budget Plan, which is complete and accurate to the extent of my knowledge.

	<i>Agency Director</i>	<i>Board or Commission Chair</i>
SIGN/DATE:		
TYPE/PRINT NAME:	Peggy G. Boykin	John A. Sowards

This form must be signed by the agency head – not a delegate.

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FORM D – PROVISO REVISION REQUEST

NUMBER	108.3
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Cite the proviso according to the renumbered list for FY 2020-21 (or mark "NEW").

TITLE	PEBA: Health Plan Tobacco User Differential
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Provide the title from the FY 2019-20 Appropriations Act or suggest a short title for any new request.

BUDGET PROGRAM	
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Identify the associated budget program(s) by name and budget section.

RELATED BUDGET REQUEST	
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Is this request associated with a budget request you have submitted for FY 2020-21? If so, cite it here.

REQUESTED ACTION	Amend
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Choose from: Add, Delete, Amend, or Codify.

OTHER AGENCIES AFFECTED	N/A
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Which other agencies would be affected by the recommended action? How?

SUMMARY & EXPLANATION	<p>Amend proviso 108.3 to include e-cigarettes</p> <p>Proviso 108.3 currently authorizes PEBA to differentiate between tobacco users and nonusers regarding rates charged to enrollees in its health plans by imposing a surcharge on tobacco users. The current tobacco surcharge is \$40 per month per subscriber or \$60 per month per subscriber and dependents.</p> <p>When this proviso was initially written about 10 years ago, e-cigarettes were new to the market and had not attained the common use they have today. The purpose of the requested amendment is to bring the proviso up-to-date and make it consistent with other State policies in force that include e-cigarettes as akin to smoking. Namely, the Healthier State tobacco-free campus policy includes e-cigarettes alongside traditional tobacco products as an on-site prohibited "Tobacco and Smoking Product". The health risks of e-cigarettes are not fully understood at this time, but clinical authorities are definitive that the practice should be strongly discouraged.</p>
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Summarize the existing proviso. If requesting a new proviso, describe the current state of affairs without it. Explain the need for your requested action. For deletion requests due to recent codification, please identify SC Code section where language now appears.

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FISCAL IMPACT	No material fiscal impact expected
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Provide estimates of any fiscal impacts associated with this proviso, whether for state, federal, or other funds. Explain the method of calculation.

PROPOSED PROVISO TEXT	<p>108.3. (PEBA: Health Plan Tobacco User Differential) For health plans adopted under the authority of Section 1-11-710 of the 1976 Code by the Public Employee Benefit Authority during the current fiscal year, the board is authorized to differentiate between tobacco or <u>e-cigarette</u> users and nonusers regarding rates charged to enrollees in its health plans by imposing a surcharge on enrollee rates based upon tobacco or e-cigarette use. The surcharge for tobacco or e-cigarette use may not exceed \$40 per month per subscriber or \$60 per month per subscriber and dependent(s).</p>
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Paste FY 2019-20 text above, then bold and underline insertions and strikethrough deletions. For new proviso requests, enter requested text above.

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**FORM E – AGENCY COST SAVINGS AND GENERAL FUND REDUCTION
CONTINGENCY PLAN**

TITLE	Agency Cost Savings and General Fund Reduction Contingency Plan
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AMOUNT	\$3,371,062 <i>What is the General Fund 3% reduction amount (minimum based on the FY 2019-20 recurring appropriations)? This amount should correspond to the reduction spreadsheet prepared by EBO.</i>
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ASSOCIATED FTE REDUCTIONS	N/A. No agency FTEs are funded with General Funds. <i>How many FTEs would be reduced in association with this General Fund reduction?</i>
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PROGRAM/ACTIVITY IMPACT	<p>PEBA’s General Fund appropriations are statewide items and governed by statutes. PEBA does not control the amount of these appropriations and must pay out all funds that are received. However, based on actual amounts for FY19, PEBA believes that if necessary, reductions might be realized for Retirement Supplement-State Employees (FY19 appropriation of \$233,258, actual payments of \$175,171), Retirement Supplement-Public School Employees (FY19 appropriation of \$199,855, actual payments of \$144,924), and Retirement Supplement-Police Officers (FY19 appropriation of \$17,506, actual payments of \$12,660). However, based on FY19 actual payments, it may be difficult to achieve a full 3% reduction over these categories. The other categories comprising most of the General Fund Appropriation (SCRS Trust Fund, PORS Trust Fund, Nation Guard Pensions, and OPEB Trust cannot be reduced per statute.</p>
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What programs or activities are supported by the General Funds identified?

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SUMMARY

PEBA does not control the level of these General Fund appropriations and must distribute all funds collected.

Please provide a detailed summary of service delivery impact caused by a reduction in General Fund Appropriations and provide the method of calculation for anticipated reductions. Agencies should prioritize reduction in expenditures that have the least significant impact on service delivery.

AGENCY COST SAVINGS PLANS

PEBA does not control the level of these General Fund appropriations and must distribute all funds collected.

What measures does the agency plan to implement to reduce its costs and operating expenses by more than \$50,000? Provide a summary of the measures taken and the estimated amount of savings. How does the agency plan to repurpose the savings?

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FORM F – REDUCING COST AND BURDEN TO BUSINESSES AND CITIZENS

TITLE	<p>Cost avoidance for the State Health Plan through cost containment initiatives and plan design changes</p>
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Provide a brief, descriptive title for this request.

EXPECTED SAVINGS TO BUSINESSES AND CITIZENS	<p>PEBA continually evaluates and implements State Health Plan design changes to maximize potential cost savings for members and their employers.</p>
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What is the expected savings to South Carolina’s businesses and citizens that is generated by this proposal? The savings could be related to time or money.

FACTORS ASSOCIATED WITH THE REQUEST	<p>Mark “X” for all that apply:</p> <table border="1"> <tr> <td><input type="checkbox"/></td> <td>Repeal or revision of regulations.</td> </tr> <tr> <td><input type="checkbox"/></td> <td>Reduction of agency fees or fines to businesses or citizens.</td> </tr> <tr> <td><input type="checkbox"/></td> <td>Greater efficiency in agency services or reduction in compliance burden.</td> </tr> <tr> <td><input checked="" type="checkbox"/></td> <td>Other</td> </tr> </table>	<input type="checkbox"/>	Repeal or revision of regulations.	<input type="checkbox"/>	Reduction of agency fees or fines to businesses or citizens.	<input type="checkbox"/>	Greater efficiency in agency services or reduction in compliance burden.	<input checked="" type="checkbox"/>	Other
<input type="checkbox"/>	Repeal or revision of regulations.								
<input type="checkbox"/>	Reduction of agency fees or fines to businesses or citizens.								
<input type="checkbox"/>	Greater efficiency in agency services or reduction in compliance burden.								
<input checked="" type="checkbox"/>	Other								

METHOD OF CALCULATION	<p>Estimated costs are determined using cost projections with current plan provisions versus cost projections for provisions proposed for the next plan year.</p>
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Describe the method of calculation for determining the expected cost or time savings to businesses or citizens.

REDUCTION OF FEES OR FINES	<p>Not applicable.</p>
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Which fees or fines does the agency intend to reduce? What was the fine or fee revenue for the previous fiscal year? What was the associated program expenditure for the previous fiscal year? What is the enabling authority for the issuance of the fee or fine?

REDUCTION OF REGULATION	<p>Not applicable.</p>
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Which regulations does the agency intend to amend or delete? What is the enabling authority for the regulation?

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SUMMARY

The South Carolina Public Employee Benefit Authority works continually with its vendors to identify ways to avoid additional costs to the State Health Plan. Ever increasing health care costs challenge budgets everywhere, but the State Health Plan remains a comprehensive and affordable option for South Carolina’s public employers and employees, as well as taxpayers.

This focus on cost avoidance serves the Plan, and our state’s taxpayers, well. The Plan compares quite favorably overall with national health plan cost trends.

National Trend Estimates in Comparison to State Health Plan

	National Benchmark	SHP Net Trend
2015	7.2%	7.9%
2016	6.9%	0.2%
2017	6.6%	2.4%
2018	7.4%	3.0%
2019	6.6%	3.7% (7/7)
5-year average (2015-2019)	6.9%	3.4%

Provide an explanation of the proposal and its positive results on businesses or citizens. How will the request affect agency operations?