



HEALTH CARE
A U T H O R I T Y



LFC: STATE HEALTH BENEFITS

AUGUST 21, 2024

DEPUTY SECRETARY ALEX CASTILLO SMITH

INVESTING FOR TOMORROW, DELIVERING TODAY.

TOPICS

- New Mexico Health Care Authority (HCA) Update
- HCA State Health Benefits
 - Services
 - Enrollment
 - Revenue, Expenses, Operating Income, Cash & Fund Balances
 - Contracts
- First 90 days: HCA Actions
- Interagency Benefits Advisory Council (IBAC) Partnership



Alex Castillo Smith

HCA Deputy Secretary

505-629-8652

Alex.CastilloSmith@hca.nm.gov



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MISSION

We ensure New Mexicans attain their highest level of health by providing whole-person, cost-effective, accessible, and high-quality health care and safety-net services.

VISION

Every New Mexican has access to affordable health care coverage through a coordinated and seamless health care system.

GOALS



LEVERAGE purchasing power and partnerships to create innovative policies and models of comprehensive health care coverage that improve the health and well-being of New Mexicans and the workforce.



BUILD the best team in state government by supporting employees' continuous growth and wellness.



ACHIEVE health equity by addressing poverty, discrimination, and lack of resources, building a New Mexico where everyone thrives.



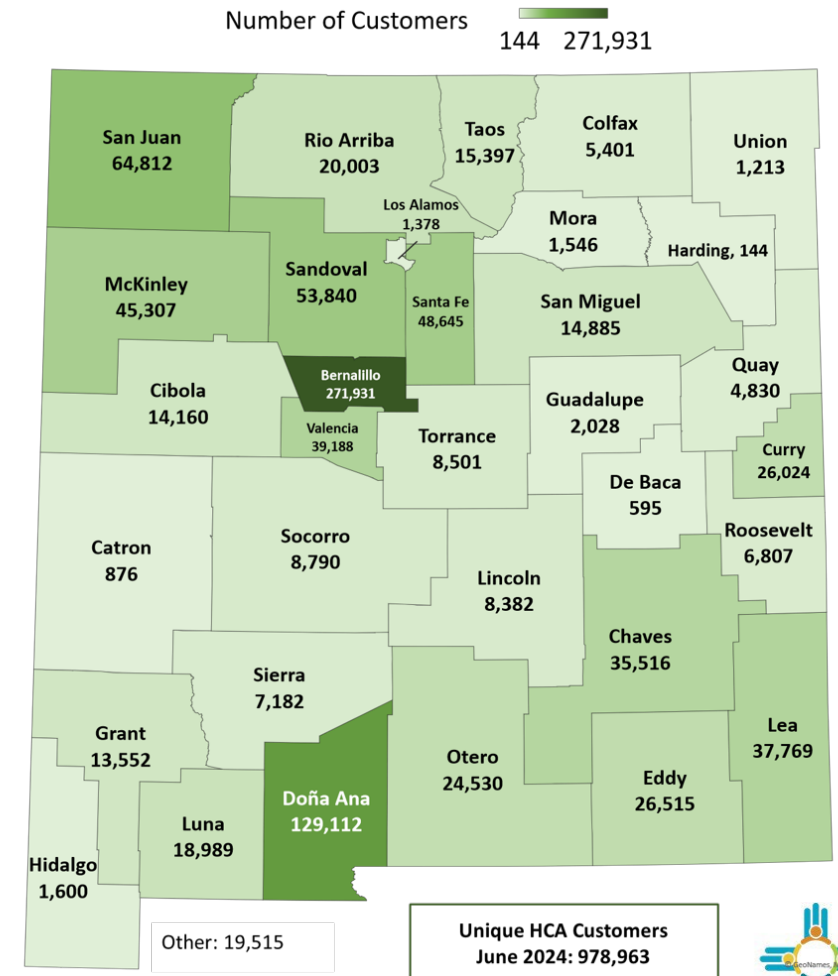
IMPLEMENT innovative technology and data-driven decision-making to provide unparalleled, convenient access to services and information.

HEALTH CARE AUTHORITY NOW SERVING 50% OF NEW MEXICANS

The HCA includes

- All existing units from the Human Services Department
- From Department of Health: Developmental Disabilities Supports Division, Division of Health Improvement
- From General Services Department: State Health Benefits, formerly known as Employee Benefits Bureau
- From Office of Superintendent of Insurance: Health Care Affordability Fund

Unique HCA Customers, July 2024



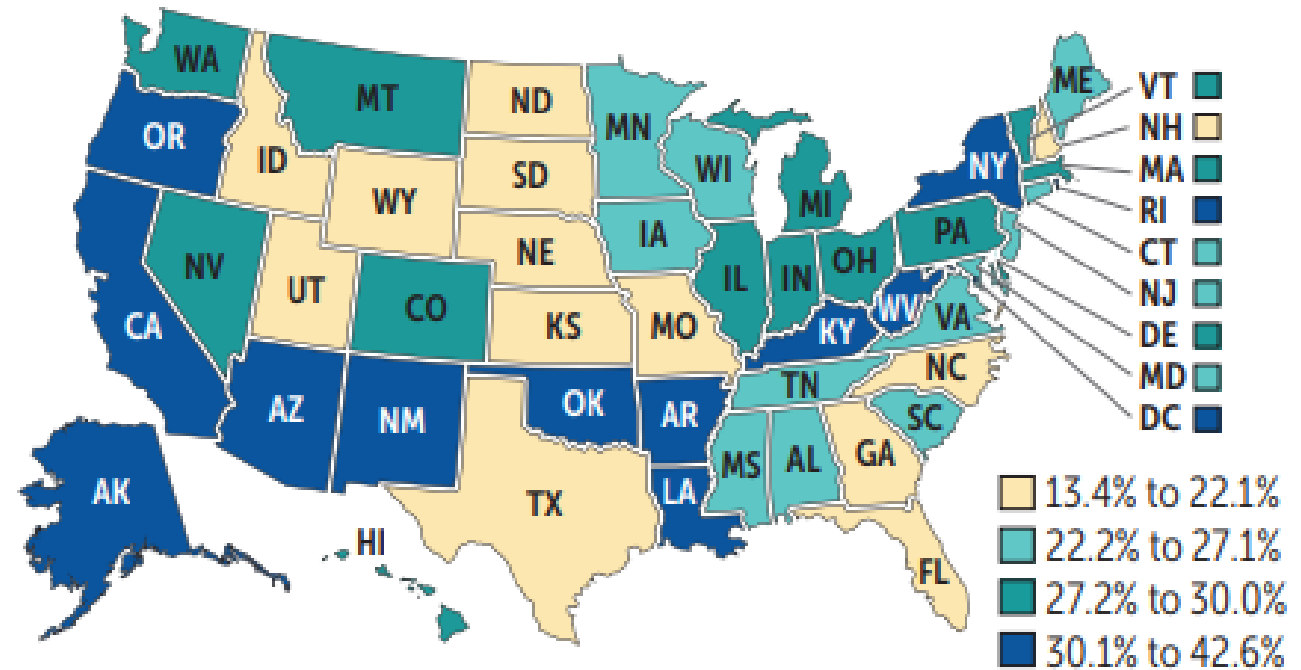
Map Source: <https://www.hca.nm.gov/>



THE HCA IS POSITIONED TO LEAD THE NATION IN HEALTH CARE PURCHASING, EQUITY, AND ACCESS

- The HCA demonstrates the Governor's commitment to prioritizing health and well-being of every New Mexican by creating a single agency for health care purchasing, policy, and regulation.
- The HCA will transform how NM purchases health care, leveraging the purchasing power of Medicaid to improve cost, quality, and outcomes.
- The HCA will leverage expertise, optimize data analytics, and drive accountability to achieve improvements in health care system.

Children & Adults Enrolled in Medicaid or CHIP, 2022 (%)



Note: Enrollment in Medicaid or CHIP represents individuals who are eligible for full Medicaid or CHIP benefits.

Source: <https://www.medicaid.gov/sites/default/files/2023-04/beneficiary-atag glance-2023.pdf>



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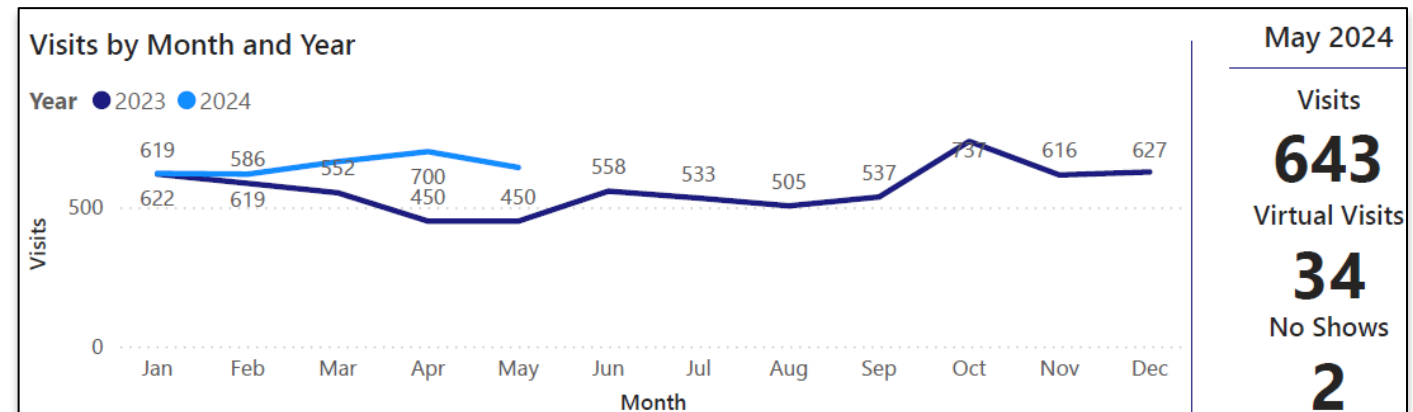
STATE HEALTH BENEFITS PORTFOLIO OVERVIEW

State Health Benefits Team administers for state employees, state legislators, and Local Public Bodies (LPBs):

- Health Benefits (health care coverage including medical, dental, vision, prescriptions) (\$450-500M/year);
- Life Insurance Fund (\$6.1M/year);
- Stay Well Health Center (\$2M/year);
- Employee assistance program offering free, confidential, 24/7/365 services (\$500K/year);
- Voluntary Benefits (Aflac, Globe Life, MetLife, The Hartford) (member pays 100%); and,
- Vaccination Purchasing Act Fund (ensures all NM children have access to vaccines).



NM Stay Well Health Center Visits by Month, Jan. 2023 - May 2024



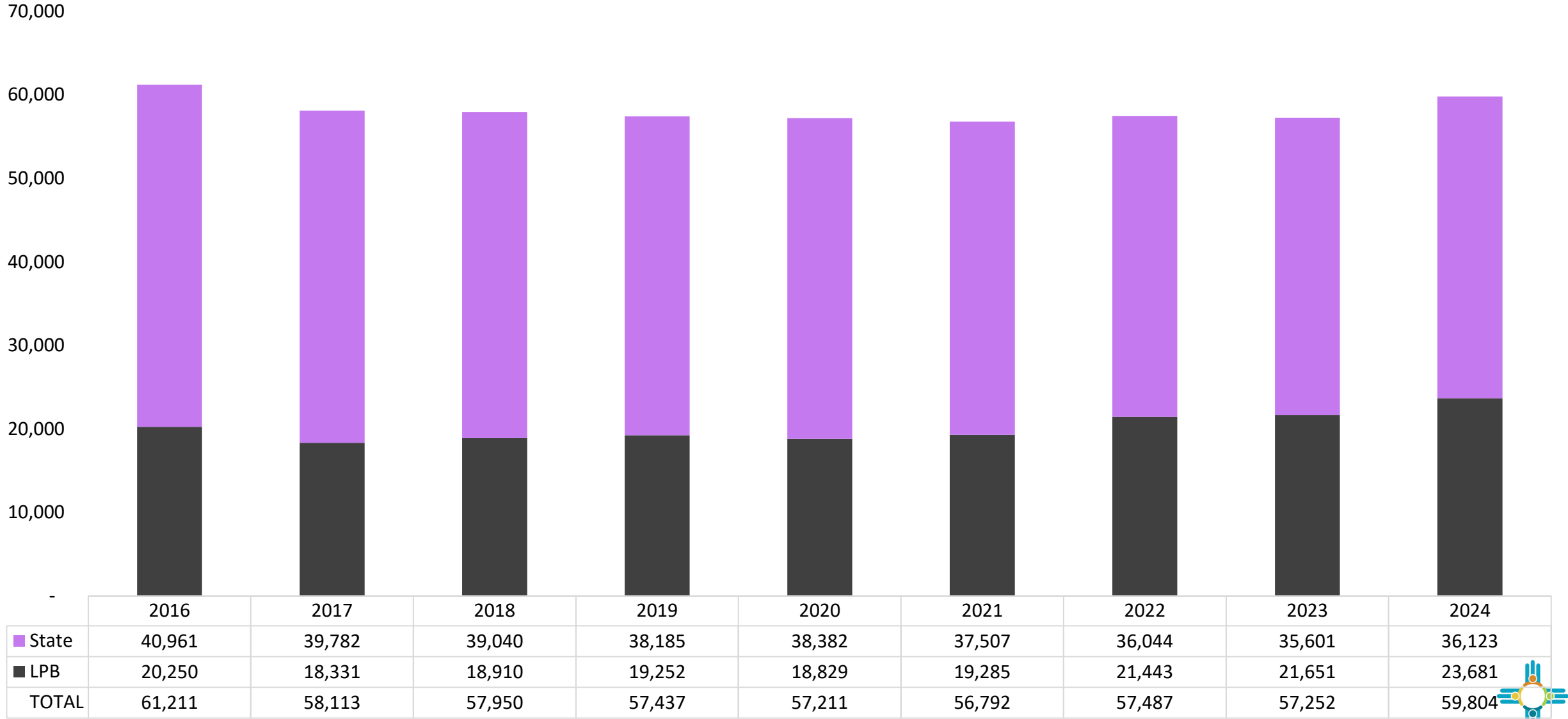
Source: Proactive Monthly Client Report, June 2024



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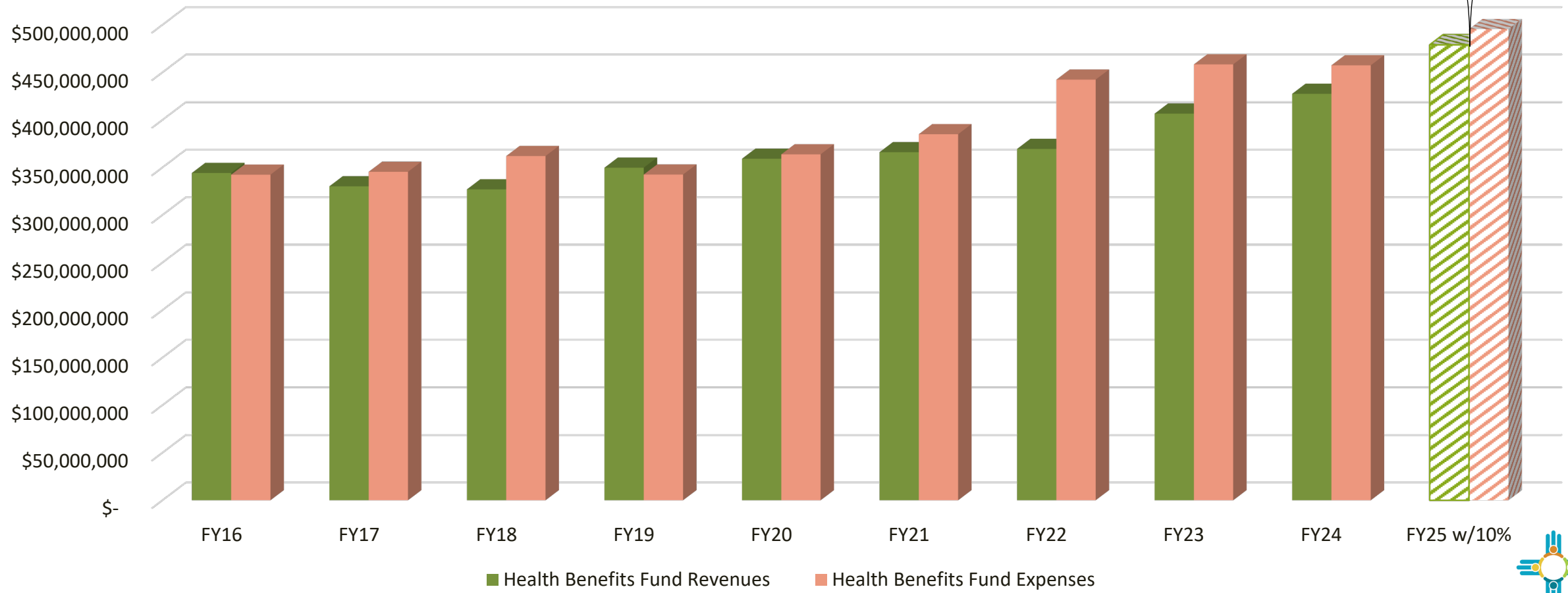
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State Health Benefits Enrollment as of June 30, State Employees & Local Public Bodies, 2014-2024



WITH EACH 1% FY25 PREMIUM INCREASE, HCA COLLECTS \$786,000 IN ADDITIONAL REVENUE

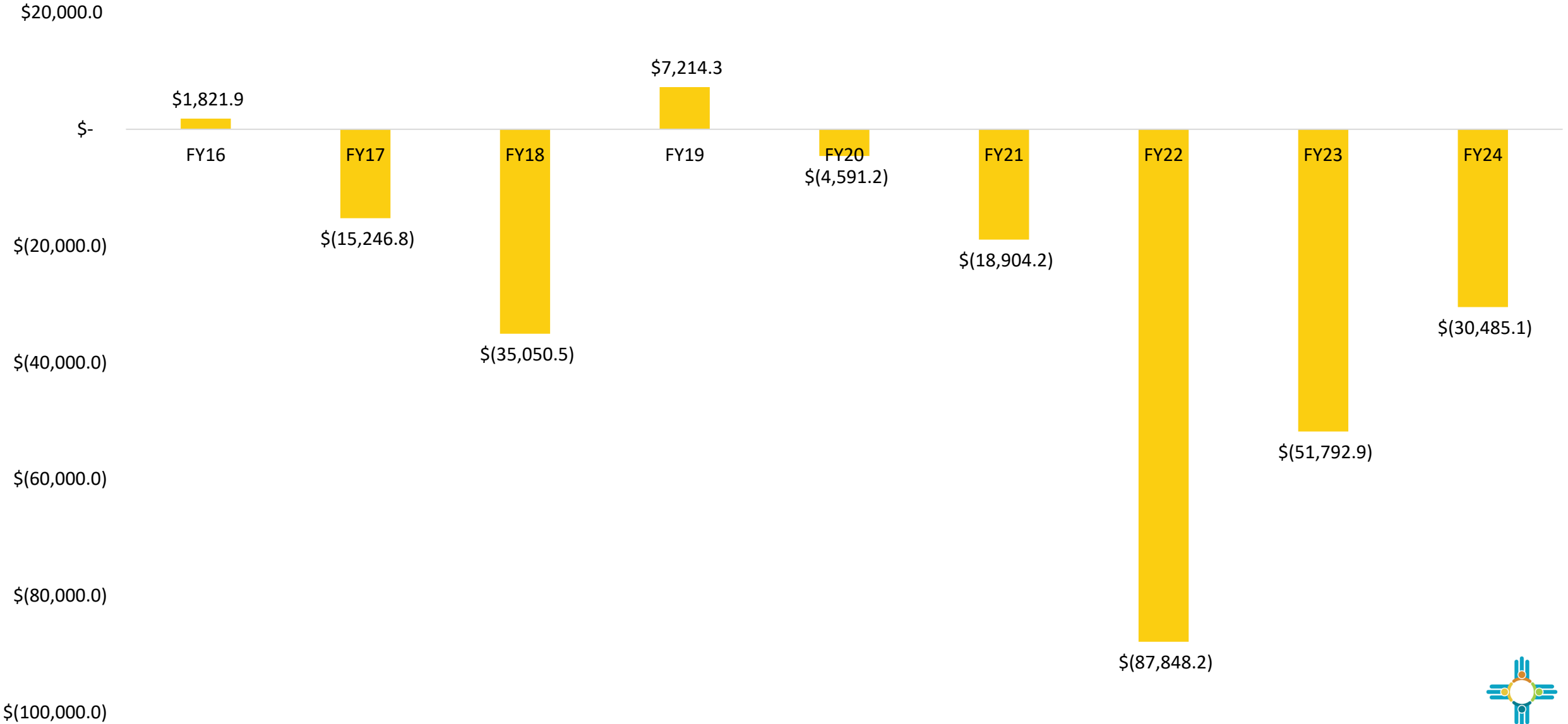
State Health Benefits Revenue and Expenses, FY16 - FY25 (early projection with 10% premium increase)



Projected FY25 Difference: \$16.5 M

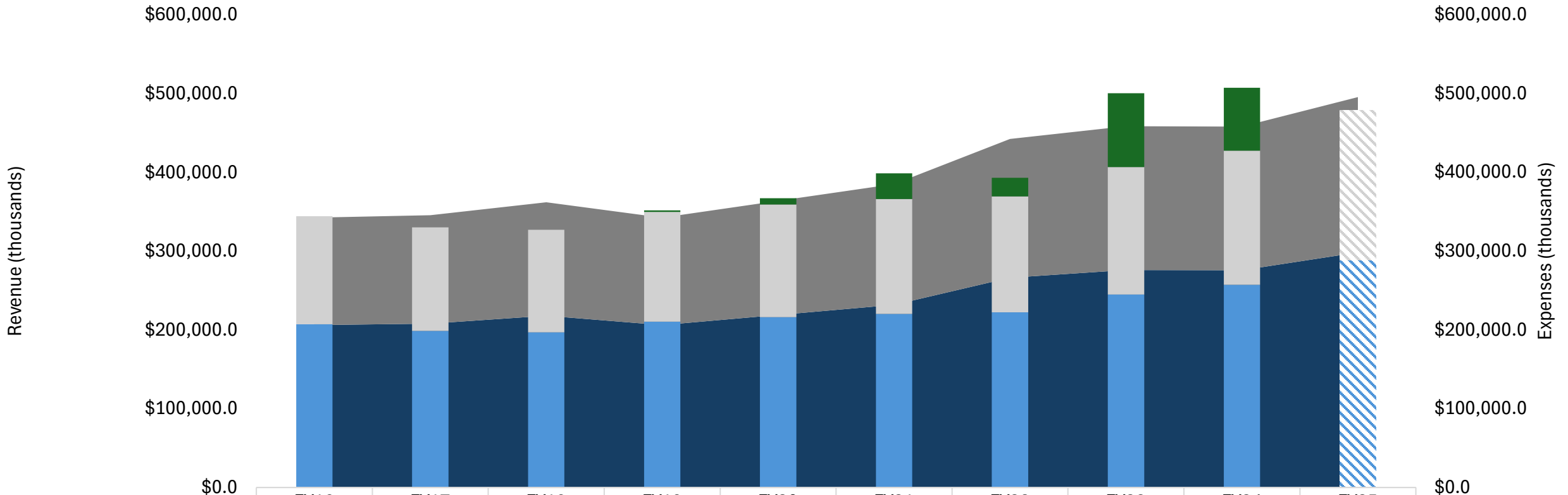


State Health Benefits Operating Income, thousands, FYs 2016-24 (Recurring Revenues minus Recurring Expenditures)



STATE HEALTH BENEFITS REVENUES & EXPENSES OVER TIME

**State Health Benefits Revenue and Expenses (thousands),
FYs 2016-25 (projected)**



	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
■ LPB Expenses	\$136,282.6	\$137,493.3	\$144,089.4	\$136,344.4	\$144,793.8	\$153,229.4	\$176,069.5	\$182,455.5	\$182,263.1	\$197,208.7
■ State Employee Expenses	\$206,136.0	\$207,967.3	\$217,944.3	\$206,229.5	\$219,009.7	\$231,769.1	\$266,316.2	\$275,975.4	\$275,684.4	\$298,290.6
■ Revenue via Appropriations	\$0.0	\$0.0	\$0.0	\$2,044.5	\$8,000.0	\$32,600.0	\$23,650.0	\$93,725.7	\$79,906.0	\$0.0
■ LPB Revenue	\$137,007.7	\$131,425.1	\$130,139.3	\$139,215.7	\$142,966.5	\$145,705.5	\$147,053.0	\$161,841.9	\$170,130.0	\$190,643.2
■ State Employee Revenue	\$207,232.8	\$198,788.7	\$196,843.8	\$210,572.4	\$216,245.9	\$220,388.8	\$222,426.9	\$244,796.1	\$257,332.4	\$288,359.8

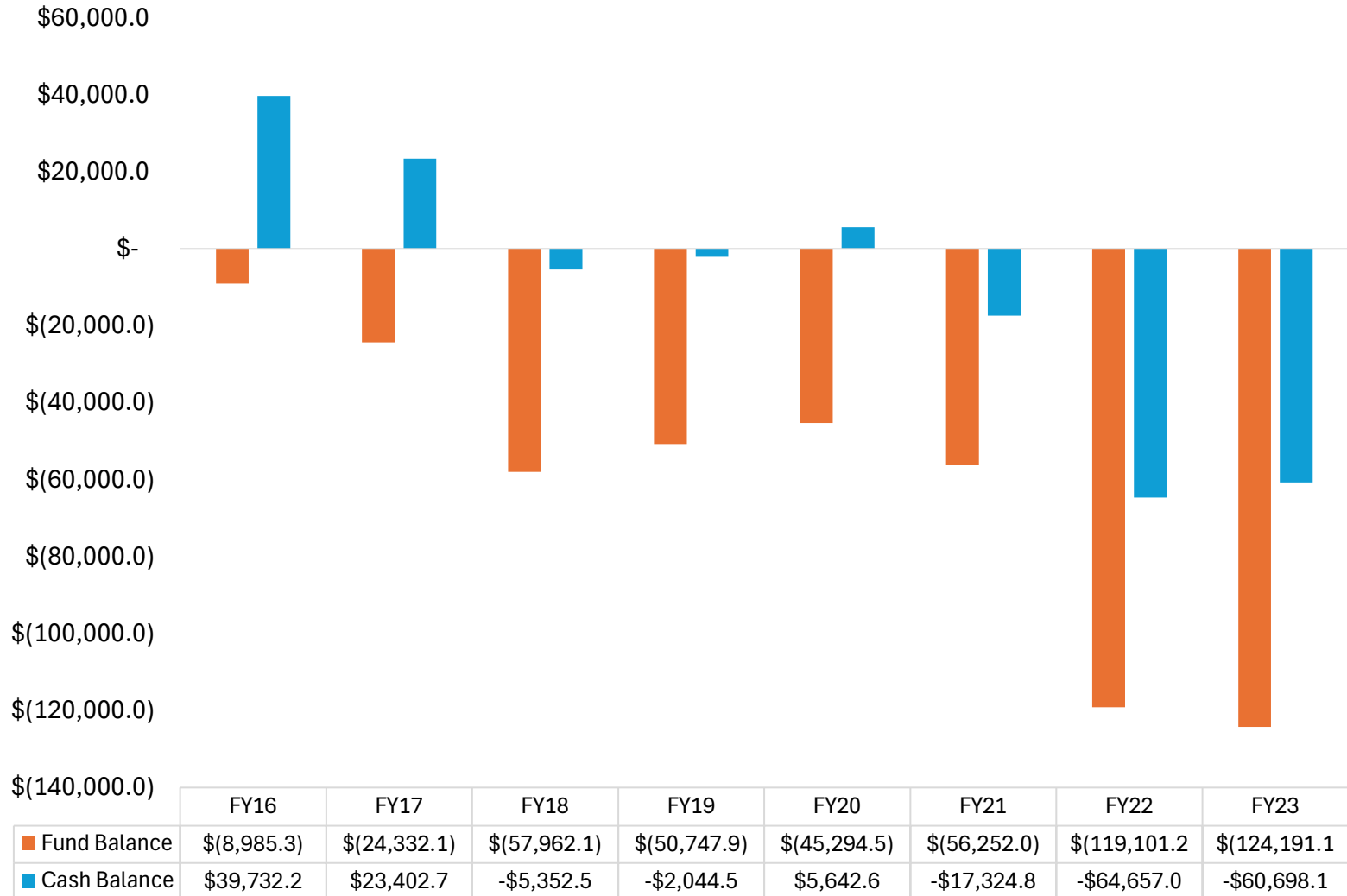


STATE HEALTH BENEFITS CASH & FUND BALANCES

- **Cash balance:** Funds readily available for immediate State Health Benefit expenses (e.g. paying claims).
 - In 2024, Legislature appropriated funding that helped prevent HCA from incurring a negative cash balance in FY25.
 - 7/1/24 cash balance: \$0.0
 - Best practice to have 1-2 months of claim costs available as cash-on-hand.
 - Estimated FY25 monthly claims cost: \$41,291.6.

- **Fund balance:** Overall financial health picture of State Health Benefits Fund.
 - Includes not just the cash-on-hand but also any debts or reserves, giving a more comprehensive view of the Fund's financial stability and ability to meet future needs.
 - Preliminary 7/1/24 fund balance: -\$10 M

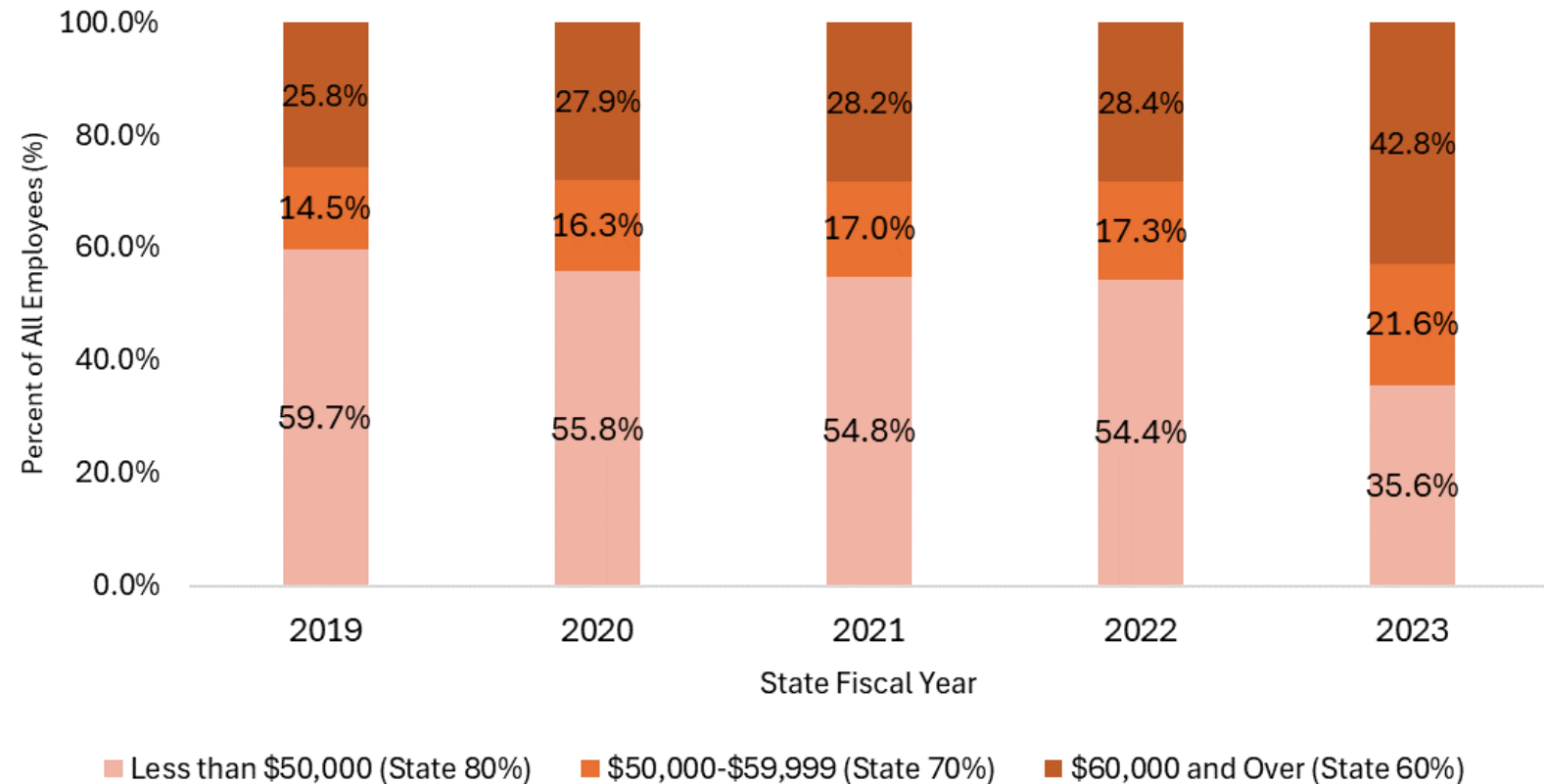
State Health Benefits Year-End Cash & Fund Balances (thousands), FYs 2016-23



STATE HEALTH BENEFITS CONTRIBUTIONS BY SALARY RANGE

- 1,062 classified employees experienced a benefits tier change due to the FY25 3% pay increase.
 - 529 will go from tier 1 to tier 2 (20% employee responsibility to 30% responsibility).
 - 533 will go from tier 2 to tier 3 (30% employee responsibility to 40%).
- Salary range tiers have not changed in many years.
 - However, salaries have increased across all positions, so more employees fall into \$60K+ tier and fewer in the Less than \$50K tier.
- HCA will reevaluate this model to ensure SHB program can achieve its health equity goals.

Percent of State Employees by Salary Range and State Contribution



Source: HCA calculations using data from the New Mexico State Personnel Office. Data reflect July 1 of each year.

STATE HEALTH BENEFITS CONTRACTS

Contractor	Contract Expiration Date	Total Contract Cost	12-month Contract Cost	Description	Unique Members
Presbyterian	12/31/2025	\$315,000,000	\$216,303,774.30	Medical Insurance	31,517
CVS Caremark	6/30/2026	\$240,000,000	\$61,276,595.74	Prescription insurance coverage	60,245
Blue Cross Blue Shield	12/31/2025	\$215,625,000	\$186,637,108.03	Medical Insurance	26,609
Delta Dental	12/31/2025	\$37,000,000	\$18,375,614.56	Dental Insurance	63,010
Cigna	12/31/2024	\$12,000,000	\$3,063,829.79	Medical Insurance Coverage	1,759
EASI GOV	8/31/2025	\$8,615,000	\$2,199,574.47	ERISA develops, manages and conducts required annual open enrollment for members and manages Flexible Savings Account	n/a
Proactive MD	2/6/2026	\$7,919,100	\$2,021,897.87	Stay Well Health Center	2,313
Hartford Life Insurance	6/30/2027	\$6,100,000	\$6,100,000	Life Insurance-basic life	34,729
First American Administrators (EyeMed)	12/31/2025	\$3,375,000	\$2,879,132.00	Vision Insurance	54,701
ComPsych	12/31/2025	\$725,000	\$511,764.70	Employee Assistance Program, and work-life trainings	n/a
AON	12/31/2024	\$60,000	\$60,000	Tests and designs benefit plans, ensures compliance with federal reporting regulations, and provides actuarial services	n/a
AFLAC	10/4/2024	\$0 (member pays 100%)	\$0 (member pays 100%)	Voluntary Supplemental Benefits	448
Hartford	10/21/2024	\$0 (member pays 100%)	\$0 (member pays 100%)	Voluntary Supplemental Benefits	92
MetLife	9/30/2024	\$0 (member pays 100%)	\$0 (member pays 100%)	Voluntary Supplemental Benefits	105
Globe	9/30/2024	\$0 (member pays 100%)	\$0 (member pays 100%)	Voluntary Supplemental Benefits	333

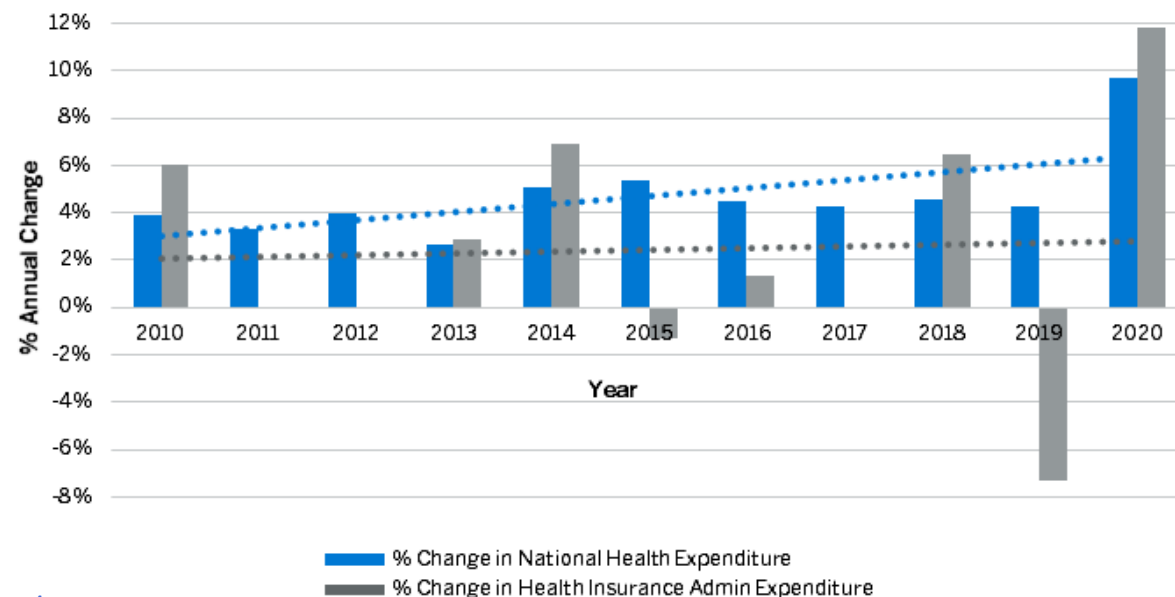
STATE HEALTH BENEFITS MEDICAL & ADMIN COSTS

Contractor	Contract Expiration Date	Members	12-month Medical Cost	12-month Admin Cost	% Admin
Presbyterian	12/31/2025	31,517	\$207,075,596.70	\$9,228,177.60	4.5%
CVS Caremark	6/30/2026	60,245	\$123,786,520	\$74,838.70*	0.06%
Blue Cross Blue Shield	12/31/2025	26,609	\$179,944,412.35	\$6,692,695.68	3.7%
Delta Dental	12/31/2025	63,010	\$18,375,614.56	\$928,819.14	5.1%
Cigna	12/31/2024	1,759	\$10,590,727.90	\$395,633.16	3.7%
First American Administrators (EyeMed)	12/31/2025	54,701	\$2,822,509.00	\$56,623.00	2.0%
TOTAL	-	-	\$542,595,380.51	\$17,301,948.58	3.2%

*CVS admin costs offset by a \$1.38M credit due to network guarantees. This guarantee varies year over year, and the credit received next year will change.

- From 2011 to 2020, health insurers averaged 2.35% profit margin across all lines of business.
 - Reducing admin by a single % can make the difference between profitability and a loss.
- If a health plan attempts to enter a market with admin costs higher than its competition, it will find it difficult to competitively price their premiums.
- Excessive administrative expense adversely affects payer efficiency, growth, and benefit enhancements.

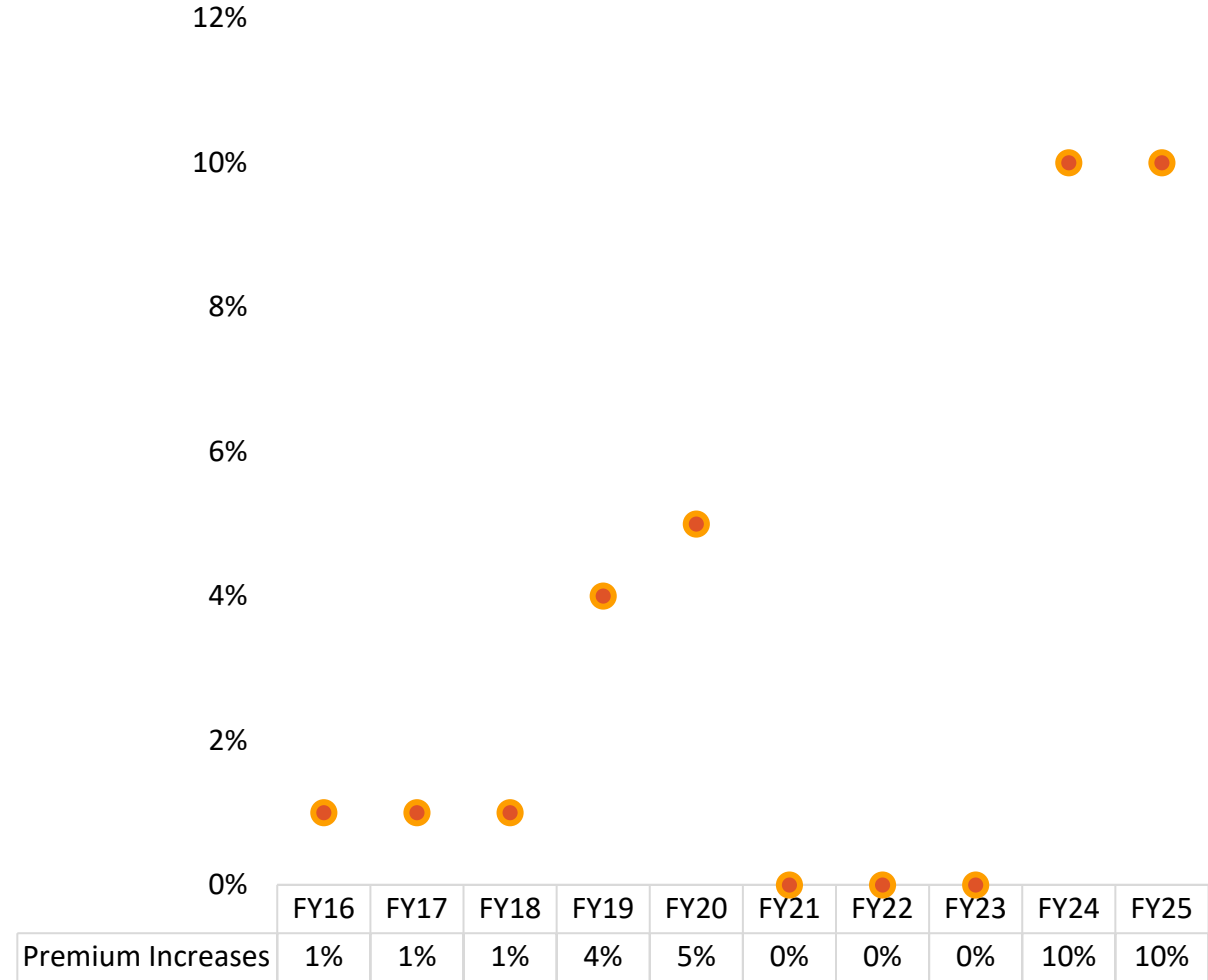
U.S. Healthcare Cost Growth Compared to Health Insurance Admin. Cost Growth, 2010-2020



FIRST 90 DAYS: HCA STATE HEALTH BENEFITS ACTIONS

- Leverage other sources of revenue to pay for certain administrative costs to protect the fund for employee health care.
- Hold monthly meetings with LFC staff starting in August; and perform state health benefits quarterly projections beginning in October.
- Complete an actuarial analysis to produce recommendations to guide the next procurement, pricing, and contracting strategy.
- Begin claims integrity audit.
- Review current procurement and contracts using expert consultants to recommend favorable contract terms and advise on options for the next procurement.
- Separate carrier billing for state employees and LPBs.
- Develop recommendations to standardize carrier contracts; provide HCA clear access to, and use of, claims and enrollment data; standardize language regarding performance measures and monetary penalties; guarantee minimum key contractor personnel to ensure contract requirements are competently carried out.
- Review statutes for potential legislative recommendations.
- Convene executive team of IBAC decision-makers to develop contracting/purchasing strategy.

**State Health Benefit Premium Increase (%),
FYs 2016-25**

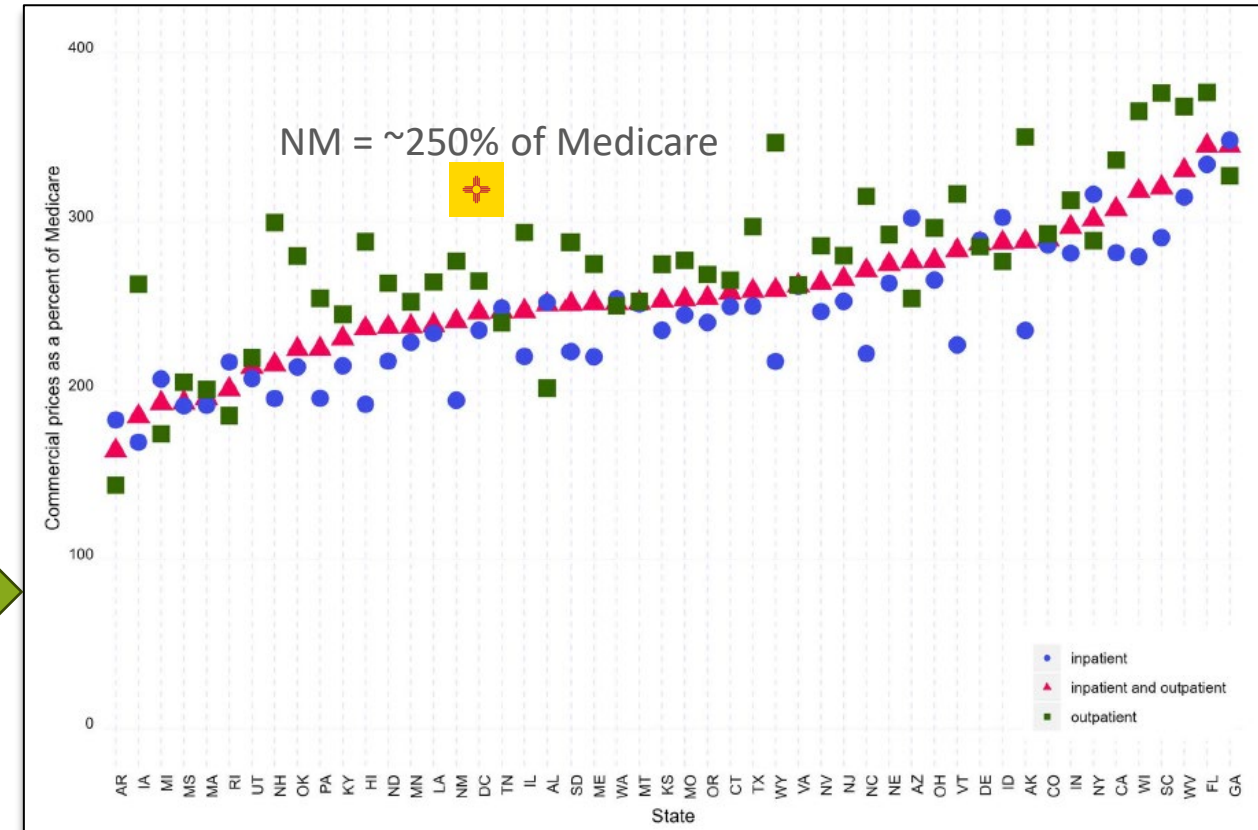


STATE HEALTH BENEFITS ACTUARIAL ANALYSIS

- HCA conducting actuarial analysis for multiple years (calendar years 2019 through 2023) of historical enrollment, utilization, and expenditure data of State Health Benefits.
- State employee and LPB data for eligibility, claims utilization and expenditures obtained from health carriers (excluding Cigna).
- By September completed analysis will identify and support HCA evaluate strategies for addressing:
 - Health care cost drivers (service delivery system, provider reimbursement and specific services) that impact annual cost and trend of health insurance coverage.
 - Impact and considerations related to Medicare reference pricing for certain high-volume services such as inpatient and outpatient facilities.
 - Options for changes to premiums and cost-sharing (deductibles, copayments, and out-of-pocket costs).
 - Considerations for self-funding versus fully insured delivery of state employee benefits.
 - Options for alternative payment models or consumer driven health strategies.



Commercial Prices as Percent of Medicare by State, 2022

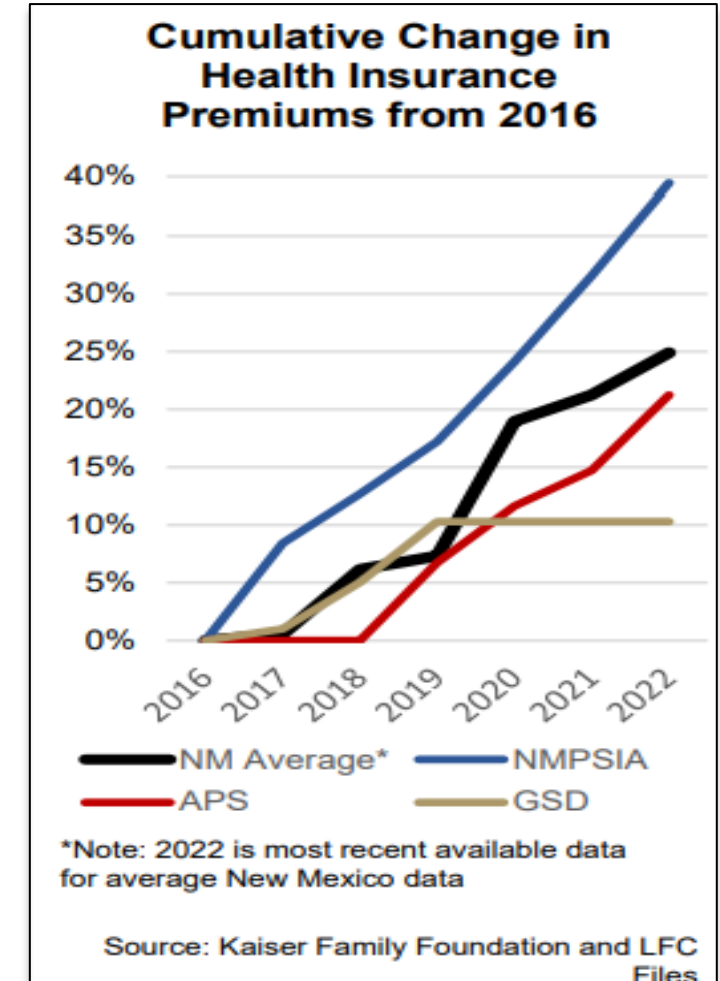


Source: https://www.rand.org/pubs/research_reports/RRA1144-2.html



INTERAGENCY BENEFITS ADVISORY COUNCIL (IBAC) PARTNERSHIP

- HCA is FY25 Chair of Interagency Benefits Advisory Council (IBAC).
 - Other IBAC agencies include Albuquerque Public Schools (APS), NM Public School Insurance Authority (NMPSIA), and Retiree Health Care Authority (RHCA).
 - Together the IBAC provides coverage for 218,011 members.
- **HCA is committed to partnering with other IBAC agencies** to develop a coordinated and comprehensive purchasing plan for health care benefits for public employees and retirees.
 - HCA will form an IBAC Strategic Governance Council this year to support agencies in understanding drivers of plan growth, barriers to health care access (e.g. retired state employees under age 55).
 - HCA is now a member of Retiree Health Care Authority Board.





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QUESTIONS

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