



NEW MEXICO
RETIREE
HEALTH CARE
AUTHORITY

Investment & Pensions Oversight Committee

Senator Roberto “Bobby” J. Gonzales, Chair
Representative Patricia Roybal Caballero, Vice Chair

RHCA Sustainability and Solvency
July 1, 2024

Therese Saunders, President
Tomas Salazar, Vice President
LeAnne Larrañaga-Ruffy, Secretary
Neil Kueffer, Executive Director



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Retiree Health Care Authority Act – 1990

10-7C-1 through 10-7C-16 NMSA 1978

Purpose to provide comprehensive core group health insurance for persons who have retired from certain public service in New Mexico

Legislative Findings (10-7C-3)

- Public employees face a severe problem in securing continuing medical insurance upon retirement citing medical care inflation exceeding general inflation for the past decade (1990)
- Public employees covered by the Act have entered into public employment in circumstances where they have received in exchange for their services a present salary and an expectation of receiving a future stream of benefits, including certain retirement benefits
- Nothing in the Act shall prohibit the legislature from increasing or decreasing participating employer or employee contributions, eligible retiree premiums or group health insurance coverages or plans
- **Board Duties (10-7C-7)**
 - Administration of program to include: procurement, promulgate and adopting rules, regulations and procedures for the governance of eligibility, participation, enrollment, length of service requirements and other conditions

Historical Contributions

Employee & employer contributions since creation of Retiree Health Care Act: Started with over 15,000 members

Non-Enhanced Retirement Plan			
	Employee	Employer	Total
1990-2002 (12 years)	0.500%	1.000%	1.500%
2002-2010 (8years)	0.650%	1.300%	1.950%
2010-2011 (1 year)	0.833%	1.666%	2.499%
2011-2012 (1 year)	0.917%	1.834%	2.751%
2012-2024 (12 years)	1.000%	2.000%	3.000%

Enhanced Retirement Plan			
	Employee	Employer	Total
1990-2002 (12 years)	0.500%	1.000%	1.500%
2002-2010 (8years)	0.650%	1.300%	1.950%
2010-2011 (1 year)	1.042%	2.084%	3.126%
2011-2012 (1 year)	1.146%	2.292%	3.438%
2012-2024 (12 years)	1.250%	2.500%	3.750%

- No pre-material funding
- No trust fund or reserves
- Payroll contributions for comprehensive and affordable benefits in retirement
- Currently 66,000 members on plans
- 93,595 active employees contributing for future retirement benefits

BOARD OF DIRECTORS

Broad representation from retired and active membership



Ms. Therese Saunders, President

NEA NM, Classroom Teachers Association
Federation of Educational Employees



Mr. Tomas Salazar, Vice President

New Mexico Association of Educational Retirees



Ms. LeAnne Larranaga-Ruffy, Secretary

Public Employees Retirement of New Mexico

Mr. David Archuleta

Educational Retirement Board

Ms. Laura Montoya

New Mexico State Treasurer

Ms. Donna Sandoval

New Mexico Municipal League

Mr. Lance Pyle

New Mexico Association of Counties

Ms. Raquel Alirez

Classified State Employee

Mr. Gerry Washburn

New Mexico Superintendent Association

Mr. Lee Caruana

Retired Public Employees of New Mexico

Agency Updates

Annual Board Meeting: Thursday, July 11th & Friday, July 12th

- Election of Board Officers and Committee Assignments
- Investment Updates
- Review of Vendor Presentations
- Actuarial Presentations
- Plan Changes and Recommendations for Calendar Year 2025
 - Self-Insured Plan Rate Increases
 - Pre-Medicare (Premier and Value Plans) – FY25 TBD, FY24 Increase of 5%
 - Medicare Supplement – FY25 TBD, FY24 No Increase
 - Medicare Advantage Rates – FY25 TBD, FY24 Zero dollar increase up to 50% increase

Board of Directors Meetings

- 1st Tuesday of each month unless otherwise specified
- Committees meet prior to board meetings and/or as needed

Fall Open / Switch Enrollment

- October 1 – November 15

Procurement – Completed for Asset Management Consultant Services

Program Composition, Participation & Financing

Active Participation – 93,595 (6/30/23)

• Public Employer Groups – 304

- Schools – 50%
- State Agencies – 25%
- Local Government – 25%

Retiree Participation – 65,669 (7/1/24)

- Medicare – 40,624
- Pre-Medicare – 10,979
- Voluntary Only – 14,066
- Retirees – 48,134
- Spouses/DP – 15,505
- Dependent Children – 2,030
- Average Age of Retiree – 69.74
 - Age at Enrollment – 60.70 (2021)
 - Age at Enrollment – 61.58
- Retirees Under Age 55 – 1,329

FY25 Budget

• Healthcare Benefits Administration

Uses:

- Benefits – \$402 million
- ACA Fees – \$45 thousand
- Other Financing Uses – \$4.1 million (operations)

Sources:

- EE/ER Contributions – \$141 million
- Retiree Contributions – \$174.3 million
- Tax & Rev Suspense Fund – \$51.8 million
- Misc. Revenue – \$39 million
- Interest – \$100 thousand

• Program Support (28 FTE)

- Salaries & Benefits – \$2.8 million
- Contractual Services – \$748.3 thousand
- Other Costs – \$625.2 thousand

MISSION

MAINTAIN COMPREHENSIVE AND AFFORDABLE HEALTH INSURANCE BENEFITS FOR PUBLIC RETIREES AND ELIGIBLE DEPENDENTS

STRATEGIC GOALS

FIDUCIARY RESPONSIBILITY

- Extend the solvency of the program
- Trust-fund contributions and investment earnings
- Avoid deficit spending

Customer Service

- Communication
- Education
- Wellness Programs

Administration

- Cost-effective procurement
- Review and implementation of programs and services
- Comprehensive services and access to care



Board Actions

Changes Last 11 Years

- Negotiated rates with vendors – limit increases on behalf of members
- Added additional cost containment strategies in contracts
- Wellness programs – Wise and Well with multiple options for members to improve health for better lifestyle
- Improved communication and education for better decisions and use of plans
- Premium increases – keep pace with rising health care costs
- Plan design changes to increase cost share to members
- Implementation of Narrower networks
- Decrease in subsidy levels – pre-Medicare retiree and spouse
- Dependent children subsidy elimination from all plans
- Eligibility rule change for non-enhanced members requires 25 years of service for full subsidy
- Minimum age 55 for non-enhanced members to receive subsidy
- Converted \$6K basic life insurance benefit paid by NMRHCA to 100% member paid

Solvency Updates

Projected Revenues

- Employee & Employer Contributions (set by statute)
- Retiree Medical Premiums (set by Board of Directors)
- Retiree Ancillary Premiums (not subsidized/pass through)
- Tax & Revenue Suspense Fund (set by statute)
- Miscellaneous (Medicare subsidies, Drug Rebates, Performance Guarantees – Varies)

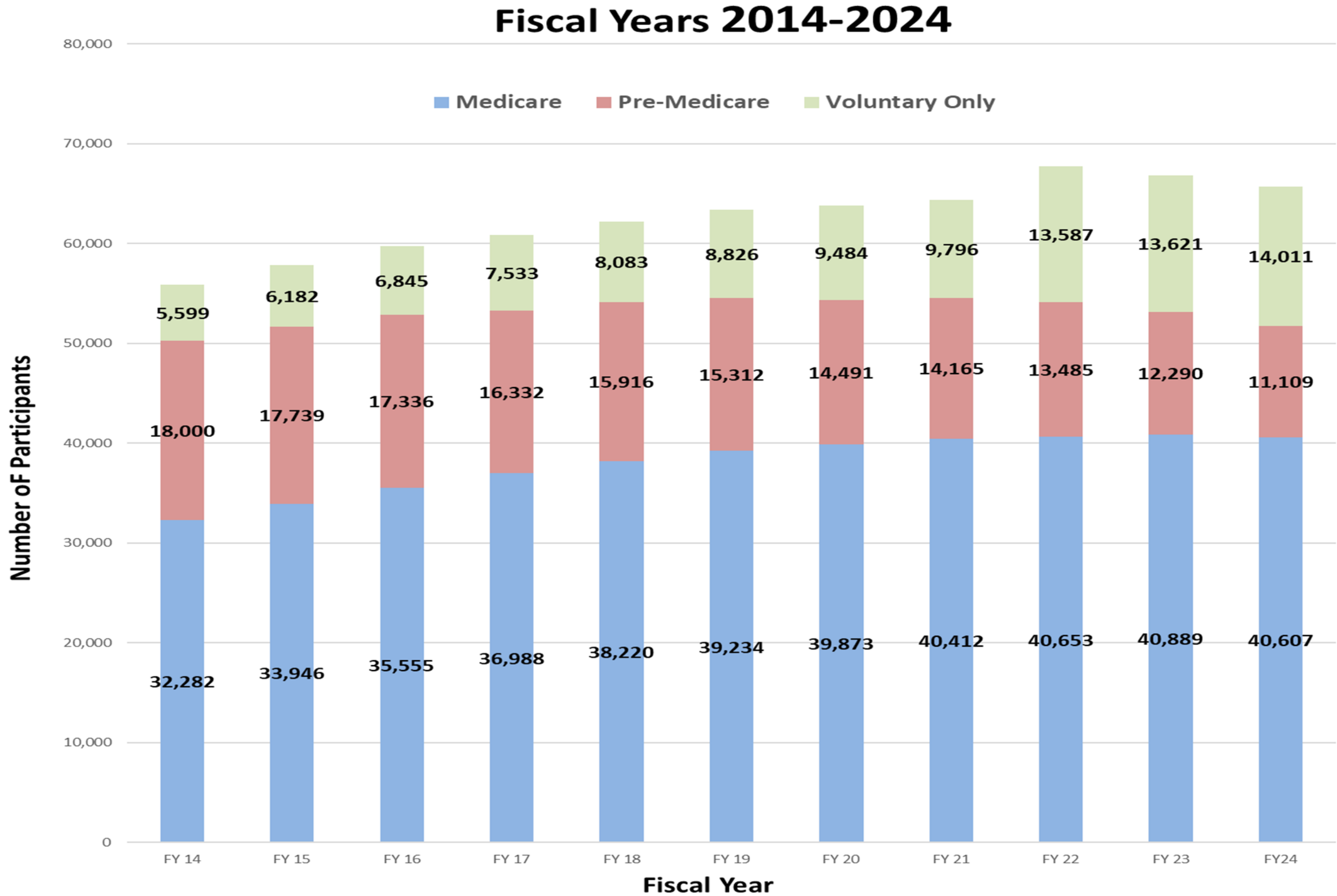
Projected Expenses

- Medical & Prescription
- Retiree Ancillary Premiums
- Administrative Fees
- Agency Operating Expenses

Major Assumptions

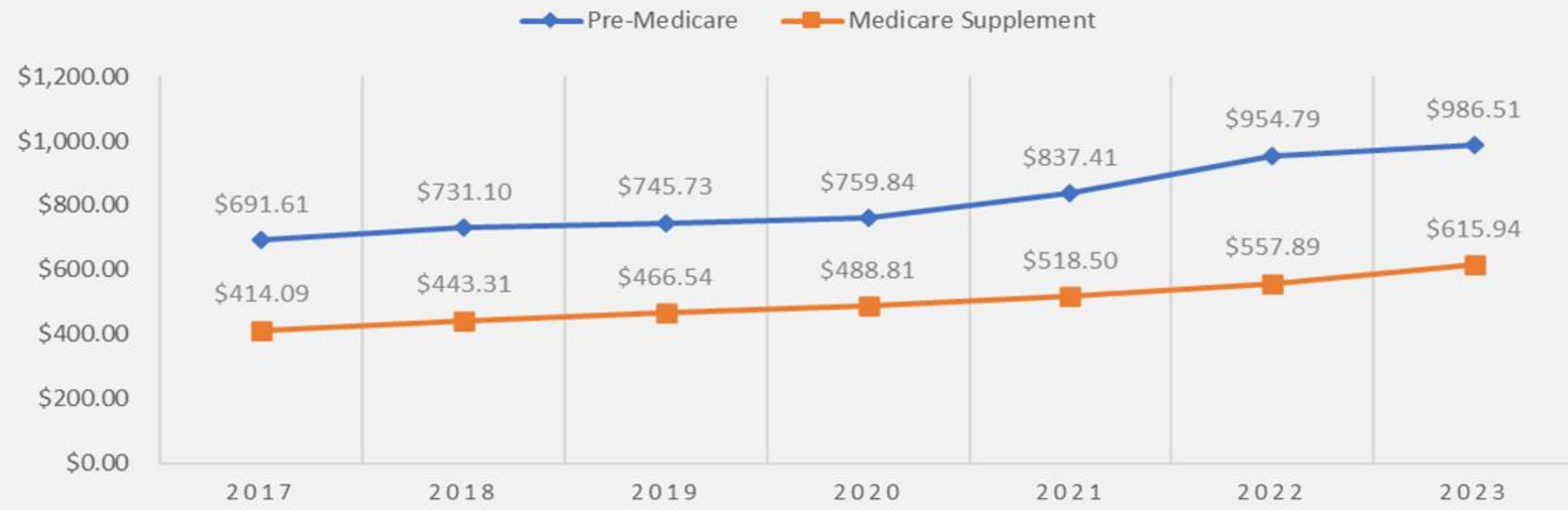
- Payroll Growth: 2.75%
- Discount Rate: 7.00%
- Medical Trend: 8% pre-Medicare / 6% Medicare
- Plan Selection: Migration to Lower Costing Plans
- Plan Design Changes: Increased Copays, Coinsurance and Deductibles
- Plan Rates: Continue to Grow in Accordance with Medical Trend

Retiree Plan Participation



Medical and Prescription Self Insured Plans

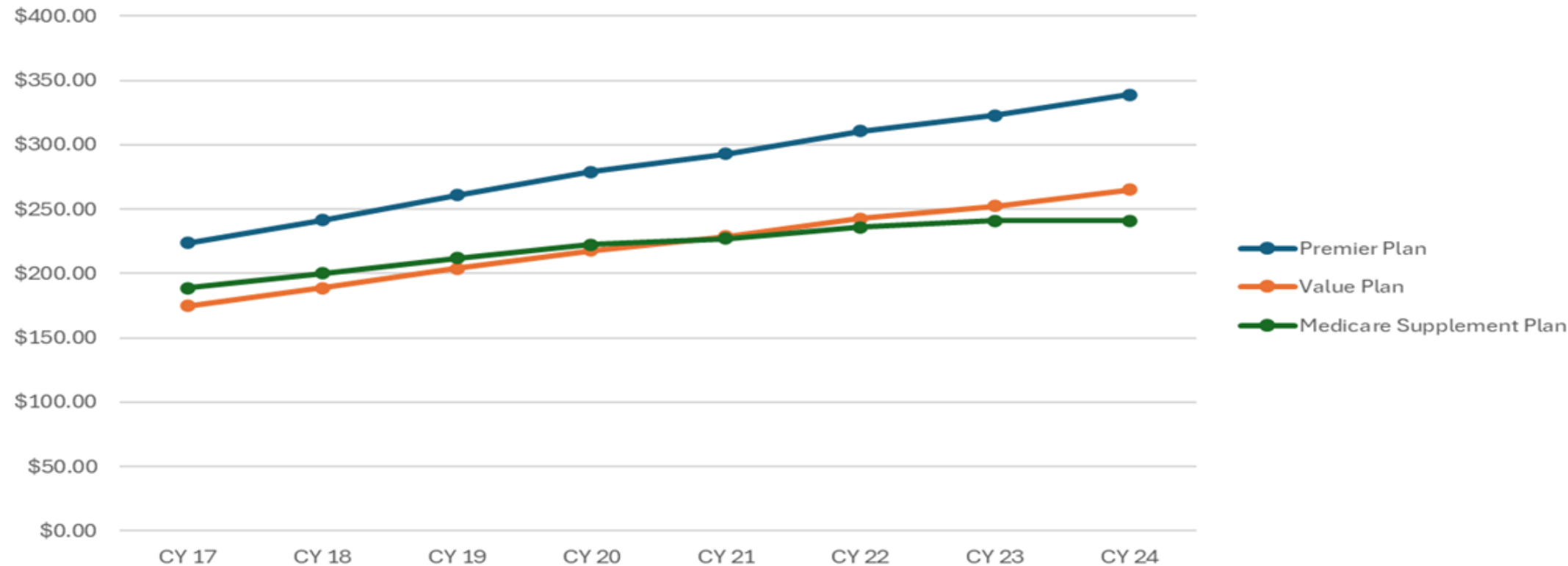
SELF INSURED MEDICAL & RX PMPM



Percent Change

Paid Year	Pre-Medicare	Medicare Supplement
2018	5.71%	7.06%
2019	2.00%	5.24%
2020	1.89%	4.77%
2021	10.21%	6.07%
2022	14.02%	7.60%
2023	3.32%	10.41%

Self Insured Premiums



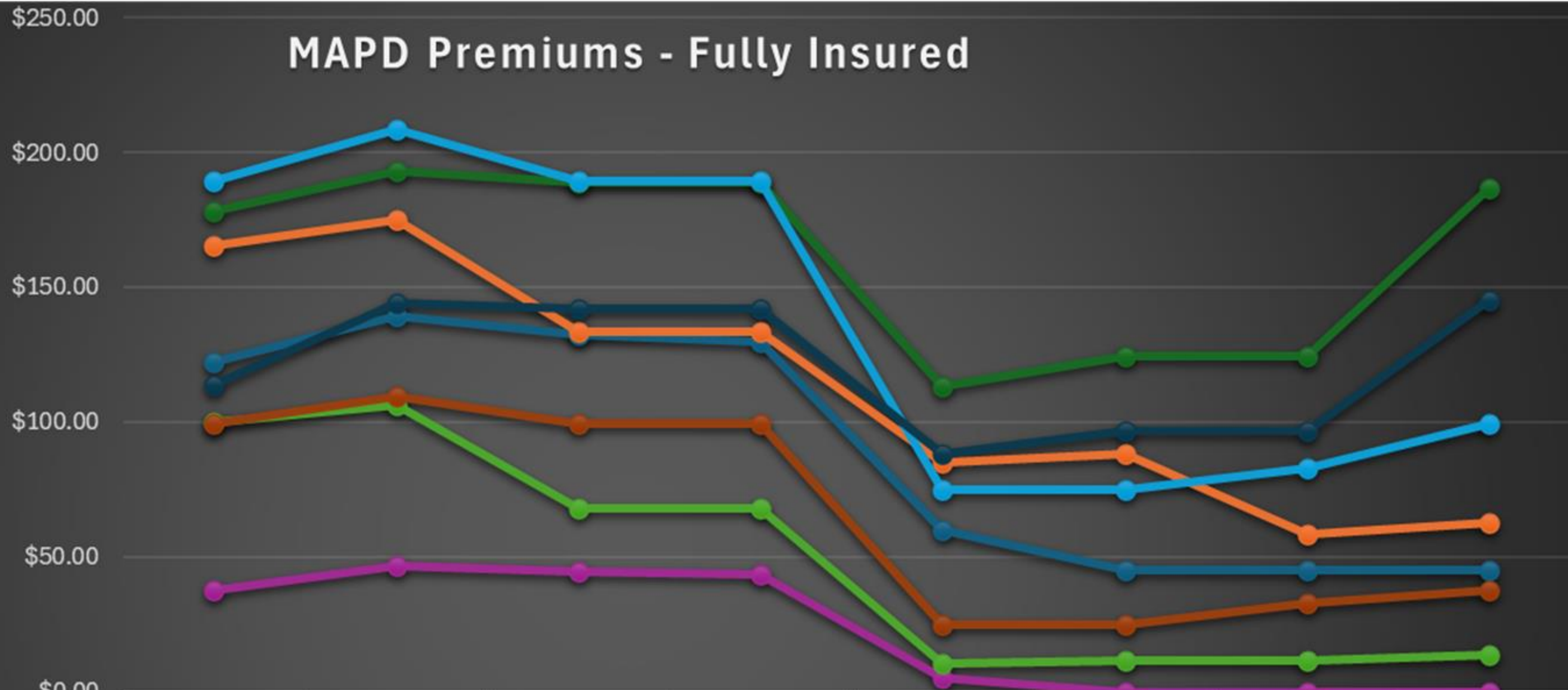
Self Insured Premiums for Member

	Premier Plan	Value Plan	Supplement
CY 17	\$223.56	\$174.63	\$188.64
CY 18	\$241.44	\$188.60	\$199.96
CY 19	\$260.76	\$203.69	\$211.96
CY 20	\$279.01	\$217.95	\$222.55
CY 21	\$292.96	\$228.85	\$227.00
CY 22	\$310.54	\$242.58	\$236.08
CY 23	\$322.96	\$252.28	\$240.80
CY 24	\$339.11	\$264.89	\$240.80

CY24 Enrollment Counts

CY24	8,499	3,218	20,396
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Medicare Advantage Prescription Drug Plans

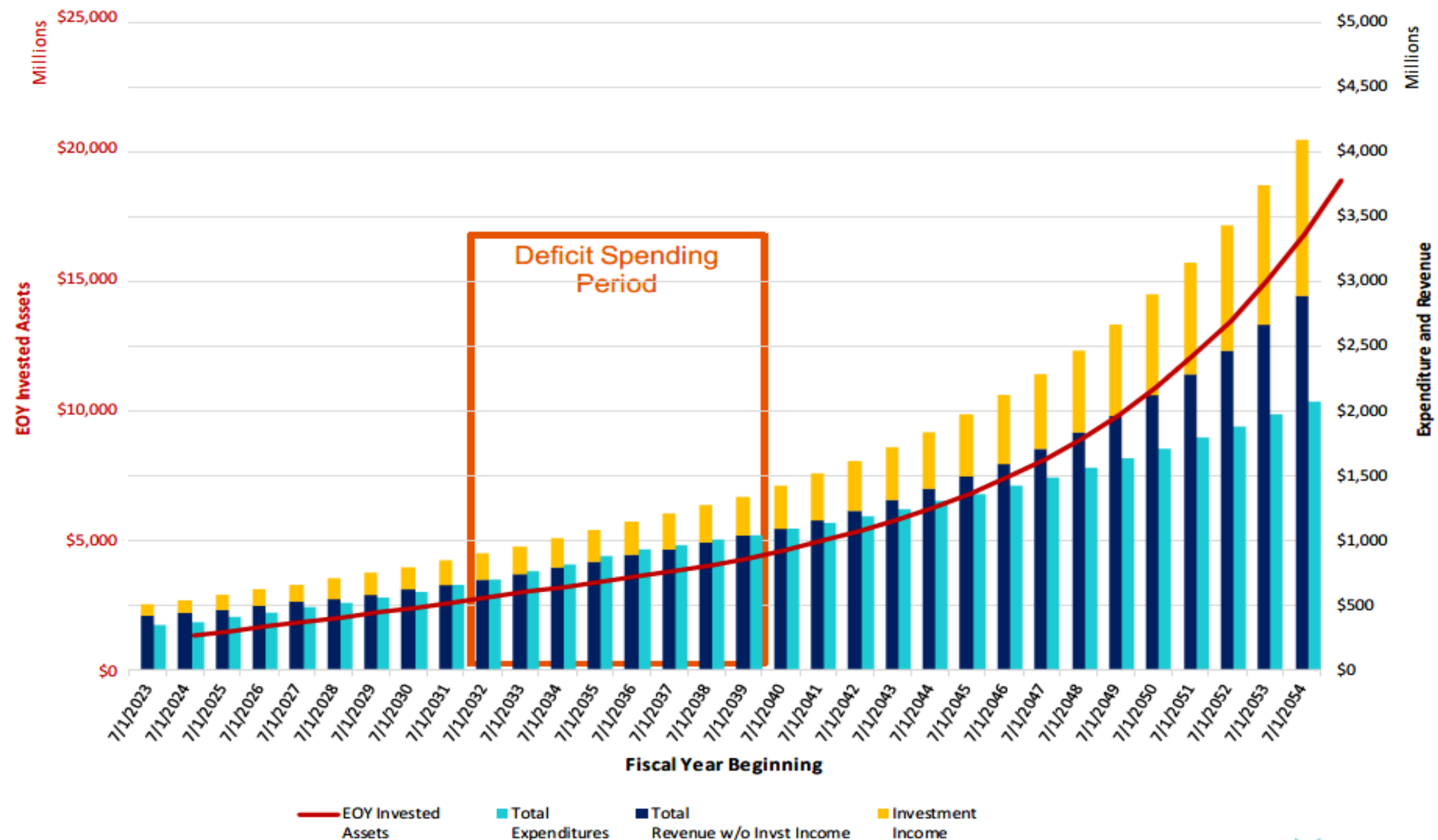


	CY 17	CY 18	CY 19	CY 20	CY 21	CY 22	CY 23	CY 24
Blue Cross Blue Shield MAPD 1	\$122.40	\$139.20	\$132.20	\$129.60	\$60.00	\$45.00	\$45.00	\$45.00
Humana MAPD 1	\$165.55	\$174.90	\$133.65	\$133.65	\$84.94	\$88.26	\$58.22	\$62.72
Presbyterian MAPD 1	\$178.00	\$193.00	\$189.00	\$189.00	\$113.00	\$124.30	\$124.30	\$186.45
United Healthcare MAPD 1	\$189.39	\$208.33	\$189.37	\$189.37	\$75.00	\$75.00	\$83.00	\$99.60
Blue Cross Blue Shield MAPD 2	\$37.90	\$46.60	\$44.30	\$43.40	\$5.00	\$0.00	\$0.00	\$0.00
Humana MAPD 2	\$99.72	\$106.12	\$68.15	\$68.15	\$10.76	\$11.54	\$11.54	\$13.62
Presbyterian MAPD 2	\$114.00	\$144.00	\$142.00	\$142.00	\$88.00	\$96.80	\$96.80	\$145.20
United Healthcare MAPD 2	\$99.36	\$109.30	\$99.31	\$99.31	\$25.00	\$25.00	\$33.00	\$37.60

Total Membership -	20,495
CY24 Enrollment	
	2,775
	1,007
	7,484
	3,304
	1,005
	892
	1,489
	2,539

Solvency Model

2023 Solvency Scenario – Board Approved Rate Action 5% Pre-Medicare, 0% Medicare Supplement increases



Solvency Modeled Assumptions

Category	Assumption
Beginning Asset Balance	Using June 30, 2023 fund balance of \$1,256,273,066 as an estimate for 7/1/2023 fund balance
Investment Return	7.00%
Annual Growth in Payroll	4.4% through FY2024 2.75% thereafter
Contribution Rates (ER/EE)	2.50% / 1.25% Public Safety, et al 2.00% / 1.00% Other occupations
Annual Growth in Retirees	Based on FY2014 open valuation output table
Pension Tax Revenue	\$46,272,433 for FY2023 Increasing 12% thereafter
Rx Rebates	\$42,915,872 for FY2024 Reflects financial terms of contract through FY2027; increasing at retiree growth rate thereafter
Plan Design Changes	
Pre-Medicare Medical & Rx	Includes impact from approved 2023 legislative session bills, the Hinge Health (BCBS) Program, and the Sword Health (PHP) Program effective 1/1/2024. Annual plan changes in CY2027 and beyond so that projected claims and expenses remain beneath the eliminated Excise Tax threshold
Medicare Supplement Medical & EGWP	Annual plan changes in CY2037 and beyond such that projected claims and expenses remain beneath Excise Tax threshold
Member Rate Share	
Pre-Medicare	Retiree: 36% Spouse: 64% Child(ren): 100%
Medicare (Supplement & Advantage)	Retiree: 50% Spouse: 75% Child(ren): 100%

Category	Assumption
Annual Medical Claims Trend	Pre-Medicare: 8.00% Medicare Supplement: 8.00%
Annual Rx Claims Trend	Pre-Medicare: 8.00% Medicare Rx: 8.00%
Dental / Vision Claims Trend	Current dental rates for CY2023 and 6.00% thereafter / 0.00% increase through FY2024 and 5.00% thereafter
Medicare Advantage Increases	CY2023, CY2024 based on actual rates as provided by RHCA staff Increase at 7% thereafter
Pre-Medicare Rate Increases	Annual increases of 8% in 2024-2026 and net 8% with plan changes thereafter
Medicare Supplement Rate Increases	Annual increases of 6% in 2024-2035 and net 6% with plan changes thereafter
EGWP Revenue Components	CY2023, CY2024 projected by Segal based on historical data
Direct Subsidy	Annual increases at retiree growth rate plus ½ of Medicare Rx trend
Federal Reinsurance & Coverage Gap Discount Program	Annual increases at retiree growth rate
Low Income Subsidy	0.0% annual increase to CY2023 estimate
Minimum Years of Service to Receive Full Subsidy	Consistent with Board Approved rule change to 2.8.11 NMAC effective July 2021
Member Migration / Participation	Migration from Premier to Value plan until plan changes begin in 2027 (1.25% annual shift from Premier); Medicare age-ins: Presbyterian age-ins default to UHC MA I; BCBSNM age-ins default to Humana MA I; 50% of age-ins opt out of Medicare Advantage Default elections to Medicare Supplement

Inflation Reduction Act (IRA) Impact

IRA Timeline for Part D Plans



- \$35 Insulin cost cap
- No cost vaccines
- Manufacturers pay rebates to Medicare for drugs increasing more than inflation

- Cost share eliminated for catastrophic tier
- Low Income Subsidies expanded from 135% of FPL to 150%
- Base Beneficiary Premium increases capped at 6% (through 2030)

- \$2,000 annual OOP Max (indexed)
- For catastrophic tier:
 - Medicare share reduced to 20%
 - Plan share increased to 60%
 - Drug manufacturers introduced at 20%
- Allows members to make coinsurance installment payments over a year (M3P Program)

- Medicare negotiates drug prices
- 2026: 10 drugs
 - 2027: +15
 - 2028: +15
 - 2029: +20

Rule that would eliminate rebates delayed until at least 2032

GASB 74 Updates

GASB 74 – Actuarial Valuation Review of Other Postemployment Benefits (OPEB) as of June 30, 2023

- Completed November 13, 2023
- **Total OPEB Liability: \$3,049,662,302 (2023)** / \$3,467,298,517 (2022) / \$4,409,849,335 (2021)
- Net OPEB Liabilities (NOL) decreased \$609 million, due to the following:
 - An increase in the blended discount rate
 - Discount rate – 6.22% compared to 5.42% in 2022
 - Blend rate = 7.00% assumed investment return + 20-year tax exempt general obligation municipal bonds with an average rate of AA/Aa or higher (3.65% as of June 30, 2023)
- **NOL: \$1,702,935,655 (2023)** / \$2,311,603,052 (2022) / \$3,290,349,790 (2021)
 - 1% Decrease in Discount Rate – \$2,146,981,727
 - 1% Increase in Discount Rate – \$1,342,994,641
 - 1% Decrease in Health Care Cost Trend – \$1,409,857,717
 - 1% Increase in Health Care Cost Trend – \$2,039,527,413
- **Funded Status: 44.16% (2023)** / 33.33% (2022) / 25.39% (2021)

GASB 74 Updates Continued

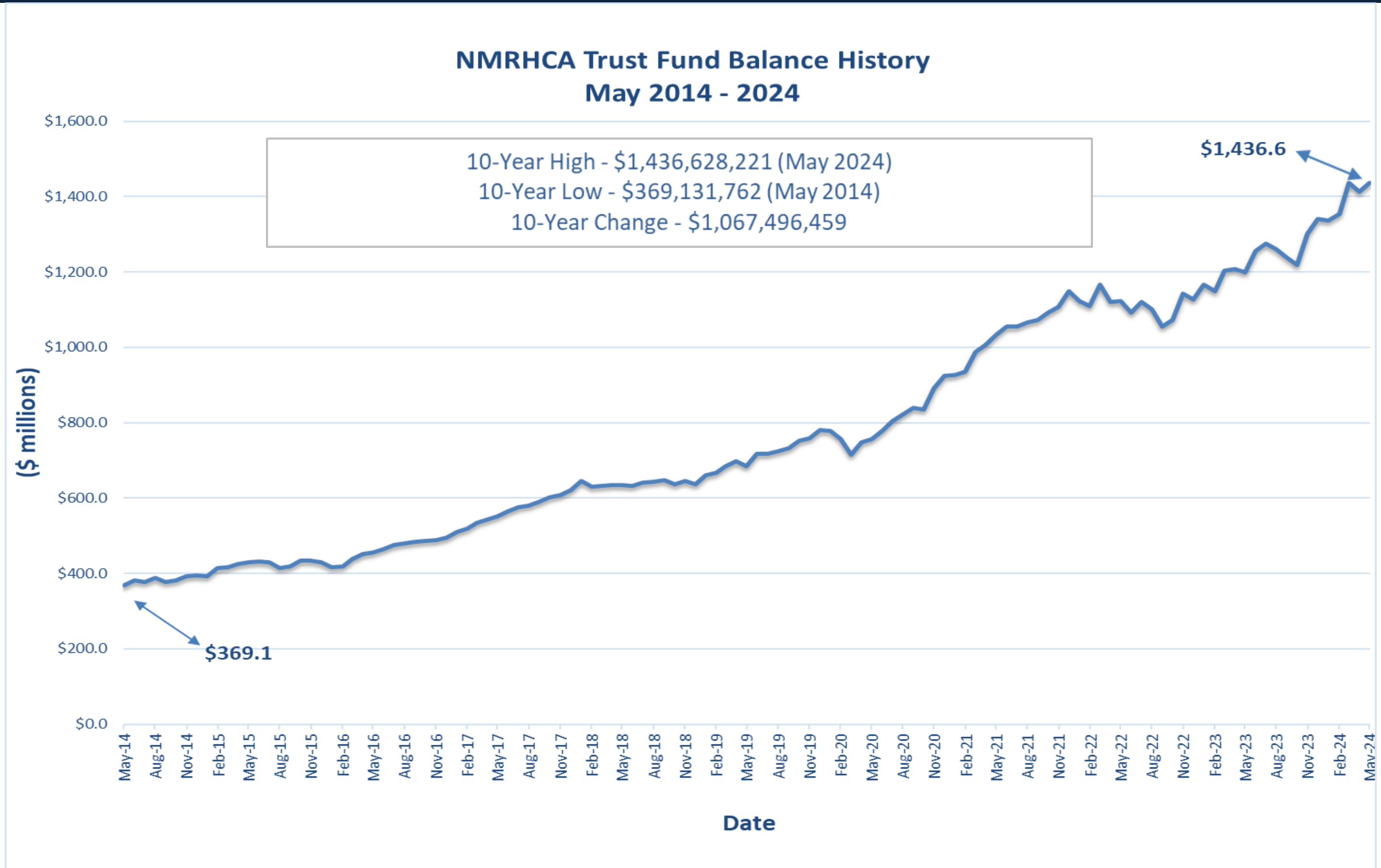
Governmental Accounting Standards Board (GASB)

- Actuarial Valuation Review of Other Postemployment Benefits (OPEB)

	2006	2017	2023
GASB Statement	43	74	74
Actuarial Accrued Liability	\$ 4,264,180,967	\$ 5,111,141,659	\$ 3,049,662,302
Actuarial Value of Assets	\$ 154,538,668	\$ 579,468,641	\$ 1,346,726,647
Unfunded Actuarial Accrued Liability	\$ 4,109,642,299	\$ 4,531,673,018	\$ 1,702,935,655
Funded Ratio	3.62%	11.34%	44.16%
Covered Payroll	\$ 4,073,731,873	\$ 4,165,647,340	\$ 4,952,012,764
Total Participants	140,292	160,035	159,125

- Beginning 2006 changed accounting standards for (OPEB) GASB 43
- In 2017, GASB 74 replaced GASB 43
 - Actuarial Accrued Liability = Total OPEB Liability
 - Actuarial Value of Assets = Plan Fiduciary Net Position
 - Unfunded Actuarial Accrued Liability = Net OPEB Liability

Investments



Legislative Actions

Eight unsuccessful attempts to increase employee & employer

- Employee and Employer contributions since 2012
- 12 years since increase

Impact of Change

- Reduce unfunded liabilities
- Protect against credit rating downgrades
- Prefund future benefits
- Keep benefits relevant as incentive for employees to stay

Joint Resolution to protect RHCA under the Constitution of New Mexico

- Under current state statute this benefit can be modified or extinguished in the future to meet changes in economic or social conditions. However, many New Mexicans have been making contributions into this benefit for their entire careers with the expectation of having a benefit when they retire.
- Similar to the pension systems, Educational Retirement Board (ERB) and Public Employee Retirement Association (PERA), who have been successful in passing a resolution constitutionally protecting their retirement trust funds, passing this resolution will constitutionally protect the RCHA fund (1.4 Billion).



NEW MEXICO
RETIREE
HEALTH CARE
AUTHORITY

New Mexico Retiree Health Care Authority

Neil Kueffer, Executive Director

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Or visit us at: www.nmrhca.org or www.facebook.com/nmrhca

Business Hours: 8:00AM – 5:00PM (Monday through Friday)