



NEW MEXICO
RETIREE
HEALTH CARE
AUTHORITY

Legislative Finance Committee
Senator George K. Muñoz, Chair
Representative Nathan P. Small, Vice Chair

FY26 Appropriation Request
October 22, 2024

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

Agency Updates

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

- Public Employer Groups - 302
 - Schools – 50%
 - State agencies – 25%
 - Local government – 25%

Retiree participation – 65,913 (10/1/24)

- Retirees – 48,377
 - Pre-Medicare – 7,814
 - Medicare – 32,437
 - Voluntary – 8,126
- Spouses/DP – 15,526
 - Pre-Medicare – 2,020
 - Medicare – 8,267
 - Voluntary – 5,239
- Dependent Children – 2,010
- Retiree Average Age – 71.7
- Average age upon retirement – 61.65
- Retiree Under Age 55 – 1,293

Investments:

- Managed by the State Investment Council
- Asset Allocation Reviewed June 2023
 - Wilshire reviewed and recommended Board reaffirm the current policy of asset allocation targets as on track for risk adjusted return.
 - Risk Adjusted return on par with other modeled portfolios.
- New consultant Meketa as of July 2024
 - Review of policies and investments
- Performance of RHCA Total Fund Comp - Net
 - One year 8.24%
 - Three year 3.87%
 - Five year 7.12%
 - Seven year 7.18%
 - Ten year 6.51%

Challenges

The Inflation Reduction Act (Federal Mandate to Medicare Part D)

- This benefits members by capping out-of-pocket spend on prescriptions to no more than \$2,000 (current cap \$8,000)
- This law has led to higher premiums in many cases due to increased costs of prescriptions paid by Plan, and reduction of patient and Medicare shared financial liability

Medicare Advantage Star Ratings from Centers for Medicare and Medicaid Services

- Lower reimbursement from Medicare, leads health plans asking for higher premiums to make up difference and rising costs

Statewide shortage of medical professionals leading to higher reimbursement rates paid to providers to maintain network adequacy.

- New Mexico is one of the states facing a high rate of physician shortages
- Physician and Hospital consolidations removing competition and resulting in higher reimbursement rates
- Traveling nurses due to shortage leading to higher costs

Increase in prescription drug costs

- New cell and gene therapies capable of curing illnesses but lead to costly drugs
- Specialty drugs driving higher costs to plans while waiting for competition
- Increase in pricing of existing drugs
- Accelerated approvals of new drugs to market

GASB 74

GASB 74 – Actuarial Valuation Review of Other Postemployment Benefits (OPEB) as of June 30, 2024

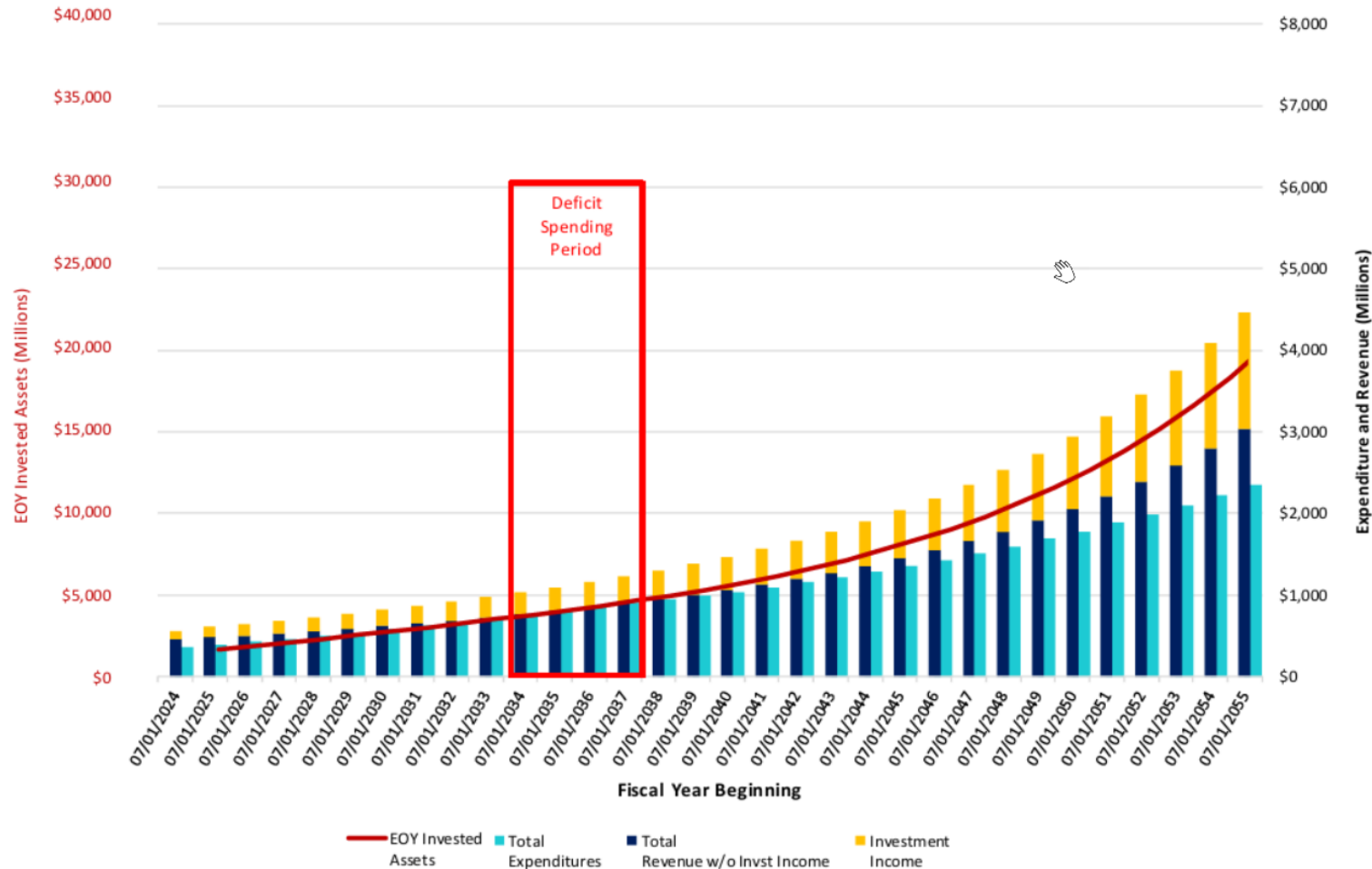
- Total OPEB Liability: **\$3,366,766,868 (2024)***
 - \$3,049,662,302 (2023) / \$3,467,298,517 (2022) / \$4,409,849,335 (2021)
- Net OPEB Liabilities (NOL): **\$1,793,360,811 (2024)***
 - \$1,702,935,036 (2023) / \$2,311,603,052 (2022) / \$3,290,349,790 (2021)
- NOL increased a little over \$90 million from previous year, due to the following:
 - Trend rates on the valuation year per capita health costs, including drug rebates and EGWP revenue, methodology, increased liabilities
 - Blended Discount rate – 7% compared to 6.22% in 2023, decrease liabilities
- **Funded Status: 46.73% (2024)***
 - 44.16% (2023) / 33.33% (2022) / 25.39% (2021)

**Preliminary results*

Solvency

2024 Solvency Scenario – Board Approved Rate Action

2% Pre-Med* / 2% Med Supp Rate Increases, No MAPD II Plans, New BCBS PPO MAPD Plan



* +2% increase in Pre-Medicare Retiree and Spouse rates; +3% increase in Pre-Medicare Child contribution rates

Healthcare Benefits Administration

Health Benefit Fund Expenditure Summary								
		FY24	FY24	FY25	FY26	FY26	%	
	Contractual Services	OPBUD	ACTUALS	OPBUD	INC/DEC	REQUEST	CHANGE	
1	Prescriptions	\$ 130,500.0	\$ 112,847.7	\$ 137,000.0	\$ -	\$ 137,000.0	0.0%	1
2	Medical - Supplement/Self- Insured	\$ 188,626.7	\$ 156,355.7	\$ 190,126.7	\$ -	\$ 190,126.7	0.0%	2
3	Medicare Advantage	\$ 28,300.0	\$ 23,084.8	\$ 31,300.0	\$ 3,060.0	\$ 34,360.0	9.8%	3
4	Voluntary Coverages	\$ 42,950.0	\$ 39,178.5	\$ 43,600.0	\$ 1,550.0	\$ 45,150.0	3.6%	4
5	Total Contractual Services	\$ 390,376.7	\$ 331,466.7	\$ 402,026.7	\$ 4,610.0	\$ 406,636.7	1.1%	5
	Other							
6	PCORI Fee	\$ 45.0	\$ 40.5	\$ 45.0	\$ -	\$ 45.0	0.0%	6
7	Total Other	\$ 45.0	\$ 40.5	\$ 45.0	\$ -	\$ 45.0	0.0%	7
	Other Financing Uses							
8	Program Support	\$ 3,913.4	\$ 3,913.4	\$ 4,125.2	\$ 287.8	\$ 4,413.0	7.0%	8
9	Total Other Financing Uses	\$ 3,913.4	\$ 3,913.4	\$ 4,125.2	\$ 287.8	\$ 4,413.0	7.0%	9
10	Total Expenditures	\$ 394,335.1	\$ 335,420.6	\$ 406,196.9	\$ 4,897.8	\$ 411,094.7	1.2%	10

*Table in Thousands

NMRHCA Requests about a \$4.9 Million Increase in Spending Authority for FY26.

- Healthcare Benefits Administration \$411 million about 99% total budget - excluding Program Support
- This Request Includes the Following Assumptions:
 - Self-Insured medical and pharmacy plan costs requests are flat as trend and utilization offset with migration.
 - Increase to Medicare Advantage costs due to premium increases and impact of Inflation Reduction Act.
 - Increase in rates and participation in voluntary coverages being dental, vision, and life contributes to requested increase.

Program Support

Program Support Expenditure Summary									
	Uses		FY24 OPBUD	FY24 ACTUALS	FY25 OPBUD	FY26 INC/DEC	FY26 REQUEST	PERCENT CHANGE	
1	200	Personal Services/ Employee Benefits	2,585.9	2,441.1	2,751.7	189.4	2,941.1	6.9%	1
2	300	Contractual Services	702.3	675.3	748.3	69.9	818.2	9.3%	2
3	400	Other Costs	625.2	550.1	625.2	28.5	653.7	4.6%	3
4		TOTAL	3,913.4	3,666.5	4,125.2	287.8	4,413.0	7.0%	4

Personal Services and Employee Benefits Includes \$287,800 (7%) Increase, above FY25

- NMRHCA request for Program support \$4,413.0 about 1% of total budget.
- Approved Operating Levels Include Full Funding for 28 FTE and request for 1 new FTE.
- Request for 1 positions (vacancy rate of agency 10.8%):
 - Administrative Operations to provide better oversight over customer service by creating or improving policies, procedures, increased oversight of health vendor reporting, manage additional reporting required due to health care regulations
 - This position will improve the functions of the agency and help drive savings with better oversight and efficiency in vendor reporting

Contractual Services includes \$69,900 (9.3%) increase for:

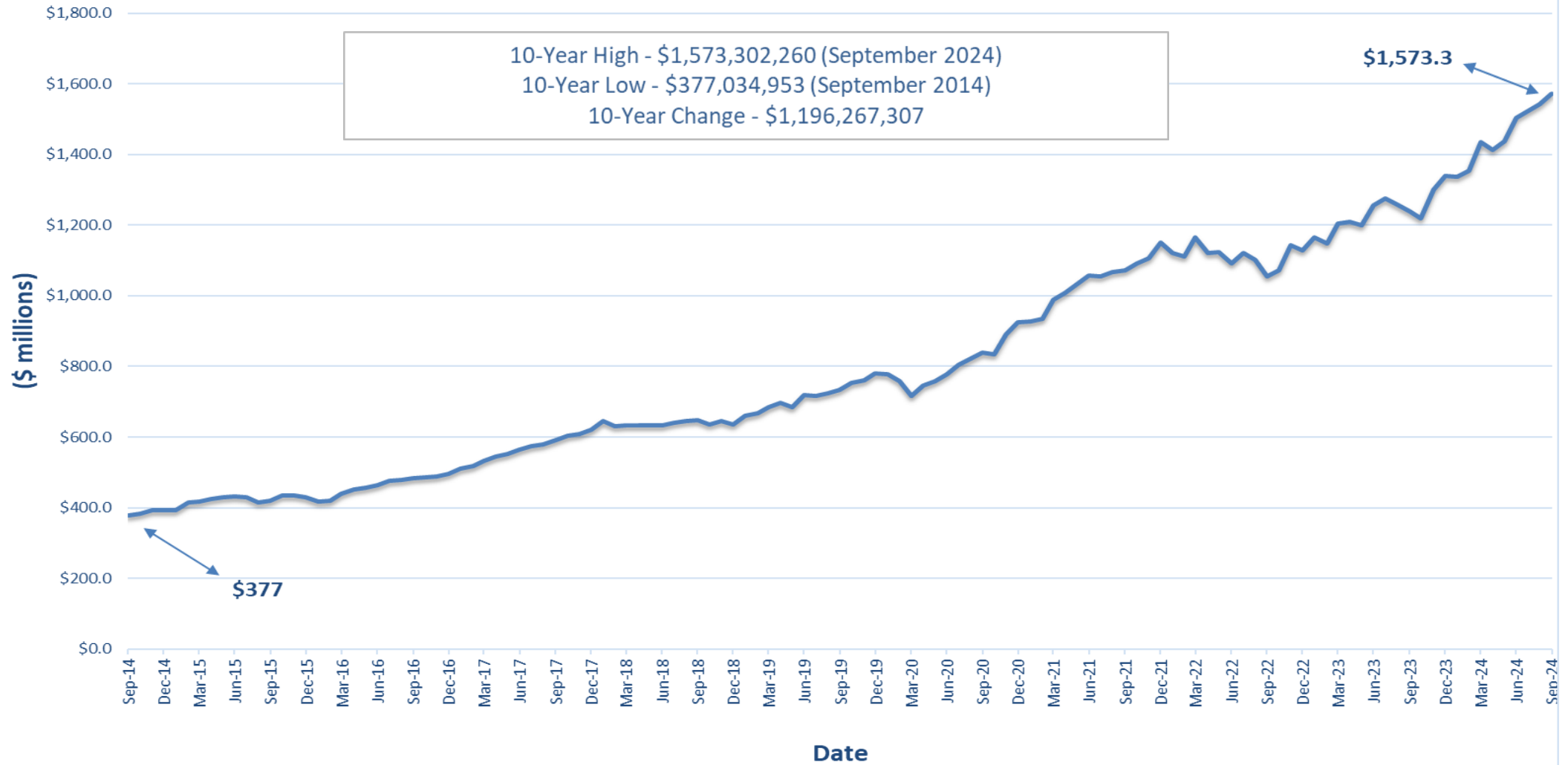
- Actuarial and Benefits Consulting Services (\$345K), Audit Services (\$129.9K) Investment Advisory Services (\$55K), Legislative work (\$35K), Human Resource (\$26.8K) and Legal Services (\$25K), IT Programing Charges (\$120K), and Board Reporting and Recording Services to include Shredding and IT Disposal (\$24K), IBAC RFP Consultants (\$57.5K)

Other Category has a request of \$28,500 (4.6%) increase in which is spread across multiple line items.

- Biggest cost drivers DoIT services, rent, and postage and mail

Trust Fund

**NMRHCA Trust Fund Balance History
September 2014 - 2024**



Legislative Proposal

For 2025, file a joint resolution for New Mexico Retiree Health Care Authority's health benefits trust fund to be recognized and protected under the New Mexico Constitution.

- Similar to the pension systems, Educational Retirement Board and Public Employee Retirement Association.
- The retiree health benefits trust fund is currently over \$1.5 billion.
- Currently the state statute states that 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 careers with the expectation of having a benefit when they retire.



New Mexico Retiree Health Care Authority

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

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