



NEW MEXICO
RETIREE
HEALTH CARE
AUTHORITY

Legislative Finance Committee

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Senator John Arthur Smith, Vice Chair

FY20 Appropriation Request

October 26, 2018

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Program Composition and Participation

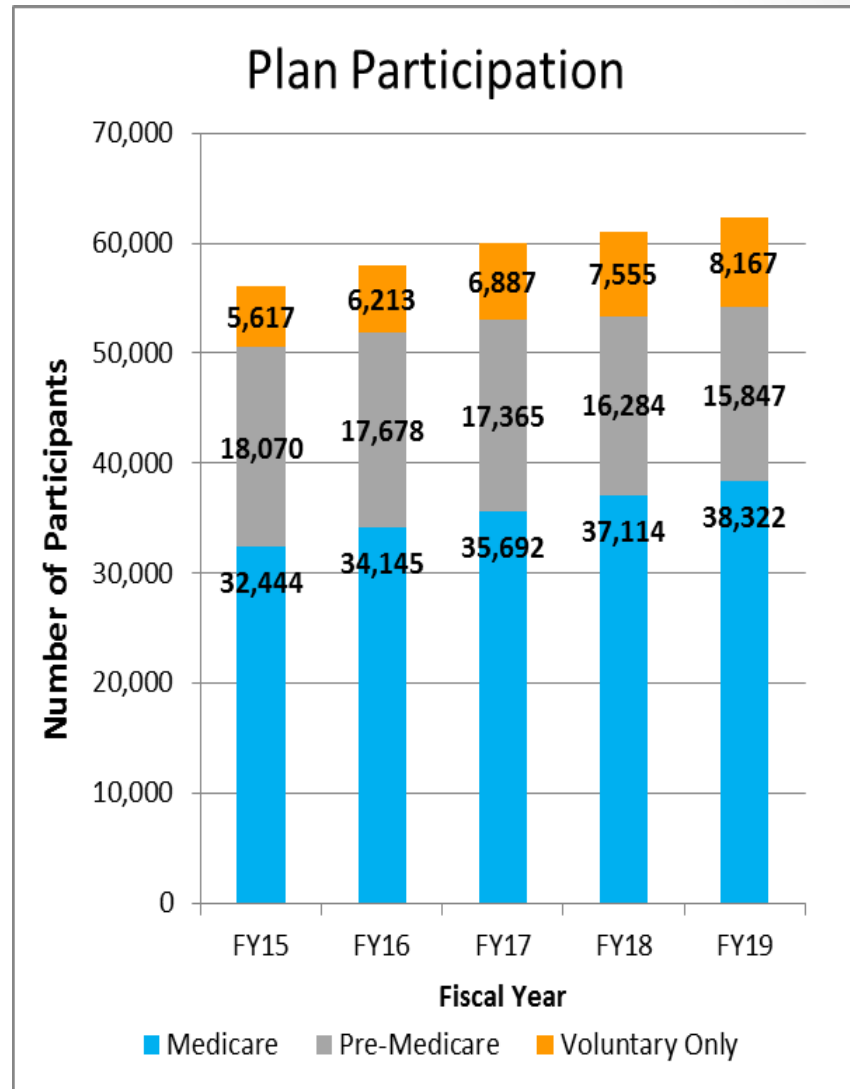
Active participation – 97,349 (6/30/17)

- Public Employer Groups - 302

- Schools – 50%
- State agencies – 25%
- Local government– 25%

Retiree participation – 63,119 (10/1/18)

- Medicare - 38,759
- Pre-Medicare - 15,962
- Voluntary Only - 8,398
- Retirees - 39,645
- Spouses/DP – 13,068
- Dependent Children - 2,008
- Average Age – 67.06
 - Enrollment – 60.56 (2018)
- Members Under age 55 - 2,320



Program Benefits & Upcoming Procurements

Pre-Medicare (self-insured)

- Premier PPO Plan
 - Offered through BCBS and Presbyterian
 - \$800 deductible
 - \$4,500 annual out-of-pocket maximum
- Value HMO Plan
 - Offered through BCBS and Presbyterian
 - \$1,500 deductible
 - \$5,500 annual out-of-pocket maximum

Medicare

- Medicare Supplement (self-insured)
 - BCBS
- Medicare Advantage (fully-insured)
 - 2 HMO products – Presbyterian & BCBS
 - 2 PPO products – Humana & UnitedHealthcare

Voluntary Coverages

- Dental
 - Comprehensive & Basic
 - Offered through Delta and United Concordia
- Vision
 - Davis Vision
- Life Insurance
 - The Standard

Upcoming Procurements

- Benefit and Consulting Services – Pending
- Life Insurance – Pending
- Medical, Dental, Vision, and Medicare – Fall 2019

FY20 Appropriation Request

Healthcare Benefits Administration

Health Benefit Fund Expenditure Summary						
	FY18	FY19	FY20	FY20	Percent	
	Actuals	OPBUD	Inc/Dec	Request	Change	
Contractual Services						
1 Prescriptions	\$ 104,558.0	\$ 107,025.7	\$ 9,500.0	\$ 116,525.7	8.9%	1
2 Medical - Supplement/Self- Insured	\$ 157,638.4	\$ 162,075.0	\$ 7,500.0	\$ 169,575.0	4.6%	2
3 Medicare Advantage	\$ 25,037.8	\$ 29,000.0	\$ 3,500.0	\$ 32,500.0	12.1%	3
4 Voluntary Coverages	\$ 33,169.4	\$ 34,350.0	\$ 3,150.0	\$ 37,500.0	9.2%	4
5 Total Contractual Services	\$ 320,403.6	\$ 332,450.7	\$ 23,650.0	\$ 356,100.7	7.1%	5
Other						
6 PCORI Fee	\$ 39.4	\$ 42.0	\$ -	\$ 42.0	0.0%	6
7 Total Other	\$ 39.4	\$ 42.0	\$ -	\$ 42.0	0.0%	7
Other Financing Uses						
8 Program Support	\$ 2,936.8	\$ 3,047.6	\$ 118.4	\$ 3,166.0	3.9%	8
9 Total Other Financing Uses	\$ 2,936.8	\$ 3,047.6	\$ 118.4	\$ 3,166.0	3.9%	9
10 Total Expenditures	\$ 323,379.8	\$ 335,540.3	\$ 23,768.4	\$ 359,308.7	7.1%	10

- NMRHCA is requesting an additional \$9.5 million, or 8.9 percent compared to FY19 approved operating levels to accommodate projected growth in drug costs related to costly treatments for migraines, gene therapy and non-alcoholic fatty liver disease.
- Medical/Self-Insured are trending between 6 and 8 percent, which are expected to be partially offset by a shrinking pre-Medicare population, along with continued migration to lower costing/higher out-of-pocket-expense plans.
- Medicare Advantage Plans are expected to continue growing in terms of participation as well as cost, which is approved by CMS.
- Participation in the voluntary plans are expected to continue growing at nearly 10 percent per year, given the average growth rate going back to FY15.

FY20 Appropriation Request Program Support

Program Support Expenditure Summary									
			FY18	FY18	FY19	FY20	FY20	Percent	
	Uses		OPBUD	Actual	OPBUD	Inc/Dec	Request	Change	
1	200	Personal Services/ Employee Benefits	1,858.8	1,767.8	1,937.5	43.8	1,981.3	2.3%	1
2	300	Contractual Services	544.8	534.0	566.3	80.3	646.6	14.2%	2
3	400	Other Costs	533.2	471.3	543.8	(5.7)	538.1	-1.0%	3
4		TOTAL	2,936.8	2,773.1	3,047.6	118.4	3,166.0	3.9%	4

- Personal services and employee benefits includes a \$43,800, or 2.3 percent, increase above FY19 approved operating levels to include full funding for all 26 FTE according to the E1 calculation in the budget preparation system. This request does not include funding for 1 FTE currently dedicated to the State Personnel Office, as part of the Executive Order issued in 2017, consolidating resources under the State Personnel Office.
- The request in the contractual services category includes sufficient funding for actuarial and benefits consulting services related to the annual solvency study, GASB valuation, and Medical, Dental, Vision RFP scheduled for release in the fall of 2019. The request also includes \$40,000 for investment advisory services related to the ongoing review of our investment portfolio, audit services according the State Auditor’s published schedule, legal service fees and transfers to the State Personnel Office for agency shared services similar to the fees paid by the State Investment Council.
- Lastly, the request in the Other Costs category includes sufficient amounts to support the projected operating expenses of the agency in FY20.

Recent Updates

2019 Board Actions

- Rate Increases
 - Pre-Medicare Plans – 8 percent
 - Medicare Supplement Plans – 6 percent
- Prescription Drug Copay Increase
 - Brand Name Drugs – min, max and coinsurance
- Bundled payment agreements for certain outpatient procedures
- Adoption of 3-tier network under BCBS
 - Lower-cost incentives for certain providers
- Introduction of Naturally Slim Program aimed at preventing and controlling diabetes and metabolic syndrome reversal
- SaveOn Program for Specialty Medications

Rule Change – Effective January 1, 2020

- Minimum Age 55 to receive program subsidy (excludes enhanced retirees as defined by statute)
- Years of service requirements increased from 20 to 25 to receive maximum subsidy
- Public Hearing held on October 19
- 159 written comments received and 10 oral testimonies disagreeing with or opposing the proposed rules

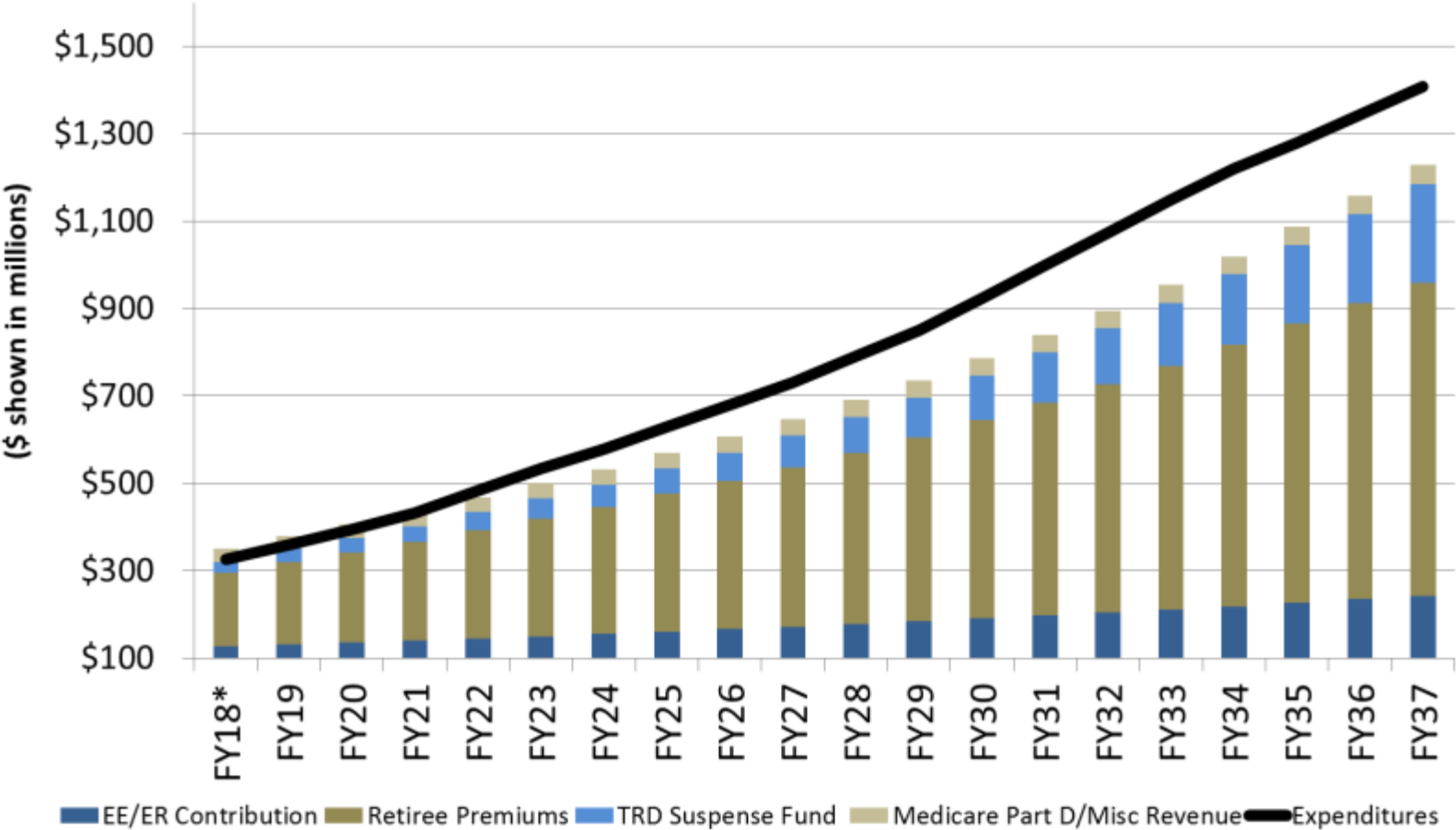
GASB 75:

- Completed June 15, 2018
- Based on GASB 74
 - Completed October 2017
 - Total OPEB Liability - \$5.1 billion
 - Under 65 Liability (Current) - \$475 million
 - Under 65 Vested Terms & Retiree Liability - \$1.7 billion
 - Fiduciary Net Position - \$575 million
 - Net OPEB Liability - \$4.5 billion
 - Net position as percentage of total liability – 11.26%
- Employer Allocations as of June 30, 2017
 - Employer Contributions
 - Employer Allocation Percentage
- Applies to 301 employer groups
- Net OPEB Liability Amounts (6/30/17):
 - SONM - \$1.1 billion
 - APS - \$509 million
 - BERNCO - \$130 million
 - City of Albuquerque - \$323 million
 - Las Cruces Schools - \$137 million
- Rating agency impact – TBD

2018 Solvency Analysis

*Unaudited

Projected Revenues and Expenditures
 FY18 Actuals, FY19 - FY37 Projected



Sustainability

Benefits

- Reduce Pre-Medicare retiree subsidies
 - Currently 64 percent
- Reduce Pre-Medicare spousal/domestic partner subsidies
 - Currently 36 percent

Revenues

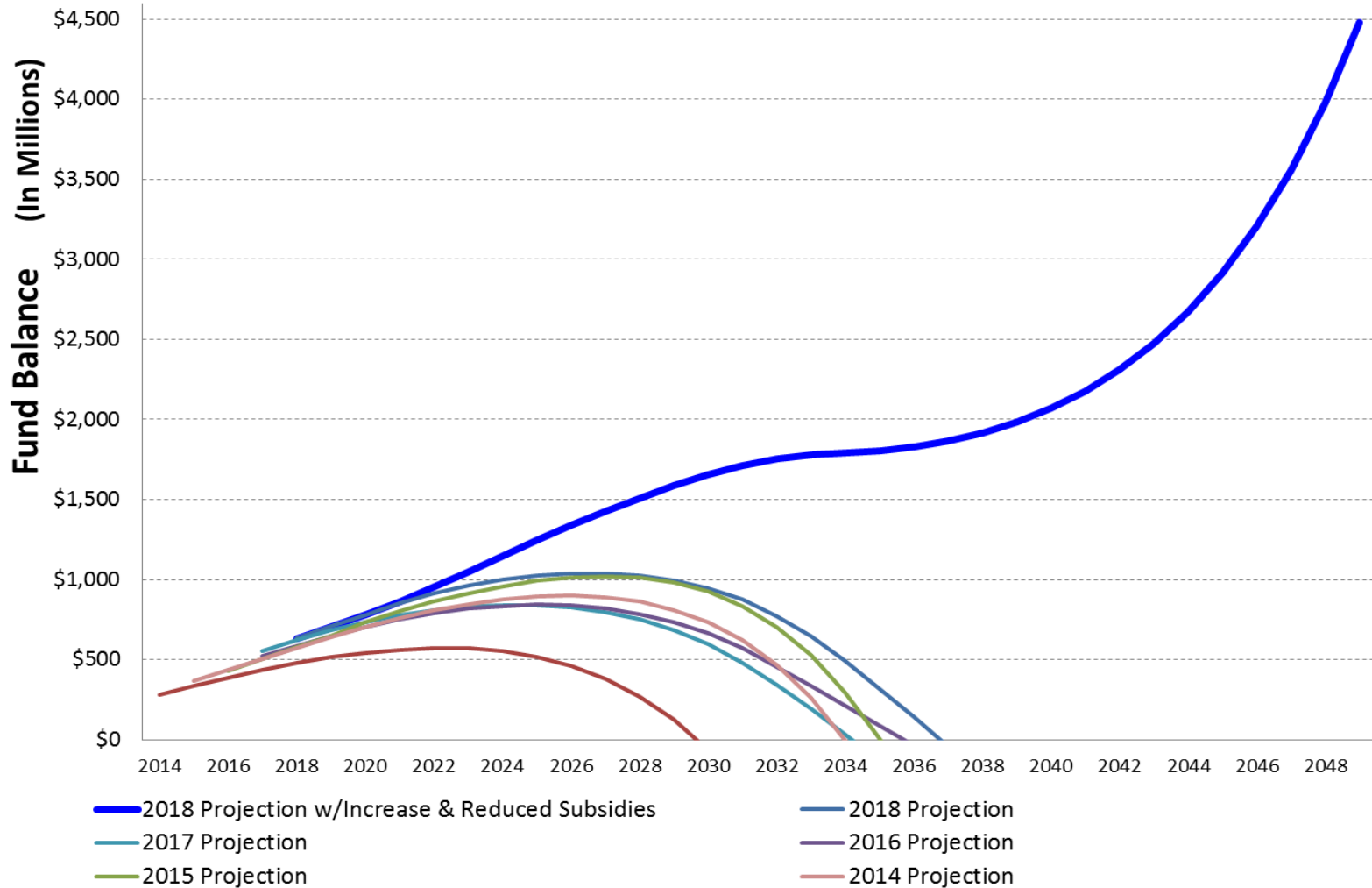
- Retiree Premiums
 - Projected to grow in accordance with medical/prescription trend
- Employee/Employer Contributions
 - Employee 1% / 1.25% (enhanced)
 - Employer 2%/ 2.5% (enhanced)
 - Growth limited by statute
- Tax Suspense Fund Revenue
 - Growth defined by statute
- Medicare Subsidies and Prescription Drug Rebates
 - Moderate/minimal growth projected

Legislative Proposal

- Increase employee/employer contributions from 3 percent to 4 percent incrementally from FY21 – FY24

Sustainability

NMRHCA Solvency Projections - 2013 through 2018



Alternatives

- Convert to a defined contribution program
 - Flat monthly contribution toward purchase of coverage regardless of overall cost
- Eliminate subsidies for spouses and domestic partners (Pre-Medicare/Medicare)
- Eliminate subsidies for all Pre-Medicare coverage
 - Medicare Only Plan
- Eliminate Medicare Supplement Plan
- Limit access to care i.e., narrow/limited network for doctors, facilities and hospitals
- Implement mandatory mail order for all maintenance medications (Pre-Medicare Plans)