



NEW MEXICO  
RETIREE  
HEALTH CARE  
AUTHORITY

## Investments and Pensions Oversight Committee

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# Review of June Discussion

- NMRHCA History
  - Creation – 1990 (no prefunding)
  - Funding Status 2007 – Depleted fund balance - 2014
  - Funding Status 2013 – Depleted fund balance - 2029
  - Agency/Legislative Actions –Reduced benefits/Increased employee/employer contributions
- Health Care Needs in Retirement
- NMRHCA Demographics
- Program Improvements/Shared Sacrifices
  - Increased cost sharing
  - Free Biometric Screenings, Immunizations, Health Risk Assessments, Lifestyle Coaching (including smoking cessation) and Disease Management.
- Revenue Enhancement Strategies
  - Increase retiree health care premiums according to medical inflation
  - Reduction in subsidies for pre-Medicare members (under 65)
  - [Pursue increased contribution levels from active employees and employers](#)

# Follow-up to June Discussion

- Early Retiree Reinsurance Program
  - Component of Affordable Care Act
  - \$5 billion program through 2014
  - Offset costs of retirees between the ages of 55 and 64
- Limitations
  - To reduce the sponsor's health benefit premiums or health benefit costs
  - To reduce plan participants' health benefit premium contributions, copayments, deductibles, coinsurance, or other out-of-pocket costs, or any combination of these costs; or
  - To reduce any combination of the costs specified above
  - Proceeds received pursuant to this program were not eligible to be used as general revenue or set aside to reduce any portion of NMRHCA's unfunded liability

# Follow-up to June Discussion Cont.

- New Mexico Sponsored Health Plans
  - NMRHCA - \$5.9 million
  - Los Alamos National Security, LLC - \$1.3 million
  - Sandia Corporation - \$2.2 million
  - UNM - \$451 thousand
- Largest Recipients
  - United Auto Workers - \$387.2 million
  - AT&T - \$213.8 million
  - Ohio Public Employees Retirement Systems - \$180.1 million
  - Verizon - \$163 million
  - California Public Employees' Retirement System \$131.4 million

# Recent Updates

- 2013 Annual Board Meeting
  - 8% increase in pre-Medicare retiree premiums
  - 6% increase in Medicare Supplement retiree premiums
  - Reduction in multiple dependent subsidy
  - Attestation of intent to preclude payment of excise (“Cadillac”) tax on plans beginning 2018
- Impact
  - Reduced unfunded liability by \$200 million
  - Increased final year of projected solvency by \$120 million
- August 1, 2013 - \$20 million transfer to long-term investment account (\$80 million since 2011)
- Final stages of RFP process for Medicare Advantage Plans

# Moving Forward

- Effective Management
- Strategic Plan
- Work with Investments and Pensions Oversight Committee (IPOC) to develop legislation in accordance with statutory requirements
  - “..At the first session of the legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act” (10-7C-15-G)
- Fund Balance Projection
- Impact of Five Year Plan
- Fund Balance Projection – Five Year Plan

# Cost Management Efficacy

<u>NMRHCA - Five Year Financial History</u>						
	<u>2009 Actual</u>	<u>2010 Actual</u>	<u>2011 Actual</u>	<u>2012 Actual</u>	<u>2013 Estimate</u>	<u>2014 Approved</u>
Plan Costs	\$201,481,000	\$205,328,000	\$205,345,400	\$223,991,700	\$235,593,700	\$258,318,900
Annual Increase Since FY2009						5.6%
Medical Membership	40,224	41,889	43,690	46,698	49,032	51,484
<b><u>PMPM Cost</u></b>	<b><u>\$417</u></b>	<b><u>\$408</u></b>	<b><u>\$392</u></b>	<b><u>\$400</u></b>	<b><u>\$400</u></b>	<b><u>\$418</u></b>
Year Over Year Increase		-2.1%	-4.1%	2.1%	0.2%	4.4%
Annual PMPM Increase Since FY2009						0.0%

# NMRHCA Five Year Strategic Plan – Projected Solvency: 2043

- Phase out “Family Coverage” subsidies for retirees with multiple dependent children
- Increase cost sharing on prescription coverage (stabilize plan/member share percentage)
- Increase cost-sharing of pre-Medicare Plans

Implement graduated minimum age requirement (to receive subsidies)\*

Increase years of service required to receive maximum subsidy (currently 20 years)

Reduce pre-Medicare retiree subsidies

Reduce pre-Medicare spousal subsidies

Implement enhanced wellness programs (premium incentives for participation/health status)

**Increase Employee/Employer contribution levels (requires legislative action) –  
Combined total increase: 2.25% of payroll**

- Implemented in 2013

\*NMRHCA will implement any minimum age requirement adopted by PERA and/or ERB



# Legislative Proposal

- Increase employee/employer contributions from 3% of payroll to 5.25% over a 6-year period as follows:

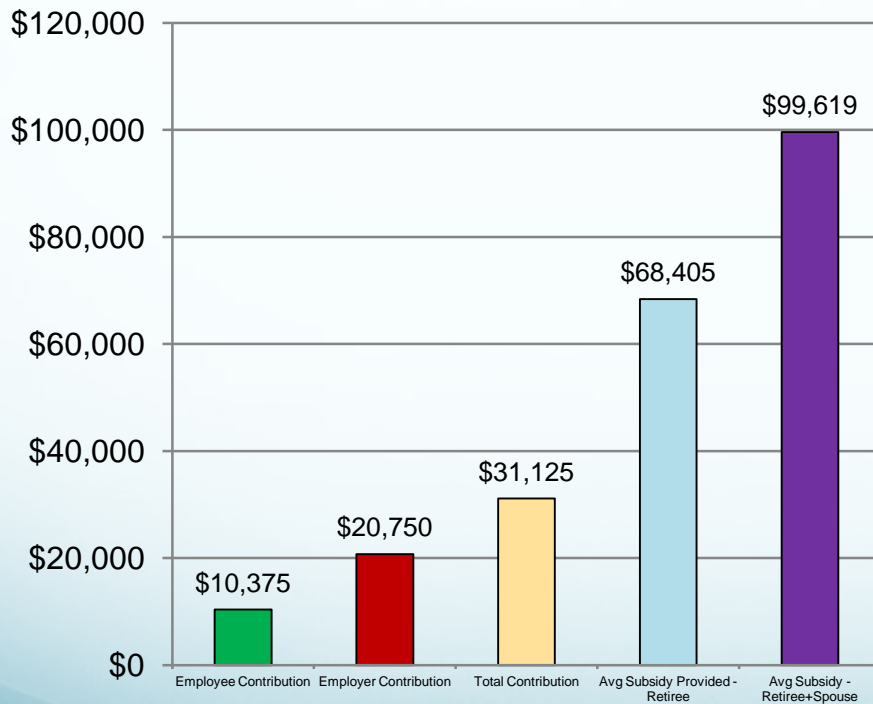
<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>
<b>Fiscal Year</b>	<b>Current Contribution</b>	<b>Proposed Increase</b>	<b>Proposed Total</b>	<b>Additional Revenue</b>
FY14	3.00%	0.00%	3.00%	\$ -
FY15	3.00%	0.50%	3.50%	\$ 20,000,000
FY16	3.00%	0.50%	4.00%	\$ 40,000,000
FY17	3.00%	0.50%	4.50%	\$ 60,000,000
FY18	3.00%	0.25%	4.75%	\$ 70,000,000
FY19	3.00%	0.25%	5.00%	\$ 80,000,000
FY20	3.00%	0.25%	5.25%	\$ 90,000,000

# Summary Impact

- Upon full implementation
  - \$90 million of additional revenue annually
- Employee Impact Example:
  - An employee earning \$40,000 annually currently pays \$15.39 per pay period (1%)
  - Each .25% increase will result in \$3.84 less in take home pay each pay period. A .75% increase will result in an increased contribution of \$11.52 per pay period or \$300 annually
- Employer Impact Example:
  - An employer (for each \$40,000 employee) currently pays \$30.77 (2%) per pay period
  - Each .25% increase will result in \$3.84 increase in contribution. A 1.5% increase will result in an increased contribution of \$600 annually
  - Each .25% increase in employer contribution will have an approximate \$5 million impact on the general fund
- Each .25% increase in contributions extends NMRHCA's solvency by approximately 1 ½ years

# Impact of Five Year Plan

- Current Contributions Vs. Benefits



- Contributions vs. Benefits With Five Year Plan

