



NEW MEXICO
RETIREE
HEALTH CARE
AUTHORITY

Investments & Pensions Oversight Committee

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Sustainability and Solvency

July 11, 2018

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NMRHCA Benefits

Pre-Medicare

Premier PPO Plan

- Retiree - \$241.44 per month
- Spouse/DP - \$458.27 per month
- \$800 deductible
- \$4,500 OOP Max

Value Plan

- Retiree - \$188.60 per month
- Spouse/DP - \$357.95 per month
- \$1,500 deductible
- \$5,500 OOP Max

All

- Dental
- Vision
- Life Insurance up to \$60,000

Medicare

Supplement

- Retiree - \$199.96 per month
- Spouse/DP - \$299.94
- Part B Annual Deductible \$183
- Comprehensive Part D Prescription Coverage

Medicare Advantage Plans

- Retiree - \$23.30 - \$104.16 per month
- Spouse/DP - \$34.95 - \$156.25 per month
- Pres/BCBS – NM
- UHC/Humana – Nationwide
- OOP Max - \$1,500 - \$6,700

Market Plan Comparison

2018 Market Comparison of Commercially Available Plans (Pre-Medicare)								
New Mexico Health Care Exchange Plans	Retiree Premium	Spouse Premium	Ret + Spouse Premium	Plan Type	Plan Level	Deductible Individual	Out-of-Pocket Max Individual	First Dollar Coverage: Y/N
Blue Cross Blue Shield - Age: 60 - Albuquerque	\$903	\$903	\$1,807	HMO	Gold	\$350	\$7,350	N
NM Health Connections - Age: 60 - Albuquerque	\$848	\$848	\$1,696	HMO	Gold	\$500	\$7,350	Y
Blue Cross Blue Shield - Age: 60 - Albuquerque	\$852	\$852	\$1,705	HMO	Silver	\$1,400	\$7,350	N
NM Health Connections - Age: 60 - Albuquerque	\$825	\$825	\$1,649	HMO	Silver	\$5,000	\$7,350	Y
Blue Cross Blue Shield - Age: 60 - Albuquerque	\$703	\$703	\$1,407	HMO	Bronze	\$5,500	\$7,350	N
NM Health Connections - Age: 60 - Albuquerque	\$605	\$605	\$1,210	HMO	Bronze	\$7,200	\$7,350	N
Blue Cross Blue Shield - Age: 60 - Santa Fe	\$1,020	\$1,020	\$2,040	HMO	Gold	\$350	\$7,350	N
NM Health Connections - Age: 60 - Santa Fe	\$953	\$953	\$1,905	HMO	Gold	\$500	\$7,350	Y
Blue Cross Blue Shield - Age: 60 - Santa Fe	\$971	\$971	\$1,941	HMO	Silver	\$1,400	\$7,350	N
NM Health Connections - Age: 60 - Santa Fe	\$926	\$926	\$1,852	HMO	Silver	\$5,000	\$7,350	Y
Blue Cross Blue Shield - Age: 60 - Santa Fe	\$804	\$804	\$1,608	HMO	Bronze	\$5,500	\$7,350	N
NM Health Connections - Age: 60 - Santa Fe	\$679	\$679	\$1,359	HMO	Bronze	\$7,200	\$7,350	N
Blue Cross Blue Shield - Age: 60 - Las Cruces	\$1,133	\$1,133	\$2,266	HMO	Gold	\$350	\$7,350	N
NM Health Connections - Age: 60 - Las Cruces	\$928	\$928	\$1,856	HMO	Gold	\$500	\$7,350	Y
Blue Cross Blue Shield - Age: 60 - Las Cruces	\$1,081	\$1,081	\$2,162	HMO	Silver	\$1,400	\$7,350	N
NM Health Connections - Age: 60 - Las Cruces	\$902	\$902	\$1,805	HMO	Silver	\$5,000	\$7,350	Y
Blue Cross Blue Shield - Age: 60 - Las Cruces	\$898	\$898	\$1,795	HMO	Bronze	\$5,500	\$7,350	N
NM Health Connections - Age: 60 - Las Cruces	\$662	\$662	\$1,324	HMO	Bronze	\$7,200	\$7,350	N

Solvency Analysis

Revenue components

- Beginning of Year Invested Assets (Trust Fund Balance)
- Employer contributions (2 percent / 2.5 percent enhanced plans)
- Employee contributions (1 percent / 1.25 percent enhanced plans)
- Retiree plan rates (ranges by years of service and pre-Medicare/Medicare status)
- Retiree ancillary (100% paid by retiree)
- Taxation and Suspense Fund Revenue
- Medicare PDP & Manufactures Discount (direct subsidies, coverage gap, LIS)
- Miscellaneous (performance penalties, subrogation recoveries, buy-in revenue)
- Investment income

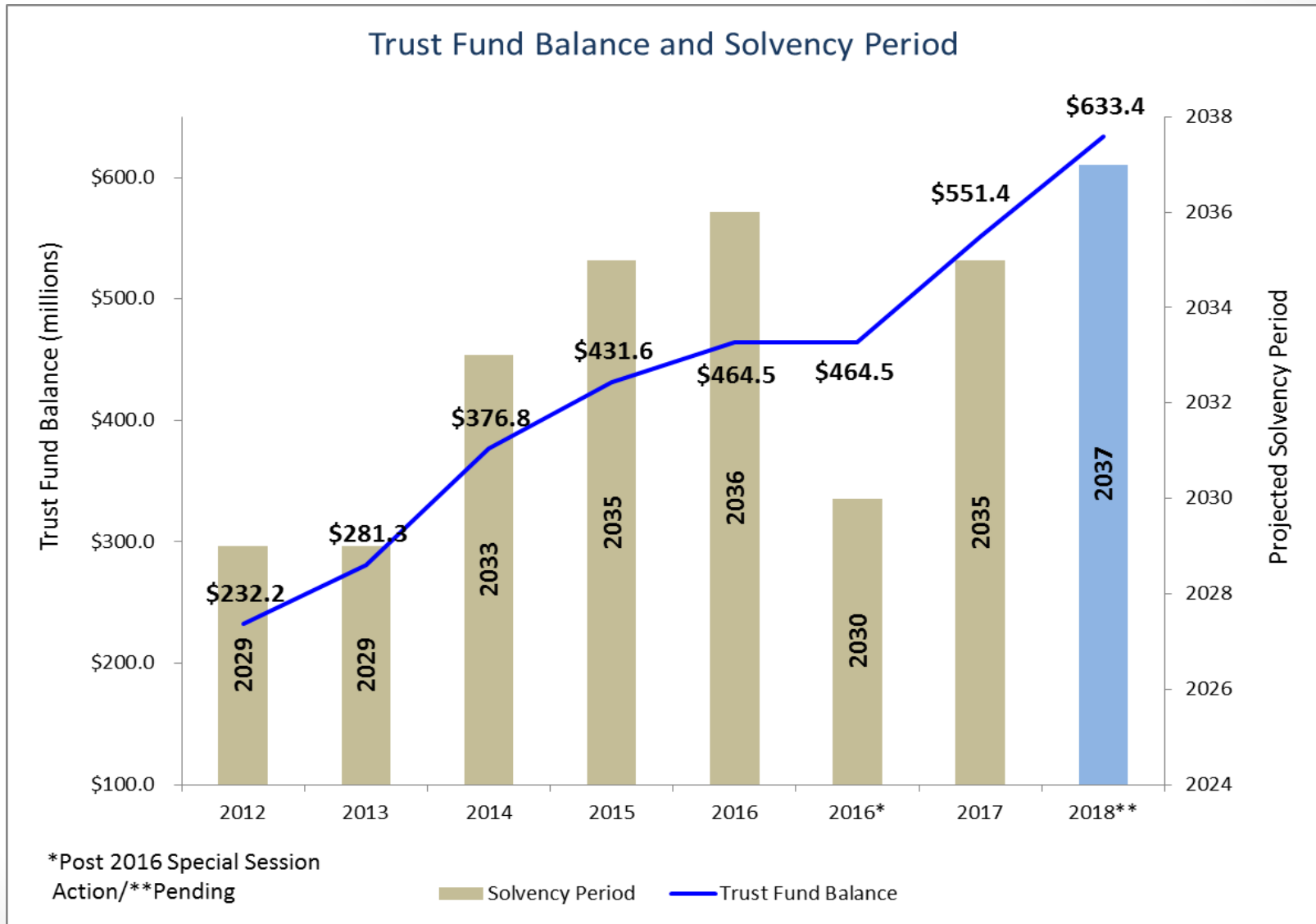
Expenditure components

- Medical and prescription costs (self-insured/fully-insured)
- Basic Life (subsidies completely eliminated by 2021)
- Retiree ancillary (100% paid by retirees)
- ASO and ACA fees (admin, PCORI fees, Reinsurance Fee, Health Insurer Fee)
- Program Support (agency operations)

Solvency Study

- Solvency Study Performed Annually
 - Analysis of future cash inflows and outflows
 - Used for strategic planning purposes
 - Plan design i.e., copays, deductibles, coinsurance
 - Subsidy levels
 - Network/medical and prescription drug access
- 2017 Projected Year of Deficit Spending - 2020
 - Expenditures exceed revenues - \$9.1 million
- 2017 Projected Year of Insolvency: FYE 2035 (18 years)
 - FY35 Projected Expenditures - \$1.2 billion
 - FY35 Projected Revenues - \$1 billion
- Final 2018 Solvency Study (pending)

Solvency Results



GASB 74 & 75

- GASB 74: Financial Reporting for Postemployment Benefits Other Than Pension Plans
 - Completed October 2017
 - Total OPEB Liability - \$5.1 billion
 - Fiduciary Net Position - \$575 million
 - Net OPEB Liability - \$4.5 billion
 - Net position as percentage of total liability – 11.26%
- GASB 75: Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions
 - Completed June 15, 2018
 - Employer Allocations as of June 30, 2017
 - Employer Contributions
 - Employer Allocation Percentage
 - Applies to 301 employer groups
 - Rating agency impact - TBD

Medical Inflation

- According to the U.S. Bureau of Labor and Statistics, prices for medical care were 196.91% higher in 2018 versus 1990.
- Between 1990 and 2018: Medical care experienced an average inflation rate of 3.96% per year. This rate change indicates significant inflation. In other words, medical care costing \$1,000 in the year 1990 would cost \$2,969.08 in 2018 for an equivalent purchase. Compared to the overall inflation rate of 2.34% during the same period.

Source: (<https://www.officialdata.org/Medical-care/price-inflation/1990>)

- According to Centers for Medicare and Medicaid Services, national health spending is projected to grow at an average rate of 5.5 percent per year for 2017-26 and to reach \$5.7 trillion by 2026.
- Projected spending and enrollment growth over the next decade is largely driven by fundamental economic and demographic factors: projected income growth, increase in prices for medical goods and services and enrollment shifts from private health insurance to Medicare related to the aging of the population.
- Among major payers for health care, growth in spending for Medicare (7.4 percent per year) and Medicaid (5.8 percent per year) are both substantial contributors to the rate of national health expenditure growth.
- The recent enactment of tax legislation that eliminated the individual mandate is expected to lead to a reduction in the insured rates.

Source: <https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/Downloads/ForecastSummary.pdf>

2007 Legislature

House Bill 728

- Identification of challenges
 - Projected solvency 2014
 - GASB Accounting Standards
 - Challenges of prefunding for future retirees
- Work group developed to study preservation of retiree health care benefits
 - Members from Office of the Governor, DFA, LFC, LCS, Staff and Board members from NMRHCA
- Specific tasks included:
 - Examination of long-term actuarial trends
 - Examination of contribution rates between retirees and active employees
 - Determine fund balances derived from state and political subdivision sources
 - Examine option to improve actuarial soundness
 - Evaluate the need for, and feasibility of, securing RHCA fund as irrevocable trust

HB 728 Work Group Recommendations

- General consensus from all work group participants regarding a balanced approach to include both current employers, employees and retirees
- Summary of recommendations:
 - Focus on solvency, ARC and UAAL
 - Solvency Period (25-year solvency / near term goal)
 - Employer/employee contribution increase
 - Suspense Fund Allocation
 - Adjust spouse and dependent subsidy
 - Adopt graduated subsidy based on age of retirement
- Conclusions
 - No single action by the Executive, Legislature, or NMRHCA will restore the balance needed to the current retiree insurance system
 - Ensure actions taken maintain the bond rates of the state and participating entities
 - Additional work should be undertaken to obtain input from retirees and active employees who participate in the program, to secure additional expertise to analyst policy options, and to develop further, joint recommendations from all parties

Actions Taken By Board of Directors

5-Year Strategic Plan (2013-2017)

- Phase out “family coverage” subsidies for multiple dependent children
- Increased cost sharing on prescription drug coverage
 - Coinsurance on all mail order prescriptions (including Medicare)
- Increased cost sharing of pre-Medicare Plans
 - Conversion of Gold/Silver/Bronze to Premier/Premier Plus
 - Elimination of Premier Plus Plan / addition of Value Plan
 - Increased deductibles/out-of-pocket maximums
 - Introduced copay differentials
- Reduced pre-Medicare retirees subsidies
- Reduced pre-Medicare spousal/domestic partners subsidies
- Elimination of basic life insurance
- Minimum age and years of service requirements (excludes enhanced plans)
- Established open enrollment period

Sustainability

Strategic Plan (2018 – 2022)

- Apply downward pressure on prescription drug costs for all members (network, contracts, cost sharing)
- Apply downward pressure on pre-Medicare medical plans (network, contracts, cost-sharing)
- Reduce pre-Medicare retiree subsidies
- Reduce pre-Medicare spousal/domestic partner subsidies
- Evaluate emerging and existing programs for inclusion in either plan coverage or incentive support
- Develop and implement value-based purchasing initiatives
- Continue to accommodate ongoing demographic trends and make program adjustments annually
- Provide plan participants with the information necessary to better manage their individual health care
- **Increase employee/employer contributions (requires legislative action)**

Sustainability Continued

Cost savings recommendations for 2019:

- 3rd Tier Network w/Blue Cross and Blue Shield
 - Lower deductible, copays and coinsurance
 - PPO Plan Flexibility
- Bundled Payment Incentives for Certain Procedures w/Presbyterian
 - Flat copay v. coinsurance
 - Knees, shoulders, hips, and hernias
- Increased Copayments for Brand Drugs
- Introduction of SaveOnSP (pre-Medicare plans)
 - Copay assistance program
 - Targets 80 specialty drugs
- Pilot Program w/Grand Rounds
 - Expert medical opinions
 - Targeted toward clinically complex or ambiguous medical situations
- Additional actions for 2019
 - Rate increases on all self-insured plans commensurate with loss ratios calculated annually
 - Rate increases for Medicare Advantage Plans as approved by CMS
 - Introduction of Naturally Slim program aimed at metabolic syndrome reversal, diabetes prevention and weight management

Near Term Actions & Activities

- Employee/employer contribution increase – 2019 Session
 - Beginning FY21
- Leverage procurement process
 - Fall 2018
 - Life & Disability Insurance
 - Actuarial and Benefits Consulting
 - Fall 2019 – Medical, Dental & Vision
- Expansion of Value Based Purchasing Agreements
- Education of membership
 - Lower costing facilities/services
 - Wellness and health improvements
 - Polypharmacy
- Leverage existing programs
 - Disease management
 - Case management

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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