



NEW MEXICO  
RETIREE  
HEALTH CARE  
AUTHORITY

Investments & Pensions Oversight Committee

Senator Roberto “Bobby” J. Gonzales, Chair

Representative Patricia Roybal Caballero, Vice Chair

RHCA Sustainability and Solvency

July 26, 2023

Therese Saunders, President

Tomas Salazar, Vice President

LeAnne Larrañaga-Ruffy, Secretary

Neil Kueffer, Executive Director

# Agenda

- Retiree Health Care Authority Act
- Historical Contributions
- Agency Updates
- Board of Directors
- Program Composition, Participation, and Financing
- Retiree Plan Participation & Growth
- Board Actions
- Alternative Scenario
- Solvency Updates
- Solvency Modeled and Assumptions
- GASB 74 Updates
- Investments
- Legislative Actions

# 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 and employer contributions since creation of Retiree Health Care Act:

Started with over 15,000 members

<b>Non-Enhanced Retirement Plan</b>			
	<b>Employee</b>	<b>Employer</b>	<b>Total</b>
1990 - 2002 (12 years)	0.500%	1.000%	1.500%
2002 - 2010 (8 years)	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 - 2023 (11 years)	1.000%	2.000%	3.000%

<b>Enhanced Retirement Plan</b>			
	<b>Employee</b>	<b>Employer</b>	<b>Total</b>
1990 - 2002 (12 years)	0.500%	1.000%	1.500%
2002 - 2010 (8 years)	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 - 2023 (11 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 67,000 members on plans

92,484 active employees contributing for future retirement benefits

# Agency Updates

Annual Board Meeting: Thursday, July 20<sup>th</sup> & Friday, July 21<sup>st</sup>

- Election of Board Officers
- Committee Assignments
- Investment Updates
- Review of Vendor Presentations
- Actuarial Presentations
- Plan Changes and Recommendations for Calendar Year 2024
  - Self-Insured Plan Rate Increases
    - Pre-Medicare (Premier and Value Plans) – Increase of 5%
    - Medicare Supplement – 0%
    - 2024 Medicare Advantage Rates – 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 Switch Enrollment
  - October 1 – November 15
- Procurement - Upcoming
  - IBAC – Medical, Dental, and Vision (Summer/Fall 2023)

## Board of Directors

Governed by 11-member Board of Directors:

- Therese Saunders, President -- NEA, Teachers Association
- Tomas Salazar, Vice President -- New Mexico Association of Educational Retirees (NMAER)
- LeAnne Larranaga-Ruffy, Secretary -- Public Employees Retirement Association (Designee)
- Rick Scroggins -- Educational Retirement Board (Designee)
- Laura Montoya-- State Treasurer
- Raquel Alirez -- State Classified Employee, State Personnel Office
- Gerry Washburn -- Superintendents Association
- Sanjay Bhakta -- Municipal League
- Lance Pyle -- Association of Counties
- Lee Caruana -- Retired Public Employees of New Mexico (RPENM)
- *Vacant* -- Governor Appointee

# Program Composition, Participation & Financing

Active participation – 92,484

(6/30/21)

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

Retiree participation – 66,816 (7/1/23)

- Medicare – 40,891
- Pre-Medicare – 12,239
- Voluntary Only – 13,686
- Retirees – 48,468
- Spouses/DP – 15,996
- Dependent Children – 2,352
- Average Age Retiree – 71.06
  - Enrollment – 61.45 (2022)
  - Enrollment – 61.71 (2023 – to date)
- Retirees Under age 55 - 1,586

FY24 Budget

Healthcare Benefits Administration

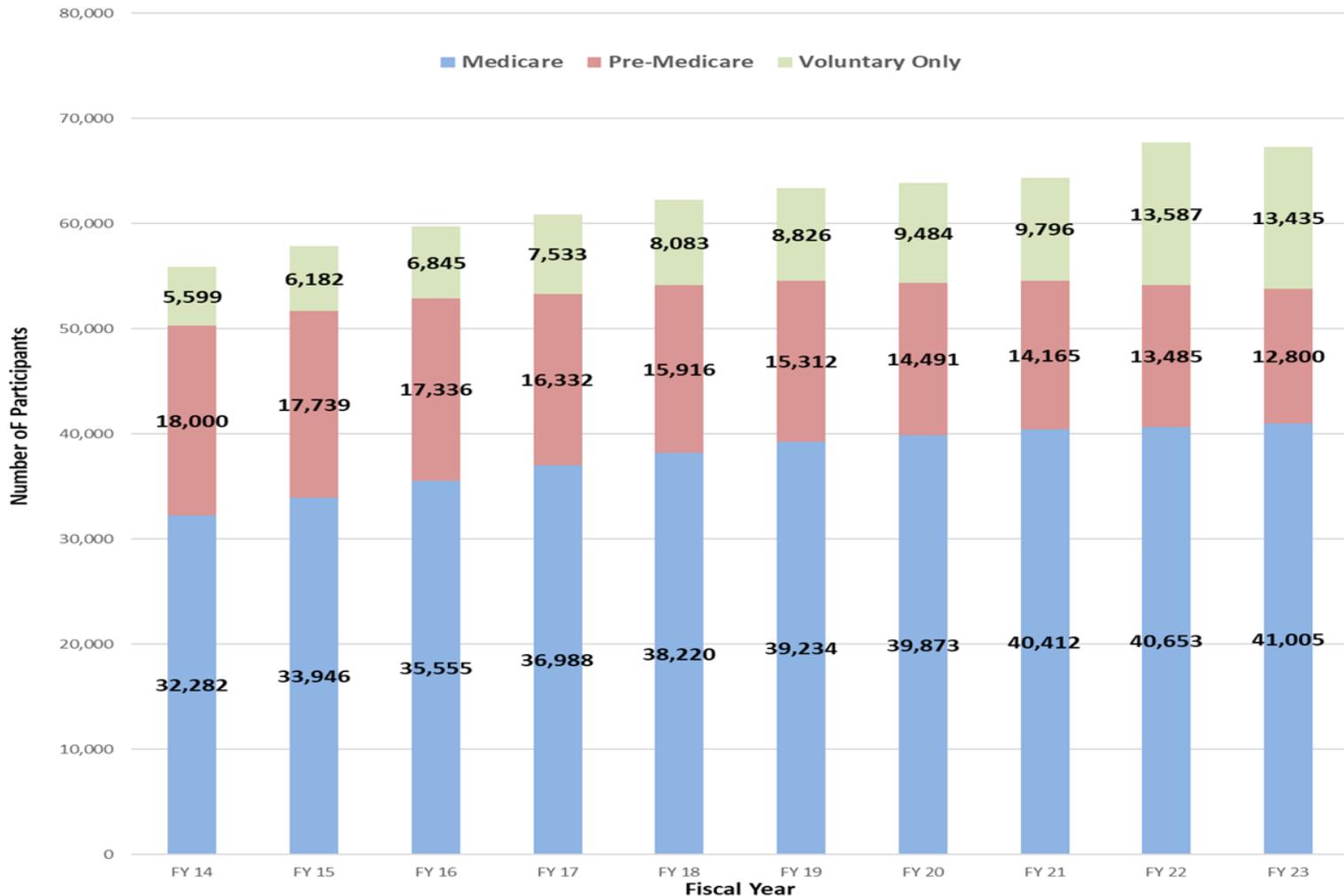
- Uses:
  - Benefits - \$390.4 million
  - ACA Fees - \$45 thousand
  - Other Financing Uses - \$3.9 million (operations)
- Sources:
  - EE/ER Contributions - \$124.6 million
  - Retiree Contributions - \$184.5 million
  - Tax & Rev Suspense Fund - \$46.3 million
  - Misc. Revenue - \$39 million

Program Support (27 FTE)

- Salaries & Benefits - \$2.6 million
- Contractual Services - \$702.3 thousand
- Other Costs - \$625.2 thousand

# Retiree Plan Participation & Growth

Fiscal Years 2014-2023



# Board Actions

## Changes last ten 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 changes – for subsidy of non-enhanced members
- Minimum age 55 and 25 years of service
- Converted \$6K basic life insurance benefit paid by NMRHCA to 100% member paid

# Reference of Board Actions 2016-2024

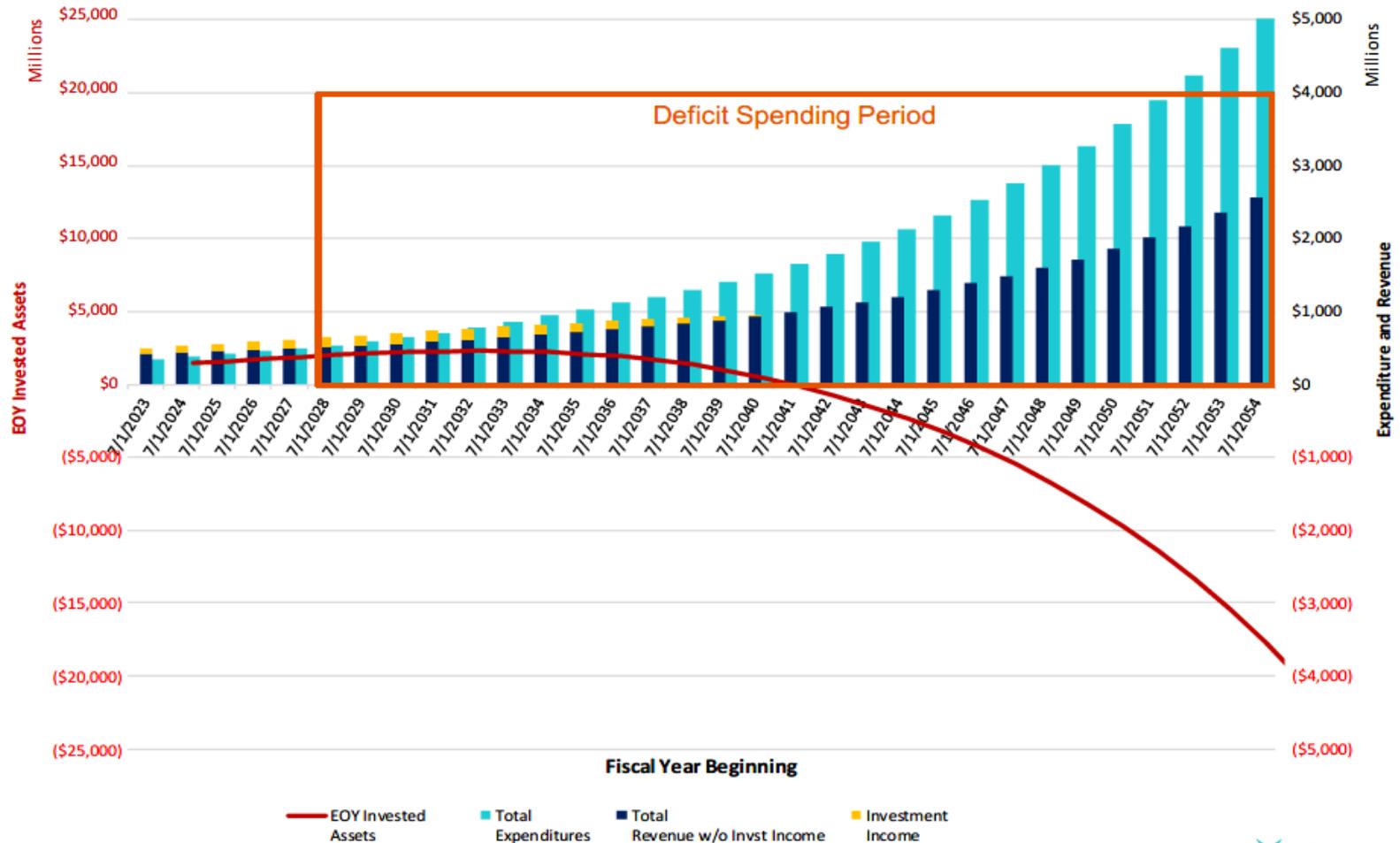
## Summary of Plan Changes 2016 - 2024

	2016	2017	2018	2019	2020	2021	2022	2023	2024	
<b>Rate Changes</b>										
Pre-Medicare										
1 Premier Plus (% Change)	8%	Eliminated								
2 Premier Plus Rate	\$ 326.36	NA								
3 Premier (% Change)	8%	29%	8%	8%	7%	5%	6%	4%	5%	
4 Premier Rate	\$ 174.63	\$ 223.56	\$ 241.44	\$ 260.76	\$ 279.01	\$ 292.96	\$ 310.54	\$ 322.96	\$339.11	
5 Value (% Change)		Created	8%	8%	7%	5%	6%	4%	5%	
6 Value Rate		\$ 174.63	\$ 188.60	\$ 203.69	\$ 217.95	\$ 227.00	242.58	\$ 252.28	\$264.89	
Medicare										
7 Supplement (% Change)	6%	6%	6%	6%	5%	2%	4%	2%	0%	
8 Supplement Rate	\$ 177.96	\$ 188.64	\$ 199.96	\$ 211.96	\$ 222.55	\$ 227.00	236.08	\$ 240.80	\$240.80	
9 Advantage Rates	\$17.85 - \$88.50	\$18.95 - \$94.69	\$23.30 - \$104.16	\$22.15 - \$94.68	\$21.70 - \$94.68	\$2.50 - \$56.50	\$0 - 62.15	\$0 - 62.15	\$0 - 93.23	
<b>Subsidy Levels</b>										
Pre-Medicare										
10 Retiree	64%	64%	64%	64%	64%	64%	64%	64%	64%	
11 Spouse/Domestic Partner	36%	36%	36%	36%	36%	36%	36%	36%	36%	
12 Dependent Child	12.5%	0%	0%	0%	0%	0%	0%	0%	0%	
Medicare										
13 Retiree	50%	50%	50%	50%	50%	50%	50%	50%	50%	
14 Spouse/Domestic Partners	25%	25%	25%	25%	25%	25%	25%	25%	25%	
15 Dependent Child	12.5%	0.0%	0%	0%	0%	0%	0%	0%	0%	
<b>Rules</b>										
16 Minimum Age (Non-Enhanced)						55	55	55	55	
17 Years of Service (Max Subsidy)	20	20	20	20	20	25	25	25	25	
18 Implement/Enforce Open Enrollment		X	X	X	X	X	X	X	X	
<b>Plan Changes/Elimitation</b>										
19 Basic Life Conversion	100%	100%	75%	50%	25%	0%				
20 Enhanced Wellness Program/Incentives	X	X	X	X	X					
21 Medicare Advantage Default			X	X	X	X	X	X	X	
22 Elimination of OTC Prescriptions		X	X	X	X	X	X	X	X	
23 Increase Prescription Drug Copays					Brand Copay					
24 Voluntary Smart 90 Program				Walgreens/Mail Order						
25 Flat copays for certain procedures (Presbyterian)					Bundled Agreements	Bundled Agreements				
26 Introduction 3rd Tier Coverage (BCBS)					X					
27 Eliminate Premier Plus Plan										
28 Create Value Plan									10	
29 Increase Premier Plan Cost Share										

\$300 deductible / \$3500 OOP Max  
 \$1500 deductible / \$5500 OOP Max  
 \$800 deductible / \$4500 OOP Max

# Alternative Scenario

*No future rate increases or plan changes*



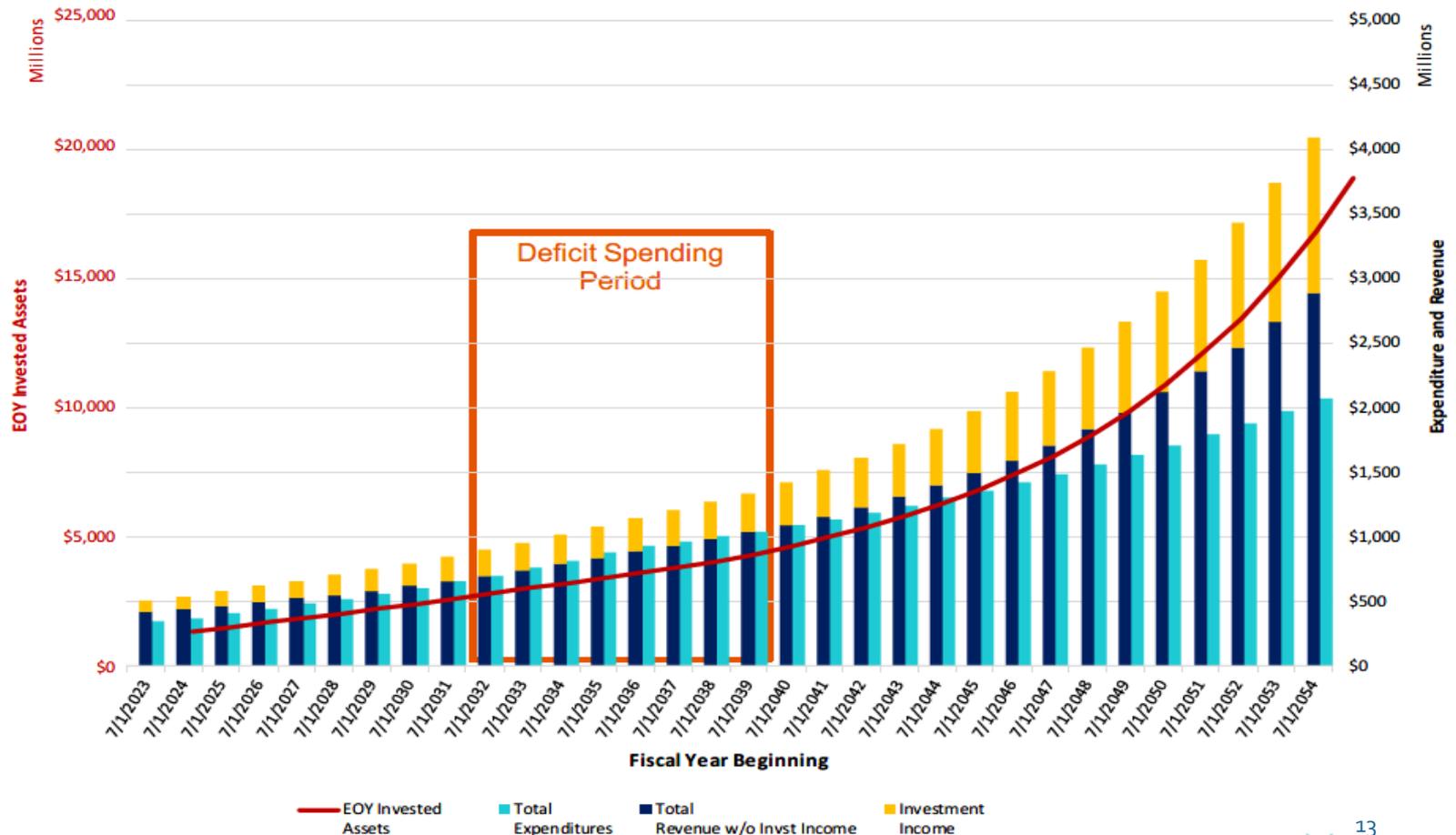
# Solvency Updates

## Strategic Planning Tool

- 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

# Solvency Modeled

## 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
<b>Plan Design Changes</b>	
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
<b>Member Rate Share</b>	
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 1/4 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

# GASB 74 Updates

- GASB 74 – Actuarial Valuation Review of Other Postemployment Benefits (OPEB) as of June 30, 2022
  - Completed November 18, 2022
  - Total OPEB Liability: \$3,467,298,517 (2022) / \$4,409,849,335 (2021)
  - Net OPEB Liabilities (NOL) decreased \$1.125 billion, due to the following:
    - An increase in the blended discount rate
    - Discount rate – 5.42% compared to 3.62% in 2021
      - Blend rate = 7.00% assumed investment return + 20-year tax exempt general obligation municipal bonds with an average rate of AA/Aa or higher (3.54% as of June 30, 2022)
  - NOL: \$2,311,603,052 (2022) / \$3,290,349,790 (2021)
    - 1% Decrease in Discount Rate - \$2,876,647,742
    - 1% Increase in Discount Rate - \$1,861,093,455
    - 1% Decrease in Health Care Cost Trend - \$1,852,195,881
    - 1% Increase in Health Care Cost Trend - \$2,703,138,257
  - Funded Status: 33.33% (2022) / 25.39% (2021)

# GASB 74 Updates Continued

## Governmental Accounting Standards Board (GASB)

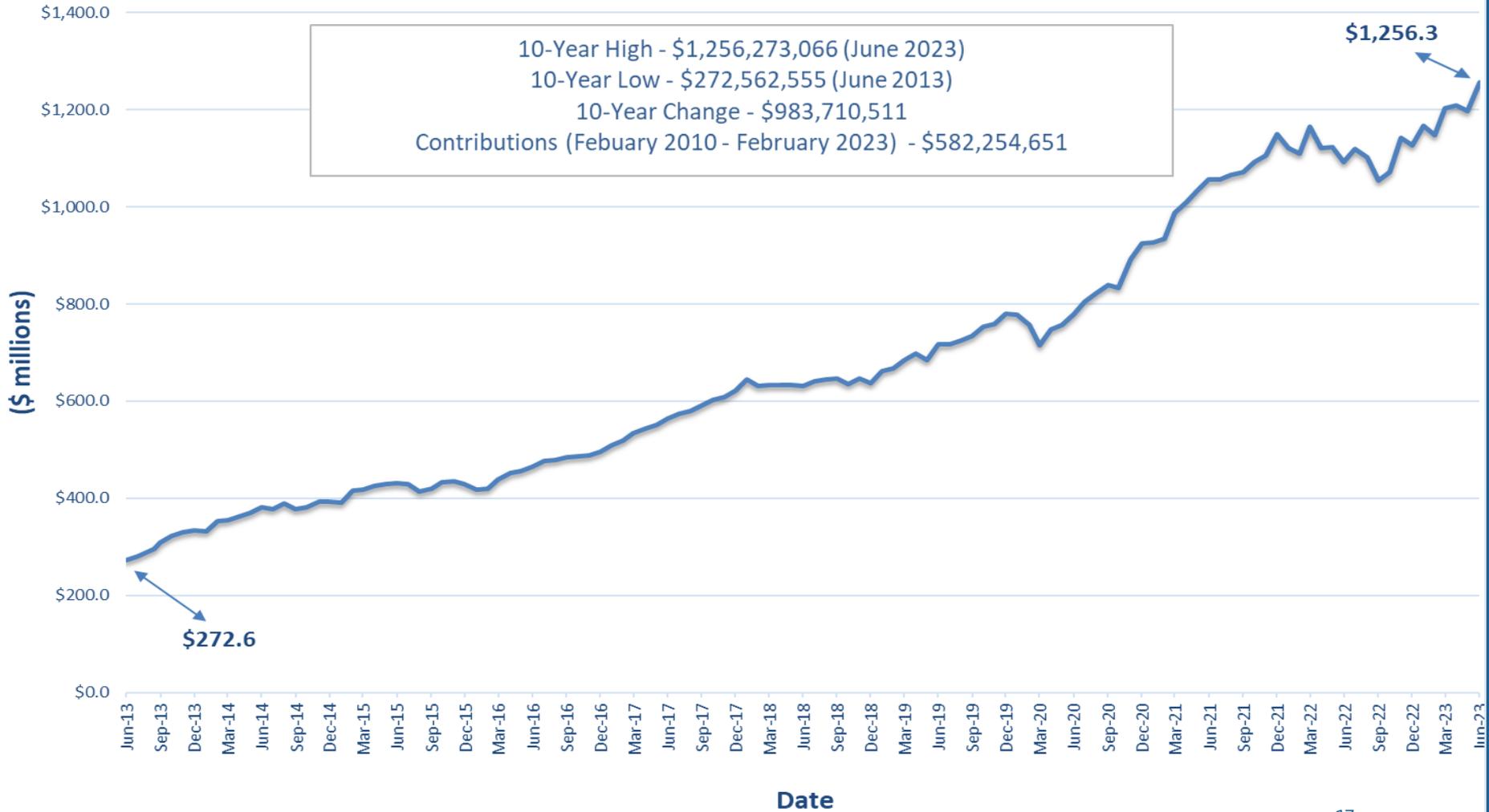
- Actuarial Valuation Review of Other Postemployment Benefits (OPEB)

	<b>2006</b>	<b>2017</b>	<b>2022</b>
GASB Statement	43	74	74
Actuarial Accrued Liability	\$ 4,264,180,967	\$ 5,111,141,659	\$ 3,467,298,517
Actuarial Value of Assets	\$ 154,538,668	\$ 579,468,641	\$ 1,155,695,465
Unfunded Actuarial Accrued Liability	\$ 4,109,642,299	\$ 4,531,673,018	\$ 2,311,603,052
Funded Ratio	3.62%	11.34%	33.33%
Covered Payroll	\$ 4,073,731,873	\$ 4,165,647,340	\$ 4,745,115,641
Total Participants	140,292	160,035	157,332

- 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

## NMRHCA Trust Fund Balance History June 2013 - 2023



# Legislative Actions

Eight unsuccessful attempts to increase employee & employer

- Employee and Employer contributions since 2012
- 11 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

Shift in more plan cost share

- SB317 (2021 Regular Session) and other legislation impacting increase to premiums
  - Determination of return yet to be seen and long-term impact
- Affordable Care Act and Inflation Reduction Act

2016 Special Session

SB7 - Action permanently removed funding of special annual distribution of \$3 million and held tax distribution of 12% for period of time, estimated impact \$350 million in lost revenue to Trust Fund



NEW MEXICO  
RETIREE  
HEALTH CARE  
AUTHORITY

New Mexico Retiree Health Care Authority

Neil Kueffer, Executive Director

505-222-6408

[neil.kueffer@rhca.nm.gov](mailto:neil.kueffer@rhca.nm.gov)

Please call 1-800-233-2576 / 505-222-6400

Or visit us at: [www.nmrhca.org](http://www.nmrhca.org) or [www.facebook.com/nmrhca](https://www.facebook.com/nmrhca)

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