



NEW MEXICO
RETIREE
HEALTH CARE
AUTHORITY

Investments & Pensions Oversight Committee

Senator George K. Muñoz, Chair

Representative Patricia Roybal Caballero, Vice Chair

New Mexico Retiree Health Care Authority Updates

September 5, 2019

Tom Sullivan, President

Joe Montaña, Vice President

Doug Crandall, Secretary

David Archuleta, Executive Director

Recent Updates

Annual Board Meeting – July 2019

- Rate Increases
 - Pre-Medicare: 7 percent
 - Medicare Supplement: 5 percent
 - MA Plans Range: -2 percent to 0 percent
- Presbyterian MA Plan Enhancements
- Patient Assurance Program
 - Caps insulin copays at \$25 for 30-day supply and \$75 for 90-day supply
- 3rd Year of Basic Life Insurance Phase Out

Covered Members – 63,956 (9/1/19)

- Medicare – 39,612
- Pre-Medicare – 15,405
- Medical Plan Breakdown
 - Retiree – 40,042
 - Spouse/Domestic Partners – 13,071
 - Dependent Children – 1,904
- Voluntary Only – 8,939

Recent Updates Continued

Life Insurance Contract

- The Standard: July 1, 2019 – June 30, 2023
- Average 3.9% increase across all age brackets

Medical, Dental and Vision RFP

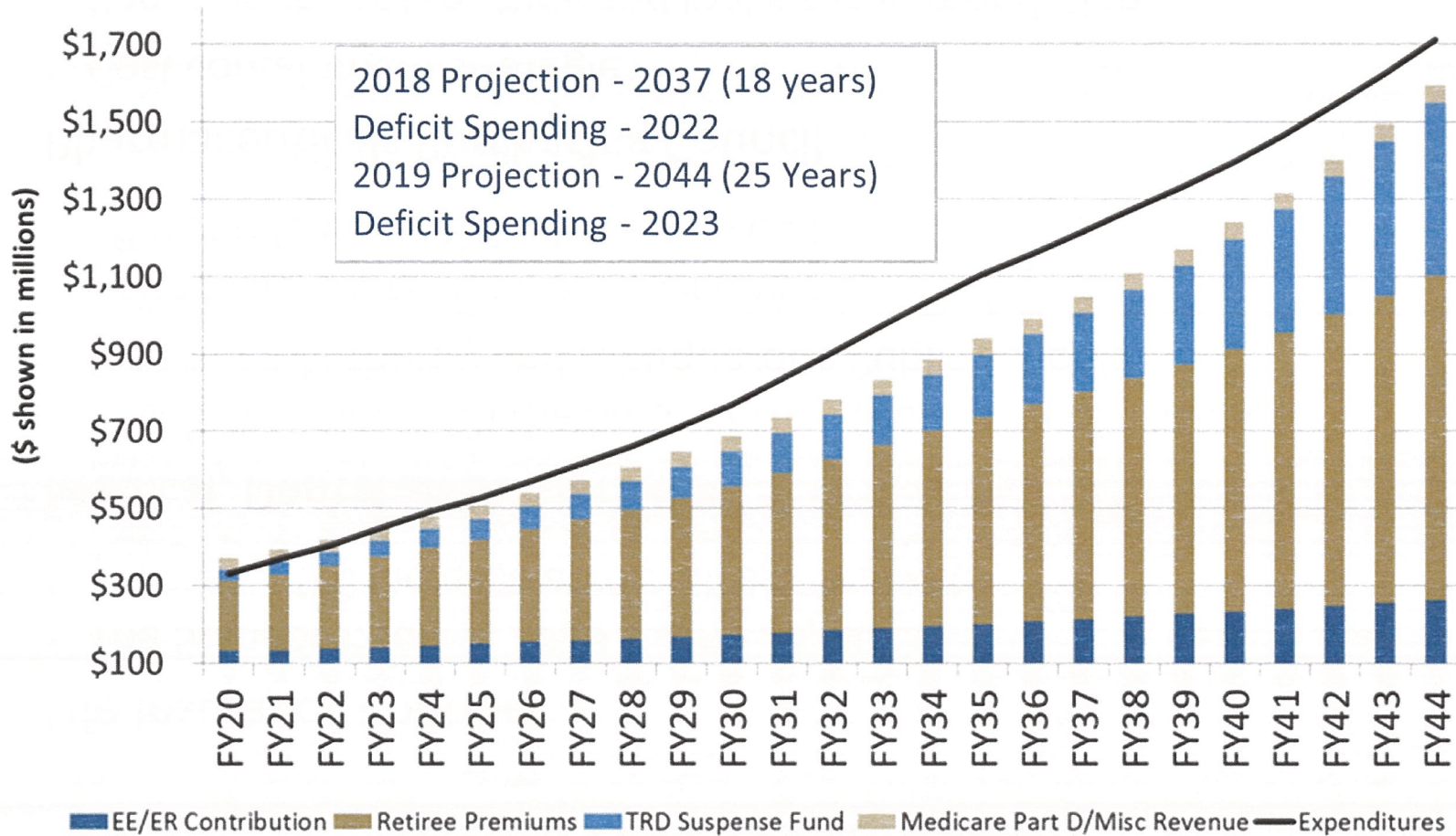
- In collaboration with the State of New Mexico, Public School Insurance Authority and Albuquerque Public Schools
- Issued late September/early October
- Effective July 1, 2020 – June 30, 2024

Pharmaceuticals Purchasing Council

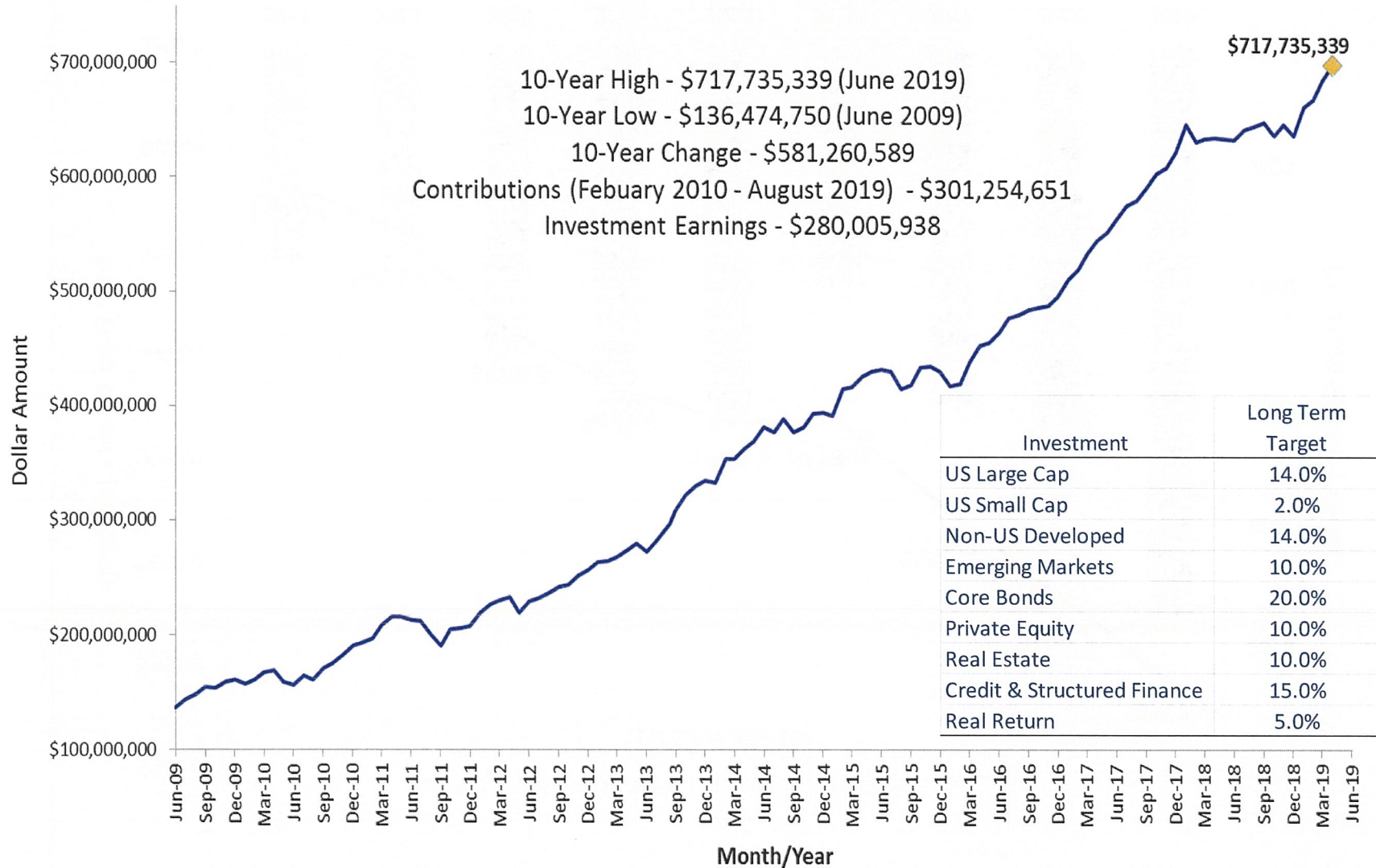
- Cost containment strategies
- Requires council to study and make recommendations

2019 Solvency Analysis

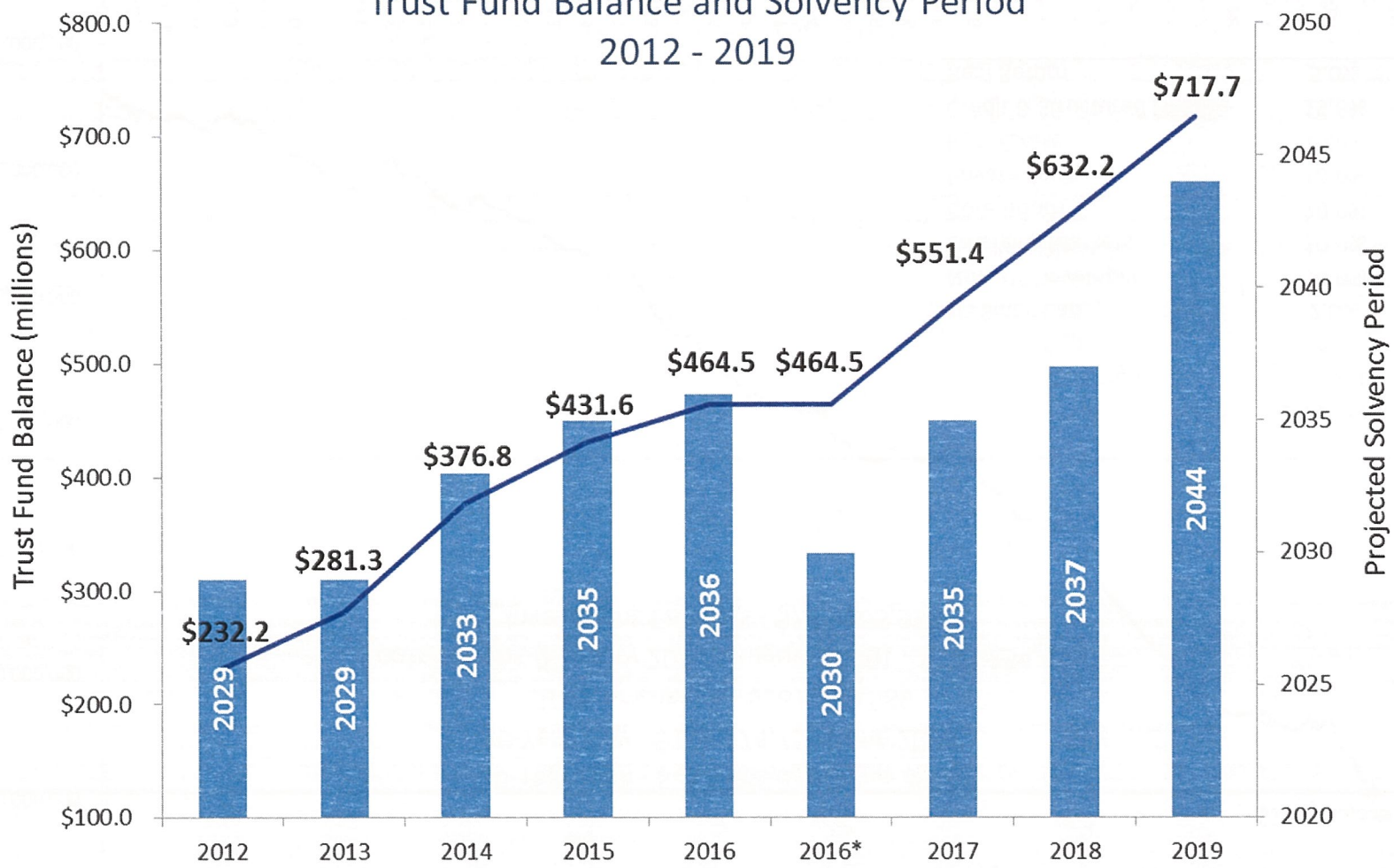
Projected Revenues and Expenditures
FY20 - FY44 Projected



NMRHCA Trust Fund Balance History June 2009 - June 2019



Trust Fund Balance and Solvency Period 2012 - 2019



*Post 2016 Special Session
Action

■ Solvency Period — Trust Fund Balance

NMRHCA and GASB

	2006	2008	2010	2012
GASB Statement	43	43	43	43
Actuarial Accrued Liability	\$ 4,264,180,967	\$ 3,116,915,900	\$ 3,523,664,871	\$ 3,915,114,104
Actuarial Value of Assets	\$ 154,538,668	\$ 170,626,271	\$ 176,922,935	\$ 227,487,895
Unfunded Actuarial Accrued Liability	\$ 4,109,642,299	\$ 2,946,289,629	\$ 3,346,741,936	\$ 3,687,626,209
Funded Ratio	3.62%	5.47%	5.02%	5.81%
Covered Payroll	\$ 4,073,731,873	\$ 4,020,508,902	\$ 4,001,802,240	\$ 3,876,220,608
Total Participants	140,292	130,381	146,166	146,590
	2014	2016	2017	2018
GASB Statement	43	43	74	74
Actuarial Accrued Liability	\$ 3,740,369,299	\$ 4,277,042,499	\$ 5,111,141,659	\$ 5,006,011,109
Actuarial Value of Assets	\$ 377,087,017	\$ 471,978,347	\$ 579,468,641	\$ 657,656,294
Unfunded Actuarial Accrued Liability	\$ 3,363,280,282	\$ 3,805,064,152	\$ 4,531,673,018	\$ 4,348,354,815
Funded Ratio	10.08%	11.04%	11.34%	13.14%
Covered Payroll	\$ 3,941,587,760	\$ 4,271,183,612	\$ 4,165,647,340	\$ 4,165,647,340
Total Participants	155,098	159,642	160,035	156,025

50-State Survey of Retiree Health Care Liability

Options for managing OPEB costs

“As states grapple with rising unfunded liabilities for these plans, they have a couple of options, including pre-funding the benefits or reducing the benefits.”

“... The majority of state OPEB plans are funded on a pay-as-you-go basis, using annual appropriations. However, 34 states have at least one plan that has adopted pre-funding policies. ...”

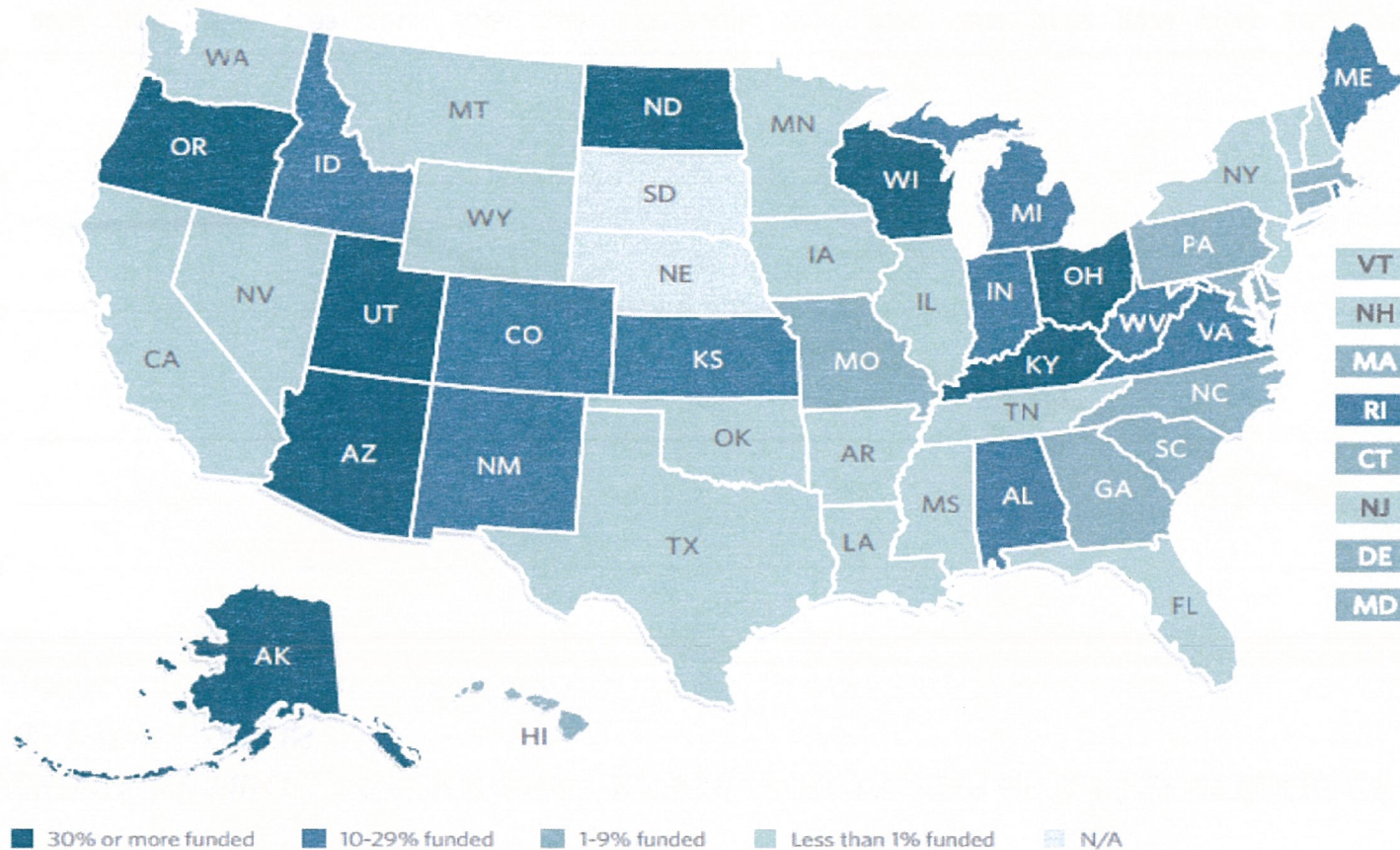
“... Of the 34 states with some level of assets accumulated in OPEB trust funds in 2016, eight had funded ratios over 30 percent.”

“Hawaii presents an example of the costs and benefits of pre-funding. The state committed to pre-funding its OPEB benefits with the passage of Act 268 in 2013. Pre-funding will require additional funds to build up the assets needed to match Hawaii’s liabilities – the bill for that will be about \$400 million in 2019 beyond simply paying out benefits as they come due. However, in 2045, when Hawaii’s OPEBs are projected to be fully funded, the annual bill will drop by more than \$1 billion and the state is expected to save \$800 million to \$900 million annually. ...”

Source: <https://www.pewtrusts.org/en/research-and-analysis/fact-sheets/2018/12/update-50-state-survey-of-retiree-health-care-liabilities>

50-State Survey of Retiree Health Care Liability Cont.

Figure 1
2016 State OPEB Funded Ratios
A majority of states have funded levels below 30%



Sources: State comprehensive annual financial reports, OPEB actuarial valuations, and state data verification responses

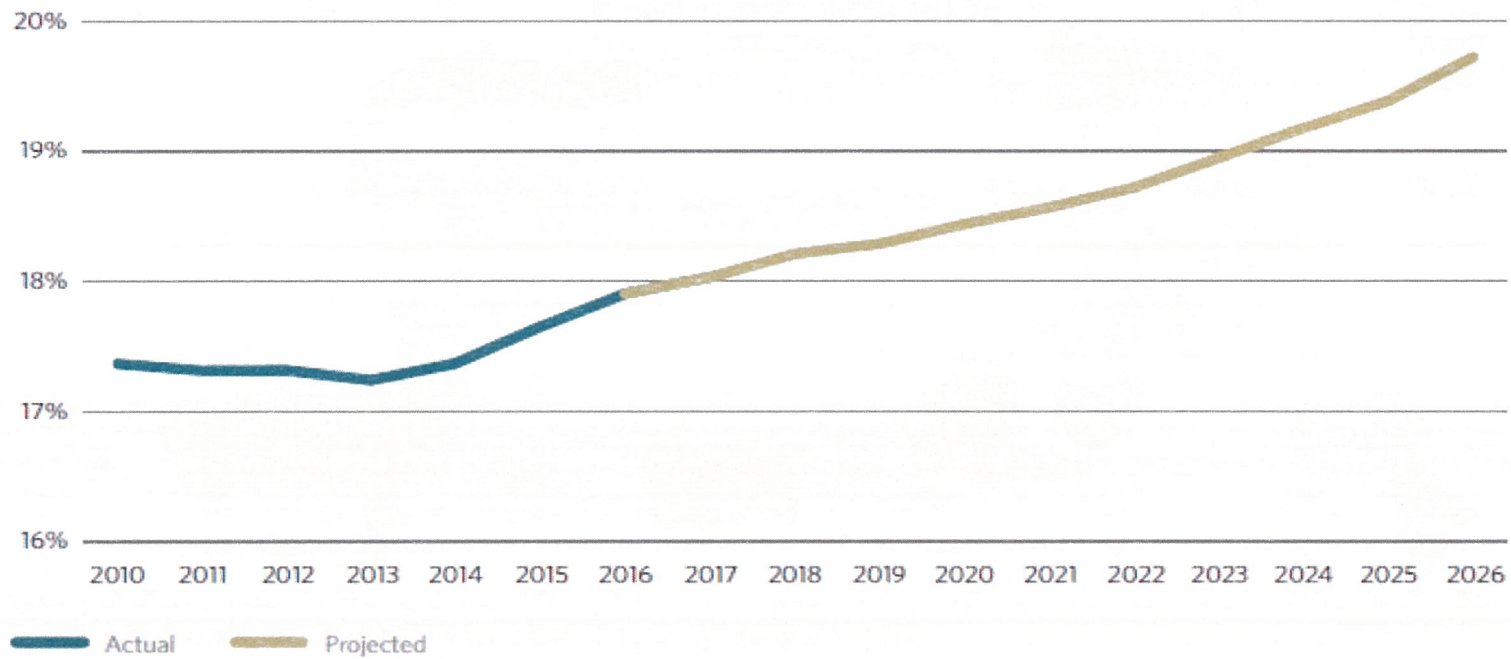
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50-State Survey of Retiree Health Care Liability Cont.

Figure 3

National Health Expenditures for All Americans as a Percentage of GDP Projections

Spending increases since 2014 are projected to continue



Sources: Centers for Medicare & Medicaid Services, Office of the Actuary; U.S. Department of Commerce, Bureau of Economic Analysis; U.S. Census Bureau

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Targets and Goals

Scenario I: 0.25% increase in employer contributions

- Deficit spending – 2024
- Revenues – additional \$11 million annually
- General Fund Impact - \$5.9 million
- Projected solvency – beyond 30 years
 - Projected EOY High (FY31) - \$1,474,277,523
 - FY50 – Revenues: \$2,637,270,883 / Expenditures: \$2,489,785,432 / EOY: \$1,507,496,624

Scenario II: 0.5% increase in employer contributions

- Deficit spending – 2025
- Revenues – additional \$22 million annually
- General Fund Impact - \$11.8 million
- Projected solvency – beyond 30 years
 - Projected EOY High (FY33) - \$1,721,146,795
 - FY50 – Revenues: \$2,663,605,745 / Expenditures: \$2,489,785,432 / EOY: \$3,162,488,554

Scenario III: 0.5% increase in employer contribution / .25% increase in employee contribution

- Deficit spending – 2026
- Revenues – additional \$33 million annually
- General Fund Impact - \$11.8 million
- Projected solvency – beyond 30 years
 - Projected EOY High (FY50) - \$4,817,480,485
 - FY50 – Revenues: \$2,689,940,607 / Expenditures: \$2,489,785,432 / EOY: \$4,817,480,485

Alternatives & Sustainability

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

Sustainability

Benefits

- Reduce Pre-Medicare retiree subsidies -- Currently 64 percent
- Reduce Pre-Medicare spousal/DP 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)
- Tax Suspense Fund Revenue
 - Growth prescribed by statute
- Medicare Subsidies and Prescription Drug Rebates
 - Moderate/minimal growth projected

Reminders

- Fall Switch Enrollment Meetings
 - October 2 - November 1
 - 16 meetings / 13 locations
- Rule Change – Effective January 1, 2021
- Minimum Age
 - Minimum Age 55 to receive subsidy
 - Does not apply to members who retire from an enhanced retirement plan as defined by Section 10-7C-15 NMSA 1978
- Increased Years of Service Requirements

Years of Credited Service	Percent of Subsidy		Years of Credited Service	Percent of Subsidy	
	Current	1/1/2021		Current	1/1/2021
5	6.25	4.76	16	75.00	57.14
6	12.50	9.52	17	81.25	61.90
7	18.75	14.29	18	87.50	66.67
8	25.00	19.05	19	93.75	71.43
9	31.25	23.81	20	100.00	76.19
10	37.50	28.57	21	100.00	80.95
11	43.75	33.33	22	100.00	85.71
12	50.00	38.10	23	100.00	90.48
13	56.25	42.86	24	100.00	95.25
14	62.50	47.62	25	100.00	100.00
15	68.75	52.38			

New Mexico Retiree Health Care Authority

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

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