

Legislative Finance Committee

Representative Patricia A. Lundstrom, Chair

Senator John Arthur Smith, Vice Chair



FY19 Appropriation Request 2017 Solvency Update

Tom Sullivan, Board President

Joe Montano, Vice President

Doug Crandall, Secretary

David Archuleta, Executive Director

Program Updates

- Fall Switch Enrollment
 - 16 meetings / 13 locations
- Request for Proposal – Pharmacy Benefit Management Services
 - Cooperation with Albuquerque Public Schools, Public School Insurance Authority and State of New Mexico
 - July 2018 – June 2022
- GASB 74
 - Applies to New Mexico Retiree Health Care Authority
 - Replaces GASB 43
- GASB 75
 - Applies to employer groups (currently 300)
 - Allocates portion of unfunded liabilities
- Development of 5-year strategic plan
- Asset allocation updates

Healthcare Benefits Administration (P633)

Healthcare Benefit Fund Expenditure Summary

	FY16	FY17	FY18	FY19	FY19	Percent
	Actuals	Actuals	OPBUD	Inc/Dec	Request	Change
Contractual Services						
1 Prescriptions	\$ 90,353.1	\$ 91,535.6	\$ 100,000.0	\$ 12,500.0	\$ 112,500.0	13.1%
2 Medical - Supplement/Self- Insured	\$ 148,772.8	\$ 148,703.3	\$ 155,000.0	\$ 7,000.0	\$ 162,000.0	4.4%
3 Medicare Advantage	\$ 17,076.7	\$ 20,219.8	\$ 28,091.2	\$ 4,998.2	\$ 33,089.4	22.0%
4 ACA Transitional Reinsurance Fee	\$ 786.9	\$ 472.3	\$ -	\$ -	\$ -	0.0%
5 Voluntary Coverages	\$ 30,847.1	\$ 31,334.3	\$ 34,000.0	\$ 3,400.0	\$ 37,400.0	10.3%
6 Total Contractual Services	\$ 287,836.6	\$ 292,265.3	\$ 317,091.2	\$ 27,898.2	\$ 344,989.4	9.0%
Other						
7 PCORI Fee	\$ 37.8	\$ 38.8	\$ 37.8	\$ 4.2	\$ 42.0	11.1%
8 Total Other	\$ 37.8	\$ 38.8	\$ 37.8	\$ 4.2	\$ 42.0	11.1%
Other Financing Uses						
9 Program Support	\$ 3,012.9	\$ 3,118.3	\$ 2,936.8	\$ 130.4	\$ 3,067.2	4.4%
10 Total Other Financing Uses	\$ 3,012.9	\$ 3,118.3	\$ 2,936.8	\$ 130.4	\$ 3,067.2	4.4%
11 Total Expenditures	\$ 290,887.3	\$ 295,422.4	\$ 320,065.8	\$ 28,032.8	\$ 348,098.6	8.8%

The Healthcare Benefits Administration Program request includes:

- Prescriptions and medical costs for all pre-Medicare and Medicare Supplement participants based on projections assumed for half of calendar years 2018 and 2019
- Increases in Medicare Advantage (MA) participation combined with an unknown rate increase for MA plans beginning second half of FY19
- Growth in voluntary plan participation including dental, vision and life insurance
- Patience Centered Outcomes Research Institute Fee required by Affordable Care Act
- Other financing uses associated with needs of Program Support

Program Support (P634)

Program Support Expenditure Summary								
			FY17	FY17	FY18	FY19	FY19	
								Percent
Uses			OPBUD	Actual	OPBUD	Inc/Dec	Request	Change
1	200	Personal Services/ Employee Benefits	1,949.8	1,840.8	1,858.8	72.7	1,931.5	3.9%
2	300	Contractual Services	624.4	550.9	544.8	36.5	581.3	6.7%
3	400	Other Costs	544.1	509.5	533.2	21.2	554.4	4.0%
4		TOTAL	3,118.3	2,901.2	2,936.8	130.4	3,067.2	4.4%

The Program Support request includes:

- Full funding for 27 FTE per BPS calculation
- Contractual services for actuarial, accounting, investment, legal and information technology expenses
 - Actuarial services include: solvency measurement and GASB reporting requirements
 - Investments include: asset allocation review and recommendation
 - Legal fees include: agency general counsel, contract review, policy and procedure recommendations
- Other costs for office rent in Albuquerque and Santa Fe, rent of equipment (copiers), printing and postage, telecommunication charges, computer equipment, office supplies, board expenses, and other miscellaneous expenses

Board Action 2017

Pre-Medicare

- Eliminated Premier Plus Plan - \$300 deductible / \$3,000 annual OOP Max
- Migrated Premier Plus Participants to Premier Plan (4,000 members)
- Created Value Plan - \$1,500 deductible / \$5,500 OOP Max
- Adjusted rates commensurate with new risk pools
- Increased OOP Max on Premier Plan by \$500 to \$4,500
- First dollar coverage (waive deductible and coinsurance) on all plans for advanced radiology services (CT, MRI and PET scans) received at free-standing imaging centers with \$100 copayment for Premier Plan and \$125 for the Value Plan

Medicare

- Medicare Supplement Plan rate increase - 6 percent
- Medicare Outreach Meetings

All

- Eliminated coverage for drugs available over the counter
- Eliminated multiple dependent subsidies
- Implemented open enrollment period



Board Action 2018

Pre-Medicare

- Premier and Value Plan rate increase – 8 percent
- Expanded Value Option Resources to include Blue Cross Blue Shield
 - Narrow network representing 53% of PPO network
- Introduction of Smart90 program for prescription drugs

Medicare

- Medicare Supplement Plan rate increase – 6 percent
- Implementation of default strategy for Medicare plan participants
- Introduction of Smart90 program for prescription drugs

All

- Conversion of Basic Life Insurance
 - Members assume 25 percent of cost in 2018 / 50 percent in 2019 / 75 percent in 2020 / 100 percent in 2021
- Market Check Agreement w/Express Scripts

Solvency Update

2007 Status

- Projected Solvency – 2014 (7 years)
- Trust Fund Balance – \$176.8 million (as of June 30)
- \$4.1 billion unfunded liability (3% funded)
- \$5.7 million withdrawn from Trust Fund

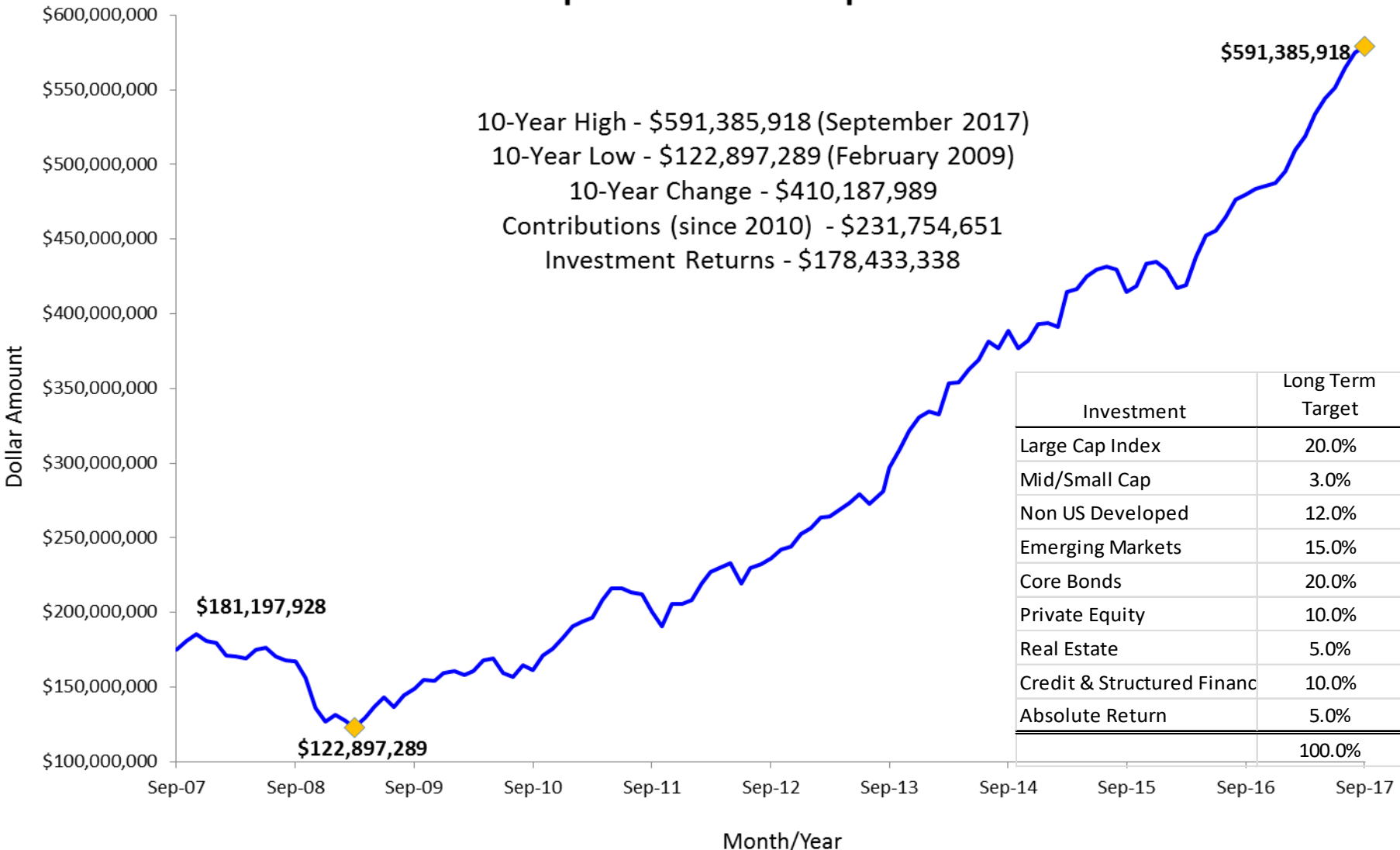
2017 Status

- Projected Solvency – 2035 (18 years)
- Trust Fund Balance – \$545.6 million (as of June 30)
- \$4.5 billion unfunded liability (11.26% funded)

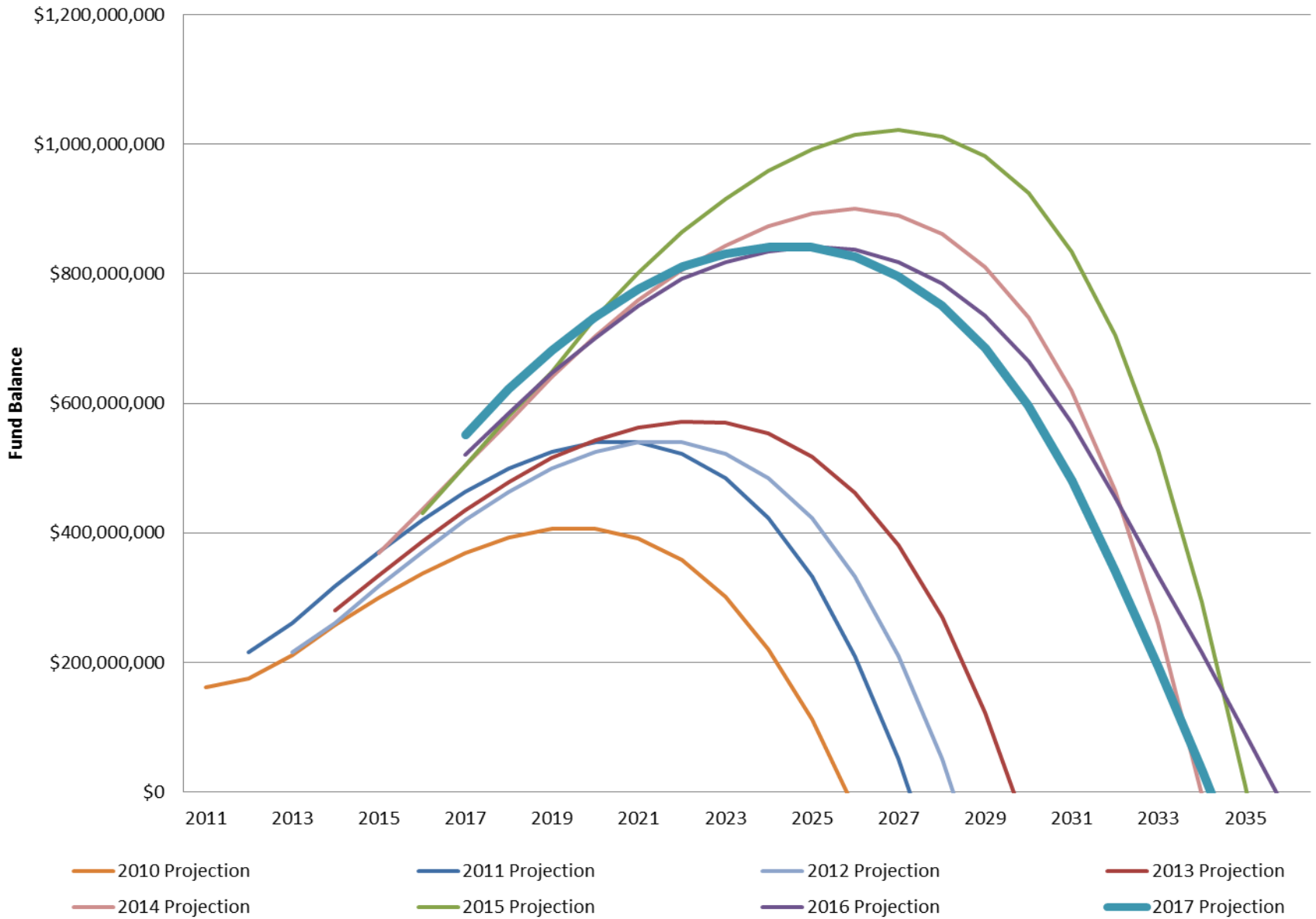
Challenges

- Projected growth in long-term medical costs
- Limited growth in payroll
- Reduction in Tax Suspense Fund revenue
- Competition with other state priorities

NMRHCA Trust Fund Balance History September 2007 - September 2017



NMRHCA Solvency Projections - 2010 through 2017



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 subsidies
- Evaluate existing and emerging wellness/population health programs for inclusion in either plan coverage or incentive support
- Develop and implement value-based purchasing initiatives either through health plan partners and/or directly with health care delivery systems
- Evaluate emerging and ongoing demographic trends and make program adjustments commensurate with fiduciary responsibilities
- Provide members with information necessary to better manager their individual health care
- Increase employee/employer contribution levels (requires legislative action)