



NEW MEXICO
RETIREE
HEALTH CARE
AUTHORITY

Legislative Finance Committee

Senator George K. Muñoz, Chair

Representative Nathan P. Small, Vice Chair

FY25 Appropriation Request
November 15, 2023

Therese Saunders, President
Tomas Salazar, Vice President
LeAnne Larrañaga-Ruffy, Secretary
Neil Kueffer, Executive Director

Agency Updates

Active participation – 93,595 (6/30/23)

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

Retiree participation – 66,980 (11/1/23)

- Retirees – 48,668
 - Pre-Medicare – 8,559
 - Medicare – 32,609
 - Voluntary – 7,500
- Spouses/DP – 16,027
 - Pre-Medicare – 2,294
 - Medicare – 8,455
 - Voluntary – 5,278
- Dependent Children – 2,285
- Retiree Average Age – 71.3
- Average age upon retirement – 62.75
- Retiree Under Age 55 – 1,490

Investments:

- Managed by the State Investment Council
- Biennial Asset Allocation Performed by Wilshire
- Asset Allocation Reviewed June 2023
 - Wilshire reviewed and recommended Board reaffirm the current policy of asset allocation targets as on track for risk adjusted return.
 - Risk Adjusted return on par with other modeled portfolios.
- Performance of RHCA Total Fund Comp - Net
 - One year 5.45%
 - Three year 8.92%
 - Five year 6.64%
 - Seven year 7.91%
 - Ten year 7.28%

Challenges

Health care mandates (State and Federal) over the years have been passed on to RHCA

- In many cases this has led to higher premiums because of increase in claims paid by Plan, and reduction or elimination of patient financial liability.

Statewide shortage of medical professionals leading to higher commercial reimbursement rates paid to providers to maintain network adequacy.

- New Mexico is one of the states facing a higher rate of physician shortages
- Physician and Hospital consolidations removing competition and resulting in higher reimbursement rates
- Traveling nurses due to shortage leading to higher costs

Medicaid reimbursement has direct correlation to commercial reimbursement rates

- Lower reimbursement from Medicaid leads to providers asking commercial plans for higher reimbursement to offset losses

Increase in prescription drug costs

- New cell and gene therapies capable of curing illnesses but lead to costly drugs
- Specialty drugs driving higher costs to plans while waiting for competition
- Increase in pricing of existing drugs
- Accelerated approvals of new drugs to market

Health Care Authority Transition Report

Questions and Concerns of Retirees, Board, and Stakeholders

What does administratively attached mean for Retiree Health Care Authority?

- Does the 11-member Board of Directors composed of broad representation of retirees and stakeholders lose oversight of the program and Agency?

Consolidation of contracts:

The Board works with the staff on a regular basis and stays informed of ongoing changes to NMRHCA.

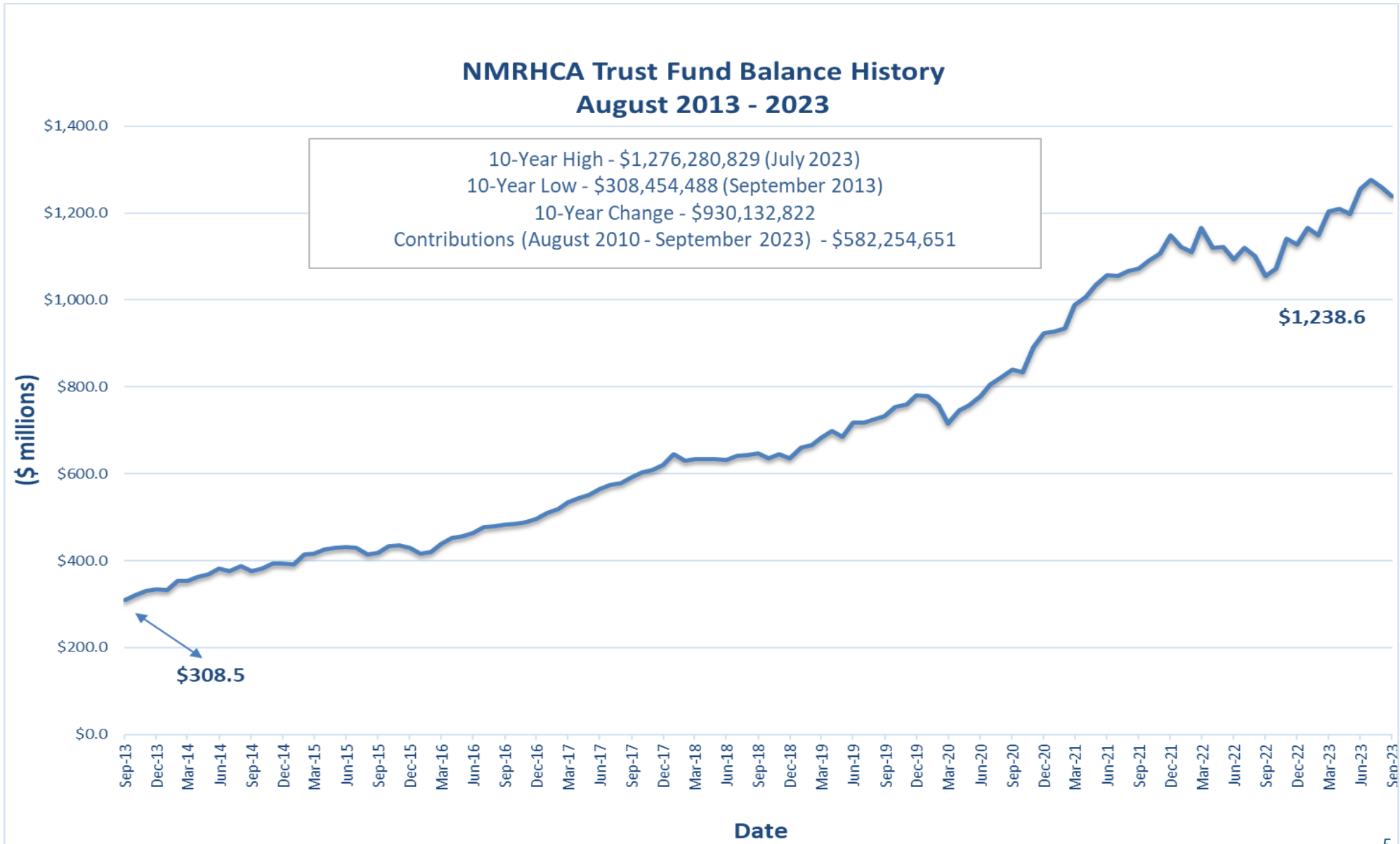
- Will the final decisions impacting RHCA and retirees be made from outside governance?
- Does the board lose control of setting premiums on plans?
- Does the board lose control of setting plan design?
- Can the board implement new cost reduction, clinical outcomes or wellness programs and initiatives?
- RHCA and HCA can work collaboratively hand in hand today with out the need for a proposed mandate.

Possible Alternative:

Postpone for a year to allow time for all stakeholders to evaluate and discuss this change to better identify potential impact (positive or negative) to 67,000 retirees and dependents and 94,000 active employees.

- Based upon findings determine appropriate steps and aspects of program to be included or excluded.

Trust Fund



GASB 74

GASB 74 – Actuarial Valuation Review of Other Postemployment Benefits (OPEB) as of June 30, 2023

- Total OPEB Liability: **\$3,049,662,302 (2023)** / \$3,467,298,517 (2022) / \$4,409,849,335 (2021)
- Net OPEB Liabilities (NOL) decreased \$609 million from previous year, due to the following:
 - An increase in the blended discount rate
 - Blended Discount rate – 6.22% compared to 5.42% in 2022
 - Blend rate = 7.00% assumed investment return + 20-year tax-exempt general obligation municipal bonds with an average rate of AA/Aa or higher (**3.65% as of June 30, 2023**)
- **NOL: \$1,702,935,036 (2023)** / \$2,311,603,052 (2022) / \$3,290,349,790 (2021)
 - 1% Decrease in Discount Rate - \$2,146,981,727
 - 1% Increase in Discount Rate - \$1,342,994,641
 - 1% Decrease in Health Care Cost Trend - \$1,409,857,717
 - 1% Increase in Health Care Cost Trend - \$2,039,527,413
- **Funded Status: 44.16% (2023)** / 33.33% (2022) / 25.39% (2021)

Healthcare Benefits Administration

Health Benefit Fund Expenditure Summary								
		FY23	FY23	FY24	FY25	FY25	%	
	Contractual Services	OPBUD	ACTUALS	OPBUD	INC/DEC	REQUEST	CHANGE	
1	Prescriptions	\$ 126,000.0	\$ 122,750.7	\$ 130,500.0	\$ 6,500.0	\$ 137,000.0	5.0%	1
2	Medical - Supplement/Self- Insured	\$ 183,876.7	\$ 159,322.1	\$ 188,626.7	\$ 1,500.0	\$ 190,126.7	0.8%	2
3	Medicare Advantage	\$ 26,450.0	\$ 18,851.2	\$ 28,300.0	\$ 3,000.0	\$ 31,300.0	10.6%	3
4	Voluntary Coverages	\$ 40,600.0	\$ 37,612.3	\$ 42,950.0	\$ 650.0	\$ 43,600.0	1.5%	4
5	Total Contractual Services	\$ 376,926.7	\$ 338,536.3	\$ 390,376.7	\$ 11,650.0	\$ 402,026.7	3.0%	5
	Other							
6	PCORI Fee	\$ 45.0	\$ 40.1	\$ 45.0	\$ -	\$ 45.0	0.0%	6
7	Total Other	\$ 45.0	\$ 40.1	\$ 45.0	\$ -	\$ 45.0	0.0%	7
	Other Financing Uses							
8	Program Support	\$ 3,558.2	\$ 3,260.3	\$ 3,913.4	\$ 321.7	\$ 4,235.1	8.2%	8
9	Total Other Financing Uses	\$ 3,558.2	\$ 3,260.3	\$ 3,913.4	\$ 321.7	\$ 4,235.1	8.2%	9
10	Total Expenditures	\$ 380,529.9	\$ 341,836.7	\$ 394,335.1	\$ 11,971.7	\$ 406,306.8	3.0%	10

*Table in Thousands

NMRHCA Requests a \$11.9 Million Increase in Spending Authority for FY25.

- Healthcare Benefits Administration \$402 million about 99% total budget - excluding Program Support
- This Request Includes the Following Assumptions:
 - Growth in medical and pharmacy plan costs resulting from increases in cost and utilization in plans.
 - Ongoing migration and election of lower costing Medicare Advantage Plans compared to Medicare Supplement.
 - Increase to Medicare Advantage costs due to premium increases and impact of Inflation Reduction Act.

Program Support

Program Support Expenditure Summary									
	Uses		FY23 OPBUD	FY23 ACTUALS	FY24 OPBUD	FY25 INC/DEC	FY25 REQUEST	PERCENT CHANGE	
1	200	Personal Services/ Employee Benefits	2,296.3	2,083.3	2,585.9	245.9	2,831.8	9.5%	1
2	300	Contractual Services	674.9	670.3	702.3	71.0	773.3	10.1%	2
3	400	Other Costs	587.0	506.7	625.2	4.8	630.0	0.8%	3
4		TOTAL	3,558.2	3,260.3	3,913.4	321.7	4,235.1	8.2%	4

Personal Services and Employee Benefits Includes \$245,900 (9.5%) Increase, above FY24

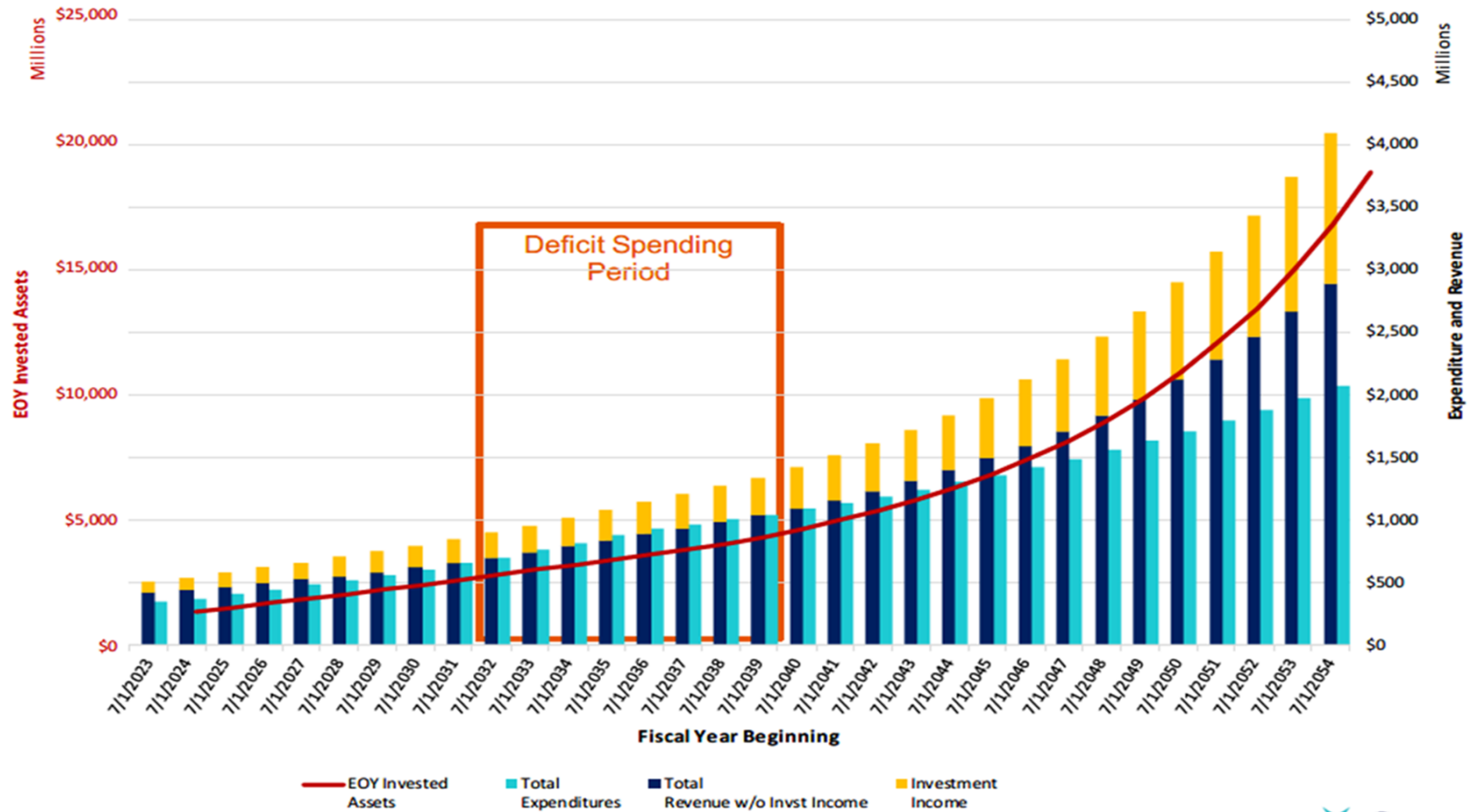
- NMRHCA request for Program support \$4,235,100 about 1% of total budget.
- Approved Operating Levels Include Full Funding for 27 FTE and request for 2 new FTE.
- Request for 2 positions (vacancy rate of agency 10%):
 - Business operations to provide support with procurement, contracts, records and archives, preparation of switch materials.
 - Administrative Operations to provide better oversight over customer service by creating or improving policies, procedures, and additional reporting required due to health care regulations
 - These positions will improve these functions and allow staff in finance and wellness/communications to focus more on their duties

Contractual Services Includes \$71,000 (10.1%) Increase for Actuarial and Benefits Consulting Services, Investment Advisory Services, Human Resource and Legal Services, IT Programing Charges, and Board Reporting and Recording Services.

This Request Includes \$4,800 (0.8%) Increase in the Other Category Spread Across Multiple Line Items.

Solvency

2023 Solvency Scenario – Board Approved Rate Action
 5% Pre-Medicare, 0% Medicare Supplement increases



Legislative Proposals

Special Appropriations Request

- Request for one-time money of \$150 million
- This contribution would help lower our unfunded liabilities and mitigate rising costs to our members.

File a joint resolution for New Mexico Retiree Health Care Authority program to be recognized and protected under the New Mexico Constitution.

- Similar to our sister agencies Educational Retirement Board and Public Employee Retirement Association.
- Currently the state statute states that this benefit can be modified or extinguished in the future to meet changes in economic or social conditions.
- However, many New Mexicans have been making contributions into this benefit for their careers with the expectation of having a benefit when they retire.

Historical Contributions

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

- Started with over 15,000 members
- No pre-material funding
- No trust fund or reserves
- Payroll contributions for comprehensive and affordable benefits in retirement
- Currently about 67,000 members on plans
- 93,595 active employees contributing for future retirement benefits

Non-Enhanced Retirement Plan			
	Employee	Employer	Total
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%

Enhanced Retirement Plan			
	Employee	Employer	Total
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%



New Mexico Retiree Health Care Authority

Neil Kueffer, Executive Director

505-222-6408

neil.kueffer@rhca.nm.gov

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

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

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