



NEW MEXICO
RETIREE
HEALTH CARE
AUTHORITY

Legislative Education Study Committee

Senator Mimi Stewart, Chair

Representative G. Andres Romero, Vice Chair

Retiree Health Care Act Solvency

November 15, 2018

Tom Sullivan, President

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Doug Crandall, Secretary

David Archuleta, Executive Director

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 coverage
- 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

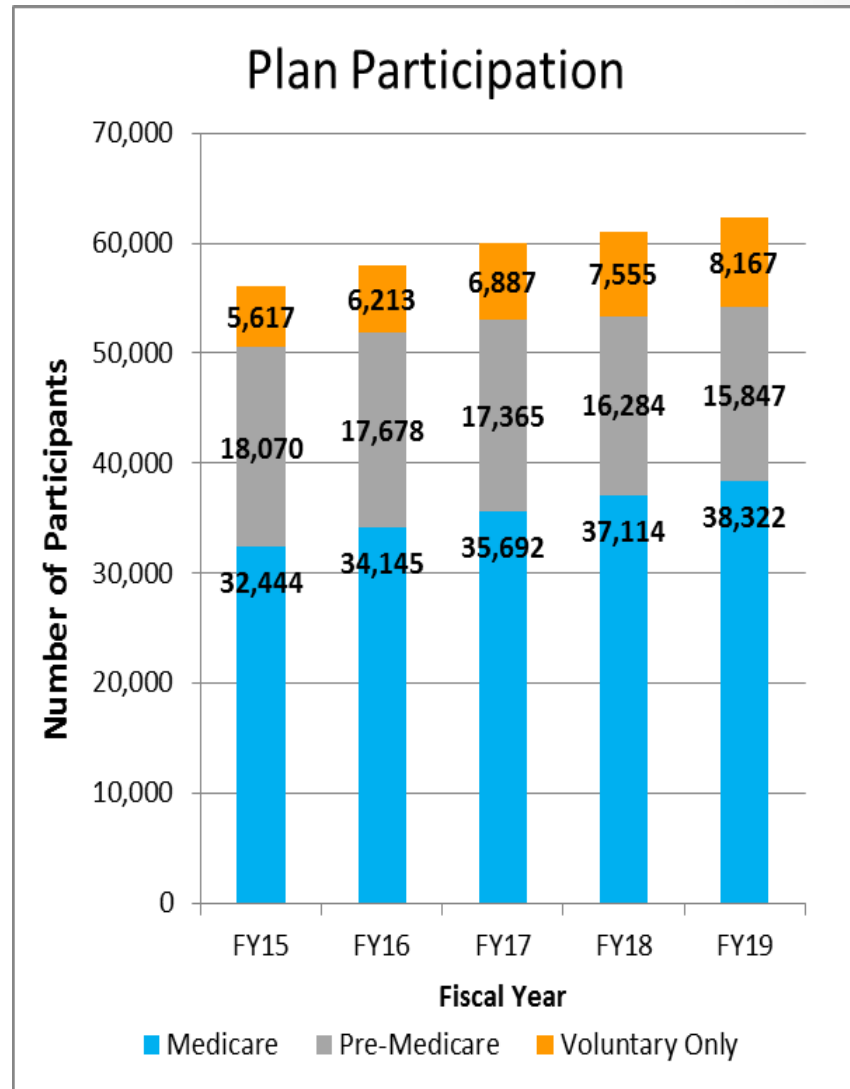
Program Composition and Participation

Active participation – 93,349 (6/30/18)

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

Retiree participation – 63,167 (11/1/18)

- Medicare - 38,844
- Pre-Medicare - 15,881
- Voluntary Only - 8,442
- Retirees - 39,660
- Spouses/DP – 13,072
- Dependent Children – 1,993
- Average Age – 67.06
 - Enrollment – 60.56 (2018)
- Members Under age 55 - 2,320



Budget & Finance

FY19 Budget

Healthcare Benefits Administration

- Uses:
 - Benefits - \$332.5 million
 - ACA Fees - \$35,000
 - Other Financing Uses - \$3 million (operations)
- Sources:
 - EE/ER Contributions - \$128.3 million
 - Retiree Contributions - \$150.5 million
 - Tax & Rev Suspense Fund - \$29.4 million
 - Misc. Revenue - \$27.2 million
 - Interest - \$60,000

Program Support (27 FTE)

- Salaries & Benefits - \$1.9 million
- Contractual Services - \$566,000
- Other Costs - \$544,000

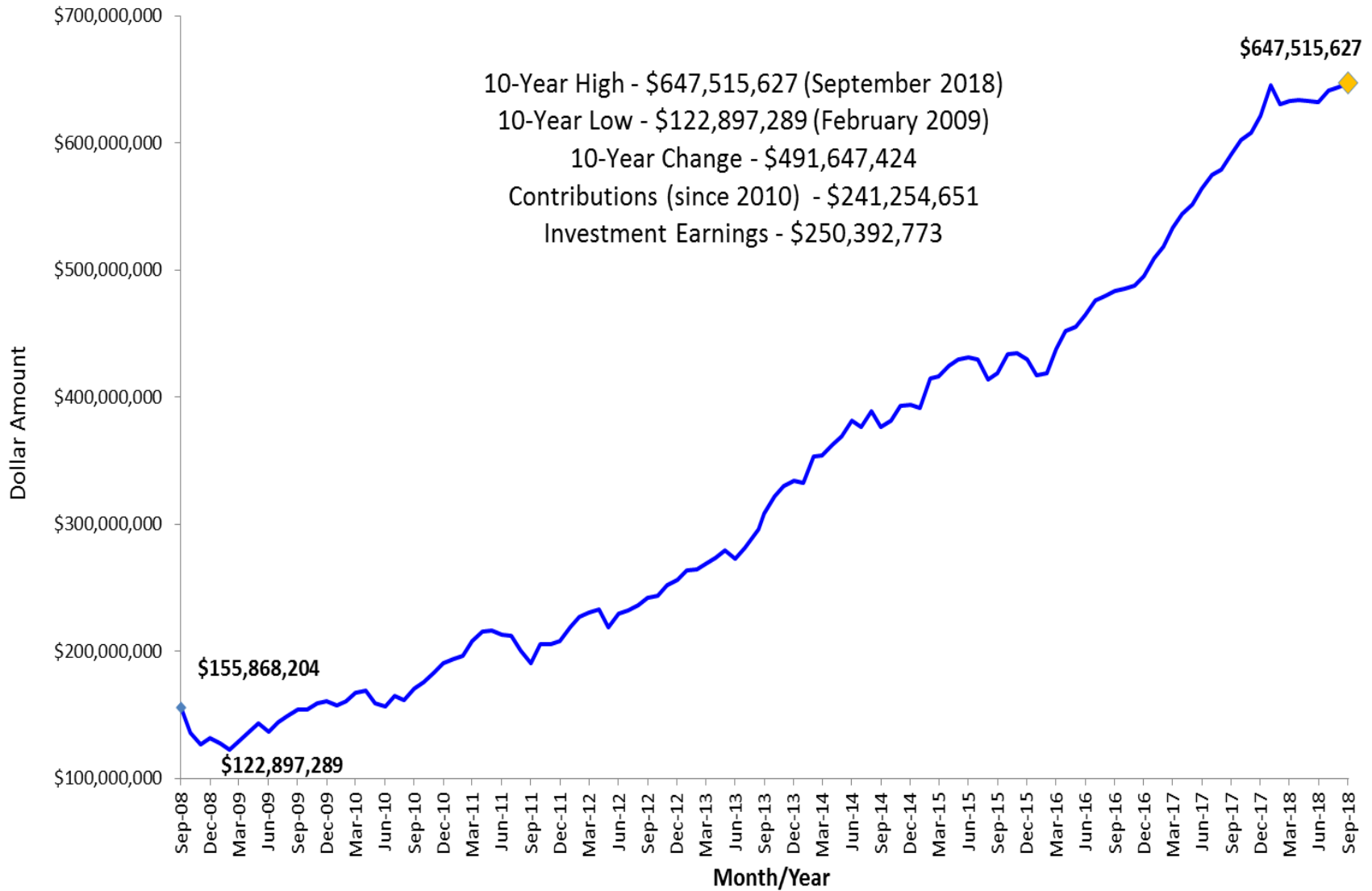
Finance

NMRHCA Trust Fund

- Investments held by State Investment Council (SIC)
- NMRHCA charged pro rata portion of investment fees
- 2018 Asset Allocation – performed by Wilshire
- September 30, 2018 Balance - \$647.5 million

<u>Current Allocation</u>	<u>Percent</u>
• US Large Cap	14
• US Small Cap	2
• Non US Dev Index	14
• Emerging Markets	10
• Core Bonds	20
• Private Equity	10
• Real Estate	10
• Credit & Structured Finance	15
• Real Return	5

NMRHCA Trust Fund Balance History September 2008 - September 2018



Program Benefits

Pre-Medicare

- Premier PPO Plan (BCBS and Presbyterian) -- \$260.76 per month*
 - \$800 deductible / \$4,500 annual out-of-pocket maximum
- Value HMO Plan (BCBS and Presbyterian) -- \$203.69 per month*
 - \$1,500 deductible / \$5,500 annual out-of-pocket maximum

Medicare

- Medicare Supplement (BCBS) -- \$211.96 per month*
- Medicare Advantage Plans -- Costs range: \$22.15 - \$94.68 per month*
 - Presbyterian, BCBS, Humana and UnitedHealthcare

Voluntary Coverages

- Dental (Delta Dental and United Concordia) -- \$17.78 - \$42.93 per month
 - Comprehensive & Basic
- Vision -- \$4.76 per month
 - Davis Vision
- Life Insurance (\$2,000 - \$60,000) -- \$0.68 - \$164.00 per month
 - The Standard

*20 years of service

Market Plan Comparison

2019 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	\$884	\$884	\$1,767	HMO	Gold	\$350	\$7,900	N
NM Health Connections - Age: 60 - Albuquerque	\$740	\$740	\$1,480	HMO	Gold	\$500	\$7,900	Y
Blue Cross Blue Shield - Age: 60 - Albuquerque	\$907	\$907	\$1,813	HMO	Silver	\$1,100	\$7,900	N
NM Health Connections - Age: 60 - Albuquerque	\$725	\$725	\$1,451	HMO	Silver	\$5,000	\$7,900	Y
Blue Cross Blue Shield - Age: 60 - Albuquerque	\$713	\$713	\$1,427	HMO	Bronze	\$3,150	\$6,650	N
NM Health Connections - Age: 60 - Albuquerque	\$605	\$605	\$1,210	HMO	Bronze	\$6,750	\$6,750	N
Blue Cross Blue Shield - Age: 60 - Santa Fe	\$1,007	\$1,007	\$2,014	HMO	Gold	\$350	\$7,900	N
NM Health Connections - Age: 60 - Santa Fe	\$831	\$831	\$1,662	HMO	Gold	\$500	\$7,900	Y
Blue Cross Blue Shield - Age: 60 - Santa Fe	\$1,038	\$1,038	\$2,077	HMO	Silver	\$1,100	\$7,900	N
NM Health Connections - Age: 60 - Santa Fe	\$815	\$815	\$1,629	HMO	Silver	\$5,000	\$7,900	Y
Blue Cross Blue Shield - Age: 60 - Santa Fe	\$827	\$827	\$1,654	HMO	Bronze	\$3,150	\$6,650	N
NM Health Connections - Age: 60 - Santa Fe	\$679	\$679	\$1,359	HMO	Bronze	\$6,750	\$6,750	N
Blue Cross Blue Shield - Age: 60 - Las Cruces	\$1,138	\$1,138	\$2,276	HMO	Gold	\$350	\$7,900	N
NM Health Connections - Age: 60 - Las Cruces	\$810	\$810	\$1,619	HMO	Gold	\$500	\$7,900	Y
Blue Cross Blue Shield - Age: 60 - Las Cruces	\$1,180	\$1,180	\$2,359	HMO	Silver	\$1,100	\$7,900	N
NM Health Connections - Age: 60 - Las Cruces	\$794	\$794	\$1,588	HMO	Silver	\$5,000	\$7,900	Y
Blue Cross Blue Shield - Age: 60 - Las Cruces	\$947	\$947	\$1,894	HMO	Bronze	\$3,150	\$6,650	N
NM Health Connections - Age: 60 - Las Cruces	\$662	\$662	\$1,324	HMO	Bronze	\$6,750	\$6,750	N

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 at of June 30, 2017
 - Employer Contributions
 - Employer Allocation Percentage
 - Applies to 301 employer groups
 - Rating agency impact - TBD

NMRHCA GASB History

Year	Actuarial Accrued Liability/Total OPEB Liability	Actuarial Value of Assets/Plan Fiduciary Net Position	Unfunded Actuarial Liability/Net OPEB Liability	Funded Ratio	Covered Payroll	Total Participants
2006	\$ 4,264,180,967	\$ 154,538,668	\$ 4,109,642,299	3.62%	\$4,073,731,873	140,292
2008	\$ 3,116,915,900	\$ 170,626,271	\$ 2,946,289,629	5.47%	\$4,020,508,902	130,381
2010	\$ 3,523,664,871	\$ 176,922,935	\$ 3,346,741,936	5.02%	\$4,001,802,240	146,166
2012	\$ 3,915,114,104	\$ 227,487,895	\$ 3,687,626,209	5.81%	\$3,876,220,608	146,590
2014	\$ 3,740,369,299	\$ 377,087,017	\$ 3,363,280,282	10.08%	\$3,941,587,760	155,098
2016	\$ 4,277,042,499	\$ 471,978,347	\$ 3,805,064,152	11.04%	\$4,271,183,612	159,642
2017	\$ 5,111,141,659	\$ 575,649,501	\$ 4,535,492,158	11.26%	\$4,165,647,340	160,035

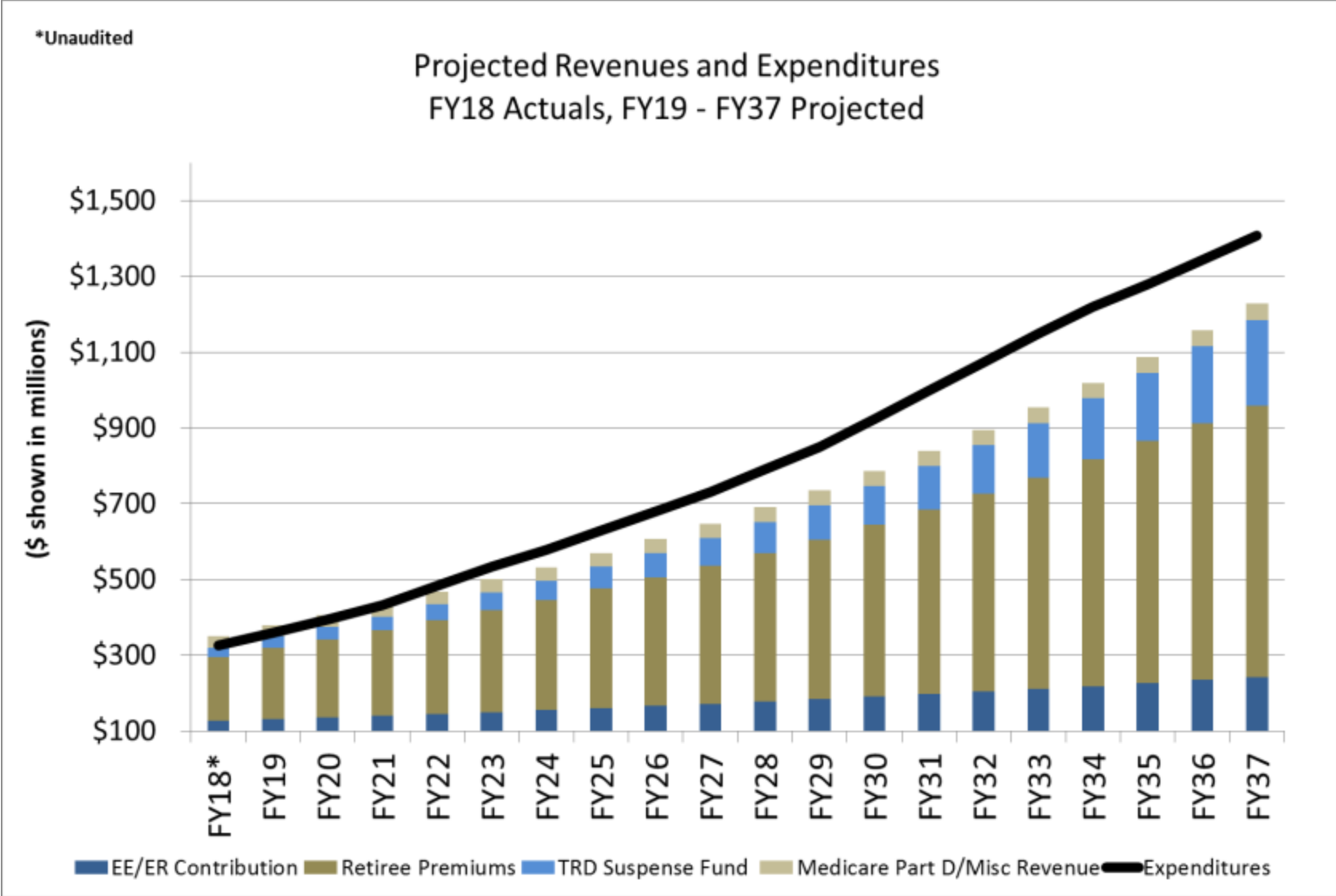
Major changes (2006-2017) include:

- AAL/Total OPEB Liability Change: \$846,960,692
- AVA/Plan Fiduciary Net Positions Change: \$421,110,833
- UAAL/Net OPEB Liability Change: \$425,849,859
- Funded Ratio Change: 7.64%
- Covered Payroll Change: \$91,915,467
- Total Participants Change: 19,743

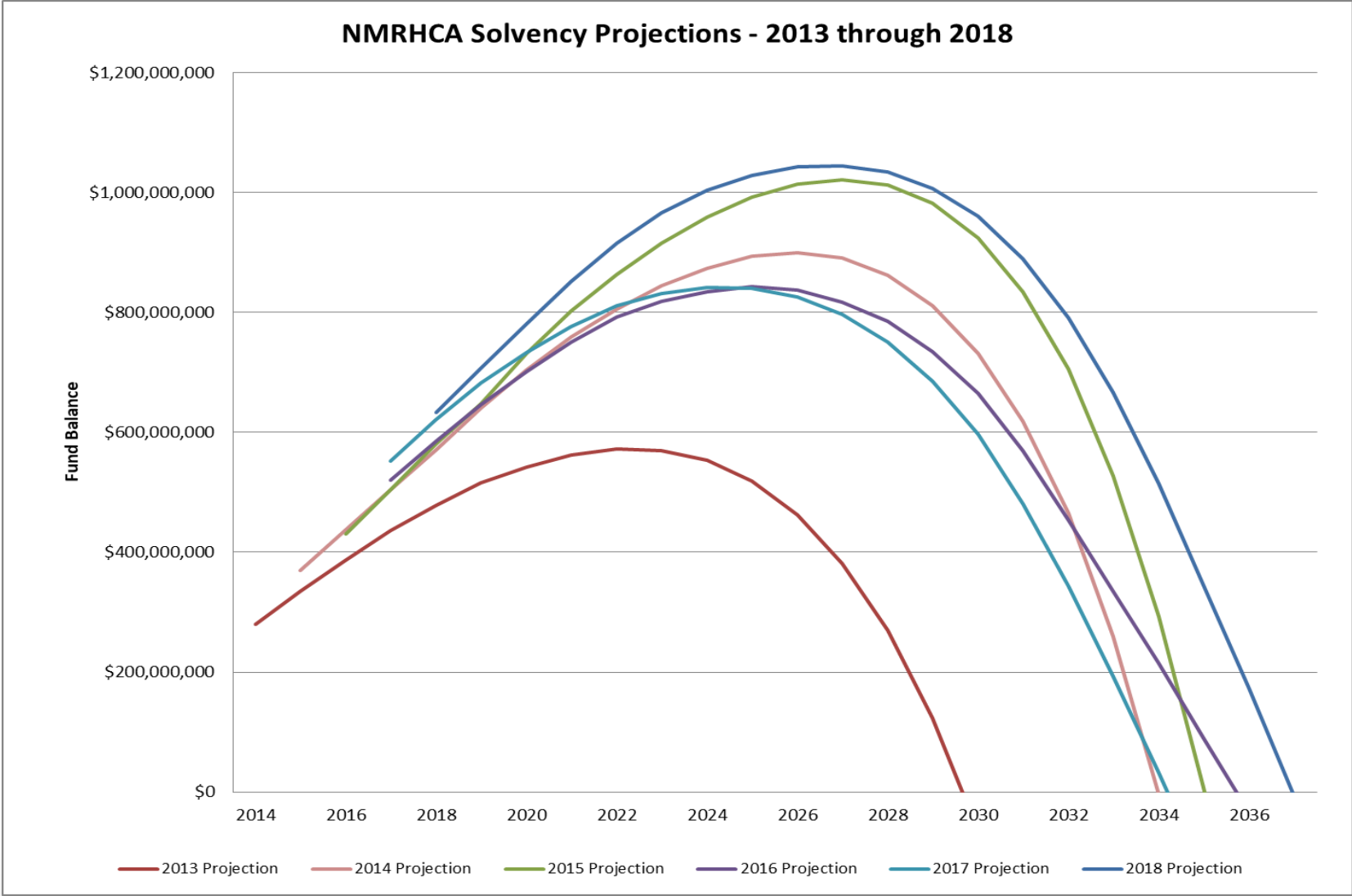
Solvency Analysis

- 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
- 2018 Projected Year of Deficit Spending - 2022
 - Expenditures exceed revenues - \$15.3 million
- 2018 Projected Year of Insolvency: FYE 2037 (18 years)
 - FY37 Projected Expenditures - \$1.3 billion
 - FY37 Projected Revenues - \$1.2 billion

2018 Solvency Analysis



Solvency Results (2013 -2018)



Legislation

NMRHCA Sponsored

- 2013 – Introduced legislation requesting 2.5% total contribution increase – passed through multiple committees in both chambers, but received no floor votes
- 2014 – Introduced legislation requesting 2.5% total contribution increase – passed through multiple committees in both chambers and passed house floor vote
- 2015 – Introduced legislation requesting 1.25% contribution increase – passed through multiple committees in both chambers and passed house floor vote
- 2016 – Introduced legislation requesting 1.25% contribution increase – passed through multiple committees in both chambers and passed house floor vote

Enacted Legislation

- 2016 Special Session – SB7 Public Fund Distribution Changes
- Permanent removal of \$3 million annual special distribution from taxation and revenue suspense fund
- Removal of annual 12 percent increase in transfers received from taxation and revenue suspense fund regular distribution

Resulting Impact

- Solvency period reduced to 2030 (post SB7 implementation)
- Projected deficit spending 2020
- Reduction of \$350 million revenues over life of Trust Fund
- Need for increase in employee & employer contributions

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

Legislative Proposal

- Increase employee/employer contributions from 3 percent to 4.5 percent incrementally from FY20 – FY23

Legislative Proposal

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- Increase employee/employer contributions from 3 percent to 4.5 percent incrementally from FY20 – FY23

	Legislative Proposal			Employee	Employer	Total	Additional Revenue	Est. GF Impact
	Employee	Employer	Total					
FY20	1.000%	2.500%	3.500%	\$ 43,549,337.00	\$ 110,280,010.00	\$153,829,347.00	\$23,181,336.00	\$ 11,590,668.00
FY21	1.000%	3.000%	4.000%	\$ 43,549,337.00	\$ 134,509,088.00	\$178,058,425.00	\$47,410,414.00	\$ 22,657,464.50
FY22	1.250%	3.000%	4.250%	\$ 52,983,880.00	\$ 134,509,088.00	\$187,492,968.00	\$56,844,957.00	\$ 22,657,464.00
FY23	1.500%	3.000%	4.500%	\$ 63,527,672.00	\$ 134,509,088.00	\$198,036,760.00	\$67,388,749.00	\$ 22,657,464.00

Results

- Solvency period extends beyond 30 years
- 2049 (30 years) projected trust fund balance exceeds \$5 billion

Employee Impact --- \$40,000 annual salary

- FY19-FY21 - \$400 per year / \$15.38 per pay period
- FY22 - \$500 per year / \$19.23 per pay period (\$3.85 per pay period increase)
- FY23 - \$600 per year / \$23.08 per pay period (\$7.70 per pay period increase)

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

		Percent of Subsidy				Percent of Subsidy	
Years of Credited Service	Current	1/1/2021		Years of Credited Service	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					

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
- Implement mandatory mail order for all maintenance medications (Pre-Medicare Plans)

New Mexico Retiree Health Care Authority

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