

# Investments and Pensions Oversight Committee

June 20, 2017

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NEW MEXICO  
**RETIREE**  
HEALTH CARE  
AUTHORITY

# Introduction and Background

## New Mexico Retiree Health Care Authority Act

- Created in July 1990 (no appropriation/ no material prefunding period)
- Began paying full benefits for over 16,000 members in January 1991 w/statutory limitations to premium increases until 2008
- Board of Directors has broad authority to set plan parameters
- Legislature retains authority over employer/employee contributions levels

## Purpose

- To provide comprehensive core group health insurance for persons who have retired from certain public service in New Mexico
- In 2016, financial planners Fidelity and Nationwide assume a couple retiring at the age of 65 can expect to incur \$260,000 of medical expenses during retirement.
  - Average PERA Pension – \$2,431 per month
  - Average ERB Pension - \$1,819 per month
  - Average Social Security Benefit \$1,349 per month

# Composition, Budget & Finances

## Composition

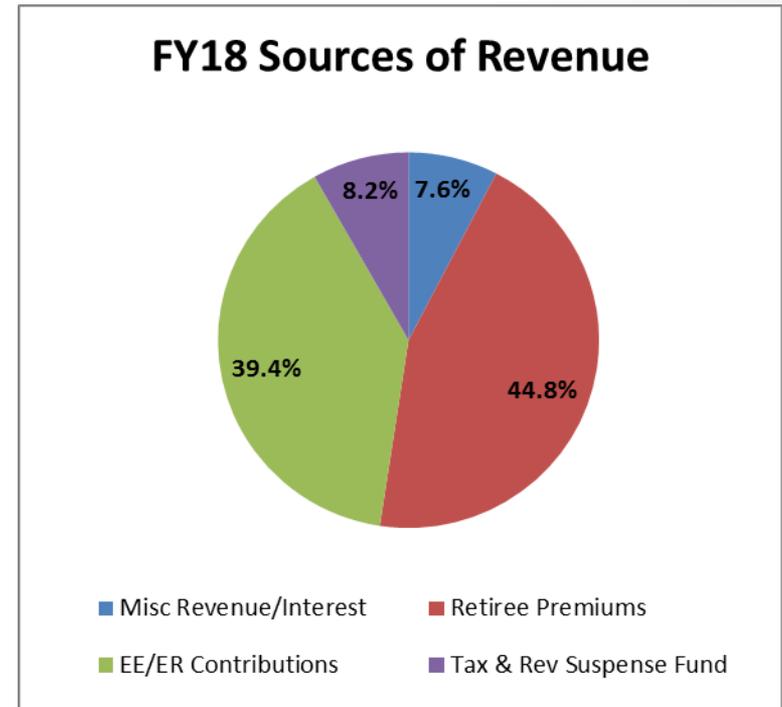
- Employer Groups
  - Schools - 50%
    - All School Districts
    - 91 Charter Schools
  - State Agencies - 25%
    - All
  - Local Government - 25%
    - 23 Counties
    - 25 Cities / 12 Villages / 32 Other
- Active employees – 98,577
- Participants (July 1, 2017)
  - 60,953 covered retirees and eligible dependents
  - 37,114 Medicare
  - 16,284 Pre-Medicare
  - 7,555– 100% retiree pay all/voluntary plans (e.g., dental, vision, life insurance)

Average age – 69 / average age joining - 60

## FY18 Operating Budget - \$323 million

- Program Support - \$2,936,800 (27 FTE)
- Healthcare Benefits - \$320,068,800

## Sources of Revenue:



# Legislative Updates

## Prior Years Legislation:

- 2013 / 2014 – Introduced legislation requesting 2.5% total contribution increase – passed through multiple committees in both chambers, but received no floor votes (\$90 million)
- 2015 / 2016 – Introduced legislation requesting 1.25% contribution increase – passed through multiple committees in both chambers and passed house floor vote (\$45 million)

## 2016 2<sup>nd</sup> Special Session – SB7

- Eliminated portion of distribution received from Tax Suspense Fund
- Reduced indexed growth rate for half FY17, all of FY18 and FY19
- Reduced funding by \$350 million over life of trust fund

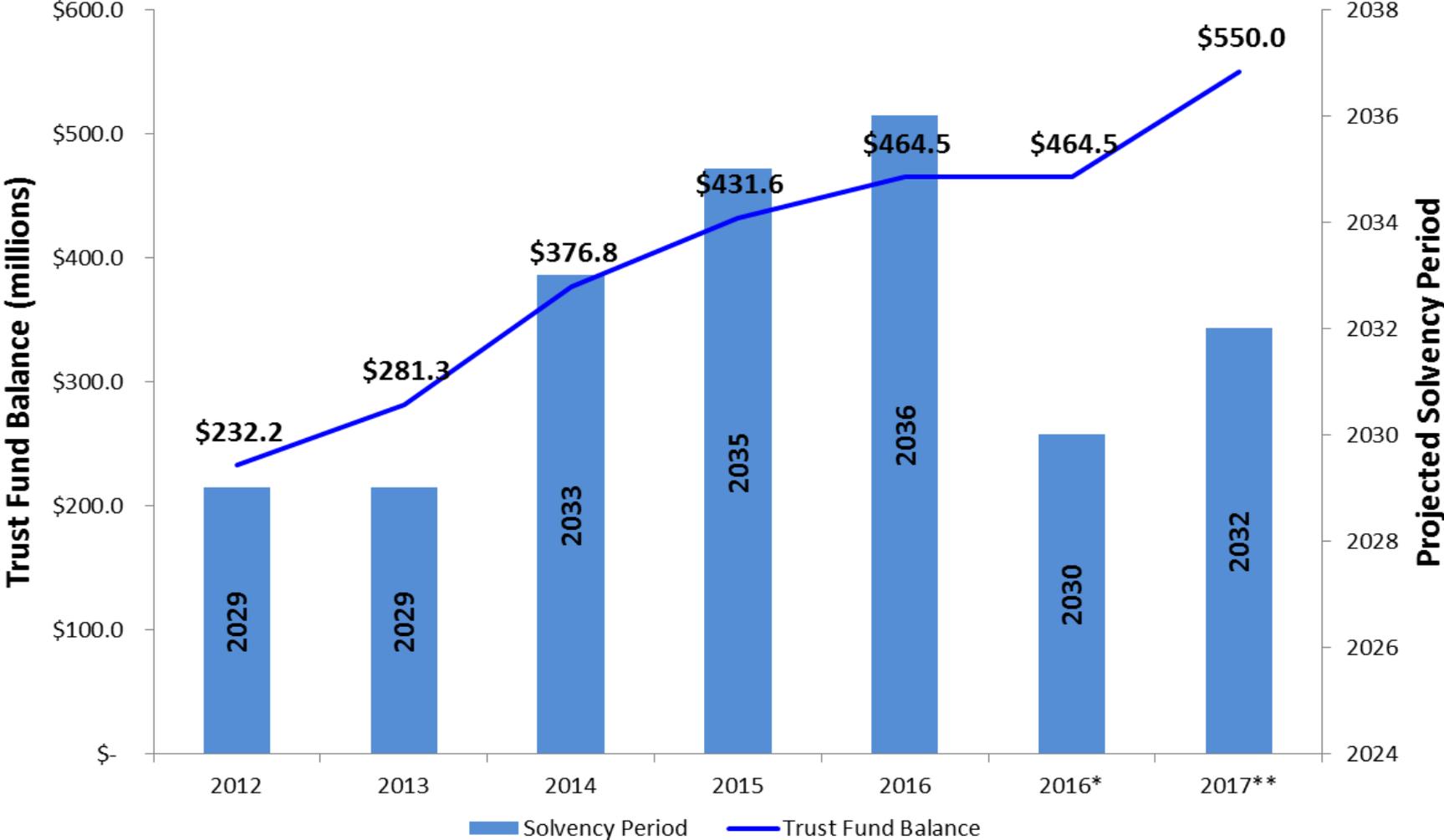
## 2017 Regular Session – HJM 1

- NMRHCA is an important benefit to many people in New Mexico and a major source of health care financing
- Past financial problems overcome when working together with the legislature
- Impact of additional improvements made through increased cost sharing for retirees
- Legislative collaboration with Board of Directors to improve the long-term viability of the program

# Board Action for 2017

- Elimination of Premier Plus Plan
- Default Premium Plus Plan Members to Premier Plan
- Creation of Value Plan
- Introduction of Value-Based Incentives
- Adjustment of rates commensurate with new risk pools
- Begin defaulting eligible members into the most appropriate Medicare Advantage Plan in January 2018
- Elimination of coverage for drugs available over the counter (OTC)
- Elimination of multiple-dependent subsidy
- Implement and enforce open-enrollment period

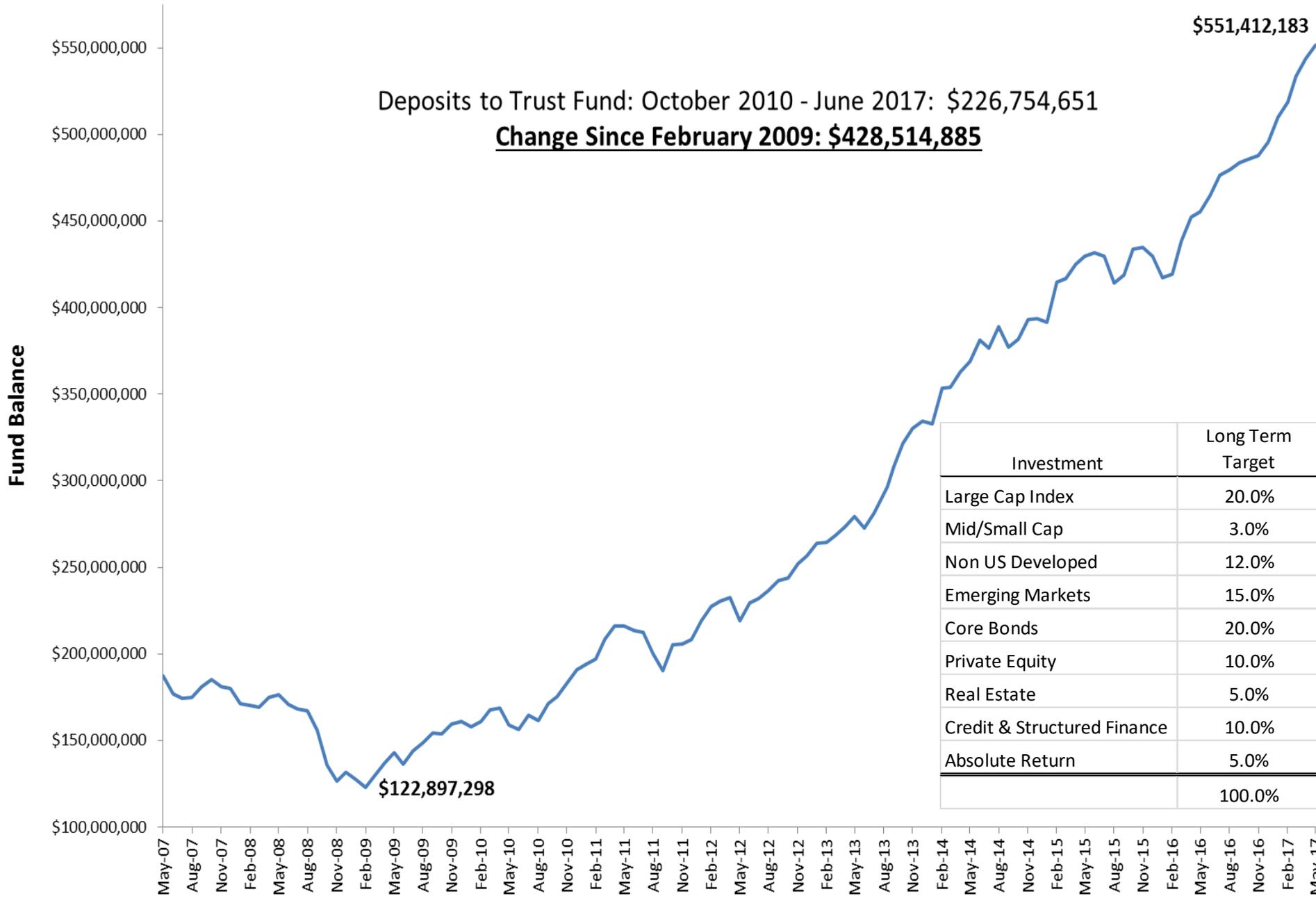
# Trust Fund Balance and Solvency Period



\*Post 2016 2<sup>nd</sup> Special Session

\*\*2017 Projected

# Fund Balance History - May 2007 - May 2017



# Agency and Program Updates

## GASB 74

- Replaces the requirements of GASB Statement 43
- Proposes new standards for financial reporting for OPEB benefit plans
- Effective for fiscal years beginning after June 15, 2016 (FY2017)

## GASB 75

- Supersedes the requirements of GASB Statement 45
- Deals w/individual employer reporting
- Effective for fiscal years beginning after June 15, 2017 (FY2018)
- Similar methodology to GASB pension statements 67 and 68
- Net liabilities will be reported as part of the employer's balance sheet
  - NMRHCA will use GASB 74
  - Participating employers will use GASB 75
- Discount rates based on AAA Municipal Bond Yields
- Changes will most likely result in an increase to liability

# Agency and Program Updates Cont.

## Annual Board Meeting (July)

- Retiree Premiums
- Prescription Drug Plan Changes
- Increase Value Plan Options
- Medicare Default
- Medicare Supplement Changes

## Prescription Benefits Manager RFP

- Release mid-August
- Effective July 1, 2018 – June 30, 2022

## Strategic Plan (2018 – 2022)

- Finalize October/November 2017
- Elements
  - Downward pressure on all self-insured costs
  - Subsidy Levels
  - Wellness/population health programs
  - Value-based purchasing initiatives
  - Evaluate emerging and ongoing demographic trends
  - Increase employee/employer contributions