

LEGISLATIVE FINANCE
COMMITTEE
UPDATES ON RISK FUNDS
&
EMPLOYEE BENEFITS
AUGUST 25, 2021



NEW MEXICO
GENERAL SERVICES DEPARTMENT

FY23 Risk Premiums

Fiscal Year	Total Risk Premiums*	% Change	6 Year Average
FY18	\$77.8		
FY19	\$70.7	-9.1%	
FY20	\$68.2	-3.5%	
FY21	\$66.2	-2.9%	
FY22	\$53.0	-19.9%	
FY23	\$67.1	25.4%	\$67.17

*Expressed in Millions

FY23 Risk Rates – Major Factors

Large majority of increase from FY22 to FY23 is due to large swing in projected inflation according to the U.S. Department of labor

- FY22: 0.1% CPI
- FY23: 5.0% CPI (4,900% relative increase)

Five-year losses increased for the measurement period

- 2015 thru 2019: \$163.4 million
- 2016 thru 2020: \$168 million

Excess coverage (reinsurance) continues to experience a hard market as property values and building material costs increase

- FY20 Renewal Total: \$6.2 million
- FY21 Renewal Total: \$7.8 million
- FY22 Renewal Total: \$8.7 million

FY23 Rates By Line of Coverage

Coverage	FY19 Premium	FY20 Premium	FY21 Premium	FY22 Premium	FY23 Premium	Pre-COVID Avg.	FY23 Vs. Pre-COVID Avg
12 Workers Comp	\$19,120,863	\$19,925,734	\$18,708,665	\$16,087,668	\$20,578,654	\$19,251,754	7%
24 Civil Rights	\$17,441,066	\$15,197,780	\$14,725,184	\$10,703,614	\$13,175,083	\$15,788,010	-17%
21 General Liab	\$8,604,876	\$8,812,287	\$10,659,037	\$8,988,364	\$10,248,436	\$9,358,733	10%
23 Medical	\$11,854,552	\$11,355,650	\$10,041,903	\$6,616,288	\$9,089,293	\$11,084,035	-18%
71 Blanket	\$7,719,021	\$7,356,427	\$7,468,504	\$7,204,170	\$8,372,449	\$7,514,651	11%
41 Auto Physical Damage	\$1,222,135	\$1,362,220	\$1,533,679	\$1,428,771	\$1,926,714	\$1,372,678	40%
35 Auto Liability	\$1,116,740	\$1,254,196	\$1,528,822	\$1,131,509	\$1,782,026	\$1,299,919	37%
22 Law Enforcement	\$2,799,445	\$2,143,001	\$1,014,428	\$300,091	\$788,568	\$1,985,625	-60%
80 Fine Arts	\$236,990	\$236,872	\$231,010	\$226,819	\$237,926	\$234,957	1%
Aircraft Hull	\$109,892	\$209,371	\$206,927	\$203,872	\$213,851	\$175,397	22%
90 Boiler	\$219,634	\$200,375	\$198,863	\$169,742	\$165,514	\$206,291	-20%
Aircraft Liability	\$19,541	\$19,655	\$19,426	\$19,139	\$20,076	\$19,541	3%
38 Railroad	\$225,712	\$158,460	\$199,499	\$16,065	\$2,834	\$194,557	-99%
Total	\$70,690,467	\$68,232,028	\$66,535,947	\$53,096,112	\$67,118,995	\$68,486,147	-2%

RMD Financial Update

<u>Fund</u>	<u>7/1/2020</u>	<u>1/1/2021</u>	<u>7/1/2021</u>	<u>FY20</u> <u>Expenditures</u>	<u>Balance as % of</u> <u>Annual Costs</u>
Unemployment - State	\$12,304,795	\$13,360,711	\$12,406,160	\$6,769,600	183%
Unemployment - LPB	\$4,586,051	\$4,420,280	\$3,578,013	\$1,935,200	185%
Public Property	\$21,452,492	\$19,038,898	\$19,191,236	\$11,151,800	172%
Public Liability	\$72,912,836	\$73,089,925	\$65,054,209	\$40,805,100	159%
Workers' Compensation	\$34,606,474	\$40,926,321	\$38,982,945	\$14,988,300	260%

RMD Cost of Defense

FY13	\$14,856,475
FY14	\$11,453,157
FY15	\$12,870,094
FY16	\$9,636,782
FY17	\$12,826,086
FY18	\$10,111,036
FY19	\$11,189,111
FY20	\$10,977,813
FY21*	\$10,120,505
10 Full Months	

*This amount should be considered a preliminary estimate.

FY 12-FY21 Liability Claims >\$250,000
Agency Totals (Top Frequency 10 years)

Agency	# of Claims over \$250K
University of New Mexico Hospital	100
Department of Transportation	39
Department of Public Safety	24
Children, Youth and Families Department	11
Department of Health	9
New Mexico Corrections Department	6

Liability Claim Count > \$250,000 by line of coverage

<u>Coverage Type</u>	<u>FY12</u>	<u>FY13</u>	<u>FY14</u>	<u>FY15</u>	<u>FY16</u>	<u>FY17</u>	<u>FY18</u>	<u>FY19</u>	<u>FY20</u>	<u>FY21</u>	<u>Total</u>
Auto Liability	0	0	1	0	0	0	0	0	0	1	2
Civil Rights	4	8	1	9	6	5	5	7	10	3	58
General Liability	4	4	4	5	9	3	4	5	3	3	44
Law Enforcement	0	0	2	4	0	0	0	0	0	3	9
Medical Malpractice	9	7	11	12	11	14	10	6	10	13	103
Railroad Liability	1	1	0	0	0	0	0	0	0	0	2
Total	18	20	19	30	26	22	19	18	23	23	218

FY12-FY21 Property Claims > \$250,000 Top Agency Frequency 10 Years

Note: Last Loss > \$250,000 was NMSU Fire in FY20

Agency	Total FY12 - FY21
University of New Mexico	10
General Services Department	5
New Mexico State University	5
Department of Transportation	2
Department of Cultural Affairs	2
Department of Military Affairs	2

FY 12-FY21 Property Claims >\$250,000 Loss Type
Top Frequency 10 years

<u>Loss Type</u>	<u>Total FY12- FY21</u>
Flood	8
Wind / Hail	8
Fire	5
Water Line Burst	3
Mechanical Breakdown	3

Certificate of Coverage Highlights

The FY22 Letter of Administration and the Liability Certificate carry over from FY21 with additional coverage afforded under the NM Civil Rights Act.

NM Civil Rights Act education and training program under development.

The FY22 Property Certificate increased the vandalism deductible to \$5,000 and capped Unmanned Aerial Systems (drones) to \$10,000 per occurrence. Additional drone coverage is available through market placement at agency request.

Employee Benefits Enrollment – Who Do We Cover?

State of New Mexico Eligibility Rules

- <https://www.mybenefitsnm.com/>
- Employees – **17,564 Employees** with Medical Coverage
 - Average of 20 hours per week
 - Work time requirements waived for elected officials
- Dependents – **19,943 Dependents** with Medical Coverage
 - Spouse
 - Domestic Partner
 - Children up to 26
- Total State Members: **37,507 Members**

Eligibility rules are relatively inclusive - lower # of hours than required and expanded coverage categories

Employee Benefits Enrollment – Who Do We Cover?

Local Public Body (LPB) Participation

- 138 LPB's
 - 24 counties
 - 61 municipalities
 - Institutions of higher learning including NMSU, NM Highlands and NMMI
 - Various governmental districts (housing, soil and irrigation, etc.)

- Employees – 9,382 Dependents – 9,600

Medical Plan Totals

- State – 37,507 members - 67%
- LPB's – 19,410 members - 33%
- **Total - 56,917**

59.1% Presbyterian / 40.6% BCBS

Cigna membership still minimal (3%)

Premium Contribution Strategy – Who Pays What?

-Employee / Employer Contribution Methodology

- The State of New Mexico pays a % of the total premium based on an employee's salary in accordance with state law (Chapter 10, Article 7-4). This statute was last updated in 2005.

<u># of Covered EE's</u>	<u>Salary</u>	<u>Employee Pays</u>	<u>State of NM Pays</u>
9,739 - 52%	Below \$50k	20%	80%
3,298 - 19%	\$50k to \$60k	30%	70%
5,317 - 29%	Above \$60k	40%	60%
Weighted Average:	State Pays 70% of premiums Employee Pays 30% of premiums		

Note: LPB's are excluded from this statute. RMD simply collects the total premium each month and each LPB makes their own contribution decisions.

Public Sector Health Plan Comparison

A plan's Actuarial Value (AV) is the amount the plan pays, on average, for a range of medical services. The member is responsible for the difference.

- Platinum Plan: 90% and above
- Gold Plan: 80% to 89%
- Silver Plan: 70% to 79%
- Bronze Plan: 60% to 69%

State of NM			NMPSIA			APS	
	2021			2021			2021
Plan / Single Premium	AV	Mbrs	Plan / Single Premium	AV	Plan/Single Premium		
PHP HMO / \$537	88.4%	33,457	BCBS HMO / \$730	86.6%	PHP HMO / \$540		86.6%
BCBS HMO / \$537	87.0%	8,370	BCBS High PPO / \$811	84.6%	BCBS PPO / \$515		83.2%
BCBS PPO / \$624	85.0%	14,721	BCBS Low PPO / \$578	82.9%	THNM HMO / \$540		87.1%
Cigna HMO / \$532	85.8%	60	PHP High PPO / \$656	84.6%	Cigna PPO / \$530		83.2%
Cigna PPO / \$618	83.4%	104	PHP Low PPO / \$467	82.9%			

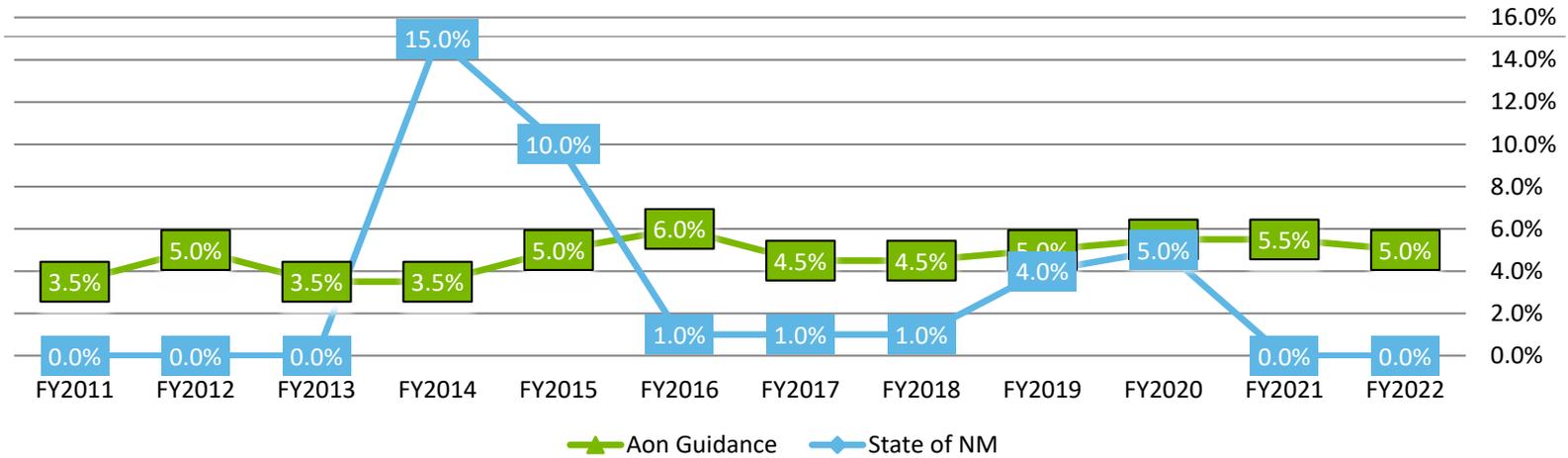


Health Benefits Fund 75200 Revenue and Expenditure Estimates for July 2020 through June 2021

		Beginning Cash Balance at 07/01/2020		\$5,642,582.52	
		Revenue	Expenses	Diff (\$)	Diff (%)
Actuals	July-20	\$37,168,577.27	\$28,999,939.96	\$8,168,637.31	22.0%
	August-20	\$27,112,103.04	\$24,736,828.81	\$2,375,274.23	8.8%
	September -20	\$28,129,886.25	\$37,515,843.20	(\$9,385,956.95)	-33.4%
	October -20	\$27,735,329.13	\$40,040,464.87	(\$12,305,135.74)	-44.4%
	November -20	\$28,371,170.67	\$26,705,015.99	\$1,666,154.68	5.9%
	December -20	\$38,967,267.29	\$36,961,164.13	\$2,006,103.16	5.1%
	January -21	\$27,117,967.49	\$31,855,469.08	(\$4,737,501.59)	-17.5%
	February -21	\$27,963,895.20	\$30,849,510.98	(\$2,885,615.78)	-10.3%
	March -21	\$28,732,137.67	\$26,810,554.64	\$1,921,583.03	6.7%
	May -21	\$28,748,221.22	\$30,549,478.75	(\$1,801,257.53)	-6.3%
	June -21	\$28,128,920.53	\$30,355,546.90	(\$2,226,626.37)	-7.9%
	Total Actuals as of 08/20/2021	\$28,147,443.23	\$41,510,513.11	(\$13,363,069.88)	-47.5%
		\$ 356,322,918.99	\$ 386,890,330.42	(\$30,567,411.43)	-8.6%
		Total Current Cash Balance 6/30/2021		(\$24,924,828.91)	
Special Appropriation		\$ 7,600,000.00	\$ -	\$7,600,000.00	
		Total Actual Ending Cash Balance at 6/30/2021		(\$17,324,828.91)	

10-Year Fund Balance & Premium Increase History Compared To Medical Trends

Year / Year Annual Increase in Medical & Rx



Fiscal Yr	752 Beginning Fund Balance	Special Appropriations	Premium Increases	National Trend	Actual Costs	Mbrs	PMPM	Change
FY14	\$14,337,849.13		15%	3.50%	\$308,949,620	64,235	\$401	
FY15	\$21,884,624.89		10%	5.00%	\$332,435,670	63,002	\$440	9.7%
FY16	\$38,083,467.44		1%	6.00%	\$345,336,482	61,211	\$470	6.9%
FY17	\$39,732,163.17		1%	4.50%	\$349,710,090	58,113	\$501	6.7%
FY18	\$23,402,744.99		1%	4.50%	\$362,928,667	57,950	\$522	4.1%
FY19	(\$5,352,499.09)		4%	5.00%	\$342,573,844	57,437	\$497	-4.8%
FY20	(\$2,044,534.33)	\$10,054,500	5%	5.00%	\$366,228,012	57,661	\$529	6.5%
FY21	\$5,639,981.61	\$7,600,000	0%	5.50%	\$386,890,330	56,917	\$566	7.0%
FY22			0%	5.00%				
			3.3%	5.1%				5.2%

High Cost Claimants

- FY21
 - 938 or 1.7% of claimants exceeded \$50k in medical claims
 - \$123M in medical spend, 44.2% of total spend
- FY20
 - 821 or 1.5% of claimants exceeded \$50k in medical claims
 - \$108M in medical spend, 42.8% of total spend
- FY19
 - 830 or 1.6% of claimants exceeded \$50k in medical claims
 - \$104M in medical spend, 40.6% of total spend
- Top 5 diagnostic categories of high cost claimants
 - Neoplasm - cancer
 - Circulatory - Heart Disease
 - Genitourinary – kidney, liver
 - Musculoskeletal – joint disorders
 - Injury/Poisoning – accidents, substance abuse

Cost by Diagnostic Category

- PHP Top Five Diagnostic Categories
 - Musculoskeletal
 - Cancer
 - Digestive
 - Injury/Poisoning
 - Circulatory
- BCBS Top Five Diagnostic Categories
 - Cancer
 - Musculoskeletal
 - Circulatory
 - Injury/Poisoning
 - Genitourinary (includes end state renal failure)
- Combined, these categories account for approximately 48% of total medical spend

Pharmacy

THE STATE OF NEW MEXICO, RISK MANAGEMENT DIVISION (5057)			
Description	Jan-Jun 2021	Jan-Jun 2020	Change
Avg Subscribers per Month	28,600	28,407	0.7%
Avg Members per Month	59,480	59,670	(0.3%)
Number of Unique Patients	36,016	35,120	2.6%
Pct Members Utilizing Benefit	60.6%	58.9%	1.7
Total Plan Cost	\$32,699,531	\$29,909,174	9.3%
Total Days	10,557,295	10,372,715	1.8%
Total Rxs (Adjusted)	406,423	392,213	3.6%
Plan Cost PMPM	\$ 91.63	\$ 83.54	9.7%
Plan Cost Net PMPM (estimate)	\$ 63.52	\$ 58.29	9.0%
Plan Cost/Day	\$ 3.10	\$ 2.88	7.4%
Plan Cost per Rx	\$ 80.46	\$ 76.26	5.5%
Nbr Rxs PMPM	1.14	1.10	4.0%
Generic Fill Rate	87.4%	89.6%	(2.2)
Retail 90 Utilization Rate	2.6%	2.0%	0.5
Home Delivery Utilization	38.7%	38.6%	0.1
Member Cost % (Based on Plan Cost)	17.6%	17.7%	(0.1)
Specialty Percent of Plan Cost	46.0%	46.8%	(0.8)
Specialty Plan Cost PMPM	\$ 42.19	\$ 39.09	7.9%
Formulary Compliance Rate	99.2%	98.9%	0.3

Top Indications by Net Cost							
Rank	Indication	Rxs (Adjusted)	Patients	Estimated Net Cost	Estimated Net Cost per Patient	Estimated Net Cost PMPM	Estimated Net Cost PMPM Trend
1	INFLAMMATORY CONDITIONS	3,039	586	\$4,488,766	\$7,660	\$ 12.58	18.5%
2	CANCER	1,501	316	\$3,629,211	\$11,485	\$ 10.17	6.7%
3	DIABETES	35,993	4,033	\$2,729,519	\$ 677	\$ 7.65	27.9%
4	HIV	726	139	\$1,547,191	\$11,131	\$ 4.34	20.8%
5	MULTIPLE SCLEROSIS	265	52	\$1,448,105	\$27,848	\$ 4.06	(15.2%)
	Total Top 5	41,524		\$13,842,793		\$ 38.79	12.4%

Cost Mitigation Strategies – Applying Downward Pressure on Costs

Remove Financial Barriers to Early-intervention, High-value Services

- Enhanced wellness benefits providing all with access to weight loss and nutrition programs
- Enhanced services to most vulnerable members through community health workers and ambulance crews
- Evaluate and deploy diabetes management programs with digitally enabled devices (i.e. blue-tooth connected glucometers and scales) to improve condition management and allow for the possibility of disease reversal

Apply Value-Based Purchasing Principals

- Pay-for-performance related to improved clinical outcomes for diabetics (Presbyterian)
- Bundled payments for joint replacements performed by NM Orthopedics (BCBS) – Continue to evaluate and expand to other services
- Tiered networks approach with BCBS and Presbyterian– encourage higher use with higher quality and/or lower cost providers

Increased primary care strategies

- Leverage commitment by all carriers to encourage higher PCP usage
- Expand use of virtual primary care as appropriate

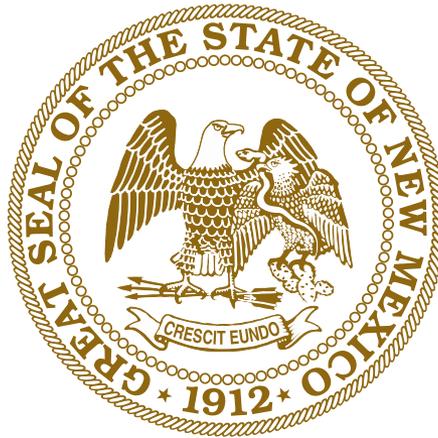
Almost all State Employees will continue to have the opportunity to pay lower premiums

Medical Claim Data Warehouse being deployed FY22 for enhanced reporting and data analysis

Re-Evaluate and Adjust Member Cost Sharing (i.e. deductibles, copayments) As Necessary

Other Strategies Under Consideration

- Potential reimbursement for COVID expenses (over \$14 million through FY21 and rising)
- Premium development



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“Our Services Support Your Success”