



NEW MEXICO
RETIREE
HEALTH CARE
AUTHORITY

Legislative Finance Committee

Representative Patricia A. Lundstrom, Chair
Senator George K. Munoz, Vice Chair

FY23 Appropriation Request
September 23, 2021

Doug Crandall, President
Therese Saunders, Vice President
LeAnne Larranaga-Ruffy, Secretary
David Archuleta, Executive Director

Retiree Health Care Act and Board Membership

Laws of 1990, Chapter 6, Sections 1 – 16

- Purpose: Provide eligible retirees, their spouses, and dependents with affordable health insurance.
- Board of Directors has broad authority to set plan parameters i.e., subsidy levels, participation requirements, cost sharing arrangements (copays, deductibles, and coinsurance).
- Created in July 1990 (No appropriation / No material prefunding period).
- Began paying full benefits for over 16,000 members in January 1991. Statutes limited premium increases until 2008.
- Findings and declaration of policy: *“The legislature does not intend to create contract rights which may not be modified or extinguished in the future.”*

Board Membership

- **Doug Crandall**, President -- Retired Public Employees of New Mexico
- **Therese Saunders**, Vice President -- NEA, Teachers Association
- **LeAnne Larranaga-Ruffy**, Secretary -- Public Employees Retirement Association Designee
- **Rick Scroggins** -- Educational Retirement Board, Acting Executive Director
- **Tomas Salazar** -- New Mexico Association of Educational Retirees
- **Tim Eichenberg** -- State Treasurer
- **Terry Linton** -- Governor Appointee
- **Leane Madrid** -- State Classified Employee, State Personnel Office
- **Loren Cushman** -- Superintendents Association, Animas Schools Superintendent
- **Sanjay Bhakta** -- Municipal League, Chief Financial Officer, City of Albuquerque
- **Lance Pyle** -- Association of Counties, Curry County Manager

Current Agency Operations

- **Two Office Locations**

6300 Jefferson Street NE, Suite 150
Albuquerque, NM 87109

33 Plaza La Prensa
Santa Fe, NM 87505

- **COVID-19 Update**

- Employees working in-office and remote
- Currently making appointments for in-person meetings with customers
- Monthly Board and Committee meetings held via GoToMeeting

- **Fall 2021 Priorities**

- Pharmacy Benefit Manager RFP 2022
 - Purpose: Provide continued prescription medication coverage for participants.
 - RFP includes other public purchasers – State of New Mexico, Public Schools Insurance Authority, Albuquerque Public Schools and the University of New Mexico.
- Generic Drug Litigation
 - Purpose: Attempt to recoup funds from alleged price fixing in the generic drug industry.
 - Currently developing RFP and draft contract.
- Develop Web Portal
 - Purpose: Improve customer service and automate some manual processes.
 - Allows members to access their account, billing information, and enable direct communications.

Membership, Budget, and Investments

Membership and Demographics

Public Employer Groups - 302

- Schools – 50%
- State agencies – 25%
- Local government – 25%

Total Plan Membership – 154,177 (6/30/20)

- Retirees/Surviving Spouses – 52,179
- Inactive/Eligible – 10,916
- Currently Active – 91,082

Current Participation – 65,270 (9/1/21)

- Retirees – 42,047
 - Pre-Medicare – 10,040
 - Medicare – 32,007
- Spouses/DP – 11,501
 - Pre-Medicare – 2,862
 - Medicare – 8,639
- Dependent Children – 1,605

Retirees Under Age 55 – 2,130

Retirees' Average Age – 70

Average Age at Retirement – 60

Healthcare Benefits Administration

• Uses

- Benefits - \$353.5 Million.
- ACA Fees - \$43.9 Thousand.
- Other Financing Uses - \$3.3 Million (Operations).

• Sources

- EE/ER Contributions - \$114.6 Million.
- Retiree Contributions - \$175 Million.
- Tax & Rev Suspense Fund - \$36.8 Million.
- Misc. Revenue - \$30 Million.
- Interest - \$400 Thousand.

Program Support (26 FTE)

• Uses

- Salaries & Benefits - \$2.1 Million.
- Contractual Services - \$621.4 Thousand.
- Other Costs - \$548.6 Thousand.

• Sources

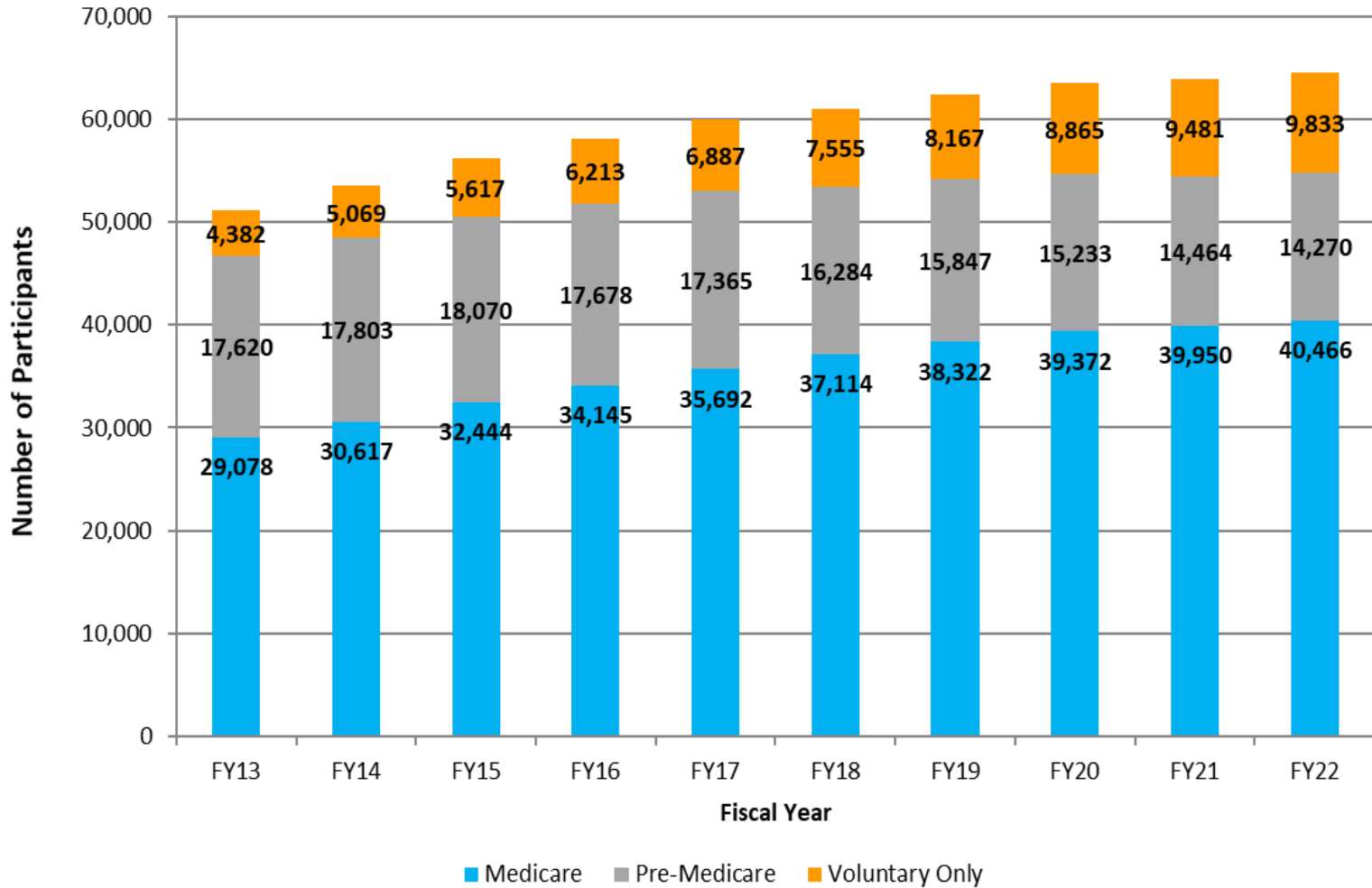
- Other Financing Uses - \$3.3 Million.

Investments

- Held by State Investment Council.
 - Fees Paid on Prorated Basis.
- Biennial Asset Allocation Study Performed.

Retiree Plan Participation

Fiscal Years 2013 - 2022



2022 Plan Changes

- **Board Approved Changes and Updates**
 - **Self-Insured Plan Rate Changes**
 - Premier and Value Plans: + 6%
 - Medicare Supplement Plan: + 4%
 - **Hinge Health – BCBS Value and Premier Plans**
 - Digital Musculoskeletal (MSK) Care and Services for Back and Joint Pain.
 - Sensor Technology with Clinical Team to Provide Health Coaching and Anytime Access.
 - **Broad Performance Network (Medicare Supplement Rx)**
 - **Delta Dental Network Change – Point of Service Network**
 - Increase in NM Provider Access by 7.8%.
- **Medicare Advantage Rate Changes**
 - Blue Cross Blue Shield Plan I: - 25%
 - Blue Cross Blue Shield Plan II: - 100%
 - UnitedHealthcare Plans I & II: 0%
 - Humana Plan I: + 4%
 - Humana Plan II: + 7%
 - Presbyterian Plans I & II: +10%

Solvency Study

Strategic Planning Tool

- **Projected Revenues**

- Employee and Employer Contributions (Set by Statute).
- Retiree Medical Premiums (Set by Board of Directors).
- Retiree Ancillary Premiums (Not Subsidized/Pass-Through).
- Tax Suspense Fund (Set by Statute).
- Miscellaneous (Medicare Subsidies, Drug Rebates, Performance Guarantees) (Varies).

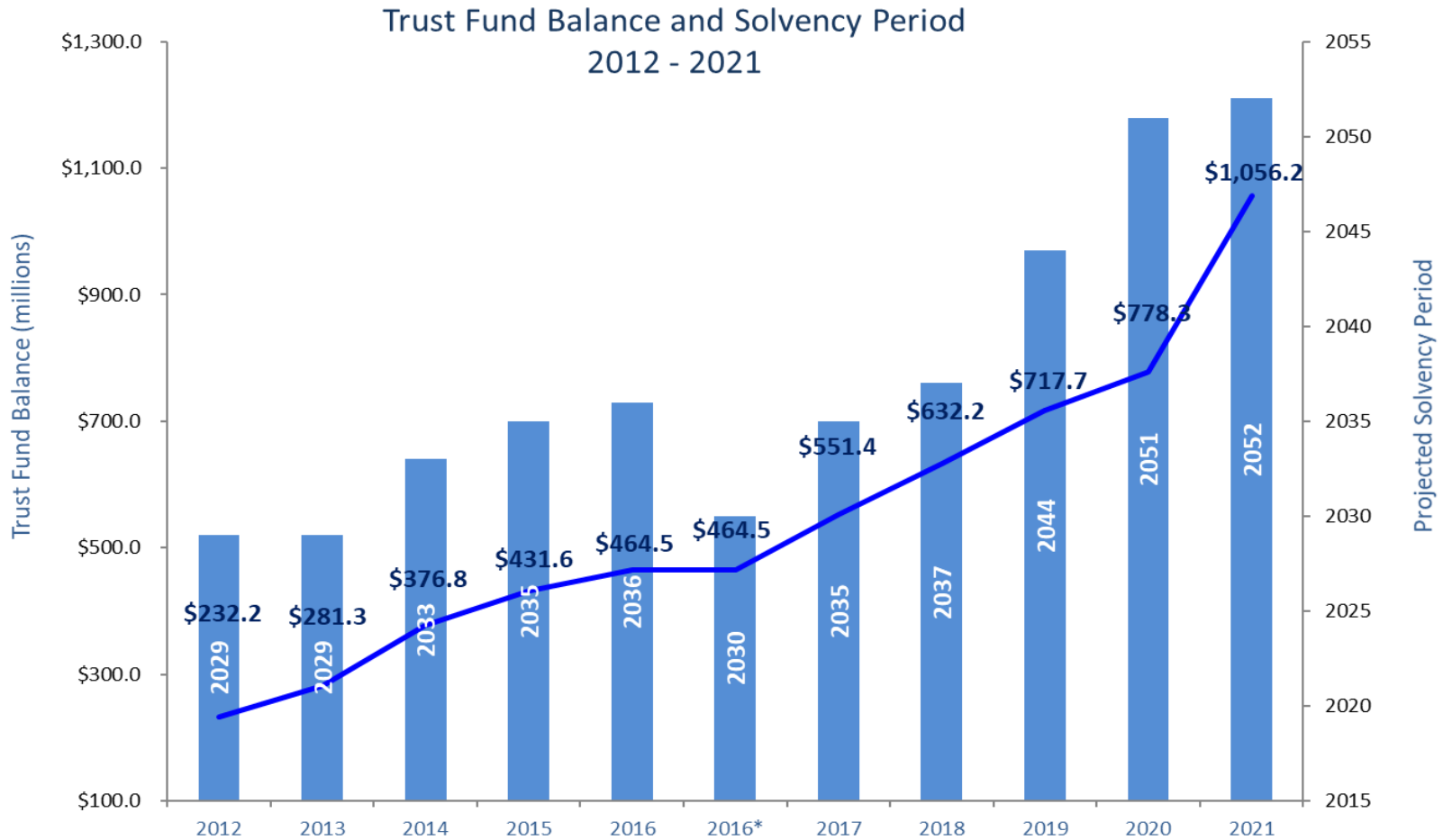
- **Projected Expenses**

- Medical and Prescription.
- Retiree Ancillary Premiums.
- Administrative Fees.
- Agency Operating Expenses.

- **Major Assumptions**

- Payroll Growth: 2.75%
- Discount Rate: 7.00%
- Medical Trend: 8% pre-Medicare / 6% Medicare
- Plan Selection: Migration to Lower Costing Plans.
- Plan Design Changes: Increased Copays, Coinsurance and Deductibles.
- Plan Rates: Continue to Grow in Accordance With Medical Trend.

Solvency Update

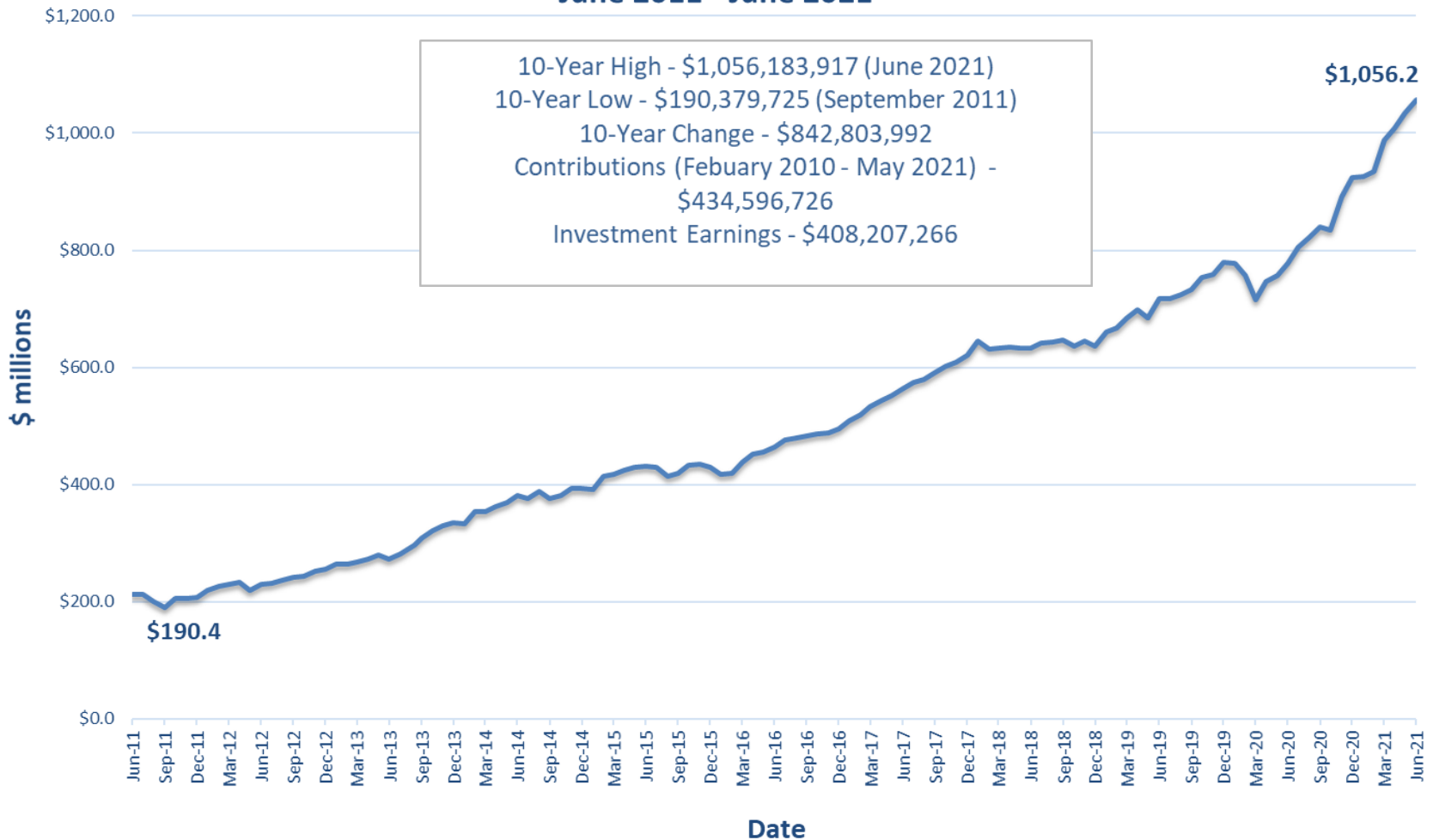


*Post 2016 Special Session
Action

■ Solvency Period — Trust Fund Balance

Investments

**NMRHCA Trust Fund Balance History
June 2011 - June 2021**



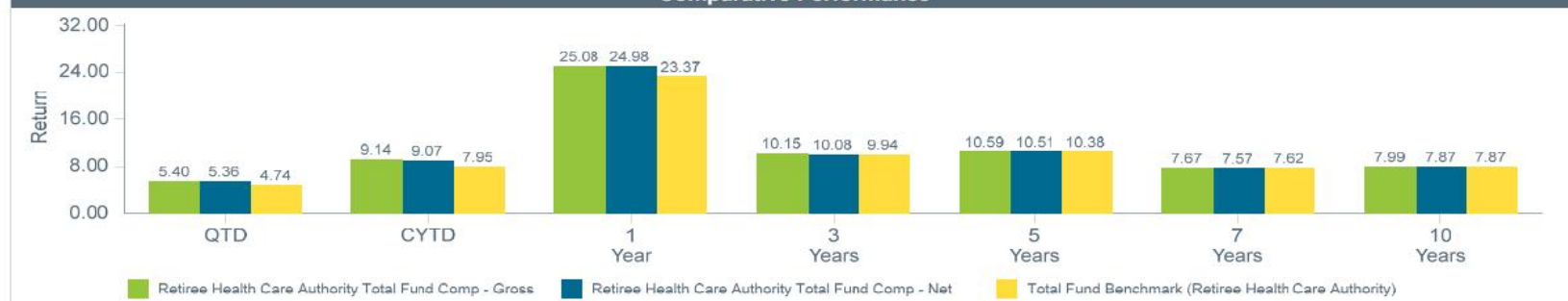
Investment Performance

New Mexico State Investment Council Retiree Health Care Authority Total Fund Comp

As of June 30, 2021

Overview	Asset Allocation vs. Target Allocation				
The New Mexico Retiree Health Care Authority (NMRHCA) was established in 1990 to provide health care coverage to retirees of state agencies and eligible participating public entities. Approximately 300 public entities including cities, counties, universities and charter schools participate in NMRHCA. The agency provides medical plans for both non Medicare and Medicare eligible retirees and their dependents as well as dental, vision and life insurance. The Authority currently provides coverage to approximately 58,000 retirees and their dependents.	Market Value (\$)	Allocation (%)	Target (%)	Difference (%)	
	Large Cap US Equity Index	176,755,158	16.74	14.00	2.74
	Small/Mid Cap US Equity Index	25,118,981	2.38	2.00	0.38
	Non-US Developed Markets Index	146,223,309	13.84	14.00	-0.16
	Non-US Emerging Markets Active	111,487,412	10.56	10.00	0.56
	US Core Bonds	190,451,533	18.03	20.00	-1.97
	Credit & Structured Finance	142,946,052	13.53	15.00	-1.47
	Private Equity	129,949,548	12.30	10.00	2.30
	Real Estate	91,249,224	8.64	10.00	-1.36
	Real Return	42,002,682	3.98	5.00	-1.02
Total Fund	1,056,183,900	100.00	100.00	0.00	

Comparative Performance



Comparative Performance

	QTD	CYTD	1 Year	3 Years	5 Years	7 Years	10 Years	2020	2019	2018
Retiree Health Care Authority Total Fund Comp - Gross	5.40	9.14	25.08	10.15	10.59	7.67	7.99	9.88	13.27	-1.24
<i>Total Fund Benchmark (Retiree Health Care Authority)</i>	<i>4.74</i>	<i>7.95</i>	<i>23.37</i>	<i>9.94</i>	<i>10.38</i>	<i>7.62</i>	<i>7.87</i>	<i>10.21</i>	<i>14.34</i>	<i>-1.86</i>
Difference	0.66	1.19	1.71	0.21	0.21	0.05	0.12	-0.33	-1.07	0.62
Retiree Health Care Authority Total Fund Comp - Net	5.36	9.07	24.98	10.08	10.51	7.57	7.87	9.83	13.21	-1.32
<i>Total Fund Benchmark (Retiree Health Care Authority)</i>	<i>4.74</i>	<i>7.95</i>	<i>23.37</i>	<i>9.94</i>	<i>10.38</i>	<i>7.62</i>	<i>7.87</i>	<i>10.21</i>	<i>14.34</i>	<i>-1.86</i>
Difference	0.62	1.12	1.61	0.14	0.13	-0.05	0.00	-0.38	-1.13	0.54

Schedule of Investable Assets

Periods Ending	Beginning Market Value (\$)	Net Cash Flow (\$)	Gain/Loss (\$)	Ending Market Value (\$)	% Return
CYTD	924,474,338	45,000,000	86,709,561	1,056,183,900	9.07

Allocations shown may not sum up to 100% exactly due to rounding. Performance shown is net of fees, except where noted otherwise. Performance includes receipt of additional units of the US Large Cap Index Pool effective July 1, 2020.



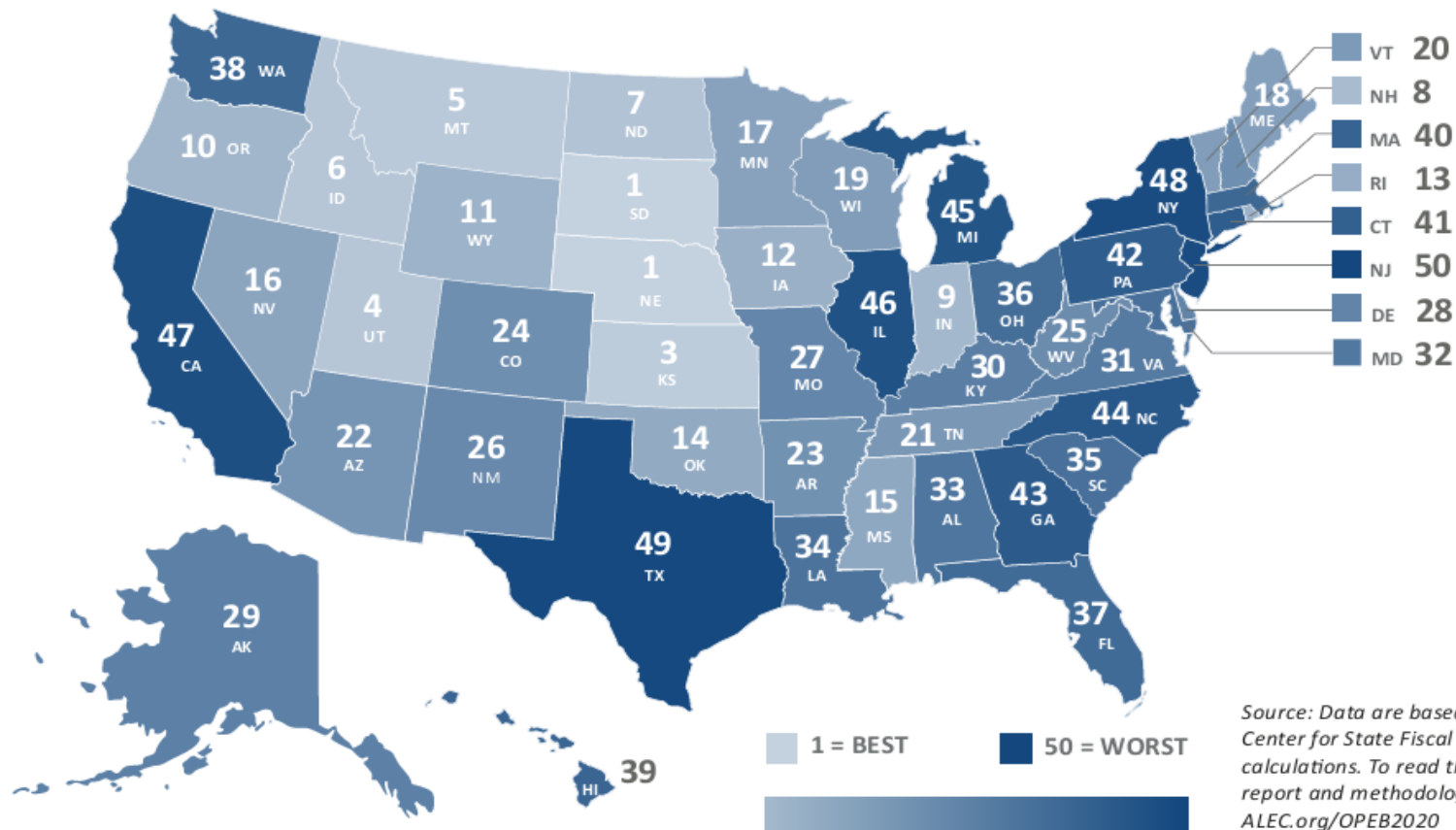
GASB Updates

- GASB 74 – Actuarial Valuation Review of Other Postemployment Benefits (OPEB) (June 30, 2020)
 - Completed November 4, 2020.
 - Total OPEB Liability: \$5,028,579,923 (2020) / \$3,999,137,737 (2019).
 - Net OPEB Liabilities (NOL) Increased \$989.9 million (Driven by Decrease in Blended Discount Rate/Lower Bond Index Rates).
 - 2.86% in 2020 vs 4.16% in 2019.
 - Applicable Discount Rate = Blend of Assumed Investment Return on Plan Assets – 7.25% and the Rate for 20-Year, Tax-Exempt General Obligation Municipal Bonds with an Average Rate of AA/Aa or Higher (e.g. 2.21% as of June 30, 2020 Compared to 3.50% as of June 30, 2019).
 - NOL: \$4,198,908,018 (2020) / \$3,242,388,746 (2019).
 - Funded Status: 16.50% (2020) / 18.92% (2019).
 - The Coronavirus (COVID-19) Pandemic is Rapidly Evolving and may have a Significant Financial Impact on Future Expenditures. The Report does not Attempt to Measure:
 - Direct or Indirect Effects of COVID-19 on Short-Term Health Plan Costs.
 - Short-Term or Long-Term Impacts on Mortality of the Covered Population.
 - The Potential for Federal or State Fiscal Relief.

Other Postemployment Benefits Continued

FIGURE 1 TABLE 1
Total Unfunded OPEB Liabilities

This metric shows the total OPEB liabilities in each state. It is important to note that Nebraska and South Dakota implemented defined-contribution healthcare benefits, eliminating unfunded liabilities in these states.



Source: Data are based on ALEC Center for State Fiscal Reform's calculations. To read the full report and methodology, see ALEC.org/OPEB2020

Healthcare Benefits Administration

Health Benefit Fund Expenditure Summary						
	FY21	FY21	FY22	FY23	FY23	%
Contractual Services	OPBUD	ACTUALS	OPBUD	INC/DEC	REQUEST	CHANGE
1 Prescriptions	\$ 115,000.0	\$ 105,407.6	\$ 116,800.7	\$ 6,500.0	\$ 123,300.7	5.6%
2 Medical - Supplement/Self- Insured	\$ 170,651.7	\$ 147,789.0	\$ 168,000.0	\$ 10,500.0	\$ 178,500.0	6.3%
3 Medicare Advantage	\$ 30,750.0	\$ 23,596.8	\$ 29,951.0	\$ 4,075.0	\$ 34,026.0	13.6%
4 Voluntary Coverages	\$ 38,750.0	\$ 36,119.2	\$ 38,750.0	\$ 2,350.0	\$ 41,100.0	6.1%
5 Total Contractual Services	\$ 355,151.7	\$ 312,912.6	\$ 353,501.7	\$ 23,425.0	\$ 376,926.7	6.6%
Other						
6 PCORI Fee	\$ 39.9	\$ 35.8	\$ 43.9	\$ 1.1	\$ 45.0	2.5%
7 Total Other	\$ 39.9	\$ 35.8	\$ 43.9	\$ 1.1	\$ 45.0	2.5%
Other Financing Uses						
8 Program Support	\$ 3,306.7	\$ 3,306.7	\$ 3,280.7	\$ 221.7	\$ 3,502.4	6.8%
9 Total Other Financing Uses	\$ 3,306.7	\$ 3,306.7	\$ 3,280.7	\$ 221.7	\$ 3,502.4	6.8%
10 Total Expenditures	\$ 358,498.3	\$ 316,255.1	\$ 356,826.3	\$ 23,647.8	\$ 380,474.1	6.6%

- NMRHCA Requests a \$23.6 Million Increase in Spending Authority for FY23.
- This Request Includes the Following Assumptions:
 - Modest growth in pre-Medicare plan participant numbers and an increase in the number of members electing lower premium/higher out-of-pocket expense plans.
 - Continued migration and election of lower costing Medicare Advantage Plans compared to Medicare Supplement.
 - Growth in prescription plan costs resulting from increases in cost and utilization of specialty medications.
 - Participation in the voluntary plans are expected to continue growing at nearly 9 percent per year, given the average growth rate from FY17 to the Present.

Program Support

Program Support Expenditure Summary									
			FY21	FY21	FY22	FY23	FY23	PERCENT	
	Uses		OPBUD	ACTUALS	OPBUD	INC/DEC	REQUEST	CHANGE	
1	200	Personal Services/ Employee Benefits	2,026.8	1,908.8	2,110.7	129.8	2,240.5	6.4%	1
2	300	Contractual Services	713.7	672.3	621.4	53.5	674.9	7.5%	2
3	400	Other Costs	566.2	492.4	548.6	38.4	587.0	6.8%	3
4		TOTAL	3,306.7	3,073.5	3,280.7	221.7	3,502.4	6.7%	4

- Personal Services and Employee Benefits Includes \$129,800 (6.4%) Increase, above FY22 Approved Operating Levels to Include Full Funding for 26 FTE.
- Contractual Services Includes \$53,500 (7.5%) 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 \$38,400 (6.8%) Increase in the Other Category Spread Across Multiple Line Items.
- Special Appropriation Request --- NMRHCA will Submit a Special/Supplemental Appropriation Request to Cover Costs Associated with COVID Testing and Treatment.

New Mexico Retiree Health Care Authority

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8:00AM – 5:00PM (Monday - Friday)

www.nmrhca.org or www.facebook.com/nmrhca

Offices Remain Closed Except by Appointment