

Legislative Finance Committee
Employee Benefits Update
September 30, 2020



NEW MEXICO

GENERAL SERVICES DEPARTMENT

Enrollment – Who Do We Cover?

State of New Mexico Eligibility Rules

- <https://www.mybenefitsnm.com/>
- Employees – **17,669 Employees** with Medical Coverage
 - Average of 20 hours per week
 - Work time requirements waived for elected officials
- Dependents – **20,393 Dependents** with Medical Coverage
 - Spouse
 - Domestic Partner
 - Children up to 26
- Total State Members: **38,062 Members**

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

Enrollment – Who Do We Cover?

Local Public Body (LPB) Participation

- 105 LPB's
 - 23 counties
 - 60 municipalities
 - Institutions of higher learning including NMSU, NM Highlands and NMMI
 - Various governmental districts (housing, soil and irrigation, etc.)
- Employees – 9,554 Dependents – 9,859

Medical Plan Totals

- State – 38,062 members - 67%
- LPB's – 19,403 members - 33%
- **Total - 57,465**

60% Presbyterian / 40% BCBS

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>
9,324 - 53%	Below \$50k	20%	80%
3,382 - 19%	\$50k to \$60k	30%	70%
4,963 - 28%	Above \$60k	40%	60%
Weighted Average:	State Pays 72% of premiums Employee Pays 28% of premiums		

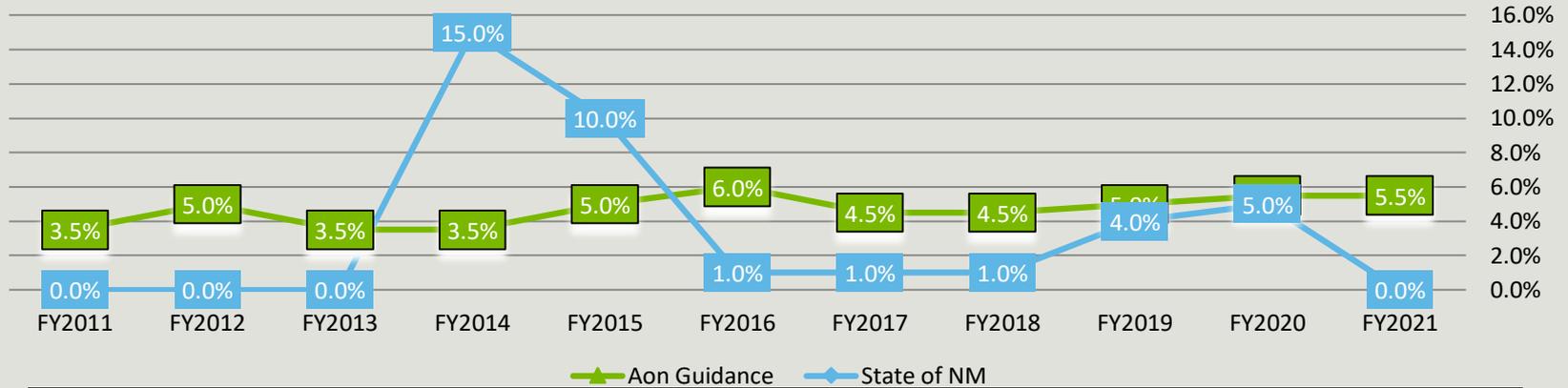
Note: LPB's are excluded from this statute. RMD simply collects the total premium each month and each LPB makes their own contribution decisions.

New Mexico Public Sector Plan Comparisons – How Much Does It Cost?

	SONM - GSD/RMD		NMPSIA		APS
	HMO	PPO	High PPO	Low PPO	PPO
<u>Carriers / Network</u>	<u>Presbyterian & BCBS</u>	<u>BCBS</u>	<u>Presbyterian & BCBS</u>	<u>BCBS & Presbyterian</u>	<u>Presbyterian & BCBS</u>
Individual Deductible	\$350 / \$425	\$500	\$750	\$2,000	\$250 / \$500
Individual Out of Pocket Maximum	\$3,500 / \$3,750	\$4,000	\$3,750 + separate RX OOP	\$3,750 + separate RX OOP	\$3,000 - separate RX OOP
PCP Office Visit Copay	\$25 / \$35	\$40	\$30	\$35	\$15
Specialist Office Visit Copay	\$45 / \$50	\$60	\$50	\$60	\$40
ER Visit Copay	\$275 / \$300	\$325	\$150 copay + 20% coinsurance	\$150 Copay + 25% coinsurance	\$250
Inpatient Hospital	\$600 / \$700 per admit copay	\$1,250 per admit copay	\$500 per admit copay + 20% coinsurance	Dedc + 25% coinsurance	Dedc. + 20% coinsurance
Pharmacy (Retail)	\$50 Dedc for Brand Drugs				
Generic	\$6	\$6	\$10 copay	\$10 copay	20% (\$10 - \$25)
Brand (Formulary)	30% (\$35 - \$95)	30% (\$35 - \$95)	30% (\$30 - \$60)	30% coinsurance (\$30 - \$60)	30% (\$35 - \$65)
Brand (Non-Formulary)	40% (\$60 - \$130)	40% (\$60 - \$130)	70% coinsurance	70% coinsurance	40% (\$70 - 140)
Actuarial Value	86.7% / 85.3%	83.5%	83.8%	80.5%	83.4%
Costs					
Total Monthly Premium - Individual	\$537 (\$49 to \$99 per check)	\$624 (\$58 to \$115 per check)	\$584 (PHS) \$722 (BCBS)	\$442 (PHS) \$546 (BCBS)	\$501
Total Monthly Premium – Family	\$1,585 (\$146 to \$292 per check)	\$1,843 (\$170 to \$340 per check)	\$1,635 (PHS) \$1,834 (BCBS)	\$1,237 (PHS) \$1,388 (BCBS)	\$1,353
<u>Salary Brackets</u>	Employer / Employee Portion	Salary	Salary	Employer / Employee Portion	
	Less than \$50K	80% / 20%	Less Than \$15K	75% / 25%	Below \$39,500 80% APS / 20% EE
	\$50K to \$60K	70% / 30%	\$15K to \$20K	70% / 30%	\$39,500 - \$45,000 70% APS / 30% EE
	Above \$60K	60% / 40%	\$20K to \$25K	65% / 35%	Above \$45,000 60% APS / 40% EE
			Above \$25K	60% / 40%	

Fund Balance & Premium Increase History Compared To Medical Trend 10-Years

Year / Year Annual Increase in Medical & Rx



Fiscal Yr	752 Beginning Fund Balance	Special Appropriations	Premium Increases	National Trend
FY11	\$ 58,066,428.57		0%	3.5%
FY12	\$ 65,625,745.92		0%	5.0%
FY13	\$ 36,823,281.44	\$9,240,000	0%	3.5%
FY14	\$ 14,337,849.13		15%	3.5%
FY15	\$ 21,884,624.89		10%	5.0%
FY16	\$ 38,083,467.44		1%	6.0%
FY17	\$ 39,732,163.17		1%	4.5%
FY18	\$ 23,402,744.99		1%	4.5%
FY19	\$ (5,352,499.09)		4%	5.0%
FY20	\$ (2,044,534.33)	\$10,054,500	5%	5.0%
FY21	\$ 5,639,981.61		0%	5.5%

3.6%

5.2%

Group Health Benefits Update

Health Benefits Fund 75200 Revenue and Expenditure Estimates for July 2019 through June 2020

Beginning Cash Balance at 07/01/2019 **(\$2,044,534.33)**

		Revenue	Expenses	Diff (\$)	Diff (%)
Actuals	July-19	\$ 27,183,322.00	\$ 29,471,263.95	(\$2,287,941.95)	-8.4%
	August-19	\$ 35,973,087.05	\$ 30,488,426.92	\$5,484,660.13	15.2%
	September-19	\$ 27,652,873.58	\$ 35,486,675.45	(\$7,833,801.87)	-28.3%
	October-19	\$ 31,315,071.14	\$ 36,535,026.38	(\$5,219,955.24)	-16.7%
	November-19	\$ 27,906,085.05	\$ 32,460,463.85	(\$4,554,378.80)	-16.3%
	December-19	\$ 28,262,540.00	\$ 34,398,359.25	(\$6,135,819.25)	-21.7%
	January-20	\$ 36,922,905.19	\$ 24,432,416.05	\$12,490,489.14	33.8%
	February-20	\$ 27,853,374.26	\$ 33,106,918.04	(\$5,253,543.78)	-18.9%
	March-20	\$ 28,513,577.66	\$ 32,526,476.16	(\$4,012,898.50)	-14.1%
	April-20	\$ 28,423,999.03	\$ 26,190,192.88	\$2,233,806.15	7.9%
	May-20	\$ 35,065,478.57	\$ 21,853,624.74	\$13,211,853.83	37.7%
	June-20	\$ 28,795,714.78	\$ 29,278,168.70	(\$482,453.92)	-1.7%
Total Projected Fiscal Year Ending 06/30/2020		\$ 363,868,028.31	\$ 366,228,012.37	(\$2,359,984.06)	-0.6%
Per Laws 20, 2S, C83-S006-I007, to cover shortfalls in health benefits program				\$2,044,500.00	
Per Laws 20, 2S, C83-S006-I008, to cover shortfalls in health benefits program				\$8,000,000.00	
Total Projected Ending Cash Balance 6/30/2020				\$5,639,981.61	

Group Health Benefits Update

Major Considerations

- FY20 started with a fund balance deficit **(-\$2 million)**
- FY20's loss ratio further contributed to an increased deficit **(-\$2.4 million)**
- FY20 loss ratio would have been worse without decreased utilization in the last Qtrtr due to COVID-19 related restrictions
- A special appropriation of \$10 million (non-recurring) allowed for a positive end-of-year balance
- There will be no premium (revenue) increases in FY21
- Due to above contributing factors, fund balance is projected to be **(-\$18.8 million)** at end of year FY21 if no changes are made

Aon Projection Worksheet Summary w/ History

	<u>FY20</u>	<u>FY21</u>	<u>FY22</u>	
Revenue	\$373,912,528.31	\$363,868,028.31	\$363,868,028.31	Trend
Medical - 95% Claims / 5% to Carriers	\$334,387,737.36	\$354,010,000.00	\$362,775,972.00	4.0%
Dental	\$16,024,889.17	\$17,939,212.00	\$17,939,212.00	0.0%
Vision	\$2,360,662.32	\$3,003,135.00	\$3,003,135.00	0.0%
Other	\$13,454,723.52	\$13,454,723.52	\$13,454,723.52	0.0%
Total	\$366,228,012.37	\$388,408,028.52	\$397,173,042.52	
Contribution to 75200 Fund	\$7,684,515.94	(\$24,540,042.21)	(\$33,305,958.21)	

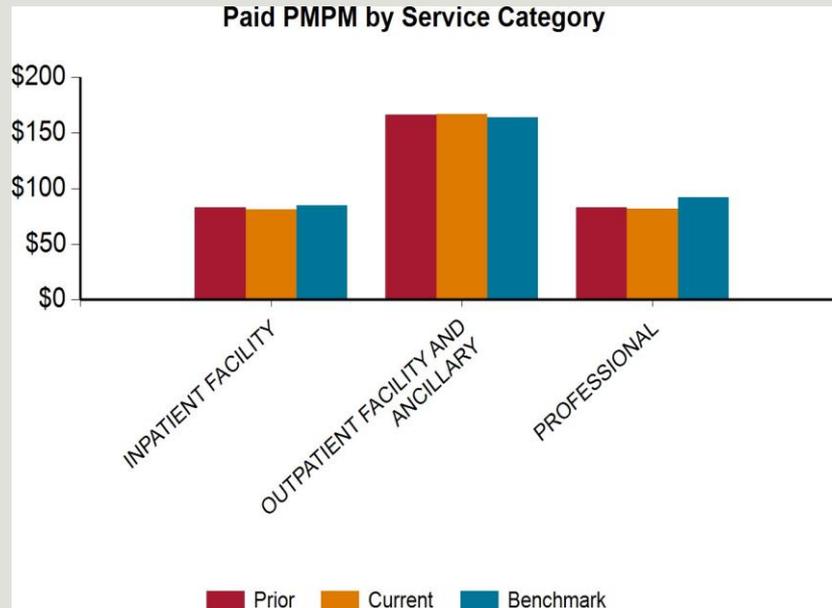
Current Aon national trends are 5.5% medical, 2.5% dental, and 2.0% vision. COVID impact on utilization -2.5%

<u>Fiscal Year</u>	<u>Expenses</u>	<u>Revenue</u>	<u>Surplus/Deficit</u>	<u>Fund Bal</u>
FY13	\$338,375,894	\$306,549,510	-\$31,826,000	\$14,337,849
FY14	\$308,949,620	\$330,078,340	\$21,129,000	\$21,884,625
FY15	\$332,435,670	\$350,054,483	\$17,619,000	\$38,083,467
FY16	\$345,336,482	\$344,240,507	-\$1,096,000	\$39,732,163
FY17	\$349,710,090	\$334,463,305	-\$15,247,000	\$23,402,745
FY18	\$362,928,667	\$327,878,127	-\$35,051,000	-\$5,352,499
FY19	\$342,573,844	\$349,788,123	\$7,214,000	-\$2,044,534
FY20	\$366,228,012	\$373,912,528	\$7,685,000	\$5,640,000
FY21	\$388,408,028	\$363,868,028	-\$24,540,000	-\$18,869,042
FY22	\$397,173,042	\$363,868,028	-\$33,305,000	-\$52,175,000

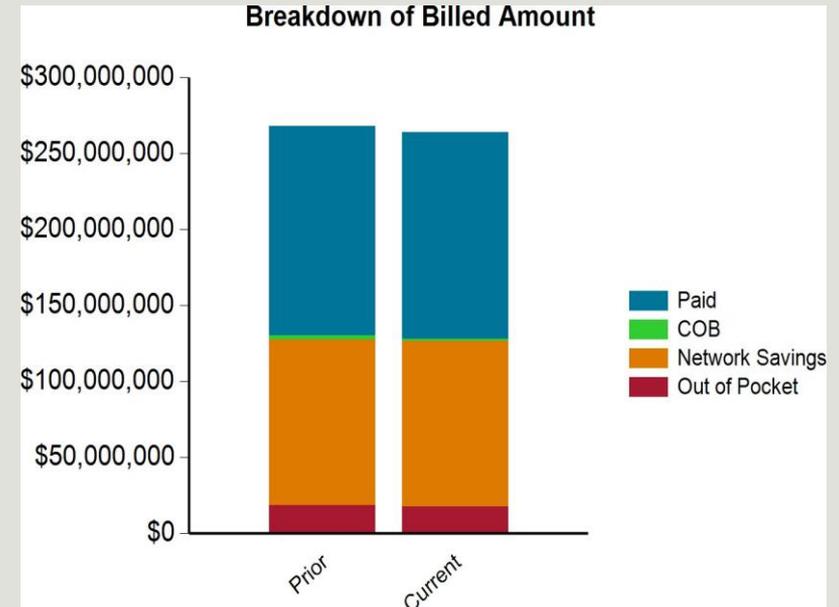
Financial Key Indicators

Financial Key Indicators	July 2018 -	July 2019 -	% Change	Benchmark	Benchmark
	June 2019	June 2020			
Billed	\$267,967,423.75	\$264,103,544.54	-1.4%		
Network Savings	\$108,958,488.96	\$108,881,424.65	-0.1%		
Allowed	\$159,008,934.79	\$155,222,119.89	-2.4%		
Out of Pocket	\$18,412,360.29	\$17,539,433.16	-4.7%		
Total COB	\$2,666,389.32	\$1,472,334.62	-44.8%		
Paid	\$137,930,185.18	\$136,210,352.11	-1.2%		
Paid PEPM	\$729.22	\$708.89	-2.8%	\$634.45	11.7%
Paid PMPM	\$332.95	\$329.63	-1.0%	\$340.80	-3.3%
HCC Paid PMPM	\$89.98	\$91.59	1.8%	\$84.03	9.0%
Excluding HCC Paid PMPM	\$242.98	\$238.04	-2.0%	\$256.77	-7.3%

Paid PMPM by Service Category



Breakdown of Billed Amount

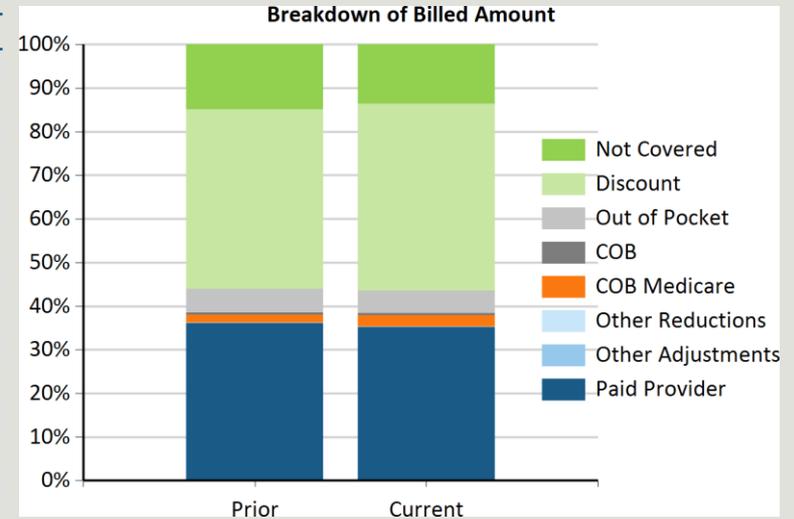


Data presented here are for specific time periods as of 08/13/2020. There is the possibility of additional data coming in or restatement of past results based on new information.

Report Description: Provides a breakdown of the medical order of reduction from billed to paid for the current month, current period, prior period and a percent change. This report may highlight key measures and their potential impact on paid expenses.

Medical Order of Reduction

Paid Month	Jun 2020	Jul 2018 - Jun 2019	Jul 2019 - Jun 2020	% Change
Billed	\$29,225,547	\$319,821,628	\$330,522,750	3.4%
Not Covered	\$3,445,118	\$47,452,160	\$44,982,619	-5.2%
Covered	\$25,780,429	\$272,369,468	\$285,540,130	4.8%
Discount	\$13,837,638	\$131,792,845	\$141,430,430	7.3%
Allowed	\$11,942,792	\$140,576,623	\$144,109,700	2.5%
Out of Pocket	\$1,274,173	\$17,368,890	\$17,314,374	-0.3%
COB	\$129,398	\$1,776,679	\$1,736,866	-2.2%
COB Medicare	\$417,567	\$5,486,238	\$8,535,328	55.6%
Other Reductions	\$2,292	\$102,437	\$59,091	-42.3%
Other Adjustments	\$4,401	(\$13,851)	(\$6,473)	53.3%
Paid - Provider	\$10,114,962	\$115,856,230	\$116,470,515	0.5%
Other Payments	\$7,657	\$96,655	\$92,543	-4.3%
Medical Paid	\$10,122,619	\$115,952,885	\$116,563,058	0.5%



Group Liability Breakdown

Paid Month	Jun 2020	Jul 2018 - Jun 2019	Jul 2019 - Jun 2020	% Change
Medical Paid	\$10,122,619	\$115,952,885	\$116,563,058	0.5%
VBC Payments	\$321	\$8,384	\$3,743	-55.4%
Total Paid Claims	\$10,122,940	\$115,961,269	\$116,566,801	0.5%
Recoveries	(\$8,697)	(\$300,402)	(\$224,275)	25.3%
Total Paid Claims + Recoveries	\$10,114,244	\$115,660,868	\$116,342,525	0.6%
Fees & Credits	\$277,548	\$2,917,879	\$3,082,092	5.6%
HCA Draft Amount	\$0	\$0	\$0	0.0%
Capitation Paid	\$2,030	\$30,446	\$24,549	-19.4%
Group Liability	\$10,393,822	\$118,609,192	\$119,449,166	0.7%

Fees and Credits Breakdown

Paid Month	Jun 2020	Jul 2018 - Jun 2019	Jul 2019 - Jun 2020	% Change
Access Fee	\$0	\$0	\$0	0.0%
Admin Fee	\$234,431	\$2,664,266	\$2,776,995	4.2%
ASO Adjustments	\$38,447	\$199,160	\$249,768	25.4%
Aggregate Stop Loss	\$0	\$0	\$0	0.0%
Specific Stop Loss	\$0	\$0	\$0	0.0%
Extra Fees	\$0	\$0	\$0	0.0%
ASO Other Services	\$0	\$0	\$0	0.0%
ASO All Other	\$4,671	\$54,452	\$55,329	1.6%
Summary	\$277,548	\$2,917,879	\$3,082,092	5.6%

Other reductions includes penalties, workers compensation savings, and subrogation savings.

Other payments includes Blue Card access fees and surcharges. Also displayed are other adjustments.

Top 25 Drugs

- Represent 40.9% of your total Plan Cost Net and comprise 12 indications
- 17 of your top 25 are specialty drugs, making up 77.3% of your Top 25 spend

Top Drugs by Plan Cost Net															
7-19 -6-20											7-18 - 6-19				% Change
Management Strategy	Rank	Peer Rank	Brand Name	Indication	Rxs	Pts.	Plan Cost Net	Plan Cost Net PMPM	Rank	Rxs	Pts.	Plan Cost Net PMPM	Plan Cost Net PMPM	% Change	
ST/PA	1	1	HUMIRA(CF) PEN*	INFLAMMATORY CONDITIONS	655	101	\$2,146,490	\$3.02	13	135	38	\$0.71	\$0.71	326.5%	
PA	2	31	HEMLIBRA*	HEMOPHILIA	55	4	\$1,731,969	\$2.43	12	17	2	\$0.71	\$0.71	243.3%	
PA	3	5	REVLIMID*	CANCER	95	13	\$1,521,427	\$2.14	2	77	14	\$1.62	\$1.62	32.4%	
PA/DQM	4	4	TRULICITY	DIABETES	2,811	459	\$1,166,204	\$1.64	3	2,035	369	\$1.16	\$1.16	41.2%	
ST	5	22	AUBAGIO*	MULTIPLE SCLEROSIS	143	16	\$935,233	\$1.31	6	130	14	\$0.90	\$0.90	46.6%	
ST	6	10	GILENYA*	MULTIPLE SCLEROSIS	138	13	\$881,731	\$1.24	5	100	14	\$0.92	\$0.92	34.3%	
N/A	7	12	BIKTARVY	HIV	201	27	\$764,335	\$1.07	22	95	20	\$0.48	\$0.48	125.7%	
ST/PA/DQM	8	27	IMBRUVICA*	CANCER	52	6	\$698,949	\$0.98	11	45	6	\$0.80	\$0.80	22.8%	
ST	9	9	TECFIDERA*	MULTIPLE SCLEROSIS	99	13	\$698,881	\$0.98	8	95	11	\$0.86	\$0.86	14.5%	
ST/PA/DQM	10	2	HUMIRA PEN*	INFLAMMATORY CONDITIONS	192	31	\$678,699	\$0.95	1	418	60	\$2.24	\$2.24	-57.5%	
ST/PA	11	7	ENBREL SURECLICK*	INFLAMMATORY CONDITIONS	242	32	\$662,890	\$0.93	4	222	36	\$0.97	\$0.97	-4.4%	
ST/PA	12	3	STELARA*	INFLAMMATORY CONDITIONS	64	19	\$637,382	\$0.90	17	44	15	\$0.63	\$0.63	42.3%	
DQM	13	41	IMATINIB MESYLATE*	CANCER	71	6	\$623,130	\$0.88	7	72	6	\$0.86	\$0.86	1.9%	
ST/PA/DQM	14	16	IBRANCE*	CANCER	59	7	\$583,818	\$0.82	14	46	7	\$0.69	\$0.69	19.0%	
PA	15	68	CABOMETYX*	CANCER	24	2	\$450,344	\$0.63	39	11	4	\$0.27	\$0.27	134.2%	
PA/DQM	16	8	DUPIXENT SYRINGE*	SKIN CONDITIONS	183	24	\$405,083	\$0.57	41	72	12	\$0.27	\$0.27	114.2%	
N/A	17	25	TRUVADA	HIV	179	45	\$394,319	\$0.55	20	150	47	\$0.52	\$0.52	6.6%	
ST/PA	18	67	ENBREL MINI*	INFLAMMATORY CONDITIONS	144	23	\$381,709	\$0.54	36	65	13	\$0.28	\$0.28	94.1%	
ST	19	11	OZEMPIC	DIABETES	749	153	\$373,688	\$0.53	85	201	68	\$0.15	\$0.15	255.8%	
PA/DQM	20	24	TADALAFIL	ERECTILE DYSFUNCTION	661	149	\$360,035	\$0.51	95	149	87	\$0.13	\$0.13	279.1%	
PA/DQM	21	32	SPRYCEL*	CANCER	28	5	\$357,843	\$0.50	15	36	4	\$0.67	\$0.67	-25.1%	
DQM	22	29	LATUDA	MENTAL/NEURO DISORDERS	321	62	\$347,629	\$0.49	30	230	49	\$0.35	\$0.35	38.3%	
PA	23	26	XARELTO	ANTICOAGULANT	941	192	\$304,450	\$0.43	31	792	159	\$0.32	\$0.32	31.8%	
PA	24	141	ACTHAR*	MISC CONDITIONS	2	1	\$304,208	\$0.43	69	2	1	\$0.17	\$0.17	152.6%	
DQM	25	38	XIFAXAN	GI DISORDERS	140	42	\$301,128	\$0.42	38	113	34	\$0.28	\$0.28	53.7%	
Total Top 25:					8,249		\$17,711,575	\$24.88		5,352		\$16.94	\$16.94	46.9%	
Differences Between Periods:					2,897		\$5,585,255	\$7.94							

*Specialty Drugs

Peer = Express Scripts Peer 'Government - State' market segment



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EXPRESS SCRIPTS



CHAMPIONS FOR BETTER

High Cost Claimants

- 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
 - Neoplasms
 - Circulatory
 - Genitourinary
 - Musculoskeletal
 - Injury/Poisoning

Cost by Diagnostic Category

- PHP Top Five Diagnostic Categories
 - Musculoskeletal
 - Genitourinary
 - Neoplasms
 - Circulatory
 - Infection
- BCBS Top Five Diagnostic Categories
 - Neoplasms
 - Circulatory
 - Musculoskeletal
 - Injury/Poisoning
 - Genitourinary
- Combined, these categories account for approximately 50% of total medical spend

Pharmacy

- Rx PMPM increased \$7.38, or 13.8%, from FY19 to FY20
 - Specialty medications accounted for \$5.11 of the increase, an 18.3% change
 - Specialty medications are 54% of total pharmacy spend
 - 17 of top 25 drugs are specialty medications
 - Non-specialty drugs increased 8.9%
- Top five conditions
 - Inflammatory
 - Cancer
 - Diabetes
 - Multiple Sclerosis
 - HIV
- Generic fill rate is 88.5%, 3.5% above peers

Deficit Mitigation Strategies – Applying Downward Pressure on Costs

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

- Increase number of free EAP visits (from 3 to 5)
- Remove all copayments associated with all telemedicine services
- Provide a free behavioral health “checkup” under the medical plan
- Enhanced wellness benefits providing all with access to weight loss and nutrition programs as well as personalized health coaching
- Enhanced services to most vulnerable members
 - Community Health Workers (Presbyterian)
 - EMT/Paramedics (BCBS)

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)

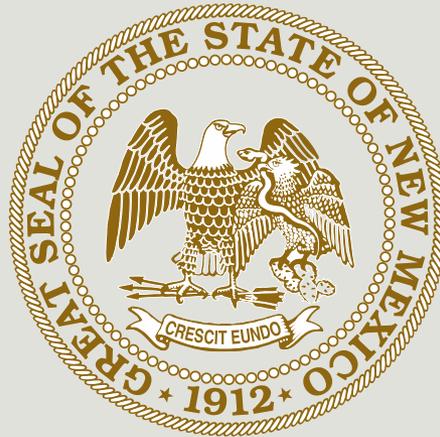
Introduce Cigna as New Medical Carrier effective January 1, 2021

- Lower Costing Plan Design (slightly higher deductible and OOP max) to Provide Increased Financial Choices
- Premiums will be slightly lower than existing plans
- All State Employees will have the opportunity to pay less in premiums

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

Biggest Unknown Variable: How will COVID-19 continue to impact utilization of health care services

Questions & Comments



NEW MEXICO

GENERAL SERVICES DEPARTMENT