



NEW MEXICO
RETIREE
HEALTH CARE
AUTHORITY

Investments & Pensions Oversight Committee

Representative Patricia Roybal Caballero, Chair
Senator Roberto “Bobby” J. Gonzales, Vice Chair

Agency Review, Updates & Prescription Costs
July 7, 2022

Doug Crandall, President
Therese Saunders, Vice President
LeAnne Larrañaga-Ruffy, Secretary
Neil Kueffer, 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

Board Member Information

Governed by 11-member Board of Directors:

- Doug Crandall, President -- Retired Public Employees of New Mexico (RPENM)
- Therese Saunders, Vice President -- NEA, Teachers Association
- LeAnne Larranaga-Ruffy, Secretary – Public Employees Retirement Association Designee
- Rick Scroggins – Educational Retirement Board Designee
- Tomas Salazar -- New Mexico Association of Educational Retirees (NMAER)
- Tim Eichenberg -- State Treasurer
- Terry Linton -- Governor Appointee
- Jamie Widner -- Superintendents Association
- Sanjay Bhakta -- Municipal League
- Lance Pyle -- Association of Counties
- *Vacant* -- State Classified Employee, State Personnel Office

Program Composition, Participation & Financing

Active participation – 92,484 (6/30/21)

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

Retiree participation – 67,717 (7/1/22)

- Medicare – 40,698
- Pre-Medicare – 13,370
- Voluntary Only – 13,649
- Retirees – 48,473
- Spouses/DP – 16,476
- Dependent Children – 2,768
- Average Age Retiree – 70.65
 - Enrollment – 60.67 (2021)
 - Enrollment – 61.24 (2022 – to date)
- Retirees Under age 55 - 2,100

FY23 Budget

Healthcare Benefits Administration

- Uses:
 - Benefits - \$376.9 million
 - ACA Fees - \$45 thousand
 - Other Financing Uses - \$3.6 million (operations)
- Sources:
 - EE/ER Contributions - \$124.6 million
 - Retiree Contributions - \$179.4 million
 - Tax & Rev Suspense Fund - \$41.3 million
 - Misc. Revenue - \$35 million
 - Interest - \$100 thousand

Program Support (26 FTE)

- Salaries & Benefits - \$2.3 million
- Contractual Services - \$674.9 thousand
- Other Costs - \$587 thousand

Operational Updates

- Annual Board Meeting: Thursday, July 14th & Friday, July 15th
 - Election of Board Officers
 - Committee Assignments
 - Investment Updates
 - Review of Vendor Presentations
 - Actuarial Presentations
 - Plan Changes and Recommendations for Calendar Year 2023
- Board of Directors Meetings
 - 1st Tuesday of each month unless otherwise specified
 - Committees meet as needed
- Fall Switch Enrollment
 - October 1 – November 15
- Procurement - Upcoming
 - IBAC - Life and Disability (Summer 2022) & Benefits and Actuary Consulting Services (Summer 2022)
 - NMRHCA - Financial Audit Services (Fall 2022)

Solvency Updates

Strategic Planning Tool

- Projected Revenues
 - Employee & Employer Contributions (set by statute)
 - Retiree Medical Premiums (set by Board of Directors)
 - Retiree Ancillary Premiums (not subsidized/pass through)
 - Tax & Revenue Suspense Fund (set by statute)
 - Miscellaneous (Medicare subsidies, Drug Rebates, Performance Guarantees - Varies)
- Projected Expenses
 - Medical & 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

GASB Updates

- GASB 74 – Actuarial Valuation Review of Other Postemployment Benefits (OPEB) as of June 30, 2021
 - Completed December 6, 2021
 - **Total OPEB Liability: \$4,409,849,335 (2021) / \$5,028,579,923 (2020)**
 - Net OPEB Liabilities (NOL) decreased \$894.2 million, due to the following:
 - An increase in the blended discount rate
 - Updated per capita health care costs
 - Discount rate – 3.62% compared to 2.86% in 2020
 - Blend rate = 7.00% assumed investment return + 20-year tax exempt general obligation municipal bonds with an average rate of AA/Aa or higher (**2.16% as of June 30, 2021**)
 - **NOL: \$3,290,349,790 (2021) / \$4,198,908,018 (2020)**
 - 1% Decrease in Discount Rate - \$4,134,247,608
 - 1% Increase in Discount Rate - \$2,633,889,896
 - 1% Decrease in Health Care Cost Trend - \$2,646,501,227
 - 1% Increase in Health Care Cost Trend - \$3,808,841,141
 - **Funded Status: 25.39% (2021) / 16.50% (2020)**

Pharmacy Benefits of IBAC

- Results of Pharmacy Benefit Management (PBM) RFP for IBAC
 - Interagency Pharmaceuticals Purchasing Council opened opportunity for others to join
 - UNM joined IBAC for RFP to leverage buying power
 - More lives = stronger pricing offers
 - IBAC agencies option to all select same PBM or different based on most advantageous offer to each agency
 - Healthy competition from bidding PBMs
 - Two different vendors now servicing the IBAC (CVS and ESI)
 - This will increase competition in future RFPs
 - Overall IBAC RFP lead to increased savings across the board compared to prior contracts
 - Estimated savings for the total 4-year contracts of IBAC and UNM to be **about \$286 million**

Pharmacy Benefits of NMRHCA

- Results of PBM RFP specific to NMRHCA
 - Substantial improvements in pricing guarantees resulting in an estimated **\$74M in savings over the new 4-year contract period.**
 - Increased rebate guarantees, accounting for roughly 80% of total savings or roughly \$60M
 - Increased point-of-sale discounts, accounting for roughly 15% of total savings or roughly \$11M
 - Reduced explicit admin fees, accounting for roughly 5% of total savings or roughly \$3M
 - Additional transparency in prescription pricing through reduced number of products excluded from pricing guarantees
 - Continuity for retirees to select coverage with RHCA under pre-65 commercial plan and post 65 retirees into EGWP
 - Performance Guarantees ESI must adhere to a strict set of service-levels
 - More financial value at risk under these performance guarantees
 - Allows RHCA to better track and manage ESI's adherence to these metrics

Performance Metrics

New Mexico Retiree Health Care Authority - Combined						
Description	7-21 - 5-22	7-20 - 5-21	Change	Peer*		
				7-21 - 5-22	Change	
Average Members per Month	35,376	36,589	-3.3%	73.2		
Total Plan Cost Net	\$93,216,270	\$91,998,695	1.3%			
Average Member Age	67.8	67.7	0.2%			
Total Plan Cost Net PMPM	\$239.55	\$228.58	4.8%	\$233.20	5.4%	
Non-Specialty Plan Cost Net PMPM	\$108.96	\$101.88	7.0%	\$108.38	2.8%	
Specialty Plan Cost Net PMPM	\$130.58	\$126.70	3.1%	\$124.82	7.8%	
Generic Fill Rate	88.9%	88.6%	0.3	90.5%	-0.1	
90 Day Utilization	69.3%	65.0%	4.3	77.6%	1.6	
Retail - Maintenance 90 Utilization	30.4%	26.0%	4.4	30.3%	2.0	
Home Delivery Utilization	38.8%	39.0%	-0.2	47.3%	-0.4	
Member Cost Net %	14.0%	13.8%	0.2	14.7%	0.3	
Specialty Percent of Plan Cost Net	54.5%	55.4%	-0.9	53.5%	1.2	

- Total Plan costs net PMPM trend of 4.8% compared to prior year is primarily driven by Non-Specialty trend at 7% with Specialty trend at 3.1%
- Non-Specialty Plan cost net PMPM is in line with peer however, Specialty Plan cost net PMPM is higher than peer
- Generic fill rate is 1.6% lower at 88.9% versus peer groups but is .3% higher compared to NMRHCA prior year.

Top 25 Drugs

Top Drugs by Plan Cost Net

Peer		7-21 - 5-22					Peer					7-20 - 5-21					% Change		
Rank	Peer Rank	Brand Name	Indication	Adj. Rxs	Pts.	Plan Cost Net	Plan Cost Net PMPM	Plan Cost Net PMPM	Rank	Adj. Rxs	Pts.	Plan Cost Net	Plan Cost Net PMPM	Plan Cost Net PMPM	Plan Cost Net PMPM	Plan Cost Net PMPM	Plan Cost Net PMPM		
1	2	REVLIMID*	CANCER	258	30	\$4,471,715	\$11.49	\$13.59	1	296	36	\$4,709,446	\$11.70	\$11.70	-1.8%	5.3%			
2	1	ELIQUIS	ANTICOAGULANT	13,519	1,653	\$3,551,727	\$9.13	\$13.96	2	11,675	1,474	\$2,938,145	\$7.30	\$7.30	25.0%	20.3%			
3	3	IMBRUVICA*	CANCER	232	29	\$2,845,180	\$7.31	\$7.18	3	239	28	\$2,916,277	\$7.25	\$7.25	0.9%	-2.6%			
4	7	HUMIRA(CF) PEN*	INFLAMMATORY CONDITIONS	676	87	\$2,565,839	\$6.59	\$4.38	5	600	78	\$2,169,253	\$5.39	\$5.39	22.3%	20.0%			
5	5	XTANDI*	CANCER	244	38	\$2,495,631	\$6.41	\$4.70	4	220	28	\$2,274,957	\$5.65	\$5.65	13.5%	5.9%			
6	6	IBRANCE*	CANCER	184	21	\$2,247,958	\$5.78	\$4.53	6	147	21	\$1,707,763	\$4.24	\$4.24	36.1%	4.2%			
7	4	TRULICITY	DIABETES	5,680	654	\$2,105,369	\$5.41	\$6.39	7	4,472	536	\$1,611,384	\$4.00	\$4.00	35.1%	41.6%			
8	9	XARELTO	ANTICOAGULANT	6,755	845	\$1,480,763	\$3.81	\$4.11	9	6,559	860	\$1,443,205	\$3.59	\$3.59	6.1%	0.2%			
9	10	OFEV*	IDIOPATHIC PULMONARY FIBROSIS	127	21	\$1,341,806	\$3.45	\$2.97	8	145	16	\$1,505,777	\$3.74	\$3.74	-7.8%	4.5%			
10	22	OZEMPIC	DIABETES	2,652	329	\$1,129,758	\$2.90	\$1.50	20	1,872	233	\$857,544	\$2.13	\$2.13	36.3%	22.6%			
11	16	ENBREL SURECLICK*	INFLAMMATORY CONDITIONS	342	43	\$1,079,871	\$2.78	\$1.99	11	353	44	\$1,125,999	\$2.80	\$2.80	-0.8%	0.3%			
12	14	ABIRATERONE ACETATE*	CANCER	178	23	\$1,071,663	\$2.75	\$2.45	13	162	26	\$1,032,388	\$2.57	\$2.57	7.4%	6.5%			
13	8	POMALYST*	CANCER	59	7	\$1,033,341	\$2.66	\$4.17	10	77	11	\$1,372,697	\$3.41	\$3.41	-22.1%	30.9%			
14	13	TAGRISSO*	CANCER	64	9	\$1,022,611	\$2.63	\$2.50	32	33	6	\$519,934	\$1.29	\$1.29	103.4%	26.7%			
15	91	GAMUNEX-C*	IMMUNE DEFICIENCY	88	8	\$975,034	\$2.51	\$0.49	16	105	9	\$889,868	\$2.21	\$2.21	13.3%	16.1%			
16	32	CABOMETYX*	CANCER	39	7	\$865,808	\$2.22	\$1.21	53	20	4	\$357,076	\$0.89	\$0.89	150.8%	91.5%			
17	30	XIFAXAN	GI DISORDERS	421	109	\$846,162	\$2.17	\$1.21	23	363	93	\$753,621	\$1.87	\$1.87	16.1%	14.4%			
18	31	AUBAGIO*	MULTIPLE SCLEROSIS	122	12	\$822,665	\$2.11	\$1.21	19	132	13	\$862,277	\$2.14	\$2.14	-1.3%	-5.1%			
19	17	JAKAFI*	CANCER	59	10	\$809,448	\$2.08	\$1.98	18	71	10	\$874,657	\$2.17	\$2.17	-4.3%	6.7%			
20	19	ESBRIET*	IDIOPATHIC PULMONARY FIBROSIS	84	10	\$801,003	\$2.06	\$1.67	14	104	12	\$977,018	\$2.43	\$2.43	-15.2%	-6.6%			
21	63	RINVOQ*	INFLAMMATORY CONDITIONS	178	30	\$785,057	\$2.02	\$0.70	24	155	27	\$701,927	\$1.74	\$1.74	15.7%	36.7%			
22	12	JANUVIA	DIABETES	5,788	677	\$769,642	\$1.98	\$2.53	21	6,106	723	\$812,214	\$2.02	\$2.02	-2.0%	-3.4%			
23	18	SHINGRIX	VACCINATIONS	3,932	2,618	\$721,692	\$1.85	\$1.73	15	5,445	3,335	\$936,263	\$2.33	\$2.33	-20.3%	-34.8%			
24	49	DUPIXENT SYRINGE*	SKIN CONDITIONS	294	32	\$680,281	\$1.75	\$0.91	27	323	41	\$674,195	\$1.68	\$1.68	4.4%	-14.7%			
25	25	HUMIRA PEN*	INFLAMMATORY CONDITIONS	166	19	\$678,129	\$1.74	\$1.41	22	204	23	\$800,224	\$1.99	\$1.99	-12.4%	-14.0%			
Total Top 25:				42,141		\$37,198,153	\$95.59			39,878		\$34,824,108	\$86.52	\$86.52	10.5%				
Differences Between Periods:				2,263		\$2,374,045	\$9.07												

*Specialty Drugs

- 18 of 25 are specialty drugs
- Specialty Plan Cost Net PMPM was driven mainly by Inflammatory Conditions and Cancer
- 39.9% of total Plan Cost Net, comprised of 10 indications

Cost Containment Strategies

- Market Check Agreement
- Drug Trend Guarantees
- Drug Specific Definitions
- Utilization Management
 - Prior Authorization, Quantity Limits, Step Therapies
- SavonSP Program
- Limited Distribution Drugs
- Generic Dispensing Rate Guarantee
- SafeGuardRx
- Livongo
- Medical Channel Management
- Broad Performance Medicare Network
- Performance Standard Guarantees
- Audits
 - Rebates & Discount Guarantees

Cost Containment Results

Program	Current Period 7/21 - 5/22	PMPM Savings
Advanced Opioid Management**	\$35,108	\$0.09
AUM	\$9,899,050	\$25.44
Prior Authorization	\$4,201,523	\$10.80
Step Therapy	\$1,605,305	\$4.13
Drug Quantity Management	\$2,934,863	\$7.54
Misc	\$1,149,966	\$2.96
Channel Management*	\$253,339	\$0.65
Concurrent Drug Utilization Review	\$8,702,091	\$22.36
Counter Strategy Drug List Program	\$14,538	\$0.04
Formulary Benefit Optimization	\$14,816	\$0.04
Interchange	\$5,493	\$0.01
National Preferred Formulary	\$1,146,651	\$2.95
POS Edits	\$1,423,534	\$3.66
RationalMED	\$1,810,300	\$4.65
SafeGuardRx	\$520,076	\$1.34
SGRx	\$370,563	\$0.95
UM**	\$23,532	\$0.06
NPF**	\$125,981	\$0.32
SaveOnSP*	\$3,715,206	\$9.55
Plan Savings**	\$27,355,582	\$70.30

*Gross Savings

**Overlap removed from total

Program fees are not included in these savings numbers

- Clinical Programs reduced Plan Cost Net PMPM by 18.8% or -\$55.41

Past Legislative Session Summary

Regular Session 2020

- HB 45 - Vetoed on March 11, 2020, citing concerns regarding the financial burden placed on agencies and corresponding impact on vacancy rates

Regular Session 2022

- Senate Bill 112 – Retiree Health Care Fund Contributions
 - Proposed to increase employee and employer contributions beginning FY23
 - 3% of payroll to 3.5% of payroll (non-enhanced)
 - 4.5% of payroll to 5.26% of payroll (enhanced)
 - Reduce unfunded liabilities
 - Protect against credit rating downgrades
 - Prefund future benefits
 - Keep benefits relevant as incentive for employees to stay

7th unsuccessful attempt to increase employee and employer contributions since 2013

- Employee and Employer contributions 11 years since increase

2023 Potential Legislative Requests

- Request for increase in employee and employer contributions
 - Employee contributions - 1.00% of salary to 1.17% of salary for employees who are not covered by an enhanced retirement plan and 1.25% of salary to 1.47% of salary for employees covered by an enhanced retirement plan.
 - Employer contributions - 2.00% of payroll to 2.33% of payroll for employees who are not covered by an enhanced retirement plan and 2.50% of payroll to 2.93% for employees who are covered by an enhanced retirement plan.
- One-time money equal to one month's premiums for retirees to provide some relief to premium increases and economic inflation.
 - Provides a one-month premium holiday to members
 - Amount based on today's numbers equal to about \$13.7 million to cover medical, dental, and vision
 - Not to include life benefit
- One-time money of \$25 million to NMRHCA benefit program towards lowering unfunded status of program
 - Currently at 25% with goal of meeting 50% funded status
 - Equal to one year of increase for employee and employer contributions

New Mexico Retiree Health Care Authority

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Or visit us at: www.nmrhca.org or www.facebook.com/nmrhca

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