

# FY16 Appropriation Request Presented to the Legislative Finance Committee

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NEW MEXICO  
**RETIREE**  
HEALTH CARE  
AUTHORITY

# Recent Updates & Current Events

## Current Composition

300 Public Employers

- 50% Public Schools
- 25% State of New Mexico
- 25% Municipalities, Counties, and Universities

Approximately 100,000 active employees

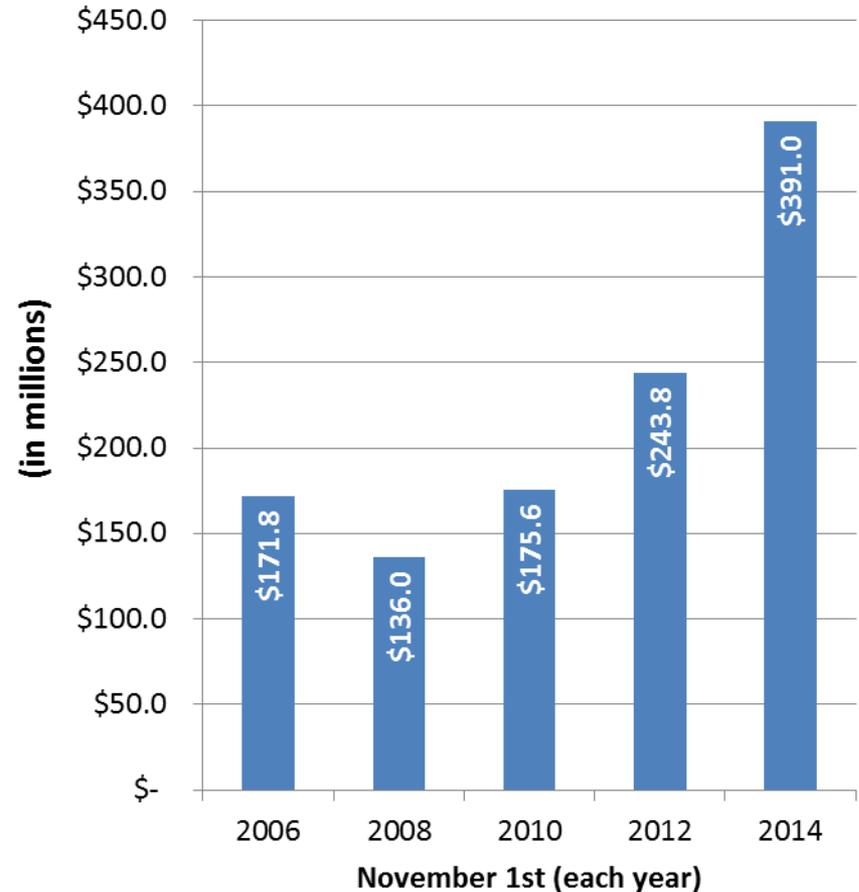
	November 2013	November 2014	Member	Percent
Medicare	31,429	33,213	1,784	6%
Non-Medicare	18,427	18,246	(181)	-1%
Voluntary Coverage	5,281	5,901	620	12%
<b>Total</b>	<b>55,137</b>	<b>57,360</b>	<b>2,223</b>	<b>4%</b>

## Board Action for 2015

- Retiree rate increases
  - Pre-Medicare Plans – 8 percent
  - Medicare Supplement – 5 percent
- Reduced Pre-Medicare Spousal Subsidy by 2 percent (40 percent to 38 percent)
- Minimum Age 55\*
- Years of Service (20 years -25 years)\*
- Conversion of Basic Life Insurance Policy

\*January 1, 2020/Except PERA Enhanced Plans

## NMRHCA Fund Balance History



# Program Improvements / Agency Leadership

## 2012

- Trust Fund set to be exhausted in 2026
- Unfunded Actuarial Accrued Liability (UAAL) - \$3.6 billion
- Annual Required Contribution (ARC) - \$353 million
- Funded Ratio – 5.81 percent
- Covered Payroll - \$3.8 billion
- Total Participants (Retirees/Future Retirees) – 146,590

## Cost Containment Strategies

- Increased deductibles
- Increased out-of-pocket maximums
- Retiree responsible for Medicare Part B deductible
- All prescriptions shifted toward members paying percentage of total cost
- Phase out “family coverage” subsidies for retirees with multiple dependent children

## 2014

- Trust Fund to stay positive into 2033
- UAAL - \$3.4 billion
- ARC - \$292 million
- Funded Ratio – 10.08 percent
- Covered Payroll - \$3.9 billion
- Total Participants – 155,098
- \$125.7 million added to fund over last four years

## Cost Containment Strategies

- Implement minimum age requirement (to receive subsidies)
- Increase year of service required to receive maximum subsidy
- Reduce pre-Medicare spousal subsidies
- Conversion of basic life insurance policy
- Increased contractual requirements for chronic disease management

# Health Care Benefits Administration

Health Benefit Fund Expenditure Detail						
		FY14	FY15	FY16	FY16 Final	Percent
	Contractual Services	Actuals	Operating	Inc/Dec	Request	Change
1	Prescriptions	\$ 76,752.5	\$ 80,000.0	\$ 7,200.0	\$ 87,200.0	9.0%
2	Medical - Supplement/Pre-Medicare	\$ 138,755.9	\$ 150,622.0	\$ 13,365.0	\$ 163,987.0	8.9%
3	Medicare Advantage	\$ 8,038.9	\$ 12,500.0	\$ 4,075.0	\$ 16,575.0	32.6%
4	Voluntary Coverages	\$ 27,325.5	\$ 29,000.0	\$ 2,100.0	\$ 31,100.0	7.2%
5	<b>Total Contractual Services</b>	<b>\$ 250,872.8</b>	<b>\$ 272,122.0</b>	<b>\$ 26,740.0</b>	<b>\$ 298,862.0</b>	<b>9.8%</b>
6	<b>Other</b>					
7	PCORI Fee	\$ -	***	\$ 55.5	\$ 55.5	***
8	<b>Total Other</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 55.5</b>	<b>\$ 55.5</b>	<b>***</b>
9	<b>Other Financing Uses</b>					
10	Program Support	\$ 2,627.2	\$ 2,929.3	\$ 189.7	\$ 3,119.0	6.5%
11	<b>Total Other Financing Uses</b>	<b>\$ 2,627.2</b>	<b>\$ 2,929.3</b>	<b>\$ 189.7</b>	<b>\$ 3,119.0</b>	<b>6.5%</b>
12	<b>Total Expenditures</b>	<b>\$ 253,500.0</b>	<b>\$ 275,051.3</b>	<b>\$ 26,985.2</b>	<b>\$ 302,036.5</b>	<b>9.8%</b>

Overall, FY16 projected costs are expected to reach \$298.8 million, a 9.8 percent increase above FY15 approved operating levels. This assumes a 4.5 percent growth in membership (retirees joining the plan) medical inflation of 4.5 percent and 1 percent associated with fees related to the Affordable Care Act.

- The assumed rate of medical inflation is lower than our projected trend; however, it is reasonable to assume that retirees will continue migrating toward lower costing plans (lower premium/higher out-of-pocket costs) which will place downward pressure on the overall cost for Pre-Medicare participants.
- In addition, growth in the Medicare Supplement Plan has been limited as improved Medicare Advantage Plan offerings have attracted the bulk of participants moving in to a Medicare Plan.
- Lastly, participation in the voluntary plans grew by over 12 percent since FY14 (retiree pay all).

\*\*\*A budget adjustment request was submitted in FY15 to cover the cost of the Patient Centered Outcomes Research Institute Fee mandated by the Affordable Care Act.

# Program Support

Summary of Expenditures								
			FY14	FY15	FY16	Final FY16	Percent	
	Uses		Actual	OPBUD	Inc/Dec	Request	Change	
1	200	Personal Services/ Employee Benefits	1,730.1	1,906.4	\$ 119.9	2,026.3	6.3%	1
2	300	Contractual Services	359.3	467.4	\$ 17.8	485.2	3.8%	2
3	400	Other Costs	537.5	555.5	\$ 52.0	607.5	9.4%	3
4		<b>TOTAL</b>	<b>2,626.9</b>	<b>2,929.3</b>	<b>\$ 189.7</b>	<b>3,119.0</b>	<b>6.5%</b>	<b>4</b>
Summary of Revenues								
			FY14	FY15	FY16	Final FY16	Percent	
	Sources		Actual	OPBUD	Inc/Dec	Request	Change	
5	112	Other Transfers	2,684.0	2,929.3	\$ 189.7	3,119.0	6.5%	5
6		<b>Total</b>	<b>2,684.0</b>	<b>2,929.3</b>	<b>\$ 189.7</b>	<b>3,119.0</b>	<b>6.5%</b>	<b>6</b>
7		<b>FTE</b>	<b>25</b>	<b>26.0</b>	<b>2.0</b>	<b>28.0</b>	<b>7.7%</b>	<b>7</b>

The FY16 appropriation request for Program Support reflects a \$189.7 thousand, or 6.5 percent increase above FY15 approved operating levels.

This includes a \$120 thousand and 2 FTE 'base increase' to the personal services and employee benefits category to accommodate increased workloads associated with growth in membership including: 2 – Customer Service Representatives.

The request includes a \$17.8 thousand increase in contractual services to support the ongoing information technology services related to our new eligibility, billing and accounting system.

Lastly, the request for other costs includes a \$52 thousand, or 9 percent increase to support projected costs associated with the rent of equipment (copiers), postage, rent and telecommunication charges.