

# Investments and Pensions Oversight Committee

Five-Year Strategic Plan

August 18, 2015

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NEW MEXICO  
**RETIREE**  
HEALTH CARE  
AUTHORITY

# NMRHCA 5-Year Strategic Plan

In October, 2012 the NMRHCA Board of Directors approved a 5-year plan which included the elements below. The steps taken within each of these categories as well as other significant action is also noted.

## 1. Phase out “family coverage” subsidies for retirees with multiple dependent children

2013 – Reduced subsidy from 100% to 50%

2014 – Reduced subsidy from 50% to 37.5%

2015 – Reduced subsidy from 37.5 to 25%

2016 – Reduced subsidy from 25% to 12.5%

## 2. Increase cost sharing on prescription drug coverage

2013 – Introduced coinsurance on all mail order prescriptions (including Medicare)

## 3. Increase cost sharing of pre-Medicare plans

2010 – changed from Gold/Silver/Bronze to Premier/Premier Plus

Increased average deductible from \$200 to \$600

Increased average out-of-pocket maximum from \$1,200 to \$3,000

2011 – Increased out-of-pocket maximum for Premier from \$3,000 to \$4,000

2013 – Introduced \$15 copayment differential for specialty office visits

# 5-Year Strategic Plan Cont.

## 4. Implement graduated minimum age requirement

2015 – Minimum age of 55 to receive subsidies for new retirees after Jan 1, 2020  
(excludes PERA enhanced plans)

## 5. Increase years of service required to receive maximum subsidy

2015 – Increases years of service to receive maximum subsidy from 20 to 25 years  
for new retirees after Jan 1, 2020 (excludes PERA enhanced plans)

## 6. Reduce pre-Medicare retiree subsidies

2016 – Reduce maximum subsidy from 65% to 64% of total premium

## 7. Reduce pre-Medicare spousal subsidies

2015 – Reduced maximum pre-Medicare spousal subsidy from 40% to 38%

2016 – Reduced maximum pre-Medicare spousal subsidy from 38% to 36%

# 5-Year Strategic Plan Cont.

## 8. Implement enhanced wellness programs

2016 – Implement financially incentivized wellness program with emphasis on smoking cessation

## 9. Increase Employee/Employer contribution levels

2013 – Introduced legislation requesting 2.5% total contribution increase – passed through multiple committees in both chambers but received no floor votes

2014 – Introduced legislation requesting 2.5 total contribution increase – passed through multiple committees in both chambers and passed house floor vote

2015 – Introduced legislation requesting 1.25% contribution increase – passed through committees in both chambers and passed house floor vote

## **Other Significant Actions**

Conversion of \$6,000 basic life (NMRHCA-paid) insurance to supplemental (retiree-paid) life insurance over four years beginning in 2018

Plan designs to be modified to keep plan value under threshold for “Cadillac Tax” which goes into effect in 2018

2013 – Board of Directors established intent to modify pre-Medicare plans (modifications would include copayments, coinsurance, deductibles and out-of-pocket maximums) to keep costs below the \$11,850 threshold by 2018.

# Solvency Update

## 2007 Status

- Projected Solvency 2014
- Trust Fund Balance - \$122.8 million
- \$4.1 billion unfunded liability (3% funded) – 2006 GASB Report
- FY07 - \$5.7 million withdrawn from Trust Fund

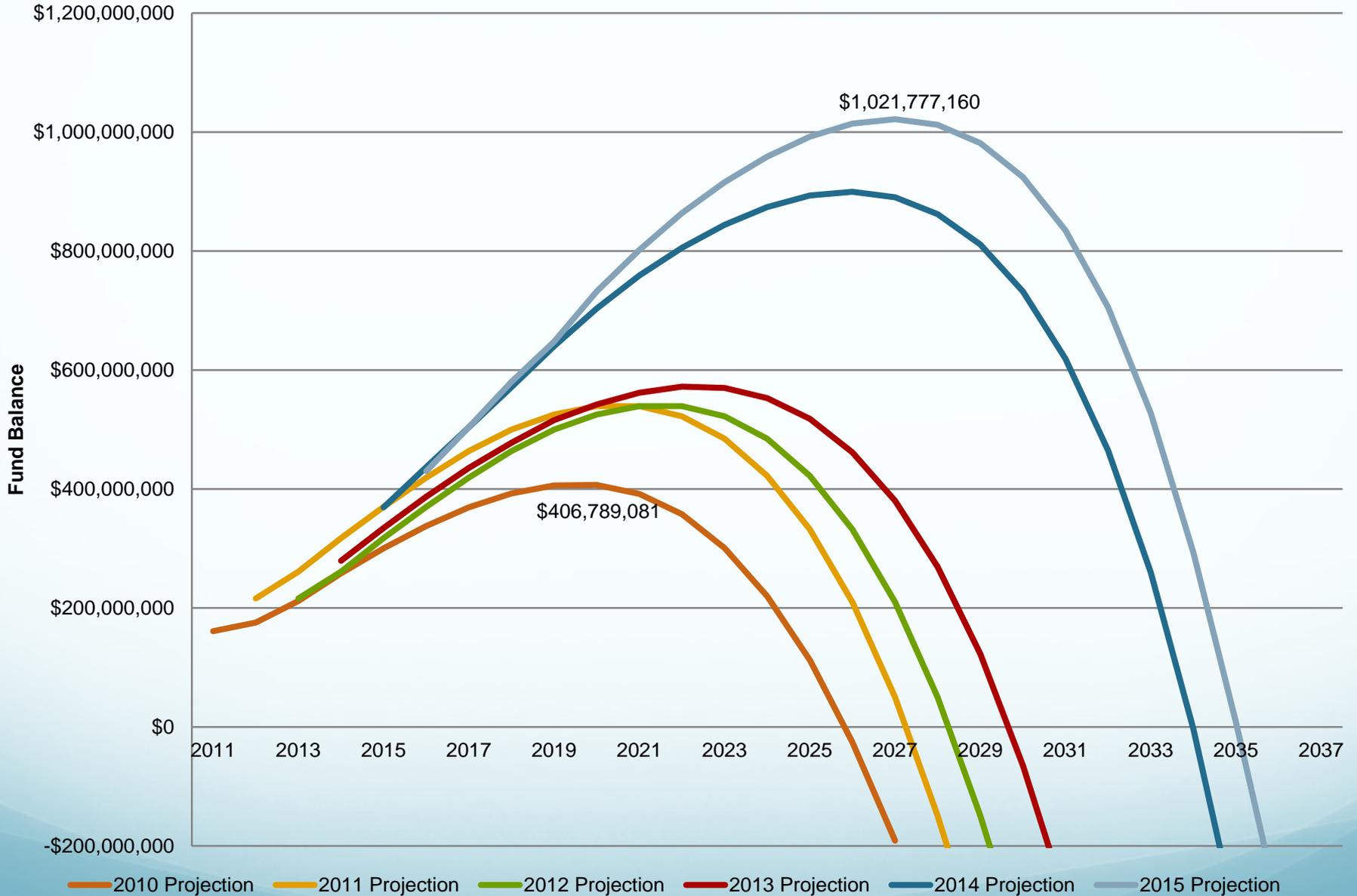
## 2011 Status

- Projected Solvency 2027
- Trust Fund Balance – \$213.4 million
- \$3.5 billion unfunded liability (5% funded) – 2010 GASB Report
- \$21.8 million added to Trust Fund Balance

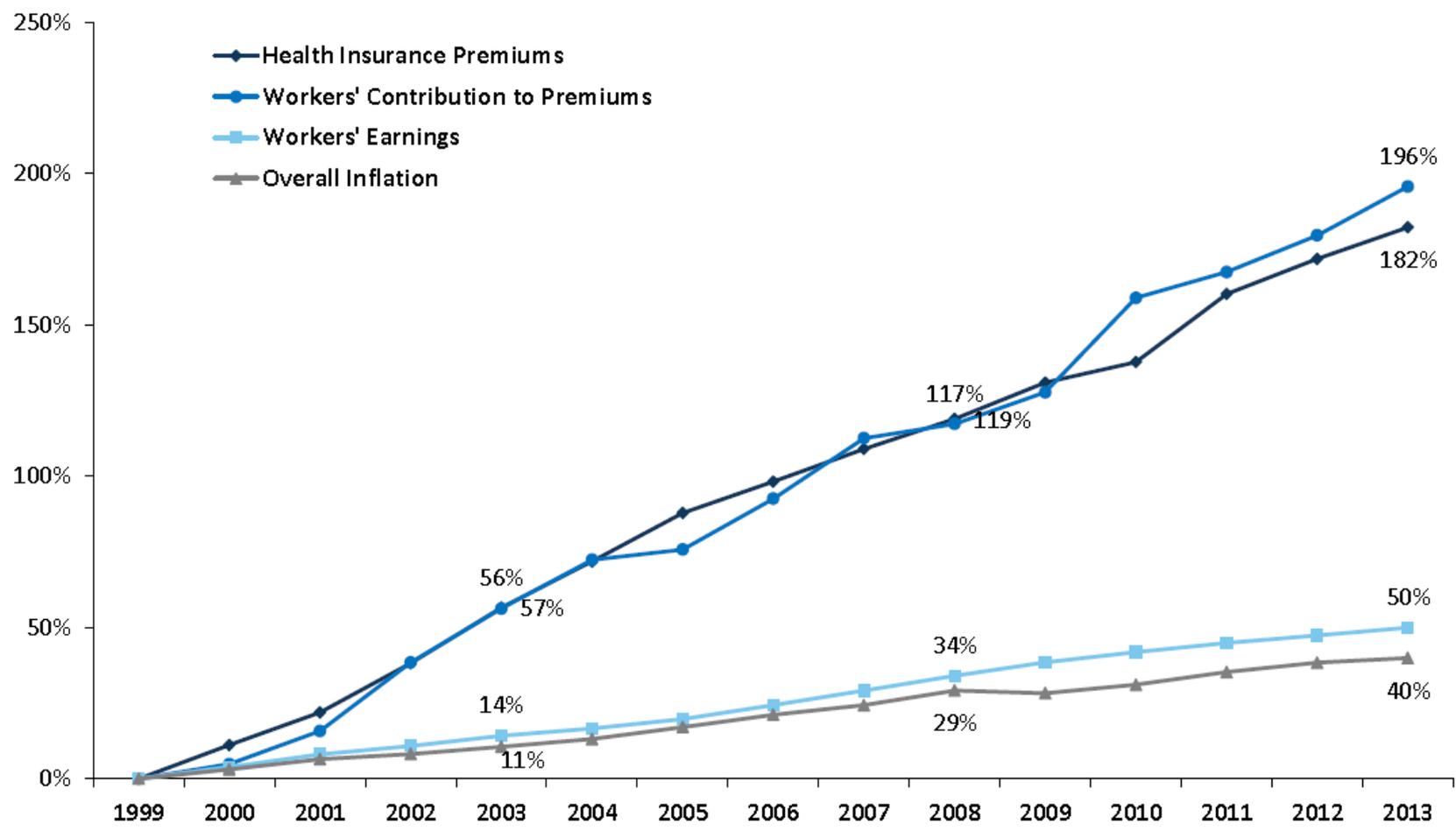
## 2015 Status

- Projected Solvency 2035
- Trust Fund Balance - \$432 million (July 2015)
- \$3.4 billion unfunded liability (10.08% funded) – 2014 GASB Report
- \$158.3 million added to Trust Fund since 2010

# NMRHCA Solvency Projections - 2010 through 2015



# Cumulative Increases in Health Insurance Premiums, Workers' Contributions to Premiums, Inflation, and Workers' Earnings, 1999-2013



SOURCE: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2013. Bureau of Labor Statistics, Consumer Price Index, U.S. City Average of Annual Inflation (April to April), 1999-2013; Bureau of Labor Statistics, Seasonally Adjusted Data from the Current Employment Statistics Survey, 1999-2013 (April to April).



# Potential 2016 Legislation

## Proposed Legislation:

- Increase employee contributions from current level of 1 percent to 1.375 percent over a 3 year period beginning FY18
- Increase employer contributions from the current level of 2 percent to 2.75 percent over a 3 year period beginning in FY18
- No impact to FY17 proposed expenditures
- Reduced original request by half. Request cleared House of Representatives in both 2014 and 2015
- Employee/Employer contributions levels, estimated General Fund impact, and NMRHCA revenue shown below:

2016 Legislative Proposal							
A	B	C	D	E	F	G	H
Fiscal Year	Employee	Increase	Employer	Increase	GF Impact	Total	RHCA Revenue
FY17	1.00%	NA	2.000%	NA	NA	NA	NA
FY18	1.125%	0.125%	2.250%	0.250%	\$5,000,000	3.375%	\$15,000,000
FY19	1.250%	0.125%	2.500%	0.250%	\$5,000,000	3.750%	\$30,000,000
FY20	1.375%	0.125%	2.750%	0.250%	\$5,000,000	4.125%	\$45,000,000

Contributions for public safety employees and employers will retain 1.25 : 1.00 ratio to account for fewer years worked and exemption from minimum age and years of service changes

# NMRHCA Solvency Projections - 2010 through 2015 With Contribution Increase

