

NMRHCA Board of Directors Actions for Plan Year 2015

The New Mexico Retiree Health Care Authority (NMRHCA) Board of Directors held its annual meeting in Angel Fire, NM on July 10-11, 2014. During this year's annual meeting, the board of director's voted in approval of the following actions related to 2015 and beyond:

1. Plan Rates: Increase all Pre-Medicare rates by 8% and Medicare Supplement by 5%

NMRHCA long-term solvency projections include annual rate increases consistent with increasing medical cost trends as part of its baseline assumptions (long term actuarial medical trend assumption: 8%). There has been some improvement on the Medicare Supplement plan (mainly due to the prescription drug subsidies as a result of federal health care reform) but also some adverse selection pressure on the pre-Medicare plans. Medicare Advantage rates will be finalized through CMS in late summer/early fall.

2. Reduce Pre-Medicare Spousal Subsidy by 2% (from 40% to 38%)

NMRHCA's five year strategic plan includes a provision to reduce the subsidies for pre-Medicare spouses. This will be the first phase of that process. Additional changes will be viewed in subsequent years based on changing market environments resulting from federal health care reform as well as overall plan performance.

3. Institute minimum age of 55 in order to receive subsidies through NMRHCA for all new retirees after January 1, 2020 (exception: PERA enhanced plans)*

NMRHCA's five-year plan includes the introduction of a minimum age to receive subsidies through NMRHCA. While a graduated reduction of subsidies based on age has been discussed in the past, elements of federal health reform as they relate to the exchange make a distinct cut off point more advantageous as it will significantly increase the number of retirees eligible for federal subsidies.

4. Increase Years of Service Required for maximum subsidy from 20 to 25 for all new retirees after January 1, 2020 (exception: PERA enhanced plans)*

The maximum subsidy provided by NMRHCA is currently given for all retirees with 20 or more years of service. This is not consistent with current and evolving pension requirements. NMRHCA's Board of Director's five year plan included an increase in the years of service required to receive the maximum subsidy.

*Age and Years of Service Adjustments will require a change to NMRHCA Rules

5. Addition to 5-year Strategic Plan: Convert \$6,000 basic life Insurance to supplemental life insurance and phase out subsidy beginning in 2017.

In the fall of 2014 an RFP will be issued for term life insurance to be collectively purchased by the General Services Department/Risk Management Division, Public Schools Insurance Authority, Albuquerque Public Schools and Retiree Health Care Authority. This RFP will request a quote for the conversion of the existing basic life policies into supplemental policies which will be 100 percent subsidized or paid in full by NMRHCA the first year (2016) and then phased out evenly over the next four years.

Impact of 1 through 5: Board actions have increased the solvency period of NMRHCA's trust fund to 19 years providing a positive fund balance through 2033 (increased from 2029 at this time last year).

6. Request statutory change from the legislature to increase total employer/employee contribution from 3% to 4.125%

NMRHA has had legislation introduced through the Investments and Pensions Oversight Committee (IPOC) in the past two legislative sessions to increase employer/employee contributions to improve the long term viability of the program. A request (albeit substantially lower) will also be made in the 2015 legislative session.

Total Impact of 1 through 6: Board actions PLUS requested increase to employer/employee contributions increase the solvency period of NMRHCA's trust fund to 25 years providing a positive fund balance through 2040.