

New Mexico Retiree Health Care Authority Report

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Doug Crandall, RHCA Board Member

NM Retiree Health Care Remains Strong Despite Fiscal Challenges

Last October, as a result of legislation passed during a special session of the legislature, RHCA lost income from two separate tax suspense funds, costing the authority over \$17 million in income for this year. One of the funds, which provided \$3 million dollar annually was permanently eliminated while the other, which would have provided \$14 million this year, and is indexed at a 12% growth rate, was suspended until 2020. The Authority was spared from losing both of the funds permanently, but the total revenue reduction, including loss of interest income, will likely exceed \$250 in the long term.

Any drop in revenue obviously negatively affects RHCA's long term solvency. The action taken in the special session is expected to reduce the solvency projections for the Authority by five years. Nonetheless, actuarial projections show that the plan will still maintain a 15 year solvency.

Several factors have allowed the Authority to feel relatively confident moving forward, including:

- The \$14 million suspense fund will be reinstated in three years and will continue to grow at a 12% rate thereafter.
- Medicare eligible participants continue to move from a Medicare supplement to a Medicare Advantage Plan, which is subsidized by the Federal government at a rate up to \$900 per month for each participant.
- Elimination of the Premier Pre-Medicare plans and the offering of new value based plan options will provide for more stable budgeting of medical trends.
- Renewed emphasis on lowering prescription drug costs and eliminating coverage for drugs available over the counter, such as Claratin or Nexium will save the plan at least \$500,000 this year.

- Better than expected investment returns to cushion the plan as shortfalls may occur.

House Joint Memorial 1 Passes House, Modified in Senate

As of the writing of this report, HJM 1 was passed by an overwhelming majority of the NM House and has been approved by two committees in the Senate.

State Representative Tomas Salazar, at the request of the RHCA Board, introduced the memorial identifying the importance of the NM Retiree Health Care Authority to tens of thousands of New Mexicans. The memorial also underscores the progress that Board has made in shoring up the solvency of the fund while maintaining high level benefits for eligible retirees. Further, it emphasizes the budgetary and other fiscal challenges facing RHCA in the coming years. The memorial was written to keep RHCA in the forefront of legislators so that when the economy turns around, RHCA will be able to benefit.

However, the Senate Public Affairs Committee amended the bill to include a statement to require the Legislative Finance Committee to study solutions to improve the solvency of the program and make recommendations to the 2018 Legislature. The RHCA Board has the sole responsibility to administer the plan and there is concern that recommendations by the legislature may conflict with the goals of the board. As RHCA President Tom Sullivan wrote, "Solvency without compassion is a different goal."

Investments

A strong stock market has been a major factor in the RHCA investment fund nearing the \$520 million mark in early March and still climbing. At its low point several years ago, the fund had dropped below \$120 million.

Medicare Outreach

Many retirees begin taking advantage of RHCA medical plans long before reaching Medicare eligibility at age 65. In an effort to assist those enrollees moving into Medicare, the Authority will be conducting Medicare outreach

presentations to explain the various options available to them as well as to provide an understanding of the Medicare system.

One change that RHCA has made this year is to default new Medicare enrollees into a Medicare Advantage plan, rather than a Medicare supplement plan as has been done in the past. As noted earlier, it is much less expensive for RHCA when someone enrolls in a Medicare Advantage plan, and it is also much less expensive for the retiree.

This default option will only occur when someone is first eligible for Medicare and does not proactively choose any plan. This default option does not preclude the retiree from moving into a Medicare supplement during the next open enrollment period. The outreach meetings have already begun and RPENM members may find the time and locations of future meetings on NM Retiree Health Care website.

Executive Director

Mark Tyndall Executive Director of RHCA for the past several years, resigned his position effective March 8th. Mark was an excellent ED who worked well with the board, was exceedingly knowledgeable of health care issues affecting the Authority, and provided a strong measure of stability and credibility to the agency during his tenure. Mark left to take a job in the private sector of the health care field.

David Archuleta, who has been the Deputy Director for the past four years was unanimously selected by the board as interim director. Selection of a permanent Director is expected to be complete before summer.

Obamacare Repeal and Replace

As this article is being written, the U.S. House of Representatives have produced a new national health care plan to replace the Affordable Health Care Act, better known as Obamacare. Although there are several issues which may be of concern to those currently served by the AHCA, nothing in the proposal at this point will have any effect on any NM Retiree Health Care plan.

Please feel free to e-mail me at dougcinaz@gmail.com, or call me directly at 480-636-8063 if you have any questions or comments.