

New Mexico Retiree Health Care Authority Report

April 2017

Doug Crandall, RHCA Board Member

Only two action items appeared on the RHCA agenda this month; one was to delegate approval of the final FY18 budget to the Finance Committee (LFC) and the other was to approve the consultant for the Pharmacy Benefit Manager (currently Express Scripts) search.

There was also discussion regarding HJM1, the joint memorial regarding the importance of NM Retiree Health to thousands of New Mexicans including PERA and ERA retirees and their families. The memorial was introduced by Representative Tomas Salazar and passed the State House with little fanfare. However, as was stated in my last report, the bill got hung up in the Senate and was amended to require the Legislative Finance Committee to recommend possible improvements to improve the program's solvency. Rather than risk potential conflicts with the actions of the RHCA Board (who has the ultimate authority over administering the fund), Representative Salazar agreed to pull the memorial.

This was the first year that RHCA did not ask the legislature for an employee and employer contribution increase, and one of the reasons for the joint memorial was to keep the Authority's concerns before the legislature, with the understanding that any such increase is not going to happen given the current dire fiscal situation of state and many local governments. If, however, RHCA is unable to get some sort of increase within the next couple of years, it could have a significant negative effect on the program solvency. This issue will be revisited in more depth at the annual strategic planning meeting in July.

A Health Notes Analysis of the Interagency Benefits Advisory Committee (IBAC) which consists of representatives from the State of NM, RHCA, Albuquerque Public Schools & the NM Insurance Authority, will be conducted by the LFC to review health cost drivers, pharmacy trends, possible shifts in employee and employer costs and how such issues are handled in other states.

The Health Notes Analysis is not a full program evaluation and will include only recommendations. Meetings among the IBAC members are scheduled to start in April.

The State Investment Council's Investment Performance Analysis showed RHCA assets nearing \$518 million, which was up by more than \$23 million since the end of December. Total investment return, net of fees, exceeds 8% for the past five years, outperforming the long term fund benchmark of 7.5%. In addition, the \$518 million through February is already \$9 million more than the fund was projected to have by year's end.

Several options remain on the table to regain some of the solvency lost during the special legislative session last October, including adding more value based options for pre-Medicare, moving those retirees who are using Medicare Supplement plans to Medicare Advantage Plans, and increasing cost sharing for co-pays and prescription benefits. Formal action on any changes will be adopted at the Strategic Planning Session in July.

Please let me know if you have any questions or comments. I look forward to seeing you at the annual meeting in May.