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REGULAR MEETING
OF THE
BOARD OF DIRECTORS

October 2, 2018
9:30 AM
Alfredo R. Santistevan Board Room
Suite 207
4308 Carlisle Blvd. NE
Albuquerque, NM 87107

New Mexico Retiree Health Care Authority
Regular Meeting

BOARD OF DIRECTORS

ROLL CALL

October 2, 2018

	Member in Attendance		
Mr. Sullivan, President			
Mr. Montaño, Vice President			
Mr. Crandall, Secretary			
Mr. Propst			
Ms. Goodwin			
Mr. Linton			
Ms. Saunders			
Mr. Eichenberg			
Ms. Larranaga-Ruffy			
Mr. Smith			
Mr. Rael			

NMRHCA BOARD OF DIRECTORS

October 2018

Mr. Wayne Propst
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Mr. Terry Linton
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Mr. Joe Montaño, Vice President
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Mr. Doug Crandall
Retired Public Employees of New Mexico
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The Honorable Mr. Tim Eichenberg
NM State Treasurer
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Regular Meeting of the
NEW MEXICO RETIREE HEALTH CARE AUTHORITY
BOARD OF DIRECTORS

October 2, 2018
9:30 AM
Alfredo R. Santistevan Board Room
2nd Floor, Suite 207
4308 Carlisle Blvd. NE
Albuquerque, NM 87107

AGENDA

1.	Call to Order	Mr. Sullivan, President	Page
2.	Roll Call to Ascertain Quorum	Ms. Beatty, Recorder	
3.	Pledge of Allegiance	Mr. Sullivan, President	
4.	Approval of Agenda	Mr. Sullivan, President	4
5.	Approval of Regular Meeting Minutes August 28, 2018	Mr. Sullivan, President	5
6.	Public Forum and Introductions	Mr. Sullivan, President	
7.	Committee Reports	Mr. Sullivan, President	
8.	Executive Director's Updates	Mr. Archuleta, Executive Director	
	a. Switch Packet/Fall Newsletter		13
	b. Audit Entrance Conference		21
	c. HR Updates		
	d. Legislative		32
	e. Cigna/Express Scripts Merger		36
	f. Presbyterian Hospital Santa Fe		39
	g. UnitedHealthcare/Presbyterian Medical Group Contract		
	h. Rule Change – Minimum Age and Years of Service Requirements		
	i. Actuarial and Benefits Consulting RFP		
	j. Life and Disability RFP		
	k. June 30, 2018 Investment Performance Report		44
	l. August 31, 2018 SIC Report		54
9.	2019 Proposed Legislation	Mr. Archuleta, Executive Director	55
10.	FY19 Contract Amendments (Action Item)	Mr. Archuleta, Executive Director	69
11.	Other Business	Mr. Sullivan, President	
12.	Executive Session Pursuant to NMSA 1978, Section 10-15-1(H)(6) To Discuss Limited Personnel Matters	Mr. Sullivan, President	
13.	Date & Location of Next Board Meeting	Mr. Sullivan, President	

November 13, 9:30AM
Alfredo Santistevan Board Rm., Suite 207
4308 Carlisle Blvd. NE
Albuquerque, NM 87107

14. Adjourn

ACTION SUMMARY

RETIREE HEALTH CARE AUTHORITY/REGULAR BOARD MEETING

August 28, 2018

Item	Action	Page
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APPROVAL OF MINUTES: July 12 and 13, 2018	Approved	3
PUBLIC FORUM & INTRODUCTIONS	Informational	3
COMMITTEE REPORTS	Informational	3
EXECUTIVE DIRECTOR'S UPDATE HR Updates Fall Switch Enrollment Schedule Legislative GASB 75 July 31 SIC report	Informational	3
2019 PROPOSED LEGISLATION	Discussion	4
2019 MEDICARE ADVANTAGE PLAN RATES	Informational	7
REVISED ASSET ALLOCATION	Approved	7
FY20 APPROPRIATION REQUEST	Approved	7
YEARS OF SERVICE/MIN AGE REQUIREMENT RULE CHANGE	Approved	7
ACTUARIAL & BENEFITS CONSULTING SERVICE RFP	Approved	8

MINUTES OF THE

NEW MEXICO RETIREE HEALTH CARE AUTHORITY/BOARD OF DIRECTORS

REGULAR MEETING

August 28, 2018

1. CALL TO ORDER

A Regular Meeting of the Board of Directors of the New Mexico Retiree Health Care Authority was called to order on this date at 9:30 a.m. in the Alfredo R. Santistevan Board Room, 4308 Carlisle Boulevard, N.E., Albuquerque, New Mexico.

2. ROLL CALL TO ASCERTAIN A QUORUM

A quorum was present.

Members Present:
Mr. Tom Sullivan, President
Mr. Joe Montaño, Vice President
Mr. Doug Crandall, Secretary
Ms. Jan Goodwin
Mr. Terry Linton
Ms. LeAnne Larrañaga-Ruffy
Ms. Therese Saunders

Members Excused:
The Hon. Tim Eichenberg, NM State Treasurer
Mr. Lawrence Rael
Mr. James E. Smith

Staff Present:
Mr. Dave Archuleta, Executive Director
Mr. Neil Kueffer, Interim Deputy Director
Mr. Greg Archuleta, Director of Communication & Member Engagement
Mr. Tomas Rodriguez, IT Manager
Ms. Peggy Martinez, Chief Financial Officer
Ms. Judith Beatty, Board Recorder

Others Present:
Mr. Connor Jorgensen, Analyst, LFC
[See sign-in sheet]

3. PLEDGE OF ALLEGIANCE

Mr. Linton led the Pledge.

4. APPROVAL OF AGENDA

Mr. Crandall moved approval of the agenda, as published. Ms. Goodwin seconded the motion, which passed unanimously.

5. APPROVAL OF REGULAR MEETING MINUTES: July 12 and 13, 2018

Mr. Crandall moved approval of the minutes of the July 12 and 13 meetings, as submitted. Ms. Goodwin seconded the motion, which passed unanimously.

6. PUBLIC FORUM AND INTRODUCTIONS

Heather Leclerc, Blue Cross Blue Shield, introduced Marlene Mier, its new Wellness Coordinator, who would be working with the IBAC.

7. COMMITTEE REPORTS

Finance & Investment Committee

Mr. Crandall reported that the committee met yesterday, and the major issues discussed are being addressed as action items on today's agenda.

Executive Committee

Chairman Sullivan said the committee met yesterday to review today's agenda and discuss some of the things that Mr. Crandall will bring up later today.

Legislative Committee

Mr. Montaño stated that the committee plans to continue working on proposed legislation and to seek input from the board today.

8. EXECUTIVE DIRECTOR'S UPDATES

a. HR Updates

Mr. Archuleta reported that Jesse Godfrey has joined NMRHCA as supervisor in the Santa Fe office, after 10 years with PERA working in its customer service unit. In addition, Angelina Ruiz has retired from the Santa Fe office, and the agency hopes to promote the receptionist, Ivette Vicenti, into that position once it receives a recruitment waiver.

b. Fall Switch Enrollment Schedule

Mr. Archuleta reviewed the list of scheduled meetings coming up beginning on October 1. There will be 16 meetings in 13 different locations. A postcard sent out earlier this month gave the wrong date for the first Albuquerque meeting and this has been corrected in the newsletter and in the enrollment packet.

Mr. Archuleta said that the meetings this year would start off with a presentation on the Medicare Advantage plans, rather than the Medicare Supplement plan.

The fall switch enrollment newsletter will be issued in mid September and will include a summary of the changes for 2019.

c. Legislative

Mr. Archuleta said a copy of the slide presentation given to the LFC on August 23 ("Pension Solvency and Investment Performance") was in the board book. It included an update on proposed legislation that NMRHCA would be requesting during the upcoming session.

d. GASB 75

Mr. Archuleta reported that the State of New Mexico, its employees and its 75 agencies, will absorb about 24 percent of NMRHCA's unfunded liability, or $1 billion. In total, the unfunded liability is $4.5 billion, with some of the larger employer groups absorbing the unfunded liability as follows: APS, $615 million; Bernalillo County, $115 million; the City of Albuquerque, $389 million; and Rio Rancho Public Schools, $110 million. He stated one of the major influences in shoring up the solvency of pension plans is related to the downgrade in ratings. Given that this is not a constitutionally guaranteed benefit, it is unclear whether that will result in any additional erosion in employer groups' borrowing capacity.

e. July 31, 2018 SIC Report

Mr. Archuleta reported a balance of $641 million, a gain of $9 million over last month.

9. 2019 PROPOSED LEGISLATION

Mr. Archuleta reviewed a proposed employee/employer contribution increase presented to the LFC.

- Increase employee contributions from 1 percent to 1.5 percent over a 4-year period
- Increase employer contributions from 2 percent to 2.5 percent over a 4-year period

Mr. Archuleta stated that, with an additional half percent each from the employee and employer over a four-year period in FY 2024, the estimated general fund impact upon full implementation would climb to $11.6 million per year in FY 2024 and would generate $44 million in additional revenue per year to NMRHCA.

Mr. Archuleta reviewed estimated solvency impact details prepared by Segal.

- Revenue: Employee/employer contribution increase (3-4 percent of payroll)
- Liability containment: pre-Medicare retiree subsidy reduction – 64 to 60 percent and pre-Medicare spousal subsidy reduction – 36 to 30 percent

Results:

- Solvency period exceeds 30 years
- 2037 projected trust fund balance - $1.9 billion
- 2049 projected trust fund balance - $5.2 billion

Ms. Goodwin asked what contribution rate would be necessary to get NMRHCA fully funded within 30 years. Mr. Archuleta responded that, as discussed during the July retreat, Segal said it would be too difficult to calculate an estimate for such an extended period. He added that, in very simple terms, if one were to divide the $4.5 billion in unfunded liability by 30 years, the agency would have to add an extra $150 million a year to the long-term trust fund.

Ms. Goodwin said her concern is that, with the GASB 75 reporting, and adding $1.3 billion to the state's liabilities, there will be another round of bond credit rating downgrades. She said the agency has to look seriously at a one hundred percent funding scenario because it can expect pressure from the employers picking up these new liabilities, and they have already been downgraded because of the pension fund liabilities.

Mr. Archuleta commented that the major challenge is making sure that the benefit is better today than what people would otherwise have access to on the exchange.

Mr. Archuleta said he felt this proposal was reasonable, but in order to reasonably accommodate growth in healthcare costs, there has to some consideration of an increase in the future. While this goes a long way toward fully funding future liabilities, it doesn't quite get there. On the flip side, NMRHCA could continue to do the monitoring it does every year, and it could also reduce some benefits.

Mr. Montaño expressed concern that if NMRHCA were to make this a Medicare-only plan, it would raise the premiums for everybody in the exchange because of the concentration in the older population. Given the average pension amount being paid by PERA and ERB, these people would be very hard hit with the unsubsidized premiums that they would have to pay for the people on the exchange.

Mr. Crandall suggested the board have a discussion about how much it wants to ultimately decrease benefits. Mr. Archuleta said the gauge is ensuring that the benefit is better than what people would otherwise have access to, which is the case right now. Mr. Crandall said the board has to decide what the cutoff point is rather than making incremental changes here and there along the way.

Chairman Sullivan commented that he didn't doubt that the only salvation for the fund would be a contribution increase from employers and employees but wondered what NMRHCA's best strategy might be, given the number of competing interests.

Mr. Montaño pointed out that money allotted to the pension plans is 24-25 percent and to NMRHCA it is only 3 percent. He commented that this is an expensive program, and the contribution rate will have to be increased to keep it as a viable benefit. In addition, New Mexico needs to attract quality people, especially teachers, and its pension and healthcare plans have to be attractive enough to retain them.

Mr. Crandall said he felt the board should move forward with the legislative proposal.

Mr. Linton agreed. NMRHCA has sent this message to the legislature for many years. For the sake of consistency, it should move forward with this proposal.

Ms. Saunders agreed. She said kicking this down the road would not benefit anybody, but the board will have to do some groundwork first in order to garner support from the unions.

Ms. Goodwin agreed that the board should move forward, but the request should be realistic in terms of addressing what NMRHCA needs to achieve sustainability within a reasonable period of time. She said legislators have to know what the actual cost is to fix this so they can make an informed decision.

Ms. Larrañaga-Ruffy agreed that the board should move forward, but expressed concern about requesting more than a 1 percent increase to the contribution rate.

Responding to Ms. Goodwin's comment, Mr. Crandall said he thought NMRHCA was asking for enough now to at least pay off its existing liabilities, with the understanding that NMRHCA would be returning to ask for more in the future. He added that no one knows what healthcare would look like 10 years from now, and so it would not make sense to try to get something that was unrealistic and "pulled out of the sky."

LFC analyst Connor Jorgensen stated that during last week's LFC hearing in Taos, there was discussion about insurance rates, pensions and compensation. To frame those competing interests, the state salary structure is estimated right now to be about 9.1 percent behind the market; and this last year, the 2.5 percent increase given to employees cost $90 million. In addition, the Public School Insurance Authority will be asking for a 7.6 percent increase for medical insurance for working teachers, and GSD is looking at another 5 percent. He said these are direct costs to employees right now. In addition, the LFC is talking about pension reform, and the proposals for that include contribution increases, either employer or employee, and there is also a lot of member interest in increasing state salaries across the board. The state hasn't kept up with the market, particularly with educational employees, and they are trying to close some of that gap.

Mr. Jorgensen additionally pointed out that one of the big problems with pensions is trying to induce workers to have longer careers, as shorter career retirements are hurting both of the plans right now, so the LFC is looking at solutions that can lengthen the careers of state employees. Right now, one of the issues that NMRHCA faces, particularly in its pre-Medicare population, is that it looks like an incentive for early retirement, so this is at a cross-purpose.

There was consensus that the board would move forward with its proposal.

Mr. Archuleta said the board would need to have timelines and strategies in place by the November meeting in order to present its recommendations to the interim Investments and Pensions Oversight Committee.

Mr. Archuleta agreed to contact the various union groups and stakeholder groups and inform them of the board's strategy. He would also make arrangements for these groups to meet with board members in order to seek input.

Mr. Montaño stated that he would investigate possible sponsors for the legislation.

Mr. Crandall recommended that staff inform members of the legislative proposal during the upcoming switch enrollment meetings.

10. 2019 MEDICARE ADVANTAGE PLAN RATES

Mr. Archuleta said he was pleased to report that the approved Medicare Advantage rates will be lower this year, largely the result of the suspension of ACA fees for 2019, which were a big driver for increases in 2018.

11. REVISED ASSET ALLOCATION

Mr. Archuleta reviewed the revised asset allocation and new targets in the various asset classes, as discussed during the July retreat. Another asset allocation study will be conducted within the next year.

Mr. Archuleta requested approval to revise the asset allocation from its current status to the targets reflected in the Intermediate Policy column (page 4 of Wilshire Consulting presentation and page 69 in board packet), effective October 1, 2018.

Chairman Sullivan noted that the consultant from Wilshire attended yesterday's Finance & Investment Committee meeting, at which time there was detailed discussion about the new policy targets. The committee recommended approval.

Mr. Crandall commented that the major change calls for moving money from stocks and bonds into alternative investments, which would provide a better return with similar risks. The committee recommended approval of the Intermediate Policy asset allocation revision.

Mr. Crandall stressed that NMRHCA needs a regular investment consultant who can meet regularly with the board, but this is at least a good start.

Mr. Crandall moved to accept the revised asset allocation (Intermediate Policy) as reflected on page 59. Ms. Larrañaga-Ruffy seconded, and the motion passed unanimously.

12. FY20 APPROPRIATION REQUEST

Mr. Archuleta presented this request for a $362 million appropriation, a $23.8 million increase over this year's FY 19 operating budget, a 7.1 percent increase in total. The bulk of this increase is in the contractual services category.

Mr. Crandall stated that the Finance & Investment Committee reviewed this request and recommended approval.

Mr. Crandall moved for approval. Ms. Goodwin seconded, and the motion passed unanimously.

13. YEARS OF SERVICE AND MINIMUM AGE REQUIREMENT RULE CHANGE

Mr. Archuleta stated that, when the NMRHCA posted notice on June 10 and June 12, 2018, announcing the July 26 public hearing on the Years of Service and Minimum Age Requirement Rule Change, it failed to notify Legislative Council Service staff as required in the State Rules Act. He requested permission to issue notice, accept public comment and hold another hearing on October 19 from 9:30 to

11:30 a.m. in the NMRHCA boardroom. The record would be distributed by email to the board for action at the November 6 meeting.

Mr. Crandall moved for approval. Ms. Goodwin seconded the motion, which passed unanimously.

14. ACTUARIAL & BENEFITS CONSULTING SERVICE RFP

Mr. Kueffer stated that NMRHCA is in the third year of an up-to four-year agreement for actuarial and benefits consulting services with Segal Company. However, consistent with the requirements contained in the Health Care Purchasing Act, NMRHCA, in cooperation with two of the other IBAC members (New Mexico Public Schools Insurance Authority and Albuquerque Public Schools), proposes to issue an RFP for actuarial and benefits consulting services related to ongoing services to the agency and the work associated with next year's RFP for medical, dental, vision and Medicare Advantage services.

Mr. Kueffer stated that the RFP is scheduled for release in September, with NMPSIA serving as procurement manager. The evaluation process will take place in late October and early November.

Mr. Kueffer requested approval to participate in the procurement process.

Mr. Crandall so moved. Ms. Larrañaga-Ruffy seconded the motion, which passed unanimously.

15. OTHER BUSINESS

None.

16. EXECUTIVE SESSION

None.

17. DATE AND LOCATION OF NEXT BOARD MEETING:
OCTOBER 2, 2018, 9:30 A.M.
ALFREDO R. SANTISTEVAN BOARD ROOM, STE. 207
4308 CARLISLE BLVD., N.E.
ALBUQUERQUE, NM, 87107

18. ADJOURN

Meeting adjourned at 11:05 a.m.

Accepted by:

_____

Tom Sullivan, President

SEE PAGE 7 FOR AN IMPORTANT ANNOUNCEMENT REGARDING OPEN/SWITCH ENROLLMENT SCHEDULE

your Benefit Messenger

NEW MEXICO RETIREE HEALTH CARE AUTHORITY

NMRHCA 2018 Newsletter Vol. 3 ~ Fall Edition

RATE/PLAN CHANGES & SAVINGS POTENTIAL FOR 2019 ANNOUNCED

The New Mexico Retiree Health Care Authority's annual, two-day board meeting in July focused on the review of our investment strategy, analysis of prior year expenditures and trends options for maintaining the long-term viability of the agency while trying to keep current members' costs from skyrocketing.

The Board of Directors once again worked diligently to balance the needs of existing retirees while making every effort to ensure the program's presence for future members. In doing so, the Authority approved measures that will help extend its solvency to 2037.

A summary of changes for 2019 are as follows:

Rates charged for all self-insured Pre-Medicare Plans (Premier and Value) will increase 8 percent for retirees, spouses/domestic partners and dependent children. An example is shown on the next page for members with 20-plus years of service credit:

See *Rate/Plan* on Page 2

EXECUTIVE DIRECTOR'S UPDATE:

NAVIGATING OPEN ENROLLMENT MEETINGS

The New Mexico Retiree Health Care Authority is pleased to announce that this year's Fall Open Enrollment period will run from Oct. 1-Nov. 9. NMRHCA staff will travel throughout the state of New Mexico (16 meetings in 13 different locations) during the months of October and the beginning of November to communicate changes to your health plan, effective January 1, 2019.

This year's Fall Enrollment Schedule will feature opening remarks from NMRHCA staff, followed by information presented by our Medicare Advantage plan partners. We made this change in an effort to educate our members about the benefits and opportunities associated with participating in one of our Medicare Advantage Plan offerings.

NMRHCA staff will start off the meetings by providing a summary of agency updates, plan and rate changes effective for 2019, and a summary of the agency's strategic plan to preserve retiree health care benefits for current and future plan participants. To stay on schedule, we are respectfully asking folks to limit their questions to items related to the information presented, while specific questions and personal situations specific in nature can be answered individually, following each presentation. These meetings also will include the opportunity to receive a free flu shot, pneumococcal vaccination, various health care screenings and wellness information.

As most retirees are aware, programs such as those offered by NMRHCA face significant challenges in terms of their long-term viability, as health care costs continue to outpace general inflation, and more importantly, the growth in resources available to support the program. In order to address these challenges, NMRHCA will continue to pursue a comprehensive approach in terms of aligning the contributions made to our program over the course of an average career with the benefits received over the course of an average retirement.

NMRHCA's mission is, and always has been, to provide affordable, comprehensive group health insurance benefit plans for current and future retirees and eligible depen-

See *Executive Director's Update* on Page 6

RATE/PLAN CHANGES & SAVINGS OPPORTUNITIES FOR 2019 ANNOUNCED

Continued From Page 1

Pre-Medicare (Blue Cross Blue Shield / Presbyterian)	2018	2019	Monthly Difference	Annual Difference
Premier PPO - Retiree	$241.44	$260.76	$19.32	$231.84
Premier PPO - Spouse/Domestic Partner	$458.27	$494.92	$36.65	$439.80
Premier PPO - Child	$234.36	$253.11	$18.75	$225.00
Value HMO - Retiree	$188.60	$203.69	$15.09	$181.08
Value HMO - Spouse	$357.95	$386.58	$28.63	$343.56
Value HMO - Child	$182.75	$197.37	$14.62	$175.44

Rates charged for the Medicare Supplement Plan will increase 6 percent for retirees, spouse/domestic partners and dependent children. Example shown below for members with 20-plus years of service credit:

Plan — Medicare Supplement (BCBS)	2018	2019	Monthly Difference	Annual Difference
Retiree	$199.96	$211.96	$12.00	$144.00
Spouse/Domestic Partner	$299.94	$317.94	$18.00	$216.00
Child	$399.92	$423.92	$24.00	$288.00

Rates charged for Medicare Advantage Plan participants will decrease in 2019, ranging from 2.1 to 35 percent, depending upon your plan selection. Example shown below for members with 20-plus years of service credit:

Medicare Advantage Plans	2018	2019	Monthly Difference	Annual Difference
Blue Cross Blue Shield				
Plan I	$69.60	$66.10	-$3.50	-$42.00
Plan II	$23.30	$22.15	-$1.15	-$13.80
Presbyterian				
Plan I	$96.50	$94.50	-$2.00	-$24.00
Plan II	$72.50	$71.00	-$1.50	-$18.00
Humana				
Plan I	$87.45	$66.82	-$20.63	-$247.56
Plan II	$53.06	$34.07	-$18.99	-$227.88
UnitedHealthcare				
Plan I	$104.17	$94.68	-$9.49	-$113.88
Plan II	$54.65	$49.65	-$5.00	-$60.00

The rate changes applicable to the Medicare Advantage Plans are largely the result of the suspension of certain fees associated with the Affordable Care Act for 2019.

NEW FOR 2019: The Blue Cross Blue Shield Premier Plan will offer a third-tier coverage level that will reduce out-of-pocket expenses in exchange for accessing care through a network of providers that have agreed to reduced reimbursement rates in exchange for their services, while also maintaining access to the broad network of providers who serve BCBS members today.

Members using the first Tier will limit their expenses as follows: an individual $500 deductible/$3,000 out-of-pocket maximum that has $20/$35 copays for primary care and specialist visits, respectively, and a 10 percent coinsurance rate for other services; the Preferred Provider Tier 2 that has an individual $800 deductible/a $4,500 out-of-pocket maximum with $30 PCP and $45 specialist copays and 25 percent coinsurance for other services; and the Non-Preferred (out-of-network) Tier 3 with an individual $1,500 deductible and $6,000 out-of-pocket maximum with 50 percent coinsurance for PCP, specialist and other services.

NEW FOR 2019: Presbyterian Health Plan has developed bundled payment agreements with certain providers for PHP Pre-Medicare Premier and Value Plan members to include flat copays, rather than

See *More* on Page 3

MORE ON 2019 NMRHCA RATE/PLAN CHANGES AND SAVINGS OPPORTUNITIES

Continued From Page 2

coinsurance (percentage of cost) payments for hernia, shoulder, knee and laparoscopic cholecystectomy (gallbladder removal) surgeries performed at selected locations (see PHP's 2019 Summary Plan Description for additional information).

Premier Plan members will pay a $500 copay, rather than 25 percent coinsurance. Value Plan members will pay a $650 copay, rather than a 30 percent coinsurance rate.

These agreements are limited to the procedures listed above and subject to the savings opportunities made available to NMRHCA members through their agreements with Presbyterian Health Plan.

NEW FOR 2019: Pre-Medicare and Medicare Supplement Plan participants will experience an increase in the percentage, minimum and maximum copays for brand-name prescription drugs.

The chart below summarizes these changes for 2019:

Express Scripts Plans	Non-Specialty/Specialty 2018		2019		Difference	
Formulary	30% $25 Min $50 Max	30% $50 Min $100 Max	30% $30 Min $60 Max	30% $60 Min $120 Max	NA $5 Min $10 Max	NA $10 Min $20 Max
Non-Formulary	30% $40 Min $100 Max	30% $100 Min $150 Max	30% $50 Min $125 Max	30% $100 Min $250 Max	NA $10 Min $25 Max	NA $100 Max

NEW FOR 2019: NMRHCA is pleased to announce the addition of the SaveOn Program for Pre-Medicare plan participants for certain specialty drugs. Please see the 2019 Summary of Benefits for additional information.

NEW FOR 2019: NMRHCA will begin offering the Naturally Slim Program to all of its Pre-Medicare and Medicare Supplement Plan participants aimed at metabolic syndrome reversal, diabetes prevention and weight management.

Combined, these changes will serve to accommodate our financial constraints, provide opportunities for members to access savings in areas where savings are available and assist members by helping them avoid medical costs altogether.

A complete rate sheet and benefit summary will be provided with your Open Enrollment Packet.

NEW FOR 2019: Dental plan rates also will experience premium increases as listed below.

Dental Plans	2018	2019	Monthly Difference	Annual Difference
United Concordia — Basic				
Single	$16.80	$17.78	$0.98	$11.76
Two-Party	$31.91	$33.78	$1.87	$22.44
Family	$47.87	$50.67	$2.80	$33.60
Comprehensive				
Single	$34.28	$36.28	$2.00	$24.00
Two-Party	$65.12	$68.93	$3.81	$45.72
Family	$97.65	$103.36	$5.71	$68.52
Delta Dental — Basic				
Single	$18.51	$19.23	$0.72	$8.64
Two-Party	$34.72	$36.07	$1.35	$16.20
Family	$58.15	$60.42	$2.27	$27.24
Comprehensive				
Single	$41.32	$42.93	$1.61	$19.32
Two-Party	$78.52	$81.58	$3.06	$36.72
Family	$126.75	$131.69	$4.94	$59.28

Wellness Program Gets A Name

Part of the New Mexico Retiree Health Care Authority's attempt to get our members not only to acknowledge, but also to participate in our wellness incentive program, is to give it a name by which everyone can identify.

Beginning in 2019, the Well and Wise Program will be born. Along with the name change will be our continued efforts to find more programs to help you manage your health as you age.

We're introducing another weight management option: The Naturally Slim program. Unlike most weight management programs, Naturally Slim doesn't ask you to modify your diet. It teaches you to modify how you eat your food — for example, instead of eating a handful of nuts at a time, it asks you to eat one at a time.

In fact, the welcome kit participants receive includes a bag of peanuts and a can of potato chips!

And for those who still prefer a traditional weight management program, we still offer Good Measures, which connects enrollees one-on-one with a registered dietitian.

We have also tweaked the participation requirements just a bit to qualify for the $50 gift card. We're still asking members to complete two structured wellness programs. But our aim is to modify behavior toward a healthier lifestyle.

If you complete a personal health or health risk assessment, we ask that your second program be directly related to that assessment. If your assessment says you have high cholesterol, your second program should be something that helps show you how to improve your cholesterol.

In the past, we have given members credit for attending just one Natural Grocers seminar. Attending one class (for example, the health benefits of sweet potatoes), does not by itself exhibit an intent toward behavior modification.

If you can show with your doctor's help that you have an action plan to improve your health in combination with the class(es) you attended, or if you attend multiple Natural Grocers classes, that action plan would demonstrate a willingness to modify behavior toward a healthier lifestyle.

Why is that our aim? We want our members to live healthy lives for as long as possible, and for them to stay in their homes and live independently for as long as possible.

Some have asked why we don't just lower our rates, rather than offer $50 gift cards. We honestly have not given away enough gift cards to affect anyone's rates.

Healthier lifestyles also help you keep your medical costs down, and they keep our costs down, which we look to pass along to members by keeping premiums from increasing. It's a win-win situation for our members and our agency.

Our wellness incentive page (nmrhca.org/wellness.aspx) still has a calendar of events and resources to find multiple wellness programs. Call us at 1-800-223-2576 or email NMRHCA.wellness@state.nm.us if you have any questions.

BE CAREFUL ABOUT OPIOID USE AFTER SURGERY ... BE VERY CAREFUL!

Opioids are powerful drugs that decrease pain, but they can also lead to addiction and deadly overdose if not taken with care. If you need opioids after surgery, it is important to talk to your doctor about how to use them safely.

Talk to your doctor before surgery

If you're having urological surgery—such as surgery for prostate cancer or to remove a kidney stone—you will have a doctor's appointment before the surgery. This is sometimes called a "pre-op" appointment. This is when you and your doctor should talk about how you will feel after surgery and whether or not you will need opioid pain medicine.

If your doctor says opioids aren't necessary

If your doctor thinks you won't be in a lot of pain after surgery, other types of pain medicine may be needed. He or she may recommend over-the-counter pain relievers such as acetaminophen (Tylenol and generic), ibuprofen (Advil, Motrin IB and generic), and naproxen (Aleve and generic).

If your doctor says they are

If your doctor thinks you will be in a lot of pain after surgery, opioids might be the right choice. Opioids include hydrocodone (Vicodin and generic) and oxycodone (OxyContin, Percocet and generic). These medicines should only be used to treat extreme short-term pain, like the kind you may feel after surgery.

During your pre-op appointment, you and your doctor should also talk about all the medicines and supplements you already take and how much alcohol you drink. This will help make sure that you are taking any pain medicine safely.

Stick to the lowest dose

If you need opioids, your doctor should prescribe the lowest possible dose. Three days or fewer will often be enough, and more than seven days are only rarely needed for urology procedures. According to the Centers for Disease Control and Prevention, taking opioids for more than three days will increase your risk of addiction. If you're still in pain after three days, use over-the-counter medicines as recommended by your doctor. Your doctor or pharmacist can help you take those medicines safely. They may also suggest non-drug ways to ease your pain, such as heat or cold therapy.

Know the risks and side effects

The risk of overdose with opioids is high because the amount that can cause an overdose is not much higher than the amount used to treat pain.

The risk of addiction is low, but it can happen to anyone. Ask your doctor about this risk.

The possible side effects of opioids include abdominal cramps, constipation, headaches, nausea, sleepiness, vomiting, and a fuzzyheaded feeling.

Don't take opioids for long-term pain

Urologists also treat people who have painful conditions that do not require surgery, such as recurring kidney stones. Opioids should not be used to treat conditions that involve long-term pain. If you see a urologist for conditions like these, ask about other ways to manage your pain. You can also ask to be referred to a pain management specialist.

This report is for you to use when talking with your healthcare provider. It is not a substitute for medical advice and treatment. Use of this report is at your own risk.

MINIMUM AGE REQUIREMENT, INCREASED YEARS OF SERVICE RULES TO ACCEPT PUBLIC COMMENT

In July of 2014, the New Mexico Retiree Health Care Authority Board of Directors voted to consider a proposal that would establish a minimum age requirement of 55 for new members to receive a subsidy for health insurance, beginning Jan. 1, 2020.

The board also voted to consider a rule increasing the years of service to receive the maximum subsidy from 20 to 25 years from NMRHCA.

The rules stipulate that prospective members who retire from one of our participating employers in 2020 or after must be 55 to receive a subsidy from the agency and will have had to have worked 25 years to earn the maximum subsidy the agency provides (or purchase service credit to get to 25 years, rather than 20, provided they first purchased those years with their pension plan).

This rule **WOULD NOT AFFECT** existing members, participating employees retiring before Jan. 1, 2020, or current employees participating in an enhanced retirement plan.

The board voted to consider the measure to help NMRHCA's long-term solvency (so that the agency will be available to future generations of public employees).

Estimated savings to the program are more than $75 million over the next 20 years.

The proposal also represents another means by which the Authority attempts to combat rising health care costs without passing on exorbitant premium increases to its current members.

The proposed rule also falls in line with New Mexico Educational Retirement Board and Public Employees Retirement of New Mexico retirement rules.

The Authority is currently accepting written comment on the proposed rule change through Oct. 19, 2018. Those wishing to submit a written comment can email Greg Archuleta at gregoryr.archuleta@state.nm.us or send a letter to NMRHCA, c/o Greg Archuleta, 4308 Carlisle Blvd. NE, Suite 104, Albuquerque, NM 87107.

We will then conduct a public hearing regarding the proposal at 9:30 a.m. on Oct. 19 in the NMRHCA Albuquerque office board room, located at 4308 Carlisle Blvd. NE, Suite 207 in Albuquerque.

Information about the rule change proposal is available on the Rule Change Proposal tab on the front page of our website, NMRHCA.org.

Please contact us at 800-233-2576 if you have any questions regarding the proposed rule changes.

EXECUTIVE DIRECTOR'S UPDATE

Continued From Page 1

dents.

Therefore, it is important for retirees to understand how to maximize the value of the benefits we provide, take advantage of savings opportunities when available and avoid costly care when possible.

We look forward to seeing and interacting with you in or near your community this fall.

NMRHCA AT A GLANCE

MEDICARE SEMINAR UPDATE

Because of our involvement with October's Switch/Open Enrollment meetings, our next Medicare seminar will be Dec. 12 in Albuquerque (9:30 a.m.) and Santa Fe (1:30 p.m.).

Our dates for 2019 are as follows:
Feb. 13 — Albuquerque and Santa Fe.
March 13 — Albuquerque only.
April 10 — Both locations
May 15 — Albuquerque
June 12 — Both locations
July 17 — Albuquerque
Aug. 14 — Both locations
Sept. 11 — Albuquerque
Dec. 11 — Both locations

Dates and times for additional sites (tentatively in Las Cruces and Farmington) will be included in our 2019 Winter Newsletter.

WE WANT YOUR EMAIL ADDRESS

Help us help you by cutting down our postage costs! Those wishing to receive their newsletter online can email us, CustomerService@state.nm.us, or call us at 800-233-2576.

FIND US ON FACEBOOK

Our Facebook page provides wellness information as well as notifications for upcoming NMRHCA events. Like us at www.facebook.com/nmrhca/.

OPEN/SWITCH ENROLLMENT MEETING SCHEDULE

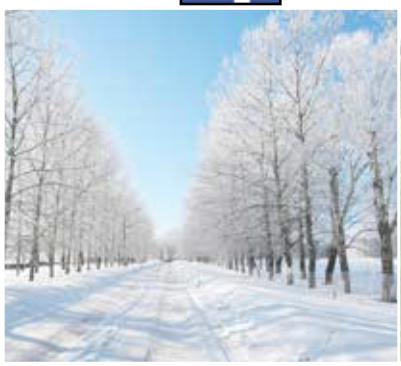
***PLEASE NOTE THAT THE POSTCARDS SENT OUT REGARDING THE SCHEDULE HAD THE WRONG DATE FOR THE FIRST ALBUQUERQUE MEETING. IT IS OCT. 10, RATHER THAN OCT. 9. ALSO, THE VENUE FOR THE ROSWELL LOCATION HAS CHANGED.**

DATE	LOCATION	TIME		VENUE
10/1/2018 11/2/2018	Santa Fe	9:30 a.m. 11:30 a.m. 12:15 p.m.	Medicare Medical/RX Voluntary Coverage Non-Medicare Medical/RX	Santa Fe Community College Jemez Room 6401 Richards Ave. Santa Fe, NM 87508
10/2/2018	Silver City	1 p.m. 3 p.m. 3:45 p.m.	Medicare Medical/RX Voluntary Coverage Non-Medicare Medical/RX	Western New Mexico University Besse-Forward Global Resource Center Corner of 12th and Kentucky Silver City, NM 88061
10/3/2018 10/4/2018	Las Cruces	9:30 a.m. 11:30 a.m. 12:15 p.m.	Medicare Medical/RX Voluntary Coverage Non-Medicare Medical/RX	NM Farm & Ranch Heritage Museum 4100 Dripping Springs Rd. Las Cruces, NM 88011
10/10/2018* **10/29/2018**	**Albuquerque**	**9:30 a.m.** **11:30 a.m.** **12:15 p.m.**	**Medicare Medical/RX** **Voluntary Coverage** **Non-Medicare Medical/RX**	**UNM Continuing Education Auditorium** **1634 University Blvd., NE** **Albuquerque, NM 87131**
10/11/2018	Raton	9:30 a.m. 11:30 a.m. 12:15 p.m.	Medicare Medical/RX Voluntary Coverage Non-Medicare Medical/RX	Raton Convention Center 901 S. 3rd St. Raton, NM 87740
10/12/2018	Las Vegas	9:30 a.m. 11:30 a.m. 12:15 p.m.	Medicare Medical/RX Voluntary Coverage Non-Medicare Medical/RX	NM Highlands University Student Center 800 National Ave. Las Vegas, NM 87701
10/15/2018	Clovis	9:30 a.m. 11:30 a.m. 12:15 p.m.	Medicare Medical/RX Voluntary Coverage Non-Medicare Medical/RX	Clovis Civic Center 801 Schepps Blvd. Clovis, NM 88101
10/16/2018	**Roswell**	**9:30 a.m.** **11:30 a.m.** **12:15 p.m.**	**Medicare Medical/RX** **Voluntary Coverage** **Non-Medicare Medical/RX**	**American Legion** **1620 N. Montana Ave.** **Roswell, NM 88201**
10/17/2018	Hobbs	9:30 a.m. 11:30 a.m. 12:15 p.m.	Medicare Medical/RX Voluntary Coverage Non-Medicare Medical/RX	NM Junior College Training and Outreach Facility 5317 North Lovington Highway Hobbs, NM 88240
10/22/2018	Española	9:30 a.m. 11:30 a.m. 12:15 p.m.	Medicare Medical/RX Voluntary Coverage Non-Medicare Medical/RX	Northern NM College - Nick. L. Salazar Center for Performing Arts 921 Paseo de Oñate Española, NM 87532
10/23/2018	Farmington	10:30 a.m. 12:30 p.m. 1:15 p.m.	Medicare Medical/RX Voluntary Coverage Non-Medicare Medical/RX	Farmington Civic Center - Miriam Taylor Theater 200 W. Arrington St. Farmington, NM 87401
10/24/2018	Gallup	9:30 a.m. 11:30 a.m. 12:15 p.m.	Medicare Medical/RX Voluntary Coverage Non-Medicare Medical/RX	Red Rock State Park Dining and Conference Room Gallup, NM 87311
10/30/2018	Rio Rancho	9:30 a.m. 11:30 a.m. 12:15 p.m.	Medicare Medical/RX Voluntary Coverage Non-Medicare Medical/RX	Santa Ana Star Center 3001 Civic Center Circle NE Rio Rancho, NM 87144

Reminder: Free flu shots and screenings, including a take-home Fecal Occult Blood Test to check for symptoms of colorectal cancer, will be offered at all Open/Switch Enrollment meetings. Those unable to attend the Open/Switch Enrollment meetings may request an FOBT to be sent to them by calling 505-923-8105 and leaving their name, number and short message regarding the kit.

NEW MEXICO
RETIREE
HEALTH CARE
AUTHORITY

Find us on Facebook: https: www.facebook.com/nmrhca




NMRHCA CONTACT INFORMATION

4308 Carlisle Blvd NE, Suite 104
Albuquerque, NM 87107-4849

33 Plaza La Prensa, Suite 101
Santa Fe, NM 87507

800-233-2576 (Toll Free)
505-476-7340 (Santa Fe)
505-884-8611 (Fax)
Email: customerserivce@state.nm.us

Hours: 8 a.m.-5 p.m. Monday-Friday

Please visit us online at www.nmrhca.org

CONTACT YOUR HEALTHCARE PROVIDERS DIRECTLY

Blue Cross Blue Shield
BCBSNM.....800-788-1792
BCBSNM Medicare Advantage.....877-299-1008
www.bcbsnm.com

Presbyterian Health Plan
Presbyterian Health Plan 888-275-7737
Presbyterian Medicare Advantage .800-797-5343
www.phs.org

Express Scripts
Express Scripts Medicare 800-551-1866
Express Scripts Non-Medicare .. 800-501-0987
www.express-scripts.com

Humana 866-396-8810
https://our.humana.com/nmrhca

UnitedHealthcare.....866-622-8014
www.uhcretiree.com

United Concordia..... 888-898-0370
www.ucci.com

Delta Dental.....877-395-9420
www.deltadentalnm.com

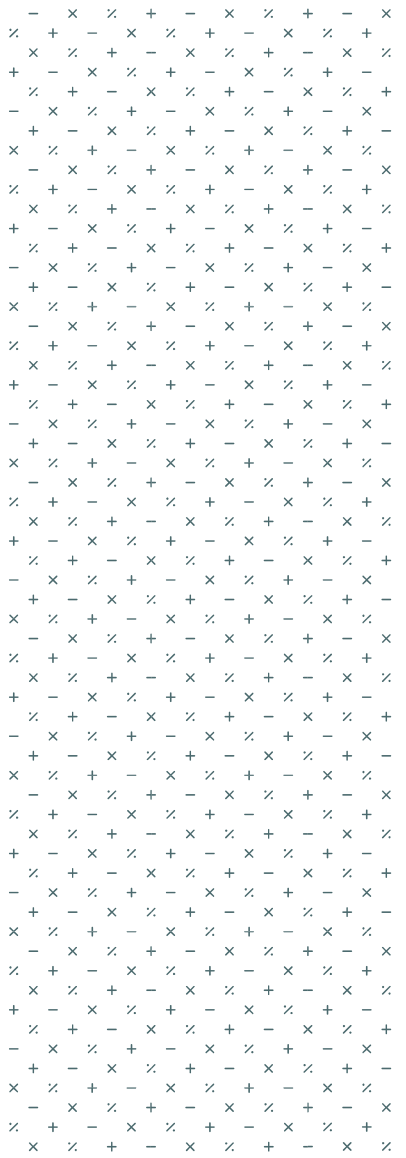
Davis Vision 800-999-5431
www.davisvision.com

Standard Insurance.....888-609-9763
www.standard.com/mybenefits/newmexico_rhca

MOSSADAMS

New Mexico Retiree Health Care Authority

Entrance Conference
August 28, 2018



Agenda

- Your Audit Team
- Scope of Services
- Required Communications
- Areas of Audit Emphasis
- Proposed Audit Timeline

Your Audit Team

Kory Hoggan, CPA
Engagement Reviewer
kory.hoggan@mossadams.com
(505) 878-7214

Jim Lanzarotta, CPA
Concurring Reviewer

Aaron Hamilton, CPA
Audit Senior Manager
aaron.hamilton@mossadams.com
(505) 837-7630

Other Team Members
Dominic Montoya, Audit Senior
Koen Alberts, Audit Staff
Chris Rosado, IT Senior

Scope of Services

Reports to be provided for the year ended June 30, 2018			
Report of Independent Auditors on financial statements	**Report on Schedules of Employer Allocation and OPEB Amounts by Employer**	**Report to Those Charged With Governance (required communications and other matters of interest)**	**Report on Internal Controls (communicating internal control matters)**

Required Communications

Entrance Conference:

- Auditor's responsibility under GAAS, government auditing standards, and New Mexico State Audit Rule
- Planned scope and timing of audit

Exit Conference:

- Significant audit findings
- Qualitative aspects of accounting practices
- Difficulties encountered in performing the audit
- Corrected and uncorrected misstatements
- Management representations
- Management consultations with other independent accountants
- Other audit findings or issues

Auditor's Responsibility

1 Express our opinion on whether the financial statements are fairly presented, in all material respects, in accordance with U.S. GAAP.

2 Perform an audit in accordance with generally accepted auditing standards, Government Auditing Standards, and the NM State Audit Rule (NMAC 2.2.2). Design the audit to obtain reasonable, rather than absolute, assurance about whether your financial statements are free of material misstatement.

3 Consider internal control over financial reporting as a basis for designing audit procedures but not for the purpose of expressing an opinion on its effectiveness or to provide assurance concerning such internal control.

4 Communicate findings that, in our judgment, are relevant to your responsibilities in overseeing the financial reporting process.

Areas of Audit Emphasis

INTERNAL CONTROLS

- Financial close and reporting (GASB No. 74)
- Investments (authorization and monitoring)
- Premiums and claims
- Participant data (census data)
- IT systems

ANALYTICAL PROCEDURES

- Contributions
- Investment earnings
- Expenses
- Trends, comparisons, and expectations

SUBSTANTIVE PROCEDURES

- Contributions received and claims paid
- Actuarial measurements and assumptions
- Confirmations of cash and investment values

What is Materiality?

The amount of a misstatement that could influence the economic decisions of users, taken on the basis of the financial statements. Materiality differs based on perspective (financial statements vs. participants) and general ledger account.

Calculated using certain **quantitative** *(e.g., total assets)* and **qualitative** factors *(e.g., covenants, expectations, or industry factors)*

It's used to identify :

- Significant risk areas
- Nature, timing, extent, and scope of test work
- Findings or misstatements

Consideration of Fraud

Auditors must consider fraud to
"improve the likelihood that auditors will detect material misstatements due to fraud in a financial statement audit."

How we gather information to identify fraud-related risks of material misstatement:

Brainstorm with team

Conduct personnel interviews

Document understanding of internal control

Consider unusual or unexpected relationships identified in planning and performing the audit

Procedures to be performed:

Examine general journal entries for nonstandard transactions

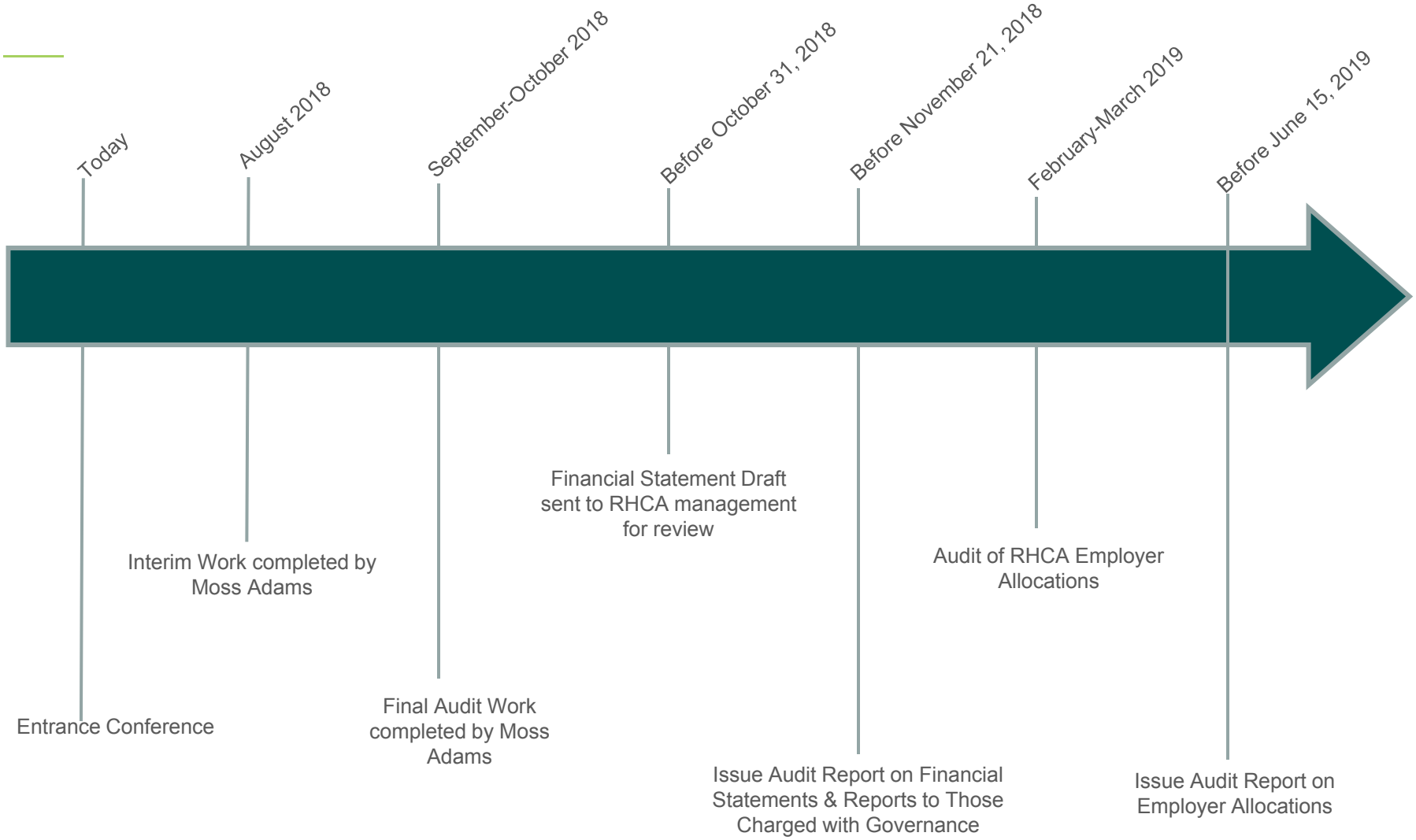
Evaluate policies and accounting for revenue recognition

Test and analyze significant accounting estimates for biases

Evaluate the business rationale for significant unusual transactions

Incorporate any referrals received from State Auditor into testing

Proposed Financial Statement Audit Timeline



We Welcome Your Input And Questions!

THANK YOU

An electronic copy of your presentation must be sent prior to the meeting to: lfc@nmlegis.gov. In addition, please provide 30 hard copies for the committee.

TENTATIVE AGENDA
Legislative Finance Committee
State Capitol - Room 307 - Santa Fe, New Mexico
October 23 - 26, 2018

Tuesday, October 23rd

8:30 -- Program Evaluation: New Mexico Corrections Department - Prison Staffing, Oversight of Medical and Behavioral Health Care and Implementation Status of Evidence-Based Programing -- Dr. Travis McIntyre, Program Evaluator, Legislative Finance Committee; David Jablonski, Secretary, New Mexico Corrections Department

10:00 -- New Mexico Corrections Department (770) Preview of FY20 Appropriation Request -- David Jablonski, Secretary, New Mexico Corrections Department

11:00 -- Natural Resource Economics -- Colin Fenton, Managing Partner, Blacklight Research LLC

12:30 -- Lunch

1:30 -- Department of Health (665) Preview of FY20 Appropriation Request -- Lynn Gallagher, Secretary, Department of Health

3:30 -- Guardianship Reforms -- Shannon Bacon, Presiding Civil Judge, 2nd Judicial District Court; Nancy Franchini, Judge, 2nd Judicial District Court; Patricia Galindo, Guardianship Staff Attorney, Administrative Office of the Courts; Wayne Johnson, State Auditor, Office of the State Auditor

- Status of Implementation of Laws of 2018 Chapter 10 (Senate Bill 19), Guardianship Reforms
- Feasibility and Cost of Enacting the Uniform Guardianship Act
- Scope and process for conservatorship audits

5:00 -- Adjourn

Wednesday, October 24th

8:30 -- Human Services Department (630) Preview of FY20 Appropriation Request -- Brent Earnest, Secretary, Human Services Department

10:30 -- Children, Youth, and Families Department (690) Preview of FY20 Appropriation Request -- Monique Jacobson, Secretary, Children, Youth, and Families Department

- LFC Early Childhood Accountability Report -- Dr. Jon Courtney, Program Evaluation Manager, Legislative Finance Committee; Kelly Klundt, Fiscal Analyst, Legislative Finance Committee

12:30 -- Lunch

Wednesday, October 24th (Continued)

1:30 -- **Subcommittee A - Room 307**

Representative George Dodge Jr., Chair
Representative Randal S. Crowder
Representative Larry A. Larrañaga
Representative Jim R. Trujillo

Senator Howie C. Morales, Vice-Chair
Senator William F. Burt
Senator Pete Campos

Representative Patricia A. Lundstrom
Senator John Arthur Smith
Ex-officio

Executive/General Control:

1. Governor (356) -- Rabin
2. Lieutenant Governor (360) -- Rabin
3. State Commission of Public Records (369) -- Montoya
4. Education Trust Board (949) -- Valenzuela

Regulation:

5. Board of Veterinary Medicine (479) -- Amacher
6. Medical Board (446) -- Chenier
7. Board of Nursing (449) -- Chenier
8. Board of Examiners for Architects (404) -- Montoya
9. State Board of Registration for Professional Engineers & Surveyors (464) -- Montoya
10. Public Employees Labor Relations Board (379) -- Jorgenson
11. Gaming Control Board (465) -- Romero
12. Racing Commission (469) -- Romero
13. Administrative Hearings Office (340) -- Romero

Subcommittee B - Room 309

Representative Nick L. Salazar, Vice-Chair
Representative Paul C. Bandy
Representative Jimmie C. Hall

Senator Carlos R. Cisneros, Chair
Senator Carroll H. Leavell
Senator George K. Muñoz
Senator Steven P. Neville

Representative Patricia A. Lundstrom
Senator John Arthur Smith
Ex-officio

Courts/Other:

1. Supreme Court (216) -- Torres
   -- Supreme Court Building Commission (219)
   -- Supreme Court Law Library (205)
2. Court of Appeals (215) -- Torres
3. New Mexico Compilation Commission (208) -- Torres
4. Judicial Standards Commission (210) -- Torres
5. Department of Military Affairs (705) -- Edwards
6. Spaceport Authority (495) -- Martinez

Public Safety:

7. Juvenile Public Safety Advisory Board (765) -- Klundt
8. Crime Victims Reparation Commission (780) -- Edwards
9. Parole Board (760) -- Edwards

Thursday, October 25th

8:30 -- New Mexico Mortgage Finance Authority Budget and Program Overview -- Jay Czar, Executive Director, New Mexico Mortgage Finance Authority; Gina Hickman, Deputy Director of Finance and Administration, New Mexico Mortgage Finance Authority

Thursday, October 25th (continued)

9:30 -- Staff Reports
1) Indian Affairs Department (609) -- Armstrong
2) State Investment Council (337) -- Iglesias
3) Department of Homeland Security and Emergency Management (795) – Edwards
4) Veterans' Services Department (670) -- Chenier
5) Department of Game and Fish (516) -- Amacher

12:30 -- Lunch

1:30 -- **Subcommittee A – Room 307**

Representative George Dodge Jr., Chair
Representative Randal S. Crowder
Representative Larry A. Larrañaga
Representative Jim R. Trujillo

Senator Howie C. Morales, Vice-Chair
Senator William F. Burt
Senator Pete Campos

Representative Patricia A. Lundstrom
Senator John Arthur Smith
Ex-officio

Health and Human Services/Natural Resources/Other:

1. Commission for the Deaf and Hard-of-Hearing Persons (604) -- Esquibel
2. Governor's Commission on Disability (645) -- Esquibel
3. Developmental Disabilities Planning Council (647) -- Chenier
4. Commission for the Blind (606) -- Esquibel
5. Miners' Hospital (662) -- Esquibel
6. Martin Luther King, Jr. Commission (605) -- Klundt
7. Office of African American Affairs (603) -- Klundt
8. Workers' Compensation Administration (632) -- Klundt
9. Division of Vocational Rehabilitation (644) -- Esquibel
10. Office of Natural Resources Trustee (668) -- Amacher
11. Youth Conservation Corps (522) -- Amacher
12. Livestock Board (508) -- Amacher
13. New Mexico Sentencing Commission (354) -- Edwards

Subcommittee B – Room 309

Representative Nick L. Salazar, Vice-Chair
Representative Paul C. Bandy
Representative Jimmie C. Hall

Senator Carlos R. Cisneros, Chair
Senator Carroll H. Leavell
Senator George K. Muñoz
Senator Steven P. Neville

Representative Patricia A. Lundstrom
Senator John Arthur Smith
Ex-officio

Economic Development/Other:

1. Cumbres and Toltec Scenic Railroad Commission (490) -- Martinez
2. Intertribal Ceremonial Office (538) -- Martinez
3. Border Authority (417) -- Martinez
4. Office of Military Base Planning (491) -- Martinez
5. State Fair Commission (460) -- Armstrong
6. State Personnel Office (378) -- Jorgensen

Education:

7. Public School Insurance Authority (342) -- Jorgensen
8. Regional Educational Cooperatives (930) -- Liu
9. Public School Facilities Authority (940) -- Rabin
10. Cooperative Extension Service/Agriculture Experiment Station -- Valenzuela
11. New Mexico Department of Agriculture (954) -- Valenzuela
12. Small Business Development Centers – Valenzuela

5:30 -- Adjourn

Friday, October 26th

8:00 -- Report on Higher Education Governance -- Barbara Damron, Secretary, Higher Education Department

9:00 -- New Mexico Finance Authority Budget Overview FY19 - FY20 -- John Gasparich Interim Chief Executive Officer, New Mexico Finance Authority; Oscar Rodriguez, Chief Financial Officer, New Mexico Finance Authority

10:15 -- Staff Reports
1) Retiree Healthcare Authority (343) -- Jorgensen
2) Educational Retirement Board (352) -- Jorgensen
3) Public Employees Retirement Association (366) -- Jorgensen

11:30 -- Fiscal Impact Reports: Scoring Process for Legislation -- Jon Clark, Chief Economist

12:00 -- Miscellaneous Committee Business

Action Items
1) Approval of September 2018 Meeting Minutes

Review of Monthly Financial Reports & Information Items
2) LFC FY19 Budget Status
3) BAR Report
4) September Cash Balance Report
5) October Full Time Employees by Agency
6) LFC Program Evaluation Status Report
7) Capital Outlay Report -- LFC Staff

12:15 -- Adjourn

If you require special accommodations such as an American Sign Language interpreter or reader to attend and participate in any scheduled Legislative Finance Committee meeting, please contact Sharon Boylan, (505) 986-4570 [TDD (505) 986-4657], at least five (5) working days prior to a scheduled meeting. Agendas and minutes of scheduled meetings can be made available in alternative formats upon request.

The New York Times

Merger of Cigna and Express Scripts Gets Approval From Justice Dept.

By Reed Abelson

Sept. 17, 2018

Federal officials on Monday gave the go-ahead to the proposed merger between Cigna, one of the nation's largest health insurers, and Express Scripts, a major pharmacy benefit manager.

The $52 billion deal, announced last March, is one of two proposed transactions involving pharmacy companies before the Justice Department. Last December, Aetna, another giant insurer, announced its plan to join forces with CVS Health, the drugstore chain that is the main independent rival to Express Scripts, in a $69 billion deal.

The Justice Department continues to review the deal between Aetna and CVS, although the two companies are also expected to receive a green light soon.

These combinations of powerful health insurance companies with the country's dominant pharmacy benefit managers are occurring as established players in the health care sector are frantically searching for ways to fend off potential interlopers like Amazon, whose tentative forays into the pharmacy business have already shaken up the industry.

The deals also represent a recognition by established companies that they need to change their business model in response to customer demands that prices are better controlled. Both insurers and pharmacy benefit managers serve as middlemen for employers and governments, and the proposed mergers are an attempt to convince their customers that they are working to reduce costs.

The entrenched industry has also been buffeted by a new alliance among the corporate giants Amazon, Berkshire Hathaway and JPMorgan Chase, which have created a separate health care entity out of their frustration with big insurers and the major pharmacy managers. Those companies want to develop new ways to cut through the seemingly intractable, expensive systems of coverage for their employees.

The decision by federal antitrust officials to allow Cigna to buy Express Scripts signals an acceptance of so-called vertical mergers in which companies, although in the same broad line of business, do not directly compete. The nation's big health insurers, including Aetna and Cigna, had previously tried to combine with other insurers, only to have those deals blocked over concerns about the possible impact on consumers.

In approving the Cigna-Express Scripts deal, federal officials emphasized that they did not believe the merger would damp competition in the pharmacy business.

Cigna's corporate headquarters in Bloomfield, Conn. In letting the deal proceed, federal officials emphasized they did not believe the merger would hurt consumers. Cigna, via Associated Press

"Quality health care and competitive pricing for health care services and pharmaceutical drugs is critical to U.S. consumers," Makan Delrahim, an assistant attorney general, said in a statement on Monday.

Both companies argue that the merger will benefit consumers by allowing Cigna and Express Scripts to better manage their customers' health by sharing information about both their medical and drug expenses. The other major insurers, UnitedHealth Group and Anthem, have also moved away from using outside benefit managers, posing major threats to CVS and Express Scripts.

“Together, we believe we will be able to do even more to reduce health care costs, expand choice, and improve patient outcomes,” Tim Wentworth, the chief executive of Express Scripts, said in a statement.

Rising drug prices are forcing the issue for the insurers, said Terry Stone, a managing partner for Oliver Wyman, a consultant. Many were unprepared for the onslaught of new, very expensive medications, she said, and were “caught off guard” when the new hepatitis C drugs were introduced a few years ago at a cost of tens of thousands of dollars to treat a single individual.

She argued the combination of these large insurers, with expertise in managing costs for chronic diseases, and the pharmacy managers offer “a huge amount of synergy.”

Both the insurers and pharmacy companies are under tremendous pressure to prove they can deliver cost-conscious results, said Jim Winkler, a senior executive at Aon, a benefits consultant. “It is reasonable to say both models have to change and will change,” he said.

But the parties will have to do more than merge to convince employers that they are offering something of greater value than they do separately, said Mr. Winkler, who noted that many employers said they did not intend to change their benefits strategy when the mergers were first announced.

Cigna and Express Script may say they will now be able to share information about patients, but it is unclear whether the combined companies will be able to negotiate lower drug prices and better manage people with expensive diseases, he said. These are “interesting questions without answers,” Mr. Winkler said.

The deals also reflect an increasing interest in the business of providing private plans under the Medicare program, where drug benefits represent a critical component of an insurers’ offerings, Mr. Winkler said. Cigna’s purchase of Express Scripts allows the company, which is not considered a major player in Medicare Advantage, to increase its presence, he said.

Cigna and Express Scripts said they had already received approval from 16 state insurance departments and were working with regulators in the other states to get the necessary approval. Shareholders of both companies have already voted to go ahead with the deal, and the companies said they expected the deal to close by the end of the year.

A version of this article appears in print on Sept. 17, 2018, on Page B2 of the New York edition with the headline: Merger of Cigna and Express Scripts Gets Approval From Justice Dept.

Presbyterian Santa Fe Medical Center

PRESBYTERIAN

ELEVATING HEALTHCARE IN SANTA FE

To increase choice and expand access to care for residents of Santa Fe and northern New Mexico, Presbyterian Healthcare Services is opening a new medical center in the fall of 2018 on the south side of Santa Fe. Located near the intersection of I-25 and Cerrillos Road, Presbyterian Santa Fe Medical Center will provide a wide range of services focused on improving quality, enhancing the patient experience and lowering the total cost of care.

Presbyterian Healthcare Services is a not-for-profit health care system that has served New Mexico since 1908. The new medical center will be Presbyterian's ninth hospital in New Mexico.

CDSGEN-43 0318

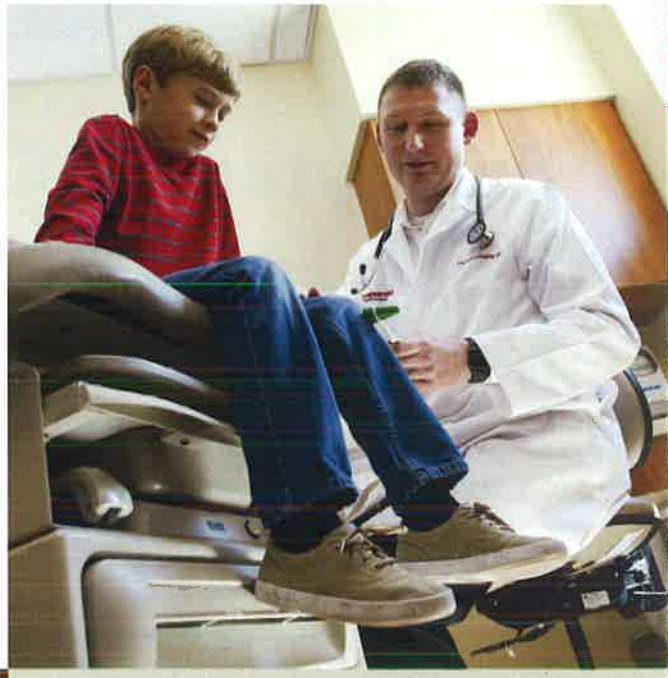
SERVICES AND FEATURES

The **342,000-square-foot** medical center will offer:

- **30 private inpatient beds** featuring a spacious design and views of the surrounding landscape.
- **A six-bed family birthing unit** complete with four labor-delivery-recovery suites and two surgical suites.
- A **24/7 Emergency Department** and **urgent care** with an innovative, shared triage entrance to help patients access the appropriate level of care.
- Diagnostic laboratory testing and imaging services, including **CT** and **MRI**.
- **Surgery** and **procedure suites** for outpatient and short-stay surgeries.
- A **rehabilitation facility** offering physical, occupational and speech therapies as well as cardiac and pulmonary rehabilitation.
- **Specialty medical services** both at the medical center and at our Presbyterian Medical Group clinic on St. Michael's Drive. Planned physician and advanced practice clinician specialties include anesthesiology, behavioral health, cardiology, emergency medicine, endocrinology, family medicine, general surgery, internal medicine, neurology, obstetrics and gynecology, orthopedics, a pathology lab, pediatrics, podiatry, pulmonology, radiology, urology and others.
- **Telemedicine** access to critical care, behavioral health and other specialties within the Presbyterian system.
- A **hiking** and **biking trail** that connects to miles of trails in the Las Soleras development.
- A **healing pathway** with special features for contemplation, relaxation and well-being.
- A **cafeteria, gift shop, chapel, meeting spaces** and a **community demonstration kitchen**, all available to the public.
- A **rooftop healing garden** adjacent to the inpatient floor.
- **Ambulances standing by** – traditional ground ambulance service and a helicopter on site – to transport patients to another Presbyterian hospital or other medical facility if highly specialized care is needed.
- Numerous **green building practices** to increase energy efficiency and reduce water consumption.

POSITIVE ECONOMIC IMPACT

- The medical center represents a **$145 million investment** by Presbyterian in Santa Fe.
- Construction began in September 2016 and created **250-300 jobs** during peak construction.
- Presbyterian currently employs more than **75** people at our clinic on St. Michael's Drive.
- Presbyterian Santa Fe Medical Center is expected to employ more than **325 people**, including physicians and advanced practice clinicians, nurses, therapists and other support staff.
- To support planned growth in the area around the new medical center, Presbyterian is one of the founding members of the **South Santa Fe Economic Development Council**.



PRESBYTERIAN MEDICAL GROUP AT 454 ST. MICHAEL'S DRIVE

Presbyterian will continue offering care at our multi-specialty clinic, which opened in 2015. In addition to physicians and advanced practice clinicians who focus on family medicine and internal medicine, the clinic currently offers pharmacy, psychology and radiology services, a TriCore Reference Lab and an urgent care that is open seven days a week and accepts patients by appointment or walk-in. Specialty services include behavioral health, cardiology, endocrinology, neurology, obstetrics and gynecology, orthopedics, pediatrics, psychiatry and pulmonology. Most of these specialties will remain at the clinic even after the medical center opens. A few, including obstetrics/gynecology and pediatrics, will transition to the new medical center.

454 St. Michael's Drive
Santa Fe, NM 87505

Clinic Hours:
Monday through Friday
8 a.m. to 5 p.m.

Urgent Care Hours:
Monday through Friday
8 a.m. to 7 p.m.
Saturdays, Sundays and holidays
8 a.m. to 5 p.m.

Schedule same-day appointments online by visiting www.phs.org/urgentcare or by calling (505) 303-5000.

www.phs.org/santafe

Presbyterian Santa Fe Medical Center
4801 Beckner Road
Santa Fe, NM 87507
www.phs.org/santafe

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kdufault@phs.org

SANTA FE NEW MEXICAN

http://www.santafenewmexican.com/news/health_and_science/new-mexico-board-may-delay-health-coverage-for-public-retirees/article_70b7f71e-2f74-5c15-a05e-372419ac0763.html

New Mexico board may delay health coverage for public retirees

By Andrew Oxford | aoxford@sfnewmexican.com Sep 21, 2018 Updated Sep 21, 2018

Monica Taulbee-Leaming started teaching in public schools in her early 20s, straight out of college.

Under the state's pension plan for educators, she could retire after 25 years on the job at age 48.

Leaming, the orchestra director at Farmington High School and Tibbetts Middle School, does not expect to retire at that point.

And soon, it may not be much of an option.

New Mexico public employees from teachers to parks workers may have to stay on the job longer before they can get full benefits from the state's health care program for retired civil servants.

The Retiree Health Care Authority is considering setting a minimum age of 55 and extending the years of service required for a full insurance subsidy to 25 from 20, starting in 2020.

“I am most likely going to continue teaching past my required 25 years anyway, but for them to tell me that I have to put in 32 years instead of 25 is a kick in the face,” said Leaming.

The authority’s board has been mulling the move for years as it faces down the prospect of insolvency in less than 20 years.

But some workers have said this would leave them on the hook for higher health care costs for several years if they retire when they had originally planned.

“I realize that I could retire anyway, but without access to affordable health care through my employer, I would have to essentially start another career. And I’m not interested in doing that,” Leaming said.

The system provides subsidized health insurance premiums for eligible retirees. There are about 97,000 employees paying into the program today. It provided coverage to about 39,000 retirees as of July.

That includes former state government employees as well as former employees of cities, counties, universities and charter schools.

The amount covered depends on years of service. Retirees can now get the full subsidy after 20 years on the job.

David Archuleta, director of the Retiree Health Care Authority, said extending that period by five years and setting a minimum age would curb costs over the long term.

“It’s more about limiting our long-term obligations,” he said, noting the costs of care are rising.

The proposal comes against the backdrop of the state government's broader reckoning with an underfunded pension system. The state's pensions already have raised the concerns of bond rating agencies and legislators will likely demand further changes, such as demanding that workers contribute more to the systems.

To be sure, a minority of public employees affected might retire before age 55 and 25 years of service.

And Archuleta notes this would bring the program into alignment with other retirement systems, such as the Educational Retirement Board, which has a minimum age of 55.

Firefighters, police officers and correctional officers would not be affected by this move, though.

The authority plans a public hearing on the proposed rule from 9:30-11:30 a.m. Oct. 19 at its offices at 4308 Carlisle Boulevard Northeast, Suite 207, in Albuquerque. The authority also is accepting public comments through that date.

RVK

New Mexico State Investment Council

Investment Performance Analysis

Period Ended: June 30, 2018

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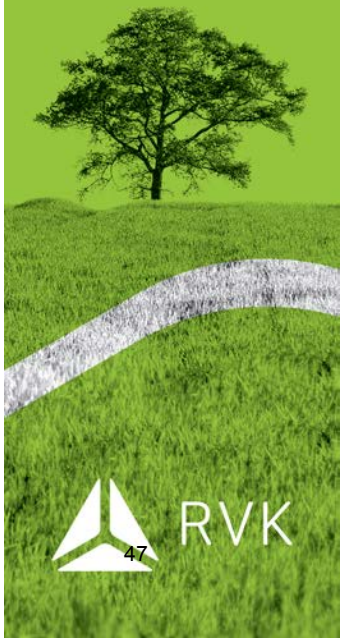
New Mexico State Investment Council (SIC) Client Investment Pools				
Market Cap/Style	**Management**	**Benchmark**	**Annual Investment Management Fee**	**Underlying Investment Managers**
Large Cap US Equity Active	Active	Russell 1000 Index	0.40%	Brown Brothers Harriman & T. Rowe Price
Large Cap US Equity Index	Passive	Russell 1000 Index	0.01%	Northern Trust
Small/Mid Cap US Equity Active	Active	US Small/Mid Cap Equity Custom Index	0.68%	Seizert, Donald Smith, & BlackRock
Non-US Developed Markets Active	Active	Non-US Dvl'd Mkts Custom Index	0.51%	LSV, T. Rowe Price, Neuberger Berman, MFS, & Templeton
Non-US Developed Markets Index	Passive	Non-US Dvl'd Mkts Passive Custom Index	0.04%	Alliance Bernstein
Non-US Emerging Markets Active	Active	MSCI Emg Mkts Index (Net)	0.57%	BlackRock & William Blair
Non-US Emerging Markets Index	Passive	MSCI Emg Mkts Index (Net)	0.12%	Alliance Bernstein
US Core Plus Bonds	Active	Bloomberg US Unv Bond Index	0.18%	PIMCO, Prudential, & Loomis Sayles
US Core Bonds Index	Passive	Bloomberg US Agg Bond Index	0.03%	BlackRock & PIMCO
Private Pool	Active	-	-	Credit & Structured Finance, Absolute Return, Real Estate, and Private Equity

Annual investment management fees are estimates.

Retiree Health Care Authority



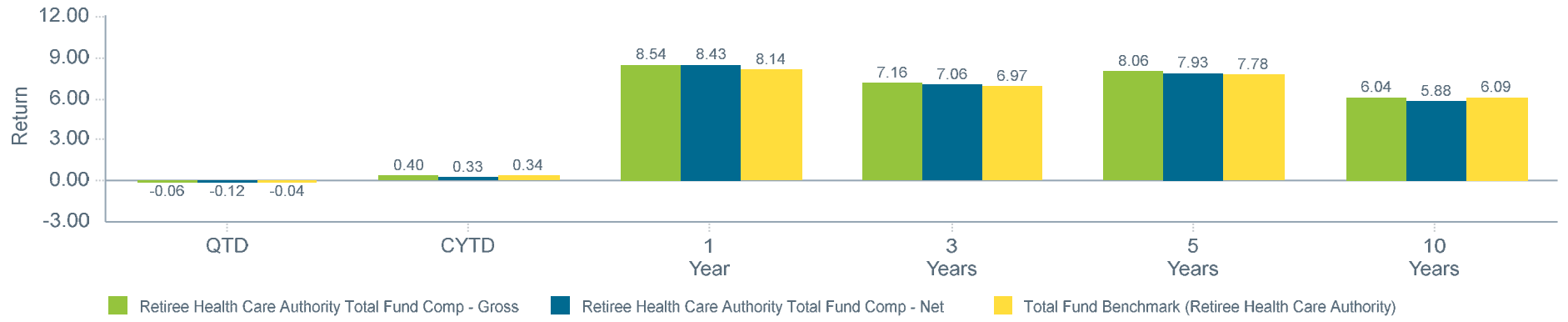
Overview

The New Mexico Retiree Health Care Authority (NMRHCA) was established in 1990 to provide health care coverage to retirees of state agencies and eligible participating public entities. Approximately 300 public entities including cities, counties, universities and charter schools participate in NMRHCA. The agency provides medical plans for both non Medicare and Medicare eligible retirees and their dependents as well as dental, vision and life insurance. The Authority currently provides coverage to approximately 58,000 retirees and their dependents.

Asset Allocation vs. Target Allocation

	Market Value ($)	Allocation (%)	Target (%)	Difference (%)
Large Cap US Equity Index	128,173,139	20.27	20.00	0.27
Small/Mid Cap US Equity Active	20,057,630	3.17	3.00	0.17
Non-US Developed Markets Index	74,557,132	11.79	12.00	-0.21
Non-US Emerging Markets Index	85,538,944	13.53	15.00	-1.47
US Core Plus Bonds	158,974,180	25.15	25.00	0.15
Credit & Structured Finance	64,351,063	10.18	10.00	0.18
Private Equity	66,764,923	10.56	10.00	0.56
Real Estate	33,767,118	5.34	5.00	0.34
Total Fund	632,184,130	100.00	100.00	0.00

Comparative Performance



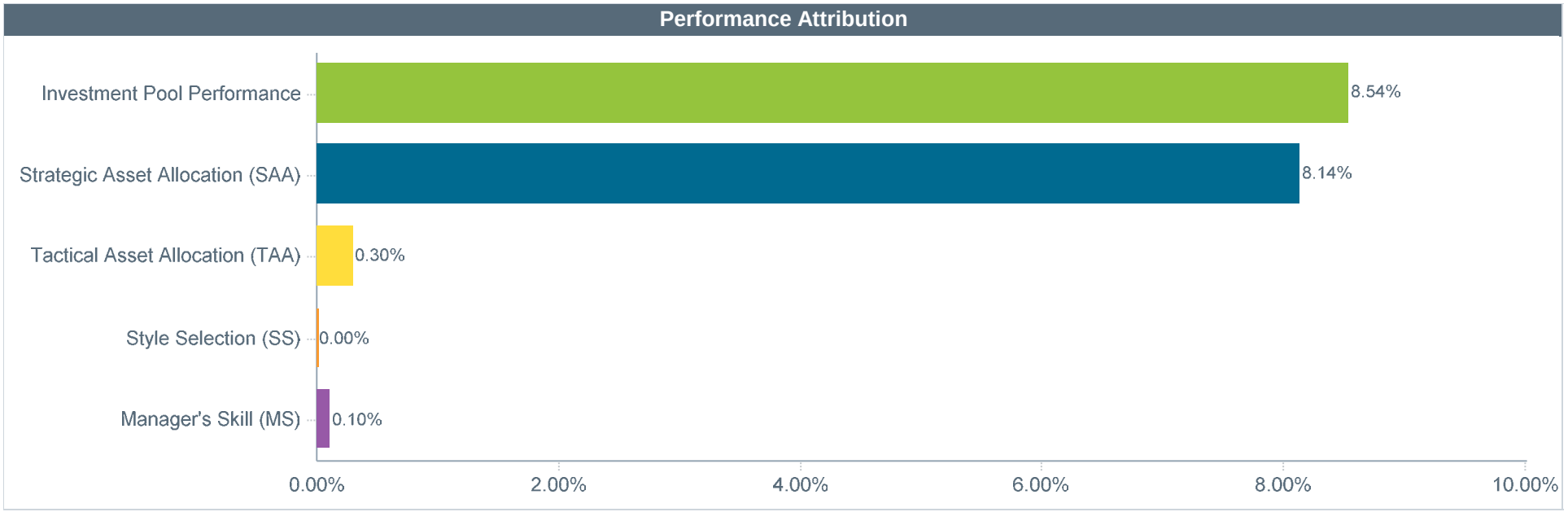
Comparative Performance

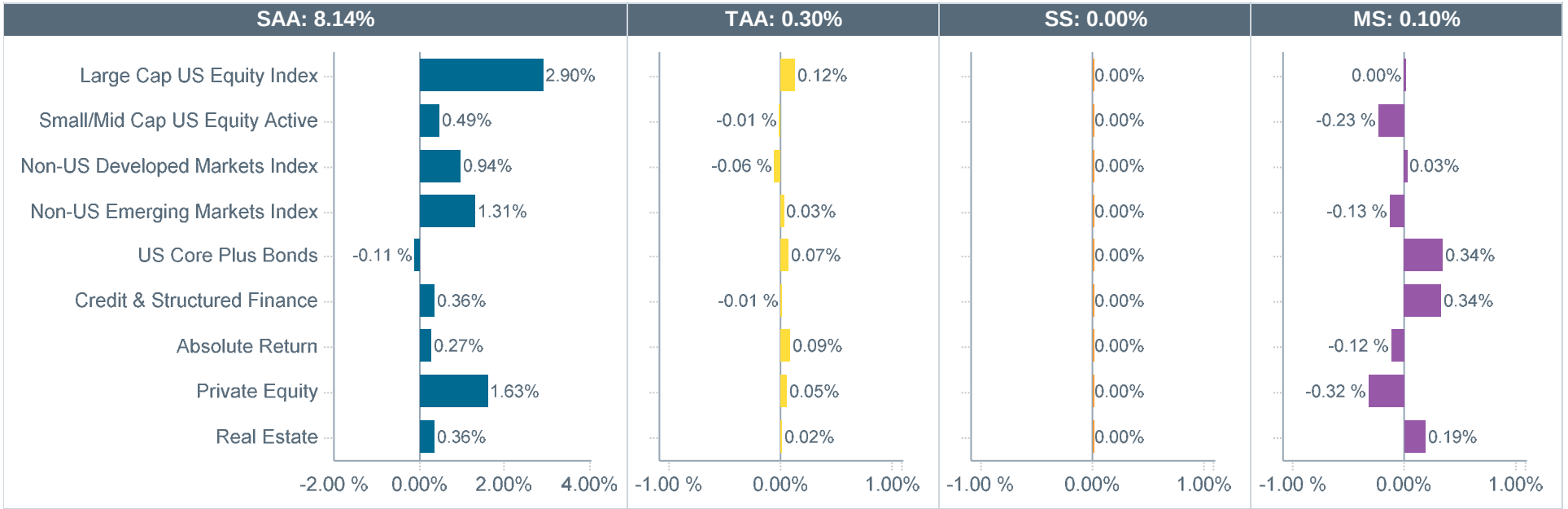
	QTD	CYTD	1 Year	3 Years	5 Years	10 Years	2017	2016	2015
Retiree Health Care Authority Total Fund Comp - Gross	**-0.06**	**0.40**	**8.54**	**7.16**	**8.06**	**6.04**	**17.44**	**8.09**	**-0.90**
Total Fund Benchmark (Retiree Health Care Authority)	*-0.04*	*0.34*	*8.14*	*6.97*	*7.78*	*6.09*	*16.87*	*8.43*	*-0.76*
Difference	-0.02	0.06	0.40	0.19	0.28	-0.05	0.57	-0.34	-0.14
Retiree Health Care Authority Total Fund Comp - Net	**-0.12**	**0.33**	**8.43**	**7.06**	**7.93**	**5.88**	**17.35**	**7.99**	**-1.03**
Total Fund Benchmark (Retiree Health Care Authority)	*-0.04*	*0.34*	*8.14*	*6.97*	*7.78*	*6.09*	*16.87*	*8.43*	*-0.76*
Difference	-0.08	-0.01	0.29	0.09	0.15	-0.21	0.48	-0.44	-0.27

Schedule of Investable Assets

Periods Ending	Beginning Market Value ($)	Net Cash Flow ($)	Gain/Loss ($)	Ending Market Value ($)	% Return
CYTD	**621,163,690**	**9,000,739**	**2,019,701**	**632,184,130**	**0.33**

Allocations shown may not sum up to 100% exactly due to rounding. Performance shown is net of fees, except where noted otherwise.





Performance shown is gross of fees. Calculation is based on monthly periodicity. See Glossary for additional information regarding the Total Fund Attribution - IDP calculation.

	Allocation		Performance (%)										
	Market Value ($)	%	QTD	CYTD	FYTD	1 Year	3 Years	5 Years	10 Years	2017	2016	Since Incep.	Inception Date
NMSIC Total Fund Composite	**23,815,947,298**	**100.00**	**1.11**	**1.54**	**8.55**	**8.55**	**7.23**	**8.15**	**6.20**	**15.07**	**7.60**	**5.40**	**01/01/2000**
US Equity Composite	**5,994,510,605**	**25.17**	**3.10**	**2.53**	**13.71**	**13.71**	**11.25**	**12.83**	**9.59**	**21.20**	**12.02**	**6.48**	**05/01/1999**
Russell 3000 Index			*3.89*	*3.22*	*14.78*	*14.78*	*11.58*	*13.29*	*10.23*	*21.13*	*12.74*	*6.27*	
US Large Cap Equity Composite	**5,508,494,752**	**23.13**	**3.01**	**2.64**	**14.30**	**14.30**	**11.54**	**13.16**	**9.91**	**22.08**	**10.96**	**6.02**	**05/01/1999**
Russell 1000 Index			*3.57*	*2.85*	*14.54*	*14.54*	*11.64*	*13.37*	*10.20*	*21.69*	*12.05*	*6.09*	
IM U.S. Large Cap Equity (SA+CF)			*2.98*	*2.36*	*14.00*	*14.00*	*11.10*	*13.27*	*10.25*	*21.68*	*10.98*	*7.10*	
Brown Brothers Harriman	482,962,170	2.03	1.42	-1.85	6.61	6.61	8.65	9.24	N/A	20.27	9.03	12.55	06/01/2012
Russell 1000 Index			*3.57*	*2.85*	*14.54*	*14.54*	*11.64*	*13.37*	*10.20*	*21.69*	*12.05*	*15.14*	
IM U.S. Large Cap Core Equity (SA+CF)			*2.89*	*2.38*	*14.24*	*14.24*	*11.12*	*13.35*	*10.18*	*21.82*	*10.51*	*15.08*	
T. Rowe Price LC Growth	689,874,025	2.90	6.92	12.39	29.92	29.92	18.78	20.11	N/A	38.95	3.40	20.42	06/01/2012
Russell 1000 Grth Index			*5.76*	*7.25*	*22.51*	*22.51*	*14.98*	*16.36*	*11.83*	*30.21*	*7.08*	*16.74*	
IM U.S. Large Cap Growth Equity (SA+CF)			*5.22*	*7.36*	*21.27*	*21.27*	*13.42*	*15.61*	*11.35*	*28.26*	*4.66*	*16.21*	
AQR US SPLO	1,185,766,293	4.98	1.22	1.27	N/A	N/A	N/A	N/A	N/A	N/A	N/A	11.45	08/01/2017
Russell 1000 Index			*3.57*	*2.85*	*14.54*	*14.54*	*11.64*	*13.37*	*10.20*	*21.69*	*12.05*	*12.31*	
NT SciBeta US HFE Index	897,197,072	3.77	1.98	1.08	N/A	N/A	N/A	N/A	N/A	N/A	N/A	8.52	08/01/2017
Russell 1000 Index (0.85 Beta Adjusted)			*3.10*	*2.58*	*12.51*	*12.51*	*10.00*	*11.40*	*8.83*	*18.34*	*10.29*	*10.63*	
NT Russell Fundamental LC Index Fund	600,728,165	2.52	3.42	0.90	12.88	12.88	10.52	N/A	N/A	17.33	16.69	10.24	02/01/2015
Russell 1000 Val Index			*1.18*	*-1.69*	*6.77*	*6.77*	*8.26*	*10.34*	*8.49*	*13.66*	*17.34*	*8.31*	
NT S&P 600 Index Fund	30,879,913	0.13	8.91	9.50	21.26	21.26	N/A	N/A	N/A	N/A	N/A	22.76	06/01/2017
S&P Sm Cap 600 Index (Cap Wtd)			*8.77*	*9.39*	*20.50*	*20.50*	*13.84*	*14.60*	*12.25*	*13.23*	*26.56*	*22.06*	
NT Russell 1000 Index Fund	1,617,839,847	6.79	3.56	2.84	14.47	14.47	11.62	13.35	N/A	21.60	12.06	13.58	08/01/2011
Russell 1000 Index			*3.57*	*2.85*	*14.54*	*14.54*	*11.64*	*13.37*	*10.20*	*21.69*	*12.05*	*13.65*	
IM U.S. Large Cap Core Equity (SA+CF)			*2.89*	*2.38*	*14.24*	*14.24*	*11.12*	*13.35*	*10.18*	*21.82*	*10.51*	*13.63*	
US Small/Mid Cap Equity Composite	**486,015,853**	**2.04**	**4.12**	**1.70**	**8.21**	**8.21**	**8.29**	**10.02**	**N/A**	**13.35**	**21.79**	**9.39**	**05/01/2011**
US Small/Mid Cap Equity Custom Index			*6.26*	*6.06*	*16.01*	*16.01*	*10.59*	*12.44*	*10.54*	*15.84*	*19.06*	*11.02*	
IM U.S. SMID Cap Equity (SA+CF)			*4.25*	*3.94*	*14.94*	*14.94*	*10.43*	*12.46*	*11.26*	*17.83*	*16.34*	*11.44*	
Seizert Capital Partners	113,517,137	0.48	0.38	1.81	2.32	2.32	6.43	9.75	N/A	7.43	25.31	14.37	01/01/2012
Russell Mid Cap Index			*2.82*	*2.35*	*12.33*	*12.33*	*9.58*	*12.22*	*10.23*	*18.52*	*13.80*	*14.49*	
IM U.S. Mid Cap Equity (SA+CF)			*3.19*	*3.45*	*13.97*	*13.97*	*10.14*	*12.80*	*10.84*	*20.00*	*12.71*	*14.80*	
Donald Smith & Company	191,992,615	0.81	2.17	-5.35	4.24	4.24	5.42	6.99	N/A	17.54	13.87	9.99	01/01/2012
Russell 2000 Val Index			*8.30*	*5.44*	*13.10*	*13.10*	*11.22*	*11.18*	*9.88*	*7.84*	*31.74*	*13.63*	
IM U.S. Small Cap Value Equity (SA+CF)			*5.62*	*3.99*	*13.30*	*13.30*	*10.67*	*12.21*	*11.60*	*11.59*	*26.17*	*14.64*	
BlackRock Alpha Tilts	180,870,574	0.76	8.86	9.54	17.42	17.42	11.21	13.69	N/A	11.70	23.29	15.20	02/01/2012
Russell 2000 Index			*7.75*	*7.66*	*17.57*	*17.57*	*10.96*	*12.46*	*10.60*	*14.65*	*21.31*	*13.59*	
IM U.S. Small Cap Core Equity (SA+CF)			*6.61*	*6.66*	*16.94*	*16.94*	*11.79*	*13.66*	*11.32*	*15.13*	*20.73*	*14.66*	

Performance shown is gross of fees, except for Absolute Return, Private Equity, Real Estate, and Real Return investments, which are shown net of fees. Since Inception date shown represents the first full month following initial funding. Fiscal year ends June 30. For other performance-related comments, please see the Addendum. For additional information, please see the Glossary. *Indicates performance is lagged 1 quarter. Shenkman HY Short Duration was funded in April 2018.

	Allocation		Performance (%)										
	Market Value ($)	%	QTD	CYTD	FYTD	1 Year	3 Years	5 Years	10 Years	2017	2016	Since Incep.	Inception Date
Non-US Equity Composite	**5,009,899,961**	**21.04**	**-2.73**	**-3.13**	**8.76**	**8.76**	**5.75**	**5.91**	**2.49**	**30.80**	**3.77**	**5.64**	**05/01/1999**
Non-US Equity Custom Index			*-2.61*	*-3.65*	*7.75*	*7.75*	*5.00*	*5.79*	*2.65*	*27.81*	*4.41*	*5.76*	
Non-US Developed Markets Composite	**4,023,553,143**	**16.89**	**-1.20**	**-1.94**	**9.24**	**9.24**	**6.71**	**7.81**	**3.69**	**29.02**	**2.48**	**4.79**	**05/01/1999**
Non-US Developed Markets Custom Index			*-1.29*	*-2.54*	*7.65*	*7.65*	*5.44*	*6.77*	*3.00*	*26.16*	*1.15*	*4.12*	
IM Int'l Equity Developed Markets (SA+CF)			*-1.82*	*-2.44*	*8.45*	*8.45*	*6.49*	*8.21*	*4.92*	*28.85*	*1.86*	*6.54*	
LSV Int'l Large Cap Value	546,008,982	2.29	-4.57	-5.28	6.84	6.84	4.62	N/A	N/A	28.29	7.10	5.45	09/01/2013
MSCI ACW Ex US Val Index (USD) (Net)			*-3.84*	*-5.28*	*4.64*	*4.64*	*3.51*	*4.75*	*2.03*	*22.66*	*8.92*	*4.12*	
IM Int'l Large Cap Value Equity (SA+CF)			*-2.18*	*-3.79*	*6.29*	*6.29*	*5.19*	*6.86*	*4.37*	*26.13*	*3.92*	*6.28*	
T. Rowe Price Int'l Core	572,738,142	2.40	-0.81	-1.59	9.54	9.54	6.41	N/A	N/A	28.92	3.41	7.60	09/01/2013
MSCI EAFE Index (USD) (Net)			*-1.24*	*-2.75*	*6.84*	*6.84*	*4.90*	*6.44*	*2.84*	*25.03*	*1.00*	*5.83*	
IM Int'l Large Cap Core Equity (SA+CF)			*-1.83*	*-2.75*	*7.26*	*7.26*	*5.55*	*7.40*	*4.08*	*26.48*	*1.26*	*7.03*	
Neuberger Berman Int'l	232,206,950	0.98	-0.28	-1.36	9.67	9.67	N/A	N/A	N/A	28.31	-0.52	8.54	12/01/2015
MSCI EAFE Index (USD) (Net)			*-1.24*	*-2.75*	*6.84*	*6.84*	*4.90*	*6.44*	*2.84*	*25.03*	*1.00*	*7.71*	
IM Int'l Large Cap Core Equity (SA+CF)			*-1.83*	*-2.75*	*7.26*	*7.26*	*5.55*	*7.40*	*4.08*	*26.48*	*1.26*	*8.35*	
MFS Int'l Large Cap Growth	413,342,661	1.74	2.74	1.53	13.68	13.68	10.39	N/A	N/A	34.12	2.96	7.71	10/01/2013
MSCI ACW Ex US Grth Index (USD) (Net)			*-1.42*	*-2.28*	*9.90*	*9.90*	*6.56*	*7.18*	*3.01*	*32.01*	*0.12*	*5.67*	
IM Int'l Large Cap Growth Equity (SA+CF)			*-0.80*	*-0.90*	*10.24*	*10.24*	*7.07*	*8.42*	*5.12*	*31.37*	*-0.07*	*6.86*	
Templeton Int'l Small Cap Equity	491,474,776	2.06	-3.06	-1.45	10.34	10.34	7.33	N/A	N/A	33.64	0.06	7.13	10/01/2013
MSCI ACW Ex US Sm Cap Index (USD) (Net)			*-2.60*	*-2.94*	*10.57*	*10.57*	*7.94*	*8.98*	*5.77*	*31.65*	*3.91*	*6.82*	
IM Int'l Small Cap Equity (SA+CF)			*-1.88*	*-1.36*	*13.06*	*13.06*	*10.15*	*11.07*	*8.20*	*34.89*	*1.13*	*9.18*	
BLK MSCI World Ex-US IM Custom Factor Index	744,834,618	3.13	-0.98	-1.84	9.32	9.32	N/A	N/A	N/A	N/A	N/A	9.32	07/01/2017
MSCI Wrld Ex US IM Index (USD) (Net)			*-0.77*	*-2.57*	*7.74*	*7.74*	*5.49*	*6.77*	*3.06*	*25.17*	*2.95*	*7.74*	
BLK FTSE Developed Ex US Min Var Index	233,557,909	0.98	-0.42	-1.30	8.03	8.03	N/A	N/A	N/A	26.76	4.26	10.60	12/01/2015
FTSE Developed Ex US Min Var Index			*-0.57*	*-1.56*	*7.74*	*7.74*	*7.88*	*8.47*	*6.86*	*26.77*	*3.90*	*10.38*	
Alliance Bernstein MSCI World Ex US IM Index	791,465,684	3.32	-0.59	-2.28	8.03	8.03	5.36	6.62	3.07	25.83	1.07	5.69	06/01/1998
AB Non-US Developed Markets Custom Index			*-0.77*	*-2.57*	*7.74*	*7.74*	*5.18*	*6.61*	*2.93*	*25.82*	*1.00*	*4.39*	
IM Int'l Large Cap Core Equity (SA+CF)			*-1.83*	*-2.75*	*7.26*	*7.26*	*5.55*	*7.40*	*4.08*	*26.48*	*1.26*	*5.96*	

Performance shown is gross of fees, except for Absolute Return, Private Equity, Real Estate, and Real Return investments, which are shown net of fees. Since Inception date shown represents the first full month following initial funding. Fiscal year ends June 30. For other performance-related comments, please see the Addendum. For additional information, please see the Glossary. *Indicates performance is lagged 1 quarter. Shenkman HY Short Duration was funded in April 2018.

	Allocation		Performance (%)										
	Market Value ($)	%	QTD	CYTD	FYTD	1 Year	3 Years	5 Years	10 Years	2017	2016	Since Incep.	Inception Date
Non-US Emerging Markets Composite	**986,346,817**	**4.14**	**-8.48**	**-7.18**	**8.50**	**8.50**	**6.12**	**4.40**	**0.83**	**39.90**	**10.50**	**8.28**	**05/01/1999**
MSCI Emg Mkts Index (USD) (Net)			*-7.96*	*-6.66*	*8.20*	*8.20*	*5.60*	*5.01*	*2.26*	*37.28*	*11.19*	*8.08*	
IM Emerging Markets Equity (SA+CF)			*-8.40*	*-6.72*	*7.07*	*7.07*	*6.18*	*5.88*	*3.56*	*36.88*	*10.08*	*10.41*	
BlackRock Emg Mkts Opp Fund	554,051,966	2.33	-8.93	-7.33	8.35	8.35	7.06	N/A	N/A	39.85	13.74	5.75	10/01/2013
MSCI Emg Mkts Index (USD) (Net)			*-7.96*	*-6.66*	*8.20*	*8.20*	*5.60*	*5.01*	*2.26*	*37.28*	*11.19*	*4.05*	
IM Emerging Markets Equity (SA+CF) Median			*-8.40*	*-6.72*	*7.07*	*7.07*	*6.18*	*5.88*	*3.56*	*36.88*	*10.08*	*4.99*	
William Blair Emg Mkts	338,684,242	1.42	-7.80	-6.90	9.32	9.32	N/A	N/A	N/A	42.23	4.09	11.68	12/01/2015
MSCI Emg Mkts Index (USD) (Net)			*-7.96*	*-6.66*	*8.20*	*8.20*	*5.60*	*5.01*	*2.26*	*37.28*	*11.19*	*13.69*	
IM Emerging Markets Equity (SA+CF) Median			*-8.40*	*-6.72*	*7.07*	*7.07*	*6.18*	*5.88*	*3.56*	*36.88*	*10.08*	*13.56*	
Alliance Bernstein Emerging Markets Index	95,023,987	0.40	-8.22	-7.08	7.21	7.21	4.96	4.63	N/A	36.11	11.07	3.33	11/01/2012
MSCI Emg Mkts Index (USD) (Net)			*-7.96*	*-6.66*	*8.20*	*8.20*	*5.60*	*5.01*	*2.26*	*37.28*	*11.19*	*3.67*	
IM Emerging Markets Equity (SA+CF) Median			*-8.40*	*-6.72*	*7.07*	*7.07*	*6.18*	*5.88*	*3.56*	*36.88*	*10.08*	*5.06*	
Fixed Income													
Fixed Income Composite	**5,600,111,565**	**23.51**	**0.25**	**0.30**	**2.62**	**2.62**	**3.51**	**4.02**	**5.29**	**5.86**	**5.53**	**5.06**	**05/01/1999**
Bloomberg US Unv Bond Index			*-0.27*	*-1.67*	*-0.28*	*-0.28*	*2.12*	*2.63*	*4.07*	*4.09*	*3.91*	*4.93*	
Core Fixed Income Composite	**3,549,658,476**	**14.90**	**0.00**	**-0.90**	**0.86**	**0.86**	**2.80**	**3.53**	**N/A**	**4.89**	**5.10**	**4.00**	**12/01/2010**
BlackRock Core Bonds Fund	1,057,257,569	4.44	0.11	-1.07	-0.02	-0.02	1.81	N/A	N/A	3.36	2.64	1.70	11/01/2014
J.P. Morgan Asset Mgmt Short Duration	204,593,567	0.86	0.37	0.13	0.53	0.53	N/A	N/A	N/A	1.29	N/A	0.72	05/01/2016
Loomis Sayles Bloomberg US Universal	653,893,612	2.75	-0.04	-0.91	1.43	1.43	3.20	3.91	N/A	5.22	8.19	4.56	04/01/2011
PIMCO Bloomberg US Universal	295,890,100	1.24	0.51	-0.16	2.09	2.09	3.64	3.81	N/A	6.41	5.27	4.17	04/01/2011
PIMCO Investment Grade Active	343,105,588	1.44	-0.89	-2.27	N/A	N/A	N/A	N/A	N/A	N/A	N/A	-2.27	01/01/2018
PGIM Bloomberg US Universal	645,193,491	2.71	-0.22	-1.13	1.24	1.24	3.80	4.43	N/A	7.09	6.35	5.14	04/01/2011
Shenkman HY Short Duration	351,151,794	1.47	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.46	05/01/2018
Bloomberg US Agg Bond Index			*-0.16*	*-1.62*	*-0.40*	*-0.40*	*1.72*	*2.27*	*3.72*	*3.54*	*2.65*	*7.32*	*01/01/1976*
IM U.S. Broad Market Core FI (SA+CF)			*-0.09*	*-1.44*	*0.00*	*0.00*	*2.09*	*2.67*	*4.39*	*4.05*	*3.10*	*N/A*	
Non-Core Fixed Income Composite	**2,050,453,089**	**8.61**	**0.69**	**2.18**	**5.37**	**5.37**	**3.97**	**4.28**	**N/A**	**7.99**	**4.27**	**5.97**	**12/01/2010**
Absolute Return Composite	299,667,226	1.26	0.35	2.57	5.60	5.60	2.81	3.54	1.90	8.59	1.14	2.68	09/01/2005
Non-Core Fixed Income Pool	405,628,627	1.70	0.65	2.90	5.81	5.81	13.01	9.64	10.18	5.03	34.77	4.75	04/01/2006
Rio Grande Fund LLC	810,050,846	3.40	1.24	2.68	7.31	7.31	5.61	N/A	N/A	9.47	5.77	5.50	04/01/2014
Unconstrained Fixed Income Pool	535,106,390	2.25	0.02	0.32	2.08	2.08	3.14	N/A	N/A	5.77	6.48	2.95	12/01/2013
Non-Core Fixed Income Custom Index			*0.83*	*0.35*	*2.60*	*2.60*	*4.36*	*5.36*	*6.31*	*6.16*	*12.14*	*5.81*	*01/01/2005*
Cash Equivalent Composite	**250,804,021**	**1.05**	**0.42**	**0.73**	**1.35**	**1.35**	**0.82**	**0.54**	**0.78**	**1.24**	**0.39**	**3.58**	**07/01/1988**
ICE BofAML 3 Mo US T-Bill Index			*0.45*	*0.81*	*1.36*	*1.36*	*0.68*	*0.42*	*0.35*	*0.86*	*0.33*	*3.24*	

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	Allocation		Performance (%)										
	Market Value ($)	%	QTD	CYTD	FYTD	1 Year	3 Years	5 Years	10 Years	2017	2016	Since Incep.	Inception Date
Private Equity													
Private Equity Composite (Ex. State)*	**2,203,308,134**	**9.25**	**1.51**	**5.21**	**13.26**	**13.26**	**9.96**	**10.34**	**7.65**	**15.93**	**7.39**	**5.33**	**06/01/2001**
Cambridge US Prvt Eq Index (Lagged 1 Qtr)			*2.71*	*7.92*	*16.17*	*16.17*	*12.02*	*13.19*	*10.33*	*17.01*	*8.69*	*11.52*	
Real Estate													
Townsend-Reported Real Estate Composite*	**2,008,666,899**	**8.43**	**2.88**	**6.49**	**11.27**	**11.27**	**11.43**	**12.04**	**2.89**	**8.04**	**11.52**	**5.12**	**10/01/2004**
NCREIF ODCE Index (AWA) (Net) (Lagged 1 Qtr)			*1.97*	*3.85*	*7.11*	*7.11*	*9.00*	*10.41*	*4.16*	*6.70*	*9.08*	*7.12*	
NCREIF/Townsend Wtd Index (Lagged 1 Qtr)			*1.97*	*4.82*	*9.08*	*9.08*	*10.10*	*11.69*	*3.90*	*8.19*	*10.57*	*7.81*	
Real Return													
Real Return Composite*	**2,329,032,089**	**9.78**	**3.26**	**3.57**	**5.17**	**5.17**	**3.73**	**3.77**	**N/A**	**5.74**	**9.30**	**4.57**	**06/01/2012**
Real Return Custom Index			*0.83*	*1.04*	*4.51*	*4.51*	*1.28*	*1.17*	*0.65*	*3.27*	*6.23*	*1.03*	
Financial Real Return Composite	**879,380,577**	**3.69**	**6.25**	**2.75**	**2.99**	**2.99**	**1.12**	**2.52**	**N/A**	**0.25**	**13.34**	**2.49**	**06/01/2013**
Real Return Custom Index			*0.83*	*1.04*	*4.51*	*4.51*	*1.28*	*1.17*	*0.65*	*3.27*	*6.23*	*0.71*	
Voya Floating Rate Bank Loans	182,791,306	0.77	0.44	1.93	4.03	4.03	4.13	4.17	N/A	3.29	9.26	4.01	06/01/2013
S&P/LSTA Lvg'd Loan Index			*0.70*	*2.16*	*4.37*	*4.37*	*4.21*	*4.00*	*5.19*	*4.12*	*10.16*	*3.81*	
IM U.S. Bank Loans (SA+CF)			*0.75*	*2.16*	*4.64*	*4.64*	*4.38*	*4.43*	*5.51*	*4.46*	*9.51*	*4.20*	
Credit Suisse Floating Rate Bank Loans	153,120,436	0.64	0.68	2.08	4.47	4.47	4.14	N/A	N/A	3.74	8.60	4.03	08/01/2013
CS Lvg'd Loan Index			*0.78*	*2.38*	*4.67*	*4.67*	*4.33*	*4.24*	*5.00*	*4.25*	*9.88*	*4.09*	
IM U.S. Bank Loans (SA+CF)			*0.75*	*2.16*	*4.64*	*4.64*	*4.38*	*4.43*	*5.51*	*4.46*	*9.51*	*4.25*	
Harvest MLP	401,838,193	1.69	13.45	2.78	0.11	0.11	-5.00	N/A	N/A	-5.66	19.55	-6.63	05/01/2015
S&P MLP Index (TR)			*13.15*	*1.01*	*-1.76*	*-1.76*	*-6.32*	*-3.03*	*7.20*	*-5.58*	*21.95*	*-9.34*	
Waterfall Eden Fund, LP*	141,630,641	0.59	2.95	4.78	9.74	9.74	6.80	8.31	N/A	13.35	0.82	8.68	06/01/2012
BofA ML US HY Master II Index (Lagged 1 Qtr)			*-0.91*	*-0.51*	*3.69*	*3.69*	*5.18*	*5.01*	*8.12*	*9.06*	*12.82*	*6.21*	
Townsend-Reported Real Return*	**1,344,653,708**	**5.65**	**1.87**	**4.73**	**7.76**	**7.76**	**8.32**	**7.77**	**N/A**	**10.69**	**9.94**	**9.68**	**04/01/2011**
ETI													
Economically Targeted Investments	**40,448,732**	**0.17**	**5.14**	**4.73**	**6.66**	**6.66**	**3.06**	**2.87**	**-0.14**	**-0.80**	**5.01**	**-0.73**	**07/01/1998**
ICE BofAML 3 Mo US T-Bill Index			*0.45*	*0.81*	*1.36*	*1.36*	*0.68*	*0.42*	*0.35*	*0.86*	*0.33*	*1.98*	
Severance Tax State PE Program*	**359,718,539**	**1.51**	**15.28**	**15.29**	**11.13**	**11.13**	**8.24**	**9.00**	**3.92**	**-4.28**	**5.70**	**-1.99**	**08/01/2001**
Cambridge US VC Index (Lagged 1 Qtr)			*3.96*	*6.89*	*11.84*	*11.84*	*7.81*	*14.89*	*9.52*	*8.01*	*2.04*	*3.59*	

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NEW MEXICO RETIREE HEALTH CARE AUTHORITY
CHANGE IN NET ASSET VALUE
FOR THE MONTH ENDED
July 31, 2018

	Core Plus Bonds	Large Cap Index	Non US Dev Index	Non US Emg Index	Small Mid Cap	Credit and Structure	Absolute Return	Private Equity	Real Estate	Total
Market Value 6/30/2018	$158,974,248.82	$128,173,152.21	$74,557,225.62	$85,539,015.95	$20,057,744.38	$64,351,064.60	$0.00	$66,765,286.67	$33,767,117.58	$632,184,855.83
CONTRIBUTIONS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
WITHDRAWALS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
FEES	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
INCOME EARNED	509,818.34	234,162.12	66,439.48	459,477.69	5,782.14	36,295.11	0.00	16,196.68	96,877.18	1,425,048.74
CAPITAL APPR/DEPR	21,308.11	4,186,145.02	1,550,852.57	1,660,680.71	143,500.98	237,636.80	0.00	(61,593.84)	(101,615.09)	7,636,915.26
Market Value 7/31/2018	$159,505,375.27	$132,593,459.35	$76,174,517.67	$87,659,174.35	$20,207,027.50	$64,624,996.51	$0.00	$66,719,889.51	$33,762,379.67	$641,246,819.83

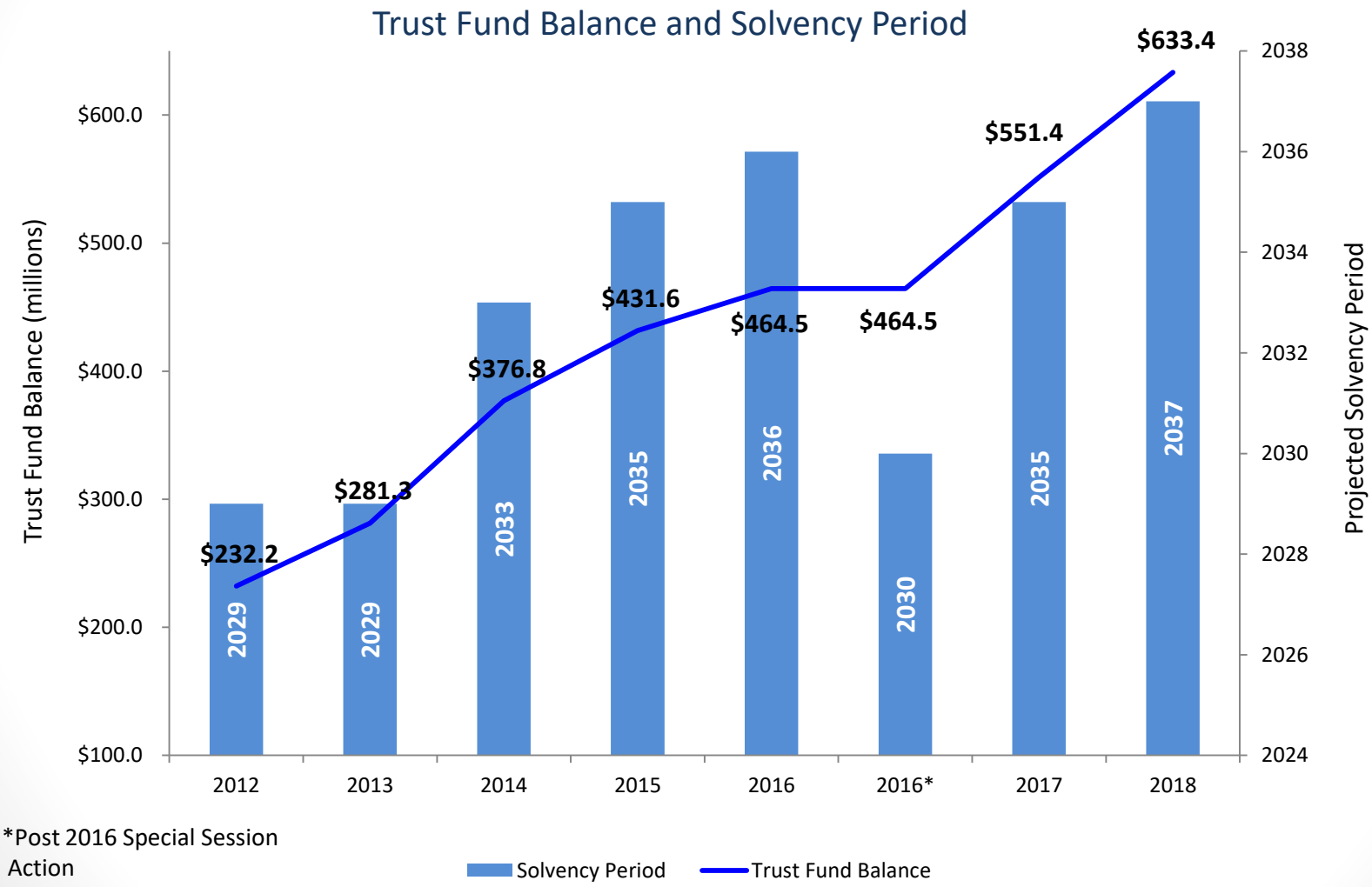
NEW MEXICO
RETIREE
HEALTH CARE
AUTHORITY

2019 Draft Legislative & Solvency Proposal

Solvency Assumptions

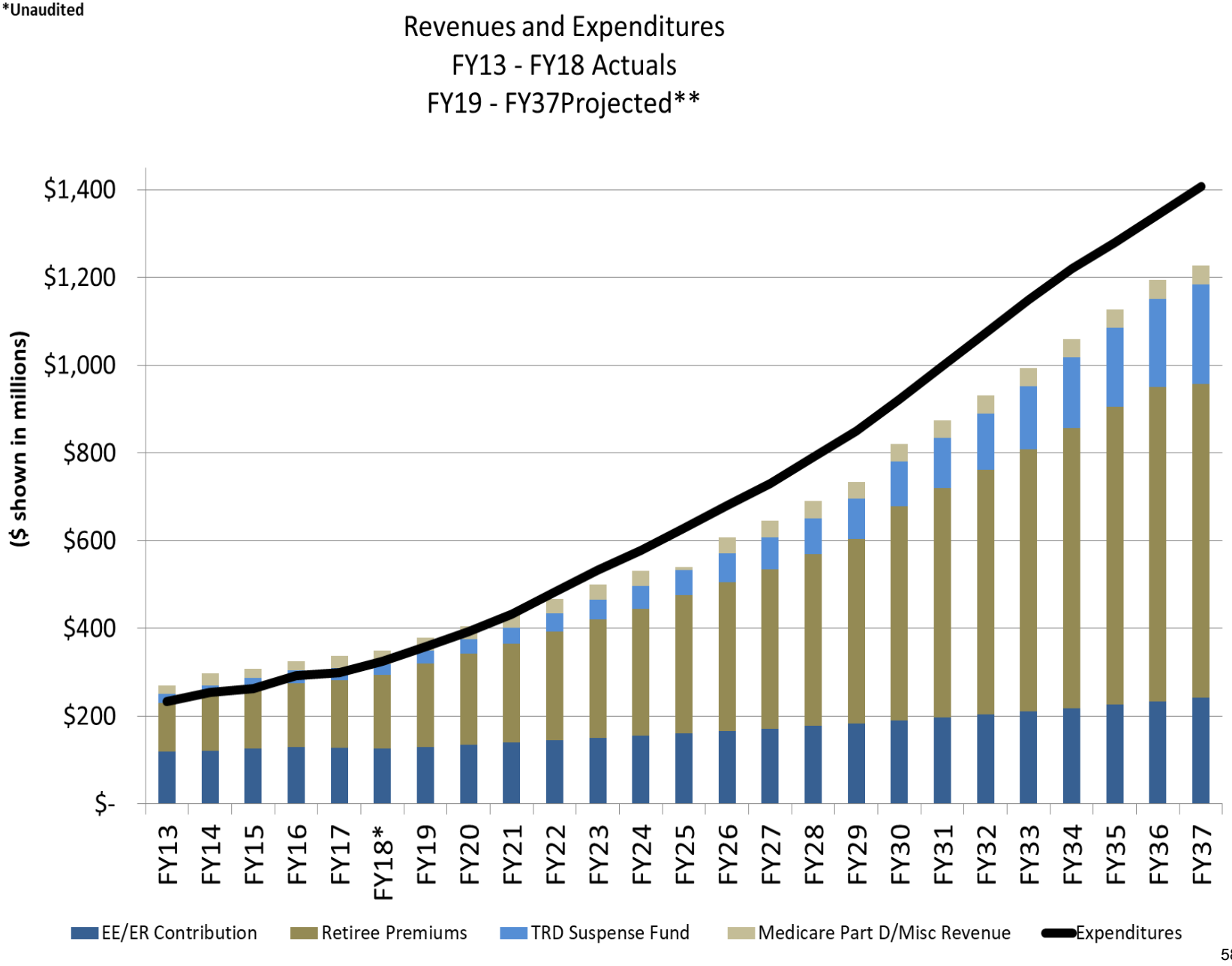
- BOY invested assets - $633.4 million
- Discount rate – 7.25 percent
- Payroll growth – 2% in FY19, 0% in FY20 and 3.5% thereafter
- Pension tax revenue – 12% annual growth
- Rx Rebates – per PBM contract
- Rate increases
  - Pre-Medicare: 8% - 2019-2023 and 4% thereafter
  - Medicare: 6% - 2019 – 2033 and 3% thereafter
- Plan changes to remain beneath Federal Excise Tax Threshold

Solvency Results (2012 -2018)



*Post 2016 Special Session Action

*Unaudited



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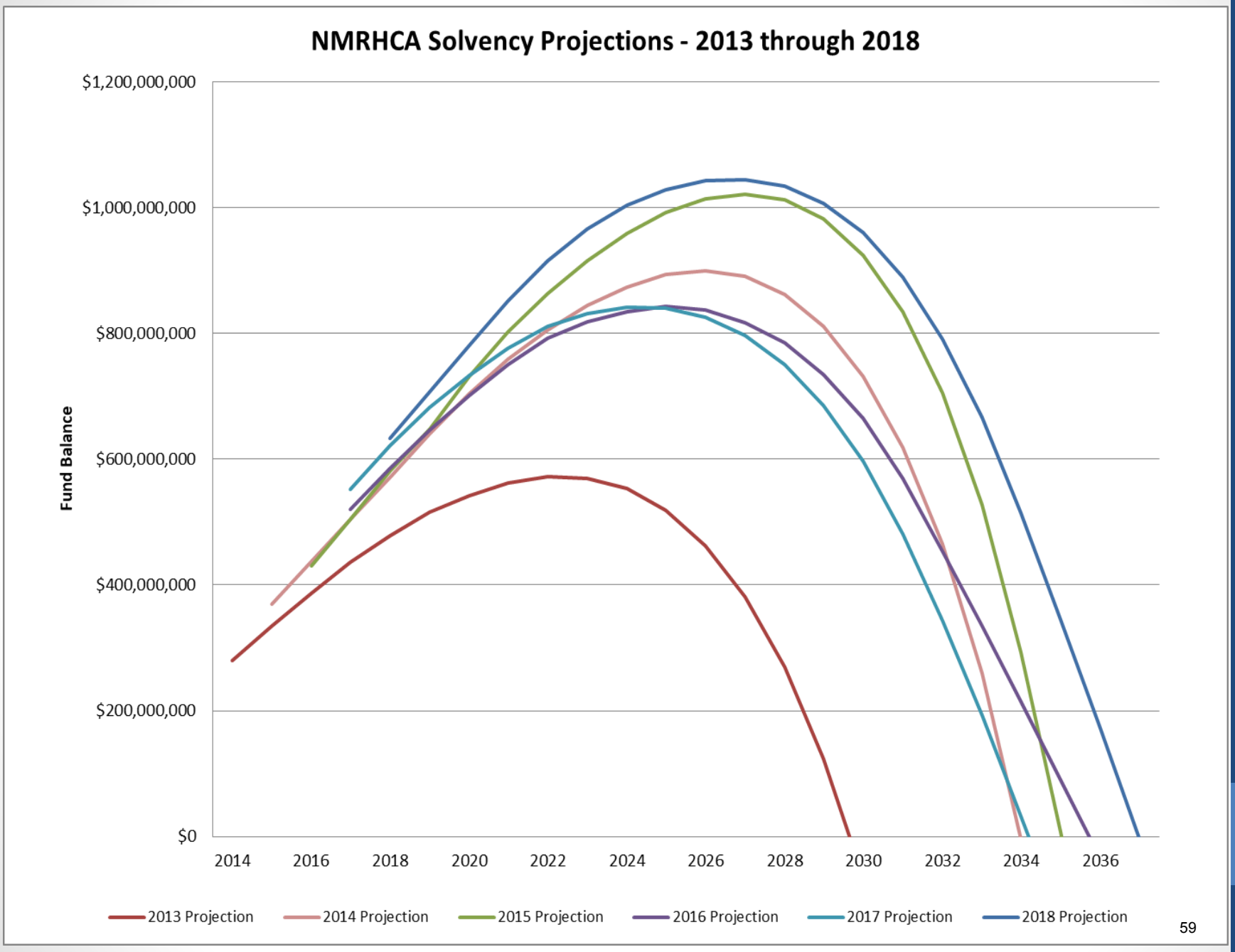
NMRHCA Solvency Projections - 2013 through 2018
$1,200,000,000
$1,000,000,000
$800,000,000
$600,000,000
$400,000,000
$200,000,000
$0
Fund Balance
2014
2016
2018
2020
2022
2024
2026
2028
2030
2032
2034
2036
2013 Projection
2014 Projection
2015 Projection
2016 Projection
2017 Projection
2018 Projection

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Legislative and Solvency Proposal

Legislation – Revenue Enhancement

- Employee Contribution Increase
  - FY20 - 1 percent
  - FY21 - 1.125 percent
  - FY22 – 1.25 percent
  - FY23 – 1.375 percent
  - FY24 – 1.5 percent
- Employer Contribution Increase
  - FY20 - 2 percent
  - FY21 - 2.125 percent
  - FY22 – 2.25 percent
  - FY23 – 2.375 percent
  - FY24 – 2.5 percent

Board Action – Liability Containment

- Pre-Medicare Retiree Subsidies
  - FY20 – 64 percent
  - FY21 – 63 percent
  - FY22 – 62 percent
  - FY23 – 61 percent
  - FY24 – 60 percent
- Pre-Medicare Spousal/DP Subsidies
  - FY20 – 36 percent
  - FY21 – 35 percent
  - FY22 – 34 percent
  - FY23 – 33 percent
  - FY24 – 32 percent
  - FY25 – 31 percent
  - FY26 – 30 percent

Proposed Employee/Employer Contribution Increase

- Increase employee contributions from 1 percent to 1.5 percent over 4-year period
- Increase employer contributions from 2 percent to 2.5 percent over 4-year period
- Increasing employee contribution from 1 percent to 1.75 percent over a 6-year period
- Increasing employer contribution from 2 percent to 2.75 percent over a 6-year period

	Employee	Employer	Total	Employee	Employer	Total	Additional	Est.
FY20	1.000%	2.000%	3.000%	$43,549,337.00	$ 87,098,674.00	$130,648,011.00	NA	GF Impact
FY21	1.125%	2.125%	3.250%	$47,733,255.00	$ 93,703,450.00	$141,436,705.00	$10,788,694.00	$ 3,302,388.00
FY22	1.250%	2.250%	3.500%	$52,983,880.00	$ 99,213,213.00	$152,197,093.00	$21,549,082.00	$ 6,057,269.50
FY23	1.375%	2.375%	3.750%	$58,282,268.00	$104,769,153.00	$163,051,421.00	$32,403,410.00	$ 8,835,239.50
FY24	1.500%	2.500%	4.000%	$63,527,672.00	$110,280,010.00	$173,807,682.00	$43,159,671.00	$11,590,668.00

Increasing Employee and Employer contributions an additional 0.5 percent (4.5 percent total) will increase additional revenues by approximately $65 million w/an estimated $17.4 million general fund impact.

Solvency Impact - Revenues

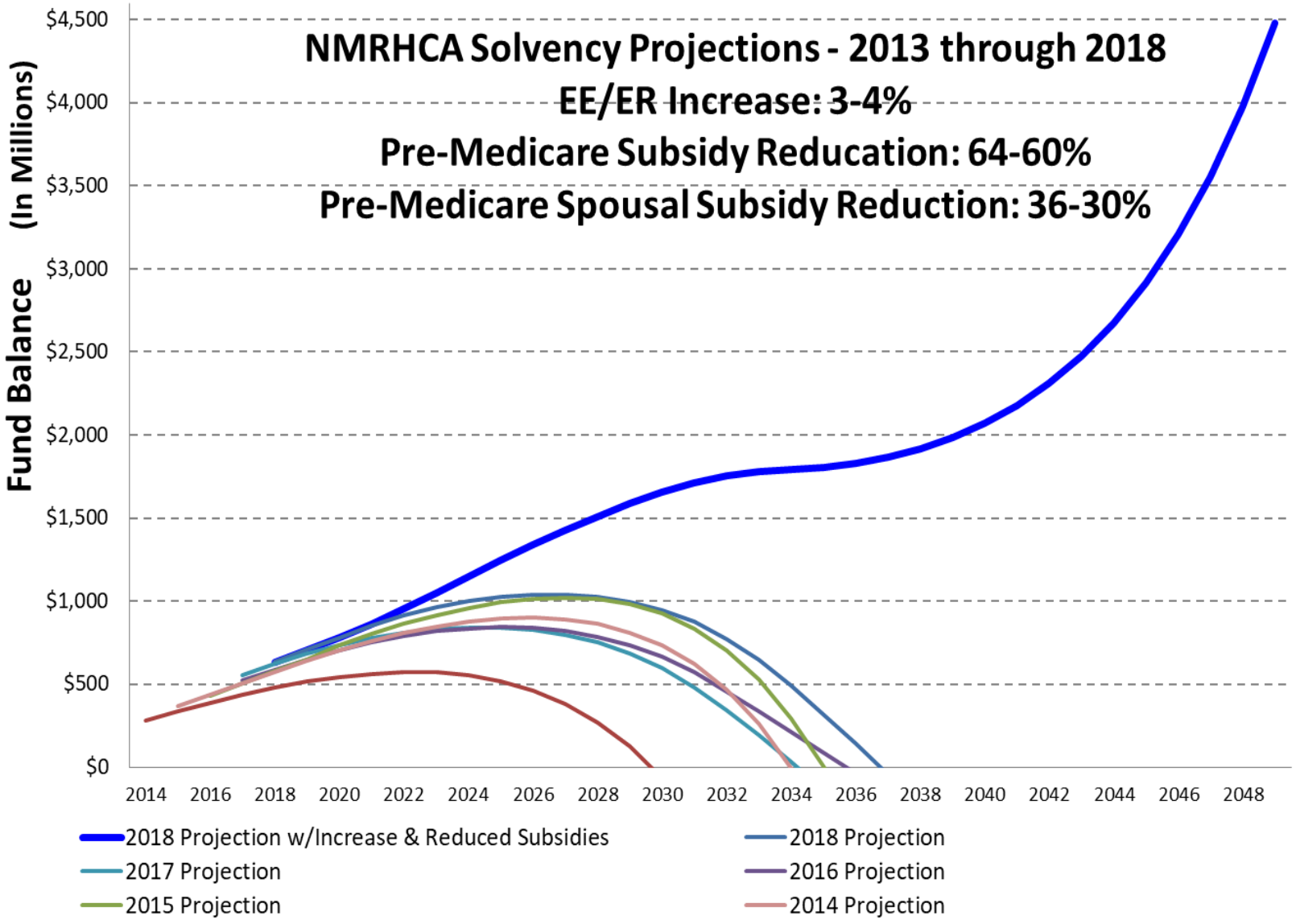
Revenue

- Employee/Employer Contribution Increase (3 – 4% of payroll)

Results

- Solvency Period Exceeds 30 years
- 2037 Projected Trust Fund Balance - $1.9 billion
- 2049 Projected Trust Fund Balance - $5.2 billion

	Employee	Employer	Total
1990 - 2001 (12 years)	0.500%	1.000%	1.500%
2002 - 2009 (8 years)	0.650%	1.300%	2.493%
2010 (1 year)	0.833%	1.660%	2.757%
2011 (1 year)	0.917%	1.840%	2.757%
2012 - 2020 (8 years)	1.000%	2.000%	3.000%
2021	1.125%	2.125%	3.250%
2022	1.250%	2.250%	3.500%
2023	1.375%	2.375%	3.750%
2024 and beyond	1.500%	2.500%	4.000%


NMRHCA Solvency Projections - 2013 through 2018
EE/ER Increase: 3-4%
Pre-Medicare Subsidy Reducation: 64-60%
Pre-Medicare Spousal Subsidy Reduction: 36-30%
Fund Balance (In Millions)
$4,500
$4,000
$3,500
$3,000
$2,500
$2,000
$1,500
$1,000
$500
$0
2014 2016 2018 2020 2022 2024 2026 2028 2030 2032 2034 2036 2038 2040 2042 2044 2046 2048
2018 Projection w/Increase & Reduced Subsidies
2018 Projection
2017 Projection
2016 Projection
2015 Projection
2014 Projection

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Alternative Requests

- Request for restoration of funding associated w/2016 Special Session SB7
  - Single infusion - $23.5 million
  - Restore - $3 million additional contribution
  - Reset baseline growth to pre-SB7 levels
  - Solvency Impact TBD

	Schedule	Actual/Projected	Difference	
7/1/2016	$ 32,406,969	$ 29,518,783	$ (2,888,186)	
7/1/2017	$ 35,935,806	$ 28,306,468	$ (7,629,338)	
7/1/2018	$ 39,888,102	$ 26,870,418	$ (13,017,684)	**$ (23,535,208)**
7/1/2019	$ 44,314,675	$ 29,406,967	$ (14,907,708)	
7/1/2020	$ 49,272,436	$ 32,935,804	$ (16,336,632)	
7/1/2021	$ 54,825,128	$ 36,888,100	$ (17,937,028)	
7/1/2022	$ 61,044,143	$ 41,314,672	$ (19,729,471)	
7/1/2023	$ 68,009,441	$ 46,272,433	$ (21,737,008)	
7/1/2024	$ 75,810,573	$ 51,825,124	$ (23,985,449)	
7/1/2025	$ 84,547,842	$ 58,044,139	$ (26,503,703)	
7/1/2026	$ 94,333,583	$ 65,009,436	$ (29,324,147)	
7/1/2027	$ 105,293,613	$ 72,810,568	$ (32,483,045)	
7/1/2028	$ 117,568,847	$ 81,547,837	$ (36,021,010)	
7/1/2029	$ 131,317,109	$ 91,333,577	$ (39,983,532)	
7/1/2030	$ 146,715,162	$ 102,293,606	$ (44,421,556)	
7/1/2031	$ 163,960,981	$ 114,568,839	$ (49,392,142)	
7/1/2032	$ 183,276,299	$ 128,317,100	$ (54,959,199)	
7/1/2033	$ 204,909,455	$ 143,715,152	$ (61,194,303)	
7/1/2034	$ 229,138,589	$ 160,960,970	$ (68,177,619)	
7/1/2035	$ 256,275,220	$ 180,276,286	$ (75,998,934)	
7/1/2036	$ 286,668,246	$ 201,909,441	$ (84,758,805)	
			$ (741,386,499)	

New Mexico Retiree Health Care Authority Information – September 2018

Retiree Health Care Authority Act and Purpose

- Created in July 1990 (no appropriation/no material prefunding period)
- Board of Directors has authority to set plan parameters i.e., eligibility, plan design, monthly premiums and subsidies
- Legislature retains authority over employer/employee contribution levels
- Purpose: to provide comprehensive health insurance to retirees and eligible dependents from participating employers

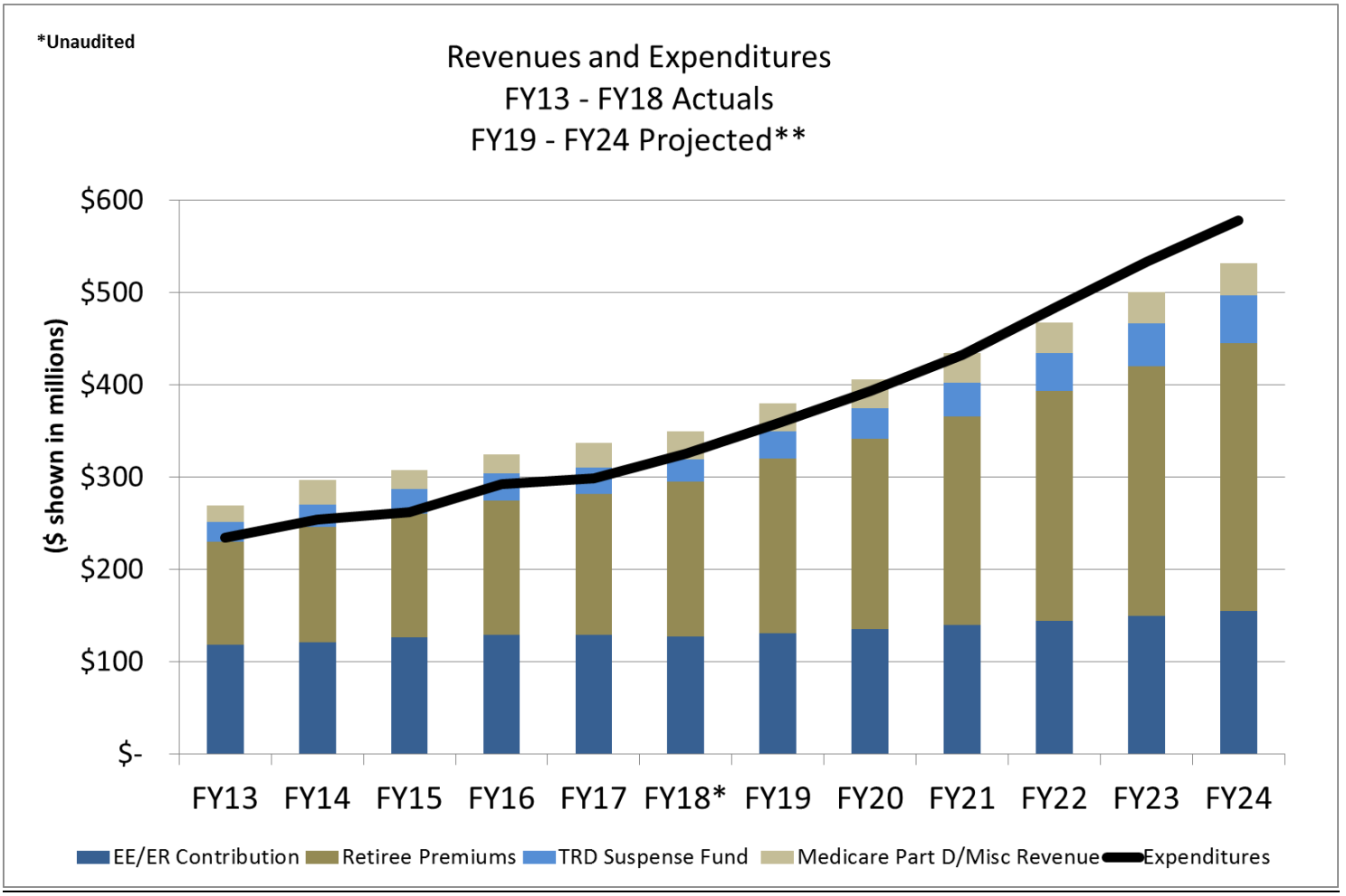
Participation

- 301 public employer groups – 50% schools/ 25% state agencies / 25% local government
- 97,349 active participants contributing to the program (6/30/2017)
- September 2018 – 63,119 participants (30% pre-Medicare/70% Medicare)
- Over 10 percent of the adult population in New Mexico is either covered or will be covered by NMRHCA programs and serves a deferred form of compensation and an important component of overall compensation

Fundamental Challenges

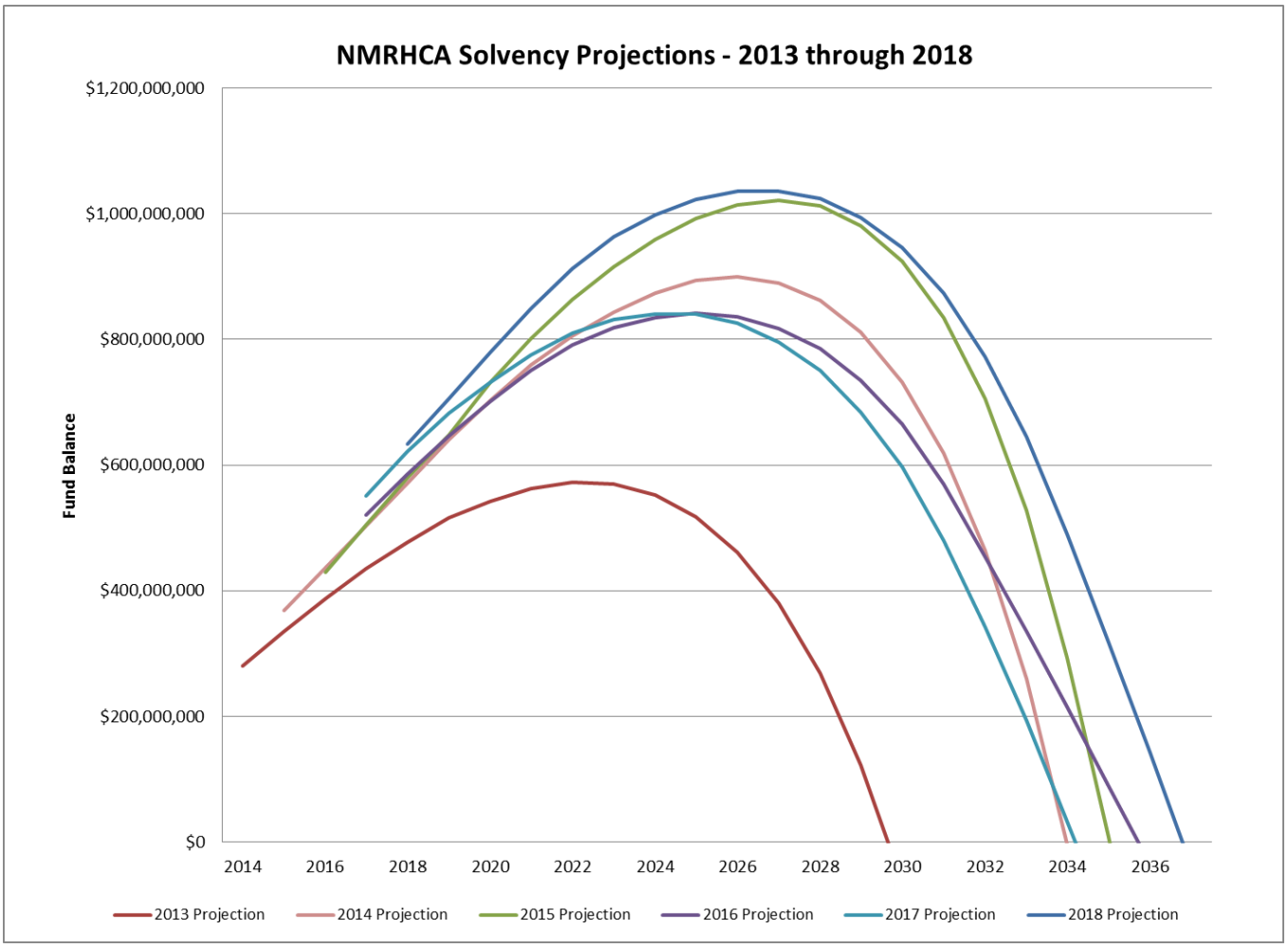
- Health care costs are projected to exceed revenues beginning in FY22 (shown below)
- Health care costs (medical + prescription) are projected to continue rising faster than general inflation
- Prevalence of chronic conditions i.e., diabetes, asthma, COPD and inflammatory conditions
- Minimal growth in public payroll from which employee and employer contributions are derived
- Reduction in revenues received from the Tax Suspense Fund as part of 2016 Special Session (SB7 Public Fund Distribution Changes)

Revenues & Expenditures



Solvency & GASB Measurements

- The chart below illustrates NMRHCA's solvency projections from 2013 through 2018. The period of time in which revenues are expected to exceed all available revenues sources is shown when the line meets the $0 x axis. For example, the 2013 projection (red line) indicated a solvency period through 2029. In 2018, the projected solvency (dark blue line) is through 2037.



- GASB now requires to employer groups to report liabilities associated with Other Postemployment Benefits (OPEB) programs, like NMRHCA, on their financial statements under GASB Statements 74 and 75.
- These requirements include comparing long-term liabilities (over a 30-year period) and assets available to support those obligations. Example: June 30, 2017
    - NMRHCA Trust Fund Balance totaled - $575.6 million
    - NMHRCA Obligations (current retirees and active future participants) totaled - $5.1 billion
- These measurements indicate the program's funding status and the extent to which the program is "pre-funded"
- A snapshot of changes in solvency and GASB status since implementation of accounting standards under GASB in 2006 (effective 2007), is shown below:

	2007	2018
Projected Solvency	2014	2037
Trust Fund Balance	$122.8 million	$632.1 million
Unfunded Liabilities	$4.1 billion	$4.5 billion
Funding Status	3%	11.34%
Withdrawals/Contributions to Trust Fund	($5.7 million)	$238 million

Actions Taken to Address Long-Term Challenges

Board Actions

- Additional cost sharing arrangements for pre-Medicare and Medicare participants (medical and prescription)
- Annual premium increases across all plans
- Reduction in pre-Medicare retiree/spousal subsidies and elimination of dependent subsidies
- Increased years of services and established minimum age to receive subsidies
- Elimination of basic life insurance (death benefit)

  Combined, these 7 actions served to limit the growth in projected expenditures and long-term obligations as measured by the annual solvency study and GASB valuation.

- Additionally, between 2013 - 2016 – NMRHCA introduced legislation requesting increases in employee and employer contributions to NMRHCA (failed to pass both chambers of the Legislature)
  - Examples of employee and employer contributions for both pensions and NMRHCA are shown below:

Active Employee Pension & NMRHCA Contributions

	PERA			ERB		
	Employee	Employer	Total	Employee	Employer	Total
Contributions by Salary						
$20,000 or less	7.4%	16.99%	24.41%	7.9%	13.9%	21.8%
Over $20,000	8.9%	16.99%	25.91%	10.7%	13.9%	24.6%
Contributions by EE Type	NMRHCA			NMRHCA		
Non-Public Safety EE	1.0%	2.0%	3.00%	1.0%	2.0%	3.00%
Public Safety EE	1.25%	2.50%	3.75%			

- 2017 – HJM1 – Importance of Affordable Health Insurance
- 2018 – No legislation introduced

Proposed Actions to Address Long-Term Challenges

- Increase employee and employer contributions over a graduated period of time from 3 percent of payroll to 4 percent **(2019 Legislative Proposal)**
- Reduce pre-Medicare retiree and spousal subsidies over a graduated period of time to more closely align to contributions received over the course of an average career with the benefits provided over the course of an average retirement

Retiree Subsidies (based on 20 years' service)

Pre-Medicare	Retiree Pays	NMRHCA Pays
Retiree	36%	64%
Spouse/Domestic Partner	64%	36%
Dependent Child	100%	0%
Medicare		
Retiree	50%	50%
Spouse/Domestic Partner	75%	25%
Dependent Child	100%	0%

- Contributions made during active employment do not exceed 3 percent regardless of whether or not Spouse/Domestic Partner participates

Related Information - Average Monthly Pension

	Monthly	Annually
PERA (State General Plan 3)	$ 2,449	$ 29,388
ERB	$ 1,831	$ 21,972
Social Security	$ 1,370	$ 16,440

Proposed Legislation

- Employee/Employer Contribution Increase:

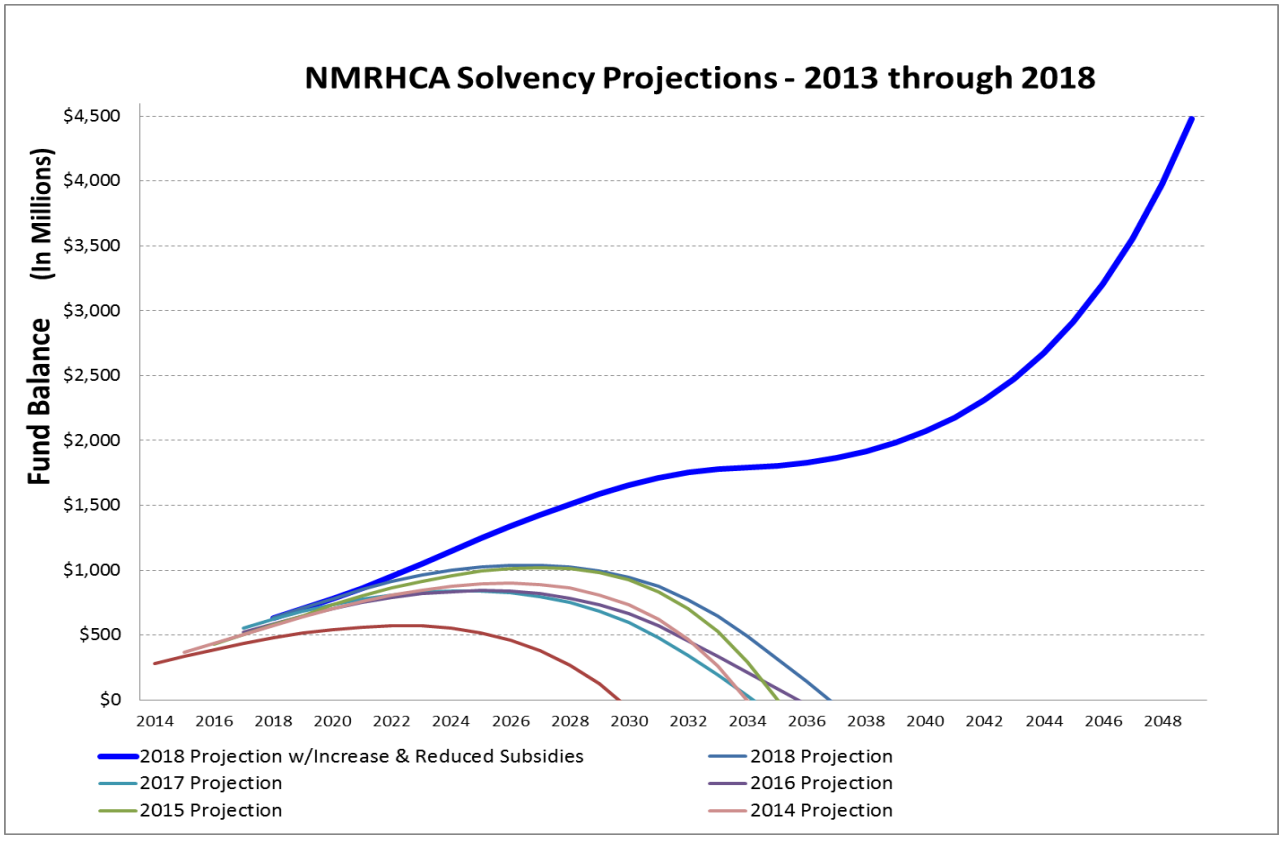
							Additional	Est.
	Employee	Employer	Total	Employee	Employer	Total	Revenue	GF Impact
FY20	1.000%	2.000%	3.000%	$43,549,337.00	$ 87,098,674.00	$130,648,011.00		
FY21	1.125%	2.125%	3.250%	$47,733,255.00	$ 93,703,450.00	$141,436,705.00	$10,788,694.00	$ 3,302,388.00
FY22	1.250%	2.250%	3.500%	$52,983,880.00	$ 99,213,213.00	$152,197,093.00	$21,549,082.00	$ 6,057,269.50
FY23	1.375%	2.375%	3.750%	$58,282,268.00	$104,769,153.00	$163,051,421.00	$32,403,410.00	$ 8,835,239.50
FY24	1.500%	2.500%	4.000%	$63,527,672.00	$110,280,010.00	$173,807,682.00	$43,159,671.00	$11,590,668.00

Additional Board Actions

- Pre-Medicare Subsidy Reductions:

	FY20	FY21	FY22	FY23	FY24	FY25	FY26
Pre-Medicare							
Retiree	64%	63%	62%	61%	60%	60%	60%
Spouse/Domestic Partner	36%	35%	34%	33%	32%	31%	30%
Medicare							
Retiree	50%	50%	50%	50%	50%	50%	50%
Spouse/Domestic Partner	25%	25%	25%	25%	25%	25%	25%

Resulting Improvements



- Projected solvency period – beyond projection period

Health Care Benefits Administration Program Contract Amendments – Action Item*

The chart below includes a list of existing contracts and proposed amendments for fiscal year 2019. The proposed amendments are specific to the Medicare Advantage contracts in order to reflect the approved rates for the 2019 calendar year.

Health Care Benefits Administration Program - FY19 Proposed Contract Amendments

The proposed contracts administered through Health Care Benefits Administration Fund are as follows:

FY19 Approved Operating Budget (Contractual Services)	**$332,450,700.0**	**$ 332,450,700**		
Proposed New Contracts	**Amount Encumbered YTD**	**FY19 Proposed**	**Amendment Type**	**Contract Term**
BCBS				
Non-Medicare/Supplement	$ 113,500,000	$113,500,000	NA	July 1, 2016 - June 30, 2020
Medicare Advantage	$ 5,500,000	$ 5,500,000	2019 MA Rates	July 1, 2016 - June 30, 2020
Presbyterian				
Non-Medicare	$ 48,500,000	$ 48,500,000	NA	July 1, 2016 - June 30, 2020
Medicare Advantage	$ 15,500,000	$ 15,500,000	2019 MA Rates	July 1, 2016 - June 30, 2020
NM Health Connections	$ 75,000	$ 75,000	NA	July 1, 2016 - June 30, 2020
UnitedHealthcare	$ 6,500,000	$ 6,500,000	2019 MA Rates	July 1, 2016 - June 30, 2020
Humana	$ 1,500,000	$ 1,500,000	2019 MA Rates	July 1, 2016 - June 30, 2020
United Concordia	$ 10,750,000	$ 10,750,000	NA	July 1, 2016 - June 30, 2020
Delta	$ 9,750,000	$ 9,750,000	NA	July 1, 2016 - June 30, 2020
Davis Vision	$ 2,500,000	$ 2,500,000	NA	July 1, 2016 - June 30, 2020
Express Scripts	$ 105,000,000	$105,000,000	NA	July 1, 2018 - June 30, 2022
The Standard	$ 11,350,000	$ 11,350,000	NA	July 1, 2015 - June 30, 2019
Total	**$ 330,425,000**	**$330,425,000**		
Unencumbered Balance	NA	**$ 2,025,700**	**Available for End-of-Year Adjustments**	

The proposed contracts amendments will reflect the monthly premium reductions indicated below:

	2018 Rates	2019 Rates	Change
Blue Cross Blue Shield			
Plan I	$ 139.20	$ 132.20	$ (7.00)
Plan II	$ 46.60	$ 44.30	$ (2.30)
Presbyterian			
Plan I	$ 193.00	$ 189.00	$ (4.00)
Plan II	$ 145.00	$ 142.00	$ (3.00)
Humana			
Plan I	$ 174.90	$ 133.65	$ (41.25)
Plan II	$ 106.12	$ 68.15	$ (37.97)
United Healthcare			
Plan I	$ 208.33	$ 189.37	$ (18.96)
Plan II	$ 109.30	$ 99.31	$ (9.99)

Conclusion: NMRHCA staff respectfully requests approval to amend the Blue Cross Blue Shield, Presbyterian, Humana and UnitedHealthcare Medicare Advantage contracts to reflect the monthly charges applicable to the 2019 calendar year.