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ANNUAL MEETING
OF THE
BOARD OF DIRECTORS

July 12/13, 2018
9:30/9:00 AM
Sagebrush Inn & Suites
1508 Paseo Del Pueblo Sur
Taos, NM 87571

July 12, 2018

New Mexico Retiree Health Care Authority
Annual Meeting

BOARD OF DIRECTORS

ROLL CALL

July 12, 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
July 2018

Mr. Wayne Propst
Executive Director
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Mr. Doug Crandall
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Annual Meeting of the
NEW MEXICO RETIREE HEALTH CARE AUTHORITY
BOARD OF DIRECTORS

July 12 & 13, 2018
9:30 AM / 9:00 AM
Sagebrush Inn & Suites
1508 Paseo Del Pueblo Sur
Taos, NM 87571

AGENDA – July 12th

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1.	Call to Order	Mr. Sullivan, President	
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 June 12, 2018	Mr. Sullivan, President	5
6.	Public Forum and Introductions	Mr. Sullivan, President	
7.	Election of Board Officers (Action Item)	Mr. Sullivan, President	
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9.	Asset Allocation Review	Mr. Toth, Director, Wilshire	32
10.	Provider Presentations		
	a. Presbyterian Health Plan	Mr. Witt, Account Management	102
	b. Blue Cross Blue Shield of New Mexico	Ms. Bell, Account Executive Ms. Hentz, Account Executive	120
	c. Express Scripts	Ms. Daily, Sr. Account Executive Mr. Zeyaee, Sr. Clinical Account Executive	134

(Recess for lunch at the pleasure of the Board)

11.	Actuarial Presentations	Mr. Madalena, Data Warehouse Mr. Petersen, Segal Co Ms. Patani, Segal Co.	151
12.	Review of Calendar Year 2019 Plan Changes	Mr. Archuleta, Executive Director	194
13.	Grand Rounds Expert Medical Reviews	Mr. Weiner, Grand Rounds	204

(Recess until 9:00AM, July 13, 2018, in the same location)

ACTION SUMMARY

RETIREE HEALTH CARE AUTHORITY/REGULAR BOARD MEETING

June 12, 2018

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APPROVAL OF MINUTES: May 8, 2018	Approved	3
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COMMITTEE REPORTS	Informational	3
EXECUTIVE DIRECTOR'S UPDATE HR Updates Davis Vision and Versant Health Legislative Wise and Well Strategic Plan GASB 75 April 30 SIC Report	Informational	4
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BOARD POLICIES & PROCEDURES	Informational	8
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EXECUTIVE SESSION Limited Personnel Matter	No action	8

MINUTES OF THE

NEW MEXICO RETIREE HEALTH CARE AUTHORITY/BOARD OF DIRECTORS

REGULAR MEETING

June 12, 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
The Hon. Tim Eichenberg, NM State Treasurer
Ms. Jan Goodwin
Mr. Terry Linton
Ms. LeAnne Larrañaga-Ruffy
Ms. Therese Saunders
Mr. James E. Smith

Members Excused:
Mr. Lawrence Rael

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

Others Present:
Mr. Joseph Simon, Analyst, LESC
Ms. Anne Hanika-Ortiz, Analyst, LFC
Mr. Connor Jorgensen, Analyst, LFC
[See sign-in sheet]

3. PLEDGE OF ALLEGIANCE

Mr. Linton led the Pledge.

4. APPROVAL OF AGENDA

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

5. APPROVAL OF REGULAR MEETING MINUTES: May 8, 2018

Mr. Crandall moved approval of the May 8 minutes, as submitted. Ms. Goodwin seconded the motion, which passed unanimously.

6. PUBLIC FORUM AND INTRODUCTIONS

There were no persons wishing to speak from the floor.

Chairman Sullivan acknowledged and thanked Ms. Hanika-Ortiz, who would be retiring on June 30, for her support of the NMRHCA.

7. COMMITTEE REPORTS

Executive Committee

Chairman Sullivan said the committee met last Thursday to set today's agenda.

Wellness Committee

Ms. Goodwin reported that the committee met on May 22 and heard a presentation by Presbyterian Healthcare Services about its Patient-Centered Medical Home, the goal of which is to have better continuity of care and communication among team members so that the members will have the best healthcare results. She said there was also a presentation about Naturally Slim, which helps people lose weight and keep it off. Finally, there was a an update on the Wellness Strategic Plan, which Mr. Archuleta will discuss further in his director's report.

Legislative Committee

Mr. Montaño reported that the committee met last month and identified the stakeholders it felt they should contact with respect to any proposed legislation. The meeting for June has not been scheduled.

8. EXECUTIVE DIRECTOR'S UPDATES

a. HR Updates

Mr. Archuleta said Ms. Ramona Perea was recently hired as Cash Receipts Specialist. She was previously a Customer Service Representative, left the agency, came back as a CSR and now has joined the Finance Department.

Mr. Archuleta said a Customer Service Supervisor position in the Santa Fe office remains vacant. NMRHCA continues to work with SPO to reclassify the position from a Range 60 to 65 to help the agency be more competitive with equivalent positions at PERA and ERB.

b. Davis Vision and Versant Health

Mr. Archuleta reported that Centerbridge Partners, a private equity group and current owner of Superior Vision, has acquired Davis Vision. The new company, Versant Health, will offer two products, the Davis Vision product and the Superior Vision product. NMRHCA has been in a long-term relationship with Davis Vision, moving into the third year of an up-to four-year agreement, beginning in July 2018. Davis does not anticipate any changes to the organizational structure.

c. Legislative

Mr. Archuleta reported that he made a short presentation last week to the Investments and Pensions Oversight Committee, along with PERA, ERB and the SIC, which provided an update of the current status of the agency based on last year's solvency and GASB study, and what changes took place for 2018 and what can be expected in 2019.

d. Wise and Well Strategic Plan

Mr. Archuleta reviewed highlights from the latest draft of the Wise and Well Strategic Plan. He thanked NMRHCA's health plan partners from Humana, United Healthcare, Presbyterian and Blue Cross Blue Shield in dedicating resources to help complete this plan for the membership.

Chairman Sullivan asked Mr. Archuleta to discuss how this effort is different from efforts this organization has piloted in the past.

Mr. Archuleta cited the agency's ability to do better reporting and data capture, and additionally pointed out that it would be wrong to assume that only 300-400 people out of 54,000 are actively involved in the wellness program because that is the number who applied for the $50 gift card. He added that if the agency can get one or two diabetics or pre-diabetics to better manage their health, which in turn results in them avoiding end stage renal failure, then the agency has probably realized significant savings.

Ms. Goodwin commented that this plan is much broader and more comprehensive than wellness plans this agency has undertaken in the past and has the full support of the board and staff. Mr. Montaño added that this program is also more focused than prior programs. The committee has looked into what the healthcare providers are doing in their own wellness programs and then is coordinating with them to make this a more comprehensive plan that also includes good data collection.

Mr. Linton asked if there is defined investment for this program now and going forward. Mr. Archuleta responded that he would have to calculate how many dollars the agency has spent in wellness, but there is a defined investment in terms of each of the different programs the NMRHCA offers. For instance, certain vaccinations are provided to members during the switch enrollment period. There are certain charges for people who go through the Good Measures program, but there is no charge for people who participate in the wellness cooking classes, particularly online. He said there are charges associated with the fees for the Naturally Slim program, as well, but they come through as claim costs. He said he would have a better sense of what the costs will be in the coming months as the program matures.

e. GASB 75

Mr. Archuleta reported that GASB 75 has been completed. Segal developed the employer allocations, allocation schedules and user guide, and Moss Adams has completed the audit of the allocation guide and schedules. CliftonLarsonAllen has also completed its portion of the audit. Two numbers were off, one for the City of Rio Rancho and the other for Rio Rancho Public Schools. Moss Adams is correcting that, and that information will be submitted to the State Auditor's Office on June 15, the deadline. The information will be uploaded to the NMRHCA website once approved by the State Auditor's Office, and the agency will send notice to the employer groups once the information is available, which should be in about two weeks.

Mr. Archuleta noted that the unfunded liability for the 75 state agencies is $1 billion. For Albuquerque Public Schools, it is $509 million; for the City of Albuquerque, $322 million; for Bernalillo County, $130 million.

f. April 30, 2018 SIC Report

Mr. Archuleta reported balances totaling $633,789,700 for April 30. By contrast, 10 years ago in April, the balance was $175 million, and five years ago, it was $273 million.

9. CONTRACT AMENDMENT

Mr. Archuleta reported that the Interagency Benefits Advisory Committee released a Request for Quote for professional consulting services associated with the upcoming life and disability procurement scheduled for release in the fall of 2018. New Mexico Public Schools Insurance Authority is serving as procurement manager. An RFQ was issued because this would be for a small purchase agreement of under $50,000.

Mr. Archuleta said the IBAC received four proposals from Arthur J. Gallagher, Segal Consulting, Aon Risk Solutions, and McGriff, Seibels & Williams. Although Aon Risk Solutions submitted the lowest bid, followed by McGriff, Seibels and Williams, followed by Segal, Segal was ultimately selected. He explained that the contract has to be approved by the Department of Finance & Administration, and it is becoming increasingly difficult to get any sort of deviation associated with the indemnification language, and this has become a more frequent holdup with nearly every contract NMRHCA has issued. At the current time, the indemnification language does not allow for any kind of limit on the liabilities assumed by the contractor. He said people have proposed changes to the language over the past couple of years, and those have been submitted to, and rejected by, DFA.

Mr. Archuleta said NMRHCA has a longstanding partner in Segal, which is willing to perform the work under this contract, and asked the board to amend its existing contract with Segal to accommodate the scope of work related to the Life and Disability insurance procurement.

Mr. Crandall so moved. Mr. Linton seconded the motion, which passed unanimously by voice vote.

10. 2019 PLAN RECOMMENDATIONS

Mr. Archuleta reviewed a July 2018 Long-Term Solvency Modeling chart with various scenarios affecting the solvency window, to be discussed at the July board meeting. [In later discussion, Chairman Sullivan asked Mr. Archuleta to include in the calculations what a 1 percent increase would do versus 1.5 percent.]

Express Scripts representative Ms. Amy Daily explained the SaveonSP program, which leverages pharmaceutical manufacturer copay assistance available for patients out in the market, and these manufacturers have invested in this over the past couple of years in response to negative publicity about high drug prices for specialty drugs in particular.

Ms. Daily said SaveonSP has an exclusive relationship with Express Scripts, but is a separate company, and SaveonSP leverages manufacturer assistance programs so that plans can save money. Basically, patients pay nothing and the manufacturers are passing the high costs to the employers and retiree plans such as NMRHCA.

Ms. Daily said Express Scripts has been working with SaveonSP for over a year and has about 100 clients on the program, including New Mexico Public Schools Insurance Authority (July 2017) and Albuquerque Public Schools (January 2018). Since inception of the program, both agencies have seen a negative specialty drug trend. Although Medicare doesn't allow patients to use these types of programs, Express Scripts estimates that NMRHCA would save an estimated $1.7 million on the pre-Medicare side.

Ms. Daily said SaveonSP is able to leverage what it calls "essential health benefits" through the ACA, which doesn't apply to NMRHCA. For NMPSIA and APS, though, which are required to put an out-of-pocket money in place for their membership based on the ACA, SaveonSP works around the out-of-pocket expense by making payments "essential" and "non essential," which frees up more money.

Ms. Daily said rheumatoid arthritis is one of the categories in which SaveonSP leverages manufacturer assistance, and within the category is a drug called sulfasalazine, for which $12,000 is available annually per individual to help pay for copays. Express Scripts goes into the system and increases the member's copay to $1,000 for each 30 days, or $12,000 for the year. They get the manufacturer assistance back so that their out of pocket share is zero. This means the patient is getting the lower copay for the drug, and when the claim is adjudicated, NMRHCA pays $1,000 less for the drug than it would have otherwise. The member is therefore getting the advantage of a zero-dollar copay, and NMRHCA is getting an advantage on each claim at the point of sale of a $1,000 discount each month.

Mr. Linton wondered why the manufacturer didn't reduce the cost of the medication by $12,000 instead. He said this just seemed like "smoke and mirrors." He asked if manufacturers, in response to pressure from the feds and others on drug costs, were taking part of their profits and giving it to this manufacturer's assistance program. Ms. Daily said that was correct. She said they are using these dollars

in ways similar to how they were using pharma reps to go into the doctor's office, which allowed them to get members on the drug and keep them consistently on the drug. Under this program, instead of using pharma reps, they reach out to the member and tell them they can get the drug for free. This keeps members from switching drugs in the middle of their therapy and helps the member stabilize on the drug.

Ms. Daily said the disadvantage is that the NMRHCA isn't benefiting from this program, which is what Express Scripts is trying to leverage here.

Mr. Archuleta commented that he didn't recommend this program when it was first presented to the NMRHCA, but now he felt this was important to consider.

Ms. Daily said she feels there is a lot of opportunity with this program right now, although things could always change down the road.

Ms. Daily said NMPSIA's specialty drug trend, since July 2017, has gone from 16 percent to -3.4 percent.

Responding to Ms. Saunders on how SaveonSP profits from this, Ms. Daily said that, in the case of the $1,000 per month cost she cited earlier, SaveonSP charges a 25 percent fee on the $1,000 savings. She said the estimated $1.7 million the NMRHCA would realize was net, not gross.

Ms. Saunders asked what happens to people who are denied this assistance program. Ms. Daily responded that SaveonSP is going out and finding the dollars that are available to the most number of patients, where test results, etc., do not have to be provided in order to qualify for the program. If someone is denied, however, Express Scripts will remove that person from the program and make sure their copay amount is restored to the original amount.

Ms. Goodwin commented that the underlying problem is that the drug companies are charging whatever they want because they can. Until the PBMs and the payers get together and negotiate with the drug companies, they will continue to play these "smoke-and-mirror games." She asked what Express Scripts is doing to address that issue.

Ms. Daily responded that Express Scripts does have a formulary, and while it doesn't have the power to tell a company what price it should charge, it can tell them what the market can afford. As an example, when a third, cheaper HepC drug came along, Express Scripts kicked off the other two more expensive products from the program and negotiated a 50 percent reduction with the new manufacturer. She said Express Scripts works hard behind the scenes, and actively, to try to keep prices down and affordable.

Mr. Linton asked that the record reflect that the board is very frustrated with the pharmacy costs and the lack of transparency in those costs. While the board recognizes that $1.7 million is a lot of money, "we are all frustrated at big pharma and the costs that we see, especially with the specialty medications."

Ms. Daily said she would be happy to share more information on how Express Scripts is trying to tackle these higher prices behind the scenes and "fight these battles."

Mr. Archuleta stated that this could be included as part of the July retreat discussion.

Mr. Archuleta noted that Naturally Slim and Better Health for Weight Loss Programs through Good Measures have been added to the Wellness Program.

11. ANNUAL BOARD MEETING AGENDA

Board members reviewed the draft agenda for the July 12-13 annual meeting and suggested changes.

12. BOARD POLICIES AND PROCEDURES

Mr. Archuleta stated that the document in the packet included some draft changes for consideration by the Executive Committee for final review and approval at the annual meeting.

13. OTHER BUSINESS

None.

14. EXECUTIVE SESSION: 10:45 a.m.

a. Pursuant to NMSA 1978, Section 10-15-1(H)(6) to Discuss Limited Personnel Matters

Mr. Crandall moved that the board go into executive session for the purpose of discussing limited personnel matters, as permitted by the Open Meetings Act. Ms. Goodwin seconded the motion, which passed on the following roll call vote:

For: Chairman Sullivan; Mr. Montaño; Mr. Crandall; Ms. Goodwin; Mr. Linton; Ms. Saunders; Mr. Eichenberg; Ms. Larrañaga-Ruffy; Mr. Smith.

Against: None.

[Board was in executive session until 11:10 a.m.]

Ms. Goodwin moved to come out of executive session, stating that the only item discussed in executive session was a limited personnel matter. Mr. Crandall seconded the motion, which passed unanimously.

15. DATE AND LOCATION OF NEXT MEETING:
July 12, 2018, 9:30 a.m./July 13, 2018, 9:00 a.m.
Sagebrush Inn & Suites
1508 Paseo del Pueblo Sur
Taos, NM 87571

16. ADJOURN

The meeting adjourned at 11:11 a.m.

Accepted by:

____

Tom Sullivan, President

BOARD POLICIES AND PROCEDURES MISSION STATEMENT

The New Mexico Retiree Health Care Authority ("NMRHCA" or "Authority") is committed to offering an affordable, comprehensive health care program for present and future eligible retirees and their dependents.

ADMINISTRATION

The Authority is governed by a Board of Directors ("Board"), which is composed of not more than 12 members (the "Board Members" or individually a "Board Member"). The Board is authorized to take all actions reasonably necessary to implement the Retiree Health Care Act (the "Act"). Currently, the Authority maintains two offices and a full time staff of 27 employees. The Authority offers comprehensive medical, dental, vision and life insurance to more than 61,000 retired public employees. NMRHCA receives revenue from premiums paid by retirees, contributions from active employees and their employers, and funding and revenue from other various sources. The Board and Authority administer the Authority's Trust Fund ("Fund"), which is invested and managed by the New Mexico State Investment Council, as required by the Act.

Currently, the Authority has approximately 300 participating public entities including all State agencies, public and charter schools, many counties and cities, as well as several universities.

ANNUAL REVIEW OF BOARD POLICIES AND PROCEDURES

The Board will review its Policies and Procedures annually. Proposed changes will first be solicited by NMRHCA staff from the Board's Executive Committee. Once approved by the Executive Committee, the initial revised Policies and Procedures will be presented to the full Board at its next regularly scheduled meeting. The Board will review the changes and make final recommendations to the Executive Committee, which will meet to revise the Policies and Procedures in accordance with those recommendations, and then present the Board with the Policies and Procedures for final action at the next regularly scheduled Board meeting.

OFFICERS, TERM OF OFFICE, DUTIES

Term of Office

Terms of office for the president and chairperson (the "Chairperson"), the vice president and vice-chairperson (the "Vice-Chairperson"), and the secretary (the "Secretary") will be from the date elected until a successor is sworn in, unless the office is vacated, in which case, the next lower officer shall automatically assume the duties of the higher officer.

Procedure for Electing Officers

The Board will elect a slate of officers annually to serve for the ensuing twelve-month period.

The three officers will comprise the Board's Executive Committee.

In the event of a vacancy in the office of Chairperson, the Vice-Chairperson will succeed the Chairperson. In the event of a vacancy in the office of the Vice-Chairperson, the Secretary will succeed the Vice-Chairperson. In the event of a vacancy in the office of Secretary, an election will be held at the next Board meeting. Nominations will be taken from the floor. The individual receiving the highest vote count will be elected to the office of Secretary.

Duties of the Chairperson

The duty of the Chairperson is, primarily, to ensure the integrity of the Board's processes and oversee the conduct of the Board at Board and committee meetings.

Duties of the Vice-Chairperson

The duty of the Vice-Chairperson is to act as temporary Chairperson in the absence of the Chairperson.

Duties of the Secretary

The duty of the Secretary is to act as temporary Chairperson in the absence of the Chairperson and Vice-Chairperson.

BOARD COMMITTEES

The Board has the following standing committees:

1 The Executive Committee, consisting of the officers of the Board.

2 The Audit Committee, consisting of four Board Members, including the Chairperson.

3 The Finance and Investment Committee consisting of five Board Members, including the Chairperson.

4 The Legislative Committee consisting of five Board Members, including the Chairperson

5 The Wellness Committee consisting of five Board Members.

The Chairperson is responsible for establishing membership in each standing committees. Additionally, the Chairperson has authority to establish, from time-to-time, other committees for specific purposes and will appoint the membership of those committees. All committee members are entitled to per diem and mileage, as authorized under 2.81.1.21, NMAC.

CODE OF CONDUCT

Board Members are expected to adhere to the highest ethical standards and, at all times, comply with their fiduciary responsibilities. Board Members will avoid any conflict of interest or perceived conflict of interest and may not have a direct financial or direct personal interest in any company or business that has a contractual obligation with the NMRHCA.

Board Members, as fiduciaries, should discharge their duties solely in the interest of the Authority and be governed by all applicable State and Federal laws, rules and regulations.

Each year at its annual meeting, Board Members will complete a financial disclosure form as set out in 2.81.3.8, NMAC.

Board Members will adhere to all requirements set forth in 2 81.3, NMAC, which establishes a Code of Ethics for Board Members.

BOARD TRAVEL

Board Members must submit to the Chairperson any request to participate in an event requiring travel where that travel is paid for by the Authority.

Speakers: Any Board Member that accepts a request to be a speaker at a conference or seminar requiring travel will notify the Chairperson of the request and their intention to participate in their capacity as a member of the Authority.

Payment for Travel: All travel paid for by the Authority is subject to 2.81.1.21, NMAC, the New Mexico Per Diem and Mileage Act, NMSA 1978, 10-8-1 and current New Mexico Department of Finance and Administration rules and regulations.

PROCEDURES FOR CONDUCT OF NMRHCA BOARD MEETINGS

In general, the Board will follow a modified version of Robert's Rules of Order, Revised ("RRO"). In addition, the Board will adhere to the Open Meetings Act and all other applicable provisions of State laws and the Board's rules and regulations.

A quorum of the Board must be present in order to convene and conduct any official meeting. A quorum is a majority of Board Members. Once a quorum is present, action may be taken by majority vote of participating Board Members. Although physical attendance by Board Members is encouraged, Board Members may attend meetings by telephone, provided that each Board Member participating telephonically can be identified when speaking, all participants are able to hear each other at the same time, and members of the public attending the meeting are able to hear any Board Members who speak during the meeting.

Regular Meetings

The date, time, and place of the regular Board meeting will be established by Board action and be announced to the public pursuant to the requirements of the Open Meetings Act (Section 1015-1 et seq. NMSA 1978).

The Board will meet at least once a year.

Special or Emergency Meetings

A special meeting of the Board is a meeting other than a regular or emergency meeting and may be called by the Chairperson, Vice-Chairperson or any three (3) Board Members for the specific purposes specified in the call.

An emergency meeting of the Board is a meeting other than a regular or special meeting and may be called by the Chairperson, Vice-Chairperson, or any two (2) Board Members to consider a sudden or unexpected set of circumstances affecting the NMRHCA which require the immediate attention of the Board.

Public Notice

The New Mexico Open Meeting Act, Section 10-15-1, NMSA 1978, provides that any meeting of a quorum of the members of a public body held for the purpose of formulating public policy discussing public business, or taking action within the authority of the Board, or at which the discussion or adoption of any proposed resolution, rule, regulation, or formal action occurs will be held only after reasonable notice to the public. In accordance with the Open Meetings Act, the Board will establish, at least annually, what constitutes reasonable notice of its meetings.

Agenda

The Chairperson, in consultation with the Executive Committee and the Executive Director, will prepare an agenda for each regular meeting of the Board. The Executive Director will ensure timely dissemination of the agenda to the Board and public.

Any Board Member may request of the Chairperson to have an item placed on, or removed from, the agenda.

Open and Closed Meetings

In addition to requiring public notice of Board meetings, the Open Meetings Act requires all Board meetings to be open to the public at all times unless an exception found in the Open Meetings Act permits a closed meeting.

Minutes

Pursuant to the Open Meetings Act, written minutes will be kept of all public Board meetings, as well as committee meetings, and all minutes shall be open to public inspection. Draft minutes will be approved, amended or disapproved at the next meeting where a quorum is present. Draft minutes may be inspected by members of the public after completion in final draft form but will not become official until approved by the Board.

Board Meeting Attendance

Board Members will ensure strict compliance with 2.81.1.11, NMAC which governs Board meeting attendance.

EXECUTIVE DIRECTOR

General Provisions

The Executive Director will comply with the Code of Ethics established for the Authority (2.81.3, NMAC) and may not have a direct financial or direct personal interest in any company or business that has a contractual obligation with the NMRHCA.

The Executive Director will ensure that all employees of the Authority are aware of their rights and responsibilities and ensure at a minimum:

1 Confidentiality of retiree and dependent enrollment and medical and fiscal records.

2 No conflict of interest or appearance thereof with respect to participation on boards, corporations, or public or private organizations. No conflict of interest or appearance thereof with respect to professional, occupations, or business licenses.

3 Adherence to a pertinent professional code of ethics and standard of professional conduct as prescribed by the Board.

4 No solicitation of gifts, favors, or other items of value from persons with whom the NMRHCA transacts business or companies with whom the NMRHCA may contract.

5 No acceptance of unsolicited items of value that are of such character as to manifest, or appear to manifest, influence upon an employee in carrying out his/her responsibilities to the NMRHCA.

Responsibilities of the Executive Director

The Executive Director is responsible for organizational performance and exercises authority over the day-to-day operations of the Authority. The Executive Director is responsible for the management of all staff and the Board delegates authority for staff management to the Executive Director.

In general, all personnel decisions made by the Executive Director are final. However, the Authority may utilize an appeals process that allows for personnel decisions to be reviewed by the Board.

Employment of the Executive Director

Employment of the Executive Director will be by the Board. The terms of employment for the Executive Director will be subject to applicable policies as they pertain to exempt employees and conditions outlined by the Board.

The Board believes that the selection of an Executive Director is one of the most important tasks performed by the Board. To that end, the Board will carefully consider the following:

- Specifying what the Board expects the Executive Director to do;
- Specifying the education and experience the Board considers essential to performing the work of Executive Director;
- Developing and implementing a recruitment strategy for the position; and
- Applying screening processes, interviewing qualified candidates, and selecting the candidate deemed to be most qualified for the position.

Executive Director Evaluations

The Executive Committee of the Board is responsible for evaluating the Executive Director and will utilize mechanisms to provide periodic feedback on Executive Director performance and on the overall performance of the agency.

The Board endorses the use of an evaluation instrument as a tool in planning, goal setting, establishing shared understandings, providing feedback, and making other decisions. For this reason, the Board may implement a written evaluation form with the Executive Director, whether or not one is required by other controlling agencies such as the Department of Finance and Administration.

Sound personnel practices provide that evaluation instruments are most effective when done at least annually, when the raters and individual establish shared understandings at the beginning of the evaluation period concerning expectations and performance criteria, and when feedback is provided on an ongoing basis.

Executive Director Leave

The Executive Director will notify the Chairperson for approval when annual leave is to be taken. The notice will be given as far in advance as possible.

APPEAL OF BENEFIT DETERMINATIONS

The Board will not consider appeals of medical, dental or visions benefit determinations made by contracted carriers or staff of the Authority. As such, it is the policy of the Board that beneficiaries wishing to appeal benefit determinations made by contracted carriers or staff should make their appeal to the Office of the Superintendent of Insurance.

The Executive Director will report to the board the outcome of any appeals determined by the Office of the Superintendent of Insurance.

FY19 Board Elections/Committee Assignments (Action Item)

Background

Article 7C Section 10-7C-6. Board created; membership; authority.

A. There is created the "board of the retiree health care authority". The board shall be composed of not more than twelve members.
B. The board shall include:

(1) one member who is not employed by or on behalf of or contracting with an employer participating in or eligible to participate in the Retiree Health Care Act and who shall be appointed by the governor to serve at the pleasure of the governor;
(2) the educational retirement director or the educational retirement director's designee;
(3) one member to be selected by the public school superintendents' association of New Mexico;
(4) one member who is a teacher who is certified and teaching in elementary or secondary education to be selected by a committee composed of one person designated by the New Mexico association of classroom teachers, one person designated by the national education association of New Mexico and one person designated by the New Mexico federation of teachers;
(5) one member who is an eligible retiree of a public school and who is selected by the New Mexico association of retired educators;
(6) the executive secretary of the public employees retirement association or the executive secretary's designee;
(7) one member who is an eligible retiree receiving a benefit from the public employees retirement association and who is selected by the retired public employees of New Mexico;
(8) one member who is an elected official or employee of a municipality participating in the Retiree Health Care Act and who is selected by the New Mexico municipal league;
(9) the state treasurer or the state treasurer's designee; and
(10) one member who is a classified state employee selected by the personnel board.

C. The board, in accordance with the provisions of Paragraph (3) of Subsection D of Section 10-7C-9 NMSA 1978, shall include, if they qualify:

(1) one member who is an eligible retiree of an institution of higher education participating in the Retiree Health Care Act and who is selected by the New Mexico association of retired educators; and
(2) one member who is an elected official or employee of a county participating in the Retiree Health Care Act and who is selected by the New Mexico association of counties.

D. Every member of the board shall serve at the pleasure of the party that selected that member.
E. The members of the board shall begin serving their positions on the board on the effective date of the Retiree Health Care Act or upon their selection, whichever occurs last, unless that member's corresponding position on the board has been eliminated pursuant to Subsection D of Section 10-7C-9 NMSA 1978.
F. The board shall elect from its membership a president, vice president and secretary.
G. The board may appoint such officers and advisory committees as it deems necessary. The board may enter into contracts or arrangements with consultants, professional persons or firms as may be necessary to carry out the provisions of the Retiree Health Care Act.

H. The members of the board and its advisory committees shall receive per diem and mileage as provided in the Per Diem and Mileage Act [10-8-1 NMSA 1978] but shall receive no other compensation, perquisite or allowance.
History: Laws 1990, ch. 6, § 6; 1993, ch. 362, § 2; 2003, ch. 382, § 1.

Action Item

In compliance with section F, NMRHCA's board elections typically occur in July of each year for the ensuing 12-month period. In addition, committee assignments are designated for same time period with a full list of current committee assignments is provided below.

Current Committee Assignments

Executive	**Finance & Investment**	**Legislative**
Mr. Sullivan, Chair	Mr. Crandall, Chair	Mr. Montano, Chair
Mr. Montano	Mr. Sullivan	Mr. Linton
Mr. Crandall	Ms. Goodwin	Ms. Saunders
	Mr. Montano	Ms. Goodwin

Audit	**Wellness**
Ms. Goodwin, Chair	Ms. Goodwin, Chair
Mr. Sullivan	Mr. Montano
Mr. Montano	Ms. Saunders
Mr. Linton	Mr. Linton

This rule was filed as 2 NMAC 81.3.

TITLE 2 PUBLIC FINANCE
CHAPTER 81 RETIREE HEALTH CARE FUNDS
PART 3 CODE OF ETHICS

2.81.3.1 ISSUING AGENCY: NM Retiree Health Care Authority ("NMRHCA").
[6/15/98; Recompiled 10/01/01]

2.81.3.2 SCOPE: This rule applies to all board members, employees, actuaries, consultants, attorneys and members of ad. hoc. or standing committees of the NMRHCA.
[6/15/98; Recompiled 10/01/01]

2.81.3.3 STATUTORY AUTHORITY: This rule is promulgated pursuant to the New Mexico Retiree Health Care Act (the "Act"), Sections 10-7C-1 et seq. NMSA 1978.
[6/15/98; Recompiled 10/01/01]

2.81.3.4 DURATION: Permanent.
[6/15/98; Recompiled 10/01/01]

2.81.3.5 EFFECTIVE DATE: June 15, 1998 [unless a later date is cited at the end of a section].
[6/15/98; Recompiled 10/01/01]

2.81.3.6 OBJECTIVE:

A. The objective of this rule is to establish procedures governing a code of ethics that must be adhered to by those persons covered and provide penalties for failure to comply. The proper operation of a democratic government requires that public representatives and those attorneys, consultants, agents and employees on who they rely for advice and opinions be independent, impartial, and responsible to the people.

B. NMRHCA decisions and policy should be made through proper channels of the NMRHCA structure and public office, employment or contracts should not be used for personal gain. A conflict of interest exists when a public representative's, public employee's or public contractor's private or personal interests conflict with his/her public duties or when a public representative, public employee, agent, consultant or attorney for the public entity uses insider knowledge, official position, power or influence to further his/her private interests.

C. When a sound code of ethics is promulgated and enforced, the public has confidence in the integrity of its government. The objective of the code of ethics rule is to advance openness in government by requiring disclosure of private interests that may affect public acts, to set standards of ethical conduct, to minimize pressures on public representatives and to establish a process for reviewing and settling alleged violations.
[6/15/98; Recompiled 10/01/01]

2.81.3.7 DEFINITIONS: As used in the code of ethics rule:

A. **"business"** means a corporation, partnership, sole proprietorship, firm, organization, or individual carrying on a business or owning real property other than a personal residence;

B. **"insider information"** or **"confidential information"** means information which is confidential under law or practice or which is not generally available outside the circle of those who regularly serve the NMRHCA as a board member, public representative, official, employee, agent, consultant or attorney;

C. **"financial interest"** means:

(1) an interest of ten percent or more in a business or an interest exceeding ten thousand dollars ($10,000.00) in a business; for a board member, official, employee, agent, consultant attorney or other public representative this means an interest held by the individual or his or her spouse, siblings, parents, or children;

(2) an ownership interest held by the individual or his/her spouse, siblings, parents or children in business; or

(3) any employment or prospective employment (for which negotiations have already begun) of the individual or his/her spouse, siblings, parents or children;

D. **"public representative"** means a person serving the NMRHCA as board member, official, employee, agent, consultant or attorney or as a member of an ad.hoc. or standing NMRHCA advisory committee;

E. **"controlling interest"** means an interest which is greater than twenty percent;

F. **"official act"** means an official decision, recommendation, approval, disapproval or other action which involves the use of discretionary authority, except the term does not mean an act of the legislative or an act of general applicability.
[6/15/98; Recompiled 10/01/01]

2.81.3.8 PUBLIC REPRESENTATIVE/REGISTRATION/DISCLOSURE:
A. Upon becoming a public representative, the public representative shall provide registration information to the NMRHCA office as listed below. This information shall be updated at the end of every fiscal year and shall be available to the public at all times:
(1) name;
(2) address and telephone number;
(3) professional, occupational or business licenses;
(4) membership on boards of directors of corporations, public or private associations or organizations; and
(5) the nature, but not the extent or amount, of any financial interests and controlling interests as defined in the code of ethics rule within one month of becoming a public representative.
B. A public representative who has a financial interest which may be affected by an official act of the NMRHCA, ad. hoc. or advisory committee shall declare such interest prior to discussion, voting, advising or taking any other action and that declaration shall be entered in the official minutes of the NMRHCA. A public representative shall abstain from voting, advising or taking any other action including discussion on that issue if the decision, in the public representative's opinion, may affect his/her financial interest in a manner different from its effect on the general public.
[6/15/98; Recompiled 10/01/01]

2.81.3.9 PROHIBITIONS/PRIVATE BENEFITS OR GIFTS/PERSONAL REPRESENTATION/ USE OF NMRHCA SERVICES/ACQUIRING FINANCIAL INTEREST:
A. No public representative nor a member of his/her family shall request or receive and accept a gift or loan for his/her personal use or for another, if:
(1) it tends to influence the public representative in the discharge of his/her official acts; or
(2) the public representative, within two years, has been involved in any official act directly affecting the donor or lender or knows that he/she will be involved in any official act directly affecting the donor or lender.
B. No public representative shall request or receive a gift or loan for personal use or for the use of others from any person or business involved in a business transaction with the NMRHCA with the following exceptions:
(1) an occasional nonpecuniary gift of insignificant value;
(2) an award publicly presented in recognition of public service;
(3) a commercially reasonable loan made in the ordinary course of business by an institution authorized by the laws of the state to engage in the business of making loans; or
(4) a political campaign contribution, provided that such gift or loan is properly reported and actually used in a political campaign.
C. No public representative shall personally represent private interests before the board of the NMRHCA or any ad. hoc. or standing committee, which the public representative is a member, or directly or indirectly receive compensation for that representation.
D. No public representative shall personally represent private interests before the NMRHCA board, ad. hoc., standing committees or directly or indirectly receive compensation for that representation.
E. No public representative shall use or disclose insider information for his or others private purposes.
F. No public representative shall use NMRHCA services, personnel or equipment for personal benefit, convenience or profit, except when such use is generally available to the public and when in accordance with policies of the NMRHCA board.
G. No public representative shall acquire or negotiate to acquire a financial interest at a time when the official believes or has reason to believe that it will be substantially or directly affected by his official acts.
H. No public representative shall enter into a contract or transaction with the NMRHCA or its public representatives, unless the contract or transaction is made public by filing notice with the NMRHCA board.
I. A public representative shall disqualify himself from participating in any official act directly affecting a business in which he has a financial interest.
J. No public representative shall use confidential information acquired by virtue of his employment, office or status for his or another's private gain.
K. The NMRHCA shall not enter into any contract with an employee of the state or with a business in which the employee has a controlling interest, involving services or property of a value in excess or one thousand dollars ($1,000), when the employee has disclosed his controlling interest unless the contract is made after public notice and competitive bidding; provided that this section does not apply to a contract of official employment with the NMRHCA.

L. The NMRHCA shall not enter into a contract with, nor take any action favorable affecting, any person or business which is:

(1) represented personally in the matter by a person who has been an employee of the state within the preceding year if the value of the contract or action is in excess of one thousand dollars ($1,000) and the contract is a direct result of an official act by the employee; or

(2) assisted in the transaction by a former employee of the state whose official act, while in state employment, directly resulted in the NMRHCA's making that contract or taking that action.

M. The NMRHCA shall not enter into any contract of purchase with a legislator or with a business in which such legislator has controlling interest, involving services or property in excess of one thousand dollars ($1,000) where the legislator has disclosed his controlling interest, unless the contract is made after public notice and competitive bidding. As used in Section 9.13 [now Subsection M of 2.81.3.9 NMAC], contract shall not mean a "lease."
[6/15/98; Recompiled 10/01/01]

2.81.3.10 ENFORCEMENT/COMPLAINT/HEARING OFFICER/PENALTY FOR VIOLATION/ FRIVOLOUS COMPLAINTS:

A. Any contract approval, sale or purchase entered into or official action taken by a public official in violation of this rule may be voided by action of the NMRHCA board.

B. Any person may make a sworn, written complaint to the NMRHCA board of a violation by a public official of any provisions of the code of ethics rule. Such complaint shall be filed with the NMRHCA executive director or if it is a complaint against him, with a member of the NMRHCA board, who shall maintain the confidentiality thereof and instruct the complainant of the confidentiality provisions of the code of ethics rule, and shall refer said complaint to the NMRHCA board at its next regularly scheduled meeting in executive session. The complaint shall state the specific provision of the code of ethics rule which has allegedly been violated and the facts which the plaintiff believes support the complaint.

C. Within fifteen days of receiving the complaint, the NMRHCA board in executive session shall appoint a hearing officer to review the complaint for probable cause. Within fifteen days of undertaking the inquiry to determine probable cause, the hearing officer shall report his findings to the NMRHCA board. Upon find of probable cause, within 30 days, the hearing officer shall conduct an open hearing in accordance with due process of law. Fifteen days notice in advance of the hearing shall be provided to the person subject to the complaint. Within a time specified by the NMRHCA board, the hearing officer shall report his findings and recommendations to the NMRHCA board for appropriate action based on those findings and recommendations.

D. If the complaint is found to be frivolous, the NMRHCA board may assess the complainant the costs of the hearing officer's fees.

E. Except for the hearing, the proceedings shall be kept confidential by all parties concerned, unless the accused public official requests that the process be open at any stage. Persons complained against shall have the opportunity to submit documents to the hearing officer for his review in determining probable cause.

F. Any violation of the law shall be referred to the appropriate law enforcement agency for prosecution.
[6/15/98; Recompiled 10/01/01]

2.81.3.11 CODE OF ETHICS HEARING OFFICER/APPOINTMENT/QUALIFICATIONS/DUTIES:

A. A hearing officer shall be appointed by the NMRHCA board for each complaint. The hearing officer may be an authority board member, agent or employee of the NMRHCA or another person. The complainant and the person complained against have the right to one disqualification of a designated hearing officer.

B. The hearing officer shall:

(1) receive written complaints regarding violations of the code of ethics rule, notify the person complained against of the charge, and reject complaints not supported by probable cause; in the event the hearing officer rejects a complaint as lacking in probable cause, he shall provide a written statement of reasons for his rejection to the NMRHCA board and the complainant;

(2) conduct hearings of all complaints received; and

(3) report the findings of the hearings and make recommendations on resolving the complaint to the NMRHCA board.

C. The decision of the board shall be final and not subject to appeal.
[6/15/98; Recompiled 10/01/01]

2.81.3.12 VIOLATION: It is a violation of this rule for any public official knowingly, willfully or intentionally to conceal or fails to disclose any financial interest called for by the code or violate any of the provisions hereof.
[6/15/98; Recompiled 10/01/01]

2.81.3.13 PENALTIES: Upon recommendation of the hearing officer the NMRHCA board may:

A. issue a public reprimand to the public official;
B. remove or suspend from his office, employment or contract the public official; and
C. refer complaints against public officials to the appropriate law enforcement agency for investigation and prosecution.
[6/15/98; Recompiled 10/01/01]

HISTORY OF 2.81.3 NMAC:
Pre-NMAC History: The material in this part was derived from that previously filed with the State Records Center and Archives under:
RHCA Rule 90-3, Code of Ethics, 7/10/90.

History of Repealed Material: [RESERVED]

New Mexico Retiree Health Care Authority

Code of Ethics Disclosure Statement

Pursuant to Retiree Health Care Authority Rule Title 2, Chapter 81, Part 3, within one month of becoming a board member, employee, actuary, consultant, attorney, or member of ad hoc or standing committee, and at the end of every fiscal year thereafter, you are required to furnish the following information:

1. **Name:** ______________________________

2. **Address:** ______________________________

   ____

   Home Phone: __________ **Work Phone:** __________

3. **Professional, occupational, or business licenses, if any:**

Type of License	License No.

Continue on separate sheet if necessary

4. **Identify each corporation, and public or private association and organization, on the board of which you are a member:**

Name of Organization	Address of Organization	Position or Office in Organization

Continue on separate sheet if necessary

5. **The NMRHCA Code of Ethics defines the terms used in this form as follows:**

   "Business" *means: a corporation, partnership, sole proprietorship, firm, organization, or individual carrying on a business or owning real property other than a personal residence.*

*"**Financial Interest**" means:*

(a) An interest of ten percent (10%) or more in a Business or an interest exceeding ten thousand dollars ($10,000) in a Business; or

(b) An ownership interest in a business; or

(c) Any employment or prospective employment (for which negotiations have already begun) with a Business,

on the part of a board member, official, employee, agent, consultant, or attorney, or by the spouse, siblings, parents, or minor children of such individual.

Identify each Business in which you have a Financial Interest as those terms are defined in the NMRHCA Code of Ethics.

Name of Business	Address of Business	Nature of Business

Continue on separate sheet if necessary

SIGNATURE: ______________________________

PRINT NAME: ______________________________

DATE: ______________________________

NEW MEXICO RETIREE HEALTH CARE AUTHORITY
RESOLUTION NO. 2019-1

WHEREAS the Board of Directors of the New Mexico Retiree Health Care Authority (NMRHCA) met at its annual meeting at 9:30 a.m. on July __, 2018, and

WHEREAS, Section 10-15-l(B) of the Open Meeting Acts (NMSA 1978, Section 10-15-1 to 4) states that, except as may be otherwise provided in the Constitution of the State of New Mexico or in the provisions of the Open Meetings Act, all meetings of a quorum of members of any board, commission, administrative adjudicatory body or other policy-making body of any state agency, any agency or authority of any county, municipality, district or any political subdivision, held for the purpose of formulating public policy, including the development of personnel policy, rules, regulations or ordinances, discussing public business or for the purpose of taking any action within the authority of or the delegated authority of such body, are declared to be public meetings open to the public at all times; and

WHEREAS, any meeting subject to the Open Meetings Act at which the discussion or adoption of any proposed resolution, rule, regulation or formal action occurs shall be held only after reasonable notice to the public; and

WHEREAS, Section 10-15-1(D) of the Open Meetings Act requires the NMRHCA Board to determine at least annually in a public meeting what constitutes reasonable notice of its public meetings;

NOW, THEREFORE, BE IT RESOLVED by the NMRHCA that the following is determined to constitute reasonable notice to the public of its meetings:

1. Location and Time of Meetings: Unless otherwise specified by the NMRHCA Board, regular meetings will be held on the first Tuesday of every month. All regular meetings may be held at a location in Albuquerque or Santa Fe beginning at 9:30 a.m. or as indicated in the meeting notice.

2. Meeting Notice and Agenda: A meeting notice shall be prepared by the NMRHCA for each board meeting. Each meeting notice shall include either the agenda of the meeting or information on how the public may obtain a copy of the agenda of the meeting. Each meeting agenda shall consist of a list of specific items of business to be discussed or transacted at the meeting. Except for emergency matters, the NMRHCA shall take action only on items appearing on the agenda.

   Except in the case of an emergency meeting, the agenda will be available to the public at least seventy-two (72) hours prior to the meeting from the Executive Director, whose office is located at 4308 Carlisle Blvd. NE, Suite 104, Albuquerque, NM 87107. In the case of an emergency meeting, the agenda shall be made available to the public as soon as is reasonably possible.

3. Regular Meetings: Notice of regular meetings will be made at least ten (10) days in advance of the meeting date.

4. Special Meetings: A special meeting of the board is a meeting other than a regular or emergency meeting and may be called by the president, vice-president or any three (3) board members at least seventy-two (72) hours prior to the meeting date for the specific purposes specified in the call.

5. Emergency Meetings: An emergency meeting of the board is a meeting other than a regular or special meeting and may be called by the president, vice-president, or any two (2) board members only under unforeseen circumstances which demand immediate action to protect the health, safety and property of citizens or to protect the NMRHCA from substantial financial loss. Within ten (10) days of taking action on an emergency matter, the NMRHCA shall report to the New Mexico Attorney General's office the action taken and the circumstances creating the emergency; provided that the requirement to report to the attorney general is waived upon the declaration of a state or national emergency.

6. Notification Process:

A. Regular Meetings: For the purposes of regular meetings described in paragraph 1 of this resolution, notice requirements are met if notice of the date, time, place and agenda (or information on how the public may obtain a copy of the agenda) is posted on NMRHCA's website and posted in the office(s) of the NMRHCA not less than ten (10) calendar days before the time the regular meeting is to commence. Within the same time frame, a copy of the notice must be mailed to broadcast stations licensed by the Federal Communications Commission and newspapers of general circulation that have made a written request for notice of public meetings.

B. Special and Emergency Meetings: For the purpose of special meetings and emergency meetings described in paragraphs 4 and 5 of this resolution, notice requirements are met by posting notice of the date, time, place and agenda in the offices of the NMRHCA. Additionally, if practicable, notice of the date, time, place and agenda (or information on how the public may obtain a copy of the agenda) may be placed on NMRHCA's website. Within the same time frame, telephonic notice will be provided to broadcast stations licensed by the Federal Communications Commission and newspapers of general circulation that have made a written request for notice of public meetings.

7. Accommodation of Individuals with Disabilities: In addition to the information specified above, all notices shall include the following language:

"If you are an individual with a disability who is in need of a reader, amplifier, qualified sign language interpreter, or any other form of auxiliary aid or service, contact the NMRHCA at 1-800-233-2576, at least one week prior to the meeting or as soon as possible. Public documents, including the agenda and minutes, can be provided in various accessible formats. Please contact the NMRHCA at 1-800-233-2576 if a summary or other type of accessible format is needed."

8. Closed Meetings: The NMRHCA Board may close a meeting to the public only if the subject matter of such discussion or action is exempted from the open meeting requirement under Section 10-15-1(H) of the Open Meetings Act or by the New Mexico Constitution.

A. If any meeting is closed during an open meeting, such closure shall be approved by a majority vote of a quorum of the NMRHCA Board taken during the open meeting. The authority for the closure and the subjects to be discussed shall be stated with reasonable specificity in the motion for closure and the vote on closure of each individual member shall be recorded in the minutes. Only those subjects specified in the motion may be discussed in a closed meeting.

B. If the decision to hold a closed meeting is made when the NMRHCA Board is not in an open meeting, the closed meeting shall not be held until public notice, appropriate under the circumstances, stating the specific provision of law authorizing the closed meeting and the subjects to be discussed with reasonable specificity is given to the members and to the general public.

C. Following completion of any closed meetings, the minutes of the open meeting that was closed, or the minutes of the next open meeting if the closed meeting was separately scheduled, shall state whether the matters discussed in the closed meeting were limited only to those specified in the motion or notice for closure.

D. Except as provided in Section 10-15-1(H) of the Open Meetings Act, any action taken as a result of discussions in a closed meeting shall be made by vote of the NMRHCA in an open public meeting.

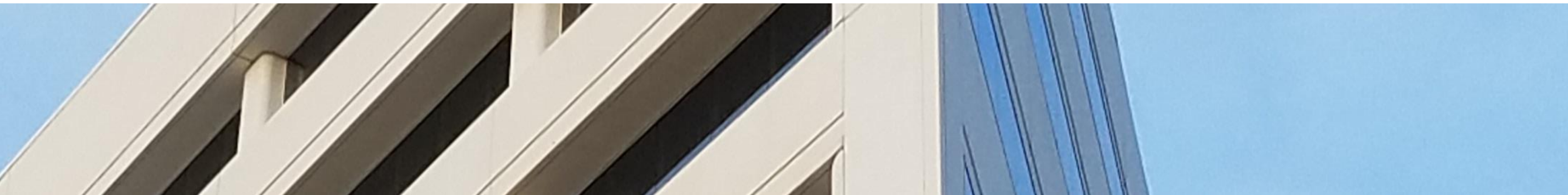
9. Annual Meeting of NMRHCA Board: Pursuant to NMAC 2.81.1.12, the Board shall hold an annual meeting at such time as the Board determines.

Passed by the NMRHCA Board this __th day of July 2018.

____________________	____________________
Board President	David Archuleta, Executive Director

WILSHIRE ASSOCIATES

New Mexico Retiree Health Care Authority



Asset Allocation Review and Analysis

Thomas Toth, CFA
Managing Director

July 2018

Wilshire Associates

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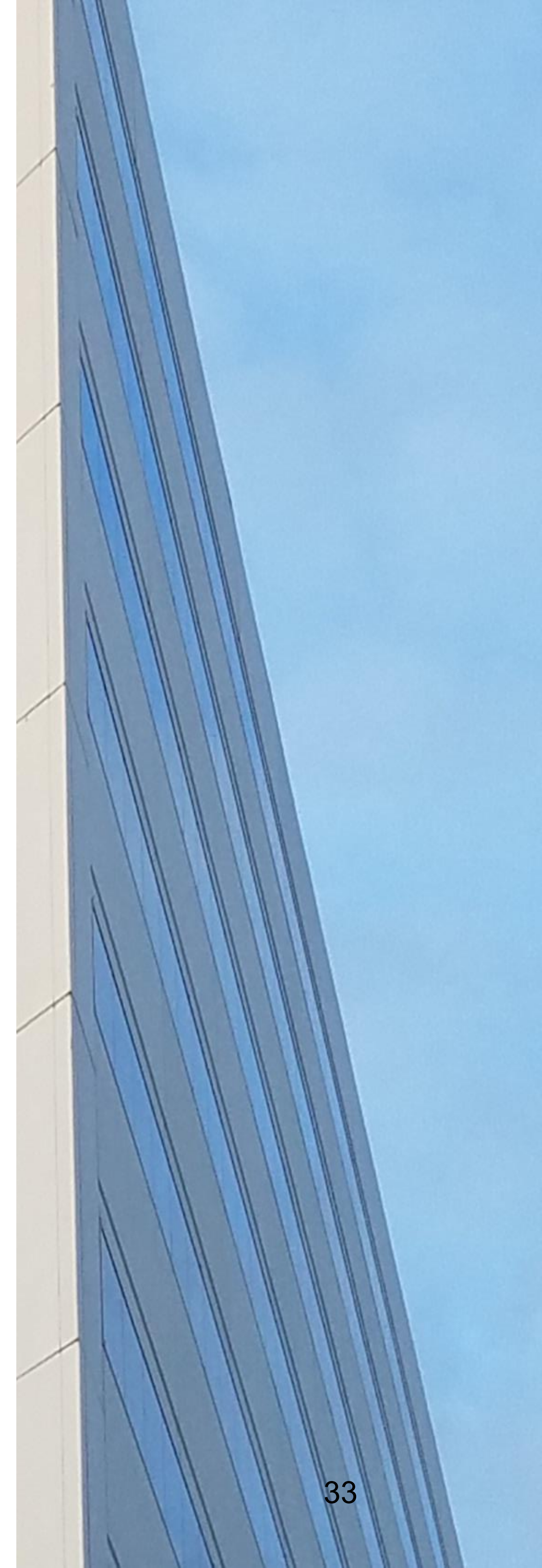

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RETIREE HEALTH CARE AUTHORITY

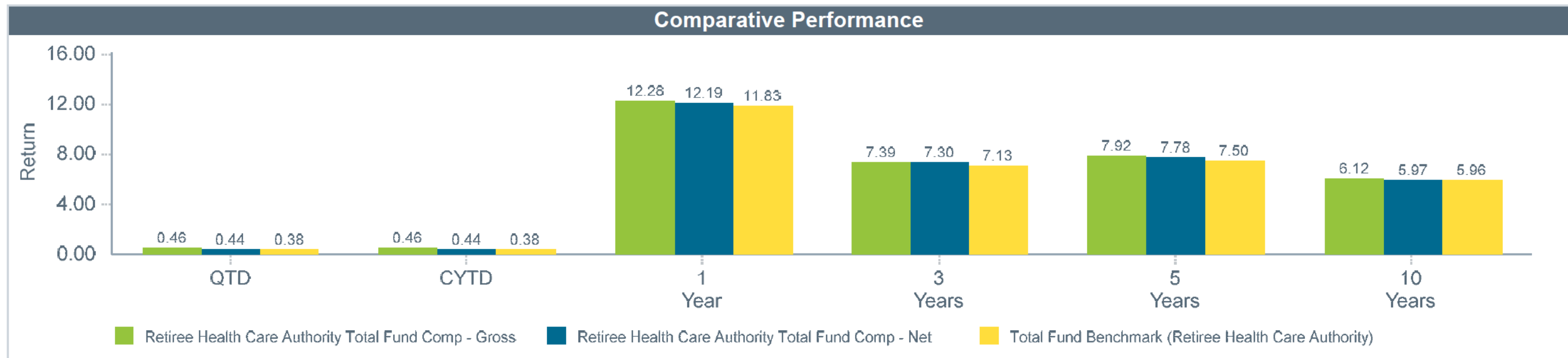
Overview

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	136,744,629	21.61	20.00	1.61
Small/Mid Cap US Equity Active	17,509,401	2.77	3.00	-0.23
Non-US Developed Markets Index	72,805,686	11.50	12.00	-0.50
Non-US Emerging Markets Index	99,889,283	15.78	15.00	0.78
US Core Plus Bonds	113,221,515	17.89	20.00	-2.11
Credit & Structured Finance	61,264,074	9.68	10.00	-0.32
Absolute Return	28,670,837	4.53	5.00	-0.47
Private Equity	68,237,200	10.78	10.00	0.78
Real Estate	34,574,177	5.46	5.00	0.46
Total Fund	632,916,800	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	**0.46**	**0.46**	**12.28**	**7.39**	**7.92**	**6.12**	**17.44**	**8.09**	**-0.90**
Total Fund Benchmark (Retiree Health Care Authority)	*0.38*	*0.38*	*11.83*	*7.13*	*7.50*	*5.96*	*16.85*	*8.42*	*-0.76*
Difference	0.08	0.08	0.45	0.26	0.42	0.16	0.59	-0.33	-0.14
Retiree Health Care Authority Total Fund Comp - Net	**0.44**	**0.44**	**12.19**	**7.30**	**7.78**	**5.97**	**17.35**	**7.99**	**-1.03**
Total Fund Benchmark (Retiree Health Care Authority)	*0.38*	*0.38*	*11.83*	*7.13*	*7.50*	*5.96*	*16.85*	*8.42*	*-0.76*
Difference	0.06	0.06	0.36	0.17	0.28	0.01	0.50	-0.43	-0.27

Schedule of Investable Assets

Periods Ending	Beginning Market Value ($)	Net Cash Flow ($)	Gain/Loss ($)	Ending Market Value ($)	% Return
CYTD	**621,163,690**	**9,000,352**	**2,752,758**	**632,916,800**	**0.44**

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Data source: RV Kuhns, Allocations may not sum o 100% due to rounding

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INVESTMENT OPTIONS AND FEES

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New Mexico State Investment Council Client Investment Pools				
Market Cap/Style	**Management**	**Benchmark**	**Estimated Annual Management Fee**	**Underlying Investment Managers**
Large Cap US Stocks	Active	Russell 1000 Index	0.42%	Brown Brothers, T.Rowe Price
Large Cap US Stocks Index	Passive	Russell 1000 Index	0.02%	Northern Trust
Small/Mid Cap US Stocks	Active	70% R 2000 / 30 % R Mid Cap	0.66%	Seizert, Donald Smith, BlackRock
International Developed	Active	MSCI EAFE Index	0.55%	LSV, T.Rowe Price, Neuberger Berman, MFS, Templeton
International Developed Index	Passive	MSCI EAFE Index	0.04%	Alliance Bernstein
International Emerging	Active	MSCI Emerging Mkts	0.64%	BlackRock, William Blair
International Emerging Index	Passive	MSCI Emerging Mkts Index	0.14%	Alliance Bernstein
Core Bonds Plus	Active	Bloomberg Universal Bond Index	0.22%	PIMCO, Loomis Sayles, Prudential
Core Bonds	Passive	Bloomber US Agg Bond Index	0.04%	BlackRock
Private Market Pools*				
Private Equity	Active	Cambridge US Equity	0.98%	Various
Credit/Structured Finance	Active	Custom	1.18%	Various
Real Estate	Active	NCREIF ODCE Index	0.81%	Various
Real Return	Active	Custom	0.86%	Various

*Private market pool assets are subject to entry/withdrawal restrictions based on liquidity, with "lock up" periods defined in the client JPA.

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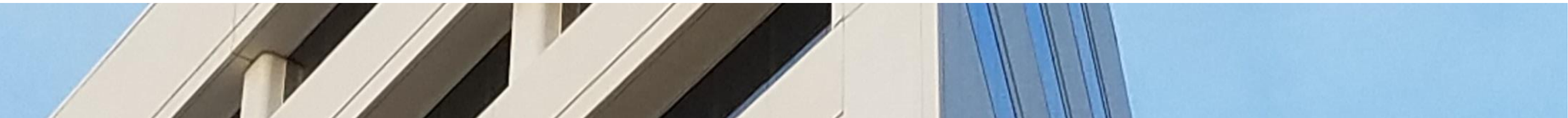
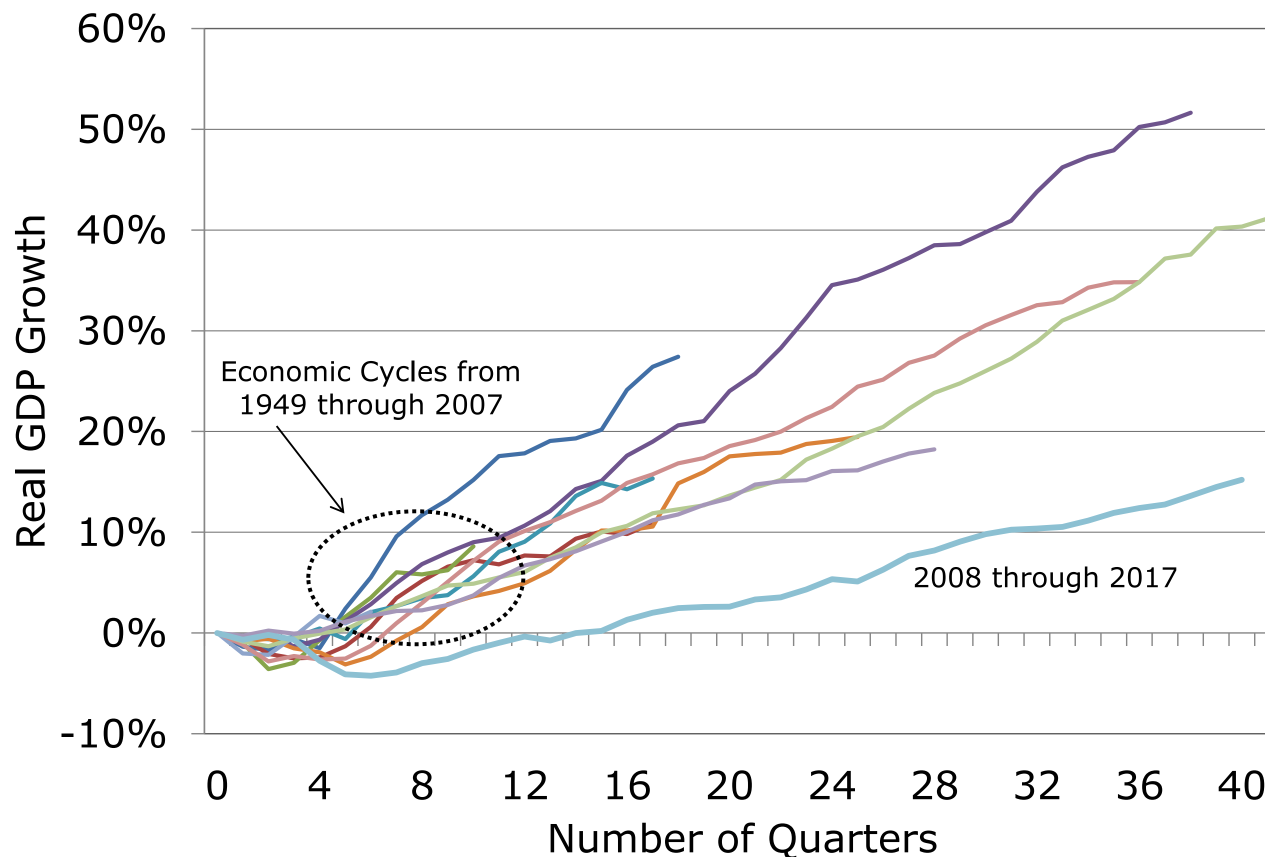


NUMBERS IN CONTEXT

EXPANSION CONTINUES

- Current economic cycle not particularly strong in terms of cumulative growth but among the longest in nearly 70 years
- Economy likely in or entering the late cycle of economic growth



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Data source: U.S. Bureau of Economic Analysis

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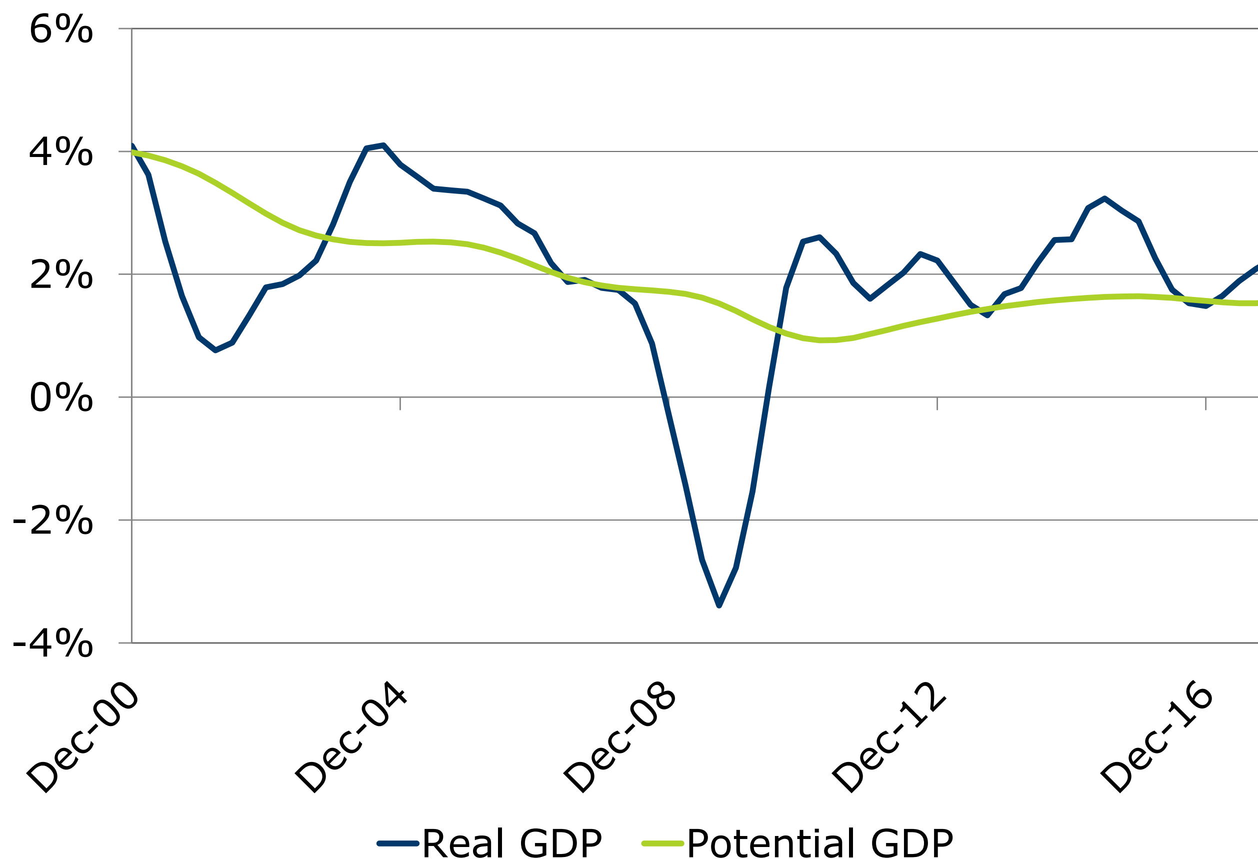
LATE CYCLE CONDITIONS

- Potential GDP is an estimate of growth at full employment while maintaining price stability
- Growth has been accelerating at a time when capacity is already tight



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Data source: U.S. Bureau of Economic Analysis, U.S. Congressional Budget Office

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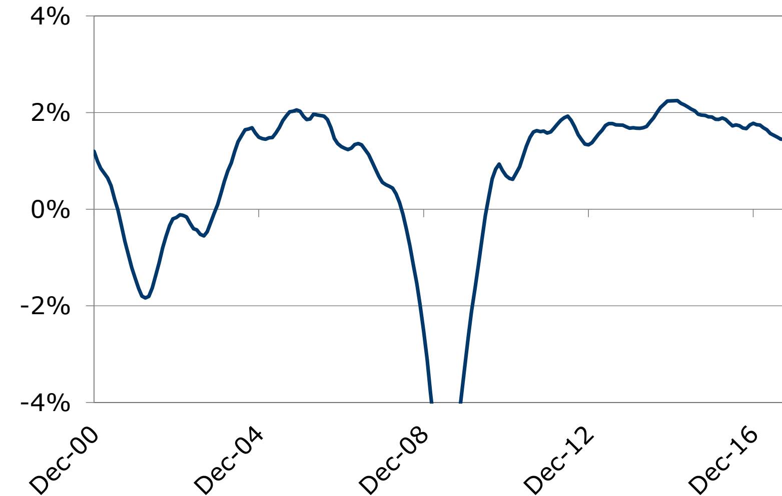
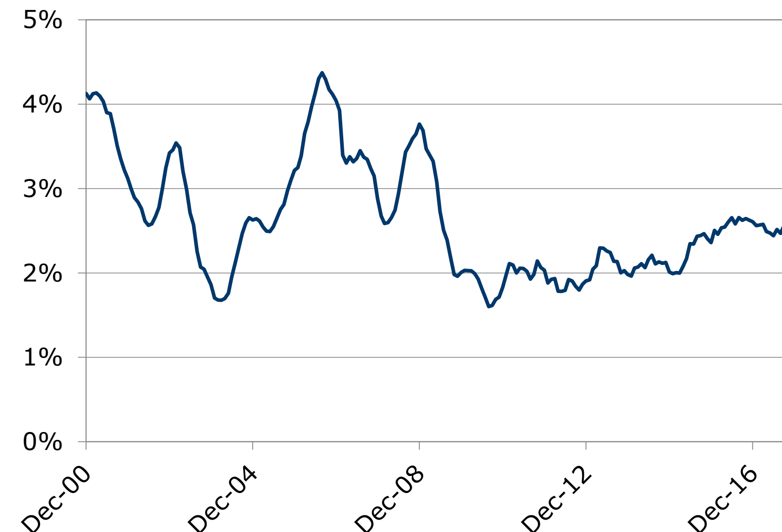
LATE CYCLE CONDITIONS

- Jobs market healthy with the unemployment rate below 4%
- Pace of hiring above labor force growth
- Consumer and business sentiment remains high and retail spending has increased



- Wages have improved and may benefit from corporate tax cuts
- While growth is moderate compared to history, higher wages exert inflationary pressure



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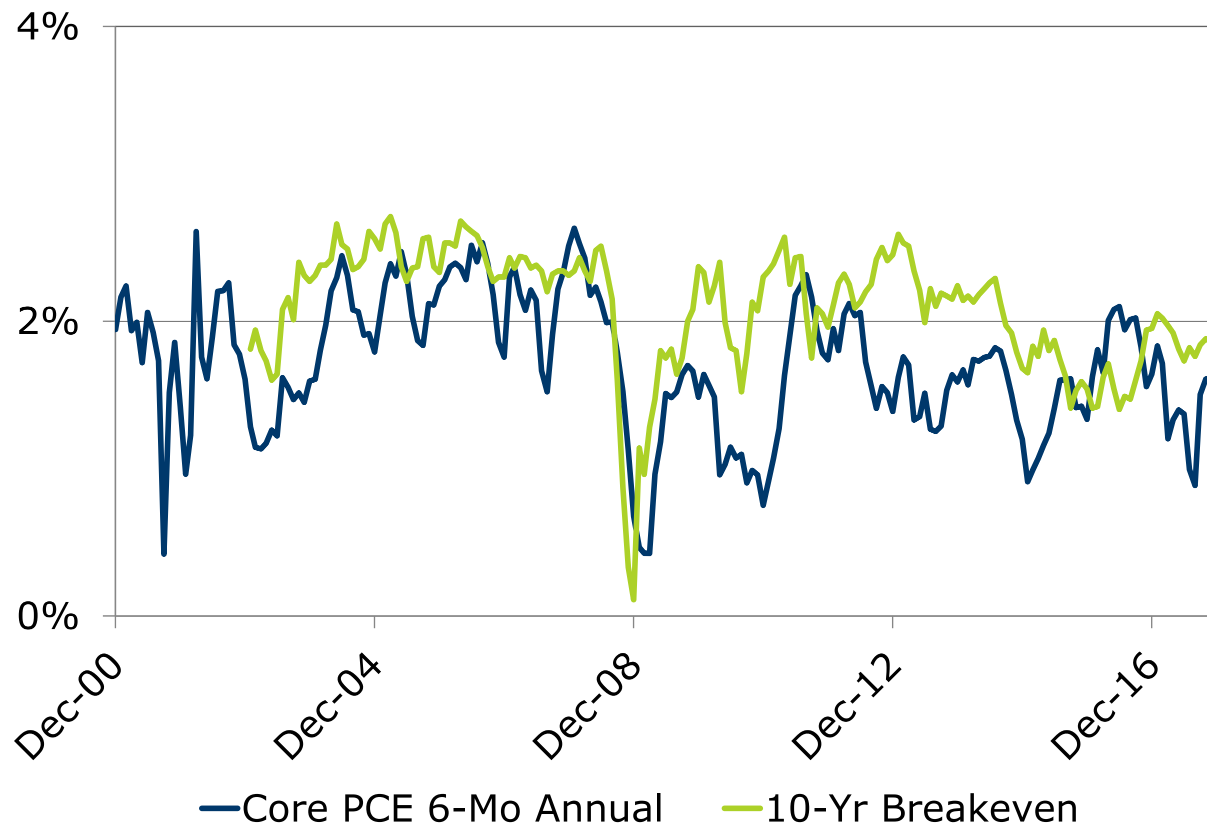
Data source: U.S. Bureau of Labor Statistics

LATE CYCLE EFFECTS ON INFLATION

- Economic conditions and monetary policy are pressuring inflation upward
- Federal Reserve hard pressed to find a balance between allowing inflation to run past their 2% target (ease) and stymying the economic expansion (tighten)



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Data source: U.S. Bureau of Labor Statistics, Federal Reserve

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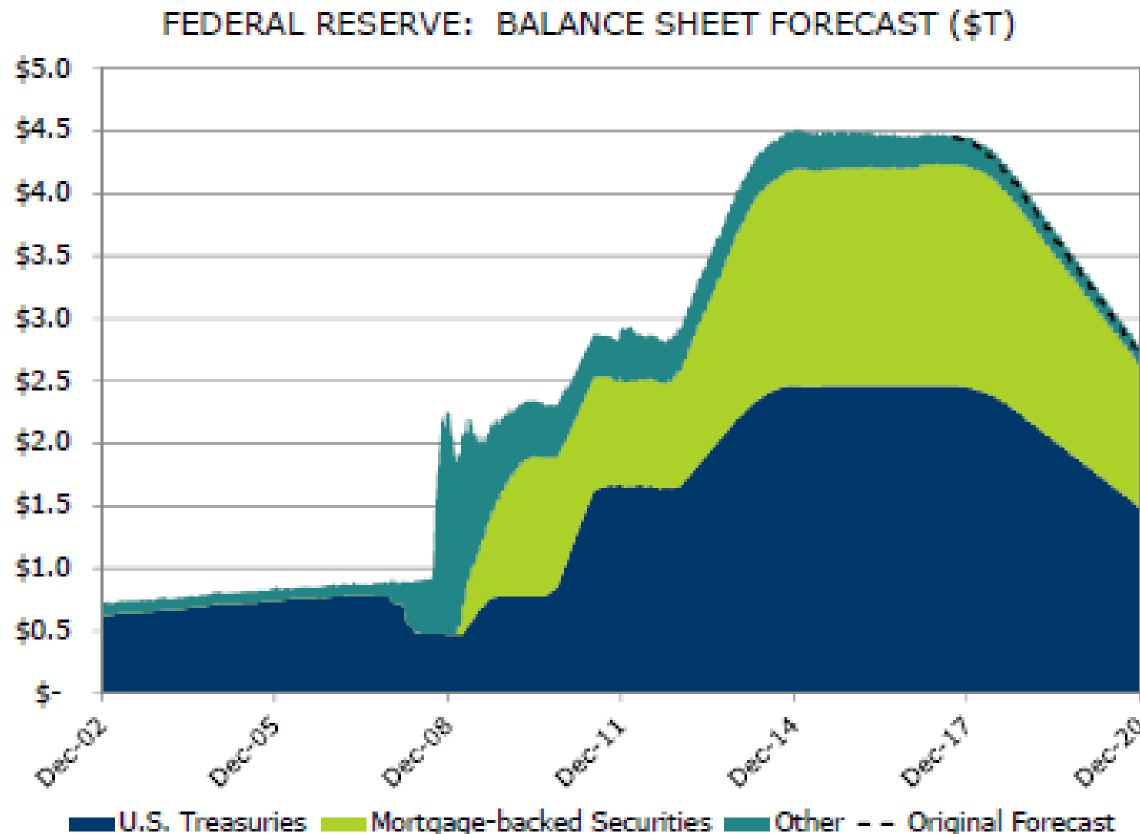
FEDERAL RESERVE BALANCE SHEET

- Federal Reserve began their balance sheet normalization program during October 2017; targeting $10B in reductions per month while increasing to $50B per month in Q4 2018
- Actual pace of reductions has been a bit slower, equaling $70B total through early-April 2018



Data sources: Federal Reserve

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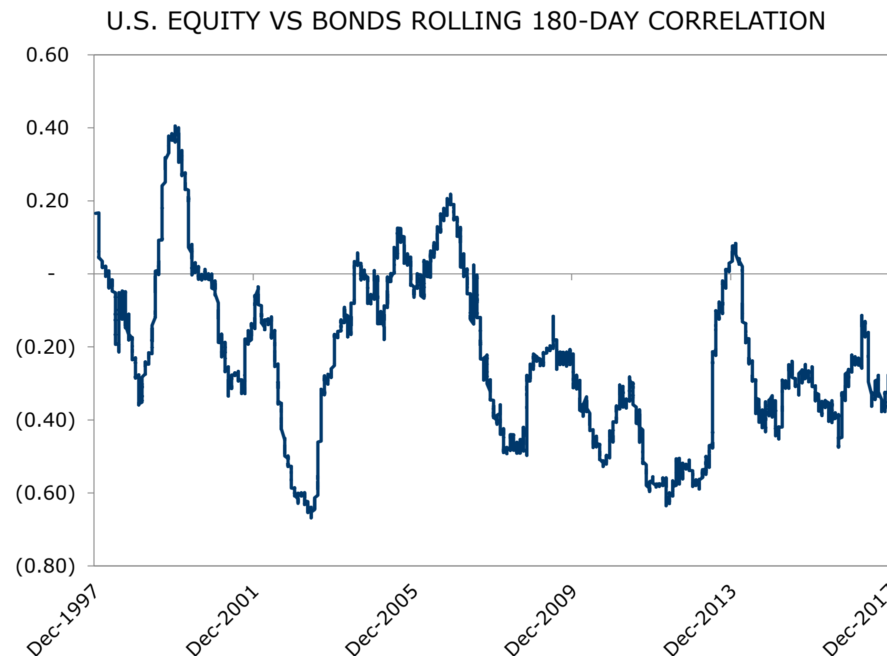
LATE CYCLE CONDITIONS

- U.S. economy characterized by:
  - Continued economic growth after a lengthy expansion
  - Tightening monetary policy to combat rising inflation
- Common for volatility and correlations to rise during such conditions; rising discount rates lower the present value of all future cash flows



Data source: Wilshire Associates, Bloomberg Barclays

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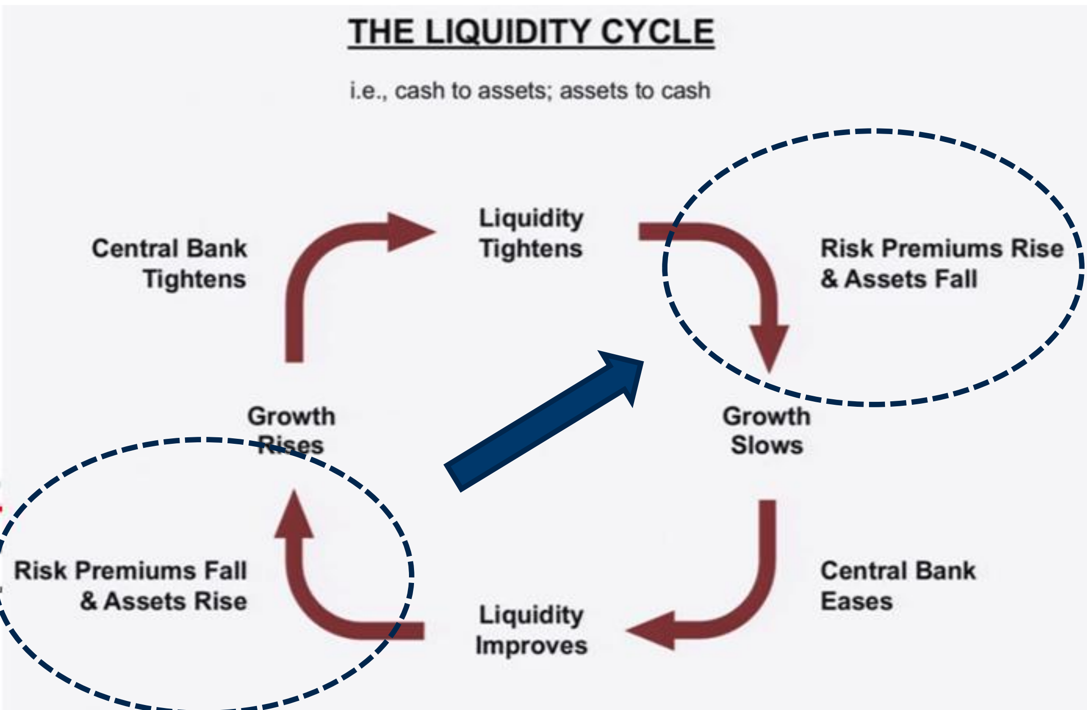
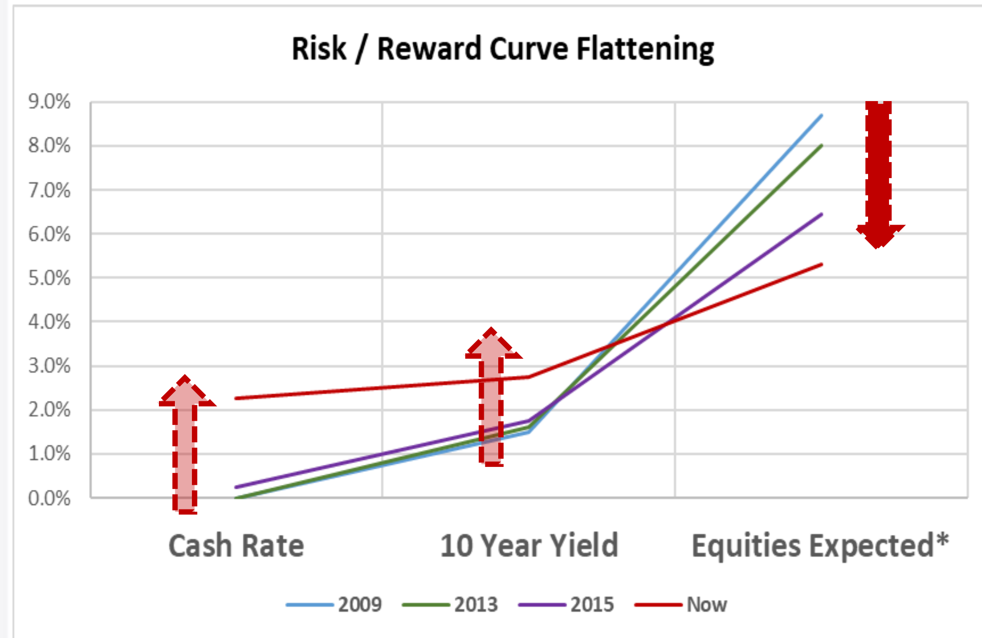
LATE CYCLE CHALLENGES

- Return Opportunities Less Attractive
  - As the cycle matures, the risk/reward curve continues to flatten
- Risk Management Tools Less Reliable
  - The correlations between bonds and equities may turn largely positive





*Yield is the yield to maturity; Equities are expected return based on the IGV model.

Source: Barclays Capital; Wilshire Consulting

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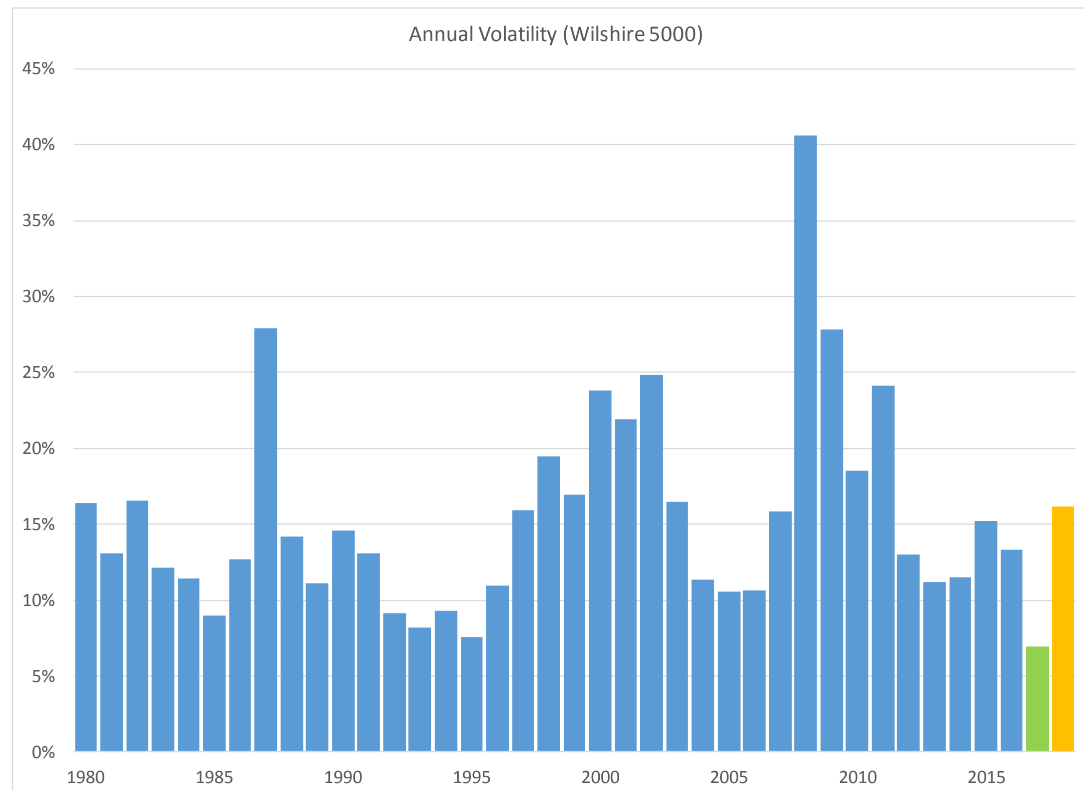
RETURN OF VOLATILITY IN 2018

- 2017 was one of the most tranquil years ever
- Ranking 1st or 2nd lowest in risk across various metrics over the last 38 years

	Year	Annual Volatility	Largest Drawdown	Number of Days Down: 1%	2%	3%	4%	Worst Down Day
Universe Statistics	Max Risk	40.56%	-48.54%	71	42	24	17	-17.23%
	Avg	15.45%	-13.81%	28.1	7.6	2.3	1.0	-4.00%
	Med	13.21%	-9.94%	22.5	4.0	1.0	0.0	-3.29%
	Min Risk	6.96%	-2.74%	3	0	0	0	-1.36%
2017	**Level**	**6.96%**	**-2.75%**	**4**	**0**	**0**	**0**	**-1.85%**
	Rank	**1**	**2**	**2**	**1**	**1**	**1**	**7**
2018 YTD	**Level**	16.13%	-9.92%	15	7	2	1	-4.02%



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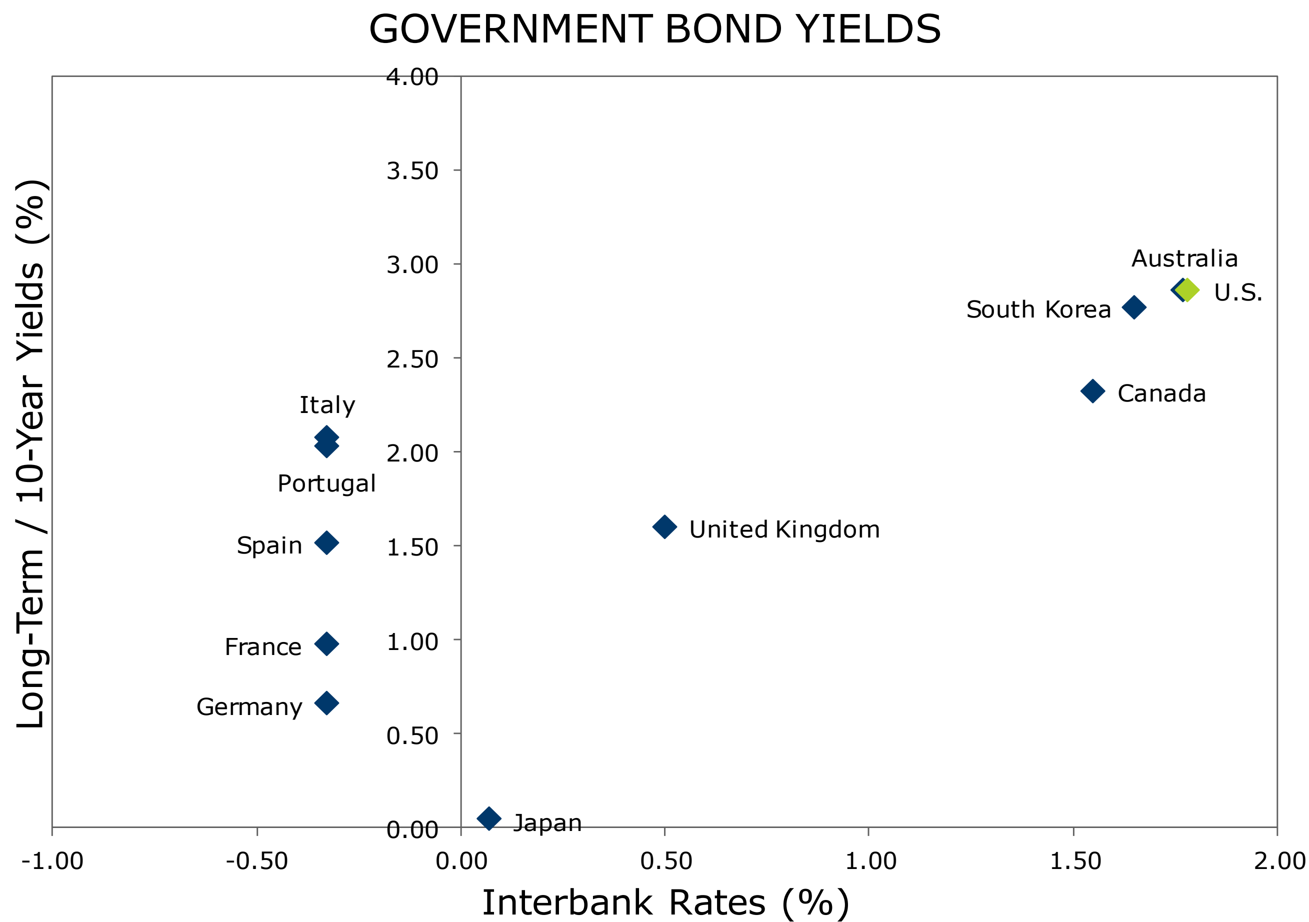
GLOBAL INTEREST RATES

Rates remain depressed in Europe including negative short-term rates in the major economies of France and Germany



Data sources: Organization for Economic Co-operation and Development

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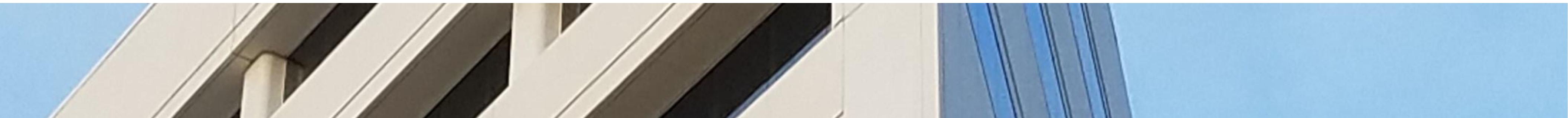

ASSET ALLOCATION ANALYSIS

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FUNDAMENTAL BELIEFS REGARDING RISK

Our experience has shown repeatedly that effectively managing risks and costs are critical factors in achieving long-term investment objectives.

Understanding Risk Drives the Investment Process

- **Risk should be compensated:** Risk and return go hand-in-hand, but not all risks are rewarded equally. Be extremely selective.
- **Downside and behavioral risks should be managed:** Investors are enamored with potential returns and often underestimate the associated risks. Drawdowns destroy long-term wealth potential. Actively manage risk exposures.
- **Market timing can be dangerous:** "Tactical" investments may create more risk than return...use tactical positioning only when the potential reward is compelling.
- **Costs matter:** In a world of uncertain outcomes, fees and expenses are risks that are known with near-perfect insight and are a hurdle between the portfolio and its objectives. Be an extremely disciplined buyer.
- **The illiquidity risk premium varies and, alone, may be insufficient to justify private investments:** Tailor alternative investment strategies to take advantage of specific markets or managers that offer unique opportunities.

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THE WORLD THROUGH RISK LENSES

Finding the optimal balance between mitigating certain risks while profiting from others is the key to long-term success. Risk lenses help to focus the asset allocation process by providing context for modeling results and orienting decisions around organizational goals.

Drawdown: The potential for the portfolio to experience a significant decline in value.

Inflation: The potential for financial assets to lose purchasing power over time.

Liquidity: The potential for an investor to be unable to buy or sell specific assets in the portfolio.

Active: The potential for an investment strategy to experience tracking error due to characteristics that differ from those of the market

Behavioral: The potential for biased decision making to impede the organization's ability to reach its investment goals

Shortfall: The potential for the portfolio to fail to reach the organization's objectives.

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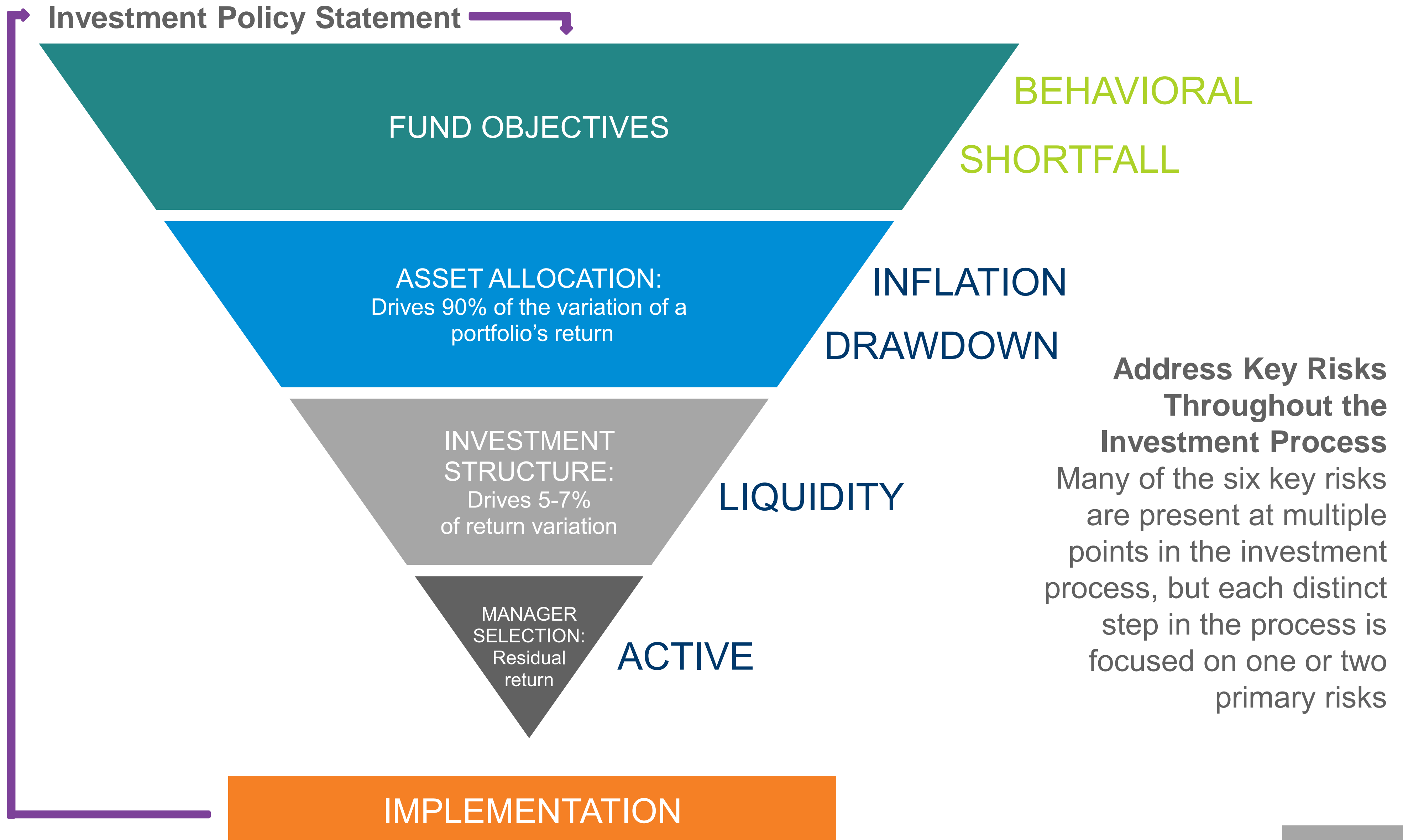
THE WORLD THROUGH RISK LENSES



Address Key Risks Throughout the Investment Process

Many of the six key risks are present at multiple points in the investment process, but each distinct step in the process is focused on one or two primary risks

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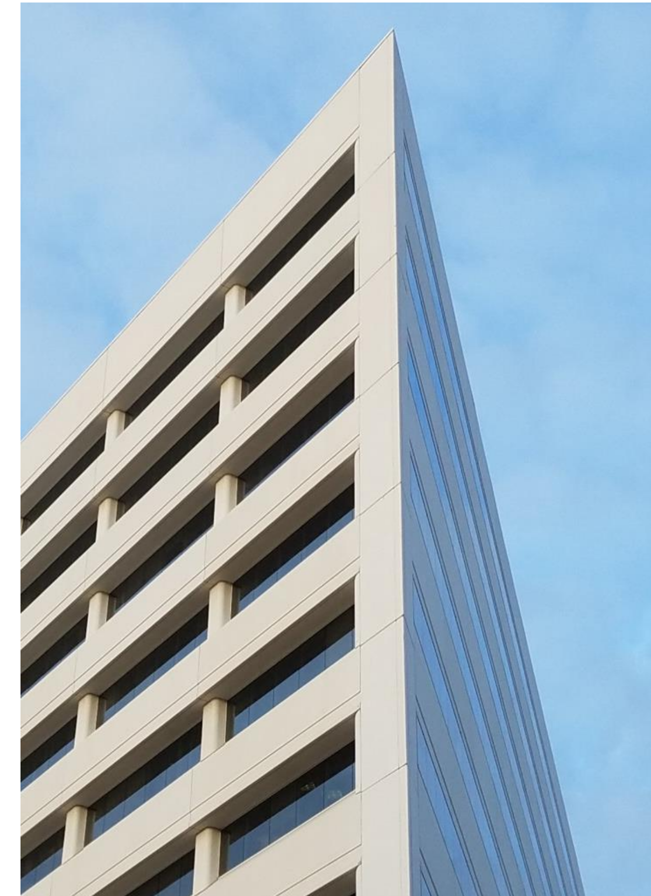
ASSET ALLOCATION INPUTS

- Forecasting asset class return, risk and correlation assumptions is the first step in the asset allocation process
- Long-term estimates (10+ years)
- Combines historical data with forward-looking analysis
- Assumptions are updated quarterly
  - Methodology for building asset class assumptions included in the appendix



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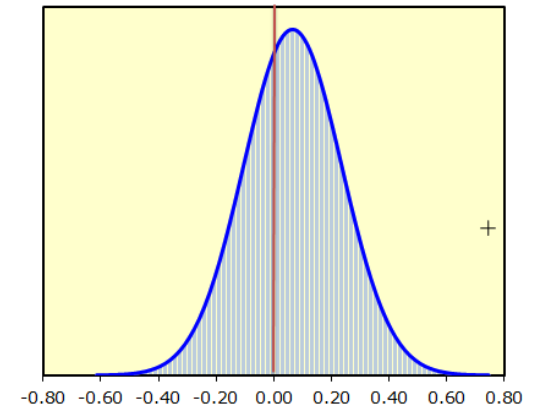
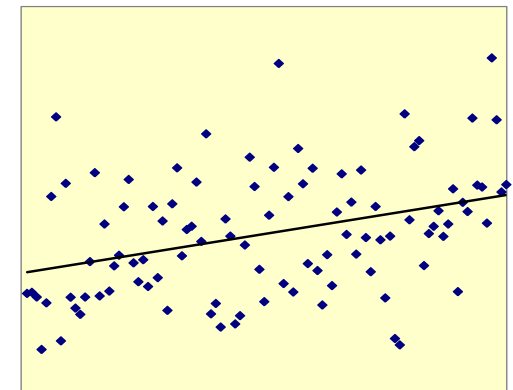
ASSET CLASS EXPECTATIONS

Median Return

- 50% probability that the return will be greater than the expected return.
- 50% probability that it will be less than the expected return.



Measures the dispersion of asset class returns around the expected return.



Measures the movement of asset class returns in relation to one another.

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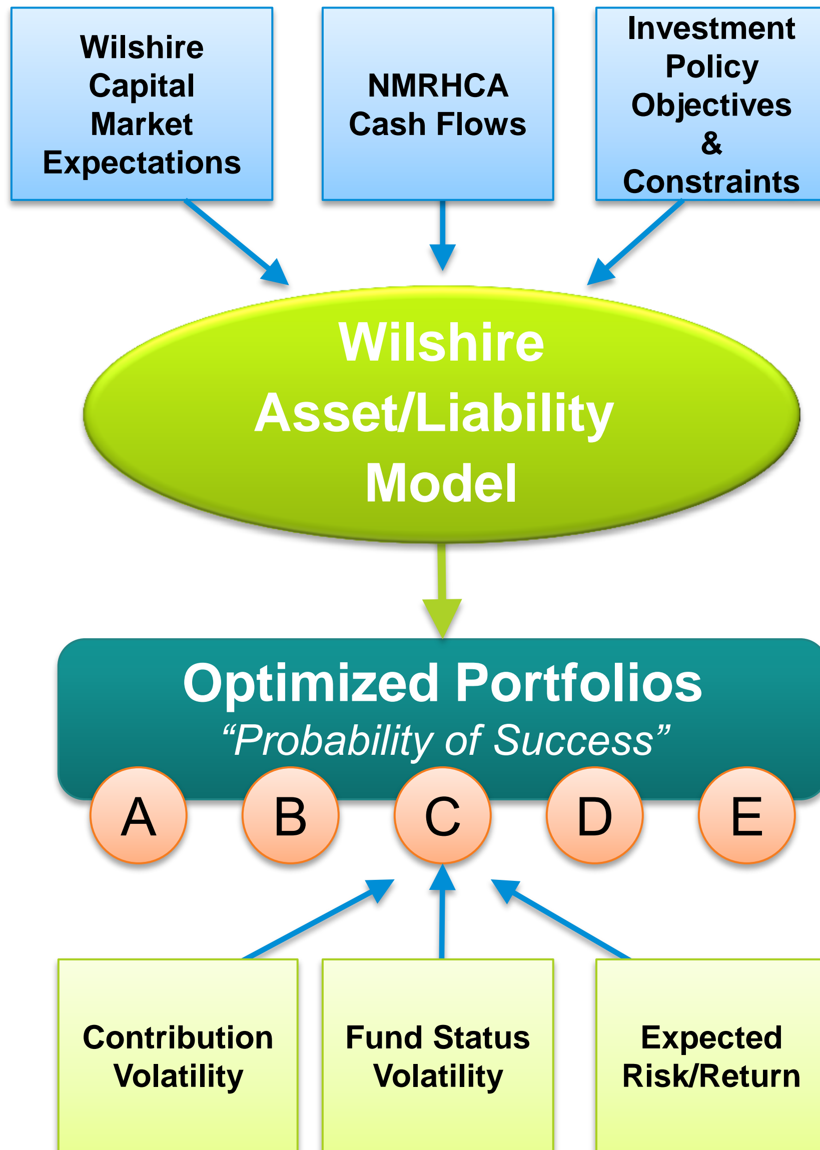
ASSET LIABILITY ANALYSIS MODEL



- Wilshire believes the mission of a defined benefit plan is to fund benefits promised to participants
- The role of asset allocation is to manage risk in order to fulfill that core mission
  - Maximize safety of promised benefits *(Addressed by managing drawdown and liquidity risk)*
  - Minimize cost of funding these benefits *(Addressed by managing inflation and shortfall risk)*
- Wilshire's Asset Liability model provides methodology for selecting policy portfolio that considers both goals
- Given that short-term volatility is also important, we identify the impact of the asset allocation decision on funded ratios, annual contribution requirements, and other metrics.

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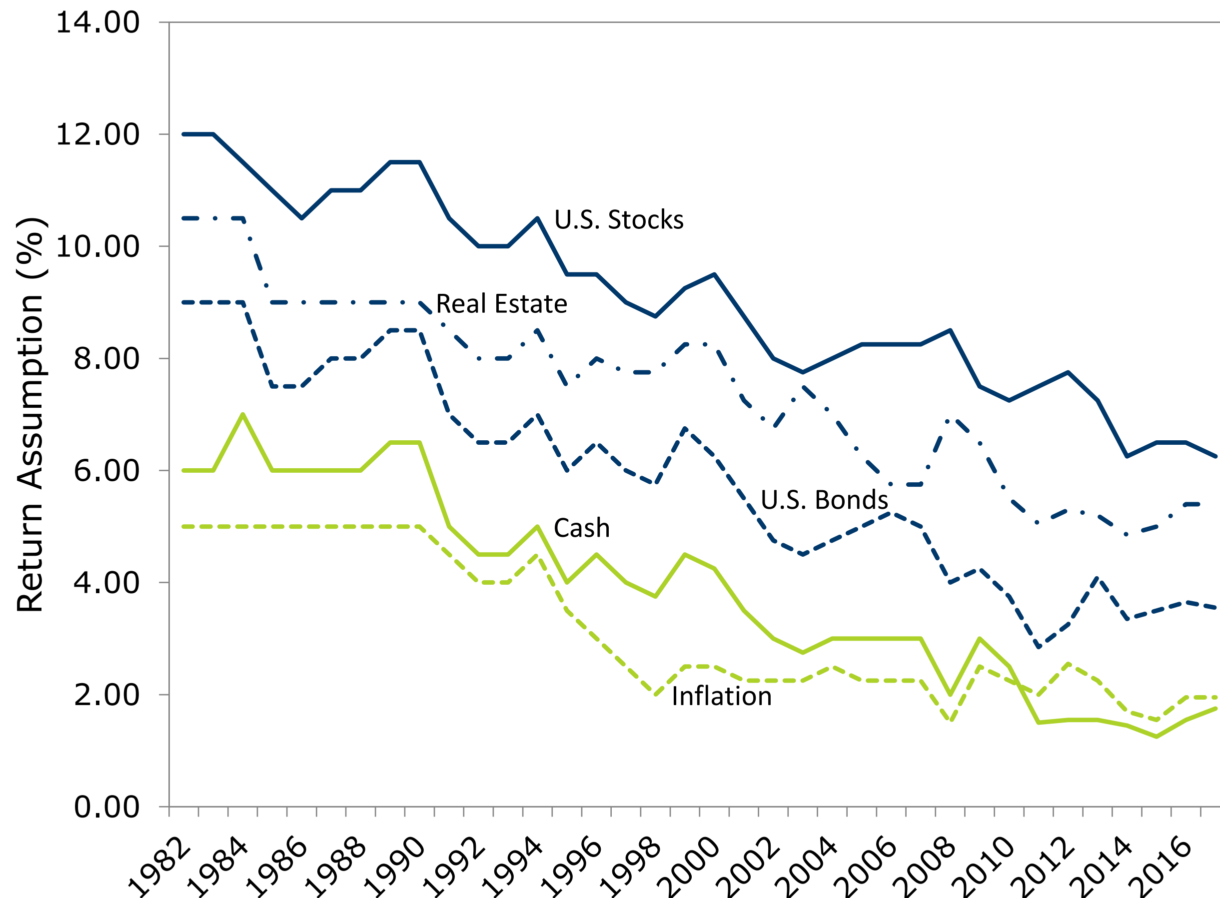
WILSHIRE FORECASTS THROUGH TIME

- Return prospects have been declining for decades, following the downward trend in interest rates
- Real cash rate acts as an anchor for all asset classes, which makes achieving return objectives challenging over the next 10 years
- Long term equilibrium returns look better

10-YEAR FORECASTS AS OF MARCH 2018	
U.S. Equity	6.25%
Core Bond	3.80%
Real Assets	6.75%
Cash	2.15%
Inflation	2.05%



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CORE FIXED INCOME

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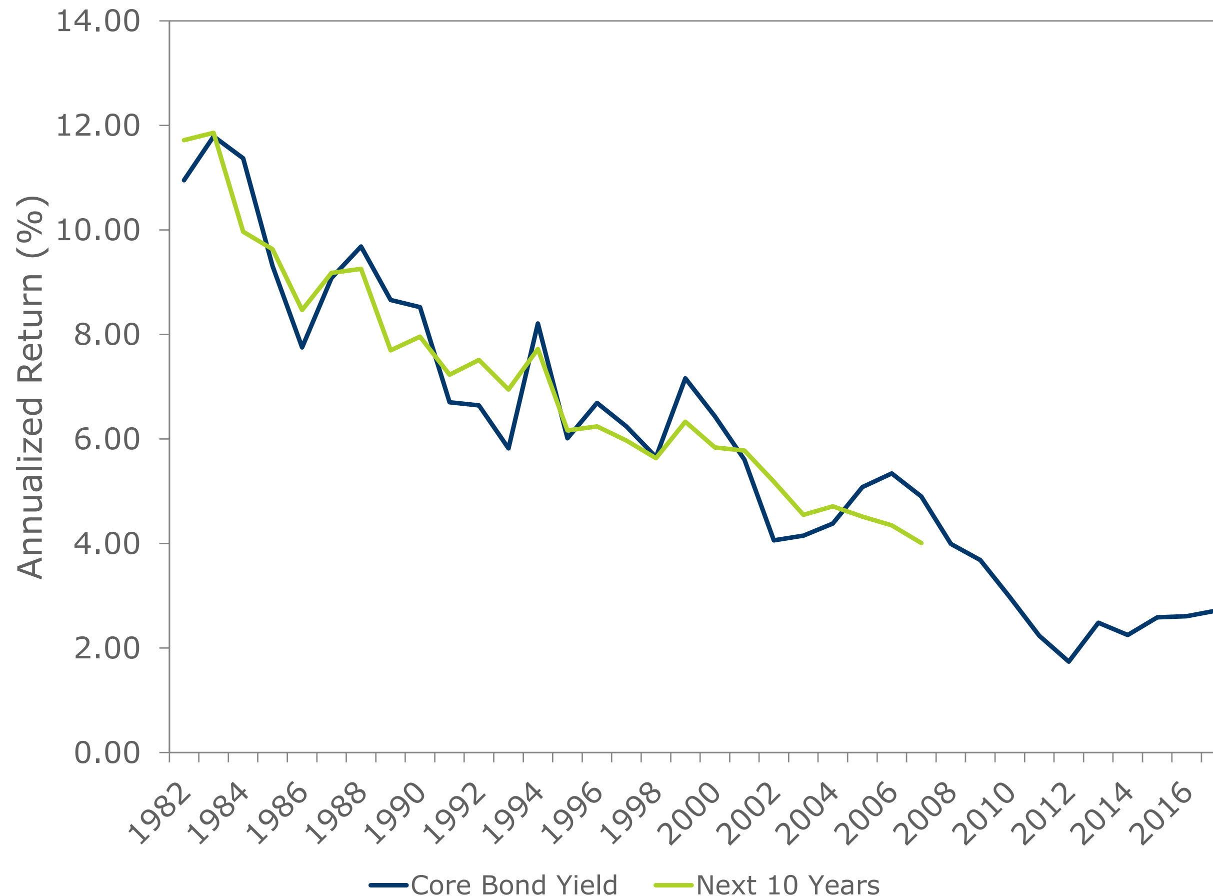
- Fixed income assets (and return prospects) are anchored by current interest rates (i.e., the “going in” yield)
- Current yield curve is quite flat; difference between 10 and 2-year Treasury is 0.3%, less than half of the 40+ year average



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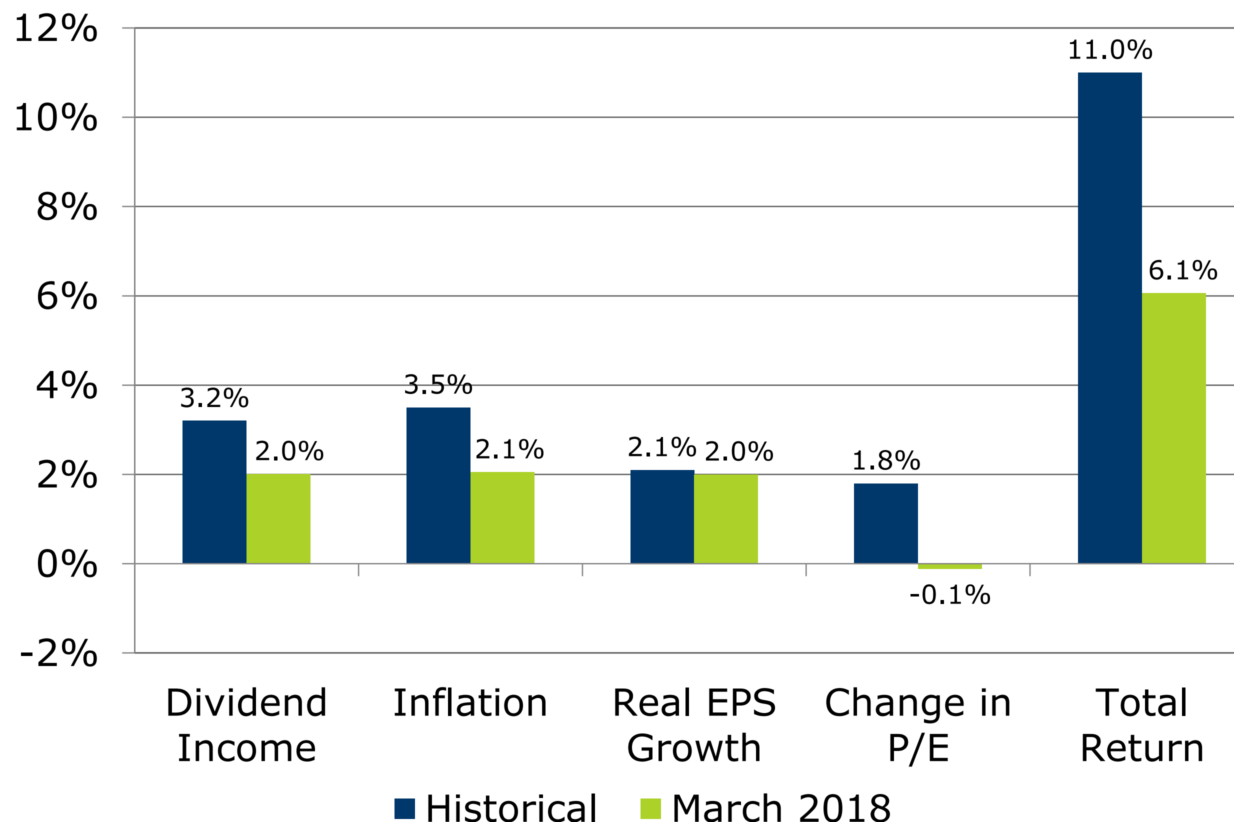
Data source: Bloomberg Barclays, Wilshire Compass

EQUITY FORECAST

- Helpful to compare current levels of the equity return building blocks versus their historical values
- Low interest rates and low inflation are weighing on equity forecasts; valuations not expected to provide a similar tailwind



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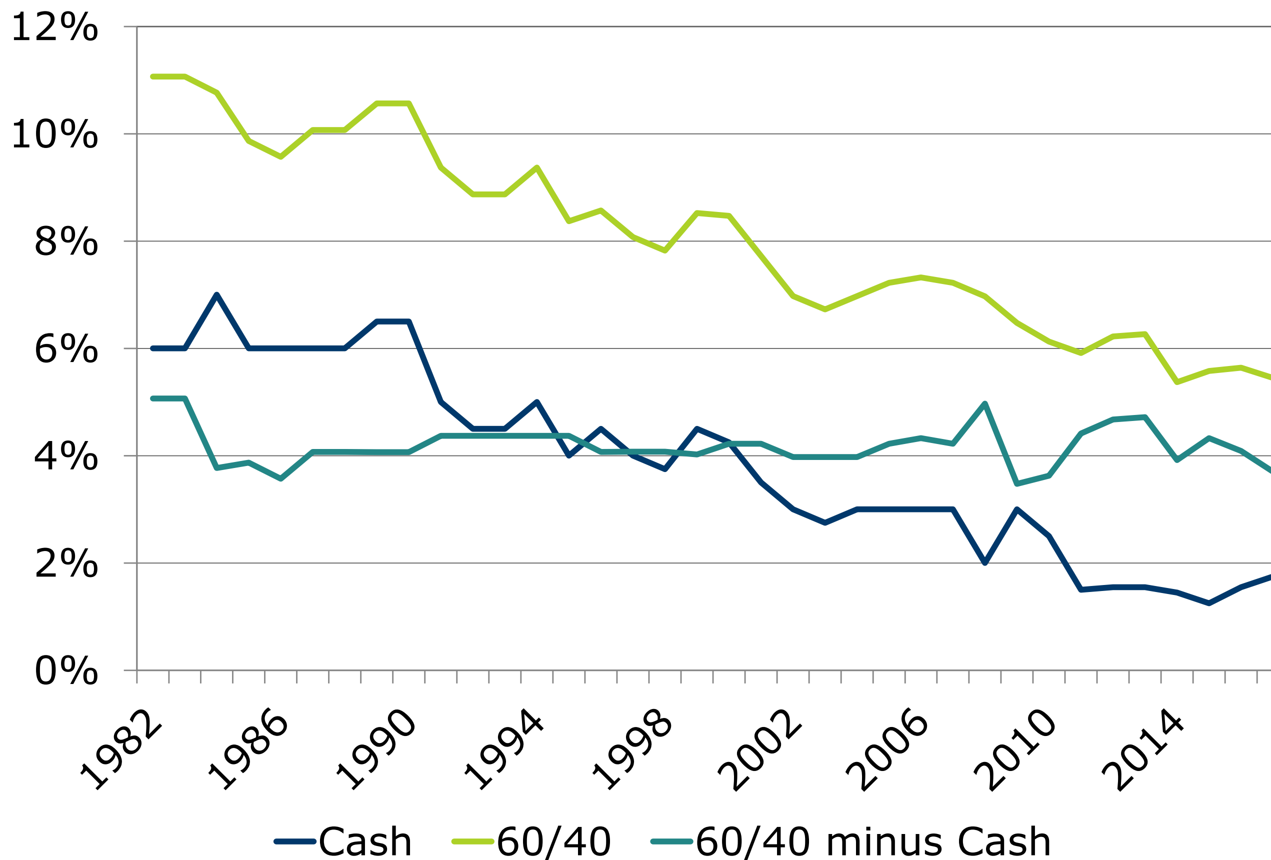
Data source: Standard & Poor's, Wilshire Consulting

RETURN ABOVE CASH

- Relative to cash, Wilshire's assumptions have been rather consistent
- However, with the negative real risk-free rate we have been experiencing, investors have been behind before allocating their first dollar



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CAPITAL MARKET ASSUMPTIONS

	US Stock	Non-US Developed Stock	Emerging Markets Stock	Core Bonds	Private Equity	Real Estate	Credit and Structured Finance	Real Return	Hedge Funds
Expected Return - 10 Years (%)	6.25	6.25	6.25	3.80	8.80	7.35	5.80	8.50	5.00
Expected Return - 30 Years (%)	7.45	7.45	7.45	4.80	10.20	7.90	6.80	9.20	6.85
Standard Deviation (%)	17.00	18.00	26.00	5.15	28.00	14.15	8.10	14.25	6.60
Correlations									
US Stock	1.00								
Non-US Developed Stock	0.81	1.00							
Emerging Markets Stock	0.74	0.74	1.00						
Core Bonds	0.28	0.13	0.00	1.00					
Private Equity	0.74	0.64	0.62	0.31	1.00				
Real Estate	0.54	0.45	0.45	0.19	0.51	1.00			
Credit and Structured Finance	0.58	0.50	0.56	0.17	0.40	0.56	1.00		
Real Return	0.70	0.58	0.59	0.30	0.87	0.79	0.52	1.00	
Hedge Funds	0.56	0.57	0.58	0.01	0.54	0.34	0.68	0.54	1.00

Credit & Structured Finance and Real Return were modeled based on underlying target allocations provided by SIC

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TARGET PORTFOLIO OPTIONS

Asset Class	New Target Allocation (4/1/18)	Actual Allocation (12/31/17)	Similar Return Policy	Intermediate Policy	Similar Risk Policy
US Stock - Large Cap	20.00%	21.88%	14.00%	14.00%	14.25%
US Stock - Small Cap	3.00%	2.85%	2.00%	2.00%	2.00%
Non-US Developed Stock	12.00%	11.75%	14.00%	14.00%	14.00%
Emerging Markets Stock	15.00%	15.68%	10.00%	10.00%	10.00%
Total Equity	**50.00%**	**52.16%**	**40.00%**	**40.00%**	**40.25%**
Core Bonds	25.00%	18.10%	23.25%	20.00%	19.75%
Total Fixed income	**25.00%**	**18.10%**	**23.25%**	**20.00%**	**19.75%**
Private Equity	10.00%	10.45%	6.75%	10.00%	14.50%
Real Estate	5.00%	5.30%	10.00%	10.00%	10.00%
Credit and Structured Finance	10.00%	9.55%	15.00%	15.00%	10.50%
Real Return	0.00%	0.00%	5.00%	5.00%	5.00%
Hedge Funds	0.00%	4.44%	0.00%	0.00%	0.00%
Total Illiquid Alternative	**25.00%**	**29.74%**	**36.75%**	**40.00%**	**40.00%**
Total Assets	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Expected Return - 10 Years (%)	**6.54**	**6.66**	**6.58**	**6.77**	**6.95**
Expected Return - 30 Years (%)	**7.65**	**7.81**	**7.62**	**7.82**	**8.02**
Standard Deviation of Return (%)	**12.60**	**13.19**	**11.21**	**11.93**	**12.82**
+/(-) in Expected Return - 10 Years (bps)		12	4	23	41
+/(-) in Expected Return - 30 Years (bps)		16	(3)	17	37
+/(-) in SD of Return (bps)		59	(139)	(67)	22
Sharpe Ratio	**0.35**	**0.34**	**0.40**	**0.39**	**0.37**

Optimized portfolios were selected that exhibited characteristics relative to the current Target Allocation

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DECISION FACTOR – RETURN PROBABILITIES

Probabilities Using Wilshire Capital Market Assumptions	New Target Allocation (4/1/18)	Actual Allocation (12/31/17)	Similar Return Policy	Intermediate Policy	Similar Risk Policy
Probability of 1-Year Return Under 0% (Standard assumptions)	29.4%	29.9%	27.1%	27.7%	28.6%
Probability of 5-Year Return Under 0% (Standard assumptions)	11.3%	11.9%	8.6%	9.3%	10.3%
Probability of 1-Year Return Over 7.75% (Standard assumptions)	46.2%	46.7%	45.8%	46.7%	47.5%
Probability of 5-Year Return Over 7.75% (Standard assumptions)	41.5%	42.6%	40.7%	42.7%	44.4%
Probability of 30-Year Return Over 7.75% (Long term equilibrium assumptions)	48.2%	51.0%	47.4%	51.3%	54.6%

Asset Class	New Target Allocation (4/1/18)	Actual Allocation (12/31/17)	Similar Return Policy	Intermediate Policy	Similar Risk Policy
Expected Return - 10 Years (%)	6.54	6.66	6.58	6.77	6.95
Expected Return - 30 Years (%)	7.65	7.81	7.62	7.82	8.02
Standard Deviation of Return (%)	12.60	13.19	11.21	11.93	12.82

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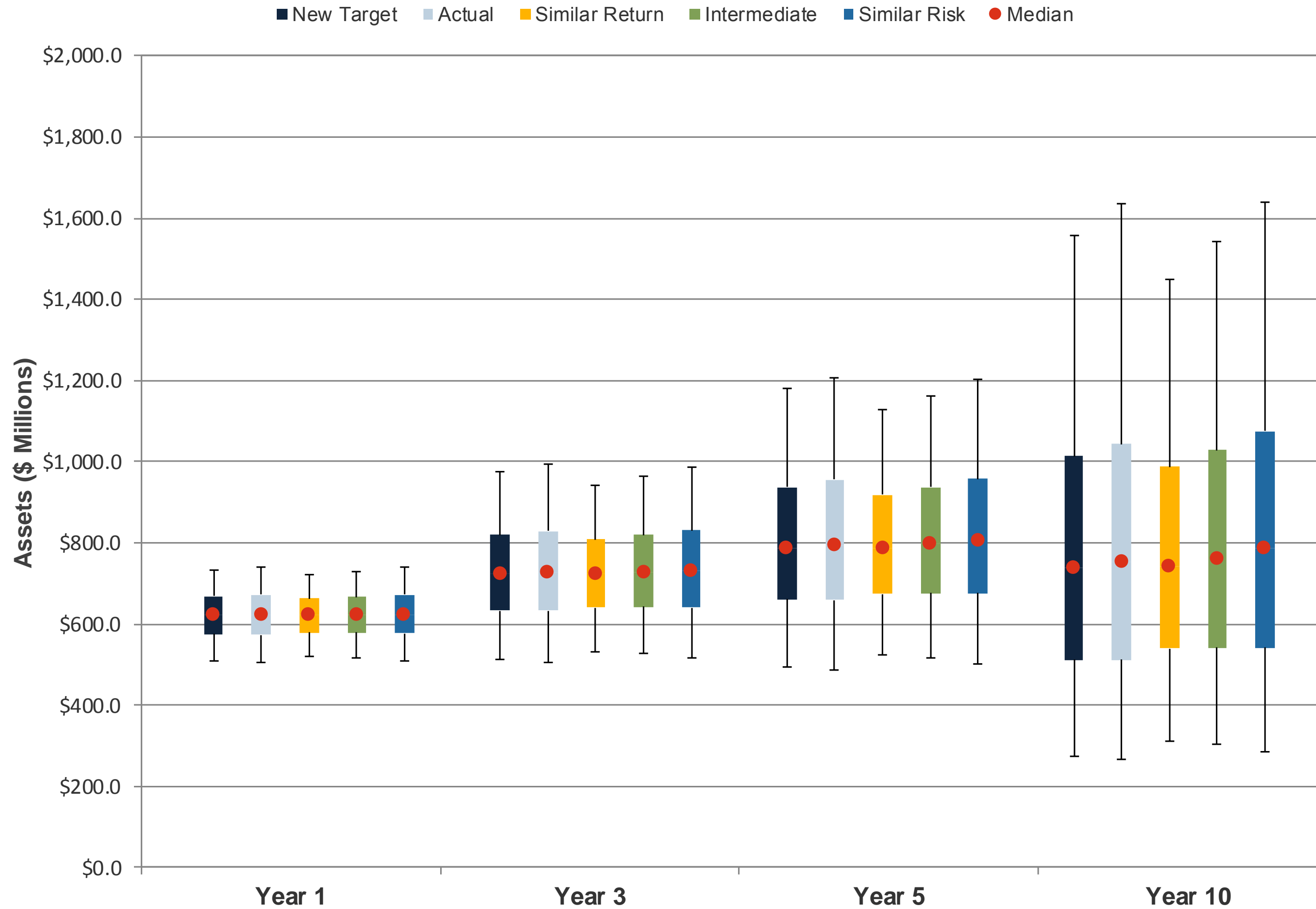
DECISION FACTOR – ASSET GROWTH



($ Millions)	Year 1					Year 3					Year 5					Year 10				
	New Target	Actual	Similar Return	Intermediate	Similar Risk	New Target	Actual	Similar Return	Intermediate	Similar Risk	New Target	Actual	Similar Return	Intermediate	Similar Risk	New Target	Actual	Similar Return	Intermediate	Similar Risk
Very Pessimistic	734.16	741.08	721.24	728.94	738.56	975.76	995.16	943.29	962.11	987.51	1,178.46	1,207.92	1,127.60	1,163.41	1,202.51	1,557.83	1,634.29	1,448.70	1,541.27	1,639.51
Pessimistic	668.32	671.94	662.97	666.90	671.24	819.41	828.19	808.36	818.43	829.87	937.06	954.68	918.51	937.31	958.03	1,012.82	1,043.29	986.85	1,027.79	1,074.61
Median (Expected)	**621.36**	**623.03**	**620.95**	**622.33**	**624.08**	**722.76**	**727.04**	**722.29**	**726.99**	**730.57**	**788.16**	**793.26**	**788.30**	**796.87**	**804.12**	**738.67**	**752.68**	**741.62**	**761.74**	**784.97**
Optimistic	574.20	573.54	578.85	578.09	576.51	632.26	632.21	640.79	641.48	639.67	660.02	659.59	674.62	676.35	675.93	510.79	511.52	538.61	542.07	540.60
Very Optimistic	508.39	504.06	520.93	516.14	509.52	511.05	504.18	531.72	525.55	515.27	493.86	485.64	522.65	514.30	502.08	273.68	265.40	312.15	302.94	286.51

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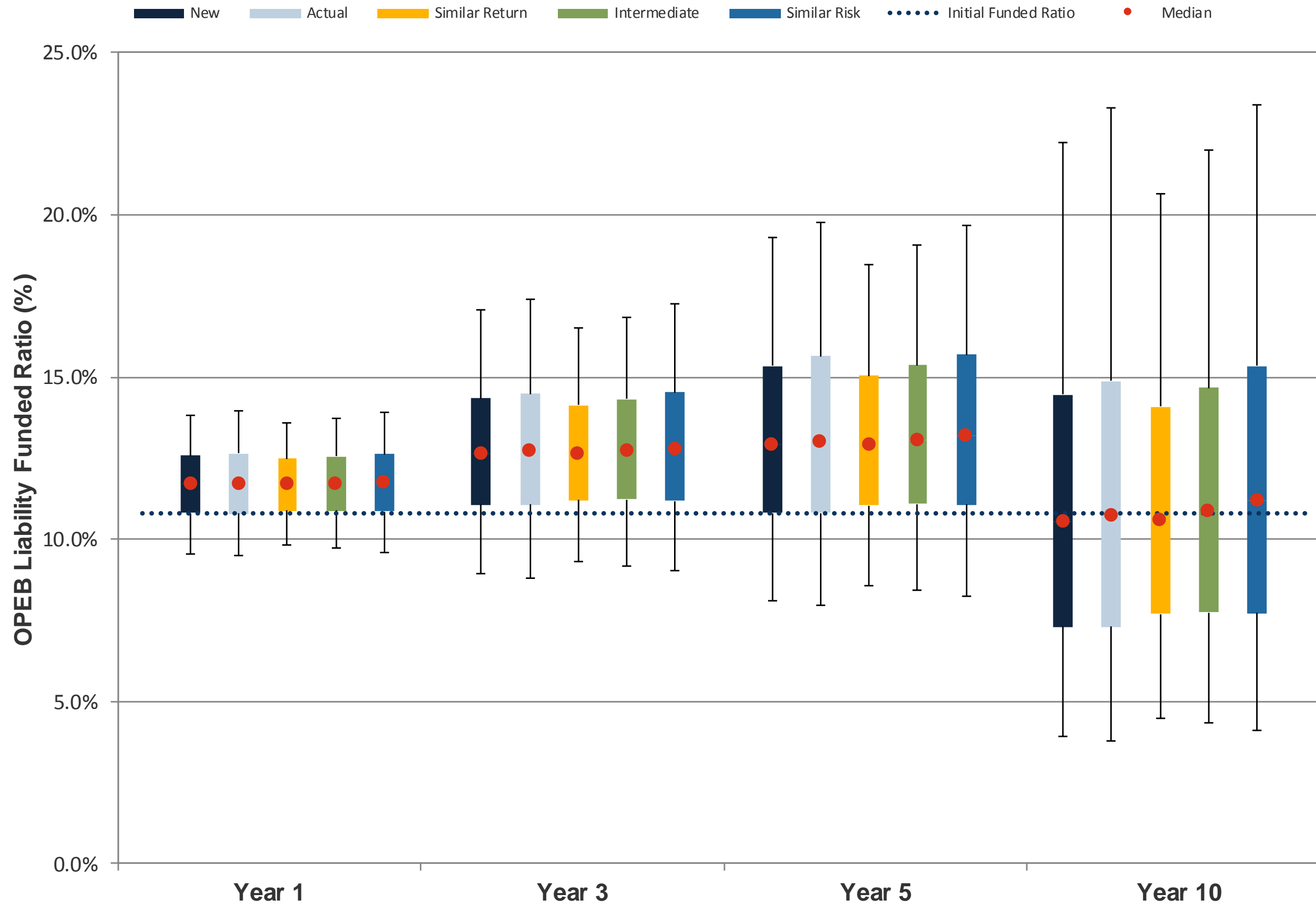
DECISION FACTOR – FUNDING LEVEL



(%)	Year 1					Year 3					Year 5					Year 10				
	New	Actual	Similar Return	Intermediate	Similar Risk	New	Actual	Similar Return	Intermediate	Similar Risk	New	Actual	Similar Return	Intermediate	Similar Risk	New	Actual	Similar Return	Intermediate	Similar Risk
Very Optimistic	13.81	13.94	13.56	13.71	13.89	17.06	17.40	16.50	16.83	17.27	19.30	19.78	18.47	19.05	19.69	22.22	23.31	20.67	21.99	23.39
Optimistic	12.57	12.64	12.47	12.54	12.62	14.33	14.48	14.14	14.31	14.51	15.35	15.63	15.04	15.35	15.69	14.45	14.88	14.08	14.66	15.33
Median (Expected)	**11.69**	**11.72**	**11.68**	**11.70**	**11.74**	**12.64**	**12.71**	**12.63**	**12.71**	**12.78**	**12.91**	**12.99**	**12.91**	**13.05**	**13.17**	**10.54**	**10.74**	**10.58**	**10.87**	**11.20**
Pessimistic	10.80	10.79	10.89	10.87	10.84	11.06	11.06	11.21	11.22	11.19	10.81	10.80	11.05	11.08	11.07	7.29	7.30	7.68	7.73	7.71
Very Pessimistic	9.56	9.48	9.80	9.71	9.58	8.94	8.82	9.30	9.19	9.01	8.09	7.95	8.56	8.42	8.22	3.90	3.79	4.45	4.32	4.09

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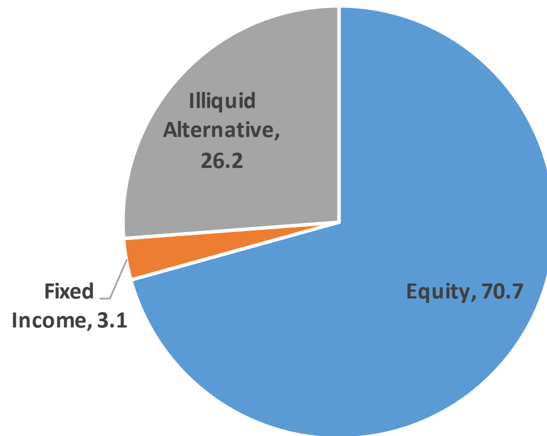
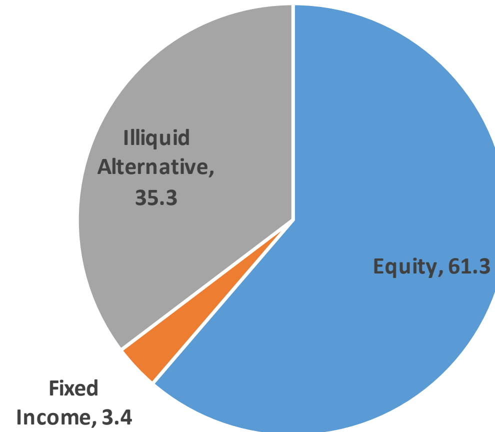
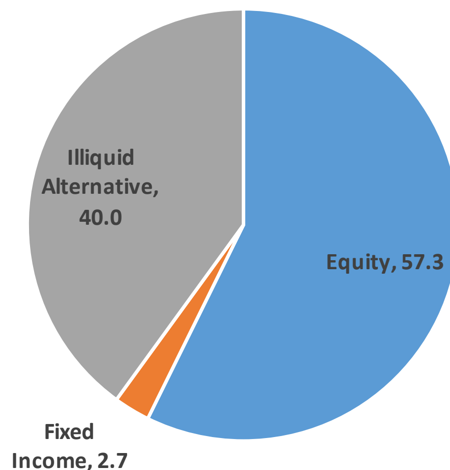
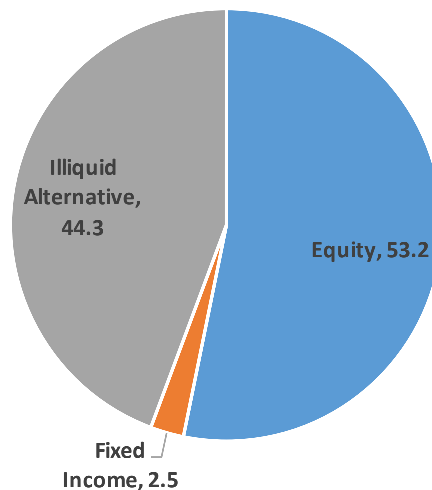
DECISION FACTOR - RISK CONTRIBUTION









- Contribution to total risk from Equity is lower for each asset allocation option
- Alternative investments are a larger driver of risk
  - Portfolio makeup differs across the risk spectrum, e.g. private equity ranges from 6.75% to 14.75%

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WILSHIRE LIQUIDITY METRIC

Wilshire's Liquidity Metric framework has two levels

1. Market Level of Liquidity
2. Overall Liquidity Metric

Market Level of liquidity

- Quantified on scale from 0% (low liquidity) to 100% (high liquidity)
- Designed to capture general notion of marketable versus private/off-market transactions
  - Marketable asset classes typically reflect a 90% or 100%
  - Private asset classes reflect 0%
- Goal is to reflect the tradability of assets, which is helpful in connecting these values back to our definitional framework (i.e., to quantify the differences between Convertible Liquidity and Delayed Liquidity)

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WILSHIRE LIQUIDITY METRIC

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Overall Liquidity Metric

Includes a penalty process to reflect the loss in practical liquidity due to asset class volatility and sensitivity to particular economic environments

Penalty components:

1. Growth Penalty:
    - Impacts asset classes with vulnerability to slowing growth
    - Recognizes the hit to liquidity that can occur during growth related bear markets
2. Inflation Penalty:
    - Impacts asset classes with vulnerability to rising inflation
    - Recognizes the hit to liquidity that can occur during inflation driven bear markets
3. Volatility Penalty:
    - Impacts higher volatility asset classes
    - Recognizes the hit to liquidity that can occur from any form of volatility

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DECISION FACTOR - LIQUIDITY PROFILE

Asset Class	Liquidity Market Level	Liquidity Overall
Equity Assets		
US Stock	*100.00%*	*50.00%*
Non-US Developed Stock	*100.00%*	*50.00%*
Emerging Markets Stock	*90.00%*	*40.00%*
Fixed Income Assets		
Core Bonds	*100.00%*	*90.00%*
Illiquid Alternative Assets		
Private Equity	*0.00%*	*0.00%*
Real Estate	*0.00%*	*0.00%*
Credit and Structured Finance	*0.00%*	*0.00%*
Real Return	*0.00%*	*0.00%*

	Liquidity (%)	
	Market Level	***Overall***
New Target Allocation	73.5	46.0
Actual Allocation (12/31/17)	70.0	41.0
Similar Return Policy	62.3	39.9
Intermediate Policy	59.0	37.0
Similar Risk Policy	59.0	36.9

- Wilshire's liquidity score is lower for each of the alternative asset allocations
- Liquidity percentage remains greater than 50% at market and ranges from about 37% to 46% after accounting for growth, valuation, and inflation penalties for some assets

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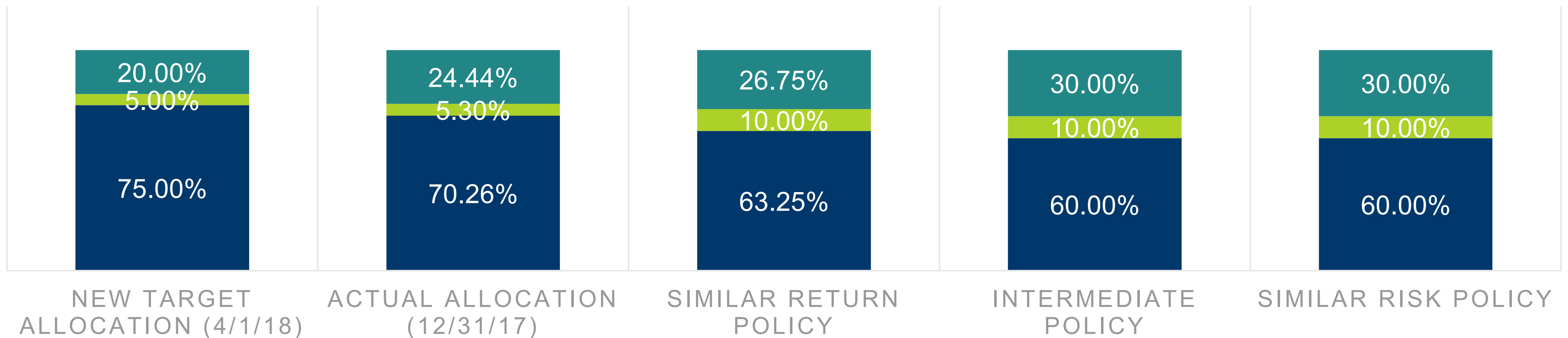
DECISION FACTOR - LIQUIDITY PROFILE

Pool	Lockup Period	Notice Period	Liquidity Window
US Equity/Non-US Equity/US Fixed Income	None	5 business days	Monthly
National Private Equity	24 months	Up to 9 months	Semi-annual*
Real Estate	18 months	Up to 6 months	Semi-annual*
Credit & Structured Finance	12 months	Up to 3 months	Quarterly**
Real Return	12 months	Up to 3 months	Quarterly**

*Twice per calendar year, no less than three months apart

**Four times per calendar year, no less than one month apart



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STRATEGIC CONSIDERATIONS - RISK LENSES

Risk Lenses	Liability Considerations	Asset Allocation Impact
Drawdown	Given cash flow projections, material drawdowns will	Higher expected risk-adjusted returns, with similar or less risk than the current target asset allocation
Inflation	Liabilities are subject to medical inflation which is expected to be greater than overall inflation	Introduce dedicated real return exposure and increases real estate, both of which tend to be more inflation sensitive
Liquidity	Projected to be cash flow negative starting in FYE 2020	While moderately less liquid, continue to have substantial levels of liquidity and SIC pools do offer possibility to shift allocations
Active		Increase in illiquid asset categories increases active risk, but in less efficient idiosyncratic market areas
Behavioral		Decision to reduce Total Equity could be impacted by recency or anchoring bias – i.e. public equity has been a positive returning asset class
Shortfall	Dis rate of 7.25% is higher than the expected return for all modeled asset allocations	Low expected return environment makes achieving the 7.25% return difficult over the next 10 years, although longer term 30 year equilibrium expectations look stronger

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STRATEGIC CONSIDERATIONS

- Late cycle considerations support reducing Total Equity exposure from 50% to around 40%
  - Expected returns from public Total Equity are compressed
  - Alternative asset allocations provide higher expected returns at similar or lower risk levels, i.e. higher risk adjusted returns
  - Risk contribution is moderately more balanced between Total Equity and Alternatives, although Fixed Income risk contribution remains minimal
- Total Equity portfolio is structured to provide approximately equal risk contribution from U.S., non-U.S. developed, and emerging market regions
- Moderately lower Core Fixed Income exposure while increasing exposure to more idiosyncratic opportunities to less liquid Credit & Structured Finance pool
- Introduce additional investment in Alternatives through a dedicated Real Return allocation
  - Illiquid investments increase, though liquidity for the portfolio as a whole remains sufficient

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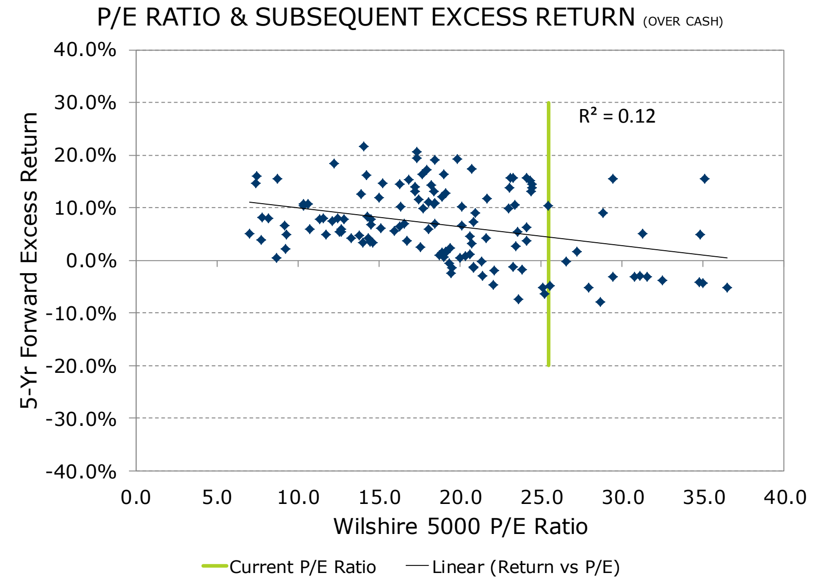
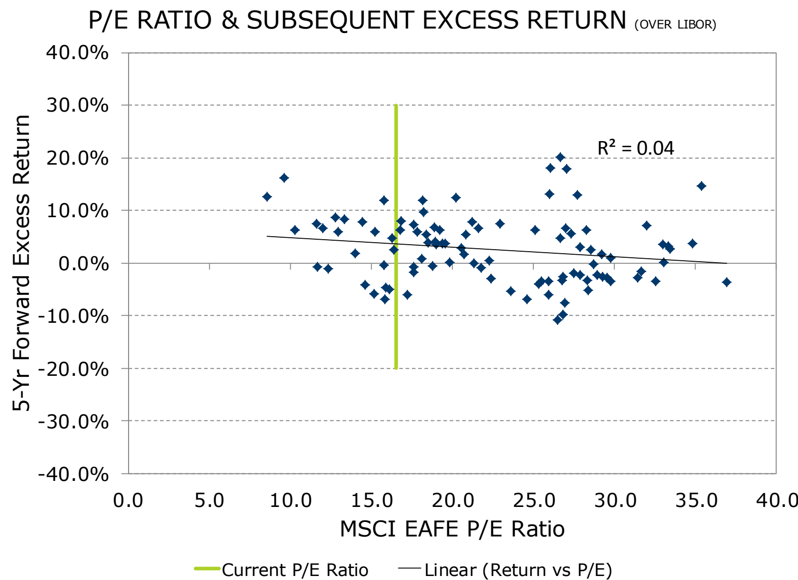
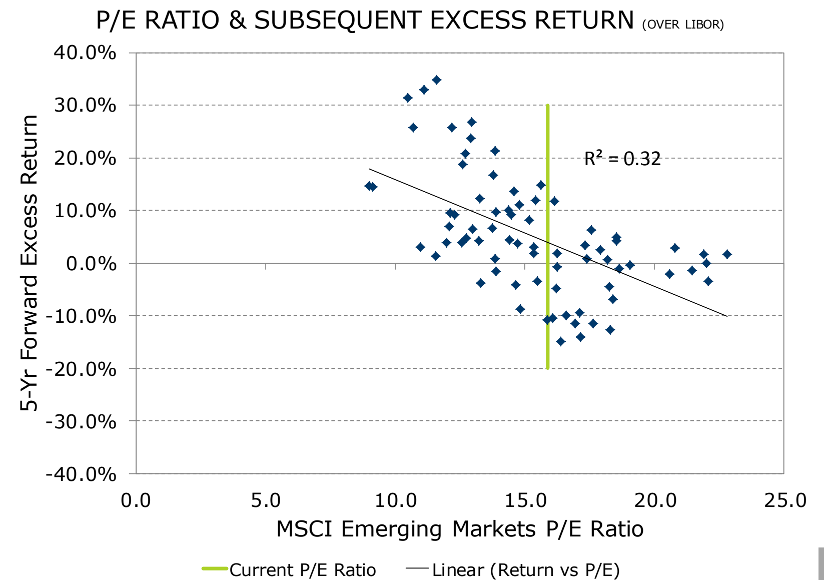
RELATIVE VALUATION CONSIDERATIONS

- Regional equity yield comparisons do not indicate significant mispricing relative to history
- Developed non-US equity P/E ratio is low compared to historical readings, while the US is high and Emerging Markets is about average







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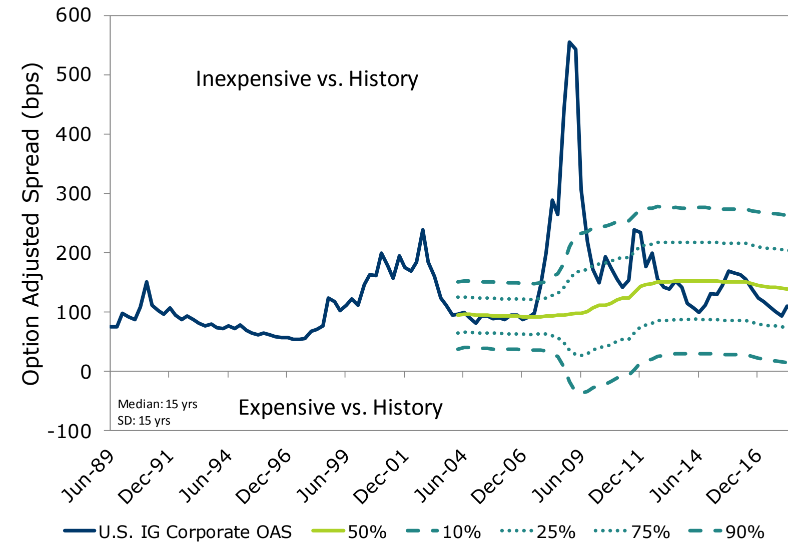
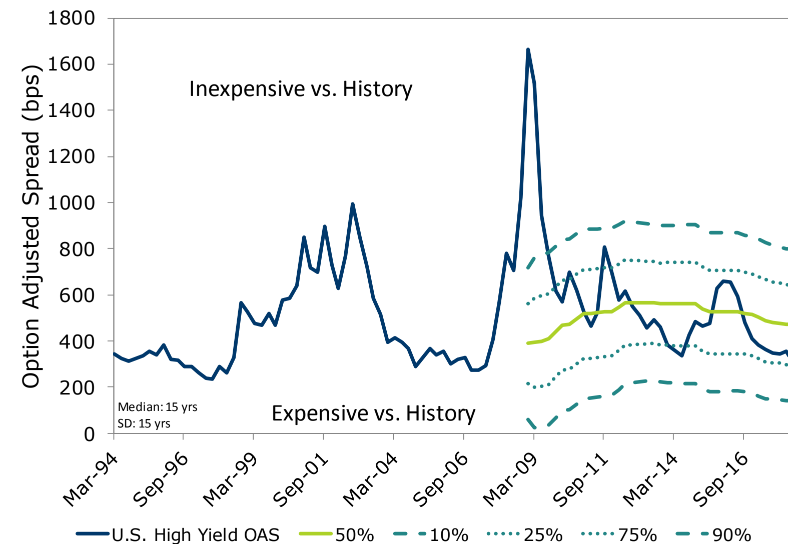
RELATIVE VALUATION CONSIDERATIONS

Fixed Income Spreads

- Spread versus Treasuries on the investment grade index is below its 15 year historical median, at the 40%-percentile outcome



- Spread on high yield bonds also is below the historical median, currently at the 34%-percentile outcome



Data sources: Barclays Capital

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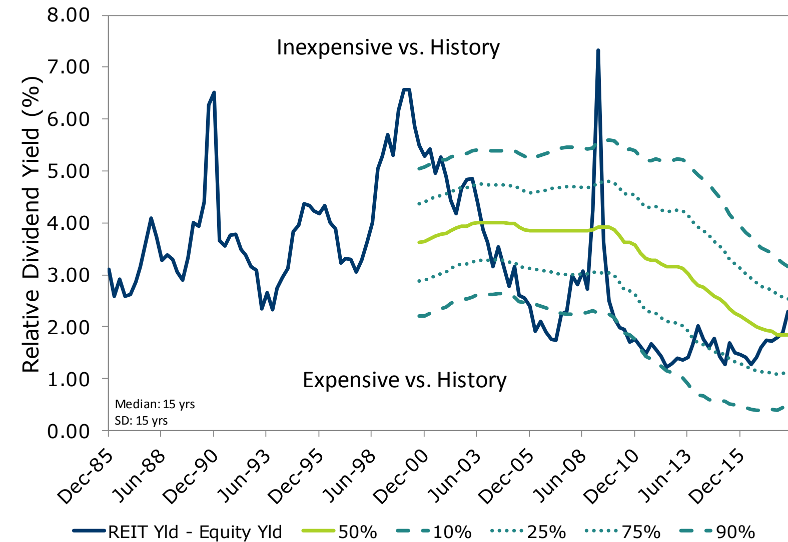
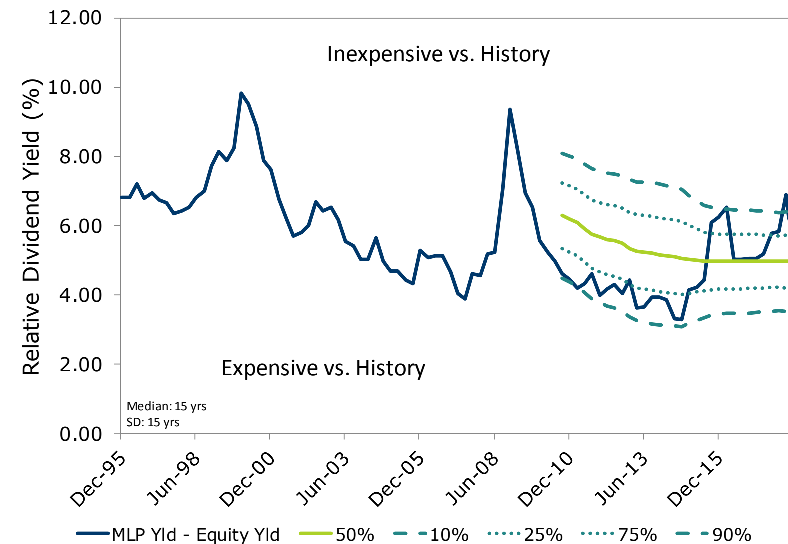
RELATIVE VALUATION CONSIDERATIONS

Public Real Assets

- REIT yields typically run higher than the earnings yield for the broad equity market
- Current relative yield at the 62%-percentile outcome



- Major swings in relative MLP yield since September of 2014
- Relative yield moved lower in May, but remains inexpensive relative to history; currently at the 81%-percentile



Data sources: Wilshire Compass, Wilshire Atlas, Alerian

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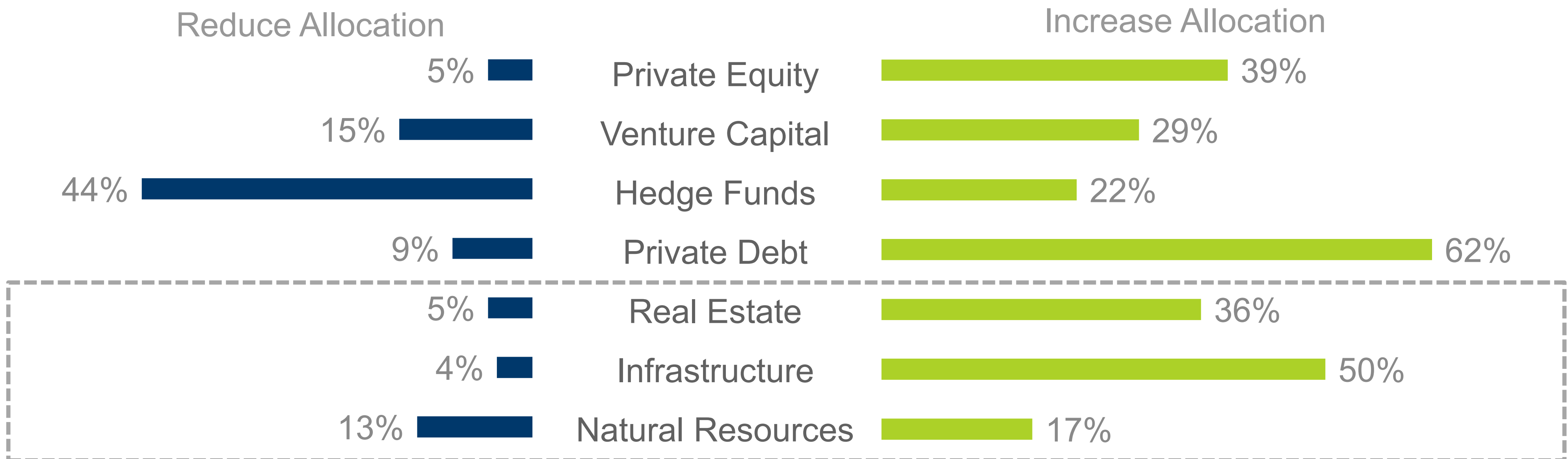
PRIVATE ASSET CLASS OVERVIEWS

INVESTOR SENTIMENT

Institutional Investors' Long-Term Allocation Plans



Institutional Investors' Main Reasons for Investing

Real Estate	Infrastructure	Natural Resources
Diversification Inflation Hedge High Risk-Adjusted Returns	Diversification Reliable Income Stream Low Correlation to Other Asset Classes	Diversification Inflation Hedge High Risk-Adjusted Returns

Sources: Preqin Investor Outlook: Alternative Assets, H2 2017

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REAL ASSETS THROUGH RISK LENSES

Risk lenses help to focus the investment process by providing context for results and orienting decisions around organizational goals.

Real Assets Address

- **Shortfall** − Higher potential return (beta) opportunity within certain asset classes, specifically on the Private Market side. Examples include the portfolio not being able to meet certain return goals and targets.
- **Inflation** − The potential for financial assets to lose purchasing power over time. Examples include the portfolio not being sensitive to inflationary economic environments, such as the early 1980s.

May Introduce

- **Liquidity** − The potential for an investor to be unable to buy or sell specific assets in the portfolio.
- **Active** − The potential for an investment strategy to experience tracking error due to characteristics that differ from those of the market.

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Real Assets Overview

INVESTMENT CHARACTERISTICS

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- Investors should establish expectations regarding the effectiveness of asset classes in meeting their objectives.

	ASSET CLASS	SHORT-TERM CORRELATION TO CPI	LONG-TERM CORRELATION TO CPI	HIGHER YIELD OPPORTUNITY	HIGHER RETURN OPPORTUNITY (BETA)	HIGHER ALPHA OPPORTUNITY	LIQUIDITY
PUBLIC INVESTMENTS	Treasury Inflation Protected Securities ("TIPS")	X	X				X
PUBLIC INVESTMENTS	Commodities	X	X			X	X
PUBLIC INVESTMENTS	Real Estate Investment Trusts ('REITs")		X	X		X	X
PUBLIC INVESTMENTS	Master Limited Partnerships ("MLPs")		X	X	X	X	X
PUBLIC INVESTMENTS	Diversified Public RA	X	X	X		X	X
PRIVATE INVESTMENTS	Private Real Estate		X	X	X	X	
PRIVATE INVESTMENTS	Timber / Farmland		X		X	X	
PRIVATE INVESTMENTS	Infrastructure		X	X	X	X	
PRIVATE INVESTMENTS	Energy (Oil and Gas)		X	X	X	X	
PRIVATE INVESTMENTS	Diversified Private RA		X	X	X	X	

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HOW ARE REAL ASSETS TIED TO INFLATION?

Real Estate / Infrastructure

- Income stream (lease, rents, tolls) periodically adjusted by property owners – inflation escalation provisions often “built-in”
- Capital appreciation of assets indirectly linked to GDP and population growth and/or inflation

Timberland / Farmland

- Like commodities, provide final and raw material in production of consumer goods
- Like real estate and infrastructure, potential increase in property value exists based on supply and demand

Natural Resources / Energy

- Supply and demand factors affect prices of commodities, which typically lead inflation
- Higher commodities prices lead to increased prices of goods and services (i.e., higher CPI)

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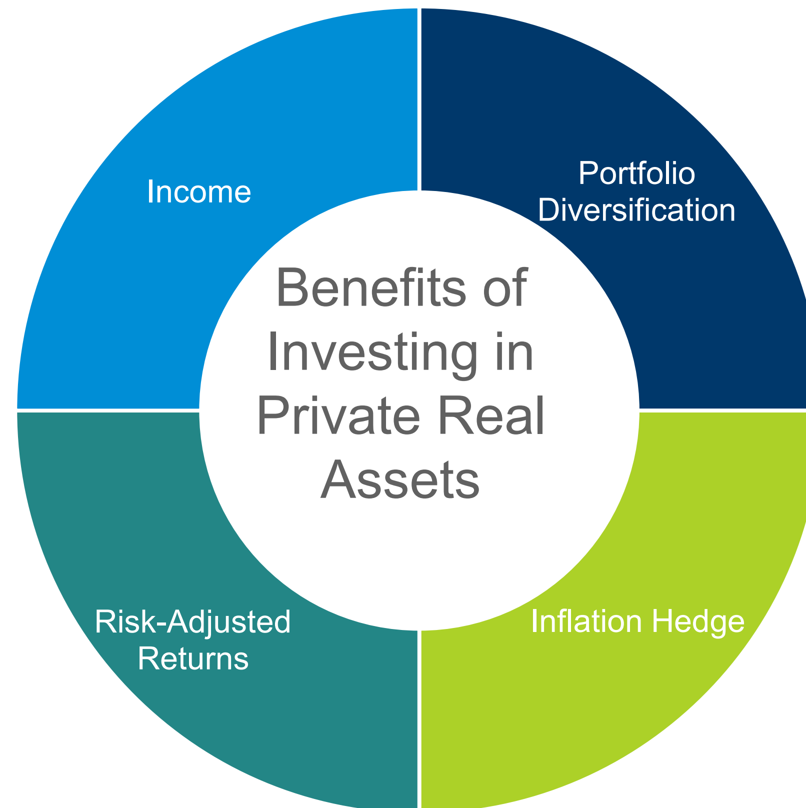
DIVERSIFIED APPROACH



Near-term inflation is highly uncertain. Longer-term inflation is even more uncertain.

- Private Real Assets can provide the following benefits:
  - Higher income and risk-adjusted total return, including Beta and Alpha opportunities
  - Insurance against high or unexpected inflation, particularly over the long-term.
- A diversified approach can increase the effectiveness of the real assets portfolio over time.

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Private Real Estate Overview

CHARACTERISTICS

PRIMARY OBJECTIVE	STRATEGY	EXPECTED RETURN* (% P.A.)	RETURN COMPONENTS	LIQUIDITY	VOLATILITY/ RISK	TYPICAL LEVERAGE
Income	Core	6% - 10%	70% income 30% appreciation	Moderate	Low	~30%
	Core Plus	9% - 11%	60% income 40% appreciation		Moderate	~50%
Asset Appreciation	Value-Add	10% - 18%	40% income 60% appreciation	Low	High	<65%
	Opportunistic	15% - 20%+	10% income 90% appreciation			> 65%

*Indicative returns are for developed markets and are nominal, leveraged, post fees and pre-tax.

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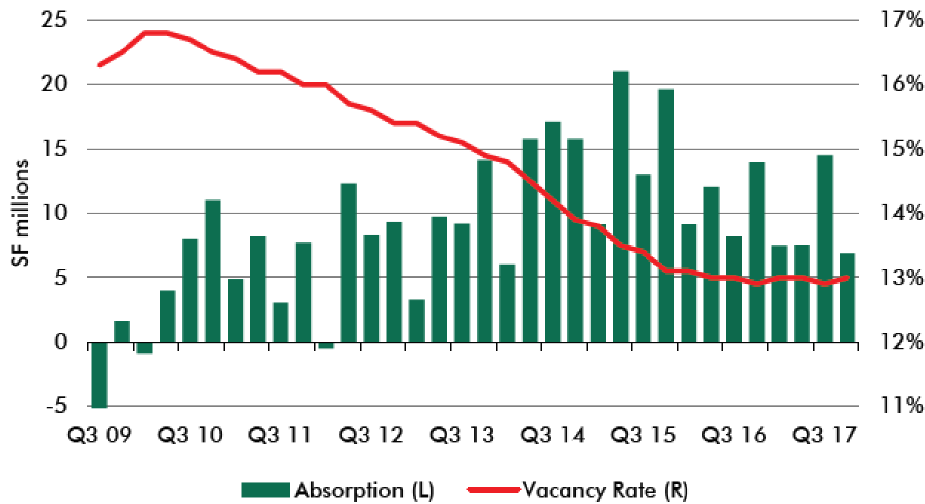
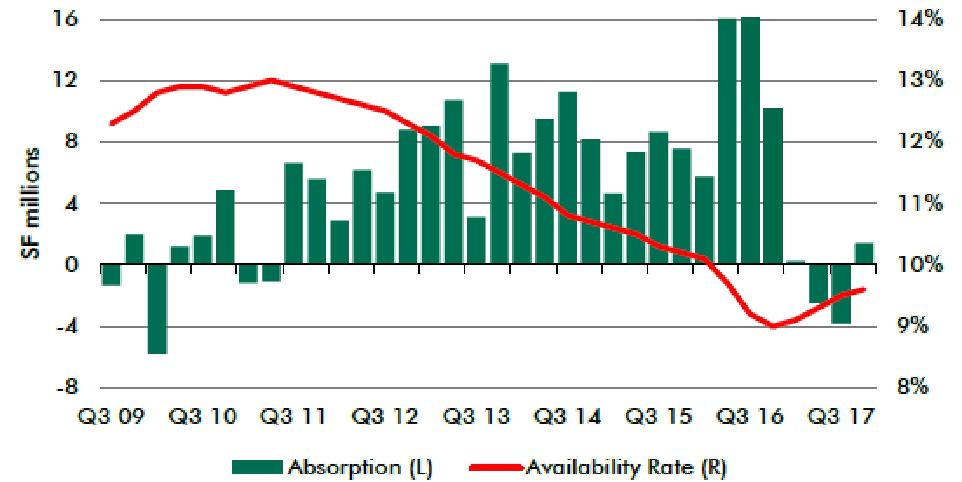
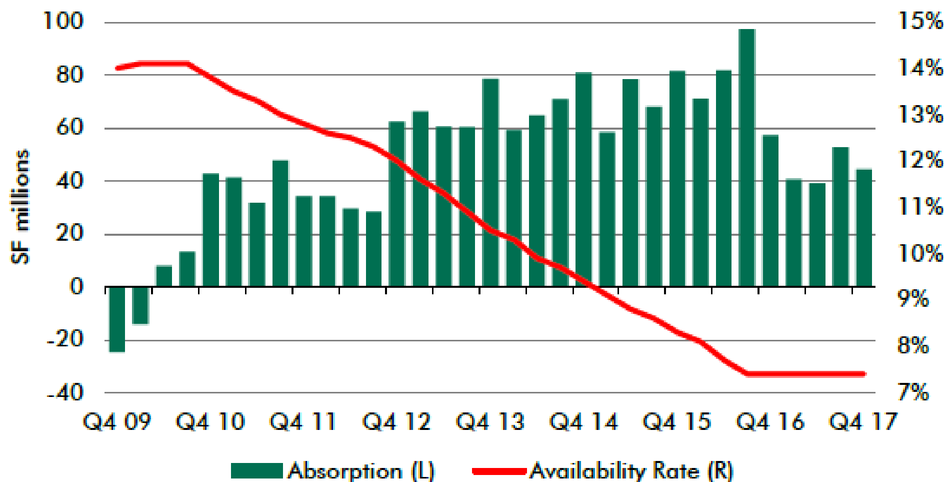
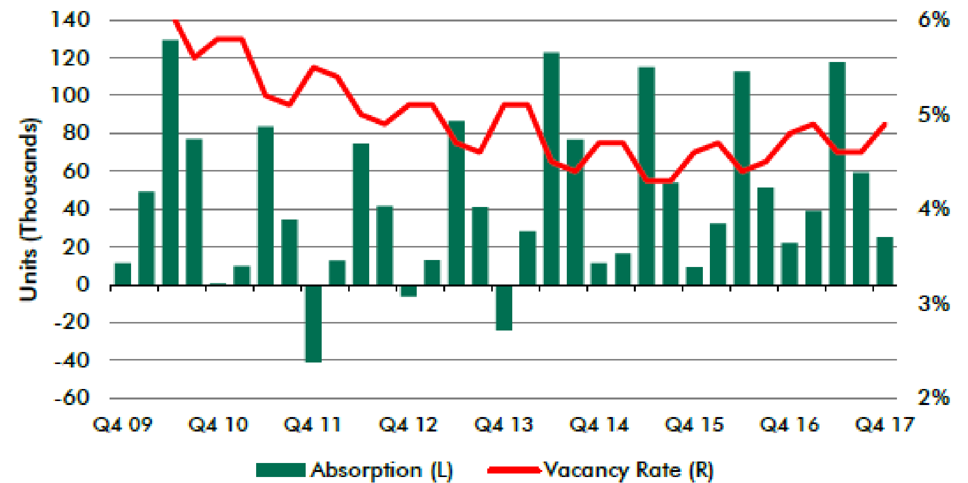
Private Real Estate Overview

COMMERCIAL PROPERTY









Data sources: CB Richard Ellis

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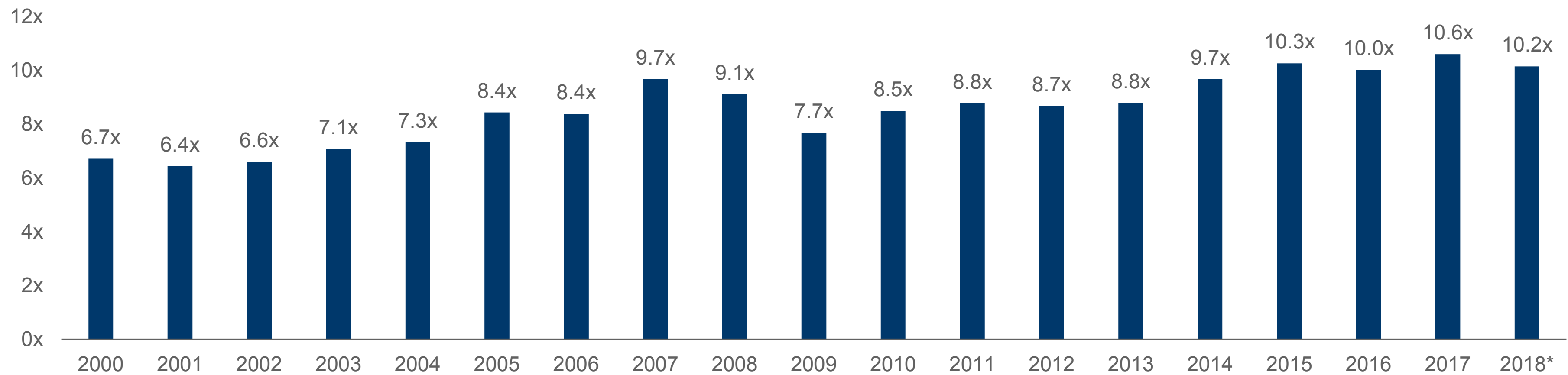
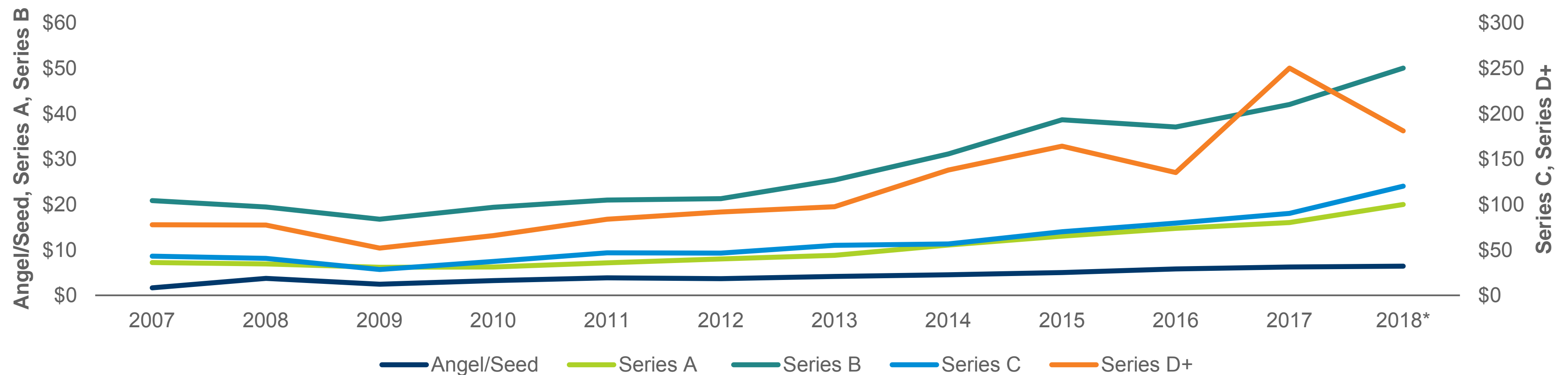
Private Equity Overview

PRIVATE EQUITY – PRICING & VALUATIONS





Source: S&P LBO; Pitchbook, *as of March 31, 2018.

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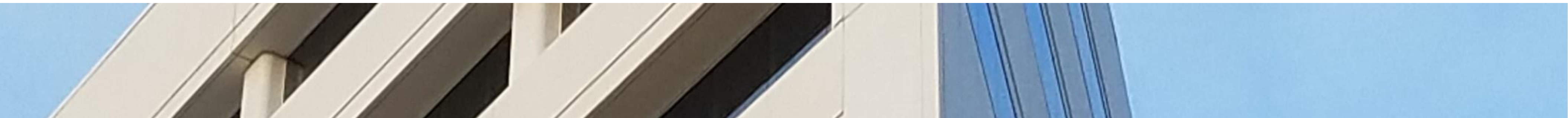

APPENDIX:
CAPITAL MARKET ASSUMPTION METHODOLOGY

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Q1 2018 STANDARD CORRELATION MATRIX

	EQUITY						FIXED INCOME						REAL ASSETS					
													REAL ESTATE					
	US STOCK	DEV EX-US STOCK	EMG MRKT STOCK	GLOBAL EX-US STOCK	GLOBAL STOCK	PRIVATE EQUITY	CASH	CORE BOND	LT CORE BOND	US TIPS	HIGH YIELD	NON-US BOND (HDG)	US RES	GLOBAL RES	PRIVATE RE	CMDTY	REAL ASSETS	US CPI
EXPECTED COMPOUND RETURN (%)	6.25	6.25	6.25	6.50	6.50	8.80	2.15	3.80	3.95	3.10	5.05	1.20	5.80	6.00	7.15	4.20	6.75	2.05
EXPECTED ARITHMETIC RETURN (%)	7.55	7.70	9.20	8.10	7.85	12.15	2.15	3.95	4.40	3.25	5.50	1.25	7.10	7.15	8.05	5.25	7.10	2.05
EXPECTED RISK (%)	17.00	18.00	26.00	18.75	17.15	28.00	1.25	5.15	9.85	6.00	10.00	3.50	17.00	15.80	14.00	15.00	8.50	1.75
CASH YIELD (%)	2.00	3.00	2.75	2.95	2.45	0.00	2.15	3.75	4.90	3.25	8.35	1.50	4.25	4.25	2.75	2.15	3.15	0.00
CORRELATIONS																		
US STOCK	1.00																	
DEV EX-US STOCK (USD)	0.81	1.00																
EMERGING MARKET STOCK	0.74	0.74	1.00															
GLOBAL EX-US STOCK	0.83	0.96	0.86	1.00														
GLOBAL STOCK	0.94	0.92	0.82	0.94	1.00													
PRIVATE EQUITY	0.74	0.64	0.62	0.67	0.74	1.00												
CASH EQUIVALENTS	-0.05	-0.09	-0.05	-0.08	-0.07	0.00	1.00											
CORE BOND	0.28	0.13	0.00	0.09	0.20	0.31	0.19	1.00										
LT CORE BOND	0.31	0.16	0.01	0.12	0.23	0.32	0.11	0.93	1.00									
US TIPS	-0.05	0.00	0.15	0.05	0.00	-0.03	0.20	0.60	0.47	1.00								
HIGH YIELD BOND	0.54	0.39	0.49	0.45	0.51	0.34	-0.10	0.25	0.32	0.05	1.00							
NON-US BOND (HDG)	0.16	0.25	-0.01	0.18	0.18	0.26	0.10	0.67	0.64	0.39	0.26	1.00						
US RE SECURITIES	0.59	0.47	0.44	0.49	0.56	0.50	-0.05	0.17	0.23	0.10	0.56	0.05	1.00					
GLOBAL RE SECURITIES	0.65	0.59	0.56	0.62	0.66	0.58	-0.05	0.17	0.22	0.11	0.62	0.03	0.94	1.00				
PRIVATE REAL ESTATE	0.54	0.44	0.44	0.47	0.52	0.51	-0.05	0.19	0.25	0.09	0.57	0.05	0.77	0.76	1.00			
COMMODITIES	0.25	0.34	0.39	0.38	0.32	0.27	0.00	-0.02	-0.02	0.25	0.29	-0.10	0.25	0.28	0.25	1.00		
REAL ASSET BASKET	0.42	0.43	0.50	0.48	0.47	0.43	0.01	0.24	0.25	0.41	0.53	0.06	0.65	0.69	0.69	0.59	1.00	
INFLATION (CPI)	-0.10	-0.15	-0.13	-0.15	-0.13	-0.10	0.10	-0.12	-0.12	0.15	-0.08	-0.08	0.05	0.03	0.05	0.44	0.26	1.00

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ALTERNATIVE INVESTMENT ASSUMPTIONS

	BASKET WEIGHT	EXPECTED RETURN (%)	EXPECTED RISK (%)
PRIVATE EQUITY			
BUYOUTS	50%	7.35	30.00
VENTURE CAPITAL	20%	8.90	44.00
DISTRESSED DEBT	5%	7.00	20.00
MEZZANINE DEBT	5%	6.75	20.00
NON-US BUYOUTS	20%	7.35	32.00
PRIVATE EQUITY BASKET		8.80	28.00
PRIVATE REAL ESTATE			
CORE	70%	5.90	12.00
VALUE ADDED	15%	8.90	17.50
OPPORTUNISITC	15%	9.90	25.00
PRIVATE REAL ESTATE BASKET		7.15	14.00
PUBLIC REAL ASSETS			
GLOBAL REAL ESTATE	15%	6.00	15.80
U.S. TIPS	50%	3.10	6.00
COMMODITIES	20%	4.20	15.00
MLPs	15%	9.50	17.00
PUBLIC REAL ASSETS BASKET		5.10	7.40
PRIVATE REAL ASSETS			
PRIVATE REAL ESTATE	35%	7.15	14.00
TIMBER	35%	7.05	15.00
OIL & GAS	30%	9.40	16.50
PRIVATE REAL ASSETS BASKET		8.25	10.90
HEDGE FUNDS			
EQUITY MARKET NEUTRAL	10%	4.20	4.50
EVENT DRIVEN	25%	5.75	7.00
EQUITY LONG/SHORT	35%	6.30	9.75
GLOBAL MACRO	5%	5.75	6.75
RELATIVE VALUE	25%	5.15	5.75
HEDGE FUND BASKET		5.70	6.60

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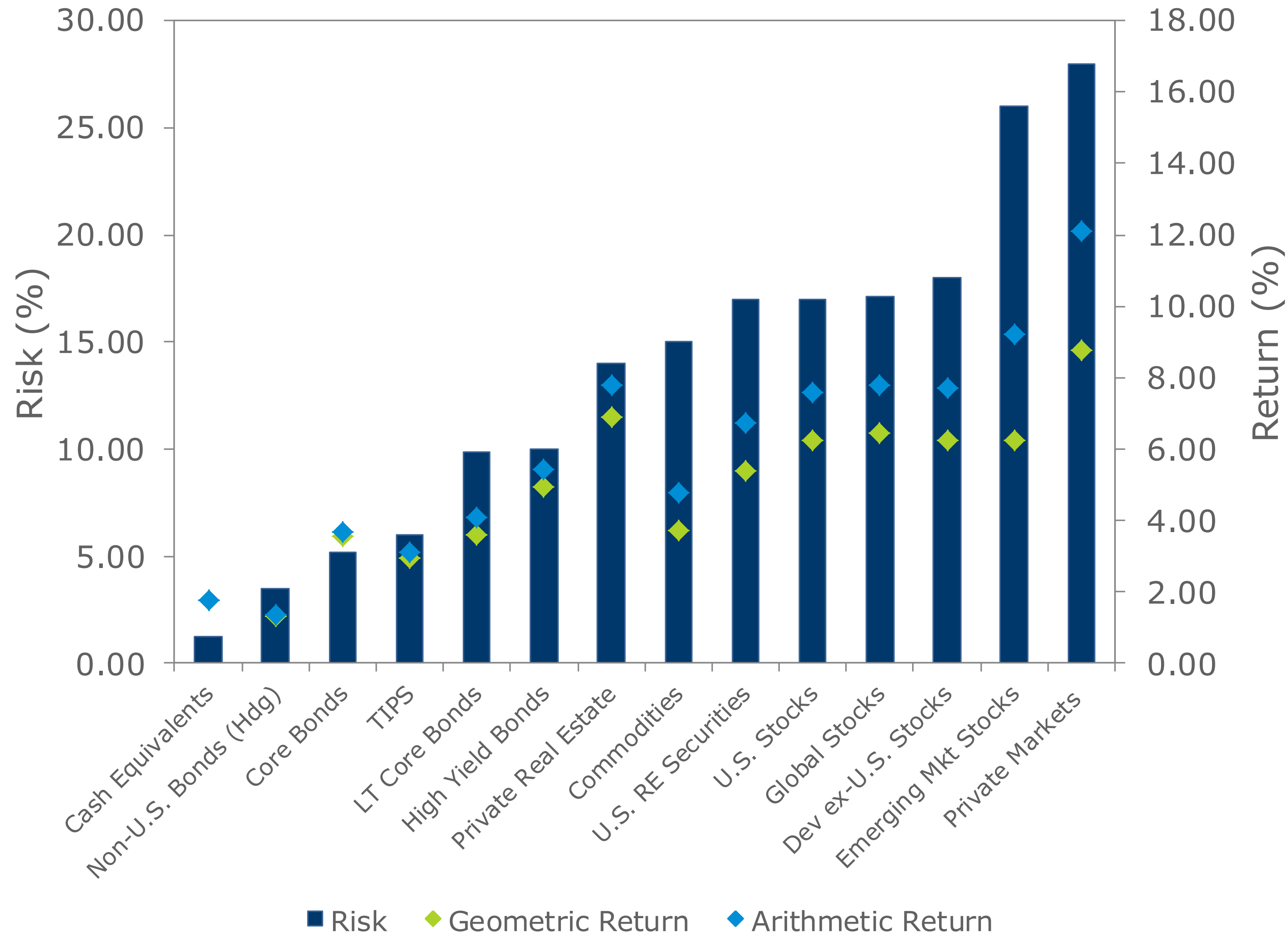
WILSHIRE'S RETURN AND RISK ASSUMPTIONS



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INFLATION

- Market-based inflation forecast
  - TIPS are used to forecast inflation
  - Subtract TIPS YTM from nominal Treasury YTM with same maturity

- As of year-end 2017:
  - 10-year Treasury yield = 2.40%
  - 10-year TIPS yield = 0.44%
  - Difference is 10-year “breakeven inflation rate” = 1.96%

- Wilshire utilizes the 1.96% “breakeven inflation rate” to arrive at a rounded 1.95% 10-year inflation forecast

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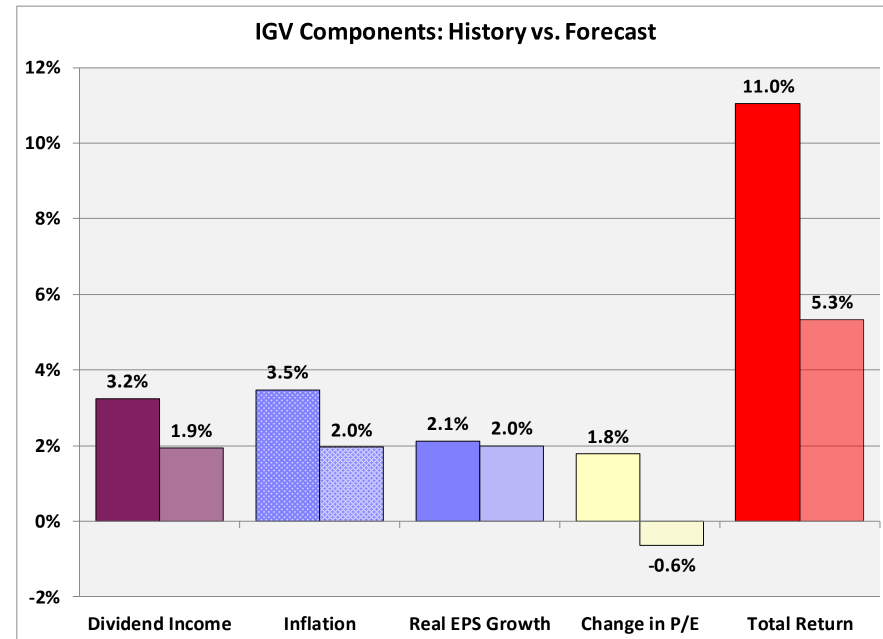
U.S. STOCKS: MODEL FORECASTING

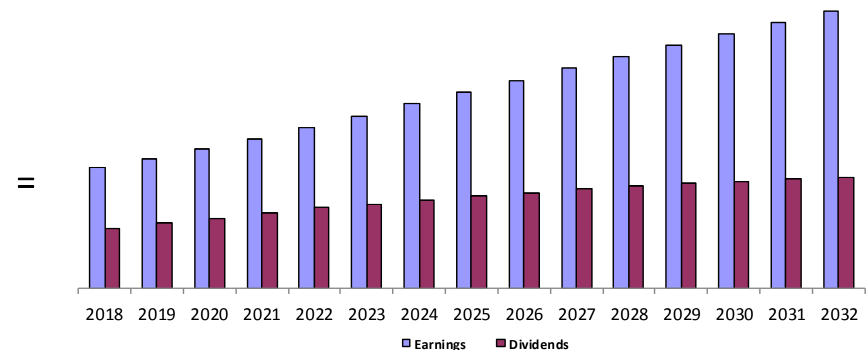
- Income, Growth, Valuation (IGV) Model



- Dividend Discount Model (DDM)
  - Year-end 2017 S&P 500 Index price of 2,674
  - Base earnings level of $125 per share
  - Earnings-per-share growth of 7.5% during the next five years, dropping incrementally to 4.0% from years six through 15
  - 50% dividend payout ratio over the next five years

Market Price

=



Discount Rate (Expected Stock Return)

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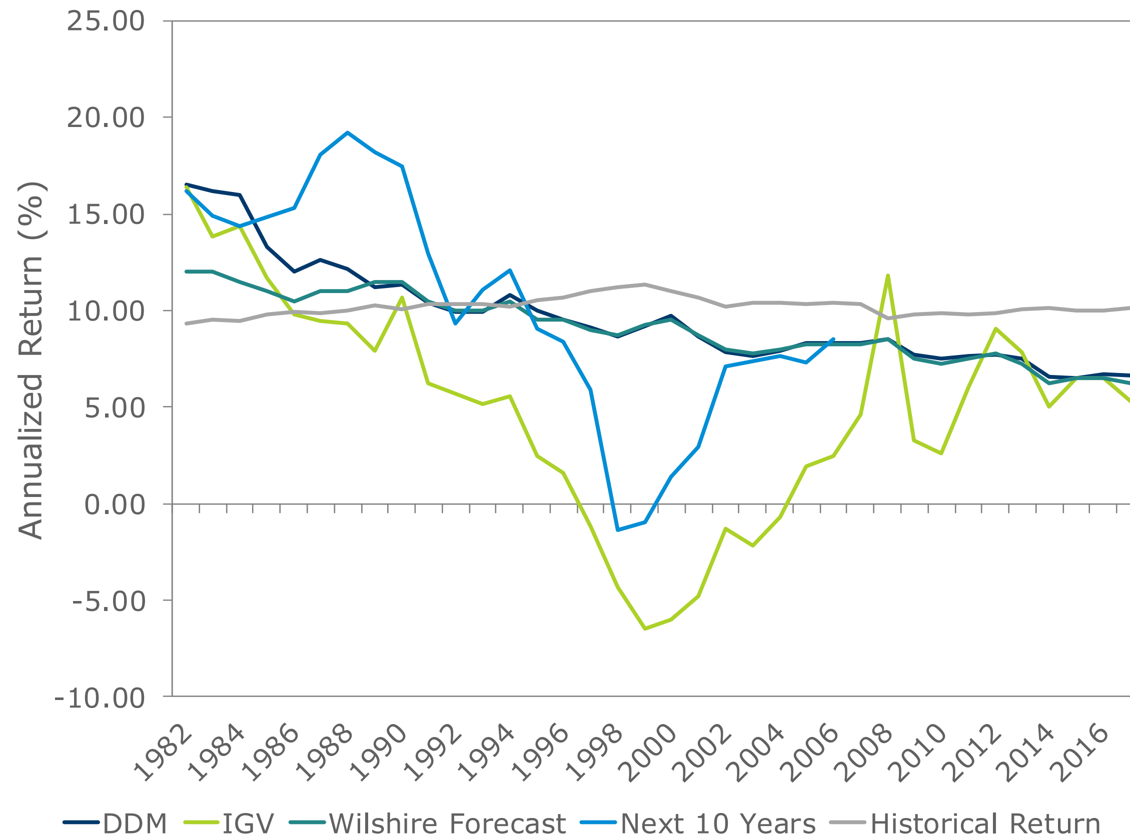
U.S. STOCKS: MODEL FORECASTING

- Wilshire's forecast for U.S. Stocks is 6.25%
  - IGV: 5.3%
  - DDM: 6.7%



Data sources: Wilshire Compass[SM]

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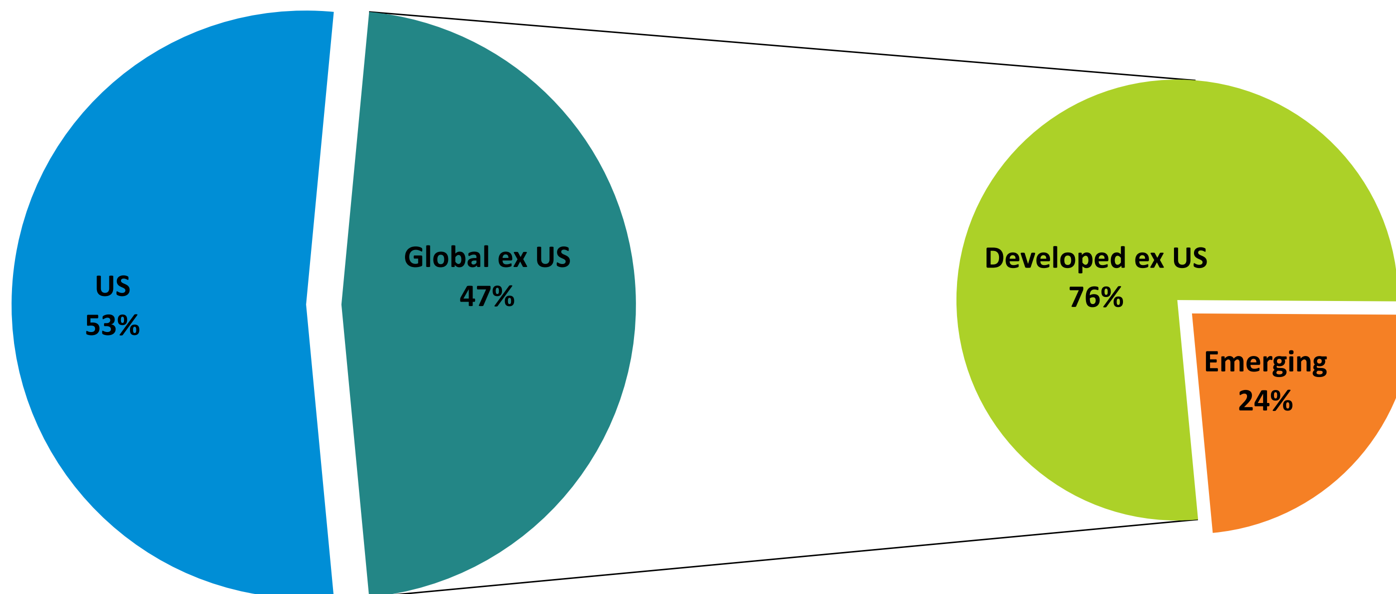
GLOBAL MARKET STOCKS

- Market-weighted blends of Wilshire's equity return and risk assumptions results in a 6.45% return forecast for Global and Global ex-U.S. Equity

Global & Global ex US Equity Market Breakdown



Data sources: MSCI, Wilshire Atlas℠

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Wilshire

DEVELOPED MARKET EX-U.S. STOCKS

- Wilshire’s approach to non-U.S. markets begins with our belief that, in the long run, global equity markets will exhibit geometric return parity
- Monitor relative valuation levels across regional markets to serve as a possible signal to add/deduct a return premium/discount to our non-U.S. equity forecasts
- Based on current metrics such as relative price-to-earnings and yield levels, Wilshire does not believe that a different forecast is warranted
- Return parity is well supported by historical results

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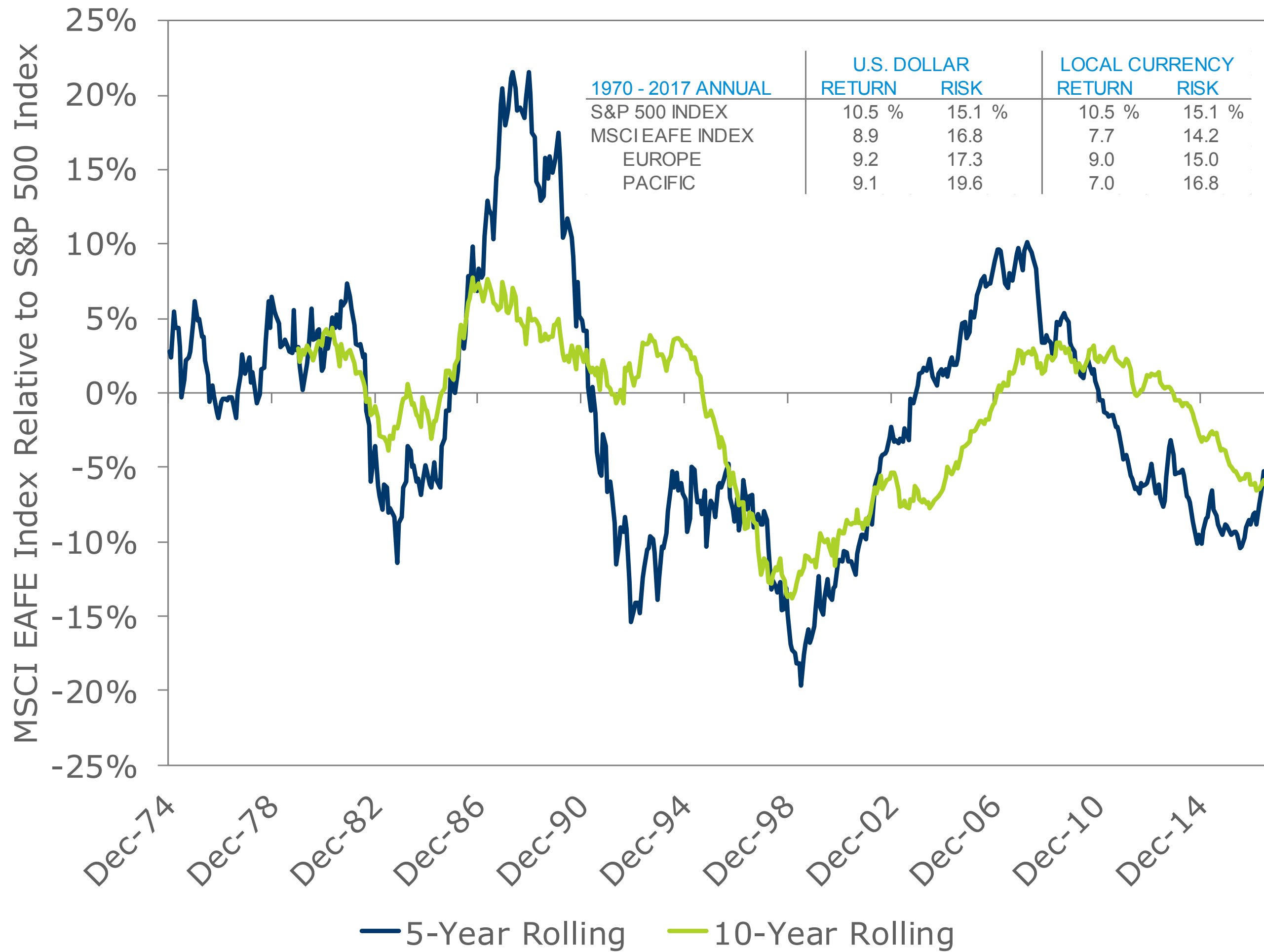
Wilshire Consulting

DEVELOPED MARKET EX-U.S. STOCKS



1970 - 2017 ANNUAL	U.S. DOLLAR RETURN	U.S. DOLLAR RISK	LOCAL CURRENCY RETURN	LOCAL CURRENCY RISK
S&P 500 INDEX	10.5 %	15.1 %	10.5 %	15.1 %
MSCI EAFE INDEX	8.9	16.8	7.7	14.2
EUROPE	9.2	17.3	9.0	15.0
PACIFIC	9.1	19.6	7.0	16.8

Data sources: Wilshire Compass

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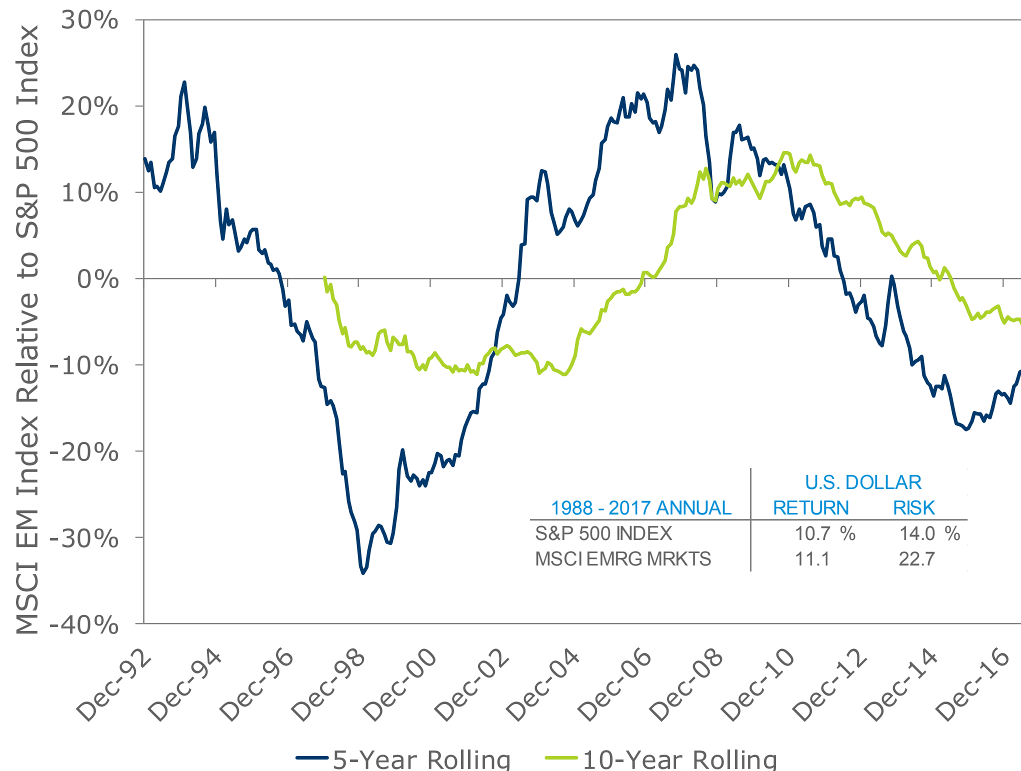
EMERGING MARKET STOCKS

- Similar approach to emerging markets:
  - Begin with belief in return parity
  - Monitor relative valuations for additional signals

- Current valuation levels do not suggest a return premium/discount at this time



Data sources: Wilshire Compass

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FIXED INCOME MODEL FRAMEWORK

Wilshire

- Three components comprise fixed income returns:
  - Yield to Maturity
  - Annual Roll-down Return ("Roll")
  - Return on principal from our "view" on interest rates/yield changes and appropriate spread factors

- Our fixed income return assumptions build off of key inputs:
  - Inflation assumption
  - Current observed yield and spread levels
  - Historical spread and real yield levels

- Current observed maturity and credit risk premiums are normalized to historical levels over our forecast period to calculate fixed income return assumptions

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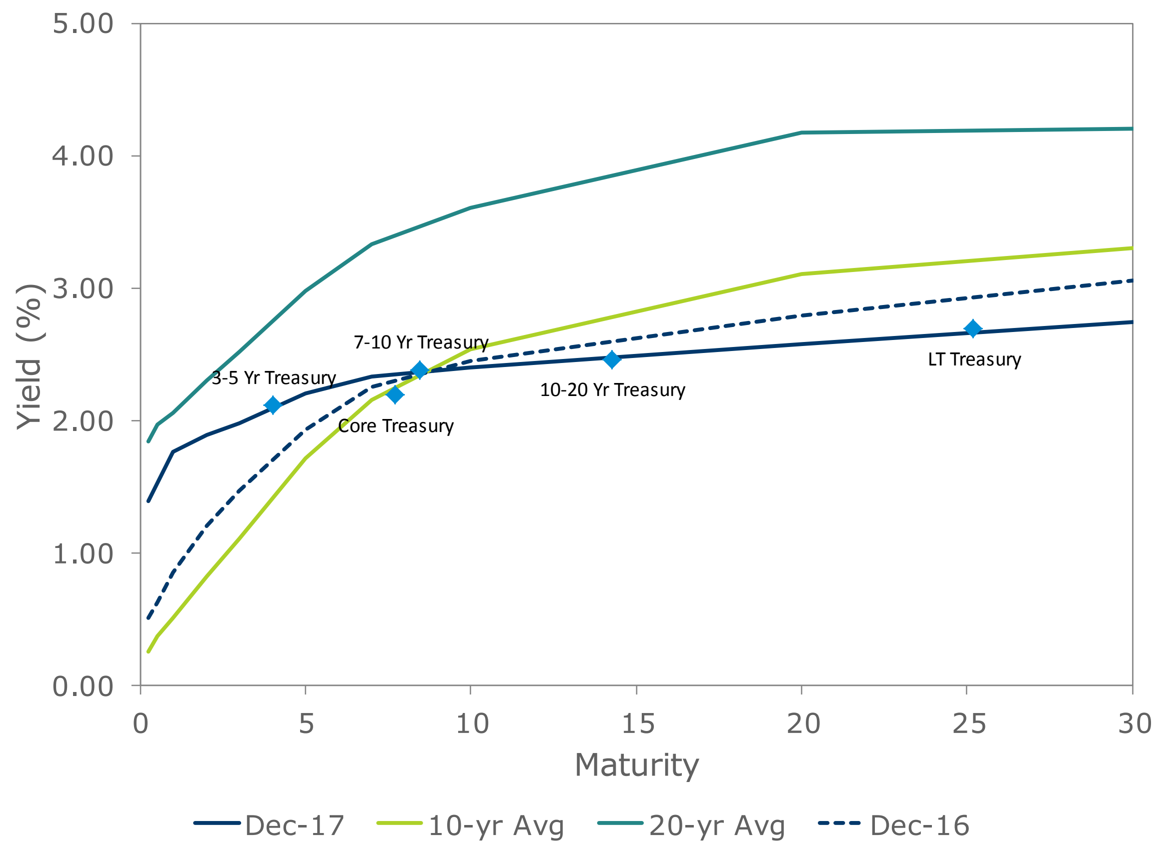
FIXED INCOME: YIELD CURVE

- U.S. Interest Rate Environment: December 2017 vs. December 2016, 10-Year & 20-Year Averages



Data sources: Bloomberg Index Services Limited, U.S. Department of Treasury

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CASH EQUIVALENTS

- Observe multiple signals to forecast returns for cash:
  - Historical yield difference between the broad Treasury market and cash
  - Historical real yield on cash, or the difference between cash returns and inflation
  - Current ten-year forward yield curve for expected short-term yield projection
- 10-year cash yield forecast utilized within our fixed income model to simulate what an investment in cash would return; final forecast for cash equivalents is 1.75%

Data sources: Bloomberg Index Services Limited, U.S. Department of Treasury, Wilshire Compass

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Wilshire

FIXED INCOME: CORE AND TREASURY BONDS

- Fixed income forecasts reflect a rising rate environment over the forecasting horizon
  - Increases are based on our 1.95% inflation forecast plus real yields in line with historical levels

- Short & Intermediate Fixed income forecasts are aided by rising reinvestment rate (versus their current yields)
  - U.S. Core Bonds = 3.55% vs. Dec 2017 yield of 2.71%
  - Treasuries = 2.85% vs. Dec 2017 yield of 2.19%
  - TIPS = 2.95% vs. Dec 2017 yield of 2.38% (Barclays Capital 7-10 Treasury Index)

- Long term fixed income forecasts relatively close to current yields as decreased principal from rising rate environment offset by higher reinvestment rates
  - U.S. Long Term Core Bonds = 3.60% vs. Dec 2017 yield of 3.49%
  - Long Term Treasuries = 2.65% vs. Dec 2017 yield of 2.69%

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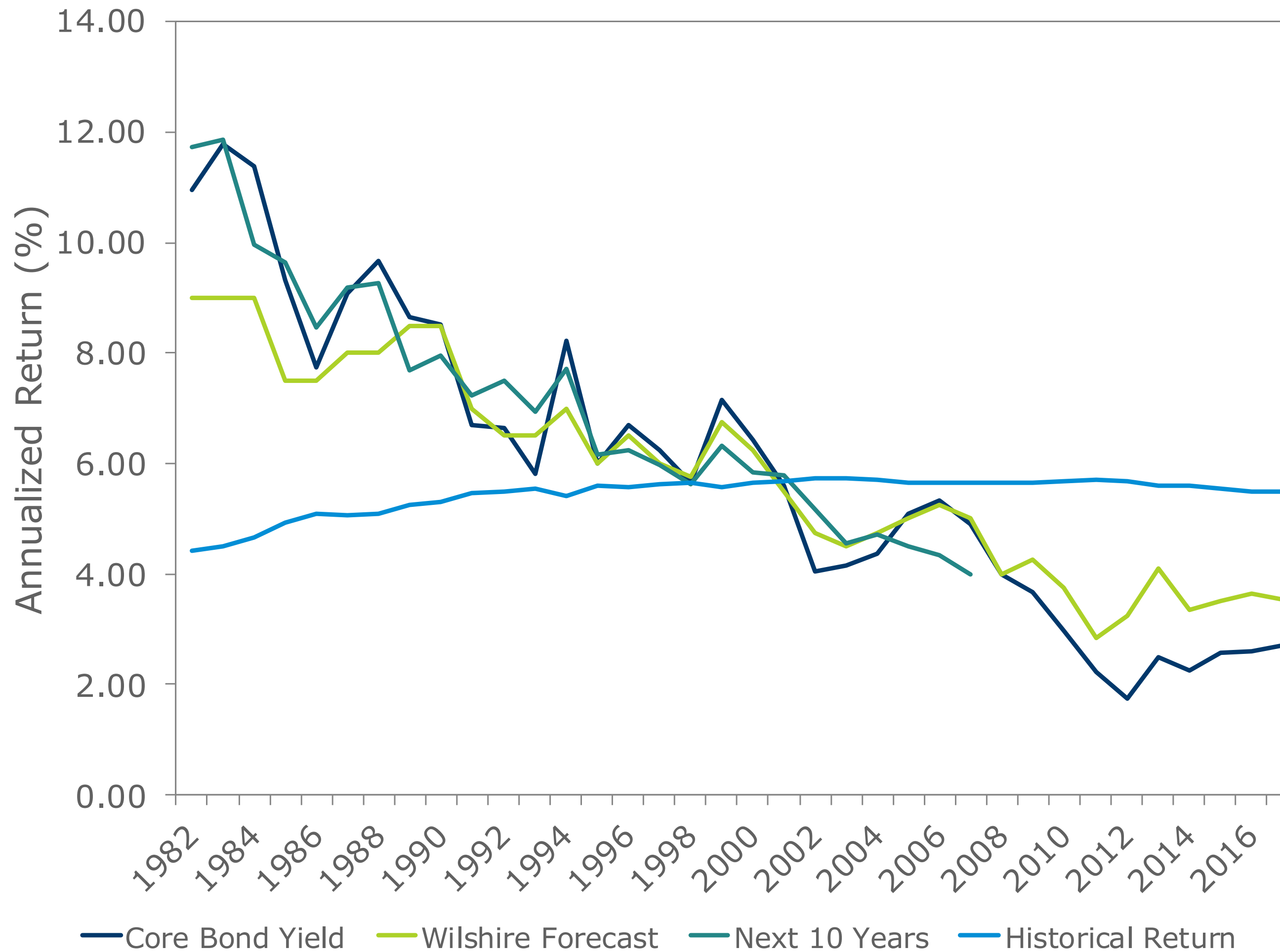
U.S. CORE BONDS

- Wilshire Forecast vs. Current Yield, Historical Return and Actual Following 10-Year Return



Data sources: Bloomberg Index Services Limited, Wilshire Compass

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Wilshire

HIGH YIELD BONDS & EMERGING MARKET DEBT

- Wilshire utilizes a high yield bond model to forecast returns, which accounts for credit yield spreads, defaults, recoveries & appreciation/depreciation of principal
- Model Inputs:
  - Initial yield spread of 3.64%, widening to historical average of 6%
  - Annual default rate of 4.1% over the forecast period
  - A 40% recovery rate
- Wilshire forecasts 4.95% return for high yield bonds
- Wilshire forecasts 4.55% return for emerging market debt

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PRIVATE MARKETS

- Expected return based on Wilshire private market models as well as historical relative relationships
  - Buyouts = 7.30%
  - Venture Capital = 8.80%
  - Mezzanine Debt= 6.70%
  - Distressed Debt = 6.95%

- Wilshire forecasts 8.75% return for private markets portfolio
  - 70% buyouts | 20% venture capital | 5% mezzanine debt | 5% distressed debt

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REAL ESTATE SECURITIES

- REIT assumption based on dividend yield + dividend growth
  - Yields have moderated since the credit crisis, equaling 3.94% at year-end
  - Expected growth equals 75% of Wilshire's 1.95% inflation forecast (1.46%)

- Wilshire forecasts 5.40% return for U.S. & non-U.S. RE securities
- Wilshire forecasts 6.90% return for private real estate
  - 70% Core / 15% Value-added / 15% Opportunistic

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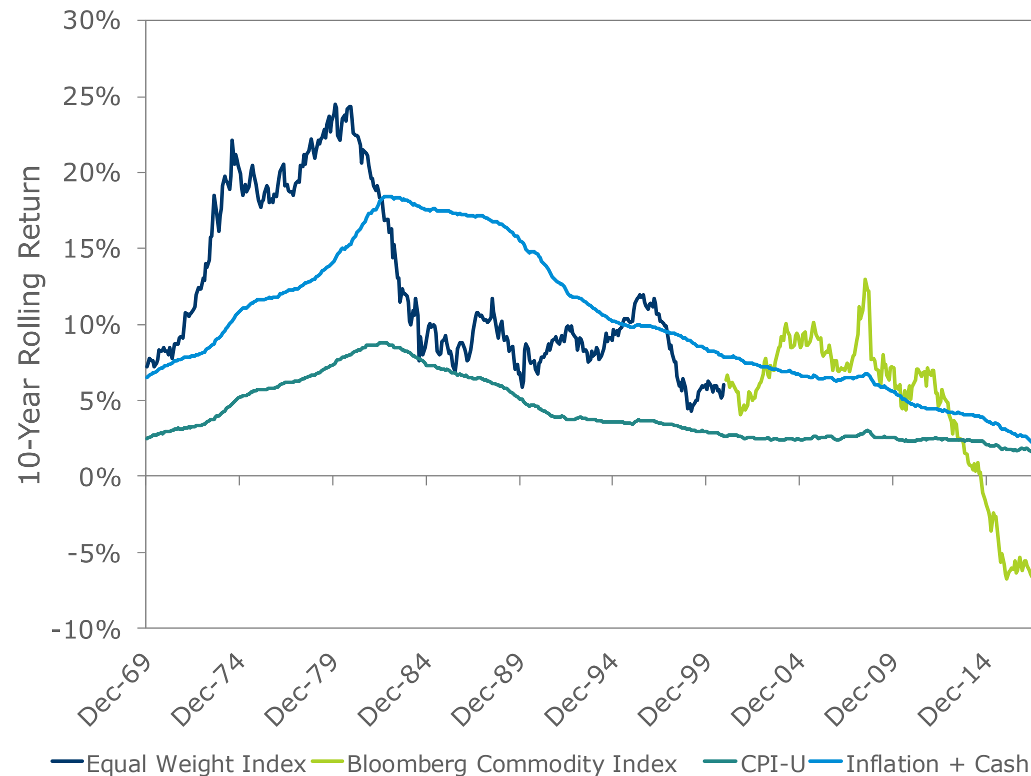
COMMODITIES

- Historical Returns vs. Wilshire Methodology (10-Year Rolling)



- Wilshire forecasts 3.70% return for commodity futures
  - 1.95% inflation expectation plus 1.75% collateral yield (cash)

Data sources: Wilshire Compass

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IMPORTANT INFORMATION

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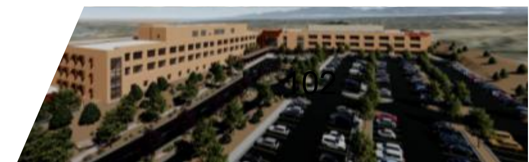
New Mexico Retiree Health Care Authority Annual Board Retreat July 12, 2018

Keith Witt, Supervisor, Large Group Account Retention



Current State and Future Vision of Health Care: Cost Containment Initiatives

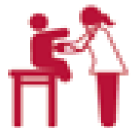
Presbyterian Serving New Mexico

Founded in **1908**

758,518

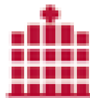
INDIVIDUAL CUSTOMERS served

474,624 Presbyterian Health Plan **MEMBERS**



100+

CLINICS throughout New Mexico



9

HOSPITALS

5

HOME HEALTHCARE programs

981

HOSPITAL BEDS

Presbyterian Serving New Mexico

Top Scoring Proposal

Highest Level Recognition for Central NM PMG Primary Care Clinics

Medicare Advantage HEDIS

$4.5M Grant Recipient

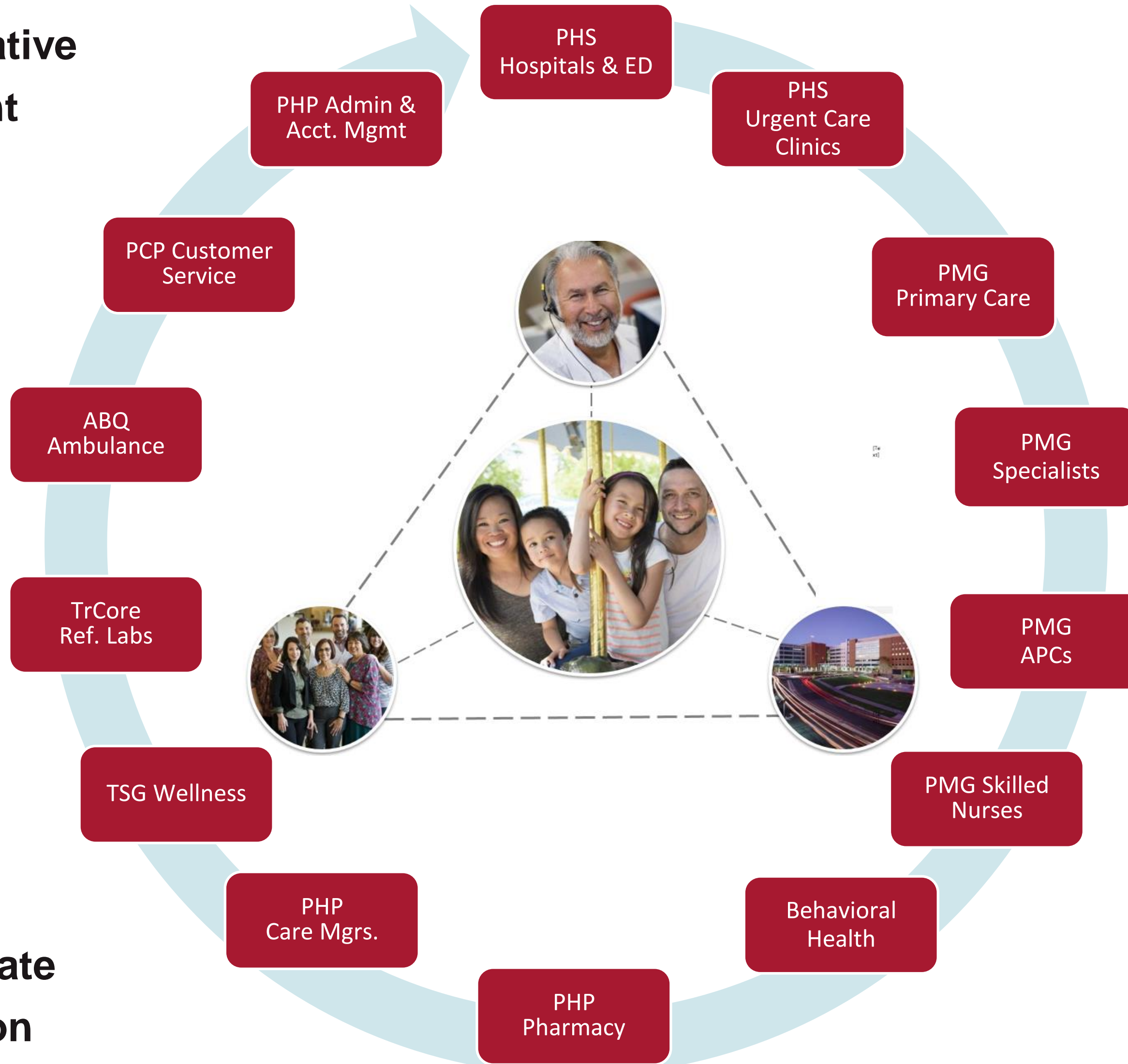
- **Best Healthcare Organization**
- **Best Health Plan**
- **Best Doctors**
- **Best Hospital**

*Source: December 2017 Albuquerque Metro Consumer Survey, Research and Polling

Integrated Team of Healthcare Professionals

Fully Collaborative Environment

EPIC Electronic Medical Records

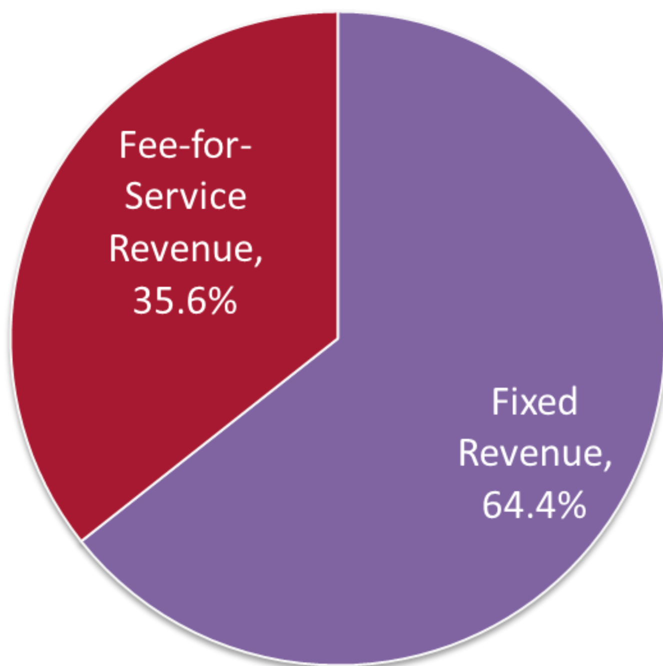


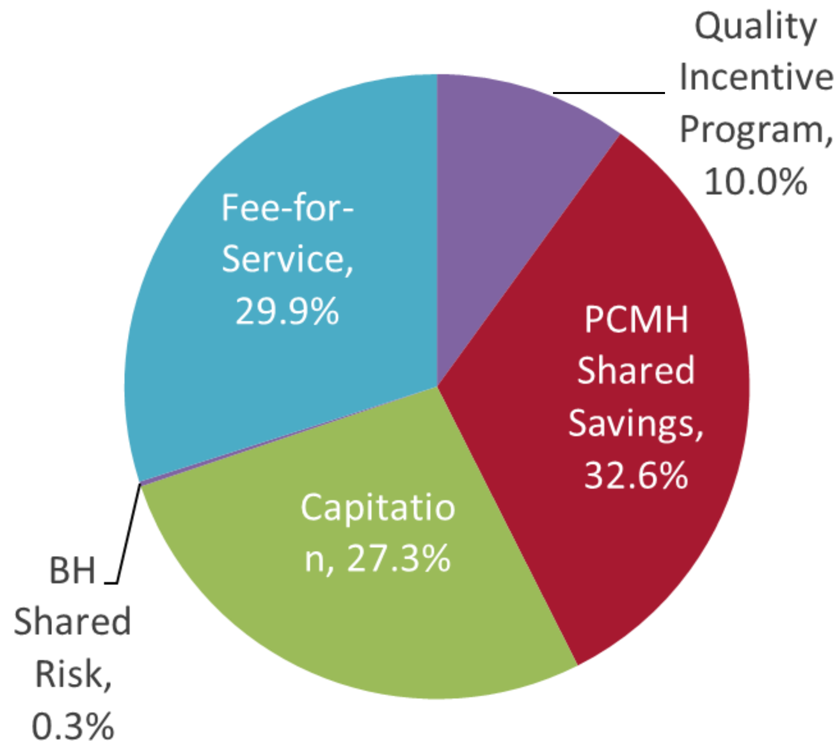
Timely & Accurate Communication

Shared Resources & Information

PRESBYTERIAN

Value-Based Payments



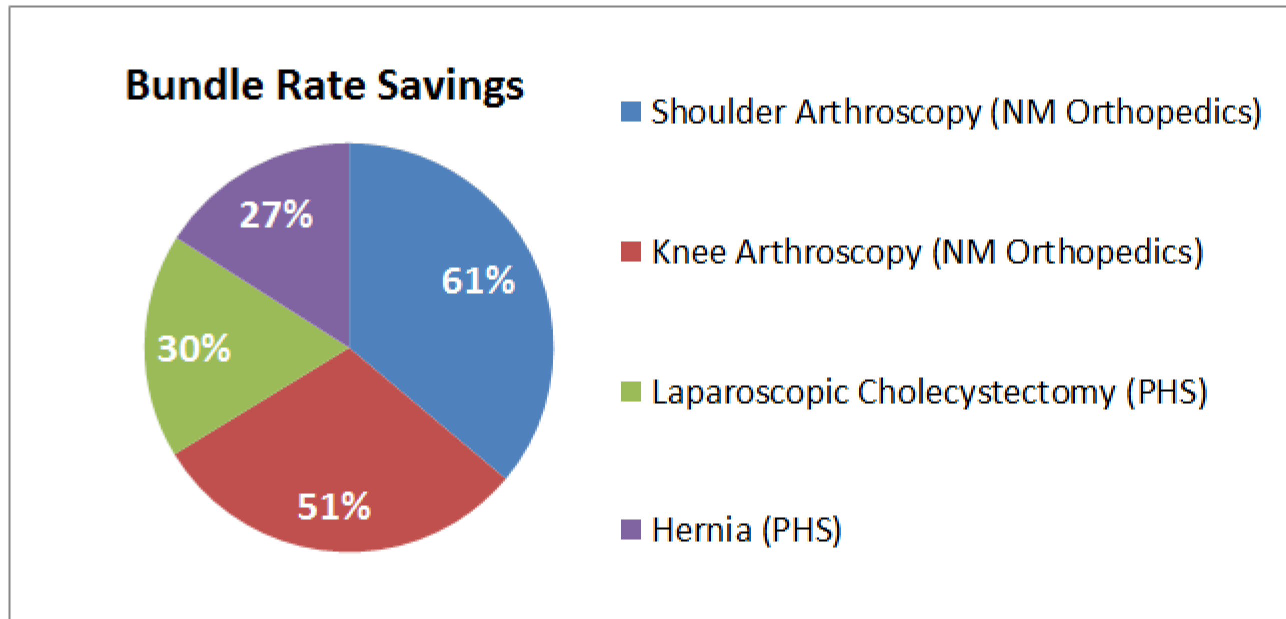


Value-Based Purchasing: Current State

Bundle Payment Initiatives: Phase I – Effective January 1, 2018

➢ **Day-of-Service Bundles:** 34% Average Allowed Reduction

- Average Bundle Allowable = $8,842
- Average Actual Allowable = $13,356



Value-Based Purchasing: Future State

Bundle Payment Initiatives: Phase II – Targeted January 1, 2019

Additional Statewide Provider Partnerships

- Las Cruces Surgical Center
- Farmington Surgical Center
- Presbyterian Santa Fe Medical Center

All four current bundled services: shoulder arthroscopy, knee arthroscopy, laparoscopic cholecystectomy, hernia

Additional Bundled Services to Be Included

- Pre-Op appointment
- Post-surgery physical therapy (if required)

Outpatient Total Joint Procedures

- Expanded partnership with NMOA / NM OSC
  - Total hip, total knee, total shoulder, total ankle

Presbyterian Investment in New Mexico
Expanding Highest Quality of Care and Access

Disrupting the Industry
Innovative Outcomes
Lower Costs
Increased Convenience

Patient Centered Medical Home

A model of care where each patient has an ongoing relationship with a personal primary care provider. The provider leads a team that takes collective responsibility for the patient's care. The care team works together to address the patient's health care needs, promotes self-management and provides support for lifestyle modifications.

Patient Centered Medical Home

- Goals and Objectives
- Expanded Care Teams
- Evidence Based Care Models
- Alternative Venues of Care
- Superior Outcomes

Integrated SUD & Community Collaborative Initiative

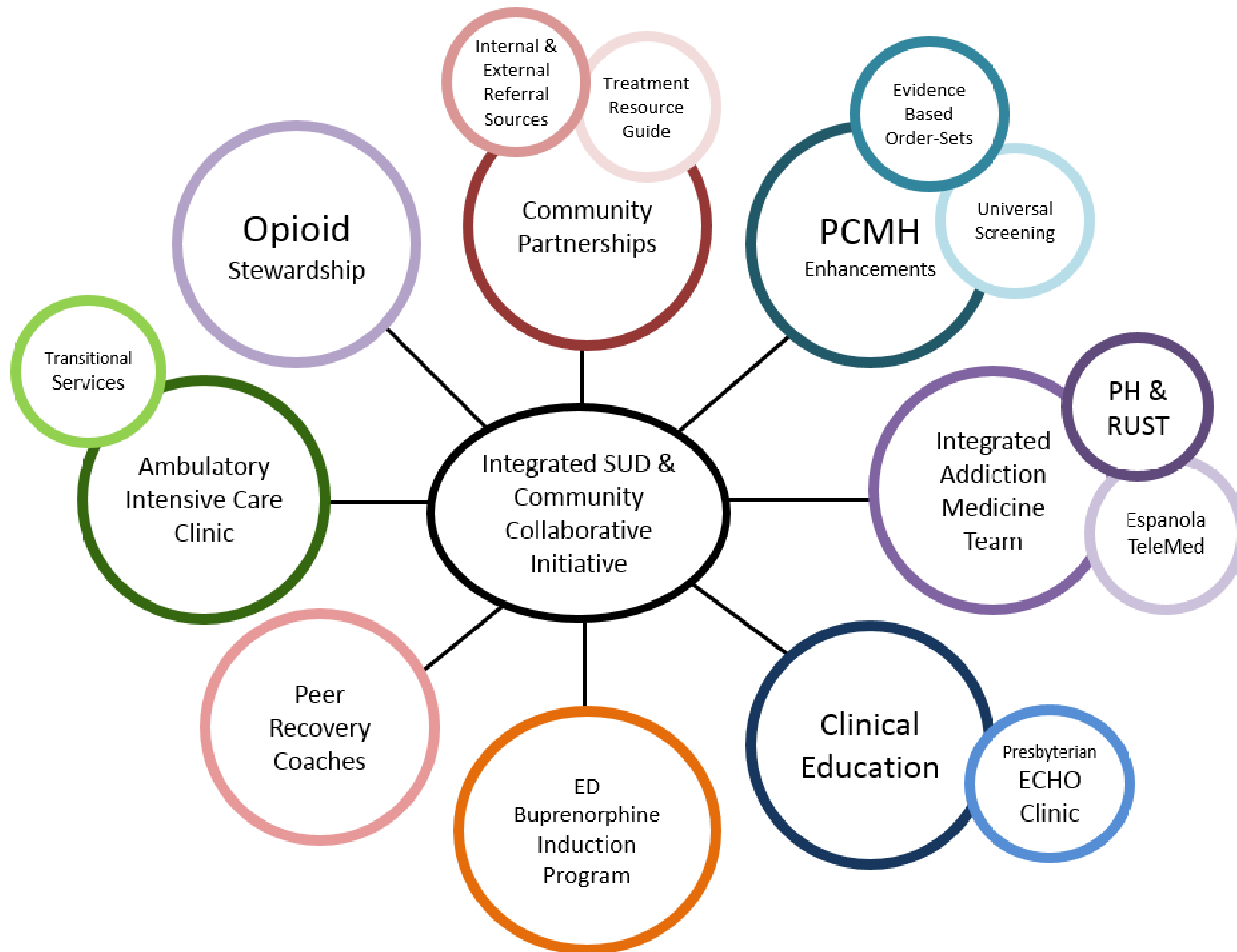
Mission:

Improve the physical and mental health status of people with substance use disorder(s) by creating a system of care that provides high-quality treatment/interventions and seamless transitions between all settings of care and the recovery community.

Vision:

Create a novel clinical model(s) to effectively identify, treat and manage patients with substance use disorders, that through innovative and evidence-based approaches, improves quality of life, reduces harm, lowers recidivism, and reduces costs for Presbyterian recipients and society overall.

Integrated Interventions



Innovation: New to Presbyterian, New to New Mexico, New to Industry

Ambulatory Surgical Centers

- Lower Cost Setting: 30-50% Reduction
- Increased Member Satisfaction
- Effective Services
- 3 Locations Albuquerque Metro Area

Hospital Observation Units

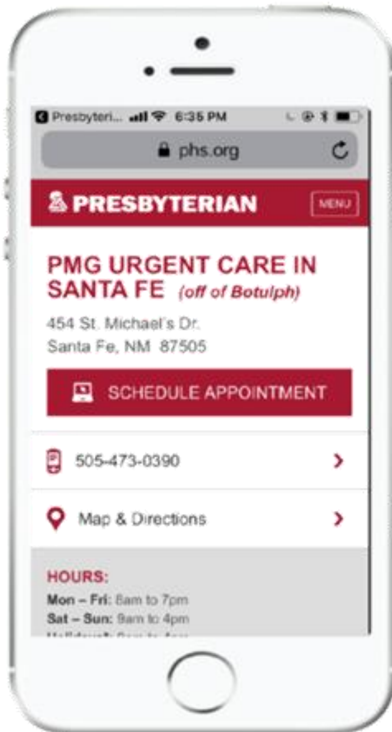
- Not everyone who needs overnight care needs an admission

Urgent Care/Emergency Care Clinics

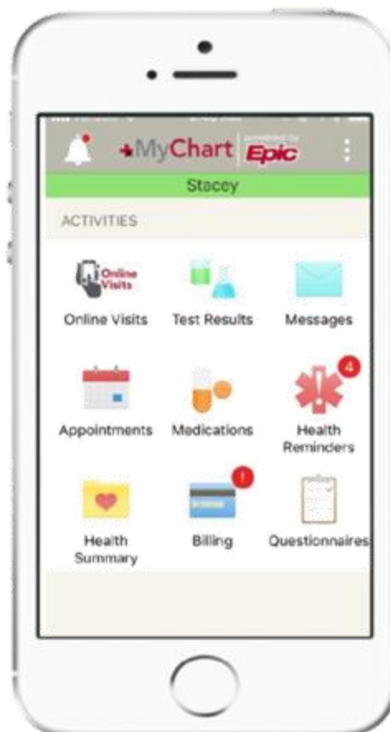
- 24 Hour Access
- Reduce cost by up to 10x for services
- 4 Locations Albuquerque Metro Area

Online Scheduling and Digital Tools

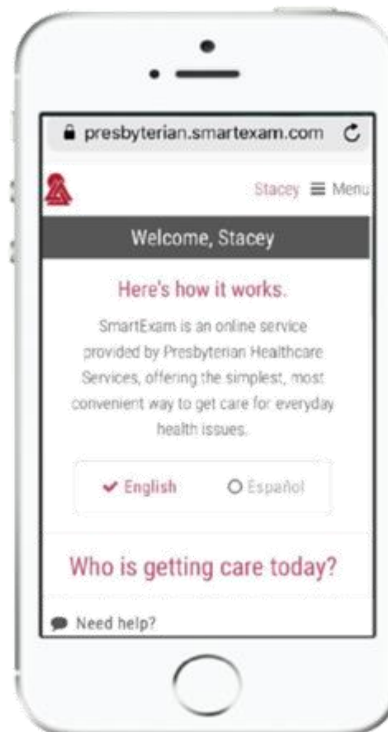
Urgent Care Appointments (PDS)



MyChart (PDS)



Online Visits (PDS)



Video Visits (PHP)

Presbyterian: Changing the Future of Health Care in New Mexico

Integration: What it means to NMRHCA and New Mexico

- Value Based Payments and Bundled Services

Growth

- Santa Fe Medical Center
- Las Estancia PMG

Disruption of Traditional Hospital Services and Cost Containment Innovations

- Ambulatory Surgical Centers
- Free Standing UC/ER
- Hospital Observation Units
- Online Scheduling and Digital Tools

Cost

Questions

JULY 2018

NEW MEXICO RETIREE HEALTH CARE AUTHORITY

ANNUAL BOARD MEETING

Blue Cross and Blue Shield of New Mexico, a Division of Health Care Service Corporation,
a Mutual Legal Reserve Company, an Independent Licensee of the Blue Cross and Blue Shield Association

NEW MEXICO RETIREE HEALTH CARE AUTHORITY

Blue Preferred Plus (Point-of-Service)

- 3-tier PPO
  - Tier 1 – Blue Preferred (BP) Network (NM providers only)
  - Tier 2 – All other PPO providers (NM, National and International)
  - Tier 3 – Out-of-network providers
- Blue Preferred providers are a smaller subset of our larger NM PPO network
- Benefit design will drive members to Tier 1, providing a lower out-of-pocket cost to the member.
- Cost savings advantage
  - Recommended plan design deductible amounts ($500 BP; $800 all other PPO Providers; $1,500 out-of-network)
  - Estimated savings is approximately $1M
- Out-of-state coverage will be paid at the Tier 2 (all other PPO) level of benefits, when participating PPO providers are used.

Blue Preferred Plus (Point-of-Service)

- Deductible must be met before benefit payments are made for services with coinsurance. Deductible amounts DO cross-apply between the Blue Preferred and PPO Provider levels; the Out-of-network provider level does not.

- After a member reaches the applicable out-of-pocket limit; BCBSNM pays 100% of the Blue Preferred, PPO or Out-of-network provider charges, whichever is applicable. Out-of-pocket amounts DO cross-apply between the Blue Preferred and PPO Provider levels; the Out-of-network provider level does not.

Example: Member's cost share for an outpatient procedure is $800. The $800 will apply toward the BP $500 deductible and the $800 PPO deductible. Therefore, the member has met their deductible under the BP and the PPO level. The next service, if received from a BP provider, will process at the 10% level or if received from a PPO provider, at the 20% level up to the out-of-pocket maximum.

NMRHCA Non-Medicare Premier PPO Plan – 01/01/19

The following highlights are for the New Mexico Retiree Health Care Authority Preferred Provider Organization (PPO) Plan that is administered by Blue Cross and Blue Shield of New Mexico (BCBSNM).

PPO Benefits (This plan has no lifetime maximum benefit, though certain services have maximum annual limits. See below).	What You Pay		
	Blue Preferred Provider	**Preferred Provider (PPO)**	**Out of Network**
Annual Deductible[1] Deductible applies to all services unless indicated as "waived" below. There is no family deductible. Blue Preferred and Preferred providers do cross apply.	$500/Individual	$800/Individual	$1,500/Individual
Annual Out-of-Pocket Limit Includes copayments, deductible and coinsurance only-NOT penalty amounts, or noncovered charges. No family out of pocket amount. Blue Preferred and Preferred providers do cross apply.	$3,000	$4,500	$6,000
Primary Preferred Provider (PPP)*Office Services *(Deductible waived for Preferred Providers.)* Office Visit (Includes mental health and chemical dependency services. Other services received during the office visit, such as therapy or surgery, are subject to deductible and coinsurance as listed in the rest of the summary.)	$20	$30	50%
Specialist Provider Office Services *(Deductible waived for Preferred Providers.)* Office Visit (Services received during the office visit, such as therapy or surgery, are subject to deductible and coinsurance as listed in the rest of the summary.)	$35	$45	50%
Office Surgery (including casts, splints, and dressings)[4]	10%	25%	50%
Allergy Injections, Tests, Serum	10%	25%	50%
Preventive Services Routine Adult Physicals and Gynecological Exams, certain services for Family Planning, Well-Child Care; Routine Vision or Hearing Screenings (only through age 18) and Immunizations. *(Deductible waived.)*	Plan pays 100%		50%
Related Testing (includes routine Pap tests, mammograms, cholesterol tests, urinalysis, etc.), and Immunizations *(Deductible waived.)*	Plan pays 100%		50%
Lab, X-Ray, and Pathology (*Deductible waived for Preferred Providers.*[4]	Plan pays 100%		50%
EKG	10%	25%	50%
High-Tech Radiology (e.g., MRI, MRA, CT Scan, PET Scans)[4] (Office /Free Standing Radiology)	$100 copay (deductible and coinsurance waived)		50%
High-Tech Radiology (e.g., MRI, MRA, CT Scan, PET Scans)[4] (Outpatient Department of Hospital)	10%	25%	50%
Ambulance Services, Ground or Emergency Air Transport	10%	25%	50%
Biofeedback (for specified medical conditions only)	10%	25%	50%
Cardiac and Pulmonary Rehabilitation, Outpatient[4]	10%	25%	50%
Colonoscopies (initial routine or medical diagnostic)	Plan pays 100%		50%
Emergency Room/Observation Room Treatment (Emergency only. *Deductible waived;* copay waived if admitted inpatient.)[3]	$125		$125
Physician and Other Professional Provider Charges [3]	10%	25%	50%
Hearing Aids and Related Services: Hearing aids for members under age 21 are paid at 100% of covered charges *(deductible waived)* up to a maximum of **$2,200** per ear during any 3-year period. Exams/testing subject to usual cost-sharing provisions. For members age 21 and older, benefits for hearing aids are limited to **$500** per member during any 3-year period, subject to Plan deductible and coinsurance.			
Home Health Care/Home I.V. Services[4]	10%	25%	50%
Hospice Services[4]	10%	25%	50%

Naturally Slim®

A Division of Health Care Service Corporation, a Mutual Legal Reserve Company,
an Independent Licensee of the Blue Cross and Blue Shield Association

Naturally Slim is a digital program focused on metabolic syndrome (MetS) reversal, diabetes prevention and weight management.

Clinically Proven

The prevalence of obesity and metabolic syndrome (MetS) — a cluster of risk factors that predicts serious conditions such as diabetes, heart disease and stroke — is growing at an alarming rate.

- Individuals with MetS average 60% more in medical costs per year than those without MetS and are seven times more likely to be a high-cost claimant in the future.
- Naturally Slim is proven to deliver sustainable weight loss and meaningful reversal of MetS risk factors — including hypertension and prediabetes.

Metabolic Risk Factors

- BMI (Body Mass Index)
- A High Triglyceride Level
- A Low HDL Cholesterol Level
- High **Blood Pressure**
- High Fasting **Blood Sugar**

A Behavior Game-changer

- The Naturally Slim curriculum is delivered in a common sense, real-world way to help people understand when, how and why they eat (which often has nothing to do with hunger) and then retrains them with new skills to use throughout their daily lives, while eating foods they enjoy.
- Unlike other "eat less, move more" programs that use the same old diet advice, Naturally Slim teaches participants skills – the skills that people who don't struggle with their weight use intuitively.

Cost

- The services are covered 100% for the member as preventive with no out-of-pocket cost to the member for intensive behavioral counseling services for prevention of diabetes, obesity, and cardiovascular disease (CPT 98969).

The following is the weekly treatment schedule with per participant maximums:

- **NS Foundations™ (skill building)** - $38.50 per session, 10 sessions max per participant. Claims only filed for weekly lesson completion.
- **NS4You™ (skill reinforcement)** - $25 per session, 7 sessions max per participant. Claims only filed for weekly lesson completion.
- **NS4Life™ (skill maintenance)** – included at no cost

NS BCBS average per participant
Cost = $280

PROVEN RESULTS

50.7%
of participants reversed their metabolic syndrome

55%
of participants reversed their diabetes risk

10.6 lbs
average weight loss per participant in first 10 weeks

50%
hypertension reversal among those who achieved 5% weight loss

WHO'S USING NATURALLY SLIM?

Sabre

Southwest

The Genuine. The Original. OVERHEAD DOOR

UT Benefits

THE TEXAS A&M UNIVERSITY SYSTEM

GARMIN

BaylorScott&White HEALTH

BIGELOW

GENESIS Health System

Naturally Slim®, the leading digital behavioral counseling program for metabolic syndrome reversal, weight management and diabetes prevention, combines a unique mindful-eating curriculum with technology to teach people the skills needed to sustainably lose weight and improve their health. Leading the digital health revolution, the program's unique curriculum has proven to be a game-changer in health improvement, disease prevention and lowering healthcare spend.

CLINICALLY PROVEN

The prevalence of obesity and metabolic syndrome (MetS) — a cluster of risk factors that predicts serious conditions such as diabetes, heart disease and stroke – is growing at an alarming rate. **Individuals with MetS average 60% more in medical costs per year than those without MetS and are seven times more likely to be a high-cost claimant in the future.**

Naturally Slim is proven to deliver sustainable weight loss and meaningful reversal of MetS risk factors – including hypertension and prediabetes – as illustrated in peer-reviewed clinical studies published in the Journal of Metabolic Syndrome & Related Disorders and the Journal of Occupational and Environmental Medicine.

Naturally Slim has been offered to millions of employees nationwide, helping hundreds of companies reduce the costs associated with obesity-related chronic disease.

www.naturallyslim.com

CUSTOMER ENGAGEMENT ENHANCEMENTS

A Division of Health Care Service Corporation, a Mutual Legal Reserve Company,
an Independent Licensee of the Blue Cross and Blue Shield Association

Customer Engagement

One of our 2018 strategies is to reduce customer effort and improve their experience.

- Partnering with UlyssesLearning (Service Mentor)
- Ulysses has been a BCBS Association partner for 12 years
- Other Blue organizations who partner with Ulysses shared best practices and success stories

From	To
Individualized call flow containing • **Greeting** • **HIPAA Validation** • **Answering Question Asked** • **Accurate & Complete** • **Customer Advocate's individually crafted call flow**	**Consistent call strategy and experience** • Acknowledge customer's need (greeting) • Offer assurance – here to help • Transition to asking questions (HIPAA) • Ask probing questions • Provide solutions with options (accurate and complete) • Gain acceptance • Recap and provide next steps • Ask if there is anything else

ServiceMentor Learning and Coaching Goals

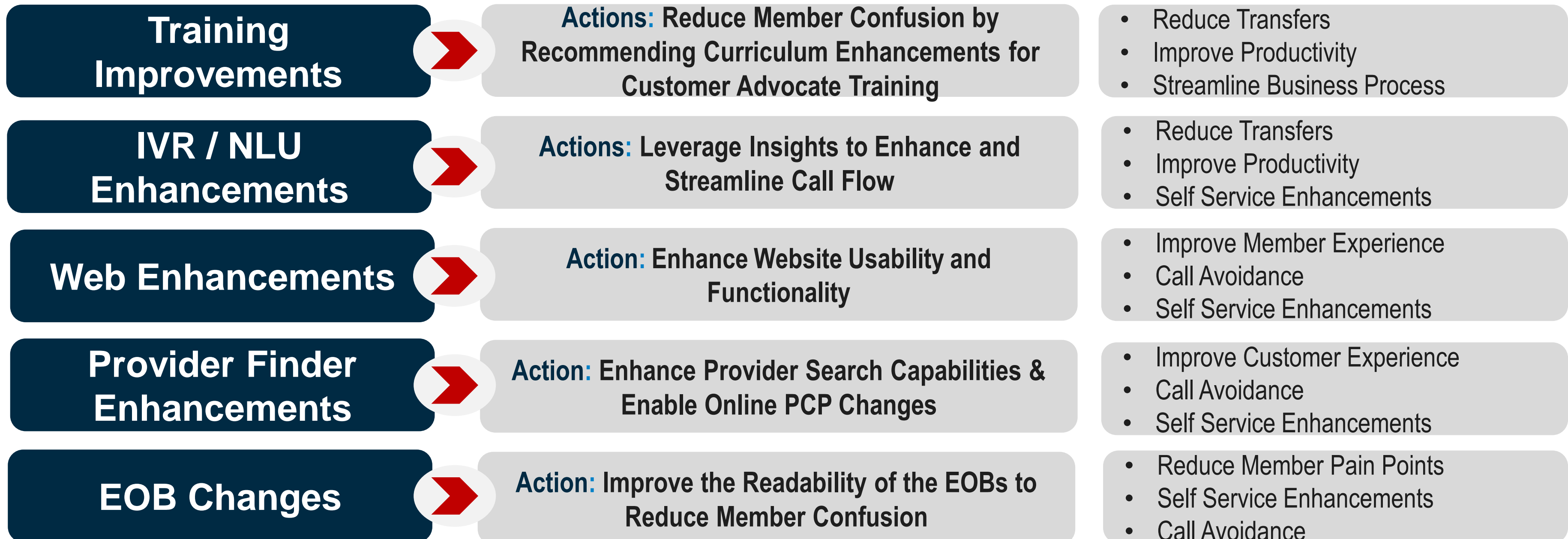
Prepares Customer Advocates to:

- Learn to demonstrate confidence, competence
- Maintain call control
- Defuse emotion and display empathy where appropriate
- Actively listen for root cause
- Probe effectively regarding customer's questions and concerns
- Proactively offer solutions with options
- Clearly explain relevant details and next steps to ensure alignment
- Ensure all issues and needs are addressed
- Use judgment at point of contact

Source: UlyssesLearning

Leverage technology to identify member confusion before it turns into frustration and escalation

Reduce Operational Costs – Reduce Member Effort – Improve Customer Experience



HEALTH CARE SERVICE CORPORATION (HCSC)

Health Care Service Corporation, a Mutual Legal Reserve Company (HCSC) is the largest customer-owned health insurer in the United States and fourth largest overall, operating through our health insurance Plans in Illinois, Montana, New Mexico, Oklahoma and Texas.

The company, founded in 1936, serves more than 15 million members across five states and employs more than 20,000 people in more than 60 local offices.

A Division of Health Care Service Corporation, a Mutual Legal Reserve Company,
an Independent Licensee of the Blue Cross and Blue Shield Association

Who We Are . . .

Health • Dental • Life • Disability • Connectivity • Pharmacy • Health IT

15 million members

4th largest U.S. health insurer

A Better Track Record of Customer Performance

A Bolder Strategy for the Future of Healthcare

BCBS NATIONALLY WAS THE FIRST

- To offer Americans health insurance
- To insure Federal employees nationwide
- Medicare insurer

#1 Brand in health care

more than **105** million members

100% of U.S. ZIP codes

92% of physicians

96% of hospitals

97% in-network claims

1 in 3 Americans are Blue

ILLINOIS

MONTANA

NEW MEXICO

OKLAHOMA

TEXAS

Your Collaborative Planning Guide

New Mexico Retiree Health Care Authority

Amy Daily Sr. Account Executive

Harris Zeyaee Sr. Clinical Account Executive

07/12/18

Confidential Information

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Top Line Performance Metrics: By LOB

- NMRHCA Commercial had the lowest Plan Cost PMPM at $161.08, trending at 2.0%
- NMRHCA EGWP had the highest Plan Cost PMPM at $290.37, trending at 6.3%
- NMRHCA Commercial had a Specialty Plan Cost PMPM of $69.00, trending at -3.2%

New Mexico Retiree Health Care Authority Combined - Key Stats by Population									
	New Mexico Retiree Health Care Authority Combined			New Mexico Retiree Health Care Authority Commercial			New Mexico Retiree Health Care Authority EGWP		
Description	7-17 - 5-18	7-16 - 5-17	Change	7-17 - 5-18	7-16 - 5-17	Change	7-17 - 5-18	7-16 - 5-17	Change
Average Members per Month	39,522	40,227	-1.8%	16,321	17,141	-4.8%	23,200	23,086	0.5%
Number of Unique Patients	37,899	38,259	-0.9%	15,537	16,111	-3.6%	22,998	22,880	0.5%
Total Plan Cost	$103,021,168	$99,165,612	3.9%	$28,918,891	$29,769,819	-2.9%	$74,102,277	$69,395,792	6.8%
Plan Cost Net	$82,884,326	$81,838,993	1.3%	$21,712,388	$23,665,415	-8.3%	$61,171,937	$58,173,578	5.2%
Total Days	40,365,585	40,646,873	-0.7%	10,450,666	10,842,240	-3.6%	29,914,919	29,804,633	0.4%
Adjusted Rxs	1,448,128	1,455,693	-0.5%	384,595	397,630	-3.3%	1,063,533	1,058,063	0.5%
Average Member Age	66.6	66.0	0.8%	54.3	54.0	0.5%	75.2	74.9	0.3%
Plan Cost PMPM	$236.97	$224.10	5.7%	$161.08	$157.89	2.0%	$290.37	$273.27	6.3%
Plan Cost Net PMPM	$190.65	$184.95	3.1%	$120.94	$125.51	-3.6%	$239.70	$229.08	4.6%
Plan Cost/Day	$2.55	$2.44	4.6%	$2.77	$2.75	0.8%	$2.48	$2.33	6.4%
Generic Fill Rate	88.6%	88.4%	0.2	87.4%	87.1%	0.3	89.1%	88.9%	0.1
Home Delivery Utilization	40.4%	41.3%	-0.9	38.3%	41.6%	-3.2	41.1%	41.2%	-0.1
Member Cost %	10.7%	11.5%	-0.8	10.8%	11.3%	-0.5	10.7%	11.5%	-0.9
Specialty Percent of Plan Cost	39.6%	39.2%	0.4	42.8%	45.1%	-2.3	43.4%	42.4%	1.0
Specialty Plan Cost PMPM	$93.83	$87.87	6.8%	$69.00	$71.25	-3.2%	$126.01	$115.94	8.7%
Formulary Compliance Rate	98.7%	98.4%	0.3	99.0%	98.7%	0.3	98.6%	98.3%	0.3

* Rebates are estimated based on paid and expected to be paid amounts. Actual rebate payments may differ from estimates.

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Top Line Performance Metrics: Peer Comparison

- Utilization (Adj Rxs PMPM) for both the Commercial and EGWP RHCA populations are below respective peer groups
- Generic Fill Rate is lower for both populations compared to peer groups
- Member Cost Share is lower for both populations compared to peer groups
- Specialty Percent of Plan Cost is higher for NMRHCA EGWP compared to peer

	RHCA - Combined	Government Retirement Systems - Combined	RHCA - Commercial	Government Retirement Systems - Non-Medicare	RHCA - EGWP	Government Retirement Systems - Medicare
Description	Jul-17 - May-18	Jul-17 - May-18	Jul-17 - May-18	Jul-17 - May-18	Jul-17 - May-18	Jul-17 - May-18
Average Member Age	66.6	71.5	54.3	56.7	75.2	75.7
Plan Cost PMPM	$236.97	$234.26	$161.08	$181.90	$290.37	$249.12
Plan Cost per Adj Rx	$71.14	$59.41	$75.19	$74.57	$69.68	$57.01
Nbr Adj Rxs PMPM	3.33	3.94	2.14	2.44	4.17	4.37
Generic Fill Rate	88.6%	90.5%	87.4%	88.5%	89.1%	90.9%
Home Delivery Utilization	40.40%	48.0%	38.3%	51.2%	41.1%	47.5%
Member Cost %	10.7%	13.0%	10.8%	12.6%	10.7%	13.1%
Specialty Percent of Plan Cost	39.6%	37.2%	42.8%	45.2%	43.4%	38.9%
Specialty Plan Cost PMPM	$93.83	$87.07	$69.00	$82.16	$126.01	$96.81
Formulary Compliance Rate	98.7%	98.6%	99.0%	98.4%	98.6%	98.7%

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Top 10 Indications

- The largest financially impactful change was in Diabetes driving $2.1M in cost from a 15.9% increase in PMPM
- The highest trend is in Anticoagulant at 41.2%, contributing an additional $2.69 to PMPM
- Generic Fill Rate (GFR) in Asthma lags your peer by 4.6 points

REPRESENTS 67.7% OF YOUR TOTAL PLAN COST

Top Indications by Plan Cost

7-17 - 5-18										7-16 - 5-17					% Change
AUM Strategy	Rank	Peer Rank	Indication	Adjusted Rxs	Patients	Plan Cost	Generic Fill Rate	Peer Generic Fill Rate	Plan Cost PMPM	Rank	Adjusted Rxs	Patients	Generic Fill Rate	Plan Cost PMPM	Plan Cost PMPM
ST/PA/DQM	1	1	DIABETES	114,470	7,552	$17,273,902	57.3%	51.0%	$39.73	1	113,117	7,531	59.4%	$34.28	15.9%
ST/PA/DQM	2	2	CANCER	6,066	781	$15,282,971	79.4%	80.5%	$35.15	2	6,189	823	80.2%	$33.44	5.1%
ST/PA/DQM	3	3	INFLAMMATORY CONDITIONS	8,850	975	$12,780,610	62.6%	63.9%	$29.40	3	8,707	950	62.4%	$24.67	19.2%
ST/PA/DQM	4	11	MULTIPLE SCLEROSIS	814	86	$4,627,469	19.8%	12.7%	$10.64	4	910	91	9.0%	$11.38	-6.5%
ST/PA/DQM	5	8	ASTHMA	37,434	6,510	$4,313,878	38.8%	43.4%	$9.92	6	36,111	6,098	36.6%	$8.90	11.5%
PA	6	4	ANTICOAGULANT	22,471	2,883	$4,007,981	50.7%	36.6%	$9.22	9	20,699	2,673	60.2%	$6.53	41.2%
ST/PA/DQM	7	6	PAIN/INFLAMMATION	98,355	15,607	$3,899,177	95.4%	93.6%	$8.97	5	101,483	16,027	95.1%	$8.91	0.7%
ST/DQM	8	7	HIGH BLOOD PRESS/HEART DISEASE	344,831	22,198	$2,746,638	99.1%	98.0%	$6.32	8	347,551	22,159	98.7%	$7.03	-10.1%
ST/PA/DQM	9	5	HIGH BLOOD CHOLESTEROL	145,796	15,607	$2,509,843	98.5%	96.7%	$5.77	7	145,877	15,565	96.1%	$8.24	-30.0%
ST/PA/DQM	10	19	PULMONARY HYPERTENSION	361	36	$2,332,181	26.3%	36.4%	$5.36	11	334	31	21.9%	$4.51	19.0%
			Total Top 10:	779,448		$69,774,649	87.4%		$160.50		780,978		87.5%	$147.87	8.5%
			Differences Between Periods:	-1,530		$4,340,912	-0.1%		$12.62						

Peer = Express Scripts Peer 'Government - 065' market segment

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Top 25 Drugs

- Represent 35.7% of your total Plan Cost and comprise 10 indications
- 11 of your top 25 are specialty drugs, making up 52.3% of your Top 25 spend

Top Drugs by Plan Cost														
				7-17 - 5-18					7-16 - 5-17				% Change
AUM Strategy	Rank	Peer Rank	Brand Name	Indication	Adj. Rxs	Pts.	Plan Cost	Plan Cost PMPM	Rank	Adj. Rxs	Pts.	Plan Cost PMPM	Plan Cost PMPM
ST/PA/DQM	1	4	HUMIRA PEN*	INFLAMMATORY CONDITIONS	883	109	$4,322,938	$9.94	1	703	86	$7.07	40.7%
PA	2	2	REVLIMID*	CANCER	239	36	$3,045,050	$7.00	2	246	33	$6.74	3.9%
ST/PA/DQM	3	10	ENBREL SURECLICK*	INFLAMMATORY CONDITIONS	441	51	$2,156,283	$4.96	3	470	58	$4.84	2.4%
ST/DQM	4	3	JANUVIA	DIABETES	6,246	793	$2,130,436	$4.90	4	5,618	755	$3.89	26.0%
PA/DQM	5	7	IMBRUVICA*	CANCER	167	22	$1,705,881	$3.92	8	145	25	$2.91	35.0%
PA	6	5	XARELTO	ANTICOAGULANT	4,980	732	$1,674,691	$3.85	15	3,718	589	$2.56	50.6%
PA	7	1	ELIQUIS	ANTICOAGULANT	4,815	665	$1,599,841	$3.68	18	3,123	462	$2.16	70.4%
N/A	8	6	LANTUS SOLOSTAR	DIABETES	5,385	749	$1,515,473	$3.49	6	5,051	749	$3.30	5.6%
ST/PA/DQM	9	12	XTANDI*	CANCER	144	22	$1,455,103	$3.35	5	151	26	$3.32	0.9%
N/A	10	8	HUMALOG KWIKPEN U-100	DIABETES	3,084	547	$1,440,032	$3.31	7	2,908	548	$2.95	12.2%
PA/DQM	11	11	IBRANCE*	CANCER	136	18	$1,414,456	$3.25	14	107	19	$2.56	27.1%
ST	12	9	LYRICA	PAIN/INFLAMMATION	3,123	479	$1,366,531	$3.14	13	3,218	494	$2.61	20.5%
PA/DQM	13	19	TRULICITY	DIABETES	2,029	277	$1,240,996	$2.85	40	1,064	166	$1.33	115.4%
PA/DQM	14	13	ADVAIR DISKUS	ASTHMA	3,686	645	$1,199,708	$2.76	10	4,180	711	$2.80	-1.3%
ST/PA/DQM	15	24	FORTEO*	OSTEOPOROSIS	361	59	$1,117,543	$2.57	11	458	64	$2.76	-7.0%
ST	16	93	AUBAGIO*	MULTIPLE SCLEROSIS	171	17	$1,104,505	$2.54	24	148	17	$2.05	24.0%
ST/PA/DQM	17	26	ENBREL*	INFLAMMATORY CONDITIONS	246	33	$1,054,024	$2.42	9	308	40	$2.85	-14.9%
N/A	18	23	LEVEMIR FLEXTOUCH	DIABETES	3,005	401	$1,048,719	$2.41	12	3,173	459	$2.67	-9.6%
PA/DQM	19	25	IMATINIB MESYLATE*	CANCER	105	11	$971,105	$2.23	19	93	14	$2.15	4.1%
PA/DQM	20	20	SYMBICORT	ASTHMA	3,847	742	$936,118	$2.15	23	3,978	771	$2.06	4.7%
DQM	21	17	SPIRIVA	COPD	2,781	414	$877,669	$2.02	20	3,212	446	$2.11	-4.3%
ST/PA/DQM	22	29	HUMIRA*	INFLAMMATORY CONDITIONS	174	25	$875,838	$2.01	29	165	22	$1.72	16.9%
DQM	23	55	XIFAXAN	GI DISORDERS	480	105	$870,205	$2.00	25	523	97	$1.99	0.6%
N/A	24	36	LANTUS	DIABETES	2,183	313	$827,276	$1.90	22	2,531	384	$2.07	-8.1%
N/A	25	34	HUMALOG	DIABETES	1,776	280	$822,586	$1.89	26	1,855	296	$1.85	2.4%
				Total Top 25:	50,487		$36,773,008	$84.59		47,146		$73.30	15.4%
				Differences Between Periods:	3,341		$4,336,316	$11.28					

*Specialty Drugs

Peer = Express Scripts Peer 'Government - 065' market segment

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RHCA EGWP & Pre-Medicare Clinical Savings

Trend Management	Plan Cost Savings	Plan Cost Savings PMPM	Program Description
Prior Authorization	$4,066,405	$10.29	A review of the indication and other pertinent information is performed to confirm that products are covered only when clinical criteria are met.
Drug Quantity Management	$2,636,307	$6.67	Review claims and allow FDA approved quantities
Step Therapy/PSM	$802,852	$2.03	Promote lower cost first line agents before more expensive brand name products.
Estimated Program Fees	($296,357)	($0.75)	Estimated Fees
Total Plan Cost Savings $7,209,207 or $18.24 PMPM (Net of Estimated Program Fees)			

Reporting Period: 07/01/2017 - 5/31/2018

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RationalMed July 2017 – May 2018

- RMED drove 31,018 safety alerts with a 42% (11,035) success rate, up 19% from last year.
- 11,227 total unique members with safety alerts this period.
- RMED secured $1,732,019 in Rx savings for this period

RationalMed® safety protection

Trazodone & QT prolongation/ventricular arrhythmia interaction

Assessment	Potential risk	Call to action
22 patients with a history of a serious heart rhythm disorder, such as QT prolongation or ventricular arrhythmia, taking trazodone for depression and/or anxiety.	Trazodone can prolong the QT interval. There may be an increased risk of ventricular arrhythmia. Caution is advised when trazodone is used with agents known to prolong the QT interval or in patients with cardiac disease.	RationalMed® identified the risk and alerted the physicians.

Population Outcome:

Trazodone was discontinued or the dosage was decreased for 10 patients

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Express Scripts Initiatives to Help Control Drug Prices

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Evolving to meet your needs in a dynamic market

High Cost of New Products

Value-based Approach

Trend Drivers & Price Hikes

Adherence

- $1,000 for a single pill
- $14,000 annual cholesterol treatment
- Real application within oncology
- Tackled top trend drivers
- Skyrocketing prices overnight
- Stopping nonadherence with novel solutions

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Innovation that shapes the industry

"The PBM [is] flexing its pricing muscle to take advantage of the competitive dynamics of the market place"

When the Price Is Wrong: Express Scripts Battles Ultra-expensive Drugs

Pharmacy Deal Heralds Changed Landscape for Hepatitis Drug

The People Who Brought You Cheaper Hepatitis C Drugs Are Going After Cancer Next

"Express Scripts is on **the leading edge of clinical solutions** and helps their clients in **aggressively managing our cost** with pharma."

– Express Scripts client

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The SafeGuardRx® Suite of Solutions

Hepatitis Cure Value Program®

Multiple Sclerosis Care Value Program℠

Inflammatory Conditions Care Value Program℠

Cholesterol Care Value Program®

Oncology Care Value Program®

SPECIALTY

Express Scripts SafeGuardRx®

TRADITIONAL

PROTECTION

Diabetes Care Value Program℠

Market Events Protection Program℠

Pulmonary Care Value Program℠

Inflation Protection Program

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What to think about moving forward...

Current | Future | Extended Future

- CIGNA/ESI Transaction under review
- New drugs for migraine therapy available
- Gene Therapy
- NASH (Nonalcoholic Steatohepatitis)

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Appendix

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Top 10 Indications by Net Cost - Combined

- The largest financially impactful change was in Inflammatory Conditions driving $1.2M in Net Cost from a 14.9% increase in PMPM
- The highest trend is in Anticoagulant at 34.8%, contributing an additional $1.76 to Net Cost PMPM

REPRESENTS
65.3%
OF YOUR TOTAL NET COST

Top Indications by Net Cost

			7-17 - 5-18								7-16 - 5-17					% Change
AUM Strategy	Net Cost Rank	Peer Rank	Indication	Adjusted Rxs	Patients	Net Cost	Generic Fill Rate	Peer Generic Fill Rate	Net Cost PMPM	Net Cost Rank	Adjusted Rxs	Patients	Generic Fill Rate	Net Cost PMPM	Net Cost PMPM
ST/PA/DQM	1	2	CANCER	6,066	781	$15,241,029	79.4%	80.5%	$35.06	1	6,189	823	80.2%	$33.35	5.1%
ST/PA/DQM	2	3	INFLAMMATORY CONDITIONS	8,850	975	$10,255,572	62.6%	63.9%	$23.59	2	8,707	950	62.4%	$20.52	14.9%
ST/PA/DQM	3	1	DIABETES	114,470	7,552	$8,470,638	57.3%	51.0%	$19.48	3	113,117	7,531	59.4%	$18.61	4.7%
ST/PA/DQM	4	11	MULTIPLE SCLEROSIS	814	86	$4,169,289	19.8%	12.7%	$9.59	4	910	91	9.0%	$10.19	-5.9%
ST/PA/DQM	5	6	PAIN/INFLAMMATION	98,355	15,607	$3,744,584	95.4%	93.6%	$8.61	5	101,483	16,027	95.1%	$8.46	1.8%
PA	6	4	ANTICOAGULANT	22,471	2,883	$2,968,747	50.7%	36.6%	$6.83	8	20,699	2,673	60.2%	$5.07	34.8%
ST/DQM	7	7	HIGH BLOOD PRESS/HEART DISEASE	344,831	22,198	$2,647,785	99.1%	98.0%	$6.09	7	347,551	22,159	98.7%	$6.48	-6.0%
ST/PA/DQM	8	8	ASTHMA	37,434	6,510	$2,280,946	38.8%	43.4%	$5.25	9	36,111	6,098	36.6%	$4.95	6.0%
ST/PA/DQM	9	5	HIGH BLOOD CHOLESTEROL	145,796	15,607	$2,233,083	98.5%	96.7%	$5.14	6	145,877	15,565	96.1%	$7.29	-29.5%
ST/PA/DQM	10	19	PULMONARY HYPERTENSION	361	36	$2,146,111	26.3%	36.4%	$4.94	10	334	31	21.9%	$4.18	18.1%
			Total Top 10:	779,448		$54,157,785	87.4%		$124.57		780,978		87.5%	$119.10	4.6%
			Differences Between Periods:	-1,530		$1,456,724	-0.1%		$5.48						

Peer = Express Scripts Peer 'Government - 065' market segment. Peer is based on Plan Cost
Rebates are estimated based on paid and expected to be paid amounts. Actual rebate payments may differ from estimates.

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Top 10 Indications by Net Cost - Commercial

- The largest financially impactful change was in Inflammatory Conditions driving $0.2M in Net Cost from a 10.5% increase in PMPM
- The highest trend is in Asthma at 14.5%, contributing an additional $0.40 to Net Cost PMPM

REPRESENTS
65.9%
OF YOUR TOTAL NET COST

Top Indications by Net Cost

7-17 - 5-18										7-16 - 5-17					% Change
AUM Strategy	Net Cost Rank	Peer Rank	Indication	Adjusted Rxs	Patients	Net Cost	Generic Fill Rate	Peer Generic Fill Rate	Net Cost PMPM	Net Cost Rank	Adjusted Rxs	Patients	Generic Fill Rate	Net Cost PMPM	Net Cost PMPM
ST/PA/DQM	1	2	INFLAMMATORY CONDITIONS	2,901	326	$4,137,534	53.2%	47.5%	$23.05	1	2,886	316	53.6%	$20.87	10.5%
ST/PA/DQM	2	3	CANCER	1,886	253	$2,688,349	88.9%	87.0%	$14.97	2	1,756	253	87.0%	$16.75	-10.6%
ST/PA/DQM	3	1	DIABETES	34,257	2,523	$2,500,978	57.2%	48.3%	$13.93	3	34,428	2,539	59.1%	$13.31	4.7%
ST/PA/DQM	4	4	MULTIPLE SCLEROSIS	341	41	$1,822,597	22.9%	12.2%	$10.15	4	407	45	5.4%	$11.03	-8.0%
ST/PA/DQM	5	5	PAIN/INFLAMMATION	27,185	5,378	$677,296	97.8%	95.0%	$3.77	6	28,668	5,693	97.9%	$3.90	-3.2%
ST/PA/DQM	6	8	ASTHMA	11,051	2,220	$568,756	42.3%	51.2%	$3.17	10	10,778	2,239	38.8%	$2.77	14.5%
ST/DQM	7	11	HIGH BLOOD PRESS/HEART DISEASE	78,606	6,477	$534,783	99.3%	98.6%	$2.98	8	80,751	6,615	98.9%	$3.17	-6.1%
N/A	8	18	HEMOPHILIA	33	2	$521,798	0.0%	7.1%	$2.91	9	15	3	0.0%	$2.88	0.8%
ST/PA/DQM	9	13	HIGH BLOOD CHOLESTEROL	36,834	4,397	$456,730	99.3%	97.7%	$2.54	7	37,766	4,543	97.1%	$3.87	-34.3%
ST/DQM	10	12	DEPRESSION	23,525	2,847	$401,683	98.8%	97.9%	$2.24	12	24,741	3,009	98.3%	$2.17	3.1%
			Total Top 10:	216,619		$14,310,504	88.7%		$79.71		222,196		88.5%	$80.72	-1.3%
			Differences Between Periods:	-5,577		-$909,602	0.2%		-$1.01						

Peer = Express Scripts Peer 'Government - State' market segment. Peer is based on Plan Cost
Rebates are estimated based on paid and expected to be paid amounts. Actual rebate payments may differ from estimates.

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Top 10 Indications by Net Cost - EGWP

- The largest financially impactful change was in Inflammatory Conditions driving $1.0M in Net Cost from a 18.3% increase in PMPM
- The highest trend is in Anticoagulant at 34.7%, contributing an additional $2.71 to Net Cost PMPM

REPRESENTS
65.6%
OF YOUR TOTAL NET COST

Top Indications by Net Cost																
7-17 - 5-18										7-16 - 5-17						% Change
AUM Strategy	Net Cost Rank	Peer Rank	Indication	Adjusted Rxs	Patients	Net Cost	Generic Fill Rate	Peer Generic Fill Rate	Net Cost PMPM	Net Cost Rank	Adjusted Rxs	Patients	Generic Fill Rate	Net Cost PMPM	Net Cost PMPM
ST/PA/DQM	1	2	CANCER	4,180	545	$12,552,680	75.1%	80.5%	$49.19	1	4,433	582	77.5%	$45.68	7.7%
ST/PA/DQM	2	3	INFLAMMATORY CONDITIONS	5,949	664	$6,118,038	67.2%	63.9%	$23.97	3	5,821	646	66.7%	$20.27	18.3%
ST/PA/DQM	3	1	DIABETES	80,213	5,159	$5,969,660	57.4%	51.0%	$23.39	2	78,689	5,138	59.5%	$22.55	3.7%
ST/PA/DQM	4	6	PAIN/INFLAMMATION	71,170	10,374	$3,067,289	94.5%	93.6%	$12.02	4	72,815	10,488	94.0%	$11.85	1.4%
PA	5	4	ANTICOAGULANT	19,840	2,512	$2,688,771	49.0%	36.6%	$10.54	8	18,334	2,318	59.0%	$7.82	34.7%
ST/PA/DQM	6	11	MULTIPLE SCLEROSIS	473	46	$2,346,692	17.5%	12.7%	$9.20	6	503	47	11.9%	$9.56	-3.9%
ST/DQM	7	7	HIGH BLOOD PRESS/HEART DISEASE	266,225	16,050	$2,113,002	99.0%	98.0%	$8.28	7	266,800	15,902	98.6%	$8.93	-7.3%
ST/PA/DQM	8	19	PULMONARY HYPERTENSION	312	31	$1,791,648	25.6%	36.4%	$7.02	10	264	25	20.1%	$5.54	26.8%
ST/PA/DQM	9	5	HIGH BLOOD CHOLESTEROL	108,962	11,422	$1,776,353	98.2%	96.7%	$6.96	5	108,111	11,277	95.8%	$9.82	-29.1%
ST/PA/DQM	10	8	ASTHMA	26,383	4,344	$1,712,190	37.4%	43.4%	$6.71	9	25,333	3,921	35.7%	$6.57	2.1%
			Total Top 10:	583,707		$40,136,324	87.5%		$157.27		581,103		87.6%	$148.59	5.8%
			Differences Between Periods:	2,604		$2,401,418	-0.1%		$8.68						

Peer = Express Scripts Peer 'Government - 065' market segment. Peer is based on Plan Cost
Rebates are estimated based on paid and expected to be paid amounts. Actual rebate payments may differ from estimates.

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EXPRESS SCRIPTS®

Rare Conditions Trend

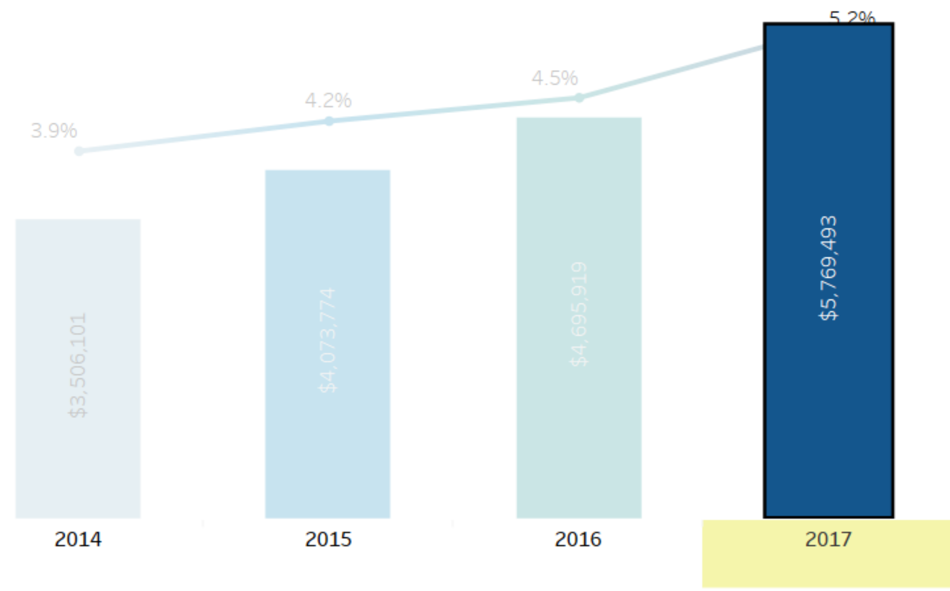
RHCA (Pre-Medicare):
85 members & $5.8M in Rx Spend
nearly double that of 2014.

Carrier

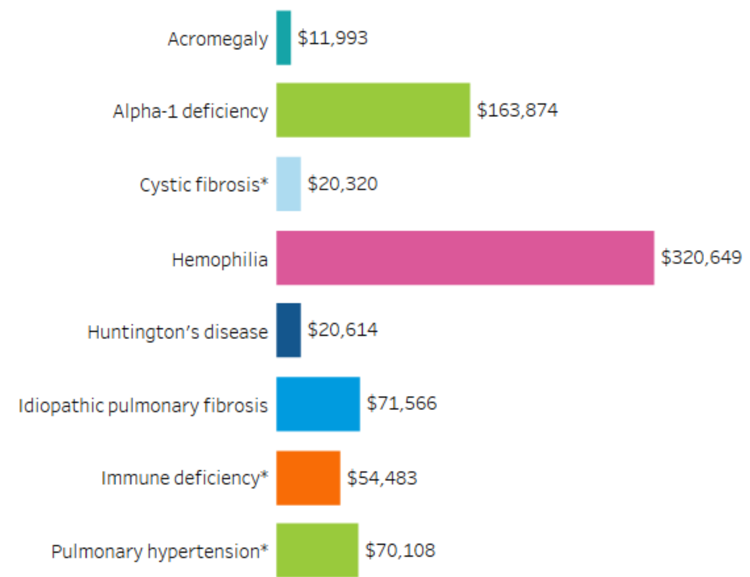
NEW MEXICO RETIREE AUTHORITY----15037

Plan Cost

Plan Cost For NEW MEXICO RETIREE AUTHORITY----15037



Plan Cost per Patient for Year- 2017 NEW MEXICO RETIREE AUTHORITY----15037



Patients with more than $50,000 in pharmacy costs doubled between 2016 and 2017, and contributed one out of every four dollars of pharmacy spend. In this report, we're showing information about cost and utilization of rare conditions medications. This includes the 7 RCCV conditions as well as other rare conditions to watch in the coming years. The number of patients using medications for rare conditions has been increasing due to new drugs coming to market. Between 2014 and 2017, 12 new drugs have come to market and we expect an additional 15 new drugs between 2018 and 2020. In 2017, 40.6% of plan sponsors had a patient for one of the 7 RCCV conditions compared to only 28.6% in 2014. In 2017, pharmacy spend for the RCCV conditions combined was equal to what payers spent on depression – the 11th most expensive conditions in the Express Scripts Drug Trend Report. In 2020, we estimate that rare condition pharmacy spend for to equal all high blood cholesterol medications, including PCSK9s.

*indicates therapy classes for other rare conditions with clinical care management outside of current RCCV consideration.

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New Mexico Retiree Health Care Authority

Actuarial, Claims, and Demographics Study

July 12, 2018

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❶ Objective & Primary Actuarial Tasks

❷ Review of CY2017 Incurred Claims

- Cost & Utilization Trends by Type of Service
- Claims Distribution
- Comparison to Facility and Professional Benchmarks

❸ CY2017 Demographic Analysis, Risk Scores, and Large Claimant Analysis

- Understanding Enrollment Risk
- Age Distribution & Age Risk Factor by Carrier
- Non-Medicare Health Status by Carrier and Plan

Objective & Primary Actuarial Tasks

- Goal: Improve understanding of NMRHCA benefit structure & dynamics and how they relate to the sustainability of affordable benefit options
- Primary Actuarial Tasks for NMRHCA
  - Estimate liability for Incurred But Not Reported (IBNR) claims
  - Perform valuation of OPEB liabilities under GASB 74/75
  - Develop funding projections (both short-term and long-term)
    - Balance Retiree Contributions + Other Revenue = Benefits Costs + Operating Expenses + Surplus Contribution (or Loss)
    - Calendar year basis (rates) and fiscal year basis (solvency)
  - Develop Calendar Year Target Rates as basis for Retiree Contributions
    - For fully insured benefits, typically equals negotiated premium or estimated renewal premium
    - For self-funded benefits, project claim payments and administration expenses for calendar year

❶ Objective & Primary Actuarial Tasks

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2017 Non-Medicare Claims

	Blue Cross Blue Shield of New Mexico Non-Medicare				Presbyterian Healthcare Services Non-Medicare				New Mexico Health Connections Non-Medicare			
Type of Service	2017 Encounters	% of 2017 Encounters	2017 Paid	% of 2017 Paid	2017 Encounters	% of 2017 Encounters	2017 Paid	% of 2017 Paid	2017 Encounters	% of 2017 Encounters	2017 Paid	% of 2017 Paid
Inpatient Hospital Facility	1,009	0.5%	$16,338,367	25.4%	891	0.7%	$11,833,305	28.5%	17	0.4%	$108,534	20.5%
Outpatient Hospital Facility	11,413	5.8%	$7,363,616	11.4%	6,589	4.8%	$4,101,698	9.9%	223	4.8%	$19,614	3.7%
Emergency Room Facility	863	0.4%	$533,313	0.8%	1,740	1.3%	$529,046	1.3%	44	1.0%	$5,071	1.0%
Anesthesia	1,753	0.9%	$918,786	1.4%	1,081	0.8%	$678,870	1.6%	37	0.8%	$14,998	2.8%
Surgery	21,567	10.9%	$8,266,147	12.8%	13,742	10.1%	$6,575,082	15.8%	609	13.2%	$88,919	16.8%
Lab / Path	43,818	22.2%	$10,676,983	16.6%	32,677	24.0%	$6,454,479	15.5%	1,069	23.2%	$120,153	22.7%
Evaluation and Management	40,951	20.7%	$3,081,609	4.8%	30,516	22.4%	$2,208,895	5.3%	1,186	25.8%	$70,235	13.3%
Well Visits	3,268	1.7%	$500,097	0.8%	3,279	2.4%	$448,480	1.1%	141	3.1%	$23,350	4.4%
Emergency Room Professional	2,217	1.1%	$1,592,556	2.5%	1,739	1.3%	$1,079,333	2.6%	61	1.3%	$22,193	4.2%
Chiropractic	7,171	3.6%	$79,685	0.1%	2,612	1.9%	$22,150	0.1%	81	1.8%	$0	0.0%
Medicine	39,978	20.2%	$4,562,590	7.1%	27,300	20.1%	$2,069,233	5.0%	746	16.2%	$28,593	5.4%
Infusions and Injections	8,162	4.1%	$5,765,604	8.9%	5,095	3.7%	$3,878,953	9.3%	152	3.3%	$3,766	0.7%
DME	5,942	3.0%	$2,378,634	3.7%	4,103	3.0%	$706,278	1.7%	84	1.8%	$10,582	2.0%
Ambulance and Other	9,347	4.7%	$2,364,476	3.7%	4,684	3.4%	$977,911	2.4%	155	3.4%	$14,028	2.6%
Total	**197,459**	**100.0%**	**$64,422,464**	**100.0%**	**136,048**	**100.0%**	**$41,563,713**	**100.0%**	**4,605**	**100.0%**	**$530,035**	**100.0%**

- Inpatient facility charges continue to be the highest cost service for both BCBSNM and Presbyterian
  - NMHC costs for lab and pathology tests exceeded inpatient facility charges. Evaluation and management comprised a higher percentage of NMHC claims than either BCBSNM or Presbyterian
- Surgery made up a higher percentage of Presbyterian claims (15.8%) than BCBSNM claims (12.8%)
  - Surgery has consistently comprised a higher percentage of Presbyterian claims than BCBSNM claims since 2008, although this difference has narrowed from 6.9 percentage points in 2016 compared to 3.0 in 2017

2017 vs 2016 BCBSNM Premier Plan Claims Experience

	Blue Cross Blue Shield of New Mexico Non-Medicare Premier Plan								
Type of Service	2017 Encounters per 1,000 Members	2016 Encounters per 1,000 Members	% Change	2017 Paid per Encounter	2016 Paid per Encounter	% Change	2017 Paid PMPY	2016 Paid PMPY	% Change
Inpatient Hospital Facility	125	102	22.6%	$16,193	$13,548	19.5%	$2,024	$1,381	46.5%
Outpatient Hospital Facility	1,414	973	45.3%	$645	$623	3.5%	$912	$606	50.4%
Emergency Room Facility	107	81	31.7%	$618	$550	12.4%	$66	$45	48.0%
Anesthesia	217	164	32.3%	$524	$533	-1.7%	$114	$88	30.1%
Surgery	2,671	2,287	16.8%	$383	$304	26.2%	$1,024	$694	47.5%
Lab / Path	5,428	4,577	18.6%	$244	$238	2.6%	$1,323	$1,087	21.6%
Evaluation and Management	5,073	4,307	17.8%	$75	$72	4.6%	$382	$310	23.2%
Well Visits	405	402	0.6%	$153	$145	5.7%	$62	$58	6.4%
Emergency Room Professional	275	234	17.2%	$718	$651	10.4%	$197	$153	29.3%
Chiropractic	888	779	14.0%	$11	$12	-5.3%	$10	$9	8.0%
Medicine	4,952	4,151	19.3%	$114	$124	-8.3%	$565	$517	9.4%
Infusions and Injections	1,011	708	42.8%	$706	$517	36.5%	$714	$366	94.9%
DME	736	501	47.0%	$400	$293	36.6%	$295	$147	100.7%
Ambulance and Other	1,158	1,008	14.8%	$253	$241	5.1%	$293	$243	20.6%
Total	**24,459**	**20,277**	**20.6%**	**$326**	**$281**	**16.0%**	**$7,980**	**$5,704**	**39.9%**

- Utilization and Cost metrics for the BCBSNM Premier plan were significantly impacted by migration of less healthy Premier Plus members into the Premier plan and migration of relatively healthy Premier plan members to the Value plans
- Increase in utilization was a trend driver for the BCBSNM Premier plan population in all areas
  - BCBSNM Premier plan encounters PMPM increased 20.6% from 1.69 in 2016 to 2.04 in 2017
- BCBSNM Premier plan PMPY trend of 39.9% was less favorable than 8.0% medical paid trend assumption for calendar year 2017

2017 vs 2016 Presbyterian Premier Plan Claims Experience

	Presbyterian Healthcare Services Non-Medicare Premier Plan								
Type of Service	2017 Encounters per 1,000 Members	2016 Encounters per 1,000 Members	% Change	2017 Paid per Encounter	2016 Paid per Encounter	% Change	2017 Paid PMPY	2016 Paid PMPY	% Change
Inpatient Hospital Facility	133	75	76.8%	$13,141	$14,352	-8.4%	$1,749	$1,080	61.8%
Outpatient Hospital Facility	1,021	786	29.8%	$646	$419	54.4%	$660	$329	100.4%
Emergency Room Facility	252	224	12.8%	$306	$273	11.7%	$77	$61	26.0%
Anesthesia	159	135	17.5%	$634	$543	16.7%	$101	$74	37.1%
Surgery	2,016	1,683	19.8%	$496	$502	-1.1%	$1,000	$844	18.5%
Lab / Path	4,759	4,108	15.8%	$203	$197	3.0%	$966	$810	19.3%
Evaluation and Management	4,465	3,830	16.6%	$74	$69	6.8%	$329	$264	24.6%
Well Visits	439	428	2.6%	$137	$134	2.7%	$60	$57	5.4%
Emergency Room Professional	251	224	11.9%	$618	$559	10.5%	$155	$125	23.7%
Chiropractic	390	404	-3.4%	$10	$11	-6.4%	$4	$4	-9.6%
Medicine	4,080	3,167	28.8%	$77	$67	15.0%	$314	$212	48.1%
Infusions and Injections	770	574	34.1%	$826	$534	54.8%	$637	$307	107.7%
DME	650	438	48.4%	$151	$137	10.2%	$98	$60	63.5%
Ambulance and Other	853	889	-4.1%	$209	$215	-2.7%	$178	$191	-6.7%
Total	**20,239**	**16,966**	**19.3%**	**$313**	**$260**	**20.0%**	**$6,328**	**$4,419**	**43.2%**

- Utilization and Cost metrics for Presbyterian Premier plan were impacted similarly to BCBSNM
- Presbyterian Premier plan members continue to utilize the plan less than BCBSNM Premier plan members
  - Presbyterian Premier plan encounters PMPM increased 19.3% from 1.41 in 2016 to 1.69 in 2017
- Presbyterian Premier plan PMPY trend of 43.2% was less favorable than 8.0% medical paid trend assumption for calendar year 2017

2017 Claims Distribution – Non-Medicare Medical only

Annual Claims	2017 % of Members	2017 Cumulative % of Members	2016 % of Members	2016 Cumulative % of Members	2017 Medical Paid	% of 2017 Medical Paid	Cumulative % of 2017 Medical Paid	2016 Medical Paid	% of 2016 Medical Paid	Cumulative % of 2016 Medical Paid
<$1	15.9%	15.9%	15.2%	15.2%	$16,485	0.0%	0.0%	$1,619	0.0%	0.0%
$1-$100	1.9%	17.9%	2.4%	17.6%	$14,079	0.0%	0.0%	$17,675	0.0%	0.0%
$100-$300	8.0%	25.9%	9.6%	27.2%	$200,454	0.2%	0.2%	$269,319	0.3%	0.3%
$301-$800	14.0%	39.9%	16.4%	43.6%	$952,699	0.9%	1.1%	$1,294,742	1.2%	1.5%
$801-$5,000	36.5%	76.4%	36.0%	79.6%	$9,634,421	9.0%	10.1%	$11,417,651	11.0%	12.5%
$5,001-$10,000	9.6%	86.0%	8.6%	88.2%	$7,605,998	7.1%	17.1%	$8,912,771	8.5%	21.0%
$10,001-$15,000	3.9%	89.9%	3.4%	91.6%	$5,328,523	5.0%	22.1%	$6,110,541	5.9%	26.9%
$15,001-$20,000	2.2%	92.1%	1.9%	93.6%	$4,278,654	4.0%	26.1%	$4,923,921	4.7%	31.6%
$20,001+	7.9%	100.0%	6.4%	100.0%	$79,479,322	73.9%	100.0%	$71,317,188	68.4%	100.0%
Medical Total	**100.0%**		**100.0%**		**$107,510,635**	**100.0%**		**$104,265,426**	**100.0%**	

- In 2017, 82.9% of non-Medicare Medical claims were incurred by the 14.0% of members with annual claims in excess of $10,000
  - As expected, claims in excess of $10,000 have increased as a percentage of Medical Paid, from 79.0% in 2016, 78.4% in 2015, 76.5% in 2014, 76.1% in 2013, 75.4% in 2012, 73.5% in 2011, and 71.7% in 2010

Facility Benchmarks

- Combines Non-Medicare and Medicare experience

Measure	NMRHCA CY2017 Result	CY2017 Benchmark Result*	Ratio of NMRHCA to Benchmark
Inpatient admissions per 1,000 members	83.03	83.49	0.99
Inpatient days per 1,000 members	389.69	388.78	1.00
Outpatient hospital encounters per 1,000 members**	1,642.68	1,622.73	1.01
Emergency room encounters per 1,000 members**	187.20	192.86	0.97

* Benchmark result has been adjusted based upon age and gender

** Method has been revised for this report to reflect updated data availability

- Inpatient admissions has improved from 83.17 per 1,000 in 2016 but not relative to Benchmark (0.96 in 2016)
- Benchmark includes 4,700,000 active (31%) and retired (69%) public sector participants

Professional Benchmarks

- Combines Non-Medicare and Medicare experience

Measure*	NMRHCA CY2017 Result	CY2017 Benchmark Result**	CY2017 Ratio of NMRHCA to Benchmark
Evaluation and Management	5.220	4.910	1.063
Well Visits	0.274	0.265	1.034
Anesthesia	0.492	0.483	1.019
Surgeries	0.937	0.954	0.983
Radiology	1.700	1.650	1.030
Pathology	2.557	2.631	0.972
Medicine	3.910	3.790	1.032
Injectables	0.458	0.454	1.009
Total	**15.549**	**15.137**	**1.027**

* Measures are on a per member per year basis

** Benchmark result has been adjusted based upon age and gender

- Benchmarks reflect shift to outpatient hospital
- Benchmark includes 4,700,000 active (31%) and retired (69%) public sector participants

❶ Objective & Primary Actuarial Tasks

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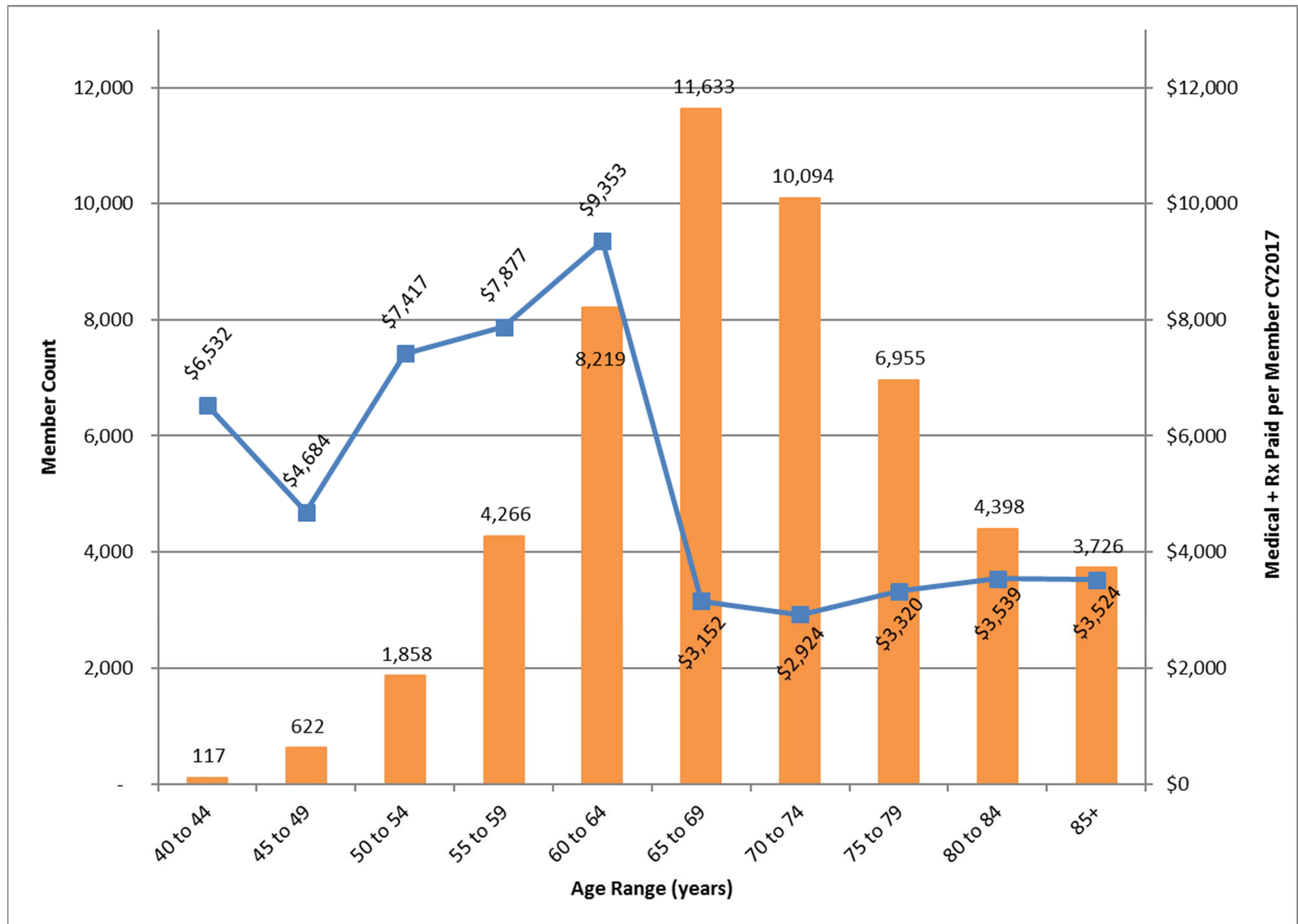
Understanding Enrollment Risk

- Enrollment risk exists in many forms. With two plans and carriers being offered, specific risks include:
  - Risk that competing plans do not get enrollees with similar age/gender profiles
  - Risk that competing plans do not get enrollees with similar average health status
  - Risk that competing plans do not have equivalent cost impact on NMRHCA due to benefit level
- Unmanaged, enrollment risk drives up overall plan cost. Members are not incented to elect the plan which would be in the best financial interest of NMRHCA.
- Plan designs that do not adjust for enrollment risk frequently result in adverse selection against the plan
  - Adverse selection is the process whereby the plan participant has enough information to determine that one course of action presents a financial advantage to them, and also to the detriment of NMRHCA
    - For example, you are offered a new Honda or BMW and the BMW costs you only $1,000 more

NMRHCA Members Age 40+ & CY2017 Claims Paid per Member



2017 Non-Medicare Members by Age and Carrier

	Age Group	2017 Members	% of 2017 Members	2016 Members	% of 2016 Members	Difference
BCBSNM Non-Medicare	40 to 44	34	1%	46	1%	-0.1%
	45 to 49	208	3%	254	4%	-0.4%
	50 to 54	702	10%	762	11%	0.0%
	55 to 59	1,821	27%	1,973	27%	0.0%
	60 to 64	3,930	59%	4,213	58%	0.6%
BCBSNM Average Age		**6,695**	**55.0 years**	**7,248**	**54.9 years**	**0.2 years**
NM Health Connections Non-Medicare	40 to 44	3	1%	N/A	N/A	N/A
	45 to 49	10	3%	N/A	N/A	N/A
	50 to 54	49	14%	N/A	N/A	N/A
	55 to 59	105	29%	N/A	N/A	N/A
	60 to 64	193	54%	N/A	N/A	N/A
NM Health Connections Average Age		**360**	**53.5 years**	**N/A**	**N/A**	**N/A**
Presbyterian Non-Medicare	40 to 44	48	1%	62	1%	-0.2%
	45 to 49	338	5%	367	6%	-0.3%
	50 to 54	915	14%	969	15%	-0.6%
	55 to 59	1,900	29%	1,881	29%	0.8%
	60 to 64	3,250	50%	3,291	50%	0.3%
Presbyterian Average Age		**6,451**	**54.4 years**	**6,570**	**53.3 years**	**1.1 years**
Total Non-Medicare	40 to 44	85	1%	108	1%	-0.2%
	45 to 49	556	4%	621	4%	-0.4%
	50 to 54	1,666	12%	1,731	13%	-0.2%
	55 to 59	3,826	28%	3,854	28%	0.4%
	60 to 64	7,373	55%	7,504	54%	0.3%
Non-Medicare Average Age		**13,506**	**54.7 years**	**13,818**	**54.1 years**	**0.5 years**

- Excludes members under age 40, over age 64, and those for whom age is not available
- In 2017, 50% of Non-Medicare members enrolled in BCBS (2016=52%; 2015=56%)
- Decimal places beyond 0.1 years are not displayed in Average Age figures, but are incorporated in Difference calculation

2017 Medicare Members by Age and Carrier

	Age Group	2017 Members	% of 2017 Members	2016 Members	% of 2016 Members	Difference
BCBSNM Medicare Supplement	less than 55	0	0%	0	0%	0.0%
	55 to 59	163	1%	187	1%	-0.1%
	60 to 64	402	2%	408	2%	0.0%
	65 to 69	5,590	24%	5,833	25%	-1.0%
	70 to 74	5,919	26%	5,807	25%	0.5%
	75 to 79	4,709	20%	4,613	20%	0.5%
	80 to 84	3,310	14%	3,290	14%	0.1%
	85+	3,069	13%	3,071	13%	0.0%
Average Age		**23,162**	**75.0 years**	**23,209**	**74.9 years**	**0.1 years**
BCBSNM Medicare Advantage	less than 55	0	0%	0	0%	0.0%
	55 to 59	41	1%	44	1%	0.0%
	60 to 64	73	2%	78	2%	-0.1%
	65 to 69	755	19%	925	23%	-3.7%
	70 to 74	1,263	32%	1,222	30%	1.8%
	75 to 79	835	21%	813	20%	1.1%
	80 to 84	579	15%	551	14%	1.1%
	85+	412	10%	425	10%	-0.1%
Average Age		**3,958**	**74.8 years**	**4,058**	**74.5 years**	**0.4 years**
Presbyterian Medicare Advantage	less than 55	0	0%	0	0%	0.0%
	55 to 59	84	1%	80	1%	0.0%
	60 to 64	170	3%	158	3%	0.0%
	65 to 69	3,014	45%	2,909	47%	-2.2%
	70 to 74	1,997	30%	1,798	29%	0.6%
	75 to 79	1,018	15%	838	13%	1.6%
	80 to 84	324	5%	288	5%	0.2%
	85+	150	2%	142	2%	-0.1%
Average Age		**6,757**	**70.7 years**	**6,213**	**70.4 years**	**0.3 years**
United Healthcare Medicare Advantage	less than 55	0	0%	0	0%	0.0%
	55 to 59	27	1%	33	1%	-0.3%
	60 to 64	108	3%	102	4%	-0.1%
	65 to 69	1,471	48%	1,424	50%	-2.5%
	70 to 74	851	28%	737	26%	1.6%
	75 to 79	374	12%	314	11%	1.1%
	80 to 84	167	5%	159	6%	-0.2%
	85+	88	3%	70	2%	0.4%
Average Age		**3,086**	**70.5 years**	**2,839**	**70.2 years**	**0.4 years**
Humana Medicare Advantage	less than 55	0	0%	N/A	N/A	N/A
	55 to 59	3	1%	N/A	N/A	N/A
	60 to 64	5	2%	N/A	N/A	N/A
	65 to 69	167	65%	N/A	N/A	N/A
	70 to 74	43	17%	N/A	N/A	N/A
	75 to 79	22	9%	N/A	N/A	N/A
	80 to 84	12	5%	N/A	N/A	N/A
	85+	6	2%	N/A	N/A	N/A
Average Age		**258**	**68.8 years**	**N/A**	**N/A**	**N/A**
Medicare Total	less than 55	0	0%	0	0%	0.0%
	55 to 59	318	1%	344	1%	-0.1%
	60 to 64	758	2%	746	2%	0.0%
	65 to 69	10,997	30%	11,091	31%	-1.0%
	70 to 74	10,073	27%	9,564	26%	0.7%
	75 to 79	6,958	19%	6,578	18%	0.6%
	80 to 84	4,392	12%	4,288	12%	0.0%
	85+	3,725	10%	3,708	10%	-0.2%
Medicare Average Age		**37,221**	**73.8 years**	**36,319**	**73.7 years**	**0.1 years**

- The Humana Medicare Advantage plan has a higher proportion of Medicare beneficiaries under age 70 enrolled followed by United Healthcare Medicare Advantage plans
- Decimal places beyond 0.1 years are not displayed, but are incorporated in Difference calculation

2017 Non-Medicare Health Status Risk Index by Carrier

Carrier	Plan	2017 Risk Index
BCBSNM	Premier	0.90
NM Health Connections	Value	0.49
Presbyterian	Premier	0.81
Presbyterian	Value	0.59
Total Non-Medicare	Premier	0.87
	Value	0.58

Based on 2017 membership:

- Risk Index based on John Hopkins Adjusted Clinical Groups (ACGs)
  - A risk score is calculated for each member month
- Premier participants are anticipated to cost 50.6% more than Value participants based on Health Risk Index
- BCBSNM participants are anticipated to cost 19.6% and 83.0% more than Presbyterian and New Mexico Health Connections participants based on Health Status Risk Index, respectively
  - In 2016, BCBSNM participants were anticipated to cost 15.5% more than Presbyterian participants on based solely on their Health Status Risk Index

2017 Continuing Non-Medicare Members' Health Status Risk Index by Plan

2016 Plan	2017 Plan	Members	% of Continuing Non-Medicare Membership	2017 Risk Index
Premier	Premier	8,183	62.51%	0.80
Premier Plus	Premier	3,339	25.51%	1.05
Premier Plus	Value	16	0.12%	0.49
Premier	Value	1,553	11.87%	0.58
		13,091	100.00%	0.83

- Member count excludes members for whom either a 2016 or 2017 plan code was not available, due to new enrollment or disenrollment from NMRHCA pre-Medicare plans
- The overall Risk Index has remained steady from 0.83 in 2016 to 0.83 in 2017

Questions?

Segal Consulting

New Mexico Retiree Health Care Authority

LONG-TERM CASH FLOW AND SOLVENCY MODELING

Methodology

July 12, 2018

Presented by:

Gary Petersen, FCA, ASA, MAAA
Vice President and Consulting Actuary

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Senior Actuarial Analyst

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Vice President and Consulting Actuary
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July 12, 2018

New Mexico Retiree Health Care Authority
Board of Directors
4308 Carlisle NE, Suite 104
Albuquerque, NM 87107

Dear Board of Directors:

Enclosed please find a brief description of the methodology used to project the various revenue and expense components included in our long-term cash flow and solvency modeling. This methodology detail is included as one component in a reporting package consisting of:

- Historical year to date and projected loss ratios for CY2018 & CY2019
- Long-Term Cash Flow and Solvency Modeling Methodology
- July 1, 2018 long-term solvency assumptions for Baseline Scenario 1
- July 1, 2018 long-term solvency assumptions for Baseline Scenario 2
- Baseline Scenario 1 long-term solvency illustration as of July 1, 2018
- Baseline Scenario 2 long-term solvency illustration as of July 1, 2018
- Sensitivity analysis to July 1, 2018 long-term solvency assumptions for Baseline Scenario 1
- Sensitivity analysis to July 1, 2018 long-term solvency assumptions for Baseline Scenario 2

This reporting package should be transmitted and considered only in its entirety. Our analysis is intended to illustrate the future cash flows of the New Mexico Retiree Health Care Authority (NMRHCA) based on membership information available through March 31, 2018 and projected changes to enrollment from that day forward. Calculations are prepared annually at the Board's request to aid in its strategic planning and should not be relied upon for any other purpose.

To prepare our analysis we relied upon data from several sources, which are detailed in the following description of our long-term projection methodology. We did not audit this data and our review was limited to determining that it appears to be reasonable and acceptable for the projection of revenues and expenditures under the NMRHCA benefits program. We certify to the

best of our knowledge that the data, methods, and assumptions used to develop our projections are reasonable and are calculated in accordance with generally accepted and consistently applied actuarial principles.

The projections in this report are estimates of future costs and are based on information available to Segal Consulting at the time the projections were made. Projections are not a guarantee of future results. Actual experience may differ due to variables including, but not limited to, changes in the regulatory environment, local market pressure, changes in group demographics, overall inflation rates, and claims volatility, and this difference may be material. The accuracy and reliability of health projections decrease as the projection period increases. Although changes in the relative size of NMRHCA's membership have been projected, the health status of future members is unknown.

I, Gary Petersen, meet the *Qualification Standards for Actuaries Issuing Statements of Opinion in the United States* promulgated by the American Academy of Actuaries and am qualified to render an opinion with regard to health plan projections, valuations, and related items.

If you should have any questions regarding the information contained herein, please feel free to contact us via the telephone numbers and/or e-mail addresses provided below.

Sincerely,

Gary Petersen, FCA, ASA, MAAA
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July 12, 2018

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Beginning of Year Invested Assets

Invested assets as of July 1, 2018 were assumed to equal actual invested assets as of May 31, 2018.

Revenues

Employer Contribution

Current employer contribution percentages were established in New Mexico House Bill 351 during the 2009 Regular Legislative Session. Continued applicability was verified at www.nmrhca.org on the *Employers* page.

The employer contributions are comprised of Enhanced Program ("Public Safety, et al") employer contributions and Non-Enhanced Program ("Other Occupations") employer contributions. The employer contribution percentages for each of the first fifteen projection years and one assumption for projection years sixteen through thirty-two are displayed in the first and third green-shaded rows (indicating NMRHCA policy) under the general heading *Assumptions with Fiscal Year Basis*. The contribution percentages displayed are applied directly to projected payroll.

NMRHCA staff provided baseline Employer/Employee Contributions, as well as the percentage of contributions originating from Enhanced Programs versus Non-Enhanced Programs. This information allowed us to estimate FY2018 active payroll to be approximately $4.17 billion.

Payroll was projected separately for Enhanced Program ("Public Safety, et al") employees and Non-Enhanced Program ("Other Occupations") employees. Each payroll component is assumed to increase at the *Annual Payroll Growth* rates displayed in the first two rows under the heading *Assumptions with Fiscal Year Basis*. NMRHCA staff provided the *Annual Payroll Growth* assumptions, which are intended to encompass both increases in rate of pay as well as any growth or decline in the workforce of participating employers.

Employee Contribution

Current employee contribution percentages were established in New Mexico House Bill 351 during the 2009 Regular Legislative Session. Continued applicability was verified at www.nmrhca.org on the *Employers* page.

The employee contributions are comprised of Enhanced Program ("Public Safety, et al") employee contributions and Non-Enhanced Program ("Other Occupations") employee contributions. The employee contribution percentages for each of the first fifteen projection years and one assumption for projection years sixteen through thirty-two are displayed in the second and fourth green-shaded rows (indicating NMRHCA policy) under the heading *Assumptions with Fiscal Year Basis*. The contribution percentages displayed are applied directly to projected payroll.

NMRHCA staff provided baseline Employer/Employee Contributions, as well as the percentage of contributions originating from Enhanced Programs versus Non-Enhanced Programs. This information allowed us to estimate FY2018 active payroll to be approximately $4.17 billion.

Payroll was projected separately for Enhanced Program ("Public Safety, et al") employees and Non-Enhanced Program ("Other Occupations") employees. Each payroll component is assumed to increase at the Annual Payroll Growth rates displayed in the first two rows under the general heading *Assumptions with Fiscal Year Basis*. NMRHCA staff provided the *Annual Payroll Growth* assumptions, which are intended to encompass both increases in rate of pay as well as any growth or decline in the workforce of participating employers.

Retiree Medical

Baseline contribution and premium rates and subsidy percentages were verified at www.nmrhca.org on the 2018 Rate Sheet included on the *Forms And Important Information* page.

The *Retiree Medical* revenue measures projected retiree contributions toward medical and prescription drug coverage and is comprised of the Retiree, Spouse, and Dependent rate shares for each pre-Medicare and Medicare plan. Total unsubsidized medical and prescription drug contribution rates per member per month for self-funded plans are projected to increase on January 1st for each of the thirty-two projection years at the percentages displayed in the blue-shaded area under the heading *Premium Rates for Self-funded Plans effective 1/1*. Total premium rates per member per month for fully insured Medicare Advantage plans are projected to increase on January 1st by at the percentages displayed by carrier in the last four rows under the general heading *Assumptions with Calendar Year Basis*. The Medicare Advantage premium rate annual increase assumptions are detailed for each of the first fifteen projection years, with a consistent increase assumption applied in projection years sixteen through thirty-two.

Membership is projected by plan for pre-Medicare members and Medicare-eligible members at the rates of change displayed under the general heading *Assumptions with Fiscal Year Basis*. The basis of the assumed rates of change is an open valuation projection of covered lives, based on assumptions consistent with those utilized in the July 1, 2014 valuation of NMRHCA's liability for Other Post-Employment Benefits under the Governmental Accounting Standards Board's Statement Number 43. Total annual unsubsidized contributions and premiums are calculated directly by multiplying projected monthly rates by projected member months.

In the Baseline Scenario, the CY18 subsidy provided by NMRHCA is assumed to remain constant in all future years. NMRHCA staff provided years of service at retirement by enrollment category as of May 1, 2018. The current subsidy was calculated and applied to future annual contributions and premiums individually for the following enrollment categories: pre-Medicare Retirees, pre-Medicare Spouses, pre-Medicare Dependents (no subsidy), Medicare Supplement Retirees, Medicare Supplement Spouses, Medicare Supplement Dependents (no subsidy), Medicare Advantage Retirees, Medicare Advantage Spouses, and Medicare Advantage Dependents (no subsidy).

The *Retiree Medical* revenue measures projected retiree contributions toward medical and prescription drug coverage and equals the total annual unsubsidized contributions and premiums less the subsidy provided by NMRHCA, summed across all plans and enrollment categories.

Plan Changes Effective July 1, 2018

NMRHCA staff provided information on the discontinuation of the New Mexico Health Connections (NMHC) Value plan, as approved by the NMRHCA Board. Members enrolled in this plan were assumed to migrate to the BlueCross BlueShield of New Mexico (BCBSNM) Value plan effective July 1, 2018.

Plan Changes Effective January 1, 2019

NMRHCA staff provided information on proposed plan design changes including the addition of a third BCBSNM Premier Plan tier with a restricted network, increased brand prescription drug copayments for both pre-Medicare plans and the Medicare Supplement, and the addition of the SaveOnSP Copay Assistance Program for the pre-Medicare plans.

Consistent with the methodology used in the prior year, new Medicare retirees are assumed to automatically enroll into a Medicare Advantage plan. Presbyterian pre-Medicare members assumed to enroll into the richer United HealthCare (UHC) Medicare Advantage plan while BCBSNM pre-Medicare members assumed to enroll into the richer Humana Medicare Advantage plan, with 50 percent opting to enroll in the Medicare Supplement plan.

Retiree Ancillary

Retiree Ancillary revenue measures projected retiree contributions toward non-medical supplemental coverage and is comprised of supplemental life insurance, dental, and vision premiums. NMRHCA staff provided baseline annual ancillary premium expenditures, which are assumed to increase annually at constant rates by line of coverage for all thirty-two projection years as well as by the combined pre-Medicare and Medicare retiree growth rate. The pre-Medicare and Medicare combined retiree growth rate is a member-weighted average of the individual growth rates displayed under the general heading *Assumptions with Fiscal Year Basis*. Since these ancillary coverages are paid fully by retirees, revenues are assumed to equal expenditures.

Specifically, the following premium rate increases were assumed to apply in all thirty-two projection years:

- Supplemental Life: 0.0%
- Dental: 6.0%
- Vision: 5.0%

Tax & HB 351 Revenue

NMRHCA staff provided baseline information on Taxation and Revenue Suspense Fund revenues. Pension tax revenue is assumed to remain at FY2016 levels through June 30, 2019 and increase 12.0% per annum in the remaining projection years in accordance with statute.

In accordance with Senate Bill 7 from the 2016 Second Special Session, House Bill 351 revenue has been eliminated and is no longer included in the Long-Term Solvency Model.

Medicare PDP & Manufacturers Discount

This revenue item is comprised of the following revenue sources associated with the Employer Group Waiver Plan (EGWP) that provides prescription drug benefits to Medicare-eligible retirees enrolled in the Medicare Supplement plan. Express Scripts, Inc. (ESI) provided baseline values and Year 1 projections. These revenues are projected individually and assumed to change annually on a calendar year basis at the respective rates displayed under the general heading *Assumptions with Calendar Year Basis* in addition to the *Annual Growth in Retirees age 65+* displayed under the general heading *Assumptions with Fiscal Year Basis*:

- Direct Subsidy from U.S. Government
- Coverage Gap Discount Program from drug manufacturers
- Federal Reinsurance from U.S. Government
- Low Income Premium Subsidy from U.S. Government

Miscellaneous

Miscellaneous revenue is comprised of projected employer buy-in revenue and subrogation collections. NMRHCA staff provided the projection of employer buy-in revenue. Blue Cross Blue Shield of New Mexico (BCBSNM), Presbyterian Health Plan (PHP), and New Mexico Health Connections (NMHC) provided information on recent subrogation recoveries. The baseline subrogation recoveries are assumed to increase at the rate of *Annual Growth in Retiree under age 65* displayed under the general heading *Assumptions with Fiscal Year Basis*.

Total Revenue

Total Revenue is the sum of Employer Contribution Revenue, Employee Contribution Revenue, Retiree Medical Revenue, Retiree Ancillary Revenue, Tax Revenue, Medicare PDP & Manufacturers Discount Revenue and Miscellaneous Revenue.

Investment Income

Investment income is assumed to be credited at the midpoint of each fiscal year, to the *Beginning of Year Invested Assets* plus half the difference between annual fiscal year Total Revenue and Total Expenditures. The *Annual Investment Return* assumption is displayed under the general heading *Assumptions with Fiscal Year Basis*.

Expenditures

Medical/Rx

This expenditure is comprised of projected claim expenses for each of the following self-funded plans.

- Pre-Medicare Retiree Premier Medical
- Pre-Medicare Retiree Value Medical
- Pre-Medicare Retiree Prescription Drug Claims and Dispensing Fees
- Pre-Medicare Spouse Premier Medical
- Pre-Medicare Spouse Value Medical
- Pre-Medicare Spouse Prescription Drug Claims and Dispensing Fees
- Pre-Medicare Dependent Premier Medical
- Pre-Medicare Dependent Value Medical
- Pre-Medicare Dependent Prescription Drug Claims and Dispensing Fees
- Medicare Supplement Medical
- Medicare EGWP Prescription Drug Claims and Dispensing Fees

Madalena Consulting, LLC, who maintains NMRHCA's data warehouse under subcontract to Segal Consulting, provided the historical paid claims and membership information which serves as the experience base for our baseline projections.

Claims per member per month are projected individually for each plan. To do so, the historical paid claims experience base is adjusted to reflect the baseline year known plan provisions, and the claims trend assumption is applied from the midpoint of the experience base to the midpoint of the baseline projection period. Claims in each subsequent projection year are developed by applying the respective calendar year claims trend and benefit modification assumptions itemized under the general heading *Assumptions with Calendar Year Basis* and the sub-heading *Self-funded Plan Benefit Modifications effective 1/1*. Individual annual claims trend assumptions are applied during the first fifteen projection years, with a constant trend assumption applied in projection years sixteen through thirty-two. Individual annual benefit modification assumptions are applied during each of all thirty-two projection years.

Membership is projected by plan for pre-Medicare members and Medicare-eligible members at the growth rates displayed under the general heading *Assumptions with Fiscal Year Basis*. The basis of the assumed rates of change is an open valuation projection of covered lives, based on assumptions consistent with those utilized in the July 1, 2014 valuation of NMRHCA's liability for Other Post-Employment Benefits under the Governmental Accounting Standards Board's

Statement Number 43. Total annual medical and prescription drug claims are calculated directly by multiplying projected per member per month paid claims by projected member months.

Finally, projected Medical/Rx Expenditures are offset by projected prescription drug rebates. Pre-Medicare and EGWP plan prescription drug rebates are projected individually, with baseline information provided by ESI. Prescription drug rebate trend is applied on a fiscal year basis, and is based on actual contract provisions to the extent known. Prescription drug rebate trend is displayed in the last two rows under the general heading *Assumptions with Fiscal Year Basis*. The annual rate of change for projection years 1-4 may be based on actual contract terms. Membership is projected separately for pre-Medicare members and Medicare-eligible members at the rates displayed under the general heading *Assumptions with Fiscal Year Basis*. The basis of the assumed rates of change is an open valuation projection of covered lives, based on assumptions consistent with those utilized in the July 1, 2014 valuation of NMRHCA's liability for Other Post-Employment Benefits under the Governmental Accounting Standards Board's Statement Number 43. Total annual prescription drug rebates are calculated directly by multiplying projected rebates per member per month by projected member months.

Plan Changes Effective July 1, 2018

NMRHCA staff provided information on the discontinuation of the New Mexico Health Connections (NMHC) Value plan, as approved by the NMRHCA Board. Members enrolled in this plan were assumed to migrate to the BlueCross BlueShield of New Mexico (BCBSNM) Value plan effective July 1, 2018.

Plan Changes Effective January 1, 2019

NMRHCA staff provided information on proposed plan design changes including the addition of a third BCBSNM Premier Plan tier with a restricted network, increased brand prescription drug copayments for both pre-Medicare plans and the Medicare Supplement, and the addition of the SaveOnSP Copay Assistance Program for the pre-Medicare plans.

Consistent with the methodology used in the prior year, new Medicare retirees are assumed to automatically enroll into a Medicare Advantage plan. Presbyterian pre-Medicare members assumed to enroll into the richer United HealthCare (UHC) Medicare Advantage plan while BCBSNM pre-Medicare members assumed to enroll into the richer Humana Medicare Advantage plan, with 50 percent opting to enroll in the Medicare Supplement plan.

Basic Life

Basic life premium is conservatively assumed to remain flat (i.e. no mortality assumption is used), as basic life coverage is no longer provided to new retirees. The portion of the Basic life premium paid by NMRHCA is scheduled to decrease from 75% in calendar year 2018 by 25% annually until it reaches 0% in calendar year 2021. NMRHCA staff provides baseline basic life premiums.

Ancillary Premiums

The *Ancillary Premiums* expenditures are comprised of supplemental life insurance, dental, and vision premiums. NMRHCA staff provides baseline annual ancillary premium expenditures. Baseline premiums are assumed to increase annually at constant rates by line of coverage for all thirty-two projection years as well as by the combined pre-Medicare and Medicare retiree growth rate. The pre-Medicare and Medicare combined retiree growth rate is a member-weighted average of the individual growth rates displayed under the general heading *Assumptions with Fiscal Year Basis*.

Specifically, the following premium rate increases were assumed to apply in all thirty-two projection years:

- Supplemental Life: 0.0%
- Dental: 6.0%
- Vision: 5.0%

ASO & HC Reform Fees

The *ASO & HC Reform Fees* expenditures are comprised of several fees associated with Network, Claims Administration, Utilization and Care Management Programs, and Wellness Services as well as the Patient Centered Outcomes Research Institute Fee (PCORI) through calendar year 2018.

Specifically, this expenditure projection includes the following components:

- BCBSNM pre-Medicare Network Access and Claims Administration
- BCBSNM pre-Medicare Disease Management
- BCBSNM pre-Medicare Wellness Services
- BCBSNM Medicare Supplement plan Claims Administration
- PHP pre-Medicare Network Access and Claims Administration
- PHP pre-Medicare Disease Management
- PHP Wellness Services
- ESI pre-Medicare per member per month Administration fee
- ESI pre-Medicare per member per month Advanced Opioid Management Program fee
- ESI EGWP per Rx Administration fee
- ESI EGWP per member per month Administration fee
- ESI EGWP per member per month Advanced Opioid Management Program fee

The annual rate of change for the fees paid to BCBSNM, PHP, and ESI are based on actual contract provisions to the extent known, with all fees assumed to increase 2.0% per annum thereafter.

Membership is projected by carrier for pre-Medicare members and Medicare-eligible members at the growth rates displayed under the general heading *Assumptions with Fiscal Year Basis*. The basis of the assumed rates of change is an open valuation projection of covered lives, based on assumptions consistent with those utilized in the July 1, 2014 valuation of NMRHCA's liability for Other Post-Employment Benefits under the Governmental Accounting Standards Board's Statement Number 43. Total annual *ASO & HC Reform Fees* are calculated directly by multiplying projected per member per month fees by projected member months.

Program Support

NMRHCA staff provided the approved FY2019 Program Support budget. The budget for Program Support is assumed to increase 2.5% per annum.

Total Expenditures

Total Expenditures equals the sum of *Medical/Rx*, *Basic Life*, *Ancillary Premiums*, *ASO & HC Reform Fees*, and *Program Support*.

End of Year Invested Assets

End of Year Invested Assets equals *Beginning of Year Invested Assets* plus *Total Revenue* less *Total Expenditures* plus *Investment Income*.

Projected Year of Insolvency

The projected year of insolvency is the fiscal year during which *End of Year Invested Assets* becomes negative. Projection years during which *Total Revenue* exceeds *Total Expenditures* are shaded green. Projection years during which *Total Expenditures* exceeds *Total Revenue* but the program would be able to continue operations during at least a partial year are shaded yellow.

Based on the July 1, 2018 Baseline Assumptions and the methodology described herein, as applied to claims and membership information through March 31, 2018, the projected year of insolvency was estimated to be fiscal year 2037.

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New Mexico Retiree Health Care Authority
Baseline Scenario 1 Assumptions for Long-Term Solvency Projections

Assumption	Prior Assumption July 2014	Prior Assumption July 2015	Prior Assumption July 2016	Prior Assumption July 2017	Current Assumption July 2018
Asset Balance	Use May 31, 2014 fund balance of $369,131,762 as an estimate for 7/1/2014 fund balance	Use May 31, 2015 fund balance of $429,925,522 as an estimate for 7/1/2015 fund balance	Use May 31, 2016 fund balance of $455,592,072 as an estimate for 7/1/2016 fund balance	Use May 31, 2017 fund balance of $551,412,183 as an estimate for 7/1/2017 fund balance	Use May 31, 2018 fund balance of $633,374,610 as an estimate for 7/1/2018 fund balance
Investment Return	No Change	No Change	No Change	7.25%	No Change
Annual Growth in Payroll	F20Y14 payroll estimated to be $3,941,587,760, increasing 3% through 6/30/15 and 3.5% thereafter	F20Y15 payroll estimated to be $4,040,779,736, increasing 3.5% annually	FY2016 payroll estimated to be $4,126,747,451, increasing 3.5% annually	FY2017 payroll estimated to be $4,165,647,339, increasing 0.0% through FY2020 and 3.5% thereafter	FY2018 payroll estimated to be $4,169,085,993, increasing 2.0% in FY2019, 0.0% in FY2020, and 3.5% thereafter
Contribution Rates (Employer/Employee)					
Public Safety, et al	2.50%/1.25%	No Change	No Change	No Change	No Change
Other Occupations	2.00%/1.00%	No Change	No Change	No Change	No Change
Annual Growth in Retirees					
Non-Medicare	1.75% annually through 6/30/2015, then based on FY2009 open valuation output table	No Change	based on FY2014 open valuation output table	No Change	No Change
Medicare	5.8% through 6/30/2015, then based on FY2009 open valuation output table	No Change	based on FY2014 open valuation output table	No Change	No Change
Retiree Ancillary Costs	Assumed to equal premium expenses and is paid fully by retirees	No Change	No Change	No Change	No Change
Pension Tax Revenue	$20,931,300 for FY2014, increasing 12% thereafter	$23,443,056 for FY2015, increasing 12% thereafter	$26,256,200 for FY2016, increasing 12% thereafter	$28,306,470 for FY2017, frozen through FY2019 and increasing 12% thereafter	$26,256,221 for FY2018, frozen through FY2019, increasing 12% thereafter
HB 728/573 Revenue	$3 million annually, no sunset	No Change	No Change	Eliminated effective 1/1/2017	No Change
Rx Rebates	Rebates of $8,407,050 estimated for FY14, reflecting proposed contract terms through FY18; all annual figures increased at retiree growth rate	Rebates of $8,960,237 estimated for FY15, reflecting proposed contract terms through FY18; all annual figures increased at retiree growth rate	Rebates of $8,566,058 estimated for FY2016, reflecting proposed contract terms through FY2018; all annual figures increased at retiree growth rate	Rebates of $18,321,264 estimated for FY2017, reflecting proposed contract terms through FY2018; all annual figures increased at retiree growth rate	Rebates of $32,085,060 estimated for FY2019; proposed contract terms reflected through FY2020, increased at retiree growth rate thereafter.
EGWP Revenue Components:					
Direct Subsidy	CY2014-15 projected by ESI; thereafter increases annually at retiree growth rate, plus one half of Medicare Rx trend +1% for donut hole closure CY16 through CY20 (one half of Medicare Rx trend CY2021+)	CY2015-16 projected by ESI; thereafter increases annually at retiree growth rate, plus one half of Medicare Rx trend +1% for donut hole closure CY17 through CY20 (one half of Medicare Rx trend CY2021+)	CY2016 and CY2017 projected by ESI; thereafter increases annually at retiree growth rate, plus one half of Medicare Rx trend +1% for donut hole closure CY2018 through CY2020 (one half of Medicare Rx trend CY2021+)	CY2017 and CY2018 projected by ESI; thereafter increases annually at retiree growth rate, plus one half of Medicare Rx trend +1% for donut hole closure CY2019 through CY2020 (one half of Medicare Rx trend CY2021+)	CY2018 and CY2019 projected by ESI; thereafter increases annually at retiree growth rate, plus one half of Medicare Rx trend +1% for donut hole closure through CY2020 (one half of Medicare Rx trend CY2021+)
Federal Reinsurance	CY2014-15 projected by ESI; CY2016+ annual increase at only retiree growth rate	CY2015-16 projected by ESI; CY2017+ annual increase at only retiree growth rate	CY2016 and CY2017 projected by ESI; CY2018+ annual increase at only retiree growth rate	CY2017 and CY2018 projected by ESI; CY2019+ annual increase at only retiree growth rate	CY2018 and CY2019 projected by ESI; CY2020+ annual increase at only retiree growth rate
Low Income Subsidy	0.0% annual increase to CY2014 estimate of $2.85 PMPM	0.0% annual increase to CY2015 estimate of $3.40 PMPM	0.0% annual increase to CY2016 estimate of $3.40 PMPM	0.0% annual increase to CY2017 estimate of $2.84 PMPM	0.0% annual increase to CY2018 estimate of $2.87 PMPM
Coverage Gap Discount Program	CY2014-15 projected by ESI; CY2016+ annual increase at only retiree growth rate	CY2015-16 projected by ESI; CY2017+ annual increase at only retiree growth rate	CY2016 and CY2017 projected by ESI; CY2018+ annual increase at only retiree growth rate	CY2017 and CY2018 projected by ESI; CY2019+ annual increase at only retiree growth rate	CY2018 and CY2019 projected by ESI; CY2020+ annual increase at only retiree growth rate
Short Term Interest	$0 projected for FY2014, increasing 0.0% annually	No Change	No Change	No Change	No Change
Subrogation	$239,932 estimated for FY2014, increased at retiree growth rate	$277,326 estimated for FY2015, increased at retiree growth rate	$327,942 estimated for FY2016, increased at retiree growth rate	$279,589 estimated for FY2017, increased at retiree growth rate	$283,753 estimated for FY2018, increased at retiree growth rate

New Mexico Retiree Health Care Authority
Baseline Scenario 1 Assumptions for Long-Term Solvency Projections

Assumption	Prior Assumption July 2014	Prior Assumption July 2015	Prior Assumption July 2016	Prior Assumption July 2017	Current Assumption July 2018
Annual Trend					
Medical					
Medicare Advantage	8.00%	No Change	No Change	No Change	No Change
Medicare Supplement	8.00%	No Change	No Change	No Change	No Change
Medicare Rx	8.00%	No Change	No Change	No Change	No Change
Non-Medicare Medical	8.00%	No Change	No Change	No Change	No Change
Mental Health	Included in Medical Trend	No Change	No Change	No Change	No Change
Non-Medicare Rx	8.00%	No Change	No Change	No Change	No Change
Medical Rates	Annual Non-Medicare rate increases of 8% in 2015-2020 and 3% thereafter, 5% Medicare Supplement rate increase in 2015 and 6% thereafter	Annual Non-Medicare rate increases of 8% in 2016-2021 and 4% thereafter, 6% Medicare Supplement rate increase in 2016-2033 and 3% thereafter	2017 rates for Premier and new Value plan set per pricing exercise; Annual Non-Medicare rate increases of 8% in 2018-2022 and 4% thereafter, 6% Medicare Supplement rate increase in 2017-2030 and 3% thereafter	Annual Non-Medicare rate increases of 8% in 2018-2022 and 4% thereafter, 6% Medicare Supplement rate increase in 2017-2031 and 3% thereafter	Annual Non-Medicare rate increases of 8% in 2019-2023 and 4% thereafter, 6% Medicare Supplement rate increase in 2019-2033 and 3% thereafter
Life Insurance	Assumes level total premium on Basic Life for duration of projection	Assumes level total premium on Basic Life through CY17 decreasing 25% per year through CY21	No Change	No Change	No Change
Dental	0.06	No Change	No Change	No Change	No Change
Vision	5.00%	No Change	No Change	No Change	No Change
Program Support	$2,929,300 budgeted for FY2015, increasing 2.5% annually thereafter	$3,012,900 budgeted for FY2016, increasing 2.5% annually thereafter	$3,118,300 budgeted for FY2016, increasing 2.5% annually thereafter	$2,936,800 budgeted for FY2017, increasing 2.5% annually thereafter	$3,015,200 budgeted for FY2018, increasing 2.5% annually thereafter
Administrative Services Fee	Individual fee components based on existing contract terms in place, increasing 2.00% annually thereafter	No Change	No Change	No Change	No Change
Plan Design Changes					
Medical					
Medicare	Annual plan changes in CY2034 and beyond such that projected claims and expenses remain beneath Excise Tax threshold	Annual plan changes in CY2034 and beyond such that projected claims and expenses remain beneath Excise Tax threshold	Annual plan changes in CY2031 and beyond such that projected claims and expenses remain beneath Excise Tax threshold	Annual plan changes in CY2032 and beyond such that projected claims and expenses remain beneath Excise Tax threshold	Annual plan changes in CY2034 and beyond such that projected claims and expenses remain beneath Excise Tax threshold
Non-Medicare	Consolidation of Non-Medicare plans in CY2017, annual plan changes in CY2021 and beyond such that projected claims and expenses remain beneath Excise Tax threshold	Consolidation of Non-Medicare plans in CY2017, annual plan changes in CY2022 and beyond such that projected claims and expenses remain beneath Excise Tax threshold	Beginning CY2017: Elimination of Premier Plus plan, introduction of Value plan, Premier plan OOP max increase to $4,500, deductible and copays accumulating to OOP max; annual plan changes in CY2023 and beyond such that projected claims and expenses remain beneath Excise Tax threshold	Beginning CY2018, expanding value option to BCBS; annual plan changes in CY2023 and beyond such that projected claims and expenses remain beneath Excise Tax threshold	Discontinue NM Health Connections Value plan effective 6/30/18 with members assumed to migrate to BCBS Value plan. Beginning CY2019, add 3rd BCBS Premier plan tier with restricted network; annual plan changes in CY2024 and beyond such that projected claims and expenses remain beneath Excise Tax threshold
Rx					
Medicare	Annual plan changes in CY2034 and beyond such that projected claims and expenses remain beneath Excise Tax threshold	Annual plan changes in CY2034 and beyond such that projected claims and expenses remain beneath Excise Tax threshold	Eliminate coverage for drugs now available over the counter (OTC); Annual plan changes in CY2031 and beyond such that projected claims and expenses remain beneath Excise Tax threshold	Add Voluntary Smart90 program; annual plan changes in CY2032 and beyond such that projected claims and expenses remain beneath Excise Tax threshold	Beginning CY2019, increase brand copays; annual plan changes in CY2034 and beyond such that projected claims and expenses remain beneath Excise Tax threshold
Non-Medicare	No changes for 1/1/2015 or beyond	No changes for 1/1/2016 or beyond	Eliminate coverage for drugs now available over the counter (OTC)	Add Voluntary Smart90 program	Beginning CY2019, add SavOnSP Copay Assistance Program and increase brand copays
Basic Life and AD&D	No new entrants	No new entrants	No new entrants	No new entrants	No new entrants

New Mexico Retiree Health Care Authority

Baseline Scenario 1 Assumptions for Long-Term Solvency Projections

Assumption	Prior Assumption July 2014	Prior Assumption July 2015	Prior Assumption July 2016	Prior Assumption July 2017	Current Assumption July 2018
Annual Index in Cadillac Tax Thresholds	3%	3%	3%	3%	3%
Annual Increase in PCORI Fee	Projected increase in National Health Expenditures, per CMS Office of the Actuary	Projected increase in National Health Expenditures, per CMS Office of the Actuary	Projected increase in National Health Expenditures, per CMS Office of the Actuary	Projected increase in National Health Expenditures, per CMS Office of the Actuary	Projected increase in National Health Expenditures, per CMS Office of the Actuary
Member Rate Share					
Retiree					
Medicare	50%	No Change	No Change	No Change	No Change
Non-Medicare	35%	36% in CY2016+	No Change	No Change	No Change
Spouse					
Medicare	75%	No Change	No Change	No Change	No Change
Non-Medicare	62% in CY2015+	64% in CY2016+	No Change	No Change	No Change
Child(ren)					
Medicare	100%	No Change	No Change	No Change	No Change
Non-Medicare	100%	No Change	No Change	No Change	No Change
Minimum Service to Receive Full Subsidy	20 years	No Change	No Change	No Change	No Change
Minimum Participation Age	None	No Change	No Change	No Change	No Change

New Mexico Retiree Health Care Authority Long-Tem Solvency Modeling
Projected Year of Insolvency: FYE2037

Baseline Scenario 1: 8% trend for Non-Medicare and Medicare medical and Rx for all years; Non-Medicare Plan Changes: Discontinue NMHC Value plan effective 6/30/18; Beginning CY2019, add 3rd BCBS Premier plan tier with restricted network, add SaveOnSP Copay Assistance Program, and increase brand copays; Annual Non-Medicare Medical Plan Changes in CY2024+; Medicare Supplement & EGWP plan changes in CY2019: increase brand copays; Annual Medicare Supplement & EGWP plan changes in CY2034+; Annual Non-Medicare Rate Increases of 8.0% in CY2019-2023 and 4.0% thereafter, Medicare Rate Increase of 6.0% in CY2019-2033 and 3.0% thereafter

		REVENUE									EXPENDITURES								
Fiscal Year Beginning	BOY Invested Assets	Employer Contribution	Employee Contribution	Retiree Medical	Retiree Ancillary	Tax & HB 351 Revenue	Medicare PDP & Manufacturers Discount	Miscellaneous	Total Revenue	Investment Income	Medical/Rx	Basic Life	Ancillary Premiums	ASO & HC Reform Fees	Program Support	Total Expenditures	Rev. - Exp. Excluding Inv. Income	Fiscal Year End	EOY Invested Assets
7/1/2018	$633,374,610	$87,098,674	$43,549,337	$140,941,638	$31,795,201	$26,256,221	$26,870,418	$313,623	$356,825,111	$46,867,991	$279,786,442	$2,479,569	$31,795,201	$13,587,822	$3,015,200	$330,664,233	$26,160,878	6/30/2019	$706,403,479
7/1/2019	$706,403,479	$87,098,674	$43,549,337	$155,528,964	$34,313,557	$29,406,967	$29,934,071	$287,248	$380,118,818	$51,991,860	$305,564,871	$1,487,741	$34,313,557	$14,210,822	$3,090,580	$358,667,571	$21,451,247	6/30/2020	$779,846,586
7/1/2020	$779,846,586	$90,147,127	$45,073,564	$170,136,868	$36,681,571	$32,935,804	$31,004,024	$285,248	$406,264,206	$56,997,559	$338,558,957	$495,914	$36,681,571	$14,706,650	$3,167,845	$393,610,936	$12,653,270	6/30/2021	$849,497,415
7/1/2021	$849,497,415	$93,302,277	$46,651,138	$186,143,728	$39,369,539	$36,888,100	$32,077,925	$284,327	$434,717,034	$61,646,356	$375,290,425	$0	$39,369,539	$15,215,742	$3,247,041	$433,122,746	$1,594,288	6/30/2022	$912,738,058
7/1/2022	$912,738,058	$96,567,856	$48,283,928	$205,733,978	$42,652,174	$41,314,672	$33,067,438	$295,497	$467,915,543	$65,617,252	$421,333,982	$0	$42,652,174	$15,946,208	$3,328,217	$483,260,580	($15,345,037)	6/30/2023	$963,010,273
7/1/2023	$963,010,273	$99,947,731	$49,973,866	$224,458,393	$45,809,443	$46,272,433	$34,029,830	$298,395	$500,790,091	$68,623,717	$467,890,152	$0	$45,809,443	$16,631,553	$3,411,422	$533,742,569	($32,952,479)	6/30/2024	$998,681,512
7/1/2024	$998,681,512	$103,445,902	$51,722,951	$241,550,269	$48,923,136	$51,825,124	$34,859,553	$300,104	$532,627,040	$70,737,418	$508,958,076	$0	$48,923,136	$17,235,101	$3,496,708	$578,613,021	($45,985,981)	6/30/2025	$1,023,432,949
7/1/2025	$1,023,432,949	$107,066,509	$53,533,254	$262,159,402	$52,880,365	$58,044,139	$35,814,092	$308,674	$569,806,435	$72,049,285	$554,657,394	$0	$52,880,365	$17,983,980	$3,584,125	$629,105,865	($59,299,429)	6/30/2026	$1,036,182,804
7/1/2026	$1,036,182,804	$110,813,836	$55,406,918	$282,827,173	$56,527,296	$65,009,436	$36,687,165	$310,542	$607,582,366	$72,491,192	$601,328,487	$0	$56,527,296	$18,661,433	$3,673,728	$680,190,945	($72,608,578)	6/30/2027	$1,036,065,418
7/1/2027	$1,036,065,418	$114,692,321	$57,346,160	$303,325,556	$60,222,873	$72,810,568	$37,535,850	$308,058	$646,241,387	$72,059,686	$647,279,524	$0	$60,222,873	$19,250,861	$3,765,572	$730,518,830	($84,277,443)	6/30/2028	$1,023,847,660
7/1/2028	$1,023,847,660	$118,706,552	$59,353,276	$327,422,980	$64,688,380	$81,547,837	$38,345,062	$315,408	$690,379,496	$70,596,215	$702,085,067	$0	$64,688,380	$19,959,861	$3,859,711	$790,593,019	($100,213,524)	6/30/2029	$994,230,352
7/1/2029	$994,230,352	$122,861,281	$61,430,641	$351,278,997	$68,763,322	$91,333,577	$38,997,867	$315,783	$734,981,468	$67,890,423	$757,310,740	$0	$68,763,322	$20,572,649	$3,956,204	$850,602,914	($115,621,447)	6/30/2030	$946,499,329
7/1/2030	$946,499,329	$127,161,426	$63,580,713	$379,627,067	$73,977,260	$102,293,606	$39,625,832	$328,695	$786,594,598	$63,664,647	$823,952,141	$0	$73,977,260	$21,342,632	$4,055,109	$923,327,142	($136,732,544)	6/30/2031	$873,431,431
7/1/2031	$873,431,431	$131,612,076	$65,806,038	$408,813,092	$78,942,547	$114,568,839	$40,164,003	$335,483	$840,242,077	$57,601,481	$892,931,870	$0	$78,942,547	$22,067,671	$4,156,487	$998,098,574	($157,856,497)	6/30/2032	$773,176,415
7/1/2032	$773,176,415	$136,218,499	$68,109,249	$438,297,603	$84,009,125	$128,317,100	$40,632,378	$340,290	$895,924,244	$49,606,462	$962,835,598	$0	$84,009,125	$22,717,841	$4,260,399	$1,073,822,963	($177,898,719)	6/30/2033	$644,884,158
7/1/2033	$644,884,158	$140,986,146	$70,493,073	$468,156,348	$89,835,467	$143,715,152	$41,150,351	$348,852	$954,685,390	$39,703,413	$1,031,535,134	$0	$89,835,467	$23,449,642	$4,366,909	$1,149,187,153	($194,501,763)	6/30/2034	$490,085,807
7/1/2034	$490,085,807	$145,920,661	$72,960,331	$501,592,113	$96,251,741	$160,960,970	$41,588,936	$362,813	$1,019,637,564	$28,276,996	$1,094,751,515	$0	$96,251,741	$24,274,783	$4,476,081	$1,219,754,121	($200,116,557)	6/30/2035	$318,246,246
7/1/2035	$318,246,246	$151,027,884	$75,513,942	$536,730,437	$102,095,528	$180,276,286	$42,076,348	$362,605	$1,088,083,032	$16,108,401	$1,148,590,595	$0	$102,095,528	$24,931,738	$4,587,983	$1,280,205,844	($192,122,813)	6/30/2036	$142,231,834
7/1/2036	$142,231,834	$156,313,860	$78,156,930	$570,121,177	$108,523,408	$201,909,441	$42,667,463	$362,743	$1,158,055,022	$3,949,662	$1,204,730,634	$0	$108,523,408	$25,566,293	$4,702,683	$1,343,523,018	($185,467,996)	6/30/2037	($39,286,500)
7/1/2037	($39,286,500)	$161,784,845	$80,892,423	$600,618,819	$114,925,506	$226,138,574	$43,114,142	$363,335	$1,227,837,644	$0	$1,261,855,774	$0	$114,925,506	$26,161,060	$4,820,250	$1,407,762,590	($179,924,946)	6/30/2038	($219,211,446)
7/1/2038	($219,211,446)	$167,447,315	$83,723,657	$631,489,699	$121,477,038	$253,275,203	$43,608,880	$358,681	$1,301,380,473	$0	$1,317,585,919	$0	$121,477,038	$26,692,896	$4,940,756	$1,470,696,609	($169,316,137)	6/30/2039	($388,527,583)
7/1/2039	($388,527,583)	$173,307,971	$86,653,985	$665,375,917	$128,785,127	$283,668,227	$44,105,139	$358,741	$1,382,255,107	$0	$1,379,548,388	$0	$128,785,127	$27,284,362	$5,064,275	$1,540,682,153	($158,427,046)	6/30/2040	($546,954,629)
7/1/2040	($546,954,629)	$179,373,750	$89,686,875	$702,725,987	$136,772,438	$317,708,414	$44,588,204	$361,201	$1,471,216,868	$0	$1,448,613,819	$0	$136,772,438	$27,950,435	$5,190,882	$1,618,527,575	($147,310,706)	6/30/2041	($694,265,335)
7/1/2041	($694,265,335)	$185,651,831	$92,825,916	$744,539,117	$145,758,379	$355,833,424	$44,997,048	$370,231	$1,569,975,946	$0	$1,525,412,488	$0	$145,758,379	$28,732,870	$5,320,654	$1,705,224,391	($135,248,445)	6/30/2042	($829,513,780)
7/1/2042	($829,513,780)	$192,149,645	$96,074,823	$788,712,613	$155,094,185	$398,533,435	$45,348,783	$378,511	$1,676,291,995	$0	$1,606,784,100	$0	$155,094,185	$29,532,367	$5,453,670	$1,796,864,322	($120,572,327)	6/30/2043	($950,086,107)
7/1/2043	($950,086,107)	$198,874,883	$99,437,441	$835,636,075	$165,117,660	$446,357,447	$45,661,864	$388,511	$1,791,473,881	$0	$1,693,211,954	$0	$165,117,660	$30,357,881	$5,590,012	$1,894,277,507	($102,803,626)	6/30/2044	($1,052,889,733)
7/1/2044	($1,052,889,733)	$205,835,504	$102,917,752	$885,870,662	$175,828,562	$499,920,340	$45,975,560	$398,775	$1,916,747,154	$0	$1,784,031,827	$0	$175,828,562	$31,215,775	$5,729,763	$1,996,805,926	($80,058,772)	6/30/2045	($1,132,948,505)
7/1/2045	($1,132,948,505)	$213,039,746	$106,519,873	$939,653,284	$187,274,491	$559,910,781	$46,302,864	$409,309	$2,053,110,349	$0	$1,881,608,464	$0	$187,274,491	$32,103,147	$5,873,007	$2,106,859,109	($53,748,759)	6/30/2046	($1,186,697,265)
7/1/2046	($1,186,697,265)	$220,496,137	$110,248,069	$997,256,884	$199,506,354	$627,100,075	$46,644,306	$420,122	$2,201,671,947	$0	$1,986,023,227	$0	$199,506,354	$33,021,177	$6,019,832	$2,224,570,589	($22,898,642)	6/30/2047	($1,209,595,907)
7/1/2047	($1,209,595,907)	$228,213,502	$114,106,751	$1,058,976,263	$212,578,587	$702,352,084	$47,000,437	$431,221	$2,363,658,845	$0	$2,096,990,784	$0	$212,578,587	$33,971,098	$6,170,328	$2,349,710,796	$13,948,049	6/30/2048	($1,195,647,857)
7/1/2048	($1,195,647,857)	$236,200,975	$118,100,487	$1,125,129,875	$226,549,409	$786,634,334	$47,371,826	$442,614	$2,540,429,519	$0	$2,215,317,983	$0	$226,549,409	$34,954,195	$6,324,586	$2,483,146,173	$57,283,347	6/30/2049	($1,138,364,511)
7/1/2049	($1,138,364,511)	$244,468,009	$122,234,004	$1,196,061,751	$241,481,080	$881,030,454	$47,759,067	$454,307	$2,733,488,672	$0	$2,341,652,695	$0	$241,481,080	$35,971,810	$6,482,700	$2,625,588,285	$107,900,387	6/30/2050	($1,030,464,123)

Assumptions with Fiscal Year Basis:	**FY2019**	**FY2020**	**FY2021**	**FY2022**	**FY2023**	**FY2024**	**FY2025**	**FY2026**	**FY2027**	**FY2028**	**FY2029**	**FY2030**	**FY2031**	**FY2032**	**FY2033**	**FY2034+**
Public Safety, et al Annual Payroll Growth	2.00%	0.00%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
Other Occupations Annual Payroll Growth	2.00%	0.00%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
Public Safety, et al Employer Rate	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Public Safety, et al Employee Rate	*1.25%*	*1.25%*	*1.25%*	*1.25%*	*1.25%*	*1.25%*	*1.25%*	*1.25%*	*1.25%*	*1.25%*	*1.25%*	*1.25%*	*1.25%*	*1.25%*	*1.25%*	*1.25%*
Other Occupations Employer Rate	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Other Occupations Employee Rate	*1.00%*	*1.00%*	*1.00%*	*1.00%*	*1.00%*	*1.00%*	*1.00%*	*1.00%*	*1.00%*	*1.00%*	*1.00%*	*1.00%*	*1.00%*	*1.00%*	*1.00%*	*1.00%*
Annual Investment Return	7.25%	7.25%	7.25%	7.25%	7.25%	7.25%	7.25%	7.25%	7.25%	7.25%	7.25%	7.25%	7.25%	7.25%	7.25%	7.25%
Annual Growth in Retirees under age 65	0.82%	0.41%	-0.70%	-0.32%	3.93%	0.98%	0.57%	2.86%	0.61%	-0.80%	2.39%	0.12%	4.09%	2.07%	1.43%	varies
Annual Growth in Retirees age 65+	5.34%	4.82%	3.75%	4.03%	3.36%	3.32%	2.57%	3.26%	2.53%	2.57%	2.33%	1.71%	1.74%	1.33%	1.15%	varies
Non-Medicare Prescription Drug Rebate Trend	125.12%	14.86%	0.78%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Medicare Prescription Drug Rebate Trend	74.57%	13.41%	0.76%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Assumptions with Calendar Year Basis:	**CY2019**	**CY2020**	**CY2021**	**CY2022**	**CY2023**	**CY2024**	**CY2025**	**CY2026**	**CY2027**	**CY2028**	**CY2029**	**CY2030**	**CY2031**	**CY2032**	**CY2033**	**CY2034+**
Non-Medicare Medical Claims Trend	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%
Non-Medicare Prescription Drug Claims Trend	8.0%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%
Medicare Medical Claims Trend	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%
Medicare Prescription Drug Claims Trend	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%
Annual Growth in EGWP Direct Subsidy	-25.55%	5.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Annual Growth in Coverage Gap Discount Program Revenue	17.60%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Annual Growth in EGWP Federal Reinsurance	24.71%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Annual Growth in EGWP Low Income Subsidy	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Humana Medicare Advantage Premium Increase	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%
Lovelace Medicare Advantage Premium Increase	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%
Presbyterian Medicare Advantage Premium Increase	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%
United Healthcare Medicare Advantage Premium Increase	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%

Self-funded Plan Benefit Modifications effective 1/1:	**CY2019**	**CY2020**	**CY2021**	**CY2022**	**CY2023**	**CY2024**	**CY2025**	**CY2026**	**CY2027**	**CY2028**	**CY2029**	**CY2030**	**CY2031**	**CY2032**	**CY2033**	**CY2034**
Non-Medicare Premier	-0.91%	0.00%	0.00%	0.00%	0.00%	-1.91%	-6.51%	-5.88%	-6.16%	-6.38%	-6.55%	-6.33%	-6.57%	-6.82%	-7.09%	-6.90%
Non-Medicare Value	-0.07%	0.00%	0.00%	0.00%	0.00%	-1.91%	-6.51%	-5.88%	-6.16%	-6.38%	-6.55%	-6.33%	-6.57%	-6.82%	-7.09%	-6.90%
Non-Medicare Prescription Drug	-5.62%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Medicare Supplement	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	-3.64%
Medicare Prescription Drug	-0.83%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	-3.64%
Basic Life and AD&D -- cover new Retirees (Y/N)	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N

Member Rate-Share for Self-funded Plans effective 1/1:	**CY2019**	**CY2020**	**CY2021**	**CY2022**	**CY2023**	**CY2024**	**CY2025**	**CY2026**	**CY2027**	**CY2028**	**CY2029**	**CY2030**	**CY2031**	**CY2032**	**CY2033**	**CY2034+**
Non-Medicare Retiree Rate Share (20+ years of service)	*36.00%*	*36.00%*	*36.00%*	*36.00%*	*36.00%*	*36.00%*	*36.00%*	*36.00%*	*36.00%*	*36.00%*	*36.00%*	*36.00%*	*36.00%*	*36.00%*	*36.00%*	*36.00%*
Non-Medicare Spouse Rate Share (20+ years of service)	*64.00%*	*64.00%*	*64.00%*	*64.00%*	*64.00%*	*64.00%*	*64.00%*	*64.00%*	*64.00%*	*64.00%*	*64.00%*	*64.00%*	*64.00%*	*64.00%*	*64.00%*	*64.00%*
Medicare Retiree Rate Share (20+ years of service)	*50.00%*	*50.00%*	*50.00%*	*50.00%*	*50.00%*	*50.00%*	*50.00%*	*50.00%*	*50.00%*	*50.00%*	*50.00%*	*50.00%*	*50.00%*	*50.00%*	*50.00%*	*50.00%*
Medicare Spouse Rate Share (20+ years of service)	*75.00%*	*75.00%*	*75.00%*	*75.00%*	*75.00%*	*75.00%*	*75.00%*	*75.00%*	*75.00%*	*75.00%*	*75.00%*	*75.00%*	*75.00%*	*75.00%*	*75.00%*	*75.00%*

Premium Rates for Self-funded Plans effective 1/1:	**CY2019**	**CY2020**	**CY2021**	**CY2022**	**CY2023**	**CY2024**	**CY2025**	**CY2026**	**CY2027**	**CY2028**	**CY2029**	**CY2030**	**CY2031**	**CY2032**	**CY2033**	**CY2034+**
Non-Medicare Retiree % Increase	8.00%	8.00%	8.00%	8.00%	8.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Non-Medicare Spouse % Increase	8.00%	8.00%	8.00%	8.00%	8.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Non-Medicare Child % Increase	8.00%	8.00%	8.00%	8.00%	8.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Medicare Supplement % Increase	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	3.00%

New Mexico Retiree Health Care Authority
July 2018 Long-Term Solvency Modeling
Sensitivity to Specific Assumption Changes within Baseline Scenario 1

Scenario Summary	Baseline 1 Scenario	Low Trend: -1%	High Trend: +1%	Low Payroll Growth: -0.5%	Increase Non-Medicare Retiree Rate Share: +4%	Increase Non-Medicare Spouse Rate Share: +6%
Changing Cells:						
Annual Payroll Growth - Starting CY2021	3.50%	3.50%	3.50%	3.00%	3.50%	3.50%
Annual Investment Return	7.25%	7.25%	7.25%	7.25%	7.25%	7.25%
Non-Medicare Medical Claims Trend	8.00%	7.00%	9.00%	8.00%	8.00%	8.00%
Medicare Medical Claims Trend	8.00%	7.00%	9.00%	8.00%	8.00%	8.00%
Non-Medicare Retiree Rate Share	36.00%	36.00%	36.00%	36.00%	40.00%	36.00%
Non-Medicare Spouse Rate Share	64.00%	64.00%	64.00%	64.00%	64.00%	70.00%
Premier Plan Retiree Rate Increase - CY2019	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%
Premier Plan Spouse Rate Increase - CY2019	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%
Premier Plan Dependent Rate Increase - CY2019	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%
Value Plan Rate Increase - CY2019	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%
Non-Medicare Rate Increase - CY2020 to CY2023	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%
Medicare Supplement Rate Increase - CY2019 to CY2033	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%
Result Cells:						
Assets as of July 1, 2036	$142,231,834	$992,095,642	($495,962,120)	($20,936,076)	$345,611,965	$239,689,153
Projected Year of Fiscal Insolvency	2037	Exceeds Projection Period	2034	2036	2039	2038

Scenario Summary	Baseline 1 Scenario	High Short-term Non-Medicare Rate Increase: +1%	Low Short-term Non-Medicare Rate Increase -1%	High Short-term Medicare Supplement Rate Change: +1%	Low Short-Term Medicare Supplement Rate Change: -1%	Low Investment Return: -1%	Low Investment Return: -2%
Changing Cells:							
Annual Payroll Growth - Starting CY2021	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
Annual Investment Return	7.25%	7.25%	7.25%	7.25%	7.25%	6.25%	5.25%
Non-Medicare Medical Claims Trend	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%
Medicare Medical Claims Trend	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%
Non-Medicare Retiree Rate Share	36.00%	36.00%	36.00%	36.00%	36.00%	36.00%	36.00%
Non-Medicare Spouse Rate Share	64.00%	64.00%	64.00%	64.00%	64.00%	64.00%	64.00%
Premier Plan Retiree Rate Increase - CY2019	8.00%	9.00%	7.00%	8.00%	8.00%	8.00%	8.00%
Premier Plan Spouse Rate Increase - CY2019	8.00%	9.00%	7.00%	8.00%	8.00%	8.00%	8.00%
Premier Plan Dependent Rate Increase - CY2019	8.00%	9.00%	7.00%	8.00%	8.00%	8.00%	8.00%
Value Plan Rate Increase - CY2019	8.00%	9.00%	7.00%	8.00%	8.00%	8.00%	8.00%
Non-Medicare Rate Increase - CY2020 to CY2023	8.00%	9.00%	7.00%	8.00%	8.00%	8.00%	8.00%
Medicare Supplement Rate Increase - CY2019 to CY2033	6.00%	6.00%	6.00%	7.00%	5.00%	6.00%	6.00%
Result Cells:							
Assets as of July 1, 2036	$142,231,834	$279,299,315	$9,817,489	$539,285,610	($210,306,668)	($113,333,199)	($311,971,248)
Projected Year of Fiscal Insolvency	2037	2038	2037	2041	2036	2036	2035

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New Mexico Retiree Health Care Authority
Baseline Scenario 2 Assumptions for Long-Term Solvency Projections

Assumption	Prior Assumption July 2014	Prior Assumption July 2015	Prior Assumption July 2016	Prior Assumption July 2017	Current Assumption July 2018
Asset Balance	Use May 31, 2014 fund balance of $369,131,762 as an estimate for 7/1/2014 fund balance	Use May 31, 2015 fund balance of $429,925,522 as an estimate for 7/1/2015 fund balance	Use May 31, 2016 fund balance of $455,592,072 as an estimate for 7/1/2016 fund balance	Use May 31, 2017 fund balance of $551,412,183 as an estimate for 7/1/2017 fund balance	Use May 31, 2018 fund balance of $633,374,610 as an estimate for 7/1/2018 fund balance
Investment Return	No Change	No Change	No Change	7.25%	No Change
Annual Growth in Payroll	F20Y14 payroll estimated to be $3,941,587,760, increasing 3% through 6/30/15 and 3.5% thereafter	F20Y15 payroll estimated to be $4,040,779,736, increasing 3.5% annually	FY2016 payroll estimated to be $4,126,747,451, increasing 3.5% annually	FY2017 payroll estimated to be $4,165,647,339, increasing 0.0% through FY2020 and 3.5% thereafter	FY2018 payroll estimated to be $4,169,085,993, increasing 2.0% in FY2019, 0.0% in FY2020, and 3.5% thereafter
Contribution Rates (Employer/Employee)					
Public Safety, et al	2.50%/1.25%	No Change	No Change	No Change	No Change
Other Occupations	2.00%/1.00%	No Change	No Change	No Change	No Change
Annual Growth in Retirees					
Non-Medicare	1.75% annually through 6/30/2015, then based on FY2009 open valuation output table	No Change	based on FY2014 open valuation output table	No Change	No Change
Medicare	5.8% through 6/30/2015, then based on FY2009 open valuation output table	No Change	based on FY2014 open valuation output table	No Change	No Change
Retiree Ancillary Costs	Assumed to equal premium expenses and is paid fully by retirees	No Change	No Change	No Change	No Change
Pension Tax Revenue	$20,931,300 for FY2014, increasing 12% thereafter	$23,443,056 for FY2015, increasing 12% thereafter	$26,256,200 for FY2016, increasing 12% thereafter	$28,306,470 for FY2017, frozen through FY2019 and increasing 12% thereafter	$26,256,221 for FY2018, frozen through FY2019, increasing 12% thereafter
HB 728/573 Revenue	$3 million annually, no sunset	No Change	No Change	Eliminated effective 1/1/2017	No Change
Rx Rebates	Rebates of $8,407,050 estimated for FY14, reflecting proposed contract terms through FY18; all annual figures increased at retiree growth rate	Rebates of $8,960,237 estimated for FY15, reflecting proposed contract terms through FY18; all annual figures increased at retiree growth rate	Rebates of $8,566,058 estimated for FY2016, reflecting proposed contract terms through FY2018; all annual figures increased at retiree growth rate	Rebates of $18,321,264 estimated for FY2017, reflecting proposed contract terms through FY2018; all annual figures increased at retiree growth rate	Rebates of $32,085,060 estimated for FY2019; proposed contract terms reflected through FY2020, increased at retiree growth rate thereafter.
EGWP Revenue Components:					
Direct Subsidy	CY2014-15 projected by ESI; thereafter increases annually at retiree growth rate, plus one half of Medicare Rx trend +1% for donut hole closure CY16 through CY20 (one half of Medicare Rx trend CY2021+)	CY2015-16 projected by ESI; thereafter increases annually at retiree growth rate, plus one half of Medicare Rx trend +1% for donut hole closure CY17 through CY20 (one half of Medicare Rx trend CY2021+)	CY2016 and CY2017 projected by ESI; thereafter increases annually at retiree growth rate, plus one half of Medicare Rx trend +1% for donut hole closure CY2018 through CY2020 (one half of Medicare Rx trend CY2021+)	CY2017 and CY2018 projected by ESI; thereafter increases annually at retiree growth rate, plus one half of Medicare Rx trend +1% for donut hole closure CY2019 through CY2020 (one half of Medicare Rx trend CY2021+)	CY2018 and CY2019 projected by ESI; thereafter increases annually at retiree growth rate, plus one half of Medicare Rx trend +1% for donut hole closure through CY2020 (one half of Medicare Rx trend CY2021+)
Federal Reinsurance	CY2014-15 projected by ESI; CY2016+ annual increase at only retiree growth rate	CY2015-16 projected by ESI; CY2017+ annual increase at only retiree growth rate	CY2016 and CY2017 projected by ESI; CY2018+ annual increase at only retiree growth rate	CY2017 and CY2018 projected by ESI; CY2019+ annual increase at only retiree growth rate	CY2018 and CY2019 projected by ESI; CY2020+ annual increase at only retiree growth rate
Low Income Subsidy	0.0% annual increase to CY2014 estimate of $2.85 PMPM	0.0% annual increase to CY2015 estimate of $3.40 PMPM	0.0% annual increase to CY2016 estimate of $3.40 PMPM	0.0% annual increase to CY2017 estimate of $2.84 PMPM	0.0% annual increase to CY2018 estimate of $2.87 PMPM
Coverage Gap Discount Program	CY2014-15 projected by ESI; CY2016+ annual increase at only retiree growth rate	CY2015-16 projected by ESI; CY2017+ annual increase at only retiree growth rate	CY2016 and CY2017 projected by ESI; CY2018+ annual increase at only retiree growth rate	CY2017 and CY2018 projected by ESI; CY2019+ annual increase at only retiree growth rate	CY2018 and CY2019 projected by ESI; CY2020+ annual increase at only retiree growth rate
Short Term Interest	$0 projected for FY2014, increasing 0.0% annually	No Change	No Change	No Change	No Change
Subrogation	$239,932 estimated for FY2014, increased at retiree growth rate	$277,326 estimated for FY2015, increased at retiree growth rate	$327,942 estimated for FY2016, increased at retiree growth rate	$279,589 estimated for FY2017, increased at retiree growth rate	$283,753 estimated for FY2018, increased at retiree growth rate

New Mexico Retiree Health Care Authority
Baseline Scenario 2 Assumptions for Long-Term Solvency Projections

Assumption	Prior Assumption July 2014	Prior Assumption July 2015	Prior Assumption July 2016	Prior Assumption July 2017	Current Assumption July 2018
Annual Trend					
Medical					
Medicare Advantage	8.00%	No Change	No Change	No Change	No Change
Medicare Supplement	8.00%	No Change	No Change	No Change	No Change
Medicare Rx	8.00%	No Change	No Change	No Change	No Change
Non-Medicare Medical	8.00%	No Change	No Change	No Change	No Change
Mental Health	Included in Medical Trend	No Change	No Change	No Change	No Change
Non-Medicare Rx	8.00%	No Change	No Change	No Change	No Change
Medical Rates	Annual Non-Medicare rate increases of 8% in 2015-2020 and 3% thereafter, 5% Medicare Supplement rate increase in 2015 and 6% thereafter	Annual Non-Medicare rate increases of 8% in 2016-2021 and 4% thereafter, 6% Medicare Supplement rate increase in 2016-2033 and 3% thereafter	2017 rates for Premier and new Value plan set per pricing exercise; Annual Non-Medicare rate increases of 8% in 2018-2022 and 4% thereafter, 6% Medicare Supplement rate increase in 2017-2030 and 3% thereafter	Annual Non-Medicare rate increases of 8% in 2018-2022 and 4% thereafter, 6% Medicare Supplement rate increase in 2017-2031 and 3% thereafter	CY2019 Non-Medicare Rate increases: 9% increase to Premier plan Retiree rates, 10% increase to Premier plan Spouse and Dependent rates, and 7% increase to Value plan rates; Annual Non-Medicare Rate Increases of 8% in 2020-2023 and 4% thereafter, 6% Medicare Supplement rate increase in 2019-2033 and 3% thereafter
Life Insurance	Assumes level total premium on Basic Life for duration of projection	Assumes level total premium on Basic Life through CY17 decreasing 25% per year through CY21	No Change	No Change	No Change
Dental	0.06	No Change	No Change	No Change	No Change
Vision	5.00%	No Change	No Change	No Change	No Change
Program Support	$2,929,300 budgeted for FY2015, increasing 2.5% annually thereafter	$3,012,900 budgeted for FY2016, increasing 2.5% annually thereafter	$3,118,300 budgeted for FY2016, increasing 2.5% annually thereafter	$2,936,800 budgeted for FY2017, increasing 2.5% annually thereafter	$3,015,200 budgeted for FY2018, increasing 2.5% annually thereafter
Administrative Services Fee	Individual fee components based on existing contract terms in place, increasing 2.00% annually thereafter	No Change	No Change	No Change	No Change
Plan Design Changes					
Medical					
Medicare	Annual plan changes in CY2034 and beyond such that projected claims and expenses remain beneath Excise Tax threshold	Annual plan changes in CY2034 and beyond such that projected claims and expenses remain beneath Excise Tax threshold	Annual plan changes in CY2031 and beyond such that projected claims and expenses remain beneath Excise Tax threshold	Annual plan changes in CY2032 and beyond such that projected claims and expenses remain beneath Excise Tax threshold	Annual plan changes in CY2034 and beyond such that projected claims and expenses remain beneath Excise Tax threshold
Non-Medicare	Consolidation of Non-Medicare plans in CY2017, annual plan changes in CY2021 and beyond such that projected claims and expenses remain beneath Excise Tax threshold	Consolidation of Non-Medicare plans in CY2017, annual plan changes in CY2022 and beyond such that projected claims and expenses remain beneath Excise Tax threshold	Beginning CY2017: Elimination of Premier Plus plan, introduction of Value plan, Premier plan OOP max increase to $4,500, deductible and copays accumulating to OOP max; annual plan changes in CY2023 and beyond such that projected claims and expenses remain beneath Excise Tax threshold	Beginning CY2018, expanding value option to BCBS; annual plan changes in CY2023 and beyond such that projected claims and expenses remain beneath Excise Tax threshold	Discontinue NM Health Connections Value plan effective 6/30/18 with members assumed to migrate to BCBS Value plan. Beginning CY2019, add 3rd BCBS Premier plan tier with restricted network; annual plan changes in CY2024 and beyond such that projected claims and expenses remain beneath Excise Tax threshold
Rx					
Medicare	Annual plan changes in CY2034 and beyond such that projected claims and expenses remain beneath Excise Tax threshold	Annual plan changes in CY2034 and beyond such that projected claims and expenses remain beneath Excise Tax threshold	Eliminate coverage for drugs now available over the counter (OTC); Annual plan changes in CY2031 and beyond such that projected claims and expenses remain beneath Excise Tax threshold	Add Voluntary Smart90 program; annual plan changes in CY2032 and beyond such that projected claims and expenses remain beneath Excise Tax threshold	Beginning CY2019, increase brand copays; annual plan changes in CY2034 and beyond such that projected claims and expenses remain beneath Excise Tax threshold

New Mexico Retiree Health Care Authority

Baseline Scenario 2 Assumptions for Long-Term Solvency Projections

Assumption	Prior Assumption July 2014	Prior Assumption July 2015	Prior Assumption July 2016	Prior Assumption July 2017	Current Assumption July 2018
Non-Medicare	No changes for 1/1/2015 or beyond	No changes for 1/1/2016 or beyond	Eliminate coverage for drugs now available over the counter (OTC)	Add Voluntary Smart90 program	Beginning CY2019, add SavOnSP Copay Assistance Program and increase brand copays
Basic Life and AD&D	No new entrants	No new entrants	No new entrants	No new entrants	No new entrants
Annual Index in Cadillac Tax Thresholds	3%	3%	3%	3%	3%
Annual Increase in PCORI Fee	Projected increase in National Health Expenditures, per CMS Office of the Actuary	Projected increase in National Health Expenditures, per CMS Office of the Actuary	Projected increase in National Health Expenditures, per CMS Office of the Actuary	Projected increase in National Health Expenditures, per CMS Office of the Actuary	Projected increase in National Health Expenditures, per CMS Office of the Actuary
Member Rate Share					
Retiree					
Medicare	50%	No Change	No Change	No Change	No Change
Non-Medicare	35%	36% in CY2016+	No Change	No Change	No Change
Spouse					
Medicare	75%	No Change	No Change	No Change	No Change
Non-Medicare	62% in CY2015+	64% in CY2016+	No Change	No Change	No Change
Child(ren)					
Medicare	100%	No Change	No Change	No Change	No Change
Non-Medicare	100%	No Change	No Change	No Change	No Change
Minimum Service to Receive Full Subsidy	20 years	No Change	No Change	No Change	No Change
Minimum Participation Age	None	No Change	No Change	No Change	No Change

New Mexico Retiree Health Care Authority Long-Tem Solvency Modeling

Projected Year of Insolvency: FYE2037

Baseline Scenario 2: 8% trend for Non-Medicare and Medicare medical and Rx for all years; Non-Medicare Plan Changes: Discontinue NMHC Value plan effective 6/30/18; Beginning CY2019, add 3rd BCBS Premier plan tier with restricted network, add SaveOnSP Copay Assistance Program, and increase brand copays; Annual Non-Medicare Medical Plan Changes in CY2024+; Medicare Supplement & EGWP plan changes in CY2019: increase brand copays; Annual Medicare Supplement & EGWP plan changes in CY2034+; CY2019 Non-Medicare Rate increases: 9.0% increase to Premier plan Retiree rates, 10.0% increase to Premier plan Spouse and Dependent rates, and 7.0% increase to Value plan rates; Annual Non-Medicare Rate Increases of 8.0% in CY2020-2023 and 4.0% thereafter, Medicare Rate Increase of 6.0% in CY2019-2033 and 3.0% thereafter

		REVENUE									EXPENDITURES								
Fiscal Year Beginning	BOY Invested Assets	Employer Contribution	Employee Contribution	Retiree Medical	Retiree Ancillary	Tax & HB 351 Revenue	Medicare PDP & Manufacturers Discount	Miscellaneous	Total Revenue	Investment Income	Medical/Rx	Basic Life	Ancillary Premiums	ASO & HC Reform Fees	Program Support	Total Expenditures	Rev. - Exp. Excluding Inv. Income	Fiscal Year End	EOY Invested Assets
7/1/2018	$633,374,610	$87,098,674	$43,549,337	$141,214,543	$31,795,201	$26,256,221	$26,870,418	$313,623	$357,098,015	$46,877,884	$279,786,442	$2,479,569	$31,795,201	$13,587,822	$3,015,200	$330,664,233	$26,433,782	6/30/2019	$706,686,277
7/1/2019	$706,686,277	$87,098,674	$43,549,337	$156,098,370	$34,313,557	$29,406,967	$29,934,071	$287,248	$380,688,224	$52,033,004	$305,564,871	$1,487,741	$34,313,557	$14,210,822	$3,090,580	$358,667,571	$22,020,653	6/30/2020	$780,739,933
7/1/2020	$780,739,933	$90,147,127	$45,073,564	$170,749,174	$36,681,571	$32,935,804	$31,004,024	$285,248	$406,876,511	$57,084,522	$338,558,957	$495,914	$36,681,571	$14,706,650	$3,167,845	$393,610,936	$13,265,575	6/30/2021	$851,090,031
7/1/2021	$851,090,031	$93,302,277	$46,651,138	$186,802,287	$39,369,539	$36,888,100	$32,077,925	$284,327	$435,375,592	$61,785,693	$375,290,425	$0	$39,369,539	$15,215,742	$3,247,041	$433,122,746	$2,252,846	6/30/2022	$915,128,570
7/1/2022	$915,128,570	$96,567,856	$48,283,928	$206,465,812	$42,652,174	$41,314,672	$33,067,438	$295,497	$468,647,378	$65,817,093	$421,333,982	$0	$42,652,174	$15,946,208	$3,328,217	$483,260,580	($14,613,203)	6/30/2023	$966,332,460
7/1/2023	$966,332,460	$99,947,731	$49,973,866	$225,246,540	$45,809,443	$46,272,433	$34,029,830	$298,395	$501,578,238	$68,893,146	$467,890,152	$0	$45,809,443	$16,631,553	$3,411,422	$533,742,569	($32,164,332)	6/30/2024	$1,003,061,274
7/1/2024	$1,003,061,274	$103,445,902	$51,722,951	$242,375,452	$48,923,136	$51,825,124	$34,859,553	$300,104	$533,452,223	$71,084,863	$508,958,076	$0	$48,923,136	$17,235,101	$3,496,708	$578,613,021	($45,160,798)	6/30/2025	$1,028,985,340
7/1/2025	$1,028,985,340	$107,066,509	$53,533,254	$263,037,277	$52,880,365	$58,044,139	$35,814,092	$308,674	$570,684,310	$72,483,656	$554,657,394	$0	$52,880,365	$17,983,980	$3,584,125	$629,105,865	($58,421,555)	6/30/2026	$1,043,047,441
7/1/2026	$1,043,047,441	$110,813,836	$55,406,918	$283,750,660	$56,527,296	$65,009,436	$36,687,165	$310,542	$608,505,853	$73,022,355	$601,328,487	$0	$56,527,296	$18,661,433	$3,673,728	$680,190,945	($71,685,091)	6/30/2027	$1,044,384,705
7/1/2027	$1,044,384,705	$114,692,321	$57,346,160	$304,281,592	$60,222,873	$72,810,568	$37,535,850	$308,058	$647,197,423	$72,697,490	$647,279,524	$0	$60,222,873	$19,250,861	$3,765,572	$730,518,830	($83,321,407)	6/30/2028	$1,033,760,788
7/1/2028	$1,033,760,788	$118,706,552	$59,353,276	$328,433,140	$64,688,380	$81,547,837	$38,345,062	$315,408	$691,389,656	$71,351,535	$702,085,067	$0	$64,688,380	$19,959,861	$3,859,711	$790,593,019	($99,203,363)	6/30/2029	$1,005,908,960
7/1/2029	$1,005,908,960	$122,861,281	$61,430,641	$352,336,582	$68,763,322	$91,333,577	$38,997,867	$315,783	$736,039,053	$68,775,460	$757,310,740	$0	$68,763,322	$20,572,649	$3,956,204	$850,602,914	($114,563,861)	6/30/2030	$960,120,558
7/1/2030	$960,120,558	$127,161,426	$63,580,713	$380,761,124	$73,977,260	$102,293,606	$39,625,832	$328,695	$787,728,655	$64,693,295	$823,952,141	$0	$73,977,260	$21,342,632	$4,055,109	$923,327,142	($135,598,486)	6/30/2031	$889,215,367
7/1/2031	$889,215,367	$131,612,076	$65,806,038	$410,022,631	$78,942,547	$114,568,839	$40,164,003	$335,483	$841,451,616	$58,789,662	$892,931,870	$0	$78,942,547	$22,067,671	$4,156,487	$998,098,574	($156,646,958)	6/30/2032	$791,358,071
7/1/2032	$791,358,071	$136,218,499	$68,109,249	$439,575,486	$84,009,125	$128,317,100	$40,632,378	$340,290	$897,202,126	$50,970,955	$962,835,598	$0	$84,009,125	$22,717,841	$4,260,399	$1,073,822,963	($176,620,837)	6/30/2033	$665,708,189
7/1/2033	$665,708,189	$140,986,146	$70,493,073	$469,515,259	$89,835,467	$143,715,152	$41,150,351	$348,852	$956,044,300	$41,262,415	$1,031,535,134	$0	$89,835,467	$23,449,642	$4,366,909	$1,149,187,153	($193,142,853)	6/30/2034	$513,827,752
7/1/2034	$513,827,752	$145,920,661	$72,960,331	$503,056,806	$96,251,741	$160,960,970	$41,588,936	$362,813	$1,021,102,258	$30,051,382	$1,094,751,515	$0	$96,251,741	$24,274,783	$4,476,081	$1,219,754,121	($198,651,863)	6/30/2035	$345,227,271
7/1/2035	$345,227,271	$151,027,884	$75,513,942	$538,267,700	$102,095,528	$180,276,286	$42,076,348	$362,605	$1,089,620,294	$18,120,251	$1,148,590,595	$0	$102,095,528	$24,931,738	$4,587,983	$1,280,205,844	($190,585,551)	6/30/2036	$172,761,971
7/1/2036	$172,761,971	$156,313,860	$78,156,930	$571,720,162	$108,523,408	$201,909,441	$42,667,463	$362,743	$1,159,654,007	$5,937,198	$1,204,730,634	$0	$108,523,408	$25,566,293	$4,702,683	$1,343,523,018	($183,869,011)	6/30/2037	($5,169,843)
7/1/2037	($5,169,843)	$161,784,845	$80,892,423	$602,283,969	$114,925,506	$226,138,574	$43,114,142	$363,335	$1,229,502,793	$0	$1,261,855,774	$0	$114,925,506	$26,161,060	$4,820,250	$1,407,762,590	($178,259,797)	6/30/2038	($183,429,640)
7/1/2038	($183,429,640)	$167,447,315	$83,723,657	$633,205,376	$121,477,038	$253,275,203	$43,608,880	$358,681	$1,303,096,149	$0	$1,317,585,919	$0	$121,477,038	$26,692,896	$4,940,756	$1,470,696,609	($167,600,460)	6/30/2039	($351,030,100)
7/1/2039	($351,030,100)	$173,307,971	$86,653,985	$667,154,807	$128,785,127	$283,668,227	$44,105,139	$358,741	$1,384,033,997	$0	$1,379,548,388	$0	$128,785,127	$27,284,362	$5,064,275	$1,540,682,153	($156,648,156)	6/30/2040	($507,678,256)
7/1/2040	($507,678,256)	$179,373,750	$89,686,875	$704,585,680	$136,772,438	$317,708,414	$44,588,204	$361,201	$1,473,076,561	$0	$1,448,613,819	$0	$136,772,438	$27,950,435	$5,190,882	$1,618,527,575	($145,451,013)	6/30/2041	($653,129,269)
7/1/2041	($653,129,269)	$185,651,831	$92,825,916	$746,512,928	$145,758,379	$355,833,424	$44,997,048	$370,231	$1,571,949,757	$0	$1,525,412,488	$0	$145,758,379	$28,732,870	$5,320,654	$1,705,224,391	($133,274,634)	6/30/2042	($786,403,903)
7/1/2042	($786,403,903)	$192,149,645	$96,074,823	$790,812,604	$155,094,185	$398,533,435	$45,348,783	$378,511	$1,678,391,985	$0	$1,606,784,100	$0	$155,094,185	$29,532,367	$5,453,670	$1,796,864,322	($118,472,337)	6/30/2043	($904,876,240)
7/1/2043	($904,876,240)	$198,874,883	$99,437,441	$837,875,603	$165,117,660	$446,357,447	$45,661,864	$388,511	$1,793,713,408	$0	$1,693,211,954	$0	$165,117,660	$30,357,881	$5,590,012	$1,894,277,507	($100,564,099)	6/30/2044	($1,005,440,339)
7/1/2044	($1,005,440,339)	$205,835,504	$102,917,752	$888,261,301	$175,828,562	$499,920,340	$45,975,560	$398,775	$1,919,137,792	$0	$1,784,031,827	$0	$175,828,562	$31,215,775	$5,729,763	$1,996,805,926	($77,668,133)	6/30/2045	($1,083,108,472)
7/1/2045	($1,083,108,472)	$213,039,746	$106,519,873	$942,205,231	$187,274,491	$559,910,781	$46,302,864	$409,309	$2,055,662,296	$0	$1,881,608,464	$0	$187,274,491	$32,103,147	$5,873,007	$2,106,859,109	($51,196,812)	6/30/2046	($1,134,305,284)
7/1/2046	($1,134,305,284)	$220,496,137	$110,248,069	$999,981,022	$199,506,354	$627,100,075	$46,644,306	$420,123	$2,204,396,086	$0	$1,986,023,227	$0	$199,506,354	$33,021,177	$6,019,832	$2,224,570,589	($20,174,503)	6/30/2047	($1,154,479,787)
7/1/2047	($1,154,479,787)	$228,213,502	$114,106,751	$1,061,884,213	$212,578,587	$702,352,084	$47,000,437	$431,221	$2,366,566,795	$0	$2,096,990,784	$0	$212,578,587	$33,971,098	$6,170,328	$2,349,710,796	$16,855,999	6/30/2048	($1,137,623,788)
7/1/2048	($1,137,623,788)	$236,200,975	$118,100,487	$1,128,234,038	$226,549,409	$786,634,334	$47,371,826	$442,614	$2,543,533,682	$0	$2,215,317,983	$0	$226,549,409	$34,954,195	$6,324,586	$2,483,146,173	$60,387,509	6/30/2049	($1,077,236,279)
7/1/2049	($1,077,236,279)	$244,468,009	$122,234,004	$1,199,375,367	$241,481,080	$881,030,454	$47,759,067	$454,307	$2,736,802,288	$0	$2,341,652,695	$0	$241,481,080	$35,971,810	$6,482,700	$2,625,588,285	$111,214,003	6/30/2050	($966,022,276)

Assumptions with Fiscal Year Basis:	**FY2019**	**FY2020**	**FY2021**	**FY2022**	**FY2023**	**FY2024**	**FY2025**	**FY2026**	**FY2027**	**FY2028**	**FY2029**	**FY2030**	**FY2031**	**FY2032**	**FY2033**	**FY2034+**
Public Safety, et al Annual Payroll Growth	2.00%	0.00%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
Other Occupations Annual Payroll Growth	2.00%	0.00%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
Public Safety, et al Employer Rate	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Public Safety, et al Employee Rate	*1.25%*	*1.25%*	*1.25%*	*1.25%*	*1.25%*	*1.25%*	*1.25%*	*1.25%*	*1.25%*	*1.25%*	*1.25%*	*1.25%*	*1.25%*	*1.25%*	*1.25%*	*1.25%*
Other Occupations Employer Rate	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Other Occupations Employee Rate	*1.00%*	*1.00%*	*1.00%*	*1.00%*	*1.00%*	*1.00%*	*1.00%*	*1.00%*	*1.00%*	*1.00%*	*1.00%*	*1.00%*	*1.00%*	*1.00%*	*1.00%*	*1.00%*
Annual Investment Return	7.25%	7.25%	7.25%	7.25%	7.25%	7.25%	7.25%	7.25%	7.25%	7.25%	7.25%	7.25%	7.25%	7.25%	7.25%	7.25%
Annual Growth in Retirees under age 65	0.82%	0.41%	-0.70%	-0.32%	3.93%	0.98%	0.57%	2.86%	0.61%	-0.80%	2.39%	0.12%	4.09%	2.07%	1.43%	varies
Annual Growth in Retirees age 65+	5.34%	4.82%	3.75%	4.03%	3.36%	3.32%	2.57%	3.26%	2.53%	2.57%	2.33%	1.71%	1.74%	1.33%	1.15%	varies
Non-Medicare Prescription Drug Rebate Trend	125.12%	14.86%	0.78%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Medicare Prescription Drug Rebate Trend	74.57%	13.41%	0.76%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Assumptions with Calendar Year Basis:	**CY2019**	**CY2020**	**CY2021**	**CY2022**	**CY2023**	**CY2024**	**CY2025**	**CY2026**	**CY2027**	**CY2028**	**CY2029**	**CY2030**	**CY2031**	**CY2032**	**CY2033**	**CY2034+**
Non-Medicare Medical Claims Trend	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%
Non-Medicare Prescription Drug Claims Trend	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%
Medicare Medical Claims Trend	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%
Medicare Prescription Drug Claims Trend	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%
Annual Growth in EGWP Direct Subsidy	-25.55%	5.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Annual Growth in Coverage Gap Discount Program Revenue	17.60%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Annual Growth in EGWP Federal Reinsurance	24.71%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Annual Growth in EGWP Low Income Subsidy	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Humana Medicare Advantage Premium Increase	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%
Lovelace Medicare Advantage Premium Increase	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%
Presbyterian Medicare Advantage Premium Increase	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%
United Healthcare Medicare Advantage Premium Increase	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%

Self-funded Plan Benefit Modifications effective 1/1:	**CY2019**	**CY2020**	**CY2021**	**CY2022**	**CY2023**	**CY2024**	**CY2025**	**CY2026**	**CY2027**	**CY2028**	**CY2029**	**CY2030**	**CY2031**	**CY2032**	**CY2033**	**CY2034**
Non-Medicare Premier	-0.91%	0.00%	0.00%	0.00%	0.00%	-1.91%	-6.51%	-5.88%	-6.16%	-6.38%	-6.55%	-6.33%	-6.57%	-6.82%	-7.09%	-6.90%
Non-Medicare Value	-0.07%	0.00%	0.00%	0.00%	0.00%	-1.91%	-6.51%	-5.88%	-6.16%	-6.38%	-6.55%	-6.33%	-6.57%	-6.82%	-7.09%	-6.90%
Non-Medicare Prescription Drug	-5.62%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Medicare Supplement	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	-3.64%
Medicare Prescription Drug	-0.83%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	-3.64%
Basic Life and AD&D -- cover new Retirees (Y/N)	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N

Member Rate-Share for Self-funded Plans effective 1/1:	**CY2019**	**CY2020**	**CY2021**	**CY2022**	**CY2023**	**CY2024**	**CY2025**	**CY2026**	**CY2027**	**CY2028**	**CY2029**	**CY2030**	**CY2031**	**CY2032**	**CY2033**	**CY2034+**
Non-Medicare Retiree Rate Share (20+ years of service)	*36.00%*	*36.00%*	*36.00%*	*36.00%*	*36.00%*	*36.00%*	*36.00%*	*36.00%*	*36.00%*	*36.00%*	*36.00%*	*36.00%*	*36.00%*	*36.00%*	*36.00%*	*36.00%*
Non-Medicare Spouse Rate Share (20+ years of service)	*64.00%*	*64.00%*	*64.00%*	*64.00%*	*64.00%*	*64.00%*	*64.00%*	*64.00%*	*64.00%*	*64.00%*	*64.00%*	*64.00%*	*64.00%*	*64.00%*	*64.00%*	*64.00%*
Medicare Retiree Rate Share (20+ years of service)	*50.00%*	*50.00%*	*50.00%*	*50.00%*	*50.00%*	*50.00%*	*50.00%*	*50.00%*	*50.00%*	*50.00%*	*50.00%*	*50.00%*	*50.00%*	*50.00%*	*50.00%*	*50.00%*
Medicare Spouse Rate Share (20+ years of service)	*75.00%*	*75.00%*	*75.00%*	*75.00%*	*75.00%*	*75.00%*	*75.00%*	*75.00%*	*75.00%*	*75.00%*	*75.00%*	*75.00%*	*75.00%*	*75.00%*	*75.00%*	*75.00%*

Premium Rates for Self-funded Plans effective 1/1:	**CY2019**	**CY2020**	**CY2021**	**CY2022**	**CY2023**	**CY2024**	**CY2025**	**CY2026**	**CY2027**	**CY2028**	**CY2029**	**CY2030**	**CY2031**	**CY2032**	**CY2033**	**CY2034+**
Non-Medicare Retiree % Increase	8.71%	8.00%	8.00%	8.00%	8.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Non-Medicare Spouse % Increase	9.42%	8.00%	8.00%	8.00%	8.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Non-Medicare Child % Increase	9.33%	8.00%	8.00%	8.00%	8.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Medicare Supplement % Increase	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	3.00%

New Mexico Retiree Health Care Authority
July 2018 Long-Term Solvency Modeling
Sensitivity to Specific Assumption Changes within Baseline Scenario 2

Scenario Summary	Baseline 2 Scenario	Low Trend: -1%	High Trend: +1%	Low Payroll Growth: -0.5%	Increase Non-Medicare Retiree Rate Share: +4%	Increase Non-Medicare Spouse Rate Share: +6%
Changing Cells:						
Annual Payroll Growth - Starting CY2021	3.50%	3.50%	3.50%	3.00%	3.50%	3.50%
Annual Investment Return	7.25%	7.25%	7.25%	7.25%	7.25%	7.25%
Non-Medicare Medical Claims Trend	8.00%	7.00%	9.00%	8.00%	8.00%	8.00%
Medicare Medical Claims Trend	8.00%	7.00%	9.00%	8.00%	8.00%	8.00%
Non-Medicare Retiree Rate Share	36.00%	36.00%	36.00%	36.00%	40.00%	36.00%
Non-Medicare Spouse Rate Share	64.00%	64.00%	64.00%	64.00%	64.00%	70.00%
Premier Plan Retiree Rate Increase - CY2019	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%
Premier Plan Spouse Rate Increase - CY2019	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
Premier Plan Dependent Rate Increase - CY2019	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
Value Plan Rate Increase - CY2019	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%
Non-Medicare Rate Increase - CY2020 to CY2023	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%
Medicare Supplement Rate Increase - CY2019 to CY2033	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%
Result Cells:						
Assets as of July 1, 2036	$172,761,971	$1,023,447,033	($470,414,415)	$9,435,098	$377,438,034	$271,463,085
Projected Year of Fiscal Insolvency	2037	Exceeds Projection Period	2034	2037	2039	2038

Scenario Summary	Baseline 2 Scenario	High Short-term Non-Medicare Rate Increase: +1%	Low Short-term Non-Medicare Rate Increase -1%	High Short-term Medicare Supplement Rate Change: +1%	Low Short-Term Medicare Supplement Rate Change: -1%	Low Investment Return: -1%	Low Investment Return: -2%
Changing Cells:							
Annual Payroll Growth - Starting CY2021	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
Annual Investment Return	7.25%	7.25%	7.25%	7.25%	7.25%	6.25%	5.25%
Non-Medicare Medical Claims Trend	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%
Medicare Medical Claims Trend	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%
Non-Medicare Retiree Rate Share	36.00%	36.00%	36.00%	36.00%	36.00%	36.00%	36.00%
Non-Medicare Spouse Rate Share	64.00%	64.00%	64.00%	64.00%	64.00%	64.00%	64.00%
Premier Plan Retiree Rate Increase - CY2019	9.00%	10.00%	8.00%	9.00%	9.00%	9.00%	9.00%
Premier Plan Spouse Rate Increase - CY2019	10.00%	11.00%	9.00%	10.00%	10.00%	10.00%	10.00%
Premier Plan Dependent Rate Increase - CY2019	10.00%	11.00%	9.00%	10.00%	10.00%	10.00%	10.00%
Value Plan Rate Increase - CY2019	7.00%	8.00%	6.00%	7.00%	7.00%	7.00%	7.00%
Non-Medicare Rate Increase - CY2020 to CY2023	8.00%	9.00%	7.00%	8.00%	8.00%	8.00%	8.00%
Medicare Supplement Rate Increase - CY2019 to CY2033	6.00%	6.00%	6.00%	7.00%	5.00%	6.00%	6.00%
Result Cells:							
Assets as of July 1, 2036	$172,761,971	$310,805,281	$39,396,989	$569,815,747	($181,555,985)	($86,116,708)	($287,973,099)
Projected Year of Fiscal Insolvency	2037	2038	2037	2042	2036	2036	2035

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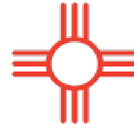


NEW MEXICO
RETIREE
HEALTH CARE
AUTHORITY

2019 Plan Recommendations

Baseline Scenario 1

Summary of Recommended Changes

- 2019 Plan Rates (54,169 members)
  - Premier Plan (12,519 members)
  - Value Plan (3,328 members)
  - Medicare Supplement (23,368 members)
- 2019 Pre-Medicare Plan Design
  - 3rd Tier Coverage (7,569 members)
  - Bundled Payment Agreement (7,537members)
- Prescription Drug Copays
  - Brand Increase (39,215 members)
- Addition of SaveOn Program (15,847 members)
- Addition of Naturally Slim Program (39,215 members)
- Pilot Project w/Ground Rounds (15,847 members)
  - Expert Medical Opinions

2019 Monthly Plan Rates

Pre-Medicare Plans – 8% /Medicare Supplement – 6%

	2018	2019	Monthly	Annual
BCBS/Presbyterian Premier			Difference	Difference
Retiree	$241.44	$260.76	$ 19.32	$ 231.78
Spouse/Domestic Partner	$458.27	$494.93	$ 36.66	$ 439.94
Child	$234.36	$253.11	$ 18.75	$ 224.99
BCBS/Presbyterian Value				
Retiree	$188.50	$203.58	$ 15.08	$ 180.96
Spouse/Domestic Partner	$357.95	$386.59	$ 28.64	$ 343.63
Child	$182.75	$197.37	$ 14.62	$ 175.44
Medicare Supplement	$199.96	$211.96	$12.00	$144.00

2019 Plan Design (BCBS Premier)

NMRHCA Non-Medicare Premier PPO Plan

- Currently: $800 deductible / $4,500 annual OOP Max
- Blue Preferred Plus (1st Tier)
  - $500 deductible/$3,000 annual OOP Max
  - PCP - $20 / Specialist $35
  - Coinsurance – 10%
- Preferred Provider
  - $800 deductible / $4,500 annual OOP Max
  - PCP - $30 / Specialist - $45
  - Coinsurance – 25%
- Non-Preferred
  - $1,500 deductible / $6,000 annual OOP Max
  - PCP – 50%/ Specialist – 50%
  - Coinsurance – 50%

2019 Plan Design (Presbyterian)

NMRHCA Non-Medicare Premier PPO Plan/Value Plan

- Bundled payment agreements
- Premier Plan - $500 copay compared to 25% coinsurance
- Value Plan - $650 copay compared to 30% coinsurance
  - Presbyterian Health Care Services
    - Hernia
    - Laparoscopic Surgeries
  - New Mexico Orthopedics
    - Shoulder Arthroscopy
    - Knee Arthroscopy
  - Service Expansion
    - Santa Fe – October 2018
    - Farmington – TBD
    - Las Cruces - TBD

2019 Prescription Drug Copays

- Premier Plan (BCBS & Presbyterian)
- Value Plan (BCBS & Presbyterian)
- Medicare Supplement (BCBS)

	2018		2019		Change	
Plans	Non-Specialty/Specialty					
	Retail	Home Delivery	Retail	Home Delivery	Retail	Home Delivery
	20%	20%	20%	20%	NA	NA
	$5 Min	$12 Min	$5 Min	$12 Min	NA	NA
Generic	$15 Max	$35 Max	$15 Max	$35 Max	NA	NA
	30%	30%	30%	30%	NA	NA
	$25 Min	$50 Min	$30 Min	$60 Min	$5 Min	$10 Min
Formulary	$50 Max	$100 Max	$60 Max	$120 Max	$10 Max	$20 Max
	50%	50%	50%	50%	NA	NA
	$40 Min	$100 Min	$50 Min	$100 Min	$10 Min	NA
Non-Formulary	$100 Max	$150 Max	$125 Max	$250 Max	$25 Max	$100 Max

Addition of SaveOn Program

Copay Offset Savings Program

- Applies to Pre-Medicare Plan Only
- Administered by SaveOn Sp
  - Agreement through Express Scripts
- Copays for 80+ specialty drugs increased to maximize manufacture funding
- Sample Medications Covered
  - Oncology
  - Inflammatory
  - Multiple Sclerosis
  - Blood Cell Deficiency
  - Hepatitis C
  - Hereditary Angioedema
  - Pulmonary Arterial Hypertension
- Reduces patient's responsibility to zero

Naturally Slim

Naturally Slim

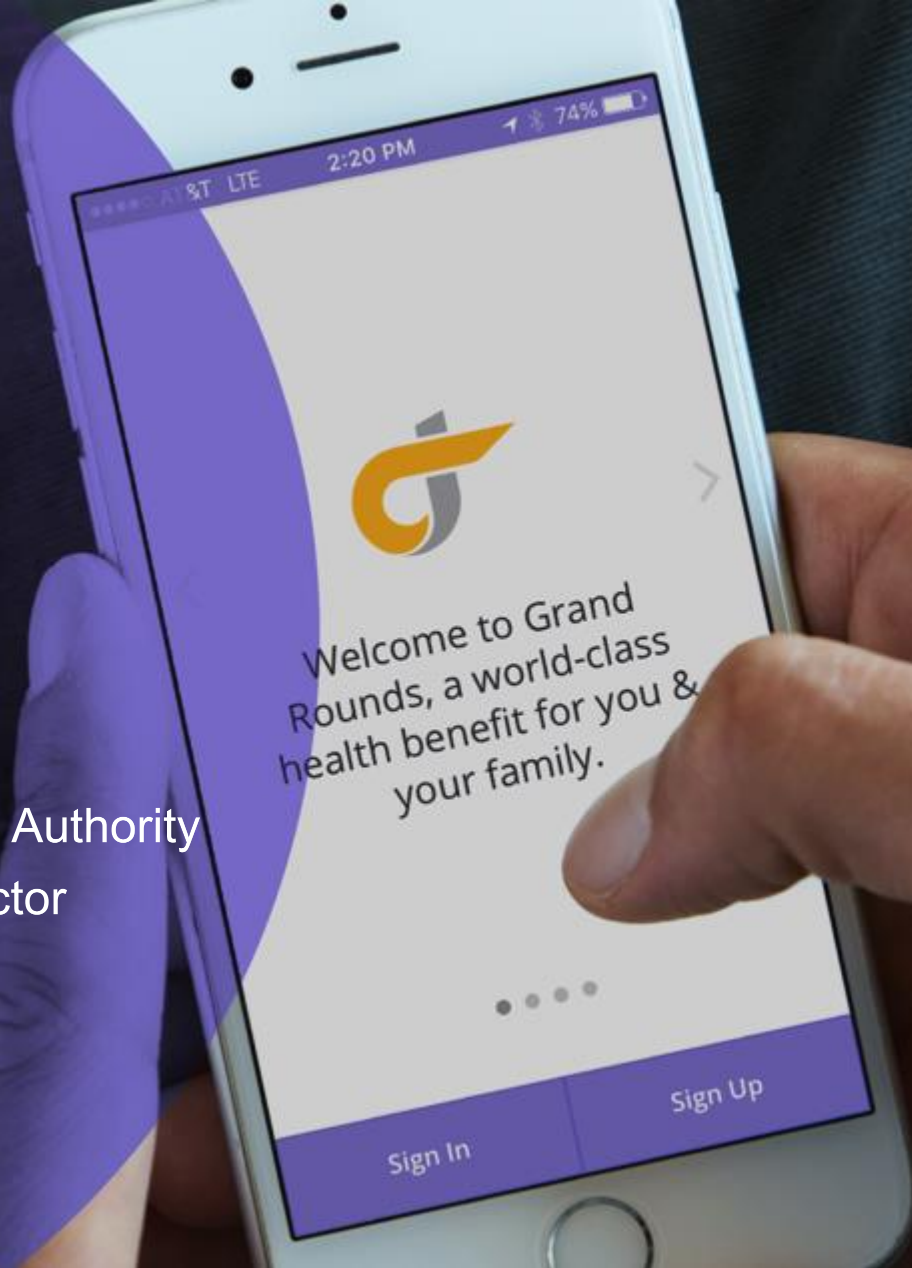
- Program aimed at metabolic syndrome reversal, diabetes prevention, and weight management
- Applies to self-insured programs
  - BCBS Premier/Value
  - Presbyterian Premier/Value
  - BCBS Supplement
- Research opportunities to extend offering to MA plan participants
- Clinical Results
  - 50% of participants reversed MetS
  - 55% of participants reduced their type 2 diabetes risk
  - 50% of participants reversed high blood pressure (of those who lost 5% or more of their body weight)

Grand Rounds Pilot Project

- Proof of concept in partnership w/BCBS and Presbyterian Pre-Medicare Plans
- Expert medical opinions to members and their treating physicians to assist in the decision making process based on the latest thinking and world-leading expertise
- Across book of business, 66% of expert medical opinions result in changes to treatment or diagnosis
- Adherence-adjusted savings calculation externally validated by Milliman
- Goal of 8-12 expert medical opinion cases to determine member/partnership experience
- Top categories
  - Orthopedics
  - Neurology
  - Oncology
  - GI
  - Other (clinically complex cases)

Projected Results

- 2017
  - Deficit Spending Period – 2020 ($9.1 million)
  - Projected Year of Insolvency – 2035 ($132.6 million)
- 2018
  - Deficit Spending Period – 2022 ($15.3 million)
  - Projected Year of Insolvency – 2037 ($39.2 million)
- Summary
  - Deficit spending/Solvency period extended 2 years
  - $92 million solvency ending difference



Prepared for: NM Retiree Health Care Authority

By: Eric Weiner, Director of Public Sector

Date: July 12, 2018

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NEW MEXICO RETIREE HEALTH CARE AUTHORITY

Rusty & Grady – Founder Story

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The challenge for members and plans

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More than 3 out of 5 members with complex care situations (like Grady) are either misdiagnosed, or are getting suboptimal treatment.

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Solution: Personalized guidance from world-leading experts

Leading clinical minds from all specialties and subspecialties

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NINA SHAPIRO, MD
Pediatric Otolaryngology | UCLA

STEPHEN PAGET, MD
Rheumatology | Hospital for Special Surgery

BRETT STACEY, MD
Pain Management | University of Washington

KEITH LILLEMOE, MD
Surgical Oncology | Mass General Hospital

TARA HENDERSON, MD
Pediatric Oncology | University of Chicago

GAGAN JOSHI, MD
Psychiatry & Psychology | Mass General Hospital

- Elite cadre includes only the top 0.1% of specialists nationally
- Includes department chairs of premier research hospitals
- Selection informed by our Quality Algorithm and physician-led care team
- Experts work within proprietary physician dashboard for secure review of medical history and images

MEET OUR EXPERTS >

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Expert Medical Opinions

The process for members

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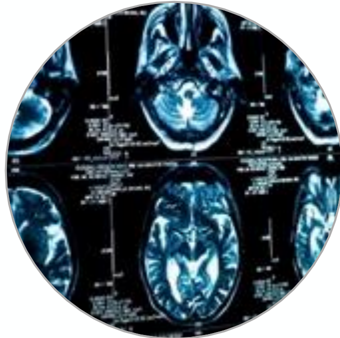
1

Patient
starts a case

(within minutes)



2

Medical records /
image gathering

(Most collected in 5-7 days)

3

Expert Physician
matching / case
review

(2-4 days)

4

Expert Opinion
delivered

(1-2 days)

5

Care Team
follow-up

(ongoing)

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Award-winning, physician-led care team

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JEFF O.
Records Specialist

DR. SOHINI STONE
Staff Physician

CLAIRE C.
Care Coordinator

The Grand Rounds team of healthcare professionals is there to support patients every step of the way.

THE STEVIE® AWARDS FOR SALES & CUSTOMER SERVICE

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Complex conditions that are driving the highest spend

MSK, Cancer & GI are driving the highest spend

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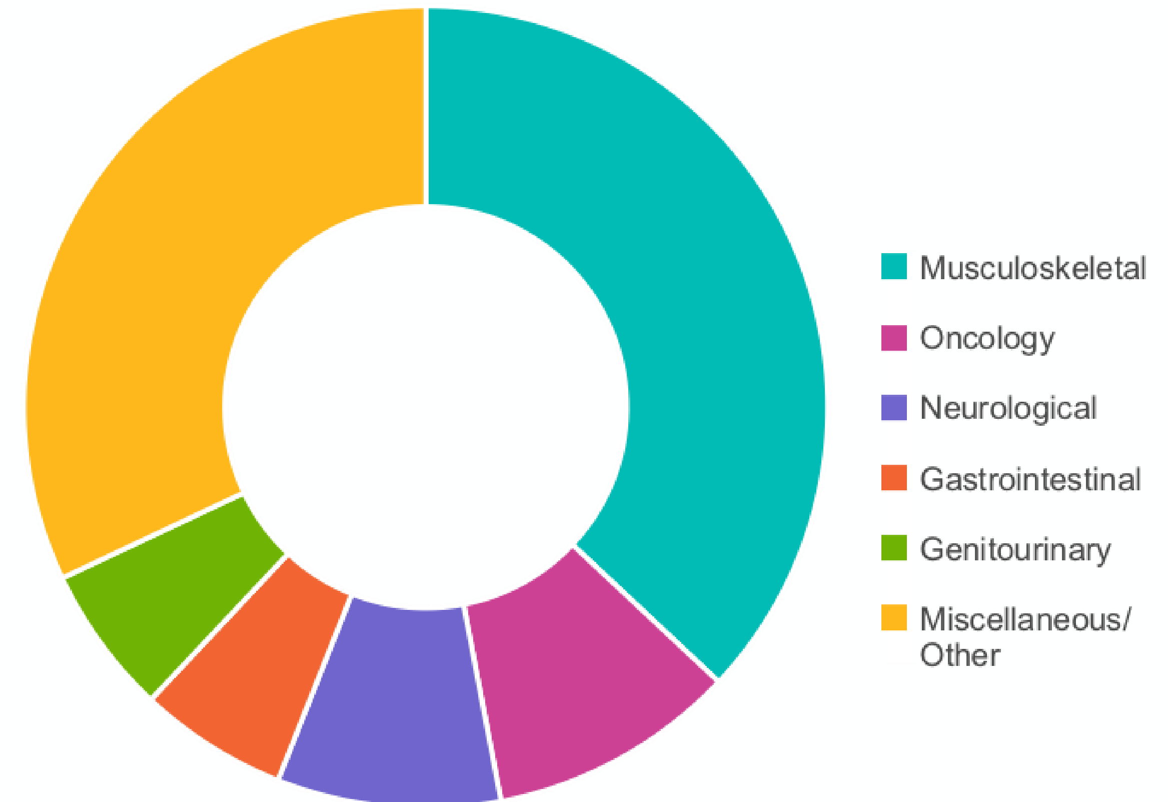
Categories of highest spending within complex care population

HIGH-LEVEL CONDITION	% OF PLAN SPEND
Musculoskeletal	**22%**
Oncology	**13%**
Miscellaneous	**13%**
Gastrointestinal	**9%**
Non-Specific Pain	9%
Maternal/Perinatal	9%
Genitourinary	**7%**
Cardiovascular	5%
Neurological	**5%**
Respiratory	4%
Mental Illness	4%
GRAND TOTAL	**$652.8M**

Volume of Grand Rounds expert opinions by condition category



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Impact: Optimize care for the most complex cases

Our expert panelists suggest changes in two thirds of cases

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All Opinions	Percent of Cases
No Change in Treatment	34%
Change in Treatment & Diagnosis	16%
Change in Treatment	50%

66% of opinions result in a treatment change

- 42% of changes involve surgical procedures
- 58% of changes involve pharmacologic treatments

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Note: Cases are classified into a single category based on the most significant change in treatment. Cases in which a surgical treatment is exchanged for a pharmacologic treatment are classified as changes in surgery. Changes in therapy dosing or procedure timing are classified as treatment switches.

Real, immediate impact

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Better clinical guidance

Outstanding experience

Financial impact

66%
change in diagnosis or treatment recommendations

95%
patient satisfaction

$8,900
saved on average per Expert Opinion case

40%
cancellation of unnecessary procedures

100%
increase in medical comprehension

$11,500
saved on average for Rx changes

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How members will access Grand Rounds

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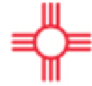
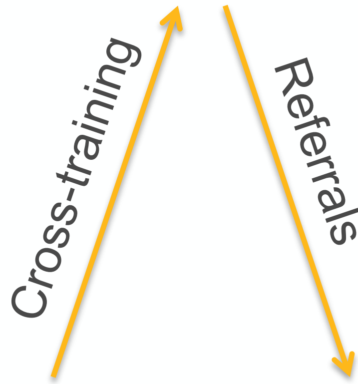
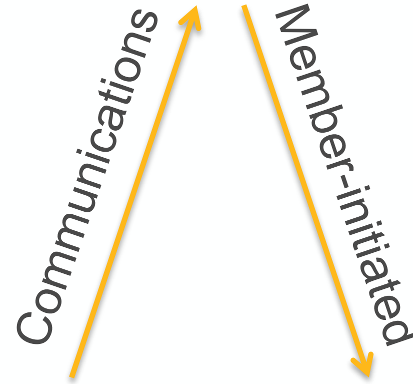
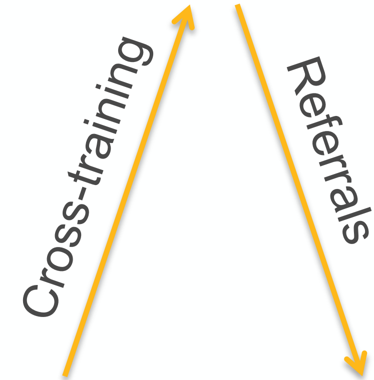
Members



NEW MEXICO RETIREE HEALTH CARE AUTHORITY







GRAND ROUNDS®

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Over 4 million members covered through 100+ plans

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Partnerships with leading institutions

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Video Snapshot of Grand Rounds Impact

(click links to play on Vimeo)

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Laura's Patient Story (Hyperparathyroidism)
(3 min)

Grand Rounds Explainer Video
(2min)

Leo's Patient Story (Aspergillosis)
(2min)

Employer Testimonials
(2min)

Carmen's Patient Story (Guillain-Barré)
(2 min)

Meet our Experts
(2min)

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Appendix – Services in Detail

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Expert Opinions

Remote second opinions from world-class physicians

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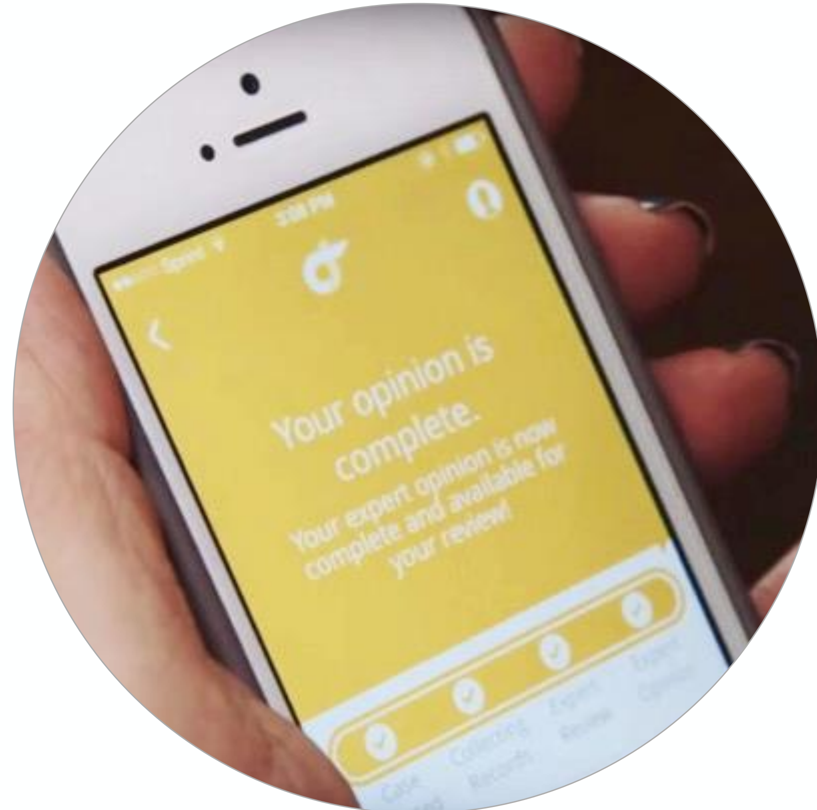

Unmatched expertise available through Grand Rounds

- Expert network includes top 0.1% experts in US across all specialties
- Experts are directly contracted with Grand Rounds

Intuitive process with uncompromised clinical support

- Easy-to-use member features including online records authorization
- Each member supported by Staff Physician, Care Coordinator and Record Specialist

Meaningful and measurable impact

- 66% change in diagnosis or treatment
- 40% avoidance of unnecessary surgery

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Expert Medical Opinions

The process for members

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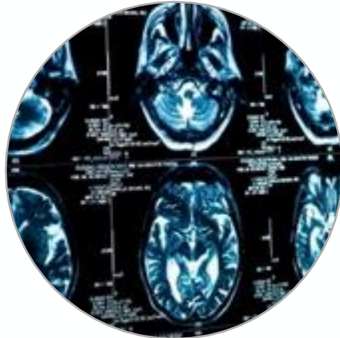
1

Patient
starts a case

(within minutes)



2

Medical records /
image gathering

(Most collected in 5-7 days)

3

Expert Physician
matching / case
review

(2-4 days)

4

Expert Opinion
delivered

(1-2 days)

5

Care Team
follow-up

(ongoing)

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Patient starts a case

Patient Dashboard with all the answers in one place

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- Accessible anywhere, anytime
- Connect via web, mobile device, phone, video chat

Message Center for questions / updates

Option to invite treating physician, caretakers

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Medical records and imaging collection

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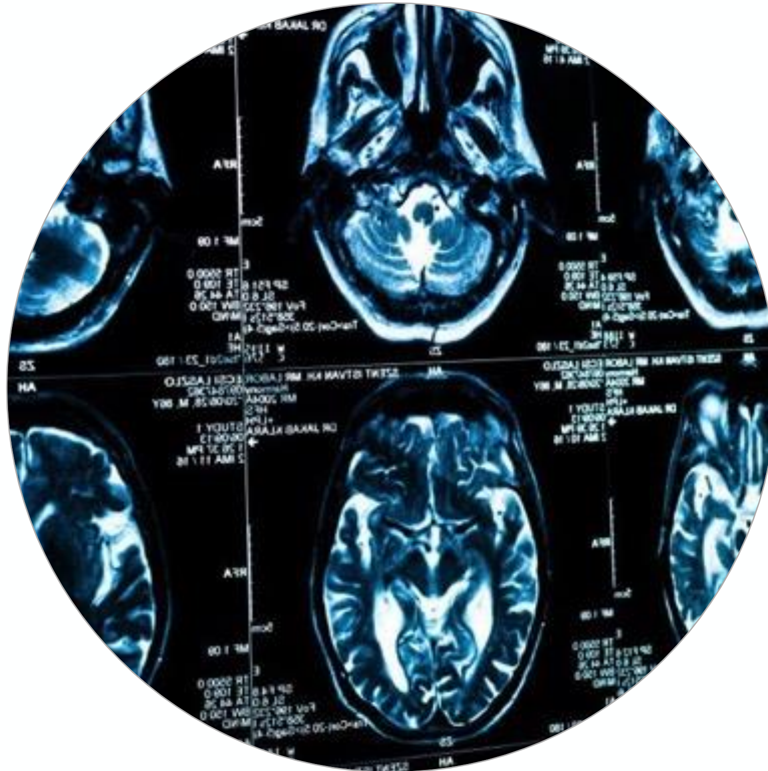

Process optimized for completeness and speed

- Unique claims-based records collection process identifies records locations for the patient
- Dedicated Record Specialists collect and digitize medical information quickly on behalf of patients
- Task management software to prioritize records collection for full cases
- Staff Physicians review patient case and determine if all identified records locations are relevant
- Record Specialists establish relationships with specific facilities

Most records including imaging collected in 2 to 3 days

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Expert matching

Staff Physician selects most appropriate expert based on patient needs

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NINA SHAPIRO, MD
Pediatric Otolaryngology | UCLA

STEPHEN PAGET, MD
Rheumatology | Hospital for Special Surgery

BRETT STACEY, MD
Pain Management | University of Washington

KEITH LILLEMOE, MD
Surgical Oncology | Mass General Hospital

TARA HENDERSON, MD
Pediatric Oncology | University of Chicago

MICHAEL STEWART, MD
Otolaryngology | New York Presbyterian

- Department chairs of premier research hospitals
- Choices informed by our Quality Algorithm
- Recommended by their peers and hand selected by Grand Rounds
- Includes top 0.1% of doctors globally
- Individually contracted

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Expert case review

Our experts love working with Grand Rounds

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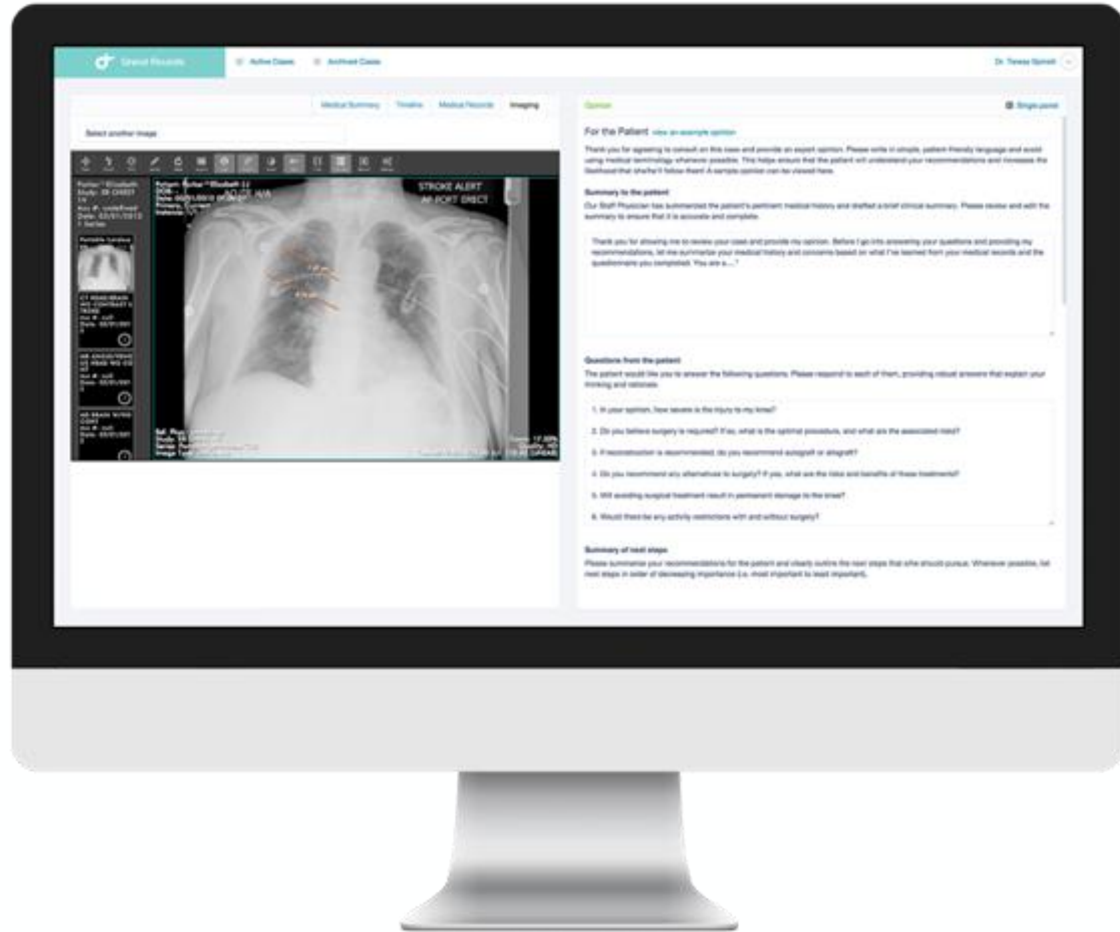

- Easy-to-use expert interface, designed for physicians by physicians
- All experts pre-trained on process, SLAs including 72 hour turnaround time
- Award-winning support led by licensed physicians, including case summary

"On a scale of 1 to 10, I give the Grand Rounds process a 10."

—Dr. Lidia Schapira, Stanford University School of Medicine

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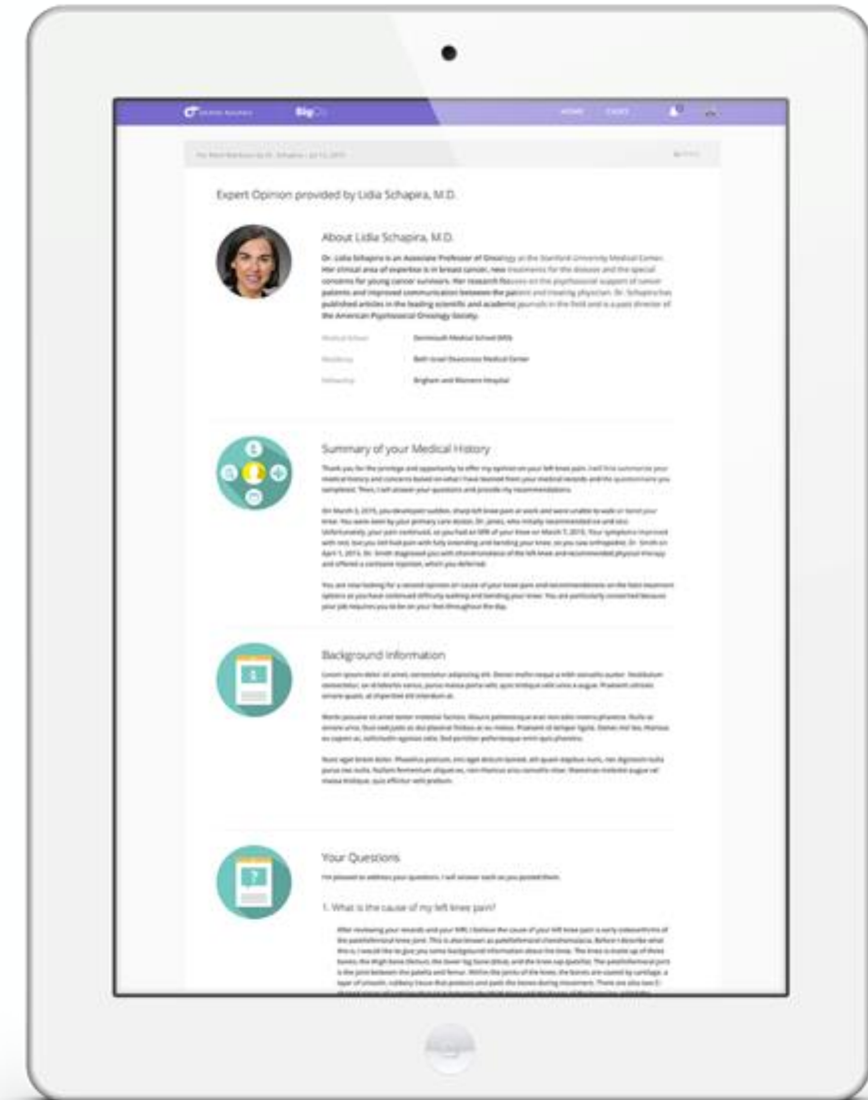
Expert Opinion report delivered

Comprehensive report delivered quickly, in patient-friendly terms

DRAFT

Expert Opinion report includes:

- Summary of Expert Opinion (from Staff Physician)
- Expert Physician background
- Summary of patient's medical history
- Answers to patient's questions
- Expert Physician's recommendations
- Links to additional resources for the patient
- Links to additional resources for the treating physician



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Care Team follow-up after Expert Opinion delivery

Multi-touch long-term follow up to enhance adherence & ability to adjust care plan

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Opinion process kicked-off

Pre-Opinion delivery medical check-in.

2-5 days after case start

Enable automatic sharing with treating physician(s).

Opinion report delivered

Medical check-in. Confirm next steps, and answer any questions.

24-48 hours after Opinion delivery

Office Visit service conducted–if appropriate.

1-3 Medical check-ins on patients' health to assess outcomes.

1-3 months after Opinion delivery

Medical check-in on patient's progress, if clinically indicated.

6 months after Opinion delivery

Medical check-in on patients' health to assess outcomes, if clinically indicated

12 months after Opinion delivery

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