

(PLEASE FIND THE AGENDA/TABLE OF CONTENTS ON PAGE 4.)

REGULAR MEETING OF THE BOARD OF DIRECTORS



April 14, 2020

9:30 AM

Meeting will be held via Teleconference

Call: 800-747-5150

Access Code: 6807665

New Mexico Retiree Health Care Authority
Regular Meeting

BOARD OF DIRECTORS

ROLL CALL

April 14, 2020

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

NMRHCA BOARD OF DIRECTORS

APRIL 2020

Mr. Wayne Propst
Executive Director
Public Employees Retirement Association
33 Plaza La Prensa
Santa Fe, NM 87507
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Santa Fe, NM 87504-2123
Wayne.Propst@state.nm.us
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Mr. Lawrence Rael
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City/County Building
Albuquerque, NM 87102
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Ms. Jan Goodwin
Executive Director
Educational Retirement Board
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Mr. Terry Linton
Governor's Appointee
1204 Central Ave. SW
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terry@lintonandassociates.com
505-247-1530

Mr. Joe Montaña, Vice President
NM Assoc. of Educational Retirees
5304 Hattiesburg NW
Albuquerque, NM 87120
Jmountainman1939@msn.com
505- 897-9518

Ms. Pamela Moon
NM Association of Counties
One Civic Plaza
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Albuquerque, NM 87102
pmoon@bernco.gov
505-468-1407

Mr. Doug Crandall
Retired Public Employees of New Mexico
14492 E. Sweetwater Ave
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dougcinaz@gmail.com

The Honorable Mr. Tim Eichenberg
NM State Treasurer
2055 South Pacheco Street
Suite 100 & 200
Santa Fe, NM 87505
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W: 505-955-1120
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Ms. Therese Saunders
NEA-NM, Classroom Teachers Assoc., & NM
Federation of Educational Employees
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Albuquerque, NM 87120
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Mr. Tom Sullivan, President
Superintendents' Association of NM
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Ms. Leanne Larranaga-Ruffy
Alternate for PERA Executive Director
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Regular Meeting of the
NEW MEXICO RETIREE HEALTH CARE AUTHORITY
BOARD OF DIRECTORS

April 14, 2020

9:30 AM

Meeting will be held via Teleconference

Call: 800-747-5150

Access Code: 6807665

AGENDA

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Pursuant to NMSA 1978, Section 10-15-1(H)(6) To Discuss Limited Personnel Matters		
17. Date & Location of Next Board Meeting	Mr. Sullivan, President	
May 5, 2020, 9:30AM		
Alfredo R. Santistevan Board Room		
4308 Carlisle Blvd. NE., Suite 207		
Albuquerque, NM 87107		
18. Adjourn		

ACTION SUMMARY

RETIREE HEALTH CARE AUTHORITY/REGULAR BOARD MEETING

March 3, 2020

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SANTA FE OFFICE LEASE AGREEMENT	Approved	6
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MINUTES OF THE
NEW MEXICO RETIREE HEALTH CARE AUTHORITY/BOARD OF DIRECTORS

REGULAR MEETING

March 3, 2020

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 Montaña, Vice President
Mr. Doug Crandall, Secretary
The Hon. Tim Eichenberg, NM State Treasurer
Mr. Rod Ventura
Ms. LeAnne Larrañaga-Ruffy
Mr. Terry Linton
Ms. Pamela Moon
Mr. Lawrence Rael [by telephone]
Ms. Therese Saunders

Members Excused:

None

Staff Present:

Mr. Dave Archuleta, Executive Director
Mr. Neil Kueffer, Deputy Director
Mr. Greg Archuleta, Director of Communication & Member Engagement
Mr. Tomas Rodriguez, IT Director
Ms. Peggy Martinez, CFO
Ms. Judith S. Beatty, Board Recorder

Others Present:

[See sign-in sheet.]

3. PLEDGE OF ALLEGIANCE

Mr. Montañó led the pledge.

4. APPROVAL OF AGENDA

Mr. Archuleta stated that the meeting date listed on the agenda should be changed to March 3.

Mr. Crandall moved approval of the agenda, as amended. Mr. Linton seconded the motion, which passed unanimously.

5. APPROVAL OF REGULAR MEETING MINUTES: February 4, 2020

Mr. Montañó moved approval of the February minutes, as submitted. Ms. Saunders seconded the motion, which passed unanimously.

6. PUBLIC FORUM AND INTRODUCTIONS

Chairman Sullivan requested that any comments relative to Item 12 be made at this time.

Bethany Jarrell, NEA New Mexico Vice President, requested that the board vote to push back the date of the new rule to June 2021. She said she represents more than 30,000 educators from around the state who are concerned about the impact of this rule on New Mexico students if the new rule is enacted as planned. There is a shortage of 2,100 teachers around the state and 1,073 teachers in the NMPSIA pool who have 25 years of service and are between the ages of 47 and 54. Educators in the same age group with 20 years of service are a much higher number, and there would be a catastrophic impact on New Mexico's children. She said there should be a grandfather period for these educators, who were made promises when they were hired. She said teachers supported the rate increase in the last legislative session, and would like to stand in support with next year's session with a comprehensive legislative package to support the ERB and NMRHCA. She said NEA New Mexico would like to partner with the NMRHCA to help it get to solvency.

7. COMMITTEE REPORTS

Wellness Committee: Mr. Linton reported that there were presentations from Blue Cross and Presbyterian on wellness. They were very comprehensive and well received. In addition, the committee heard a presentation from Livongo on their diabetes prevention or curtailment program. After Livongo provides financial information to the Finance Committee, the board will hear a presentation in April.

Ms. Saunders added that there was also a review on this year's wellness initiatives. Also this year, the Well and Wise activities will take place in Santa Fe and Las Cruces.

Executive Committee: Chairman Sullivan reported that the committee met to prepare today's agenda.

Legislative Committee: Mr. Montañó congratulated the staff and everyone who worked so hard on the legislation that is now on the Governor's desk for signature. The board is cautiously optimistic.

8. EXECUTIVE DIRECTOR'S UPDATES

a. HR Updates

Mr. Archuleta reported on recent HR updates, and introduced Trinity Angelo, the newest member of the IT staff, who replaced Jennifer Mills.

Mr. Archuleta said NMRHCA is in the process of finalizing the MOU, now under review by the legal staff at PERA, to take over the shared services agreement currently with SPO. NMRHCA's relatively small staff of 25 doesn't necessarily call for a dedicated HR position, so the agreement with SPO has worked well since 2017, and the hope is to replicate that with PERA. Effective April 1, NMRHCA will transition to PERA's HR services and will pay them about \$15,000 a year, the same amount it paid to SPO. This arrangement will initially be on a temporary basis to determine how well it is working for each of the agencies.

b. Legislative

Mr. Archuleta reported that HB 45 passed 53-11 in the House and 26-11 in the Senate, and it is now awaiting the Governor's signature. The following people were recognized for their hard work in this effort: Tom Sullivan; Joe Montañó; LeAnne Larrañaga-Ruffy; Tim Eichenberg; Pauline Rendoni; Stan Rounds; the Greers; Russell Goff; DeAnza Valencia; NMAER and AARP representatives; sponsors Reps. Tomas Salazar and Ramundo Lara; Sens. Kernan, Ingle, Rodriguez, Ortiz y Pino and Muñoz, who spoke positively on the NMRHCA's behalf, as well as Sen. Bobby Gonzales; and lobbyists Sue Griffith, Richard Romero, and Dr. Dan Lopez.

c. Town of Clayton Program Participation

Mr. Archuleta said the Town of Clayton, with 44 employees, has expressed an interest in joining NMRHCA, and a phone meeting is scheduled next week. The Town of Angel Fire and the City of Bayard have also contacted the agency this year about participating in the program. Access to the program is allowed in January and July, and an actuarial valuation of the entity's total liabilities is required. They have the option of buying into the program at the full actuarial value, or can amortize it over a period of 13 years at 7.75 percent interest. Anyone who has joined has opted for the latter.

d. Rand Hospital Price Transparency Study

Mr. Archuleta informed the board that NMRHCA will be participating in this study, which it participated in last year and the year before. The study found that, on average, commercial payers pay 241 percent of what Medicare would pay for hospital services, which is not a surprise. He said any conclusions from the study would be reported to the board.

e. Interagency Pharmaceuticals Purchasing Council

Mr. Archuleta said the council met last week, and the presentation in the packet describes some of the recommendations that resulted from a study done by an independent group hired by the council. Among the recommendations was that all of the entities maintain the same formulary and formulary structure. Another recommendation was to create a procurement office for pharmacy benefits; however,

he feels there is a reason NMRHCA makes decisions on behalf of the retirees, and would suggest that, anytime there are recommendations that conflict with the board's authority over the management of this program, or are contrary to the program's wellbeing, staff would make a recommendation to the board.

Mr. Archuleta said two groups would study the recommendations in detail to bring back to the council. Any structural changes being recommended would take place in the fall.

f. Case No. D101-cv-2019-025446

Mr. Archuleta reported that the case involving Ms. Lopez is pending a court date for final determination and decision by Judge Biedscheid.

g. GAS 75 Employer Allocation Schedules

Mr. Archuleta stated that the review by Moss Adams of the first draft of the allocation schedules will be completed by mid-March and will be followed by a re-review by CliftonLarsonAllen of Moss's work. The schedules will be published well before the end of the fiscal year for inclusion in the financial statements for the employer organizations.

h. January 31, 2020 SIC Report

Mr. Archuleta reported that the January 31 SIC reports indicated that the trust fund balances totaled \$777.7 million, down from \$780 the previous month. This includes almost \$1.2 million of income and \$3.7 million in investment losses.

Chairman Sullivan asked how important these balances are given the numerous other assumptions that are built into the solvency scenario.

Mr. Archuleta responded that growth from these balances is obviously important, although a 1 percent change in the medical trend has a larger impact than a 1 percent change in the investment earnings at this point. He added that perhaps this is an opportunity for the board to revisit the 7.25 percent investment return assumption.

Mr. Archuleta noted that the agency has an investment advisor make a presentation every two years on the asset allocation, as the last allocation change was in October 2018. NMRHCA is on target to schedule a presentation by the advisor in July but added that the agency is limited in its contractual services budget. Although it processed a BAR at the beginning of the year, there were some unexpected expenditures in the contractual services category. He said perhaps an arrangement could be made with whoever bids on this contract to have some of the work toward the end of the fiscal year and the bulk of it done at the beginning.

Chairman Sullivan remarked that it makes sense to have that built into the July annual meeting agenda as a matter of course.

9. 2021 PRELIMINARY PLAN DISCUSSION

Mr. Archuleta reviewed prior year actions and upcoming considerations for 2021:

1. A revised default strategy for the Medicare Advantage plans.
2. Pre-Medicare retiree subsidy adjustments.
3. Pre-Medicare spouse/domestic partner subsidy adjustments.
4. Rate adjustments commensurate with long-term loss ratios.
5. Medical plan changes such as increasing deductibles and/or co-insurance.
6. Prescription drug plan changes consistent with what other IBAC entities are offering.

With respect to the Livongo program, which helps diabetics better manage their diabetes, Mr. Archuleta said the recommendation from staff to the Finance Committee would be the inclusion of this program for a contract beginning July 1, 2020. There is supposed to be an ROI as part of this program, so it makes sense to take advantage of it. It doesn't change any of the medical plans, but changes the delivery and care for diabetes.

10. SANTA FE OFFICE LEASE AGREEMENT

Mr. Kueffer stated that, NMRHCA staff and PERA staff, through the GSD Facilities Management Division, would like to establish a new lease agreement for up to 20 years, beginning September 1, 2020, at the PERA Building at 33 Plaza La Prensa. The lease specifies a 10-year term with options to renew for an additional five years, with an annual 3% escalation increase. At year 20, the rent would still be substantially lower than what the agency was paying at the Santa Fe location at 801 W. San Mateo.

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

11. OUT-OF-STATE TRAVEL REQUEST

Mr. Kueffer requested approval for three people (Mr. Linton, Ms. Saunders and Mr. Kueffer) to attend the Express Scripts Government Advisory Panel (GAP) meeting and Outcomes Symposium in Lake Buena Vista, Florida, on May 11-14.

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

12. YEARS OF SERVICE AND MINIMUM AGE REQUIREMENT RULE CHANGE

Mr. Archuleta said this topic was highlighted as part of last month's meeting. Shortly before the meeting, concerns being expressed by certain school districts about this rule change were brought to the agency's attention. Outside of those concerns, the agency has heard throughout the year from people expressing unhappiness over the decision to impose a minimum age requirement and increase the years of service to receive the maximum subsidy.

Mr. Archuleta said legal counsel has determined that the rulemaking process will have to be initiated again to allow for this rule change. He reviewed the timeline prepared by legal counsel. There would be a 30-day comment period, ending on approximately April 15, followed by a public hearing on or around May 1, with adoption of the rule most likely at the June meeting. The process from start to finish would take just over 70 days.

Mr. Archuleta cited the following, which was based on a review of past CAFRs and information provided by Ms. Goodwin:

- As of June 30, 2018, there were 21,396 teachers in the system.
- On average, there are about 1,600 July 1 retirements per year.
- About 240 people (55 and under) are eligible to retire next year, two-thirds of which are K-12.
- The average retirement age in 2019 was 62, and the median age was 62.5, with an average of 20 years of service credit.

Speaking to Ms. Jarrell's comments in the Public Forum about promises made, Mr. Archuleta said the NMRHCA is doing everything possible in an attempt to make sure people will have access to coverage 20 to 30 years from now and not just people getting the benefit today. Legislators this past session were told that, although there is \$700+ million in the trust fund, it represents only two years of claims, and in the event that revenues were ever cut off or there was some great modification to the program, the people in the pipeline would suffer as a result.

Mr. Archuleta stated that, should the board decide to open this up to consider a rule change, he would suggest that the discussion be limited to moving the effective date, which would be to July 31, so that anyone receiving a pension as of July 1, 2021 would fall under the grandfather status.

Chairman Sullivan moved to enter the rules hearing process, which, as proposed, would push out the implementation date of the Rule of 55.

In explaining his motion, Chairman Sullivan stated that 50 percent of NMRHCA's members are educators. Unlike the state agencies and municipal and county organizations that have vacancies all year long, school districts typically have all of their employees on a July 1-June 30 contract. He said he takes full responsibility for not being more sensitive to that, adding that he was contacted by one superintendent who asked him why the agency was out of sync with school districts, and he responded that NMRHCA does its switch enrollment at that time and it was therefore more convenient. He commented that, in hindsight, he realized he should have paid more attention to that fact. He said he did not think another six months would adversely impact NMRHCA.

Mr. Crandall seconded the motion.

Mr. Montañó agreed with Chairman Sullivan's comments. Because schools hire and people retire on that timeline, it makes sense to make this change.

Mr. Archuleta said that, regardless of what the board decides and what the outcome is, the agency will make every attempt to make sure people better understand what the rule change is, as there is still confusion about it.

The motion passed unanimously.

13. OTHER BUSINESS

None.

14. EXECUTIVE SESSION 10:35 a.m.

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

Mr. Linton moved to enter executive session for the purpose stated on the agenda. Ms. Moon seconded the motion, which passed on the following roll call vote:

For: Chairman Sullivan; Mr. Montaña; Mr. Crandall; Mr. Ventura; Mr. Linton; Ms. Saunders; Mr. Eichenberg; Ms. Larrañaga-Ruffy; Ms. Moon.

Against: None.

[The board was in executive session until 10:45 a.m.]

Chairman Sullivan stated that the only matters discussed in executive session were personnel matters.

**15. DATE AND LOCATION OF NEXT BOARD MEETING:
APRIL 14, 2020, 9:30 A.M.
ALFREDO R. SANTISTEVAN BOARD ROOM, STE. 207
4308 CARLISLE BLVD., N.E.
ALBUQUERQUE, NM, 87107**

ADJOURN

Meeting adjourned at 10:45 a.m.

Accepted by:

Tom Sullivan, President



RECEIVED
20 MAR 11 AM 10:29
OFFICE OF
SECRETARY OF STATE

State of New Mexico

Michelle Lujan Grisham
Governor

March 11, 2020

HOUSE EXECUTIVE MESSAGE NO. 85

The Honorable Brian Egolf, Jr., Speaker of the House and
Members of the House of Representatives
State Capitol Building
Santa Fe, NM 87501

Dear Speaker Egolf and Members of the House:

I have decided to veto House Bill 45 ("HB 45"), which would have increased employee and employer contribution rates to the Retiree Health Care Fund. HB 45 places additional financial burdens on agencies without any accompanying appropriations. Those additional burdens will hinder the ability of our agencies to decrease existing vacancy rates so that those agencies may better serve all New Mexicans.

For these reasons, and pursuant to my authority under Article IV, Section 22 of the New Mexico Constitution, I have vetoed HOUSE BILL 45, as amended with certificate of correction, enacted by the Fifty-Fourth Legislature, Second Session.

Respectfully yours,

Michelle Lujan Grisham
Governor

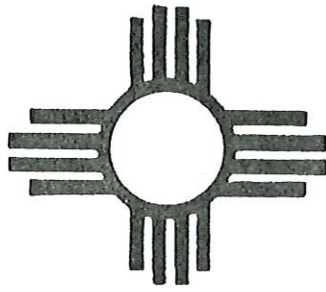
RECEIVED FROM THE OFFICE OF THE GOVERNOR

Time: 10:29 a.m. p.m.
Date: March 11 2020

By Secretary of State

Time: _____ a.m. p.m.
Date: _____ 2020

By _____ Chief Clerk of the House



The Legislature
of the
State of New Mexico

54th Legislature, 2nd Session

LAWS 2020

CHAPTER _____

HOUSE BILL 45, as amended

with certificate of correction

Introduced by

REPRESENTATIVE TOMÁS E. SALAZAR
REPRESENTATIVE RAYMUNDO LARA

ENDORSED BY THE INVESTMENTS AND PENSIONS
OVERSIGHT COMMITTEE



VETOED

State of New Mexico
House of Representatives
OFFICE of the CHIEF CLERK
Santa Fe

LISA M. ORTIZ McCUTCHEON
Chief Clerk

State Capitol, Room 100
Santa Fe, NM 87501
Business Phone: (505) 986-4751
Email: lisa.ortiz@nmlegis.gov

FIFTY-FOURTH LEGISLATURE
SECOND SESSION, 2020

February 21, 2020

CERTIFICATE OF CORRECTION

I certify that the following error was found in

HOUSE BILL 45, as amended

and has been corrected in enrolling and engrossing:

1. On page 2, line 17 of the original bill, strike the colon at the end of the line. The correction appears on page 1, line 21 of the enrolled and engrossed bill.

Respectfully submitted,



LISA M. ORTIZ McCUTCHEON, CHIEF CLERK
HOUSE OF REPRESENTATIVES

1 AN ACT

2 RELATING TO RETIREE HEALTH CARE; INCREASING EMPLOYEE AND
3 EMPLOYER CONTRIBUTION RATES TO THE RETIREE HEALTH CARE FUND.

4
5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

6 SECTION 1. Section 10-7C-15 NMSA 1978 (being Laws 1990,
7 Chapter 6, Section 15, as amended by Laws 2009, Chapter 287,
8 Section 2 and by Laws 2009, Chapter 288, Section 3) is
9 amended to read:

10 "10-7C-15. RETIREE HEALTH CARE FUND CONTRIBUTIONS.--

11 A. Following completion of the preliminary
12 contribution period, each participating employer shall make
13 contributions to the fund pursuant to the following
14 provisions:

15 (1) for participating employees who are not
16 members of an enhanced retirement plan, the employer's
17 contribution shall equal two and thirty-three hundredths
18 percent of each participating employee's salary;

19 (2) for participating employees who are
20 members of an enhanced retirement plan, the employer's
21 contribution shall equal two and ninety-three hundredths
22 percent of each participating employee's salary; and

23 (3) each employer that chooses to become a
24 participating employer after January 1, 1998 shall make
25 contributions to the fund in the amount determined to be

HB 45/a
Page 1

1 appropriate by the board.

2 B. Following completion of the preliminary
3 contribution period, each participating employee, as a
4 condition of employment, shall contribute to the fund
5 pursuant to the following provisions:

6 (1) for a participating employee who is not
7 a member of an enhanced retirement plan, the employee's
8 contribution shall equal one and seventeen-hundredths percent
9 of the employee's salary;

10 (2) for a participating employee who is a
11 member of an enhanced retirement plan, the employee's
12 contribution shall equal one and forty-seven hundredths
13 percent of the employee's salary; and

14 (3) as a condition of employment, each
15 participating employee of an employer that chooses to become
16 a participating employer after January 1, 1998 shall
17 contribute to the fund an amount that is determined to be
18 appropriate by the board. Each month, participating
19 employers shall deduct the contribution from the
20 participating employee's salary and shall remit it to the
21 board as provided by any procedures that the board may
22 require.

23 C. No person who has obtained service credit
24 pursuant to Subsection B of Section 10-11-6 NMSA 1978,
25 Section 10-11-7 NMSA 1978 or Paragraph (3) or (4) of

1 Subsection A of Section 22-11-34 NMSA 1978 may enroll with
2 the authority unless the person makes a contribution to the
3 fund equal to the full actuarial present value of the amount
4 of the increase in the person's health care benefit, as
5 determined by the authority.

6 D. Except for contributions made pursuant to
7 Subsection C of this section, a participating employer that
8 fails to remit before the tenth day after the last day of the
9 month all employer and employee deposits required by the
10 Retiree Health Care Act to be remitted by the employer for
11 the month shall pay to the fund, in addition to the deposits,
12 interest on the unpaid amounts at the rate of six percent per
13 year compounded monthly.

14 E. Except for contributions made pursuant to
15 Subsection C of this section, the employer and employee
16 contributions shall be paid in monthly installments based on
17 the percent of payroll certified by the employer.

18 F. Except in the case of erroneously made
19 contributions or as may be otherwise provided in Subsection D
20 of Section 10-7C-9 NMSA 1978, contributions from
21 participating employers and participating employees shall
22 become the property of the fund on receipt by the board and
23 shall not be refunded under any circumstances, including
24 termination of employment or termination of the participating
25 employer's operation or participation in the Retiree Health

1 Care Act.

2 G. Notwithstanding any other provision in the
3 Retiree Health Care Act and at the first session of the
4 legislature following July 1, 2013, the legislature shall
5 review and adjust the distributions pursuant to Section
6 7-1-6.30 NMSA 1978 and the employer and employee
7 contributions to the authority in order to ensure the
8 actuarial soundness of the benefits provided under the
9 Retiree Health Care Act.

10 H. As used in this section, "member of an enhanced
11 retirement plan" means:

12 (1) a member of the public employees
13 retirement association who, pursuant to the Public Employees
14 Retirement Act, is included in:

15 (a) state police member and adult
16 correctional officer member coverage plan 1;

17 (b) municipal police member coverage
18 plan 3, 4 or 5;

19 (c) municipal fire member coverage plan
20 3, 4 or 5; or

21 (d) municipal detention officer member
22 coverage plan 1; or

23 (2) a member pursuant to the provisions of
24 the Judicial Retirement Act."

25 SECTION 2. EFFECTIVE DATE.--The effective date of the

HB 45/a
Page 4

provisions of this act is July 1, 2020. _____

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s/Brian Egolf
Brian Egolf, Speaker
House of Representatives

s/Lisa M. Ortiz McCutcheon
Lisa M. Ortiz McCutcheon, Chief Clerk
House of Representatives

s/Howie C. Morales
Howie C. Morales, President
Senate

s/Lenore M. Naranjo
Lenore M. Naranjo, Chief Clerk
Senate

Approved by me this _____ day of _____, 2020

s/Michelle Lujan Grisham
Michelle Lujan Grisham, Governor
State of New Mexico

MAILED
JAN 21 11:30
SENATE



BOARD OF DIRECTORS:
TOM SULLIVAN
PRESIDENT
JOE MONTAÑO
VICE PRESIDENT
DOUG CRANDALL
SECRETARY
DAVID ARCHULETA
EXECUTIVE DIRECTOR

NOTICE OF PROPOSED RULEMAKING AMENDMENT AND PUBLIC RULE HEARING

The New Mexico Retiree Health Care Authority (NMRHCA) is considering amending the effective date of existing rule 2.81.11 NMAC - ESTABLISHING SUBSIDY LEVELS ON THE BASIS OF AGE AND CREDITABLE SERVICE, amending sections 6 through 10 to July 31, 2021. The purpose of the amendment of existing sections of the rule is to delay the effective date of the minimum age and years of service requirement to coincide with the school year. A summary of the full text of the proposed rule follows:

Section 6 of the existing rule 2.81.11.6 NMAC establishes subsidy levels commensurate with a retiree's year of credited service with a participating employer for employees who become eligible for enrollment into the NMRHCA health care program on or after July 1, 2001, and their dependents, and subject to a minimum retiree age for employees who become eligible for enrollment into the NMRHCA health care program on or after January 1, 2021. The amendment changes the effective date to July 31, 2021.

Section 7 of the existing rule 2.81.11.7 NMAC provides definitions of credited service, disabled retiree, member of an enhanced retirement plan, the authority, state retirement agency, and subsidy effective January 1, 2021. The amendment changes the effective date to July 31, 2021.

Section 8 of the existing rule 2.81.8 NMAC provides for the NMRHCA to pay a percentage of the subsidy to monthly premiums of eligible retirees, which percentage is dependent on the years of credited service of the retiree and is 100% at 20 years of credited service. The amendment changes the years at which 100% is paid to 25 and changes the percentages for fewer years of credited service for retirees who are not members of an enhanced retirement plan and become eligible for participation on or after January 1, 2021. The amendment changes the effective date to July 31, 2021.

Section 9 of the existing rule 2.81.11.9 established subsidies for duty disability and non-duty disability retirees effective January 1, 2021. The amendment changes the effective date to July 31, 2021.

Section 10 requires that eligible retirees who are not members of an enhanced retirement plan and become eligible for participation on or after January 1, 2021 be 55 years of age to receive subsidies. Section 9 is amended to clarify that disabled retirees receive a 100% subsidy regardless of years of service or age. Section 6 is amended to clarify that the objective of the part includes that subsidies will have a minimum age requirement for those retiring on or after January 1, 2021. The amendment changes the effective date to July 31, 2021.

The NMRHCA is authorized to promulgate rules to implement the Retiree Health Care Act, NMSA 1978, Sections 10-7C-1 to -16 (1990, as amended through 2009) ("Act") by NMSA 1978, Section 10-7C-7 (1998). By resolution dated May 8, 2018, the NMRHCA resolved to undertake the rulemaking in conformity with the Act, the State Rules Act, NMSA 1978, Sections 14-4-1 to -11 (1967, as amended through 2017), the Default Procedural Rule for Rulemaking, 1.24.25 NMAC (4/10/2018) and the Open Meetings Act, NMSA 1978, Sections

10-15-1 to -4 (1974, as amended through 2013).

The NMRHCA is amending the effective date of minimum years of service and age requirements to receive the maximum subsidy provided by the program to from January 1, 2021 to July 31, 2021 in order to coincide with the school year. A study of NMRHCA's long-term solvency projections, NMRHCA 2017 Long-Term Solvency Model, is available at its website, <http://www.nmrhca.org/rule-change-proposal.aspx>.

The full text of the proposed rule may be obtained by contacting Greg Archuleta, Director of Communication and Member Engagement, New Mexico Retiree Health Care Authority, 4308 Carlisle Blvd. NE, Suite 104, Albuquerque, New Mexico 87107; telephone 505-440-3366, to request a copy of the rule. The full text and this notice are also available on NMRHCA's website: <http://www.nmrhca.org/>.

A person may submit, by mail or electronic form, written comments on the proposed rule through the end of the public comment period, which ends May 22, 2020. Written comments should be submitted to Greg Archuleta, Director of Communication and Member Engagement, New Mexico Retiree Health Care Authority, 4308 Carlisle Blvd. NE, Suite 104, Albuquerque, New Mexico 87107. Written comments also will be accepted by email: gregoryr.archuleta@state.nm.us or by fax: (505) 884-8611. All written comments received by the agency will be posted on <http://www.nmrhca.org/> no more than 3 business days following receipt to allow for public review. Written comments will also be available for public inspection at New Mexico Retiree Health Care Authority, 4308 Carlisle Blvd. NE, Suite 104, Albuquerque, New Mexico 87107, as soon as restrictions on the current coronavirus (COVID-19) quarantine are lifted.

A public rule hearing on the proposed rule will be held before Greg Archuleta, Director of Communication and Member Engagement, NMRHCA, on May 22, 2020 from 2:30-4:30 p.m. at the NMRHCA office's Alfredo R. Santistevan Board Room, located at 4308 Carlisle Blvd. NE, Suite 207 in Albuquerque, NM, 87107. Individuals may submit data, views or arguments orally or in writing to the proposed rule at the public rule hearing. Persons offering written comments at the hearing must have 2 copies for the hearing officer.

Any individual with a disability in need of an auxiliary aid or service to attend or participate in the hearing, or who needs copies of the proposed rule in an accessible form may contact Greg Archuleta at 505-440-3366 at least 10 days before the hearing.

IN THE EVENT THAT THE CORONAVIRUS (COVID-19) QUARANTINE ORDER IS STILL IN PLACE, NMRHCA WILL HOLD CONDUCT THE PUBLIC HEARING VIA WEBINAR AND WILL POST THE DETAILS OF JOINING THE WEBINAR ON THE FRONT PAGE OF ITS WEBSITE, WWW.NMRHCA.ORG AS SOON AS THE GOVERNOR OFFICIALLY ANNOUNCES AN EXTENSION OF THE QUARANTINE BEYOND MAY 22, 2020.

New Mexico Retiree Health Care Authority (CP)
Change in Market Value
For the Month of Feb 2020
(Report as of March 18, 2020)

Investment Name	Prior Ending Market Value	Contributions	Distributions	Fees	Income	Gains-Realized & Unrealized	Market Value
Core Bonds Pool	161,707,762.99	-	-	(23,459.63)	430,552.12	2,693,294.92	164,808,150.40
Credit & Structured Finance	111,597,978.92	-	-	-	278,906.61	741,777.02	112,618,662.55
NM Retiree Health Care Authority Cash Account	-	-	-	-	-	-	-
Non-US Developed Markets Index Pool	105,096,493.24	-	-	(10,278.54)	194,055.99	(9,594,011.24)	95,686,259.45
Non-US Emerging Markets Index Pool	73,913,939.24	-	-	(21,709.81)	46,603.08	(4,198,081.20)	69,740,751.31
Private Equity Pool	84,565,077.57	-	-	-	138,711.56	(222,676.93)	84,481,112.20
Real Estate Pool	76,722,870.30	-	-	-	57,820.16	(127,437.88)	76,653,252.58
Real Return Pool	35,487,501.52	-	-	(9,176.30)	137,534.41	(717,396.44)	34,898,463.19
US Large Cap Index Pool	114,035,905.59	-	-	(2,468.41)	240,361.42	(9,559,344.40)	104,714,454.20
US Small/Mid Cap Pool	14,585,539.87	-	-	(18,255.20)	13,227.52	(1,202,464.71)	13,378,047.48
Sub - Total New Mexico Retiree Health Care	777,713,069.24	-	-	(85,347.89)	1,537,772.87	(22,186,340.86)	756,979,153.36
Total New Mexico Retiree Health Care	777,713,069.24	-	-	(85,347.89)	1,537,772.87	(22,186,340.86)	756,979,153.36

New Mexico Retiree Health Care Authority

Fiscal Year 2020 3rd Quarter Budget Review

Health Care Benefit Fund

Between July 1, 2019 and March 31, 2020, expenditures from the Healthcare Benefits Administration Program were \$250.1 million and revenues were \$272.4 million. That resulted in a surplus of \$22.3 million, compared to \$34.9 million during the first three quarters of FY19. Overall expenditures through the third quarter of FY20 as compared to the same time frame in FY19 have grown by \$17.2 million, or 6.8 percent. Current projections indicate a \$29.3 million surplus at the end of FY20.

Upward pressures include:

1. Overall plan participation (medical and voluntary coverages) has grown by 543 members, or 0.9% between March 2019 and March 2020 compared to 1,317 members or 2.1% between March 2018 and March 2019.
2. According to NMRHCA's mid-year plan review (July – December), specialty drug costs increased 15.3% (led by a 28.8% increase in cancer related treatments) while non-specialty drugs decreased 7.6%.
3. A summary of claim costs by category are as follows:
 - a. Pharmacy - \$17.2 million
 - b. Pre-Medicare Medical - \$7.8 million
 - c. Medicare Supplement - \$1.8 million
 - d. Medicare Advantage - \$1 million
 - e. Voluntary Coverage - \$1.6 million
 - i. Davis Vision - \$60,000
 - ii. Delta Dental - \$730,000
 - iii. United Concordia - \$240,000
 - iv. Standard Life - \$569,000

Downward pressures include:

1. Pre-Medicare Plan Participation
 - Premier Plans: -781 members (-6.5%)
 - Value Plans: -9 members (-0.3%)
 - Total: -790 Pre-Medicare plan members (-5.0%)
2. Medicare Plan Participation
 - Medicare Supplement: -396 members (-1.7%)
 - BCBS MA Plans: -69 members (-1.8%)
 - Humana MA Plans: 262 members (35.0%)*
 - Presbyterian MA Plans: 534 members (7.0%)*
 - UnitedHealthcare MA Plans: 314 members (8.5%)
3. Continued decline in dependent children participation in the medical plans 1,772 (March 2020) compared to 1,936 (March 2019).
4. While NMRHCA anticipates an increase in costs related to emergency room visits, inpatient hospital admissions and behavioral health services, NMRHCA also anticipates savings related to the delay or postponement of certain elective procedures (knees, hips, and shoulders), as well as other non-elective procedures and treatments through the 4th quarter of FY20.

*Humana and Presbyterian serve as default plans for BCBS and Presbyterian Pre-Medicare Plan Participants.

Below is an annual summary of the cash contributions made to the State Investment Council (SIC) between fiscal years 2011 – 2019, as well as monthly contribution(s) made in FY20:

FY11 Total	\$	21,879,651
FY12 Total	\$	21,060,000
FY13 Total	\$	15,315,000
FY14 Total	\$	57,500,000
FY15 Total	\$	42,500,000
FY16 Total	\$	35,000,000
FY17 Total	\$	33,000,000
FY18 Total	\$	20,000,000
FY19 Total	\$	45,000,000
Transfer Effective		
	Amount Transferred	
August 1, 2019	\$	10,000,000
October 1, 2019	\$	10,000,000
December 2, 2019	\$	6,000,000
FY20 Total	\$	26,000,000
Total Transfers	\$	317,254,651

Program Support Fund

The adjusted operating budget for FY20 totals \$3,357,700 with supporting transfers made from the Health Care Benefit Fund. This includes: \$2,028,000 for salaries and benefits, \$791,600 for contractual services and \$538,100 for other costs. Expenditures from the personal services and employee benefits category are \$5,700 less compared the same time frame in FY19, which can be attributed to an increase in vacancies and slower fill times, despite pay increases (4% for all employees) authorized by the Legislature during the 2019 session. Contractual services costs are \$82,800 greater compared to the same time frame in FY19 primarily related to legal costs resulting from an appeal concerning a dependent member's eligibility, combined with information technology costs related to the Rule Change affecting services requirements and minimum age. Lastly, expenditures from the other category are approximately \$30,000 lower compared to FY19, almost entirely related to postage related expenses. Overall, projected expenditures are expected to remain within the approved adjusted operating levels for FY20.

New Mexico Retiree Health Care Authority

FY20 3rd Quarter Budget Review

Comparison of Projected vs. Actual

(in thousands)

Healthcare Benefit Fund					
FY20/FY19 Comparison					
	FY20 Approved Q3 Budget*	FY20 Q3 Actual	FY19 Q3 Actual	Dollar Change	Percent Change
Sources:					
Employer/Employee Contributions	\$ 62,348.35	\$ 107,007.7	\$ 96,644.1	\$ 10,363.6	10.7%
Retiree Contributions	\$ 85,090.0	\$ 128,643.3	\$ 123,043.7	\$ 5,599.6	4.6%
Taxation & Revenue Fund	\$ 16,467.85	\$ 17,154.1	\$ 15,316.1	\$ 1,838.0	12.0%
Other Miscellaneous Revenue	\$ 15,115.35	\$ 21,301.8	\$ 20,178.9	\$ 1,122.9	5.6%
Interest Income	\$ 50.0	\$ 699.5	\$ 425.6	\$ 273.9	157.0%
Refunds	\$ -	\$ (2,397.5)	\$ (486.1)	\$ (1,911.4)	393.2%
Total Sources	\$ 179,071.6	\$ 272,408.9	\$ 255,122.3	\$ 17,286.6	6.8%
Uses:					
Medical Contractual Services	\$ 177,371.7	\$ 246,705.8	\$ 217,134.9	\$ 29,570.9	13.6%
ACA Fees (PCORI)	\$ 42.0	\$ 39.2	\$ 36.1	\$ 3.1	8.6%
Other Financing Uses	\$ 3,357.7	\$ 3,357.7	\$ 3,047.6	\$ 310.1	10.2%
Total Uses	\$ 180,771.4	\$ 250,063.5	\$ 220,182.5	\$ 29,884.1	13.6%
Sources Over Uses	NA	\$ 22,345.4	\$ 34,939.8	NA	NA
FY20 Budget Compared to Actual					
	FY20 Approved Budget*	FY20 Actuals	Remaing Balance	Percent Expended/ Collected	FY20 Projected Total
Sources:					
Employer/Employee Contributions	\$ 124,696.7	\$ 107,007.7	\$ 17,689.0	85.8%	\$ 143,000.0
Retiree Contributions	\$ 170,180.0	\$ 128,643.3	\$ 41,536.7	75.6%	\$ 174,000.0
Taxation & Revenue Fund	\$ 32,935.7	\$ 17,154.1	\$ 15,781.6	52.1%	\$ 29,406.9
Other Miscellaneous Revenue	\$ 30,230.7	\$ 21,301.8	\$ 8,928.9	70.5%	\$ 25,000.0
Interest Income	\$ 100.0	\$ 699.5	\$ (599.5)	699.5%	\$ 486.0
Refunds	\$ -	\$ (2,397.5)	\$ -	NA	\$ (2,700.0)
Total Sources	\$ 358,143.1	\$ 272,408.9	\$ 83,336.7	76.1%	\$ 369,192.9
Uses:					
Medical Contractual Services	\$ 354,743.4	\$ 246,705.8	\$ 108,037.6	69.5%	\$ 336,488.8
ACA Fees (PCORI)	\$ 42.0	\$ 39.2	\$ 2.8	93.3%	\$ 39.4
Other Financing Uses	\$ 3,357.7	\$ 3,357.7	\$ -	100.0%	\$ 3,357.7
Total Uses	\$ 358,143.1	\$ 250,102.7	\$ 108,040.4	69.8%	\$ 339,885.9
Sources Over Uses	NA	\$ 22,306.2	NA	NA	\$ 29,307.0

New Mexico Retiree Health Care Authority
3rd Quarter Healthcare Benefit Fund Detail
Fiscal Year 2020
(in thousands)

	FY20 Q3 Actuals	FY19 Q3 Actuals	FY20 - FY19 Difference
REVENUE:			
Employer/Employee Contributions	\$ 107,007.7	\$ 96,644.1	\$ 10,363.6
Retiree Contributions	\$ 128,643.3	\$ 123,043.7	\$ 5,599.6
Taxation and Revenue Suspense Fund	\$ 17,154.1	\$ 15,316.1	\$ 1,838.0
Other Miscellaneous Revenue	\$ 21,301.8	\$ 20,178.9	\$ 1,122.9
Interest Income	\$ 699.5	\$ 425.6	\$ 273.9
Refunds	\$ (2,397.5)	\$ (486.1)	\$ (1,911.4)
TOTAL REVENUE:	\$ 272,408.9	\$ 255,122.3	\$ 17,286.6
EXPENDITURES:			
Prescriptions			
Express Scripts	\$ 75,640.6	\$ 58,423.3	\$ 17,217.3
Total Prescriptions	\$ 75,640.6	\$ 58,423.3	\$ 17,217.3
Non-Medicare			
Blue Cross Blue Shield	\$ 49,081.0	\$ 44,963.6	\$ 4,117.4
BCBS Administrative Costs	\$ 1,388.6	\$ 1,402.5	\$ (13.9)
Presbyterian	\$ 35,643.3	\$ 31,682.6	\$ 3,960.7
Presbyterian Administrative Costs	\$ 1,485.1	\$ 1,513.8	\$ (28.7)
NM Health Connections	\$ -	\$ 191.9	\$ (191.9)
NM Health Connections Admin	\$ -	\$ -	\$ -
PCORI Fee	\$ 39.2	\$ 39.6	\$ (0.4)
Total Non-Medicare	\$ 87,637.2	\$ 79,794.0	\$ 7,843.2
Medicare			
Blue Cross Blue Shield	\$ 29,934.1	\$ 28,296.8	\$ 1,637.3
BCBS Administrative Costs	\$ 3,835.5	\$ 3,575.5	\$ 260.0
Presbyterian MA	\$ 12,933.3	\$ 12,020.2	\$ 913.1
UnitedHealthCare MA	\$ 4,974.8	\$ 4,899.9	\$ 74.9
Humana MA	\$ 805.7	\$ 617.9	\$ 187.8
BCBS MA	\$ 3,413.9	\$ 3,575.5	\$ (161.6)
Total Medicare	\$ 55,897.3	\$ 52,985.8	\$ 2,911.5
Other Benefits			
Davis Vision	\$ 1,823.9	\$ 1,764.1	\$ 59.8
Delta Dental	\$ 8,664.9	\$ 7,934.5	\$ 730.4
Standard Life Insurance	\$ 9,248.8	\$ 8,679.8	\$ 569.0
United Concordia Dental	\$ 7,793.1	\$ 7,553.4	\$ 239.7
Total Other Benefits	\$ 27,530.7	\$ 25,931.8	\$ 1,598.9
Other Expenses			
Program Support	\$ 3,357.7	\$ 3,047.6	\$ 310.1
Total Other Expenses	\$ 3,357.7	\$ 3,047.6	\$ 310.1
TOTAL EXPENDITURES:	\$ 250,063.5	\$ 220,182.5	\$ 29,881.0
Total Revenue over Total Expenditures	\$ 22,345.4	\$ 34,939.8	\$ (12,594.4)

New Mexico Retiree Health Care Authority
FY20 3rd QTR Budget Review
Comparison of Budget vs. Actual
(in thousands)

Program Support

FY20/FY19 Comparison

	FY20 Approved Q3 Budget*	FY20 Actuals	FY19 Actuals	Dollar Change	Percent Change
Sources:					
Other Transfers	\$ 2,518.3	\$ 3,357.7	\$ 3,047.6	\$ 310.1	10.2%
Total Sources	\$ 2,518.3	\$ 3,357.7	\$ 3,047.6	\$ 310.1	9.2%
Uses:					
Personal Services and Benefits	\$ 1,521.0	\$ 1,352.0	\$ 1,357.7	\$ (5.7)	-0.4%
Contractual Services	\$ 593.7	\$ 397.1	\$ 314.3	\$ 82.8	26.3%
Other Costs	\$ 403.6	\$ 315.4	\$ 345.1	\$ (29.7)	-8.6%
Total Uses	\$ 2,518.3	\$ 2,064.5	\$ 2,017.1	\$ 47.4	2.3%

Program Support

FY20 Budget Compared to Actual

	Approved Operating Budget*	FY20 Actuals	Remaining Balance	Percent Expended	FY20 Projected
Sources:					
Other Transfers	\$ 3,357.7	\$ 1,678.9	\$ 1,678.9	50%	\$ 1,468.4
Total Sources	\$ 3,357.7	\$ 1,678.9	\$ 1,678.9	50%	\$ 1,468.4
Uses:					
Personal Services and Benefits	\$ 2,028.0	\$ 1,352.0	\$ 676.0	67%	\$ 600.1
Contractual Services	\$ 791.6	\$ 397.1	\$ 394.5	50%	\$ 372.7
Other Costs	\$ 538.1	\$ 315.4	\$ 222.7	59%	\$ 198.9
Total Uses	\$ 3,357.7	\$ 2,064.5	\$ 1,293.2	61%	\$ 1,171.7

*FY20 Adjusted Operating Budget includes \$25,000 transfer from the personal services & employee benefits category to contractual services category combined with a \$150,000 increase in other transfers to the contractual services category.

Program Support

Expenditure Summary (in thousands)

Acct #	Account Description	A	B	C	D	E
		Approved Budget	Expended Budget	Remaining Balance	Projected	Balance
200	Personal Services/ Employee Benefits	2,028.0	1,352.0	676.0	600.1	75.9
300	Contractual Services	791.6	397.1	394.5	372.7	21.8
400	Other Costs	538.1	315.4	222.7	198.9	23.8
	TOTAL	3,357.7	2,064.5	1,293.2	1,171.7	121.5

Expenditure Detail (in thousands)

Personal Services / Employee Benefits

Acct #	Account Description	Approved Budget	Expended Budget	Remaining Balance	Projected	Balance
520100	Exempt Positions	276.1	207.7	68.4	78.8	(10.4)
520300	Classified Perm. Positions	1,178.4	744.6	433.8	349.0	84.8
520800	Annual & Comp Paid	0.0	7.2	(7.2)	5.5	(12.7)
521100	Group Insurance Premium	197.6	128.8	68.8	60.7	8.1
521200	Retirement Contributions	232.1	164.2	67.9	67.6	0.3
521300	FICA	105.5	69.8	35.7	30.4	5.3
521400	Workers Comp	0.2	0.1	0.1	0.1	0.0
521410	GSD Work Comp Ins	1.6	1.6	0.0	0.0	0.0
521500	Unemployment Comp	0.0	0.0	0.0	0.0	0.0
521600	Employee Liability Insurance	9.0	8.9	0.1	0.1	(0.0)
521700	Retiree Health Care	27.5	19.1	8.4	7.9	0.5
521900	Other Employee Benefits	0.0	0.0	0.0	0.0	0.0
	TOTAL	2,028.0	1,352.0	676.0	600.1	75.9

Contractual Services

Acct #	Account Description	Approved Budget	Expended Budget	Remaining Balance	Projected	Balance
535200	Professional Services	399.8	217.8	182.0	166.9	15.1
535300	Other Services	36.0	15.3	20.7	18.1	2.6
535400	Audit Services	86.8	61.6	25.2	25.2	0.0
535500	Attorney Services	80.0	57.5	22.5	22.5	0.0
535600	Information Technology Services	189.0	44.9	144.1	140.0	4.1
	TOTAL	791.6	397.1	394.5	372.7	21.8

Other Costs

Acct #	Account Description	Approved Budget	Expended Budget	Remaining Balance	Projected	Balance
542100	Employee In-State Mileage & Fares	1.5	0.4	1.1	0.8	0.3
542200	Employee In-State Meals & Lodging	2.5	1.9	0.6	0.4	0.2
542300	Board & Commission - In-State	13.5	6.7	6.8	3.5	3.3
542500	Transportation-Fuel & Oil	1.0	0.3	0.7	0.3	0.4
542600	Transportation	0.1	0.1	0.0	0.0	0.0
542700	Transportation - Insurance	0.2	0.0	0.2	0.0	0.2
542800	State Transportation Pool Charges	4.5	4.4	0.1	0.2	(0.1)
543200	Maintenance - Furniture, Fixtures & Equipment	6.0	4.0	2.0	2.5	(0.5)
543300	Maintenance - Building & Structure	4.5	0.0	4.5	1.5	3.0
543400	Maintenance - Property Insurance	0.0	0.0	0.0	0.3	(0.3)
543820	Maintenance IT	7.5	1.9	5.6	5.0	0.6
544000	Supply Inventory IT	25.0	0.8	24.2	15.0	9.2
544100	Supplies - Office Supplies	10.0	5.5	4.5	3.5	1.0
544900	Supplies - Inventory Exempt	9.3	3.8	5.5	7.5	(2.0)
545600	Rep/Recording	6.0	0.0	6.0	0.0	6.0
545700	DoIT - ISD Services	3.8	2.9	0.9	0.8	0.1
545701	DoIT - HCM Fees	10.7	10.8	(0.1)	0.0	(0.1)
545900	Printing & Photo. Services	56.0	33.7	22.3	26.0	(3.7)
546100	Postage & Mail Services	105.0	36.1	68.9	55.0	13.9
546400	Rent of Land & Buildings	112.8	94.7	18.1	18.0	0.1
546409	Rent - Interagency	8.1	6.0	2.1	2.1	0.0
546500	Rent of Equipment	46.0	31.2	14.8	15.0	(0.2)
546600	Telecomm	21.0	9.9	11.1	11.0	0.1
546610	DOIT Telecomm	59.8	37.8	22.0	22.0	0.0
546700	Subscriptions & Dues	2.0	0.5	1.5	2.5	(1.0)
546800	Employee Training & Education	3.0	1.8	1.2	1.7	(0.5)
546801	Board Member Training	5.0	0.0	5.0	1.5	3.5
546900	Advertising	0.5	0.0	0.5	1.2	(0.7)
547900	Miscellaneous Expense	1.3	1.5	(0.2)	0.5	(0.7)
547999	Request to Pay Prior Year	0.0	0.0	0.0	0.0	0.0
548300	Information Technology Equipment	5.0	13.9	(8.9)	1.1	(10.0)
549600	Employee Out-Of-State Mileage & Fares	1.5	0.4	1.1	0.0	1.1
549700	Employee Out-Of-State Meals & Lodging	2.0	0.9	1.1	0.0	1.1
549800	B&C-Out-Of-State Mileage & Fares	1.5	3.5	(2.0)	0.0	(2.0)
549900	B&C- Out-Of-State Meals & Lodging	1.5	0.0	1.5	0.0	1.5
	TOTAL	538.1	315.4	222.7	198.9	23.8

FY21 Operating Budget – Action Item

Background: The State Budget Act (Section 6-3-7 NMSA 1978) mandates the completion and submission of the FY21 operating budget to the State Budget Division (SBD) by close of business Friday, May 1, 2020. The State Budget Act specifies that operating budgets require SBD approval, and expenditures cannot be made without such approval. In addition, the Retiree Health Care Act (Section 10-7C-16) includes a requirement that “expenditures for the administration of the Retiree Health Care Act shall be made as provided by an operating budget adopted by the board.” In accordance with these requirements, the FY21 operating budget submitted by the agency will be consistent with the amounts contained in Laws 2020, Chapter 83 otherwise known as the General Appropriation Act of 2020.

Table I						
(\$ shown in thousands)						
Agency	FY20 Approved Operating	FY20 Adjusted Operating	FY21 Request	HB2/GAA	Comp/ Retirement Package (OPBUD2)	Total
Personal Services & Employee Benefits*	\$ 2,053.0	\$ 2,028.0	\$ 2,068.0	\$ 2,067.3	\$ 73.1	\$ 2,140.4
Contractual Services	\$ 355,360.0	\$ 355,535.0	\$ 375,400.2	\$ 355,855.0	\$ -	\$ 355,855.0
Other	\$ 580.1	\$ 580.1	\$ 566.2	\$ 566.2	\$ -	\$ 566.2
Other Financing Uses*	\$ 3,207.7	\$ 3,357.7	\$ 3,326.0	\$ 3,296.9	\$ 73.1	\$ 3,370.0
Total	\$ 361,200.8	\$ 361,500.8	\$ 381,360.4	\$ 361,785.4	\$ 146.2	\$ 361,931.6
Healthcare Benefits Administration						
Contractual Services	\$ 354,743.4	\$ 354,743.4	\$ 374,708.4	\$ 355,191.6	\$ -	\$ 355,191.6
Other	\$ 42.0	\$ 42.0	\$ -	\$ -	\$ -	\$ -
Other Financing Uses*	\$ 3,207.7	\$ 3,357.7	\$ 3,326.0	\$ 3,296.9	\$ 73.1	\$ 3,370.0
Subtotal	\$ 357,993.1	\$ 358,143.1	\$ 378,034.4	\$ 358,488.5	\$ 73.1	\$ 358,561.6
Program Support						
Personal Services & Employee Benefits*	\$ 2,053.0	\$ 2,028.0	\$ 2,068.0	\$ 2,067.3	\$ 73.1	\$ 2,140.4
Contractual Services	\$ 616.6	\$ 791.6	\$ 691.8	\$ 663.4	\$ -	\$ 663.4
Other	\$ 538.1	\$ 538.1	\$ 566.2	\$ 566.2	\$ -	\$ 566.2
Subtotal	\$ 3,207.7	\$ 3,357.7	\$ 3,326.0	\$ 3,296.9	\$ 73.1	\$ 3,370.0
Total	\$ 361,200.8	\$ 300.0	\$ 381,360.4	\$ 361,785.4	\$ 146.2	\$ 361,931.6
FTE	26	26	26	26	26	26
OPBUD2 Total				\$361,858.5		
Correct Total				\$361,931.6		
Difference				\$ 73.1		
		GAA	5%	Total		
Healthcare Benefits Administration		\$361,785.4	\$ 18,089.27	\$ 379,874.7		
Program Support		\$ 3,296.9	\$ 164.85	\$ 3,461.7		
		\$365,082.3	\$ 18,254.1	\$ 383,336.4		

Applicable Language:

Section 4: Performance Measure and Reversion

Performance Measure: Output: Minimum number of years of positive fund balance – Target 25

Reversion Language: Any unexpended balance in program support of the retiree health care authority remaining at the end of fiscal year 2021 shall revert to the healthcare benefits administration program.

Section 8. Compensation Appropriations.

Subsection A. Sixty-three million eighty-five thousand one hundred dollars (\$63,085,100) is appropriated from the general fund to the department of finance and administration for expenditure in fiscal year 2021 to provide salary increases to employees in budgeted positions who have completed their probationary period subject to satisfactory job performance. Police officers of the department of public safety shall be exempt from the requirement to complete their probationary period. The salary increases shall be effective in the first full pay period after July 1, 2020 and distributed as follows:

(4) Twenty million five hundred eighteen thousand seven hundred dollars (\$20,518,700) to provide incumbents in agencies governed by the State Personnel Act, the New Mexico state police career pay system, attorney general employees, workers' compensation judges and executive exempt employees with an increase of four percent;

Subsection C. For those state employees whose salaries are referenced in or received as a result of non-general fund appropriations in the General Appropriation Act of 2020, the department of finance and administration shall transfer from the appropriate fund to the appropriate agency the amount required for the salary increases equivalent to those provided for in this section. Such amounts are appropriated for expenditure in fiscal year 2020. Any unexpended or unencumbered balances remaining at the end of the fiscal year 2021 shall revert to the appropriate fund.

Subsection D. Two million seven hundred eighty-five thousand eight hundred dollars (\$2,785,800) is appropriated from the general fund to the department of finance and administration to provide incumbents in positions covered by state general member coverage plan 3 an employer-paid pension increase contingent on enactment of Senate Bill 72 or similar legislation in the second session of the fifty-fourth legislature increasing employer-paid pension contributions by one-half percent. Any unexpended or unencumbered balances remaining at the end of fiscal year 2021 shall revert to the general fund.

Section 11. Certain Fiscal Year 2021 Budget Adjustment Requests Authorized.

Subsection C. In addition to the specific category transfers authorized in Subsection E of this section and unless a conflicting category transfer is authorized in Subsection E of this section, all agencies, including legislative agencies, may request category transfers among personal services and employee benefits, contractual services and other.

Subsection D. Unless a conflicting budget increase is authorized in Subsection E of this section, a program with internal service funds/interagency transfers appropriations or other state funds appropriations that collects money in excess of those appropriated may request budget increases in an amount not to exceed five percent of its internal service funds/interagency transfers or other state funds appropriation contained in Section 4 of the General Appropriation Act of 2020. To track the five percent transfer limitation, agencies shall report cumulative budget adjustment request totals on each budget request submitted. The department of finance and administration shall certify agency reporting of these cumulative totals.

Subsection E. Section (15) – the healthcare benefits administration program of the retiree health care authority may request budget increases from other state funds for claims.

Other Substantive Information:

Subsection D authorizes budget adjustments by program as follows:

	GAA	5%	Total
Healthcare Benefits Administration	\$ 361,785.4	\$ 18,089.27	\$ 379,874.7
Program Support	\$ 3,296.9	\$ 164.85	\$ 3,461.7
	\$ 365,082.3	\$ 18,254.1	\$ 383,336.4

Conclusion: NMRHCA staff respectfully requests approval to submit the FY21 operating budget as shown in Table I to include a 4 percent compensation increase for all employees subject to the State Personnel Act and executive exempt employees including the executive director, deputy director and director of communication and members engagement.

Additional details by program revenue are as follows:

Healthcare Benefits Administration Fund - Revenue Detail						
		FY20	FY21	FY21	\$	%
		OPBUD	Request	OPBUD	Change	Change
REVENUE:						
1	Employer/Employee Contributions	\$ 124,696.7	\$ 129,884.3	\$ 120,225.9	\$ (4,470.8)	-3.6%
2	Retiree Contributions	\$ 170,030.0	\$ 184,883.7	\$ 175,000.0	\$ 4,970.0	2.9%
3	Taxation and Revenue Suspense Fund	\$ 32,935.7	\$ 32,935.7	\$ 32,935.7	\$ -	0.0%
4	Other Miscellaneous Revenue	\$ 30,230.7	\$ 30,230.7	\$ 30,000.0	\$ (230.7)	-0.8%
5	Interest Income	\$ 100.0	\$ 100.0	\$ 400.0	\$ 300.0	300.0%
6	TOTAL REVENUE:	\$ 357,993.1	\$ 378,034.4	\$ 358,561.6	\$ 568.5	0.2%
Healthcare Benefit Administrative Fund - Expenditure Detail						
		FY20	FY21	FY21	\$	%
	Contractual Services	OPBUD	Request	OPBUD	Change	Change
7	Prescriptions	\$ 105,000.0	\$ 110,000.0	\$ 115,000.0	\$ 10,000.0	9.5%
8	Medical - Supplement/Self- Insured	\$ 175,000.0	\$ 183,250.0	\$ 161,191.6	\$ (13,808.4)	-7.9%
9	Medicare Advantage	\$ 36,343.4	\$ 39,218.4	\$ 39,000.0	\$ 2,656.6	7.3%
10	Voluntary Coverages	\$ 38,400.0	\$ 42,240.0	\$ 40,000.0	\$ 1,600.0	4.2%
11	Total Contractual Services	\$ 354,743.4	\$ 374,708.4	\$ 355,191.6	\$ 448.2	0.1%
Other						
12	PCORI Fee	\$ 42.0	\$ -	\$ -	\$ (42.0)	-100.0%
13	Total Other	\$ 42.0	\$ -	\$ -	\$ (42.0)	-100.0%
Other Financing Uses						
14	Program Support	\$ 3,207.7	\$ 3,326.0	\$ 3,370.0	\$ 162.3	4.8%
15	Total Other Financing Uses	\$ 3,207.7	\$ 3,326.0	\$ 3,370.0	\$ 162.3	4.8%
16	Total Expenditures	\$ 357,993.1	\$ 378,034.4	\$ 358,561.6	\$ 568.5	0.2%

Program Support Expenditure Summary							
Uses		FY20 OPBUD	FY21 Request	FY21 OPBUD	\$ Change	Percent Change	
1	200	Personal Services/ Employee Benefits	2,028.0	2,043.0	2,140.4	112.4	0.7%
2	300	Contractual Services	791.6	866.8	663.4	(128.2)	9.5%
3	400	Other Costs	538.1	566.2	566.2	28.1	5.2%
4		TOTAL	3,357.7	3,476.0	3,370.0	12.3	3.5%
Summary of Revenues							
Sources		FY20 OPBUD	FY21 Request	FY21 OPBUD	\$ Change	Percent Change	
5	112	Other Transfers	3,357.7	3,476.0	3,370.0	12.3	3.5%
6		Total	3,357.7	3,476.0	3,370.0	12.3	3.5%
7		FTE	26	26	26	0.0	0.0%
Expenditure Detail (Personal Services and Employee Benefits)							
		FY20 OPBUD*	FY21 Request	FY21 OPBUD	\$ Change	Percent Change	
1	520100	Exempt Positions	276.1	286.0	297.4	21.3	3.6%
2	520300	Classified Perm. Positions	1,178.4	1,183.7	1,225.5	47.1	-1.7%
3	520800	Annual & Comp Paid	-	-	-	-	-
4	521100	Group Insurance Premium	197.6	198.7	195.9	(1.7)	0.6%
5	521200	Retirement Contributions	232.1	247.3	268.1	36.0	6.5%
6	521300	FICA	105.5	112.1	111.7	6.2	6.3%
7	521400	Workers Comp	0.2	0.2	0.2	-	0.0%
8	521410	GSD Work Comp Ins	1.6	1.2	1.2	(0.4)	-25.0%
9	521500	Unemployment Comp	-	-	-	-	-
10	521600	Employee Liability Insurance	9.0	9.5	9.5	0.5	5.6%
11	521700	Retiree Health Care	27.5	29.3	30.9	3.4	6.5%
12	521900	Other Employee Benefits	-	-	-	-	-
13		TOTAL	2,028.0	2,068.0	2,140.4	112.4	0.7%
Expenditure Detail (Contractual Services)							
		FY20 OPBUD	FY21 Request	FY21 OPBUD	\$ Change	Percent Change	
14	535200	Professional Services	399.8	415.0	396.4	(3.4)	3.8%
15	535300	Other Services	10.0	12.5	12.5	2.5	25.0%
16	535309	Other Services InterA	26.0	17.5	26.0	-	-9.6%
17	535400	Audit Services	86.8	86.8	78.5	(8.3)	0.0%
18	535500	Attorney Services	80.0	110.0	60.0	(20.0)	37.5%
19	535600	Information Technology Services	189.0	219.0	90.0	(99.0)	15.9%
20		TOTAL	791.6	860.8	663.4	(128.2)	9.5%
Expenditure Detail (Other)							
		FY20 OPBUD	FY21 Request	FY21 OPBUD	\$ Change	Percent Change	
21	542100	Employee In-State Mileage & Fares	1.5	1.5	1.5	-	0.0%
22	542200	Employee In-State Meals & Lodging	2.5	2.5	2.5	-	0.0%
23	542300	Board & Commission - In-State	13.5	13.5	13.5	-	0.0%
24	542500	Transportation-Fuel & Oil	1.0	1.0	1.0	-	0.0%
25	542600	Transportation	0.1	0.1	0.1	-	0.0%
26	542700	Transportation Insurance	0.2	0.2	0.2	-	0.0%
27	542800	State Transportation Pool Charges	4.5	4.5	4.5	-	0.0%
28	543200	Maintenance - Furniture, Fixtures & Equipment	6.0	6.0	6.0	-	0.0%
29	543300	Maintenance - Building & Structure	4.5	4.5	4.5	-	0.0%
30	543400	Maintenance - Property Insurance	-	-	-	-	0.0%
31	543820	IT Maintenance	7.5	7.5	7.5	-	0.0%
32	544000	Supply Inventory IT	25.0	25.0	25.0	-	0.0%
33	544100	Supplies - Office Supplies	10.0	10.0	10.0	-	0.0%
34	544900	Supplies - Inventory Exempt	9.3	5.0	5.0	(4.3)	-46.2%
35	545600	Reporting & Recording	6.0	-	-	(6.0)	-100.0%
36	545609	Report/Record Inter St Agency	-	-	-	-	0.0%
37	545700	DoIT ISD Services	3.8	4.2	4.2	0.4	10.5%
38	545710	DoIT HCM Assessment	10.7	10.7	10.7	-	0.0%
39	545900	Printing & Photo. Services	56.0	56.0	56.0	-	0.0%
40	546100	Postage & Mail Services	105.0	120.0	120.0	15.0	14.3%
41	546400	Rent of Land & Buildings	112.8	124.1	124.1	11.3	10.0%
42	546409	Rent Expense - Interagency	8.1	8.4	8.4	0.3	3.7%
43	546500	Rent of Equipment	46.0	48.3	48.3	2.3	5.0%
44	546600	Communications	21.0	21.0	21.0	-	0.0%
45	546610	DOIT Communications	59.8	58.9	58.9	(0.9)	-1.5%
46	546700	Subscriptions & Dues	2.0	7.0	7.0	5.0	250.0%
47	546800	Employee Training & Edu.	3.0	5.0	5.0	2.0	66.7%
48	546801	Board Member Training	5.0	5.0	5.0	-	0.0%
49	546900	Advertising	0.5	1.0	1.0	0.5	100.0%
50	547900	Miscellaneous Expense	1.3	1.3	1.3	-	0.0%
51	547999	Request to Pay Prior Year	-	-	-	-	0.0%
52	548300	Information Technology Equipment	5.0	5.0	5.0	-	0.0%
53	549600	Employee Out-Of-State Mileage & Fares	1.5	2.0	2.0	0.5	33.3%
54	549700	Employee Out-Of-State Meals & Lodging	2.0	2.0	2.0	-	0.0%
55	549800	B&C-Out-Of-State Mileage & Fares	1.5	3.5	3.5	2.0	133.3%
56	549900	B&C- Out-Of-State Meals & Lodging	1.5	1.5	1.5	-	0.0%
57		TOTAL	538.1	566.2	566.2	28.1	5.2%

2020 Financial Audit RFP/New Contract – Action Item

Background: On Monday, March 9, 2020, the New Mexico Retiree Health Care Authority (NMRHCA) issued an RFP for Professional Audit Services. The advertisement posted on [http://nmrhca.org/uploads/FileLinks/e100b9ebdfa24cb6b606d7c43b605756/Audit_RFP_FY20_21_343_0380_00001\[1\].pdf](http://nmrhca.org/uploads/FileLinks/e100b9ebdfa24cb6b606d7c43b605756/Audit_RFP_FY20_21_343_0380_00001[1].pdf) requested competitive sealed proposals as described below:

REQUEST FOR PROPOSAL: INDEPENDENT PUBLIC ACCOUNTANTS (IPAs) FOR FINANCIAL AUDIT SERVICES

The New Mexico Retiree Health Care Authority (NMRHCA) is requesting proposals for qualified Independent Public Accountants (IPAs) to perform the annual financial and compliance audit of the Authority's financial statements for the fiscal year ending June 30, 2020. The Department reserves the option of renewing the initial contract on an annual basis for two (2) additional successive fiscal years pursuant to Section 13-1-150 NMSA 1978 and State Auditor's Rule (2.2.2.8 (B) (4) NMAC). Pursuant to the Audit Act, Section 12-6-3 (A) NMSA 1978.

The audits shall be conducted in accordance with government auditing standards including compliance with pertinent State Statutes, Rules and Regulations, and 2.2.2 NMAC 2020 Audit Rule Draft 01.

Other services shall include: Financial Reporting for Postemployment Benefits Other Than Pension Plans, GASB 74 required by Section 2.2.2.10. NMAC. Also, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, GASB 75. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditures. For benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

All responses were due no later than 3:00 p.m. on Friday, April 3, 2020. Despite having received only one response, the proposal met all requirements described in the RFP including: Response Format and Organization and Specifications. In addition, responding firm has clearly demonstrated its ability to meet our audit requirements, having successfully assisted NMRHCA for the past three years. Lastly, the proposal represents a reduction in the fees currently paid for audit services compared totaling \$68,500 for FY20, \$69,580 for FY21 and \$70,390 for FY22 for a total of \$208,470 over the three-year term.

Action Item: NMRHCA staff respectfully requests approval to issue a contract for Professional Audit Services to Moss Adams.

Albuquerque Office Lease Agreement – Action Item

Background: The New Mexico Retiree Health Care Authority (NMRHCA) currently leases 5,130 square feet of office space at 4308 Carlisle Blvd NE, Suites 104 and 207. This lease began on November 15, 2010 between NMRHCA and the Robert Earl Deacon Revocable Trust UTA and is set to expire on November 14, 2020.

In conjunction with leadership of the Public Employees Retirement Association (PERA), NMRHCA staff has identified an opportunity to co-locate our offices in state-owned property at 6300 Jefferson Street NE, Albuquerque NM, 87109. The co-location of our offices will improve services to our shared membership by providing convenient and easy access when filing and updating their pension and retiree health care paperwork.

The term of the lease agreement is for 120 months, beginning on August 1, 2020 and terminating on July 31, 2030. The agreement contains an option to renew at a current fair market rent as reasonably determined by the lessor, at that time, with the initial term and renewals not to exceed 20-years.

Financial Impact: The lease agreement will result in an increase in lease-related expenses totaling \$134,286.39 over the course of the next 10 years or \$13,428.64 per year on average (see chart below). As part of the FY21 appropriation request, NMRHCA staff specifically requested an increase in the line item specifically associated with office rent, which was supported by both the Executive and the Legislature and reflected in this year’s General Appropriation Act.

Current				New				
Beg Date	Annual Amount	Monthly	Per Sq Ft.	Beg Date	Annual Amount	Monthly	Per Sq Ft.	
11/15/2020	\$ 113,593.51	\$ 9,466.12	\$ 15.21	8/1/2020	\$ 112,941.00	\$ 9,411.75	\$ 25.25	
11/15/2021	\$ 114,110.01	\$ 9,509.16	\$ 15.28	8/1/2021	\$ 116,330.00	\$ 9,694.17	\$ 26.01	
11/15/2022	\$ 114,636.84	\$ 9,553.07	\$ 15.35	8/1/2022	\$ 119,820.00	\$ 9,985.00	\$ 26.79	
11/15/2023	\$ 115,174.20	\$ 9,597.85	\$ 15.42	8/1/2023	\$ 123,414.00	\$ 10,284.50	\$ 27.59	
11/15/2024	\$ 115,722.32	\$ 9,643.52	\$ 15.49	8/1/2024	\$ 127,117.00	\$ 10,593.08	\$ 28.42	
11/15/2025	\$ 116,281.39	\$ 9,690.11	\$ 15.57	8/1/2025	\$ 130,930.00	\$ 10,910.83	\$ 29.27	
11/15/2026	\$ 116,851.65	\$ 9,737.63	\$ 15.64	8/1/2026	\$ 134,858.00	\$ 11,238.17	\$ 30.15	
11/15/2027	\$ 117,433.31	\$ 9,786.10	\$ 15.72	8/1/2027	\$ 138,904.00	\$ 11,575.33	\$ 31.05	
11/15/2028	\$ 118,026.61	\$ 9,835.55	\$ 15.80	8/1/2028	\$ 143,071.00	\$ 11,922.58	\$ 31.90	
11/15/2029	\$ 118,631.77	\$ 9,885.98	\$ 15.88	8/1/2029	\$ 147,363.00	\$ 12,280.25	\$ 32.95	
	\$ 1,160,461.61				\$ 1,294,748.00			\$ 134,286.39
							Per Year	\$ 13,428.64

Action Item: NMRHCA staff respectfully requests permission to finalize the attached lease agreement and begin the planning process associated with moving to the new location.

Diabetes Management Program – Action Item

Background. According to information provided by Express Scripts, over 29 million adults suffer from diabetes with 1.4 million added to the tally each year, resulting in over \$176 billion in health related expenditures. Diabetes trend is projected to near 20% for the next three years and has been the No. 1 costliest traditional therapy class for the past six years. Spending on diabetic related medications consistently ranks in the top three indications — next to cancer and inflammatory conditions — affecting nearly 7,000 members and costing NMRHCA \$4.5 million through the first six months of FY20 between its Medicare and Pre-Medicare populations.

Diabetic patients often have difficulty controlling blood sugar levels, leading to health complications including: cardiovascular disease, nerve damage, kidney damage, loss of eyesight, hearing impairment and other conditions. On Friday, February 28, the Wellness Committee received a diabetes management program presentation from a company called Livongo. In partnership with Express Scripts, Livongo provides diabetes remote monitoring and member coaching through digitalized care. This program reported that 88% of participants in the program had a positive experience and 75% felt more confident in managing the disease. Livongo also reported 60% of its members lowered their A1c levels by at least 0.5, an 8% increase in average adherence to oral diabetic medication, 36% drop in hypoglycemic episodes and a 42% drop in hyperglycemic episodes.

The program provides a welcome kit that includes a remote monitoring glucose meter, lancing device and test strips. The device then reminds the members to test their blood sugar levels regularly and provides health coaching when blood sugar levels are reported too high or too low. The information is loaded in real time, and the member will receive a call from a Livongo Health Coach advising the member of steps to take to get his or her blood sugar levels in a more appropriate range.

Financial Impact. This program will be targeted at the NMRHCA’s pre-Medicare population totaling 2,481 members with an estimated 30% participation rate, or 744 members. The projected savings resulting from increased adherence is projected to total \$900,000 with an estimated cost of nearly \$600,000 resulting a net savings of approximately \$300,000 (see attached slides).

Additional Information. Albuquerque Public Schools (APS) approved the addition of Livongo’s services back in the fall of 2019 and have since enrolled 220 of the nearly 1,200 targeted members. The Public Schools Insurance Authority (NMPSIA) also voted to approve the addition of Livongos’ services beginning May 1, 2020.

Action Item: NMRHCA staff respectfully requests amend its existing agreement through Express Scripts to begin offering Livongo’s services to its pre-Medicare plan participants beginning July 1, 2020.



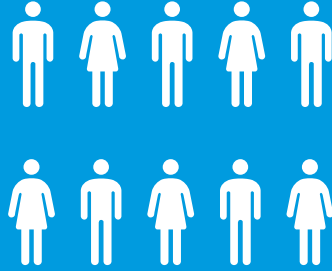
Tackling Diabetes Through Member Empowerment



Diabetes: Magnitude of the problem

29M

adults in the U.S.



\$176B

in direct medical costs
related to diabetes in the U.S.



1.4M Americans
diagnosed each year



\$108.80
PMPY spend



37%
NONADHERENCE

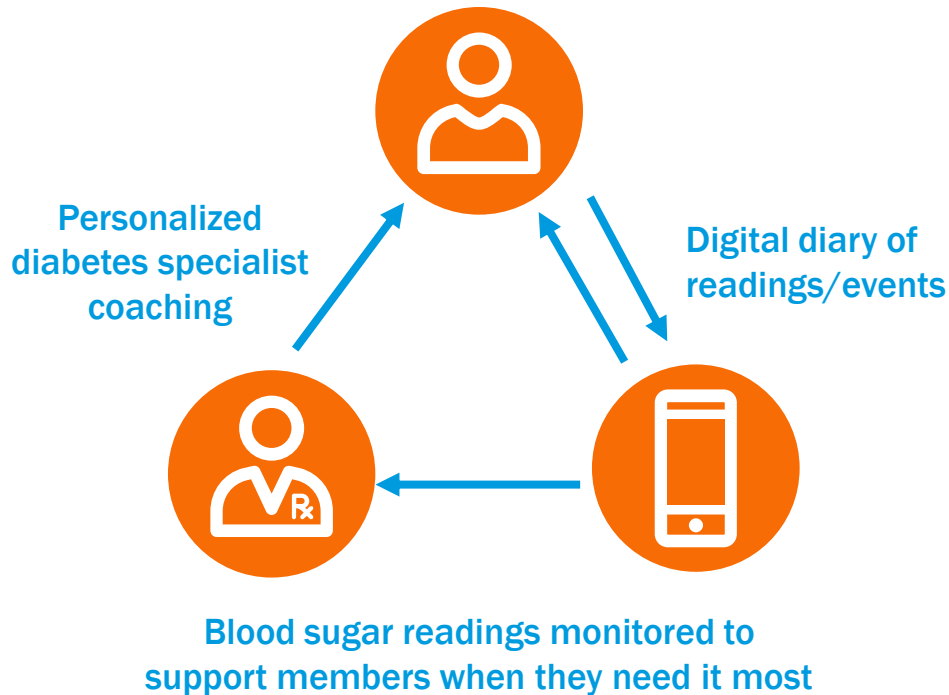


Members living with diabetes often have difficulty controlling blood sugar levels, leading to health complications and higher downstream medical costs.

DIABETES REMOTE MONITORING

Enhanced digital and personalized care support

Remote monitoring empowers patients living with diabetes by combining a connected meter and personalized coaching from a team of diabetes specialists.



*PPPM- Per participating member, per month. Estimated gross savings; Results vary per client.



\$80-\$85
estimated healthcare savings PPPM*



Confidential Information

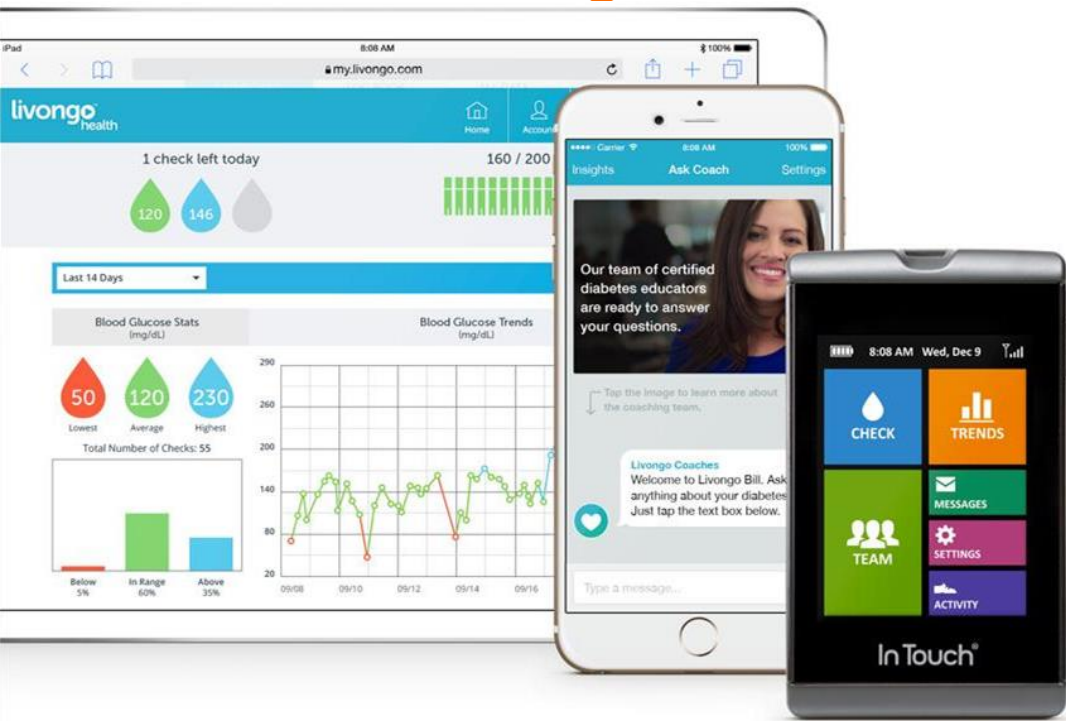
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EXPRESS SCRIPTS®

Diabetes Remote Monitoring with Livongo

Express Scripts and Livongo provide members with the tools and coaching they need to successfully manage diabetes.



A Welcome Kit,

including Livongo's connected glucose meter, a lancing device, 300 test strips, 300 lancets, and a carrying case

Unlimited test strips

and lancets shipped to each member's front door

Coaching

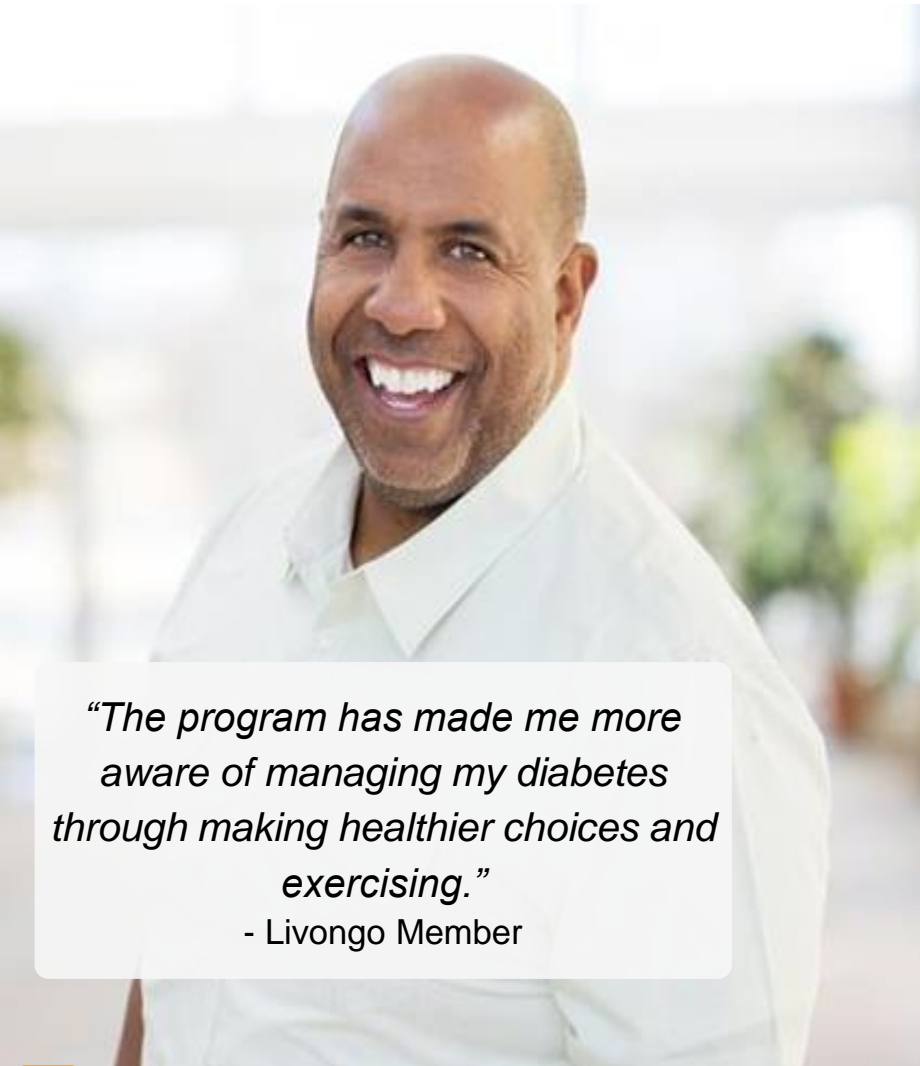
by phone, by text message, and through the Livongo CDEs and Express Scripts

Online access

to blood glucose readings, along with graphs and insights



Livongo Creates an Experience Members Love



“The program has made me more aware of managing my diabetes through making healthier choices and exercising.”
- Livongo Member

88%

Positive Experience*

75%

Feel More Confident*

+56

Net Promoter Score**

Vs. Average Health Plan NPS of +12
and Amazon NPS of +69

* Livongo Clinical and Financial Outcomes Report, June 2016

** Livongo NPS from Member Satisfaction Survey, Sept 2016



The Four Key Areas of Care Coordination to Ensure a Optimal Member Experience

Member Touch-point

Benefits of Livongo/Express Scripts Partnership

1

Care Coordination

- Livongo and Express Scripts have line of sight into member enrollment & members' blood glucose history
- Livongo CDE's have visibility into Express Scripts' members' data to tailor conversations at the individual level
- Livongo will warm transfer members to Express Scripts' Diabetes TRC Pharmacists when necessary
- Express Scripts answer basic questions about Livongo and, when appropriate, connect members to Livongo

2

Customer Support

- All customer support agents across partners will know which members are enrolled in Livongo
- Livongo and Express Scripts are aware of each organization's respective programs, offerings, and expertise
- Patients will have a holistic experience provided by Livongo and Express Scripts

3

Member Communication

- Livongo handles all member communication materials
- Potential to integrate with ongoing outreach from Express Scripts

4

Billing

- Seamless for the member and added to admin invoice for client
- No member co-pay for Livongo
- All associated Livongo supplies are delivered directly to the members door exactly when they need them
(Livongo tracks usage and anticipates when a member needs additional supplies)



New Mexico Retiree Authority (carrier 5037) LIVONGO Diabetes Projections

Service Dates: YTD 2018

Key Metrics		
Targeted Population	Estimated # Targeted Members <i>(all members with diabetes)</i>	3,127
	Estimated Participants <i>(30% of targeted)</i>	938
Current Cost	Current PMPM NET Plan Cost <i>(inclusive of rebates; diabetics currently using test strips under the pharmacy benefit)</i>	-
Financial Impact	Estimated Annual Healthcare Savings* <i>(\$85 PPPM x participants)</i>	\$956,760
	Livongo Annual Program Fees <i>(\$67 PPPM x participants; includes supplies)</i>	- \$754,232
	NET Annual Plan Cost Savings <i>(PMPM x participants)</i>	-
	Estimated Annual Savings TOTAL	\$202,528

*Estimated gross savings; Results vary per client.

Confidential Information

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Express Scripts Diabetes Remote Monitoring

	LIVONGO
Program Components	<ul style="list-style-type: none"> Cellular, cloud connected smart glucose meter Remote clinical monitoring / coaching Unlimited Livongo InTouch® strips and lancets
Patient experience	<ul style="list-style-type: none"> NO out-of-pocket costs Cellular meter connects directly to Livongo cloud Real-time (within 3 minutes) outreach driven by dangerous readings Coaching by Livongo Certified Diabetes Educators and Express Scripts Diabetes TRC Pharmacists Outreaches provided by phone, text and email
Rebate implications	Potential impact to rebate guarantee
Estimated Patient Enrollment	30-40%
PPPM fee	<p>\$67 PPPM</p> <p>Fee includes unlimited Livongo InTouch® strips</p>
Estimated value	Estimated at \$80 - \$85 PPPM total healthcare savings**





Citations available.

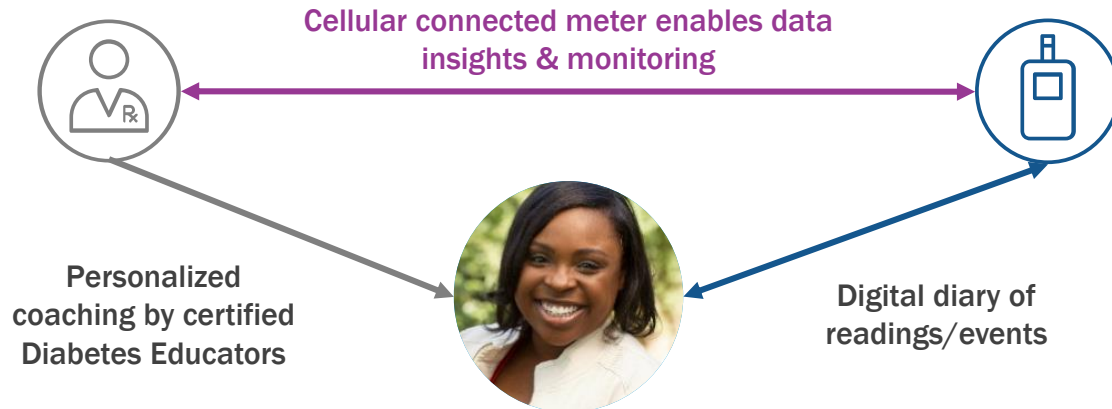


DIABETES REMOTE MONITORING

Better support members living with diabetes— personalized care within their life flow

Diabetes trend is near 20% for the next three years and is the **#1 costliest traditional therapy class for past six years.**¹

Remote monitoring empowers patients to better control their diabetes by combining a glucose meter connected to their cell phone and personalized coaching with diabetes specialists.



Enrolled members who performed more than one blood glucose check per week for 12 months had 6.4% higher adherence rates and 98% higher odds of being adherent than non-engaged patients.²

1. Express Scripts Drug Trend Report, 2018; 2. Express Scripts Livongo DRMP data, 2019



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REMOTE MONITORING KEY METRICS PROJECTIONS

New Mexico Retirees (Commercial)

Service Dates: Rolling 12 months look back.

Diabetes Remote Monitoring		
Targeted Population	Estimated # Targeted Members (<i>all members with diabetes</i>)	2,481
	Estimated Participants (<i>30% of targeted</i>)	744
Current Cost	Current PMPM NET Plan Cost (<i>inclusive of rebates; diabetics currently using test strips under the pharmacy benefit</i>)	N/A
Financial Impact	Estimated Annual Healthcare Savings* (<i>\$101 PPPM x participants</i>)	\$901,728
	Livongo Annual Program Fees (<i>\$67 PPPM x participants; includes supplies</i>)	\$598,176
	NET Annual Plan Cost Savings (<i>PMPM x participants</i>)	N/A
	Estimated Annual Savings Total for Diabetes Remote Monitoring	\$303,552

*Estimated gross savings; Results vary per client.



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2021 Preliminary Plan Discussion

Status as of July 2019

Trust Fund Balance: \$717.7 million

Solvency Projection: 2044

Effective 2020:

1. Increased pre-Medicare rates by 7 percent and Medicare rates by 5 percent
2. Implementation of the Patient Assistance Program – capping insulin copays @ \$25 for 30-day supply and \$75 for 90-day supply
3. Medicare Advantage rate changes -2 to 0%

2021 Considerations:

1. Revised defaulting Medicare Advantage defaulting strategy based on 2019 RFP results
2. Pre-Medicare retiree subsidy adjustments
3. Pre-Medicare spouse/domestic partner subsidy adjustments
4. Rate adjustments commensurate with loss ratios
5. Medical plan changes/new plan
6. Prescription drug plan changes/new tier

Influencing Factors:

1. Vetoing of House Bill 45/2021 Legislation Session
 - a. New Mexico economy
 - b. Pension fix for Educational Retirement Board
 - c. Timing associated w/receipt of increased employee and employer contributions
2. Rule Change effective date
3. COVID-19 claim impact
4. Investment losses