NMRHCA Rule Change Explanation

Most members pay 1% of our salary into RHCA to have a health insurance benefit when we retire (except police, firefighters, corrections officers and some judges, who pay more. These members are NOT subject to the rule change). An active employee needs five years of service to participate in RHCA and begins to get a subsidy (discount) on his/her health insurance when he or she retires. The more years or service the employee puts in, the bigger the subsidy or discount that person receives, currently up to 20 years. So the rules changes have two effects.

The first is that folks who retire on or after July 31, 2021, will have to be at least 55 years old to get the subsidy based on the years of service they put in. If they're not 55, they would have to pay full price for their insurance until they turn 55 if they wish to purchase health insurance through NMRHCA. As an example, the full price of our Pre-Medicare Value Plan for 2021 is $635.69 per month. Anyone at any age now can retire, and if that person has 20 years or more of service, he/she would pay a $228.95 monthy premium for the insurance. Anyone who retires on or after July 31, 2021 and is NOT 55, would have to pay the $635.69 per month until he/she turns 55 (or reach the birth month of their 55th birthday). The subsidy or discount kicks in at age 55 for the retiree (it has to be the retiree turning 55, not the spouse. However, the spouse is covered with the subsidy regardless of age once the retiree turns 55).

The second part of the rule is that, instead of having to work only 20 years to get the maximum subsidy (the biggest discount), folks who retire on or after July 31, 2021 will have to work 25 years. Twenty years (or even 5 years) still amounts to a subsidy, but it wouldn't give the retiree as big a discount on his/her monthly health insurance premium. In the example above, the person with 20 years currently would pay the $228.85. But if that person has 20 years when he/she retires in 2021, he/she would pay $327.72 (because now 20 years only gets 76.19 percent of the full subsidy. The person would have to work five more years for that other 23.81 percent to get to the maximum subsidy.

Explanation by percentages:

Participants with NMRHCA start earning a subsidy, or discount toward their health insurance when they retire, at five years of service. Each additional year earns more toward the maximum subsidy or discount. Right now, five years of service earns 6.25 percent of the subsidy that NMRHCA provides for its members. NMRHCA provides a 64 percent subsidy for Pre-Medicare retirees (folks under 65) and a 36 percent subsidy for spouses/domestic partners or Pre-Medicare retirees.

NMRHCA provides a 50 percent subsidy for Medicare retirees (age 65-plus) and 25 percent for spouses/domestic partners.

So each year of service CURRENTLY adds 6.25 percent — 6 years of service amounts to 12.5 percent of the 64 percent subsidy NMRHCA provides, 7 years amounts to 18.75 percent … all the way up to 20 years or more, which qualifies for the maximum subsidy — they receive the full 64 percent subsidy from NMRHCA toward their health insurance.
So instead of paying a $635.69 monthly premium for NMRHCA's Pre-Medicare Value Plan (our lower-costing Pre-Medicare plan), folks with 20 years or more of service pay only $228.85 — a 64 percent discount off the $635.69 rate.

With the rule change that takes effect on July 31, 2021, the scales are based on a 25-year table, rather than a 20-year table. So instead of earning 6.25 percent of the subsidy at five years, those folks will earn only 4.76 percent of the subsidy (approximately). 6 years, then, will amount to a 9.52 percent subsidy, 7 years earns 14.29 (it's not exactly 4.76 per year, which is the reason for the extra .01) … all the way up to 25 years. Those folks retiring on or after July 31, 2021 or later will be accruing the subsidy annually at a slower rate.