

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

REGULAR MEETING OF THE BOARD OF DIRECTORS



**August 31, 2021
9:30 AM**

**Online: <https://global.gotomeeting.com/join/248079869>
Telephone: 1-408-650-3123/ Access Code: 248-079-869**

New Mexico Retiree Health Care Authority
Regular Meeting

BOARD OF DIRECTORS

ROLL CALL

August 31, 2021

| | Member in Attendance | | |
|--------------------------------|----------------------|--|--|
| Mr. Crandall, President | | | |
| Ms. Saunders, Vice President | | | |
| Ms. Larranaga-Ruffy, Secretary | | | |
| Mr. Scroggins | | | |
| Mr. Linton | | | |
| Mr. Salazar | | | |
| Mr. Eichenberg | | | |
| Mr. Cushman | | | |
| Mr. Bhakta | | | |
| Mr. Pyle | | | |
| Ms. Madrid | | | |

NMRHCA BOARD OF DIRECTORS

August 2021

Mr. Greg Trujillo
Interim Executive Director
Public Employees Retirement Association
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Santa Fe, NM 87507
greg.trujillo@state.nm.us
505-476-9301

Mr. Sanjay Bhakta
NM Municipal League
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Mr. Rick Scroggins
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Educational Retirement Board
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Mr. Terry Linton
Governor's Appointee
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Mr. Tomas E. Salazar, PhD
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Las Vegas, NM 87701
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Mr. Lance Pyle
NM Association of Counties
Curry County Administration
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Mr. Doug Crandall, President
Retired Public Employees of New Mexico
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dougcinaz@gmail.com

The Honorable Mr. Tim Eichenberg
NM State Treasurer
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tim.eichenberg@state.nm.us
505-955-1120

Ms. Therese Saunders, Vice President
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Federation of Educational Employees
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505-934-3058

Mr. Loren Cushman
Superintendents' Association of NM
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Ms. Leane Madrid
Classified State Employee
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Ms. Leanne Larranaga-Ruffy, Secretary
Alternate for PERA Executive Director
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Regular Meeting of the
NEW MEXICO RETIREE HEALTH CARE AUTHORITY
BOARD OF DIRECTORS

August 31, 2021

9:30 AM

Online: <https://global.gotomeeting.com/join/248079869>

Telephone: 1-408-650-3123 / Access Code: 248-079-869

AGENDA

| | | Page |
|--|-----------------------------------|------|
| 1. Call to Order | Mr. Crandall, President | |
| 2. Roll Call to Ascertain Quorum | Ms. Beatty, Recorder | |
| 3. Pledge of Allegiance | Mr. Crandall, President | |
| 4. Approval of Agenda | Mr. Crandall, President | 4 |
| 5. Approval of Regular Meeting Minutes July 15 & July 16, 2021 | Mr. Crandall, President | 5 |
| 6. Public Forum and Introductions | Mr. Crandall, President | |
| 7. Committee Reports | Mr. Crandall, President | |
| 8. Committee Assignments | Mr. Crandall, President | |
| 9. Executive Director's Updates | Mr. Archuleta, Executive Director | |
| a. Operations | | |
| b. Rule Change Update | | 20 |
| c. Summer/Fall Newsletter | | 23 |
| d. Wise and Well Event | | 29 |
| e. Legislative | | 30 |
| f. Lopez v. NMRHCA, N.M. Ct. App. No. A-1-CA-39121 | | 41 |
| g. Updated Solvency Projection | | 51 |
| h. June 30 & July 31, 2021 SIC Reports | | 52 |
| i. June 30, 2021 Investment Performance | | 54 |
| 10. FY23 Appropriation Request (Action Item) | Mr. Archuleta, Executive Director | 58 |
| 11. Generic Drug Litigation (Action Item) | Mr. Bebeau, General Counsel | 65 |
| 12. Pharmacy Benefit Manager Procurement (Action Item) | Mr. Kueffer, Deputy Director | 66 |
| 13. FY22 Small Purchase Contracts (Action Item) | Mr. Kueffer, Deputy Director | 69 |
| 14. Executive Director Compensation (Action Item) | Mr. Crandall, President | 71 |
| 15. Other Business | Mr. Crandall, President | |
| 16. Executive Session | Mr. Crandall, President | |
| Pursuant to NMSA 1978, Section 10-15-1(H)(7) Pertaining to | Threatened or Pending Litigation | |
| 17. Date & Location of Next Board Meeting | Mr. Crandall, President | |
| October 5, 2021 – 9:30AM | | |
| CNM Workforce Training Center/ GoToMeeting | | |
| 5600 Eagle Rock Ave NE, Room 101 | | |
| Albuquerque, NM 87113 | | |

18. Adjourn

MINUTES OF THE
NEW MEXICO RETIREE HEALTH CARE AUTHORITY/BOARD OF DIRECTORS

ANNUAL MEETING/DAY 1

July 15, 2021

1. CALL TO ORDER

Day 1 of the Annual 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. at the Hotel Don Fernando de Taos, 1005 Paseo del Pueblo Sur, Taos, New Mexico.

2. ROLL CALL TO ASCERTAIN A QUORUM

A quorum was present.

Members Present:

Mr. Doug Crandall, President
Ms. Therese Saunders, Vice President
Ms. LeAnne Larrañaga-Ruffy, Secretary
The Hon. Tim Eichenberg, NM State Treasurer [by phone]
Mr. Sanjay Bhakta
Mr. Terry Linton
Ms. Leanne Madrid [by phone until arrival at 2:50 p.m.]
Mr. Lance Pyle
Dr. Tomás Salazar
Mr. Rick Scroggins

Members Excused:

Mr. Loren Cushman

Staff Present:

Mr. Dave Archuleta, Executive Director
Mr. Neil Kueffer, Deputy Director
Mr. Tomas Rodriguez, IT Manager
Ms. Judith Beatty, Board Recorder

Others Present:

[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. Pyle seconded the motion, which passed unanimously.

5. APPROVAL OF REGULAR MEETING MINUTES: June 1, 2021

Ms. Larrañaga-Ruffly moved approval of the June 1 meeting minutes, as submitted. Dr. Salazar seconded the motion, which passed with Mr. Pyle in abstention.

6. PUBLIC FORUM AND INTRODUCTIONS

Guests and board members introduced themselves.

7. BOARD APPOINTMENT – ASSOCIATION OF COUNTIES

Curry County Manager Lance Pyle, new board member replacing Pamela Moon, introduced himself to the board.

8. ELECTION OF BOARD OFFICERS

Dr. Salazar moved to retain the current slate of officers. Mr. Scroggins seconded the motion, which passed unanimously by roll call vote.

a. Board Policies and Procedures

Mr. Archuleta said there were no changes to the Board Policies and Procedures.

Ms. Larrañaga-Ruffly moved to accept the Board Policies and Procedures as they currently exist. Mr. Pyle seconded the motion.

Ms. Saunders noted that the Article 7, Section 10.B [4] of the Retiree Health Care Authority Act calls for one active teacher to serve on the board, but she is a retired teacher and no longer licensed. She stated that she was appointed to the board by the previous administration to take this position, and the decision was made to appoint a retired teacher because teachers are now rated on their attendance, and taking time off to attend a board meeting would count against that.

Mr. Archuleta stated that this would require a change to the Act during the next 60-day legislative session, which would be two years from now.

The motion passed unanimously.

b. Committee Assignments

Board members reviewed committee assignments. Chairman Crandall asked board members to contact him if they wanted to make a change to their assigned committee(s).

c. Code of Ethics

Board members were asked to sign and turn in the Code of Ethics form before the conclusion of today's meeting.

d. Open Meetings Act Resolution

Mr. Archuleta said the Open Meetings Act resolution has been updated to reflect the NMRHCA's current practice of posting notification of committee meetings 10 days in advance.

Dr. Salazar moved to adopt the Open Meetings Act resolution. Mr. Linton seconded the motion, which passed unanimously.

9. COMMITTEE REPORTS

- Chairman Crandall said the Executive Committee met last week and discussed the Annual Meeting agendas.
- Ms. Larrañaga-Ruffy said the Finance Committee met yesterday and reviewed related items on today's agenda.

10. TRUSTED INSIGHT: TOP PUBLIC PENSION INVESTMENT DIRECTOR ANNOUNCEMENT

Mr. Archuleta said he was pleased to report that board member LeAnne Larrañaga-Ruffy, Head of Alpha at PERA, has been named by Trusted Insight as one of this year's 20 Top Pension Fund Investment Directors.

Mr. Scroggins also noted that Mark Canavan, director of the real return portfolio at NMERB, was also on the list.

11. STATE INVESTMENT COUNCIL UPDATES: CHARLES WOLLMANN, DIRECTOR, COMMUNICATIONS, LEGISLATIVE & CLIENT RELATIONS, SIC

Mr. Wollmann presented the Investment Performance & Client Overview report. The market value of NMRHCA holdings as of 5/31/21 was \$1,033,793,409. While the NMRHCA paid \$225,000 in management fees, that is only 9 basis points relative to the overall portfolio.

Mr. Wollmann commented that there are a lot of things going on in the market right now, including unprecedented stimulus, a lot of government debt being introduced into the system with additional stimulus in government spending on the way. As a result of that, equity markets have performed beyond expectations; however, the SIC and many others are projecting that the strong performance being seen today and over the last several years will result in lower-than-average performance over the next decade. Currently, bond market yields are low while valuations are also high. In addition, inflation concerns have gained traction and caused some challenges for the economy, and inflation can affect the real dollar value of the NMRHCA fund. The NMRHCA should consider this when looking at its asset allocation. He referred to a bar chart [p. 51] reflecting advisor RVK's return expectations annualized over the coming decade in equity, real assets/alternatives and fixed income, adding that RVK is not the only advisor suggesting lower return expectations. He said the SIC may lower its long term return target for the Land Grant Permanent Fund to 7% and for the Severance Tax Permanent Fund to 6.75%.

Responding to Dr. Salazar, Mr. Wollmann said the SIC reviewed a draft ESG (Environmental, Social and Governance) policy at its last meeting and will discuss it in August. In the last legislative session, House Memorial 9 directed the SIC to come up with a plan for investing in renewable energy in New Mexico. The SIC approved a long-term strategic plan and is actively pursuing investments in wind, solar, and other renewables either through co-investments or by looking for funds that are actively pursuing opportunities in New Mexico. He commented that ESG is a growing influence on how the markets are operating.

Responding to Chairman Crandall, Mr. Wollmann said the NMRHCA would get additional ESG exposure through the private markets, mostly, but BlackRock is also pursuing ESG as a core strategy. He added that there have to be better and more uniform definitions of ESG so investments don't turn out to be simply "ESG-like." He commented that this type of investment has done very well over the last couple of years.

12. ASSET ALLOCATION REVIEW (6-MONTH FOLLOW-UP)
TOM TOTH, MANAGING DIRECTOR, WILSHIRE

Mr. Toth presented an update of the current environment and the outlook going forward.

Mr. Toth noted that, in late 2020, the board reaffirmed the asset allocation it had approved in 2018. Wilshire looked at alternatives, but there weren't opportunities to materially improve the risk-adjusted return expectation for the portfolio. Broadly, 40 percent of the portfolio is in publicly traded equities; 20 percent in core fixed income; and 40 percent in less liquid alternative investments, including private equity, real estate and real assets.

Mr. Toth stated that, as of the middle of last year, the expected return for the portfolio was just over 6 percent over the 10-year time horizon, and 7.22 percent over a 30-year actuarial time horizon. Rolling that information forward to 3/31/21 using the updated assumptions, the portfolio's expected return has dropped by about a half percent (48 basis points). This is also true for the 10-year period (about a half percent reduction) and over 30 years it is a bit more muted,

but the expectation sits at 6.95 percent. He said it is important to keep in mind that the capital markets will be more challenged going forward.

Mr. Archuleta stated that there was a discussion about this at yesterday's Finance Committee. The NMRHCA has stuck with the 7.25 percent investment return assumption with regard to the solvency as well as the GASB reporting requirements. There was some discussion about lowering the return assumption to 7 percent to reflect the information presented by Wilshire. At the August meeting, there will be a discussion about whether to pull the trigger on this in 2021, since it will roll into the GASB 74 calculation and reduce that rate of return. He added that it will have a negative impact on the solvency, as well, but to a lesser extent than the GASB report.

Mr. Toth said discussion about lowering return expectations is taking place across Wilshire's client base. The time horizons are important to keep in mind. The larger 48 basis point drop is over the next 10 years, with an expected return at 5.55, and the 30-year time horizon is closer to the 7 percent.

13. PROVIDER PRESENTATIONS

a. Presbyterian Health Plan

[Presenters: Keith Witt, Adriana Lopez, and Rosanne Tena]

b. Blue Cross Blue Shield of New Mexico

[Presenters: Lori Bell, Lisa Sullivan, and Marlene Mier]

[Lunch break: 11:45 – 1:00]

c. Express Scripts

[Presenters: Jon Molberg and Harris Zayae]

Mr. Linton noted that specialty medications make up 2 percent of the NMRHCA's prescription drug cost, and asked what some of their other clients are doing to contain that. He asked if Express Scripts has some ideas on how to do that.

Mr. Zayae responded that, in the past, the cost for specialty medications was typically in the range of \$3,000-\$5,000 per month, but now there are one-time treatments that can cost anywhere from \$300,000 to \$1 million. He referred to slide 10, showing annual incremental savings through Express Scripts' SaveonSP program. He discussed what Express Scripts is doing to help contain costs, which includes working with doctors to make sure patients receive genetic tests to ensure they have a response critical. Also, while telehealth is a good thing, it can also

mean the continuity of care may not have all of the data available for a particular member. Express Scripts works closely with health partners and medical vendors to identify members who might have a condition that is undermanaged or not managed at all. He added that Express Scripts implemented the Opioid Solution a couple of years ago with NMRHCA, which has been very successful. Also, through its Safeguard Solutions, Express Scripts implements indication-based management for specialty drugs.

14. ACTUARIAL PRESENTATIONS: NURA PATANI AND MELISSA KRUMHOLTZ, SEGAL; MIKE MADALENA, MADALENA CONSULTING

Dr. Patani highlighted assumptions that have changed from last year's solvency model:

- The May 31, 2020 fund balance is used as an estimate for the July 1, 2021 fund balance.
- The 2.75% annual growth in payroll assumption is a blend of the 2.6% used by NMERB and the 3% used by PERA.
- Direct subsidy assumption relies on Express Scripts for projections. This year, the information indicates there will be some liability to the plan in 2022. This is partly based on how the federal subsidy calculation is done. Factors include a change in the risk score and the national average premium and bid amounts. Estimated risk score is projected to increase slightly year over year, but the national average premium and bid amounts are expected to be much lower in 2022 versus 2021. This is what is driving the liability for the one year. Segal doesn't expect this to occur on an ongoing basis, so it has modified the assumption to have it revert back to flat after 2022.
- Annual trend assumptions: CY 2021 increases based on actual rates provided by NMRHCA. BCBSNM and Humana MA based on actual rates. All other MA plans increase 7%.
- Medical rate assumptions reflect an 8% increase in pre-Medicare rates and a 6% increase to Medicare Supplement rates.
- The estimated impact of SB 317 (No Behavioral Health Cost Sharing Act) has been incorporated based on the term of the Act, which is set to have the cost-sharing revisions revert back in 2027.
- Member migration/participation assumption between Premier and Value plans has been modified based on a pattern seen in recent years.

Ms. Krumholtz reviewed the solvency model and the sensitivity analysis done around the results.

Dr. Patani discussed considerations for future solvency projections.

Dr. Patani noted that economic models are saying that an 8% constant health care trend rate is unsustainable for the long term. As healthcare becomes an increasingly large percentage of the GDP, at some point lines are going to cross and there will have to be some sort of change.

Dr. Patani referred to a 15-year chart of selected medical and outpatient Rx trends (2007-2019 actual and 2020-2021 projected). Looking at 2007-2021, the average national trend is still fluctuating throughout the entire period, but the average during that time is 7.3% for open access PPO plans. She said using a conservative ultimate trend assumption in making long-term decisions supports having a viable solvency period utilizing the income streams available to NMRHCA in statute. Because those income streams are set, having some conservatism can be prudent in the decision-making.

Dr. Madalena presented his report: Long-Term Trend Assumptions: Review of historical assumption development and considerations for solvency projections going forward [pages 154-180].

15. REVIEW OF CALENDAR YEAR 2022 PLAN CHANGES

Mr. Archuleta reviewed a summary of proposed actions for the board to consider and taken action on in tomorrow's meeting:

- Self-insured Plan Rates: Pre-Medicare (Premier and Value Plans) and Medicare Supplement
- Add Hinge Health, a pilot program, to the Pre-Medicare population for BCBS.
- Adoption of Broad Performance Network (Medicare Supplement Rx)
- Adoption of the Delta Dental point of service network.

Additional considerations:

- SB 317 (No Behavioral Health Cost Sharing) is expected to cost about \$3 million per year, which is why staff hasn't presented lower rate recommendations. While the trend last year was negative overall because of COVID, Mr. Madalena did discuss increased trends and why there is a cause for concern in the future.
- The 2022 Medicare Advantage Rates show a 10% increase in Presbyterian Plan I and Plan II. There was a rate pass from UnitedHealth Care, and BCBS rates actually went down. There is a slight increase in Humana's Plan I and Plan II.

Mr. Archuleta reviewed rate increase proposals outlined in Scenarios A-E based on a baseline (long-term trend) of 8% & 6%, which would push the deficit spending period to 2028. Ultimately under that scenario, the NMRHCA would have \$11 billion in the trust fund in 2052. Staff's recommendation is Scenario E, which is 5% & 2%, resulting in a 3% undercharge, and pushes deficit spending out to 2026.

Mr. Linton noted that Scenario D, 6% and 4%, results in a 1% undercharge. He asked Mr. Archuleta why he was recommending another scenario.

Mr. Archuleta responded that there were two considerations. First, the NMRHCA will have to accommodate the increase associated with elimination of the cost sharing for behavioral health services. Second, based on Mr. Madalena's report, the NMRHCA overcharged last year. He said this is an opportunity to help make this up and remain conservative. All things considered, he feels 5% and 2% is a bargain.

Mr. Linton said he personally did not want to see the NMRHCA get behind the 8-ball too far, especially given the SIC's projections about the NMRHCA's long-range investment performance.

Mr. Archuleta said another issue is that there are 22,000 members in the Medicare Supplement plan, and it is their choice whether they want to pay the additional 2%, as they would have the option of saving a lot of money by moving to a Medicare Advantage plan. For example, the Medicare Supplement plan costs \$237 per month (which the NMRHCA subsidizes at 50%) versus UnitedHealth Care's MA Plan I at \$37 per month. Obviously, this results in cost savings to the NMRHCA and also removes the NMRHCA's liability.

Mr. Scroggins asked how the rates would eventually be affected because of the migration out of the Medicare Supplement plan into a Medicare Advantage plan. Mr. Archuleta responded that what will eventually occur is that sick people will stay in the Medicare Supplement plan, which will become more expensive, and at some point it will wear itself out. He commented that it would be great if just 10% of the 22,000 members migrated into the Medicare Advantage plans, because it would have a material impact on the rates potentially three or more years from now. He added that the same thing will happen with the pre-Medicare plans: As people move from the Premier plan into the Value plan, eventually Premier will only have the sickest group of people and the plan would become too expensive to maintain. Eventually the Value plan becomes a premier plan, etc.

Chairman Crandall pointed out that it has been 9 years since the employee/employer contribution was increased; however, the NMRHCA continues to bring in money that goes back into the plan. He commented that this has been a tough year for everyone, and the board is going to have to make changes that are all part of the actuarial assumptions, but he feels it's time to give people a break. The NMRHCA has the money this year, and it is not going to make a material difference for many years to come.

Following discussion, board members agreed that tomorrow's discussion and vote about the plan rates would focus on Scenario D (6% & 4%, resulting in a 1% undercharge) and Scenario E (5% & 2%, resulting in 3% undercharge), which is staff's recommendation.

16. EXECUTIVE SESSION – ED PERFORMANCE EVALUATION: 3:50 p.m.

a. Pursuant to NMSA 1987, Section 10-15-1(H)(2) to Discuss Limited Personnel Matters

Mr. Pyle moved to enter executive session in order to discuss limited personnel matters related to the performance evaluation of the Executive Director. Mr. Linton seconded the motion, which passed unanimously by roll call vote, with Chairman Crandall, Vice Chair Saunders, Secretary Larrañaga-Ruffy, Mr. Scroggins, Mr. Linton, Dr. Salazar, Mr. Bhakta, Mr. Pyle and Ms. Madrid voting in favor.

[Board came out of executive session at 4:15 p.m.]

Ms. Madrid moved to come out of executive session. Mr. Scroggins seconded, and the motion passed unanimously.

Chairman Crandall stated that the board is very happy with Mr. Archuleta's performance, based on the performance evaluation forms completed by board members, and will be proposing that Mr. Archuleta's job be reclassified in order to allow an 8% increase to his salary.

Mr. Archuleta said it is a privilege to serve as Executive Director and thanked the board.

Chairman Crandall said this will be on next month's agenda as an action item.

Ms. Madrid noted that Mr. Archuleta's job range is 36, and there is room to move that up to a range 42. She said 8% would support that promotion.

RECESS: 4:20 p.m.

MINUTES OF THE
NEW MEXICO RETIREE HEALTH CARE AUTHORITY/BOARD OF DIRECTORS

ANNUAL MEETING/DAY 2

July 16, 2021

1. CALL TO ORDER

Day 2 of the Annual Meeting of the Board of Directors of the New Mexico Retiree Health Care Authority was called to order on this date at 9:00 a.m. at the Hotel Don Fernando de Taos, 1005 Paseo del Pueblo Sur, Taos, New Mexico.

2. ROLL CALL TO ASCERTAIN A QUORUM

A quorum was present.

Members Present:

Mr. Doug Crandall, President
Ms. Therese Saunders, Vice President
Ms. LeAnne Larrañaga-Ruffy, Secretary
Mr. Sanjay Bhakta
Mr. Terry Linton
Ms. Leanne Madrid
Mr. Lance Pyle
Dr. Tomás Salazar
Mr. Rick Scroggins

Members Excused:

The Hon. Tim Eichenberg, NM State Treasurer
Mr. Loren Cushman

Staff Present:

Mr. Dave Archuleta, Executive Director
Mr. Neil Kueffer, Deputy Director
Mr. Tomas Rodriguez, IT Manager
Ms. Judith Beatty, Board Recorder

Others Present:

[See sign-in sheet]

3. PLEDGE OF ALLEGIANCE

Ms. Saunders led the Pledge.

4. **PUBLIC FORUM AND INTRODUCTIONS**

- a. **Tom Sullivan, Former President**
- b. **Joe Montañó, Former Vice President**

Mr. Sullivan and Mr. Montañó received a standing ovation for their years of dedicated service to the NMRHCA after Mr. Crandall, Mr. Archuleta, and others shared reminiscences and lauded them for their accomplishments.

5. **EXECUTIVE DIRECTOR'S UPDATE**

a. **Operations**

- NMRHCA has adopted SPO's policies and procedures with regard to the return to office requirements, and those were in the board book. The Albuquerque office will begin taking appointments next week. Most of the customer service representatives have been taking calls from home, and when surveyed, all but one indicated that they would prefer to continue that way. To the extent the NMRHCA can provide some flexibility with that, it will do so.

Mr. Archuleta provided HR updates.

b. **Colon Cancer Screening**

- Mr. Archuleta noted Dr. Madalena's comments in his report yesterday that colon cancer screenings dropped off precipitously last year, which is very concerning. Blue Cross Blue Shield came forward with a proposal to provide free FIT Kits to the BCBS members. The NMRHCA will partner with them to the extent possible by making sure that people are aware that these kits are being made available.

c. **Rulemaking Process**

- The board approved the adoption of changes to the rulemaking process last month. The NMRHCA wasn't able to advertise it in time, so it is being pushed out to the middle of September. The board will be asked to vote on this in October.

d. **No Surprises Act**

- A federal law goes into effect in January, which pertains to individuals who end up in the ER who are out of network and receive surprise bills for those services. The

NMRHCA deals with such instances on rare occasions and is working with the health plan providers to implement the new law.

e. **Legislative**

- The NMRHCA is scheduled to provide an update to the IPOC committee on July 28. It will be notifying them that NMRHCA will likely seek some one-time dollars as they are made available next year.

f. **Legal – Generic Drugs Antitrust**

- NMRHCA has heard back from the Attorney General’s Office. In August, the board will be asked to discuss whether or not to move forward with pursuing litigation independently with the goal of receiving a direct settlement.

g. **GAS 75 – Employer Allocations**

- The State Auditor’s Office has approved the GASB-75 allocations.

6. **PROVIDER PRESENTATIONS, CONT’D**

a. **UnitedHealthcare**

Dan Cadriel made a presentation to the board.

b. **Humana**

Stephanie Heller, attending virtually, made a presentation to the board. She stated that she was unable to be present because of personal family issues.

7. **HINGE HEALTH PRESENTATION**

Marcus Brock and Austin Weaver, attending virtually, made a presentation.

8. **CY2022 PLAN YEAR RECOMMENDATIONS**

a. **Hinge Health Pilot Program**

Mr. Archuleta recommended adding the Hinge Health Program to the pre-Medicare population with Blue Cross Blue Shield as a one-year pilot program. Reports will be provided to the board on the program’s efficacy.

Responding to Chairman Crandall, BCBS representative Lisa Sullivan said BCBS is very happy with this program, as it has been a big success in Northern New Mexico.

Mr. Linton said he feels this program is worth it for the convenience to the members and potential cost savings. He added that he would like them to be more proactive in getting the word out to primary care physicians, etc., but he feels this is worth a one-year pilot program.

Ms. Saunders concurred with Mr. Linton. She said she would like to see some publicity around this in order to get the word out to the members. She commented that she hears from so many people who say they are looking forward to getting a new shoulder or a new knee as a quick fix to their pain problems, and that way they don't have to do any work, such as getting physical therapy. She said this is an excellent idea and excellent program, but the NMRHCA may be up against a wall if people aren't willing to change their attitude.

Mr. Archuleta noted that Dr. Madalena reported that there are about 2,000 knee, shoulder, hip replacements each year between the Supplement and pre-Medicare population, and specific to Blue Cross Blue Shield it is right around 650. He commented that, if NMRHCA can capture just 10% of the population, it will be able to figure out whether there is any value in this or not. Mr. Archuleta added that, most of the time, a patient will go with whatever their doctor is recommending.

Mr. Linton said this is why it's important to get the primary care physicians involved. Chairman Crandall agreed, but added that it will be important to see if the cost will make this worth it.

Ms. Saunders moved to approve the Hinge pilot program for one year beginning on January 1, 2022. Mr. Bhakta seconded the motion, which passed unanimously. [Not present for the vote: Ms. Larrañaga-Ruffy.]

b. EGWP Broad Performance Network

Mr. Archuleta said staff is recommending adoption of the Broad Performance Network. While a handful of pharmacies would not be part of the network, less than 1% of members would be affected by this, and perhaps Del Norte Pharmacy will decide to join later. Estimated savings are at \$750,000.

Mr. Scroggins moved for approval. Dr. Salazar seconded the motion, which passed unanimously. [Not present for the vote: Ms. Larrañaga-Ruffy.]

c. Delta Dental Network Change

Mr. Salazar said the recommendation is to move from the Delta Dental PPO network to the Delta Dental point of service network, which will broaden access to the membership, particularly in Los Alamos County. The first year would be cost neutral to the membership.

Mr. Linton moved for approval. Mr. Pyle seconded the motion, which passed unanimously. [Not present for the vote: Ms. Larrañaga-Ruffy.]

d. Plan Rates

Chairman Crandall noted the board agreed yesterday that today's discussion would focus on Scenario D (6% increase for pre-Medicare and 4% for Medicare, resulting in a 1% undercharge) and Scenario E (5% increase for pre-Medicare and 2% for Medicare, resulting in a 3% undercharge).

Dr. Salazar moved to adopt Scenario E. Chairman Crandall seconded the motion.

Speaking against the motion, Mr. Linton stated that he feels the 3% undercharge in Scenario E would hurt the NMRHCA financially more than Scenario D, with only a 1% undercharge.

Chairman Crandall said this is a long-range thing, and every time the NMRHCA makes any changes to the plan, it affects the retirees. Employers and employees have not paid into the plan for 9 years, but the NMRHCA has very good returns on its investments and owes its members a break for one year.

The motion failed to pass on the following tied roll call vote:

For: Chairman Crandall, Ms. Saunders, Dr. Salazar, Ms. Madrid.

Against: Mr. Scroggins, Mr. Linton, Mr. Bhakta, Mr. Pyle.

Mr. Linton moved to adopt Scenario D. Mr. Pyle seconded the motion, which passed on the following roll call vote:

For: Chairman Crandall, Mr. Scroggins, Mr. Linton, Mr. Bhakta, Mr. Pyle

Against: Ms. Saunders, Dr. Salazar, Ms. Madrid

[Note: Ms. Larrañaga-Ruffy, who was not present for either vote, joined the meeting shortly after this item was addressed. She stated that she supported the motion to adopt Scenario D.]

9. FY22 CONTRACT

Mr. Kueffer presented his report, stating that staff is preparing for the upcoming procurement of pharmacy benefit management services for the period beginning July 1, 2022 and ending June 30, 2026. This procurement will be part of a collaborative effort on behalf of the IBAC. The proposed MOU is relative to a recent RFP the NMRHCA did with the IBAC, which was to get a consultant to help with the process RFP, including a financial analysis.

Mr. Kueffer stated that Segal was selected. The NMRHCA's portion is \$31,250, which is 25% of the total.

Mr. Kueffer requested approval to enter into a Memorandum of Understanding with the General Services Department to pay for a prorated portion of an agreement to provide consulting services related to the procurement of a pharmacy benefit manager contract during the fall/winter of 2021/2011.

Mr. Pyle so moved. Mr. Linton seconded the motion, which passed unanimously.

10. OTHER BUSINESS

None.

11. DATE AND LOCATION OF NEXT BOARD MEETING

August 31, 2021
NMRHCA Board Room, 6300 Jefferson St., N.E.
Albuquerque NM

12. ADJOURN

Meeting adjourned at 10:50 a.m.

Accepted by:

Doug Crandall, President

NOTICE OF PROPOSED RULEMAKING AND PUBLIC RULE HEARING

The New Mexico Retiree Health Care Authority (NMRHCA) is considering amending the existing Rule 2.81.5.7 NMAC - DEFINITIONS. The purpose of the amendment of the rule is to amend the definition of "Salary" to reflect recent changes to the complement definition of salary under the Public Employees Retirement Act, NMSA 1978 Section 10-11-1 et seq. ("PERA Act"). A summary of the full text of the amendment and proposed rule follows:

The existing Rule 2.81.5.7 NMAC provides for a definition of salary for the purpose of calculating employee and employer contributions. The existing rule follows a definition provided under the PERA Act and excludes overtime from the definition. The PERA Act was amended in the most recent legislative session to include overtime. The amendment changes the definition of salary to refer to the amended definition of salary in the PERA Act. Thus, the proposed rule would follow any subsequent changes that the Legislature makes to the definition of salary in the PERA Act.

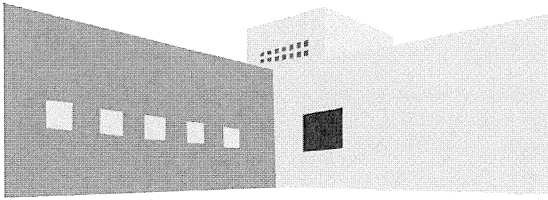
The NMRHCA is authorized to promulgate rules to implement the Retiree Health Care Act, NMSA 1978, Sections 10-7C-1 to -16 (1990, as amended through 2009) ("Act") by NMSA 1978, Section 10-7C-7 (1998). By resolution dated June 1, 2021, the NMRHCA resolved to undertake the rulemaking in conformity with 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 full text of the amendment and proposed rule may be obtained by contacting Neil Kueffer, Deputy Director, New Mexico Retiree Health Care Authority, 6300 Jefferson St. NE, Suite 150, Albuquerque, New Mexico 87109; telephone 505-222-6408, 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 amendment and proposed rule through the end of the public comment period, which ends September 23, 2021. Written comments should be submitted to Neil Kueffer, Deputy Director, New Mexico Retiree Health Care Authority, 6300 Jefferson St. NE, Suite 150, Albuquerque, New Mexico 87109. Written comments also will be accepted by email: neil.kueffer@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, 6300 Jefferson St. NE, Suite 150, Albuquerque, New Mexico 87109.

A public rule hearing on the amendment and proposed rule will be held before Neil Kueffer, Deputy Director, NMRHCA, on September 24, 2021 from 3:00 p.m. - 5:00 p.m. at the NMRHCA Board Room, located at 6300 Jefferson St. NE, in Albuquerque, NM, 87109. Individuals may submit data, views or arguments orally or in writing to the amendment and 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 amendment and proposed rule in an accessible form may contact Neil Kueffer at 505-222-648 at least 10 days before the hearing.



NM Commission of Public Records

1205 Camino Carlos Rey
Santa Fe, NM 87507
+505 4767912

Invoice

BILL TO

Retiree Health Care Authority
6300 Jefferson St, NE, #150
Albuquerque, NM 87109

| INVOICE # | DATE | TOTAL DUE | DUE DATE | | ENCLOSED |
|-----------|------------|-----------|------------|--|----------|
| 5639 | 08/24/2021 | \$57.00 | 08/24/2021 | | |

VOLUME

XXXII

ISSUE

16

P.O. NUMBER

34300-0000002260

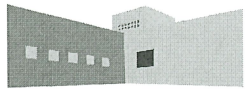
| DATE | DESCRIPTION | QTY | RATE | AMOUNT |
|------------|---|-----|------|--------|
| 08/24/2021 | NM Register - 431902 Notice Of Proposed Rulemaking And Public Rule Hearing, hearing date: 9/24/2021 | 19 | 3.00 | 57.00 |

Thank you for your business!

BALANCE DUE

\$57.00

NEW MEXICO
State Records Center and Archives



COMMISSION OF PUBLIC RECORDS

Your Access to Public Information

Affidavit of Publication in New Mexico Register

I, Matthew Ortiz, certify that the agency noted on Invoice # 5639 has published legal notice of rulemaking or rules in the NEW MEXICO REGISTER, VOLUME XXXII, that payment has been assessed for said legal notice of rulemaking or rules, which appears on the publication date and in the issue number noted on Invoice # 5639, and that Invoice # 5639 has been sent electronically to the person(s) listed on the *Billing Information Sheet* provided by the agency.


Affiant:

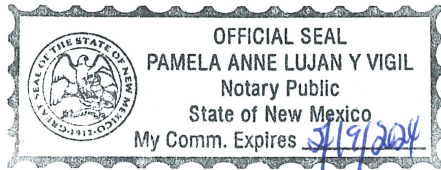

Matthew Ortiz

Subscribed, sworn and acknowledged before me this 26th day of August, 2021.

Notary Public:

My Commission Expires:


5/19/2024



1205 Camino Carlos Rey | Santa Fe, NM 87507 | nmcpr.state.nm.us

Hon. Hector Balderas
Attorney General

Hon. Brian S. Colón
State Auditor

Hon. Maggie Toulouse Oliver
Secretary of State

Debra Garcia y Griego
Department of Cultural Affairs

Kenneth Ortiz
General Services Department

Daniel Cordova
Interim Director, NM State Law Library

Benefits Messenger

The NMRHCA Newsletter



NEW MEXICO
RETIREE
HEALTH CARE
AUTHORITY

Inside This Issue

- 1 Message from the Executive Director
- 1 Solvency Update
- 2 2021 Board Meeting
- 2 Wise & Well Program
- 3 Recommended Cancer Screenings
- 3 Wondr Health
- 3 Delta Dental Toothbrush Discount
- 4 Fall Switch Enrollment
- 5 2022 Rate Changes
- 5 Upcoming Program Enhancements

Solvency Update

NMRHCA is pleased to announce continued improvements to the solvency of the program.

Message from the Executive Director

As we move into the fall season, I sincerely hope this communication finds you and your loved ones well and safe. This issue of the Benefit Messenger contains exciting news about program updates and contains important information about the solvency of the program, this year's fall wellness event, Switch Enrollment question and answer sessions, colon cancer screening opportunities, and a summary of actions taken by the Board of Directors for 2022.

I also am pleased to announce that, for as long as public health conditions permit, members can again meet with customer service representatives in-person at both our Albuquerque and Santa Fe locations. Please call our office at 800-233-2576 to set up an appointment. To ensure the safety of our members and staff, we require wearing masks during the entirety of the visit, without exception.

Please keep an eye out for your personalized switch enrollment packet, which summarizes existing coverages and related charges and details coverage options for 2022. If you are not making any changes, nothing needs to be submitted to our office.

We will post updates on the Forms & Important Information link on our website starting in mid-September.

Sincerely,
David Archuleta

As of June 30, 2021, the NMRHCA Program is expected to be able to meet its financial obligations beyond 30 years. This projection comes during a period of significant volatility in our claim costs. However, given the shared sacrifices made by our retirees (increased costs and cost sharing) and future participants (minimum age and increased years-of-service requirements; combined with extraordinary investment performance and contributions directed toward the fund.

| | 2017 | 2018 | 2019 | 2020 | 2021 |
|------------------------------|---------------|---------------|---------------|---------------|-----------|
| Trust Fund Balance @ June 30 | 551.4 million | 632.2 million | 717.7 million | 746.7 million | 1 billion |
| Projected Solvency (Years) | 18 | 19 | 25 | >30 | >30 |
| Projected Solvency Period | 2035 | 2037 | 2044 | 2050 | 2053 |



Mark Your Calendar! Wise and Well Event

Please consider attending our ONLINE Wise and Well Event scheduled for September 29 from 9 a.m. until 1 p.m.

This half-day event features several presentations and information to help you get well and stay well through the fall and winter seasons.

To participate, please register at the following link:
<https://phs-org-corp.zoom.us/j/91234567890>

Fall Switch Enrollment

This year's Fall Switch Enrollment will run from October 1 – November 12. Like last year, we will post all presentations on the NMRHCA website for you to access at your convenience.

We are also scheduling 10-Question and Answer Sessions between October 4 and November 4. See page 4.

2021 Board Meeting

In July, the Board of Directors met in-person for the first time since the onset of the pandemic back in March 2020. Over the course of two days, the Board met with investment advisors, actuaries, and health plan partners. The Board also reviewed current plan costs and projected future expenses to find options for addressing those costs in 2022.

Although the pandemic brought a temporary halt to certain medical procedures, treatments, and screenings, inpatient hospitalizations increased 34 percent last year and pharmacy costs increased by more than 12 percent. In response, the Board increased the pre-Medicare plan rates by 6 percent and the Medicare Supplement rate by 4 percent. While notable, these increases are below the projected long-term cost trends of 8 percent and 6 percent increases respectively.

The Board also increased the number of pharmacies allowed to support 90-day fill requirements for participants on the Medicare Supplement Plan and adopted a pilot program to offer virtual physical therapy sessions for Blue Cross Blue Shield's pre-Medicare plan participants. The Board additionally approved moving to Delta Dental's Point-of-Service network at no-additional cost to our members beginning January 1, 2022.

Separately, for members who have plans with our Medicare Advantage Partners, there are a range of cost saving opportunities. The renewal agreements with UnitedHealthcare, Blue Cross and Blue Shield, Humana and Presbyterian Health Plans provide opportunities for members who are looking to save on their monthly premiums and those who want to take advantage of the programs through Medicare Advantage including: Silver Sneakers, Virtual Visits, Home Visits and House Calls, Incentives and Rewards for Wellness Activities.

Please keep an eye out for mailings from our health plan partners comparing available programs, costs and benefits associated with participating in a Medicare Advantage Program.

Catch Colon Cancer Early with Screenings

Colon Cancer is One of the Most Preventable Cancers. According to the American Cancer Society, Colorectal cancer is the second leading cause of cancer death in men and women in the United States.

You may be avoiding colon cancer screening because you think it will be uncomfortable, or you may think it isn't needed.

However, the U.S. Preventative Services Task Force recommends screening for everyone starting at age 45.

BCBSNM is working with Home Access Health Corporation, an independent company, to offer an easy and convenient in-home test kit.

If you are one of our members participating in one of Blue Cross and Blue Shield pre-Medicare Plans (Value or Premier) and it is determined that you are eligible to participate in an at-home screening based on your health profile and medical history, you will receive a letter from BCBSNM and Home Access Health Corporation. This letter will provide you with instructions to access this convenient at-home test with NO COST TO YOU AS A MEMBER.



**BlueCross BlueShield
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

Wondr Health (formerly Naturally Slim)



Wondr is a year-long, skills-based digital weight loss program that helps participants feel their best mentally and physically through simple, clinically proven techniques and foods. Participants will learn how to enjoy their favorite foods and still lose weight, sleep better, stress less, and more.

Members and dependent spouses enrolled in the NMRHCA Medicare Supplement and pre-Medicare plans are eligible to apply. Some medical conditions or body mass indexes (BMIs) may prevent you from participating in the program. To sign up and learn more visit www.WondrHealth.com/NMRHCA. Questions? Visit Support.WondrHealth.com.

Delta Dental Launches Value Added Product



Delta Dental of New Mexico (DDNM) has partnered with Z Sonic Dental to offer the Z Sonic Pulse Electric Toothbrush at a discounted rate. These toothbrushes are valued at \$99.95, with regular discounting down to \$59.95 on the Z Sonic website. However, DDNM has negotiated the price to \$25.70 for its members.

This product is offered directly from Z Sonic by visiting: <https://myzsonic.com/DDNM> and inputting promotional code DDNMZSP. Brush head replacements are discounted by 30% for all future purchases via the Z Sonic website promotion code

Fall Switch Enrollment Question & Answer Sessions

To find out more about our health plans and the benefits they offer, please join us during one of the question-and-answer sessions scheduled below.

Session 1 – Oct. 4 (1:30-3:30PM)

<https://attendee.gotowebinar.com/register/1209312573967565069>

Session 2 – Oct. 6 (9:30-11:30AM)

<https://attendee.gotowebinar.com/register/2816739200148194829>

Session 3 – Oct. 12 (1:30-3:30PM)

<https://attendee.gotowebinar.com/register/7550464412188962829>

Session 4 – Oct. 14 (9:30-11:30AM)

<https://attendee.gotowebinar.com/register/9024691801734287885>

Session 5 – Oct. 20 (1:30-3:30PM)

<https://attendee.gotowebinar.com/register/838191115709496589>

Session 6 – Oct. 22 (9:30-11:30AM)

<https://attendee.gotowebinar.com/register/5242502644068577549>

Session 7 – Oct. 25 (9:30-11:30AM)

<https://attendee.gotowebinar.com/register/7072325288176193037>

Session 8 – Oct. 27 (1:30-3:30PM)

<https://attendee.gotowebinar.com/register/4739020876547175181>

Session 9 – Nov. 2 (1:30-3:30PM)

<https://attendee.gotowebinar.com/register/85122407706220301>

Session 10 – Nov 4. (9:30-11:30AM)

<https://attendee.gotowebinar.com/register/5796819232188626445>

To participate, simply click on the registration link and join us on the scheduled date and time. Representatives from each of our health plan partners will be available during each session to help answer your questions.

Summary of Calendar Year 2022 Rate Changes

- All Pre-Medicare Plans – 6%
- Medicare Supplement – 4%
- BCBS Medicare Advantage Plan I – (-25%)
- BCBS Medicare Advantage Plan II – (-100%)
- UnitedHealthcare Medicare Advantage Plan I – NO CHANGE
- UnitedHealthcare Medicare Advantage Plan II – NO CHANGE
- Humana Medicare Advantage Plan I – 4%
- Humana Medicare Advantage Plan II – 7%
- Presbyterian Medicare Advantage Plan I – 10%
- Presbyterian Medicare Advantage Plan II – 10%

Plan costs for 2022 are illustrated in the switch enrollment packet you will receive in the mail. The plan costs are based on the Rule Changes that occurred in July of 2021, with regard to a minimum age and increased years-of-service requirements to receive the maximum subsidy. For members who retired prior to July 2021, they are grandfathered under the old rules that do not include a minimum age or increased years-of-service requirement. Please visit the Forms and Important Information link on our website for specific charges, based on your individual circumstances.

Upcoming Program Enhancements

Medicare Broad Performance Network

Beginning January 1, 2022, members who participate in our Medicare Supplement Plan will have expanded access to the number of pharmacies allowed to dispense 90-day supplies of medication. This move is expected to generate savings and expand access to certain pharmacies who meet specific performance criteria as measured by CMS.

Hinge Health

Beginning January 1, 2022, members participating in one of Blue Cross Blue Shield's Pre-Medicare Plans (Value and Premier) will now have access to a digital musculoskeletal (MSK) solution for back and joint pain. This clinical care model partners sensor technology with a clinical team to provide health coaching and anytime access to a physical therapist. This program has been shown to reduce pain, depression and anxiety associated with back and joint pain experienced by many of our members.

Delta Dental

Beginning January 1, 2022, NMRHCA has enhanced the dental plan network to the Delta Dental PPO Point-of-Service (PPO-POS). The Delta Dental PPO POS network enables access to two networks within one plan, combining Delta Dental Premier with Delta Dental PPO. Members can choose a dentist from either network and receive the in-network benefit.



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PERMIT #1645

Insurer Contact Information

| | | | |
|---|--------------|---|--------------|
| Blue Cross Blue Shield (BCBS) www.bcbsnm.com/nmrhca | 800-788-1792 | Presbyterian Health Plan www.phs.org | 888-275-7737 |
| BCBS Medicare Advantage www.bcbsnm.com/nmrhca | 877-299-1008 | Presbyterian Medicare Advantage www.phs.org | 800-797-5343 |
| Express Scripts Medicare www.express-scripts.com | 800-551-1866 | Express Scripts Non-Medicare www.express-scripts.com | 800-501-0987 |
| Humana Medicare Advantage https://ourhumana.com/nmrhca | 866-396-8810 | UnitedHealthcare www.uhcretiree.com/nmrhca | 866-622-8014 |
| Delta Dental www.deltadentalnm.com | 877-395-9420 | Davis Vision www.davisvision.com | 800-999-5431 |
| Standard Insurance www.standard.com/mybenefits/newmexico_rhca | 888-609-9763 | | |

NMRHCA Contact Information

| | |
|--|--|
| Albuquerque Office: 6300 Jefferson St. NE, Suite 150 Albuquerque, NM 87109-3392 | Santa Fe Office: 33 Plaza La Prensa Santa Fe, NM 87507 |
| Website: www.nmrhca.org | Telephone: 800-233-2576 |
| Facebook: www.facebook.com/nmrhca | Fax: 505-884-8611 |
| Email: customerservice@state.nm.us | Hours: Monday-Friday 8:00AM – 5:00PM |

Wise and Well Virtual Health Fair-September 29, 2021

| Event time | Event Title | Presenter | Open meeting | Monitor Chat | Montior Participants | Record |
|---------------------|---|------------------------|--------------|--------------|----------------------|---------|
| 9:00 AM | Welcome | David | Miranda | Everyone | All | Miranda |
| 9:05am - 9:50am | Mental Health is Retirement Wealth | Dr. Stromberg | Miranda | Miranda | All | Miranda |
| 10:00 am-10:30 am | Small Changes reap Big Health Rewards | Humana/Silver Sneakers | Ana | Humana | All | Ana |
| | Plant-Based Diets and the Gut | Good Measures | Miranda | Shane | All | Shane |
| 10:30 am - 11:00 am | Music and Movement | Megan Merchant | Miranda | Marlene | All | Miranda |
| 11:00 am- 11:30 am | Overcoming the Top 5 Financial Risk in Retirement | Jocelyn Black Hodes | Miranda | Marlene | All | Miranda |
| 11:30 am - 12:30 pm | Eat an Apple a Day cook-a-long | Ana Hernandez | Miranda | Miranda | All | Miranda |



NEW MEXICO
RETIREE
HEALTH CARE
AUTHORITY

Investments & Pensions Oversight Committee

Representative Patricia Roybal Caballero, Chair
Senator Roberto “Bobby” J. Gonzales, Vice Chair

Agency Updates

July 28, 2021

Doug Crandall, President
Therese Saunders, Vice President
LeAnne Larrañaga-Ruffy, Secretary
David Archuleta, Executive Director

Board Member Information

Membership

- Doug Crandall, President -- Retired Public Employees of New Mexico (RPENM)
- Therese Saunders, Vice President -- NEA, Teachers Association
- LeAnne Larranaga-Ruffy, Secretary – Public Employees Retirement Association Designee
- Rick Scroggins – Educational Retirement Board, Acting Executive Director
- Tomas Salazar -- New Mexico Association of Educational Retirees (NMAER)
- Tim Eichenberg -- State Treasurer
- Terry Linton -- Governor Appointee
- Leane Madrid -- State Classified Employee, State Personnel Office
- Loren Cushman -- Superintendents Association, Animas Schools Superintendent
- Sanjay Bhakta -- Municipal League, Chief Financial Officer, City of Albuquerque
- Lance Pyle -- Association of Counties, Curry County Manager
 - Replaced Pamela Moon, Bernalillo County Finance Manager

Meetings

- 1st Tuesday of each month unless otherwise specified
- Committees meet as needed

Program Composition, Participation & Financing

Active participation – 91,082 (6/30/20)

- Public Employer Groups - 302
 - Schools – 50%
 - State agencies – 25%
 - Local government – 25%

Retiree participation – 64,569 (7/1/21)

- Medicare – 40,557
- Pre-Medicare – 14,371
- Voluntary Only – 10,069
- Retirees – 41,871
- Spouses/DP – 11,470
- Dependent Children – 1,587
- Average Age – 70
 - Enrollment – 60.08 (2020)
 - Enrollment – 60 (2021 – to date)
- Members Under age 55 - 2,130

FY22 Budget

Healthcare Benefits Administration

- Uses:
 - Benefits - \$353.5 million
 - ACA Fees - \$44 thousand
 - Other Financing Uses - \$3.3 million (operations)
- Sources:
 - EE/ER Contributions - \$114.6 million
 - Retiree Contributions - \$175 million
 - Tax & Rev Suspense Fund - \$36.8 million
 - Misc. Revenue - \$30 million
 - Interest - \$400 thousand

Program Support (26 FTE)

- Salaries & Benefits - \$2.1 million
- Contractual Services - \$621 thousand
- Other Costs - \$548.6 thousand

Operational Updates

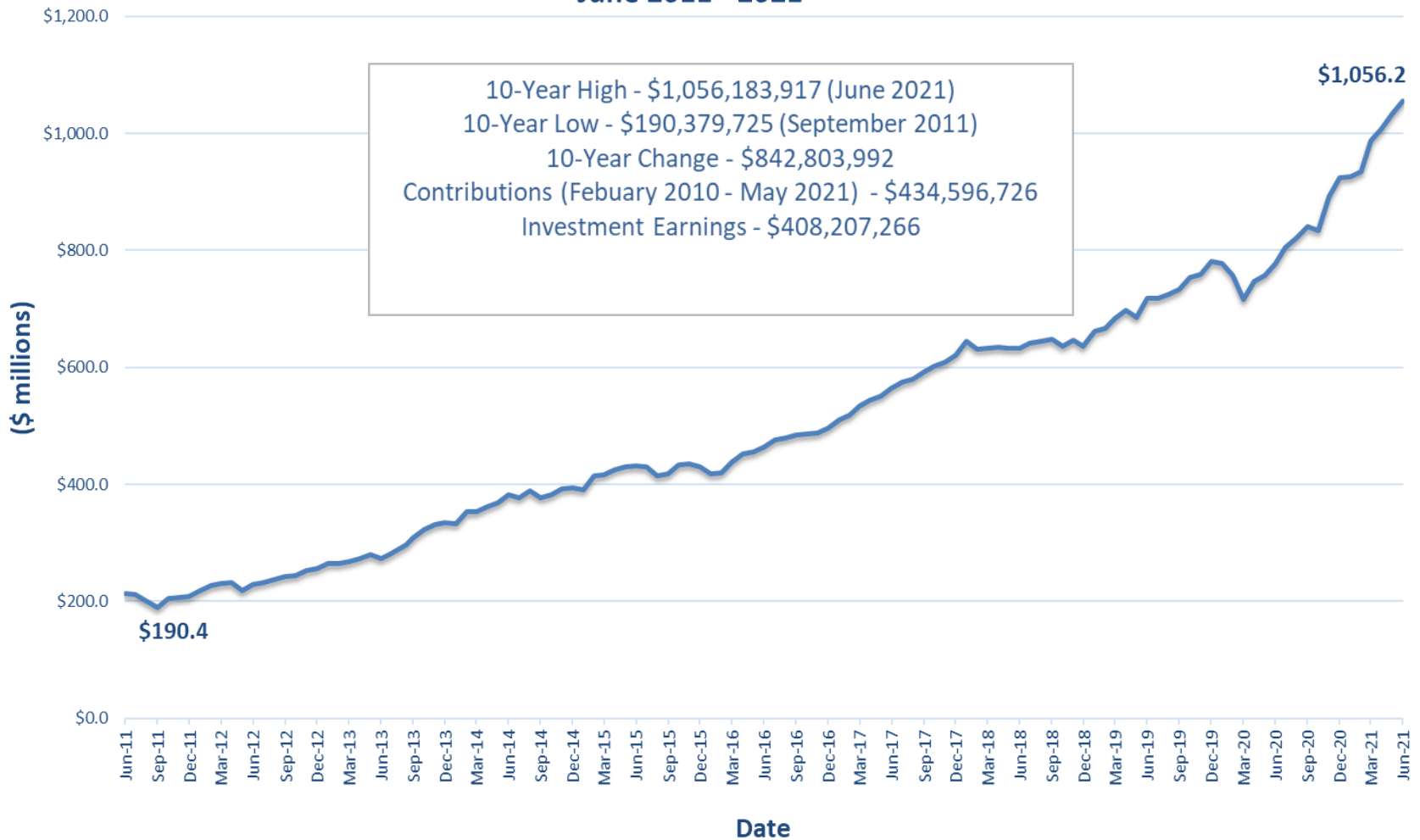
- Annual Board Meeting: July 14 & 15
 - Election of Board Officers
 - Committee Assignments
 - Executive, Finance & Investments, Audit, Wellness and Legislative
 - Investment Updates
 - State Investment Council
 - Wilshire
 - Review of Vendor Presentations
 - Actuarial Presentations
 - Plan Changes and Recommendations 2022
 - Rates Increases
 - Pre-Medicare: 6 percent
 - Medicare Supplement: 4 percent
 - Medicare Advantage Plans I & II (Renewals)
 - BCBS: -25 / -100 percent
 - UnitedHealthcare: No change
 - Humana: 4 / 7 percent
 - Presbyterian Health Plan: 10 / 10 percent
 - Hinge Health
 - Medicare Broad Performance Network
 - Dental Network Change

Operational Updates Cont.

- Fall Switch Enrollment
 - October 1 – November 12
 - Online narrated presentations
 - GoToWebinars – 10 question and answer sessions
- Office Hours
 - By appointment
- Rule Changes
 - Minimum age and increased years-of-service requirements – July 2021
 - Overtime contributions (Senate Bill 90) – January 2022
- Attorney Generals Office
 - Generic Drug Pricing
 - Opioid
 - Bristol Myers Squibb
- Procurement
 - Pharmacy Benefit Manager Request for Proposal – Fall 2021 / July 2022
 - Collaboration w/Interagency Benefits Advisory Committee

Investments

**NMRHCA Trust Fund Balance History
June 2011 - 2021**



Investment Performance

STATE INVESTMENT COUNCIL

RHCA Performance 3/31/21

New Mexico State Investment Council
Retiree Health Care Authority Total Fund Comp

As of March 31, 2021

| Overview | Asset Allocation vs. Target Allocation | | | | |
|---|--|----------------|------------|----------------|-------|
| <p>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.</p> | Market Value (\$) | Allocation (%) | Target (%) | Difference (%) | |
| | Large Cap US Equity Index | 160,899,725 | 16.29 | 14.00 | 2.29 |
| | Small/Mid Cap US Equity Index | 23,745,284 | 2.40 | 2.00 | 0.40 |
| | Non-US Developed Markets Index | 138,373,711 | 13.81 | 14.00 | -0.19 |
| | Non-US Emerging Markets Active | 105,937,134 | 10.72 | 10.00 | 0.72 |
| | US Core Bonds | 182,511,174 | 18.48 | 20.00 | -1.52 |
| | Credit & Structured Finance | 135,730,599 | 13.74 | 15.00 | -1.26 |
| | Private Equity | 115,854,948 | 11.73 | 10.00 | 1.73 |
| | Real Estate | 87,254,171 | 8.83 | 10.00 | -1.17 |
| | Real Return | 39,497,288 | 4.00 | 5.00 | -1.00 |
| Total Fund | 987,804,033 | 100.00 | 100.00 | 0.00 | |

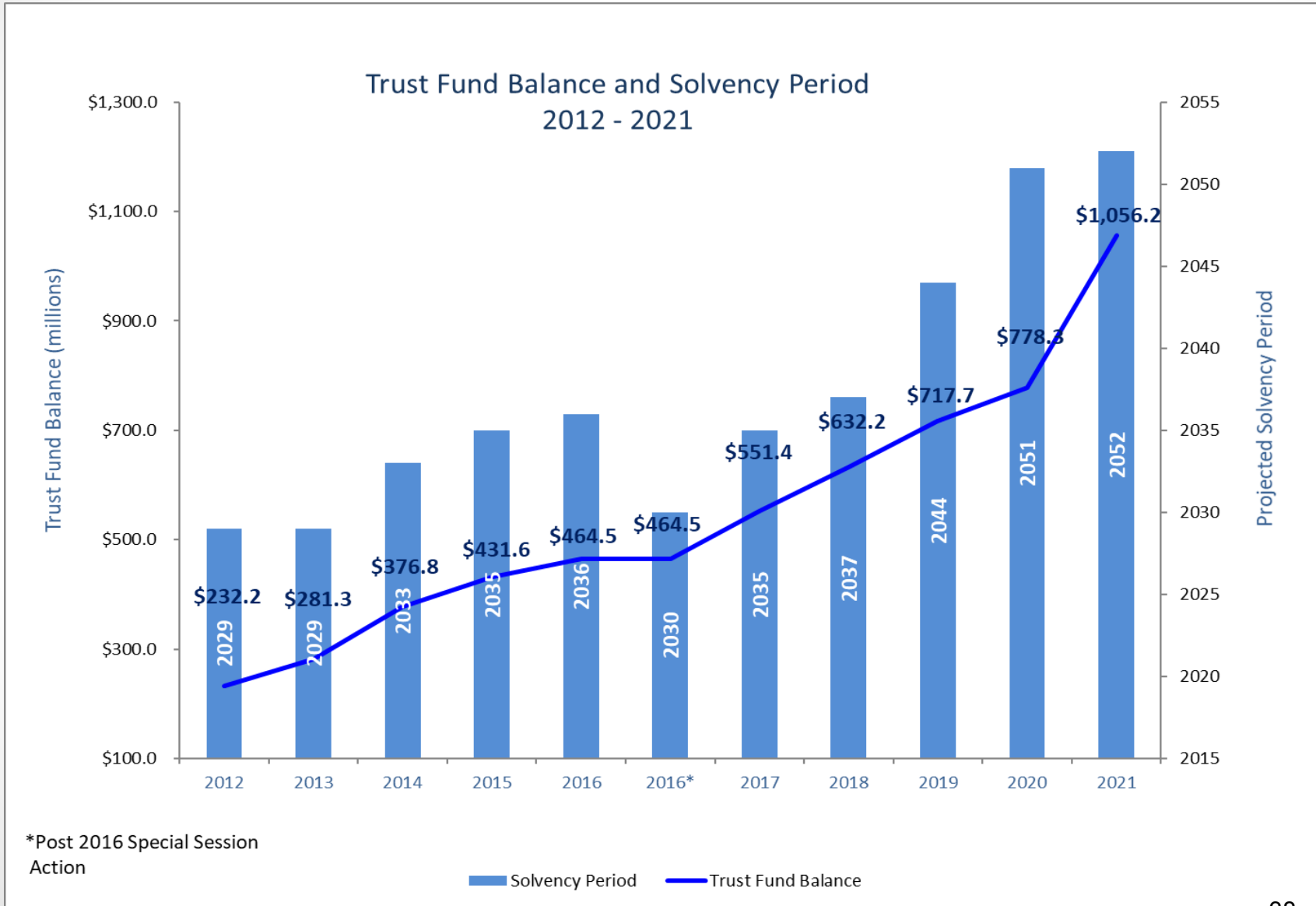


Solvency Updates

Strategic Planning Tool

- Projected Revenues
 - Employee & Employer Contributions (set by statute)
 - Retiree Medical Premiums (set by Board of Directors)
 - Retiree Ancillary Premiums (not subsidized/pass through)
 - Tax & Revenue Suspense Fund (set by statute)
 - Medicare Subsidies & Rebates (vary by consumption)
 - Miscellaneous (performance penalties/subrogation)
- Projected Expenses
 - Medical & Prescription
 - Ancillary Premiums
 - Administrative Fees
 - Agency Operating Expenses
- Major Assumptions
 - Payroll Growth: 2.75%
 - Discount Rate: 7.25% moving to 7.00%
 - Medical Trend: 8% pre-Medicare / 6% Medicare
 - Plan Selection: Migration to lower costing plans
 - Plan Design Changes: Increased copays, coinsurance and deductibles
 - Plan Rates: Continue to grow in accordance with medical trend

Solvency Updates Cont.



GASB Updates

- GASB 74 – Actuarial Valuation Review of Other Postemployment Benefits (OPEB) as of June 30, 2020
 - Completed November 4, 2020
 - Total OPEB Liability: \$5,028,579,923 (2020) / \$3,999,137,737 (2019)
 - Net OPEB Liabilities (NOL) increased \$989.9 million (driven by decrease in blended discount rate/lower bond index rates)
 - 2.86% in 2020 vs 4.16% in 2019
 - Applicable discount rate = blend of assumed investment return on plan assets – 7.25% and the rate for 20-year, tax-exempt general obligation municipal bonds w/an average rate of AA/Aa or higher (e.g. 2.21% as of June 30, 2020 compared to 3.50% as of June 30, 2019)
 - NOL: \$4,198,908,018 (2020) / \$3,242,388,746 (2019)
 - Funded Status: 16.50% (2020) / 18.92% (2019)
 - The Coronavirus (COVID-19) pandemic is rapidly evolving and may have a significant financial impact on future expenditures. The report does not attempt to measure the following:
 - Direct or indirect effects of COVID-19 on short-term health plan costs
 - Short-term or long-term impacts on mortality of the covered population
 - The potential for federal or state fiscal relief

New Mexico Retiree Health Care Authority

David Archuleta, Executive Director

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Mark Reynolds

IN THE COURT OF APPEALS OF THE STATE OF NEW MEXICO

VICTORIA LOPEZ,

Appellant-Petitioner,

v.

NEW MEXICO RETIREE
HEALTHCARE AUTHORITY,

No. A-1-CA-39121
Santa Fe County
D-101-CV-2019-02546

Appellee-Respondent.

NOTICE
PROPOSED SUMMARY DISPOSITION

You are hereby notified that the **Record Proper** was filed in the above-entitled cause on **January 20, 2021**.

This case has been assigned to the **SUMMARY CALENDAR** pursuant to Rule 12-210(B) NMRA.

Summary affirmance is proposed.

Note: This is a *proposal* of how the Court views the case. It is not a final decision. You now have twenty (20) days to file a memorandum telling the Court any reasons why this proposed disposition should or should not be made.

See Rule 12-210(D) NMRA.

Issue C: Appellant asserts that the district court erred in concluding that her constitutional rights were not violated. [Pet. 13] Appellant contends that (a) the selective enforcement of eligibility criteria by the New Mexico Retiree Healthcare Authority (NMRHCA) denied Appellant equal protection under the law; (b) Appellant's "constitutional rights were violated when she was not given continuation

of benefits during proceedings at issue;” and (c) that the NMRHCA’s notice detailing the reason for termination of coverage was “constitutionally inadequate.” [Pet. 13] In support of these contentions, Appellant incorporates by reference the arguments contained within her statement of issues to the district court. [Pet. 13; Ex. 3 19-25]

It appears that Appellant’s equal protection argument relates to the NMRHCA’s application of the definition of an “eligible dependent.” *See* NMSA 1978, Section 10-7C-4(F)(3) (2009, amended 2021)¹. Section 10-7C-4(F) defines, in relevant part, an eligible dependent as one who is wholly dependent on an eligible retiree and has provided proof of incapacity within thirty-one days after reaching the limiting age (the notice requirement). Appellant asserted below that the NMRHCA “admits that it does not enforce the notice requirement against disabled dependents over the age of [twenty-six] if those dependents are currently receiving health insurance coverage from their parents’ public employers” [3 RP 354] and that Appellant should not be treated differently simply because she was not covered by

¹ The Retiree Health Care Act was enacted in 1990, the same year that Appellant’s father applied for retiree benefits for himself, his spouse, and one of Appellant’s siblings. [2 RP 82] We refer herein to the version of the statute currently in effect, which changed, in relevant part, the limiting age from nineteen to twenty-six years old. In the case at hand, Appellant was twenty-nine years old in 1990 when her father applied for benefits and fifty-four years old in 2015 when she applied for benefits as his dependent. [2 RP 156]

her father's NMRHCA health care in 2015, when she applied for NMRHCA benefits as his eligible dependent. [Id.]

There is a strong presumption supporting the constitutionality of a statute or an administrative regulation and the party asserting its unconstitutionality bears the burden of overcoming the presumption of constitutionality. *Old Abe Co. v. New Mexico Min. Com'n*, 1995-NMCA-134, ¶ 43, 121 N.M. 83. 908 P.2d 776. In this case, Appellant's equal protection challenge required her to demonstrate that the NMRHCA's application of the notice requirement erroneously classifies similarly situated individuals differently and that the classification bears no rational relationship to a legitimate state interest. *Id.* ¶ 44 (explaining that equal protection permits different classes of individuals to be treated differently and that the party challenging legislation bears the burden of showing that it is "clearly arbitrary and unreasonable" because equal protection "does not prohibit rationally-based legislative classifications." (internal quotation marks and citation omitted)).

It appears that Appellant's equal protection claim is premised on the testimony of the NMRHCA director (Director). [Pet. 4] Appellant claims that Director testified that "under certain circumstances, eligible dependents with a disability are not denied coverage for failing to submit written notice of disability within a certain time." [Pet. 4] According to Appellant, Director clarified that, during the eligible retiree's initial enrollment, disabled individuals over the age of twenty-six are

permitted to participate in the NMRHCA program as eligible dependents without having provided proof of incapacity to NMRHCA within thirty-one days of the disabled individual's twenty-sixth birthday. [Pet. 5] Appellant contends that this testimony demonstrates an equal protection violation because the NMRHCA established, without rational reason, "two categories of disabled dependents over [twenty-six] that have not provided notice of their disability within [thirty-one] days of their [twenty-sixth] birthday: those who are insured by their parents' employer provided healthcare; and those who are not." [3 RP 354] We propose to agree with the district court's determination that this contention is insufficient to establish an equal protection violation. [3 RP 433]

Initially, we suggest that Appellant has oversimplified Director's testimony with regard to the NMRHCA's interpretation of the notice requirement and her claimed classifications. *See State v. Calanche*, 1978-NMCA-007, ¶ 10, 91 N.M. 390 574 P.2d 1018 (explaining that the factual recitations in a docketing statement "must give way to what the transcript reveals" when a transcript of testimony is contained within the record). Director testified that disabled individuals who have been previously qualified as a dependent for purposes of coverage under an eligible retiree's public employer health care plan and who reach the limiting age before their parent retires do not need to submit proof of incapacity to NMRHCA within thirty-one days of their twenty-sixth birthday. [2 RP 211-18] These individuals may instead

satisfy the notice requirement by submitting proof of incapacity to NMRHCA during the initial enrollment period, within thirty-one days of the date when their parent retiree becomes eligible for coverage. [2 RP 213, 211-18] Director explained that this is because in order for an individual over the age of twenty-six to qualify as a dependent on a state insurance plan, they would have had to previously submit proof of disability [2 RP 213], including that the disability made them wholly dependent on their parent before the individual's twenty-sixth birthday. Director explained that in any circumstance where a disabled individual has reached the age of limitation prior to their parent's retirement, the NMRHCA would deem the notice requirement met only if the individual had applied for benefits and submitted proof of incapacity within thirty-one days of their parent's initial enrollment in the program as an eligible retiree. [2 RP 213-14]

Accordingly, we propose to conclude that Appellant has failed to establish that disabled adults over the age of twenty-six who have previously qualified as a dependent for purposes of a publically funded health care plan are similarly situated to those who have not. *See Griego v. Oliver*, 2014-NMSC-003, ¶ 27, 316 P.3d 865 (explaining that in equal protection analysis, the first question to ask is whether the persons treated differently are similarly situated). We suggest that Director's testimony explained that disabled adults over the age of twenty-six who are receiving eligible dependent coverage under an eligible retiree's public employer health care

plan at the time they seek benefits from the NMRHCA are different from those who are not already covered because the former (1) have previously qualified as eligible dependents for purposes of health care and (2) are applying for a continuation of their health care coverage contemporaneous with the date of their parent's retirement. [2 RP 211-18] Moreover, even if disabled adults who have previously established proof of dependency and those who have not are similarly situated, Appellant's incorporation by reference to her arguments below fails to demonstrate error in the district court's conclusion that that she did not meet her burden of establishing that the NMRHCA's interpretation of the notice requirement was not rationally related to the economic and financial goals and purpose of the Retiree Health Care Act. *See State v. Aragon*, 1999-NMCA-060, ¶ 10, 127 N.M. 393, 981 P.2d 1211 (stating that there is a presumption of correctness in the rulings or decisions of the trial court, and the party claiming error bears the burden of showing such error); *Farmers, Inc., v. Dal Mach. & Fabricating, Inc.*, 1990-NMSC-100, ¶ 8, 111 N.M. 6, 800 P.2d 1063 (stating that the burden is on the appellant to clearly demonstrate that the trial court erred).

With regard to Appellant's additional claims of constitutional due process error, it appears that Appellant argued below that NMRHCA's notice was too ambiguous to provide her "the ability and opportunity to pursue a robust appeal" of its termination of her benefits [3 RP 357] and that her constitutional rights were

violated when the NMRHCA terminated her benefits prior to conducting an administrative hearing. [3 RP 355]

While it appears that the termination of her benefits prior to her administrative hearing may have implicated due process, Appellant has failed to adequately explain the basis for her contention that the district court erred in concluding that she did not establish a due process violation because she ultimately received the relief that she requested: retroactive reinstatement of benefits to the time of termination. [3 RP 434] We suggest that the district court's conclusion was not in error because the issue became moot and because she did not assert that she was prejudiced in the time period when her benefits may have been improperly terminated and before they were retroactively reinstated. *See Garcia v. Dorsey*, 2006-NMSC-052, ¶ 14, 140 N.M. 746, 149 P.3d 62 (“A case is moot when no actual controversy exists, and the court cannot grant actual relief.”); *Jones v. New Mexico State Racing Com'n*, 1983-NMSC-089, ¶ 6, 100 N.M. 434, 671 P.2d 1145 (rejecting due process claim in the absence of a showing of prejudice).

The claimed inadequacy of the notice of termination provided to Appellant is the only issue for which Appellant's petition for writ of certiorari has done more than incorporate by reference her arguments below. [Pet. at 14] Based on her citation to authority, it appears that Appellant continues to assert that the notice she received was not sufficient to apprise her of the pending action and present her an opportunity

to present her case. [Pet. at 14] However, the district court reasoned that Appellant received notice sufficient to comport with the requirements of due process in that “she did receive notice; she had a hearing in front of the hearing officer, and another in front of the NMRHCA,” and “she was able to call witnesses and present evidence” at the hearing. [3 RP 434] It explained that while the NMRHCA admittedly could have handled her appeal better than it did, its poor handling of her appeal did not “equate to a constitutional violation” [3 RP 434] and that Appellant, who “was given a hearing in front of a hearing officer, and then a hearing in front of the NMRHCA Board” and then appealed to the district court, “received all the process she was due.” [Id.] The district court noted additionally that Appellant’s attorney “stated to the NMRHCA Board that the [h]earing [o]fficer had everything she needed to make [her] decision.” [3 RP 434]

In her appeal, Appellant has not addressed the district court’s analysis nor has she specified why she believes it is erroneous. [Pet. 13-15] As we previously noted, this Court operates pursuant to a presumption of correctness in favor of the lower court’s rulings, and it is the appellant’s burden to demonstrate error on appeal. *See Aragon*, 1999-NMCA-060, ¶ 10; *Farmers, Inc.*, 1990-NMSC-100, ¶ 8. We place the burden to clearly demonstrate error on Appellant because this Court is one of review. *Clayton v. Trotter*, 1990-NMCA-078, ¶ 4, 110 N.M. 369, 796 P.2d 262; *see also id.* (explaining that it is not this Court’s role to “retry the case”). “[O]ur function is to

see if legal error that would change the result occurred.” *Id.* It is not the proper role of this Court to search the record “for facts, arguments, and rulings in order to support generalized arguments.” *Muse v. Muse*, 2009-NMCA-003, ¶ 72, 145 N.M. 451, 200 P.3d 104. Nor is it proper for us to review “unclear arguments, or guess at what [a party’s] arguments might be.” *Headley v. Morgan Mgmt. Corp.*, 2005-NMCA-045, ¶ 15, 137 N.M. 339, 110 P.3d 1076. To do so involves developing a party’s arguments, “effectively performing the parties’ work for them [and creates] a substantial risk of error.” *Elane Photography, LLC v. Willock*, 2013-NMSC-040, ¶ 70, 309 P.3d 53. And, of course, developing a party’s appellate argument would be an entirely inappropriate role for an impartial judiciary.

Appellant has provided insufficient information that would allow this Court to assess the basis for her claim that the district court’s conclusion that Appellant suffered no constitutional violation was erroneous or that she was not afforded a sufficient opportunity to plead her case. Indeed, it appears that the district court did not err in concluding that the notice was sufficient to provide Appellant, as she argued, “the ability and opportunity to pursue a robust appeal.” [3 RP 457, 434] We therefore propose to rely on the presumption of correctness and affirm. *Aragon*, 1999-NMCA-060, ¶ 10.

Accordingly and for the foregoing reasons, we propose to affirm.



JENNIFER L. ATTREP, Judge

New Mexico Retiree Health Care Authority (CP)
Change in Market Value
For the Month of Jun 2021
(Report as of July 19, 2021)

| Investment Name | Prior Ending Market Value | Contributions | Distributions | Fees | Income | Gains - Realized & Unrealized | Market Value |
|---|---------------------------|---------------|---------------|---------------------|---------------------|-------------------------------|-------------------------|
| Core Bonds Pool | 188,271,614.28 | - | - | (54,528.01) | 428,207.14 | 1,806,248.37 | 190,451,541.78 |
| Credit & Structured Finance | 140,049,577.47 | - | - | - | 29,457.26 | 2,867,017.60 | 142,946,052.33 |
| NM Retiree Health Care Authority Cash Account | - | - | - | - | - | - | - |
| Non-US Developed Markets Index Pool | 148,701,236.55 | - | - | (15,759.79) | 181,067.93 | (2,643,236.19) | 146,223,308.50 |
| Non-US Emerging Markets Active Pool | 110,676,145.47 | - | - | (144,601.73) | 242,862.57 | 713,006.33 | 111,487,412.64 |
| Private Equity Pool | 118,446,278.61 | - | - | - | 67,039.11 | 11,436,231.66 | 129,949,549.38 |
| Real Estate Pool | 88,957,867.75 | - | - | - | 330,235.69 | 1,961,120.70 | 91,249,224.14 |
| Real Return Pool | 41,198,118.88 | - | - | (8,211.49) | 221,163.49 | 591,612.82 | 42,002,683.70 |
| US Large Cap Index Pool | 172,464,274.24 | - | - | (3,871.05) | 193,154.02 | 4,101,605.37 | 176,755,162.58 |
| US SMID Cap Alternative Weighted Index Pool | 25,028,295.31 | - | - | (2,441.02) | 31,554.75 | 61,573.12 | 25,118,982.16 |
| Sub - Total New Mexico Retiree Health Care Authc | 1,033,793,408.56 | - | - | (229,413.09) | 1,724,741.96 | 20,895,179.78 | 1,056,183,917.21 |
| Total New Mexico Retiree Health Care Authc | 1,033,793,408.56 | - | - | (229,413.09) | 1,724,741.96 | 20,895,179.78 | 1,056,183,917.21 |

New Mexico Retiree Health Care Authority (CP)
Change in Market Value
For the Month of Jul 2021
(Report as of August 17, 2021)

| Investment Name | Prior Ending Market Value | Contributions | Distributions | Fees | Income | Gains - Realized & Unrealized | Market Value |
|---|---------------------------|---------------|---------------|----------|---------------------|-------------------------------|-------------------------|
| Core Bonds Pool | 190,451,541.78 | - | - | - | 443,879.15 | 2,117,465.67 | 193,012,886.60 |
| Credit & Structured Finance | 142,946,052.33 | - | - | - | 127,893.29 | 1,023,705.58 | 144,097,651.20 |
| NM Retiree Health Care Authority Cash Account | - | - | - | - | - | - | - |
| Non-US Developed Markets Index Pool | 146,223,308.50 | - | - | - | 135,644.18 | 1,025,859.84 | 147,384,812.52 |
| Non-US Emerging Markets Active Pool | 111,487,412.64 | - | - | - | 173,441.18 | (8,150,474.58) | 103,510,379.24 |
| Private Equity Pool | 129,949,549.38 | - | - | - | 69,239.10 | (111,340.37) | 129,907,448.11 |
| Real Estate Pool | 91,249,224.14 | - | - | - | 202,871.38 | (215,885.64) | 91,236,209.88 |
| Real Return Pool | 42,002,683.70 | - | - | - | 164,147.53 | (392,415.79) | 41,774,415.44 |
| US Large Cap Index Pool | 176,755,162.58 | - | - | - | 166,380.51 | 3,506,699.12 | 180,428,242.21 |
| US SMID Cap Alternative Weighted Index Pool | 25,118,982.16 | - | - | - | 15,218.62 | (620,521.19) | 24,513,679.59 |
| Sub - Total New Mexico Retiree Health Care Authc | 1,056,183,917.21 | - | - | - | 1,498,714.94 | (1,816,907.36) | 1,055,865,724.79 |
| Total New Mexico Retiree Health Care Authc | 1,056,183,917.21 | - | - | - | 1,498,714.94 | (1,816,907.36) | 1,055,865,724.79 |



New Mexico State Investment Council

Third Party Investors Report

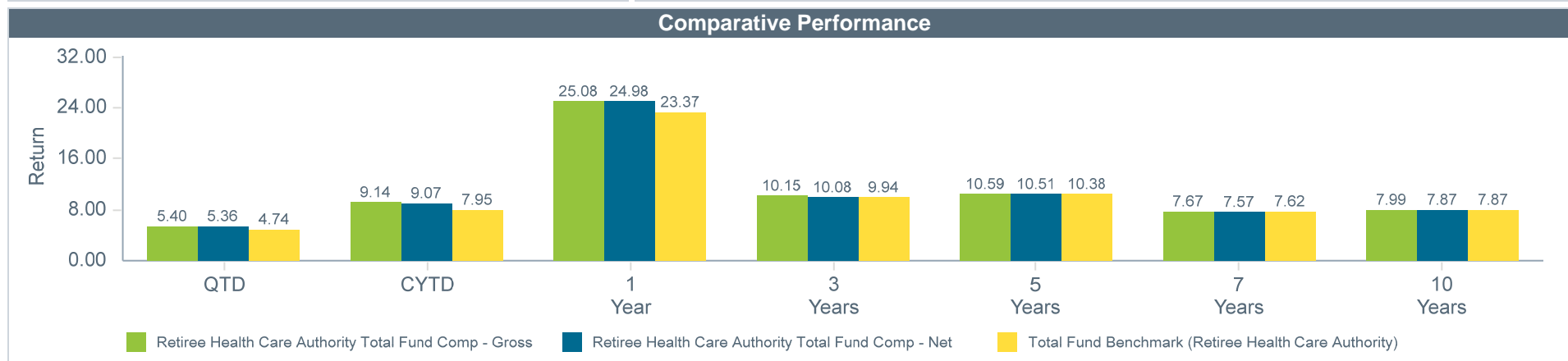
Period Ended: June 30, 2021



Retiree Health Care Authority



| Overview | Asset Allocation vs. Target Allocation | | | | |
|--|--|----------------|------------|----------------|-------|
| 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. | Market Value (\$) | Allocation (%) | Target (%) | Difference (%) | |
| | Large Cap US Equity Index | 176,755,158 | 16.74 | 14.00 | 2.74 |
| | Small/Mid Cap US Equity Index | 25,118,981 | 2.38 | 2.00 | 0.38 |
| | Non-US Developed Markets Index | 146,223,309 | 13.84 | 14.00 | -0.16 |
| | Non-US Emerging Markets Active | 111,487,412 | 10.56 | 10.00 | 0.56 |
| | US Core Bonds | 190,451,533 | 18.03 | 20.00 | -1.97 |
| | Credit & Structured Finance | 142,946,052 | 13.53 | 15.00 | -1.47 |
| | Private Equity | 129,949,548 | 12.30 | 10.00 | 2.30 |
| | Real Estate | 91,249,224 | 8.64 | 10.00 | -1.36 |
| | Real Return | 42,002,682 | 3.98 | 5.00 | -1.02 |
| | Total Fund | 1,056,183,900 | 100.00 | 100.00 | 0.00 |



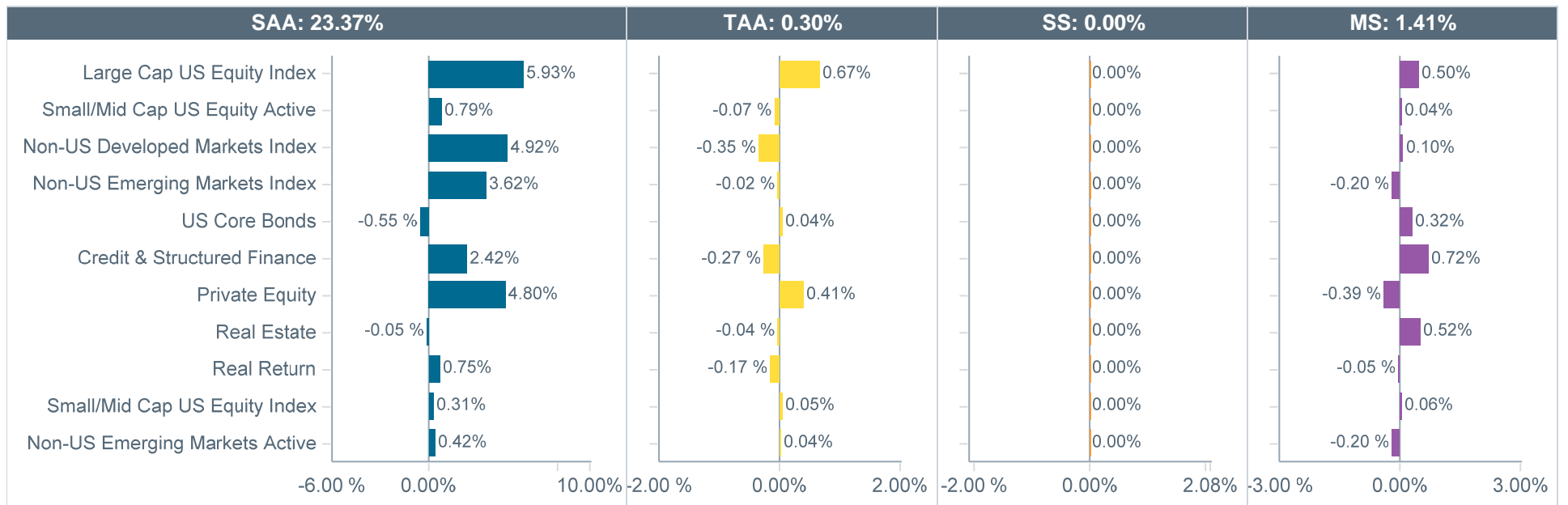
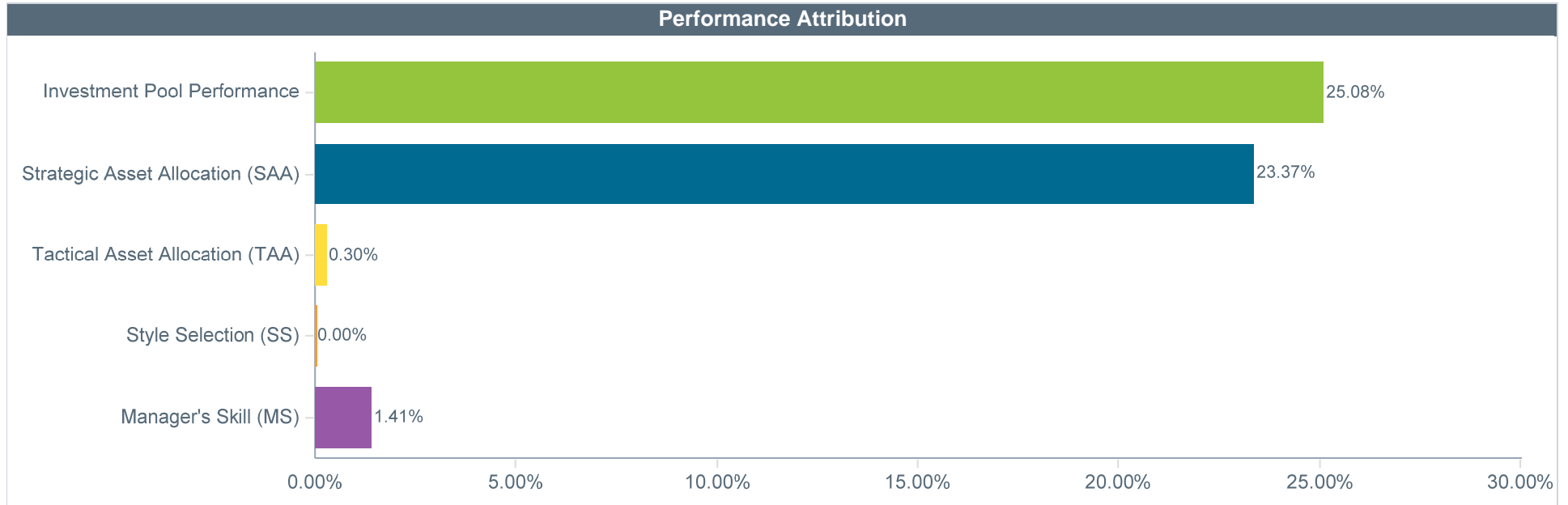
Comparative Performance

| | QTD | CYTD | 1 Year | 3 Years | 5 Years | 7 Years | 10 Years | 2020 | 2019 | 2018 |
|--|------|------|--------|---------|---------|---------|----------|-------|-------|-------|
| Retiree Health Care Authority Total Fund Comp - Gross | 5.40 | 9.14 | 25.08 | 10.15 | 10.59 | 7.67 | 7.99 | 9.88 | 13.27 | -1.24 |
| Total Fund Benchmark (Retiree Health Care Authority) | 4.74 | 7.95 | 23.37 | 9.94 | 10.38 | 7.62 | 7.87 | 10.21 | 14.34 | -1.86 |
| Difference | 0.66 | 1.19 | 1.71 | 0.21 | 0.21 | 0.05 | 0.12 | -0.33 | -1.07 | 0.62 |
| Retiree Health Care Authority Total Fund Comp - Net | 5.36 | 9.07 | 24.98 | 10.08 | 10.51 | 7.57 | 7.87 | 9.83 | 13.21 | -1.32 |
| Total Fund Benchmark (Retiree Health Care Authority) | 4.74 | 7.95 | 23.37 | 9.94 | 10.38 | 7.62 | 7.87 | 10.21 | 14.34 | -1.86 |
| Difference | 0.62 | 1.12 | 1.61 | 0.14 | 0.13 | -0.05 | 0.00 | -0.38 | -1.13 | 0.54 |

Schedule of Investable Assets

| Periods Ending | Beginning Market Value (\$) | Net Cash Flow (\$) | Gain/Loss (\$) | Ending Market Value (\$) | % Return |
|----------------|-----------------------------|--------------------|----------------|--------------------------|----------|
| CYTD | 924,474,338 | 45,000,000 | 86,709,561 | 1,056,183,900 | 9.07 |

Allocations shown may not sum up to 100% exactly due to rounding. Performance shown is net of fees, except where noted otherwise. Performance includes receipt of additional units of the US Large Cap Index Pool effective July 1, 2020.



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



NEW MEXICO
RETIREE
HEALTH CARE
AUTHORITY

FY23 Appropriation Request

Presented to the Board of Directors

August 31, 2021

FY23 Appropriation Request (Action Item)

Background

Statute requires NMRHCA to submit its FY23 Appropriation Request to the State Budget Division and the Legislative Finance Committee by September 1, 2021. This report details actual expenditures for the July 1, 2020 through June 30, 2021 (FY21), the approved operating budget for July 1, 2021 through June 30, 2022 (FY22), and proposed budget increases for July 1, 2022 through June 30, 2023(FY23).

Summary

This chart summarizes NMRHCA's FY22 budget and proposed FY23 request:

| | FY22 Operating | FY23 Request | Increase | Percent |
|---|---------------------|---------------------|--------------------|-------------|
| Healthcare Benefits Administration | | | | |
| Contractual Services | \$ 353,501.7 | \$ 376,926.7 | \$ 23,425.0 | 6.6% |
| Other | \$ 43.9 | \$ 45.0 | \$ 1.1 | 2.5% |
| Other Financing Uses | \$ 3,280.7 | \$ 3,502.4 | \$ 221.7 | 6.8% |
| Total | \$ 356,826.3 | \$ 380,474.1 | \$ 23,647.8 | 6.6% |
| Program Support | | | | |
| PS&EB | \$ 2,110.7 | \$ 2,240.5 | \$ 129.8 | 6.1% |
| Contractual Services | \$ 621.4 | \$ 674.9 | \$ 53.5 | 8.6% |
| Other | \$ 548.6 | \$ 587.0 | \$ 38.4 | 7.0% |
| Total | \$ 3,280.7 | \$ 3,502.4 | \$ 221.7 | 6.8% |
| Agency Total | | | | |
| PS&EB | \$ 2,110.7 | \$ 2,240.5 | \$ 129.8 | 6.1% |
| Contractual Services | \$ 354,123.1 | \$ 377,601.6 | \$ 23,478.5 | 6.6% |
| Other | \$ 592.5 | \$ 632.0 | \$ 39.5 | 6.7% |
| Other Financing Uses | \$ 3,280.7 | \$ 3,502.4 | \$ 221.7 | 6.8% |
| Total | \$ 360,107.0 | \$ 383,976.5 | \$ 23,869.5 | 6.6% |

Healthcare Benefits Administration

The FY23 request for Healthcare Benefits Administration is \$380.5 million. The additional \$23.6 million represents a 6.6% increase over the FY22 operating budget. Revenue assumptions are shown in the following table and described below:

| Health Benefit Fund - Revenue Detail | | | | | | | | |
|--------------------------------------|------------------------------------|---------------------|---------------------|---------------------|--------------------|---------------------|-------------|---|
| | FY21 OPBUD | FY21 ACTUALS | FY22 OPBUD | FY23 INC/DEC | FY23 REQUEST | % CHANGE | | |
| REVENUE: | | | | | | | | |
| 1 | Employer/Employee Contributions | \$ 120,162.6 | \$ 130,590.5 | \$ 114,570.5 | \$ 10,000.0 | \$ 124,570.5 | 8.7% | 1 |
| 2 | Retiree Contributions | \$ 175,000.0 | \$ 177,508.7 | \$ 174,974.8 | \$ 4,522.1 | \$ 179,496.9 | 2.6% | 2 |
| 3 | Taxation and Revenue Suspense Fund | \$ 32,935.7 | \$ 30,191.2 | \$ 36,881.0 | \$ 4,425.7 | \$ 41,306.7 | 12.0% | 3 |
| 4 | Other Miscellaneous Revenue | \$ 30,000.0 | \$ 33,715.5 | \$ 30,000.0 | \$ 5,000.0 | \$ 35,000.0 | 16.7% | 4 |
| 5 | Interest Income | \$ 400.0 | \$ 51.8 | \$ 400.0 | \$ (300.0) | \$ 100.0 | -75.0% | 5 |
| 6 | TOTAL REVENUE: | \$ 358,498.3 | \$ 372,057.7 | \$ 356,826.3 | \$ 23,647.8 | \$ 380,474.1 | 6.6% | 6 |

- FY21 Actuals reported for Employee and Employer Contributions, Retiree Contributions and Tax and Revenue Suspense Fund are lower than actuals, as the general ledger has not been updated to reflect the accounting transactions that need to occur to book revenues received for FY21 (period 12) in FY22 (period 1). Therefore, Employer and Employer Contributions reported above is approximately \$14 million lower than actuals, Retiree

Contributions approximately \$7 million lower than actuals and Taxation and Revenue Suspense Fund actuals, \$2.8 million lower.

- Line 1 – Employee and Employer Contributions is always “our plug” figure. We know that we are going to collect more than budgeted from this source but we are required to balance revenues and expenditures. Amounts collected over the approved operating budget amount are transferred to the long-term trust fund.
- Line 2 – Retiree Contributions fluctuate depending upon participation by plan i.e., Medicare Supplement \$227.00 per month v. Medicare Advantage Plan \$2.50 per month, and migration to lower or higher costing plans i.e., Premier vs. Value Plan.
 - Premium increases on the self-insured plans of 6% and 4% effective half of FY23 (July 1, 2022 – December 31, 2022), with the likelihood of additional increases effective January 1, 2023 - June 30, 2023.
 - Medicare Advantage Rates were reduced, held flat, and increased for calendar year 2022 depending on the plan. This is likely to occur again in the second half of FY23.
 - Continued membership growth in Voluntary Programs (dental, vision and life insurance) does not have a financial impact to the agency but does have a budgetary impact.
- Line 3 – Taxation and Revenue Suspense Fund amounts are prescribed by statute.
- Line 4 – Other Miscellaneous Revenue consists of Medicare Part D subsidies, prescription drug rebates, performance penalties, and subrogation. This amount fluctuates annually.
- Line 5 – Interest Income accounts for a nominal amount and varies dependent upon short-term interest rates earned on cash held by the State Treasure in overnight accounts.

Assumptions about expenditures are shown in the table below and described below:

| Health Benefit Fund Expenditure Summary | | | | | | | |
|---|--------------|--------------|--------------|-------------|--------------|--------|----|
| | FY21 | FY21 | FY22 | FY23 | FY23 | % | |
| Contractual Services | OPBUD | ACTUALS | OPBUD | INC/DEC | REQUEST | CHANGE | |
| 1 Prescriptions | \$ 115,000.0 | \$ 105,407.6 | \$ 116,800.7 | \$ 6,500.0 | \$ 123,300.7 | 5.6% | 1 |
| 2 Medical - Supplement/Self- Insured | \$ 170,651.7 | \$ 147,789.0 | \$ 168,000.0 | \$ 10,500.0 | \$ 178,500.0 | 6.3% | 2 |
| 3 Medicare Advantage | \$ 30,750.0 | \$ 23,596.8 | \$ 29,951.0 | \$ 4,075.0 | \$ 34,026.0 | 13.6% | 3 |
| 4 Voluntary Coverages | \$ 38,750.0 | \$ 36,119.2 | \$ 38,750.0 | \$ 2,350.0 | \$ 41,100.0 | 6.1% | 4 |
| 5 Total Contractual Services | \$ 355,151.7 | \$ 312,912.6 | \$ 353,501.7 | \$ 23,425.0 | \$ 376,926.7 | 6.6% | 5 |
| Other | | | | | | | |
| 6 PCORI Fee | \$ 39.9 | \$ 35.8 | \$ 43.9 | \$ 1.1 | \$ 45.0 | 2.5% | 6 |
| 7 Total Other | \$ 39.9 | \$ 35.8 | \$ 43.9 | \$ 1.1 | \$ 45.0 | 2.5% | 7 |
| Other Financing Uses | | | | | | | |
| 8 Program Support | \$ 3,306.7 | \$ 3,306.7 | \$ 3,280.7 | \$ 221.7 | \$ 3,502.4 | 6.8% | 8 |
| 9 Total Other Financing Uses | \$ 3,306.7 | \$ 3,306.7 | \$ 3,280.7 | \$ 221.7 | \$ 3,502.4 | 6.8% | 9 |
| 10 Total Expenditures | \$ 358,498.3 | \$ 316,255.1 | \$ 356,826.3 | \$ 23,647.8 | \$ 380,474.1 | 6.6% | 10 |

- Line 1 - Expenditures related to the self-insured prescription drug plan for pre-Medicare and Medicare Supplement benefits are expected to continue growing due to cost growth from specialty drugs. However, a shrinking pre-Medicare population and the migration of Medicare Supplement plan participants to the Medicare Advantage Plans will offset a portion of that growth.
- Line 2 - Expenditures for the self-insured medical plans are also expected to resume growth, following a slight reduction in FY21. Like the growth shown on line 1, a shrinking pre-Medicare population and the migration of Medicare Supplement plan participants to the Medicare Advantage Plans will offset a portion of that growth.
- Line 3 - Expenditures related to Medicare Advantage (MA) Plans are expected to continue growing at a higher percentage of overall costs as members migrate to lower costing monthly plans. While participation is expected to increase, rates are expected to stabilize or begin growing in FY23.
- Line 4 - Expenditures related to voluntary coverages (dental, vision and life) are expected to grow at a rate in line with increased participation (7% in FY18, 8.5% in FY19, 7% in FY20, 6.1% in FY21).

- Patient Centered Outcomes Research Institute Fee (PCORI) was eliminated and then reinstated for FY21 (lines 6 and 7). The cost is determined by multiplying the average pre-Medicare membership for calendar year 2021 by a rate yet to be determined.
- Lastly, the request will include an amount sufficient to support the operating activities of the agency as reflected in the “Other Financing Uses” category (lines 8 and 9).

Program Support

The chart below summarizes, by category, expenditures related to the operating activities. The request includes a \$221,700 increase compared, to the \$34,400 decrease requested last year. This includes a \$129,800 increase in the personal services and employee benefits category, \$53,500 increase in the contractual services category and \$38,400 increase in the other costs category.

| Program Support Expenditure Summary | | | | | | | | | |
|-------------------------------------|--------------|--------------------------------------|----------------|----------------|----------------|--------------|----------------|-------------|----------|
| Uses | | | FY21 | FY21 | FY22 | FY23 | FY23 | PERCENT | |
| | | | OPBUD | ACTUALS | OPBUD | INC/DEC | REQUEST | CHANGE | |
| 1 | 200 | Personal Services/ Employee Benefits | 2,026.8 | 1,908.8 | 2,110.7 | 129.8 | 2,240.5 | 6.4% | 1 |
| 2 | 300 | Contractual Services | 713.7 | 672.3 | 621.4 | 53.5 | 674.9 | 7.5% | 2 |
| 3 | 400 | Other Costs | 566.2 | 492.4 | 548.6 | 38.4 | 587.0 | 6.8% | 3 |
| 4 | TOTAL | | 3,306.7 | 3,073.5 | 3,280.7 | 221.7 | 3,502.4 | 6.7% | 4 |
| Summary of Revenues | | | | | | | | | |
| Sources | | | FY21 | FY21 | FY22 | FY23 | FY23 | PERCENT | |
| | | | OPBUD | ACTUALS | OPBUD | INC/DEC | REQUEST | CHANGE | |
| 5 | 112 | Other Transfers | 3,306.7 | 3,306.7 | 3,280.7 | 221.7 | 3,502.4 | 6.9% | 5 |
| 6 | Total | | 3,306.7 | 3,306.7 | 3,280.7 | 221.7 | 3,502.4 | 6.9% | 6 |
| 7 | FTE | | 26.0 | 26.0 | 26.0 | 0.0 | 26.0 | 0.0% | 7 |

Changes in projected expenditures are shown in the table below and described thereafter.

| Expenditure Detail (Personal Services and Employee Benefits) | | | | | | | | | |
|--|--------|---|----------------|----------------|----------------|--------------|----------------|-------------|-----------|
| | | FY21 | FY21 | FY22 | FY23 | FY23 | PERCENT | | |
| | | OPBUD | ACTUALS | OPBUD | INC/DEC | REQUEST | CHANGE | | |
| 1 | 520100 | Exempt Positions | 292.4 | 292.8 | 285.9 | 133.9 | 419.8 | 48.5% | 1 |
| 2 | 520300 | Classified Perm. Positions | 1,116.9 | 1,043.4 | 1,215.6 | (46.6) | 1,169.0 | -3.9% | 2 |
| 3 | 520800 | Annual & Comp Paid/Unused Sick/Overtime | - | 13.5 | - | - | - | - | 3 |
| 4 | 521100 | Group Insurance Premium | 195.9 | 184.6 | 202.2 | - | 202.2 | 0.0% | 4 |
| 5 | 521200 | Retirement Contributions | 268.1 | 237.1 | 258.8 | 31.8 | 290.6 | 13.7% | 5 |
| 6 | 521300 | FICA | 111.7 | 98.1 | 114.2 | 7.2 | 121.4 | 6.8% | 6 |
| 7 | 521400 | Workers Comp | 0.2 | 0.2 | 0.2 | - | 0.2 | 0.0% | 7 |
| 8 | 521410 | GSD Work Comp Ins | 1.2 | 1.2 | 1.0 | 0.3 | 1.3 | 18.8% | 8 |
| 9 | 521500 | Unemployment Comp | - | - | - | - | - | - | 9 |
| 10 | 521600 | Employee Liability Insurance | 9.5 | 9.5 | 2.9 | 0.4 | 3.3 | 4.4% | 10 |
| 11 | 521700 | Retiree Healthcare | 30.9 | 26.8 | 29.9 | 2.8 | 32.7 | 10.2% | 11 |
| 12 | 523000 | COVID Related Admin Leave | - | 1.6 | - | - | - | - | 12 |
| 13 | | TOTAL | 2,026.8 | 1,908.8 | 2,110.7 | 129.8 | 2,240.5 | 6.3% | 13 |
| Expenditure Detail (Contractual Services) | | | | | | | | | |
| | | FY21 | FY21 | FY22 | FY23 | FY23 | PERCENT | | |
| | | OPBUD | ACTUALS | OPBUD | INC/DEC | REQUEST | CHANGE | | |
| 14 | 535200 | Professional Services | 416.4 | 391.0 | 358.9 | 56.1 | 415.0 | 14.0% | 14 |
| 15 | 535300 | Other Services | 12.5 | 15.8 | 12.5 | - | 12.5 | 0.0% | 15 |
| 16 | 535309 | Other Services InterA | 41.3 | 17.4 | 15.8 | 4.2 | 20.0 | 21.0% | 16 |
| 17 | 535400 | Audit Services | 78.5 | 68.5 | 84.2 | (11.8) | 72.4 | -13.6% | 17 |
| 18 | 535500 | Attorney Services | 60.0 | 63.2 | 60.0 | (10.0) | 50.0 | -25.0% | 18 |
| 19 | 535600 | Information Technology Services | 105.0 | 116.4 | 90.0 | 15.0 | 105.0 | 25.0% | 19 |
| 20 | | TOTAL | 713.7 | 672.3 | 621.4 | 53.5 | 674.9 | 7.5% | 20 |
| Expenditure Detail (Other) | | | | | | | | | |
| | | FY21 | FY21 | FY22 | FY23 | FY23 | PERCENT | | |
| | | OPBUD | ACTUALS | OPBUD | INC/DEC | REQUEST | CHANGE | | |
| 21 | 542100 | Employee In-State Mileage & Fares | 1.5 | 0.5 | 1.5 | - | 1.5 | 0.0% | 21 |
| 22 | 542200 | Employee In-State Meals & Lodging | 2.5 | - | 2.5 | - | 2.5 | 0.0% | 22 |
| 23 | 542300 | Board & Commission - In-State | 13.5 | 3.2 | 13.5 | - | 13.5 | 0.0% | 23 |
| 24 | 542500 | Transportation-Fuel & Oil | 1.0 | 0.1 | 1.0 | - | 1.0 | 0.0% | 24 |
| 25 | 542600 | Transportation | 0.1 | 0.2 | 0.1 | - | 0.1 | 0.0% | 25 |
| 26 | 542700 | Transportation Insurance | 0.2 | - | 0.2 | - | 0.2 | 0.0% | 26 |
| 27 | 542800 | State Transportation Pool Charges | 4.5 | 5.5 | 4.5 | 1.3 | 5.8 | 28.9% | 27 |
| 28 | 543200 | Maintenance - Furniture, Fixtures & Equipment | 6.0 | 2.9 | 6.0 | - | 6.0 | 0.0% | 28 |
| 29 | 543300 | Maintenance - Building & Structure | 4.5 | 6.8 | 4.5 | 1.5 | 6.0 | 33.3% | 29 |
| 30 | 543400 | Maintenance - Property Insurance | - | - | - | 0.1 | 0.1 | 0.0% | 30 |
| 31 | 543830 | IT Maintenance | 7.5 | 20.4 | 7.5 | - | 7.5 | 0.0% | 31 |
| 32 | 544000 | Supply Inventory IT | 25.0 | 27.0 | 23.0 | 27.0 | 50.0 | 108.0% | 32 |
| 33 | 544100 | Supplies - Office Supplies | 10.0 | 6.7 | 8.5 | 4.5 | 13.0 | 45.0% | 33 |
| 34 | 544900 | Supplies - Inventory Exempt | 5.0 | 40.2 | 5.0 | - | 5.0 | 0.0% | 34 |
| 35 | 545600 | Reporting & Recording | - | - | - | - | - | 0.0% | 35 |
| 36 | 545609 | Report/Record Inter St Agency | - | - | - | - | - | * | 36 |
| 37 | 545700 | DoIT ISD Services | 4.2 | 3.9 | 4.2 | 6.8 | 11.0 | 178.9% | 37 |
| 38 | 545710 | DoIT HCM Assessment | 10.7 | 10.8 | 9.5 | - | 9.5 | 0.0% | 38 |
| 39 | 545900 | Printing & Photo. Services | 56.0 | 58.6 | 56.0 | 4.0 | 60.0 | 7.1% | 39 |
| 40 | 546100 | Postage & Mail Services | 120.0 | 60.2 | 120.0 | (20.0) | 100.0 | -19.0% | 40 |
| 41 | 546400 | Rent of Land & Buildings | 124.1 | 122.4 | 115.8 | 3.4 | 119.2 | 3.0% | 41 |
| 42 | 546409 | Rent Expense - Interagency | 8.4 | 7.6 | 8.6 | 0.3 | 8.9 | 3.7% | 42 |
| 43 | 546500 | Rent of Equipment | 48.3 | 16.6 | 43.3 | (13.0) | 30.3 | -28.3% | 43 |
| 44 | 546600 | Communications | 21.0 | 19.9 | 21.0 | - | 21.0 | 0.0% | 44 |
| 45 | 546610 | DOIT Communications | 58.9 | 73.7 | 56.1 | 13.0 | 69.1 | 21.7% | 45 |
| 46 | 546700 | Subscriptions & Dues | 7.0 | 3.1 | 7.0 | - | 7.0 | 0.0% | 46 |
| 47 | 546800 | Employee Training & Edu. | 5.0 | 0.5 | 5.0 | 5.0 | 10.0 | 166.7% | 47 |
| 48 | 546801 | Board Member Training | 5.0 | - | 10.0 | (2.5) | 7.5 | -50.0% | 48 |
| 49 | 546900 | Advertising | 1.0 | - | 1.0 | - | 1.0 | 0.0% | 49 |
| 50 | 547900 | Miscellaneous Expense | 1.3 | 1.6 | 1.3 | - | 1.3 | 0.0% | 50 |
| 51 | 547999 | Request to Pay Prior Year | - | - | - | - | - | 0.0% | 51 |
| 52 | 548300 | Information Technology Equipment | 5.0 | - | 5.0 | 5.0 | 10.0 | 100.0% | 52 |
| 53 | 549600 | Employee Out-Of-State Mileage & Fares | 2.0 | - | 1.0 | 1.0 | 2.0 | 66.7% | 53 |
| 54 | 549700 | Employee Out-Of-State Meals & Lodging | 2.0 | - | 1.0 | 1.0 | 2.0 | 50.0% | 54 |
| 55 | 549800 | B&C-Out-Of-State Mileage & Fares | 3.5 | - | 3.5 | - | 3.5 | 0.0% | 55 |
| 56 | 549900 | B&C- Out-Of-State Meals & Lodging | 1.5 | - | 1.5 | - | 1.5 | 0.0% | 56 |
| 57 | | TOTAL | 566.2 | 492.4 | 548.6 | 38.4 | 587.0 | 7.1% | 57 |

- **Personal Services and Employee Benefits.** The request under personal services and employee benefits includes a \$129.8 thousand, or 6.3% / \$127.8 thousand, or 6.2% (previously reported), increase compared to the FY22 approved operating budget. Changes are described as follows:

Line 1 – Salaries for 4 exempt employees including: executive director, deputy director, general counsel and director of communications and member engagement. The requested increase reflects the conversion of a classified position to that of general counsel, combined with increasing the pay associated with the director of communication and member engagement.

Line 2 – Salaries for classified employees is slightly reduced reflected the conversion of a classified position (Actuary-A) to exempt position (General Counsel).

Line 5 – Contributions made to the Public Employees Retirement Association based on salaries reflected on lines 1 and 2, including 0.5% increase resulting from SB72 passed during the 2020 Regular Session.

Line 6 – FICA contributions based on salaries reflected in lines 1 and 2.

Line 8 – Reflects GSD/RMD rate schedule.

Line 10 - Reflects GSD/RMD rate schedule.

Line 11 – Contributions made to the Retiree Health Care Authority based on salaries reflected on lines 1 and 2.

Overall, the request includes full funding for all 26 authorized FTE.

- **Contractual Services.** The request in the contractual services category includes sufficient funding for the following services:

Line 14 – Actuarial and benefits consulting services related to annual solvency projections and GAS reporting requirements; benefits consulting services related to the Life Insurance RFP (fall 2022); asset allocation and investment consulting; and accounting services related to end-of-year closing activities.

Line 15 – Board reporting and recording services and document destruction services.

Line 16 – Transfers to PERA for MOU to provide HR services.

Line 17 – Annual financial audit minus concurring review of employer allocations required by the State Auditor in previous years.

Line 18 – Legal services that may arise on occasion.

Line 19 – Information technology services resulting from ongoing programming support related to the CareView system, web portal, webhosting, and annual security assessment.

- **Other Costs.** The request includes sufficient funds to support projected operating expenses of the agency in FY22, including rent for 2 offices locations, renting copying and printing equipment, printing, postage, employee and board members training, office supplies, and IT charges.

Performance Measures

The table below provides a list of performance measures approved by DFA and LFC, FY21 reported performance, FY22 targeted performance and FY23 requested targets.

| Healthcare Benefits Administration | | | FY21 Actuals | FY22 Target | FY23 Request |
|---|--------------|---|---------------------|--------------------|---------------------|
| 1 | Output | Minimum number of years of positive fund balance | 30 | 30 | 30 |
| 2 | Outcome | Number of years of projected balance spending | 3 | 5 | 5 |
| 3 | Outcome | Percent of diabetics properly managed according to clinical guidelines | 85% | Discontinue | |
| 4 | Efficiency | Emergency room visits per thousand members | <200 | <200 | <200 |
| 5 | *Outcome | Percent of members with diabetes receiving at least one hemoglobin A1C test in the last 12 months | New for FY22 | <80% | <80% |
| 6 | *Outcome | Percent of members with diabetes receiving an annual screening for diabetic nephropathy | New for FY22 | <85% | <85% |
| 7 | *Outcome | Annual loss ratio for the health benefits fund | New for FY22 | <100% | <100% |
| 8 | *Explanatory | Year-end fund balance of the health benefits fund | New for FY22 | Baseline | Baseline |
| Program Support | | | FY21 Actuals | FY22 Target | FY23 Request |
| 9 | Outcome | Percent of deposits made within 24 hours | 100 | 100 | 100 |
| 10 | Efficiency | Percent of payments made within 30 days | 98 | 99 | 99 |

Requested Action

NMRHCA staff respectfully requests that the Board of Directors approve the FY23 appropriation request as presented to the Finance and Investments Committee with the technical correction noted above.

Proposed Generic Drug Litigation (Action Item)

Background: Over the past several years, several major generic drug manufacturers have settled cases related to allegations that they engaged in price fixing with the U.S. government. While a coalition of state Attorneys General, including New Mexico, has filed suit against these manufacturers on behalf of their states, NMRHCA was a major purchaser of generic drugs and could potentially recoup monetary damages directly by filing a separate lawsuit against the pharmaceutical companies. NMRHCA has already discussed this matter with the New Mexico Attorney General's Office and they do not oppose NMRHCA filing an independent suit.

Requested Action: The NMRHCA staff requests authority to explore filing an independent lawsuit against generic drug manufacturers to recoup damages for alleged price fixing behavior. Specifically, we request authority to inform that NM Attorney General's Office that NMRHCA intends to proceed independently and to begin preparing a Request for Proposal for legal services.

2021 Pharmacy Benefits Manager RFP – Action Item

Background: Consistent with the requirements contained in the Health Care Purchasing Act, the New Mexico Retiree Health Care Authority (NMRHCA) in cooperation with the other members of the interagency benefits advisory committee (IBAC) including: Albuquerque Public Schools, New Mexico Public School Insurance Authority and the State of New Mexico are proposing to issue a request for proposals (RFP) for pharmacy benefit management services scheduled for release in early to mid-September 2021.

NMRHCA staff is currently working with the other IBAC members and benefits consultant Segal to finalize the scope of work (draft below), sequence of events, deadlines, and evaluation criteria.

Scope of Work:

The IBAC is seeking pharmaceutical benefit management services to include developing and maintaining a cost-effective formulary of prescription drugs to maintain and improve the health of participating members, negotiating advantageous contracts with pharmacies/providers, drug manufacturers for purchase, provision and delivery of drugs on the formulary to participating IBAC members, clinical evaluation and analysis of the effectiveness of new prescription drugs approved by the FDA.

Other services include consultation with the IBAC about market changes within the prescription drug industry and how those changes impact costs, provision and maintenance of systems for processing and paying prescription claims — with systems that provide the IBAC agencies with accurate, consistent, timely and comprehensive reports and provision of exceptional customer service to IBAC members and their health care providers in the areas of clinical information about the proper use and effectiveness of prescribed drugs and cost-effective alternatives.

IBAC is seeking a partnership with the selected PBM to identify, recommend and implement cost savings opportunities while ensuring the members obtain healthy outcomes in a cost-effective manner. Also, the IBAC seeks a PBM partner that will coordinate and maintain vigorous clinical and utilization management strategies.

A number of factors will be considered in the selection process. The primary factors include pricing, pharmacy network access, formulary disruption, contractual compliance, reporting capabilities, financial stability, performance guarantees, references, ability to integrate successfully with existing health benefit administration and customer service.

Prospective bidders are to offer comprehensive PBM services including but not limited to those listed in this RFP.

Proposed Timeline:

| Action | Responsible Party | Due Dates |
|---|---------------------------|---|
| 1. Issue RFP | SPD | September 10, 2021 |
| 2. Acknowledgement of Receipt Form | Potential Offerors | September 17, 2021 |
| 3. Pre-Proposal Conference | Agency | T+10 |
| 4. Deadline to submit Written Questions | Potential Offerors | September 27, 2021 |
| 5. Response to Written Questions | Procurement Manager | T+14 |
| 6. Submission of Proposal | Potential Offerors | October 15, 2021 |
| 7.* Proposal Evaluation | Evaluation Committee | October 14, 2021 to T+36 |
| 8.* Selection of Finalists | Evaluation Committee | T+37 |
| 9.* Best and Final Offers | Finalist Offerors | January 14, 2022 |
| 10.* Oral Presentation(s) | Finalist Offerors | January 10, 2022 |
| 11.* Finalize Contractual Agreements | Agency/Finalist Offerors | February 9, 2022 to June 30, 2022 (December 31, 2022 for APS) |
| 12.* Contract Awards | Agency/ Finalist Offerors | July 1, 2022 (January 1, 2023 for APS) |
| 13.* Protest Deadline | SPD | +15 days |

The RFP is scheduled for release early to mid-September with preliminary staff recommendations scheduled at the regular board meeting in February.

Evaluation Criteria: Points have yet to be determined, however, the evaluation factors are listed below.

| Evaluation Factors <i>(Correspond to section IV.B and IV C)</i> | Points Available |
|---|-------------------------|
| A. Technical Specifications | |
| B. 1. Organizational Experience | |
| B. 2. Organizational References | |
| | |
| B. 3. Mandatory Specification | |
| B. 4. Desirable Specification | |
| B. Business Specifications | |
| C.1. Financial Stability | Pass/Fail |
| C.2. Performance Surety Bond | Pass/Fail |
| C.3. Letter Of Transmittal | Pass/Fail |
| C.4. Campaign Contribution Disclosure Form | Pass/Fail |
| C. 5. Oral Presentations | |
| C.6. Cost | |
| TOTAL POINTS AVAILABLE | 1,000 |
| C.7. New Mexico Preference - Resident Vendor Points per Section IV C. 7 | 50 |
| C.7. New Mexico Preference - Resident Veterans Points per Section IV C.7 | 100 |

Action Item: NMRHCA staff respectfully requests approval to issue an RFP for pharmacy benefit management services in cooperation with the other members of the IBAC and potentially other public purchasers.

Program Support FY22 Proposed Small Purchase Contracts (Action Item)

Background: NMRHCA staff needs assistance closing out our financial records for fiscal year 2021 in preparation for the annual financial audit. The scope of work is detailed below.

Scope of Work.

The Contractor shall perform the following work:

The Agency requires governmental accounting services on an as-needed basis. Work may include preparation, support, and consultation to the agency throughout the agency's audits. Contractor will conduct governmental accounting tasks necessary to reconcile Agency accounts through June 30, 2021, as requested by the agency. The Contractor shall perform the following:

- A. Assessments on account balances and review of account reconciliations prepared by the agency to include preparation of SHARE entries and account reconciliations as requested by the agency;
- B. review and develop notes and schedules for the following:
 - i. Financial statement preparation
 - ii. Leave liability calculation
 - iii. Establish accruals
 - iv. Account for IBNR
 - v. Schedule of Special Appropriations
 - vi. Reconcile due to/due from accounts
 - vii. Inter-fund reversions
- C. provide consultation to the agency;
- D. perform other assigned tasks associated with agency accounting and the preparation of financial statements as determined by the agency;
- E. provide updates and reports to the agency on work completed within one week of completing assigned work.

The Contractor shall keep the agency apprised of findings and accounting methodology used to complete assigned tasks as frequently as possible. Contractor shall make efforts to engage Agency staff as much as possible during completion of the scope of work.

NMRHCA staff solicited bids from Moss Adams, CliftonLarsonAllen, Kubiak Melton & Associates and Javier Machuca. Based on availability, cost and extensive experience performing similar tasks and duties for other state agencies, staff has selected Javier Machuca to assist with this project.

In addition, NMRHCA needs to upgrade/migrate their current ApplicationXtender (AX 6.5) to the latest version 20.x. This requires a new VM server infrastructure as the current application and SQL server is near or at the end of support life. AX is the system used to scan and record documents received from program participants.

The approved and proposed contracts administered through Program Support are as follows:

| FY22 Approved Operating Budget | | \$663,400 | | |
|---------------------------------------|--------------------------------|------------------|---|------------------------|
| | | Proposed | | |
| | | Contract | Contract | |
| Vendor | | Amount | Term | Type |
| 1 | Segal | \$345,000 | July 1, 2019 - June 30, 2023 | Term/Comp |
| 2 | Judith Beatty | \$7,000 | July 1, 2021 - June 30, 2022 | New/Small |
| 3 | Moss Adams | \$69,580 | July 1, 2020 - June 30, 2023 | Term/Comp |
| 4 | Rodey | \$40,000 | July 1, 2021 - June 30, 2022 | New/Small |
| 5 | Real Time Solutions (webhost) | TBD | July 1, 2021 - June 30, 2022 | Price Agreement |
| 6 | RESPEC | \$55,500 | July 1, 2021 - June 30, 2022 | Price Agreement |
| 7 | PERA MOU - HR Services | \$16,037 | July 1, 2021 - June 30, 2022 | MOU |
| 8 | GSD/MOU - Segal | \$31,250 | July 1, 2021 - June 30, 2022 | MOU |
| 9 | Work Quest | \$3,692 | July 1, 2021 - June 30, 2022 | Price Agreement |
| 10 | Javier Machuca | \$16,266 | August - December 2021 | New Small |
| 11 | SHI International Group | \$16,156 | September 1, 2021 - June 30, 2022 | Price Agreement |
| Total | | \$600,480 | | |
| Unencumbered Balance | | \$62,920 | Available for mid/end-year adjustments | |

Requested Action: NMRHCA staff respectfully requests approval of the proposed contracts as shown on lines 10 and 11 above for services related to our financial and information technology operations.

Executive Director Compensation (Action Item)

Background: In July 2021, following an executive session of the Board of Directors at its Annual Board Meeting, the Board proposed the reclassification and proposed salary increase of 8 percent for Mr. Archuleta. Today's proposed action formalizes the request on behalf of the Board in recognition of Mr. Archuleta excellent job performance.

Requested Action: Approval to reclassify the Executive Director (Grade 36) position to Executive Director of Other Post Employment Benefits (Grade 42) and include an 8 percent salary increase moving his hourly rate to \$69.8827 per hour or \$145,356 annually.