

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

REGULAR MEETING OF THE BOARD OF DIRECTORS



**February 6, 2024
9:30 AM**

**New Mexico Retiree Health Care Authority
33 Plaza La Prensa, Santa Fe, NM 87507
Online: <https://meet.goto.com/NMRHCA/boardmeeting>
Telephone: 1-224-501-3412 / Access Code: 724-176-285**

New Mexico Retiree Health Care Authority
Regular Meeting

BOARD OF DIRECTORS

ROLL CALL

February 6, 2024

	Member in Attendance		
Ms. Saunders, President			
Mr. Salazar, Vice President			
Ms. Larranaga-Ruffy, Secretary			
Mr. Archuleta			
Ms. Montoya			
Mr. Washburn			
Ms. Sandoval			
Mr. Pyle			
Ms. Alirez			
Mr. Caruana			

NMRHCA BOARD OF DIRECTORS

January 2024

Ms. Therese Saunders, President
NEA-NM, Classroom Teachers Assoc., &
NM Federation of Educational Employees
5811 Brahma Dr. NW
Albuquerque, NM 87120
tsaunders3@mac.com
505-934-3058

The Honorable Ms. Laura M. Montoya
NM State Treasurer
2055 South Pacheco Street
Suite 100 & 200
Santa Fe, NM 87505
laura.montoya@sto.nm.gov
505-955-1120

Mr. Tomas E. Salazar, PhD, Vice President
NM Assoc. of Educational Retirees
PO Box 66
Las Vegas, NM 87701
salazarte@plateautel.net
505-429-2206

Mr. David Archuleta
ERB Executive Director
Educational Retirement Board
PO Box 26129
Santa Fe, NM 87502-0129
david.archuleta@erb.nm.gov
505-476-6152

Ms. Leanne Larranaga-Ruffy, Secretary
Alternate for PERA Executive Director Public
Employees Retirement Association
33 Plaza La Prensa
Santa Fe, NM 87507
leanne.larranaga@pera.nm.gov
505-476-9332

Mr. Lance Pyle
NM Association of Counties
Curry County Administration
417 Gidding, Suite 100
Clovis, NM 88101
lpyle@currycounty.org
575-763-3656

Ms. Donna Sandoval
NM Municipal League
100 Marquette Ave
City/County Building
Albuquerque, NM 87102
donnasandoval@cabq.gov
505-768-2975

Ms. Raquel Alirez
Classified State Employee
401 Broadway NE
Albuquerque, NM 87102
raquel.alirez@dws.nm.gov
505-365-3474

Mr. Gerry Washburn
Superintendents' Association of NM
408 N Canyon
Carlsbad, NM 88220
gerry.washburn@carlsbadschools.net

Mr. Lee Caruana, MD
Retired Public Employees of New Mexico
leecaruana13@gmail.com

Regular Meeting of the
NEW MEXICO RETIREE HEALTH CARE AUTHORITY
BOARD OF DIRECTORS

February 6, 2024
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AGENDA

		Page
1. Call to Order	Ms. Saunders, President	
2. Roll Call to Ascertain Quorum	Ms. Beatty, Recorder	
3. Pledge of Allegiance	Ms. Saunders, President	
4. Approval of Agenda	Ms. Saunders, President	4
5. Approval of Regular Meeting Minutes January 2, 2024	Ms. Saunders, President	6
6. Public Forum and Introductions	Ms. Saunders, President	
7. Committee Reports	Ms. Saunders, President	
8. Staff Updates		
a. Human Resource	Mr. Witt, Deputy Director	
b. Legislative Updates	Mr. Kueffer, Executive Director	12
c. December 31, 2023, SIC Report		45
9. FY23 Financial Audit Report	Mr. Hoggan, CPA, Partner & Mr. Hamilton, CPA, Sr. Mgr. Moss Adams	47
10. FY24 Second Quarter Budget Report	Mrs. Ayanniyi, Chief Finance Officer	98
11. FY24 Internal Audit (Action Item)	Mr. Witt, Deputy Director	104
12. Travel Request (Action Item)	Mr. Witt, Deputy Director	106
13. Other Business	Ms. Saunders, President	
14. Executive Session	Ms. Saunders, President	
Pursuant to NMSA 1978, Section 10-15-1(H)(6) Contents of Competitive Sealed Proposals Solicited Pursuant to the Procurement Code – Discussion of RFP#24-021CG for Dental, Vision and Medicare		
15. Medical, Dental, & Vision RFP (Action Item)	Mr. Kueffer, Executive Director	
16. Date & Location of Next Board Meeting March 5, 2024 – 9:30AM	Ms. Saunders, President	4

CNM Workforce Training Center
5600 Eagle Rock Ave NE, Alb. NM 87113

17. Adjourn

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

REGULAR MEETING

January 2, 2024

1. CALL TO ORDER

A Regular Meeting of the Board of Directors of the New Mexico Retiree Health Care Authority was called to order on this date at 9:30 a.m. in Room 207, CNM Workforce Training Center, 5600 Eagle Rock Avenue, NE, Albuquerque, New Mexico.

2. ROLL CALL TO ASCERTAIN A QUORUM

A quorum was present.

Members Present:

Ms. Therese Saunders, President
Dr. Tomas Salazar, Vice President
Ms. LeAnne Larrañaga-Ruffy, Secretary
Mr. John Kreienkamp, designee of Hon. Laura M. Montoya, NM State Treasurer
[virtual attendance]
Mr. David Archuleta
Dr. Lee Caruana
Mr. Lance Pyle [virtual attendance]
Dr. Gerry Washburn [virtual attendance]

Members Excused:

Ms. Rachel Alirez
Ms. Donna Sandoval [replacing Sanjay Bhakta]

Staff Present:

Mr. Neil Kueffer, Executive Director
Mr. Keith Witt, Deputy Director
Mr. Mark Hayden, General Counsel
Ms. Sheri Ayanniyi, Chief Financial Officer
Mr. Jess Biggs, Director of Communication & Member Engagement
Mr. Trinity Angelino, Network Administrator
Mr. Raymond Long, Chief Information Officer
Ms. Judith Beatty, Recorder

3. PLEDGE OF ALLEGIANCE

Ms. Saunders led the Pledge.

4. APPROVAL OF AGENDA

Dr. Washburn moved for approval of the agenda, as published. Mr. Pyle seconded the motion, which passed unanimously.

5. APPROVAL OF REGULAR MEETING MINUTES: December 5, 2023

Dr. Salazar moved approval of the December 5, 2023, meeting minutes, as presented. Ms. Larrañaga-Ruffy seconded the motion, which passed unanimously.

6. PUBLIC FORUM AND INTRODUCTIONS

Guests introduced themselves.

7. COMMITTEE REPORTS

- The Wellness Committee met on December 20. It was a good meeting with lots of participation. They heard reports on member benefits from Messrs. Biggs and Kueffer and from point of-care organizations and various carriers on their offerings. There was also discussion on ways to improve member awareness of the programs. Next meeting scheduled around May 15. [Dr. Caruana]
- The Executive Committee met and approved today's agenda. [Ms. Saunders]
- The Finance Committee met but took no action, as there was no quorum. [Mr. Kueffer]

8. STAFF UPDATES

a. Human Resource: Mr. Witt

Mr. Witt presented HR updates.

b. 2024 Exchange Rates and Plan Comparison: Mr. Witt

Mr. Witt presented a comparison chart of commercially available Pre-Medicare plans through the New Mexico exchange. The analysis was based on an individual of 60 years old seeking coverage. Staff reviews benefit designs and premiums offered by the NMRHCA to the open market to make sure it is providing a substantial benefit to the retirees and that it is advantageous to them. The NMRHCA also compares its own plans to those of other states with

retiree plans. In New Mexico, costs vary greatly based on geography alone, or the plans that are selected based on copays, deductibles, co-insurance, and out-of-pocket maximums.

c. Switch Enrollment Results: Mr. Biggs

Mr. Biggs reported on these results. The 5 percent standard increase in Pre-Medicare plans did not appear to have a discernible effect; however, premiums in Medicare plans ranged from \$0 for some plans to as much as a 50 percent increase in other plans, which would driven some people to other plans.

d. Legal – Litigations Updates: Mr. Hayden

Mr. Hayden said there are currently three litigations currently happening, all driven by the New Mexico Attorney General's Office. 1) GlaxoSmithKline, which was filed with a discovery request that the NMRHCA completed and presented to the AG, which will be given to the requesting party. 2) CR Bard case: The NMRHCA was provided a document request and collected the data. He presented it to the requesting party, which resulted in a deposition of Mr. Kueffer on December 28. A transcript will be available in another week for review, at which time the NMRHCA will make any changes, and it will become a document in that case. 3) Cook Medical Incorporated. A document request is in process and will be finalized this month.

e. Legislative Updates: Mr. Kueffer

Mr. Kueffer said staff met with Secretary Armijo and Health Policy Advisor Gina DeBlassie about two weeks ago and discussed the NMRHCA's concerns regarding the transition plan as well as the trust fund and the need to protect it with the board providing the oversight. NMRHCA staff also expressed concern about the administrative attachment and what it meant. Mr. Kueffer said he spoke with Secretary Armijo this morning, who informed him that the HCA is now looking at making some changes to the transition report and holding off for now on the attachment piece pending further discussion. The NMRHCA anticipates that the HCA will move forward with the contracting. Under the Health Care Purchasing Act, the NMRHCA works as a group with other IBAC agencies, so anticipates that the HCA is looking at that with the caveat that contract approval would still go to the HCA Secretary for the final sign-off. Secretary Armijo has indicated that she plans to attend one of the NMRHCA's board meetings in the future to discuss the plan in more detail.

Mr. Archuleta asked if the HCA Secretary would be signing off on all of the NMRHCA's contracts, including investment contracts, insurance contracts, and so on. Mr. Kueffer responded that staff was unable to get clarification on that during the meeting, and then they ran out of time.

Responding to Dr. Salazar, Mr. Kueffer said the NMRHCA is moving forward in this session with its \$150 million appropriation request as well as the Senate Joint Resolution, which would add a new section to the Constitution to prohibit expenditure or encumbrance of NMRHCA trust

funds for any purpose except for the exclusive benefit of trust beneficiaries. He added that, while the board currently has the autonomy to make decisions on contracts in the best interests of the members and the NMRHCA, the transition plan could call for somebody else's approval in that process.

Dr. Salazar asked Mr. Hayden if he is aware of any statutes that need to be amended in order for this consolidation to take place.

Mr. Hayden responded that the NMRHCA is not mentioned as one of the entities that are supposed to be part of the Health Care Authority, so a statutory change would be required to make that happen. Secondly, the transition plan specifically references an "attachment," which is problematic because "attachment" means that the HCA would then override any decisions the NMRHCA board may have. If it is an adjunct, which is what the NMRHCA is now, that is fine because the board is the autonomous decision maker. The good news today is that Mr. Kueffer has confirmed that "attachment" is not in the transition plan for this year.

Mr. Archuleta questioned whether there would be some sort of protection for the 1 percent contribution that active employees have been making. He said it is one thing if those dollars are rolled into the so-called greater good of the HCA in terms of helping to subsidize costs, etc., but if members are required to pay into this program as a condition of employment, what becomes of those dollars is an important question that may eventually call for a legal opinion.

f. November 30, 2023, SIC Report: Mr. Kueffer

Mr. Kueffer reported an increase of \$81.6 million for the month of November. This included a \$30 million contribution from the agency, as well as unrealized gains of about \$50 million.

g. Investment Performance Report – September 2023: Mr. Kueffer

Mr. Kueffer presented highlights from the RVK investment report for the month of September, which reflected a 1-year net return of 7.74 percent, exceeding the 7 percent goal.

Mr. Kueffer reported that Jon Clark has been selected by the SIC as the new State Investment Officer. Mr. Clark has been Deputy Cabinet Secretary for the Economic Development Department since 2019.

Responding to Ms. Larrañaga-Ruffy, Mr. Kueffer said he was not informed about the naming of Mr. Clark by the SIC and that he learned about the hiring of Mr. Clark from a press release and Google search. Ms. Larrañaga-Ruffy commented that this was disappointing given that the NMRHCA is the SIC's biggest client.

9. FY24 IT CONTRACT – CAREVIEW (ACTION ITEM)

Mr. Long stated that CareView is a core application created for the NMRHCA to manage member accounts, including benefits and finances. It was written in C# and .Net programming languages that were built on 2012 and 2013 versions of Microsoft SharePoint, SQL Database, and Server technology. CareView has not been updated since then. NMRHCA IT staff will require someone with the necessary expertise to properly document the current code in order to prepare an upgrade.

Mr. Long said the objective is to hire specific services from the 3rd party vendor, Respec, using a State-Wide Price Agreement. Respect will provide a C#/.Net Programmer-Engineer with the required knowledge, experience and skills to assess and identify coding logic and reverse-engineer the code to produce the needed documentation. The initial work of 80 hours, quoted at \$9,901.50, will focus on core Finance modules.

Mr. Long said staff would likely need to return to the board to continue this work with either the current vendor or another vendor.

Mr. Long requested permission to enter into a State-Wide Price Agreement with Respec to provide the programming services described in the scope of work.

Responding to Dr. Salazar, Mr. Kueffer said he and staff evaluated this as a need for the agency. He said the Taxation & Revenue Department and the State Procurement Department would be reviewing this, as well. DoIT does not look at contracts under \$60,000.

Mr. Archuleta moved for approval. Ms. Larrañaga-Ruffly seconded the motion, which passed unanimously by roll call vote.

10. OTHER BUSINESS

Chair Saunders stated that she and Dr. Salazar received a letter from a disgruntled NMRHCA employee who complained about fellow employees coming to work late and leaving early, that they weren't pulling their share, and that this was placing an undue burden on him or her. The letter was unsigned, however, so could be either a hoax or else a legitimate complaint. She reminded her fellow board members that their primary responsibility is a fiduciary responsibility to keep the organization running and to make it a viable option for retirees and their dependents, and corollary to that is a fiduciary responsibility to NMRHCA members to ensure that they have access to the NMRHCA while they are retired. The board's second responsibility is to hire and, if necessary, fire the Executive Director; however, the board does not micromanage the office, any board member who receives such a letter should refer it to the Executive Director.

Chair Saunders acknowledged that these are stressful times, and many people are stressed to the breaking point and can react violently. Even though this letter was unsigned and she cannot put a lot of credence into somebody who writes letters like this, she commended the letter writer for taking the time to compose and type this letter, make two copies of it, and send

it out as opposed to taking some other action that would be inappropriate. Although this person used NMRHCA postage and envelope, that is another issue.

11. DATE AND LOCATION OF NEXT BOARD MEETING

February 6, 2024 – 9:30 a.m.
PERA Board Room
33 Plaza La Prensa
Santa Fe, NM 87507

12. ADJOURN: 11:00 a.m.

Accepted by:

Therese Saunders, President



House Appropriations & Finance Committee
Nathan P. Small, Chair
Meredith A. Dixon, Vice Chair

FY25 Appropriation Recommendations, Updates and Proposed Legislation
January 11, 2024

Therese Saunders, President
Tomas Salazar, Vice President
LeAnne Larrañaga-Ruffy, Secretary
Neil Kueffer, Executive Director

Board of Directors

Governed by 11-member Board:

- Therese Saunders, President – NEA, Teachers Association
- Tomas Salazar, Vice President – New Mexico Association of Educational Retirees (NMAER)
- LeAnne Larrañaga-Ruffy, Secretary – Public Employees Retirement Association Designee
- Lance Pyle – Association of Counties
- David Archuleta – Educational Retirement Board
- Lee Caruana – Retired Public Employees of New Mexico (RPENM)
- Laura Montoya – State Treasurer
- Raquel Alirez – State Classified Employee, State Personnel Office
- Gerry Washburn – Superintendents Association
- Donna Sandoval – Municipal League
- *Vacant* – Governor Appointee

Agency Updates

Active participation – 93,595 (6/30/23)

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

Retiree participation – 66,406 (1/1/24)

- Retirees – 48,520
 - Pre-Medicare – 8,402
 - Medicare – 32,472
 - Voluntary – 7,646
- Spouses/DP – 15,758
 - Pre-Medicare – 2,206
 - Medicare – 8,395
 - Voluntary – 5,157
- Dependent Children – 2,128
- Retiree Average Age – 71.3
- Average age upon retirement – 61.6
- Retiree Under Age 55 – 1,445

Investments:

- Managed by the State Investment Council
- Biennial Asset Allocation Performed by Wilshire
- Asset Allocation Reviewed June 2023
 - Wilshire reviewed and recommended Board reaffirm the current policy of asset allocation targets as on track for risk adjusted return.
 - Risk Adjusted return on par with other modeled portfolios.

Solvency as of June 30, 2023:

- Deficit Spending – 2032
 - Investment earnings used to support operations
 - Projected Solvency – Past 30 years

Procurement Activities:

- Currently evaluating RFP responses for Medical, Dental, Vision insurances services
- Contract effective July 1, 2024

FY25 Appropriation Request & Recommendations

(\$ shown in thousands)	FY24 Approved Operating	FY25 NMRHCA Request	LFC Recommendation	LFC Growth	DFA Recommendation	DFA Growth
Healthcare Benefits Administration						
Contractual Services	\$ 390,376.7	\$ 402,026.7	\$ 402,026.7	3.0%	\$ 402,026.7	3.0%
Other	\$ 45.0	\$ 45.0	\$ 45.0	0.0%	\$ 45.0	0.0%
Other Financing Uses	\$ 3,913.4	\$ 4,235.1	\$ 4,047.4	3.4%	\$ 4,235.1	8.2%
Subtotal	\$ 394,335.1	\$ 406,306.8	\$ 406,119.1	3.0%	\$ 406,306.8	3.0%
Program Support						
Personal Services & Employee Benefits	\$ 2,585.9	\$ 2,831.8	\$ 2,673.9	3.4%	\$ 2,831.8	9.5%
Contractual Services	\$ 702.3	\$ 773.3	\$ 748.3	6.5%	\$ 773.3	10.1%
Other Financing Uses	\$ 625.2	\$ 630.0	\$ 625.2	0.0%	\$ 630.0	0.8%
Subtotal	\$ 3,913.4	\$ 4,235.1	\$ 4,047.4	3.4%	\$ 4,235.1	8.2%
Total	\$ 398,248.5	\$ 410,541.9	\$ 410,166.5	3.0%	\$ 410,541.9	3.1%
FTE	27	29	28	1 FTE	29	2 FTE

FY25 Request:

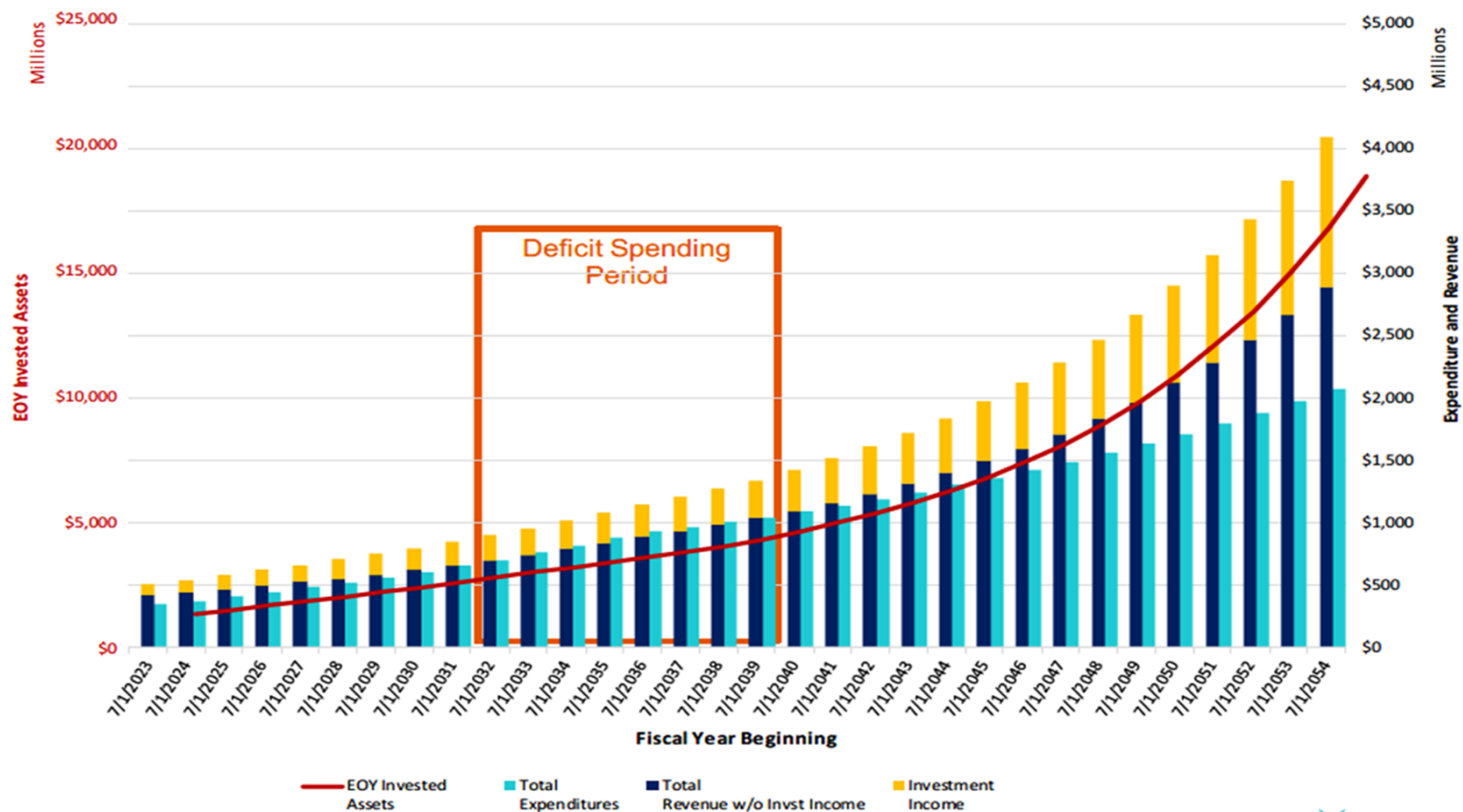
NMRHCA Requests a \$11.9 Million Increase in Spending Authority for FY25.

- Healthcare Benefits Administration \$402 million about 99% total budget
- Personal Services and Employee Benefits Includes \$321,700 (9.7%) Increase, above FY24
 - Program support includes 2 new FTE to support members and NMRHCA

Unspent funds revert to Trust Fund

Solvency

2023 Solvency Scenario – Board Approved Rate Action *5% Pre-Medicare, 0% Medicare Supplement increases*



Solvency Projections

Strategic Planning:

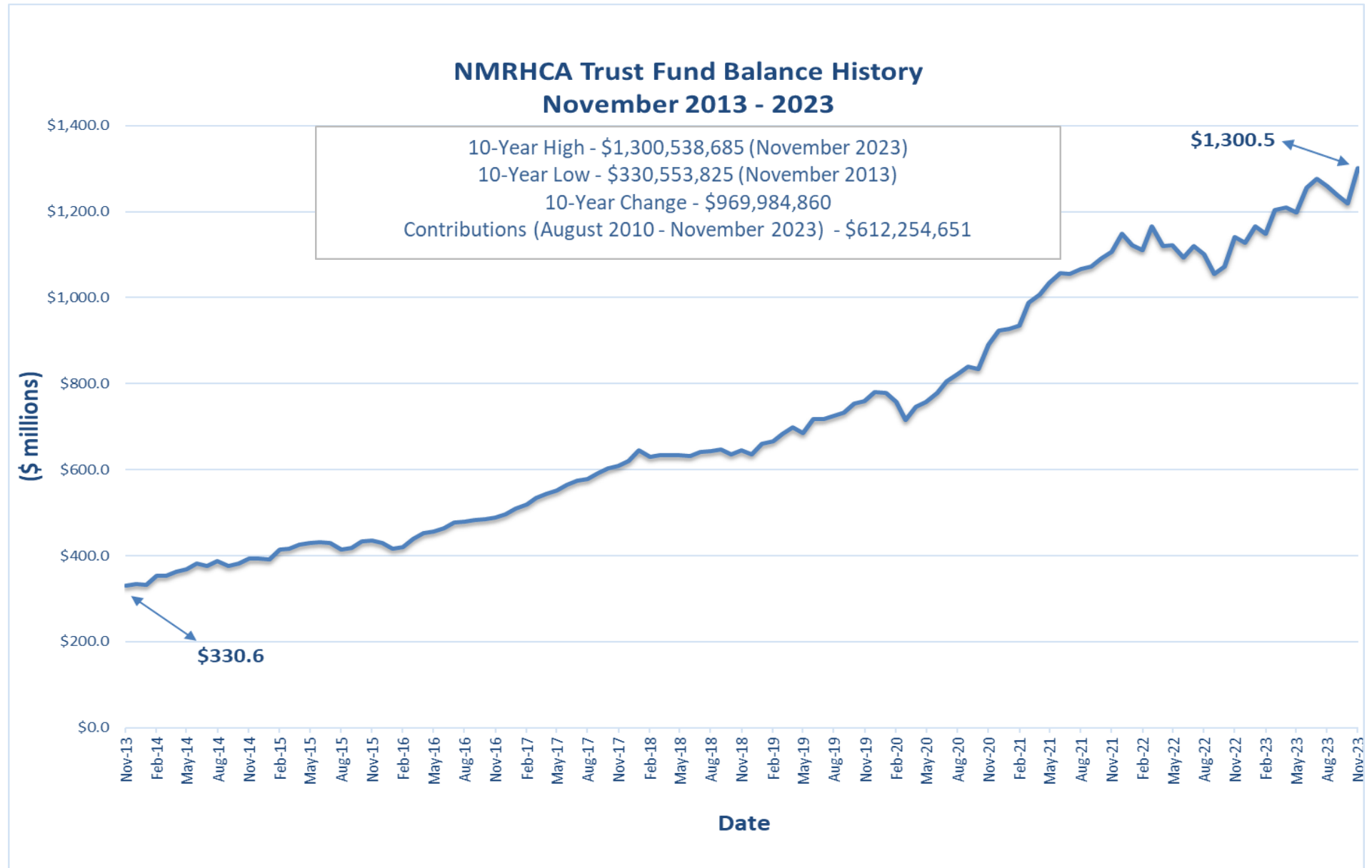
- Projected Revenues
 - Employee & Employer Contributions (set by statute)
 - Retiree Medical Premiums (set by Board of Directors)
 - Retiree Ancillary Premiums (not subsidized/pass through)
 - Tax & Revenue Suspense Fund (set by statute)
 - Miscellaneous (Medicare subsidies, Drug Rebates, Performance Guarantees - Varies)
- Projected Expenses
 - Medical & Prescription
 - Retiree Ancillary Premiums
 - Administrative Fees
 - Agency Operating Expenses
- Major Assumptions
 - Payroll Growth: 4.62% for FY24 and 2.75% thereafter
 - Discount Rate: 7.00%
 - Medical Trend: 8%
 - Plan Selection: Migration to Lower Costing Plans
 - Plan Design Changes: Increased Copays, Coinsurance and Deductibles
 - Plan Rates: Grow in Accordance with Medical Trend and Loss Ratio

GASB 74

GASB 74 – Actuarial Valuation Review of Other Postemployment Benefits (OPEB) as of June 30, 2023

- Total OPEB Liability: **\$3,049,662,302 (2023)** / \$3,467,298,517 (2022) / \$4,409,849,335 (2021)
- Net OPEB Liabilities (NOL) decreased \$609 million from previous year, due to the following:
 - An increase in the blended discount rate
 - Blended Discount rate – 6.22% compared to 5.42% in 2022
 - Blend rate = 7.00% assumed investment return + 20-year tax-exempt general obligation municipal bonds with an average rate of AA/Aa or higher (**3.65% as of June 30, 2023**)
- **NOL: \$1,702,935,036 (2023)** / \$2,311,603,052 (2022) / \$3,290,349,790 (2021)
 - 1% Decrease in Discount Rate - \$2,146,981,727
 - 1% Increase in Discount Rate - \$1,342,994,641
 - 1% Decrease in Health Care Cost Trend - \$1,409,857,717
 - 1% Increase in Health Care Cost Trend - \$2,039,527,413
- **Funded Status: 44.16% (2023)** / 33.33% (2022) / 25.39% (2021)

Trust Fund



Legislative Proposals

Special Appropriations Request:

- Request for one-time money of \$150 million
- This contribution would help lower our unfunded liabilities and mitigate rising costs to our members.

File a joint resolution for New Mexico Retiree Health Care Authority program to be recognized and protected under the New Mexico Constitution.

- Similar to our sister agencies Educational Retirement Board and Public Employee Retirement Association.
- Currently the state statute states that this benefit can be modified or extinguished in the future to meet changes in economic or social conditions.
- However, many New Mexicans have been making contributions into this benefit for their careers with the expectation of having a benefit when they retire.



New Mexico Retiree Health Care Authority

Neil Kueffer, Executive Director

505-222-6408

neil.kueffer@rhca.nm.gov

Please call 1-800-233-2576 / 505-222-6400

Or visit us at: www.nmrhca.org or www.facebook.com/nmrhca

Business Hours: 8:00AM – 5:00PM (Monday through Friday)



Senate Finance Committee

George K. Muñoz, Chair

Nancy Rodriguez, Vice Chair

The Health Care Authority and Health Insurance

January 22, 2024

Therese Saunders, President

Tomas Salazar, Vice President

LeAnne Larrañaga-Ruffy, Secretary

Neil Kueffer, Executive Director

Agency Overview

Retiree Health Care Act [10-7C-1 NMSA 1978]

- Established NMRHCA in July 1990

Board of Directors

- 11 members with broad representation of stakeholders

Trust Fund – Currently stands at \$1.3 Billion

- Solvency projected beyond 2054

GASB 74 – Actuarial Valuation Review of Other Postemployment Benefits (OPEB) as of June 30, 2023

- Total OPEB Liability:
\$3,049,662,302 (2023) / \$3,467,298,517 (2022)
- Net OPEB Liability:
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- Funded Status:
44.16% (2023) / 33.33% (2022) / 25.39% (2021)

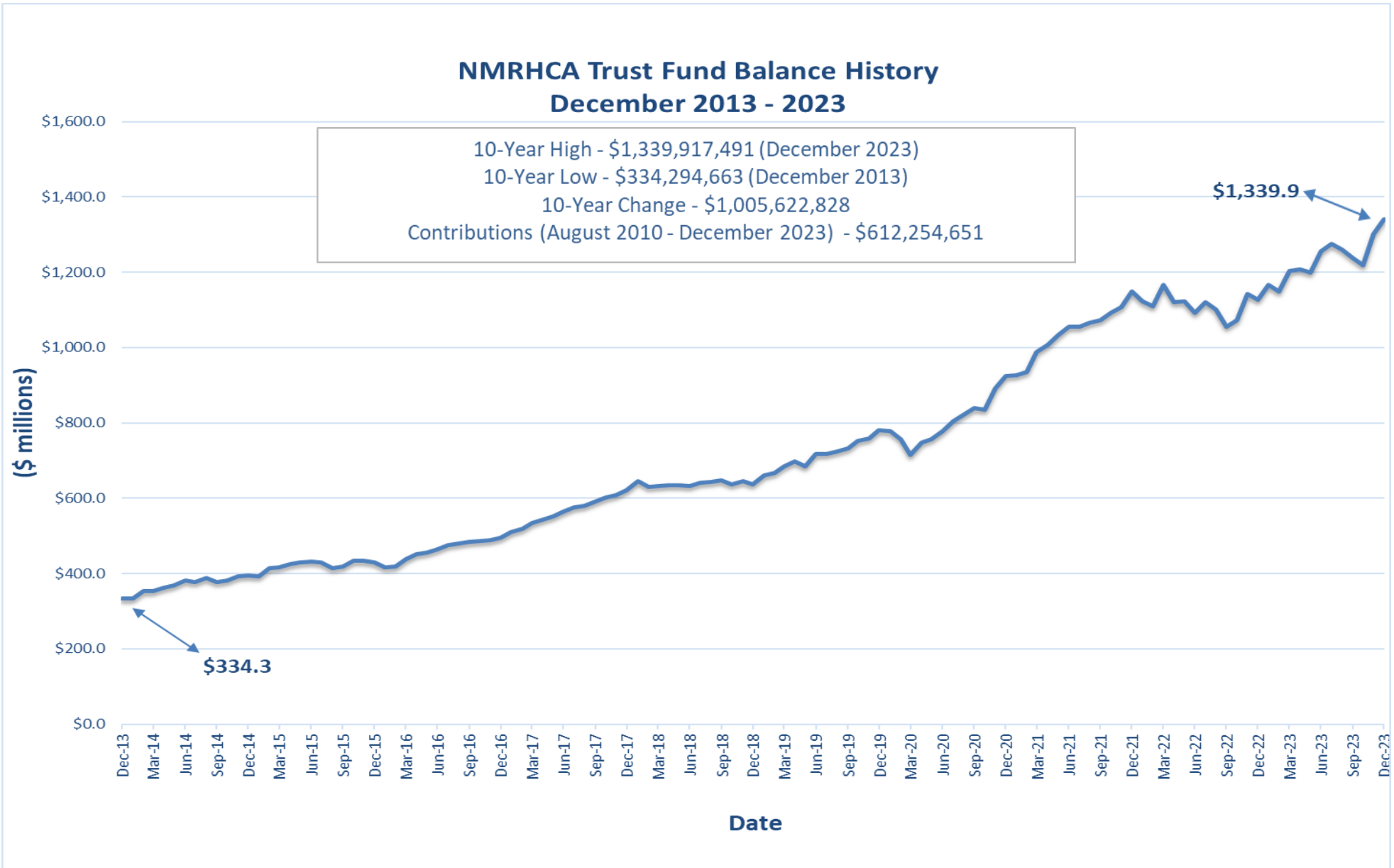
Active participation – 93,595 (6/30/23)

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

Retiree participation – 66,406 (1/1/24)

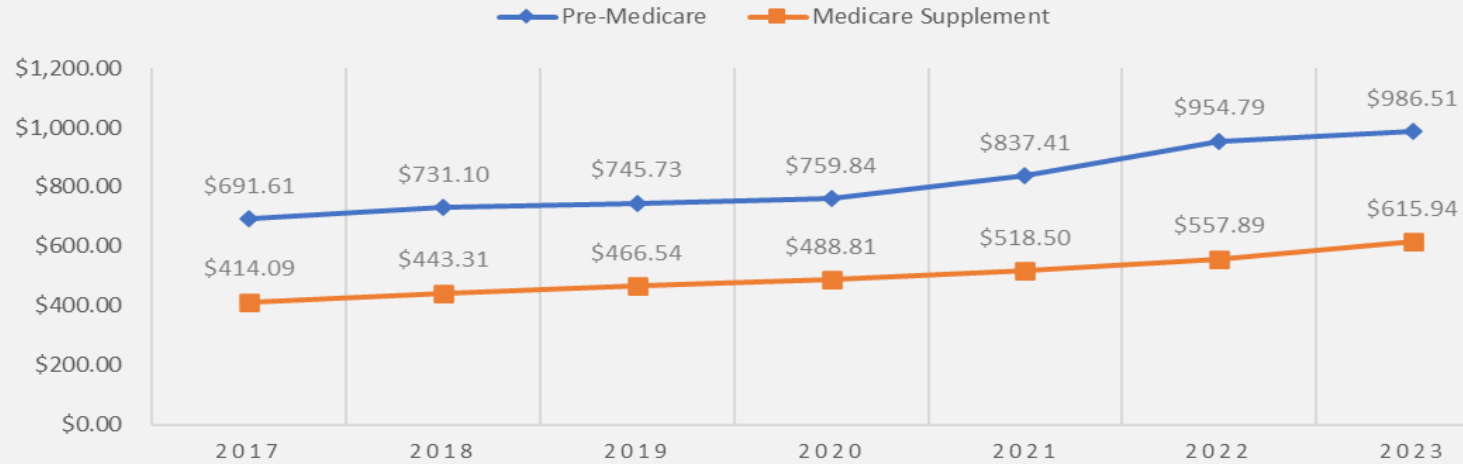
- Retirees – 48,520
 - Pre-Medicare – 8,402
 - Medicare – 32,472
 - Voluntary – 7,646
- Spouses/DP – 15,758
 - Pre-Medicare – 2,206
 - Medicare – 8,395
 - Voluntary – 5,157
- Dependent Children – 2,128
- Retiree Average Age – 71.3
- Average age upon retirement – 61.6
- Retiree Under Age 55 – 1,445

Trust Fund



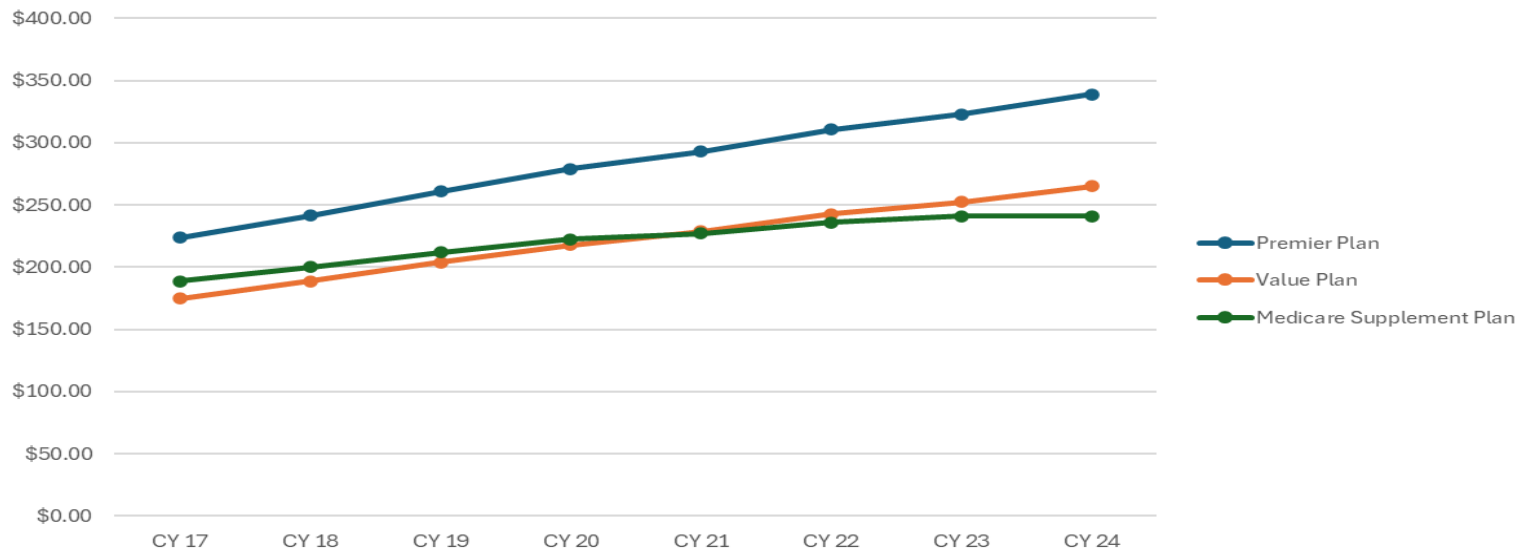
Medical and Prescription Self Insured Plans

SELF INSURED MEDICAL & RX PMPM



Percent Change		
Paid Year	Pre-Medicare	Medicare Supplement
2018	5.71%	7.06%
2019	2.00%	5.24%
2020	1.89%	4.77%
2021	10.21%	6.07%
2022	14.02%	7.60%
2023	3.32%	10.41%

Self Insured Premiums



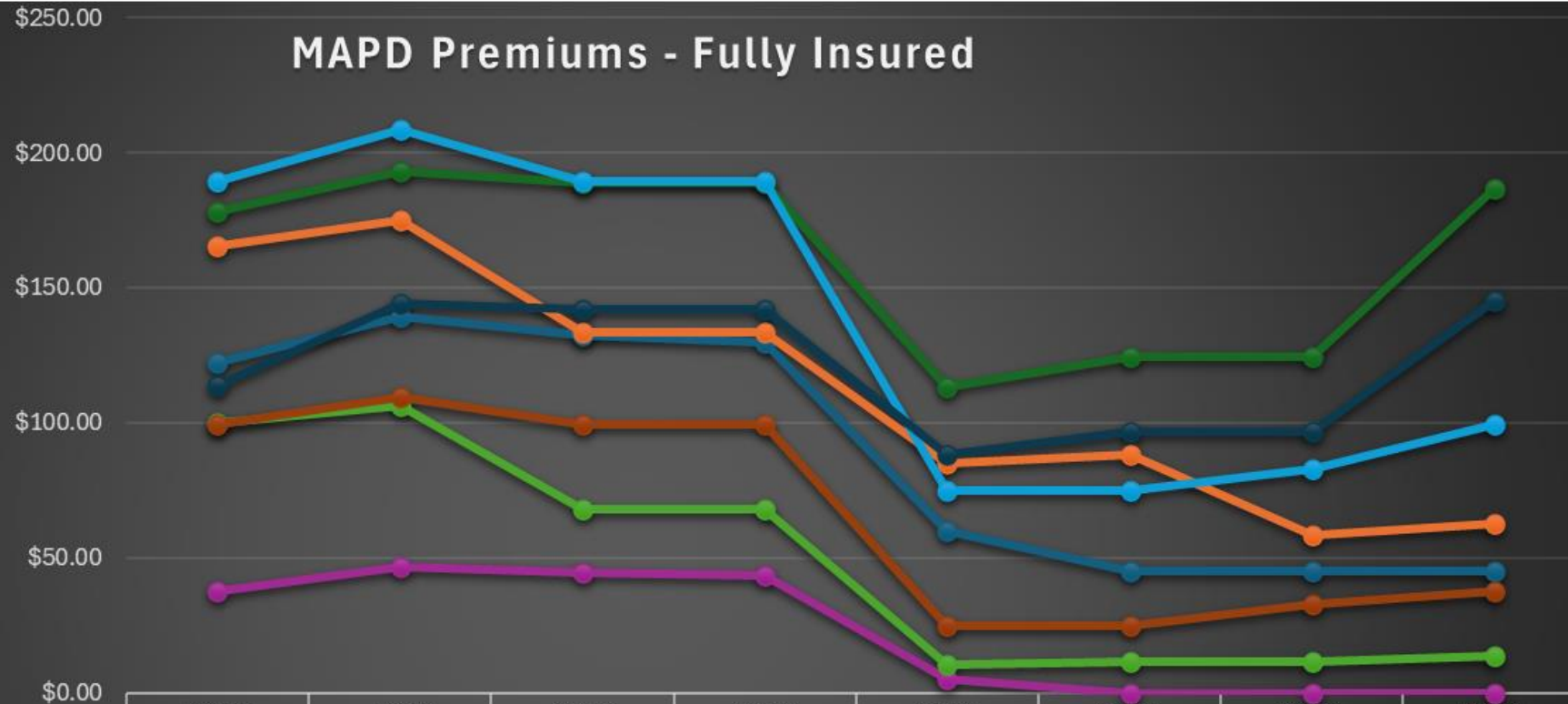
Self Insured Premiums for Member

	Premier Plan	Value Plan	Supplement
CY 17	\$223.56	\$174.63	\$188.64
CY 18	\$241.44	\$188.60	\$199.96
CY 19	\$260.76	\$203.69	\$211.96
CY 20	\$279.01	\$217.95	\$222.55
CY 21	\$292.96	\$228.85	\$227.00
CY 22	\$310.54	\$242.58	\$236.08
CY 23	\$322.96	\$252.28	\$240.80
CY 24	\$339.11	\$264.89	\$240.80

CY24 Enrollment Counts

CY24	8,499	3,218	20,396
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Medicare Advantage Prescription Drug Plans



Total Membership - 20,495
CY24 Enrollment
2,775
1,007
7,484
3,304
1,005
892
1,489
2,539

Collaboration

Interagency Benefits Advisory Committee (IBAC)

- Albuquerque Public Schools, New Mexico Public School Insurance Authority, New Mexico Retiree Health Care Authority, Risk Management Division of the General Services Department
- IBAC Life Insurance Requests For Proposals (RFP)
- Pharmacy Benefit Manager RFP – IBAC and UNM
- Health Care Purchasing Act: Medical, Dental, Vision
 - RFP currently in progress: APS, NMPSIA, NMRHCA
- Consultant and Actuary services
- Point Service Solutions
- Request For Information on Plan-Owned Medical Clinics
- Claims Payment Integrity Audit RFP
- New Mexico Legislators
- Health Care Delivery Systems

National Organizations

- State and Local Government Benefits Association (SALGBA)
 - Other States
 - Collaborating vendors
- Public Sector Healthcare Roundtable
 - Other states
 - Federal Government Representatives
 - Collaborating vendors & educational institutes

Federal Legislation

- Affordable Care Act
- Surprise Billing and Transparency Act
- Inflation Reduction Act
- Other applicable legislation

Compare Retiree Plans to other state retiree plans

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the Legislature. LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

FISCAL IMPACT REPORT

SPONSOR	Thomson/Hernandez/Szczepanski/ Chasey/Jones	LAST UPDATED	
		ORIGINAL DATE	01/30/2024
SHORT TITLE	Step Therapy Guidelines	BILL NUMBER	Senate Bill 135
		ANALYST	Chilton/Rodriguez

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT*

(dollars in thousands)

Agency/Program	FY24	FY25	FY26	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
HCA personnel costs		\$87.5	\$87.5	\$175.0	Recurring	General Fund
NMPSIA added cost		\$1,400.0	\$2,800.0	\$4,200,000	Recurring	NMPSIA
RHCA added cost		\$650.0	\$650.0	\$1,300.0	Recurring	RHCA
APS, GSD added cost		\$1,000.0- \$5,000.0	\$1,000.0- \$5,000.0	\$2,000.0- \$10,000.	Recurring	APS, GSD
Total		\$3,137.5- \$7,137.5	\$5,537.5- \$9,537.5	\$8,675.0- \$16,675.0	Recurring	

Parentheses () indicate expenditure decreases.

*Amounts reflect most recent analysis of this legislation.

Duplicate of House Bill 185.

Sources of Information

LFC Files

Agency Analysis Received From

Office of the Superintendent of Insurance (OSI)

Public School Insurance Authority (PSIA)

Retiree Health Care Authority (RHCA)

General Services Department (GSD)

Health Care Authority (HCA)

Agency Analysis was Solicited but Not Received From

Department of Health (DOH)

Albuquerque Public Schools (APS)

SUMMARY

Synopsis of Senate Bill 135

Senate Bill 135 would amend the Health Care Purchasing and Public Assistance acts and other statutes to regulate the process by which insurers can require patients, and thus their prescribers,

to use preferred or less expensive medications before graduating to more expensive or non-preferred medications. It applies the same requirements to all forms of health insurance available in New Mexico in different sections of the bill, as indicated in the table below.

Health coverage providers would be required to establish review criteria for any step therapy protocol, as defined by peer-reviewed publications, a panel of qualified and disinterested experts, or both. Exceptions to the step therapy process may be requested by individuals, and the plan must rapidly review that request, with reasons given for a refusal to meet the request. If, on the other hand, the request for exception is granted, it remains in effect for that patient during that patient's lifetime.

Exceptions to this process would occur if the insurer required the use of a generic product rather than the brand-name equivalent, or if a prescriber determined that a given drug was medically necessary. "Medical necessity" may be defined by national guidelines or generally accepted principles.

The Office of Superintendent of Insurance is to establish protocols for enforcing these policies.

Section 4 of the bill amends Section 59A-22B-8 NMSA 1978, adding medical conditions for which step therapy could not be imposed before an insurance provider authored coverage (with the exception of requiring that a generic rather than the equivalent brand-name drug be used) to include an autoimmune disorder, a behavioral health condition, and cancer to the existing prohibition on a substance use disorder.

Sections of the Bill and their applications

Bill Section	Section of New Mexico Statutes NMSA 1978	Type of medical health coverage
1	Health Care Purchasing Act	Group health coverage
2	Public Assistance Act	Medical assistance plan care plan law
3	Section 59A-22	Individual health insurance policy, health care plan and certificate of health insurance
5	Section 59A-23	Group or blanket health insurance policy
6	Health Maintenance Organization Law	individual or group health maintenance organization contract
7	Nonprofit health care plan law	Individual or group nonprofit health care plan

Section 8 of the bill establishes exceptions to the provisions of the act for short-term health plans and the excepted benefits act. With those exceptions, the provisions apply to all health plans, group or individual, to be issued or renewed on or after January 1, 2025, and the Office of Superintendent of Insurance or a contractor to OSI is to monitor compliance with the act.

FISCAL IMPLICATIONS

There is no appropriation in Senate Bill 135.

Costs would be due to staff needed to implement the new requirements and the increased cost of pharmaceuticals to state employee and retiree health plans.

With regard to implementation costs, the Health Care Authority (HCA) indicates the following:

Overall fiscal implications cannot be determined at this time. Budgeting for additional staff at Medical Assistance Division to implement the Act and oversee MCO compliance will be needed. 1 FTE at a pay band 70 and a .5 of a Pharmacist II position at a pay band HL for a total of \$87,494. (GF) for salary, fringe benefits, and operating costs each FY. SB135 loosens the parameters health plans can utilize with step therapy to guide therapies towards generics first and ensure high-cost medications are utilized to treat only the individuals who meet the diagnosis criteria. Granting formulary exceptions can deter the ability of a health care entity to manage its formulary and decreases their ability to maintain clinically sound, and cost-effective medication therapy. Therefore, an increase in use of high cost clinically inappropriate medications will have a net increase in the over-all cost to the HCA.

As noted by the Public School Insurance Authority (PSIA) and Retiree Health Care Authority, removing prior authorization or step therapy for those covered by health insurance through those agencies would be expensive, with estimates of \$2.8 million and \$650 thousand, respectively. Albuquerque Public Schools and the General Services Department did not indicate costs to those agencies, but LFC estimates costs to the two of at least \$1 million per year. PSIA notes that a large portion of the increased costs would result from prohibition on the use of the two cost-containment procedures for three categories of condition: autoimmune disorders, behavioral health conditions, and cancer.

Further, PSIA notes that a positive effect of prior authorization and step therapy protocols is that, “in addition to being a cost saving measure, prior authorizations are a means to maintain positive communication between providers and patients. It prompts conversations regarding a physician’s treatment plan and promotes re-evaluation of that plan for the patient’s benefit. This protocol also enacts a checks and balances of sorts for pharmaceutical companies who incentivize the prescription of certain brand name medications. Without proper a PA protocol, providers are not held accountable for prescribing brand name medications when there are more cost-effective option available.”

SIGNIFICANT ISSUES

The requirements for prior authorization and for step therapy are confusing and frustrating for many patients and for their medical care providers. Making the process simpler for providers and patients may well improve their satisfaction with the medical care they receive but also have the potential to significantly increase the overall cost of medications.

In a 2018 National Academy of Science, Engineering and Medicine book titled *Making Medicines Affordable: A National Imperative*, the following recommendations are made to reduce the cost of medications:

Recommendation A: Accelerate the market entry and the use of safe and effective generics as well as biosimilars, and foster competition to ensure the continued affordability and availability of these products.

A-1. The U.S. Department of Justice and the Federal Trade Commission should vigorously deter manufacturers from paying other producers for the delayed entry of generics and biosimilars into the market.

A-2. The U.S. Department of Justice and the Federal Trade Commission should expand the enforcement of policies that preclude mergers and acquisitions among companies possessing significant competing generics and biosimilars—either by preventing the mergers or acquisitions or by requiring divestiture of potentially competing drug products to independent entities.

A-3. The U.S. Patent and Trademark Office should identify specific means to reduce “evergreening” of drug exclusivity via new patents or extensions on existing drugs.

A-4. The U.S. Congress should authorize the U.S. Food and Drug Administration to seek reciprocal drug approval arrangements for generics and biosimilars between the regulatory agencies of the United States and the European Union, and such countries as Australia, Canada, Japan, and New Zealand.

A-5. The U.S. Congress and the U.S. Food and Drug Administration should actively seek to reduce barriers to generic market entry and promote the expeditious market entry of additional domestic and international providers of generics and biosimilars, particularly including those not marketed by the original patent holder.

A-6. State legislatures should develop policies to restrict the use of the “dispense as written” practice by prescribers that may unnecessarily impede the use of generics and biosimilars.

National Academies of Sciences, Engineering, and Medicine. 2018. Making Medicines Affordable: A National Imperative. Washington, DC: The National Academies Press. <https://doi.org/10.17226/24946>.

It would appear that there is tension between plans to simplify and decrease frustration for patients and providers and the desire to decrease the cost of medications overall and eventually to the individual patient.

CONFLICT

As noted by HCA, SB135 partially conflicts with existing law on prior authorizations:

There are some provisions of the bill that are already in statute. In 2013, Senate Bill 296 passed the Senate and the House and was signed by the governor, Chapter 170 April 4, 2013.

- It already has provisions for the standardization of the prior authorization form, which was done and is in use. This bill states the process must be clear and implies that various entities may develop their own process. In fact, much about the process and form is already standardized in statute.
- The bill also has timeframes which, following no response from the approving payer, the approval is considered granted. Both this bill and the legislation from 2013 already in effect have the same 24-hour and 72-hour time frames but in other details differ somewhat, with this bill providing more detail and definitions.

DUPLICATION

This bill is a duplicate of House Bill 185, of the same name.

TECHNICAL ISSUES

As pointed out by PSIA:

The bill does not appear to distinguish between existing utilizers and new utilizers. If a member is currently using an intermediary product (i.e., alternative medication that they are required to take under the step therapy protocol before they can access the medication prescribed by their provider) for treatment of one of the three specified condition categories, it is unclear whether they would be required to switch to the higher-cost product that was

originally prescribed.”

The Office of Superintendent of Insurance states, “OSI performs compliance review of the operations of the health plans, as well as the insurance contracts issued and delivered in New Mexico. Therefore, OSI recommends that the audit requirement be removed.”

OSI continues:

As noted above, Section 4A states that coverage for medication approved by the federal food and drug administration that is prescribed for the treatment of an autoimmune disorder, a behavioral health condition, cancer or a substance use disorder, pursuant to a health care provider's medical necessity determination, shall not be subject to prior authorization, except in cases in which a generic version is available. This creates a conflict with the definition of medical necessity in the Prior Authorization Act, NMSA 1978, §59A-22B-2J, and throughout NMSA and NMAC, where medical necessity is defined as “determined by a health care provider, in consultation with the health insurer, to be appropriate or necessary according to...

OTHER SUBSTANTIVE ISSUES

PSIA points out that “SB 135 conflicts with the authority granted to the Board of Directors under 10-7C-5. Authority Created and 10-7C-6 Board created; membership; authority. 10-7C-7. Board; duties. for the New Mexico Retiree Health Care Authority, as it relates to administration of the Retiree Health Care Act Plan increases in cost share to NMRHCA will continue to apply financial pressure to the program related to deficit spending period and unfunded liabilities.”

GSD points out the Risk Management Division’s Employee Benefits Bureau will be part of the HCA beginning in FY25.

AMENDMENTS

OSI suggests the following:

- Indicate that Sections 3, 5, 6 and 7 amend existing language and are not new material.
- Add language requiring insurance companies to state in the insurance contract (policy or certificate) that they will accept step-therapy exceptions granted by another carrier. This will inform insureds of their rights and require insurance companies to accept exceptions when granted by prior carriers.
- Remove the audit requirement and add language requiring OSI to ensure compliance and take enforcement action when merited.

LC/JR/al/hg

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the Legislature. LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

FISCAL IMPACT REPORT

SPONSOR <u>Stefanics/Stewart/Padilla/Wirth</u>	LAST UPDATED ORIGINAL DATE <u>01/28/2024</u>
SHORT TITLE <u>Health Care Authority</u>	BILL NUMBER <u>Senate Bill 14</u>
ANALYST <u>Chilton</u>	

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT*

(dollars in thousands)

Agency/Program	FY24	FY25	FY26	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Transfer of Health Care Affordability Fund from OSI		(\$89,070.0)	(\$105,750.0)	(\$194,820.0)	Recurring	Office of the Superintendent of Insurance
Transfer of Healthcare Affordability Fund to HCA		\$89,070.0	\$105,750.0	\$194,820.0	Recurring	Health Care Authority
HCA, ECECD, DOH, OSI	Indeterminate but minimal	Indeterminate but minimal	Indeterminate but minimal	Indeterminate but minimal	Nonrecurring	General Fund

Parentheses () indicate expenditure decreases.

*Amounts reflect most recent analysis of this legislation.

Sources of Information

LFC Files

Agency Analysis Received From

Office of the Superintendent of Insurance (OSI)

Health Care Authority (HCA)

Early Childhood Education and Care Department (ECECD)

Agency Analysis was Solicited but Not Received From

Department of Health (DOH)

Children, Youth and Families Department (CYFD)

SUMMARY

Synopsis of Senate Bill 14

Senate Bill 14 enacts several changes in the functions of the Health Care Authority Department, renames it as the Health Care Authority, transfers several functions from the Office of Superintendent of Insurance (OSI), the General Services Department (GSD), and Department of Health (DOH) into HCA, changes language throughout many sections of New Mexico statutes to reflect the change from Human Services Department or Health Care Authority Department, and makes other changes in language throughout the affected statutes to correspond with current usage and revised agency names and terms.

Substantive changes include the following, with bill sections and amended statute, when relevant, noted.

- Section 4 (Section 9-8-4 of statute) changes references to the Health Care Authority Department to references to the HCA and leaves the same divisions in place.
- Sections 6 and 8 moves reference to the Behavioral Health Services Division from DOH (Section 9-7-6.4 of statute) to the section dealing with HCA (Section 24A-3-1 of statute).
- Section 9 (Section 9-8-8 of statute) deals with agencies administratively attached to HCA. These include the Commission on the Status of Women and the Group Benefits Committee, but reference to the New Mexico Health Policy Commission is deleted.
- Section 15 (Section 10-7B-2 of statute) redefines director in the Group Benefits Act from the director of the Risk Management Division of the General Services Department to the director of the State Health Benefits Division of HCA.
- Section 18 (Section 10-7C-6 of statute) increases the size of the Retiree Healthcare Authority from 12 to 13, adding the director of HCA's State Benefits Division.
- Section 20 (Section 24-1-2 of statute) indicates that "crisis triage centers" are licensed by HCA rather than by DOH. In addition, language referring to CYFD as serving only persons greater than eighteen years of age is removed.
- Section 22 (Section 24-1-20 of statute), which regards records confidentiality, replaces the secretary of health with the secretary of HCA or that person's delegate as the guardian of the confidentiality of research subjects in studies authorized by HCA.
- Sections 25 to 28 create a new law, the Health Care Code, that expansively defines healthcare facilities to be regulated by HCA and lists the authority's powers in this regard:
 - Take court action to enforce laws and rules,
 - Make joint powers agreements to carry out its authority,
 - Cooperate and contract with the federal government and other agencies to carry out its duties,
 - Cooperate and contract with Native American tribes and entities,
 - Make rules to carry provisions of the Health Care Code,
 - On confidentiality requirements, inspect clinical records as required to perform its oversight tasks.

The authority is to inspect and license health facilities according to the rules and criteria it makes and is to assure the confidentiality of records.

- Section 29 (Section 24-1-5 of statute, recompiled as Section 24A-1-5) removes from statute the provision that childcare centers without state or federal funding may apply for a waiver to the requirement that a license be posted. Also removed are subsections O and P of the statute, which dealt with child abuse or neglect in childcare centers.
- Section 30 (Section 24-1-5.2 of statute, recompiled as Section 24A-1-6) redirects penalties paid by health care facilities to the current school fund.
- Section 34 (Section 24-1-5.12 of statute, recompiled as Section 24A-1-10) establishes HCA instead of DOH as the entity to inspect rural hospitals.
- Section 49 (Section 24-1A-3 of statute, recompiled as Section 24A-4-3) changes authority over rural primary healthcare clinics from DOH to HCA.
- Section 55 (Section 24-1C-4 of statute, recompiled as Section 24A-5-4), regarding the primary care capital fund, restates the purpose of the fund as being available for loans to school-based health centers and telehealth sites.
- Section 75 (Section 24-1-3 of statute) tasks HCA with administering state welfare activities but removes a subsection that gives it dominion over all child welfare activities.

- Section 82 (Section 27-2-12.4 of statute) removes the requirement that HCA notify a long-term care facility “in writing” of deficient conditions at that facility.
- Section 126 (Section 27-9-1 of statute), states HCA will cooperate with the Aging and Long-Term Services Department instead of DOH regarding demonstration programs providing services to the frail elderly and to persons with disabilities.
- Section 133 (Section 28-16-15.2 of statute) designates HCA as the sole agency with which the Developmental Disabilities Council (DDC) “shall cooperate.” In Section 15, direct support provider agencies have a relationship with the Developmental Disabilities Division of HCA, no longer of DOH.
- Section 136 (Section 28-16A-4 of statute) defines the Developmental Disabilities Council. It removes the secretary of DOH from the council and specifies the secretary of HCA as a member.
- Section 137 is new material to be added to the Abuse and Neglect Act regarding abuse or neglect concerns at a childcare facility, whether licensed or unlicensed. Primary responsibility for dealing with such an issue lies with the Early Childhood Education and Care Department (ECECD).
- Section 140 (Section 59A-23F-11) of statute) moves the health care affordability fund from OSI to HCA, although OSI would still have a consulting role. Section 141 of the bill would give HCA the authority to amend provisions of the health care affordability fund, to include eligibility for participation in use of the fund.
- Section 145 is a temporary provision, transferring the following functions from DOH to HCA:
 - Developmental Disabilities Supports Division
 - Health Improvement Division
 - Health Facility Licensing And Certification Bureau

In addition, all aspects of the health care affordability fund would be transferred from OSI to HCA.
- Section 146 recompiles sections of statute currently located in Section 24 that deal with HCA into a new Section 24A.
- Section 147 repeals the following sections of NMSA 1978:

Section in NMSA 1978	Title of section repealed
9-8-7.4	Incarcerated persons; behavioral health services; county funding program
24-1G-1 and 24-1G-2	Sections stating the title and purposes of the “New Mexico Telehealth and Health Information Technology Commission Act”
24-1K-1 and 24-1K-2	Sections stating the title and purposes of the Primary Care Council

The effective date of this bill is July 1, 2024.

FISCAL IMPLICATIONS

There is no appropriation in Senate Bill 14.

HCA states:

There are some reassignments of functions from the Department of Health and General Services Department to the Health Care Authority. Some of these functions have staff and funding attached via the HCA’s FY25 executive budget recommendation. Functions that may require additional staff, whether to administer funds, oversee programs, or provide administrative support, may have a fiscal impact to HCA. The fiscal impact remains to be determined.

SIGNIFICANT ISSUES

This bill establishes working procedures for and renames the Health Care Authority, in addition to transferring functions from DOH, the General Services Department, and OSI to HCA. There will be issues that develop in the transfer of functions from one state agency to another, including the following, as indicated by OSI:

The Health Care Authority was established to better coordinate coverage and maximize state purchasing power. Bringing [health care affordability fund] programs under the same umbrella as Medicaid could create opportunities to better streamline coverage transitions and the continuum of care. The work that is performed by the Health Care Affordability Bureau is very closely related to the work performed by OSI staff with respect to regulation and oversight of qualified health plans. If transferred to the HCA, the bureau will need to continue to closely coordinate with OSI, as the established programs operate in markets regulated by OSI. The affordability programs are intertwined with existing state and federal regulations and guidance, and market dynamics will need to be closely monitored to ensure consumer benefits are maximized and that the programs are cost effective.

PERFORMANCE IMPLICATION

OSI indicates the need to transfer IT functions that it uses with the health care affordability fund, which would lead to the following problem:

Following a transfer to the HCA, [health care affordability fund] staff will only be able to continue to utilize SERFF [the System for Electronic Rate and Form Filing] if the HCA and OSI entered into a detailed [memorandum of understanding] or similar agreement outlining responsibilities, training, and access. Should the HCA not enter into such an agreement, it would require the development of a new data sharing platform and an agreement with OSI to obtain certain files from SERFF on a regular basis.

TECHNICAL ISSUES

HCA notes the following concerns

- Page 34, Section 21, subsection 24-1-3 NMSA. Lines 9 through 13 have been struck through, inadvertently removing the Division of Health Improvement's (DHI) oversight authority: "J. maintain and enforce rules for the licensure of health facilities; K. ensure the quality and accessibility of health care services and the provision of health care when health care is otherwise unavailable;"
The language that was removed provides DHI its authority to enforce rules and regulations for health facilities and to ensure that quality services are provided. The HCA recommends that this language be re-added to the bill.
- To maintain the confidentiality of reports related to allegations of abuse, neglect and exploitation, the HCA recommends adding on page 52, subsection N. line 13 "or home and community-based Medicaid waiver service providers" after the word "facilities."

ECECD makes the following suggestions as to technical corrections needed:

The edits to and recompilation of the Public Health Act in SB14 impacts [the Children, Youth and Families Department] and [Early Childhood Education and Care Department]

of their investigatory and administrative action authority related to the health facilities that they regulate, including behavioral health facilities that serve children up to age 21 for CYFD, and childcare facilities for ECECD. Additionally, the changes to the definition of “department” under the Public Health Act as it relates to CYFD, by removing the language "serving person up to age 21" would make CYFD responsible for regulating all residential treatment centers, community mental health centers, and day treatment centers, including those who serve adults.

Under section 137 of SB 14, a technical amendment is needed to address the definition of "department" under the Children's Code. Using this definition, moving this language from the Public Health Act to the Children's Code means that "department" would become CYFD and CYFD would become responsible for investigating and sanctioning the childcare facilities that ECECD now has statutory authority over.

To avoid those unintended consequences the following amendments need to be made to the bill:

- Page 30: Lines 17-21, reject proposed removal of each instance of “that serve persons up to twenty-one years of age.”
- Page 34: Lines 9-10, reject proposed removal of Paragraph J;
- Pages 45-53: make Section 29 a new section instead of a recompile and leave the original section in place
- Page 53-56: make Section 30 a new section instead of a recompile and leave the original section in place
- Page 199: Strike Section 137 in its entirety.

LAC/hg/al

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FISCAL IMPACT REPORT

SPONSOR	Gonzales	LAST UPDATED	
		ORIGINAL DATE	1/23/2024
SHORT TITLE	Public Employees Retiree Health Care	BILL	Senate Joint
	Fund, CA	NUMBER	Resolution 5
		ANALYST	Hanika-Ortiz

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT*

(dollars in thousands)

Agency/Program	FY24	FY25	FY26	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
SoS Elections Program	No fiscal impact	\$75.0-\$85.0	No fiscal impact	\$75.0-\$85.0	Nonrecurring	General Fund

Parentheses () indicate expenditure decreases.

*Amounts reflect most recent analysis of this legislation.

Sources of Information

LFC Files

Agency Analysis Received From

Human Services Department (HSD)

Public Employees Retirement Association (PERA)

Agency Analysis was Solicited but Not Received From

Administrative Office of the Courts (AOC)

State Personnel Office (SPO)

Retiree Health Care Authority (RHCA) – a late request for an analysis was sent 1/23/2024. Once received, this fiscal impact report may be updated.

SUMMARY

Synopsis of Senate Joint Resolution 5

Senate Joint Resolution 5 proposes an amendment to Article 20, of the New Mexico Constitution by adding in a new section prohibiting the expenditure of trust funds created through the retiree health care fund for any purpose except for the sole and exclusive benefit of the trust beneficiaries.

The joint resolution provides the amendment question be put before the voters at the next general election (November 2024) or a special election before that time called for the purpose of considering the amendment. The amendment would only be effective if approved by voters.

FISCAL IMPLICATIONS

Under Section 1-16-4 NMSA 1978 and the New Mexico Constitution, the Secretary of State (SOS) is required to print samples of the text of each constitutional amendment in both Spanish and English in an amount equal to 10 percent of the registered voters in the state. SOS is required to publish the samples once a week for four weeks preceding the election in newspapers in every county in the state. Further, the number of constitutional amendments on the ballot may impact the ballot page size or cause the ballot to be more than one page, also increasing costs. The estimated cost per constitutional amendment is \$75 thousand to \$85 thousand, depending on the size and number of ballots and if additional ballot stations are needed.

SOS also produces a general election voter guide at a cost of approximately \$41.5 thousand.

Should this proposed constitutional amendment be approved by voters, it may serve to create a trust relationship between the Retiree Health Care Authority and its membership.

SIGNIFICANT ISSUES

The new Health Care Authority (HCA) is expected to serve as a single agency for health care purchasing, by leveraging the purchasing power of Medicaid along with joint contracting for health care benefits for public employees, teachers, and retirees to lower costs and improve health care quality, access, and outcomes for all New Mexicans. The resolution could conflict with those efforts if passed.

When creating the Retiree Health Care Act, the Legislature declared that “The expectation of receiving future benefits may be modified from year to year in order to respond to changing financial exigencies,” and stated “The Legislature does not intend for the Retiree Health Care Act to create trust relationships among the participating employees, retirees, employers and the [RHCA]” (see Section 10-7C-3 NMSA 1978).

PERFORMANCE IMPLICATIONS

An amendment that is approved by a majority of voters becomes part of the constitution.

ADMINISTRATIVE IMPLICATIONS

HSD noted that a pending executive order will request the HCA, the Public Schools Insurance Authority, the Retiree Health Care Authority, and the other Interagency Benefits Advisory Committee member agencies to work together to develop a coordinated and comprehensive purchasing plan for health care benefits for public employees, teachers, and retirees that can be implemented by 7/1/25.

OTHER SUBSTANTIVE ISSUES

According to information obtained from LFC Volume 1 for FY25, overall participation in state health plans has fallen in the past decade, from 132 thousand in FY12 to 103 thousand in FY23, making it increasingly difficult to leverage economies of scale to slow the rising cost of health

Senate Joint Resolution 5 – Page 3

care. Recent legislative changes present an opportunity for the state to consider its strategy for procuring health coverage. In 2023, the Legislature approved the creation of the Health Care Authority, with a stated goal of creating a single, unified department for healthcare purchasing. As part of a transition report coinciding with the creation of the new department, the executive recommended legislation to require member agencies in the IBAC to engage in joint contracting.

AHO/ss/ne/ss

LFC Requester:	Anne Hanika-Ortiz
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**AGENCY BILL ANALYSIS
2024 REGULAR SESSION**

WITHIN 24 HOURS OF BILL POSTING, EMAIL ANALYSIS TO:

LFC@NMLEGIS.GOV

and

DFA@STATE.NM.US

{Include the bill no. in the email subject line, e.g., HB2, and only attach one bill analysis and related documentation per email message}

SECTION I: GENERAL INFORMATION

{Indicate if analysis is on an original bill, amendment, substitute or a correction of a previous bill}

Check all that apply:

Original X **Amendment**
Correction **Substitute**

Date 1/26/24

Bill No: SJR5

Sponsor:	<u>Roberto “Bobby” J. Gonzalas</u>	Agency Name and Code	<u>New Mexico Retiree Health Care Authority</u>
Short	<u>Public Employees Retiree</u>	Number:	<u>34300</u>
Title:	<u>Health Care Fund, CA</u>	Person Writing	<u>Mark R. Hayden</u>
		Phone:	<u>505-377-9012</u>
		Email	<u>Mark.hayden@RHCA.</u>

SECTION II: FISCAL IMPACT

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY25	FY26	FY27		
0	0	0	Non-reoccurring	RHCA Trust

(Parenthesis () Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to:
Duplicates/Relates to Appropriation in the General Appropriation Act

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis:

An Amendment to Article 20 of the New Mexico Constitution, adding a new section to prohibit the expenditure or encumbrance of the trust fund created for public employees retiree health care for any purpose other than the sole and exclusive benefit of the public employees retiree health care trust fund beneficiaries. Providing for the administration of the trust funds and affirming

certain property rights as a protection to the trust fund.

FISCAL IMPLICATIONS

The RHCA Trust Fund is currently valued at about \$1.34 billion as of December 2023. Nothing currently in the NM Constitution protects the RHCA fund from alternate uses by the NM legislature.

SIGNIFICANT ISSUES

If the \$1.34 billion in NMRHCA's Trust Fund is accessed for alternate uses other than retiree health care beneficiaries, the retirees who have contributed to this trust fund for over more than 30 years would need to be compensated. Moreover, employees have certain expectations that when employed by a participating entity in the retiree health care program that a retiree benefit will be available to them at and during retirement. In addition, it is a condition of employment that each participating employee with an employer who chooses to become a participating employer after January 1, 1998, contribute to the program. These benefit contributions are not only made by the employee, but the employer as a form of compensation for a later benefit. Dissolving or use of this fund in any other manner than specified would reduce or possibly eliminate the health care benefits for retirees from which this program was created. As per the Retiree Healthcare Act was to provide comprehensive core group health insurance for persons who have retired from certain public service in New Mexico. The purpose was to provide eligible retirees, their spouses, and dependents with health insurance consisting of benefits that could be purchased by funds flowing into the retiree health care fund. Retirees and active employees would most likely file protracted litigation against the state to preserve the benefit. Despite the substantial fund balance referenced above, it is insufficient for the purpose of reimbursing employees on an individual basis.

PERFORMANCE IMPLICATIONS

Senate Joint Resolution 5 protects the trust fund which is an asset to the program and used in calculating GASB for Other Post Employment Benefits. Although not enumerated in the state's constitution, the benefits and future obligations are considered equivalent, hence the reporting requirements.

Governmental Accounting Standards (GAS)

The Retiree Health Care Act was created in 1990 for the purpose of providing comprehensive core group health insurance for persons who retire from public service. The program was not established with a material pre-funding period and began paying benefits on behalf of 15,000 members six months after the agency was created. Therefore, the program was established as a "pay as you go" program. Statements however, the accounting standards for "other-post employment benefits" (OPEB) changed under Governmental Accounting Standards (GAS) Statement 43 and 45, requiring NMRHCA to begin reporting the extent to which the program was pre-funded and reported as a footnote on NMRHCA's financial statements, and referred to by contributing employer groups as part of their financial statements. In 2006, the GASB 43 report estimated the actuarial accrued liabilities to total \$4.2 billion, supported by \$154 million in assets, resulting in a 3.62% funded ratio for the 140,000 retired and active members contributing to the program. The most recent report for GASB 75 estimated the actuarial accrued liability of \$3 billion, supported by \$1.3 billion in assets, resulting in a new funded ration of 44%.

Please see the chart below for a history of NMRHCA's GASB valuations between 2006, 2017, and 2023:

	2006	2017*	2023
GASB Statement	43	74	74
Actuarial Accrued Liability	\$ 4,264,180,967	\$ 5,111,141,659	\$ 3,049,662,302
Actuarial Value of Assets	\$ 154,538,668	\$ 579,468,641	\$ 1,346,726,647
Unfunded Actuarial Accrued Liability	\$ 4,109,642,299	\$ 4,531,673,018	\$ 1,702,935,655
Funded Ratio	3.62%	11.34%	44.16%
Covered Payroll	\$ 4,073,731,873	\$ 4,165,647,340	\$ 4,952,012,764
Total Participants	140,292	160,035	159,125

*Beginning 2017:

Actuarial Accrued Liability = Total OPEB Liability

Actuarial Value of Assets = Plan Fiduciary Net Position

Unfunded Actuarial Accrued Liability = Net OPEB Liability

In 2017, the accounting standards continued to evolve as reflected in GASB Statement 74, which replaced GASB Statement 43 and GASB Statement 75. GASB 74 effectively reduced the discount rate applied to the growth in the program's long-term assets, while GASB 75 now requires employer groups to include their pro-rated portion of the program's net OPEB liabilities on the balance sheet of their financial statements. As of June 30, 2022, for example, the Net OPEB Liabilities reported for several of the state's largest employer groups were as follows:

State of New Mexico (all state agencies)	\$552,044,291
Albuquerque Public Schools	\$264,483,025
Bernalillo County	\$ 65,304,075
City of Albuquerque	\$157,585,078
Las Cruces School Districts	\$ 75,183,848

Which is an improvement from 2018 reported Net Liabilities for the same employer groups as shown below:

State of New Mexico (all state agencies)	\$1,049,290,625
Albuquerque Public Schools	\$ 480,522,776
Bernalillo County	\$ 125,875,740
City of Albuquerque	\$ 305,426,268
Las Cruces School Districts	\$ 133,203,588

Any addition of these liabilities to the financial statements of the 303 participating employer groups may impact their future bonding capacity similar to the pension plan liabilities.

ADMINISTRATIVE IMPLICATIONS

None

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

None

TECHNICAL ISSUES

None

OTHER SUBSTANTIVE ISSUES

The other commonly referred to measurement of the program's financial wellbeing is the solvency study conducted on an annual basis. This study compares projected revenues and expenditures over a 30-year period and includes assumptions with regard to growth in participation, payroll, operational costs, medical trend, investment earnings and Medicare Part D reimbursements. Since 2010, NMRHCA has contributed over \$500 million to its long-term trust fund, boosting its projected solvency period beyond 2054. However, it is projected that NMRHCA would go into a deficit from July 2032 until July 2040 which during that point, projected expenditures will exceed projected revenues and trust fund balances available to support the operations of the program would require use of the trust fund.

ALTERNATIVES

Statutory protections are an alternative but not as strong as a Constitutional Amendment.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

The New Mexico Retiree Health Care fund would not be protected by the New Mexico Constitution and if utilized for alternative uses, then NMRHCA would have to consider more aggressive reductions to the value of the benefits currently provided; combined with a significant increase in charges assessed to retirees in the form of their monthly premiums, and other restrictions to plan participation or increase in employee and employer payroll deductions.

AMENDMENTS

None

New Mexico Retiree Health Care Authority (CP)

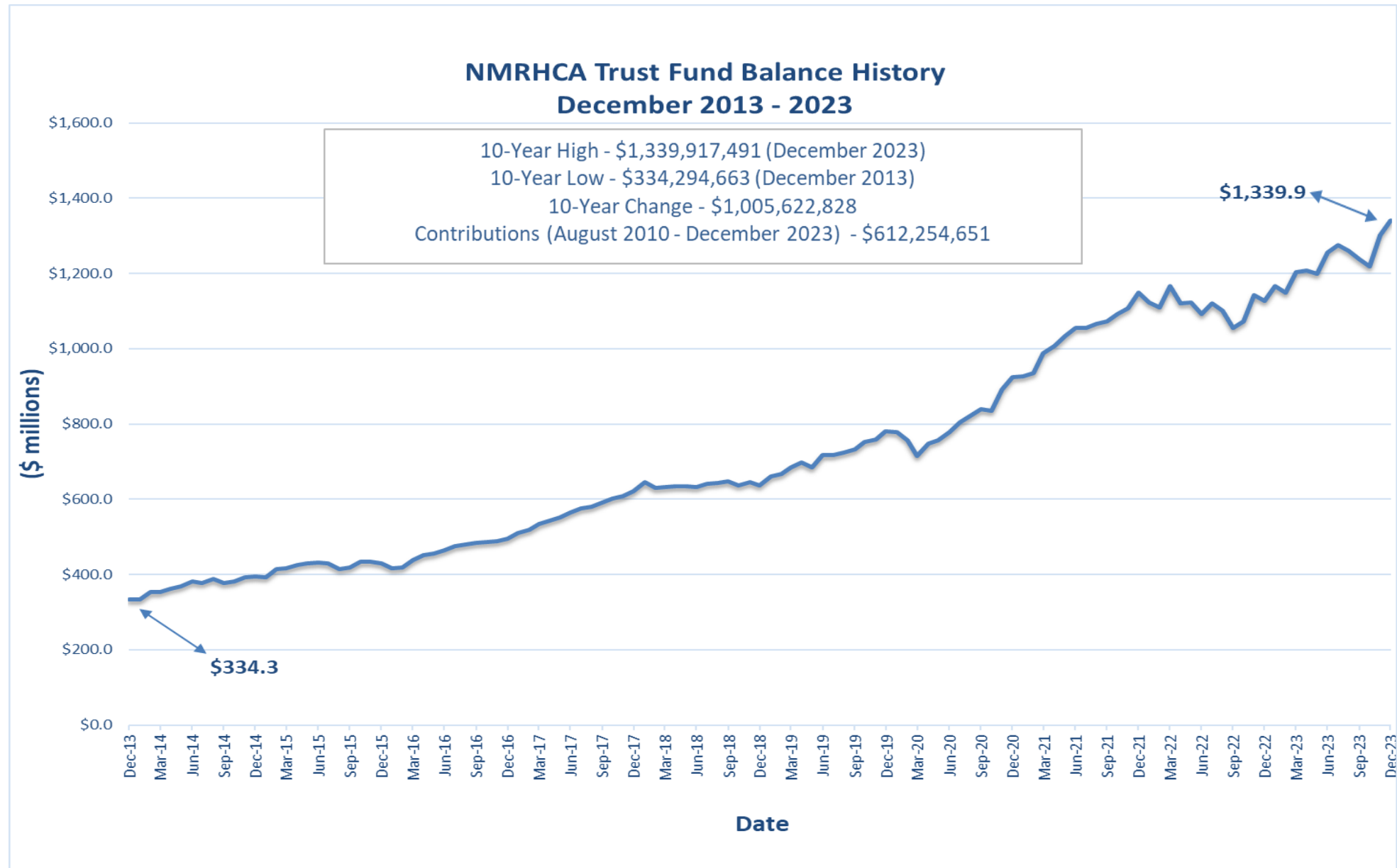
Change in Market Value

For the Month of Dec 2023

(Report as of January 18, 2024)

Investment Name	Prior Ending Market Value	Contributions	Distributions	Fees	Income	Gains - Realized	Gains - Unrealized	Gains - Realized & Unrealized	Market Value
Core Bonds Pool	205,262,551.85	-	-	-	1,034,555.72	70,314.03	6,675,136.29	6,745,450.32	213,042,557.89
NM Retiree Health Care Authority Cash Account	-	-	-	-	-	-	-	-	-
Non-US Developed Markets Index Pool	167,703,989.28	-	-	-	266,571.23	26,200.41	9,633,490.68	9,659,691.09	177,630,251.60
Non-US Emerging Markets Active Pool	99,001,978.64	-	-	-	278,175.92	(486,087.28)	3,974,414.38	3,488,327.10	102,768,481.66
Private Debt Market Pool	192,126,633.21	-	-	-	558,032.82	968,949.03	3,222,020.44	4,190,969.47	196,875,635.50
Private Equity Pool	192,061,812.41	-	-	-	246,029.59	1,843,814.43	(1,972,142.58)	(128,328.15)	192,179,513.85
Real Estate Pool	133,664,100.34	-	-	-	354,039.11	151,945.75	(2,459,081.24)	(2,307,135.49)	131,711,003.96
Real Return Pool	65,540,639.67	-	-	-	463,418.00	138,339.35	274,728.95	413,068.30	66,417,125.97
US Large Cap Index Pool	219,285,756.74	-	-	-	312,385.91	275,218.68	10,216,533.95	10,491,752.63	230,089,895.28
US SMID Cap Alternative Weighted Index Pool	25,891,222.42	-	-	-	49,107.64	152,845.32	3,109,850.40	3,262,695.72	29,203,025.78
Sub - Total New Mexico Retiree Health Care	1,300,538,684.56	-	-	-	3,562,315.94	3,141,539.72	32,674,951.27	35,816,490.99	1,339,917,491.49
Total New Mexico Retiree Health Care	1,300,538,684.56	-	-	-	3,562,315.94	3,141,539.72	32,674,951.27	35,816,490.99	1,339,917,491.49

Trust Fund





REPORTS OF INDEPENDENT AUDITORS
AND FINANCIAL STATEMENTS WITH
SUPPLEMENTARY INFORMATION

**NEW MEXICO RETIREE HEALTH
CARE AUTHORITY**

June 30, 2023

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New Mexico Retiree Health Care Authority
Official Roster
June 30, 2023

Board of Directors

Therese Saunders, Board President	NEA-NM, Classroom Teachers Association
Tomas Salazar, Vice-President	New Mexico Association of Educational Retirees
LeAnne Larrañaga-Ruffy, Secretary	Public Employee's Retirement Association of New Mexico Designee
Laura M. Montoya	State Treasurer of New Mexico
Vacant	Governor's Appointee
Sanjay Bhakta	New Mexico Municipal League
Rick Scroggins	New Mexico Educational Retirement Board
Lance A. Pyle	New Mexico Association of Counties
Raquel Alirez	New Mexico Environment Department
Gerry Washburn	Public School Superintendent's Association of New Mexico

Staff

Neil Kueffer	Executive Director
Sheri Ayanniyi	Chief Financial Officer

Report of Independent Auditors

The Board of Directors
New Mexico Retiree Health Care Authority

Joseph M. Maestas, P.E.
New Mexico State Auditor

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of fiduciary net position and changes in fiduciary net position of New Mexico Retiree Health Care Authority (the Authority) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the fiduciary net position of New Mexico Retiree Health Care Authority as of June 30, 2023, and the changes in fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (*Government Auditing Standards*), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1, the financial statements of New Mexico Retiree Health Care Authority present the fiduciary net position and changes in fiduciary net position of the State of New Mexico that are attributable to the transactions of the Authority. The financial statements do not present fairly the financial position of the entire State of New Mexico as of June 30, 2023, the changes in its financial position, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of revenues and expenses – budget and actual: administrative fund, schedule of revenues and expenses – budget and actual: benefits fund, schedule of changes in net OPEB liability, schedule of employer contributions, and schedule of investment returns, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The schedule 1 – combining schedule of fiduciary net position by functional activity, schedule 2 – combining schedule of changes in fiduciary net position by functional activity, and schedule 3 – schedule of investment fees (collectively, the supplementary information) are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the schedule 4 – combining schedule of general and administrative expenses by functional activity, schedule 5 – combining schedule of state general fund investment pool, and schedule 6 – schedule of appropriations, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2023 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Moss Adams LLP".

Albuquerque, New Mexico
November 21, 2023

New Mexico Retiree Health Care Authority

Management's Discussion and Analysis

June 30, 2023

INTRODUCTION

The New Mexico Retiree Health Care Authority (the Authority) fosters quality of life and peace of mind by responsibly administering affordable, secure health care benefits for public retirees and their families. The Authority's management has provided this discussion and analysis of the financial activities of the Authority for the year ended June 30, 2023. The narrative offers an overview of the financial reporting requirements, financial highlights, budgetary analysis, and comparative information. Financial data has been provided for the year ended June 30, 2022 for comparative purposes.

FINANCIAL REPORTING REQUIREMENTS

The Authority's financial statements have been prepared in conformity with standards published by the Governmental Accounting Standards Board (GASB) for retiree health systems. The basic financial statements presented comprise the following:

Statement of Fiduciary Net Position

The statement of fiduciary net position provides a snapshot of the retiree health trust. It reports the Authority's assets, liabilities, and net position restricted for postemployment benefits other than pensions at the end of the fiscal year.

Statement of Changes in Fiduciary Net Position

The statement of changes in fiduciary net position presents the additions and deductions to the net position restricted for postemployment benefits other than pensions and is a summary of the Authority's transactions occurring during the fiscal year.

Notes to the Financial Statements

The notes to the financial statements are an integral part of the Authority's financial statement presentation and provide additional information not readily evident in the statements as presented.

Required Supplementary Information

The required supplementary information provides a detailed and informative analysis about the financial condition of the trust administered by the Authority.

Supplementary Information

The supplementary information contains additional information not required by the GASB but has been deemed useful in evaluating the Authority's overall financial condition.

New Mexico Retiree Health Care Authority
Management's Discussion and Analysis
June 30, 2023

FINANCIAL HIGHLIGHTS

The Authority's statement of fiduciary net position is summarized as follows:

	June 30,	
	2023	2022
ASSETS		
Cash and cash equivalents	\$ 100,982,649	\$ 71,261,671
Contributions and other receivables	21,997,557	22,014,424
Investments with New Mexico State Investment Council	1,261,587,417	1,091,313,523
Capital assets, net	1,729,087	2,039,782
Total assets	<u>1,386,296,710</u>	<u>1,186,629,400</u>
LIABILITIES		
Reserve for loss and loss adjustment expense	21,978,000	25,420,000
Other current liabilities	17,285,927	5,215,198
Retiree premiums received in advance	306,136	298,737
Total liabilities	<u>39,570,063</u>	<u>30,933,935</u>
NET POSITION RESTRICTED FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS	<u>\$ 1,346,726,647</u>	<u>\$ 1,155,695,465</u>

The Authority's statement of changes in fiduciary net position is summarized as follows:

	Year Ended June 30,	
	2023	2022
ADDITIONS		
Contributions	\$ 346,383,835	\$ 332,931,925
Investment income (loss)	71,822,199	(49,543,613)
Tax administration suspense fund revenue	41,314,672	36,888,100
Medicare Part D rebates and other	70,607,015	43,201,979
Total additions	<u>530,127,721</u>	<u>363,478,391</u>
DEDUCTIONS		
Premiums and claims paid	335,094,393	323,478,948
Expenses and other	4,002,146	3,803,523
Total deductions	<u>339,096,539</u>	<u>327,282,471</u>
NET INCREASE IN NET POSITION	<u>\$ 191,031,182</u>	<u>\$ 36,195,920</u>

New Mexico Retiree Health Care Authority

Management's Discussion and Analysis

June 30, 2023

Net position increased by approximately \$191.0 million, or 16.5%, during fiscal year 2023 compared to fiscal year 2022. The increase during the current year is primarily due to the following:

- The fair value of investments increased by \$170.3 million or 15.6% due to approximately \$100.0 million in investment purchases and net investment income of approximately \$71.8 million.
- Cash balances increased by \$29.7 million or 41.7% due to timing of transfers made to the trust fund held by the New Mexico State Investment Council.
- Medicare Part D and other revenues increased by approximately \$27.4 million or 63.4% from the prior year. Contributions increased by approximately \$13.5 million, or 4.0%, from the prior year. Contributions by source were as follows:

	Year Ended June 30,	
	2023	2022
Retirees	\$ 174,521,312	\$ 180,500,394
Employer	114,542,451	101,585,358
Employee	57,271,226	50,792,679
Employer buy-ins interest portion	48,846	53,494
Total contributions	<u>\$ 346,383,835</u>	<u>\$ 332,931,925</u>

The Authority reported an estimated net OPEB liability of \$1,702,935,655 and \$2,311,603,002 as of June 30, 2023 and 2022, respectively, representing a decrease of \$608.7 million during the year ended June 30, 2023. The decrease is the result of a change in assumption related to an increase in the blended discount rate from 5.42% to 6.22%. The net OPEB liability as of June 30, 2023, is comprised of the Authority's total OPEB liability of \$3,049,662,302 calculated by the Authority's independent actuaries, offset by the plan's fiduciary net position of \$1,346,726,647. As of June 30, 2023, the plan's fiduciary net position as a percentage of the total OPEB liability (funded status) was 44.16%, an increase of 10.83% compared to the 33.33% funded status as of June 30, 2022.

BUDGETARY ANALYSIS

The fiscal year 2023 operating budget authorized expenditures totaling \$380.5 million, including \$2.3 million in personal services and employee benefits, \$377.6 million in contractual services, and \$0.6 million in other expenses. Actual expenditures totaled \$338.2 million, supported by revenues totaling \$459.8 million, resulting in an increase in net position of \$191.0 million.

New Mexico Retiree Health Care Authority

Management's Discussion and Analysis

June 30, 2023

CURRENTLY KNOWN FACTS, DECISIONS, AND CONDITIONS

The New Mexico Retiree Health Care Act (the Act) was enacted in Sections 10-7C-1 through 10-7C-19 NMSA 1978, for the purpose of providing comprehensive group health insurance coverage for persons who have retired from certain public service in the State of New Mexico and their eligible dependents. The Authority offers both pre-Medicare and Medicare plans to eligible retirees, as well as ancillary coverage including dental, vision, and life insurance. The Act provides that the benefits offered to retired public employees may be modified, diminished, or extinguished by the Legislature, and that the Act does not create any contract, trust, or other rights to public employees for health care benefits. Financing is provided through the setting of premiums for retirees by the Authority's Board of Directors and the allocation of governmental revenue streams by the Legislature on a "pay-as-you-go" basis.

The Authority administers the Act. It has a funding base comprised of active employee payroll deductions, participating employer contributions, monthly premium contributions of enrolled participants, investment income, and amounts distributed annually from the Taxation Administration Suspense Fund (TAA Fund).

Based on actuarial projections at June 30, 2023, the Authority is projected to become insolvent in fiscal year 2070 (47 years). As in prior measurement periods, the solvency assumes changes to variables such as medical and prescription drug trends, plan participation, growth in payroll and investment earnings. While accurately projecting medical costs 10 years, 20 years, and 30 years from now is difficult, the solvency study helps measure the long-term impact of policies adopted by the Board of Directors each year. The successes of these policies are reflected by the continued improvements to the estimated life of the trust fund.

The solvency analysis indicates continued improvements to the financial outlook of the program, on a pay-as-you-go basis. However, the solvency analysis and reporting requirements associated with GASB Statements No. 74 and No. 75 continue to indicate significant long-term challenges associated with the financing of retiree healthcare benefits.

FUTURE CHALLENGES

The long-term challenges associated with providing healthcare to a growing retiree population have been exacerbated by the COVID-19 pandemic. For example, members who delayed or avoided seeking care for conditions that could have been detected and treated early, may lead to more costly and less successful treatments as a disease or condition advances. This, combined with the reported long-term effects of COVID-19 on surviving members, has the potential to significantly increase plan costs in the near future. In addition, hospitals and physicians are seeking higher reimbursement rates due to provider shortages and rising costs of prescription drugs will all continue to apply higher financial pressure to the program.

FINANCIAL CONTACT

Any questions regarding the financial statements of the Authority should be directed to the Executive Director, New Mexico Retiree Health Care Authority, 6300 Jefferson St. NE, Suite 150, Albuquerque, NM 87109.

New Mexico Retiree Health Care Authority
Statement of Fiduciary Net Position
June 30, 2023

ASSETS

Interest in State General Fund Investment Pool	\$ 100,982,649
Receivables	
Contributions - employers, employees, and retirees, net	13,774,046
Due from other state agencies	3,442,889
Due from charter schools	585,022
Accounts receivable - rebates and Medicare Part D	3,579,674
Buy-in obligations receivable	615,926
Total receivables	<u>21,997,557</u>
Investments with State Investment Council	
U.S. Large Cap Index Pool	207,692,902
Non-U.S. Emerging Markets Active Pool	95,977,496
Non-U.S. Developed Markets Index Pool	162,377,105
Private Equity Pool	189,018,494
Credit and Structured Finance Pool	187,057,272
Real Estate Pool	130,658,752
U.S. Small/Mid Cap Alternative Weighted Index Pool	26,016,327
Real Return Pool	63,160,695
Core Bond Pool	199,628,374
Total investments	<u>1,261,587,417</u>
Capital assets, net of accumulated depreciation and amortization	<u>1,729,087</u>
Total assets	<u>1,386,296,710</u>

LIABILITIES

Accounts payable	16,168,094
Payroll liabilities	39,638
Lease liabilities	983,497
Compensated absences	94,698
Reserve for loss and loss adjustment expense	21,978,000
Retiree premiums received in advance	306,136
Total liabilities	<u>39,570,063</u>

**NET POSITION RESTRICTED FOR POSTEMPLOYMENT
BENEFITS OTHER THAN PENSIONS**

\$ 1,346,726,647

See accompanying notes to these financial statements.

New Mexico Retiree Health Care Authority
Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2023

ADDITIONS

Contributions	
Retiree	\$ 174,521,312
Employer	114,542,451
Employee	57,271,226
Employer buy-ins interest portion	48,846
Total contributions	<u>346,383,835</u>
Investment income	
Net appreciation in fair value of investments	70,273,894
Interest adjustment on State General Fund Investment Pool	1,548,305
Net investment income	<u>71,822,199</u>
Other	
Tax administration suspense fund revenue	41,314,672
Medicare Part D subrogation and rebates	70,607,015
Total other	<u>111,921,687</u>
Net additions	<u>530,127,721</u>

DEDUCTIONS

Premiums and claims paid	335,094,393
General and administrative expenses	3,177,456
Refunds to retirees	432,866
Depreciation and amortization expense	391,824
Total deductions	<u>339,096,539</u>

NET INCREASE IN NET POSITION 191,031,182

**NET POSITION RESTRICTED FOR POSTEMPLOYMENT
BENEFITS OTHER THAN PENSIONS**

Beginning of year	<u>1,155,695,465</u>
End of year	<u><u>\$ 1,346,726,647</u></u>

See accompanying notes to these financial statements.

New Mexico Retiree Health Care Authority

Notes to Financial Statements

Note 1 – Retiree Health Care Act Plan

The New Mexico Retiree Health Care Authority (the Authority) was formed on February 13, 1990, under the New Mexico Retiree Health Care Act (the Act) of New Mexico Statutes Annotated, as amended (NMSA 1978), to administer the Retiree Health Care Fund (10-7C-1-19 NMSA 1978) (the Fund) which was created to provide comprehensive group health insurance coverage for individuals (and their spouses, dependents, and surviving spouses) who have retired or will retire from public service in New Mexico.

The Fund is a multiple employer cost sharing defined benefit healthcare plan that provides eligible retirees (including terminated employees who have accumulated benefits but are not yet receiving them), their spouses, dependents and surviving spouses and dependents with health insurance and prescription drug benefits consisting of a plan, or optional plans of benefits, that can be purchased by funds flowing into the Fund and by co-payments or out-of-pocket payments of eligible retirees. Employees of the Authority participate in the plan.

The Act created a governing Board of Directors (the Board) comprised of not more than 12 members. Membership of the Board includes the following:

1. One member who is not employed by or on behalf of, or contracting with, an employer participating in or eligible to participate in the Fund (10-7C-1 to 10 7C-19 NMSA 1978), and who shall be appointed by the Governor to serve at the pleasure of the Governor;
2. The director of the Educational Retirement Board (ERB) or the ERB director's designee;
3. One member to be selected by the Public School Superintendent's Association of New Mexico;
4. One member who shall be a teacher who is certified and teaching in elementary or secondary education to be selected by a committee composed of one person designated by the New Mexico Association of Classroom Teachers, one person designated by the National Education Association of New Mexico and one person designated by the New Mexico Federation of Teachers;
5. One member who shall be an eligible retiree of a public school and who shall be selected by the New Mexico Association of Retired Educators;
6. One member who shall be an eligible retiree of an institution of higher education participating in the Act and who shall be selected by the New Mexico Association of Retired Educators (the institutions of higher education do not currently have the requisite number of participants for board representation);
7. The executive secretary of the Public Employees' Retirement Association (PERA) or the PERA executive secretary's designee;
8. One member who shall be an eligible State government retiree and who shall be selected by the Retired Public Employees of New Mexico;
9. One member who shall be an elected official or employee of a municipality participating in the Fund to be selected by the New Mexico Municipal League;

New Mexico Retiree Health Care Authority

Notes to Financial Statements

10. One member who shall be an elected official or employee of a county participating in the Fund to be selected by the New Mexico Association of Counties;
11. The State Treasurer or the State Treasurer's designee; and
12. One member who shall be a classified State employee selected by the Personnel Board in response to statutory amendment.

Every member of the Board serves at the pleasure of the party or parties that selected that member. The Board elects from its membership a president, vice president, and secretary.

The Board may enter into contracts or arrangements with consultants, professional persons or firms as may be necessary to carry out the provisions of the Act. Other legal duties of the Board are defined by Section 10-7C-7 of the Act.

The plan has 302 participating employers and 159,125 current members, including active employees, terminated eligible members, retirees, and surviving spouses. The following schedule summarizes the number of members enrolled in the plan as of June 30, 2023:

Plan membership	
Current retirees and surviving spouses	52,978
Inactive and eligible for deferred benefit	12,552
Current active members	93,595
	<hr/>
	159,125
	<hr/>
Active membership	
State general	18,462
State police and corrections	1,260
Municipal general	17,283
Municipal police	3,169
Municipal FTRE	2,419
Educational Retirement Board	51,002
	<hr/>
	93,595
	<hr/>

The Authority operates and administers the plan from the following funds:

Administrative Fund (38000): Created by 10-7C-16 NMSA 1978. The purpose of this fund is to provide administrative support to carry out the purpose of the Benefit Fund and the Act. This fund is not financed by the general fund; it is financed by and reverts to the Benefit Fund (38100).

Benefit Fund (38100): Created by the Act (10-7C-1 to 10-7C-19 NMSA 1978). The purpose of this fund is to provide core group and optional healthcare and life insurance benefits for current and future retirees and their dependents as mentioned above.

The Authority is an independent agency of the State of New Mexico. The funds administered by the Authority are considered part of the State of New Mexico financial reporting entity and are OPEB trust funds of the State of New Mexico. The Authority's financial information should be included with the financial presentation of the State of New Mexico.

New Mexico Retiree Health Care Authority

Notes to Financial Statements

The Authority has developed criteria to determine whether other state agencies, boards or commissions which benefit the members of the Authority should be included within its financial reporting entity. The criteria include, but are not limited to, whether the Authority exercises oversight responsibility on financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters, scope of public service, and special financing relationships. Based on these criteria, management has determined that no other such entities should be included in its financial reporting entity. The Authority does not have any component units.

Because the Authority is a self-funded, mainly self-insured entity pursuant to Section 10-7C, NMSA 1978, the Authority is not construed to be transacting insurance activity otherwise subject to the laws of the State of New Mexico that regulate insurance companies and therefore, not subject to minimum statutory reserve requirements.

Employer and employee contributions to the Authority total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee's salary as required by 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on an actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the employer's participation in the Authority.

Current retirees are required to make monthly contributions for individual basic medical coverage. The Board may designate other plans as "optional coverages." See Section 10-7C-13, NMSA 1978 for more details.

Note 2 – Summary of Significant Accounting Policies

Basis of Accounting

The Authority's financial statements are prepared using the economic resource measurement focus and the accrual basis of accounting. The economic resource measurement focus is used for all assets, deferred outflows, liabilities, deferred inflows, revenues, expenses, gains, and losses. Under the accrual basis of accounting, revenues are recognized in the accounting period in which they are earned, and expenses are recorded at the time liabilities are incurred. Contributions are recognized when due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

New Accounting Standard

The Authority adopted GASB No. 96 *Subscription-Based Information Technology Arrangements* as of July 1, 2022. Accordingly, the Authority evaluated subscription-based information technology contracts that were formerly expensed as incurred. The Authority identified several contracts that would be classified as short-term subscription-based information technology arrangements that are expensed when incurred. None of their arrangements last longer than the 12-month threshold accordingly no right to use asset with an associated liability has been recognized.

Interest in State General Fund Investment Pool

Interest in State General Fund Investment Pool include the Authority's pro rata share of liquid internal investment pools to include cash on deposit held by the New Mexico State Treasurer (State Treasurer). Deposits with the State Treasurer are required to be collateralized at a minimum level of 50%. The State Treasurer issues separate financial statements, which disclose the collateral pledged to secure these deposits and the market value of purchased investments. The only checking account is a zero-balance lock box depository at the State Fiscal Agent and monies are transferred daily to the State Treasurer.

New Mexico Retiree Health Care Authority

Notes to Financial Statements

Accounts Receivable and Employer Buy-Ins

Accounts receivable derived from employers and participants consist of amounts due from employers and for contributions relating to payrolls paid prior to June 30, 2023 and amounts due from retirees for monthly premiums. Advance premiums from retirees are recorded as unearned revenues. Accounts receivable also include balances due from other state agencies and charter schools and rebates and Medicare Part D receivables at year end.

Qualified employers previously declining participation may elect to buy-in under 10-7C-1, NMSA 1978. Upon meeting requirements and approval, the employer will pay a determined amount to compensate the Authority and other participants for prior periods of nonparticipation and for additionally incurred liabilities. Payments can be lump sum or on the installment method for up to 13 years and are in addition to regular monthly contributions.

Investments

The Authority accounts for its investments in accordance with GASB No. 40 *Deposit and Investment Risk Disclosures* (GASB No. 40) and GASB No. 72 *Fair Value Measurement and Application* (GASB No. 72). Please refer to the financial statements of the State Investment Council and the State Treasurer's Office for full disclosures, including security credit ratings for investment assets that conform to GASB No. 40 requirements. The Authority is subject to the Uniform Prudent Investor Act, NMSA 45-7 and has structured their investment policy to comply to NMSA 45-7.

Capital Assets

Acquisitions of property and equipment and improvements and replacements of equipment with an initial individual cost of at least \$5,000 (per Section 12-6-10, NMSA 1978) and an estimated useful life in excess of one year are capitalized at cost. Depreciation and amortization are provided using the straight-line method over the estimated useful lives of the assets. Right-to-use assets are amortized over the lesser of the lease term or the useful life of the leased asset. The useful lives are 10 years for furniture and office equipment and three to seven years for computer equipment.

Leases

The Authority recognizes lease contracts or equivalents that have a term exceeding one year and the cumulative future payments on the contract exceed \$25,000 that meet the definition of an other-than-short-term lease. The Authority uses a discount rate that is explicitly stated or implicit in the contract. When a readily determinable discount rate is not available, the discount rate is determined using the Authority's incremental borrowing rate at start of the lease for a similar asset type and term length to the contract. Short-term lease payments are expensed when incurred.

Income Taxes

The Authority provides an essential governmental function to its participants as described in Section 115 of the Internal Revenue Code (the Code) and therefore considers the Authority exempt from federal income taxes pursuant to the Code.

New Mexico Retiree Health Care Authority

Notes to Financial Statements

Net Position Restricted for Postretirement Benefits Other Than Pensions

The plan's net position and State of New Mexico pension tax revenue are restricted to provide for payment of claims and premiums in future years and to continue to provide health benefits to eligible retirees. All fiduciary funds revenue, including pension tax, is held in trust for qualified retirees. These funds are not available to the State of New Mexico for appropriation for other purposes. The restrictions on the plan net position are deemed to be legally enforceable and, therefore, the net position is reported as restricted pursuant to GASB standards. When restricted and unrestricted resources are available for the same purpose, it is the policy of the Authority to first apply the unrestricted resources.

Program Revenue

Program revenue shown on the accompanying statement of changes in fiduciary net position consists primarily of contributions received from retirees, employers, and employees, including amounts received and accrued from employer buy-ins. Operating revenue is distinguished from non-operating revenue by considering the core purpose of the Authority to provide comprehensive group health insurance. As a result, contributions received from participants are considered operating revenues.

Budgetary Process and Budgetary Basis of Accounting

The Authority prepares its budget on the accrual basis. Investment gains and losses, depreciation, and changes in incurred but not reported (IBNR) claim expenses are not budgeted. An operating budget is submitted annually for approval to the Budget Division of the New Mexico Department of Finance and Administration (DFA) and reviewed by the Legislative Finance Committee. The Authority submits two budgets reflecting the Health Benefits Administration Fund and Program Support Fund. The legal level of budgetary control is at the functional level. Budget Adjustment Requests must be reviewed by the Department of Finance and Administration. Administrative line-item expenditures may legally exceed amounts budgeted; however, the total budget category expenditures may not legally exceed approved budget category amounts.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

Net OPEB Liability

The net OPEB liability and the plan's actuarial valuation were calculated by the Authority's independent actuary as of June 30, 2023. The plan's valuation and measurement of the total OPEB liability and related net OPEB liability were performed in accordance with GASB No. 74 requirements at the request of the Authority.

Net Pension Liability and Related Pension Amounts

The Authority, as part of the primary government of the State of New Mexico, is a contributing employer to a cost-sharing multiple employer defined benefit pension plan administered by PERA. Overall, total pension liability exceeds plan net position, resulting in a net pension liability. The State of New Mexico has determined that the State's proportionate share of the net pension liability is a liability of the State of New Mexico as a whole, and the net pension liability or other pension amounts will not be reported in the department or agency level of the State.

New Mexico Retiree Health Care Authority

Notes to Financial Statements

Postemployment Benefits – State Retiree Health Care Plan

The Authority, as part of the primary government of the State of New Mexico, is a contributing employer to the Fund on behalf of the Authority's employees and for persons who have retired from certain public service positions in New Mexico. The State has determined the State's share of the net OPEB liability to be a liability of the State as a whole, rather than any agency or department of the State, and the liability will not be reported in the department or agency level financial statements of the State.

Information concerning the net pension and OPEB liabilities, benefit expenses, and benefit-related deferred inflows and deferred outflows of resources of the primary government will be contained in the State of New Mexico Annual Comprehensive Financial Report for the year ended June 30, 2023 and will be available, when issued, from the Office of the State Controller, Room 166, Bataan Memorial Building, 407 Galisteo Street, Santa Fe, New Mexico 87501.

Upcoming Accounting Standards

GASB Statement No. 101, *Compensated Absences*, increases the usefulness of governments' financial statement by requiring that liabilities for compensated absences be recognized for leave that has not been used and for leave that has been used but not yet paid in cash or settled through noncash means. The statement is effective for the year ending June 30, 2025. The Authority is currently examining the impact, if any, to its current accounting policies and financial reporting from this Statement.

Note 3 – Interest in State General Fund Investment Pool

Compliant with Section 6-10-3, NMSA 1978 and to optimize state cash management and investment practices, funds of various state agencies are deposited in the State General Fund Investment Pool (SGFIP). This pool is managed by the New Mexico State Treasurer's Office. Claims on the SGFIP are reported as financial assets by the various agencies investing in the SGFIP. The comprehensive cash reconciliation model compares aggregated agency claims on the SGFIP to the associated resources held by the State Treasurer's Office. As of June 30, 2023, the DFA provides the following assertions:

- 1) Resources held in the pool were equivalent to the corresponding business unit claims on those resources.
- 2) All claims as recorded in SHARE shall be honored at face value.

The fair value of the cash and cash equivalents maintained in the Pool with the New Mexico State Treasurer's Office is as follows:

Fund	SHARE Fund No.	June 30, 2023
Benefits Fund	38100	\$ 100,551,078
Administrative Fund	38000	431,571
Total interest in State General Fund Investment Pool		<u>\$ 100,982,649</u>

This Pool represents cash and short-term investments. The State Treasurer invests excess cash balances on behalf of certain earmarked funds of state agencies identified by State statute and local governments. Interest earnings are distributed based on average outstanding cash balances for local governments and the state agencies where interest is allowed to be earned. All other interest earnings are transferred to the State General Fund. Currently, there are no limitations or restrictions on withdrawals on the investment in the Pool.

New Mexico Retiree Health Care Authority

Notes to Financial Statements

Credit Risk and Interest Rate Risk

The New Mexico State Treasurer pools are not U.S. Securities and Exchange registered. The State Treasurer is authorized to invest the short-term investment funds, with the advice and consent of the State Board of Finance, in accordance with Sections 6-10-10(I) through 6-10-10(O) and Sections 6-10-10(1)(A) and (E), NMSA 1978. At the end of each month, all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and length of time the funds amounts were invested. The end of the fiscal year credit risk rating and the weighted-average maturity (interest risk in number of days) is available on the State Treasurer's website at www.nmsto.gov. Participation in the local government pool is voluntary.

Note 4 – Receivables

The Authority receives contributions monthly from employers who remit the employer and the employee portions. Contributions are statutory, based on the gross payroll reported by each employer for the month. Because gross payroll can change in any month, the Authority does not bill the participating employers but depends on monthly reporting and contributions remitted from employers. Accounts receivable also includes amounts to be received for Medicare Part D. There is no allowance for uncollectible receivables recorded as of June 30, 2023, as management deems any uncollectible amounts as immaterial.

As of June 30, 2023, the buy-in receivable includes notes receivable from Sierra County. The remaining balance on the note is \$615,926. The obligation is receivable monthly over 13 years at a 7.5% fixed interest rate, maturing in June 2030. The current and long-term portions on the Sierra County note are \$69,530 and \$546,396, respectively.

Revenue is transferred from the New Mexico Taxation and Revenue Department in accordance with NMSA 1978, Section 7-1-6.30 and NMSA 1978, Section 7-1-6.56. Monies are transferred on the month following the month due, and any amount due to the Authority that is not received by June 30 is accrued. Transfers from the New Mexico Taxation and Revenue Suspense Fund are based on an additional amount of \$3.0 million per year with a 12% per annum increase of carryforward contribution amounts beginning July 1, 2002. For the year ended June 30, 2023, revenues totaled \$41,314,672. As of June 30, 2023, amounts due from other governments consist of balances due from the Taxation and Revenue Department (Business Unit: 33300; Fund: 83200) totaling \$3,442,889 and accrued reversions receivable from the Benefits Fund totaling \$297,853.

Note 5 – Investments and Fair Value Measurements

The Authority maintains a joint powers agreement with the New Mexico State Investment Council (NMSIC) to provide investment services in accordance with guidelines listed in the Authority's Investment Policy. The Authority monies are invested in accordance with the NMSA Section 6-8-9. NMSIC issues a separate, publicly available financial report that includes financial statements and required supplementary information.

The Authority's Board of Directors has adopted an investment allocation policy. The Board is authorized to review and amend the investment allocation policy from time to time to meet the Authority's long-term objective. Investments are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status.

New Mexico Retiree Health Care Authority

Notes to Financial Statements

The following schedule summarizes the current investment allocation policy as of June 30, 2023:

Asset Class	Target Allocation
U.S. core fixed income	20%
U.S. equity - large cap	20%
Non-U.S. emerging markets	15%
Non-U.S. developed equities	12%
Private equity	10%
Credit and structured finance	10%
Real estate	5%
Absolute return	5%
U.S. equity - small/mid cap	3%
	100%

The Authority accounts for its investments in accordance with GASB No. 72 *Fair Value Measurement and Application*, which establishes fair value standards for certain investments held by governmental entities. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Investments are measured at fair value on a recurring basis which is based upon the Authority's share of NMSIC's pooled investments. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Authority has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

New Mexico Retiree Health Care Authority

Notes to Financial Statements

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used as of June 30, 2023.

The Authority invests in a number of investment pools offered by the NMSIC. Each pool is comprised of units of participation of unlimited quantity. The pools are held in NMSIC's name. No unit in the pool has priority or preference over any other unit and represents an equal beneficial interest in the pool. The valuation the Authority's units in the investment pool is provided by the NMSIC on a monthly basis and represents the fair market value as of that date. Therefore, management has determined that all the investments are measured at Net Asset Value as a practical expedient (NAV practical expedient).

The table below summarizes the investments valued at NAV practical expedient:

Investments Measured at NAV Practical Expedient	Fair Value June 30, 2023	Redemption Frequency	Redemption Notice Period
U.S. Large Cap Index Pool	\$ 207,692,902	4 times per year	3 months
Non-U.S. Emerging Markets Active Pool	95,977,496	Daily	5 business days
Non-U.S. Developed Markets Index Pool	162,377,105	4 times per year	3 months
Private Equity Pool	189,018,494	4 times per year	3 months
Credit and Structured Finance Pool	187,057,272	Daily	5 business days
Real Estate Pool	130,658,752	4 times per year	3 months
U.S. Small/Mid Cap Alt Weighted Index Pool	26,016,327	Daily	5 business days
Real Return Pool	63,160,695	4 times per year	3 months
Core Bond Pool	199,628,374	Daily	5 business days
	<u>\$ 1,261,587,417</u>		

The U.S. Large Cap Index Pool is a passively managed portfolio and seeks to invest in U.S. equities with large market capitalizations. Daily redemptions are allowed provided the Authority gives a Notice of Intent to redeem the units five business days in advance unless \$5 million or more is requested, then 30 days' notice is required.

The Non-U.S. Emerging Markets Active Pool is a passively managed portfolio benchmarked against the MSCI Emerging Market Free Index and invests in emerging market equities around the globe. Daily redemptions are allowed provided the Authority gives a Notice of Intent to redeem the units five business days in advance unless \$5 million or more is requested, then 30 days' notice is required.

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Notes to Financial Statements

The Non-U.S. Developed Markets Active Pool is actively managed by four investment managers (each focused on large-cap value, large-cap core, large-cap growth, and small-cap value). The pool is benchmarked against the MSCI EAFE Index. Daily redemptions are allowed provided the Authority gives a Notice of Intent to redeem the units five business days in advance unless \$5 million or more is requested, then 30 days' notice is required.

The Credit and Structured Finance Pool invests in various classes of fixed income securities oriented toward credit. The role of this pool is to provide growth of capital and income generation. The pool is managed by investment managers outside NMSIC. The Authority is allowed to redeem this investment four times per year but not less than one month since the last redemption. Notice of Intent to redeem is required three months in advance. There is a 12-month lockup period on this investment class.

The Real Estate Pool contains open- and closed-end comingled real estate funds, dominated by stable, core real estate properties. The pool's objective is to match the rate of return on the NCREIF-ODCE index, plus a small premium from active management. The pool seeks to provide modest growth of capital, income generation, and provide diversification from equities and fixed income investment pools. Redemption notices are required six months in advance and are only allowed twice per year. The redemptions cannot occur within three months of each other. There is an 18-month lockup period on this investment class.

The Private Equity Pool contains more than 100 private equity funds diversified across the different sectors of private equity and seeks to provide a higher rate of return than the Venture Economics All Private Equity Index. The pool's main goal is to provide growth of capital. There is a 24-month lockup period on this investment class with 9-month Notice of Intent to redeem. Redemptions are allowed twice a year and no less than three months apart.

The U.S. Small/Mid Cap Alternative Weighted Pool is passively managed in comparison to the Russell 2000 Index portfolio. Daily redemptions are allowed provided the Authority gives a Notice of Intent to redeem the units five business days in advance unless \$5 million or more is requested, then 30 days' notice is required.

The Real Return Pool is managed across 78 funds with 27 managers. The pool seeks to provide a higher rate of return than the Real Assets CPI + 300 bps benchmark. Redemption notices are required six months in advance and are only allowed twice per year. The redemptions cannot occur within three months of each other. There is an 18-month lockup period on this investment class.

The Core Bond Pool seeks to exceed returns of the Barclays US Aggregate Bond Index through active external management using complementary core-plus strategies. Redemptions are permitted up to five days prior to month-end. Redemptions larger than \$5 million require 30 days' notice.

The investment and administrative fees are deducted from the ending investment account balance on a monthly basis in accordance with the joint powers agreement. For the year ended June 30, 2023, the annual money-weighted rate of return on the Authority's investments, net of related investment expenses, was 5.99%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

New Mexico Retiree Health Care Authority

Notes to Financial Statements

Note 6 – Capital Assets

A summary of capital asset balances and activity during the year ended June 30, 2023 is as follows:

Description	June 30, 2022	Additions	Deletions	Transfers	June 30, 2023
Furniture and equipment	\$ 264,902	\$ -	\$ -	\$ -	\$ 264,902
Leased asset - office space	1,158,896	-	-	-	1,158,896
Leased asset - equipment	52,649	27,273	-	-	79,922
Information technology	2,031,450	53,856	-	-	2,085,306
	3,507,897	81,129	-	-	3,589,026
Accumulated depreciation and amortization	(1,468,115)	(391,824)	-	-	(1,859,939)
	<u>\$ 2,039,782</u>	<u>\$ (310,695)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,729,087</u>

Depreciation expense totaled \$391,824 for the year ended June 30, 2023, of which \$15,659 of depreciation was allocated to the Administrative Fund while \$230,841 was allocated to the Benefits Fund. Amortization expense totaled \$145,324 for the year ended June 30, 2023, all of which was recognized in the Administrative Fund.

The Authority has evaluated the right-to-use assets for impairment and determined there was no impairment for the year ended June 30, 2023.

Note 7 – Compensated Absences

Accumulated vacation, compensating time, and sick leave earned and not taken are recorded as an expense in the current year. Vacation earned and not taken is cumulative; however, upon termination, vacation is limited to 240 hours (30 days). Sick pay accumulated in excess of 600 hours, not to exceed 120 hours, is payable semiannually to qualified employees at a rate equal to 50% of the employee's hourly wage.

June 30, 2022	Leave Accrued	Leave Used	June 30, 2023	Amount Due Within One Year
<u>\$ 104,777</u>	<u>\$ 138,454</u>	<u>\$ (148,533)</u>	<u>\$ 94,698</u>	<u>\$ 94,698</u>

New Mexico Retiree Health Care Authority

Notes to Financial Statements

Note 8 – Reserve for Losses and Loss Adjustments

The amount shown on the accompanying statement of fiduciary net position as reserve for losses and loss adjustment expenses is an actuarially calculated estimate of the ultimate costs of settling all incurred, but not reported claims as of June 30, 2023, while the amount shown on the accompanying statement of changes in fiduciary net position as losses and loss adjustment expenses represents the change in this estimate during the year ended June 30, 2023. These reserves represent, in management's opinion, the best estimate of the ultimate cost of settling all reported and unreported claims. A range of variability exists around the best estimate of the ultimate cost of settling all unpaid claims. Accordingly, the amount reflected in the accompanying financial statements may not ultimately be the actual cost of settling all unpaid claims, and the difference may be significant.

As of June 30, 2023, the estimated claims liability for claims incurred but not reported (IBNR) totaled \$21,978,000. This estimated liability represents liability for outstanding claims for services rendered prior to July 1, 2023 and paid after June 30, 2023.

Note 9 – Net OPEB Liability

The components of the net OPEB liability of the employers are as follows:

	<u>June 30, 2023</u>
Total OPEB liability	\$ 3,049,662,302
Plan fiduciary net position	<u>1,346,726,647</u>
Net OPEB liability	<u><u>\$ 1,702,935,655</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability ("funded status")	44.16%

New Mexico Retiree Health Care Authority

Notes to Financial Statements

The total OPEB liability was determined by an actuarial valuation as of June 30, 2023 and measured as of June 30, 2023, using the following actuarial assumptions:

Valuation date	June 30, 2023
Actuarial cost method	Entry age, level percent of pay, calculated on individual employee basis
Asset valuation method	Market value of assets
Actuarial assumptions:	
Inflation	2.30% for ERB; 2.50% for PERA
Projected payroll increases	3.00% to 13.00% based on years of service, including inflation
Investment rate of return	7.00%, net of OPEB plan investment expense and margin for adverse deviation including inflation
Discount rate	6.22%
Healthcare cost trend rate	8.00% graded down to 4.50% over 14 years for Non-Medicare medical plan costs and 8.50% graded down to 4.50% over 12 years for Medicare medical plan costs Actual premium increase for the first year, then 8.25% graded down the 4.50% over 15 years

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which the expected future real rates of return (net of investment fees and inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage. The target allocation and projected arithmetic real rates of return for each major asset class, net of assumed inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumptions are summarized as follows:

Asset Class	Long-Term Rate of Return
U.S. core fixed income	1.6%
U.S. equity - large cap	6.9%
Non-U.S. emerging markets	8.7%
Non-U.S. developed equities	7.2%
Private equity	9.9%
Credit and structured finance	3.7%
Real estate	3.6%
Absolute return	3.2%
U.S. equity - small/mid cap	6.9%

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Notes to Financial Statements

The discount rate used to measure the total OPEB liability is 6.22% as of June 30, 2023. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuary determined contribution rates. For this purpose, employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members through the fiscal year ending June 30, 2070. The 7.00% assumed investment return on plan assets, which includes the assumed inflation rate of 2.50%, was used to calculate the net OPEB liability through 2070. The index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher (3.65%) was used beyond 2070, resulting in a blended discount rate of 6.22%.

The following presents the net OPEB liability, calculated using the discount rate of 6.22%, as well as what the Fund's net OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

1% Decrease (5.22%)	Current Discount (6.22%)	1% Increase (7.22%)
<hr/>	<hr/>	<hr/>
\$ 2,146,981,727	\$ 1,702,935,655	\$ 1,342,994,641

The following presents the net OPEB liability calculated using the current healthcare cost trend rates as well as what Fund's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1% point lower or 1% point higher than the current rate:

1% Decrease	Current Trend	1% Increase
<hr/>	<hr/>	<hr/>
\$ 1,409,857,717	\$ 1,702,935,655	\$ 2,039,527,413

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Notes to Financial Statements

Note 10 – Pension Plan (Public Employees Retirement Plan)

Plan Description – Substantially all of the Authority's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11 NMSA 1978). PERA is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits, and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA; P.O. Box 2123; Santa Fe, New Mexico 87504-2123 or on PERA's website at www.nmpera.org.

Funding Policy – Plan members are required to contribute 10.42% of their gross pay. The Authority is required to contribute 18.74% of gross covered salary. The contribution requirements of plan members and the Authority are established under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the Legislature. The Authority's contributions to PERA for the year ended June 30, 2023 totaled \$277,428, equal to the amount of the required contribution for the year.

Note 11 – Post-Employment Benefits (State Retiree Health Care Plan)

Plan Description – The Authority, as an employer, contributes to the Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the Authority. The Authority provides healthcare insurance and prescription drug benefits to retired employees of participating employers, their spouses, dependents, and surviving spouses and dependents. The Authority's Board was established by the Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during the period of time made contributions as a participant in plan on the person's behalf, unless that person retires before the employer's effective date, in which event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

New Mexico Retiree Health Care Authority

Notes to Financial Statements

The Authority issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the postemployment healthcare plan. That report and further information can be obtained by writing to the New Mexico Retiree Health Care Authority at 6300 Jefferson Street NE, Suite 150; Albuquerque, NM 87109.

Funding Policy – The Act authorizes the Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service-based subsidy rate schedule for the medical, plus basic life plan, plus an additional participation fee of five dollars (\$5) if the eligible participant retired prior to the employer's effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the Authority or viewed on their website at www.nmrhca.org.

The employer, employee, and retiree contributions are required to be remitted to the Authority on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers after January 1, 1998, are required to make contributions to the fund in the amount determined to be appropriate by the Board.

The Act is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4, or 5; municipal fire member coverage plan 3, 4, or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2015, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced plan during the fiscal year ended June 30, 2021, the statute required each participating employer to contribute 2% of each participating employee's annual salary; each participating employee was required to contribute 1% of their salary. In addition, pursuant to Section 10-7C-5(G) NMSA 1978, at the first session of the Legislature following July 1, 2014, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Act.

The Authority's contributions to the plan for the year ended June 30, 2023 totaled \$29,626, which equals the required contributions for the year.

New Mexico Retiree Health Care Authority

Notes to Financial Statements

Note 12 – Joint Powers Agreements

The Authority has entered into two joint powers agreements:

1. An agreement exists between the Authority and the New Mexico State Investment Council (NMSIC) under which NMSIC acts as the investment manager of the Retiree Health Care Fund for the Authority and will invest the Authority's long-term reserves and provide services in accordance with the guidelines provided in the Authority's Investment Policy. The agreement was effective June 25, 1992, renewed December 8, 2011, and continues in force until terminated by either party upon 30 days' written notice to the other party.

The funds under management are invested by NMSIC in accordance with the provision of NMSA 1978, Sections 6-8-1 through 6-8-16. Fees charged for investment services are netted from investment income provided by the Authority on a monthly basis.

The Authority's policy determines the amount to invest with NMSIC. The Authority maintains ownership of all securities and cash balances on deposit in the Authority's accounts at the New Mexico State Treasurer's Office, the fiscal agent bank, and the custodial bank. The Authority is responsible for all audits performed relating to its financial records, including all investment transactions.

2. An agreement exists among the Authority, New Mexico Public Schools Insurance Authority, Albuquerque Public Schools, and the State's Risk Management Division of the General Services Department (collectively, the Interagency Benefits Advisory Committee). The purpose is to authorize the parties to exercise their common powers to provide and administer healthcare insurance programs, and to implement the purposes of the Health Care Purchasing Act. Each agency acts as its own fiscal agent for cost purposes. The agreement was effective March 15, 1999 and continues in force until terminated by any party upon 90 days' written notice to the other parties.

Note 13 – Optional Coverages

The Authority offers voluntary coverages to eligible retirees: two dental plans, a vision plan, and supplemental life. The plans are a pay-all basis by the retiree, whereby the retiree pays monthly for the entire premium for any optional coverages opted for and the Authority in turn pays the optional plan provider the monies collected from the retiree. Therefore, the revenue generated through the collection of optional premium dollars by the Authority is a direct dollar-for-dollar pass through to the providers of optional coverages. Revenues are recorded as retiree contributions and expenses are recorded as premiums in the financial statements.

Note 14 – Legally Required Reserves

There is no stated monetary reserve requirement. Under Section 10-7C-8, NMSA 1978, the Authority's Board is charged with determining what is to comprise the long-term reserves. Those long-term reserves are to be placed in investments pursuant to Section 6 8-1 through 6-8-16, NMSA 1978.

New Mexico Retiree Health Care Authority

Notes to Financial Statements

Note 15 – Leases

As of June 30, 2023, the Authority has following contracts that are considered other than short-term leases:

Lease Type	Lease Term
Office space	September 1, 2020 - August 31, 2030
Office equipment	September 29, 2020 - September 17, 2024
Office equipment	March 1, 2023 - February 28, 2027

There are no residual value guarantees included in the measurement of the Authority's lease liability for either lease or recognized as expenses for the year ended June 30, 2023. The Authority does not have any commitments that were incurred at the commencement of the leases. No termination penalties were incurred during the year ended June 30, 2023.

The change in lease liability for the year ended June 30, 2023 is summarized as follows:

June 30, 2022	Additions	Payments	June 30, 2023
\$ 1,086,837	\$ 27,273	\$ (130,613)	\$ 983,497

Future principal and interest lease payments as of June 30, 2023 are as follows:

Year Ending June 30,	Principal	Interest	Total
2024	\$ 139,652	\$ 6,815	\$ 146,467
2025	130,347	5,836	136,183
2026	132,307	4,878	137,185
2027	134,909	3,888	138,797
2028	135,347	1,852	137,199
2029-2031	310,935	2,654	313,589
	<u>\$ 983,497</u>	<u>\$ 25,923</u>	<u>\$ 1,009,420</u>

Note 16 – Commitments and Contingencies

The Authority is subject to various legal proceedings, claims, and liabilities that arise in the ordinary course of operations, including personnel matters. In the opinion of the Authority's management and legal counsel, the ultimate resolution of such matters will not have a material adverse impact on the financial position or results of operations of the Authority.

New Mexico Retiree Health Care Authority

Notes to Financial Statements

The Authority is exposed to various risks of loss for which the Authority carries insurance (Auto; Employee Fidelity Bond; General Liability; Civil Rights and Foreign Jurisdiction; Money and Securities; Property; and Workers' Compensation) with the State of New Mexico Risk Management Division (RMD). The Authority pays premiums to participate in the State Insurance Program. Coverages are designed to satisfy the requirements of the State tort claims. Also, any claims are processed through RMD. There are no pending or threatened legal proceedings at year-end.

Note 17 – Appropriations and Reversions

The following operating transfers occurred between the Authority's functional activities during the year ended June 30, 2023:

	Benefits 38100 <u>From (To)</u>	Administration 38000 <u>From (To)</u>
Administration appropriation	\$ (3,558,200)	\$ 3,558,200
Reversion of administration	<u>297,853</u>	<u>(297,853)</u>
	<u><u>\$ (3,260,347)</u></u>	<u><u>\$ 3,260,347</u></u>

The purpose of the transfers was to fund appropriations, to revert unused appropriations between funds, and was conducted on a routine basis. At June 30, 2023, the Authority's administration fund owes \$297,853 for the reversion amount, net of expenses totaling \$3,260,347 paid by the Administration Fund on behalf of the Benefits Fund.

The Authority submits annually for approval an Administrative Budget Request as part of the operating budget. The DFA and the Legislative Finance Committee (LFC) review the request, and the Legislature takes action to approve and/or amend the Authority's administrative request. Appropriated amounts are then transferred into the Administrative Fund from the Benefits Funds. Unused appropriations from the Benefits Fund to the Administration Fund, if any, revert back to the Benefits Fund, but unused appropriations from the State General Fund to the Discount Prescription Drug Program Fund do not generally revert back to the State General Fund per 10-7C-18 NMSA 1978.

The Authority recorded a \$3,558,200 appropriation from the Benefits Fund to the Administration Fund for fiscal year 2022 (NM-HB2, Section 3). As of June 30, 2023, reversions totaling \$3,620,347 are accrued from the Benefits Fund.

Required Supplementary Information

New Mexico Retiree Health Care Authority
Schedule of Revenues and Expenses – Budget and Actual: Administrative Fund
Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance
REVENUES				
Investment income	\$ 3,558,200	\$ 3,558,200	\$ 32,520	\$ 3,525,680
Total revenues	3,558,200	3,558,200	32,520	3,525,680
EXPENSES				
Personal services/employee benefits	2,296,300	2,309,200	2,073,312	235,888
Contractual services	674,900	674,900	670,232	4,668
Other	587,000	587,000	322,255	264,745
Total expenses	3,558,200	3,571,100	3,065,799	505,301
TRANSFERS				
Transfers in - Intra agency from SHARE 38100	3,558,200	3,558,200	3,558,200	-
Transfers out - Intra agency to SHARE 38100 - reversion	-	-	(297,853)	297,853
Net transfers	\$ 3,558,200	\$ 3,558,200	\$ 3,260,347	\$ 297,853
NET CHANGE (budgetary basis)			\$ 227,068	
Depreciation and amortization			(160,983)	
NET CHANGE (GAAP basis)			\$ 66,085	

New Mexico Retiree Health Care Authority
Schedule of Revenues and Expenses – Budget and Actual: Benefits Fund
Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance
REVENUES				
Retiree contributions	\$ 179,552,700	\$ 179,552,700	\$ 174,521,312	\$ 5,031,388
Employer/employee contributions	124,570,500	124,570,500	171,813,677	(47,243,177)
Pension taxes	41,306,700	41,306,700	41,314,672	(7,972)
Investment income	100,000	100,000	1,515,785	(1,415,785)
Miscellaneous revenue	35,000,000	35,000,000	70,607,015	(35,607,015)
Total revenues	380,529,900	380,529,900	459,772,461	(79,242,561)
EXPENSES				
Contractual services	376,926,700	376,926,700	338,536,393	38,390,307
Other	45,000	45,000	40,065	4,935
Total expenses	376,971,700	376,971,700	338,576,458	38,395,242
TRANSFERS				
Transfers in - Intra agency from SHARE 38000 - reversion	-	-	297,853	297,853
Transfers out - Intra agency to SHARE 38000	(3,558,200)	(3,558,200)	(3,558,200)	-
Total transfers	\$ (3,558,200)	\$ (3,558,200)	\$ (3,260,347)	\$ 297,853
NET CHANGE (budgetary basis)			\$ 117,935,656	
Loss on investments excluding interest			70,273,894	
Employer buy-ins revenue and interest portion			48,846	
Change in IBNR liability			3,442,000	
Transfer to New Mexico General Services Department (35000)			(71,592)	
Refunds - retirees			(432,866)	
Depreciation			(230,841)	
NET CHANGE (GAAP basis)			<u>\$ 190,965,097</u>	

New Mexico Retiree Health Care Authority
Schedule of Changes in Net OPEB Liability
Year Ended June 30, 2023

	Year Ended June 30,						
	2023	2022	2021	2020	2019	2018	2017
TOTAL OPEB LIABILITY							
Service cost	\$ 91,535,036	\$ 155,314,732	\$ 171,993,017	\$ 123,904,973	\$ 156,597,766	\$ 188,372,284	\$ 265,229,268
Interest	190,482,868	163,469,038	147,282,724	169,239,236	208,666,100	199,583,585	187,563,383
Differences between expected and actual experience	(179,637,831)	(36,122,262)	57,769,743	(150,535,215)	(754,197,414)	(145,524,098)	(210,435,519)
Changes in assumptions	(430,050,222)	(1,125,435,751)	(894,201,807)	989,792,910	(535,456,730)	(225,363,066)	(958,756,001)
Change of benefit terms	-	-	802,116	6,623,960	14,004,267	-	-
Claims and premiums	(335,094,393)	(323,478,948)	(315,956,002)	(318,068,212)	(295,383,494)	(320,403,577)	(294,107,402)
Retiree's contributions offset to claims and premiums	174,521,312	180,500,394	177,054,535	178,132,212	172,270,192	167,949,226	153,464,136
Medicare Part D and rebates offset to claims and premiums	70,607,015	43,201,979	36,525,086	30,352,322	26,625,941	30,255,096	26,944,632
NET CHANGE IN TOTAL OPEB LIABILITY	(417,636,215)	(942,550,818)	(618,730,588)	1,029,442,186	(1,006,873,372)	(105,130,550)	(830,097,503)
TOTAL OPEB LIABILITY - BEGINNING	3,467,298,517	4,409,849,335	5,028,579,923	3,999,137,737	5,006,011,109	5,111,141,659	5,941,239,162
TOTAL OPEB LIABILITY - ENDING (a)	3,049,662,302	3,467,298,517	4,409,849,335	5,028,579,923	3,999,137,737	5,006,011,109	5,111,141,659
PLAN FIDUCIARY NET POSITION							
Contributions - employee and retiree	231,792,538	231,293,073	225,347,087	226,384,131	216,528,376	210,650,057	196,393,352
Contributions - employer	114,542,451	101,585,358	96,585,103	96,503,837	88,516,368	85,401,662	85,858,432
Net investment income	71,822,199	(49,543,613)	217,737,204	10,836,882	41,663,496	49,757,591	67,759,695
Other revenue	111,970,533	80,143,573	69,518,696	59,821,098	52,949,453	57,529,941	55,556,164
Claims and premiums paid	(335,094,393)	(323,815,703)	(315,956,002)	(316,936,067)	(296,417,494)	(321,479,577)	(294,393,452)
Administrative expenses	(4,002,146)	(3,466,768)	(3,404,448)	(3,686,967)	(4,147,502)	(3,672,021)	(4,179,901)
NET CHANGE IN PLAN FIDUCIARY NET POSITION	191,031,182	36,195,920	289,827,640	72,922,914	99,092,697	78,187,653	106,994,290
PLAN FIDUCIARY NET POSITION - BEGINNING	1,155,695,465	1,119,499,545	829,671,905	756,748,991	657,656,294	579,468,641	472,474,351
PLAN FIDUCIARY NET POSITION - ENDING (b)	1,346,726,647	1,155,695,465	1,119,499,545	829,671,905	756,748,991	657,656,294	579,468,641
NET OPEB LIABILITY (a) - (b)	\$ 1,702,935,655	\$ 2,311,603,052	\$ 3,290,349,790	\$ 4,198,908,018	\$ 3,242,388,746	\$ 4,348,354,815	\$ 4,531,673,018
DISCOUNT RATE	6.22%	5.42%	3.62%	2.86%	4.16%	4.08%	3.81%
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF TOTAL OPEB LIABILITY	44.16%	33.33%	25.39%	16.50%	18.92%	13.14%	11.34%
COVERED PAYROLL	\$ 4,952,012,764	\$ 4,745,115,641	\$ 4,614,243,876	\$ 4,298,116,494	\$ 4,172,928,635	\$ 4,290,616,760	\$ 4,290,616,760
NET OPEB LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	34.39%	48.72%	71.31%	97.69%	77.70%	101.35%	105.62%

New Mexico Retiree Health Care Authority
Schedule of Changes in Net OPEB Liability (continued)
Year Ended June 30, 2023

NOTES:

Changes in assumptions consist primarily of the effects of changes in the discount rate each year and items noted below:

2019: Changes in assumptions include decrease in expected participation rates for future retirees from 75% to 60%, and a decrease in the spousal coverage rate for future male retirees from 55% to 35%.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Authority will present information for those years with available information.

New Mexico Retiree Health Care Authority
Schedule of Employer Contributions
Year Ended June 30, 2023

Year Ended June 30,	Actuarially Determined Contributions	Contributions in Relation to the Actuarially Determined Contributions	Contributions Deficiency	Covered Payroll	Contributions as a Percentage of Covered Payroll
2023	\$ 114,542,451	\$ 114,542,451	\$ -	\$ 4,952,012,764	2.31%
2022	\$ 101,585,358	\$ 101,585,358	\$ -	\$ 4,745,115,641	2.14%
2021	\$ 96,585,103	\$ 96,585,103	\$ -	\$ 4,614,243,876	2.09%
2020	\$ 96,503,837	\$ 96,503,837	\$ -	\$ 4,298,116,494	2.25%
2019	\$ 88,516,369	\$ 88,516,369	\$ -	\$ 4,172,928,635	2.12%
2018	\$ 85,401,662	\$ 85,401,662	\$ -	\$ 4,290,616,760	1.99%
2017	\$ 85,858,432	\$ 85,858,432	\$ -	\$ 4,165,647,340	2.06%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Authority will present information for those years with available information.

Actuarial methods and assumptions used:

Actuarial cost method	Entry age, level percent of pay, calculated on individual basis
Amortization method	Level percent of payroll
Remaining amortization period	30 years open (non-decreasing)
Asset valuation method	Market value of assets
Actuarial assumptions	
Investment rate of return	7.00%
Inflation rate	2.50%
Salary increases	3.00%-13.00%

New Mexico Retiree Health Care Authority
Schedule of Investment Returns
Year Ended June 30, 2023

Year Ended June 30,	Annual Money - Weighted Rate of Return
2023	5.99%
2022	-0.86%
2021	22.59%
2020	1.43%
2019	6.53%
2018	9.06%
2017	13.98%

<p>This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Authority will present information for those years with available information.</p>

Supplementary Information

New Mexico Retiree Health Care Authority
Combining Schedule of Fiduciary Net Position by Functional Activity
June 30, 2023

	Benefits 38100	Administration 38000	Eliminations	Total
ASSETS				
Interest in State General Fund Investment Pool	\$ 100,551,078	\$ 431,571	\$ -	\$ 100,982,649
Receivables				
Contributions - employers, employees, and retirees	13,774,046	-	-	13,774,046
Due from other governments	3,442,889	-	-	3,442,889
Due from charter schools	585,022	-	-	585,022
Accounts receivable - rebates and Medicare Part D	3,579,674	-	-	3,579,674
Buy-in obligations receivable	615,926	-	-	615,926
Due from other funds	297,853	-	(297,853)	-
Total receivables	22,295,410	-	(297,853)	21,997,557
Investments with New Mexico State Investment Council				
U.S. Large Cap Index Pool	207,377,566	315,336	-	207,692,902
Non-U.S. Emerging Markets Active Pool	95,831,775	145,721	-	95,977,496
Non-U.S. Developed Markets Index Pool	162,130,571	246,534	-	162,377,105
Private Equity Pool	188,731,511	286,983	-	189,018,494
Credit and Structured Finance Pool	186,773,266	284,006	-	187,057,272
Real Estate Pool	130,460,375	198,377	-	130,658,752
U.S. Small/Mid Cap Alternative Weighted Index Pool	25,976,827	39,500	-	26,016,327
Real Asset Pool	63,064,799	95,896	-	63,160,695
Core Bond Pool	199,325,281	303,093	-	199,628,374
Total investments	1,259,671,971	1,915,446	-	1,261,587,417
Capital assets, net of accumulated depreciation	704,832	1,024,255	-	1,729,087
Total assets	1,383,223,291	3,371,272	(297,853)	1,386,296,710
LIABILITIES				
Accounts payable	15,961,207	206,887	-	16,168,094
Payroll liabilities	-	39,638	-	39,638
Lease liabilities	-	983,497	-	983,497
Compensated absences	-	94,698	-	94,698
Reserve for loss and loss adjustment expense	21,978,000	-	-	21,978,000
Retiree premiums received in advance	306,136	-	-	306,136
Due to other funds	-	297,853	(297,853)	-
Total liabilities	38,245,343	1,622,573	(297,853)	39,570,063
NET POSITION RESTRICTED FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS				
	\$ 1,344,977,948	\$ 1,748,699	\$ -	\$ 1,346,726,647

New Mexico Retiree Health Care Authority
Combining Schedule of Changes in Fiduciary Net Position by Functional Activity
Year Ended June 30, 2023

	Benefits 38100	Administration 38000	Eliminations	Total
ADDITIONS				
Contributions				
Retiree	\$ 174,521,312	\$ -	\$ -	\$ 174,521,312
Employer/employee	171,813,677	-	-	171,813,677
Employer buy-ins interest portion	48,846	-	-	48,846
Total contributions	<u>346,383,835</u>	<u>-</u>	<u>-</u>	<u>346,383,835</u>
Investment income				
Net appreciation in fair value of investments	70,273,894	-	-	70,273,894
Interest	1,515,785	32,520	-	1,548,305
Total investment income	<u>71,789,679</u>	<u>32,520</u>	<u>-</u>	<u>71,822,199</u>
Other				
Taxation administration fund revenue	41,314,672	-	-	41,314,672
Medicare Part D subrogation and rebates	70,607,015	-	-	70,607,015
Total other	<u>111,921,687</u>	<u>-</u>	<u>-</u>	<u>111,921,687</u>
Total additions	<u>530,095,201</u>	<u>32,520</u>	<u>-</u>	<u>530,127,721</u>
DEDUCTIONS				
Premiums and claims	335,094,393	-	-	335,094,393
General and administrative expenses	111,657	3,065,799	-	3,177,456
Refunds to retirees	432,866	-	-	432,866
Depreciation and amortization	230,841	160,983	-	391,824
Total deductions	<u>335,869,757</u>	<u>3,226,782</u>	<u>-</u>	<u>339,096,539</u>
OTHER FINANCING (USES) SOURCES				
Transfers in (out), net	(3,260,347)	3,260,347	-	-
Net other financing (uses) sources	<u>(3,260,347)</u>	<u>3,260,347</u>	<u>-</u>	<u>-</u>
NET CHANGE	190,965,097	66,085	-	191,031,182
NET POSITION RESTRICTED FOR POSTEMPLOYMENT				
BENEFITS OTHER THAN PENSIONS				
Beginning of year	1,154,012,851	1,682,614	-	1,155,695,465
End of year	<u>\$1,344,977,948</u>	<u>\$ 1,748,699</u>	<u>\$ -</u>	<u>\$ 1,346,726,647</u>

New Mexico Retiree Health Care Authority
Schedule of Investment Fees
Year Ended June 30, 2023

Investment Class	Value of Investment	Management Fees
U.S. Large Cap Index Pool	\$ 207,692,902	\$ 16,767
Core Bond Pool	199,628,374	157,989
Private Equity Pool	189,018,494	-
Credit and Structure Finance Pool	187,057,272	-
Non-U.S. Developed Mkts Index Pool	162,377,105	62,370
Real Estate Pool	130,658,752	-
Non-US Emerging Markets Active Pool	95,977,496	483,548
Real Return Pool	63,160,695	43,714
U.S. Small/Mid Cap Alt Weighted Index Pool	26,016,327	9,458
	<u>\$ 1,261,587,417</u>	<u>\$ 773,846</u>

Other Information

New Mexico Retiree Health Care Authority
Combining Schedule of General and Administrative Expenses
by Functional Activity
Year Ended June 30, 2023

	Benefits 38100	Administration 38000	Total
GENERAL AND ADMINISTRATIVE EXPENSES			
Professional services	\$ -	\$ 1,481,051	\$ 1,481,051
Contractual services	-	670,232	670,232
Employee benefits	-	592,261	592,261
Operating costs	40,065	314,815	354,880
Supplies	-	48,086	48,086
In-state travel	-	23,321	23,321
Out-of-state travel	-	7,625	7,625
	<u>\$ 40,065</u>	<u>\$ 3,137,391</u>	<u>\$ 3,177,456</u>

New Mexico Retiree Health Care Authority
Combining Schedule of State General Fund Investment Pool
June 30, 2023

	Benefits 38100	Administration 38000	Total
INVESTMENT BALANCES PER DFA			
New Mexico State Treasurer			
Share Fund 34300-38100	\$ 100,551,078	\$ -	\$ 100,551,078
Share Fund 34300-38000	-	431,571	431,571
	<u>\$ 100,551,078</u>	<u>\$ 431,571</u>	<u>\$ 100,982,649</u>

New Mexico Retiree Health Care Authority
Schedule of Appropriations
Year Ended June 30, 2023

Description	Authority	Appropriation Period	Share Fund	Total Appropriation	Prior Year Expenditures	Current Year Expenditures	Current Year Reversion Amount
Administrative Fund program support	Laws 2022 House Bill 2	2023	38000	\$ 3,558,200	\$ -	\$ 3,260,347	\$ 297,853

According to 10-7C-16 NMSA 1978, funds to administer the New Mexico Retiree Health Care Act are to be made by an operating budget adopted by the Board, adopted by the State Budget Division, and pursuant to appropriation by the Legislature. The appropriated amounts to SHARE Fund 38000 are recorded as transfers between Benefit Fund (38100) and the Administrative Fund (38000). See Note 18. Unexpended amounts under the special appropriation are not recognized until all eligibility requirements have been fulfilled under the appropriation including the expenditure of allowable amounts.

Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Board of Directors
New Mexico Retiree Health Care Authority

Joseph M. Maestas, P.E.
New Mexico State Auditor

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the fiduciary net position and changes in fiduciary net position of New Mexico Retiree Health Care Authority as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise New Mexico Retiree Health Care Authority's basic financial statements, and have issued our report thereon dated November 21, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered New Mexico Retiree Health Care Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of New Mexico Retiree Health Care Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of New Mexico Retiree Health Care Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether New Mexico Retiree Health Care Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Moss Adams LLP".

Albuquerque, New Mexico
November 21, 2023

New Mexico Retiree Health Care Authority
Schedule of Findings and Responses
Year Ended June 30, 2023

FINANCIAL STATEMENTS

Type of auditors' report issued:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?
- Significant deficiency(ies) identified not considered to be material weakness?

☐ Yes

☒ No

☐ Yes

☒ None reported

Compliance and other matters noted?

☐ Yes

☒ No

FINANCIAL STATEMENT FINDINGS

None

FINDINGS IN ACCORDANCE WITH 2.2.2. NMAC – OTHER

None

New Mexico Retiree Health Care Authority
Schedule of Prior Year Finding
Year Ended June 30, 2023

RESOLUTION OF PRIOR YEAR FINDING

2022-001 (2018-001) Resolved

New Mexico Retiree Health Care Authority Exit Conference June 30, 2023

An exit conference was held remotely on November 16, 2023 in a closed session, with the following in attendance:

New Mexico Retiree Health Care Authority Personnel and Board Members

Neil Kueffer, Executive Director

Sheri Ayanniyi, Chief Financial Officer

Sanjay Bhakta, Board Member – Municipal League, City of Albuquerque

Jeff Biggs, RHCA

Keith Witt, RHCA

Moss Adams LLP

Kory Hoggan, Partner

Aaron Hamilton, Senior Manager

The Authority is responsible for the contents of the financial statements. Moss Adams LLP assisted with the preparation and formatting of the financial statements.

New Mexico Retiree Health Care Authority

Fiscal Year 2024 Second Quarter Budget Review

Healthcare Benefits Fund

Between July 1, 2023, and December 31, 2023, the Healthcare Benefits Administration Program expended \$167 million and collected \$211.6 million in revenue. The resulting \$44.6 million surplus is higher than the \$14.6 million surplus for the same period in FY23.

Second Quarter FY24 expenditures are \$13.8 million lower than expenditures in Second Quarter FY23, for a decrease of 7.6%. Current projections indicate a \$104.4 million surplus at the end of FY24.

- Express Scripts and BCBS self-insured (Pre-Medicare and Medicare Supplement) claim costs decreased by \$10 million and \$4 million respectively due to reduction in membership and claims utilization.

Major Upward Cost Pressures:

1. Delta Dental premium rate went up 4% effective January 2023, which is driving the increase difference for the current time frame versus last year.
2. Standard Life Insurance increased 5% for the retirees and spouse effective September 2023.
3. Claim costs typically increase during the Third Quarter and Fourth Quarter of the plan year (calendar year) because members begin meeting their annual deductible and reaching maximum out-of-pocket expenses.

Major Downward Cost Pressures:

Overall plan participation (medical and voluntary coverages) decreased by 1.2% between December 2022 and December 2023, a reduction of 815 members.

1. Pre-Medicare Plan Participation

- Premier Plans: -841 members (-8.9%)
- Value Plans: -160 members (-4.7%)
- Net: -1,001 members (-7.8%)

2. Medicare Plan Participation

- Medicare Supplement: -652 members (-3.1%)
- BCBS MA Plans: -12 members (-0.3%)
- *Humana MA Plans: +383 members (26.1%)
- Presbyterian MA Plans: +156 members (1.7%)
- *UnitedHealthcare MA Plans: +145 members (2.6%)

3. A 11% decline in dependent child participation in medical plans from 1,316 in December 2022 to 1,171 in December 2023.

*Default Plans --- All Presbyterian Pre-Medicare Plan Participants to UnitedHealthcare MA effective July 1, 2023, and all BCBS Pre-Medicare Plan Participants to Humana MA effective July 1, 2023.

Below is an annual summary of the cash contributions made to the State Investment Council (SIC) between fiscal years 2011 – 2023, as well as monthly contribution(s) made in FY24:

FY11 Total	\$ 21,879,651
FY12 Total	\$ 21,060,000
FY13 Total	\$ 15,315,000
FY14 Total	\$ 57,500,000
FY15 Total	\$ 42,500,000
FY16 Total	\$ 35,000,000
FY17 Total	\$ 33,000,000
FY18 Total	\$ 20,000,000
FY19 Total	\$ 45,000,000
FY20 Total	\$ 56,000,000
FY21 Total	\$ 75,000,000
FY22 Total	\$ 60,000,000
FY23 Total	\$ 100,000,000
Transfer Effective	Amount Transferred
November 1, 2023	\$ 30,000,000
	\$ -
FY24 Total	\$ 30,000,000
Total Transfers	\$ 612,254,651

New Mexico Retiree Health Care Authority						
FY24 2nd Quarter Budget Review						
Comparison of Projected vs. Actual						
(in thousands)						
Healthcare Benefit Fund						
FY24/FY23 Comparison						
	FY24 Approved Q2 Budget	FY24 Q2 Actual	FY23 Q2 Actual	Dollar Change	Percent Change	
Sources:						
Employer/Employee Contributions	\$ 62,285.25	\$ 91,072.3	\$ 84,396.8	\$ 6,675.4	7.9%	
Retiree Contributions	\$ 92,265.4	\$ 86,859.3	\$ 80,118.4	\$ 6,740.9	8.4%	
Taxation & Revenue Fund	\$ 23,131.75	\$ 15,424.1	\$ 13,771.6	\$ 1,652.6	12.0%	
Other Miscellaneous Revenue	\$ 19,507.65	\$ 17,064.8	\$ 16,785.5	\$ 279.4	1.7%	
Interest Income	\$ -	\$ 1,454.8	\$ 468.8	\$ 986.0	157.0%	
Refunds	\$ -	\$ (252.9)	\$ (117.0)	\$ (135.9)	116.2%	
Total Sources	\$ 197,190.1	\$ 211,622.4	\$ 195,424.1	\$ 16,198.4	8.3%	
Uses:						
Medical Contractual Services	\$ 195,188.4	\$ 163,122.1	\$ 177,240.4	\$ (14,118.3)	-8.0%	
ACA Fees (PCORI)	\$ 45.0	\$ 40.5	\$ 36.1	\$ 4.4	12.0%	
Other Financing Uses	\$ 1,956.7	\$ 3,913.4	\$ 3,558.2	\$ 355.2	10.0%	
Total Uses	\$ 197,190.1	\$ 167,035.5	\$ 180,798.6	\$ (13,758.8)	-7.6%	
Sources Over Uses	NA	\$ 44,586.9	\$ 14,625.4	NA	NA	
FY24 Budget Compared to Actual						
	FY24 Approved Budget	FY24 Actuals	Remaing Balance	Percent Expended/ Collected	FY24 Projected Total	
Sources:						
Employer/Employee Contributions	\$ 124,570.5	\$ 91,072.3	\$ 33,498.2	73.1%	\$ 180,000.0	
Retiree Contributions	\$ 184,530.8	\$ 86,859.3	\$ 97,671.5	47.1%	\$ 173,000.0	
Taxation & Revenue Fund	\$ 46,263.5	\$ 15,424.1	\$ 30,839.4	33.3%	\$ 46,272.5	
Other Miscellaneous Revenue	\$ 38,970.3	\$ 17,064.8	\$ 21,905.5	43.8%	\$ 34,000.0	
Interest Income	\$ -	\$ 1,454.8	\$ (1,454.8)	NA	\$ 2,000.0	
Refunds	\$ -	\$ (252.9)	\$ -	NA	\$ (505.0)	
Total Sources	\$ 394,335.1	\$ 211,622.4	\$ 182,459.8	53.7%	\$ 434,767.5	
Uses:						
Medical Contractual Services	\$ 390,376.7	\$ 163,081.7	\$ 227,295.0	41.8%	\$ 326,400.0	
ACA Fees (PCORI)	\$ 45.0	\$ 40.5	\$ 4.6	89.9%	\$ 39.4	
Other Financing Uses	\$ 3,913.4	\$ 3,913.4	\$ -	100.0%	\$ 3,913.4	
Total Uses	\$ 394,335.1	\$ 167,035.5	\$ 227,299.6	42.4%	\$ 330,352.8	
Sources Over Uses	NA	\$ 44,586.9	NA	NA	\$ 104,414.7	

New Mexico Retiree Health Care Authority
2nd Quarter Healthcare Benefit Fund Detail
Fiscal Year 2024
(in thousands)

	FY24 Q2 Actuals	FY23 Q2 Actuals	FY24 - FY23 Difference
REVENUE:			
Employer/Employee Contributions	\$ 91,072.3	\$ 84,396.8	\$ 6,675.4
Retiree Contributions	\$ 86,859.3	\$ 80,118.4	\$ 6,740.9
Taxation and Revenue Suspense Fund	\$ 15,424.1	\$ 13,771.6	\$ 1,652.6
Other Miscellaneous Revenue	\$ 17,064.8	\$ 16,785.5	\$ 279.4
Interest Income	\$ 1,454.8	\$ 468.8	\$ 986.0
Refunds	\$ (252.9)	\$ (117.0)	\$ (135.9)
TOTAL REVENUE:	\$ 211,622.4	\$ 195,424.1	\$ 16,198.4
EXPENDITURES:			
Prescriptions			
Express Scripts	\$ 56,303.1	\$ 66,659.6	\$ (10,356.4)
Total Prescriptions	\$ 56,303.1	\$ 66,659.6	\$ (10,356.4)
Non-Medicare			
Blue Cross Blue Shield	\$ 29,071.3	\$ 30,196.3	\$ (1,125.0)
BCBS Administrative Costs	\$ 1,105.3	\$ 931.4	\$ 173.9
Presbyterian	\$ 21,397.0	\$ 21,878.1	\$ (481.0)
Presbyterian Administrative Costs	\$ 950.0	\$ 993.1	\$ (43.0)
PCORI Fee	\$ 40.5	\$ 40.1	\$ 0.4
Total Non-Medicare	\$ 52,564.1	\$ 54,038.9	\$ (1,474.8)
Medicare			
Blue Cross Blue Shield	\$ 22,607.4	\$ 26,089.8	\$ (3,482.4)
BCBS Administrative Costs	\$ 2,607.5	\$ 2,710.6	\$ (103.2)
Presbyterian MA	\$ 6,611.8	\$ 6,426.6	\$ 185.2
UnitedHealthcare MA	\$ 2,060.3	\$ 1,698.0	\$ 362.3
Humana MA	\$ 387.3	\$ 413.8	\$ (26.5)
BCBS MA	\$ 715.4	\$ 703.2	\$ 12.3
Total Medicare	\$ 34,989.6	\$ 38,041.9	\$ (3,052.3)
Other Benefits			
Davis Vision	\$ 1,262.1	\$ 1,255.0	\$ 7.1
Delta Dental	\$ 11,272.3	\$ 10,798.3	\$ 473.9
Standard Life Insurance	\$ 6,730.9	\$ 6,446.8	\$ 284.1
Total Other Benefits	\$ 19,265.3	\$ 18,500.1	\$ 765.2
Other Expenses			
Program Support	\$ 3,913.4	\$ 3,558.2	\$ 355.2
Total Other Expenses	\$ 3,913.4	\$ 3,558.2	\$ 355.2
TOTAL EXPENDITURES:	\$ 167,035.5	\$ 180,798.6	\$ (13,763.1)
Total Revenue over Total Expenditures	\$ 44,586.9	\$ 14,625.4	\$ 29,961.5

New Mexico Retiree Health Care Authority						
FY24 2nd QTR Budget Review						
Comparison of Budget vs. Actual						
(in thousands)						
Program Support						
FY24/FY23 Comparison						
	FY24 Approved Q2 Budget	FY24 Actuals	FY23 Actuals	Dollar Change	Percent Change	
Sources:						
Other Transfers	\$ 1,956.7	\$ 3,913.4	\$ 3,260.3	\$ 653.1	20.0%	
Total Sources	\$ 1,956.7	\$ 3,913.4	\$ 3,260.3	\$ 653.1	20.0%	
Uses:						
Personal Services and Benefits	\$ 1,293.0	\$ 1,199.8	\$ 1,026.9	\$ 172.9	16.8%	
Contractual Services	\$ 351.2	\$ 194.4	\$ 167.0	\$ 27.4	16.4%	
Other Costs	\$ 312.6	\$ 280.1	\$ 211.7	\$ 68.4	32.3%	
Total Uses	\$ 1,956.7	\$ 1,674.3	\$ 1,405.6	\$ 268.7	19.1%	

New Mexico Retiree Health Care Authority						
FY24 2nd QTR Budget Review						
Comparison of Budget vs. Actual						
(in thousands)						
Program Support						
FY24 Budget Compared to Actual						
	Approved Operating Budget	FY24 Actuals	Remaining Balance	Percent Expended	FY24 Projected	
Sources:						
Other Transfers	\$ 3,913.4	\$ 1,956.7	\$ 1,956.7	50%	\$ 3,862.2	
Total Sources	\$ 3,913.4	\$ 1,956.7	\$ 1,956.7	50%	\$ 3,862.2	
Uses:						
Personal Services and Benefits	\$ 2,585.9	\$ 1,199.8	\$ 1,386.1	46%	\$ 2,568.9	
Contractual Services	\$ 702.3	\$ 194.4	\$ 507.9	28%	\$ 681.1	
Other Costs	\$ 625.2	\$ 280.1	\$ 345.1	45%	\$ 612.2	
Total Uses	\$ 3,913.4	\$ 1,674.3	\$ 2,239.1	43%	\$ 3,862.2	

Program Support						
Expenditure Summary (in thousands)						
Acct #	Account Description	A Approved Budget	B Expended Budget	C Remaining Balance	D Projected	E Balance
200	Personal Services/ Employee Benefits	2,585.9	1,199.8	1,386.1	1,369.1	17.0
300	Contractual Services	702.3	194.4	507.9	486.7	21.2
400	Other Costs	625.2	280.1	345.1	332.1	13.0
	TOTAL	3,913.4	1,674.3	2,239.1	2,187.9	51.2
Expenditure Detail (in thousands)						
Personal Services / Employee Benefits						
Acct #	Account Description	Approved Budget	Expended Budget	Remaining Balance	Projected	Balance
520100	Exempt Positions	463.2	233.5	229.8	262.1	(32.4)
520300	Classified Perm. Positions	1,376.2	618.5	757.7	720.6	37.1
520800	Annual, Sick & Comp Paid	0.0	5.3	(5.3)	0.0	(5.3)
521100	Group Insurance Premium	198.9	93.9	105.0	102.3	2.7
521200	Retirement Contributions	357.7	163.8	193.9	189.1	4.9
521300	FICA	146.3	62.7	83.6	75.2	8.4
521400	Workers Comp	0.2	0.1	0.1	0.1	(0.0)
521410	GSD Work Comp Ins	1.5	1.4	0.1	0.0	0.1
521500	Unemployment Comp	0.0	0.0	0.0	0.0	0.0
521600	Employee Liability Insurance	3.7	3.6	0.1	0.0	0.1
521700	Retiree Health Care	38.2	17.0	21.2	19.7	1.5
523000	COVID Related Admin Leave	0.0	0.0	0.0	0.0	0.0
	TOTAL	2,585.9	1,199.8	1,386.1	1,369.1	17.0
Contractual Services						
Acct #	Account Description	Approved Budget	Expended Budget	Remaining Balance	Projected	Balance
535200	Professional Services	431.5	133.3	298.2	298.2	(0.0)
535300	Other Services	15.2	6.0	9.2	9.2	0.0
535309	Other Services InterA	17.3	0.0	17.3	17.3	0.0
535400	Audit Services	83.3	31.8	51.6	56.7	(5.1)
535500	Attorney Services	50.0	3.6	46.4	20.0	26.4
535600	Information Technology Services	105.0	19.7	85.3	85.3	(0.0)
	TOTAL	702.3	194.4	507.9	486.7	21.2
Other Costs						
Acct #	Account Description	Approved Budget	Expended Budget	Remaining Balance	Projected	Balance
542100	Employee In-State Mileage & Fares	1.5	1.9	(0.4)	1.0	(1.4)
542200	Employee In-State Meals & Lodging	3.5	4.6	(1.1)	0.2	(1.3)
542300	Board & Commission - In-State Meals & Lodging	13.5	3.5	10.0	6.0	4.0
542310	Board & Commission - In-State Mileage & Fares	0.0	1.8	(1.8)	2.0	(3.8)
542500	Transportation-Fuel & Oil	2.2	0.3	1.9	1.5	0.4
542600	Transportation	0.3	0.2	0.1	0.2	(0.1)
542700	Transportation - Insurance	0.2	0.2	0.1	0.0	0.1
542800	State Transportation Pool Charges	5.8	5.8	0.0	0.0	0.0
543200	Maintenance - Furniture, Fixtures & Equipment	6.0	0.0	6.0	6.0	0.0
543300	Maintenance - Building & Structure	6.0	0.0	6.0	0.0	6.0
543400	Maintenance - Property Insurance	0.1	0.0	0.1	0.1	0.0
543830	IT HW/SW Agreements	23.0	11.8	11.2	11.2	0.0
544000	Supply Inventory IT	20.0	9.6	10.4	10.4	0.0
544100	Supplies - Office Supplies	13.0	4.4	8.6	8.6	(0.0)
544900	Supplies - Inventory Exempt	5.0	0.0	5.0	5.0	(0.0)
545600	Rep/Recording	0.0	0.0	0.0	0.0	0.0
545700	DoIT - ISD Services	13.3	5.4	7.9	7.9	(0.0)
545701	DoIT - HCM Fees	9.5	8.9	0.6	0.0	0.6
545900	Printing & Photo. Services	60.0	51.6	8.4	8.4	0.0
546100	Postage & Mail Services	100.0	52.2	47.8	45.0	2.8
546400	Rent of Land & Buildings	122.8	64.3	58.5	58.5	(0.0)
546409	Rent - Interagency	9.1	4.5	4.6	4.6	(0.0)
546500	Rent of Equipment	30.3	13.2	17.1	17.1	0.0
546600	Telecomm	6.0	1.0	5.0	2.0	3.0
546610	DOIT Telecomm	86.8	24.3	62.6	62.6	(0.0)
546700	Subscriptions & Dues	7.0	2.8	4.2	3.0	1.2
546800	Employee Training & Education	10.0	2.8	7.2	5.0	2.2
546801	Board Member Training	7.5	0.0	7.5	5.0	2.5
546900	Advertising	1.0	0.0	1.0	1.0	0.0
547900	Miscellaneous Expense	1.3	0.6	0.7	1.0	(0.3)
547999	Request to Pay Prior Year	0.0	0.7	(0.7)	0.0	(0.7)
548300	Information Technology Equipment	50.0	0.0	50.0	50.0	0.0
549600	Employee Out-Of-State Mileage & Fares	2.0	1.6	0.4	0.5	(0.1)
549700	Employee Out-Of-State Meals & Lodging	2.0	2.2	(0.2)	2.0	(2.2)
549800	B&C-Out-Of-State Mileage & Fares	3.5	0.0	3.5	3.5	0.0
549900	B&C- Out-Of-State Meals & Lodging	3.0	0.0	3.0	3.0	0.0
	TOTAL	625.2	280.1	345.1	332.1	13.0

FY24 New Contract (Small Purchase) – Action Item*

Internal Audit Services – Customer Service

Background:

NMRHCA continues to look at opportunities to drive better efficiencies within the agency and have identified services that can improve operations by evaluating current process and procedures in place. This will ensure compliance, operating efficiency, and safeguard information and assets this agency is entrusted with. This is an action taken last year and a common practice that other agencies conduct.

Scope of Work:

The contractor shall provide NMRHCA independent and objective internal audit services designed to add value to improve the agency's operations. These services will assist the agency in accomplishing its objectives by contributing to the evaluation and improvement of the effectiveness of risk management, internal control, and governance processes.

- Perform independent assessments on the systems of risk management, internal controls, and operating efficiency, guided by professional standards.
- Support the agency's efforts to achieve its objectives through independent internal auditing services.

The objective of these services are to provide independent assurance to the NMRHCA Board of Directors, executive director, management, and members, retirees, beneficiaries, and the public that NMRHCA assets are safeguarded with appropriate internal controls, that operating efficiency is enhanced, that reporting by managers, staff, agency, and consultants is accurate, well designed, appropriately informative and under adequate controls, and compliance is maintained with prescribed laws, and Board and management policies. These objectives include independent assessment of NMRHCA's risk awareness and management, reliability and integrity of the organization's data and achievement of NMRHCA's goals and objectives.

The contractor should submit a quote for work with a proposed timeline to finish work prior to end of fiscal year 6/30/2024. The estimated hours for this project are 175 hours.

The work will be specific to the items listed below.

Customer Service Internal Audit - Policies and procedures, telephonic and in person customer service, data entry, record management, and storage processes.

- Perform interviews with Customer Service personnel to gain an understanding of current processes in place.
- Evaluate policies and procedures to provide an analysis on where gaps may exist in documented processes as well as where internal controls and best practices can be implemented, developed, and documented in the Policies and Procedures.
- Evaluate the onboarding and training process and manuals for consistency between the Albuquerque and Santa Fe office and ensure proper internal controls and best practices are in place to achieve exceptional service.
- Analyze current policies and documentation to ensure consistent processing of eligibility events between the Albuquerque and Santa Fe office.
- Analyze roles and responsibilities to ensure proper delegation of duties and backups of key processes are in place.

Staff requested quotes from three audit firms, one firm declined to quote on the scope of services. Both responses received were competitive and comprehensive. One firm provided a response with a lower required hours of completion, earlier completion date of the project, and an overall lower cost.

Action Item Request: NMRHCA staff respectfully requests permission to contract with the selected audit firm to provide internal audit services for the scope of work referenced, not to exceed \$35,000 (including NM Gross Receipts Tax) to improve internal process and operations within the agency.

Out-of-state Travel Request (Action Item)

Background: The New Mexico Retiree Health Care Authority is a member of the State and Local Government Benefits Association (SALGBA). SALGBA is an organization providing educational and collaborative support for public sector employee benefit professionals. Consisting of 1,500 members in all 50 states to include both public sector and business entity members who cover more than 5 million employees and over \$14 billion in annual spend. The organization distributes information on the latest resources, news, conferences, educational and networking opportunities.

Registration for the National SALGBA Conference is currently open, and the annual conference starts on April 21st with presentations to conclude on April 24th. This conference provides a great opportunity to network with peers from other states, discuss best practices, and attend presentations on a variety of topics including national trends, cost reduction and containment initiatives and healthcare solutions such as: The Increasing Importance of Value-Based Care, Retirement Healthcare Trends, Alleviating Day-to-Day Plan Administration Challenges of Group Medicare Advantage, GLP-1s in Public Sector: What Benefits Leaders Need to Know, Leveraging Market Leading Solutions to Modernize Retiree Healthcare, and additional innovative wellness topics.

Requested Action: NMRHCA staff respectfully request permission to attend the National Conference of the State and Local Government Benefits Association (SALGBA) held on April 21st – April 24th in Louisville, Kentucky (see attached agenda on next page).



Register now!
SALGBA 2024—April 21-24 in Louisville, KY

[Click here to Register](#)

SALGBA 2024 National Conference

April 20, 2024 – April 23, 2024

Omni Louisville Hotel

400 S. 2nd Street

Louisville, KY 40202

Agenda

April 20, 2024

SALGBA Board Meeting	3:30 PM-5:30 PM ET
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April 21, 2024

Tour Sponsored by Humana	8:00 AM-3:30 PM ET
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Registration Open	10:30 AM-6:30 PM ET
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Exhibitor Set Up	11:00 AM-4:30 PM ET
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Board Reception (Invitation Only)	4:15 PM-5:00 PM ET
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Opening Night Reception sponsored by UnitedHealthcare	5:00 PM-6:30 PM ET
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April 22, 2024

Registration	7:30 AM-5:00 PM ET
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Breakfast sponsored by Hello Heart	7:30 AM-8:15 AM ET
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Welcome	8:30 AM-9:00 AM ET
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Opening Keynote Humana	9:00 AM-9:45 AM ET
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Coffee break with Exhibitors	9:45 AM-10:15 AM ET
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The Increasing Importance of Value-Based Care	10:15 AM-11:15 AM ET
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First Responder Support - Looking Beyond a Traditional EAP : The State of Illinois' Mission To Find	10:15 AM-11:15 AM ET
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Together. Better. Stronger – Re-Energizing Well-Being.	10:15 AM-11:15 AM ET
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Spin the Health is Wealth Equity Wheel with UnitedHealthcare	10:15 AM-11:15 AM ET
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Retirement Healthcare Trends	10:15 AM-11:15 AM ET
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Effective Strategies to Achieve Lowest Rx Net Cost	10:15 AM-11:15 AM ET
Luncheon sponsored by Hinge Health	11:30 AM-12:45 PM ET
Alleviating Day-To-Day Plan Administration Challenges of Group Medicare Advantage	1:00 PM-2:00 PM ET
Tipping the Scales: Developing a smart strategy for handling the new class of weight loss drugs	1:00 PM-2:00 PM ET
Beyond Access: How KEHP and UK Achieved Equitable and Effective MSK Care for Employees in Pain	1:00 PM-2:00 PM ET
What's in Your Claims Data? Protecting Your Members, Saving Money, and Meeting Your Fiduciary Responsibility	1:00 PM-2:00 PM ET
Precision population health: the future of health solutions	1:00 PM-2:00 PM ET
Flip the switch! How Two Neighboring States Shine a Light On The Rising Cost of Prescription Drugs	1:00 PM-2:00 PM ET
Break with Exhibitors	2:15 PM-2:45 PM ET
Unlocking the Secrets of Savvy Healthcare Consumers with Utilization Management	3:00 PM-4:00 PM ET
Using Clinical Risk to refine Financial Comparisons Across Populations	3:00 PM-4:00 PM ET
Navigating Healthcare Cost Trends and Mastering Care Management Strategies for Early Retirees	3:00 PM-4:00 PM ET
GLP-1s in Public Sector: What Benefits Leaders Need To Know About GLP-1 Alternatives In The Age of O	3:00 PM-4:00 PM ET
Wellness, Benefits and How the State of Maine is becoming an Employer of Choice	3:00 PM-4:00 PM ET
Address the #1 Killer of Women	3:00 PM-4:00 PM ET
Networking Reception in Exhibit Hall sponsored by Retiree First	4:30 PM-5:45 PM ET
Evening Event at IceHouse sponsored by Express Scripts	6:00 PM-9:00 PM ET
After Party sponsored by Aetna	9:00 PM-11:00 PM ET

April 23, 2024

Breakfast with Exhibitors	8:00 AM-8:30 AM ET
Registration	8:00 AM-5:00 PM ET
Tuesday General Session—Aon	8:30 AM-9:30 AM ET
Break with Exhibitors	9:30 AM-10:00AM ET
Unlocking Employee Engagement with a Tailored Benefits Experience for All	10:00 AM-10:45 AM ET
YouRock! The City of Round Rock's Wellness Program	10:00 AM-10:45 AM ET
Evolving management approaches to optimize patient care and reduce costs	10:00 AM-10:45 AM ET
Going Beyond Your EAP: Take a Preventive Approach to Mental Health to Drive 70% Engagement	10:00 AM-10:45 AM ET
State of Utah's approach to Fair Market Pricing	10:00 AM-10:45 AM ET
The New Public Sector Retiree Health Care Plan Paradigm	10:00 AM-10:45 AM ET
Dedicated Substance Use Management in the Workplace That Benefits the Whole Family	11:00 AM-11:45 AM ET
Building Healthcare Cost Reduction into Your Employee Wellbeing Program – What Public Sector Leaders	11:00 AM-11:45 AM ET
Benefits Communications: Changing Your Strategy to Reach All Your Employees	11:00 AM-11:45 AM ET
Navigating Change within the PBM Landscape: What does it all mean for benefits?	11:00 AM-11:45 AM ET
Leveraging market leading solutions to modernize retiree healthcare	11:00 AM-11:45 AM ET
Awards Luncheon	12:00 PM-1:15 PM ET
Clinical Impact of Obesity and a Framework for Sustainable Care	1:30 PM-2:15 PM ET
A Case Study: Reversing Rx Spend With Comparative Effectiveness Research	1:30 PM-2:15 PM ET
Pharmacy Benefit Managers (PBMs): Overview for Public Purchasers	1:30 PM-2:15 PM ET
State Health Plans' Benefits, Costs and Strategies: A Segal Study	1:30 PM-2:15 PM ET

The Right Employee Benefits, the Right Way	1:30 PM-2:15 PM ET
Break with Exhibitors & Prize Drawings	2:15 PM-3:00 PM ET
Public Sector Member Business Meeting	3:00 PM-3:30 PM ET
Education Roundtable	3:30 PM-5:00 PM ET
State Roundtable	3:30 PM-5:00 PM ET
Local Entity Roundtable	3:30 PM-5:00 PM ET
Reception at the Omni sponsored by TELUS Health	5:00 PM-5:45 PM ET
Evening Event at KY Derby Museum sponsored by CVS Health	6:00 PM-10:00 PM ET

April 24, 2024

Breakfast & Workshop	8:00 AM-9:30 AM ET
Golf Tournament	10:00 AM-3:00 PM ET