

RHCA Monthly Board Meeting Report **March 2016**

Doug Crandall, RHCA Representative

RHCA Legislation

As has been reported previously, HB58, which would have increased the employee and employer contribution rates to assure the future solvency of the RHCA, easily passed the NM State House on a vote of 55-8. Unfortunately, though not unexpectedly, it stalled in the Senate Finance Committee and never got to a vote. This was the third year in a row that the legislation passed the house and died in the Senate. It is expected to be introduced again next year when it is hoped that the NM economy is in better shape.

RFP's

The RFP for actuarial services was issued on February 26. Offerers have until March 17 to submit their proposals. The winning offerer will begin on July 1st. The selection process for service providers is complete and in the final negotiation stage.

Investments

Not surprisingly RHCA investments lost almost \$13 million for the month ending January 31. It was a brutal month for stocks and bonds, but returns have improved and it is hoped that the fund will recover much of those losses in the next few months. Total assets now stand at \$417 million.

Life Insurance

One of the most favorable contracts for the Retiree Health Care Authority is that negotiated with The Standard Life Insurance Company. The contract requires that loss ratios be regularly reviewed and that rates would be required to be lowered if their loss ratios beat projections. At the same time, they are prohibited from raising contracted rates in the loss ratios are greater than anticipated. The Standard's anticipated loss ratio was 70% or less, but the actual loss ratio was 93%. In addition the loss ratio for the grandfathered \$6000 basic life plan was over 140% and climbing each year. This contract is also an example of working with the IBAC to include several agencies (State General fund, etc.) which has a much lower loss ratio than RHCA and allows the rates to be much lower than they would be if RHCA had a stand alone contract.

A new benefit of the life insurance plan, is a “Life Services Toolkit” available to all members. This includes online information and legal forms including advance funeral planning help and other estate planning information. Beneficiaries have access to grief counseling, legal assistance and financial planning as well.

Medicare Advantage

When an RHCA member enrolls in a Medicare Advantage plan, instead of a traditional Medicare Plan, the liability for the Authority is eliminated. Medicare Advantage plans have the advantage of lower rates, though out of pocket costs may be higher. A healthy retiree fares better in a Medicare Advantage plan, though a retiree with a significant medical issue may end up paying more through an MA plan than through traditional Medicare. Several thousand RHCA retirees have enrolled in one of the MA plans offered.

Currently, the Medicare Advantage plans offered by RHCA provide good coverage at a very reasonable cost. There is, however, a move by the Obama administration to lower benefits and increase overall costs to Medicare Advantage retirees. Although RHCA will take a stand in this effort, the Authority is not a lobbying entity and support to block the cost increase also needs to come from organizations such as RHCA. An email from Mark Duran, a lobbyist opposing the increases, has been sent to RPENM Board members. This is an item that likely should be discussed at the annual meeting in May.

2017 Plan Changes

Executive Director Mark Tyndall discussed several ideas for potential plan design changes as were discussed in the last RHCA report. Although nothing has been decided, several options will be discussed including lower cost (and lower benefit) plan options for pre-Medicare plans, consideration of a possible transition away from Premier Plus plans and accelerating membership adoption into Medicare Advantage Plans for new Medicare eligible retirees.

These and other options will be discussed between now and the annual meeting in July, in conjunction with the updated solvency projections. Any changes will begin in 2017.