

**New Mexico Retiree Health Care Authority
Baseline Assumptions for Long-Term Solvency Projections**

<u>Assumption</u>	<u>Prior Assumption July 2013</u>	<u>Prior Assumption July 2014</u>	<u>Prior Assumption July 2015</u>	<u>Prior Assumption July 2016</u>	<u>Current Assumption July 2017</u>
Asset Balance	Use May 31, 2013 fund balance of \$279,487,430 as an estimate for 7/1/2013 fund balance	Use May 31, 2014 fund balance of \$369,131,762 as an estimate for 7/1/2014 fund balance	Use May 31, 2015 fund balance of \$429,925,522 as an estimate for 7/1/2015 fund balance	Use May 31, 2016 fund balance of \$455,592,072 as an estimate for 7/1/2016 fund balance	Use May 31, 2017 fund balance of \$551,412,183 as an estimate for 7/1/2017 fund balance
Investment Return	No Change	No Change	No Change	No Change	7.25%
Annual Growth in Payroll	FY13 payroll estimated to be \$3,983,932,770, increasing 2% through 6/30/14 and 4% thereafter	F20Y14 payroll estimated to be \$3,941,587,760, increasing 3% through 6/30/15 and 3.5% thereafter	F20Y15 payroll estimated to be \$4,040,779,736, increasing 3.5% annually	FY2016 payroll estimated to be \$4,126,747,451, increasing 3.5% annually	FY2017 payroll estimated to be \$4,165,647,339, increasing 0.0% through FY2019 and 3.5% thereafter
Percentage of Covered Payroll for Public Safety, et al	9.14%	No Change	No Change	No Change	No Change
Contribution Rates (Employer/Employee)					
Public Safety, et al	2.50%/1.25%	No Change	No Change	No Change	No Change
Other Occupations	2.50%/1.25%	No Change	No Change	No Change	No Change
Annual Growth in Retirees					
Non-Medicare	1.75% annually through 6/30/2015, then based on FY2009 open valuation output table	No Change	No Change	No Change	No Change
Medicare	5.8% through 6/30/2015, then based on FY2009 open valuation output table	No Change	No Change	No Change	No Change
Retiree Ancillary Costs	Assumed to equal premium expenses and is paid fully by retirees	No Change	No Change	No Change	No Change
Pension Tax Revenue	\$18,688,658 for FY13, increasing 12% thereafter	\$20,931,300 for FY2014, increasing 12% thereafter	\$23,443,056 for FY2015, increasing 12% thereafter	\$26,256,200 for FY2016, increasing 12% thereafter	\$28,306,470 for FY2017, frozen through FY2019 and increasing 12% thereafter
HB 728/573 Revenue	\$3 million annually, no sunset	No Change	No Change	No Change	Eliminated effective 1/1/2017
Rx Rebates	Rebates of \$5,798,571 estimated for FY13, increased at annual retiree growth rate	Rebates of \$8,407,050 estimated for FY14, reflecting proposed contract terms through FY18; all annual figures increased at retiree growth rate	Rebates of \$8,960,237 estimated for FY15, reflecting proposed contract terms through FY18; all annual figures increased at retiree growth rate	Rebates of \$8,566,058 estimated for FY2016, reflecting proposed contract terms through FY2018; all annual figures increased at retiree growth rate	Rebates of \$18,321,264 estimated for FY2017, reflecting proposed contract terms through FY2018; all annual figures increased at retiree growth rate
EGWP Revenue Components:					
Direct Subsidy	No Change: half of Medicare Rx trend, plus 1% for donut hole closure CY12 through CY20	CY2014-15 projected by ESI; thereafter increases annually at retiree growth rate, plus one half of Medicare Rx trend +1% for donut hole closure CY16 through CY20 (one half of Medicare Rx trend CY2021+)	CY2015-16 projected by ESI; thereafter increases annually at retiree growth rate, plus one half of Medicare Rx trend +1% for donut hole closure CY17 through CY20 (one half of Medicare Rx trend CY2021+)	CY2016 and CY2017 projected by ESI; thereafter increases annually at retiree growth rate, plus one half of Medicare Rx trend +1% for donut hole closure CY2018 through CY2020 (one half of Medicare Rx trend CY2021+)	CY2017 and CY2018 projected by ESI; thereafter increases annually at retiree growth rate, plus one half of Medicare Rx trend +1% for donut hole closure CY2019 through CY2020 (one half of Medicare Rx trend CY2021+)
Federal Reinsurance	CY13 & CY14 PMPM revenue estimated by ESI, increased at retiree growth rate	CY2014-15 projected by ESI; CY2016+ annual increase at only retiree growth rate	CY2015-16 projected by ESI; CY2017+ annual increase at only retiree growth rate	CY2016 and CY2017 projected by ESI; CY2018+ annual increase at only retiree growth rate	CY2017 and CY2018 projected by ESI; CY2019+ annual increase at only retiree growth rate
Low Income Subsidy	No Change: half of Medicare Rx trend, plus 1% for donut hole closure CY12 through CY20	0.0% annual increase to CY2014 estimate of \$2.85 PMPM	0.0% annual increase to CY2015 estimate of \$3.40 PMPM	0.0% annual increase to CY2016 estimate of \$3.40 PMPM	0.0% annual increase to CY2017 estimate of \$2.84 PMPM
Coverage Gap Discount Program	CY13 & CY14 PMPM revenue estimated by ESI, increased at retiree growth rate	CY2014-15 projected by ESI; CY2016+ annual increase at only retiree growth rate	CY2015-16 projected by ESI; CY2017+ annual increase at only retiree growth rate	CY2016 and CY2017 projected by ESI; CY2018+ annual increase at only retiree growth rate	CY2017 and CY2018 projected by ESI; CY2019+ annual increase at only retiree growth rate
Short Term Interest	\$54,802 projected for FY13, increasing 0.0% annually	\$0 projected for FY2014, increasing 0.0% annually	No Change	No Change	No Change
Subrogation	\$389,857 estimated for FY13, increased at retiree growth rate	\$239,932 estimated for FY2014, increased at retiree growth rate	\$277,326 estimated for FY2015, increased at retiree growth rate	\$327,942 estimated for FY2016, increased at retiree growth rate	\$279,589 estimated for FY2017, increased at retiree growth rate

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Annual Trend					
Medical					
Medicare Advantage	8.00%	No Change	No Change	No Change	No Change
Medicare Supplement	8.00%	No Change	No Change	No Change	No Change
Medicare Rx	8.00%	No Change	No Change	No Change	No Change
Non-Medicare Medical	8.00%	No Change	No Change	No Change	No Change
Mental Health	Included in Medical Trend	No Change	No Change	No Change	No Change
Non-Medicare Rx	8.00%	No Change	No Change	No Change	No Change
Medical Rates	Annual Non-Medicare rate increases of 8% in 2014-2016, 3% Non-Medicare thereafter, 6% Medicare Supplement rate increases in 2014+	Annual Non-Medicare rate increases of 8% in 2015-2020 and 3% thereafter, 5% Medicare Supplement rate increase in 2015 and 6% thereafter	Annual Non-Medicare rate increases of 8% in 2016-2021 and 4% thereafter, 6% Medicare Supplement rate increase in 2016-2033 and 3% thereafter	2017 rates for Premier and new Value plan set per pricing exercise; Annual Non-Medicare rate increases of 8% in 2018-2022 and 4% thereafter, 6% Medicare Supplement rate increase in 2017-2030 and 3% thereafter	Annual Non-Medicare rate increases of 8% in 2018-2022 and 4% thereafter, 6% Medicare Supplement rate increase in 2017-2031 and 3% thereafter
Life Insurance	Assumes level total premium on Basic Life for duration of projection	Assumes level total premium on Basic Life for duration of projection	Assumes level total premium on Basic Life through CY17 decreasing 25% per year through CY21	No Change	No Change
Dental	6.00%	No Change	No Change	No Change	No Change
Vision	5.00%	No Change	No Change	No Change	No Change
Program Support	\$2,651,000 budgeted for FY2014, increasing 2.5% annually thereafter	\$2,929,300 budgeted for FY2015, increasing 2.5% annually thereafter	\$3,012,900 budgeted for FY2016, increasing 2.5% annually thereafter	\$3,118,300 budgeted for FY2016, increasing 2.5% annually thereafter	\$2,936,800 budgeted for FY2017, increasing 2.5% annually thereafter
Administrative Services Fee	Medical based on information from Mark for 2013-2016, increasing 2.00% annually thereafter; Rx based on existing contract terms in place through 6/30/2014	Individual fee components based on existing contract terms in place, increasing 2.00% annually thereafter	No Change	No Change	No Change
Plan Design Changes					
Medical					
Medicare	No changes for 1/1/2014 or beyond	Annual plan changes in CY2034 and beyond such that projected claims and expenses remain beneath Excise Tax threshold	Annual plan changes in CY2034 and beyond such that projected claims and expenses remain beneath Excise Tax threshold	Annual plan changes in CY2031 and beyond such that projected claims and expenses remain beneath Excise Tax threshold	Annual plan changes in CY2032 and beyond such that projected claims and expenses remain beneath Excise Tax threshold
Non-Medicare	Consolidation of Non-Medicare plans in CY17, annual plan changes thereafter to keep projected claims beneath Cadillac Tax threshold	Consolidation of Non-Medicare plans in CY2017, annual plan changes in CY2021 and beyond such that projected claims and expenses remain beneath Excise Tax threshold	Consolidation of Non-Medicare plans in CY2017, annual plan changes in CY2022 and beyond such that projected claims and expenses remain beneath Excise Tax threshold	Beginning CY2017: Elimination of Premier Plus plan, introduction of Value plan, Premier plan OOP max increase to \$4,500, deductible and copays accumulating to OOP max; annual plan changes in CY2023 and beyond such that projected claims and expenses remain beneath Excise Tax threshold	Beginning CY2018, expanding value option to BCBSNM network; annual plan changes in CY2023 and beyond such that projected claims and expenses remain beneath Excise Tax threshold
Rx					
Medicare	No changes for 1/1/2014 or beyond	Annual plan changes in CY2034 and beyond such that projected claims and expenses remain beneath Excise Tax threshold	Annual plan changes in CY2034 and beyond such that projected claims and expenses remain beneath Excise Tax threshold	Eliminate coverage for drugs now available over the counter (OTC); Annual plan changes in CY2031 and beyond such that projected claims and expenses remain beneath Excise Tax threshold	Add Voluntary Smart90 program; annual plan changes in CY2032 and beyond such that projected claims and expenses remain beneath Excise Tax threshold
Non-Medicare	No changes for 1/1/2014 or beyond	No changes for 1/1/2015 or beyond	No changes for 1/1/2016 or beyond	Eliminate coverage for drugs now available over the counter (OTC)	Add Voluntary Smart90 program
Basic Life and AD&D	No new entrants	No new entrants	No new entrants	No new entrants	No new entrants
Annual Index in Cadillac Tax Thresholds	3%	3%	3%	3%	3%

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Annual Increase in PCORI Fee	3%	Projected increase in National Health Expenditures, per CMS Office of the Actuary	Projected increase in National Health Expenditures, per CMS Office of the Actuary	Projected increase in National Health Expenditures, per CMS Office of the Actuary	Projected increase in National Health Expenditures, per CMS Office of the Actuary
Member Rate Share					
Retiree					
Medicare	50%	No Change	No Change	No Change	No Change
Non-Medicare	35%	No Change	36% in CY2016+	No Change	No Change
Spouse					
Medicare	75%	No Change	No Change	No Change	No Change
Non-Medicare	60%	62% in CY2015+	64% in CY2016+	No Change	No Change
Child(ren)					
Medicare	100%	No Change	No Change	No Change	No Change
Non-Medicare	100%	No Change	No Change	No Change	No Change
Minimum Service to Receive Full Subsidy	20 years	No Change	No Change	No Change	No Change
Minimum Participation Age	None	No Change	No Change	No Change	No Change