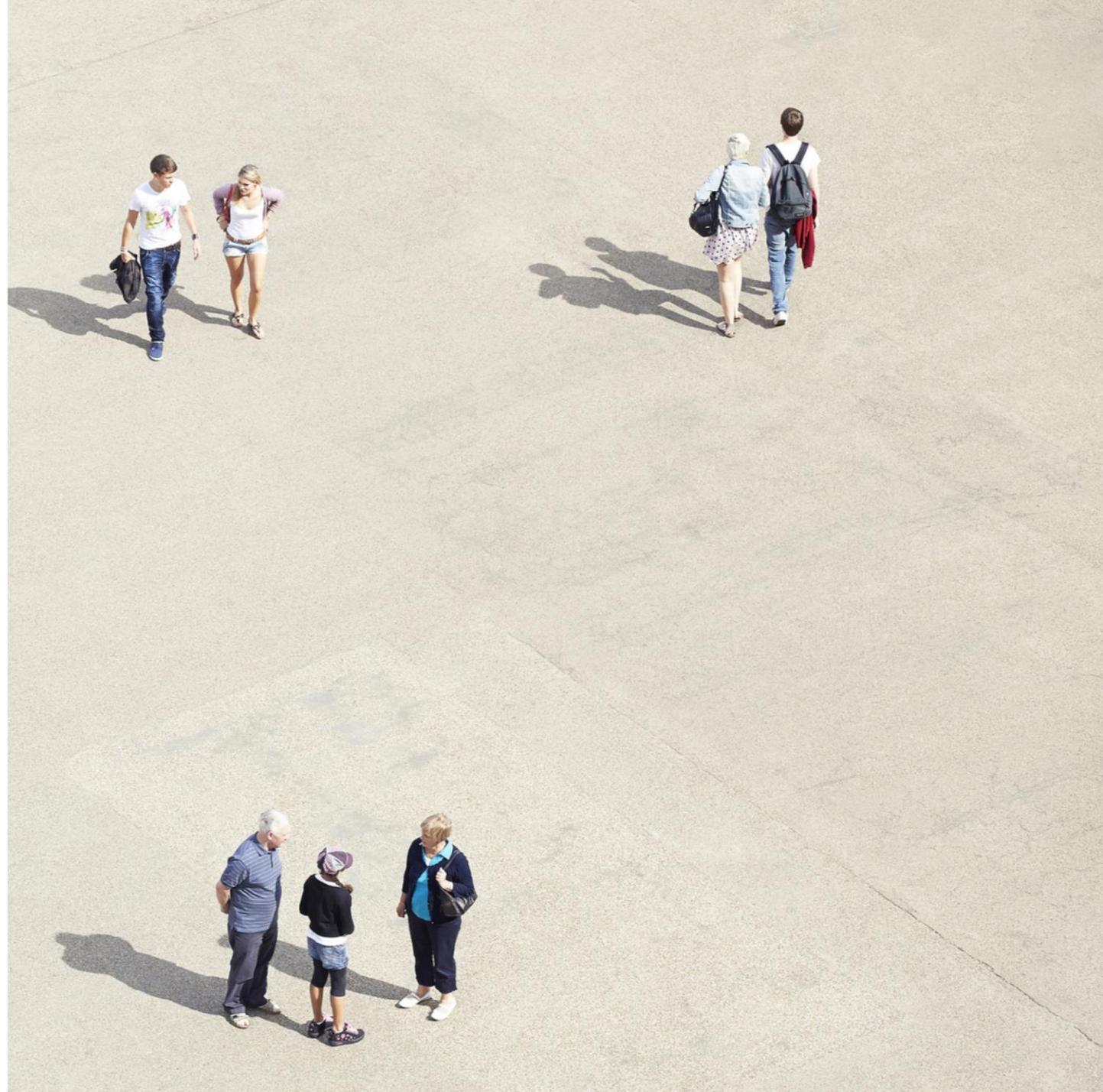




# 2024 SEHBP Rate Setting Analysis

State of New Jersey

July 12, 2023



# Today's Discussion

## Meeting Objectives

- Overview of the Rate Setting Analysis and results
- Provide summary of Local Education rating assumptions and active cost drivers
- Discuss alternatives for setting individual plan rates for actives

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**Rate Setting  
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# 1

## Overview

# Rate Setting Overview

## Purpose of Rate Setting Analysis

- The purpose of the Rate Setting Analysis is to project plan costs to Plan Year 2024 and provide recommended changes to the Plan Year 2023 premium rates in order to cover the projected plan costs

## Claims Experience

- The Plan Year 2024 projection reflects more recent claims data compared to the Plan Year 2023 analysis
  - The Plan Year 2023 Rate Setting Analysis reflected 12-months of CY2021 incurred claims data
  - The Plan Year 2024 Rate Setting Analysis reflects 12-months of CY2022 incurred claims data

## Enrollment

- The Plan Year 2024 projections reflect updated enrollment information:
  - The Plan Year 2023 Rate Setting Analysis was based on April 2022 census data projected to 2023
  - The Plan Year 2024 Rate Setting Analysis is based on April 2023 census data, adjusted for known local employer entrants and terminations, projected to 2024

## Projection Assumptions

- The Plan Year 2024 projections reflect updated projection assumptions:
  - Medical trend assumptions have been increased, which reflects the expected continued upward pressure of economy wide inflation on plan prices
  - Rx trend assumptions have been increased, which reflects an increase in plan utilization of high-cost specialty drugs
  - The Local Education Active trends used in the projection include an increased Anti-Selection load of 100bps in 2023 and 75bps in 2024

# Local Education Pricing Methodology/Assumptions

	2024 Pricing Projections
<b>Claims Experience</b>	Claims based on 12-months of incurred experience from January 1, 2022 through December 31, 2022 with runout through March 31, 2023
<b>Enrollment Distribution / Migration Assumption</b>	Monthly census data was provided by the State through April 2023; For Plan Year 2024, it is assumed that 55% of Actives enroll in the NJEHP, 30% enroll in the PPO10, 14% enroll in the PPO15, and 1% enroll in the GSHP
<b>Trend Assumption (excluding anti-selection)</b>	Active PPO: 6.50% Medical / 9.00% Rx Early Retiree PPO: 6.50% Medical / 9.00% Rx Self-Insured Medicare: 5.50% Medical / 7.75% Rx
<b>Rx Rebates / EGWP</b>	Projected Rx Rebates and EGWP credits are based on data provided by Optum
<b>Anti-Selection</b>	Active and Early Retiree medical and prescription drug trends have been increased to 100 basis points for Plan Year 2023 and 75 basis points Plan Year 2024
<b>High-Cost Claimants</b>	Claims were reviewed for abnormal high-cost claimants and adjusted based on this review
<b>Other</b>	The Local Education Active premium rates reflect margin to bring the projected December 31, 2024 Claim Stabilization Reserve balance up to the recommended 2.0 months of plan cost

# Active Pricing Scenarios

## NJEHP Pricing Overview

- The NJEHP was initially established January 1, 2021, and, since no plan specific experience was available, premium rates for the new plan were set for Plan Years 2021 and 2022 based on the pooled experience in the other plans that existed during each experience period, adjusted for differences in plan design value and assumed consumerism.
- Premium rates for 2023 were set on a fully pooled basis over all existing plans. However, the NJEHP/GSHP is now at a level that is considered credible for premium setting on a stand-alone basis. As such, an analysis has been done on several alternative scenarios and the final scenario will be determined by the SEHBC.
- The rate change for the GSHP in all scenarios is a change from the previous 18-month rate developed prior to the Plan Year 2023 Rate Setting Analysis and effective for July 1, 2022 through December 31, 2023, to a 12-month rate to be effective for the 2024 Plan Year. As such the GSHP increase includes a higher trend impact as well as an experience adjustment for experience measured in the Plan Year 2023 Rate Setting Analysis, which was not previously reflected.

## Alternative Scenario Summary

- The recommended rate setting active premium rate changes for Plan Year 2024 were developed on three alternative scenarios:
  1. Fully pooled with experience for all active plans considered together, as in prior years
  2. Based on two distinct stand-alone experience pools representing combined PPO10/PPO15 experience and separately combined NJEHP/GSHP experience
  3. A transitional alternative which blends 33% of the stand-alone experience and 67% of pooled experience
- Because of resulting PPO10 and PPO15 employee contribution changes in alternatives 2 and 3, assumptions have been made for migration from the PPO10/PPO15 plans to NJEHP for those alternatives.
- There are also small changes in the margin required to bring the Claims Stabilization Reserve to 2.0 months of plan cost in each scenario.

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## Active and Retiree Pricing Results

# Scenario 1: All Plans Rated on a Combined Basis

Plan Year 2024 Premium Rate Changes	Medical	Rx			Total
		Rx Card	MMRx	Total Rx	
<b>Actives</b>					
NJDIRECT 10/15	4.8%	17.3%	21.7%	19.6%	6.5%
NJEHP	4.8%	17.3%	17.3%	17.3%	5.9%
GSHP	15.2%	20.6%	20.6%	20.6%	15.7%
<b>Total</b>	<b>4.9%</b>	<b>17.3%</b>	<b>19.7%</b>	<b>18.5%</b>	<b>6.3%</b>

Claim Stabilization Reserve (\$ millions)	Total
12/31/2022	\$240
12/31/2023	\$257
12/31/2024	\$269
Months of Plan Cost	2.0

## Scenario Summary:

- The projected costs are consistent with the assumptions and methodologies outlined in the Plan Year 2024 Rate Setting Analysis assuming 55% of subscribers enroll in the NJEHP, 30% enroll in the PPO10, 14% enroll in the PPO15, and 1% enroll in the GSHP.
- For purposes of projecting premiums, each benefit plan is projected separately and then experience is combined to develop uniform premium increases across groupings of similar plans. Plan premium increase reflects projected combined experience for the PPO10, PPO15, NJEHP, GSHP.
- The GSHP premium increase was calculated by adjusting the projected 2024 NJEHP Premium for the expected difference in plan value.
- Local Education Active Results include 0.75% premium margin.

# Scenario 2: NJEHP & GSHP Rated Separately from PPO10 & PPO15

Plan Year 2024 Premium Rate Changes	Medical	Rx			Total
		Rx Card	MMRx	Total Rx	
<b>Actives</b>					
NJDIRECT 10/15	25.6%	34.1%	39.2%	36.7%	26.8%
NJEHP	(5.6%)	15.1%	15.1%	15.1%	(3.8%)
GSHP	3.7%	18.3%	18.3%	18.3%	5.2%
<b>Total</b>	<b>4.9%</b>	<b>22.9%</b>	<b>24.5%</b>	<b>23.7%</b>	<b>6.8%</b>

Claim Stabilization Reserve (\$ millions)	Total
12/31/2022	\$240
12/31/2023	\$257
12/31/2024	\$266
Months of Plan Cost	2.0

## Scenario Summary:

- Plan Year 2024 cost projections assume an additional 30% of the PPO10 and PPO15 subscribers migrate to the NJEHP compared to Scenario 1
- The projected PPO10 and PPO15 costs reflect a 5% selection adjustment assuming those remaining in the plan will be higher cost on average compared to the pre-migration average cost for those plans. The projected NJEHP and GSHP costs reflect adjustments for the assumed additional migration. All other cost projection assumptions are consistent with the assumptions outlined in the Plan Year 2024 Rate Setting Analysis.
- The PPO10 and PPO15 plan premium increase reflects projected combined experience for the PPO10 and PPO15.
- The NJEHP and GSHP premium increase reflects projected combined experience for the NJEHP and GSHP. The GSHP premium increase was calculated by adjusting the projected 2024 NJEHP Premium for the expected difference in plan value.

# Scenario 3: 33% Stand-alone and 67% Pooled Experience Blend

Plan Year 2024 Premium Rate Changes	Medical	Rx			Total
		Rx Card	MMRx	Total Rx	
<b>Actives</b>					
NJDIRECT 10/15	9.3%	21.5%	26.1%	23.8%	11.0%
NJEHP	1.3%	16.5%	16.5%	16.5%	2.6%
GSHP	11.3%	19.7%	19.7%	19.7%	12.2%
<b>Total</b>	<b>4.8%</b>	<b>19.0%</b>	<b>21.2%</b>	<b>20.1%</b>	<b>6.3%</b>

Claim Stabilization Reserve (\$ millions)	Total
12/31/2022	\$240
12/31/2023	\$257
12/31/2024	\$266
Months of Plan Cost	2.0

## Scenario Summary:

- Plan Year 2024 cost projections assume an additional 10% of the PPO10 and PPO15 subscribers migrate to the NJEHP compared to Scenario 1
- The projected PPO10 and PPO15 costs reflect a 1% selection adjustment assuming those remaining in the plan will be higher cost on average compared to the pre-migration average cost for those plans. The projected NJEHP and GSHP costs reflect adjustments for the assumed additional migration. All other cost projection assumptions are consistent with the assumptions outlined in the Plan Year 2024 Rate Setting Analysis.
- The NJEHP plan premium increase reflects a 33%/67% blend of the Scenario 1 and Scenario 2 NJEHP increases before margin. The GSHP premium increase was calculated by adjusting the projected 2024 NJEHP Premium for the expected difference in plan value.
- The PPO10 and PPO15 plan premium increase was calculated to cover the remaining projected plan cost.
- Local Education Active Results include 0.6% premium margin.

# SEHBP Retiree Recommended Premium Rate Impact

## Plan Year 2024 Rate Impact Recommendations

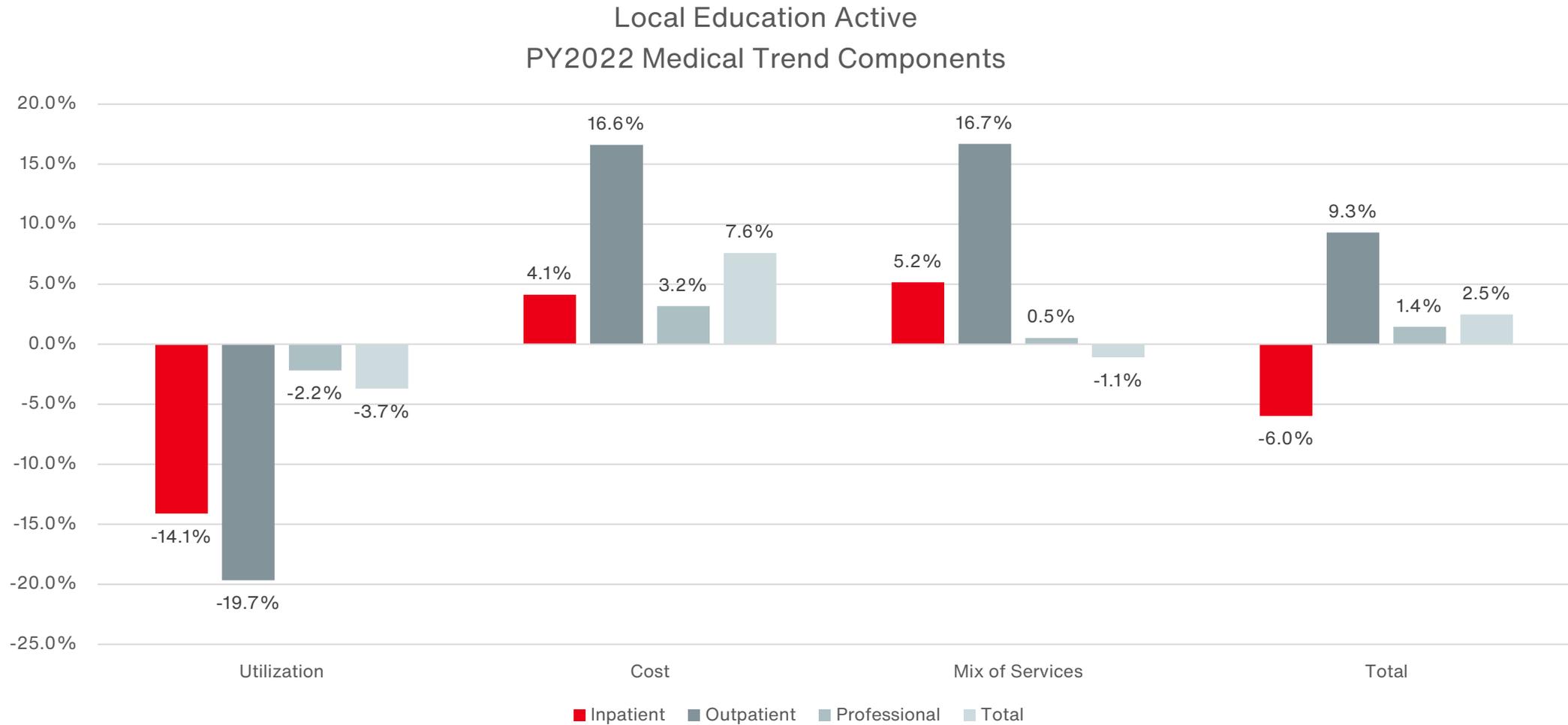
Plan Year 2024 Premium Rate Changes	Early Retirees			Medicare Retirees		
	Medical	Rx	Total	Medical	Rx	Total
<b>Local Education Plans</b>						
NJDIRECT 10/15	N/A	N/A	N/A	N/A	N/A	N/A
NJEHP	0.4%	15.9%	3.3%	N/A	N/A	N/A
GSHP	8.9%	39.0%	14.9%	N/A	N/A	N/A
<b>Total</b>	<b>0.4%</b>	<b>16.0%</b>	<b>3.4%</b>	<b>(1.9%)</b>	<b>11.8%</b>	<b>6.9%</b>

- 2024 Active, Early Retiree, and Medicare Retiree pricing is projected with Medical and Prescription Drug claims incurred from January 1, 2022 through December 31, 2022 with runout through March 31, 2023
- Medicare Retiree Medicare Advantage Rate increase reflects fully insured rates from Aetna

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## Local Education Active Cost Drivers

# Local Education Active Medical Claim Trends



# Local Education Active Medical Claim Drivers

## Impact of updated medical claims experience

- Overall, the 2022 medical claims PMPM is 2.7% lower compared to what was projected in the Plan Year 2023 Rate Setting Analysis

## Professional Services

- Professional services accounts for approximately 48% of medical claims spend and the overall professional trend was 1%
- Overall, the number of visits/member has decreased 2%, which includes a 4% reduction in PCP visits and a 2% reduction in specialist visits
- Overall, the average price per visit of professional services increased 4%, which includes an increase in the price for physical therapy (+5%), cardiovascular (+3%), and evaluation and management professional services (+4%)

## Outpatient Services

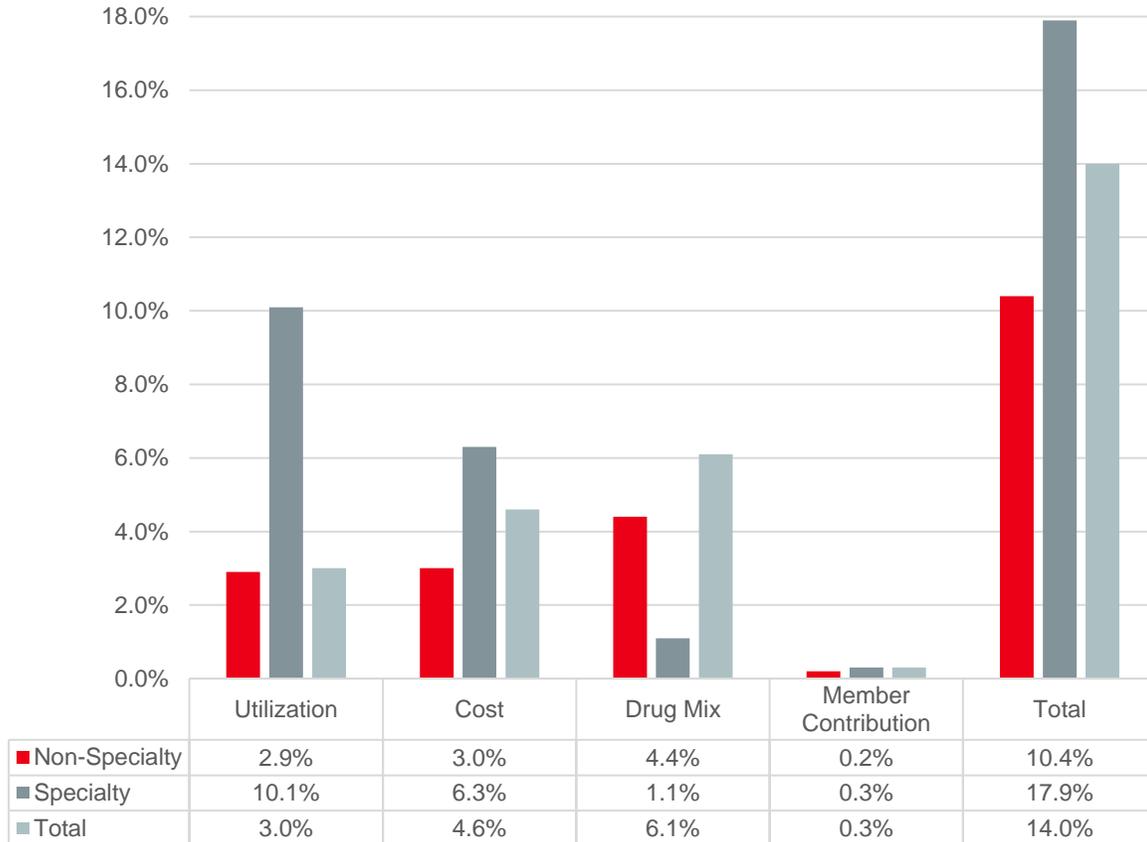
- OP services account for approximately 34% of medical claims spend and the overall outpatient trend was 9%
- While overall utilization of outpatient services decreased almost 20%, the cost per visit increased 36%, driven in part by utilization of more expensive services
  - Utilization of Emergency services increased 11%, OP Surgery increased 6%, and radiology increased 1%
  - While medical drug utilization decreased 3%, the unit cost increased 5%
- Cost per visit of OP ambulatory services increased 74%

## Inpatient Services

- IP services account for approximately 18% of medical claims spend
- Significant reduction in utilization (-14%) offset by an increase in the cost per visit (+9%)

# Local Education Active Rx Claim Drivers

Local Education Active  
PY2022 Rx Trend Components



## Total

- Plan paid PMPM has increased 14% over the previous period driven primarily by drug mix in traditional and utilization of specialty drugs

## Non-Specialty

- Brand drugs account for 18% of non-specialty scripts and 82% of non-specialty claims spend
- PMPM spend for Diabetes related drugs increased 15% and accounts for 12% of total plan spend (Ozempic was top drug in category)
- PMPM spend for non-specialty Asthma/COPD related drugs increased 18%

## Specialty

- Specialty Drug PMPM spend for Inflammatory conditions increased 23% and accounts for 24% of total plan paid
- PMPM spend for Oncology drugs increased 10%
- In Plan Year 2022 there were 152 new drugs with 142 new utilizers

## Top Drugs of Note

- Inflammatory Conditions, Diabetes, and Oncology disease states accounted for 44% of overall
- 3 of top 4 Drugs by spend (Humira Pen, Stelara, Ozempic) rank consistently with Optum's benchmark
- Utilization of Anti-Obesity Agents (such as Wegovy and Saxenda) increased 73%

# Questions

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## Appendix

# Disclaimers

The projections in this analysis are measured on an incurred basis and are consistent with the assumptions and methodology disclosed herein. Future projections may differ significantly from the current projections presented in this analysis due to (but not limited to) such factors as the following:

- Plan experience differing from what is anticipated by the economic or demographic assumptions;
- Changes in actuarial methods or in economic or demographic assumptions;
- Changes in plan provisions or applicable law.

This analysis contains the primary actuarial assumptions and methods used to develop the cost projections but may not include a comprehensive list of these methodologies and assumptions. Aon provided guidance with respect to these assumptions, and it is our belief that the assumptions represent reasonable expectations of anticipated plan experience.

# Preparation of this Actuarial Analysis

This report has been prepared to present our analysis of the Plan Year 2024 Rate Setting for the School Employees' Health Benefits Program (SEHBP). The purpose of this analysis is to recommend premium levels for the SEHBP for January 1, 2024 through December 31, 2024. The use of this report for purposes other than those expressed herein may not be appropriate.

It should be noted that Aon's conclusions are based on certain assumptions that appear reasonable at this time. Actual experience can vary from projected experience, and this difference may be material.

## **Source of Information**

In conducting this analysis, we relied on census data provided by the State and claims data provided by carriers. We reviewed the data for reasonableness and consistency with prior data but have not audited it; as such, we are not certifying, herein, as to its accuracy.