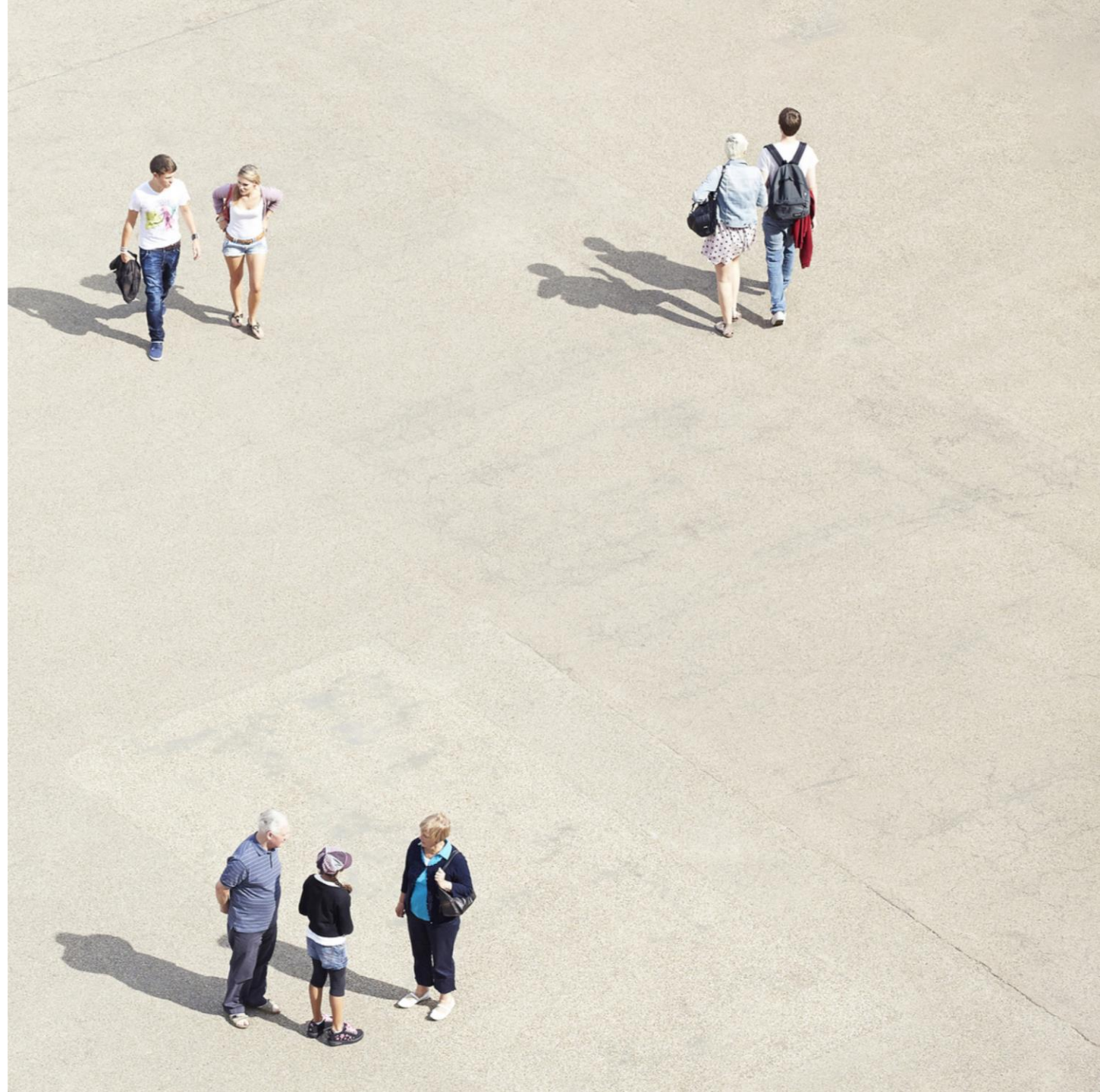




2024 SHBP Rate Setting Analysis

State of New Jersey

July 12, 2023



Today's Discussion

Meeting Objectives

- Overview of the Rate Setting Analysis and results
- Provide summary of Local Government rating assumptions and active cost drivers
- Provide summary of State rating assumptions and active cost drivers
- Provide summary of Dental results

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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 projected to 2024
 - Plan Year 2023 Local Government headcounts were adjusted for known local employer entrants and terminations

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 Government Active and Retiree trends used in the projection include an increased Anti-Selection load of 100bps in 2023 and 75bps in 2024

Overview of SHBP Recommended Premium Rate Impact

Plan Year 2024 Rate Impact Recommendations

Plan Year 2024 Premium Rate Changes	Actives			Early Retirees			Medicare Retirees		
	Medical	Rx	Total	Medical	Rx	Total	Medical	Rx	Total
Local Government									
PPO / NJDIRECT / HDHP	5.8%	20.2%	7.4%	5.2%	20.8%	7.3%	N/A	N/A	N/A
HMO	5.8%	20.2%	7.5%	5.2%	20.8%	7.5%	N/A	N/A	N/A
Tiered Network	1.4%	11.4%	2.8%	5.2%	20.8%	7.5%	N/A	N/A	N/A
Total	5.7%	19.9%	7.3%	5.2%	20.8%	7.3%	(0.7%)	15.5%	8.8%
State									
PPO / HDHP	3.0%	23.9%	6.0%	0.4%	21.0%	3.5%	N/A	N/A	N/A
HMO	3.0%	23.9%	6.1%	0.4%	21.0%	3.8%	N/A	N/A	N/A
Tiered Network	2.5%	5.5%	2.9%	0.4%	21.0%	3.8%	N/A	N/A	N/A
CWA Unity / NJDIRECT	1.9%	15.1%	3.8%	0.4%	21.0%	3.5%	N/A	N/A	N/A
Total	2.2%	16.7%	4.3%	0.4%	21.0%	3.5%	(3.4%)	10.3%	5.8%

- 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
- Local Government Active and Retiree premiums include a 3.0% margin, since the projected total Claim Stabilization Reserve for the Local Government Group is expected to be below the recommended level of 2.0 months at the end of Plan Year 2024

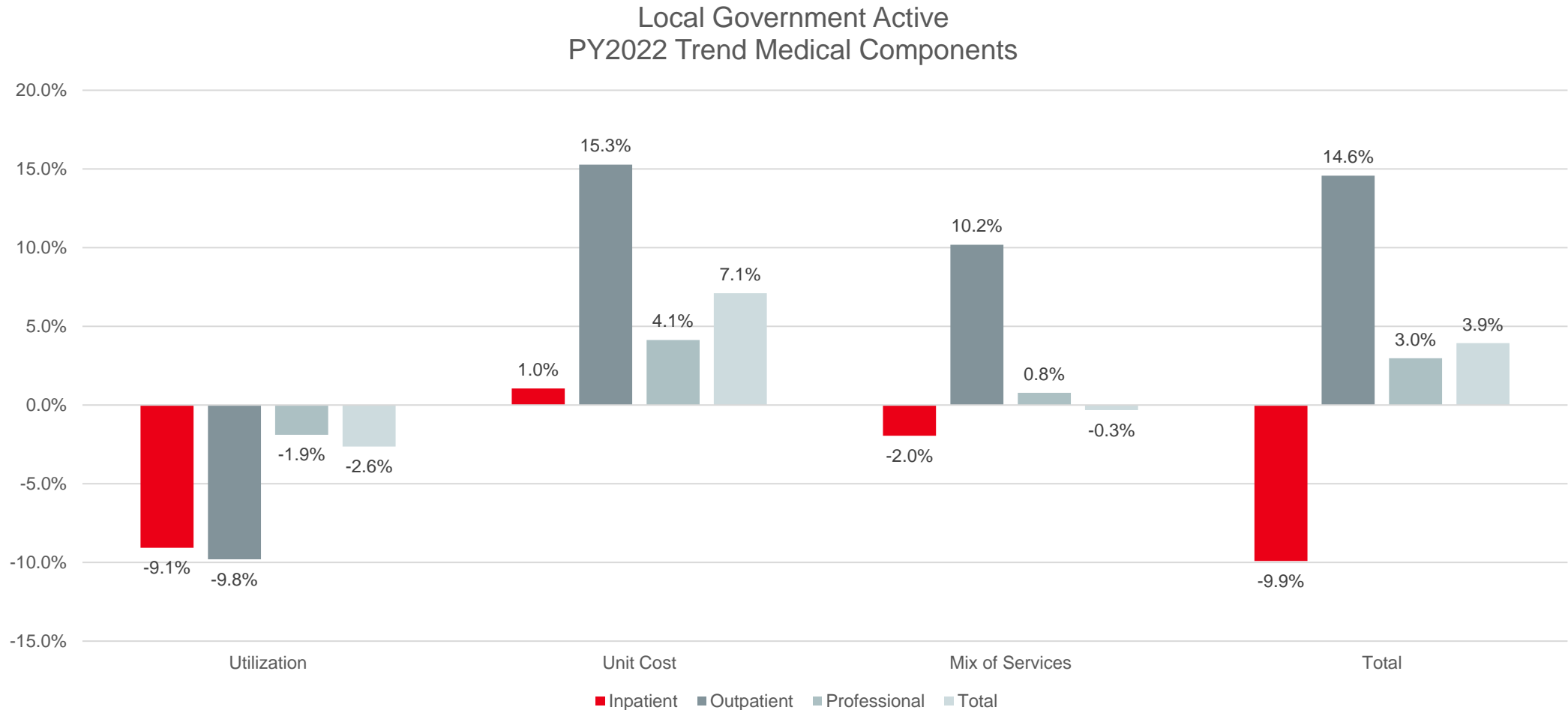
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Local Government Projections

Local Government Pricing Methodology/Assumptions

	2024 Pricing Projections
Claims Experience	Claims based on 12-months of incurred experience from January 1, 2022 through December 31, 2022 with runout through March 31, 2023
Enrollment Distribution / Migration Assumption	Monthly census data was provided by the State through April 2023; For Plan Year 2024, it is assumed that 0.5% of Actives in the NJDIRECT 10 and NJDIRECT 15 plans migrate to the Tiered Network plan and that 1.0% of the Local Government Active population are New Hires who enroll in the NJDIRECT PPO 2019 Plan
Trend Assumption (excluding anti-selection)	Active PPO: 6.50% Medical / 9.00% Rx Active HMO: 6.50% Medical / 9.00% Rx Early Retiree PPO & HMO: 6.50% Medical / 9.00% Rx Self-Insured Medicare: 5.50% Medical / 7.75% Rx
Rx Rebates / EGWP	Projected Rx Rebates and EGWP credits are based on data provided by Optum
Anti-Selection	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
High-Cost Claimants	Claims were reviewed for abnormal high-cost claimants and adjusted based on this review
Other	The Local Government Active and Retiree premium rate changes reflect a 3.0% margin since the projected total Claim Stabilization Reserve for the Local Government Group is expected to be below the recommended level of 2.0 months at the end of Plan Year 2024

Local Government Active Medical Claim Trends



Local Government Active Medical Claim Drivers

Impact of updated medical claims experience

- Overall, the 2022 average PMPM medical claims are 3.4% lower compared to what was projected for 2022 in the Plan Year 2023 Rate Setting Analysis

Professional Services

- Professional services accounts for approximately 45% of medical claims spend and the overall professional trend was 3%
- Overall, the number of visits/member has decreased 2%, which includes a 5% reduction in PCP visits offset by a 1% increase in specialist visits
- Overall, the average price per visit of professional services increased 5%, which includes an increase in the price for physical therapy (+11%), cardiovascular (+37%), and evaluation and management professional services (+5%)

Outpatient Services

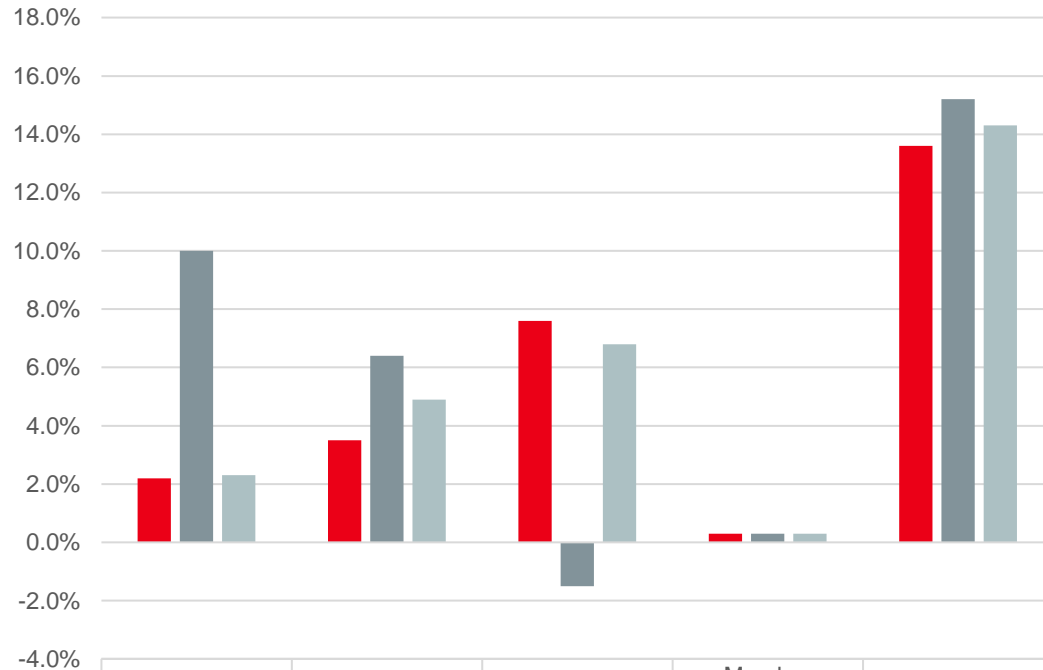
- OP services account for approximately 36% of medical claims spend and the overall outpatient trend was almost 15%
- While overall utilization of outpatient services decreased almost 10%, the cost per visit increased 27%, driven in part by utilization of more expensive services
 - Utilization of Emergency services increased 8%, OP Surgery increased 7%, and Medical Drug/Injectables increased 5%
 - Behavioral health visits increased 1% and the cost per visit increased 10%

Inpatient Services

- IP services account for approximately 19% of medical claims spend
- Significant reduction in utilization (-9%) and a small decrease in the cost per visit (-1%)

Local Government Active Rx Claim Drivers

Local Government Active
PY2022 Rx Trend Components



	Utilization	Cost	Drug Mix	Member Contribution	Total
■ Non-Specialty	2.2%	3.5%	7.6%	0.3%	13.6%
■ Specialty	10.0%	6.4%	-1.5%	0.3%	15.2%
■ Total	2.3%	4.9%	6.8%	0.3%	14.3%

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 15.8% of non-specialty scripts and 82.5% of non-specialty claims spend
- PMPM spend for Diabetes related drugs increased 19% and accounts for 16% of total plan spend (Ozempic was top drug in category)
- PMPM spend for non-specialty Asthma/COPD related drugs increased 12%

Specialty

- Specialty Drug PMPM spend for Inflammatory conditions increased 22% and accounts for 22% of total plan paid
- PMPM spend for Oncology drugs increased 23% and accounts for 5% of total plan paid
- In Plan Year 2022 there were 152 new drugs with 101 new utilizers

Top Drugs of Note

- Inflammatory Conditions, Diabetes, and Oncology disease states accounted for 45% of overall
- Top 3 Drugs by spend (Humira Pen, Stelara, Ozempic) rank consistently with Optum's benchmark
- Utilization of Anti-Obesity Agents (such as Wegovy and Saxenda) increased 67%
 - Ranks higher than Optum's benchmark in terms of claims spend

Local Government Claim Stabilization Reserve

Claim Stabilization Reserve Balance (in \$ millions)	Total	Active	Retiree	Months of Plan Cost as of Dec 31
12/31/2022	(\$27)	\$99	(\$125)	(0.2)
12/31/2023	\$25	\$136	(\$111)	0.2
12/31/2024	\$81	\$174	(\$93)	0.5

- The projected reserves as of December 31, 2022, 2023, and 2024 are based on the reserve balance as of June 30, 2022 provided by the State and adjusted to December 31, 2022 based on actual expenses and revenues provided by the State
- Local Government Active and Retiree premium rates reflect a 2.0% margin in 2023 and a 3.0% margin in 2024 since the projected total Claim Stabilization Reserve for the Local Government Group is expected to be below the recommended level of 2.0 months

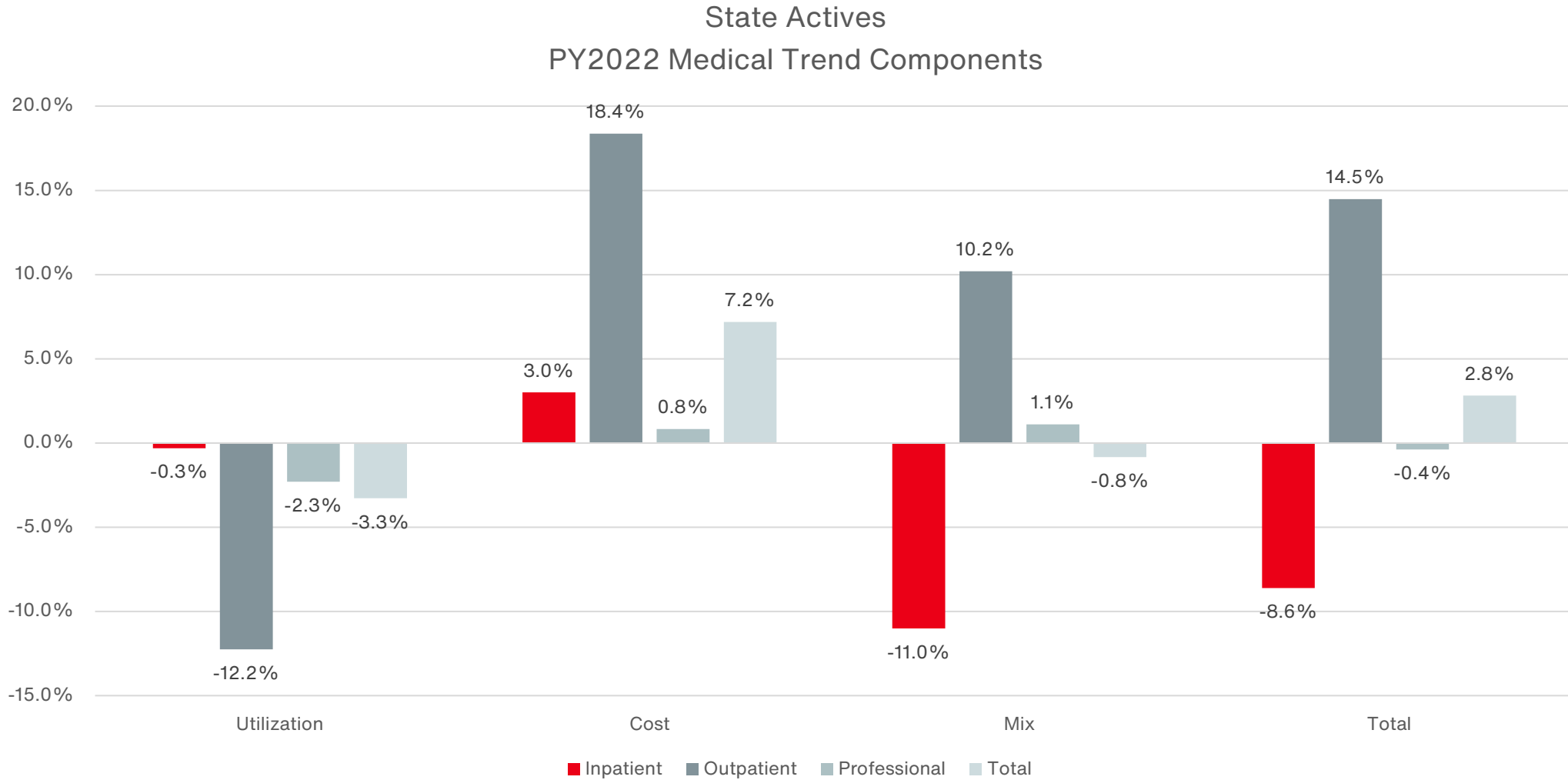
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State Projections

State Pricing Methodology/Assumptions

	2024 Pricing Projections
Claims Experience	Claims based on 12-months of incurred experience from January 1, 2022 through December 31, 2022 with runout through March 31, 2023
Enrollment Distribution / Migration Assumption	<p>Monthly census data was provided by the State through April 2023;</p> <p>For Plan Year 2024, it is assumed that 2.5% of CWA members are new hires who enroll in the CWA Unity 2019/NJDIRECT 2019 PPO plans and that 1.0% of the State Active subscribers retire each year and enroll in either the CWA Unity or the NJ DIRECT PPO Early Retiree plans</p> <p>It is assumed that 1.0% of State Active Legacy PPO15 and HMO15 participants migrate to the Tiered Network plan in Plan Year 2024</p>
Trend Assumption	<p>Active PPO: 6.50% Medical / 9.00% Rx</p> <p>Active HMO: 6.50% Medical / 9.00% Rx</p> <p>Early Retiree PPO & HMO: 6.50% Medical / 9.00% Rx</p> <p>Self-Insured Medicare: 5.50% Medical / 7.75% Rx</p>
Rx Rebates / EGWP	Projected Rx Rebates and EGWP credits were provided by Optum
High-Cost Claimants	Claims were reviewed for abnormal high-cost claimants and adjusted based on this review

State Active Medical Claim Trends



State Active Medical Claim Drivers

Impact of updated medical claims experience

- Overall, the 2022 average PMPM medical claims are 2.9% lower compared to what was projected for 2022 in the Plan Year 2023 Rate Setting Analysis

Professional Services

- Professional services accounts for approximately 43% of medical claims spend and the overall professional trend was -0.4%
- Overall, the number of visits/member has decreased 2%, which includes a 2% reduction in PCP visits and a 1% reduction in specialist visits
- Overall, the average price per visit of professional services increased 2%, which includes an increase in the price for physical therapy (+5%), cardiovascular (+5%), and evaluation and management professional services (+4%)

Outpatient Services

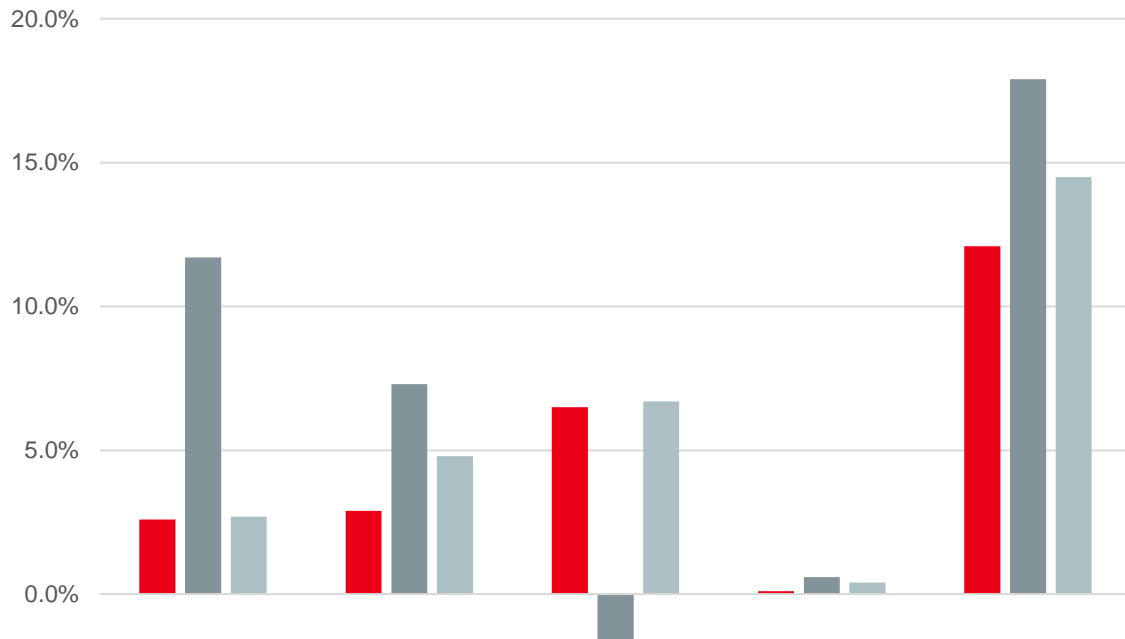
- OP services account for approximately 37% of medical claims spend and the overall outpatient trend was almost 15%
- While overall utilization of outpatient services decreased almost 12%, the cost per visit increased 30%, driven in part by higher utilization of more expensive services
 - Utilization of Emergency services increased 9%, OP Surgery increased 7%, behavioral health increased 2%
 - While utilization of medical drugs decreased 5%, the unit cost increased 20%

Inpatient Services

- IP services account for approximately 19% of medical claims spend
- Average number of visits decreased slightly and the cost per visit decreased 8%

State Active Rx Claim Drivers

State Active
PY2022 Rx Trend Components



	Utilization	Cost	Drug Mix	Member Contribution	Total
■ Non-Specialty	2.6%	2.9%	6.5%	0.1%	12.1%
■ Specialty	11.7%	7.3%	-1.6%	0.6%	17.9%
■ Total	2.7%	4.8%	6.7%	0.4%	14.5%

Total

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

Non-Specialty

- Brand drugs account for 18% of total non-specialty scripts and 83% of non-specialty spend
- PMPM spend for Diabetes related drugs increased 16% and accounts for 16% of total plan paid (Ozempic was top drug in category)
- PMPM spend for non-specialty Asthma/COPD related drugs increased 14%

Specialty

- Specialty PMPM spend for Inflammatory conditions related drugs increased 27% and accounts for 22% of total plan paid
- PMPM spend for Oncology drugs increased 9%
- In Plan Year 2022 there were 152 new drugs with 210 new utilizers

Top Drugs of Note

- Inflammatory conditions, Diabetes, and Oncology drugs continue to drive Rx cost
- Top 3 Drugs by spend (Humira Pen, Stelara and Ozempic) are consistent in rank with Optum's benchmark
- Utilization of Anti-Obesity Agents (such as Wegovy and Saxenda) increased 57%

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Resolution Impact on Premium Rate Increases

Resolution Summary

Each year, the SHBP Plan Design Committee must reaffirm several resolutions for certain plan design changes to remain in effect.

These resolutions include the following plan design changes:

- **Out-of-Network Reimbursement:** All PPO plans limit plan payments for out-of-network physical therapy, chiropractor, and acupuncture services.
- **Mandatory Generic Requirement:** All multi-source drugs the SHBP plan pays for the cost of the generic equivalent. Members who choose to fill the prescription for the brand name drug are responsible for the generic copay, plus the difference in cost.
- **Prescription Drug Formulary:** All SHBP Active and Early Retiree prescription drug plans conform to Optum's Premium Formulary, which directs prescriptions to more cost-effective, clinically-equivalent medications.
- **\$0 Mail Order Generic Copay:** \$0 copay for generic drugs filled through OptumRx's Mail Order Pharmacy by active members.
- **Rx Retiree Copay:** The retiree copayments associated with the PPO 10 and PPO 15 medical plans are set at \$28 per 90-day prescription filled through the mail service.
- **Tiered Network Incentive:** \$1,000 financial incentive for new Tiered Network Plan enrollees for single, member and spouse, parent and child, or family coverage, and required the SHBP subscriber be enrolled in the Tiered Network Plan for one full Plan Year.
- **EGWP Specialty Rx Copay:** Reduce 30-day co-pays for Specialty Pharmacy in the Employer Group Waiver Plan (EGWP).

The Plan Year 2024 Rate Setting Analysis as presented today assumes these resolutions will be reaffirmed and these plan design changes will remain in effect for the 2024 plan year. The next slides shows the Plan Year 2024 premium impacts if these resolutions are not reaffirmed.

Resolution Impact on Plan Year 2024 Premiums

	State			Local Government		
	Medical	Rx	Total	Medical	Rx	Total
PY2024 Premium Change as presented						
Actives	2.2%	16.7%	4.3%	5.7%	19.9%	7.3%
Early Retirees	0.4%	21.0%	3.5%	5.2%	20.8%	7.3%
Medicare Retirees	(3.4%)	10.3%	5.8%	(0.7%)	15.5%	8.8%
PY2024 Premium Change if Not Reaffirmed						
Actives	4.7%	35.3%	9.0%	9.7%	39.6%	13.0%
Early Retirees	3.2%	42.9%	9.2%	9.0%	40.6%	13.3%
Medicare Retirees	(3.4%)	10.2%	5.7%	(0.7%)	15.3%	8.7%
Impact						
Actives	2.5%	18.6%	4.7%	4.0%	19.7%	5.7%
Early Retirees	2.8%	21.9%	5.7%	3.8%	19.8%	6.0%
Medicare Retirees	0.0%	(0.1%)	(0.1%)	0.0%	(0.2%)	(0.1%)

Notes

- Impact of resolutions on premiums includes cost impacts provided by Horizon and Optum
- Local Government Results include 3.0% margin

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Dental Rate Increases

Overview of Recommended Renewal Impact

Plan Year 2024 Rate Impact Recommendations

	Actives	Retirees
Dental Expense Plan	2.2%	2.5%
DPO Plans		
Aetna	0.0%	0.0%
Cigna	0.0%	0.0%
Horizon	(1.2%)	(1.2%)
MetLife	0.0%	0.0%

- The table above provides the Plan Year 2024 premium rate changes.

2024 Key Pricing Assumptions

	2024 Pricing Projections
Claims Experience	Claims based on 12-months of incurred experience from January 1, 2022 through December 31, 2022 with runout through March 31, 2023
Enrollment Distribution / Migration Assumption	Monthly census data was provided by the State through April 2023; no additional migration is assumed
Trend Assumption	3.0% Annual Trend

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 State Health Benefits Program (SHBP). The purpose of this analysis is to recommend premium levels for the SHBP 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.