

***New Jersey State Health Benefits Commission
August 13, 2008 Meeting***

State Health Benefits Program (SHBP)

***Recommended Plan Year 2009
Dental Plan Rate Renewal***

- For the SHBP Dental Plans (Employee and Retiree Dental Expense Plans and Employee DPOs), Aon recommends the following premium rate adjustments for both the State and Local Employer Groups for Plan Year 2009:

Dental Expense Plans

Actives	0.0%
Retirees	0.0%

Dental Plan Organizations

Aetna, BeneCare, Community, Healthplex	3.5%
CIGNA	2.0%
Horizon	0.0%

- For the Dental Expense Plans, this favorable rate action reflects a continuation of favorable SHBP Dental Expense Plan trends which have averaged 4% lower than industry norms since Plan Year 2002.
- For the DPOs, the maximum increase of 3.5% is the expected increase in dental claim costs from Plan Year 2008 to Plan Year 2009, based on the Dental Expense Plan trend analysis. The size of DPO renewal increase is based on their Value Ratios: DPOs with Value Ratios above 1.00 received the maximum increase of 3.5%, those with Value Ratios between .90 and 1.00 received a 2% renewal increase, and those below .90 received no renewal increase.
- The Plan Year 2009 renewal assumes no change in Dental benefits or Dental vendors.
- Aon is projecting a total claim stabilization reserve for the Employee Dental Expense Plan at the end of Plan Year 2009 of \$14 million. This

is equivalent to 3.0 months of claims, which exceeds the target reserve of 2 months of claims. Therefore, there is no margin included in the Plan Year 2009 Employee Dental Expense Plan premiums.

- Aon is projecting a total accumulated claim stabilization reserve for the Retiree-pay-all Dental Expense Plan at the end of Plan Year 2009 of \$5.7 million. This is equivalent to 1.9 months of claims, which is close to the target reserve of 2 months of claims. Therefore, there is no margin included in the Plan Year 2009 Retiree Dental Expense Plan premiums.
- Aon is projecting very little change in Employee Dental enrollment between Plan Years 2008 and 2009: 62,000 employees enrolled in the Dental Expense Plan and 42,000 employees enrolled in the DPO plans. Retiree Dental Expense Plan enrollment is expected to increase 9% to 50,000 for Plan Year 2009.
- Exhibit 9 of the Dental Plans Rate Renewal Recommendation Report is a strategic review of the dental programs and offers a number of recommendations to:
 - Increase member satisfaction with the Program;
 - Help manage the costs of the Program, and
 - Potentially increase enrollment in the lower-cost DPO component of the Program.