

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

State Health Benefits Program (SHBP)

**Recommended Plan Year 2009 Medical/Rx Renewal
For Active Employees and Retirees
Of the Local Government Group**

- For Plan Year 2009, Aon is recommending premium rate changes that – in the aggregate – represent an **overall increase** of 4% for Local Government Active Employees and Retirees:

	Employees	Early Retirees	Medicare Retirees
NJ DIRECT10	3%	8%	0%
NJ DIRECT15	3%	8%	0%
Aetna HMO	6%	12%	10%
CIGNA HMO	6%	12%	10%
Rx Card Plan	2%	NA	NA
Average Change	4%	9%	1%

- This recommended renewal assumes:
 - Scheduled increases in the NJ DIRECT Rx copays and the out-of-pocket (OOP) maximum for Retirees;
 - \$1 increase in HMO Retiree Rx Brand copays combined with the implementation of a \$1,160 (same as NJ DIRECT) out-of-pocket maximum;
 - Aetna Medicare HMO coverage for medical claims will change from an ASO program which supplements Medicare to a fully insured Medicare Advantage program;

- Premium Rates for overage dependents will be reduced from 110% of the Single Employee rate to 41% of the Single Employee rate in compliance with new State Law;
- No other changes in employee or retiree benefits; and
- Local Government enrollment will increase 1.2% in Plan Year 2009, in continuation of the increases in enrollment in Plan Year 2008.
- Aggregate differences in the rate changes for different benefit plans and between Actives and Retirees reflect the impact of:
 - Medicare Retiree medical trends averaged less than 5% over the past two years – much lower than industry norms, and we are projecting that the low trend levels will continue into Plan Years 2008 and 2009.
 - Historically, Early Retiree HMO rates were pooled with Active HMO rates to develop premiums. Since there are now over 2,000 Local Government Early Retirees enrolled in HMOs, the Plan Year 2009 Renewal Rates were adjusted to partially reflect the higher level of claim costs attributable to Early Retirees; and
 - HMO claim trends have averaged about 5% higher than Horizon trends over the most recent two years of experience, and we are projecting that HMOs will continue to trend at a higher rate than the Horizon plans.
- Factors contributing to the overall favorable rate actions include:
 - Favorable experience for Plan Year 2007 and favorable experience projected for Plan Years 2008 and 2009;
 - Benchmark trends have decreased 1.5% for medical and 3% for Rx over the past two years; and
 - The new benefit landscape effective April 1, 2008, with the new PPO plans replacing NJ PLUS and the Traditional Plan, as well as a reduction in the number of HMOs from 5 to 2, resulted in lower overall SHBP costs due to improved provider discounts, greater

rebates, reduced vendor administrative fees, and an overall increase in managed care.

- The premium levels for Plan Year 2009 are projected to result in a \$28 million loss, which will reduce Local Government claim stabilization reserve to \$181 million. This is equivalent to 3.3 months of claims, which exceeds the target reserve of 3.0 months of claims.