



New Jersey
State Health Benefits Program

Dental Plans

Preliminary Plan Year 2010 Rate Renewal
Recommendation Report

January 1, 2010 – December 31, 2010

Prepared by Aon Consulting

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Executive Summary

The purpose of this report is to review the experience of the Dental Plans offered through the New Jersey State Health Benefits Program (SHBP) to State Employees and Retirees, as well as Employees and Retirees of participating Local Employers, and recommend premium levels to support the Dental Plans for Plan Year 2010. Rate renewal recommendation reports on the SHBP Medical Plans have been submitted to the Division of Pensions and Benefits under separate cover.

The SHBP Dental Program includes the following options:

- The self-insured Employee Dental Expense Plan, administered by Aetna, which covers State Active Employees and participating Active Employees of participating Local Employers;
- The self-insured Retiree Dental Expense Plan, administered by Aetna, which covers State Retirees and Retirees of participating Local Employers; and
- The six fully-insured Dental Plan Organizations (DPOs), which cover State Active Employees and Active Employees of participating Local Employers.

Recommended Renewal Increases

For the past several years, the SHBP Dental Expense Plan has had claim trends which are lower than industry norms (as compiled through Aon's semi-annual survey of trends among major insurance carriers, managed-

care vendors, and dental plans). As a result of the continuing favorable claim experience, ***Aon is recommending a 2.0% increase for the Employee Dental Expense Plan.***

For the Retiree Dental Expense Plan, Aon is recommending a change in benefit design from a passive PPO to a true PPO. This will reduce plan costs and results in a recommendation of a 9% decrease in Retiree premiums for Plan Year 2010.

The DPO plans initially requested renewal increases ranging from 0% to 6%. In response to the State's budget shortfall and at the request of the Division of Pensions and Benefits, most DPOs lowered their renewal requests; the revised renewal requests ranged from -4% to +2.5%. The recommended DPO renewal increase is usually based upon the DPO Value Ratio. Since the Value Ratio is greater than 1.00 for all DPOs, we would normally recommend increases for all the DPOs. However, because of the State's budget shortfall, ***Aon is recommending a 0% increase for all DPOs that requested increases, and a decrease for the two DPOs (Aetna and HealthPlex) that indicated that they could accommodate a decrease in premium rates.***

The recommended renewal increases for all the Dental Plans are listed in Exhibit 1.

Benefit Changes

In Plan Years 2008 and 2009, there were no benefit changes under the Employee Dental Expense Plan, the Retiree Dental Expense Plan, or the DPOs. The Plan Year 2010 renewal recommendation assumes that there will be no benefit changes for Employees in Plan Year 2010, and that the

Retiree Dental Expense Plan will change from from a passive PPO to a true PPO plan. Under the current Retiree passive PPO benefit design, Retirees have the same coinsurance for both in-network and out-of-network providers. The recommended true PPO plan for Retirees has a 10% increase in the Retiree share of the coinsurance for out-of-network providers. This will encourage the use of in-network providers who are about 35% lower cost than out-of-network providers. This is projected to reduce plan costs and all Retirees will benefit from the associated premium reduction, since the Retiree Dental Expense Plan is a Retiree pay-all plan.

Network Expansion

Aon recommends that the Dental Expense Plan network (for both Actives and Retirees) be expanded to include the Aetna PPOII network. This expansion would add about 6,000 dentists to the current national network. Aetna estimates that the projected Plan Year 2010 savings from the additional network providers would be \$360,000 (\$550,000 in claim savings, reduced \$190,000 for additional network fees).

Financial Results

For Plan Year 2008, favorable experience for the Employee Dental Expense Plan resulted in a total gain of \$2.6 million. Plan Year 2009 projections are also favorable, with a projected gain of \$0.6 million if the premiums are fully funded. The 2.0% renewal increase for Plan Year 2010 is projected to result in no gain or loss for the Employee Dental Expense Plan.

For Plan Year 2008, favorable experience for the Retiree Dental Expense Plan results in a total gain of \$2.9 million. Plan Year 2009 projections are also favorable, with a projected gain of \$1.7 million. The change to a true PPO plan for Retirees combined with a 9% premium decrease is projected to result in a no loss or gain for the Retirees in Plan Year 2010.

The DPOs are fully-insured, so they are on a no-loss, no-gain basis.

The table below summarizes the projected gains/losses (in \$ millions) for Plan Years 2008, 2009, and 2010. These gains assume that premiums are fully funded each year:

	<u>\$ in Millions</u>		
	<u>2008</u>	<u>2009</u>	<u>2010</u>
Employee Dental Expense	\$2.6	\$0.6	\$0.0
DPOs	NA	NA	NA
Retiree Dental Expense	\$2.9	\$1.7	\$0.0
Total	\$5.5	\$2.3	\$0.0

Administrative Changes

There are no administrative changes anticipated for the Dental Expense Plans in Plan Year 2010.

Employee Contributions

Retirees in the Dental Plan pay 100% of the projected costs of the program. Employees pay 50% of the projected costs. However, the DPO contribution is 50% of the average DPO cost and does not vary by DPO. Actual DPO premiums vary by as much as 29% (Benecare versus Horizon). ***Aon recommends employee contributions be changed to***

50% of the premium for each DPO. The table below compares the recommended Plan Year 2010 DPO and Employee Dental Expense Plan contributions with Plan Year 2009 contributions:

	Monthly Contributions		
	PY2009	PY2010	Change
HORIZON DPO			
Single	\$ 10.58	\$ 9.79	\$ (0.79)
Employee+Spouse	\$ 18.51	\$ 17.00	\$ (1.51)
Family	\$ 30.15	\$ 27.82	\$ (2.33)
Parent+Child(ren)	\$ 22.17	\$ 20.61	\$ (1.56)
HEALTHPLEX DPO			
Single	\$ 10.58	\$ 10.27	\$ (0.31)
Employee+Spouse	\$ 18.51	\$ 17.84	\$ (0.67)
Family	\$ 30.15	\$ 29.19	\$ (0.96)
Parent+Child(ren)	\$ 22.17	\$ 21.62	\$ (0.55)
AETNA DPO			
Single	\$ 10.58	\$ 10.47	\$ (0.11)
Employee+Spouse	\$ 18.51	\$ 18.22	\$ (0.29)
Family	\$ 30.15	\$ 29.79	\$ (0.36)
Parent+Child(ren)	\$ 22.17	\$ 22.08	\$ (0.09)
CIGNA DPO			
Single	\$ 10.58	\$ 10.80	\$ 0.22
Employee+Spouse	\$ 18.51	\$ 18.78	\$ 0.27
Family	\$ 30.15	\$ 30.71	\$ 0.56
Parent+Child(ren)	\$ 22.17	\$ 22.76	\$ 0.59
COMMUNITY DENTAL DPO			
Single	\$ 10.58	\$ 12.01	\$ 1.43
Employee+Spouse	\$ 18.51	\$ 20.89	\$ 2.38
Family	\$ 30.15	\$ 34.16	\$ 4.01
Parent+Child(ren)	\$ 22.17	\$ 25.30	\$ 3.13
BENECARE DPO			
Single	\$ 10.58	\$ 12.59	\$ 2.01
Employee+Spouse	\$ 18.51	\$ 21.87	\$ 3.36
Family	\$ 30.15	\$ 35.79	\$ 5.64
Parent+Child(ren)	\$ 22.17	\$ 26.51	\$ 4.34
DENTAL EXPENSE PLAN			
Single	\$ 20.67	\$ 21.09	\$ 0.42
Employee+Spouse	\$ 35.92	\$ 36.64	\$ 0.72
Family	\$ 58.77	\$ 59.94	\$ 1.17
Parent+Child(ren)	\$ 43.53	\$ 44.40	\$ 0.87

Historical Overview

Benefit Changes

There were no Dental Expense Plan benefit changes for Active Employees or Retirees for Plan Year 2009. The Plan Year 2010 renewal assumes no benefit changes for Active Employees and a change to a true PPO plan for Retirees. The new Retiree PPO plan does not change the current \$50 deductible or \$1500 benefit maximum. The changes are to the Retiree share of expenses, which varies based on type of service and coverage tier:

Retiree Dental PPO Coinsurance

	Tier 1	Tier 2	Tier 3
Preventive Care			
Current Passive PPO	80%	90%	100%
New True PPO in-network	80%	90%	100%
New True PPO out-of-network	70%	80%	90%
Basic Restorative			
Current Passive PPO	50%	60%	70%
New True PPO in-network	50%	60%	70%
New True PPO out-of-network	40%	50%	60%
Major Restorative			
Current Passive PPO	30%	40%	50%
New True PPO in-network	30%	40%	50%
New True PPO out-of-network	20%	30%	40%

The Retiree coverage tiers are determined based on prior dental coverage. Tier One, the lowest level of benefits, applies to Retirees who enroll in the Plan without prior dental coverage. Tier Three, the highest level of benefits, applies to Retirees who have been in the Retiree Dental Expense Plan for two years or who had dental coverage prior to enrolling in the Retiree Dental Expense Plan. When the plan was first offered in Plan Year 2005, 60% of Retirees were covered under Tier One. However,

by Plan Year 2008, 94% of Retirees were in Tier Three. Plan Year 2010 Tier Three coverage is projected to be about 98%.

Network Changes

Aon's Plan Year 2010 renewal assumes that the Dental Expense Plan network for both Actives and Retirees will be expanded to include providers in Aetna's PPOII network.

The number of DPO offerings was reduced from 10 in Plan Year 2007 to 6 in Plan Year 2008. The purpose of this reduction was to eliminate the less-efficient DPOs and retain the higher-value DPOs. No further reductions in DPOs are anticipated for Plan Year 2010.

Eligibility Changes

Employee Dental Expense Plan and DPO participation was expanded on January 1, 2005 to include Active Employees of the Local Employer Group. Also on January 1, 2005, Retirees of the State and Local Employer Groups were offered participation in a new Retiree Dental Expense Plan.

Enrollment Changes

Exhibit 2 shows historical enrollment patterns among the SHBP Dental Plan offerings for Plan Years 2003 through 2008 and includes Aon's projection of Plan Year 2010 enrollment.

For Active Employees, the projections assume that enrollment will not change between Plan Years 2009 and 2010. Retiree dental enrollment is

projected to increase 5% in Plan Year 2010, which is about half of prior years. Since Dental is an optional benefit, it is assumed that Retiree enrollment will increase at a slower rate due to the current economic environment. Further, we have not anticipated any impact on enrollment as a result of the decrease in Retiree Dental Expense Plan rates or the change in DPO employee contributions.

Aon's Plan Year 2010 Dental Program enrollment projections are:

- Employee Dental Expense Plan
 - 59,600 Active Employees of the State Group
 - 2,900 Active Employees of the Local Employer Group
- DPOs
 - 40,000 Active Employees of the State Group
 - 900 Active Employees of the Local Employer Group
- Retiree Dental Expense Plan
 - 15,600 Retired Employees of the State Group
 - 38,000 Retired Employees of the Local Employer Group

Exhibit 8 summarizes May 2009 Dental Expense Plan/DPO enrollment.

Trend Analysis

Exhibit 3 presents Aon's trend assumptions for Plan Year 2010 for the Dental Expense Plans. This exhibit compares the actual increase in SHBP Employee Dental Expense Plan average claims with industry norms (based on Aon's Trend Survey) for the same period, separately for Employees and Retirees.

SHBP Employee Dental Expense Plan trend varies from 3% to 6% lower than the industry norms. Aon is recommending 3.5% trend to project claims into Plan Years 2009 and 2010. This is 3.0% lower than the current industry average trend.

SHBP Retiree Dental trends are calculated on claims that have been adjusted to the Tier Three level of benefit payments. Retiree trends have been just below 3% in the most recent two years; however, first quarter of Plan Year 2009 trend is about 5%. For that reason, Aon is recommending trend of 3.5% to project claims into Plan Years 2009 and 2010.

Dental Expense Plan Financial Projections

Rating Methodology

Exhibit 4 shows the aggregate costs for Plan Years 2008, 2009, and 2010, separately for Active versus Retiree and for State versus Local Employers. Costs were projected separately for dental claims, administrative costs, investment income, and aggregate premiums. Exhibit 5 lists the assumptions used in projecting dental costs.

Dental Claim Projection

- 1) Using claim data (and claim triangles) supplied by Aetna, we estimated completed incurred claims for Plan Year 2008 and for the first three months of Plan Year 2009.
- 2) Aggregate dental claims for each Plan Year were divided by the average subscribers for that Plan Year to get claims per subscriber. To get average subscribers, we used historical billing enrollment.
- 3) Claims per Subscriber were annualized and then projected to Plan Years 2009 and 2010 using the trends listed in Exhibit 3 and the anticipated 0.4% savings from the Aetna PPOII network.
- 4) Retiree Claims per Subscriber were increased to reflect the increasing percentage of members on the Tier 3 level of benefits and decreased to reflect the anticipated savings from a passive PPO to a true PPO.

5) Aggregate Plan Year 2010 claims are the product of the projected Plan Year 2010 enrollment and the projected Plan Year 2010 claims per subscriber.

Administrative Cost Projection

Aetna has agreed to continue the current ASO fees for Plan Year 2010. The Administrative Costs shown in Exhibit 4 are the actual Aetna ASO fees multiplied by the projected enrollment for each year:

Dental Expense Plan ASO Fees PEPM

	<u>Actives</u>	<u>Retirees</u>
1/2008–12/2008	\$2.01	\$1.85
1/2009–12/2009	\$2.01	\$1.85
1/2010–12/2010	\$2.01	\$1.85

Investment Income

Investment Income for Plan Year 2008 reflects actual amounts credited to the Dental Plan. Investment Income for Plan Year 2009 is based on income for the first half of the year annualized. Plan Year 2010 investment income assumes no change from Plan Year 2009.

Rate Renewal Development

Dental Expense Plan Projected Premiums

- 1) Dental Expense Plan enrollment was applied to the actual premium tables for Plan Years 2008 and 2009 to develop the anticipated gain or loss in each of those years.
- 2) To calculate the required premium increase for Plan Year 2010, projected enrollment for Plan Year 2010 was applied to Plan Year 2009 premiums. This was compared to projected costs to develop the required renewal increase.

Dental Expense Plan Rate Change Recommendation

- 1) Plan Year 2010 aggregate costs were calculated by summing projected costs for dental claims and administrative charges, reduced by investment income.
- 2) Plan Year 2010 Employee aggregate costs are projected to be 2% greater than Plan Year 2009 Employee premiums, so ***Aon is recommending a renewal increase of 2% for the Employee Dental Expense Plan.***
- 3) With the transition to a true PPO for the Retiree Dental Expense Plan, Plan Year 2010 Retiree aggregate costs are projected to be 9% lower than Plan Year 2009 Retiree premiums, so ***Aon is recommending a 9% premium reduction for Retiree Dental Expense Plan premiums in Plan Year 2010.***

DPO Renewal Rate Development

The essentially fully-capitated reimbursement arrangements under the DPOs present a unique challenge for underwriting an annual renewal analysis, in that the traditional yardstick of claims and expenses versus premium is not available. Usually, increases are recommended for DPOs with Value Ratios greater than 1.00 (and all DPOs are currently greater than 1.00). However, because of the current budget shortfall for the State of New Jersey, ***Aon is recommending no increases for the DPO plan in Plan Year 2010. In addition, two of the DPO plans indicated that they would accept premium decreases for Plan Year 2010, so Aon is recommending decreases for these plans.***

Exhibit 6 shows the components of the calculation of the Value Ratio and the recommended increases for Plan Year 2010.

The Value Ratio is the ratio of DPO Expenses to DPO income. A Value Ratio greater than 1.00 means that the DPO delivers more services than would be expected based on the premium level. A Value Ratio less than 1.00 means that the DPO delivers fewer services than would be expected based on the premium level.

The DPO Income used to calculate the Value Ratio is the sum of DPO premiums and DPO copays:

- To calculate premium, we used the DPO enrollment for 1/1/2008-12/31/2008 multiplied by DPO premiums.

- To calculate the DPO copays, we matched DPO procedure codes from Plan Year 2008 encounter data submitted by the DPO vendors with the procedure codes in the DPO schedule of copayments. The vendor coding of Orthodontia is not consistent, so the Orthodontia encounters were adjusted based on additional information received from the vendors as to how they code Orthodontia.

The DPO Expenses used in the Value Ratio are the sum of dental charges and administrative fees required to maintain the DPO program:

- To calculate the Dental charges, we matched DPO procedure codes from the Plan Year 2008 encounter data submitted by the DPO vendors with the procedure codes in a table of dental relative values. As with the copays, Orthodontia procedures were adjusted to reflect the coding practices of the different DPO vendors. We then matched experience from the SHBP Dental Expense Plan against the table of dental relative values and compared the result to the actual dollars paid in claims. The DPO charge level was then decreased for provider discounts, since it is expected that the DPO networks should be able to achieve deeper discounts than the more loosely-managed Dental Expense Plan.
- Procedures which are not covered by the DPO plan are excluded from the DPO Value Ratio calculation.
- To calculate the administrative costs of the DPO program, we use the Plan Year 2008 Employee Dental Expense Plan fee of \$2.01 per employee per month.

**Plan Year 2010 Premium Rates and Employee
Contributions**

Exhibit 7 contains the premium tables for the Plan Year 2010 Dental Plan renewal. The premiums were calculated by applying the percentage changes in Exhibit 1 to the Plan Year 2009 premium tables. Employee contributions for each coverage tier were calculated as 50% of the premium rates for that coverage tier.

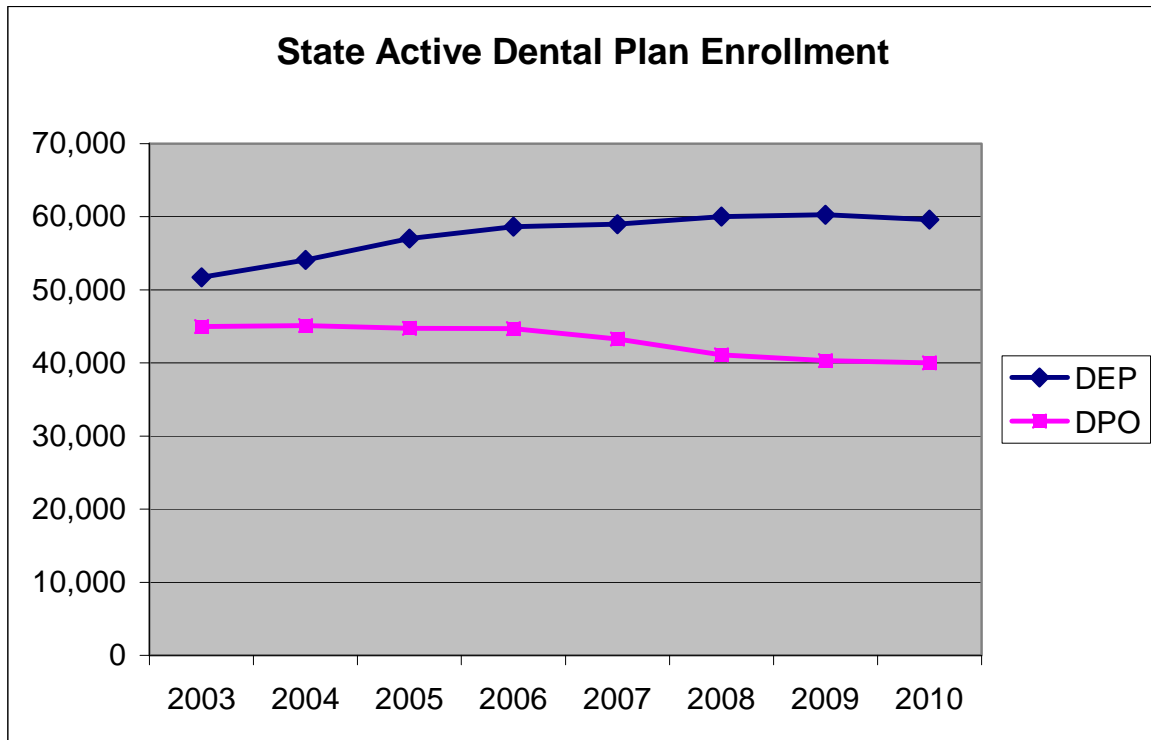
SHBP Plan Year 2010 Renewal Report

Exhibit 1 - Recommended Renewal Increases

	Actives	Retirees
Dental Expense Plan	2.0%	-9.0%
DPO Plans		
Aetna	-2.0%	NA
Benecare	0.0%	NA
Community Dental	0.0%	NA
CIGNA	0.0%	NA
Healthplex	-4.0%	NA
Horizon	0.0%	NA

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Exhibit 2A - Enrollment Projections



Observations:

Total Active Dental enrollment (Dental Expense Plan plus DPOs) has been decreasing about 1,000 per year since Plan Year 2007. Plan Year 2010 enrollment projections assume that this will continue.

Dental Expense Plan enrollment has grown from 53% of total Dental enrollment in Plan Year 2003 to 60% in Plan Year 2009. However, the Plan Year 2009 increase was less than 1%. Plan Year 2010 enrollment assumes that the Dental Expense Plan will remain at 60% of Dental enrollment.

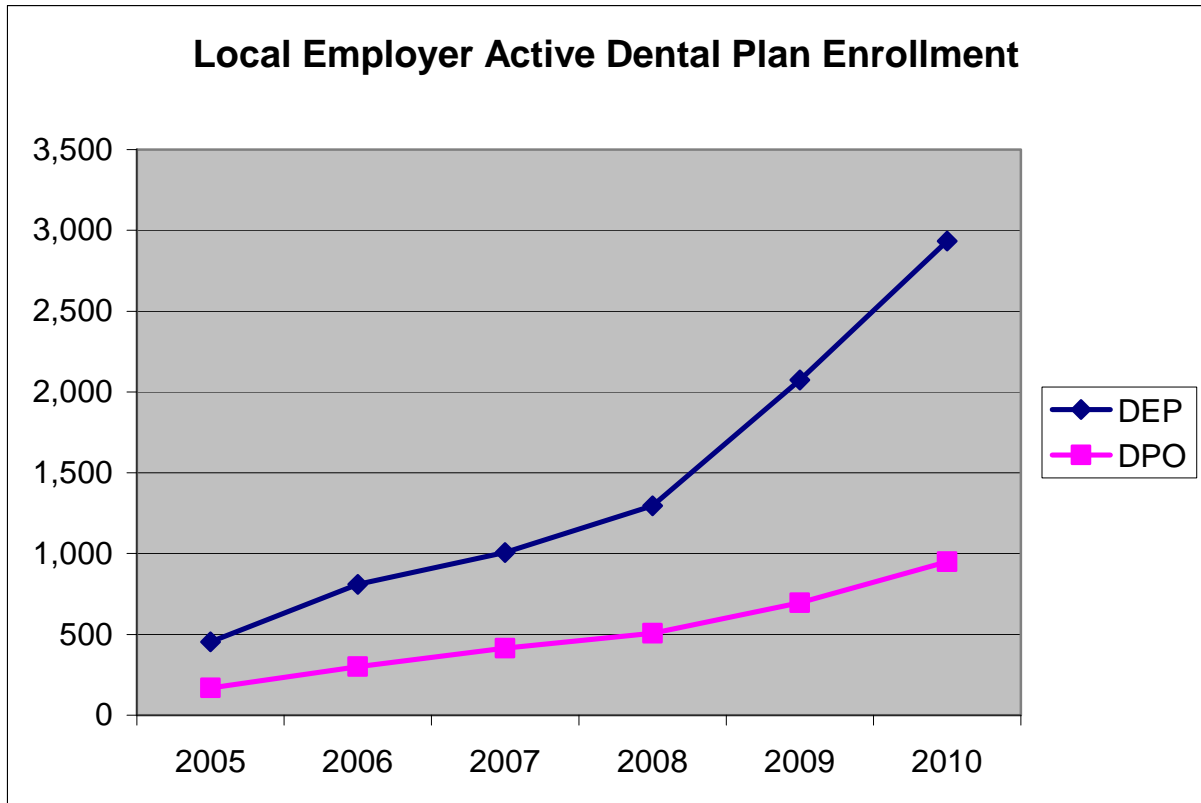
Projected Plan Year 2010 Dental enrollment is 93% of projected Medical enrollment, which is the same as Plan Year 2009.

Projected Plan Year 2010 State Active Employee Enrollment

Dental Expense Plan	59,600
DPOs	40,000
Total Dental	99,600

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Exhibit 2B - Enrollment Projections



Observations:

Dental was first offered to Local Active Employees in Plan Year 2005. Initial enrollment was quite low and it has grown minimally.

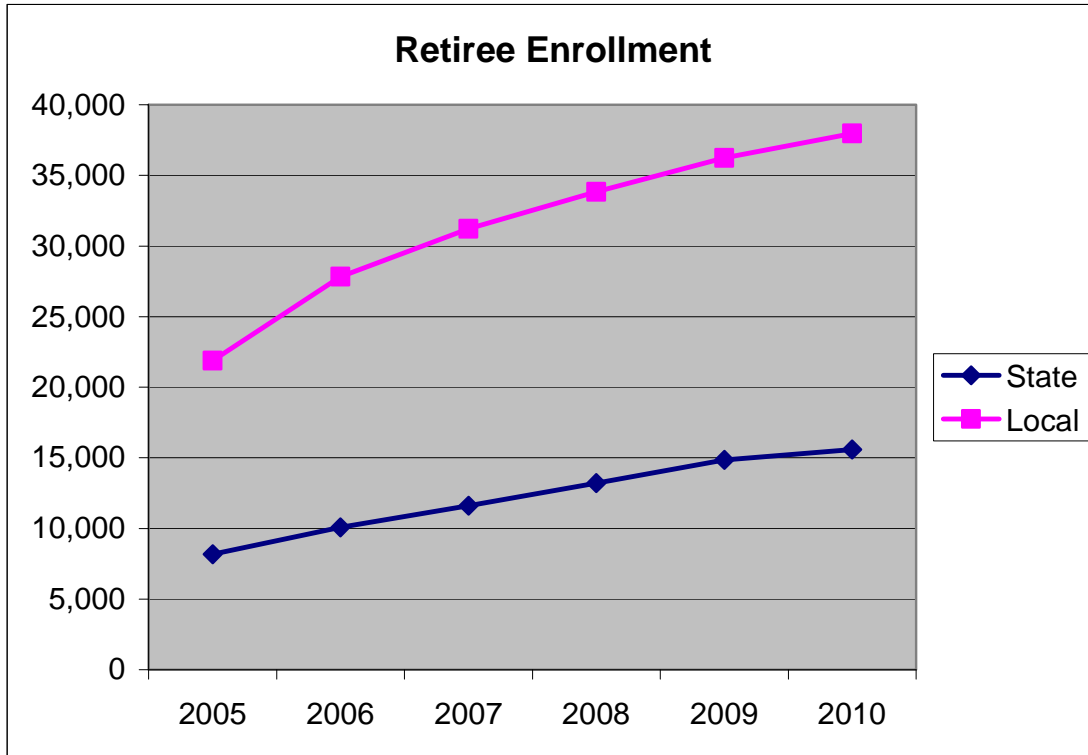
Dental enrollment is projected to increase by about 1,000 employees in Plan Year 2010.

Projected Plan Year 2009 Local Employer Active Employee Enrollment

Dental Expense Plan	2,900
DPOs	900
Total Dental	3,800

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Exhibit 2C - Enrollment Projections



Observations:

Dental was first offered to Retirees in Plan Year 2005. Initially, the plan was offered to all retirees, but from Plan Year 2006 onward, it is only open to new retirees.

Plan Year 2010 enrollment is projected to increase 4%, about half of the Plan Year 2009 increase due to the economic recession.

Plan Year 2009 Retiree Dental enrollment is projected to be 39% of State Retiree Medical enrollment and 37% of Local Employer Retiree Medical enrollment.

The only dental option available to Retirees is the Dental Expense Plan.

Projected Plan Year 2009 Retiree Enrollment

State	15,600
Local Employer	38,000
Total Dental	53,600

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Exhibit 3 - Trend Analysis

	SHBP Employee Claim Increases	SHBP Retiree Claim Increases	Aon Survey	SHBP Employee - Aon Survey	SHBP Retiree - Aon Survey
2003 to 2004 actual	2.4%		7.7%	-5.3%	
2004 to 2005 actual	1.4%		7.6%	-6.2%	
2005 to 2006 actual	3.4%	-2.1%	7.1%	-3.7%	-9.2%
2006 to 2007 actual	3.5%	2.7%	7.1%	-3.6%	-4.4%
2007 to 2008 actual	1.5%	2.6%	7.0%	-5.5%	-4.4%
Projection Trend	3.5%	3.5%	6.5%	-3.0%	-3.0%

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Exhibit 4 - Dental Expense Plan Projected Costs

	Total Actives	State Actives	Local Actives	Total Retirees
Plan Year 2008				
Average Dental Subscribers	61,303	60,007	1,297	47,055
Incurred Claims	\$ 53,208,000	\$ 51,985,000	\$ 1,223,000	\$ 31,613,000
Administrative Fees	\$ 1,478,000	\$ 1,447,000	\$ 31,000	\$ 1,045,000
Investment Income	\$ (466,000)	\$ (456,000)	\$ (10,000)	\$ (357,000)
Total Cost	\$ 54,220,000	\$ 52,976,000	\$ 1,244,000	\$ 32,301,000
Premium	\$ 56,809,000	\$ 55,548,000	\$ 1,261,000	\$ 35,154,000
Gain	\$ 2,589,000	\$ 2,572,000	\$ 17,000	\$ 2,853,000
Plan Year 2009				
Average Dental Subscribers	62,359	60,285	2,074	51,085
Incurred Claims	\$ 56,069,000	\$ 54,054,000	\$ 2,015,000	\$ 35,604,000
Administrative Fees	\$ 1,504,000	\$ 1,454,000	\$ 50,000	\$ 1,135,000
Investment Income	\$ (314,000)	\$ (307,000)	\$ (7,000)	\$ (242,000)
Total Cost	\$ 57,259,000	\$ 55,201,000	\$ 2,058,000	\$ 36,497,000
Premium	\$ 57,815,000	\$ 55,845,000	\$ 1,970,000	\$ 38,201,000
Gain	\$ 556,000	\$ 644,000	\$ (88,000)	\$ 1,704,000
Plan Year 2010				
Average Dental Subscribers	62,541	59,608	2,933	53,557
Incurred Claims	\$ 57,973,000	\$ 55,044,000	\$ 2,929,000	\$ 35,507,000
Administrative Fees	\$ 1,509,000	\$ 1,438,000	\$ 71,000	\$ 1,189,000
Investment Income	\$ (314,000)	\$ (307,000)	\$ (7,000)	\$ (242,000)
Total Cost	\$ 59,168,000	\$ 56,175,000	\$ 2,993,000	\$ 36,454,000
Premium	\$ 59,168,000	\$ 56,339,000	\$ 2,829,000	\$ 36,454,000
Gain	\$ -	\$ 164,000	\$ (164,000)	\$ -

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Exhibit 5 – Projection Assumptions

Benefit Design Changes

We are assuming that there will be no plan design changes for Employees for Plan Year 2010 and that the Retiree Dental Expense Plan will change from a passive PPO to a true PPO.

Vendor Changes

We are assuming no changes in vendors in Plan Year 2010. However, we are assuming that the Dental Expense Plan network will be expanded to include Aetna PPOII network providers.

Member Contributions

State Active Plans: Employees will continue to pay 50% of the Dental Expense plan premium. DPO contributions will change from 50% of the average DPO premium to 50% of the premium for each DPO.

Local Employer Active Plans: There will be no change to the current requirements: Employees pay a maximum of 50% of premium for the Dental Expense Plan and for each DPO vendor. Actual contributions vary by Local Employer.

State and Local Employer Retiree Plans: There will be no change to current requirements: Retirees pay 100% of the premium.

Incurred Basis

Plan Year 2010 projections are based on expected incurred claims and expenses for Plan Year 2010.

Margin

DPO Plans: DPO rates have no margin, since there is no risk to the State in these programs.

Employee Dental Expense Plan: Active Employees pay half the projected cost of the Dental Plan with no deficit recovery. The Employee Dental Expense Plan claim stabilization reserve is projected at \$7 million at the end of Plan Year 2010, so we have not included any margin in the Plan Year 2010 Employee premiums.

Retiree Dental Expense Plan: Retirees pay 100% of the premium with no deficit recovery. At this point, we are projecting a claim stabilization reserve of \$6 million at the end of Plan Year 2010, so we have not included any margin in the Plan Year 2010 Retiree premiums.

Administrative Expenses

Plan Year 2010 Dental Expense Plan premiums will include projected costs for the following administrative expenses:

- Aetna ASO fees,
- Investment income credit.

Enrollment Projections

Based on historical enrollment patterns and discussions with the State, we are projecting the following enrollment for Plan Year 2010. Note that we have not anticipated any impact on enrollment as a result of the decrease in Retiree Dental Expense Plan rates or the change in DPO employee contributions.:

- Employee Dental Expense Plan
 - 59,600 Active Employees of the State Employee Group
 - 2,900 Active Employees of the Local Employer Group
- DPOs
 - 40,000 Active Employees of the State Employee Group
 - 900 Active Employees of the Local Employer Group
- Retiree Dental Expense Plan
 - 15,600 Retired Employees of the State Retiree Group
 - 38,000 Retired Employees of the Local Employer Group

Trend Rates

Trend assumptions were developed by comparing the SHBP historical trend with industry norms. We assumed that the SHBP trends would continue at levels lower than the industry norms for the Plan Year 2008 renewal. The trend assumption for Plan Year 2010 is 3.5% for both Employees and Retirees.

Data Assumptions

Claims: We received a claim file from Aetna, which appears to be consistent with their Renewal reports, and we used this information in our renewal analysis.

Enrollment: We used billing counts for our exposure units in our renewal calculations.

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Exhibit 6 - Value Ratio

1/1/2008 - 12/31/2008 SHBP DPO Experience

	Average Ees	Aggregate Copays	Aggregate Premiums	DPO Income	Dental Charges	Administrative Expenses	DPO Expenses
Aetna	16,200	\$ 2,224,663	\$ 7,537,542	\$ 9,762,205	\$ 10,834,454	\$ 390,734	\$ 11,225,187
Benecare	6,083	\$ 835,557	\$ 3,565,933	\$ 4,401,489	\$ 4,669,611	\$ 146,728	\$ 4,816,339
CIGNA	7,157	\$ 797,758	\$ 3,439,580	\$ 4,237,338	\$ 4,100,951	\$ 172,619	\$ 4,273,569
Community	1,761	\$ 198,521	\$ 1,005,549	\$ 1,204,070	\$ 1,330,964	\$ 42,477	\$ 1,373,441
Healthplex	3,422	\$ 352,450	\$ 1,569,996	\$ 1,922,446	\$ 1,913,805	\$ 82,539	\$ 1,996,344
Horizon	6,984	\$ 756,648	\$ 3,057,193	\$ 3,813,841	\$ 3,856,287	\$ 168,456	\$ 4,024,743
Total DPO	41,607	\$ 5,165,596	\$ 20,175,793	\$ 25,341,389	\$ 26,706,072	\$ 1,003,553	\$ 27,709,624

	Value Ratio	Ratio to Avg DPO Prem	Enrollment Change	Renewal Increase		
				Original Request	Final Request	Recommended Increase
Aetna	1.15	0.97	-0.4%	4.0%	-2.0%	-2.0%
Benecare	1.09	1.22	2.0%	2.5%	2.5%	0.0%
CIGNA	1.01	0.99	-2.1%	6.0%	5.0%	0.0%
Community	1.14	1.17	1.2%	0.0%	0.0%	0.0%
Healthplex	1.04	0.95	-2.3%	2.7%	-4.0%	-4.0%
Horizon	1.06	0.88	-1.4%	6.3%	4.0%	0.0%
Total DPO	1.09	1.00	-0.6%	4.1%	0.8%	-1.1%

**SHBP Plan Year 2010 Renewal Report
Exhibit 7A - Plan Year 2010 Monthly Premiums**

<u>DENTAL PROVIDER ORGANIZATIONS (DPOs)</u>	<u>Premiums</u>	<u>Employee Contributions*</u>
BENECARE (DPO #301)		
SINGLE	\$25.18	\$12.59
Member & Spouse/Partner	\$43.74	\$21.87
FAMILY	\$71.58	\$35.79
PARENT & CHILD	\$53.02	\$26.51
COMMUNITY DENTAL (DPO #302)		
SINGLE	\$24.02	\$12.01
Member & Spouse/Partner	\$41.77	\$20.89
FAMILY	\$68.32	\$34.16
PARENT & CHILD	\$50.60	\$25.30
CIGNA (DPO #305)		
SINGLE	\$21.59	\$10.80
Member & Spouse/Partner	\$37.55	\$18.78
FAMILY	\$61.41	\$30.71
PARENT & CHILD	\$45.51	\$22.76
HEALTHPLEX (DPO #307)		
SINGLE	\$20.53	\$10.27
Member & Spouse/Partner	\$35.68	\$17.84
FAMILY	\$58.38	\$29.19
PARENT & CHILD	\$43.24	\$21.62
HORIZON DENTAL CHOICE (DPO #317)		
SINGLE	\$19.57	\$9.79
Member & Spouse/Partner	\$34.00	\$17.00
FAMILY	\$55.63	\$27.82
PARENT & CHILD	\$41.21	\$20.61
AETNA (DPO #319)		
SINGLE	\$20.93	\$10.47
Member & Spouse/Partner	\$36.43	\$18.22
FAMILY	\$59.58	\$29.79
PARENT & CHILD	\$44.15	\$22.08

* Based on 50% of each DPO's premium rates

**SHBP Plan Year 2010 Dental Plan Renewal
Exhibit 7B - Plan Year 2010 Monthly Premiums**

<u>RETIREE DENTAL EXPENSE PLAN - #398</u>	<u>Premiums</u>	<u>Employee Contributions</u>
SINGLE	\$37.83	\$37.83
Member & Spouse/Partner	\$74.64	\$74.64
FAMILY	\$97.25	\$97.25
PARENT & CHILD	\$56.25	\$56.25

<u>EMPLOYEE DENTAL EXPENSE PLAN - #399</u>		
SINGLE	\$42.17	\$21.09
Member & Spouse/Partner	\$73.27	\$36.64
FAMILY	\$119.88	\$59.94
PARENT & CHILD	\$88.80	\$44.40

**SHBP Plan Year 2010 Renewal Report
Exhibit 8 - May 2009 SHBP Enrollment**

	Number of Contracts				
	Single	Member&Spouse /Partner	Family	Parent + Child(ren)	Total
	STATE ACTIVES				
Dental Expense #399	21,124	13,687	19,021	6,586	60,418
DPO Plans					
Benecare #301	1,631	1,039	2,208	1,128	6,006
Community Dental #302	430	282	588	460	1,760
CIGNA #305	2,303	1,015	2,169	1,199	6,686
HealthPlex #307	1,091	550	795	700	3,136
Horizon #317	2,476	994	2,024	1,333	6,827
Aetna #319	5,735	2,263	4,875	3,057	15,930
Total DPOs	13,666	6,143	12,659	7,877	40,345
Total	34,790	19,830	31,680	14,463	100,763
	LOCAL EMPLOYER ACTIVES				
Dental Expense #399	655	487	725	139	2,006
DPO Plans					
Benecare #301	21	6	24	6	57
Community Dental #302	3	1	1	0	5
CIGNA #305	40	25	39	12	116
HealthPlex #307	2	1	0	1	4
Horizon #317	66	26	54	27	173
Aetna #319	124	49	94	33	300
Total DPOs	256	108	212	79	655
Total	911	595	937	218	2,661
	RETIREE DENTAL EXPENSE				
Total	25,896	20,170	3,171	1,504	50,741