

***New Jersey State Health Benefits Commission
July 14, 2009 Meeting***

State Health Benefits Program (SHBP)

***Recommended Dental Plans Rate Renewal
for Plan Year 2010***

- For the SHBP Dental Plans (Employee and Retiree Dental Expense Plans and Employee DPOs), Aon recommends the following premium rate adjustments, which – in the aggregate – represent a 1% **overall decrease** in program costs:

Dental Expense Plans

Actives	2.0%
Retirees	-9.0%

Dental Plan Organizations (DPOs)

Aetna	-2.0%
Healthplex	-4.0%
BeneCare, CIGNA, Community, And 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.
- Each of the DPOs currently has a Value Ratio greater than 1.0, so we would normally be recommending a premium increase for all of the DPOs. However, given the State's budgetary issues, we are recommending no increase for the 4 DPOs that requested modest increases and modest decreases for the 2 DPOs that indicated that they could accommodate a decrease in premium rates.
- This recommended renewal assumes:

- The Dental Expense Plans' (both Active Employee and Retiree) network will be expanded to include Aetna's PPOII network, resulting in a projected savings of .4%, and
- No other changes in Dental benefits for Active Employees, but a change for Retirees from the current passive PPO to a true PPO, with different coinsurance for In-Network versus Out-of-Network providers. This will result in projected savings of over 8% for the Retiree Dental Expense Plan.
- Aon is projecting a total Claim Stabilization Reserve for the Retiree-Pay-All Dental Expense Plan at the end of Plan Year 2010 of \$6.1 million. This is equivalent to 2.1 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 2010 Retiree Dental Expense Plan premiums.
- No margin has been included in the Plan Year 2010 Active Dental Expense Plan premiums, since this plan is 50% funded by the State and the State absorbs excess gains and would have to fund any plan losses.
- Aon is projecting very little change in Employee Dental Expense enrollment between Plan Years 2009 and 2010: 62,500 Employees enrolled in the Dental Expense Plan and 41,000 Employees enrolled in the DPO plans. Retiree Dental Expense Plan enrollment is expected to increase 4% to 54,000 for Plan Year 2010.
- Plan Year projected costs for the SHBP Dental Plans are \$115.9 million, with \$59.2 million attributable to the Employee Dental Expense Plan, \$36.5 million attributable to the Retiree Dental Expense Plan, and \$20.2 million attributable to the DPOs.