



New Jersey
State Health Benefits Program

Plan Year 2010 Rate Renewal Recommendation Report

Local Government Employer Group

January 1, 2010 – December 31, 2010

Prepared by Aon Consulting

June 2009

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***State Health Benefits Program
Local Government Employer Group
Rate Renewal Recommendation Report
For Plan Year 2010***

Executive Summary

The purpose of this report is to recommend premium levels for the Local Government Employer Group of the State Health Benefits Program (SHBP) for January 1, 2010 through December 31, 2010.

Benefit Plans Maintained by the SHBP

The State of New Jersey operates the SHBP as a multiple-option program for Local Government Employees and Retirees, with the following medical plan options currently available:

- NJ DIRECT10 and NJ DIRECT15 are self-insured Preferred Provider Organization (PPO) plans which are administered by Horizon. NJ DIRECT10 has a \$10 physician copay for in-network physician office visits and 80% coinsurance for out-of-network services. NJ DIRECT15 has a \$15 physician copay for in-network physician office visits and 70% coinsurance for out-of-network services.
- Two self-insured HMOs administered by Aetna and CIGNA. Both HMOs have a \$10 physician copay.
- Active Employees also have a Prescription Drug Plan available under the SHBP, which is administered by CVS/Caremark, the Pharmacy Benefit Manager (PBM) used by Horizon. SHBP employers may select this plan, sign up for prescription drug coverage under the medical plan, or purchase prescription drug coverage from an outside vendor.

- SHBP Retirees also have a Prescription Drug Plan, which is administered by the same health plan administrator as their medical plan.

Recommended Renewal Increases

Aon is recommending an overall increase of 18% for Active Employees, 11% increase for Early Retirees, and 7% for Medicare Retirees. For all groups combined, the recommended increase is 16%. The recommended renewal increases by benefit plan are listed below:

	Actives	Early Retirees	Medicare Retirees
NJ DIRECT10	20%	7%	6%
NJ DIRECT15	20%	7%	6%
Aetna HMO	20%	25%	13%
CIGNA HMO	20%	25%	13%
Rx Card Plan	5%	NA	NA
Average Change	18%	11%	7%

These premium increases are projected to produce no loss or gain in Plan Year 2010. The reasons for the large Active renewal increase are:

- 9% Trend increase from Plan Year 2009 to Plan Year 2010,
- 1% Plan Year 2008 actual trend experience is 1% higher than previously projected,
- 1% Increase in the trend assumption from Plan Year 2008 to Plan Year 2009,
- 2% NJ DIRECT benefit changes approved after the Plan Year 2009 renewal (detailed under "Benefit Changes" in the Historical Overview section of this document),

- 1% Mandated benefit enhancements (detailed under “Benefit Changes” in the Historical Overview section of this document), and
- 4% Plan Year 2009 premium rates that were set lower than projected costs in order to spend down the accumulated claim stabilization reserve.

The table below shows the expected changes in the projected claim stabilization reserve. The recommended level for the claim stabilization reserve is 2 months of plan costs in order to protect against adverse claim fluctuations. The reserve at the end of Plan Year 2010 is projected to be equivalent 2.1 months of plan costs, so no margin has been included in the Plan Year 2010 renewal premiums.

SHBP Projected Claim Stabilization Reserve

(in \$millions)

	Total	Actives	Retirees
6/30/2008	\$210	\$156	\$54
12/31/2008	\$202	\$147	\$55
12/31/2009	\$153	\$104	\$49
12/31/2010	\$153	\$107	\$46

Benefit Changes

Retiree Prescription Drug Copays

The prescription drug renewals for NJ DIRECT and for the HMOs assume that the brand copays and out-of-pocket maximums will receive the formula increase based on retiree prescription drug experience. The table on the next page compares Plan Year 2009 copays and out-of-pocket maximums with the formula increases for Plan Year 2010.

	NJ Direct Copays		HMO Copays	
	2009	2010	2009	2010
Retail Generic Copay	\$9	\$9	\$5	\$5
Retail Preferred Brand Copay	\$19	\$21	\$11	\$11
Retail Non-Preferred Brand Copay	\$38	\$41	\$21	\$23
Mail Generic Copay	\$9	\$10	\$5	\$6
Mail Preferred Brand Copay	\$29	\$31	\$16	\$17
Mail Non-Preferred Brand Copay	\$48	\$52	\$26	\$28
Out-of-Pocket Maximum	\$1,160	\$1,222	\$1,160	\$1,222

Other Possible Benefit Changes

The large renewal increases for Active Employees could be reduced through benefit changes. The list below includes benefit changes which would reduce projected costs for Plan Year 2010 and also decrease future trends. Each of these changes would reduce projected costs about 1%:

- Increase Emergency Room copays to \$100 – Emergency Room copays were not increased when the physician office visit copays increased in Plan Year 2007. As a result, the SHBP has seen significant increases in emergency room utilization, and many emergency room visits could have been handled in a physician's office at a fraction of the cost.
- Implement a higher copay for Specialist office visits (of \$10 to \$15 more than the existing physician office-visit copay) – This would decrease the number of visits to Specialists for services which could be provided by a PCP at a lower cost.

- Increase the physician office visit copays by \$5 – This would discourage unnecessary office visits and reduce plan costs.
- Change the coordination-of-benefits provision so that the benefits in total between the primary and secondary coverage only provide up to what the SHBP would have paid had it been primary.
- Increase the NJ DIRECT in-network out-of-pocket maximum from \$400 to \$800 (This would require a legislative amendment, since the limit is in statute.) – When members reach their out-of-pocket maximum, their demand for services increases significantly. This is especially a problem with employees who have prescription drugs through their medical plan and reach the out-of-pocket with both medical and prescription drug claims.
- Increase the NJ DIRECT out-of-network out-of-pocket maximum from \$2,000 to \$5,000 (This would require a legislative amendment, since the limit is in statute.) – This would encourage greater in-network utilization, which reduces plan costs (since in-network discounts reduce costs by more than 50%).
- Increase the Employee Prescription Drug copays to match Retiree copays – Employee copays are much lower than Retiree copays (\$3/10 Retail Rx Card compared to \$9/21/41 for Retiree Retail). The low copays do not incent employees to utilize generic drugs, which are significantly lower cost than retail drugs.
- Institute Mandatory Generic Prescription Drug coverage – The average Generic prescription is 20% of the cost of a Brand prescription. Mandatory Generic requires the employee to pay the

difference in cost between the Brand and Generic prescription, unless the physician requires the Brand drug.

Wellness Initiative

In addition to the benefit changes noted above, the SHBP must consider programs that over time have the ability to improve the health and productivity of plan participants. Research has demonstrated that typically two-thirds of a health benefits plan's costs are produced by one-third of the population who have either lifestyle risks (e.g., smoking, obesity, and lack of exercise) or chronic health conditions (e.g., diabetes, heart disease, and back pain). These same chronic conditions are among the top ten conditions driving costs related to absenteeism and disability.

As a result, a long-term strategy that addresses the underlying causes of the cost of health care, absenteeism, and disability is critical to the successful long-term management of the SHBP. An effective wellness/health-management program can:

- Reduce hospitalizations related to chronic illness by 10%;
- Reduce emergency room visits related to chronic illness by 15%;
- Reduce days of absence by 10%, and
- Reduce annual health care trend increases by 3% or more. For example, Aon has worked with another large Northeastern State Health Benefits Program to develop a wellness/health-management program that has resulted in annual medical cost increases that are averaging at least 4% less than the national average.

Horizon, Aetna, and CIGNA already have a number of health management and wellness programs in place; however, the SHBP does not have a coordinated approach that includes member incentives to participate in such programs. Aon looks forward to working with the Division and the Commission in the months

ahead in developing a game plan for expanding and extending wellness/health-management for the SHBP population.

Prescription Drug Request For Proposal

The Division of Pensions and Benefits is currently analyzing the responses from a Request For Proposal (RFP) to administer the SHBP prescription drug program. It is anticipated that this contract will be effective 1/1/2010 and will reduce prescription drug costs 2% to 5%. The renewal projections in this report assume a 2% reduction in prescription drug card costs as a result of the RFP.

Financial Results

As detailed in the Renewal Increase section, experience for the SHBP has been worse than originally projected due to increasing trends, benefit enhancements, and decreasing investment income.

As a result of these factors, Plan Year 2009 costs have increased from the original renewal projections and losses for Plan Year 2009 are now projected at \$49 million, up from \$28 million projected in the Plan Year 2009 Renewal Report.

Plan Year 2010 projected costs for the Local Government group are \$856 million, \$632 million for Actives and \$224 million for Retirees. Plan Year 2010 renewal premiums are set to match the \$856 million cost projection, so there is no loss or gain projected for Plan Year 2010.

Historical Overview

Benefit Changes

In January 2007, Active and Retiree office visit copays increased from \$5 to \$10, and the Active Employee Prescription Drug Plan copays increased from \$1 Generic and \$5 Brand for both Retail and Mail-Order to \$3 Generic and \$10 Brand for Retail and \$5 Generic and \$15 Brand for Mail-Order.

The following changes applied to all Actives and Retirees on 4/1/2008:

- NJ PLUS and the Traditional Plan were replaced by two PPO plans which are administered by Horizon: NJ DIRECT10, which has a \$10 physician office visit copay and an 80% out-of-network benefit, and NJ DIRECT15, which has a \$15 physician office visit copay and a 70% out-of-network benefit.
- The number of HMO vendors was reduced from five to two (Aetna and CIGNA).

In December 2008, NJ DIRECT benefits were expanded (retroactive to 4/1/2008) to include:

- Coordination of benefits between NJ DIRECT10 and NJ DIRECT15, and
- NJ DIRECT10 copays counting toward the in-network out-of-pocket maximum.

Effective 1/1/2009, Aetna Medicare Retiree medical coverage changed from a self-insured Medicare Supplement plan to a fully-insured Medicare Advantage Private Fee For Service (PFFS) medical plan. Retiree copays did not change and the prescription drug plan did not change. However, the new Aetna Medicare

Advantage program covers some additional preventive benefits and provides additional care management for Retirees.

Also effective 1/1/2009 the Retiree prescription drug copays and out-of-pocket maximums increased based on Retiree experience and we are recommending a similar increase for 1/1/2010. The table below summarizes Retiree prescription drug cost sharing for Plan Years 2008 through 2010:

	Horizon Copays			HMO Copays		
	2008	2009	2010	2008	2009	2010
Retail Generic Copay	\$9	\$9	\$9	\$5	\$5	\$5
Retail Preferred Brand Copay	\$18	\$19	\$21	\$10	\$11	\$11
Retail Non-Preferred Brand Copay	\$36	\$38	\$41	\$20	\$21	\$23
Mail Generic Copay	\$9	\$9	\$10	\$5	\$5	\$6
Mail Preferred Brand Copay	\$27	\$29	\$31	\$15	\$16	\$17
Mail Non-Preferred Brand Copay	\$45	\$48	\$52	\$25	\$26	\$28
Out-of-Pocket Maximum	\$1,092	\$1,160	\$1,222	none	\$1,160	\$1,222

SHBP benefits are subject to many of the New Jersey and Federal benefit mandates. Recent benefit mandates which impact SHBP benefit costs are:

- **COBRA:** The American Recovery and Reinvestment Tax Act provides for a 65% federal government subsidy of COBRA premiums for employees terminated between 9/1/2008 and 12/31/2009 and is effective 3/1/2009. The federal subsidy is available for up to 9 months. May 2009 COBRA enrollment increased 4% as a result of this mandate. COBRA premiums only cover half of COBRA claims and the excess costs are covered by Active and Retiree premiums. The 4% increase in COBRA enrollment increased SHBP overall loss ratios by 0.1%.
- **Autism:** This proposed New Jersey state mandate, effective 1/1/2010, expands coverage for children with autism and other developmental disabilities. The anticipated impact is 0.4% of costs.

- Grace's Law: This New Jersey state mandate requires coverage for hearing aids. The anticipated impact is 0.1% of costs.
- Mental Health Parity: The Plan Year 2010 renewal assumes that the State will continue to apply for the Mental Health Parity waiver. If not waived, the projected impact of this benefit is a 0.5% increase in overall plan costs.

Eligibility Changes

Dependent Eligibility Verification Audit (DEVA) – Work began on this audit during Plan Year 2009 and is expected to continue into Plan Year 2010. Based on the current timetable for this project, this is expected to produce SHBP savings of \$5 million in Plan Year 2010 through the elimination of coverage for ineligible dependents.

Coverage of Adult Children - Effective 1/1/2007, adult children under age 30 were allowed to enroll for medical and prescription drug coverage. The premium for this coverage in Plan Years 2007 and 2008 was the Single Employee rate increased 10%. Effective 1/1/2009, Chapter 38, P.L. 2008 extended eligibility to adult children under age 31 and required that the rate cannot exceed 102% of the dependent portion of the SHBP premium rates. Based on this requirement, the Plan Year 2009 Adult Children rate is 40.8% of the Single Premium for each benefit plan.

The Plan Year 2009 premium decrease for adult children resulted in a large increase in enrollment from 30 in Plan Year 2008 to 400 in May 2009. The reduced Plan Year 2009 Adult Children premium rates only cover 35% of Adult Children claims (based on Plan Year 2008 experience). Consequently, 65% of Adult Children claim costs must be covered by the Active and Retiree premiums.

The large increase in enrollment means that premiums must be increased 0.4% for Actives and 0.1% for Retirees to cover the excess Adult Children claim costs.

Enrollment Changes

Exhibit 1 reflects historical enrollment patterns among the benefit offerings from January 2007 through July 2009 and includes Aon's projection of enrollment from August 2009 through December 2010.

Aon's enrollment projections assume that Active and Retiree enrollment will increase in August 2009 at half the rate of the July 2009 increase and then remain level from September 2009 through December 2010.

Enrollment projections for both Employees and Retirees assume that the distribution of employees and retirees among the current benefit options will not change from the Plan Year 2009 enrollment selections.

Demographic Changes

The table on page 12 compares average employee ages from 4/1/2008 with 4/1/2009 for Active Employees. The average age increased 0.3 years from Plan Year 2008 to Plan Year 2009, which will have minimal impact on claim projections. The largest change was a 0.9 year increase in NJ DIRECT15 average age. However, total NJ DIRECT average age only changed by 0.2 years, since NJ DIRECT10 has almost all of the NJ DIRECT enrollment. The HMO average age increase of 0.3 years is consistent with the NJ DIRECT increase.

Average Employee Age

	4/1/2008	4/1/2009	Change
NJ DIRECT10	46.4	46.3	-0.1
NJ DIRECT15	43.9	44.8	0.9
NJ DIRECT Total	45.8	46.0	0.2
Aetna HMO	44.3	44.6	0.3
CIGNA HMO	44.5	44.9	0.4
HMO Total	44.3	44.6	0.3
Grand Total	45.4	45.7	0.3

Trend Analysis

The claim trends that we are recommending for the Plan Year 2010 renewal are:

	Medical	Prescription Drugs
NJ DIRECT Employee	8.0%	10.0%
NJ DIRECT Early Retiree	8.0%	11.0%
NJ DIRECT Medicare Retiree	6.0%	11.0%
Aetna HMO	11.5%	10.0%
CIGNA HMO	11.5%	10.0%
Employee Prescription Drug Card	NA	10.0%

Aon's Semi-Annual Health Care Trend Survey shows almost no change in medical trend expectations over the past few years, but the Spring 2009 Trend Survey shows that the prescription drug trend expectation has increased 1% from 6 months ago. The Aon trend assumptions reflect these patterns. Medical trends are based on normalized SHBP/SEHBP trend experience. Prescription Drug trends are based on normalized SHBP/SEHBP trend experience increased 1%.

Exhibit 2 shows the actual SHBP claim costs increases and then adjusts them for benefit changes to calculate the underlying claim trend in the SHBP experience. This calculation was done separately for medical versus prescription drugs and for NJ DIRECT versus the HMOs.

Financial Projections

Aggregate Financial Projections

Using the assumptions detailed in Exhibit 6 and the methodology described in the next section (Renewal Rate Development), Aon updated estimated costs for Plan Years 2008, 2009 and 2010. Plan Year 2008 projections are split into two sections to show costs before and after the benefit changes which occurred on 4/1/2008:

Projected Financial Results

(in \$ millions)

	NJ PLUS	Trad.Plan	HMOs	Rx Plan	Total
First Quarter 2008					
Premium Rates x Enrollment	\$58.3	\$51.1	\$36.6	\$11.0	\$157.0
Incurred Claims	\$58.0	\$46.5	\$40.0	\$12.0	\$156.5
Administrative Charges	\$0.9	\$1.3	\$1.7	\$0.0	\$3.9
Net Gain (Loss)	-\$0.6	\$3.3	-\$5.1	-\$1.0	-\$3.4

	DIR10	DIR15	HMOs	Rx Plan	Total
2nd-4th Quarter 2008					
Premium Rates x Enrollment	\$240.6	\$79.2	\$93.2	\$39.7	\$452.7
Incurred Claims	\$243.6	\$77.3	\$94.9	\$34.8	\$450.6
Administrative Charges	\$4.1	\$1.5	\$4.0	\$0.6	\$10.2
Net Gain (Loss)	-\$7.1	\$0.4	-\$5.7	\$4.3	-\$8.1
Plan Year 2009					
Premium Rates x Enrollment	\$386.5	\$107.4	\$141.3	\$60.9	\$696.1
Incurred Claims	\$411.2	\$108.1	\$148.4	\$58.1	\$725.8
Administrative Charges	\$9.6	\$2.9	\$6.1	\$1.0	\$19.6
Net Gain (Loss)	-\$34.3	-\$3.6	-\$13.2	\$1.8	-\$49.3
Plan Year 2010					
Premium Rates x Enrollment	\$480.4	\$129.5	\$178.1	\$67.6	\$855.6
Incurred Claims	\$474.0	\$121.9	\$171.4	\$66.7	\$834.0
Administrative Charges	\$10.9	\$3.2	\$6.5	\$1.0	\$21.6
Net Gain (Loss)	-\$4.5	\$4.4	\$0.2	-\$0.1	\$0.0

The Plan Year 2010 projected costs were developed from 4/1/2008-12/31/2008 costs trended to Plan Year 2009 and annualized. Claim costs were adjusted to reflect the changes detailed in the next section (Renewal Rate Development).

The Plan Year 2010 premiums are set to result in no loss or gain, since the Local Government claim stabilization reserve is projected to be equivalent to 2.1 months of plan costs at 12/31/2010.

More detailed aggregate projections are attached in Exhibit 4.

Administrative Fees

The initial average request for administrative fee increases from the SHBP vendors was 3.3% over the 4/1/2009 fees (Horizon increased NJ DIRECT fees 1.2% on 4/1/2009 in response to the additional work associated with the NJ DIRECT benefit changes). However, the State of New Jersey requested that all vendors work with them to reduce plan costs. As a result, some of the SHBP vendors reduced fees effective 7/1/2009 and all SHBP vendors reduced their Plan Year 2010 administrative fee increases. The combined impact of these changes is a 0.5% decrease from the 4/1/2009 administrative fees (1.3% decrease on 7/1/2009 and a 0.8% increase on 1/1/2010.) The table below compares Plan Year 2010 ASO fees per subscriber per month with Plan Year 2009 fees:

	Plan Year 2009 Fees			Plan Year 2010	7/1/2009 Change	1/1/2010 Change
	1/1/2009	4/1/2009	7/1/2009			
<u>Medical Fee</u>						
NJ DIRECT	\$ 22.20	\$ 22.47	\$ 22.47	\$ 23.26	0.0%	3.5%
Aetna	\$ 45.94	\$ 45.94	\$ 43.64	\$ 45.94	-5.0%	5.0%
CIGNA	\$ 40.28	\$ 40.28	\$ 39.64	\$ 40.41	-1.6%	1.9%
<u>Rx Fee</u>						
NJ DIRECT	\$ 5.12	\$ 5.12	\$ 5.12	\$ 5.30	0.0%	3.5%
Aetna	\$ -	\$ -	\$ -	\$ -	NA	NA
CIGNA	\$ 2.83	\$ 2.83	\$ 2.80	\$ 2.86	-1.1%	2.1%
Ee Rx Plan	\$ 3.95	\$ 3.95	\$ 3.95	\$ 3.95	0.0%	0.0%

Renewal Rate Development

Rating Methodology

Exhibit 4 shows the aggregate projected costs for Plan Years 2008, 2009, and 2010, separately for NJ DIRECT10, NJ DIRECT15, NJ PLUS, the Traditional Plan, prescription drugs, and each HMO. Costs were projected separately for Actives, Early Retirees, and Medicare Retirees, and for medical claims, prescription drug claims, administrative costs, and aggregate premiums.

Initial Premium increases were calculated separately for NJ DIRECT, HMO, and Prescription Drug Card, and for Actives, Early Retirees, and Medicare Retirees. NJ DIRECT premium increases were determined separately for Actives, Early Retirees, and Medicare Retirees using the combined experience of NJ DIRECT10 and NJ DIRECT15. HMO premium increases were developed to achieve no loss or gain for the entire HMO population, but Early Retiree experience was partially subsidized by Actives and Medicare Retirees. Prior to Plan Year 2009, HMO premiums were developed based on the total Active and Retiree population, even though Early Retiree claim costs are typically 50% greater than Actives. In Plan Year 2009, Early Retiree premiums were increased 6% more than Active premiums to start making this group self-supporting, and we continued this into Plan Year 2010, giving Early Retiree HMO premiums an increase which is 5% greater than the Active HMO premium increase.

Medical and Prescription Drug Claim Projections

1. Using claim data and claim triangles supplied by Horizon and the HMOs, Aon estimated completed incurred claims for Plan Year 2008 and for the first quarter of Plan Year 2009, separately for each benefit plan.
2. Plan Year 2008 incurred claims were adjusted for the impact of large claims. Claim amounts in excess of \$50,000 (i.e., catastrophic or shock

claims) were subtracted from the aggregate claims and pooling charges were allocated across plans. By implementing a pooling charge, we ensure that one claim does not distort the renewal for a specific plan, but that there will be sufficient dollars to cover all incurred claims. First Quarter Plan Year 2009 incurred claims were not adjusted for large claims, since we only have a partial year of experience. Large claim experience is detailed in Exhibit 3.

3. Capitation and other similar fixed claim charges were added to the incurred claims to arrive at projected incurred claims.
4. Plan Year 2008 claim costs were increased \$0.9 million to adjust for the NJ DIRECT benefit changes approved in December 2008 which were retroactive to 4/1/2008 (as detailed in the Historical Overview section of this report).
5. Aggregate incurred claims for 4/1/2008 through 12/31/2008 were divided by the sum of covered members for 4/1/2008 through 12/31/2008 to get average claims per member per month. Covered members is based on historical billing enrollment data.
6. Claims per member per month were multiplied by 12 to produce annual claims per member.
7. Claims per member were projected from 4/1/2008 through 12/31/2008 and to Plan Year 2010 using the annual trend rates listed in the Trend Analysis section of this document.
8. Aetna Medicare Retiree Plan Year 2010 medical costs were increased 9.4% from the Plan Year 2009 costs which is the renewal increase for this program.

9. Aggregate claims for Plan Year 2010 are the product of projected enrollment and the projected claims per member.
10. Prescription Drug manufacturers' rebates were projected using an assumed percentage of the projected prescription drug claims. The percentage was developed by averaging the Plan Year 2008 rebate percentage in the SHBP experience with the rebate percentages projected by the SHBP vendors.
11. The Medicare Part D prescription drug subsidy per Medicare member was projected from Plan Year 2008 to Plan Year 2010 using 8% annual trend. Aggregate Medicare Part D prescription drug subsidies are the product of the projected subsidy per Medicare member and the Plan Year 2010 projected Medicare enrollment.
12. Total SHBP projected claim costs are the sum of projected medical and prescription drug claims reduced for Medicare Part D subsidies and prescription drug rebates

Administrative Cost Projection

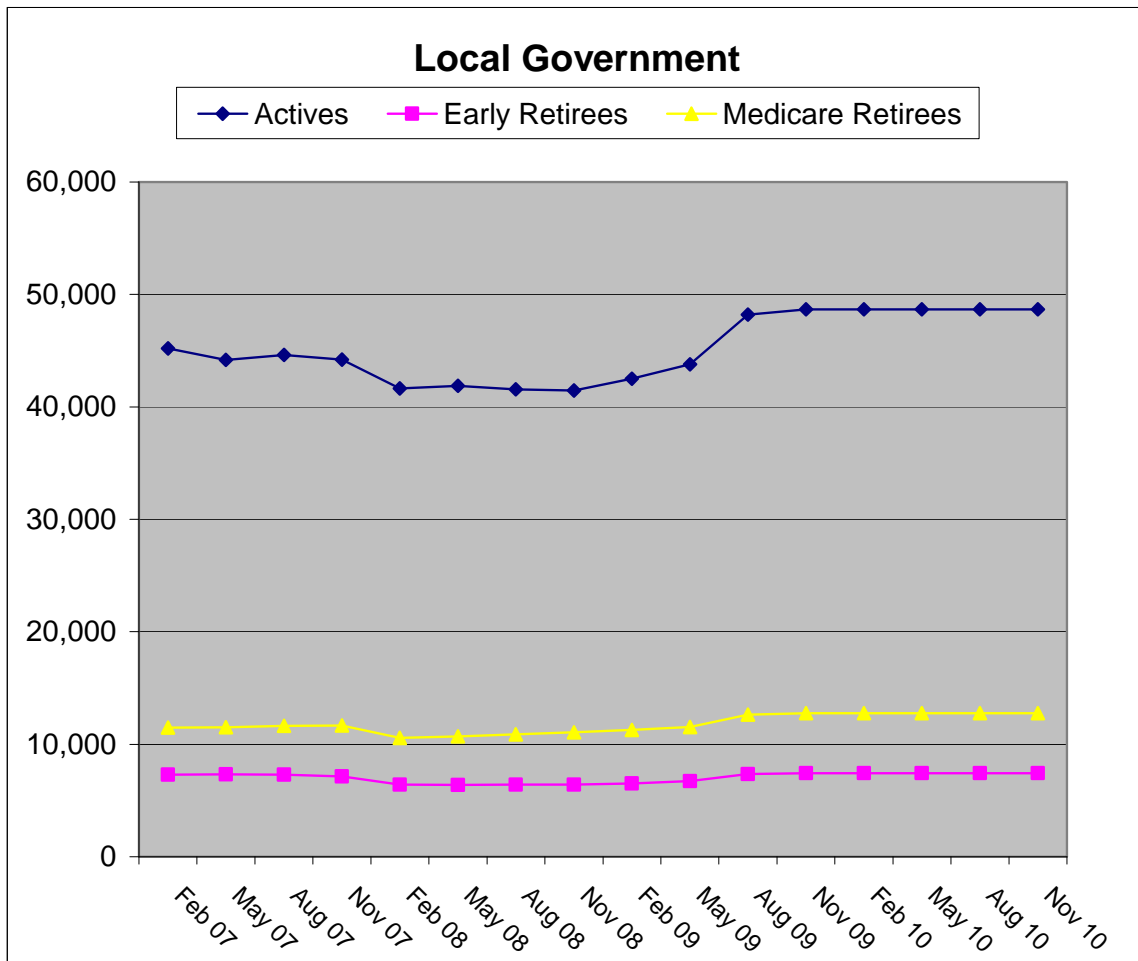
The administrative cost projection includes administrative charges, as well as some miscellaneous cost items:

1. Administrative fees are the ASO fees per employee per year multiplied by the average enrollment for that year.
2. Overhead charges which are the State of New Jersey administrative costs charged against the plans.
3. Investment income is credited against administrative charges.

Projected Premiums

1. Plan Year 2010 premiums were developed by applying the premium increase percentages listed in the Executive Summary section of this document.
2. Aggregate Plan Year premium is calculated by multiplying Plan Year enrollment and Plan Year premiums.

SHBP Plan Year 2010 Renewal Recommendation
Exhibit 1A – Enrollment Projections



Actives

Assumes all new July groups are in May enrollment report.
 Assumes August new enrollment will be half of July new enrollment.
 Assumes no new groups after August 2008.

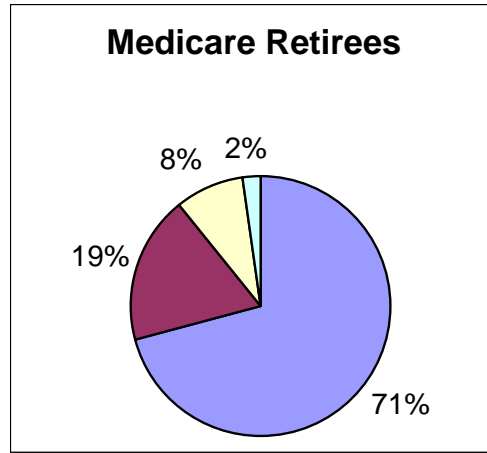
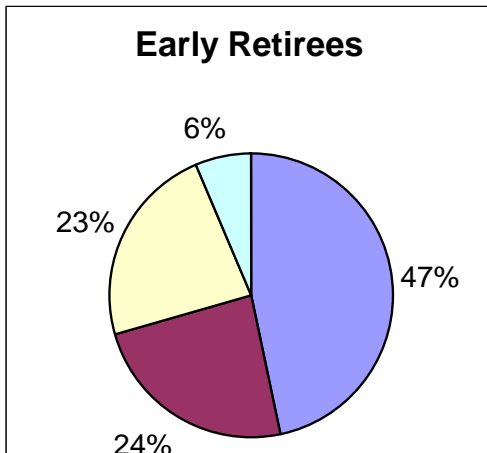
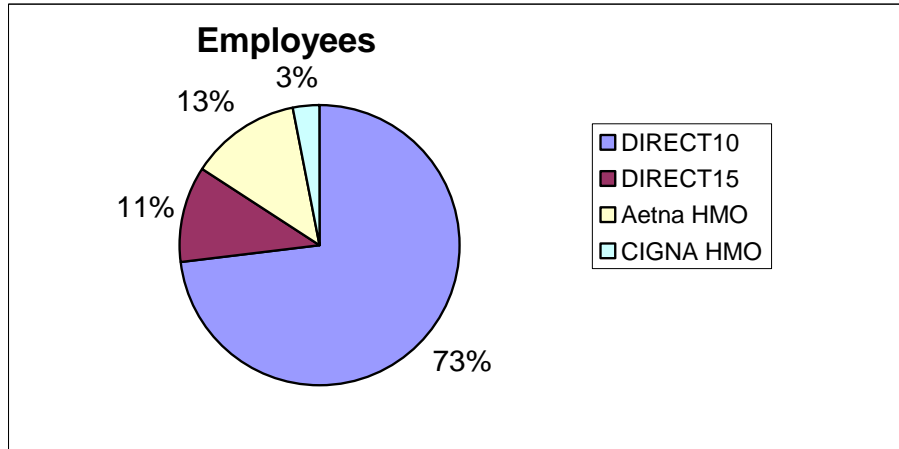
Early Retirees

Assumes same % enrollment changes as Actives from April 2009 onwards.

Medicare Retirees

Assumes same % enrollment changes as Actives from April 2009 onwards.

SHBP Plan Year 2010 Renewal Recommendation
Exhibit 1B – Plan Year 2009 Plan Distribution



SHBP Plan Year 2010 Renewal Recommendation

Exhibit 1C – May 2009 Enrollment

	Number of Contracts				
	Single	Member&Spouse /Partner	Family	Parent + Child(ren)	Total
GOVERNMENT ACTIVES					
Medical Plans					
<i>NJ Direct 10 #050</i>	7,718	5,515	10,452	2,562	26,247
No Card	1,567	1,228	2,447	389	5,631
Private Card	2,243	1,557	3,164	851	7,814
State Card	3,908	2,730	4,841	1,323	12,802
<i>NJ Direct 15 #150</i>	2,280	1,286	2,527	888	6,981
No Card	704	443	818	188	2,152
Private Card	598	306	684	305	1,893
State Card	978	537	1,025	395	2,935
Horizon Total	9,998	6,801	12,979	3,450	33,228
Aetna #019	3,092	809	545	1,263	5,710
CIGNA #020	431	112	82	194	819
HMO Total	3,523	921	627	1,456	6,528
Total	13,521	7,722	13,606	4,906	39,756
GOVERNMENT RETIREES					
Medical Plans					
NJ Direct 10 #050	5,163	5,044	805	219	11,231
NJ Direct 15 #150	1,510	1,629	413	178	3,730
Horizon Total	6,673	6,673	1,218	397	14,961
Aetna #019	808	1,017	550	170	2,545
CIGNA #020	174	319	153	37	683
HMO Total	982	1,336	703	207	3,228
Total	7,655	8,009	1,921	604	18,189

SHBP Plan Year 2010 Renewal Recommendation

Exhibit 2A – Medical Trend

	Increase in Claims/Ee	Benefit + RFP Changes	Claim Trend
Horizon Active			
4/1/2007-3/31/2008	6.1%	-2.2%	8.4%
4/1/2008-3/31/2009	1.8%	-5.6%	7.5%
Average			7.9%
Aon Trend Assumption			8.0%

Horizon Early Retiree			
4/1/2007-3/31/2008	8.2%	-1.4%	9.6%
4/1/2008-3/31/2009	-9.1%	-14.1%	4.9%
Average			7.3%
Aon Trend Assumption			8.0%

Horizon Medicare Retiree			
4/1/2007-3/31/2008	5.4%	-0.1%	5.5%
4/1/2008-3/31/2009	7.5%	2.1%	5.5%
Average			5.5%
Aon Trend Assumption			6.0%

HMO			
4/1/2007-3/31/2008	9.2%	-2.5%	11.7%
4/1/2008-3/31/2009	11.7%	0.0%	11.7%
Average			11.7%
Aon Trend Assumption			11.5%

Benefit Changes:

NJ PLUS and HMO copays increased on 1/1/2007.

NJ PLUS and Traditional plans replaced by NJ DIRECT 4/1/2008.

SHBP Plan Year 2010 Renewal Recommendation

Exhibit 2B – Prescription Drug Trend

	Increase in Claims/Ee	Benefit Changes	Claim Trend
<u>Horizon Active</u>			
4/1/2007-3/31/2008	-1.0%	-7.1%	6.1%
4/1/2008-3/31/2009	10.2%	-2.1%	12.3%
Average			9.2%
Aon Trend Assumption			10.0%

	Increase in Claims/Ee	Benefit Changes	Claim Trend
<u>Horizon Retiree</u>			
4/1/2007-3/31/2008	10.9%	-2.3%	13.2%
4/1/2008-3/31/2009	5.7%	-4.7%	10.4%
Average			11.8%
Aon Trend Assumption			11.0%

	Increase in Claims/Ee	Benefit Changes	Claim Trend
<u>HMO</u>			
4/1/2007-3/31/2008	6.3%	0.0%	6.3%
4/1/2008-3/31/2009	12.4%	0.0%	12.4%
Average			9.3%
Aon Trend Assumption			10.0%

Benefit Changes:

Horizon Retiree Rx Copays and OOP maximum increased on 1/1/2007.

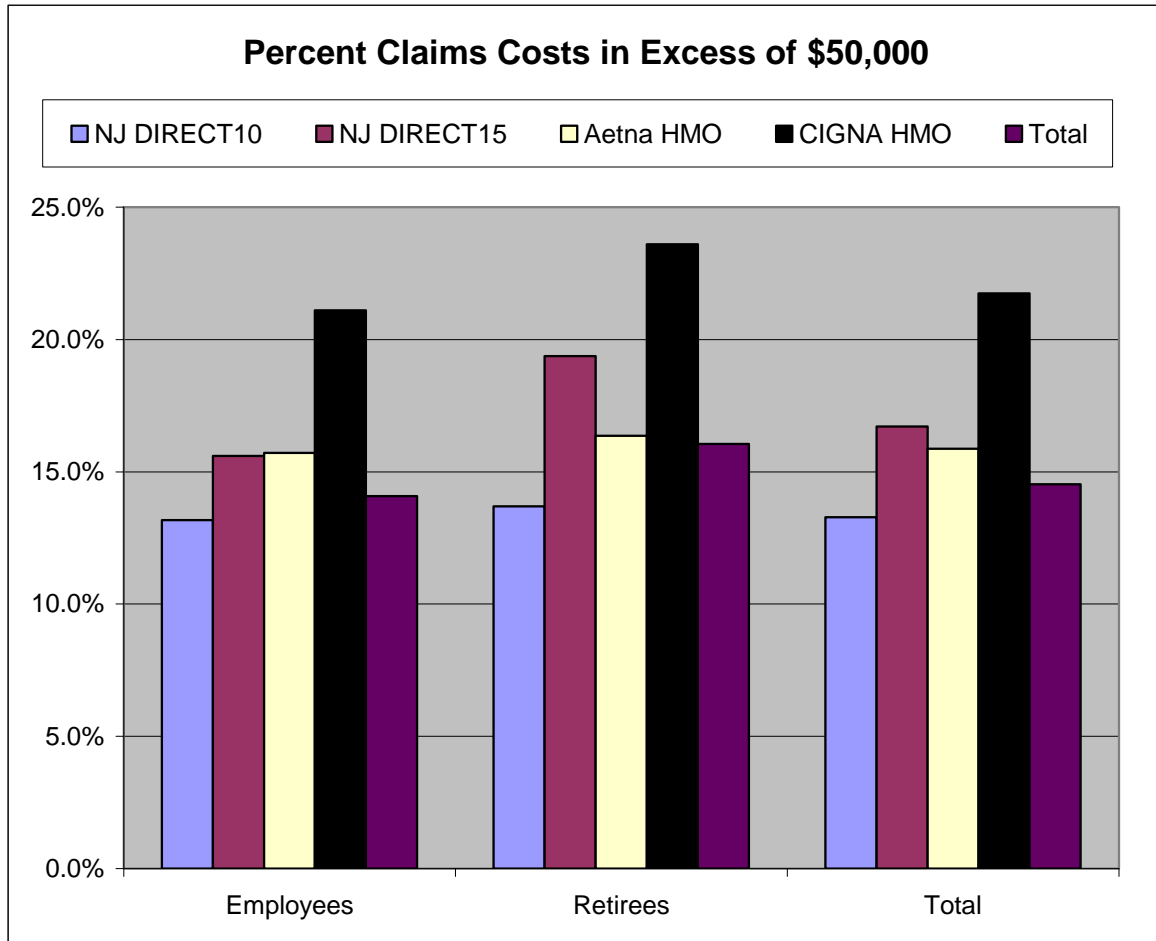
Horizon Retiree Rx Copays and OOP maximum increased on 1/1/2008.

Horizon Retiree Rx Copays and OOP maximum increased on 1/1/2009.

Horizon Rx discount increased due to RFP on 4/1/2008.

HMO Retiree Rx Copays increased and OOP maximum added on 1/1/2009.

SHBP Plan Year 2010 Renewal Recommendation
Exhibit 3A – Large Claim Analysis

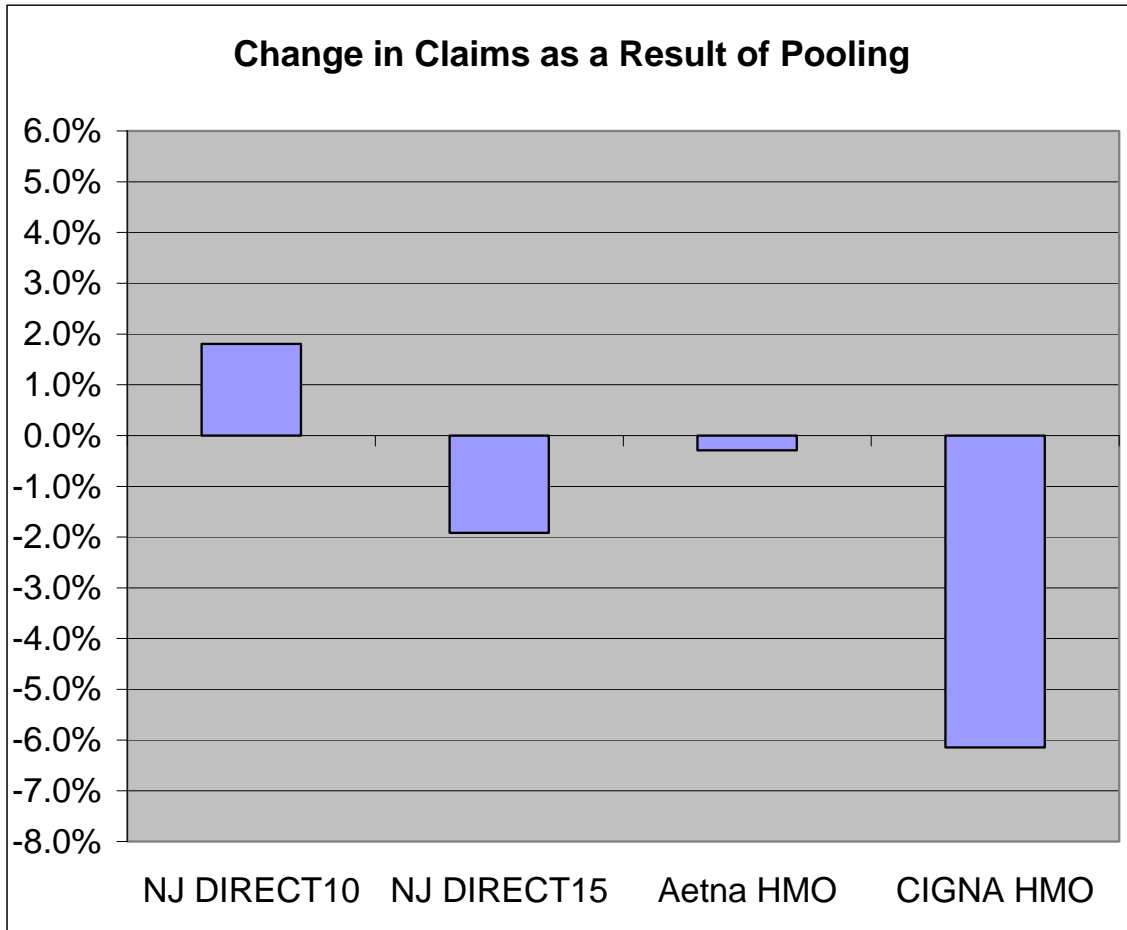


Observations:

CIGNA HMO has the highest percentage of shock claim costs at 22%.

Average shock claims over all benefit plans are about 14% for employees and 16% for retirees.

SHBP Plan Year 2010 Renewal Recommendation Exhibit 3B – Large Claim Analysis



Observations:

NJ DIRECT10, NJ DIRECT15 and Aetna have small changes in costs as a result of pooling (+1.8%, -1.9% and -0.3%, respectively).

CIGNA HMO has a significant reductions in costs (6.1%).

SHBP Plan Year 2010 Renewal Recommendation
Exhibit 4A – First Quarter Plan Year 2008 Aggregate Costs

	Total	NJ PLUS	Trad.Plan	Aetna	CIGNA	Oxford	AmeriHealth	Health Net	Ee Rx Card
Employees and Retirees									
Average Medical Subscribers	58,617	25,411	17,730	9,461	1,839	1,337	1,093	1,745	16,350
Incurred Medical claims	\$ 119,500,000	\$ 49,300,000	\$ 37,900,000	\$ 19,200,000	\$ 4,400,000	\$ 2,800,000	\$ 2,500,000	\$ 3,400,000	
Capitation	\$ 6,600,000	\$ 3,900,000	\$ 100,000	\$ 1,700,000	\$ 300,000	\$ -	\$ 200,000	\$ 400,000	
Incurred Prescription Drug Claims	\$ 33,700,000	\$ 5,200,000	\$ 9,900,000	\$ 3,100,000	\$ 1,000,000	\$ 500,000	\$ 400,000	\$ 800,000	\$ 12,800,000
Prescription Drug Rebates	\$ (2,200,000)	\$ (300,000)	\$ (600,000)	\$ (400,000)	\$ (100,000)	\$ -	\$ -	\$ -	\$ (800,000)
Medicare Part D Subsidies	\$ (1,100,000)	\$ (100,000)	\$ (800,000)	\$ (200,000)	\$ -	\$ -	\$ -	\$ -	
Administrative Fees	\$ 3,900,000	\$ 900,000	\$ 1,300,000	\$ 1,100,000	\$ 200,000	\$ 100,000	\$ 100,000	\$ 200,000	\$ -
Total Cost	\$ 160,400,000	\$ 58,900,000	\$ 47,800,000	\$ 24,500,000	\$ 5,800,000	\$ 3,400,000	\$ 3,200,000	\$ 4,800,000	\$ 12,000,000
Total Premium	\$ 157,000,000	\$ 58,300,000	\$ 51,100,000	\$ 20,700,000	\$ 5,300,000	\$ 3,200,000	\$ 2,800,000	\$ 4,600,000	\$ 11,000,000
Gain (Loss)	\$ (3,400,000)	\$ (600,000)	\$ 3,300,000	\$ (3,800,000)	\$ (500,000)	\$ (200,000)	\$ (400,000)	\$ (200,000)	\$ (1,000,000)
Employees									
Average Medical Subscribers	41,644	21,608	7,978	7,310	1,339	1,001	900	1,509	16,350
Incurred Medical claims	\$ 92,000,000	\$ 42,700,000	\$ 24,900,000	\$ 14,500,000	\$ 3,300,000	\$ 2,200,000	\$ 1,600,000	\$ 2,800,000	
Capitation	\$ 5,800,000	\$ 3,400,000	\$ 100,000	\$ 1,500,000	\$ 300,000	\$ -	\$ 200,000	\$ 300,000	
Incurred Prescription Drug Claims	\$ 17,900,000	\$ 1,700,000	\$ 1,000,000	\$ 1,000,000	\$ 500,000	\$ 300,000	\$ 200,000	\$ 400,000	\$ 12,800,000
Prescription Drug Rebates	\$ (1,100,000)	\$ (100,000)	\$ (100,000)	\$ (100,000)	\$ -	\$ -	\$ -	\$ -	\$ (800,000)
Medicare Part D Subsidies	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Administrative Fees	\$ 2,500,000	\$ 800,000	\$ 400,000	\$ 800,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 200,000	
Total Cost	\$ 117,100,000	\$ 48,500,000	\$ 26,300,000	\$ 17,700,000	\$ 4,200,000	\$ 2,600,000	\$ 2,100,000	\$ 3,700,000	\$ 12,000,000
Total Premium	\$ 115,300,000	\$ 48,900,000	\$ 27,100,000	\$ 15,600,000	\$ 3,900,000	\$ 2,500,000	\$ 2,300,000	\$ 4,000,000	\$ 11,000,000
Gain (Loss)	\$ (1,800,000)	\$ 400,000	\$ 800,000	\$ (2,100,000)	\$ (300,000)	\$ (100,000)	\$ 200,000	\$ 300,000	\$ (1,000,000)
Retirees									
Average Medical Subscribers	16,971	3,803	9,752	2,151	500	336	193	236	
Incurred Medical claims	\$ 27,500,000	\$ 6,600,000	\$ 13,000,000	\$ 4,700,000	\$ 1,100,000	\$ 600,000	\$ 900,000	\$ 600,000	
Capitation	\$ 800,000	\$ 500,000	\$ -	\$ 200,000	\$ -	\$ -	\$ -	\$ 100,000	
Incurred Prescription Drug Claims	\$ 15,800,000	\$ 3,500,000	\$ 8,900,000	\$ 2,100,000	\$ 500,000	\$ 200,000	\$ 200,000	\$ 400,000	
Prescription Drug Rebates	\$ (1,100,000)	\$ (200,000)	\$ (500,000)	\$ (300,000)	\$ (100,000)	\$ -	\$ -	\$ -	
Medicare Part D Subsidies	\$ (1,100,000)	\$ (100,000)	\$ (800,000)	\$ (200,000)	\$ -	\$ -	\$ -	\$ -	
Administrative Fees	\$ 1,400,000	\$ 100,000	\$ 900,000	\$ 300,000	\$ 100,000	\$ -	\$ -	\$ -	
Total Cost	\$ 43,300,000	\$ 10,400,000	\$ 21,500,000	\$ 6,800,000	\$ 1,600,000	\$ 800,000	\$ 1,100,000	\$ 1,100,000	
Total Premium	\$ 41,700,000	\$ 9,400,000	\$ 24,000,000	\$ 5,100,000	\$ 1,400,000	\$ 700,000	\$ 500,000	\$ 600,000	
Gain (Loss)	\$ (1,600,000)	\$ (1,000,000)	\$ 2,500,000	\$ (1,700,000)	\$ (200,000)	\$ (100,000)	\$ (600,000)	\$ (500,000)	

SHBP Plan Year 2010 Renewal Recommendation
Exhibit 4B – 4/1/2008 through 12/31/2008 Aggregate Costs

	Total	NJ DIRECT10	NJ DIRECT15	Aetna	CIGNA	Ee Rx Card
Employees and Retirees						
Average Medical Subscribers	58,740	34,076	11,508	10,547	2,609	18,050
Incurred Medical claims	\$ 339,000,000	\$ 202,400,000	\$ 62,300,000	\$ 59,300,000	\$ 15,000,000	
Capitation	\$ 21,500,000	\$ 10,700,000	\$ 3,200,000	\$ 6,000,000	\$ 1,600,000	
Incurred Prescription Drug Claims	\$ 107,900,000	\$ 39,400,000	\$ 14,500,000	\$ 11,000,000	\$ 4,400,000	\$ 38,600,000
Prescription Drug Rebates	\$ (10,700,000)	\$ (3,900,000)	\$ (1,400,000)	\$ (1,300,000)	\$ (300,000)	\$ (3,800,000)
Medicare Part D Subsidies	\$ (7,100,000)	\$ (5,000,000)	\$ (1,300,000)	\$ (600,000)	\$ (200,000)	
Administrative Fees	\$ 10,200,000	\$ 4,100,000	\$ 1,500,000	\$ 3,300,000	\$ 700,000	\$ 600,000
Total Cost	\$ 460,800,000	\$ 247,700,000	\$ 78,800,000	\$ 77,700,000	\$ 21,200,000	\$ 35,400,000
Total Premium	\$ 452,700,000	\$ 240,600,000	\$ 79,200,000	\$ 73,000,000	\$ 20,200,000	\$ 39,700,000
Gain (Loss)	\$ (8,100,000)	\$ (7,100,000)	\$ 400,000	\$ (4,700,000)	\$ (1,000,000)	\$ 4,300,000
Employees						
Average Medical Subscribers	41,465	23,579	7,776	8,140	1,970	18,050
Incurred Medical claims	\$ 264,300,000	\$ 162,300,000	\$ 44,500,000	\$ 46,300,000	\$ 11,200,000	
Capitation	\$ 18,600,000	\$ 9,500,000	\$ 2,600,000	\$ 5,200,000	\$ 1,300,000	
Incurred Prescription Drug Claims	\$ 54,500,000	\$ 7,000,000	\$ 2,800,000	\$ 3,800,000	\$ 2,300,000	\$ 38,600,000
Prescription Drug Rebates	\$ (5,400,000)	\$ (700,000)	\$ (300,000)	\$ (400,000)	\$ (200,000)	\$ (3,800,000)
Medicare Part D Subsidies	\$ -	\$ -	\$ -	\$ -	\$ -	
Administrative Fees	\$ 6,600,000	\$ 2,600,000	\$ 1,000,000	\$ 2,500,000	\$ 500,000	
Total Cost	\$ 338,600,000	\$ 180,700,000	\$ 50,600,000	\$ 57,400,000	\$ 15,100,000	\$ 34,800,000
Total Premium	\$ 330,100,000	\$ 168,100,000	\$ 51,000,000	\$ 55,800,000	\$ 15,500,000	\$ 39,700,000
Gain (Loss)	\$ (8,500,000)	\$ (12,600,000)	\$ 400,000	\$ (1,600,000)	\$ 400,000	\$ 4,900,000
Retirees						
Average Medical Subscribers	17,275	10,497	3,732	2,407	639	
Incurred Medical claims	\$ 74,700,000	\$ 40,100,000	\$ 17,800,000	\$ 13,000,000	\$ 3,800,000	
Capitation	\$ 2,900,000	\$ 1,200,000	\$ 600,000	\$ 800,000	\$ 300,000	
Incurred Prescription Drug Claims	\$ 53,400,000	\$ 32,400,000	\$ 11,700,000	\$ 7,200,000	\$ 2,100,000	
Prescription Drug Rebates	\$ (5,300,000)	\$ (3,200,000)	\$ (1,100,000)	\$ (900,000)	\$ (100,000)	
Medicare Part D Subsidies	\$ (7,100,000)	\$ (5,000,000)	\$ (1,300,000)	\$ (600,000)	\$ (200,000)	
Administrative Fees	\$ 3,000,000	\$ 1,500,000	\$ 500,000	\$ 800,000	\$ 200,000	
Total Cost	\$ 121,600,000	\$ 67,000,000	\$ 28,200,000	\$ 20,300,000	\$ 6,100,000	
Total Premium	\$ 122,600,000	\$ 72,500,000	\$ 28,200,000	\$ 17,200,000	\$ 4,700,000	
Gain (Loss)	\$ 1,000,000	\$ 5,500,000	\$ -	\$ (3,100,000)	\$ (1,400,000)	

SHBP Plan Year 2010 Renewal Recommendation
Exhibit 4C– Plan Year 2009 Aggregate Costs

	Total	NJ DIRECT10	NJ DIRECT15	Aetna	CIGNA	Ee Rx Card
Employees and Retirees						
Average Medical Subscribers	64,849	39,646	11,232	11,205	2,766	20,345
Incurred Medical claims+Capitatio	\$ 576,100,000	\$ 358,400,000	\$ 90,100,000	\$ 102,100,000	\$ 25,500,000	
Incurred Prescription Drug Claims	\$ 173,200,000	\$ 64,500,000	\$ 21,400,000	\$ 17,200,000	\$ 6,900,000	\$ 63,200,000
Prescription Drug Rebates	\$ (14,200,000)	\$ (5,200,000)	\$ (1,700,000)	\$ (1,800,000)	\$ (400,000)	\$ (5,100,000)
Medicare Part D Subsidies	\$ (9,300,000)	\$ (6,500,000)	\$ (1,700,000)	\$ (800,000)	\$ (300,000)	
Administrative Fees	\$ 19,600,000	\$ 9,600,000	\$ 2,900,000	\$ 4,900,000	\$ 1,200,000	\$ 1,000,000
Total Cost	\$ 745,400,000	\$ 420,800,000	\$ 111,000,000	\$ 121,600,000	\$ 32,900,000	\$ 59,100,000
Total Premium	\$ 696,100,000	\$ 386,500,000	\$ 107,400,000	\$ 110,800,000	\$ 30,500,000	\$ 60,900,000
Gain (Loss)	\$ (49,300,000)	\$ (34,300,000)	\$ (3,600,000)	\$ (10,800,000)	\$ (2,400,000)	\$ 1,800,000
Employees						
Average Medical Subscribers	45,795	27,847	7,333	8,560	2,054	20,345
Incurred Medical claims+Capitatio	\$ 453,200,000	\$ 290,900,000	\$ 63,600,000	\$ 79,700,000	\$ 19,000,000	
Incurred Prescription Drug Claims	\$ 88,400,000	\$ 12,100,000	\$ 3,800,000	\$ 5,900,000	\$ 3,400,000	\$ 63,200,000
Prescription Drug Rebates	\$ (7,200,000)	\$ (1,000,000)	\$ (300,000)	\$ (600,000)	\$ (200,000)	\$ (5,100,000)
Medicare Part D Subsidies	\$ -	\$ -	\$ -	\$ -	\$ -	
Administrative Fees	\$ 13,700,000	\$ 6,000,000	\$ 1,700,000	\$ 4,100,000	\$ 900,000	\$ 1,000,000
Total Cost	\$ 548,100,000	\$ 308,000,000	\$ 68,800,000	\$ 89,100,000	\$ 23,100,000	\$ 59,100,000
Total Premium	\$ 505,300,000	\$ 271,900,000	\$ 66,600,000	\$ 83,300,000	\$ 22,600,000	\$ 60,900,000
Gain (Loss)	\$ (42,800,000)	\$ (36,100,000)	\$ (2,200,000)	\$ (5,800,000)	\$ (500,000)	\$ 1,800,000
Retirees						
Average Medical Subscribers	19,055	11,799	3,899	2,645	712	
Incurred Medical claims+Capitatio	\$ 122,900,000	\$ 67,500,000	\$ 26,500,000	\$ 22,400,000	\$ 6,500,000	
Incurred Prescription Drug Claims	\$ 84,800,000	\$ 52,400,000	\$ 17,600,000	\$ 11,300,000	\$ 3,500,000	
Prescription Drug Rebates	\$ (7,000,000)	\$ (4,200,000)	\$ (1,400,000)	\$ (1,200,000)	\$ (200,000)	
Medicare Part D Subsidies	\$ (9,300,000)	\$ (6,500,000)	\$ (1,700,000)	\$ (800,000)	\$ (300,000)	
Administrative Fees	\$ 5,900,000	\$ 3,600,000	\$ 1,200,000	\$ 800,000	\$ 300,000	
Total Cost	\$ 197,300,000	\$ 112,800,000	\$ 42,200,000	\$ 32,500,000	\$ 9,800,000	
Total Premium	\$ 190,800,000	\$ 114,600,000	\$ 40,800,000	\$ 27,500,000	\$ 7,900,000	
Gain (Loss)	\$ (6,500,000)	\$ 1,800,000	\$ (1,400,000)	\$ (5,000,000)	\$ (1,900,000)	

SHBP Plan Year 2010 Renewal Recommendation

Exhibit 4D – Plan Year 2010 Aggregate Costs

	Total	NJ DIRECT10	NJ DIRECT15	Aetna	CIGNA	Ee Rx Card
Employees and Retirees						
Average Medical Subscribers	68,882	42,484	11,779	11,722	2,897	21,668
Incurred Medical claims+Capitatio	\$ 664,400,000	\$ 414,300,000	\$ 101,800,000	\$ 118,700,000	\$ 29,600,000	
Incurred Prescription Drug Claims	\$ 196,500,000	\$ 73,200,000	\$ 24,000,000	\$ 19,100,000	\$ 7,700,000	\$ 72,500,000
Prescription Drug Rebates	\$ (16,100,000)	\$ (5,900,000)	\$ (1,900,000)	\$ (2,000,000)	\$ (500,000)	\$ (5,800,000)
Medicare Part D Subsidies	\$ (10,800,000)	\$ (7,600,000)	\$ (2,000,000)	\$ (900,000)	\$ (300,000)	
Administrative Fees	\$ 21,600,000	\$ 10,900,000	\$ 3,200,000	\$ 5,200,000	\$ 1,300,000	\$ 1,000,000
Total Cost	\$ 855,600,000	\$ 484,900,000	\$ 125,100,000	\$ 140,100,000	\$ 37,800,000	\$ 67,700,000
Total Premium	\$ 855,600,000	\$ 480,400,000	\$ 129,500,000	\$ 139,700,000	\$ 38,400,000	\$ 67,600,000
Gain (Loss)	\$ -	\$ (4,500,000)	\$ 4,400,000	\$ (400,000)	\$ 600,000	\$ (100,000)
Employees						
Average Medical Subscribers	48,688	29,935	7,678	8,930	2,145	21,668
Incurred Medical claims+Capitatio	\$ 523,600,000	\$ 337,100,000	\$ 71,900,000	\$ 92,600,000	\$ 22,000,000	
Incurred Prescription Drug Claims	\$ 101,100,000	\$ 13,900,000	\$ 4,300,000	\$ 6,600,000	\$ 3,800,000	\$ 72,500,000
Prescription Drug Rebates	\$ (8,100,000)	\$ (1,100,000)	\$ (300,000)	\$ (700,000)	\$ (200,000)	\$ (5,800,000)
Medicare Part D Subsidies	\$ -	\$ -	\$ -	\$ -	\$ -	
Administrative Fees	\$ 15,200,000	\$ 6,900,000	\$ 1,900,000	\$ 4,400,000	\$ 1,000,000	\$ 1,000,000
Total Cost	\$ 631,800,000	\$ 356,800,000	\$ 77,800,000	\$ 102,900,000	\$ 26,600,000	\$ 67,700,000
Total Premium	\$ 634,700,000	\$ 350,600,000	\$ 83,900,000	\$ 104,300,000	\$ 28,300,000	\$ 67,600,000
Gain (Loss)	\$ 2,900,000	\$ (6,200,000)	\$ 6,100,000	\$ 1,400,000	\$ 1,700,000	\$ (100,000)
Retirees						
Average Medical Subscribers	20,194	12,549	4,101	2,792	752	
Incurred Medical claims+Capitatio	\$ 140,800,000	\$ 77,200,000	\$ 29,900,000	\$ 26,100,000	\$ 7,600,000	
Incurred Prescription Drug Claims	\$ 95,400,000	\$ 59,300,000	\$ 19,700,000	\$ 12,500,000	\$ 3,900,000	
Prescription Drug Rebates	\$ (8,000,000)	\$ (4,800,000)	\$ (1,600,000)	\$ (1,300,000)	\$ (300,000)	
Medicare Part D Subsidies	\$ (10,800,000)	\$ (7,600,000)	\$ (2,000,000)	\$ (900,000)	\$ (300,000)	
Administrative Fees	\$ 6,400,000	\$ 4,000,000	\$ 1,300,000	\$ 800,000	\$ 300,000	
Total Cost	\$ 223,800,000	\$ 128,100,000	\$ 47,300,000	\$ 37,200,000	\$ 11,200,000	
Total Premium	\$ 220,900,000	\$ 129,800,000	\$ 45,600,000	\$ 35,400,000	\$ 10,100,000	
Gain (Loss)	\$ (2,900,000)	\$ 1,700,000	\$ (1,700,000)	\$ (1,800,000)	\$ (1,100,000)	

SHBP Plan Year 2010 Renewal Recommendation
Exhibit 5A – Plan Year 2010 Monthly Active Premiums

	NJ DIRECT10	NJ DIRECT15	Aetna	CIGNA
<u>Medical Coverage Only</u>				
Single	\$494.02	\$470.45	\$474.25	\$479.00
Member+Spouse	\$1,111.55	\$1,058.50	\$1,067.08	\$1,077.75
Family	\$1,235.05	\$1,176.11	\$1,185.64	\$1,197.49
Parent+Child(ren)	\$691.63	\$658.62	\$663.96	\$670.60
Adult Child Rate	\$201.56	\$191.94	\$193.49	\$195.43

	NJ DIRECT10	NJ DIRECT15	Aetna	CIGNA
<u>Medical and Rx</u>				
Single	\$592.83	\$564.53	\$602.30	\$608.33
Member+Spouse	\$1,333.85	\$1,270.19	\$1,355.20	\$1,368.74
Family	\$1,482.06	\$1,411.32	\$1,505.77	\$1,520.82
Parent+Child(ren)	\$829.95	\$790.35	\$843.23	\$851.67
Adult Child Rate	\$241.87	\$230.33	\$245.74	\$248.20

	Rx Card
<u>Rx Card</u>	
Single	\$139.52
Member+Spouse	\$313.91
Family	\$348.78
Parent+Child(ren)	\$195.31
Adult Child Rate	\$56.92

SHBP Plan Year 2010 Renewal Recommendation
Exhibit 5B – Plan Year 2010 Monthly Retiree Premiums

	NJ DIRECT10	NJ DIRECT15	Aetna	CIGNA
Total Premium				
Single - 0 Medicare	\$762.20	\$726.03	\$662.87	\$669.49
Single - 1 Medicare	\$419.88	\$399.95	\$439.13	\$443.53
Mem+Spouse - 0 Medicare	\$1,661.63	\$1,582.74	\$1,445.05	\$1,459.51
Mem+Spouse - 1 Medicare	\$1,182.08	\$1,125.98	\$1,102.00	\$1,113.03
Mem+Spouse - 2 Medicare	\$839.77	\$799.89	\$878.27	\$887.05
Family - 0 Medicare	\$1,890.29	\$1,800.54	\$1,643.91	\$1,660.35
Family - 1 Medicare	\$1,410.74	\$1,343.78	\$1,300.87	\$1,313.87
Family - 2 Medicare	\$1,068.42	\$1,017.69	\$1,077.14	\$1,087.90
Parent+Ch - 0 Medicare	\$1,067.09	\$1,016.44	\$928.02	\$937.30
Parent+Ch - 1 Medicare	\$664.81	\$633.25	\$644.06	\$650.50
Medical Premium				
Single - 0 Medicare	\$609.76	\$573.59	\$521.02	\$526.22
Single - 1 Medicare	\$184.75	\$164.82	\$193.22	\$195.15
Mem+Spouse - 0 Medicare	\$1,329.30	\$1,250.41	\$1,135.81	\$1,147.17
Mem+Spouse - 1 Medicare	\$794.51	\$738.41	\$714.24	\$721.38
Mem+Spouse - 2 Medicare	\$369.50	\$329.62	\$386.44	\$390.30
Family - 0 Medicare	\$1,512.23	\$1,422.48	\$1,292.11	\$1,305.04
Family - 1 Medicare	\$977.44	\$910.48	\$870.55	\$879.25
Family - 2 Medicare	\$470.10	\$419.37	\$473.94	\$478.68
Parent+Ch - 0 Medicare	\$853.67	\$803.02	\$729.42	\$736.72
Parent+Ch - 1 Medicare	\$292.52	\$260.96	\$283.39	\$286.22
Rx Premium				
Single - 0 Medicare	\$152.44	\$152.44	\$141.85	\$143.27
Single - 1 Medicare	\$235.13	\$235.13	\$245.91	\$248.38
Mem+Spouse - 0 Medicare	\$332.33	\$332.33	\$309.24	\$312.34
Mem+Spouse - 1 Medicare	\$387.57	\$387.57	\$387.76	\$391.65
Mem+Spouse - 2 Medicare	\$470.27	\$470.27	\$491.83	\$496.75
Family - 0 Medicare	\$378.06	\$378.06	\$351.80	\$355.31
Family - 1 Medicare	\$433.30	\$433.30	\$430.32	\$434.62
Family - 2 Medicare	\$598.32	\$598.32	\$603.20	\$609.22
Parent+Ch - 0 Medicare	\$213.42	\$213.42	\$198.60	\$200.58
Parent+Ch - 1 Medicare	\$372.29	\$372.29	\$360.67	\$364.28

SHBP Plan Year 2010 Renewal Recommendation

Exhibit 6 – Projection Assumptions

Benefit Design Changes

Medical Plans: The following benefit plans will be offered: NJ DIRECT10, NJ DIRECT15, and a \$10 HMO copay plan.

Employee Prescription Drug Plan: Active employees will continue with the Employee Prescription Drug Plan. Employers may select this plan, sign up for prescription drug coverage under the medical plan, or purchase prescription drug coverage from an outside vendor.

Retiree Prescription Drug Plans: Retiree copays and out-of-pocket maximums will change as follows:

	NJ Direct Copays		HMO Copays	
	2009	2010	2009	2010
Retail Generic Copay	\$9	\$9	\$5	\$5
Retail Preferred Brand Copay	\$19	\$21	\$11	\$11
Retail Non-Preferred Brand Copay	\$38	\$41	\$21	\$23
Mail Generic Copay	\$9	\$10	\$5	\$6
Mail Preferred Brand Copay	\$29	\$31	\$16	\$17
Mail Non-Preferred Brand Copay	\$48	\$52	\$26	\$28
Out-of-Pocket Maximum	\$1,160	\$1,222	\$1,160	\$1,222

Prescription Drug Request For Proposal

Prescription drug claims will be administered by a single prescription drug vendor. Responses from a Request For Proposal (RFP) are currently being reviewed to determine the Plan Year 2010 prescription drug vendor. It is assumed that the new contract will reduce prescription drug costs by 2%.

Incurred Basis

Plan Year 2010 aggregate projected costs reflect incurred costs for claims and expenses.

Margin

The Local Government claim stabilization reserve is projected to be equivalent to 2.1 months of projected plan costs at the end of Plan Year 2010. Since the recommended level is 2.0 months, no margin is included in the Plan Year 2010 Local Government renewal premiums.

Administrative Expenses

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

- ASO fees for each vendor,
- Overhead charges which are the State of New Jersey administrative costs charged against the plans. For Plan Year 2010 overhead charges assume no increase over Plan Year 2009. The aggregate projected SHBP charge for the Local Government Group is \$1.5 million, and
- Investment income which is credited against administrative charges. Plan Year 2010 investment income for the Local Government Group of \$5.0 million assumes that Plan Year 2010 investment income will not change from Plan Year 2009 annualized investment income.

Claim Costs

Plan Year 2010 claim costs will include projected charges/credits for the following claim expenses:

- Medical and prescription drug claims,

- Capitation charges,
- \$16 million for Prescription drug rebates, and
- \$11 million for Medicare Part D prescription drug subsidies.

Enrollment Projections

Exhibit 1 reflects historical enrollment patterns among the benefit offerings from January 2007 through July 2009 and includes Aon's projection of enrollment from August 2009 through December 2010.

Aon's enrollment projections assume that Active and Retiree enrollment will increase in August 2009 at half the rate of the July 2009 increase and then remain level from September 2009 through December 2010.

Enrollment projections for both Employees and Retirees assume that the distribution of employees and retirees among the current benefit options will not change from the Plan Year 2009 enrollment selections.

Health Status Change

Plan Year 2009 average enrollment is projected to be 11% greater than Plan Year 2008 average enrollment. Preliminary analysis by Horizon of new group experience shows historical claim levels for new groups which are consistent with existing groups. First quarter Plan Year 2009 claim costs for Local Government Employers shows increases which are consistent with the increases for the State group. For these reasons, we are not including any adjustments for changes in health status due to the large increase in enrollment.

Large Claims

Plan Year 2008 large claim experience is detailed in Exhibit 3. Claims over \$50,000 were pooled over the entire Local Government Employer group. The

impact of this adjustment was a 1% increase for NJ DIRECT10 and Aetna HMO, and 3% and 5% decreases for NJ DIRECT15 and CIGNA HMO, respectively.

Trend Rates

Exhibit 2 presents Local Government trend experience and Aon's trend assumptions for Plan Year 2010. Since there was a significant benefit change on 4/1/2008, we calculated trends on 12 month periods beginning 4/1.

Aon's Semi-Annual Health Care Trend Survey shows almost no change in medical trend expectations over the past few years, but the Spring 2009 Trend Survey shows that prescription drug trend expectation has increased 1% from 6 months ago. The Aon trend assumptions reflect these patterns. Medical trends are based on normalized SHBP/SEHBP trend experience. Prescription Drug trends are based on normalized SHBP/SEHBP trend experience increased 1%.

Exhibit 2A presents medical experience and trend assumptions. It includes the following columns:

Increase in Claims/Ee – This is the actual increase in claims per subscriber from the prior period.

Benefit + RFP Changes – This shows the impact of benefit changes which occurred in Plan Years 2007 and 2008. It also adjusts for savings that resulted from the 2007 RFP negotiations for vendor changes effective 4/1/2008.

Claim Trend – This is the increase in claim cost that would have occurred if there had been no change in benefits or employee selection. It is the basis for determining future SHBP claims increases, since we make separate adjustments to trend for benefit changes. Claim trend is

calculated by subtracting the value of benefit changes from the actual increase in claims per subscriber.

The claim trends that we are recommending for the Plan Year 2010 renewal are:

	Medical	Prescription Drugs
NJ DIRECT Employee	8.0%	10.0%
NJ DIRECT Early Retiree	8.0%	11.0%
NJ DIRECT Medicare Retiree	6.0%	11.0%
Aetna HMO	11.5%	10.0%
CIGNA HMO	11.5%	10.0%
Employee Prescription Drug Card	NA	10.0%

Data Assumptions

Claims: For medical and prescription drug claims, we are using claim files from each of the vendors which have claims paid through March 31, 2009.

Enrollment: We receive quarterly census files from the Division of Pensions and Benefits and we are using this information to match against the claims tapes to determine enrollments for Active versus Retiree and State versus Local Employers. We also receive billing counts from the Division of Pensions and Benefits which we use for the exposure units in our cost analysis. In addition, we use new business reports from Horizon to project enrollment from June 2009 through August 2009.