

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

***State Health Benefits Program (SHBP)***

***Recommended Plan Year 2010  
Medical/Rx Rate Renewal Recommendation  
for Active Employees and Retirees  
of the Local Government Group***

- For Plan Year 2010, Aon is recommending premium rate changes that – in the aggregate – represent an **overall increase** of 16% for Local Government Active Employees and Retirees:

	<b>Active Employees</b>	<b>Early Retirees</b>	<b>Medicare Retirees</b>
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%

- This recommended renewal assumes:
  - For Retiree Rx for NJ DIRECT and HMOs, the brand copays and Out-of-Pocket maximum will received formula increases based on Retiree Rx experience;
  - The Prescription Benefit Manager (PBM) RFP will result in a new contract, effective 1/1/10, that will reduce Rx costs by a minimum of 2% to 5%. Premium levels in the renewal report assume a 2% reduction in RX costs;

- The Dependent Eligibility Verification Audit will generate Plan Year 2010 claim savings for the Local Government Group of \$5 million through the elimination of coverage for ineligible dependents;
- No other changes in Employee or Retiree benefits, other than those mandated by New Jersey or federal law, as outlined in the Renewal Report;
- Active Employee and Retiree enrollment will increase in August 2009 at half the rate of July 2009 and then remain level from September 2009 through December 2010, and
- Aggregate differences in the rate changes for different benefit plans and between Actives and Retirees reflect the impact of:
  - Medicare Retiree medical trends have been well below industry norms for the past few years and we are projecting that the low trend levels will continue into Plan Years 2009 and 2010.
  - Prior to Plan Year 2009, Early Retiree HMO costs were pooled with Active HMO costs to develop premiums. Since there are now over 2,000 Local Government Early Retirees enrolled in HMOs, the Plan Year 2010 renewal rates were adjusted to partially reflect the higher level of claim costs attributable to Early Retirees.
  - HMO medical claim trends have averaged about 3% higher than Horizon trends over the past several years, and we are projecting that HMOs will continue to trend at a higher rate than the Horizon plans in Plan Year 2010.
- Factors contributing to the recommended rate actions include:
  - 9% trend increase from Plan Year 2009 to Plan Year 2010;
  - Higher than previously anticipated trends for Plan Years 2008 and 2009;
  - NJ DIRECT benefit changes approved after the Plan Year 2009 renewal, which add 2% to the increase;

- 
- Mandated benefit enhancements, which add about 1% to the increase, and
  - Spend down of the accumulated Claim Stabilization Reserve, which adds about 4% to the increase.
  - Plan Year 2010 projected costs for the Local Government Group are \$856 million (\$632 million for Actives and \$224 million for Retirees). Plan Year renewal premiums are set to match the projected \$856 million cost, so there is no loss or gain projected for Plan Year 2010.