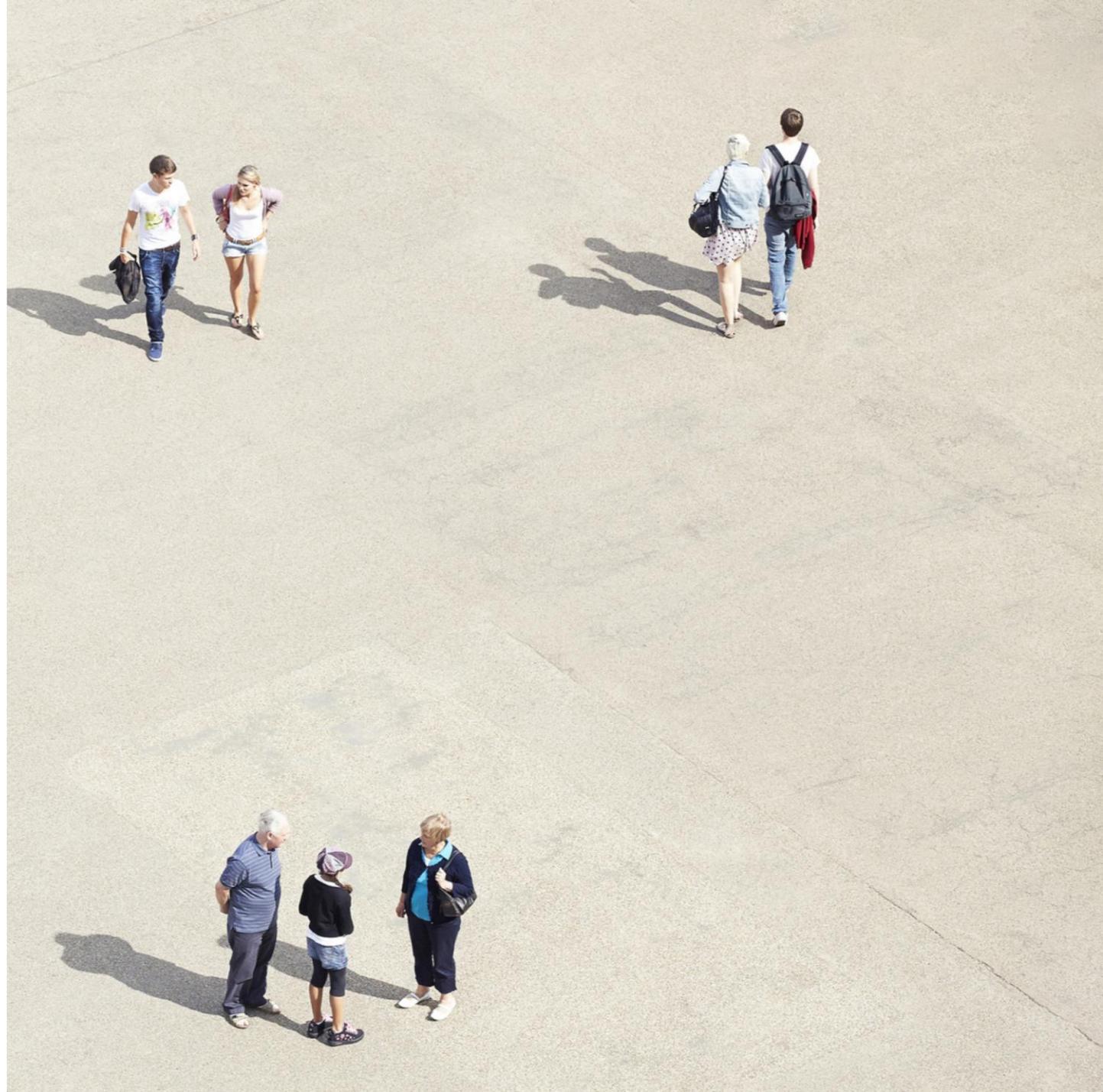




State of New Jersey SEHBP Mid-Year Analysis

March 23, 2026



Today's Discussion

Meeting Objectives

- Provide a summary of the results of the Mid-Year Analysis
- Discuss Local Education Active Results and Cost Drivers
- Discuss 2027 Rate Setting expectations

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Mid-Year Overview

Mid-Year Results Overview

- New emerging experience through September 2025 has impacted projections for Plan Year 2026 due to several factors:
 - High emerging trends are consistent with assumptions made in the 2026 Rate Setting Analysis.
 - Significant enrollment declines over the past two years, as Local Education employers opt out of the SEHBP for available lower cost coverage, has likely increased the risk pool remaining in the plan and led to an increased anti-selection adjustment in this Mid-Year Analysis.
 - Significant migration to NJEHP has reduced the total revenue from premiums the SEHBP takes in, reducing expected excess dollars available to fund the CSR.

Mid-Year Results Overview

Based on updated experience, Local Education Actives and Local Education Retirees are each projected at an overall surplus in 2026, However, projected cost increases have partially offset the 6.0% margin in the Active premium rates intended to improve Claim Stabilization Reserve (CSR) funding.

The Local Education CSR balance as of 12/31/2026 is projected to be -\$32M or -0.2 months of plan cost, below the target level 2.0 months of plan cost

Based on these projected losses and building in future trends, Active premium rate increases for 2027 are likely to be in the double digits

	Local Education	
Plan Year 2026 (\$ Millions)	2026 Rate Setting Analysis*	Updated Mid-Year Analysis
Actives		
Members	133,616	116,525
Total Premium	\$2,018.5	\$1,697.2
Total Claims and non-Fee Expenses	\$1,876.6	\$1,636.6
Total Admin Fees	\$21.3	\$20.5
Total Cost	\$1,897.9	\$1,657.1
\$ Premium - Cost	\$120.6	\$40.1
% Premium / Cost	6.4%	2.4%
Claim Stabilization Reserve	\$78.8	(\$32.3)
Months of Plan Cost	0.5	(0.2)
Retirees		
Members	176,076	177,152
Total Premium	\$1,461.4	\$1,481.3
Total Claims and non-Fee Expenses	\$1,427.8	\$1,422.9
Total Admin Fees	\$33.7	\$33.3
Total Cost	\$1,461.5	\$1,456.3
\$ Premium - Cost	(\$0.1)	\$25.0
% Premium / Cost	(0.0%)	1.7%

Local Education Actives:

- Active experience continues to be significantly impacted by employers leaving the SEHBP. For Plan Year 2026, aggregate gross costs are projected to 12.7% lower compared to the Plan Year 2026 Rate Setting Analysis reflecting a 12.8% reduction in plan membership. On a per member basis, Active plan costs have increased 0.1% compared to the prior analysis, while active premiums have decreased 3.6%.
- As a result of the reduction in active headcount, the Plan Year 2026 anti-selection adjustment was increased to 300 basis points. Active claim experience trends also continue to be high, even as employees have migrated to lower cost plan options.

Local Education Retirees:

- Retiree experience has been favorable, with average PMPM costs projected to be 1% lower compared to the Plan Year 2026 Rate Setting Analysis

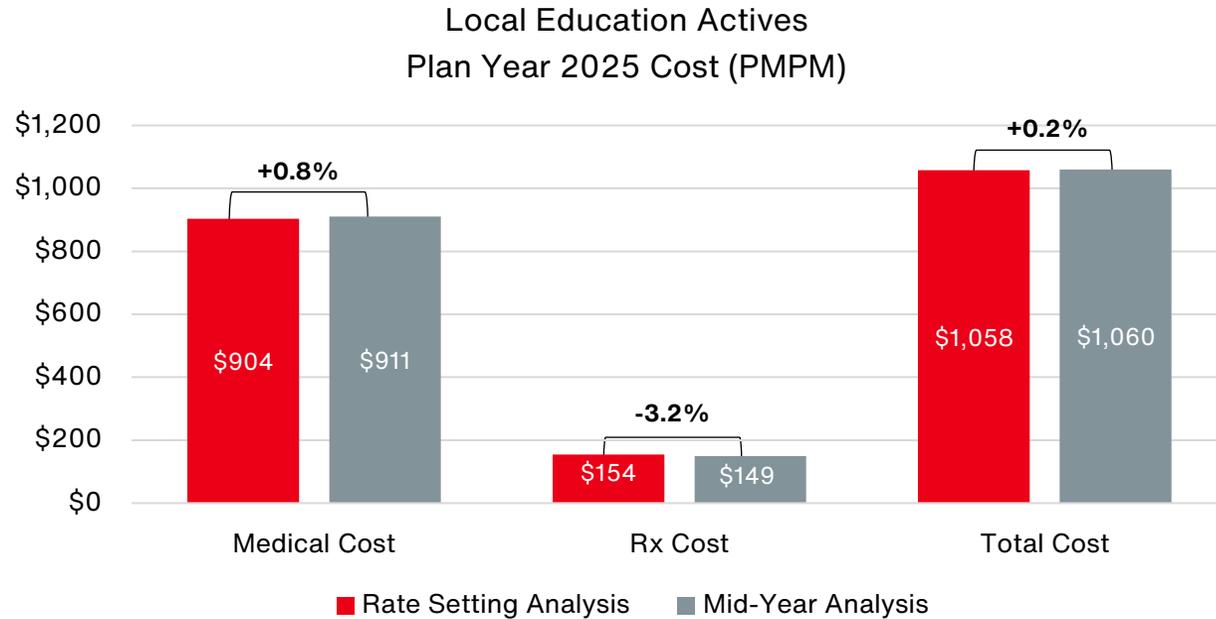
Local Education Active CSR:

- The premiums set in the Rate Setting Analysis included 6% margin to increase the CSR balance to a projected \$79M, or 0.5 months of plan costs, as of 12/31/2026. The updated projection reduces the projected CSR balance to (\$32M), significantly below the target level of 2.0 months of plan costs.
 - The Local Education CSR is estimated using actual balances provided by the State and projected differences in premiums vs costs. If premiums are greater than costs, the CSR will increase.

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Local Education Active Results

2025 Per Capita Cost: Rate Setting vs. Mid-Year Analyses



- Cost includes projected claims, administrative fees, rebates, and other expenses

The chart above shows the change in projected 2025 per member, per month (PMPM) costs between the Rate Setting Analysis (red bars) and the Mid-Year analysis (gray bars). The chart is shown on a PMPM basis to normalize for the change in headcounts between the two periods which better isolates the impact of changes in average costs.

The Rate Setting Analysis was based on a projection of 2025 claims using 2024 data. Actual emerging 2025 medical and Rx claims data is reflected in the Mid-Year analysis. The updated data shows that actual 2025 costs are higher than previously estimated, which is contributing to future projected losses.

Observations*

Updated 2025 PMPM Medical costs are 0.8% higher than previously projected due to higher-than-expected medical claims increases

- 2025 rolling 12-month medical claim increase was 12.1%, which is greater than the 11.75% combined trend + anti-selection adjustment reflected in the Plan Year 2026 rate setting analysis, particularly given increased enrollment in lower cost plan options

While trends remain high, updated 2025 PMPM Rx costs are 3.2% lower than previously projected

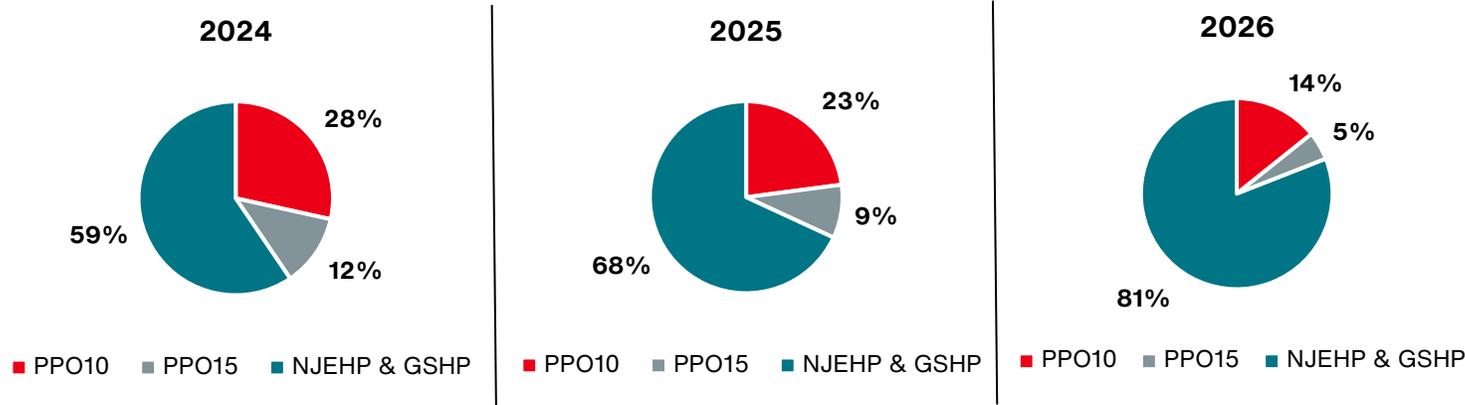
- 2025 rolling 12-month Rx claim increase of 23.9% is lower than the 25.25% combined trend + anti-selection adjustment reflected in the Plan Year 2026 Rate Setting Analysis

PMPM prescription drug rebates were also higher than previously projected, contributing to the reduction in expected 2025 drug costs

*Rolling 12-month increases are through September 2025 and include both Horizon and Aetna claims and capitation and are normalized for the impact of prior plan design changes

Impact of Plan Migration

Enrollment Distribution

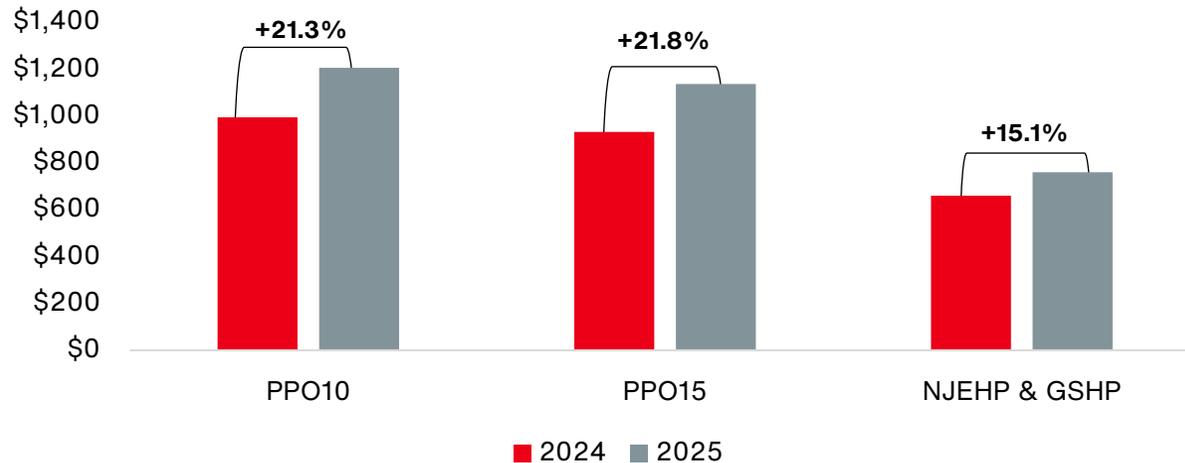


Observations

The pie charts show the enrollment distribution by plan for 2024 and 2025, illustrating a continuing shift into the lower cost NJEHP and GSHP plan options

- The number of subscribers in the NJEHP & GSHP options increased 5% in 2025 while enrollment the PPO10 and PPO15 plan options decreased 26% and 31%, respectively
- In 2026, this migration has accelerated, with 81% of subscribers now enrolled in the NJEHP or GSHP

Medical Claim PMPM Increases



The bar chart to the left shows updated 2024 and 2025 medical PMPM claims separately by plan option. Plan increases were higher than expected.

- 2025 NJEHP/GSHP medical claims are projected to be 37% lower compared to the PPO10 plan option

Local Education Active Medical Claim Drivers

YTD September 2025 Horizon Medical Trends

Service Category	Visits / 1,000	\$ / Visit	Total Trend	Total Cost PMPM
Inpatient	(2%)	9%	8%	\$131.49
Inpatient Facility Acute	(3%)	11%	8%	\$121.49
Behavioral Health	(7%)	(8%)	(15%)	\$5.87
Inpatient Other	31%	24%	63%	\$4.12
Outpatient	6%	4%	11%	\$306.97
Surgery OP	0%	10%	11%	\$100.96
Medical Drug/Injection	(2%)	13%	11%	\$53.87
Emergency	(2%)	8%	7%	\$46.76
Ambulatory OP	11%	6%	17%	\$42.70
Radiology	3%	4%	7%	\$35.70
Behavioral Health	6%	9%	16%	\$17.89
Lab OP	15%	(5%)	9%	\$8.03
Home Health	1%	11%	12%	\$1.08
Professional	5%	10%	15%	\$390.99
Specialist Physician	4%	11%	16%	\$196.34
Behavioral Health	9%	10%	20%	\$50.13
Primary Physician	3%	7%	11%	\$45.93
Medical Drug/Injection	10%	3%	14%	\$31.25
Radiology	4%	5%	9%	\$24.39
Ancillary	6%	7%	14%	\$17.86
Urgent Care	(6%)	8%	2%	\$10.96
Lab PF	3%	11%	14%	\$10.88
Home Health	3%	2%	6%	\$3.25

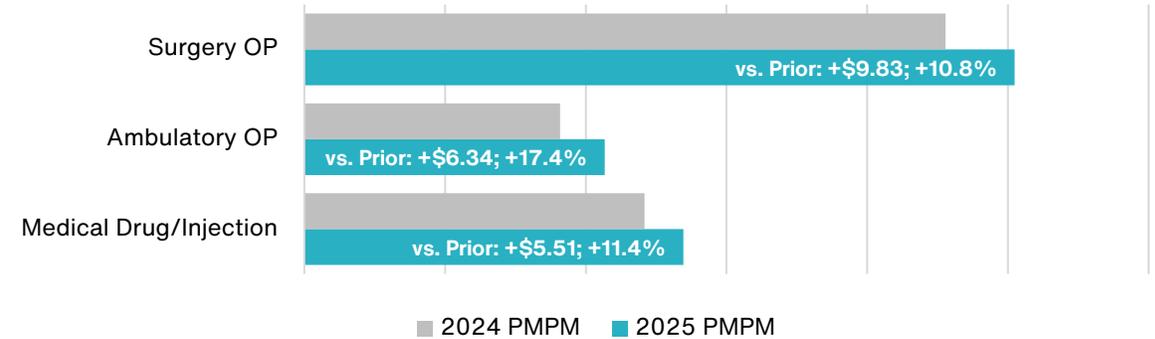
The chart above shows the year-over-year change in member utilization (visits / 1,000), change in average cost of services (\$ / visit), and change in the PMPM cost (Total Trend). Total Cost PMPM captures both the average cost per service as well as the average utilization.

Cost increases are driven by high increases in the \$ / visit for almost all services as well as increases in utilization of outpatient services.

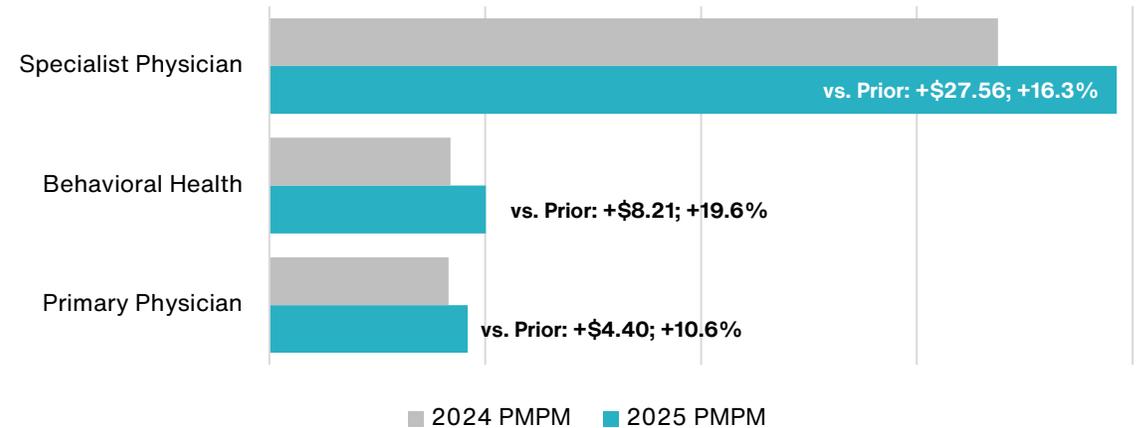


Top Trend Drivers

Outpatient Services



Professional Services

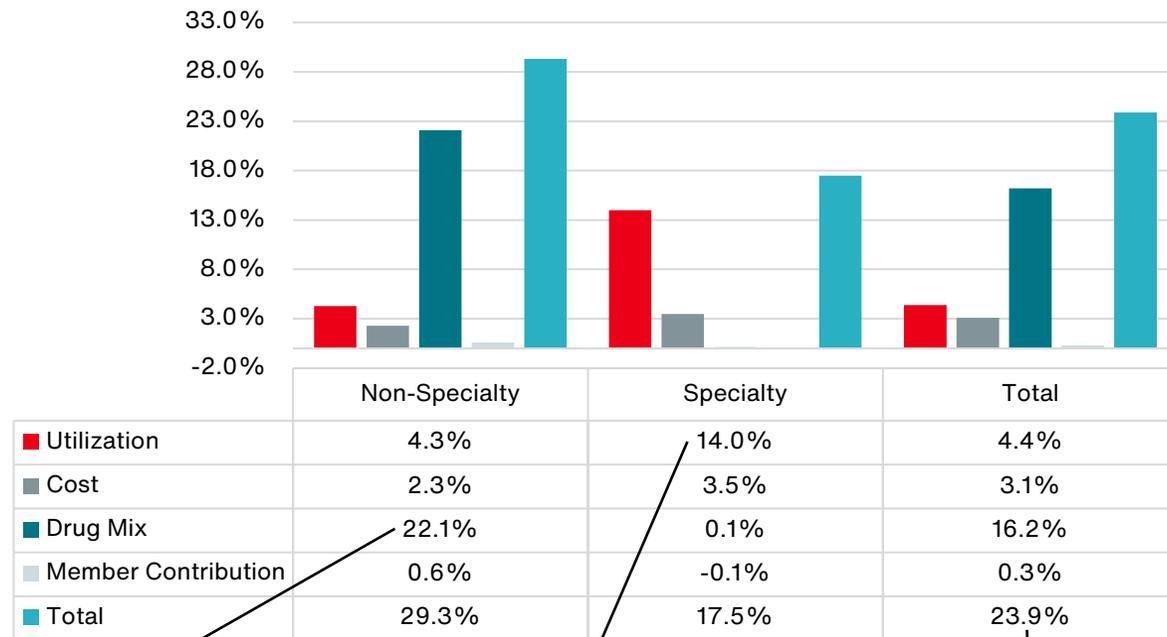


The graphs above show the top 3 services driving overall trend within each service category, as measured by change in PMPM.

Local Education Active Rx Claim Drivers

Optum YTD September 2025 Trends (before rebates)

YTD2025 Rx Trend Components



Increase in Drug mix, which represents higher cost drugs being utilized compared to last year, is where the high utilization of GLP-1 brand drugs is showing up in the analysis.

14% increase in specialty drug utilization, which represents the change in the number of specialty scripts per member, is driving a 18% overall increase in specialty drug PMPM amounts.

The average plan paid PMPM amount has increased 24% over the prior period driven by high utilization of both GLP-1 drugs and specialty drugs.

Non-Specialty

- Brand drugs account for 18% of non-specialty scripts and 89% of non-specialty claims spend
- PMPM spend for weight loss related drugs increased 95% and accounts for 22% of total plan paid
- PMPM spend for Diabetes related drugs increased 6% and accounts for 10% of total plan paid

Specialty

- Specialty Drug PMPM spend for inflammatory conditions (such as Dupixent and Stelara) increased 21% and accounts for 22% of total plan paid
- PMPM spend for Oncology specialty drugs increased 14%

Top Drugs of Note

- Inflammatory conditions, Weight Loss, and Diabetes drugs are the main drivers of Rx claim costs
 - Zepbound, Wegovy, Mounjaro, and Ozempic rank 1st, 2nd, 3rd, and 5th in terms of overall drug spend.
 - Zepbound trend of 376%, and spend is 270% higher than benchmark
 - Dupixent, Stelara, Humira Pen, and Skyrizi Pen (anti-inflammatory drugs) rank 4th, 6th, 7th, and 8th in terms of drug spend.
 - 11 anti-inflammatory disease medications in the top 20 by drug spend

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Rate Setting Expectations

Expectations for Upcoming Rate Setting

Plan Year 2027 Rate Setting Updates

- The PY2027 Rate Setting Analysis will reflect full Calendar Year 2025 claims experience with runout through March 2026 and updated enrollment
- Results will reflect updated Medical and Prescription Drug trend assumptions based on actual experience, vendor recommendations, and the latest Aon trend guidance
 - Anticipate that trends will be equal to or higher than current trend assumptions
- Based on the Mid-Year results, which show high medical and prescription drug claim trends, combined with expected future trend increase, premium increases likely to be in the double digits for 2027
- For Local Education, additional margin will be required on top of the experience rate increase to increase the balance of the CSR (last year's premium rates included 6.0% margin).

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Appendix

Local Education Claim Stabilization Reserve

Claim Stabilization Reserve Balance (in \$ millions)	Active
12/31/2024	\$110
12/31/2025	(\$72)
12/31/2026	(\$32)
Months of Plan Cost as of 12/31/2026	(0.2)

- The claim stabilization reserve as of December 31, 2024 is based on balances provided by the Division as of June 30, 2024. The projected reserves as of December 31, 2025 and 2026 are based on the reserve balance as of June 30, 2025 provided by the Division. The claims stabilization reserve as of December 31, 2026 is estimated based off projected gains and losses in the active plans.
- For purposes of this analysis, the CSR is shown on an incurred basis and does not represent the cash available to pay monthly claims.

Cost Projection Methodology and Assumptions

	2026 Cost Projections
Claims Experience	12 months of incurred claims data paid through September 2025 provided by Horizon, Aetna, and Optum
Enrollment Distribution	Snap-shot January 2026 census data provided by the State
2026 Self-Insured Claims Trend (Excluding Anti-Selection)	Active PPO: 9.50% Medical / 19.00% Rx Early Retiree PPO: 9.50% Medical / 17.00% Rx Self-Insured Medicare: 6.00% Medical / 4.00% Rx
Anti-Selection	Local Education Active medical and prescription drug trends have been increased by 300 basis points for Plan Year 2026
Rx Rebates / EGWP	Projected Rx Rebates and EGWP credits were provided by Optum
High-Cost Claimants	Aon has not made any adjustments for high-cost claimants

Disclaimers

The projections in this analysis are measured on an incurred basis and are consistent with the assumptions and methodology disclosed herein. Future projections may differ significantly from the current projections presented in this analysis due to (but not limited to) such factors as the following:

- Plan experience differing from what is anticipated by the economic or demographic assumptions;
- Changes in actuarial methods or in economic or demographic assumptions;
- Changes in plan provisions or applicable law.

This analysis contains the primary actuarial assumptions and methods used to develop the cost projections but may not include a comprehensive list of these methodologies and assumptions. Aon provided guidance with respect to these assumptions, and it is our belief that the assumptions represent reasonable expectations of anticipated plan experience.

Preparation of this Actuarial Analysis

This report has been prepared to present our analysis of the Plan Year 2025 Mid-Year Experience Analysis for the School Employee's Health Benefits Program (SEHBP). The purpose of this analysis is to re-project the Plan Year 2025 and Plan Year 2026 costs based on more recent experience. The use of this report for purposes other than those expressed herein may not be appropriate.

It should be noted that Aon's conclusions are based on certain assumptions that appear reasonable at this time. Actual experience can vary from projected experience, and this difference may be material.

Source of Information

In conducting this analysis, we relied on census data provided by the State and claims data provided by carriers. We reviewed the data for reasonableness and consistency with prior data but have not audited it; as such, we are not certifying, herein, as to its accuracy.

Thank You