



New Jersey State Health Benefits Program

Dental Plans

Mid-Year Experience Analysis for Plan Year 2022

March 8, 2023

Table of Contents

Executive Summary	1
Historical Overview	4
Dental Expense Plan (DEP) Trend Analysis	7
Plan Financial Projections	8
Exhibit 1 – Assumptions.....	10
Exhibit 2A – Enrollment Projections.....	11
Exhibit 2B – Enrollment Projections.....	12
Exhibit 2C – Enrollment Projections.....	13
Exhibit 2D – January 2021 SHBP Active Enrollment	14
Exhibit 2E – January 2021 SHBP Retiree Enrollment	15
Exhibit 3 – Trend Analysis	16
Exhibit 4 – Financial Projections	17
About Aon	18

Executive Summary

The purpose of this analysis 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 to Employees and Retirees of participating Local Employers.

Benefits Maintained by the SHBP

The SHBP Dental Program currently includes the following options:

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

Financial Results

The DEP results are based on actual claims incurred and paid through September 2022.

The table below summarizes the projected DEP gains/(losses) (in \$ millions) for Plan Years 2021, 2022 and 2023. Note that totals may not add due to rounding.

	<u>PY 2021</u>	<u>PY 2022</u>	<u>PY 2023</u>
Employee Dental Expense	\$4.5	\$0.7	\$0.0
Retiree Dental Expense	\$5.7	\$0.2	(\$2.2)
DPOs	N/A	N/A	N/A
Total	\$10.2	\$0.9	(\$2.2)

Some of the Active Employee DEP results have changed from the Plan Year 2023 Rate Setting Analysis results based on updated experience and assumptions. Below are some highlights:

- Plan Year 2021 has a gain of \$4.5 million which is no change from the gain shown in the Plan Year 2023 Rate Setting Analysis.
- Plan Year 2022 has a projected gain of \$0.7 million which is a decrease from the Plan Year 2023 Rate Setting Analysis which showed a gain of \$1.1 million.
- A minimal gain is projected for Plan Year 2023 due to updated claims experience offset by an increase in the projected premium.

Some of the Retiree DEP projection results have been updated from the Plan Year 2023 Rate Setting Analysis results to reflect updated experience and assumptions. Below are some highlights:

- Plan Year 2021 has a gain of \$5.7 million, no change from the gain shown in the Plan Year 2023 Rate Setting Analysis.
- The Plan Year 2022 gain is projected to be \$0.2 million, a decrease from the \$2.3 million gain shown in the Plan Year 2023 Rate Setting Analysis.
- Plan Year 2023 is projected to have a loss of \$2.2 million. This decrease is driven by updated incurred claims experience.

The Retiree Dental Claims Stabilization Reserve is impacted by the Retiree gains/losses from Plan Years 2021 through 2023, which could affect future Retiree premium rate increases.

The DPO plans are fully-insured, so there is no loss or gain associated with these plans. The Active DPO enrollment has decreased approximately 3.2% from 2022 to 2023. The Retiree 2023 DPO enrollment has decreased approximately 2.8% since 2022.

Historical Overview

Benefit and Network Changes

Other than the offer of DPO enrollment to Retirees for the first time on 1/1/2015, there have been no material plan design changes since Plan Year 2015. The DEP plan will continue to operate as a “true PPO” with cost sharing differences between in and out-of-network claims. No benefit changes are assumed in Plan Year 2023.

The SHBP Dental Plan completed an RFP process to review potential DPO vendors with new contracts effective 1/1/2015. As a result, Aetna, Cigna, Healthplex, Horizon, and MetLife were selected to provide these benefits for Plan Year 2015 and future years. Aetna, Cigna and MetLife have national DPO networks while Horizon and Healthplex are predominantly concentrated in New Jersey, with some coverage in adjacent counties in New York and Pennsylvania.

Effective January 1, 2023, Healthplex was terminated from the State Health Benefits Plan (SHBP). The Healthplex DPO will no longer be available to members for Plan Year 2023.

Federal Mandates

ACA 9010: Section 9010 of the ACA imposed a Health Insurer Fee (HIF) on each covered entity engaged in the business of providing health insurance for United States health risks. The HIF has helped fund the federal subsidies given to lower-income families that may not have coverage. On January 22, 2018, Congress passed a spending bill which placed a moratorium on this tax in Plan Year 2019. As of December 20, 2019, the HIF is in place for Plan Year 2020, however has been repealed beginning with Plan Year 2021.

Further Consolidated Appropriations Act, 2020: On December 20, 2019, the President signed an omnibus bill that included a repeal of the excise tax on high-cost employer-sponsored health coverage, the medical device excise tax, and the HIF. Although the excise tax has been twice delayed, it was scheduled to go into effect in 2022. The medical device excise tax was scheduled to expire on December 31, 2019. The HIF had a moratorium placed on it during 2019, went back into effect in 2020, and was to be eliminated permanently beginning in 2021.

COVID-19

The SHBP dental plan costs and utilization has been impacted by the worldwide COVID-19 pandemic. Aon’s current guidance is to project the self-insured dental claims using actual 2021 claims data without normalization for the impacts of COVID-19.

Plan Year 2022 and 2023 estimates are limited by unknown factors, including:

- Unforeseen economic and financial impact on employee plan utilization
- Increased severity of claims as a result of delayed treatment

The Plan Year 2023 projected costs provided in this analysis do not include any additional adjustments for COVID-19.

Enrollment Changes

Exhibit 2 shows historical enrollment patterns among the SHBP Dental Plan offerings for Plan Years 2020 through 2022 and includes Aon’s projection of Plan Year 2023 enrollment. Plan Year 2021 and 2022 enrollment is equal to monthly snapshot census data through December 2022 provided by the State. Plan Year 2023 enrollment is equal to January 2023 open enrollment results provided by the State.

The following are the Plan Year 2023 Dental Program’s enrollment projections:

	DEP	DPO	Total
Actives			
State Employees	54,255	28,793	83,048
Local Employees	4,713	1,252	5,965
Total Active Employees	58,968	30,045	89,013
Retirees			
State Employees	34,517	4,868	39,385
Local Employees	74,960	7,598	82,558
Total Retired Employees	109,477	12,466	121,943
Total	168,445	42,511	210,956

Member Contributions

State Retirees in the dental plans pay 100% of the projected costs of the program. State Active Employees pay 50% of the projected costs. For Local Employees, actual contributions vary by Local Employer. No changes in member contributions are assumed for Plan Year 2023.

Additional Disclosures

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 that anticipated by the economic or demographic assumptions;

- Changes in actuarial methods or in economic or demographic assumptions;
- Emerging savings from newly implemented program changes different from estimates provided;
- Future enrollment patterns different than projected;
- 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.

Dental Expense Plan (DEP) Trend Analysis

Exhibit 3 presents Aon's trend assumptions for Plan Year 2023 for the Active and Retiree DEPs. This exhibit compares the actual increase in SHBP DEP average claims with industry norms (based on Aon's Trend Survey) for the same period, separately for Actives and Retirees.

For both SHBP Actives and Retirees, a 3.0% trend is recommended to project DEP claims into Plan Year 2023.

Plan Financial Projections

Rating Methodology

Exhibit 4 shows the aggregate costs for Plan Years 2021, 2022, and 2023, separately for Active Employees, Early Retirees, and Medicare Retirees. Costs were projected separately for dental claims, administrative costs, investment income, and aggregate premiums. Exhibit 1 lists the assumptions used in projecting dental costs.

Dental Expense Plan

Claim Projection

- 1) Using incurred and paid claim data (triangles) supplied by Aetna with data through September 2022, we estimated completed incurred claims for Plan Year 2022.
- 2) Aggregate dental claims for each Plan Year were divided by the average subscribers for that Plan Year to get claims per subscriber.
- 3) Claims per subscriber were annualized and then projected to Plan Year 2023 using the assumed trend rates shown in Exhibit 3.
- 4) Aggregate Plan Year 2023 claims are the product of the projected Plan Year 2023 subscriber enrollment and the projected Plan Year 2023 claims per subscriber.

Administrative Cost Projection

For each year, administrative costs charged by Aetna are the actual administrative fees multiplied by the projected subscriber enrollment. The following table provides the per employee/retiree per month administrative fee rates for Plan Years 2021 through 2023:

	<u>Actives</u>	<u>Retirees</u>
Plan Year 2021	\$1.74	\$1.74
Plan Year 2022	\$1.74	\$1.74
Plan Year 2023	\$1.74	\$1.74

Investment Credit

Investment Income for Plan Year 2021 reflects actual amounts (as provided by the State) credited to the Dental Plan. The Investment Income is allocated between Actives and Retirees. Total Investment Credits for Plan Years 2022 and 2023 are projected to remain flat from Plan Year 2021.

Projected Premiums

Average annual subscriber enrollment was applied to the actual premium tables for Plan Years 2021, 2022, and 2023, and was compared to projected total costs to develop the anticipated gain or loss in each of the years.

Dental Provider Organizations

Projected Premiums

Average annual subscriber enrollment in each plan was multiplied by actual annual premiums to develop the Plan Years 2021, 2022, and 2023 premiums.

Exhibit 1 – Assumptions

Vendor Changes

Effective January 1, 2015, Benecare and Community were terminated as DPO vendors, MetLife began to be offered as a DPO option, and all DPO plans were offered to Retirees (in addition to Active Employees). Effective January 1, 2023, Healthplex was terminated from the State Health Benefits Plan (SHBP). The Healthplex DPO will no longer be available to members for Plan Year 2023..

Incurred Basis

Aon estimated incurred claims and expenses from the incurred and paid claims of the experience period.

Trend Rates

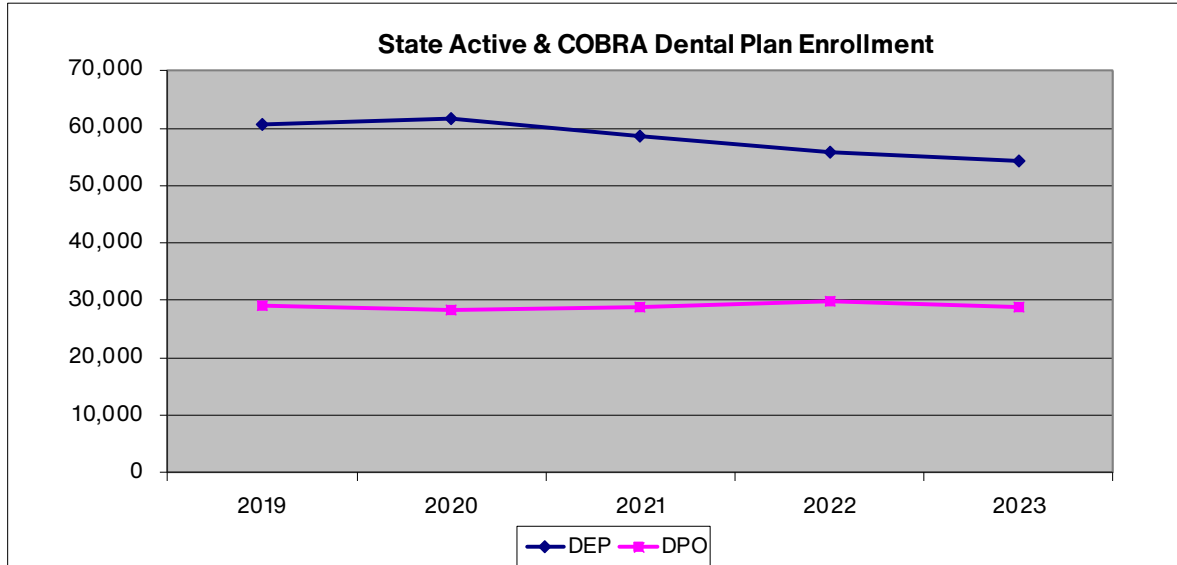
DEP trend assumptions were developed by comparing the SHBP historical trend with industry trends. It is assumed that the SHBP trends would continue at levels slightly lower than the industry trends for the Plan Year 2022 projection, consistent with prior experience. The trend assumption for Plan Year 2023 is 3.0% for Employees and Retirees.

Data Sources

Claims: Aon used DEP claim files from Aetna that include claims incurred and paid through September 2022.

Enrollment: Aon used monthly census data provided by the State through December 2022 for the exposure units for Plan Year 2021 and Plan Year 2022, and January 2023 open enrollment results provided by the State for projected Plan Year 2023 enrollment.

Exhibit 2A – State Active Enrollment Projections



Observations:

Total State Active Dental Plan Year 2021 and 2022 enrollment is based on monthly State census data through December 2022.

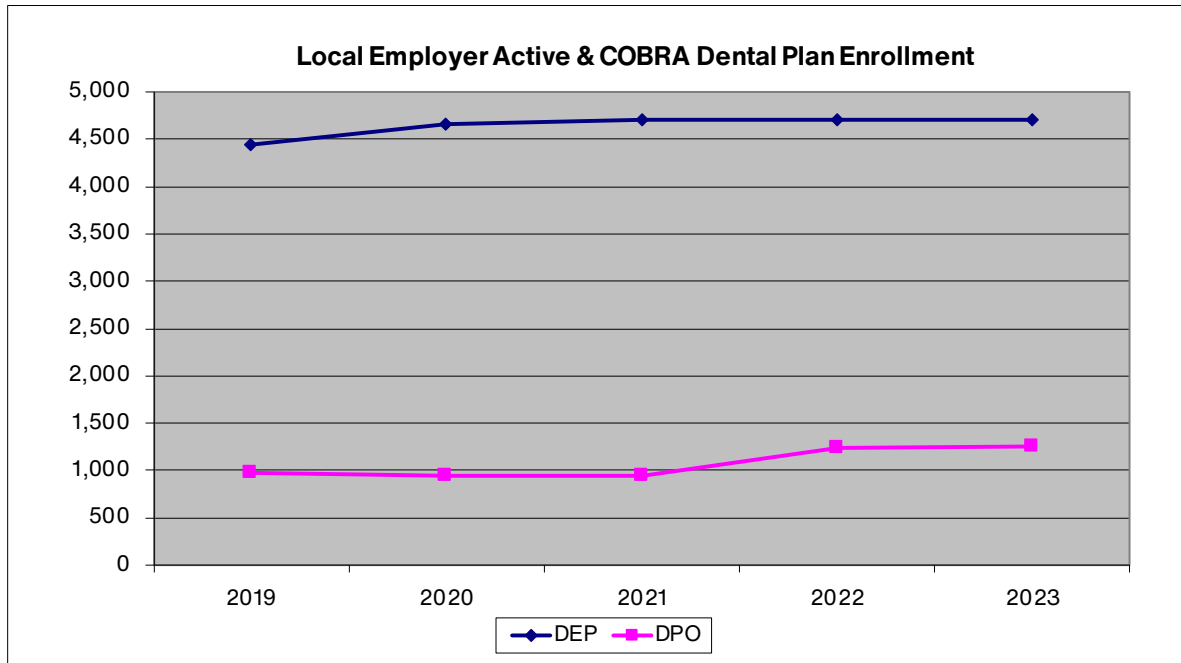
Total State Active Dental Plan Year 2023 enrollment is based on open enrollment data received from the State.

Dental Expense Plan Active enrollment decreased from 67.0% of total Dental enrollment in Plan Year 2021 to 65.2% in Plan Year 2022. Plan Year 2023 Active Dental Expense Plan enrollment is estimated to be 65.3% of total Dental enrollment.

Projected Plan Year 2023 Dental enrollment is 98% of projected Medical enrollment, which is consistent with Plan Year 2022.

	Annual Change in Enrollment			Projected Enrollment
	Actual 2020 to 2021	Actual 2021 to 2022	Projected 2022 to 2023	Plan Year 2023
Dental Expense Plan	(4.7%)	(4.9%)	(2.8%)	54,255
DPOs	2.0%	3.1%	(3.4%)	28,793
Total	(2.6%)	(2.3%)	(3.0%)	83,048

Exhibit 2B – Local Active Enrollment Projections



Observations:

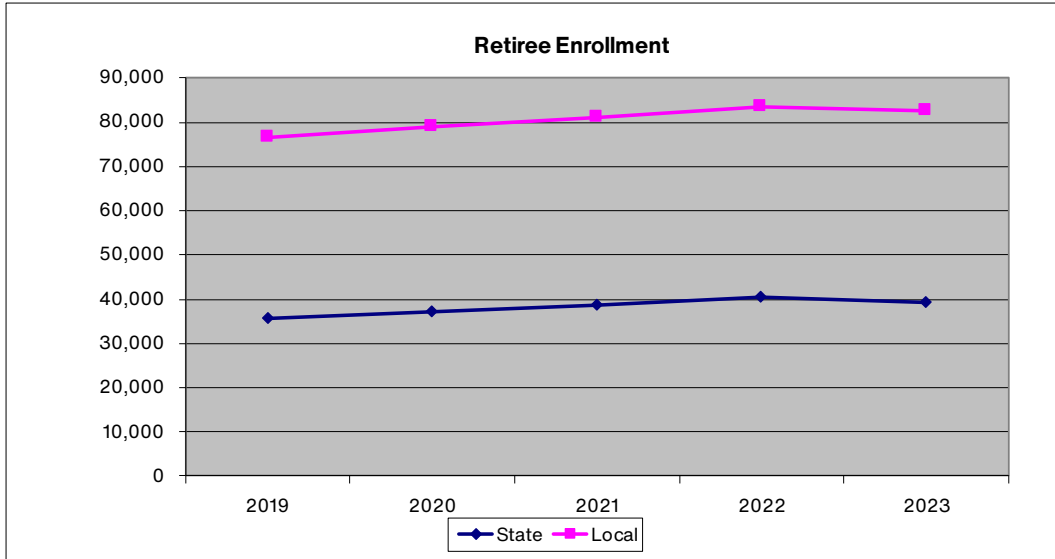
Total Local Active Dental Plan Year 2021 and 2022 enrollment is based on monthly State census data through December 2022.

Total State Active Dental Plan Year 2023 enrollment is based on open enrollment data received from the State.

Local Active Dental enrollment is projected to remain relatively flat in Plan Year 2023.

	Annual Change in Enrollment			Projected Enrollment
	Actual 2020 to 2021	Actual 2021 to 2022	Projected 2022 to 2023	Plan Year 2023
Dental Expense Plan	1.0%	(0.1%)	0.1%	4,713
DPOs	(0.3%)	30.9%	0.9%	1,252
Total	0.8%	5.1%	0.3%	5,965

Exhibit 2C – Retiree Enrollment Projections



Observations:

Total Retiree Dental Plan Year 2021 and 2022 enrollment is based on monthly State census data through December 2022.

Total State Active Dental Plan Year 2023 enrollment is based on open enrollment data received from the State.

Plan Year 2023 enrollment is projected to decrease -1.5%.

Plan Year 2023 Retiree Dental enrollment is projected to be 71% of State Retiree Medical enrollment and 56% of Local Employer Retiree Medical enrollment.

Projected Plan Year 2023 Retiree Enrollment

	DEP	DPO	Total
State	34,517	4,868	39,385
Local Employer	74,960	7,598	82,558
Total Dental	109,477	12,466	121,943

	Annual Change in Enrollment			Projected Enrollment
	Actual 2020 to 2021	Actual 2021 to 2022	Projected 2022 to 2023	Plan Year 2023
Dental Expense Plan	2.6%	2.7%	-1.3%	109,477
DPOs	7.2%	9.1%	-2.8%	12,466
Total	3.0%	3.3%	-1.5%	121,943

Exhibit 2D – January 2023 SHBP Active Enrollment

	Number of Contracts				
	Single	Member&Spouse /Partner	Family	Parent + Child(ren)	Total
Dental Expense #399	17,901	9,214	19,485	7,654	54,255
STATE ACTIVES					
Dental Expense #399	17,901	9,214	19,485	7,654	54,255
DPO Plans					
Aetna #319	4,287	1,245	2,862	1,989	10,383
Cigna #305	2,883	712	1,817	941	6,353
Healthplex #307	0	0	0	0	0
Horizon #317	5,252	1,144	2,480	1,732	10,608
MetLife #320	805	153	330	160	1,449
Total DPOs	13,228	3,254	7,489	4,822	28,793
Total	31,129	12,468	26,974	12,476	83,048
LOCAL EMPLOYER ACTIVES					
Dental Expense #399	1,542	813	1,796	562	4,713
DPO Plans					
Aetna #319	166	56	118	46	386
Cigna #305	114	31	64	26	236
Healthplex #307	0	0	0	0	0
Horizon #317	268	68	131	86	553
MetLife #320	40	13	13	11	77
Total DPOs	588	168	327	169	1,252
Total	2,130	981	2,123	731	5,965

* January 2023 total enrollment is based on open enrollment data provided by the State.

Exhibit 2E – January 2023 SHBP Retiree Enrollment

	Number of Contracts				
	Single	Member&Spouse /Partner	Family	Parent + Child(ren)	Total
	STATE RETIREES				
Dental Expense #399	16,456	13,223	3,425	1,413	34,517
<u>DPO Plans</u>					
Aetna #319	1,164	888	352	212	2,617
Cigna #305	343	300	119	55	816
Healthplex #307	0	0	0	0	0
Horizon #317	538	421	151	97	1,207
MetLife #320	72	112	33	10	228
Total DPOs	2,117	1,721	655	374	4,868
Total	18,573	14,944	4,081	1,787	39,385
	LOCAL EMPLOYER RETIREES				
Dental Expense #399	37,214	31,657	4,547	1,542	74,960
<u>DPO Plans</u>					
Aetna #319	1,283	1,106	250	124	2,763
Cigna #305	430	501	140	47	1,119
Healthplex #307	0	0	0	0	0
Horizon #317	1,349	1,041	422	175	2,987
MetLife #320	295	301	103	30	729
Total DPOs	3,357	2,950	915	376	7,598
Total	40,570	34,607	5,462	1,919	82,558

* January 2023 enrollment is based on open enrollment data provided by the State.

Exhibit 3 – Trend Analysis

	Actual		Aon Industry*	Difference between Actual and Aon Industry Trends	
	SHBP Employee Claim Increases	SHBP Retiree Claim Increases	PPO	SHBP Employee	SHBP Retiree
2019 to 2020 actual	(17.0%)	(18.3%)	3.5%	(20.5%)	(21.8%)
2020 to 2021 actual	22.6%	20.9%	4.6%	18.0%	16.3%
2021 to 2022 preliminary	4.1%	5.8%	3.0%	1.1%	2.8%
Projection Trend	3.0%	3.0%	3.0%	0.0%	0.0%

* Aon Industry 2019 to 2020 actual and 2020 to 2021 actual trends remove the impact of COVID-19. Carrier data indicated that the impact of COVID reduced 2020 dental claims by ~17%.

Exhibit 4 – Financial Projections

	Actives			Retirees			Total		
	DEP	DPO	Total	DEP	DPO	Total	DEP	DPO	Total
Plan Year 2021									
Average Dental Subscribers	63,384	29,864	93,248	108,019	11,747	119,766	171,403	41,611	213,014
Incurring Claims	\$ 56,151,000	N/A	N/A	\$ 74,399,000	N/A	N/A	\$ 130,550,000	N/A	N/A
Administrative Fees	\$ 1,323,000	N/A	N/A	\$ 2,255,000	N/A	N/A	\$ 3,578,000	N/A	N/A
Investment Income	\$ (1,000)	N/A	N/A	\$ (18,000)	N/A	N/A	\$ (19,000)	N/A	N/A
Total Cost	\$ 57,473,000	N/A	N/A	\$ 76,636,000	N/A	N/A	\$ 134,109,000	N/A	N/A
Premium*	\$ 61,990,000	\$ 12,405,000	\$ 74,395,000	\$ 82,322,000	\$ 4,461,000	\$ 86,783,000	\$ 144,312,000	\$ 16,866,000	\$ 161,178,000
Gain (Loss)	\$ 4,517,000	N/A	N/A	\$ 5,686,000	N/A	N/A	\$ 10,203,000	N/A	N/A
Plan Year 2022									
Average Dental Subscribers	60,501	31,044	91,545	110,958	12,820	123,778	171,459	43,864	215,323
Incurring Claims	\$ 55,780,000	N/A	N/A	\$ 80,845,000	N/A	N/A	\$ 136,625,000	N/A	N/A
Administrative Fees	\$ 1,263,000	N/A	N/A	\$ 2,317,000	N/A	N/A	\$ 3,580,000	N/A	N/A
Investment Income	\$ (1,000)	N/A	N/A	\$ (18,000)	N/A	N/A	\$ (19,000)	N/A	N/A
Total Cost	\$ 57,042,000	N/A	N/A	\$ 83,144,000	N/A	N/A	\$ 140,186,000	N/A	N/A
Premium	\$ 57,696,000	\$ 12,364,000	\$ 70,060,000	\$ 83,342,000	\$ 4,759,000	\$ 88,101,000	\$ 141,038,000	\$ 17,123,000	\$ 158,161,000
Gain (Loss)	\$ 654,000	N/A	N/A	\$ 198,000	N/A	N/A	\$ 852,000	N/A	N/A
Plan Year 2023									
Average Dental Subscribers	58,968	30,045	89,013	109,477	12,466	121,943	168,445	42,511	210,956
Incurring Claims	\$ 55,991,000	N/A	N/A	\$ 82,148,000	N/A	N/A	\$ 138,139,000	N/A	N/A
Administrative Fees	\$ 1,231,000	N/A	N/A	\$ 2,286,000	N/A	N/A	\$ 3,517,000	N/A	N/A
Investment Income	\$ (1,000)	N/A	N/A	\$ (18,000)	N/A	N/A	\$ (19,000)	N/A	N/A
Total Cost	\$ 57,221,000	N/A	N/A	\$ 84,416,000	N/A	N/A	\$ 141,637,000	N/A	N/A
Premium	\$ 57,228,000	\$ 11,911,000	\$ 69,139,000	\$ 82,240,000	\$ 4,734,000	\$ 86,974,000	\$ 139,468,000	\$ 16,645,000	\$ 156,113,000
Gain (Loss)	\$ 7,000	N/A	N/A	\$ (2,176,000)	N/A	N/A	\$ (2,169,000)	N/A	N/A

About Aon

Aon plc (NYSE:AON) is a leading global professional services firm providing a broad range of risk, retirement and health solutions. Our 50,000 colleagues in 120 countries empower results for clients by using proprietary data and analytics to deliver insights that reduce volatility and improve performance.

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