



2023 SEHBP Rate Setting Analysis

State of New Jersey

Rates as presented to the Commission
on July 13, 2022

August 11, 2022



Overview of Rate Setting Environment

Utilization/Covid-19

- There was significant deferral of care during 2020
- 2021 Projection assumed an 8-10% claims increase to account for bounce back
- Actual bounce back may have been higher – 2021 utilization of some services up 20%-30% over 2020

Inflation

- Current inflationary environment suggests an increase in trend assumptions for 2023 claims as cost increases make their way into medical billing schedules

Anticipated Program Savings

- Both 2021 and 2022 projections assumed savings from navigation and other point solution programs
- Available savings from these programs is now assumed to be in 2021 claims experience and future savings assumptions have been mostly removed due to lack of support in current experience

Overview of SEHBP Recommended Premium Rate Impact

Plan Year 2023 Rate Impact Recommendations

Plan Year 2023 Premium Rate Changes	Actives					Early Retirees			Medicare Retirees		
	Medical	Rx			Total	Medical	Rx	Total	Medical	Rx	Total
		Rx Card	MMRx	Total Rx							
Local Education Plans											
NJDIRECT 10/15	15.6%	7.8%	16.6%	12.8%	15.3%	N/A	N/A	N/A	N/A	N/A	N/A
NJEHP	15.6%	7.8%	7.8%	7.8%	14.9%	13.6%	26.1%	15.8%	N/A	N/A	N/A
Total	15.6%	7.8%	12.9%	10.8%	15.1%	13.6%	26.1%	15.8%	(9.6%)	6.1%	(0.1%)

- 2023 Active, Early Retiree, and Medicare Retiree pricing is projected with Medical and Prescription Drug claims incurred from January 1, 2021 through December 31, 2021 with runout through March 31, 2022 (adjusted for impact of COVID-19)
- Medicare Retiree Medicare Advantage Rate increase reflects fully insured rates from Aetna, provided on June 17, 2022
- Assumes no subsidy from claim stabilization reserve for Local Education

Local Education Active Premium Increase Drivers

Local Education Active premiums are projected to increase **15.1%** in total for 2023. This is primarily a result of the following:

- **9.1%** - Actual 2021 claims experience was higher compared to expected 2021 claims:
 - While significant increases to member utilization in 2021 were anticipated because of COVID-19's impact on 2020, actual utilization appears to be even higher, with utilization trends of 37.1% for Outpatient visits, 15.5% for Professional visits, 9.9% for Specialist visits, 22.0% for Emergency Room and 40.0% for Urgent Care
 - The 2022 rate setting analysis included estimated vendor reported savings in 2021 for Horizon's Navigation Advocacy program as well as third-party vendor point solutions; savings for these programs are now assumed to be in the underlying 2021 claims experience
 - Actual 2021 prescription drug claims experience trend was higher than expected given the anticipated savings associated with the implementation of mandatory generics and closed formulary on the NJEHP plan option
- **3.3%** - The 2022 rate setting analysis included an additional 3.0% medical claims savings in Plan Year 2022 as well as additional projected savings for the third-party vendor point solutions; The savings attributable to these programs have been mostly removed in the updated projections
- **7.0%** - Annual medical and Rx trend projection assumptions have increased from the prior renewal analysis as a result of economic wide inflationary pressures on medical trends, expected increases in specialty drug trend costs and utilization, and an additional year of trend to 2023
- **-1.5%** - Impact of increases in projected rebates
- **-3.1%** - Impact of other changes including changes in plan migration assumptions, and changes in administrative fees

Local Education Early Retiree Premium Increase Drivers

Local Education Early Retiree premiums are projected to increase **15.8%** in total for 2023. This is primarily a result of the following:

- **15.6%** - Actual 2021 claims experience was higher compared to expected 2021 claims:
 - While significant increases to member utilization in 2021 were anticipated because of COVID-19's impact on 2020, actual utilization appears to be even higher, with utilization trends of 24.9% for Outpatient visits, 10.6% for Professional visits, and 32.0% for Primary Care visits
 - The 2022 rate setting analysis included estimated vendor reported savings in 2021 for Horizon's Navigation Advocacy program as well as third-party vendor point solutions; savings for these programs are now assumed to be in the underlying 2021 claims experience
 - Actual 2021 prescription drug claims experience trend was higher than expected given the anticipated savings associated with the implementation of mandatory generics and closed formulary on the NJEHP plan option
- **4.0%** - The 2022 rate setting analysis included an additional 3.0% medical claims savings in Plan Year 2022 as well as additional projected savings for the third-party vendor point solutions; The savings attributable to these programs have been mostly removed in the updated projections
- **7.4%** - Annual medical and Rx trend projection assumptions have increased from the prior renewal analysis as a result of economic wide inflationary pressures on medical trends, expected increases in specialty drug trend costs and utilization, and an additional year of trend to 2023
- **-4.6%** - Impact of increases in projected rebates
- **-6.0%** - Impact of other changes, updated split-family tier structuring, changes in the education surcharge, and changes in administrative fees

Local Education Cost & Utilization Trends by Service Category

COMBINED NJ DIRECT, HMO, OMNIA PMPM TRENDS BY SEGMENT

2020 PLACE OF SERVICE TRENDS

2021 PLACE OF SERVICE TRENDS

Hospital Inpatient

	Cost	Utilization	Trend	Cost	Utilization	Trend
Local Education Actives	6.9%	-11.1%	-5.0%	12.9%	1.7%	14.8%
Local Education Early Retirees	12.9%	-16.8%	-6.0%	15.8%	-17.3%	-4.2%

Hospital Outpatient

	Cost	Utilization	Trend	Cost	Utilization	Trend
Local Education Actives	-1.2%	-14.7%	-15.7%	-3.3%	21.6%	17.6%
Local Education Early Retirees	4.1%	-10.9%	-7.2%	-4.0%	12.8%	8.3%

Professional

	Cost	Utilization	Trend	Cost	Utilization	Trend
Local Education Actives	-5.4%	-17.1%	-21.6%	-6.3%	10.1%	3.1%
Local Education Early Retirees	-1.2%	-16.1%	-17.1%	-12.8%	2.3%	-10.8%
ASO/Insured Book of Business	-0.2%	-4.7%	-4.9%	0.7%	17.1%	17.9%

Total

	Cost	Utilization	Trend	Cost	Utilization	Trend
Local Education Actives	-1.8%	-15.3%	-16.8%	-1.5%	12.0%	10.3%
Local Education Early Retirees	3.6%	-14.5%	-11.4%	-3.6%	2.3%	-1.4%

*Data provided by Horizon

Local Education Utilization Trends by Place of Service

Emergency Room Visits / 1,000 members

Group	2019	2020	2021	2020 vs 2019	2021 vs 2020
SEHBP Active	226.4	156.5	191.3	-31%	22%
SEHBP Early Retiree	236.4	194.4	211.0	-18%	9%
Total	228.5	163.9	195.0	-28%	19%

Urgent Care Visits / 1,000 members

Group	2019	2020	2021	2020 vs 2019	2021 vs 2020
SEHBP Active	544.1	650.3	913.2	20%	40%
SEHBP Early Retiree	385.8	491.9	621.7	27%	26%
Total	511.5	619.3	859.1	21%	39%

*Data provided by Horizon

Local Education Utilization Trends by Place of Service (cont.)

PCP Visits / 1,000 members

Group	2019	2020	2021	2020 vs 2019	2021 vs 2020
SEHBP Active	2,712.5	2,444.0	3,044.7	-10%	25%
SEHBP Early Retiree	2,574.3	2,446.5	3,182.3	-5%	30%
Total	2,684.0	2,444.5	3,070.3	-9%	26%

Specialist Visits / 1,000 members

Group	2019	2020	2021	2020 vs 2019	2021 vs 2020
SEHBP Active	11,405.9	10,144.3	11,181.3	-11%	10%
SEHBP Early Retiree	13,835.0	12,127.0	12,751.9	-12%	5%
Total	11,906.2	10,532.5	11,472.9	-12%	9%

*Data provided by Horizon

Local Education Active Claim Stabilization Reserve

Local Education Actives (in \$ millions)	Projected Claim Stabilization Reserve Balance	Months of Plan Cost as of December 31
12/31/2021	\$559	5.1
12/31/2022	\$314	2.6
12/31/2023	\$313	2.5

- The projected reserves as of December 31, 2021, 2022 and 2023 are based on the reserve balance as of June 30, 2021 provided by the State.
- Projections does not reflect CSR withdrawals to reduce 2023 premiums

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.

Plan Year 2022 Rate Setting analyses included vendor reported savings for each program. Savings for these programs in the Plan Year 2023 rate setting analyses are assumed to be included in the claims and do not include any additional savings in 2022 and 2023 other than what is noted in this document.

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 2023 Rate Setting for the School Employees' Health Benefits Program (SEHBP). The purpose of this analysis is to recommend premium levels for the SEHBP for January 1, 2023 through December 31, 2023. 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.