New Jersey State Health Benefits Commission  
October 12, 2011 Meeting  

State Health Benefits Program (SHBP)  

Recommended Dental Plans Rate Renewal for Plan Year 2012  

- For the SHBP Dental Plans (Employee and Retiree Dental Expense Plans and Employee DPOs) for Plan Year 2012, Aon Hewitt recommends the following premium rate adjustments, which – in the aggregate – represent a 5.6% overall decrease in program costs:

**Dental Expense Plans**

<table>
<thead>
<tr>
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<th>Rate Adjustment</th>
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<tbody>
<tr>
<td>Actives</td>
<td>-10.0%</td>
</tr>
<tr>
<td>Retirees</td>
<td>-3.0%</td>
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</tbody>
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The overall decrease for the Dental Expense Plans is 6.4%.

**Dental Plan Organizations (DPOs)**

- Aetna: 2.9%
- Benecare: 2.0%
- Cigna: 3.0%
- Community: 0.0%
- Healthplex: -5.0%
- Horizon: 3.0%

The overall increase for the DPOs is 2.1%.

- For the Dental Expense Plans, this favorable rate action reflects a continuation of favorable SHBP Dental Expense Plan trends, which have averaged about 5% lower than industry norms since Plan Year 2003.

- 4 of the DPOs currently have a Value Ratio greater than 1.00, and the others have Value Ratios just below 1.00 which will increase to greater than 1.00 by the end of Plan Year 2012 if they receive no rate increase. For this reason, we are recommending a premium increase for those DPOs who requested increases. The DPOs
requested rate increases ranging from a low of -5.0% to a high of +5.7%.

- For the DPOs that requested an increase, Aon Hewitt is recommending that the increase be capped at the lesser of the average DPO renewal request of 3.0% and the amount that would bring their Value Ratio to 1.00.

- This recommended rate renewal assumes no changes in benefits for Retirees and no changes in DPO vendors. For Actives, the Employee Dental Expense Plan will change from a passive PPO to an active/true PPO for Plan Year 2012, with lower coinsurance for Out-of-Network dental care. This will encourage use of In-Network dental providers and is projected to reduce Employee Dental Expense Plan costs 10% in Plan Year 2012.

- Aon Hewitt is projecting total Claim Stabilization Reserves of $9 million for Retirees at the end of Plan Year 2012, assuming that the Plan is fully funded.

- Aon Hewitt is projecting that Employee Dental Expense enrollment will decrease 3% between Plan Years 2011 and 2012. As a result, Plan Year 2012 projected Active Employee enrollment is: 60,900 Employees enrolled in the Dental Expense Plan and 36,700 Employees enrolled in the DPO plans. Retiree Dental Expense Plan enrollment is expected to again increase 10%, to 71,300 for Plan Year 2012.

- Plan Year 2012 projected costs for the SHBP Dental Plans are $120.6 million, with $53.4 million attributable to the Employee Dental Expense Plan, $48.6 million attributable to the Retiree Dental Expense Plan, and $18.6 million attributable to the DPOs.