

New Jersey State Health Benefits Commission
State Health Benefits Program (SHBP) – Local Government Group
Plan Year 2018 Medical/Rx Rate Renewal Recommendation

August 3, 2017

- For the Local Government Group in Plan Year 2018, Aon is recommending no increase in premium rates for Active Employees, a decrease of 2.3% for Early Retirees, and a decrease of 6.2% for Medicare Retirees.
 - In aggregate, the recommended rate actions represent an overall rate decrease for the Local Government Group of 1.3%, approximately 4 percentage points lower than the Plan Year 2017 renewal action of 2.4%.
 - The following chart provides the recommended premium rates changes by plan type:

	<u>Active Employees</u>	<u>Early Retirees</u>	<u>Medicare Retirees</u>
Medical PPO	0.0%	0.0%	(1.6%)
Medical HMO	0.0%	0.0%	(13.2%)
Prescription Drug PPO	0.0%	(10.0%)	(8.4%)
Prescription Drug HMO	0.0%	(10.0%)	(8.4%)
Total	0.0%	(2.3%)	(6.2%)

Attachment A provides additional details on the components of these increases.

- The recommended rate action for Local Government Active Employees results in a projected loss of approximately \$49 million for Plan Year 2018. No gain or loss is projected for Retirees in Plan Year 2018. The Claim Stabilization reserve is expected to reduce by approximately \$49 million in Plan Year 2018 to achieve the recommended rate increase for Active Employees. With the reduction in the reserve, the 12/31/18 Claim Stabilization Reserve is projected at 2.3 months of projected Plan costs, which is above the target level of 2.0 months.
- Plan Year 2018 projected cost for the Local Government Group is approximately \$1.5 billion (\$1.0 billion for Actives and \$0.5 billion for Retirees).

The Plan Year 2018 Renewal assumes the following:

- Effective January 1, 2018, prescription drug benefits for Active Employees and Retirees will be administered by Optum (currently administered by Express Scripts through December 31, 2017). Prescription drug cost projections for Plan Year 2018 provided in this renewal reflect the impact of procuring a new PBM starting in Plan Year 2018.

- This change is estimated to reduce Plan Year 2018 prescription drug costs approximately \$43 million for the Local Government Group (\$9 million for Actives and \$34 million for Retirees).
- SHBP Medicare Prescription Drug Integration will continue as EGWP Plus Wrap.
- Plan Year 2018 enrollment projections assume that 0.5% of the Active enrollment and 0.5% of the Retiree enrollment in DIRECT10 will migrate to lower-cost plans as a result of these contribution changes. While Chapter 78 does not apply to most current Retirees, migration projections are mostly due to self-pay Retirees (about 10% of the population).
- Active Employee enrollment is projected to increase 5.0% in Plan Year 2017, but decrease 1.0% in Plan Year 2018. Early Retiree enrollment is projected to increase 1.0% in Plan Year 2017 and remain flat in Plan Year 2018. Finally, Medicare Retiree enrollment is projected to increase 4.0% in Plan Year 2017 and Plan Year 2018.
- The impact of the following benefit changes has been reflected:
 - The State of New Jersey mandate expanding coverage for treatment for substance use disorders, as well as the restrictions on the use of opioid medications. This law was effective May 16, 2017, and is estimated to increase non-Medicare medical claims by approximately 1.1% annually.
 - Federal legislation requiring coverage for medically necessary services for gender reassignment. This law was effective January 1, 2017, and is estimated to increase medical claims by approximately 0.17% annually.
 - On July 27, 2017 the SHBP Plan Design Committee approved a reduction to the Mail Preferred Brand Copay for the PPO 10 and 15 plans from \$33 to \$28 effective in Plan Year 2018.
- The following components of Federal Health Care Reform impact the SHBP in Plan Year 2018:
 - Section 9010 of the ACA imposes a Health Insurer Fee (HIF) on each covered entity engaged in the business of providing health insurance for United States health risks. The collection of the HIF for Plan Year 2017 was suspended by the Consolidated Appropriations Act of 2016. Our projections assume that the HIF will not be repealed for Plan Year 2018 and is expected to increase Medicare medical costs by 14.8%.
 - In-Network Out-of-Pocket Maximum for medical and prescription drug benefits combined will be no greater than \$7,350 Single / \$14,700 Family combined. The SHBP will have separate medical and prescription drug Out-of-Pocket Maximums. This is projected to have an insignificant cost impact on the SHBP.
- Differences in the rate changes among Actives and Retirees, benefit plans and coverage tiers reflect the impact of:

- The Aon prescription drug trend recommendation for Actives has been kept at the Plan Year 2017 Renewal Report level of 11.00% (prior to any anti-selection adjustment). The Aon Plan Year 2018 prescription drug trend recommendation is 11.00% for Actives and Retirees. These recommended trends reflect expectations for future prescription drug trends, including the expected increases in costs due to specialty drugs.
- The two-year average experience trend for Horizon Actives is approximately 4.5%. As a result, the PPO medical trend has been lowered to 6.0% for Plan Years 2017 and 2018, as compared to the Plan Year 2017 PPO medical trend of 7.0% in the Plan Year 2017 Renewal Report (prior to any anti-selection adjustment).
- The recommended PPO medical trend assumption for Early Retirees is equal to 5.5% in Plan Year 2017, which is 50 basis points less than the PPO active trend of 6.0%. The PPO medical trend assumption for Early Retirees is recommended to remain at 6.0% in Plan Year 2018.
- The self-insured Medicare Retiree medical trend is 4.0% in Plan Year 2017 and 3.5% in Plan Year 2018, as compared to the Plan Year 2017 Medicare retiree medical trend of 3.5% in the Plan Year 2017 Renewal Report.
- The medical trend assumption for HMO Actives has been increased to 6.0% in Plan Year 2017 from 5.5% in the Plan Year 2017 Renewal Report (prior to any anti-selection adjustment). The medical trend assumption for HMO Actives is reverts back to 5.5% in Plan Year 2018.
- The medical trend assumption for HMO Early Retirees has been increased to 6.0% in Plan Year 2017, from 5.5% in the Plan Year 2017 Renewal Report. The medical trend assumption for HMO Early Retirees is 5.5% in Plan Year 2018.
- Based on expected terminations of Local Government Active employers from the SHBP, the Active medical and prescription drug trends have been increased by 25 basis points. This adjustment is consistent with long-term expectations and reflects anti-selection risk (employers with good experience are terminating which will affect the SHBP's overall loss ratio).
- The Medicare Advantage rates were provided by Aetna and Horizon and these rates include the Health Insurer Fee. Aetna PPO Medicare Advantage premium rates increased approximately 20%, while Horizon PPO Medicare Advantage premium rates increased approximately 19%. Aetna Legacy HMO Medicare Advantage premium rate decreased approximately 6.5%.
- Rx Rebates for Plan Year 2016 were lower than originally projected in the Plan Year 2017 renewal report, while Plan Year 2017 projected Rx Rebates are projected to be approximately \$7 million higher than projected in the Plan Year 2017 renewal report. Plan Year 2018 Rx rebates reflect the expected financial impact of the Optum RFP response.
- EGWP credits are projected to be approximately \$38 million in Plan Year 2016 and Plan Year 2017. Plan Year 2018 EGWP subsidies reflect the expected financial impact of the Optum RFP response and are projected to increase to approximately \$41.5 million.

Attachment A
SHBP – Local Government Group
Plan Year 2018 Rate Renewal Recommendations

	Total	Single	EE + Spouse	Family	EE + Child(ren)
Actives					
PPO Medical	0.0%	0.0%	0.0%	0.0%	0.0%
HMO Medical	0.0%	0.0%	0.0%	0.0%	0.0%
PPO Rx	0.0%	0.0%	0.0%	0.0%	0.0%
HMO Rx	0.0%	0.0%	0.0%	0.0%	0.0%
Total	0.0%	0.0%	0.0%	0.0%	0.0%
Early Retirees					
PPO Medical	0.0%	0.0%	0.0%	0.0%	0.0%
HMO Medical	0.0%	0.0%	0.0%	0.0%	0.0%
PPO Rx	(10.0%)	(10.0%)	(10.0%)	(10.0%)	(10.0%)
HMO Rx	(10.0%)	(10.0%)	(10.0%)	(10.0%)	(10.0%)
Total	(2.3%)	(2.3%)	(2.3%)	(2.3%)	(2.3%)
Medicare Retirees					
PPO Medical	(1.6%)	(1.6%)	(1.6%)	(1.6%)	(1.6%)
HMO Medical	(13.2%)	(13.2%)	(13.2%)	(13.2%)	(13.2%)
PPO Rx	(8.4%)	(8.4%)	(8.4%)	(8.4%)	(8.4%)
HMO Rx	(8.4%)	(8.4%)	(8.4%)	(8.4%)	(8.4%)
Total	(6.2%)	(6.2%)	(6.2%)	(6.2%)	(6.2%)
Grand Total	(1.3%)	(1.3%)	(1.3%)	(1.3%)	(1.3%)