



***New Jersey State Health Benefits Commission
October 12, 2011 Meeting***

State Health Benefits Program (SHBP)

***Recommended Plan Year 2012
Medical/Rx Rate Renewal Recommendation
for Active Employees and Retirees
of the State Group***

- For Plan Year 2012, Aon Hewitt is recommending premium rate changes that – in the aggregate – represent an ***overall increase*** of 7.1% for State Active Employees and Retirees:

	Employees	Early Retirees	Medicare Retirees
NJ DIRECT10	NA	3.0%	0.0%
NJ DIRECT15	8.4%	3.0%	0.0%
Aetna HMO	8.4%	3.0%	0.0%
Cigna HMO	8.4%	3.0%	0.0%
Rx Card Plan	11.1%	NA	NA
Average Change	9.0%	3.0%	0.0%

- This recommended rate renewal assumes:
 - The Retiree Rx copays and Out-Of-Pocket Maximum for NJ DIRECT and HMOs will be frozen at the Plan Year 2011 levels, except that the Mail Generic copays will be reduced to \$5;
 - The SHBP will migrate, effective 1/1/12, from the current RDS Medicare Rx integration approach to an Employer Group Waiver Program (known as EGWP Plus Wrap), which Aon Hewitt projects will result in Plan Year Retiree Rx savings of \$22 million;
 - New benefit options, as required by Chapter 78 and as summarized in Exhibit 7 of the renewal report (Pages 52-53), will be effective 1/1/12, but will likely have limited enrollment during Plan Year 2012;

- Any remaining legacy enrollment in NJ PLUS will have migrated to NJ DIRECT by 1/1/12;
- The revised Employee contribution schedule that went into effect on July 1, 2011 will have little impact on Employee enrollment for the first year, since the current 1.5% of salary floor will exceed contributions generated by the new schedule for all Employees in the first year of the new schedule. However, many Employees will have increased contributions in the second year of the new schedule (which begins July 1, 2012), so the renewal projections assume that Plan Year 2012 will have 1,500 more new Retirees than in prior years, due to Employees with 25 or more years of service retiring in response to increased Employee contributions;
- No other changes in Employee or Retiree benefits, other than those mandated by New Jersey or federal law, as outlined in the renewal report. Specific to Federal Health Care Reform, the SHBP will be impacted by:
 - Coverage of Dependent Children to Age 26 (which increases costs \$9 million)
 - Elimination of Benefit Maximums (which increases costs \$7 million)
 - Early Retiree Reinsurance Program (which reduces Early Retiree claim costs by \$25 million)

The renewal report summarizes a number of benefit plan design changes, each of which could further reduce plan costs.

- State Employee enrollment will decrease about by about 3,000 in Plan Year 2012, and
- State Early Retiree enrollment will increase by about 1,200 in Plan Year 2012, while Medicare Retiree enrollment will increase by about 1,800.
- Aggregate differences in the rate changes for different benefit plans and coverage tiers, and between Actives and Retirees, reflect the impact of:

- Medicare Retiree medical trends have been below industry norms for the past few years and we are projecting that the low trend levels will continue into Plan Years 2011 and 2012.
- While HMO claim trends had averaged about 3% higher than Horizon trends for a number of years, they appear to be moderating and we are therefore projecting that HMOs will trend at the same rate as the Horizon plans in Plan Year 2012.
- Projected Retiree costs have been reduced due to projected savings from the change to EGWP+Wrap and from the Early Retiree Reinsurance Program.
- For Active premiums, increases vary by coverage tier, since the differences in costs by coverage tier have been revised based on actual SHBP experience.
- Factors contributing to the recommended rate actions include:
 - 8.6% average trend increase from Plan Year 2011 to Plan Year 2012, which is lower than industry trends, and
 - Higher trends for Early Retirees, which are more than offset by the Early Retiree Reinsurance credit, and
 - EGWP+Wrap savings which reduce Medicare Retiree projected costs.
- Plan Year 2012 projected costs for the State Group are \$1.92 billion (\$1.46 billion for Actives and \$.46 billion for Retirees). Plan Year 2012 renewal premiums are set to match the projected \$1.92 billion costs, so there is no loss or gain projected for Plan Year 2012.