

New Jersey
State Health Benefits Program

Plan Year 2012
Rate Renewal Recommendation Report

Local Government Employer Group

January 1, 2012 – December 31, 2012

Prepared by Aon Hewitt

October 2011





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***State Health Benefits Program
Local Government Employer Group
Rate Renewal Recommendation Report
For Plan Year 2012***

Executive Summary

The purpose of this report is to recommend premium levels for the Local Government Employer Group of the State Health Benefits Program (SHBP) for January 1, 2012 through December 31, 2012.

Benefit Plans Maintained by the SHBP

The State of New Jersey operates the SHBP as a multiple-option program for Local Government Employer Employees and Retirees, with the following medical plan options for Plan Year 2012:

- NJ DIRECT10 and NJ DIRECT15 are self-insured Preferred Provider Organization (PPO) plans which are administered by Horizon. NJ DIRECT10 has a \$10 physician copay for in-network physician office visits and 80% coinsurance for out-of-network services. NJ DIRECT15 has a \$15 physician copay for in-network physician office visits and 70% coinsurance for out-of-network services.
- Two self-insured HMOs, administered by Aetna and CIGNA. Both HMOs have a \$10 physician copays.
- Active Employees are also enrolled in a Prescription Drug Plan available under the SHBP, which is administered by Medco, the Pharmacy Benefit Manager (PBM). Local Government employers may select this plan, sign up



for prescription drug coverage under the medical plan (which is also administered by Medco), or purchase prescription drug coverage from an outside vendor.

- SHBP Retirees also have Prescription Drug Plans, which have different copays for NJ DIRECT retirees and HMO retirees. The Retiree Prescription Drug Plans are administered by Medco.

Further, the State Health Benefits Plan Design Committee – created by Chapter 78, PI 2011 – has determined that, in addition to the plan options described above, the following additional plan options will be offered under the SHBP for Plan Year 2012:

- Horizon, Aetna, and Cigna will each offer two additional plan design options with somewhat greater cost-sharing on the part of plan participants.
- Horizon, Aetna, and Cigna will each also offer two High Deductible Health Plans, one of which will include employer funding of a Health Savings Account.

Summary details of each of the SHBP plan options available for Plan Year 2012 are reflected in Exhibit 7.

Recommended Renewal Increases

Aon Hewitt is recommending an overall increase of 10.3% for Active Employees, 10.5% increase for Early Retirees, and 2.0% for Medicare Retirees. For all



groups combined, the recommended increase is 9.5% which is consistent with typical healthcare trends which are averaging 9-10% (based on Aon Hewitt industry surveys). The recommended renewal increases by benefit plan are listed below:

	Actives	Early Retirees	Medicare Retirees
NJ DIRECT10	10.0%	10.5%	2.0%
NJ DIRECT15	10.0%	10.5%	2.0%
Aetna HMO	10.0%	10.5%	2.0%
CIGNA HMO	10.0%	10.5%	2.0%
Rx Card Plan	12.5%	NA	NA
Average Change	10.3%	10.5%	2.0%

These premium increases are projected to produce a gain of \$12 million in Plan Year 2012, which will be added to the claim stabilization reserve to bring it closer to the recommended level. The recommended level for the claim stabilization reserve is 2 months of plan costs in order to protect against adverse claim fluctuations. The projected reserve of \$135 million as of 12/31/12 is equivalent to 1.6 months of plan costs. Since this is lower than the target reserve, the recommended renewal increases include 1% margin for Actives and 2% margin for Retirees. The table below shows the expected changes in the projected claim stabilization reserve.

SHBP Projected Claim Stabilization Reserve

(in \$millions)

	Total	Actives	Retirees
12/31/2010	\$141	\$98	\$43
12/31/2011	\$123	\$93	\$30
12/31/2012	\$135	\$100	\$35
Months of Plan Costs	1.6	1.6	1.4

Premium rates for the new plan options resulting from Chapter 78 are being offered for the first time in Plan Year 2012, so there are no “recommended renewal increases” for these plans. However, the following table reflects the relative cost of these new plan options, as compared to NJ DIRECT10, for Plan Year 2012.

Cost Relative to NJ DIRECT10	
Plan A	-8%
Plan B	-12%
HDHP 0.5	-45%
HDHP 1.5	-18%

Employee/Retiree Contribution Changes

Prior to Chapter 78, PL 2011, Active employees who are covered by the SHBP were required to contribute 1.5% of their salary for health care coverage. Chapter 78, which was effective June 28, 2011, replaces this contribution formula with a percentage of premium contribution formula. The percentage of premium varies by salary tier and by whether the employee selects Single,



Parent, Married or Family coverage. The new contribution table is being phased in over 4 years, with the contribution percentages increasing on July 1 of each year; the contributions are subject to a minimum of the 1.5% of salary. For the first half of Plan Year 2012, we anticipate that all employees will be subject to the minimum contribution of 1.5% of salary. In the second half of Plan Year 2012, the premium table contributions exceed 1.5% of salary for most employees.

The combination of the Chapter 78 premium table percentages and the recommended renewal premiums produce anomalies in the differences in premium contributions among coverage tiers, so Aon Hewitt is recommending changes to the differences in cost among coverage tiers for Active Employees, which are supported by SHBP experience. These changes result in no change to the overall premium projection, but increased premiums for Single, Parent, and Family coverages and decreased premiums for Married coverage, compared to what these premiums would be absent these adjustments. The table below shows monthly employee contributions for NJ DIRECT10 effective 7/1/2012 for a Local Government employee earning \$65,000 under both the current and revised coverage premium rate tiers. Contributions will be different in other salary brackets and for other benefit options.



7/1/2012 Monthly Employee Contributions for NJ DIRECT10

	\$65,000 Salary			Prem.
	Current*	Revised**	Change	Change
Single	\$112.66	\$114.77	\$2.11	1.9%
Parent	\$125.09	\$134.72	\$9.63	7.7%
Married	\$201.04	\$182.06	(\$18.98)	-9.4%
Family	\$184.53	\$187.99	\$3.46	1.9%

* Based on the current rate tier relationships.

** Based on the revised rate tier relationships.

Prior to making these corrections, contributions for Family coverage are less than for Married coverage and the difference between Single and Parent contributions is relatively small. The Revised renewal premium rates correct Married premiums and increase the difference between Single and Parent contributions. Based on SHBP claim experience, Parent rates should have a larger increase (more than 20%), so we are presenting a four-year phase-in of this change. The table below shows the current and recommended tier relative values for Active Employees.

	Current (PY 2011)	PY 2012	Aon Hewitt Recommended		
			PY 2013	PY 2014	PY 2015
Single	1.00	1.00	1.00	1.00	1.00
Parent	1.40	1.48	1.56	1.64	1.73
Married	2.25	2.00	2.00	2.00	2.00
Family	2.50	2.50	2.50	2.50	2.50

Benefit Changes

Retiree Prescription Drug Copays

The prescription drug renewals for NJ DIRECT and for the HMOs assume that all Retiree copays for Plan Year 2012 – except for Mail Generic – and the Out-Of-Pocket Maximums will be frozen at Plan Year 2011 levels. In an effort to increase utilization of Mail Generic drugs, the Mail Generic copays for NJ DIRECT and the HMOs of \$11 and \$6, respectively, will be reduced to \$5. Exhibit 7 reflects the resultant Plan Year 2012 Rx copays for all SHBP plan options.

Federal Health Care Reform

Health Care Reform (the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act) includes an array of changes that phase in over a number of years. There were three changes effective 1/1/2011 or earlier that will also impact the SHBP Plan Year 2012 renewal projections: the Early Retiree Reinsurance Program, coverage of dependents to age 26, and no lifetime maximum on health insurance benefits. A brief summary of the financial impact of these changes is listed below and more information is provided in the Historical Overview section of this document.

- Early Retiree Reinsurance Program (ERRP); To date, the State has received approximately \$78 million in payments under this program. \$16 million of this amount has been applied as a credit against Local Government Early Retiree claims for Plan Year 2012. The remaining \$62 million will be credited to the State and Local Education Early Retirees. Any future ERRP payments will be applied towards subsequent renewals.

- Coverage of Dependent Children to Age 26: Prior to 1/1/2011, the SHBP covered dependent children until the end of the calendar year in which they turn 23. This provision extends this coverage through the end of the calendar year in which the child reaches age 26, without regard to financial dependency, residency, student status, marital status, or employment status. Since 1/1/2011, 4% of Local employees have changed their coverage tier to include child coverage. In addition, the number of dependents per family unit increased 1% from Plan Year 2010 to Plan Year 2011.
- No Maximum Benefit: This will impact NJ DIRECT out-of-network and Mental Health benefits under all plans. This is projected to increase Plan Year 2011 medical claims 0.5%.

Additionally, Health Care Reform has enacted changes in the manner in which employer group plan sponsors can more effectively provide Retiree prescription drug coverage for Medicare-eligible members. As a result, effective January 1, 2012, the SHBP will implement an Employer Group Waiver Program, known as EGWP Plus Wrap. Aon Hewitt is estimating that this, in combination with a reduction in the Mail Generic copays for all Retirees, will reduce Plan Year 2012 Local Government Employer Medicare Retiree drug claims by approximately \$12 million and those savings have been factored into the renewal increases and resultant premiums recommended in this report.

Other Possible Benefit Changes

Chapter 78, PL 2011 established a State Health Benefits Plan Design Committee which has the responsibility to modify and create plans from which eligible public employees can choose coverage.

The suggested rate increases in this Plan Year 2012 renewal report could be reduced through the benefit design changes suggested in Exhibit 8. Many of these benefit design changes would reduce projected costs for Plan Year 2012 and also decrease future trends.

Aon Hewitt anticipates that the changes to the Local Government Employer benefit plan design/contribution structure resulting from Chapter 78 will result in the loss of grandfathered status under Federal Health Care Reform for the current SHBP plan options. The loss of grandfathered status will require 100% coverage of preventive care and an additional level of appeals processing.

Vendor Changes

This renewal assumes no changes in vendors in Plan Year 2012.

Financial Results

The Plan Year 2010 loss ratio increased 0.8% since the Plan Year 2010 renewal analysis. This increased the Plan Year 2010 projected loss from \$1 million to \$8 million. The Plan Year 2011 loss ratio increased 1.9% which changed the Plan Year 2011 projection from no loss or gain to a loss of \$18 million. The increased losses are attributable to higher than expected trends for Early Retirees.



Plan Year 2012 results in a gain of \$12 million which will be added to the Claim Stabilization Reserve to offset losses from Plan Year 2011 and bring the Claim Stabilization Reserve closer to the recommended level. The average Plan Year 2012 renewal increase of 9.5% is 0.3% higher than the average trend used in this projection. The renewal increase would have been 3% greater than trend in order to recover from Plan Year 2010 deteriorating experience, except that the Plan Year 2012 costs have been reduced \$28 million to reflect the combined impact of Early Retiree Reinsurance Program payments received to date and the anticipated reduction in Medicare Retiree Rx costs as a result of the migration to EGWP Plus Wrap.

The Plan Year 2012 aggregate projected costs are \$1,030 million: \$732 million for Actives and \$298 million for Retirees.

Historical Overview

Benefit Changes

Medical Plans

Medical copays increased from \$5 to \$10 in Plan Year 2007.

The following plan changes were effective 4/1/2008:

- NJ PLUS and the Traditional Plan were replaced by two PPO plans which are administered by Horizon: NJ DIRECT10, which has a \$10 physician office visit copay and an 80% out-of-network benefit, and NJ DIRECT15, which has a \$15 physician office visit copay and a 70% out-of-network benefit.
- The number of HMO vendors was reduced from five to two (Aetna and CIGNA).

Prescription Drug Plans

In Plan Year 2007, Active prescription drug copays increased from \$1 Generic and \$5 Brand for both Retail and Mail-Order to \$3 Generic and \$10 Brand for Retail and \$5 Generic and \$15 Brand for Mail-Order.

Retiree prescription drug copays and out-of-pocket maximums generally increase each year based on the Retiree group experience. However, concurrent with the aforementioned migration to EGWP Plus Wrap, the Plan Year 2011 Retiree Rx copays (for Early Retirees as well as Medicare-Eligible Retirees) will be frozen at Plan Year 2011 level with the exception of the Mail Generic copay which is being reduced to \$5 for both NJ DIRECT and HMOs. The table below



compares the recommended Plan Year 2012 and the current Plan Year 2011 prescription drug copays and out-of-pocket maximums for Retirees:

	NJ Direct Copays		HMO Copays	
	2011	2012	2011	2012
Retail Generic Copay	\$10	\$10	\$6	\$6
Retail Preferred Brand Copay	\$22	\$22	\$12	\$12
Retail Non-Preferred Brand Copay	\$44	\$44	\$24	\$24
Mail Generic Copay	\$11	\$5	\$6	\$5
Mail Preferred Brand Copay	\$33	\$33	\$18	\$18
Mail Non-Preferred Brand Copay	\$55	\$55	\$30	\$30
Out-of-Pocket Maximum	\$1,351	\$1,351	\$1,351	\$1,351

Aetna Medicare Advantage

Effective 1/1/2009, Aetna Medicare Retiree medical coverage changed from a self-insured Medicare Supplement plan to a fully-insured Medicare Advantage medical plan. Retiree copays did not change and the prescription drug plan did not change. However, the Aetna Medicare Advantage program covers some additional preventive benefits and provides additional care management for Retirees.

Federal Health Care Reform

Health Care Reform (the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act) includes an array of changes that phase in over a number of years.

- Early Retiree Reinsurance Program (ERRP): The ERRP program reimburses Plan Sponsors for 80% of the claim cost of early retiree (i.e., between ages

55 and 64) claimants (and/or their eligible dependents) who have total claims costs between \$15,000 and \$90,000 during the Plan Year (for Plan Year 2010, the program was effective 6/1/2010-12/31/2010). The funding for this program is \$5 billion and it is anticipated that this will not be enough to fund reinsurance for all Plan Sponsors who apply for this benefit. To date, the State has received approximately \$78 million in ERRP reimbursements of which \$16 million has been credited to the Local Government Group and will be applied to Plan Year 2012 costs to reduce the premium increase required.

- Coverage of Dependent Children to Age 26: Prior to 1/1/11, the SHBP covered dependent children until the end of the calendar year in which they turn 23. This provision extends this coverage through the end of the calendar year in which they turn 26, without regard to financial dependency, residency, student status, marital status, or employment status. Many of these adult children were covered under Chapter 375, where they paid a separate "Adult Child" premium for their coverage. Under Health Care Reform, these children can be covered under their parent's plan without a separate additional premium (although the parents may have to change to Family or Parent+Child coverage). 4% of Local Government Employees have changed their coverage to include children in Plan Year 2011. In addition, the number of dependents per Family has increased 1%.
- No Maximum Benefit: The SHBP HMO plans and in-network NJ DIRECT plans have no maximum benefits, so no change is required. However, the NJ DIRECT out-of-network benefit had a \$1 million maximum, which no longer



applies effective 1/1/2011. In addition, this regulation also removed the mental health/substance abuse life-time maximums. The Plan Year 2012 projected medical claims include a 0.5% increase to reflect these changes.

Vendor Changes

Effective 1/1/2010, Prescription Drug claims are administered by Medco. Previously Horizon -- in partnership with Caremark -- administered the bulk of the prescription drug coverage, with Aetna and CIGNA administering prescription drug coverage for HMO retirees and some Local HMO actives.

Employee Contribution Changes

Effective 7/1/2011, most Active Employees are subject to a new premium contribution formula. Contributions are a percent of premium which varies by salary tier and by whether the employee selects Single, Parent, Married or Family coverage. The percentages are being phased in over 4 years and the contributions are subject to a minimum of 1.5% of salary. The new contribution formula results in some anomalies among coverage tiers and Aon Hewitt is recommending that the relative premiums for different coverage tiers be realigned to reflect actual SHBP experience and also to correct the anomalies among coverage tiers; because the required change for Parent coverage is large, we are presenting a four-year-phase-in of this change. The table below shows the current and recommended tier relative values for Active Employees:



	Current (PY 2011)	PY 2012	Aon Hewitt Recommended		
			PY 2013	PY 2014	PY 2015
Single	1.00	1.00	1.00	1.00	1.00
Parent	1.40	1.48	1.56	1.64	1.73
Married	2.25	2.00	2.00	2.00	2.00
Family	2.50	2.50	2.50	2.50	2.50

Prior to the implementation of the Chapter 78 contribution schedule, most Actives contributed 1.5% of salary regardless of benefit plan or family status. Under the new contribution formula, 1.5% of salary is the minimum employee contribution. Employees who do not have medical or prescription drug coverage have no contributions.

Retiree Contribution Changes

Chapter 78, PL 2011 requires certain retirees to pay a portion of their health care premium when they retire with 25 or more years of pension membership credit. Active employees who have 25 or more years of service credit as of the effective date of Chapter 78 are grandfathered and governed by the terms applicable on the date they accrued 25 years of service credit.

Eligibility Changes

Coverage of Adult Children to Age 31

New Jersey currently mandates the coverage of adult children under age 31 at a premium level that is equivalent to the child rate included in the standard premium tables, loaded 2% for additional expenses. Under the recommended

revision to premium relativities, the adult child rate will be equivalent to 49% of the Single rate. Local Government enrollment for this coverage dropped from 655 in December 2010 to 254 in May 2011, as a result of Federal Health Care Reform which makes children under age 26 eligible for coverage under their Parent's plan.

The Impact of Chapter 78

As previously mentioned, Chapter 78, PL 2011:

- Replaces the current contribution formula of 1.5% of salary/pension with a percentage of premium contribution formula, and
- Implements new benefit plan options, as summarized in the Executive Summary and Exhibit 7 of this report.

Enrollment Changes

Exhibit 1A reflects historical enrollment patterns among the benefit offerings from January 2009 through May 2011 and includes Aon Hewitt's projection of enrollment from June 2011 through December 2012. This projection assumes that Local Active enrollment will increase 3% in Plan Year 2012, Early Retiree enrollment will increase 10%, and Medicare Retiree enrollment will increase 6%.

Exhibit 1B reflects the projected distribution of enrollment among benefit options and assumes that less than 2% of employees and retirees will enroll in the new benefit options for Plan Year 2012.

Exhibit 1C shows enrollment by benefit option and coverage tier as of 5/1/2011.

Demographic Changes

The Active Employee average age increased 0.4 years from Plan Year 2010 to Plan Year 2011, slightly more than last year's increase of 0.2 year. This should have minimal impact on projected costs. The average HMO employee age remains about 1 year younger than the average NJ DIRECT employee age.

Average Employee Age

	4/1/2010	4/1/2011	Change
NJ DIRECT10	46.0	46.5	0.5
NJ DIRECT15	44.6	46.5	1.9
NJ DIRECT Total	46.1	46.5	0.4
Aetna HMO	45.6	45.3	(0.3)
CIGNA HMO	44.7	45.5	0.8
HMO Total	44.9	45.4	0.5
Grand Total	45.9	46.3	0.4

Trend Analysis

The claim trends that we are recommending for the Plan Year 2012 renewal are:

	Medical	Prescription Drugs
NJ DIRECT Employee	8.5%	10.0%
NJ DIRECT Early Retiree	11.5%	12.0%
NJ DIRECT Medicare Retiree	5.0%	12.0%
Aetna HMO*	8.5%	10.0%
CIGNA HMO	8.5%	10.0%
Employee Prescription Drug Card	NA	10.0%

* Aetna Medicare Retiree medical premium increase is 7.9% for Plan Year 2012.

Aon Hewitt’s Semi-Annual Health Care Trend Survey shows a small decrease in trend expectations, with trends for all plan types between 9% and 10%. The Aon Hewitt trend assumptions are based on normalized SHBP/SEHBP trend experience and assume that the trends experienced over the past two years will continue through Plan Year 2012. Trends also reflect input from the SHBP/SEHBP vendors as to their expectations of future costs.

Exhibit 2 shows the actual Local Government Group claim costs increases and then adjusts them for benefit changes to calculate the underlying claim trend in the Local Government Group experience. This calculation was done separately for medical versus prescription drugs and for NJ DIRECT versus the HMOs.



Financial Projections

Aggregate Financial Projections

Using the assumptions detailed in Exhibit 6 and the methodology described in the next section (Renewal Rate Development), Aon Hewitt updated estimated costs for Plan Years 2010, 2011 and 2012. Plan Year 2012 renewal premiums were developed to produce a 1% gain for Employees and a 2% gain for Retirees in order to help restore the Claim Stabilization Reserve.

Projected Financial Results (in \$ millions)

	DIR10	DIR15	HMOs	Rx Plan	New Plans	Total
Plan Year 2010						
Premium Rates x Enrollment	\$460.8	\$124.6	\$157.6	\$70.6		\$813.6
Incurred Claims	\$454.5	\$118.6	\$156.2	\$67.1		\$796.4
Administrative Charges	\$13.1	\$3.7	\$7.0	\$1.1		\$24.9
Net Gain (Loss)	-\$6.8	\$2.3	-\$5.6	\$2.4	NA	-\$7.7
Plan Year 2011						
Premium Rates x Enrollment	\$517.9	\$149.5	\$171.3	\$76.0		\$914.7
Incurred Claims	\$517.4	\$143.7	\$168.4	\$77.5		\$907.0
Administrative Charges	\$13.5	\$4.1	\$6.6	\$1.1		\$25.3
Net Gain (Loss)	-\$13.0	\$1.7	-\$3.7	-\$2.6	NA	-\$17.6
Plan Year 2012						
Premium Rates x Enrollment	\$592.1	\$158.7	\$189.9	\$86.3	\$15.1	\$1,042.1
Incurred Claims	\$575.5	\$148.3	\$180.4	\$84.4	\$14.4	\$1,003.0
Administrative Charges	\$14.5	\$4.1	\$6.8	\$1.1	\$0.7	\$27.2
Net Gain (Loss)	\$2.1	\$6.3	\$2.7	\$0.8	\$0.0	\$11.9

More detailed aggregate projections are attached in Exhibit 4.

Administrative Fees

Administrative fee increases vary by vendor. Medco guaranteed their fee for the duration of the contract, so they have no fee increase in 2012. The medical vendors requested increases ranging from 1.1% (Aetna) to 3.5% (Horizon).



Note that the HMO fees are higher than NJ DIRECT fees because the HMO enrollment is only 20% of NJ DIRECT, so they do not have the same economies of scale as NJ DIRECT. Further, HMOs generally require a greater degree of plan administration and network management, which increases administrative fees. The table below compares Plan Year 2012 current benefit option ASO fees per subscriber per month with Plan Year 2011 fees:

	PY2011	PY2012	Increase
NJ DIRECT	\$ 22.98	\$ 23.78	3.5%
Aetna	\$ 46.51	\$ 47.00	1.1%
CIGNA	\$ 41.24	\$ 41.73	1.2%
Medco	\$3.93	\$3.93	0.0%

Plan Year 2012 administrative fees for the new benefit options are not yet known.

Renewal Rate Development

Rating Methodology

Exhibit 4 shows the aggregate projected costs for Plan Years 2010, 2011, and 2012, separately for NJ DIRECT10, NJ DIRECT15, prescription drugs, and each HMO. Plan Year 2012 (Exhibit 4C) also includes projected costs for the new Chapter 78 benefit options. Costs were projected separately for Actives, Early Retirees, and Medicare Retirees, and for medical claims, prescription drug claims, administrative costs, and aggregate premiums.

Initial premium increases were calculated separately for Actives, Early Retirees, and Medicare Retirees, and for medical versus prescription drugs. Medicare Retiree projected Plan Year 2012 costs are less than Plan Year 2011 premium levels due to the savings from the change to EGWP Plus Wrap. For this reason, the initial Retiree premium increases were 0% for Medicare Retirees and 8.5% for Early Retirees. These initial premium increases result in projected Retiree premiums that are equal to projected Retiree costs for Plan Year 2012. The recommended premium increases include additional loads of 1% for Actives and 2% for Retirees to help rebuild the Claim Stabilization Reserves.

For the new Chapter 78 benefit options, premiums were established to reflect the combination of the benefit options' actuarial value relative to NJ DIRECT10 (the current NJ DIRECT option with the largest Local Government employee enrollment) and the current HMOs and the impact of anticipated selection resulting from the enrollment in each of the new benefit options.

Medical and Prescription Drug Claim Projections

1. Using claim data and claim triangles supplied by Horizon and the HMOs, Aon Hewitt estimated completed incurred claims for Plan Year 2010, separately for each benefit plan, for medical versus prescription drugs, and for Actives, Early Retirees, and Medicare Retirees.
2. Plan Year 2010 incurred claims were adjusted for the impact of large claims. Claim amounts in excess of \$50,000 (i.e., catastrophic or shock claims) were subtracted from the aggregate claims and pooling charges were allocated across plans. By implementing a pooling charge, we ensure that one claim does not distort the renewal for a specific plan, but that there will be sufficient dollars to cover all incurred claims. Large claim experience is detailed in Exhibit 3.
3. Capitation and other similar fixed claim charges were added to the incurred claims to arrive at projected incurred claims.
4. Plan Year 2010 aggregate incurred claims were divided by Plan Year 2010 average covered members to get average claims per member per year. Covered members are based on historical billing enrollment data by coverage tier and assumptions for the number of members per coverage tier.
5. Claims per member were projected from Plan Year 2010 to Plan Year 2012 using the annual trend rates listed in the Trend Analysis section of this document.

6. Projected medical claim costs were increased 0.5% to reflect the removal of maximum benefit for out-of-network and Mental Health in Plan Year 2011.
7. NJ DIRECT claims in Plan Year 2011 were increased 0.6% to reflect the change from a capitated Mental Health Benefit to a self-insured benefit.
8. Plan Year 2012 prescription drug costs were reduced 3% to reflect anticipated savings as a result of the very large number of drugs that are due to come off patent in the next year and a half.
9. Retiree prescription drug costs were reduced 2% in Plan Year 2011 to reflect the anticipated impact of the increases in prescription drug copays and out-of-pocket maximums.
10. Retiree prescription drug costs were reduced 13% in Plan Year 2012 to reflect the combined impact of the migration to EGWP Plus Wrap and a reduction in the Mail Generic Rx copay for both NJ DIRECT and the HMOs.
11. Plan Year 2012 Early Retiree costs were reduced \$16 million due to Early Retiree Reinsurance Program payments received by the plan. The payments were allocated per Early Retiree in order to partially offset the larger increases experienced by Early Retirees as compared to Actives and Medicare Retirees.

12. Aggregate claims for Plan Year 2012 are the product of projected enrollment and the projected claims per member.
13. Plan Year 2012 projected Aetna Medicare Advantage premiums were increased 7.9% over Plan Year 2011, based on Aetna's renewal.
14. Prescription Drug manufacturers' rebates were projected assuming 0% trend based on input from Medco. Rebate projections are \$30 million in Plan Year 2011 and \$31 million in Plan Year 2012.
15. Medicare Part D (RDS) subsidies are projected at 19.0% of incurred Medicare Retiree prescription drug claims based on Plan Year 2009 subsidies, which results in a projected \$14 million subsidy for Plan Year 2011. No RDS payments are included in the Plan Year 2012 costs, due to the migration to EGWP Plus Wrap.
16. Total SHBP projected claim costs for the Local Government Group for Plan Year 2012 are the sum of projected medical and prescription drug claims reduced for Early Retiree Reinsurance Plan payments, CMS payments for EGWP, and prescription drug rebates.

Administrative Cost Projection

The administrative cost projection includes administrative charges, as well as some miscellaneous cost items:

1. Administrative fees are the ASO fees per employee per year multiplied by the average enrollment for that year.

2. Overhead charges, which are the State of New Jersey administrative costs charged against the plans, projected at \$2 million for Plan Year 2012.
3. Administrative costs were reduced \$1 million to reflect projected investment income credits.

Margin

1. Active premiums were increased 1.0% because the claim stabilization reserve at the end of Plan Year 2012 is projected at 1.6 months of plan costs, which falls short of the 2.0 month target reserve.
2. Retiree premiums were increased 2.0% because the claim stabilization reserve at the end of Plan Year 2012 is projected at 1.4 months of plan costs, which falls short of the 2.0 month target reserve.

Projected Premiums

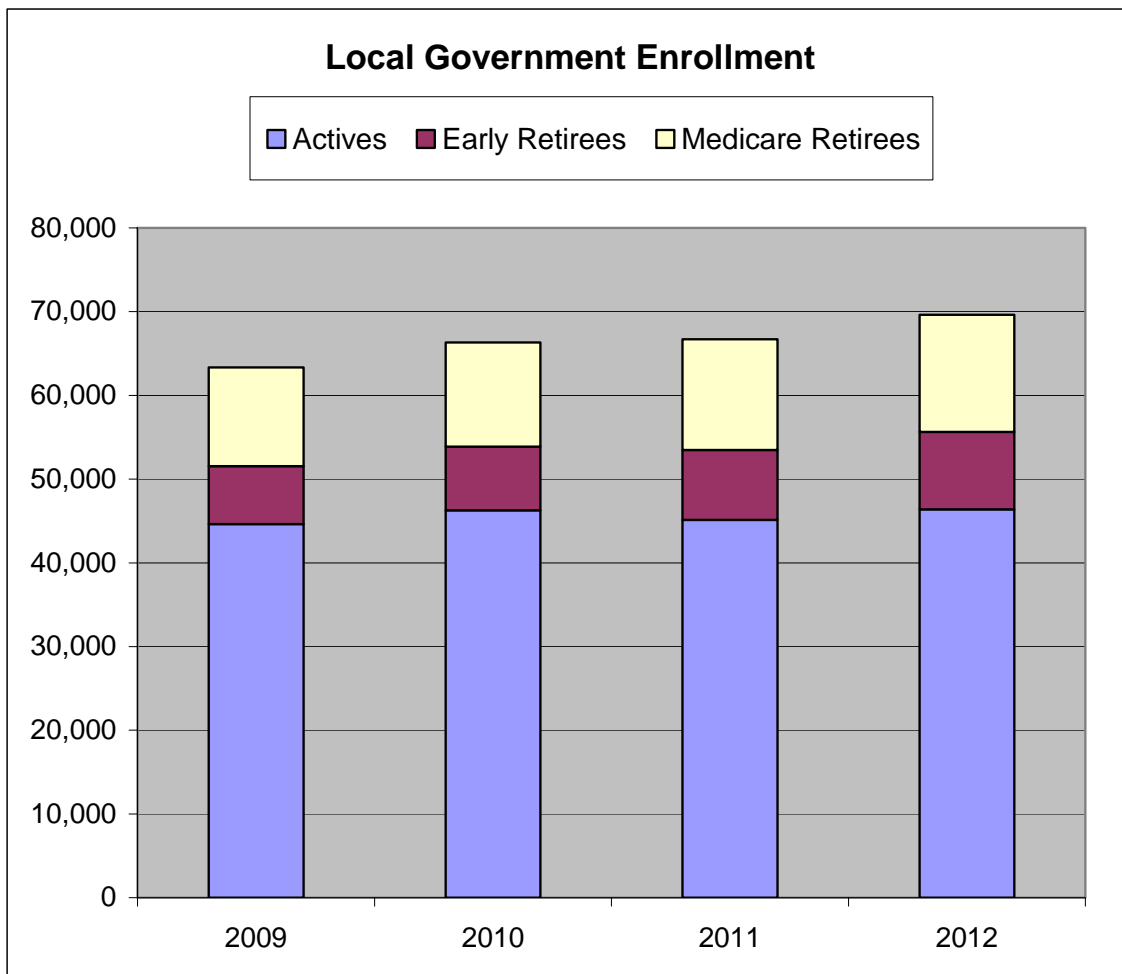
1. Plan Year 2012 premiums for NJ DIRECT10, NJ DIRECT15, and the Aetna and Cigna HMO were developed by applying the premium increase percentages listed in the Executive Summary section of this document. Premiums for the new benefit options resulting from Chapter 78 were developed by adjusting NJ DIRECT10 (the current NJ DIRECT option with the largest Local Government Group enrollment) and Aetna and Cigna HMO premiums by the relative actuarial value of each new benefit option, adjusted for anticipated selection as a result on the enrollment in the new benefit options.



2. Aggregate Plan Year premium is calculated by multiplying projected Plan Year enrollment and Plan Year premiums.

SHBP Plan Year 2012 Renewal Recommendation

Exhibit 1A – Enrollment Projections



Actives

Assumes that Active enrollment in the SHBP will increase about 3% in Plan Year 2012.

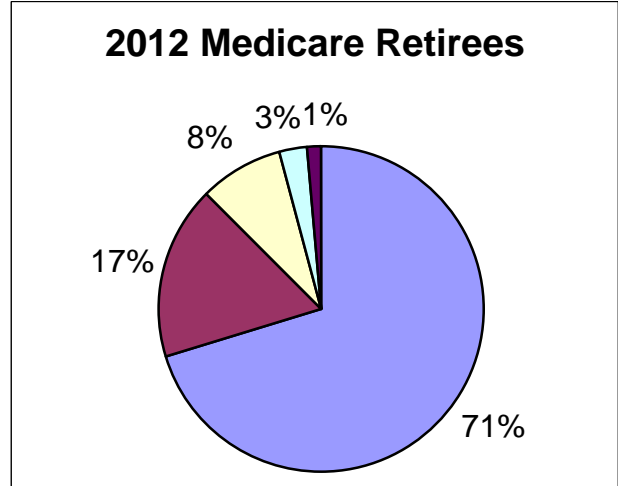
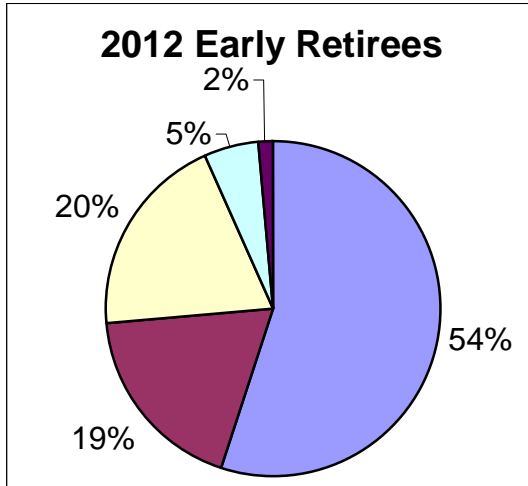
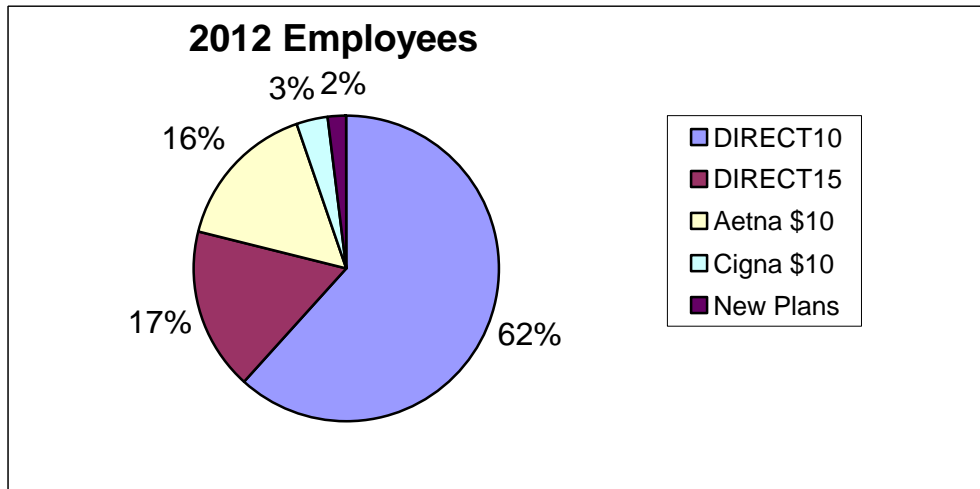
Early Retirees

Assumes that Early Retiree enrollment will continue to grow at about 10% per year.

Medicare Retirees

Assumes that Medicare Retiree enrollment will continue to grow at about 6% per year.

SHBP Plan Year 2012 Renewal Recommendation
Exhibit 1B – Plan Year 2012 Plan Distribution





SHBP Plan Year 2012 Renewal Recommendation

Exhibit 1C – May 2011 Enrollment

	Number of Contracts as of 5/1/2011				Total
	Single	Member + Spouse /Partner	Family	Parent + Child(ren)	
GOVERNMENT ACTIVES					
Medical Plans					
<i>NJ Direct 10 #050</i>	8,623	5,044	10,972	3,036	27,675
No Rx Card	1,466	978	2,180	382	5,006
Private Rx Card	2,304	1,200	2,815	839	7,158
State Rx Card	4,854	2,866	5,977	1,814	15,512
<i>NJ Direct 15 #150</i>	2,782	1,472	3,058	1,069	8,381
No Rx Card	724	411	867	219	2,221
Private Rx Card	682	294	644	285	1,906
State Rx Card	1,376	767	1,547	564	4,254
Horizon Total	11,405	6,516	14,030	4,105	36,056
Aetna #019	2,071	1,104	2,880	1,136	7,191
No Rx Card	702	387	1,044	324	2,457
Private Rx Card	605	272	716	357	1,950
State Rx Card	764	446	1,120	454	2,784
CIGNA #020	373	222	796	227	1,618
No Rx Card	207	128	455	119	909
Private Rx Card	76	36	168	62	342
State Rx Card	91	58	173	46	367
HMO Total	2,444	1,326	3,676	1,363	8,809
Total	13,849	7,842	17,706	5,468	44,865

	GOVERNMENT RETIREES				Total
	Single	Member + Spouse /Partner	Family	Parent + Child(ren)	
Medical Plans					
<i>NJ Direct 10 #050</i>	6,583	5,589	1,419	382	13,973
<i>NJ Direct 15 #150</i>	1,805	1,583	459	205	4,052
Horizon Total	8,388	7,172	1,878	587	18,025
Aetna #019	1,013	991	647	202	2,853
CIGNA #020	244	355	179	43	821
HMO Total	1,257	1,346	826	245	3,674
Total	9,645	8,518	2,704	832	21,699



SHBP Plan Year 2012 Renewal Recommendation

Exhibit 2A – Medical Trend

	Increase in Claims/Ee	Benefit + RFP Changes	Claim Trend
Horizon Active			
1/1/2009 - 12/31/2009	10.7%	-1.2%	11.9%
1/1/2010 - 12/31/2010	5.2%	-0.1%	5.3%
Average			8.6%
Aon Hewitt Trend Assumption			8.5%

Horizon Early Retiree			
1/1/2009 - 12/31/2009	7.2%	-3.5%	10.7%
1/1/2010 - 12/31/2010	12.6%	0.1%	12.5%
Average			11.6%
Aon Hewitt Trend Assumption			11.5%

Horizon Medicare Retiree			
1/1/2009 - 12/31/2009	0.4%	0.4%	0.0%
1/1/2010 - 12/31/2010	8.4%	0.0%	8.4%
Average			4.2%
Aon Hewitt Trend Assumption			5.0%

HMO			
1/1/2009 - 12/31/2009	13.5%	0.0%	13.5%
1/1/2010 - 12/31/2010	5.1%	0.0%	5.1%
Average			9.3%
Aon Hewitt Trend Assumption			8.5%

Benefit Changes:

NJ PLUS and Traditional plans replaced by NJ DIRECT 4/1/2008.



SHBP Plan Year 2012 Renewal Recommendation

Exhibit 2B – Prescription Drug Trend

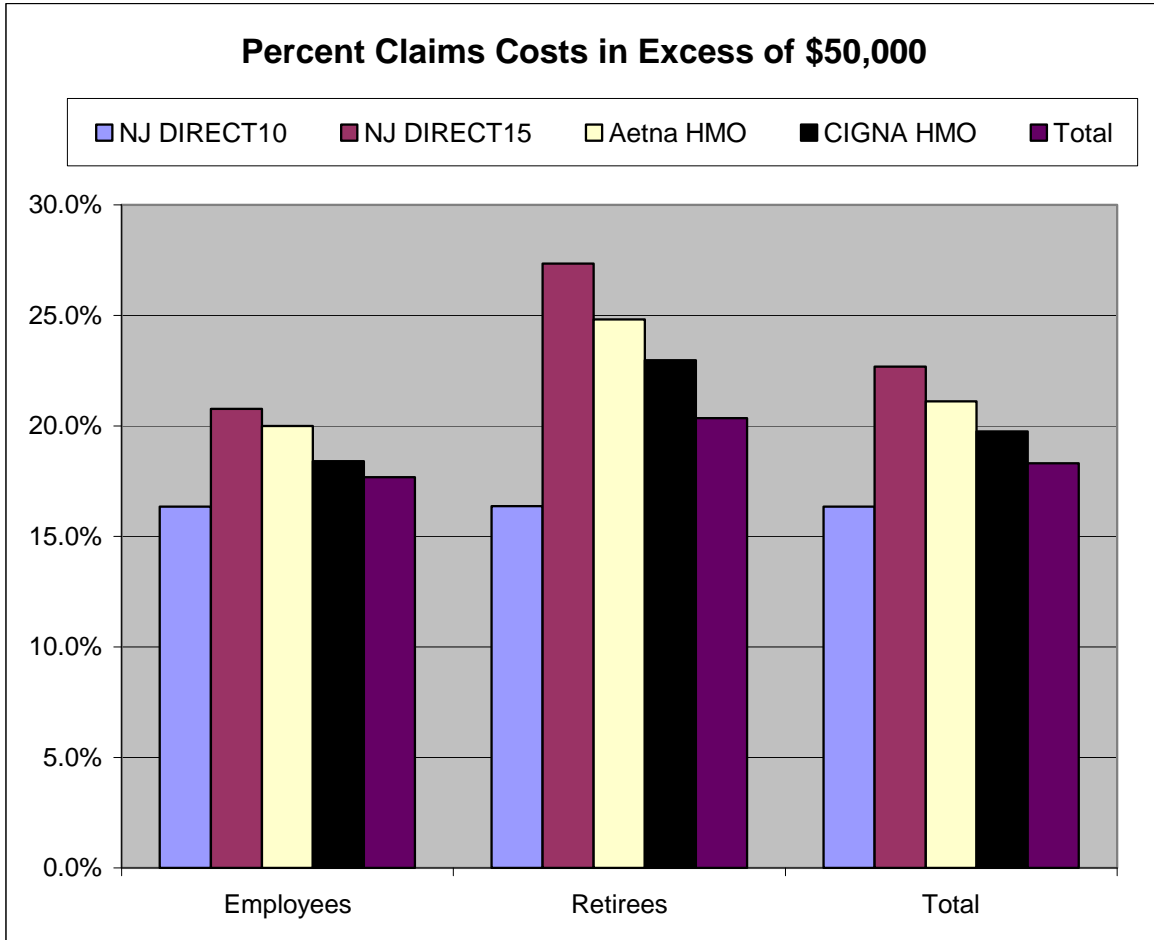
	Increase in Claims/Ee	Benefit Changes	Claim Trend
Active Rx			
1/1/2009 - 12/31/2009	15.2%	-2.1%	17.3%
1/1/2010 - 12/31/2010	2.6%	-6.2%	8.8%
Average			13.0%
Aon Hewitt Trend Assumption			10.0%
Retiree Rx			
1/1/2009 - 12/31/2009	11.0%	-4.6%	15.6%
1/1/2010 - 12/31/2010	6.5%	-4.6%	11.1%
Average			13.3%
Aon Hewitt Trend Assumption			12.0%

Benefit Changes:

- Horizon Retiree Rx Copays and OOP maximum increased on 1/1/2008.
- Horizon Retiree Rx Copays and OOP maximum increased on 1/1/2009.
- Horizon Retiree Rx Copays and OOP maximum increased on 1/1/2010.
- HMO Retiree Rx Copays increased and OOP maximum added on 1/1/2009.
- HMO Retiree Rx Copays and OOP maximum increased on 1/1/2010.
- Rx discount increased due to Medco implementation 1/1/2010.

SHBP Plan Year 2012 Renewal Recommendation

Exhibit 3A – Large Claim Analysis



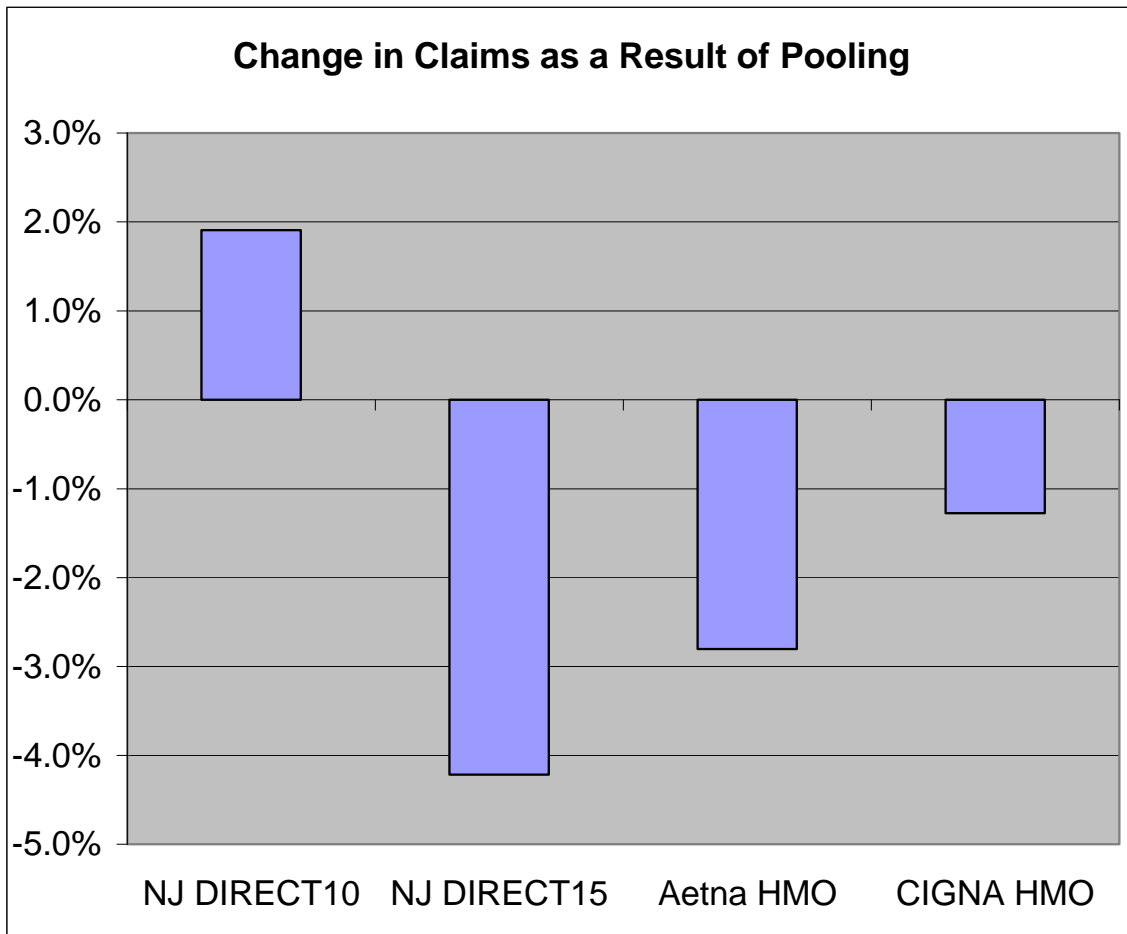
Observations:

NJ DIRECT15 has the highest percentage of shock claim costs at 23%.

In total, 18% of Active and 20% of Retiree medical claims are for individual claimant amounts in excess of \$50,000.

SHBP Plan Year 2012 Renewal Recommendation

Exhibit 3B – Large Claim Analysis



Observations:

NJ DIRECT10 claim costs increase 2% as a result of pooling.

All other plans have reductions in claim cost as a result of pooling.



SHBP Plan Year 2012 Renewal Recommendation

Exhibit 4A – Plan Year 2010 Aggregate Costs

	Total	NJ DIRECT10	NJ DIRECT15	Aetna	CIGNA	Ee Rx Card
Employees and Retirees						
Average Medical Subscribers	66,335	41,502	11,564	10,731	2,539	23,041
Incurring Medical claims	\$ 604,100,000	\$ 385,800,000	\$ 97,100,000	\$ 93,200,000	\$ 28,000,000	NA
Capitation	\$ 33,000,000	\$ 16,700,000	\$ 4,600,000	\$ 9,400,000	\$ 2,300,000	NA
Incurring Prescription Drug Claims	\$ 199,600,000	\$ 70,000,000	\$ 22,300,000	\$ 22,300,000	\$ 6,700,000	\$ 78,300,000
Prescription Drug Rebates	\$ (28,600,000)	\$ (10,000,000)	\$ (3,200,000)	\$ (3,200,000)	\$ (1,000,000)	\$ (11,200,000)
Medicare Part D Subsidies	\$ (11,700,000)	\$ (8,000,000)	\$ (2,200,000)	\$ (1,200,000)	\$ (300,000)	NA
Administrative Fees	\$ 24,900,000	\$ 13,100,000	\$ 3,700,000	\$ 5,700,000	\$ 1,300,000	\$ 1,100,000
Total Cost	\$ 821,300,000	\$ 467,600,000	\$ 122,300,000	\$ 126,200,000	\$ 37,000,000	\$ 68,200,000
Total Premium	\$ 813,600,000	\$ 460,800,000	\$ 124,600,000	\$ 124,800,000	\$ 32,800,000	\$ 70,600,000
Gain (Loss)	\$ (7,700,000)	\$ (6,800,000)	\$ 2,300,000	\$ (1,400,000)	\$ (4,200,000)	\$ 2,400,000
Employees						
Average Medical Subscribers	46,285	28,823	7,655	7,990	1,817	23,041
Incurring Medical claims	\$ 461,400,000	\$ 301,700,000	\$ 69,600,000	\$ 69,700,000	\$ 20,400,000	NA
Capitation	\$ 28,100,000	\$ 14,600,000	\$ 3,800,000	\$ 7,800,000	\$ 1,900,000	NA
Incurring Prescription Drug Claims	\$ 105,100,000	\$ 11,100,000	\$ 4,400,000	\$ 8,000,000	\$ 3,300,000	\$ 78,300,000
Prescription Drug Rebates	\$ (15,000,000)	\$ (1,600,000)	\$ (600,000)	\$ (1,100,000)	\$ (500,000)	\$ (11,200,000)
Medicare Part D Subsidies	NA	NA	NA	NA	NA	NA
Administrative Fees	\$ 17,800,000	\$ 8,800,000	\$ 2,400,000	\$ 4,600,000	\$ 900,000	\$ 1,100,000
Total Cost	\$ 597,400,000	\$ 334,600,000	\$ 79,600,000	\$ 89,000,000	\$ 26,000,000	\$ 68,200,000
Total Premium	\$ 595,600,000	\$ 328,100,000	\$ 82,700,000	\$ 90,900,000	\$ 23,300,000	\$ 70,600,000
Gain (Loss)	\$ (1,800,000)	\$ (6,500,000)	\$ 3,100,000	\$ 1,900,000	\$ (2,700,000)	\$ 2,400,000
Retirees						
Average Medical Subscribers	20,051	12,679	3,909	2,741	722	NA
Incurring Medical claims	\$ 142,700,000	\$ 84,100,000	\$ 27,500,000	\$ 23,500,000	\$ 7,600,000	NA
Capitation	\$ 4,900,000	\$ 2,100,000	\$ 800,000	\$ 1,600,000	\$ 400,000	NA
Incurring Prescription Drug Claims	\$ 94,500,000	\$ 58,900,000	\$ 17,900,000	\$ 14,300,000	\$ 3,400,000	NA
Prescription Drug Rebates	\$ (13,600,000)	\$ (8,400,000)	\$ (2,600,000)	\$ (2,100,000)	\$ (500,000)	NA
Medicare Part D Subsidies	\$ (11,700,000)	\$ (8,000,000)	\$ (2,200,000)	\$ (1,200,000)	\$ (300,000)	NA
Administrative Fees	\$ 7,100,000	\$ 4,300,000	\$ 1,300,000	\$ 1,100,000	\$ 400,000	NA
Total Cost	\$ 223,900,000	\$ 133,000,000	\$ 42,700,000	\$ 37,200,000	\$ 11,000,000	NA
Total Premium	\$ 218,000,000	\$ 132,700,000	\$ 41,900,000	\$ 33,900,000	\$ 9,500,000	NA
Gain (Loss)	\$ (5,900,000)	\$ (300,000)	\$ (800,000)	\$ (3,300,000)	\$ (1,500,000)	NA



SHBP Plan Year 2012 Renewal Recommendation

Exhibit 4B –Plan Year 2011 Aggregate Costs

	Total	NJ DIRECT10	NJ DIRECT15	Aetna	CIGNA	Ee Rx Card
Employees and Retirees						
Average Medical Subscribers	66,706	41,633	12,477	10,148	2,448	22,993
Incurred Medical claims	\$ 701,900,000	\$ 450,200,000	\$ 122,700,000	\$ 98,800,000	\$ 30,200,000	NA
Capitation	\$ 19,000,000	\$ 4,900,000	\$ 1,500,000	\$ 10,300,000	\$ 2,300,000	NA
Incurred Prescription Drug Claims	\$ 229,600,000	\$ 82,400,000	\$ 25,300,000	\$ 25,100,000	\$ 7,700,000	\$ 89,100,000
Prescription Drug Rebates	\$ (30,000,000)	\$ (10,800,000)	\$ (3,300,000)	\$ (3,300,000)	\$ (1,000,000)	\$ (11,600,000)
Medicare Part D Subsidies	\$ (13,500,000)	\$ (9,300,000)	\$ (2,500,000)	\$ (1,300,000)	\$ (400,000)	NA
Administrative Fees	\$ 25,300,000	\$ 13,500,000	\$ 4,100,000	\$ 5,300,000	\$ 1,300,000	\$ 1,100,000
Total Cost	\$ 932,300,000	\$ 530,900,000	\$ 147,800,000	\$ 134,900,000	\$ 40,100,000	\$ 78,600,000
Total Premium	\$ 914,700,000	\$ 517,900,000	\$ 149,500,000	\$ 135,500,000	\$ 35,800,000	\$ 76,000,000
Gain (Loss)	\$ (17,600,000)	\$ (13,000,000)	\$ 1,700,000	\$ 600,000	\$ (4,300,000)	\$ (2,600,000)
Employees						
Average Medical Subscribers	45,101	27,739	8,434	7,292	1,635	22,993
Incurred Medical claims	\$ 523,400,000	\$ 340,700,000	\$ 90,100,000	\$ 71,500,000	\$ 21,100,000	NA
Capitation	\$ 15,500,000	\$ 4,100,000	\$ 1,200,000	\$ 8,400,000	\$ 1,800,000	NA
Incurred Prescription Drug Claims	\$ 117,200,000	\$ 11,500,000	\$ 4,800,000	\$ 8,500,000	\$ 3,300,000	\$ 89,100,000
Prescription Drug Rebates	\$ (15,200,000)	\$ (1,500,000)	\$ (600,000)	\$ (1,100,000)	\$ (400,000)	\$ (11,600,000)
Medicare Part D Subsidies	NA	NA	NA	NA	NA	NA
Administrative Fees	\$ 17,600,000	\$ 8,600,000	\$ 2,700,000	\$ 4,300,000	\$ 900,000	\$ 1,100,000
Total Cost	\$ 658,500,000	\$ 363,400,000	\$ 98,200,000	\$ 91,600,000	\$ 26,700,000	\$ 78,600,000
Total Premium	\$ 653,900,000	\$ 356,900,000	\$ 102,300,000	\$ 94,800,000	\$ 23,900,000	\$ 76,000,000
Gain (Loss)	\$ (4,600,000)	\$ (6,500,000)	\$ 4,100,000	\$ 3,200,000	\$ (2,800,000)	\$ (2,600,000)
Retirees						
Average Medical Subscribers	21,606	13,894	4,043	2,856	813	NA
Incurred Medical claims	\$ 178,500,000	\$ 109,500,000	\$ 32,600,000	\$ 27,300,000	\$ 9,100,000	NA
Capitation	\$ 3,500,000	\$ 800,000	\$ 300,000	\$ 1,900,000	\$ 500,000	NA
Incurred Prescription Drug Claims	\$ 112,400,000	\$ 70,900,000	\$ 20,500,000	\$ 16,600,000	\$ 4,400,000	NA
Prescription Drug Rebates	\$ (14,800,000)	\$ (9,300,000)	\$ (2,700,000)	\$ (2,200,000)	\$ (600,000)	NA
Medicare Part D Subsidies	\$ (13,500,000)	\$ (9,300,000)	\$ (2,500,000)	\$ (1,300,000)	\$ (400,000)	NA
Administrative Fees	\$ 7,700,000	\$ 4,900,000	\$ 1,400,000	\$ 1,000,000	\$ 400,000	NA
Total Cost	\$ 273,800,000	\$ 167,500,000	\$ 49,600,000	\$ 43,300,000	\$ 13,400,000	NA
Total Premium	\$ 260,800,000	\$ 161,000,000	\$ 47,200,000	\$ 40,700,000	\$ 11,900,000	NA
Gain (Loss)	\$ (13,000,000)	\$ (6,500,000)	\$ (2,400,000)	\$ (2,600,000)	\$ (1,500,000)	NA



SHBP Plan Year 2012 Renewal Recommendation
Exhibit 4C– Plan Year 2012 Aggregate Costs (Page 1 of 2)

Plan Year 2012	Current Benefit Plans						Horizon New Plans			
	Total	NJ DIRECT10	NJ DIRECT15	Aetna	CIGNA	Ee Rx Card	Plan A	Plan B	HDHP 0.5	HDHP 1.5
Employees and Retirees										
Average Medical Subscribers	69,618	43,526	12,106	10,317	2,393	23,221	278	278	278	186
Incurred Medical claims	\$ 798,780,000	\$ 513,500,000	\$ 130,100,000	\$ 111,300,000	\$ 31,800,000	NA	\$ 3,050,000	\$ 2,860,000	\$ 1,810,000	\$ 2,020,000
Capitation	\$ 19,410,000	\$ 5,100,000	\$ 1,400,000	\$ 9,800,000	\$ 2,800,000	NA	\$ 30,000	\$ 20,000	\$ 20,000	\$ 20,000
Incurred Prescription Drug Claims	\$ 232,358,194	\$ 77,200,000	\$ 22,800,000	\$ 25,900,000	\$ 7,600,000	\$ 96,200,000	\$ 440,000	\$ 450,000	\$ 270,000	\$ 70,000
Prescription Drug Rebates	\$ (31,430,173)	\$ (11,500,000)	\$ (3,200,000)	\$ (3,500,000)	\$ (1,100,000)	\$ (11,800,000)	\$ (70,000)	\$ (70,000)	\$ (40,000)	\$ (10,000)
ERRP credits	\$ (16,040,000)	\$ (8,800,000)	\$ (2,800,000)	\$ (3,300,000)	\$ (900,000)	NA	\$ (50,000)	\$ (50,000)	\$ (50,000)	NA
Administrative Fees	\$ 27,151,224	\$ 14,500,000	\$ 4,100,000	\$ 5,500,000	\$ 1,300,000	\$ 1,100,000	\$ 90,000	\$ 90,000	\$ 150,000	\$ 120,000
Total Cost	\$ 1,030,229,245	\$ 590,000,000	\$ 152,400,000	\$ 145,700,000	\$ 41,500,000	\$ 85,500,000	\$ 3,490,000	\$ 3,300,000	\$ 2,160,000	\$ 2,220,000
Total Premium	\$ 1,042,129,245	\$ 592,100,000	\$ 158,700,000	\$ 151,500,000	\$ 38,400,000	\$ 86,300,000	\$ 3,490,000	\$ 3,300,000	\$ 2,160,000	\$ 2,220,000
Gain (Loss)	\$ 11,900,000	\$ 2,100,000	\$ 6,300,000	\$ 5,800,000	\$ (3,100,000)	\$ 800,000	\$ -	\$ -	\$ -	\$ -
Employees										
Average Medical Subscribers	46,390	28,612	8,015	7,295	1,540	23,221	186	186	186	186
Incurred Medical claims	\$ 585,360,000	\$ 382,100,000	\$ 93,200,000	\$ 79,200,000	\$ 21,300,000	NA	\$ 2,290,000	\$ 2,150,000	\$ 1,360,000	\$ 2,020,000
Capitation	\$ 15,870,000	\$ 4,400,000	\$ 1,200,000	\$ 7,900,000	\$ 2,100,000	NA	\$ 30,000	\$ 20,000	\$ 20,000	\$ 20,000
Incurred Prescription Drug Claims	\$ 128,618,194	\$ 13,100,000	\$ 5,000,000	\$ 9,400,000	\$ 3,500,000	\$ 96,200,000	\$ 80,000	\$ 80,000	\$ 50,000	\$ 70,000
Prescription Drug Rebates	\$ (15,850,173)	\$ (1,600,000)	\$ (600,000)	\$ (1,200,000)	\$ (500,000)	\$ (11,800,000)	\$ (10,000)	\$ (10,000)	\$ (10,000)	\$ (10,000)
ERRP credits	\$ -	NA	NA	NA	NA	NA	NA	NA	NA	NA
Administrative Fees	\$ 18,431,224	\$ 9,100,000	\$ 2,600,000	\$ 4,300,000	\$ 800,000	\$ 1,100,000	\$ 60,000	\$ 60,000	\$ 120,000	\$ 120,000
Total Cost	\$ 732,429,245	\$ 407,100,000	\$ 101,400,000	\$ 99,600,000	\$ 27,200,000	\$ 85,500,000	\$ 2,450,000	\$ 2,300,000	\$ 1,540,000	\$ 2,220,000
Total Premium	\$ 739,529,245	\$ 405,300,000	\$ 107,000,000	\$ 104,500,000	\$ 24,800,000	\$ 86,300,000	\$ 2,450,000	\$ 2,300,000	\$ 1,540,000	\$ 2,220,000
Gain (Loss)	\$ 7,100,000	\$ (1,800,000)	\$ 5,600,000	\$ 4,900,000	\$ (2,400,000)	\$ 800,000	\$ -	\$ -	\$ -	\$ -
Retirees										
Average Medical Subscribers	23,228	14,914	4,091	3,022	853	NA	93	93	93	NA
Incurred Medical claims	\$ 213,420,000	\$ 131,400,000	\$ 36,900,000	\$ 32,100,000	\$ 10,500,000	NA	\$ 760,000	\$ 710,000	\$ 450,000	NA
Capitation	\$ 3,540,000	\$ 700,000	\$ 200,000	\$ 1,900,000	\$ 700,000	NA	\$ -	\$ -	\$ -	NA
Incurred Prescription Drug Claims	\$ 103,740,000	\$ 64,100,000	\$ 17,800,000	\$ 16,500,000	\$ 4,100,000	NA	\$ 360,000	\$ 370,000	\$ 220,000	NA
Prescription Drug Rebates	\$ (15,580,000)	\$ (9,900,000)	\$ (2,600,000)	\$ (2,300,000)	\$ (600,000)	NA	\$ (60,000)	\$ (60,000)	\$ (30,000)	NA
ERRP credits	\$ (16,040,000)	\$ (8,800,000)	\$ (2,800,000)	\$ (3,300,000)	\$ (900,000)	NA	\$ (50,000)	\$ (50,000)	\$ (50,000)	NA
Administrative Fees	\$ 8,720,000	\$ 5,400,000	\$ 1,500,000	\$ 1,200,000	\$ 500,000	NA	\$ 30,000	\$ 30,000	\$ 30,000	NA
Total Cost	\$ 297,800,000	\$ 182,900,000	\$ 51,000,000	\$ 46,100,000	\$ 14,300,000	NA	\$ 1,040,000	\$ 1,000,000	\$ 620,000	NA
Total Premium	\$ 302,600,000	\$ 186,800,000	\$ 51,700,000	\$ 47,000,000	\$ 13,600,000	NA	\$ 1,040,000	\$ 1,000,000	\$ 620,000	NA
Gain (Loss)	\$ 4,800,000	\$ 3,900,000	\$ 700,000	\$ 900,000	\$ (700,000)	NA	\$ -	\$ -	\$ -	NA



SHBP Plan Year 2012 Renewal Recommendation
Exhibit 4C– Plan Year 2012 Aggregate Costs (Page 2 of 2)

Plan Year 2012	Aetna New Plans				Cigna New Plans				Medco New Plans	
	Plan A	Plan B	HDHP 0.5	HDHP 1.5	Plan A	Plan B	HDHP 0.5	HDHP 1.5	Plan A	Plan B
Employees and Retirees										
Average Medical Subscribers	49	49	49	32	21	21	21	14	118	118
Incurred Medical claims	\$ 490,000	\$ 460,000	\$ 280,000	\$ 290,000	\$ 260,000	\$ 240,000	\$ 160,000	\$ 160,000	NA	NA
Capitation	\$ 40,000	\$ 40,000	\$ 30,000	\$ 30,000	\$ 30,000	\$ 20,000	\$ 10,000	\$ 20,000	NA	NA
Incurred Prescription Drug Claims	\$ 120,000	\$ 120,000	\$ 70,000	\$ 30,000	\$ 60,000	\$ 60,000	\$ 40,000	\$ 30,000	\$ 445,170	\$ 453,023
Prescription Drug Rebates	\$ (10,000)	\$ (10,000)	\$ (10,000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (54,605)	\$ (55,568)
ERRP credits	\$ (20,000)	\$ (20,000)	\$ (20,000)	NA	\$ (10,000)	\$ (10,000)	\$ (10,000)	NA	NA	NA
Administrative Fees	\$ 30,000	\$ 30,000	\$ 50,000	\$ 40,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 5,612	\$ 5,612
Total Cost	\$ 650,000	\$ 620,000	\$ 400,000	\$ 390,000	\$ 350,000	\$ 320,000	\$ 210,000	\$ 220,000	\$ 396,178	\$ 403,067
Total Premium	\$ 650,000	\$ 620,000	\$ 400,000	\$ 390,000	\$ 350,000	\$ 320,000	\$ 210,000	\$ 220,000	\$ 396,178	\$ 403,067
Gain (Loss)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employees										
Average Medical Subscribers	32	32	32	32	14	14	14	14	118	118
Incurred Medical claims	\$ 330,000	\$ 310,000	\$ 190,000	\$ 290,000	\$ 180,000	\$ 170,000	\$ 110,000	\$ 160,000	NA	NA
Capitation	\$ 30,000	\$ 30,000	\$ 20,000	\$ 30,000	\$ 20,000	\$ 20,000	\$ 10,000	\$ 20,000	NA	NA
Incurred Prescription Drug Claims	\$ 40,000	\$ 40,000	\$ 20,000	\$ 30,000	\$ 30,000	\$ 30,000	\$ 20,000	\$ 30,000	\$ 445,170	\$ 453,023
Prescription Drug Rebates	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (54,605)	\$ (55,568)
ERRP credits	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Administrative Fees	\$ 20,000	\$ 20,000	\$ 40,000	\$ 40,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 5,612	\$ 5,612
Total Cost	\$ 420,000	\$ 400,000	\$ 270,000	\$ 390,000	\$ 240,000	\$ 230,000	\$ 150,000	\$ 220,000	\$ 396,178	\$ 403,067
Total Premium	\$ 420,000	\$ 400,000	\$ 270,000	\$ 390,000	\$ 240,000	\$ 230,000	\$ 150,000	\$ 220,000	\$ 396,178	\$ 403,067
Gain (Loss)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Retirees										
Average Medical Subscribers	16	16	16	NA	7	7	7	NA	NA	NA
Incurred Medical claims	\$ 160,000	\$ 150,000	\$ 90,000	NA	\$ 80,000	\$ 70,000	\$ 50,000	NA	NA	NA
Capitation	\$ 10,000	\$ 10,000	\$ 10,000	NA	\$ 10,000	\$ -	\$ -	NA	NA	NA
Incurred Prescription Drug Claims	\$ 80,000	\$ 80,000	\$ 50,000	NA	\$ 30,000	\$ 30,000	\$ 20,000	NA	NA	NA
Prescription Drug Rebates	\$ (10,000)	\$ (10,000)	\$ (10,000)	NA	\$ -	\$ -	\$ -	NA	NA	NA
ERRP credits	\$ (20,000)	\$ (20,000)	\$ (20,000)	NA	\$ (10,000)	\$ (10,000)	\$ (10,000)	NA	NA	NA
Administrative Fees	\$ 10,000	\$ 10,000	\$ 10,000	NA	\$ -	\$ -	\$ -	NA	NA	NA
Total Cost	\$ 230,000	\$ 220,000	\$ 130,000	NA	\$ 110,000	\$ 90,000	\$ 60,000	NA	NA	NA
Total Premium	\$ 230,000	\$ 220,000	\$ 130,000	NA	\$ 110,000	\$ 90,000	\$ 60,000	NA	NA	NA
Gain (Loss)	\$ -	\$ -	\$ -	NA	\$ -	\$ -	\$ -	NA	NA	NA



SHBP Plan Year 2012 Renewal Recommendation

Exhibit 5A – Active Premiums

Plan Year 2012 Monthly Active Premiums

	Current Plans				
	NJ DIRECT10	NJ DIRECT15	Aetna \$10	Cigna \$10	Rx Card
State Rx Card	Medical Coverage Only				
Single	\$621.15	\$591.50	\$598.95	\$602.26	\$170.40
Member+Spouse	\$1,242.30	\$1,183.00	\$1,197.90	\$1,204.52	\$340.80
Family	\$1,552.88	\$1,478.75	\$1,497.38	\$1,505.65	\$426.00
Parent+Child(ren)	\$919.30	\$875.42	\$886.45	\$891.34	\$252.19
Adult Child Rate	\$304.12	\$289.60	\$293.25	\$294.87	\$83.43
Medical and Rx	Rx Coverage with Medical Coverage				
Single	\$745.40	\$709.80	\$760.67	\$764.88	
Member+Spouse	\$1,490.80	\$1,419.60	\$1,521.34	\$1,529.76	
Family	\$1,863.50	\$1,774.50	\$1,901.68	\$1,912.20	
Parent+Child(ren)	\$1,103.19	\$1,050.50	\$1,125.79	\$1,132.02	
Adult Child Rate	\$364.95	\$347.52	\$372.42	\$374.49	

	New Plans			
	Horizon	Aetna	Cigna	Rx
Plan A	Medical Coverage Only			
Single	\$573.78	\$552.50	\$555.55	\$154.55
Member+Spouse	\$1,147.56	\$1,105.00	\$1,111.11	\$309.11
Family	\$1,434.46	\$1,381.26	\$1,388.89	\$386.38
Parent+Child(ren)	\$849.20	\$817.71	\$822.22	\$228.74
Adult Child Rate	\$280.93	\$270.51	\$272.00	\$75.67
Plan B	Medical Coverage Only			
Single	\$539.34	\$520.07	\$522.94	\$157.28
Member+Spouse	\$1,078.69	\$1,040.14	\$1,045.88	\$314.56
Family	\$1,348.37	\$1,300.18	\$1,307.36	\$393.20
Parent+Child(ren)	\$798.23	\$769.70	\$773.95	\$232.77
Adult Child Rate	\$264.07	\$254.63	\$256.04	\$77.01
HDHP 0.5	Rx Coverage with Medical Coverage			
Single	\$435.18	\$422.98	\$424.80	
Member+Spouse	\$870.37	\$845.96	\$849.60	
Family	\$1,087.96	\$1,057.45	\$1,062.00	
Parent+Child(ren)	\$644.07	\$626.01	\$628.70	
Adult Child Rate	\$213.07	\$207.09	\$207.98	
HDHP 1.5	Rx Coverage with Medical Coverage			
Single	\$645.43	\$627.33	\$630.03	
Member+Spouse	\$1,290.86	\$1,254.66	\$1,260.06	
Family	\$1,613.59	\$1,568.33	\$1,575.07	
Parent+Child(ren)	\$955.24	\$928.45	\$932.44	
Adult Child Rate	\$316.01	\$307.15	\$308.47	



**SHBP Plan Year 2012 Renewal Recommendation
Exhibit 5B – Active Premiums**

Plan Year 2012 Annual Active Premiums

	Current Plans				Rx Card
	NJ DIRECT10	NJ DIRECT15	Aetna \$10	Cigna \$10	
State Rx Card	Medical Coverage Only				
Single	\$7,453.80	\$7,098.00	\$7,187.40	\$7,227.12	\$2,044.80
Member+Spouse	\$14,907.60	\$14,196.00	\$14,374.80	\$14,454.24	\$4,089.60
Family	\$18,634.56	\$17,745.00	\$17,968.56	\$18,067.80	\$5,112.00
Parent+Child(ren)	\$11,031.60	\$10,505.04	\$10,637.40	\$10,696.08	\$3,026.28
Adult Child Rate	\$3,649.44	\$3,475.20	\$3,519.00	\$3,538.44	\$1,001.16
Medical and Rx	Rx Coverage with Medical Coverage				
Single	\$8,944.80	\$8,517.60	\$9,128.04	\$9,178.56	
Member+Spouse	\$17,889.60	\$17,035.20	\$18,256.08	\$18,357.12	
Family	\$22,362.00	\$21,294.00	\$22,820.16	\$22,946.40	
Parent+Child(ren)	\$13,238.28	\$12,606.00	\$13,509.48	\$13,584.24	
Adult Child Rate	\$4,379.40	\$4,170.24	\$4,469.04	\$4,493.88	
	New Plans				Rx
	Horizon	Aetna	Cigna		
Plan A	Medical Coverage Only				
Single	\$6,885.36	\$6,630.00	\$6,666.60		\$1,854.60
Member+Spouse	\$13,770.72	\$13,260.00	\$13,333.32		\$3,709.32
Family	\$17,213.52	\$16,575.12	\$16,666.68		\$4,636.56
Parent+Child(ren)	\$10,190.40	\$9,812.52	\$9,866.64		\$2,744.88
Adult Child Rate	\$3,371.16	\$3,246.12	\$3,264.00		\$908.04
Plan B	Medical Coverage Only				
Single	\$6,472.08	\$6,240.84	\$6,275.28		\$1,887.36
Member+Spouse	\$12,944.28	\$12,481.68	\$12,550.56		\$3,774.72
Family	\$16,180.44	\$15,602.16	\$15,688.32		\$4,718.40
Parent+Child(ren)	\$9,578.76	\$9,236.40	\$9,287.40		\$2,793.24
Adult Child Rate	\$3,168.84	\$3,055.56	\$3,072.48		\$924.12
HDHP 0.5	Rx Coverage with Medical Coverage				
Single	\$5,222.16	\$5,075.76	\$5,097.60		
Member+Spouse	\$10,444.44	\$10,151.52	\$10,195.20		
Family	\$13,055.52	\$12,689.40	\$12,744.00		
Parent+Child(ren)	\$7,728.84	\$7,512.12	\$7,544.40		
Adult Child Rate	\$2,556.84	\$2,485.08	\$2,495.76		
HDHP 1.5	Rx Coverage with Medical Coverage				
Single	\$7,745.16	\$7,527.96	\$7,560.36		
Member+Spouse	\$15,490.32	\$15,055.92	\$15,120.72		
Family	\$19,363.08	\$18,819.96	\$18,900.84		
Parent+Child(ren)	\$11,462.88	\$11,141.40	\$11,189.28		
Adult Child Rate	\$3,792.12	\$3,685.80	\$3,701.64		



SHBP Plan Year 2012 Renewal Recommendation

Exhibit 5C – Retiree Premiums (Page 1 of 4)

Plan Year 2012 Monthly Retiree Premiums

	Current Plans			
	NJ DIRECT10	NJ DIRECT15	Aetna	CIGNA
<u>Total Premium</u>				
Single - 0 Medicare	\$954.24	\$908.96	\$859.00	\$864.07
Single - 1 Medicare	\$445.41	\$424.27	\$487.00	\$489.50
Mem+Spouse - 0 Medicare	\$2,080.31	\$1,981.53	\$1,873.00	\$1,883.70
Mem+Spouse - 1 Medicare	\$1,399.66	\$1,333.23	\$1,346.00	\$1,353.56
Mem+Spouse - 2 Medicare	\$890.83	\$848.53	\$974.00	\$978.99
Family - 0 Medicare	\$2,366.58	\$2,254.21	\$2,131.00	\$2,142.92
Family - 1 Medicare	\$1,685.93	\$1,605.91	\$1,604.00	\$1,612.77
Family - 2 Medicare	\$1,155.08	\$1,100.22	\$1,212.00	\$1,218.26
Parent+Ch - 0 Medicare	\$1,335.96	\$1,272.55	\$1,203.00	\$1,209.72
Parent+Ch - 1 Medicare	\$705.23	\$671.75	\$714.00	\$717.92
<u>Medical Premium</u>				
Single - 0 Medicare	\$758.63	\$713.35	\$680.48	\$685.55
Single - 1 Medicare	\$211.28	\$190.14	\$217.43	\$219.93
Mem+Spouse - 0 Medicare	\$1,653.84	\$1,555.06	\$1,483.43	\$1,494.13
Mem+Spouse - 1 Medicare	\$969.91	\$903.48	\$897.91	\$905.47
Mem+Spouse - 2 Medicare	\$422.57	\$380.27	\$434.88	\$439.87
Family - 0 Medicare	\$1,881.43	\$1,769.06	\$1,687.58	\$1,699.50
Family - 1 Medicare	\$1,197.50	\$1,117.48	\$1,102.06	\$1,110.83
Family - 2 Medicare	\$547.92	\$493.06	\$541.13	\$547.39
Parent+Ch - 0 Medicare	\$1,062.08	\$998.67	\$952.68	\$959.40
Parent+Ch - 1 Medicare	\$334.53	\$301.05	\$318.91	\$322.83
<u>Rx Premium</u>				
Single - 0 Medicare	\$195.61	\$195.61	\$178.52	\$178.52
Single - 1 Medicare	\$234.13	\$234.13	\$269.57	\$269.57
Mem+Spouse - 0 Medicare	\$426.47	\$426.47	\$389.57	\$389.57
Mem+Spouse - 1 Medicare	\$429.75	\$429.75	\$448.09	\$448.09
Mem+Spouse - 2 Medicare	\$468.26	\$468.26	\$539.12	\$539.12
Family - 0 Medicare	\$485.15	\$485.15	\$443.42	\$443.42
Family - 1 Medicare	\$488.43	\$488.43	\$501.94	\$501.94
Family - 2 Medicare	\$607.16	\$607.16	\$670.87	\$670.87
Parent+Ch - 0 Medicare	\$273.88	\$273.88	\$250.32	\$250.32
Parent+Ch - 1 Medicare	\$370.70	\$370.70	\$395.09	\$395.09



SHBP Plan Year 2012 Renewal Recommendation

Exhibit 5C – Retiree Premiums (Page 2 of 4)

Plan Year 2012 Monthly Retiree Premiums

	Plan A		
	Horizon	Aetna	CIGNA
<u>Total Premium</u>			
Single - 0 Medicare	\$870.90	\$790.51	\$795.00
Single - 1 Medicare	\$398.25	\$445.68	\$448.08
Mem+Spouse - 0 Medicare	\$1,898.56	\$1,723.30	\$1,733.13
Mem+Spouse - 1 Medicare	\$1,269.15	\$1,236.20	\$1,243.08
Mem+Spouse - 2 Medicare	\$796.49	\$891.38	\$896.16
Family - 0 Medicare	\$2,159.82	\$1,960.46	\$1,971.63
Family - 1 Medicare	\$1,530.41	\$1,473.35	\$1,481.57
Family - 2 Medicare	\$1,032.74	\$1,109.18	\$1,115.18
Parent+Ch - 0 Medicare	\$1,219.27	\$1,106.72	\$1,113.02
Parent+Ch - 1 Medicare	\$630.55	\$653.67	\$657.18
<u>Medical Premium</u>			
Single - 0 Medicare	\$681.34	\$600.95	\$605.44
Single - 1 Medicare	\$171.36	\$218.79	\$221.19
Mem+Spouse - 0 Medicare	\$1,485.28	\$1,310.02	\$1,319.85
Mem+Spouse - 1 Medicare	\$852.69	\$819.74	\$826.62
Mem+Spouse - 2 Medicare	\$342.71	\$437.60	\$442.38
Family - 0 Medicare	\$1,689.68	\$1,490.32	\$1,501.49
Family - 1 Medicare	\$1,057.09	\$1,000.03	\$1,008.25
Family - 2 Medicare	\$444.36	\$520.80	\$526.80
Parent+Ch - 0 Medicare	\$953.86	\$841.31	\$847.61
Parent+Ch - 1 Medicare	\$271.32	\$294.44	\$297.95
<u>Rx Premium</u>			
Single - 0 Medicare	\$189.56	\$189.56	\$189.56
Single - 1 Medicare	\$226.89	\$226.89	\$226.89
Mem+Spouse - 0 Medicare	\$413.28	\$413.28	\$413.28
Mem+Spouse - 1 Medicare	\$416.46	\$416.46	\$416.46
Mem+Spouse - 2 Medicare	\$453.78	\$453.78	\$453.78
Family - 0 Medicare	\$470.14	\$470.14	\$470.14
Family - 1 Medicare	\$473.32	\$473.32	\$473.32
Family - 2 Medicare	\$588.38	\$588.38	\$588.38
Parent+Ch - 0 Medicare	\$265.41	\$265.41	\$265.41
Parent+Ch - 1 Medicare	\$359.23	\$359.23	\$359.23



SHBP Plan Year 2012 Renewal Recommendation

Exhibit 5C – Retiree Premiums (Page 3 of 4)

Plan Year 2012 Monthly Retiree Premiums

	Plan B		
	Horizon	Aetna	CIGNA
<u>Total Premium</u>			
Single - 0 Medicare	\$832.54	\$755.59	\$759.88
Single - 1 Medicare	\$389.74	\$435.77	\$438.11
Mem+Spouse - 0 Medicare	\$1,814.92	\$1,647.17	\$1,656.56
Mem+Spouse - 1 Medicare	\$1,222.28	\$1,191.36	\$1,197.98
Mem+Spouse - 2 Medicare	\$779.47	\$871.54	\$876.22
Family - 0 Medicare	\$2,064.68	\$1,873.85	\$1,884.53
Family - 1 Medicare	\$1,472.03	\$1,418.04	\$1,425.94
Family - 2 Medicare	\$1,010.68	\$1,084.50	\$1,090.37
Parent+Ch - 0 Medicare	\$1,165.56	\$1,057.83	\$1,063.85
Parent+Ch - 1 Medicare	\$617.08	\$639.12	\$642.55
<u>Medical Premium</u>			
Single - 0 Medicare	\$641.18	\$564.23	\$568.52
Single - 1 Medicare	\$160.69	\$206.72	\$209.06
Mem+Spouse - 0 Medicare	\$1,397.71	\$1,229.96	\$1,239.35
Mem+Spouse - 1 Medicare	\$801.86	\$770.94	\$777.56
Mem+Spouse - 2 Medicare	\$321.38	\$413.45	\$418.13
Family - 0 Medicare	\$1,590.07	\$1,399.24	\$1,409.92
Family - 1 Medicare	\$994.21	\$940.22	\$948.12
Family - 2 Medicare	\$416.70	\$490.52	\$496.39
Parent+Ch - 0 Medicare	\$897.63	\$789.90	\$795.92
Parent+Ch - 1 Medicare	\$254.43	\$276.47	\$279.90
<u>Rx Premium</u>			
Single - 0 Medicare	\$191.36	\$191.36	\$191.36
Single - 1 Medicare	\$229.05	\$229.05	\$229.05
Mem+Spouse - 0 Medicare	\$417.21	\$417.21	\$417.21
Mem+Spouse - 1 Medicare	\$420.42	\$420.42	\$420.42
Mem+Spouse - 2 Medicare	\$458.09	\$458.09	\$458.09
Family - 0 Medicare	\$474.61	\$474.61	\$474.61
Family - 1 Medicare	\$477.82	\$477.82	\$477.82
Family - 2 Medicare	\$593.98	\$593.98	\$593.98
Parent+Ch - 0 Medicare	\$267.93	\$267.93	\$267.93
Parent+Ch - 1 Medicare	\$362.65	\$362.65	\$362.65



**SHBP Plan Year 2012 Renewal Recommendation
Exhibit 5C – Retiree Premiums (Page 4 of 4)**

Plan Year 2012 Monthly Retiree Premiums

	HDHP 0.5		
	Horizon	Aetna	CIGNA
<u>Total Premium</u>			
Single - 0 Medicare	\$562.80	\$506.74	\$509.62
Mem+Spouse - 0 Medicare	\$1,226.90	\$1,104.68	\$1,110.98
Family - 0 Medicare	\$1,395.74	\$1,256.71	\$1,263.87
Parent+Ch - 0 Medicare	\$787.92	\$709.44	\$713.48



SHBP Plan Year 2012 Renewal Recommendation

Exhibit 5D – Retiree Premiums (Page 1 of 4)

Plan Year 2012 Annual Retiree Premiums

	Current Plans			
	NJ DIRECT10	NJ DIRECT15	Aetna	CIGNA
<u>Total Premium</u>				
Single - 0 Medicare	\$11,450.88	\$10,907.52	\$10,308.00	\$10,368.84
Single - 1 Medicare	\$5,344.92	\$5,091.24	\$5,844.00	\$5,874.00
Mem+Spouse - 0 Medicare	\$24,963.72	\$23,778.36	\$22,476.00	\$22,604.40
Mem+Spouse - 1 Medicare	\$16,795.92	\$15,998.76	\$16,152.00	\$16,242.72
Mem+Spouse - 2 Medicare	\$10,689.96	\$10,182.36	\$11,688.00	\$11,747.88
Family - 0 Medicare	\$28,398.96	\$27,050.52	\$25,572.00	\$25,715.04
Family - 1 Medicare	\$20,231.16	\$19,270.92	\$19,248.00	\$19,353.24
Family - 2 Medicare	\$13,860.96	\$13,202.64	\$14,544.00	\$14,619.12
Parent+Ch - 0 Medicare	\$16,031.52	\$15,270.60	\$14,436.00	\$14,516.64
Parent+Ch - 1 Medicare	\$8,462.76	\$8,061.00	\$8,568.00	\$8,615.04
<u>Medical Premium</u>				
Single - 0 Medicare	\$9,103.56	\$8,560.20	\$8,165.76	\$8,226.60
Single - 1 Medicare	\$2,535.36	\$2,281.68	\$2,609.16	\$2,639.16
Mem+Spouse - 0 Medicare	\$19,846.08	\$18,660.72	\$17,801.16	\$17,929.56
Mem+Spouse - 1 Medicare	\$11,638.92	\$10,841.76	\$10,774.92	\$10,865.64
Mem+Spouse - 2 Medicare	\$5,070.84	\$4,563.24	\$5,218.56	\$5,278.44
Family - 0 Medicare	\$22,577.16	\$21,228.72	\$20,250.96	\$20,394.00
Family - 1 Medicare	\$14,370.00	\$13,409.76	\$13,224.72	\$13,329.96
Family - 2 Medicare	\$6,575.04	\$5,916.72	\$6,493.56	\$6,568.68
Parent+Ch - 0 Medicare	\$12,744.96	\$11,984.04	\$11,432.16	\$11,512.80
Parent+Ch - 1 Medicare	\$4,014.36	\$3,612.60	\$3,826.92	\$3,873.96
<u>Rx Premium</u>				
Single - 0 Medicare	\$2,347.32	\$2,347.32	\$2,142.24	\$2,142.24
Single - 1 Medicare	\$2,809.56	\$2,809.56	\$3,234.84	\$3,234.84
Mem+Spouse - 0 Medicare	\$5,117.64	\$5,117.64	\$4,674.84	\$4,674.84
Mem+Spouse - 1 Medicare	\$5,157.00	\$5,157.00	\$5,377.08	\$5,377.08
Mem+Spouse - 2 Medicare	\$5,619.12	\$5,619.12	\$6,469.44	\$6,469.44
Family - 0 Medicare	\$5,821.80	\$5,821.80	\$5,321.04	\$5,321.04
Family - 1 Medicare	\$5,861.16	\$5,861.16	\$6,023.28	\$6,023.28
Family - 2 Medicare	\$7,285.92	\$7,285.92	\$8,050.44	\$8,050.44
Parent+Ch - 0 Medicare	\$3,286.56	\$3,286.56	\$3,003.84	\$3,003.84
Parent+Ch - 1 Medicare	\$4,448.40	\$4,448.40	\$4,741.08	\$4,741.08



SHBP Plan Year 2012 Renewal Recommendation

Exhibit 5D – Retiree Premiums (Page 2 of 4)

Plan Year 2012 Annual Retiree Premiums

	Plan A		
	Horizon	Aetna	CIGNA
Total Premium			
Single - 0 Medicare	\$10,450.80	\$9,486.12	\$9,540.00
Single - 1 Medicare	\$4,779.00	\$5,348.16	\$5,376.96
Mem+Spouse - 0 Medicare	\$22,782.72	\$20,679.60	\$20,797.56
Mem+Spouse - 1 Medicare	\$15,229.80	\$14,834.40	\$14,916.96
Mem+Spouse - 2 Medicare	\$9,557.88	\$10,696.56	\$10,753.92
Family - 0 Medicare	\$25,917.84	\$23,525.52	\$23,659.56
Family - 1 Medicare	\$18,364.92	\$17,680.20	\$17,778.84
Family - 2 Medicare	\$12,392.88	\$13,310.16	\$13,382.16
Parent+Ch - 0 Medicare	\$14,631.24	\$13,280.64	\$13,356.24
Parent+Ch - 1 Medicare	\$7,566.60	\$7,844.04	\$7,886.16
Medical Premium			
Single - 0 Medicare	\$8,176.08	\$7,211.40	\$7,265.28
Single - 1 Medicare	\$2,056.32	\$2,625.48	\$2,654.28
Mem+Spouse - 0 Medicare	\$17,823.36	\$15,720.24	\$15,838.20
Mem+Spouse - 1 Medicare	\$10,232.28	\$9,836.88	\$9,919.44
Mem+Spouse - 2 Medicare	\$4,112.52	\$5,251.20	\$5,308.56
Family - 0 Medicare	\$20,276.16	\$17,883.84	\$18,017.88
Family - 1 Medicare	\$12,685.08	\$12,000.36	\$12,099.00
Family - 2 Medicare	\$5,332.32	\$6,249.60	\$6,321.60
Parent+Ch - 0 Medicare	\$11,446.32	\$10,095.72	\$10,171.32
Parent+Ch - 1 Medicare	\$3,255.84	\$3,533.28	\$3,575.40
Rx Premium			
Single - 0 Medicare	\$2,274.72	\$2,274.72	\$2,274.72
Single - 1 Medicare	\$2,722.68	\$2,722.68	\$2,722.68
Mem+Spouse - 0 Medicare	\$4,959.36	\$4,959.36	\$4,959.36
Mem+Spouse - 1 Medicare	\$4,997.52	\$4,997.52	\$4,997.52
Mem+Spouse - 2 Medicare	\$5,445.36	\$5,445.36	\$5,445.36
Family - 0 Medicare	\$5,641.68	\$5,641.68	\$5,641.68
Family - 1 Medicare	\$5,679.84	\$5,679.84	\$5,679.84
Family - 2 Medicare	\$7,060.56	\$7,060.56	\$7,060.56
Parent+Ch - 0 Medicare	\$3,184.92	\$3,184.92	\$3,184.92
Parent+Ch - 1 Medicare	\$4,310.76	\$4,310.76	\$4,310.76



SHBP Plan Year 2012 Renewal Recommendation

Exhibit 5D – Retiree Premiums (Page 3 of 4)

Plan Year 2012 Annual Retiree Premiums

	Plan B		
	Horizon	Aetna	CIGNA
Total Premium			
Single - 0 Medicare	\$9,990.48	\$9,067.08	\$9,118.56
Single - 1 Medicare	\$4,676.88	\$5,229.24	\$5,257.32
Mem+Spouse - 0 Medicare	\$21,779.04	\$19,766.04	\$19,878.72
Mem+Spouse - 1 Medicare	\$14,667.36	\$14,296.32	\$14,375.76
Mem+Spouse - 2 Medicare	\$9,353.64	\$10,458.48	\$10,514.64
Family - 0 Medicare	\$24,776.16	\$22,486.20	\$22,614.36
Family - 1 Medicare	\$17,664.36	\$17,016.48	\$17,111.28
Family - 2 Medicare	\$12,128.16	\$13,014.00	\$13,084.44
Parent+Ch - 0 Medicare	\$13,986.72	\$12,693.96	\$12,766.20
Parent+Ch - 1 Medicare	\$7,404.96	\$7,669.44	\$7,710.60
Medical Premium			
Single - 0 Medicare	\$7,694.16	\$6,770.76	\$6,822.24
Single - 1 Medicare	\$1,928.28	\$2,480.64	\$2,508.72
Mem+Spouse - 0 Medicare	\$16,772.52	\$14,759.52	\$14,872.20
Mem+Spouse - 1 Medicare	\$9,622.32	\$9,251.28	\$9,330.72
Mem+Spouse - 2 Medicare	\$3,856.56	\$4,961.40	\$5,017.56
Family - 0 Medicare	\$19,080.84	\$16,790.88	\$16,919.04
Family - 1 Medicare	\$11,930.52	\$11,282.64	\$11,377.44
Family - 2 Medicare	\$5,000.40	\$5,886.24	\$5,956.68
Parent+Ch - 0 Medicare	\$10,771.56	\$9,478.80	\$9,551.04
Parent+Ch - 1 Medicare	\$3,053.16	\$3,317.64	\$3,358.80
Rx Premium			
Single - 0 Medicare	\$2,296.32	\$2,296.32	\$2,296.32
Single - 1 Medicare	\$2,748.60	\$2,748.60	\$2,748.60
Mem+Spouse - 0 Medicare	\$5,006.52	\$5,006.52	\$5,006.52
Mem+Spouse - 1 Medicare	\$5,045.04	\$5,045.04	\$5,045.04
Mem+Spouse - 2 Medicare	\$5,497.08	\$5,497.08	\$5,497.08
Family - 0 Medicare	\$5,695.32	\$5,695.32	\$5,695.32
Family - 1 Medicare	\$5,733.84	\$5,733.84	\$5,733.84
Family - 2 Medicare	\$7,127.76	\$7,127.76	\$7,127.76
Parent+Ch - 0 Medicare	\$3,215.16	\$3,215.16	\$3,215.16
Parent+Ch - 1 Medicare	\$4,351.80	\$4,351.80	\$4,351.80



**SHBP Plan Year 2012 Renewal Recommendation
Exhibit 5D – Retiree Premiums (Page 4 of 4)**

Plan Year 2012 Annual Retiree Premiums

	HDHP 0.5		
	Horizon	Aetna	CIGNA
<u>Total Premium</u>			
Single - 0 Medicare	\$6,753.60	\$6,080.88	\$6,115.44
Mem+Spouse - 0 Medicare	\$14,722.80	\$13,256.16	\$13,331.76
Family - 0 Medicare	\$16,748.88	\$15,080.52	\$15,166.44
Parent+Ch - 0 Medicare	\$9,455.04	\$8,513.28	\$8,561.76



SHBP Plan Year 2012 Renewal Recommendation

Exhibit 6 – Projection Assumptions

Benefit Design Changes

Medical Plans: The following current benefit plans will be offered: NJ DIRECT10, NJ DIRECT15, and two HMO plans. New benefit options to be offered in Plan Year 2012 are reflected in Exhibit 7.

Employee Prescription Drug Plan: Active employees will continue with their current Prescription Drug Plans: Local Employers can select the Prescription Drug Card Plan available under the SEHBP, which is administered by Medco, the Pharmacy Benefit Manager (PBM), or prescription drug coverage under the medical plan (which is also administered by Medco), or purchase prescription drug coverage from an outside vendor.

Retiree Prescription Drug Plans: Retiree copays and out-of-pocket maximums will be frozen at Plan Year 2011 levels, except that the Mail Generic copay for both NJ DIRECT and HMOs will be reduced to \$5:

	NJ Direct Copays		HMO Copays	
	2011	2012	2011	2012
Retail Generic Copay	\$10	\$10	\$6	\$6
Retail Preferred Brand Copay	\$22	\$22	\$12	\$12
Retail Non-Preferred Brand Copay	\$44	\$44	\$24	\$24
Mail Generic Copay	\$11	\$5	\$6	\$5
Mail Preferred Brand Copay	\$33	\$33	\$18	\$18
Mail Non-Preferred Brand Copay	\$55	\$55	\$30	\$30
Out-of-Pocket Maximum	\$1,351	\$1,351	\$1,351	\$1,351

The method for integrating with Medicare Part D will change from RDS to EGWP Plus Wrap.



Mandated Benefits: Plan Year 2011 projected medical claim costs were increased 0.5% to reflect the impact of no lifetime maximum.

Vendor Changes

Effective 1/1/2011, Mental Health claims under the NJ DIRECT plan changed from a fully-capitated program to a self-insured program.

Incurred Basis

Plan Year 2012 aggregate projected costs reflect incurred costs for claims and expenses.

Margin

Active premiums include a 1% margin and Retiree premiums include a 2% margin, since both groups have projected Claim Stabilization Reserves which are less than the target level of 2.0 months of Plan costs at the end of Plan Year 2012. The Retiree margin is larger because the projected Claim Stabilization Reserves for Retirees is less than 1.5 months of Plan Costs, while the Employee projected Reserve is greater than 1.5 months.

Administrative Expenses

Plan Year 2012 premiums will include projected costs for the following administrative expenses:

- ASO fees for each vendor,

- Overhead charges, which are the State of New Jersey administrative costs charged against the plans. The aggregate projected SHBP charge for the Local Government Employer Group is \$2 million, and
- Investment income credits of \$1 million.

Claim Costs

Plan Year 2012 claim costs will include projected charges/credits for the following claim expenses:

- Medical and prescription drug claims,
- Capitation charges,
- \$16 million for Early Retiree Reinsurance Program credits,
- \$32 million for prescription drug rebates, and
- \$12 million reduction in prescription drug costs to reflect the impact of EGWP Plus Wrap.

Enrollment Projections

Exhibit 1A reflects historical enrollment patterns among the benefit offerings from January 2009 through May 2011 and includes Aon Hewitt's projection of enrollment from June 2011 through December 2012. Aon Hewitt's Plan Year 2012 enrollment projections assume that Active enrollment will increase 3%, Early Retiree enrollment will increase 10% and Medicare enrollment will increase 6%.



Health Status Change

We are assuming no change to average health status, since total enrollment is growing and is expected to continue to grow.

Large Claims

Plan Year 2010 large claim experience is detailed in Exhibit 3. Claims over \$50,000 were pooled over the entire Local Government Employer Group. The impact of this adjustment was a 2% increase for NJ DIRECT10, a 4% decrease for NJ DIRECT15, a 3% decrease for Aetna and a 1% decrease for CIGNA.

Trend Rates

Exhibit 2A presents SHBP medical trend experience and Aon Hewitt's trend assumptions for Plan Year 2012. Exhibit 2B presents prescription drug trend experience and assumptions. These experience trends are based on claim trends in Plan Years 2009 and 2010, normalized for benefit and vendor changes. Exhibits 2A and 2B include the following columns:

Increase in Claims/Ee – This is the actual increase in claims per subscriber from the prior period.

Benefit + RFP Changes – This shows the impact of benefit changes and adjusts for savings that resulted from vendor changes.

Claim Trend – This is the increase in claim cost that would have occurred if there had been no change in benefits or vendors. It is the basis for determining future SHBP claims increases, since we make separate adjustments to trend for benefit and vendor changes. Claim trend is



calculated by subtracting the value of benefit changes from the actual increase in claims per subscriber.

The claim trends that we are recommending for the Plan Year 2012 renewal are:

	Medical	Prescription Drugs
NJ DIRECT Employee	8.5%	10.0%
NJ DIRECT Early Retiree	11.5%	12.0%
NJ DIRECT Medicare Retiree	5.0%	12.0%
Aetna HMO*	8.5%	10.0%
CIGNA HMO	8.5%	10.0%
Employee Prescription Drug Card	NA	10.0%

* Aetna Medicare Retiree medical premium increase is 7.9% for Plan Year 2012.

These recommended claim trends are included in Exhibits 2A and 2B, labeled "Aon Hewitt Trend Assumption".

Data Assumptions

Claims: For medical and prescription drug claims, we are using claim files from each of the vendors which have claims paid through March 31, 2011.

Enrollment: We receive quarterly census files from the Division of Pensions and Benefits and we are using this information to match against the claims tapes to determine enrollments for Active versus Retiree and State versus Local Employers. We have billing counts from the Division of Pensions and Benefits through May 2011, which we use for the exposure units in our cost analysis.



**SHBP PLAN YEAR 2012 RENEWAL RECOMMENDATIONS
EXHIBIT 7A – EMPLOYEE PLAN OPTION SUMMARY**

	Cur \$10 copay	Cur \$15 copay	Plan A Medical	Plan B Medical	HDHP 0.5	HDHP 1.5
Medical Cost Sharing						
Primary Care Copays	\$10	\$15	\$15	\$20	NA	NA
Specialist Care Copays	\$10	\$15	\$25	\$30 for adults/ \$20 children	NA	NA
Emergency Room Copay	\$25 PPO, \$35 HMO	\$50	\$75	\$125	NA	NA
In-Network Deductible**	NA	NA	NA	NA	\$4,000	\$1,500
In-Network Coinsurance	10% on ambulance, prosthetic devices, outpatient MHSA, DME	10% on ambulance, prosthetic devices, outpatient MHSA, DME	10% on ambulance, prosthetic devices, outpatient MHSA, DME	10% on ambulance, prosthetic devices, outpatient MHSA, DME	20% on all in-network charges	20% on all in-network charges
In-Network OOP Maximum**	\$400	\$400	\$400	\$800	\$1,000	\$1,000
OON* Deductible **	\$100	\$100	\$100	\$200	combined with in-net ded	combined with in-net ded
OON* Coinsurance**	20%	30%	30%	30%	40%	40%
OON* OOP maximum**	\$2,000	\$2,000	\$2,000	\$5,000	\$2,000	\$2,000
OON* Inpatient Hospital Deductible	\$200 per stay	\$200 per stay	\$200 per stay	\$500 per stay	NA	NA
Employer HSA Funding	NA	NA	NA	NA	\$0	\$300
Prescription Drug Copays***						
Retail Copayments Tier 1	\$3	\$3	\$7	\$3	subject to deductible and coinsurance	subject to deductible and coinsurance
Retail Copayments Tier 2	\$10	\$10	\$16	\$18		
Retail Copayments Tier 3	\$10	\$10	\$35	\$46		
Mail Copayments Tier 1	\$5	\$5	\$18	\$5		
Mail Copayments Tier 2	\$15	\$15	\$40	\$36		
Mail Copayments Tier 3	\$15	\$15	\$88	\$92		
OOP Maximum	none	none	none	none		

*HMO plans do not have OON benefits

**Maximum Family amounts are 2.5 x per member amounts listed in table.

***These copays apply to the State Prescription Drug Card. Local Employers can select this option, coverage with medical plan, or purchase their own drug coverage.



SHBP PLAN YEAR 2012 RENEWAL RECOMMENDATIONS
EXHIBIT 7B – RETIREE PLAN OPTION SUMMARY

	Cur \$10 copay	Cur \$15 copay	Plan A Medical	Plan B Medical	HDHP 0.5
Medical Cost Sharing					
Primary Care Copays	\$10	\$15	\$15	\$20	NA
Specialist Care Copays	\$10	\$15	\$25	\$30 for adults/ \$20 children	NA
Emergency Room Copay	\$25 PPO, \$35 HMO	\$50	\$75	\$125	NA
In-Network Deductible**	NA	NA	NA	NA	\$4,000
In-Network Coinsurance	10% on ambulance, prosthetic devices, outpatient MHSA, DME	10% on ambulance, prosthetic devices, outpatient MHSA, DME	10% on ambulance, prosthetic devices, outpatient MHSA, DME	10% on ambulance, prosthetic devices, outpatient MHSA, DME	20% on all in-network charges
In-Network OOP Maximum**	\$400	\$400	\$400	\$800	\$1,000
OON* Deductible **	\$100	\$100	\$100	\$200	combined with in-net ded
OON* Coinsurance**	20%	30%	30%	30%	40%
OON* OOP maximum**	\$2,000	\$2,000	\$2,000	\$5,000	\$2,000
OON* Inpatient Hospital Deductible	\$200 per stay	\$200 per stay	\$200 per stay	\$500 per stay	NA
Employer HSA Funding	NA	NA	NA	NA	\$0

Prescription Drug Copays		NJ DIR	HMOs	NJ DIR	HMOs	NJ DIR and HMOs	NJ DIR and HMOs	subject to deductible and coinsurance
Retail Copayments	Tier 1	\$10	\$6	\$10	\$6	\$7	\$3	
Retail Copayments	Tier 2	\$22	\$12	\$22	\$12	\$16	\$18	
Retail Copayments	Tier 3	\$44	\$24	\$44	\$24	\$35	\$46	
Mail Copayments	Tier 1	\$5	\$5	\$5	\$5	\$5	\$5	
Mail Copayments	Tier 2	\$33	\$18	\$33	\$18	\$40	\$36	
Mail Copayments	Tier 3	\$55	\$30	\$55	\$30	\$88	\$92	
OOP Maximum		\$1,351	\$1,351	\$1,351	\$1,351	none	none	

*HMO plans do not have OON benefits

**Maximum Family amounts are 2.5 x per member amounts listed in table.

SHBP PLAN YEAR 2012 Renewal Recommendations

Exhibit 8 – Other Possible Benefit Changes for Consideration by the Plan Design Committee

Each of these possible benefit changes would reduce projected costs a minimum of 1%. While many of these possible benefit changes are addressed to some degree by the new benefit options summarized in Exhibit 7, the bulk of the SHBP Local Government Group enrollment for the near future is likely to remain in NJ DIRECT10 and the \$15 copay HMOs. Therefore, these suggestions are still appropriate for what is anticipated to be the majority of the SHBP Local Government Group enrollment for the near future.

- Increase Emergency Room Copays to \$125 – The current ER copays of \$25 to \$50 are ineffective as disincentives for inappropriate use of hospital emergency rooms, thereby unnecessarily raising Plan costs. Most employer health benefit plans have Emergency Room copays of \$100 to \$125.
- Increase the physician office-visit copays for all plans (Horizon and HMOs) by at least \$5. SHBP physician office-visit copays have not changed in several years, remain low by industry standards (\$20 to \$25 are more common), and should be increased to a more reasonable and competitive level.
- Implement a two-tier physician copay structure, for primary-care physicians and specialists. The specialist copay should be \$10 to \$15 greater than the primary-care physician copay. A common approach, this would more accurately reflect consistent cost-sharing between primary and specialist care.

- Increase the NJ Direct Out-Of-Pocket (OOP) Maximums, In-Network from \$400 to \$800 and Out-Of-Network from \$2,000 to \$5,000. When SHBP members reach their OOP maximum, their demand for services increases significantly. Additionally, the higher Out-Of-Network, OOP maximum would encourage greater In-Network utilization, which reduces total plan costs (since In-Network discounts reduce total costs by more than 50% in the aggregate).

- Increase the Employee Prescription Drug copays to match Retiree copays – Employee copays are much lower than Retiree copays (\$3/\$10/\$10 for Retail compared to \$10/\$22/\$44 for Retiree retail). The low copays do not incent employees to utilize generic drugs, which are generally significantly lower in cost than brand drugs. Additionally:
 - Increase mail-service copays to a level 2.5 times that of retail, resulting in mail-service copays of \$25/\$55/\$110;
 - Eliminate the current OOP Maximum for prescription drugs, and
 - Institute Mandatory Generic Prescription Drug coverage, whereby the employee is required to pay the difference in cost between a Brand and Generic prescription, unless the physician requires the Brand drug. The average Generic prescription is approximately 20% of the cost of a Brand prescription.

- Increase the Out-Of-Network, In-Patient Hospital Deductible from the current \$200 to \$500. Similar to the suggestion above for the NJ DIRECT Out-Of-Network OOP maximum, this encourages greater use of In-Network hospitals, which reduces plan costs.
- Index, on an annual basis, all copays and OOP maximums to the increase in year-over-year plan costs, similar to the process currently in effect for Retiree Rx copays and OOP maximums. This will maintain a proper balance in the employees'/retirees' share of the plan costs over the years.
- Decrease the Out-Of-Network determination of Reasonable and Customary from the 90th to the 80th percentile of charges, or a similar type of adjustment.
- Impose a limit of 30 visits annually for Physical Therapy, Occupational Therapy, and Speech Therapy. There currently is no limit on the frequency of these types of services.
- Develop a comprehensive Wellness Program, with related Health Risk Assessments, weight/exercise/nutrition programs, smoking cessation, stress management, and other programs, with financial incentives for employee participation. Research has demonstrated that typically two-thirds of a health benefits plan's costs are produced by one-third of the population who have either lifestyle risks (e.g., smoking, obesity, and lack of exercise) or chronic health conditions (e.g., diabetes, heart disease, and back pain). These same chronic conditions are among the top ten conditions driving costs related to

absenteeism and disability. A wellness program that provides financial incentives for employees to modify behaviors would improve the underlying risk driving the health care costs of the SHBP.

- Carve Out Mental Health/Substance Abuse (MH/SA) – Similar to the carve out of prescription drugs to Medco in 2010 – which reduced Plan Year 2010 Rx costs by approximately 8% -- Aon Hewitt believes that consolidating the behavioral care component of the SHBP would reduce plan costs and provide for more uniform treatment of behavioral care conditions throughout the program.