State Health Benefits Commission
Meeting Minutes
July 11, 2018; 1:00 PM

Adequate notice of this meeting was provided through the annual notice of the schedule of regular meetings of the Commission filed with and prominently posted in the offices of the Secretary of State. The annual meeting notice was mailed to the Secretary of State, Star Ledger and the Trenton Times on January 3, 2018.

The meeting of the State Health Benefits Commission of New Jersey was called to order on Wednesday, July 11, 2018 at 1:00 PM. The meeting was held at the Division of Pensions and Benefits, 50 West State Street in Trenton.

The text of Resolution A (Closed Session) and Resolution B (Executive Session) were read in their entirety in the event that the Commission desires, at any point in the meeting, to approve a motion to go into closed or executive session.

Mark Cipriano took Roll Call and established that a quorum was present.

Roll Call

Commissioners:

Susanne Culliton, Commissioner, representing State Treasurer Elizabeth Maher Muoio
Don Henson, Representing Acting Commissioner of the Dept. of Banking and Insurance, Marlene Caride
Dudley Burdge, Representative for Local Government Employees
Deirdre Webster-Cobb, CEO, Civil Service Commission
Debra Davis, Representative for State Government Employees

Also Present:

Mark Cipriano, New Jersey Division of Pensions and Benefits
Joseph Palladino, New Jersey Division of Pensions and Benefits
Nicole Ludwig, New Jersey Division of Pensions and Benefits
David Pointer, New Jersey Division of Pensions and Benefits
Danielle Schimmel, Deputy Attorney General
Alex Jaloway, Aon
Mary Reilly, Aon

Rate Renewals

Alex Jaloway and Mary Reilly of Aon made the following presentation to the New Jersey State Health Benefits Commission State Health Benefits Program (SHBP) regarding Plan Year 2019 Medical/Rx Rate Renewal recommendations for the State Group:

- For the State Group in Plan Year 2019, Aon is recommending a 5.4% increase for Active Employees, an 8.2% increase for Early Retirees, and a 14.8% decrease for Medicare Retirees.

    - In aggregate, the recommended rate actions represent an overall rate increase for the State Group of 3.2%, approximately 5 percentage points higher than the Plan Year 2018 Renewal rate decrease of 1.5%.

    - The following chart provides the recommended premium rates changes by plan type:

	Active Employees	**Early Retirees**	**Medicare Retirees**
Medical PPO	6.2%	7.5%	(8.8%)
Medical HMO	6.2%	7.5%	5.5%
Tiered Network Medical	4.9%	N/A	N/A
Prescription Drug PPO	2.7%	11.0%	(20.0%)
Prescription Drug HMO	2.7%	11.0%	(20.0%)
Tiered Network Rx	0.0%	N/A	N/A
Total	**5.4%**	**8.2%**	**(14.8%)**

The Plan Year 2019 Renewal assumes the following:

- For Plan Year 2019, actual experience is considered to develop a recommended separate rate increase for the Tiered Network plans. With two years of full claim experience, the Tiered Network plan premium increases reflect 5% actual Tiered Network experience but will continue to be based primarily on the NJ DIRECT15 premium rates. The recommended Tiered Network increases shown above will reflect a blend of actual experience and the theoretical pricing relative values that were used in the initial rate development for the Tiered Network plans for State Actives.

- Active Employee enrollment is projected to remain flat in Plan Year 2018 and Plan Year 2019. Early Retiree enrollment is projected to decrease 3.0% in Plan Year 2018 and Plan Year 2019. Medicare Retiree enrollment is projected to increase 2.5% in Plan Year 2018 and 3.5% in Plan Year 2019.

- Plan Year 2019 enrollment projections assume that 0.5% of the enrollment in the NJ DIRECT15 plan will migrate to lower-cost plans.

- The impacts of the following benefit and plan design changes are reflected in the Plan Year 2019 Renewal:

    - Effective January 1, 2019, a State mandate will remove member cost-sharing for 3-D mammography screenings when the screening is routine for members ages 40 years or older. This mandate is estimated to increase non-Medicare medical claims by approximately 0.1% annually.

    - Effective March 15, 2018, existing State legislation was amended to require all health insurance/medical providers to cover female contraceptive drugs and devices in the same way other prescription drugs are covered. This legislation is not expected to materially impact the SHBP.

    - The SHBP Plan Design Committee approved several plan changes for Plan Year 2017 that were reaffirmed for both Plan Year 2018 and Plan Year 2019. These changes include an out- of-network reimbursement change for physical therapy services in the PPO plans, mandatory generic for prescription drugs, and a prescription drug copay change.

    - The Plan Design Committee has not yet reaffirmed the alternative prescription drug formulary for Plan Year 2019. The Plan Year 2019 Renewal projections assume that the prescription drug formulary currently in place for Plan Year 2018 will continue for Plan Year 2019.

    - The SHBP Plan Design Committee approved a Tiered Network incentive for Plan Year 2019. The amounts of the Tiered Network incentive are assumed to remain unchanged from the incentive amounts that were provided during Plan Year 2018 open enrollment. The Plan Year 2019 enrollment projections assume an additional 1% of State Active enrollment in the Aetna and Horizon PPO15 plans will migrate to the Tiered Network Plans in Plan Year 2019.

    - No changes to the current self-insured or fully-insured medical and prescription drug vendor contracts are assumed.

    - 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. On January 22, 2018, Congress passed and the President signed a spending bill which places a moratorium on this tax for Plan Year 2019. Aon's projections assume that the HIF will not be reinstated for Plan Year 2019 for the SHBP's fully-insured plans.

    - In-network out-of-pocket maximums for medical and prescription drug benefits

combined will be no greater than $7,900 Single / $15,800 Family combined. The SHBP will have separate medical and prescription drug out-of-pocket maximums, except for the high-deductible plans which have integrated 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 following:

    - Recommended trends are developed by incorporating actual SHBP plan experience (adjusted for expectations of future cost increases) along with medical and prescription drug vendor trend recommendations, Aon's national trend guidance (which is reflective of Pharmacy Benefit Manager (PBM) surveys), national benchmarking data and other external sources.

    - Prescription drug trend for Plan Year 2018 and Plan Year 2019 is recommended to be 8.5% for Actives and Retirees, a reduction from 11.0% as stated in the Plan Year 2018 Renewal. Expectations of prescription drug trend for specialty drugs have reduced from 25% to 15%, which is the main driver for the reduction in the overall prescription drug trend.

    - The PPO Active medical trend of 6.0% in Plan Year 2018 has remained unchanged from the Plan Year 2018 Renewal Report. The Plan Year 2019 Active PPO medical trend is recommended to be 5.5%. Plan Year 2017 medical PPO experience for State Actives was favorable. The first quarter Plan Year 2018 experience is higher than expectations.

    - The Plan Year 2018 PPO medical trend of 6.0% for Early Retirees remains unchanged from the Plan Year 2018 Renewal Report. The Plan Year 2019 medical trend is recommended to be 5.5%.

    - The self-insured Medicare Retiree medical trend is 4.5% in Plan Year 2018 and 4.0% in Plan Year 2019, as compared to the Plan Year 2018 Medicare Retiree medical trend of 3.5% in the Plan Year 2018 Renewal Report.

    - Themedical trend assumption for HMO Actives is 6.0% in Plan Year 2018, a 50 basis point increase from the Plan Year 2018 Renewal Report trend of 5.5%. The HMO trend assumption in Plan Year 2019 is 6.0%.

    - The medical trend assumption for HMO Early Retirees is 6.0% in Plan Years 2018 and 2019, which represents a 50 basis point increase as compared to the Plan Year 2018 trend assumption of 5.5% shown in the Plan Year 2018 Renewal Report.

- The Plan Year 2019 Medicare Advantage rates were provided by Aetna and Horizon and these rates do not include the Health Insurer Fee. Aetna PPO Medicare Advantage premium rates decreased approximately 10%, while Horizon PPO Medicare Advantage premium rates decreased approximately 9% to 11%. Aetna HMO Medicare Advantage premium rates increased approximately 5.4%.

- Prescription drug rebates for Plan Years 2016 and 2017 are based on actual rebate payment data received from Express Scripts. Rebates for Plan Years 2018 and 2019 are based on projected amounts provided by Optum.

- Prescription drug rebates paid through the medical plan for Plan Years 2016 and 2017 are based on actual rebate payment data provided by Aetna and Horizon. Prescription Drug Rebates paid through the medical plan for Plan Years 2018 and 2019 are incorporated in the medical claim projections.

- EGWP projections include monthly CMS capitation payments, an annual CMS payment for reinsurance on catastrophic claims, prescription drug manufacturers' coverage gap reimbursement payments and CMS Low Income Cost Sharing (LICS) payments. These amounts are equal to recommendations from Express Scripts for Plan Year 2017 and from Optum for Plan Years 2018 and 2019. EGWP credits are projected to increase from approximately $77 million in Plan Year 2017 to approximately $89 million for Plan Year 2018 and $121 million for Plan Year 2019.

- Plan Year 2019 projected cost for the State Group is approximately $2.6 billion ($1.9 billion for Actives and $0.7 billion for Retirees).

Alex Jaloway and Mary Reilly of Aon made the following presentation to the New Jersey State Health Benefits Commission State Health Benefits Program (SHBP) regarding Plan Year 2019 Medical/Rx Rate Renewal recommendations for the Local Government Group:

- For the Local Government Group in Plan Year 2019, Aon is recommending an 8.2% increase for Active Employees, no increase or decrease for Early Retirees and a 12.7% decrease for Medicare Retirees.

    - In aggregate, the recommended rate actions represent an overall rate increase for the Local Government Group of 4.0%, approximately 5 percentage points higher than the Plan Year 2018 Renewal rate decrease of 1.3%.

- The following chart provides the recommended premium rates changes by plan type:

	Active Employees	Early Retirees	Medicare Retirees
Medical PPO	6.7%	0.0%	(9.9%)
Medical HMO	6.7%	0.0%	5.2%
Prescription Drug PPO	13.7%	0.0%	(15.3%)
Prescription Drug HMO	13.7%	0.0%	(15.3%)
Total	**8.2%**	**0.0%**	**(12.7%)**

- The premium increases for Plan Year 2019 are projected to produce a $24 million loss for Local Government Actives and a $12 million loss for Local Government Retirees. The Active and Retiree Claim Stabilization reserves are expected to reduce by approximately $24 million and $12 million in Plan Year 2019, respectively, to achieve the recommended rate increases for Active Employees and Retirees. Including the projected reduction in the reserves, the total Active and Retiree aggregate Claim Stabilization Reserve is projected to be 2.4 months of plan costs as of December 31, 2019, which is above the target level of 2.0 months of plan costs as of December 31, 2019.

- The projected Claim Stabilization Reserve as of December 31, 2019 is 1.2 months of plan costs for Actives and 4.9 months of plan costs for Retirees.

The Plan Year 2019 Renewal assumes the following:

- Active Employee enrollment is projected to increase 3.1% in Plan Year 2018 and 3.0% in Plan Year 2019. Early Retiree enrollment is projected to increase 3.0% in Plan Year 2018 and Plan Year 2019. Medicare Retiree enrollment is projected to increase 4.1% in Plan Year 2018 and 5.0% in Plan Year 2019. Plan Year 2019 enrollment projections assume that 0.5% of the enrollment in the NJ DIRECT10 plan will migrate to lower-cost plans.

- The impacts of the following benefit and plan design changes are reflected in the Plan Year 2019 Renewal:

  - Effective January 1, 2019, a State mandate will remove member cost-sharing for 3-D mammography screenings when the screening is routine for members ages 40 years or older. This mandate is estimated to increase non-Medicare medical claims by approximately 0.1% annually.

  - Effective March 15, 2018, existing State legislation was amended to require all health

insurance/medical providers to cover female contraceptive drugs and devices in the same way other prescription drugs are covered. This legislation is not expected to materially impact the SHBP.

- The SHBP Plan Design Committee approved several plan changes for Plan Year 2017 that were reaffirmed for both Plan Year 2018 and Plan Year 2019. These changes include an out- of-network reimbursement change for physical therapy services in the PPO plans, mandatory generic for prescription drugs, and a prescription drug copay change.

- The Plan Design Committee has not yet reaffirmed the alternative prescription drug formulary for Plan Year 2019. The Plan Year 2019 Renewal projections assume that the prescription drug formulary currently in place for Plan Year 2018 will continue for Plan Year 2019.

- No changes to the current self-insured or fully-insured medical and prescription drug vendor contracts is assumed.

- 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. On January 22, 2018, Congress passed and the President signed a spending bill which places a moratorium on this tax for Plan Year 2019. Aon's projections assume that the HIF will not be reinstated for Plan Year 2019 for the SHBP's fully-insured plans.

- In-network out-of-pocket maximums for medical and prescription drug benefits combined will be no greater than $7,900 Single / $15,800 Family combined. The SHBP will have separate medical and prescription drug out-of-pocket maximums, except for the high-deductible plans which have integrated 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 following:

  - Recommended trends are developed by incorporating actual SHBP plan experience (adjusted for expectations of future cost increases) along with medical and prescription drug vendor trend recommendations, Aon's national trend guidance (which is reflective of Pharmacy Benefit Manager (PBM) surveys), national benchmarking data and other external sources.
  - Prescription drug trend for Plan Year 2018 and Plan Year 2019 is recommended to be 8.50% for Actives and Retirees, a reduction from 11.00% as stated in the Plan Year 2018

Renewal. Expectations of prescription drug trend for specialty drugs have reduced from 25% to 15%, which is the main driver for the reduction in the overall prescription drug trend.

- The PPO Active medical trend of 6.0% in Plan Year 2018 has remained unchanged from the Plan Year 2018 Renewal Report. The Plan Year 2019 Active PPO medical trend is recommended to be 5.5%. Plan Year 2017 medical PPO experience for Local Government Actives was unfavorable due to high cost claimants. The first quarter Plan Year 2018 experience is lower than expectations.

- The Plan Year 2018 PPO medical trend of 6.0% for Early Retirees remains unchanged from the Plan Year 2018 Renewal Report. The Plan Year 2019 medical trend is recommended to be 5.5%.

- The self-insured Medicare Retiree medical trend is 4.5% in Plan Year 2018 and 4.0% in Plan Year 2019, as compared to the Plan Year 2018 Medicare Retiree medical trend of 3.5% in the Plan Year 2018 Renewal Report.

- Themedical trend assumption for HMO Actives is 6.0% in Plan Year 2018, a 50 basis point increase from the Plan Year 2018 Renewal Report trend of 5.5%. The HMO trend assumption in Plan Year 2019 is 6.0%.

- The medical trend assumption for HMO Early Retirees is 6.0% in Plan Years 2018 and 2019, which represents a 50 basis point increase as compared to the Plan Year 2018 trend assumption of 5.5% shown in the Plan Year 2018 Renewal Report.

- Based on expected entrants and terminations of Local Government employers from the SHBP, the 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 or those with poor experience arejoining which will affect the SHBP's overall loss ratio).

- The Plan Year 2019 Medicare Advantage rates were provided by Aetna and Horizon and these rates do not include the Health Insurer Fee. Aetna PPO Medicare Advantage premium rates decreased approximately 10%, while Horizon PPO Medicare Advantage premium rates decreased approximately 10% to 11%. Aetna HMO Medicare Advantage premium rates increased approximately 5%.

- Prescription drug rebates for Plan Years 2016 and 2017 are based on actual rebate payment data. Rebates for Plan Years 2018 and 2019 are based on projected amounts provided by Optum.

  Prescription drug rebates paid through the medical plan for Plan Years 2016 and 2017 are based on actual rebate payment data. Prescription Drug Rebates paid through the medical plan for Plan Years 2018 and 2019 are incorporated in the medical claim projections.

- EGWP projections include monthly CMS capitation payments, an annual CMS payment for reinsurance on catastrophic claims, prescription drug manufacturers' coverage gap reimbursement payments and CMS Low Income Cost Sharing (LICS) payments. These amounts are equal to recommendations from Express Scripts for Plan Year 2017 and from Optum for Plan Years 2018 and 2019. EGWP credits are projected to increase from approximately $42 million in Plan Year 2017 to approximately $53 million for Plan Year 2018 and $73 million for Plan Year 2019.

- For Active premiums, increases vary by coverage tier because the differences in costs by coverage tier have been updated to be more consistent with actual SHBP experience. Specifically, the load for Child(ren) coverage is recommended to increase from 79%to 82.5% of the Single Coverage. A two year phase-in approach is recommended to increase Child(ren) premiums so that they are consistent with actual experience.

- Plan Year 2019 projected cost for the Local Government Group is approximately $1.66 billion ($1.12 billion for Actives and $540 million for Retirees).

Alex Jaloway and Mary Reilly of Aon made the following presentation to the New Jersey State Health Benefits Commission State Health Benefits Program (SHBP) regarding Plan Year 2019 Dental Rate Renewal recommendations for the State Group:

- For the SHBP Dental Plans (Dental Expense Plan and Dental Provider Organizations), Aon recommends the following premium rate adjustments:

	Actives	Retirees
Dental Expense Plan	2.00%	0.30%
DPO Plans		
Aetna	0.00%	0.00%
Cigna	0.00%	0.00%
Healthplex	0.00%	0.00%
Horizon	(2.99%)	(2.99%)
MetLife	0.00%	0.00%

- This vendor landscape reflects no changes from the Dental RFP effective January 1, 2015:
    - DEP – Continued with Aetna as the administrator for the self-insured DEP program for both Actives and Retirees.
    - DPOs – Continued with Aetna, Cigna, Horizon, Healthplex, and MetLife as fully-insured DPOs. DPO coverage includes Retirees as well as Actives.
- On January 22, 2018, Congress passed and the President signed a spending bill which places a moratorium on the Health Insurer Fee in Plan Year 2019. The fully insured vendor premium rates assume that this fee will not be reinstated for Plan Year 2019.
- This projection assumes that State Active enrollment will remain flat in Plan Year 2019. Local Education Active enrollment is projected to decrease 10% in Plan Year 2019 while Local Government Active enrollment is projected to increase 3.0% in 2019. State and Local Retiree enrollment is projected to increase 2.5% per year in Plan Year 2019. These increases are based on projected changes in the medical enrollment for Plan Year 2019.
- Aon is recommending 3.0% trend to project DEP claims for Actives and Retirees to Plan Year 2019, consistent with dental cost trend recommendations provided by the DEP and DPO vendors.
- Plan Year 2019 projected costs for the SHBP Dental Plans are $152 million, broken down as follows:
    - Active DEP: $61 million
    - Retiree DEP: $74 million
    - Active DPOs: $13 million
    - Retiree DPOs: $4 million

Member Appeals

Commissioner Davis made a motion to go into Closed Session to hear member appeals. Commissioner Burdge seconded the motion and all voted in favor.

The following cases, due to HIPAA regulations, were heard in Closed Session:

Old Business

Case #07111801 (Horizon Appeal) – The member appealed the cost of acupuncture claims incurred at an out-of-network provider, asserting that claims should have been processed at an in-network rate because the member could not find an in-network provider within close proximity (55 miles).

Donna Ruotola of Horizon explained that the member never called Horizon of Arizona to find an in-network provider or requested that the provider be considered in-networks prior to receiving the care.

Commissioner Culliton made a motion to deny the member's appeal for the past claims incurred but noted that the member could speak with Horizon of Arizona about future services. Commissioner Webster-Cobb seconded the motion and all voted in favor.

New Business

Case #07111802 (Express Scripts/NJDPB Appeal) (member present) – This member appealed the date of the waiver of coverage of the SHBP Prescription Drug Plan. The member filed an application during open enrollment to waive coverage due to coverage through a spouse. While all coverage appeared canceled, part way through the year, deductions for prescription drug coverage were taken and the member filled prescriptions through the SHBP plan. The member claimed the application that NJDPB received was altered. The member also raised questions about a refund received and line items for deductions on the pay stubs and asserted that the prescription drug claims were reversed.

Commissioner Davis made a motion to go into Executive Session to seek advice from counsel, Chairperson Culliton seconded the motion and all voted in favor.

Chairperson Culliton made a motion to approve the appeal for reimbursement for prescription drug costs (premiums and co-pays) from pay periods 11 through 23 in plan year 2017 minus the cost of premium deductions that should have occurred (but didn't) for pay periods 25 and 26 of 2016. Commissioner Burdge seconded the motion and all voted in favor.

Commissioner Burdge made a motion to go into Open Session. Chairperson Culliton seconded the motion and all voted in favor.

The Following Cases were heard Open Session:

Office of Administrative Law

Case #07111803 (OAL Request) – This member appealed denial of the opportunity to enroll in the State Health Benefits Program (SHBP) as a retiree. The member was denied coverage because member did not

maintain SHBP coverage up through the member's retirement in 2013. The member's active coverage lapsed in January 2013. The member had coverage through a spouse which has paid for medical treatment and continues to be in effect. There is no record of the member trying to reapply for retiree health benefits prior to November 2016. This appeal was previously denied by the Commission at the 09/13/2017 SHBC meeting.

Chairperson Culliton made a motion to approve the member's request to transmit this case to the Office of Administrative Law (OAL) as a contested case. Commissioner Burdge seconded and all voted in favor.

Settlement Proposals

Case #07111804 – Chairperson Culliton made a motion to approve the settlement authority requested by Equian. Commissioner Burdge seconded the motion and all voted in favor.

Case #07111805 – Chairperson Culliton made a motion to approve the settlement authority requested by Equian. Commissioner Davis seconded the motion and all voted in favor.

Case #07111806 – Chairperson Culliton made a motion to approve the settlement authority requested by Equian. Commissioner Davis seconded the motion and all voted in favor.

Chairperson Culliton made a motion to go into Executive Session to discuss pending litigation. Commissioner Burdge seconded the motion and all voted in favor.

Adjournment

Chairperson Culliton made a motion to adjourn. Commissioner Burdge seconded the motion and all voted in favor.

Respectfully Submitted,

Joseph Palladino
Acting Secretary, State Health Benefits Commission