

New Jersey
School Employees' Health Benefits Program

Plan Year 2012
Rate Renewal Recommendation Report

January 1, 2012 – December 31, 2012

Prepared by Aon Hewitt

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***School Employees' Health Benefits Program
Rate Renewal Recommendation Report
For Plan Year 2012***

Executive Summary

The purpose of this report is to recommend premium levels for the School Employees' Health Benefits Program (SEHBP) for January 1, 2012 through December 31, 2012.

Benefit Plans Maintained by the SEHBP

The State of New Jersey operates the SEHBP as a multiple-option program for Local Education 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 \$10 physician copays.
- Active Employees are also enrolled in a Prescription Drug Plan available under the SEHBP, which is administered by Medco, the Pharmacy Benefit Manager (PBM). SEHBP 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.

- SEHBP 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 School Employees' Health Benefits Plan Design Committee – created by Chapter 78, PL 2011 – has determined that, in addition to the plan options describe above, the following additional plan options will be offered under the SEHBP 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 a High Deductible Health Plan, the Active Employee version of which will include employer funding of a Health Savings Account.

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



Recommended Renewal Increases

Aon Hewitt is recommending an overall increase of 10.1% for Active Employees, a 6.5% increase for Early Retirees, and a 0.0% for Medicare Retirees. For all groups combined, the recommended increase is 7.4%, which is lower than current 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%	6.0%	0.0%
NJ DIRECT15	10.0%	6.0%	0.0%
Aetna HMO	10.0%	11.6%	0.0%
CIGNA HMO	10.0%	11.6%	0.0%
Rx Card Plan	11.4%	NA	NA
Average Change	10.1%	6.5%	0.0%

These premium increases are projected to produce a gain of \$23 million for Active Education and a loss of \$11 million for Education Retirees. These amounts will be added to the Claim Stabilization Reserve for each group. The table below shows the expected changes in the projected claim stabilization reserve. The Target Claim Stabilization Reserve is equivalent to 2.0 months of plan costs. The Active reserve is projected at 1.6 months of plan costs as of 12/31/12, so the Active recommended renewal increase includes a 2% margin to help build the reserve up to the recommended level. The Retiree reserve exceeds the target level, so the Retiree recommended renewal increases



produce a loss which will help bring the reserve down closer to the recommended level.

SEHBP Projected Claim Stabilization Reserve
(in \$millions)

	Total	Active	Retirees
12/31/2010	\$400	\$144	\$256
12/31/2011	\$350	\$154	\$196
12/31/2012	\$363	\$177	\$185
Months of Plan Costs	2.0	1.6	2.6

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, most Active employees who are covered by the SEHBP 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; the contributions are subject to a minimum of the 1.5% of salary. For collective negotiation agreements (CNA) that expired prior to June 28, 2011, the phase in starts immediately. For CNAs that expire after June 28th, the phase-in begins at the expiration of the CNA.

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 some changes to the differences in cost among coverage tiers for Active Employees, which are supported by SEHBP 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 Education 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	\$101.56	\$103.73	\$2.17	2.1%
Parent	\$112.76	\$121.76	\$9.00	8.0%
Married	\$181.23	\$164.54	(\$16.69)	-9.2%
Family	\$166.35	\$169.90	\$3.55	2.1%

* 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 SEHBP claim experience, Parent rates should have a larger increase (more than 20%), so we are presenting a four-year phase-in of this tier-relativity 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 \$10 and \$6, respectively, will be reduced to \$5. Exhibit 7 reflects the resultant Plan Year 2012 Rx copays for all SEHBP 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 SEHBP 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. \$37 million of this amount has been applied as a credit against Local Education Early Retiree claims for Plan Year 2012. The remaining \$41 million will be credited to the State and Local Government 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 SEHBP 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 SEHBP will implement an Employer Group Waiver Program, known as EGWP Plus Wrap. Aon Hewitt is estimating that this, in combination with the reduction in the Mail Generic copays for all Retirees, will reduce Plan Year 2012 SEHBP Medicare Retiree drug claims by approximately \$41 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 School Employees' Health Benefits Plan Design Committee which has the responsibility to modify and create plans from which eligible Local Education 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 SEHBP 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 SEHBP 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 cost projections have decreased 1% or \$19 million since the Plan Year 2010 renewal analysis. The cost decrease is attributable to lower than expected trends for the Aetna HMO.

The Plan Year 2011 premiums were projected to produce a \$14 million loss. The current projection is a \$50 million loss. This reflects a 1% increase in the



projected loss ratio, which is largely attributable to higher than previously projected Early Retiree claims.

The Plan Year 2012 renewal premiums are projected to produce a gain of \$23 million for Actives and a loss of \$11 million for Retirees. These amounts will be added to the claim stabilization reserve for each group. The Retiree Claim Stabilization Reserve has more than adequate funds to support the projected loss for Plan Year 2012. This renewal recommendation is projected to result in a Claim Stabilization Reserve for SEHBP Retirees of \$185 million at the end of Plan Year 2012. The Plan Year 2012 aggregate projected costs are \$2.13 billion: \$1.32 billion for Actives and \$0.81 billion 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 2012 Retiree Rx copays (for Early Retirees as well as Medicare-Eligible Retirees) and Out-Of-Pocket Maximums will be frozen at the Plan Year 2011 level, with the



exception of the Mail Generic copay which is being reduced to \$5 for both NJ DIRECT and the 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	\$9	\$9	\$5	\$5
Retail Preferred Brand Copay	\$20	\$20	\$12	\$12
Retail Non-Preferred Brand Copay	\$39	\$39	\$24	\$24
Mail Generic Copay	\$10	\$5	\$6	\$5
Mail Preferred Brand Copay	\$29	\$29	\$17	\$17
Mail Non-Preferred Brand Copay	\$49	\$49	\$29	\$29
Out-of-Pocket Maximum	\$1,318	\$1,318	\$1,318	\$1,318

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 \$37 million has been credited to the Local Education 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 SEHBP 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 Education 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 SEHBP 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 2011 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; the contributions are subject to a minimum of the 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 SEHBP 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.

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 are governed by the terms applicable on the date they accrued 25 years of service credit. Active employees who have 20 or more but less than 25 years of service credit as of

the effective date of Chapter 78 are also grandfathered and are governed by the terms applicable on the date they accrued 20 years of service credit, but must still attain 25 years of service credit to qualify for employer contributions toward post-retirement medical coverage.

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 ultimately be equivalent to 49% of the Single rate. Local Education enrollment for this coverage dropped from 3,107 in December 2010 to 1,488 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.

Part-time Coverage

Certain part-time employees may enroll in NJ DIRECT15 and the Employee Prescription Drug Card Plan. Currently approximately 240 State Employees and 140 County College Employees participate, so the experience is not credible. For Plan Year 2010, the costs for part-time employees were 4% greater than the premium collected. Aon Hewitt recommends that the 10% current rate load be continued for Plan Year 2012.

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. Aon Hewitt's Plan Year 2012 enrollment projections assume that Active enrollment will increase 3%, Early Retiree enrollment will increase 4% and Medicare Retiree enrollment will increase 7%.

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 0.7 years from Plan Year 2010 to Plan Year 2011, and the HMO average age remained about the same as the PPO average age.

Average Employee Age

	4/1/2010	4/1/2011	Change
NJ DIRECT10	46.0	46.7	0.7
NJ DIRECT15	44.6	44.9	0.3
NJ DIRECT Total	45.9	46.5	0.6
Aetna HMO	45.6	46.4	0.8
CIGNA HMO	44.7	45.5	0.8
HMO Total	45.4	46.2	0.8
Grand Total	45.8	46.5	0.7

Trend Analysis

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

	Medical	Prescription Drugs
NJ DIRECT Employee	7.5%	10.0%
NJ DIRECT Early Retiree	10.5%	10.5%
NJ DIRECT Medicare Retiree	5.0%	10.5%
Aetna HMO*	7.0%	10.0%
CIGNA HMO	7.0%	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 claim costs increases and then adjusts them for benefit changes to calculate the underlying claim trend in the SEHBP 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 2% gain for Employees and a 3% loss for Early Retirees and no loss or gain for Medicare Retirees. These adjustments are included to help bring the Claim Stabilization Reserve to the target level.

Projected Financial Results

(in \$ millions)

	DIR10	DIR15	HMOs	Rx Plan	New Plans	Total
Plan Year 2010						
Premium Rates x Enrollr	\$1,385.1	\$161.8	\$201.3	\$76.7		\$1,824.9
Incurred Claims	\$1,303.9	\$140.0	\$189.4	\$69.5		\$1,702.8
Administrative Charges	\$47.3	\$5.9	\$10.0	\$1.3		\$64.5
Net Gain (Loss)	\$33.9	\$15.9	\$1.9	\$5.9	NA	\$57.6
Plan Year 2011						
Premium Rates x Enrollr	\$1,479.5	\$156.9	\$207.3	\$73.2		\$1,916.9
Incurred Claims	\$1,484.6	\$143.8	\$198.1	\$73.1		\$1,899.6
Administrative Charges	\$50.2	\$5.9	\$9.7	\$1.2		\$67.0
Net Gain (Loss)	-\$55.3	\$7.2	-\$0.5	-\$1.1	NA	-\$49.7
Plan Year 2012						
Premium Rates x Enrollr	\$1,651.0	\$154.3	\$224.3	\$82.6	\$27.1	\$2,139.3
Incurred Claims	\$1,603.7	\$135.5	\$210.5	\$80.1	\$25.7	\$2,055.5
Administrative Charges	\$54.1	\$5.6	\$9.7	\$1.2	\$1.3	\$71.9
Net Gain (Loss)	-\$6.8	\$13.2	\$4.1	\$1.3	\$0.1	\$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 Plan Year 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 plan 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 plan 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 4 C) 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 9.5% 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 2% for Actives to help rebuild the Active Claim Stabilization Reserve and a reduction of 3% for Early Retirees to spend down some of the excess Retiree Claim Stabilization Reserve.

For the new Chapter 78 benefit options, premiums were established to reflect the combination of the benefit options' actuarial value relative to NJ DIRECT 10 (the current NJ DIRECT option with the largest Local Education employee enrollment)

and the current HMOs and the impact of anticipated selection resulting from 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 copays for all benefit options.
11. Plan Year 2012 Early Retiree costs were reduced \$37 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 the Aetna's renewal.
14. Prescription Drug manufacturers' rebates were projected assuming 0% trend based on input from Medco. Rebate projections are \$79 million in Plan Year 2011 and \$83 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 \$57 million subsidy for Plan Year 2011. No RDS subsidy payments are included in Plan Year 2012 costs, due to the migration to EGWP Plus Wrap.
16. The Plan Year 2012 projected Education Surcharge is \$26 million and this is used as a credit against projected Early Retiree Costs.
17. Total SEHBP Plan Year 2012 projected claim costs are the sum of projected medical and prescription drug claims reduced for CMS payments for EGWP, Early Retiree Reinsurance Plan payments, prescription drug rebates, and the Education Surcharge credits.

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 \$5.0 million for Plan Year 2012.
3. Administrative costs were reduced \$2.5 million to reflect projected investment income credits.

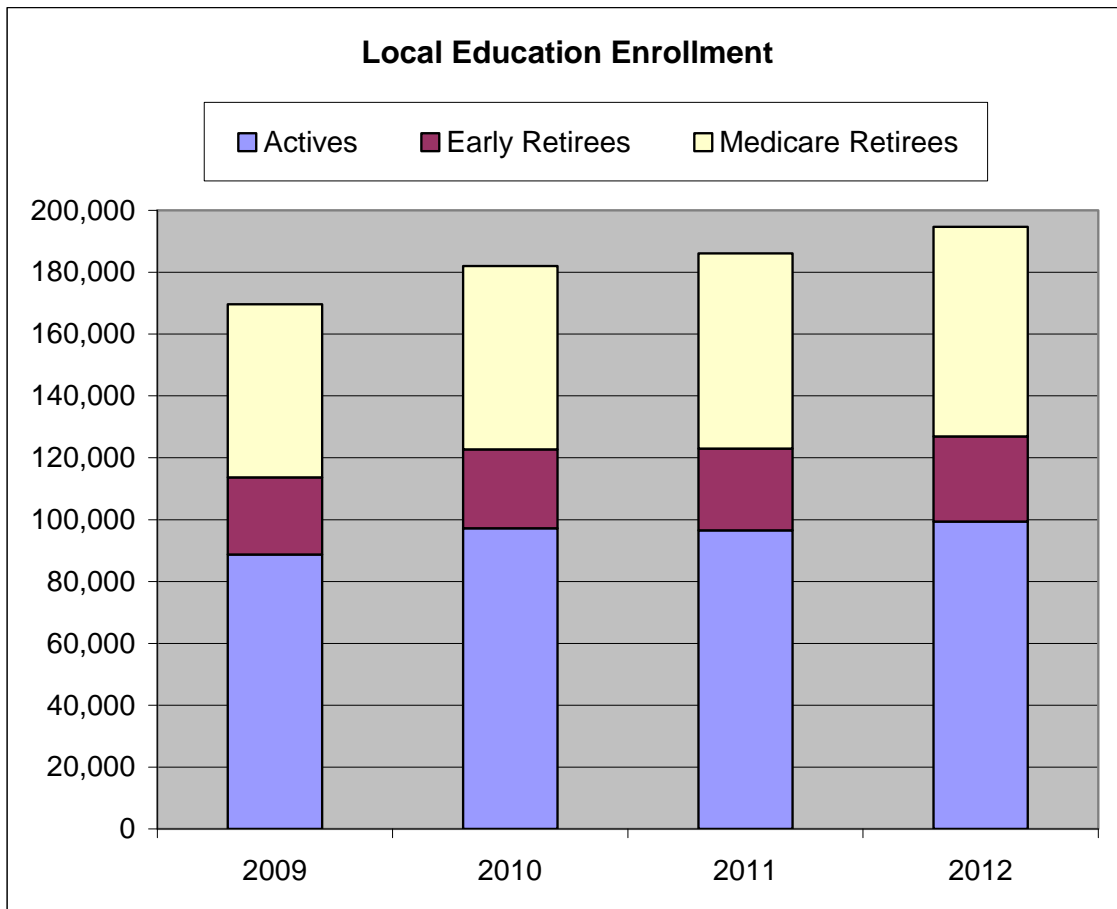
Margin

1. Active premiums were increased 2.0% because the Active 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 target reserve.
2. Early Retiree premiums were decreased 3.0% because the Retiree claim stabilization reserve at the end of Plan Year 2012 is projected at 2.6 months of plan costs, which exceeds the 2.0 target reserve.
3. Medicare Retiree premiums do not include any margin adjustments.

Projected Premiums

1. Plan Year 2012 premiums for NJ DIRECT10, NJ DIRECT15, and the Aetna and Cigna HMOs 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 Education Group enrollment) and Aetna and Cigna HMO premiums by the relative actuarial value of each new benefit option, adjusted for anticipated selection resulting from enrollment in the new benefit options.
2. Aggregate Plan Year premium is calculated by multiplying projected Plan Year enrollment and Plan Year premiums.

**SEHBP Plan Year 2012 Renewal Recommendation
Exhibit 1A – Enrollment Projections**



Actives

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

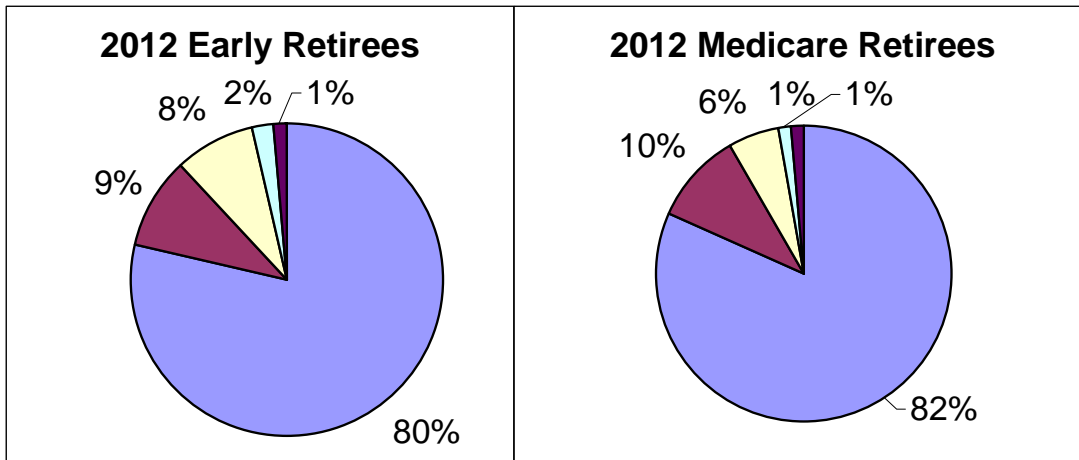
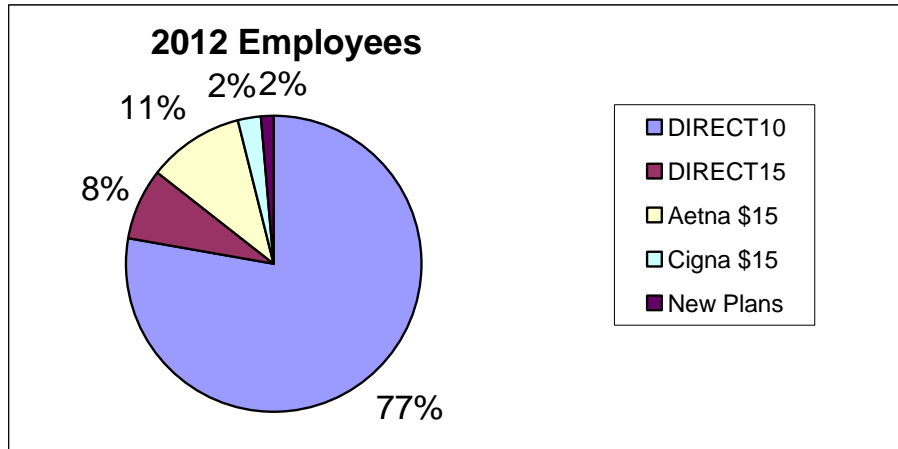
Early Retirees

Assumes that Early Retiree enrollment will increase about 4% in Plan Year 2012, about 1% higher than the historical rate.

Medicare Retirees

Assumes that Medicare Retiree enrollment will increase about 7% in Plan Year 2012, about 1% higher than the historical rate.

**SEHBP Plan Year 2012 Renewal Recommendation
Exhibit 1B – Plan Year 2012 Plan Distribution**





**SEHBP 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)	
EDUCATION ACTIVES					
Medical Plans					
<i>NJ Direct 10 #050</i>	24,414	14,639	27,852	7,494	74,399
No Rx Card	6,320	4,143	7,451	1,436	19,350
Private Rx Card	11,893	6,398	12,910	4,197	35,399
State Rx Card	6,201	4,098	7,491	1,861	19,651
<i>NJ Direct 15 #150</i>	3,194	1,287	2,776	1,045	8,302
No Rx Card	688	283	578	195	1,745
Private Rx Card	1,732	754	1,627	594	4,706
State Rx Card	774	250	572	256	1,851
Horizon Total	27,608	15,926	30,628	8,539	82,701
Aetna #019	3,431	1,578	3,585	1,664	10,258
No Rx Card	898	419	1,021	349	2,686
Private Rx Card	1,724	753	1,730	980	5,186
State Rx Card	809	406	835	336	2,386
CIGNA #020	786	355	1,072	370	2,583
No Rx Card	352	173	518	181	1,224
Private Rx Card	335	149	463	156	1,103
State Rx Card	99	33	90	33	256
HMO Total	4,217	1,933	4,657	2,034	12,841
Total	31,825	17,859	35,285	10,573	95,542

	EDUCATION RETIREES				Total
	Single	Member + Spouse /Partner	Family	Parent + Child(ren)	
Medical Plans					
NJ Direct 10 #050	39,945	29,019	2,727	1,134	72,825
NJ Direct 15 #150	4,868	3,296	408	202	8,774
Horizon Total	44,813	32,315	3,135	1,336	81,599
Aetna #019	2,948	2,239	352	164	5,703
CIGNA #020	631	669	95	46	1,441
HMO Total	3,579	2,908	447	210	7,144
Total	48,392	35,223	3,582	1,546	88,743



SEHBP Plan Year 2012 Renewal Recommendation

Exhibit 2A – Medical Trend

	Increase in Claims/Ee	Benefit + RFP Changes	Claim Trend
<u>Horizon Active</u>			
1/1/2009 - 12/31/2009	5.9%	-1.6%	7.5%
1/1/2010 - 12/31/2010	5.9%	0.0%	5.9%
Average			6.7%
Aon Hewitt Trend Assumption			7.5%

<u>Horizon Early Retiree</u>			
1/1/2009 - 12/31/2009	11.6%	-4.9%	16.5%
1/1/2010 - 12/31/2010	5.6%	0.0%	5.6%
Average			11.0%
Aon Hewitt Trend Assumption			10.5%

<u>Horizon Medicare Retiree</u>			
1/1/2009 - 12/31/2009	-0.5%	0.4%	-0.9%
1/1/2010 - 12/31/2010	5.5%	-0.1%	5.6%
Average			2.3%
Aon Hewitt Trend Assumption			5.0%

<u>HMO</u>			
1/1/2009 - 12/31/2009	14.9%	0.0%	14.9%
1/1/2010 - 12/31/2010	-1.8%	0.0%	-1.8%
Average			6.6%
Aon Hewitt Trend Assumption			7.0%

Benefit Changes:

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



SEHBP Plan Year 2012 Renewal Recommendation

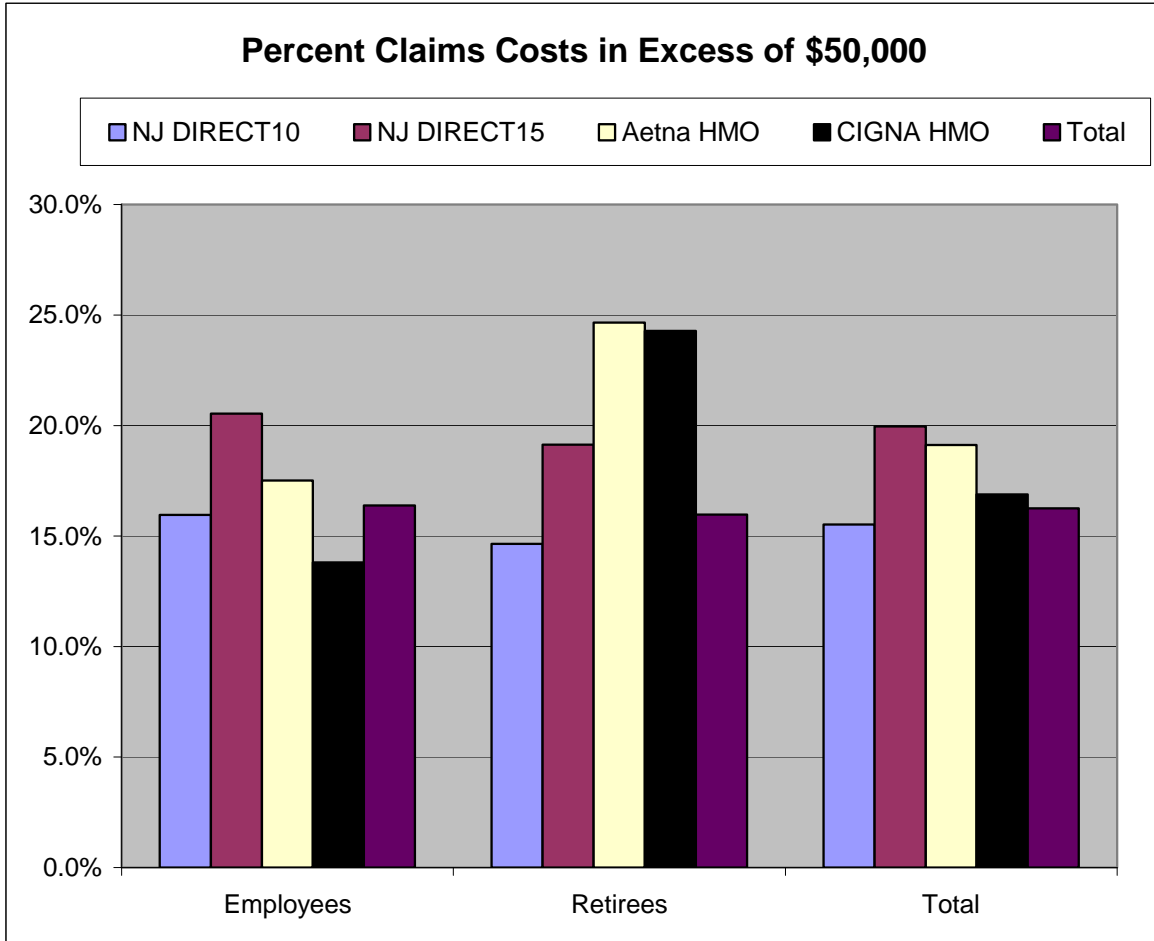
Exhibit 2B – Prescription Drug Trend

	Increase in Claims/Ee	Benefit Changes	Claim Trend
Active Rx			
1/1/2009 - 12/31/2009	12.2%	-5.4%	17.6%
1/1/2010 - 12/31/2010	3.3%	0.4%	2.9%
Average			10.3%
Aon Hewitt Trend Assumption			10.0%
Retiree Rx			
1/1/2009 - 12/31/2009	9.2%	-4.4%	13.6%
1/1/2010 - 12/31/2010	3.4%	-4.2%	7.6%
Average			10.6%
Aon Hewitt Trend Assumption			10.5%

Benefit Changes:

- Horizon Retiree OOP maximum increased on 1/1/2009.
- Horizon Retiree Rx Copays and OOP maximum increased on 1/1/2010.
- Horizon Retiree Rx Copays and OOP maximum increased on 1/1/2011.
- HMO Rx out-of-pocket maximum for Retirees 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.

SEHBP Plan Year 2012 Renewal Recommendation
Exhibit 3A – Large Claim Analysis



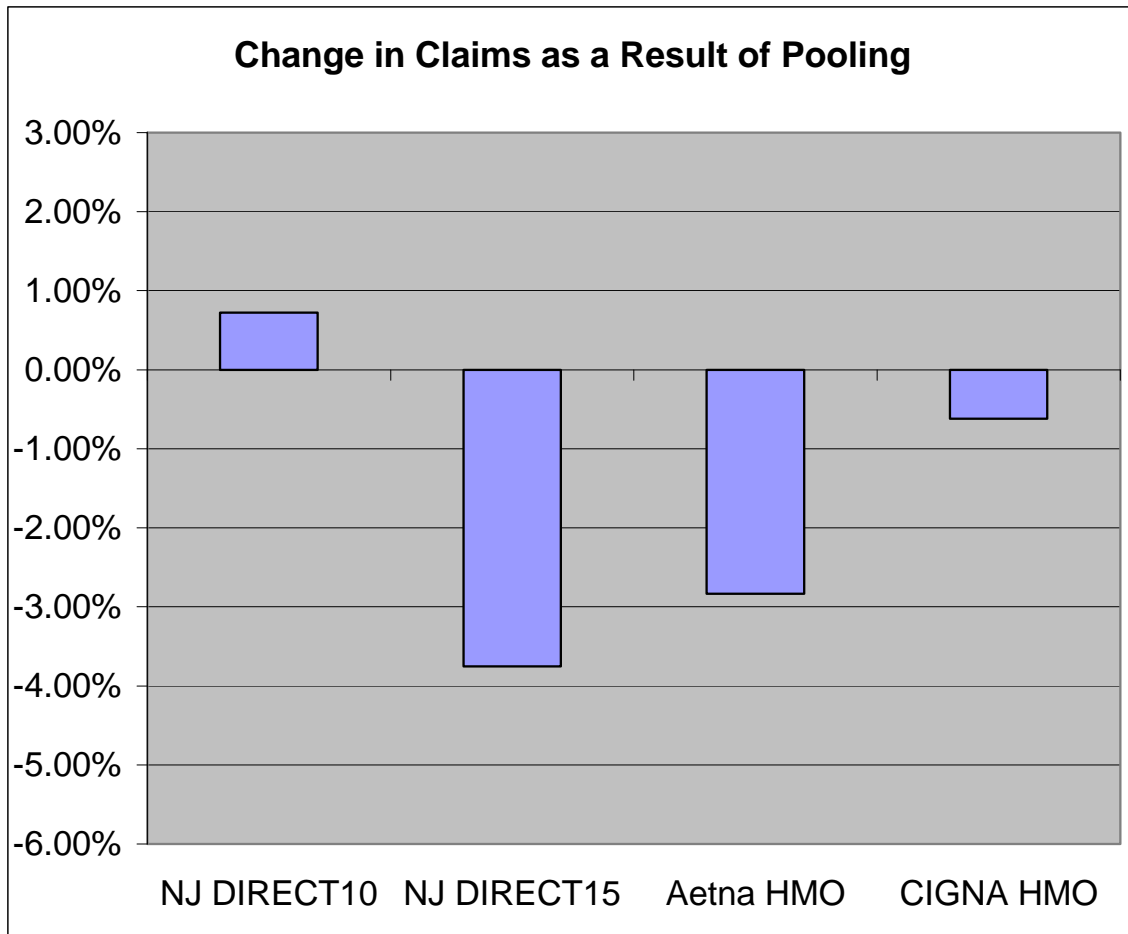
Observations:

NJ DIRECT15 has the highest percentage of shock claim costs at 20%.

16% of Active medical claims are for individual claimant amounts in excess of \$50,000.

16% of Retiree medical claims are for individual claimant amounts in excess of \$50,000.

**SEHBP Plan Year 2012 Renewal Recommendation
Exhibit 3B – Large Claim Analysis**



Observations:

NJ DIRECT10 and CIGNA HMO have claim costs which change less than 1% as a result of pooling.

NJ DIRECT15 and AETNA HMO and have 3-4% reductions in claim costs as a result of pooling.



SEHBP 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	182,044	143,553	17,674	16,581	4,236	27,092
Incurred Medical claims	\$ 1,292,500,000	\$ 1,034,600,000	\$ 107,000,000	\$ 113,900,000	\$ 37,000,000	NA
Capitation	\$ 64,400,000	\$ 44,100,000	\$ 5,300,000	\$ 11,600,000	\$ 3,400,000	NA
Incurred Prescription Drug Claims	\$ 503,900,000	\$ 337,400,000	\$ 41,300,000	\$ 32,700,000	\$ 10,000,000	\$ 82,500,000
Prescription Drug Rebates	\$ (79,500,000)	\$ (53,200,000)	\$ (6,500,000)	\$ (5,200,000)	\$ (1,600,000)	\$ (13,000,000)
Medicare Part D Subsidies	\$ (51,400,000)	\$ (41,900,000)	\$ (5,300,000)	\$ (3,500,000)	\$ (700,000)	NA
Education Surcharge	\$ (27,100,000)	\$ (17,100,000)	\$ (1,800,000)	\$ (6,100,000)	\$ (2,100,000)	NA
Administrative Fees	\$ 64,500,000	\$ 47,300,000	\$ 5,900,000	\$ 7,800,000	\$ 2,200,000	\$ 1,300,000
Total Cost	\$ 1,767,300,000	\$ 1,351,200,000	\$ 145,900,000	\$ 151,200,000	\$ 48,200,000	\$ 70,800,000
Total Premium	\$ 1,824,900,000	\$ 1,385,100,000	\$ 161,800,000	\$ 156,900,000	\$ 44,400,000	\$ 76,700,000
Gain (Loss)	\$ 57,600,000	\$ 33,900,000	\$ 15,900,000	\$ 5,700,000	\$ (3,800,000)	\$ 5,900,000
Employees						
Average Medical Subscribers	97,174	75,045	8,439	10,856	2,834	27,092
Incurred Medical claims	\$ 866,000,000	\$ 693,700,000	\$ 62,600,000	\$ 82,000,000	\$ 27,700,000	NA
Capitation	\$ 52,600,000	\$ 35,600,000	\$ 4,000,000	\$ 10,300,000	\$ 2,700,000	NA
Incurred Prescription Drug Claims	\$ 137,000,000	\$ 40,500,000	\$ 2,900,000	\$ 7,300,000	\$ 3,800,000	\$ 82,500,000
Prescription Drug Rebates	\$ (21,600,000)	\$ (6,400,000)	\$ (500,000)	\$ (1,100,000)	\$ (600,000)	\$ (13,000,000)
Medicare Part D Subsidies	NA	NA	NA	NA	NA	NA
Education Surcharge	\$ (16,200,000)	\$ (12,900,000)	\$ (1,200,000)	\$ (1,600,000)	\$ (500,000)	NA
Administrative Fees	\$ 35,200,000	\$ 23,500,000	\$ 2,600,000	\$ 6,300,000	\$ 1,500,000	\$ 1,300,000
Total Cost	\$ 1,053,000,000	\$ 774,000,000	\$ 70,400,000	\$ 103,200,000	\$ 34,600,000	\$ 70,800,000
Total Premium	\$ 1,096,200,000	\$ 798,400,000	\$ 81,700,000	\$ 108,100,000	\$ 31,300,000	\$ 76,700,000
Gain (Loss)	\$ 43,200,000	\$ 24,400,000	\$ 11,300,000	\$ 4,900,000	\$ (3,300,000)	\$ 5,900,000
Retirees						
Average Medical Subscribers	84,870	68,508	9,235	5,725	1,402	NA
Incurred Medical claims	\$ 426,500,000	\$ 340,900,000	\$ 44,400,000	\$ 31,900,000	\$ 9,300,000	NA
Capitation	\$ 11,800,000	\$ 8,500,000	\$ 1,300,000	\$ 1,300,000	\$ 700,000	NA
Incurred Prescription Drug Claims	\$ 366,900,000	\$ 296,900,000	\$ 38,400,000	\$ 25,400,000	\$ 6,200,000	NA
Prescription Drug Rebates	\$ (57,900,000)	\$ (46,800,000)	\$ (6,000,000)	\$ (4,100,000)	\$ (1,000,000)	NA
Medicare Part D Subsidies	\$ (51,400,000)	\$ (41,900,000)	\$ (5,300,000)	\$ (3,500,000)	\$ (700,000)	NA
Education Surcharge	\$ (10,900,000)	\$ (4,200,000)	\$ (600,000)	\$ (4,500,000)	\$ (1,600,000)	NA
Administrative Fees	\$ 29,300,000	\$ 23,800,000	\$ 3,300,000	\$ 1,500,000	\$ 700,000	NA
Total Cost	\$ 714,300,000	\$ 577,200,000	\$ 75,500,000	\$ 48,000,000	\$ 13,600,000	NA
Total Premium	\$ 728,700,000	\$ 586,700,000	\$ 80,100,000	\$ 48,800,000	\$ 13,100,000	NA
Gain (Loss)	\$ 14,400,000	\$ 9,500,000	\$ 4,600,000	\$ 800,000	\$ (500,000)	NA



SEHBP 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	186,149	148,614	17,290	16,174	4,071	24,436
Incurred Medical claims	\$ 1,484,600,000	\$ 1,214,100,000	\$ 114,700,000	\$ 118,600,000	\$ 37,200,000	NA
Capitation	\$ 31,300,000	\$ 13,600,000	\$ 1,500,000	\$ 13,000,000	\$ 3,200,000	NA
Incurred Prescription Drug Claims	\$ 545,600,000	\$ 374,200,000	\$ 40,400,000	\$ 34,900,000	\$ 10,800,000	\$ 85,300,000
Prescription Drug Rebates	\$ (79,200,000)	\$ (54,400,000)	\$ (5,900,000)	\$ (5,100,000)	\$ (1,600,000)	\$ (12,200,000)
Medicare Part D Subsidies	\$ (56,500,000)	\$ (46,600,000)	\$ (5,400,000)	\$ (3,700,000)	\$ (800,000)	NA
Education Surcharge	\$ (26,200,000)	\$ (16,300,000)	\$ (1,500,000)	\$ (6,300,000)	\$ (2,100,000)	NA
Administrative Fees	\$ 67,000,000	\$ 50,200,000	\$ 5,900,000	\$ 7,500,000	\$ 2,200,000	\$ 1,200,000
Total Cost	\$ 1,966,600,000	\$ 1,534,800,000	\$ 149,700,000	\$ 158,900,000	\$ 48,900,000	\$ 74,300,000
Total Premium	\$ 1,916,900,000	\$ 1,479,500,000	\$ 156,900,000	\$ 162,700,000	\$ 44,600,000	\$ 73,200,000
Gain (Loss)	\$ (49,700,000)	\$ (55,300,000)	\$ 7,200,000	\$ 3,800,000	\$ (4,300,000)	\$ (1,100,000)
Employees						
Average Medical Subscribers	96,573	75,117	8,430	10,406	2,620	24,436
Incurred Medical claims	\$ 1,006,000,000	\$ 819,600,000	\$ 72,300,000	\$ 86,000,000	\$ 28,100,000	NA
Capitation	\$ 25,400,000	\$ 10,400,000	\$ 1,100,000	\$ 11,300,000	\$ 2,600,000	NA
Incurred Prescription Drug Claims	\$ 142,900,000	\$ 42,900,000	\$ 2,600,000	\$ 7,900,000	\$ 4,200,000	\$ 85,300,000
Prescription Drug Rebates	\$ (20,400,000)	\$ (6,100,000)	\$ (400,000)	\$ (1,100,000)	\$ (600,000)	\$ (12,200,000)
Medicare Part D Subsidies	NA	NA	NA	NA	NA	NA
Education Surcharge	\$ (15,200,000)	\$ (12,400,000)	\$ (1,100,000)	\$ (1,300,000)	\$ (400,000)	NA
Administrative Fees	\$ 35,400,000	\$ 24,000,000	\$ 2,700,000	\$ 6,100,000	\$ 1,400,000	\$ 1,200,000
Total Cost	\$ 1,174,100,000	\$ 878,400,000	\$ 77,200,000	\$ 108,900,000	\$ 35,300,000	\$ 74,300,000
Total Premium	\$ 1,184,200,000	\$ 875,300,000	\$ 87,400,000	\$ 116,100,000	\$ 32,200,000	\$ 73,200,000
Gain (Loss)	\$ 10,100,000	\$ (3,100,000)	\$ 10,200,000	\$ 7,200,000	\$ (3,100,000)	\$ (1,100,000)
Retirees						
Average Medical Subscribers	89,576	73,497	8,860	5,768	1,451	NA
Incurred Medical claims	\$ 478,600,000	\$ 394,500,000	\$ 42,400,000	\$ 32,600,000	\$ 9,100,000	NA
Capitation	\$ 5,900,000	\$ 3,200,000	\$ 400,000	\$ 1,700,000	\$ 600,000	NA
Incurred Prescription Drug Claims	\$ 402,700,000	\$ 331,300,000	\$ 37,800,000	\$ 27,000,000	\$ 6,600,000	NA
Prescription Drug Rebates	\$ (58,800,000)	\$ (48,300,000)	\$ (5,500,000)	\$ (4,000,000)	\$ (1,000,000)	NA
Medicare Part D Subsidies	\$ (56,500,000)	\$ (46,600,000)	\$ (5,400,000)	\$ (3,700,000)	\$ (800,000)	NA
Education Surcharge	\$ (11,000,000)	\$ (3,900,000)	\$ (400,000)	\$ (5,000,000)	\$ (1,700,000)	NA
Administrative Fees	\$ 31,600,000	\$ 26,200,000	\$ 3,200,000	\$ 1,400,000	\$ 800,000	NA
Total Cost	\$ 792,500,000	\$ 656,400,000	\$ 72,500,000	\$ 50,000,000	\$ 13,600,000	NA
Total Premium	\$ 732,700,000	\$ 604,200,000	\$ 69,500,000	\$ 46,600,000	\$ 12,400,000	NA
Gain (Loss)	\$ (59,800,000)	\$ (52,200,000)	\$ (3,000,000)	\$ (3,400,000)	\$ (1,200,000)	NA



SEHBP Plan Year 2012 Renewal Recommendation
Exhibit 4C– Plan Year 2012 Aggregate Costs (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	194,946	155,620	16,018	16,344	3,793	24,739	779	779	381	398
Incurred Medical claims	\$ 1,664,970,000	\$ 1,363,500,000	\$ 113,700,000	\$ 129,700,000	\$ 36,800,000	NA	\$ 6,360,000	\$ 5,980,000	\$ 1,210,000	\$ 3,810,000
Capitation	\$ 31,950,000	\$ 14,000,000	\$ 1,400,000	\$ 12,400,000	\$ 3,600,000	NA	\$ 70,000	\$ 60,000	\$ 10,000	\$ 50,000
Incurred Prescription Drug Claims	\$ 504,880,000	\$ 334,200,000	\$ 31,400,000	\$ 31,300,000	\$ 9,500,000	\$ 92,500,000	\$ 1,490,000	\$ 1,510,000	\$ 760,000	\$ 200,000
Prescription Drug Rebates	\$ (83,420,000)	\$ (57,700,000)	\$ (5,600,000)	\$ (5,200,000)	\$ (1,500,000)	\$ (12,400,000)	\$ (260,000)	\$ (260,000)	\$ (140,000)	\$ (30,000)
ERRP credits	\$ (36,800,000)	\$ (29,000,000)	\$ (3,300,000)	\$ (3,100,000)	\$ (800,000)	NA	\$ (140,000)	\$ (140,000)	\$ (140,000)	NA
Education Surcharge	\$ (25,990,000)	\$ (21,300,000)	\$ (2,100,000)	\$ (1,700,000)	\$ (500,000)	NA	\$ (100,000)	\$ (100,000)	\$ (100,000)	NA
Administrative Fees	\$ 71,902,183	\$ 54,100,000	\$ 5,600,000	\$ 7,600,000	\$ 2,100,000	\$ 1,200,000	\$ 270,000	\$ 270,000	\$ 140,000	\$ 260,000
Total Cost	\$ 2,127,492,183	\$ 1,657,800,000	\$ 141,100,000	\$ 171,000,000	\$ 49,200,000	\$ 81,300,000	\$ 7,690,000	\$ 7,320,000	\$ 1,740,000	\$ 4,290,000
Total Premium	\$ 2,139,292,183	\$ 1,651,000,000	\$ 154,300,000	\$ 178,900,000	\$ 45,400,000	\$ 82,600,000	\$ 7,690,000	\$ 7,320,000	\$ 1,740,000	\$ 4,290,000
Gain (Loss)	\$ 11,800,000	\$ (6,800,000)	\$ 13,200,000	\$ 7,900,000	\$ (3,800,000)	\$ 1,300,000	\$ -	\$ -	\$ -	\$ -
Employees										
Average Medical Subscribers	99,639	77,394	7,593	10,447	2,463	24,739	398	398	NA	398
Incurred Medical claims	\$ 1,117,300,000	\$ 910,300,000	\$ 70,200,000	\$ 94,200,000	\$ 27,900,000	NA	\$ 4,320,000	\$ 4,060,000	NA	\$ 3,810,000
Capitation	\$ 26,840,000	\$ 11,600,000	\$ 1,100,000	\$ 10,600,000	\$ 3,100,000	NA	\$ 60,000	\$ 50,000	NA	\$ 50,000
Incurred Prescription Drug Claims	\$ 158,710,000	\$ 48,700,000	\$ 2,600,000	\$ 8,700,000	\$ 4,400,000	\$ 92,500,000	\$ 230,000	\$ 230,000	NA	\$ 200,000
Prescription Drug Rebates	\$ (21,170,000)	\$ (6,300,000)	\$ (400,000)	\$ (1,200,000)	\$ (600,000)	\$ (12,400,000)	\$ (30,000)	\$ (30,000)	NA	\$ (30,000)
ERRP credits	\$ -	NA	NA	NA	NA	NA	NA	NA	NA	NA
Education Surcharge	\$ -	NA	NA	NA	NA	NA	NA	NA	NA	NA
Administrative Fees	\$ 37,362,183	\$ 25,400,000	\$ 2,500,000	\$ 6,200,000	\$ 1,300,000	\$ 1,200,000	\$ 130,000	\$ 130,000	NA	\$ 260,000
Total Cost	\$ 1,319,042,183	\$ 989,700,000	\$ 76,000,000	\$ 118,500,000	\$ 36,100,000	\$ 81,300,000	\$ 4,710,000	\$ 4,440,000	NA	\$ 4,290,000
Total Premium	\$ 1,341,842,183	\$ 993,300,000	\$ 86,800,000	\$ 128,400,000	\$ 33,300,000	\$ 82,600,000	\$ 4,710,000	\$ 4,440,000	NA	\$ 4,290,000
Gain (Loss)	\$ 22,800,000	\$ 3,600,000	\$ 10,800,000	\$ 9,900,000	\$ (2,800,000)	\$ 1,300,000	\$ -	\$ -	NA	\$ -
Retirees										
Average Medical Subscribers	95,307	78,226	8,425	5,897	1,330	NA	381	381	381	NA
Incurred Medical claims	\$ 547,670,000	\$ 453,200,000	\$ 43,500,000	\$ 35,500,000	\$ 8,900,000	NA	\$ 2,040,000	\$ 1,920,000	\$ 1,210,000	NA
Capitation	\$ 5,110,000	\$ 2,400,000	\$ 300,000	\$ 1,800,000	\$ 500,000	NA	\$ 10,000	\$ 10,000	\$ 10,000	NA
Incurred Prescription Drug Claims	\$ 346,170,000	\$ 285,500,000	\$ 28,800,000	\$ 22,600,000	\$ 5,100,000	NA	\$ 1,260,000	\$ 1,280,000	\$ 760,000	NA
Prescription Drug Rebates	\$ (62,250,000)	\$ (51,400,000)	\$ (5,200,000)	\$ (4,000,000)	\$ (900,000)	NA	\$ (230,000)	\$ (230,000)	\$ (140,000)	NA
ERRP credits	\$ (36,800,000)	\$ (29,000,000)	\$ (3,300,000)	\$ (3,100,000)	\$ (800,000)	NA	\$ (140,000)	\$ (140,000)	\$ (140,000)	NA
Education Surcharge	\$ (25,990,000)	\$ (21,300,000)	\$ (2,100,000)	\$ (1,700,000)	\$ (500,000)	NA	\$ (100,000)	\$ (100,000)	\$ (100,000)	NA
Administrative Fees	\$ 34,540,000	\$ 28,700,000	\$ 3,100,000	\$ 1,400,000	\$ 800,000	NA	\$ 140,000	\$ 140,000	\$ 140,000	NA
Total Cost	\$ 808,450,000	\$ 668,100,000	\$ 65,100,000	\$ 52,500,000	\$ 13,100,000	NA	\$ 2,980,000	\$ 2,880,000	\$ 1,740,000	NA
Total Premium	\$ 797,450,000	\$ 657,700,000	\$ 67,500,000	\$ 50,500,000	\$ 12,100,000	NA	\$ 2,980,000	\$ 2,880,000	\$ 1,740,000	NA
Gain (Loss)	\$ (11,000,000)	\$ (10,400,000)	\$ 2,400,000	\$ (2,000,000)	\$ (1,000,000)	NA	\$ -	\$ -	\$ -	NA



SEHBP Plan Year 2012 Renewal Recommendation
Exhibit 4C– Plan Year 2012 Aggregate Costs (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	136	136	67	70	58	58	29	30	126	126
Incurred Medical claims	\$ 950,000	\$ 890,000	\$ 220,000	\$ 510,000	\$ 490,000	\$ 460,000	\$ 110,000	\$ 280,000	NA	NA
Capitation	\$ 90,000	\$ 80,000	\$ 10,000	\$ 60,000	\$ 40,000	\$ 40,000	\$ 10,000	\$ 30,000	NA	NA
Incurred Prescription Drug Claims	\$ 280,000	\$ 290,000	\$ 140,000	\$ 50,000	\$ 150,000	\$ 150,000	\$ 60,000	\$ 40,000	\$ 430,000	\$ 430,000
Prescription Drug Rebates	\$ (50,000)	\$ (50,000)	\$ (20,000)	\$ (10,000)	\$ (30,000)	\$ (30,000)	\$ (10,000)	\$ (10,000)	\$ (60,000)	\$ (60,000)
ERRP credits	\$ (40,000)	\$ (40,000)	\$ (40,000)	NA	\$ (20,000)	\$ (20,000)	\$ (20,000)	NA	NA	NA
Education Surcharge	\$ (20,000)	\$ (20,000)	\$ (20,000)	NA	\$ (10,000)	\$ (10,000)	\$ (10,000)	NA		
Administrative Fees	\$ 60,000	\$ 60,000	\$ 20,000	\$ 80,000	\$ 40,000	\$ 40,000	\$ 20,000	\$ 30,000	\$ 6,091	\$ 6,091
Total Cost	\$ 1,270,000	\$ 1,210,000	\$ 310,000	\$ 690,000	\$ 660,000	\$ 630,000	\$ 160,000	\$ 370,000	\$ 376,091	\$ 376,091
Total Premium	\$ 1,270,000	\$ 1,210,000	\$ 310,000	\$ 690,000	\$ 660,000	\$ 630,000	\$ 160,000	\$ 370,000	\$ 376,091	\$ 376,091
Gain (Loss)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employees										
Average Medical Subscribers	70	70	NA	70	30	30	NA	30	126	126
Incurred Medical claims	\$ 580,000	\$ 540,000	NA	\$ 510,000	\$ 310,000	\$ 290,000	NA	\$ 280,000	NA	NA
Capitation	\$ 70,000	\$ 60,000	NA	\$ 60,000	\$ 30,000	\$ 30,000	NA	\$ 30,000	NA	NA
Incurred Prescription Drug Claims	\$ 50,000	\$ 50,000	NA	\$ 50,000	\$ 50,000	\$ 50,000	NA	\$ 40,000	\$ 430,000	\$ 430,000
Prescription Drug Rebates	\$ (10,000)	\$ (10,000)	NA	\$ (10,000)	\$ (10,000)	\$ (10,000)	NA	\$ (10,000)	\$ (60,000)	\$ (60,000)
ERRP credits	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Education Surcharge	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Administrative Fees	\$ 40,000	\$ 40,000	NA	\$ 80,000	\$ 20,000	\$ 20,000	NA	\$ 30,000	\$ 6,091	\$ 6,091
Total Cost	\$ 730,000	\$ 680,000	NA	\$ 690,000	\$ 400,000	\$ 380,000	NA	\$ 370,000	\$ 376,091	\$ 376,091
Total Premium	\$ 730,000	\$ 680,000	NA	\$ 690,000	\$ 400,000	\$ 380,000	NA	\$ 370,000	\$ 376,091	\$ 376,091
Gain (Loss)	\$ -	\$ -	NA	\$ -	\$ -	\$ -	NA	\$ -	\$ -	\$ -
Retirees										
Average Medical Subscribers	67	67	67	NA	29	29	29	NA	NA	NA
Incurred Medical claims	\$ 370,000	\$ 350,000	\$ 220,000	NA	\$ 180,000	\$ 170,000	\$ 110,000	NA	NA	NA
Capitation	\$ 20,000	\$ 20,000	\$ 10,000	NA	\$ 10,000	\$ 10,000	\$ 10,000	NA	NA	NA
Incurred Prescription Drug Claims	\$ 230,000	\$ 240,000	\$ 140,000	NA	\$ 100,000	\$ 100,000	\$ 60,000	NA	NA	NA
Prescription Drug Rebates	\$ (40,000)	\$ (40,000)	\$ (20,000)	NA	\$ (20,000)	\$ (20,000)	\$ (10,000)	NA	NA	NA
ERRP credits	\$ (40,000)	\$ (40,000)	\$ (40,000)	NA	\$ (20,000)	\$ (20,000)	\$ (20,000)	NA		
Education Surcharge	\$ (20,000)	\$ (20,000)	\$ (20,000)	NA	\$ (10,000)	\$ (10,000)	\$ (10,000)	NA	NA	NA
Administrative Fees	\$ 20,000	\$ 20,000	\$ 20,000	NA	\$ 20,000	\$ 20,000	\$ 20,000	NA	NA	NA
Total Cost	\$ 540,000	\$ 530,000	\$ 310,000	NA	\$ 260,000	\$ 250,000	\$ 160,000	NA	NA	NA
Total Premium	\$ 540,000	\$ 530,000	\$ 310,000	NA	\$ 260,000	\$ 250,000	\$ 160,000	NA	NA	NA
Gain (Loss)	\$ -	\$ -	\$ -	NA	\$ -	\$ -	\$ -	NA	NA	NA



SEHBP 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	\$561.55	\$534.58	\$547.56	\$550.57	\$153.82
Member+Spouse	\$1,123.10	\$1,069.16	\$1,095.12	\$1,101.14	\$307.64
Family	\$1,403.88	\$1,336.45	\$1,368.90	\$1,376.43	\$384.55
Parent+Child(ren)	\$831.09	\$791.18	\$810.39	\$814.84	\$227.65
Adult Child Rate	\$274.93	\$261.73	\$268.09	\$269.56	\$75.31
Medical and Rx					
Rx Coverage with Medical Coverage					
Single	\$673.85	\$641.49	\$695.41	\$699.22	
Member+Spouse	\$1,347.70	\$1,282.98	\$1,390.82	\$1,398.44	
Family	\$1,684.63	\$1,603.73	\$1,738.53	\$1,748.05	
Parent+Child(ren)	\$997.30	\$949.41	\$1,029.21	\$1,034.85	
Adult Child Rate	\$329.92	\$314.07	\$340.47	\$342.34	

New Plans				
	Horizon	Aetna	Cigna	Rx
Plan A				
Medical Coverage Only				
Single	\$518.82	\$505.62	\$508.40	\$139.51
Member+Spouse	\$1,037.64	\$1,011.23	\$1,016.79	\$279.03
Family	\$1,297.06	\$1,264.04	\$1,271.00	\$348.79
Parent+Child(ren)	\$767.85	\$748.31	\$752.42	\$206.48
Adult Child Rate	\$254.01	\$247.55	\$248.91	\$68.31
Plan B				
Medical Coverage Only				
Single	\$487.59	\$475.45	\$478.06	\$141.98
Member+Spouse	\$975.19	\$950.89	\$956.12	\$283.95
Family	\$1,218.99	\$1,188.62	\$1,195.15	\$354.94
Parent+Child(ren)	\$721.64	\$703.66	\$707.53	\$210.12
Adult Child Rate	\$238.72	\$232.78	\$234.06	\$69.51
HDHP 1.5				
Rx Coverage with Medical Coverage				
Single	\$583.32	\$571.91	\$574.36	
Member+Spouse	\$1,166.63	\$1,143.82	\$1,148.72	
Family	\$1,458.29	\$1,429.77	\$1,435.91	
Parent+Child(ren)	\$863.30	\$846.42	\$850.05	
Adult Child Rate	\$285.59	\$280.01	\$281.21	



SEHBP Plan Year 2012 Renewal Recommendation

Exhibit 5B – Active Premiums

Plan Year 2012 Annual Active Premiums

Current Plans					
	NJ DIRECT10	NJ DIRECT15	Aetna \$10	Cigna \$10	Rx Card
<u>State Rx Card</u>	Medical Coverage Only				
Single	\$6,738.60	\$6,414.96	\$6,570.72	\$6,606.84	\$1,845.84
Member+Spouse	\$13,477.20	\$12,829.92	\$13,141.44	\$13,213.68	\$3,691.68
Family	\$16,846.56	\$16,037.40	\$16,426.80	\$16,517.16	\$4,614.60
Parent+Child(ren)	\$9,973.08	\$9,494.16	\$9,724.68	\$9,778.08	\$2,731.80
Adult Child Rate	\$3,299.16	\$3,140.76	\$3,217.08	\$3,234.72	\$903.72
<u>Medical and Rx</u>	Rx Coverage with Medical Coverage				
Single	\$8,086.20	\$7,697.88	\$8,344.92	\$8,390.64	
Member+Spouse	\$16,172.40	\$15,395.76	\$16,689.84	\$16,781.28	
Family	\$20,215.56	\$19,244.76	\$20,862.36	\$20,976.60	
Parent+Child(ren)	\$11,967.60	\$11,392.92	\$12,350.52	\$12,418.20	
Adult Child Rate	\$3,959.04	\$3,768.84	\$4,085.64	\$4,108.08	

New Plans				
	Horizon	Aetna	Cigna	Rx
<u>Plan A</u>	Medical Coverage Only			
Single	\$6,225.84	\$6,067.44	\$6,100.80	\$1,674.12
Member+Spouse	\$12,451.68	\$12,134.76	\$12,201.48	\$3,348.36
Family	\$15,564.72	\$15,168.48	\$15,252.00	\$4,185.48
Parent+Child(ren)	\$9,214.20	\$8,979.72	\$9,029.04	\$2,477.76
Adult Child Rate	\$3,048.12	\$2,970.60	\$2,986.92	\$819.72
<u>Plan B</u>	Medical Coverage Only			
Single	\$5,851.08	\$5,705.40	\$5,736.72	\$1,703.76
Member+Spouse	\$11,702.28	\$11,410.68	\$11,473.44	\$3,407.40
Family	\$14,627.88	\$14,263.44	\$14,341.80	\$4,259.28
Parent+Child(ren)	\$8,659.68	\$8,443.92	\$8,490.36	\$2,521.44
Adult Child Rate	\$2,864.64	\$2,793.36	\$2,808.72	\$834.12
<u>HDHP 1.5</u>	Rx Coverage with Medical Coverage			
Single	\$6,999.84	\$6,862.92	\$6,892.32	
Member+Spouse	\$13,999.56	\$13,725.84	\$13,784.64	
Family	\$17,499.48	\$17,157.24	\$17,230.92	
Parent+Child(ren)	\$10,359.60	\$10,157.04	\$10,200.60	
Adult Child Rate	\$3,427.08	\$3,360.12	\$3,374.52	



SEHBP Plan Year 2012 Renewal Recommendation

Exhibit 5B – Retiree Premiums (1 of 4)

Plan Year 2012 Monthly Retiree Premiums

	NJ DIRECT10	NJ DIRECT15	Aetna	CIGNA
<u>Total Premium</u>				
Single - 0 Medicare	\$725.22	\$690.78	\$627.00	\$633.21
Single - 1 Medicare	\$362.64	\$345.42	\$358.00	\$361.45
Mem+Spouse - 0 Medicare	\$1,580.96	\$1,505.91	\$1,367.00	\$1,380.40
Mem+Spouse - 1 Medicare	\$1,087.86	\$1,036.20	\$985.00	\$994.66
Mem+Spouse - 2 Medicare	\$725.27	\$690.84	\$716.00	\$722.89
Family - 0 Medicare	\$1,798.52	\$1,713.14	\$1,555.00	\$1,570.35
Family - 1 Medicare	\$1,305.43	\$1,243.43	\$1,173.00	\$1,184.60
Family - 2 Medicare	\$930.52	\$886.34	\$884.00	\$893.10
Parent+Ch - 0 Medicare	\$1,015.30	\$967.09	\$878.00	\$886.51
Parent+Ch - 1 Medicare	\$574.18	\$546.92	\$525.00	\$530.13
<u>Medical Premium</u>				
Single - 0 Medicare	\$575.10	\$540.66	\$481.49	\$487.70
Single - 1 Medicare	\$165.26	\$148.04	\$170.40	\$173.85
Mem+Spouse - 0 Medicare	\$1,253.70	\$1,178.65	\$1,049.64	\$1,063.04
Mem+Spouse - 1 Medicare	\$740.36	\$688.70	\$651.89	\$661.55
Mem+Spouse - 2 Medicare	\$330.51	\$296.08	\$340.80	\$347.69
Family - 0 Medicare	\$1,426.23	\$1,340.85	\$1,194.09	\$1,209.44
Family - 1 Medicare	\$912.89	\$850.89	\$796.34	\$807.94
Family - 2 Medicare	\$424.04	\$379.86	\$421.03	\$430.13
Parent+Ch - 0 Medicare	\$805.13	\$756.92	\$674.09	\$682.60
Parent+Ch - 1 Medicare	\$261.65	\$234.39	\$249.91	\$255.04
<u>Rx Premium</u>				
Single - 0 Medicare	\$150.12	\$150.12	\$145.51	\$145.51
Single - 1 Medicare	\$197.38	\$197.38	\$187.60	\$187.60
Mem+Spouse - 0 Medicare	\$327.26	\$327.26	\$317.36	\$317.36
Mem+Spouse - 1 Medicare	\$347.50	\$347.50	\$333.11	\$333.11
Mem+Spouse - 2 Medicare	\$394.76	\$394.76	\$375.20	\$375.20
Family - 0 Medicare	\$372.29	\$372.29	\$360.91	\$360.91
Family - 1 Medicare	\$392.54	\$392.54	\$376.66	\$376.66
Family - 2 Medicare	\$506.48	\$506.48	\$462.97	\$462.97
Parent+Ch - 0 Medicare	\$210.17	\$210.17	\$203.91	\$203.91
Parent+Ch - 1 Medicare	\$312.53	\$312.53	\$275.09	\$275.09



SEHBP Plan Year 2012 Renewal Recommendation

Exhibit 5C – Retiree Premiums (2 of 4)

Plan Year 2012 Monthly Retiree Premiums

	Plan A		
	Horizon	Aetna	CIGNA
<u>Total Premium</u>			
Single - 0 Medicare	\$666.34	\$581.59	\$587.41
Single - 1 Medicare	\$325.75	\$329.39	\$332.68
Mem+Spouse - 0 Medicare	\$1,452.62	\$1,267.86	\$1,280.55
Mem+Spouse - 1 Medicare	\$992.08	\$910.97	\$920.09
Mem+Spouse - 2 Medicare	\$651.49	\$658.75	\$665.35
Family - 0 Medicare	\$1,652.52	\$1,442.33	\$1,456.76
Family - 1 Medicare	\$1,191.98	\$1,085.44	\$1,096.29
Family - 2 Medicare	\$835.86	\$813.87	\$822.01
Parent+Ch - 0 Medicare	\$932.87	\$814.23	\$822.38
Parent+Ch - 1 Medicare	\$515.77	\$483.08	\$487.93
<u>Medical Premium</u>			
Single - 0 Medicare	\$520.86	\$436.11	\$441.93
Single - 1 Medicare	\$134.48	\$138.12	\$141.41
Mem+Spouse - 0 Medicare	\$1,135.48	\$950.72	\$963.41
Mem+Spouse - 1 Medicare	\$655.33	\$574.22	\$583.34
Mem+Spouse - 2 Medicare	\$268.94	\$276.20	\$282.80
Family - 0 Medicare	\$1,291.75	\$1,081.56	\$1,095.99
Family - 1 Medicare	\$811.58	\$705.04	\$715.89
Family - 2 Medicare	\$345.05	\$323.06	\$331.20
Parent+Ch - 0 Medicare	\$729.20	\$610.56	\$618.71
Parent+Ch - 1 Medicare	\$212.91	\$180.22	\$185.07
<u>Rx Premium</u>			
Single - 0 Medicare	\$145.48	\$145.48	\$145.48
Single - 1 Medicare	\$191.27	\$191.27	\$191.27
Mem+Spouse - 0 Medicare	\$317.14	\$317.14	\$317.14
Mem+Spouse - 1 Medicare	\$336.75	\$336.75	\$336.75
Mem+Spouse - 2 Medicare	\$382.55	\$382.55	\$382.55
Family - 0 Medicare	\$360.77	\$360.77	\$360.77
Family - 1 Medicare	\$380.40	\$380.40	\$380.40
Family - 2 Medicare	\$490.81	\$490.81	\$490.81
Parent+Ch - 0 Medicare	\$203.67	\$203.67	\$203.67
Parent+Ch - 1 Medicare	\$302.86	\$302.86	\$302.86



SEHBP Plan Year 2012 Renewal Recommendation

Exhibit 5C – Retiree Premiums (3 of 4)

Plan Year 2012 Monthly Retiree Premiums

	Plan B		
	Horizon	Aetna	CIGNA
<u>Total Premium</u>			
Single - 0 Medicare	\$639.68	\$558.23	\$563.82
Single - 1 Medicare	\$319.48	\$322.75	\$325.98
Mem+Spouse - 0 Medicare	\$1,394.52	\$1,216.94	\$1,229.12
Mem+Spouse - 1 Medicare	\$959.16	\$880.98	\$889.79
Mem+Spouse - 2 Medicare	\$638.96	\$645.48	\$651.94
Family - 0 Medicare	\$1,586.42	\$1,384.41	\$1,398.25
Family - 1 Medicare	\$1,151.06	\$1,048.44	\$1,058.92
Family - 2 Medicare	\$819.77	\$797.47	\$805.45
Parent+Ch - 0 Medicare	\$895.56	\$781.53	\$789.36
Parent+Ch - 1 Medicare	\$505.84	\$473.35	\$478.10
<u>Medical Premium</u>			
Single - 0 Medicare	\$492.82	\$411.37	\$416.96
Single - 1 Medicare	\$126.39	\$129.66	\$132.89
Mem+Spouse - 0 Medicare	\$1,074.37	\$896.79	\$908.97
Mem+Spouse - 1 Medicare	\$619.21	\$541.03	\$549.84
Mem+Spouse - 2 Medicare	\$252.77	\$259.29	\$265.75
Family - 0 Medicare	\$1,222.21	\$1,020.20	\$1,034.04
Family - 1 Medicare	\$767.04	\$664.42	\$674.90
Family - 2 Medicare	\$324.29	\$301.99	\$309.97
Parent+Ch - 0 Medicare	\$689.95	\$575.92	\$583.75
Parent+Ch - 1 Medicare	\$200.10	\$167.61	\$172.36
<u>Rx Premium</u>			
Single - 0 Medicare	\$146.86	\$146.86	\$146.86
Single - 1 Medicare	\$193.09	\$193.09	\$193.09
Mem+Spouse - 0 Medicare	\$320.15	\$320.15	\$320.15
Mem+Spouse - 1 Medicare	\$339.95	\$339.95	\$339.95
Mem+Spouse - 2 Medicare	\$386.19	\$386.19	\$386.19
Family - 0 Medicare	\$364.21	\$364.21	\$364.21
Family - 1 Medicare	\$384.02	\$384.02	\$384.02
Family - 2 Medicare	\$495.48	\$495.48	\$495.48
Parent+Ch - 0 Medicare	\$205.61	\$205.61	\$205.61
Parent+Ch - 1 Medicare	\$305.74	\$305.74	\$305.74



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

Plan Year 2012 Monthly Retiree Premiums

	HDHP 0.5		
	Horizon	Aetna	CIGNA
Total Premium			
Single - 0 Medicare	\$427.73	\$369.76	\$373.46
Mem+Spouse - 0 Medicare	\$932.45	\$806.08	\$814.14
Family - 0 Medicare	\$1,060.76	\$917.00	\$926.17
Parent+Ch - 0 Medicare	\$598.82	\$517.67	\$522.85



SEHBP Plan Year 2012 Renewal Recommendation

Exhibit 5D – Retiree Premiums (1 of 4)

Plan Year 2012 Annual Retiree Premiums

	Current Plans			
	NJ DIRECT10	NJ DIRECT15	Aetna	CIGNA
<u>Total Premium</u>				
Single - 0 Medicare	\$8,702.64	\$8,289.36	\$7,524.00	\$7,598.52
Single - 1 Medicare	\$4,351.68	\$4,145.04	\$4,296.00	\$4,337.40
Mem+Spouse - 0 Medicare	\$18,971.52	\$18,070.92	\$16,404.00	\$16,564.80
Mem+Spouse - 1 Medicare	\$13,054.32	\$12,434.40	\$11,820.00	\$11,935.92
Mem+Spouse - 2 Medicare	\$8,703.24	\$8,290.08	\$8,592.00	\$8,674.68
Family - 0 Medicare	\$21,582.24	\$20,557.68	\$18,660.00	\$18,844.20
Family - 1 Medicare	\$15,665.16	\$14,921.16	\$14,076.00	\$14,215.20
Family - 2 Medicare	\$11,166.24	\$10,636.08	\$10,608.00	\$10,717.20
Parent+Ch - 0 Medicare	\$12,183.60	\$11,605.08	\$10,536.00	\$10,638.12
Parent+Ch - 1 Medicare	\$6,890.16	\$6,563.04	\$6,300.00	\$6,361.56
<u>Medical Premium</u>				
Single - 0 Medicare	\$6,901.20	\$6,487.92	\$5,777.88	\$5,852.40
Single - 1 Medicare	\$1,983.12	\$1,776.48	\$2,044.80	\$2,086.20
Mem+Spouse - 0 Medicare	\$15,044.40	\$14,143.80	\$12,595.68	\$12,756.48
Mem+Spouse - 1 Medicare	\$8,884.32	\$8,264.40	\$7,822.68	\$7,938.60
Mem+Spouse - 2 Medicare	\$3,966.12	\$3,552.96	\$4,089.60	\$4,172.28
Family - 0 Medicare	\$17,114.76	\$16,090.20	\$14,329.08	\$14,513.28
Family - 1 Medicare	\$10,954.68	\$10,210.68	\$9,556.08	\$9,695.28
Family - 2 Medicare	\$5,088.48	\$4,558.32	\$5,052.36	\$5,161.56
Parent+Ch - 0 Medicare	\$9,661.56	\$9,083.04	\$8,089.08	\$8,191.20
Parent+Ch - 1 Medicare	\$3,139.80	\$2,812.68	\$2,998.92	\$3,060.48
<u>Rx Premium</u>				
Single - 0 Medicare	\$1,801.44	\$1,801.44	\$1,746.12	\$1,746.12
Single - 1 Medicare	\$2,368.56	\$2,368.56	\$2,251.20	\$2,251.20
Mem+Spouse - 0 Medicare	\$3,927.12	\$3,927.12	\$3,808.32	\$3,808.32
Mem+Spouse - 1 Medicare	\$4,170.00	\$4,170.00	\$3,997.32	\$3,997.32
Mem+Spouse - 2 Medicare	\$4,737.12	\$4,737.12	\$4,502.40	\$4,502.40
Family - 0 Medicare	\$4,467.48	\$4,467.48	\$4,330.92	\$4,330.92
Family - 1 Medicare	\$4,710.48	\$4,710.48	\$4,519.92	\$4,519.92
Family - 2 Medicare	\$6,077.76	\$6,077.76	\$5,555.64	\$5,555.64
Parent+Ch - 0 Medicare	\$2,522.04	\$2,522.04	\$2,446.92	\$2,446.92
Parent+Ch - 1 Medicare	\$3,750.36	\$3,750.36	\$3,301.08	\$3,301.08



SEHBP Plan Year 2012 Renewal Recommendation

Exhibit 5D – Retiree Premiums (2 of 4)

Plan Year 2012 Annual Retiree Premiums

	Plan A		
	Horizon	Aetna	CIGNA
<u>Total Premium</u>			
Single - 0 Medicare	\$7,996.08	\$6,979.08	\$7,048.92
Single - 1 Medicare	\$3,909.00	\$3,952.68	\$3,992.16
Mem+Spouse - 0 Medicare	\$17,431.44	\$15,214.32	\$15,366.60
Mem+Spouse - 1 Medicare	\$11,904.96	\$10,931.64	\$11,041.08
Mem+Spouse - 2 Medicare	\$7,817.88	\$7,905.00	\$7,984.20
Family - 0 Medicare	\$19,830.24	\$17,307.96	\$17,481.12
Family - 1 Medicare	\$14,303.76	\$13,025.28	\$13,155.48
Family - 2 Medicare	\$10,030.32	\$9,766.44	\$9,864.12
Parent+Ch - 0 Medicare	\$11,194.44	\$9,770.76	\$9,868.56
Parent+Ch - 1 Medicare	\$6,189.24	\$5,796.96	\$5,855.16
<u>Medical Premium</u>			
Single - 0 Medicare	\$6,250.32	\$5,233.32	\$5,303.16
Single - 1 Medicare	\$1,613.76	\$1,657.44	\$1,696.92
Mem+Spouse - 0 Medicare	\$13,625.76	\$11,408.64	\$11,560.92
Mem+Spouse - 1 Medicare	\$7,863.96	\$6,890.64	\$7,000.08
Mem+Spouse - 2 Medicare	\$3,227.28	\$3,314.40	\$3,393.60
Family - 0 Medicare	\$15,501.00	\$12,978.72	\$13,151.88
Family - 1 Medicare	\$9,738.96	\$8,460.48	\$8,590.68
Family - 2 Medicare	\$4,140.60	\$3,876.72	\$3,974.40
Parent+Ch - 0 Medicare	\$8,750.40	\$7,326.72	\$7,424.52
Parent+Ch - 1 Medicare	\$2,554.92	\$2,162.64	\$2,220.84
<u>Rx Premium</u>			
Single - 0 Medicare	\$1,745.76	\$1,745.76	\$1,745.76
Single - 1 Medicare	\$2,295.24	\$2,295.24	\$2,295.24
Mem+Spouse - 0 Medicare	\$3,805.68	\$3,805.68	\$3,805.68
Mem+Spouse - 1 Medicare	\$4,041.00	\$4,041.00	\$4,041.00
Mem+Spouse - 2 Medicare	\$4,590.60	\$4,590.60	\$4,590.60
Family - 0 Medicare	\$4,329.24	\$4,329.24	\$4,329.24
Family - 1 Medicare	\$4,564.80	\$4,564.80	\$4,564.80
Family - 2 Medicare	\$5,889.72	\$5,889.72	\$5,889.72
Parent+Ch - 0 Medicare	\$2,444.04	\$2,444.04	\$2,444.04
Parent+Ch - 1 Medicare	\$3,634.32	\$3,634.32	\$3,634.32



SEHBP Plan Year 2012 Renewal Recommendation

Exhibit 5D – Retiree Premiums (3 of 4)

Plan Year 2012 Annual Retiree Premiums

	Plan B		
	Horizon	Aetna	CIGNA
<u>Total Premium</u>			
Single - 0 Medicare	\$7,676.16	\$6,698.76	\$6,765.84
Single - 1 Medicare	\$3,833.76	\$3,873.00	\$3,911.76
Mem+Spouse - 0 Medicare	\$16,734.24	\$14,603.28	\$14,749.44
Mem+Spouse - 1 Medicare	\$11,509.92	\$10,571.76	\$10,677.48
Mem+Spouse - 2 Medicare	\$7,667.52	\$7,745.76	\$7,823.28
Family - 0 Medicare	\$19,037.04	\$16,612.92	\$16,779.00
Family - 1 Medicare	\$13,812.72	\$12,581.28	\$12,707.04
Family - 2 Medicare	\$9,837.24	\$9,569.64	\$9,665.40
Parent+Ch - 0 Medicare	\$10,746.72	\$9,378.36	\$9,472.32
Parent+Ch - 1 Medicare	\$6,070.08	\$5,680.20	\$5,737.20
<u>Medical Premium</u>			
Single - 0 Medicare	\$5,913.84	\$4,936.44	\$5,003.52
Single - 1 Medicare	\$1,516.68	\$1,555.92	\$1,594.68
Mem+Spouse - 0 Medicare	\$12,892.44	\$10,761.48	\$10,907.64
Mem+Spouse - 1 Medicare	\$7,430.52	\$6,492.36	\$6,598.08
Mem+Spouse - 2 Medicare	\$3,033.24	\$3,111.48	\$3,189.00
Family - 0 Medicare	\$14,666.52	\$12,242.40	\$12,408.48
Family - 1 Medicare	\$9,204.48	\$7,973.04	\$8,098.80
Family - 2 Medicare	\$3,891.48	\$3,623.88	\$3,719.64
Parent+Ch - 0 Medicare	\$8,279.40	\$6,911.04	\$7,005.00
Parent+Ch - 1 Medicare	\$2,401.20	\$2,011.32	\$2,068.32
<u>Rx Premium</u>			
Single - 0 Medicare	\$1,762.32	\$1,762.32	\$1,762.32
Single - 1 Medicare	\$2,317.08	\$2,317.08	\$2,317.08
Mem+Spouse - 0 Medicare	\$3,841.80	\$3,841.80	\$3,841.80
Mem+Spouse - 1 Medicare	\$4,079.40	\$4,079.40	\$4,079.40
Mem+Spouse - 2 Medicare	\$4,634.28	\$4,634.28	\$4,634.28
Family - 0 Medicare	\$4,370.52	\$4,370.52	\$4,370.52
Family - 1 Medicare	\$4,608.24	\$4,608.24	\$4,608.24
Family - 2 Medicare	\$5,945.76	\$5,945.76	\$5,945.76
Parent+Ch - 0 Medicare	\$2,467.32	\$2,467.32	\$2,467.32
Parent+Ch - 1 Medicare	\$3,668.88	\$3,668.88	\$3,668.88



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

Plan Year 2012 Annual Retiree Premiums

	HDHP 0.5		
	Horizon	Aetna	CIGNA
Total Premium			
Single - 0 Medicare	\$5,132.76	\$4,437.12	\$4,481.52
Mem+Spouse - 0 Medicare	\$11,189.40	\$9,672.96	\$9,769.68
Family - 0 Medicare	\$12,729.12	\$11,004.00	\$11,114.04
Parent+Ch - 0 Medicare	\$7,185.84	\$6,212.04	\$6,274.20



SEHBP 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	\$9	\$9	\$5	\$5
Retail Preferred Brand Copay	\$20	\$20	\$12	\$12
Retail Non-Preferred Brand Copay	\$39	\$39	\$24	\$24
Mail Generic Copay	\$10	\$5	\$6	\$5
Mail Preferred Brand Copay	\$29	\$29	\$17	\$17
Mail Non-Preferred Brand Copay	\$49	\$49	\$29	\$29
Out-of-Pocket Maximum	\$1,318	\$1,318	\$1,318	\$1,318

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 2.0% margin since the projected Active claim stabilization reserve for Actives falls below the target claim stabilization reserve equivalent of 2.0 months of Plan costs at the end of Plan Year 2012.

Early Retiree premiums were decreased 3.0% because the Retiree claim stabilization reserve at the end of Plan Year 2012 is projected at 2.6 months of plan costs, which exceeds the 2.0 target reserve.

Medicare Retiree premiums do not include any margin adjustments.

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 charge for the SEHBP is \$5.0 million, and
- Investment income credits of \$2.5 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,
- \$37 million for Early Retiree Reinsurance Program credits,
- \$83 million for prescription drug rebates,
- \$26 million credit from the Education surcharge, and
- \$41 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 2008 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 4% and Medicare enrollment will increase 7%.

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 SEHBP. The impact of this adjustment was a 1% 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 SEHBP 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 SEHBP 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	7.5%	10.0%
NJ DIRECT Early Retiree	10.5%	10.5%
NJ DIRECT Medicare Retiree	5.0%	10.5%
Aetna HMO*	7.0%	10.0%
CIGNA HMO	7.0%	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.



SEHBP PLAN YEAR 2012 RENEWAL RECOMMENDATIONS

Exhibit 7A – Employee Plan Option Summary

	Cur \$10 copay	Cur \$15 copay	Plan A Medical	Plan B Medical	HDHP 1.5
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	\$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
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	none	none	\$200 per stay	\$500 per stay	NA
Employer HSA Funding	NA	NA	NA	NA	\$300

Prescription Drug Copays***						
Retail Copayments	Tier 1	\$3	\$3	\$7	\$3	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.



SEHBP 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	none	none	\$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	
Retail Copayments	Tier 1	\$9	\$5	\$9	\$5	\$7	\$3	subject to deductible and coinsurance
Retail Copayments	Tier 2	\$20	\$12	\$20	\$12	\$16	\$18	
Retail Copayments	Tier 3	\$39	\$24	\$39	\$24	\$35	\$46	
Mail Copayments	Tier 1	\$5	\$5	\$5	\$5	\$5	\$5	
Mail Copayments	Tier 2	\$29	\$17	\$29	\$17	\$40	\$36	
Mail Copayments	Tier 3	\$49	\$29	\$49	\$29	\$88	\$92	
OOP Maximum		\$1,318	\$1,318	\$1,318	\$1,318	\$1,318	\$1,318	

*HMO plans do not have OON benefits

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

SEHBP 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 SEHBP enrollment for the near future is likely to remain in NJ DIRECT and the \$15 copay HMOs. Therefore, these suggestions are still appropriate for what is anticipated to be the majority of the SEHBP 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 \$9/\$20/\$41 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 \$23/\$50/\$103;

 - 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.

- Introduce a \$500 Out-Of-Network, In-Patient Hospital Deductible. Similar to the suggestion above for the NJ DIRECT Out-Of-Network OOP maximum, this would encourage 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.