

**New Jersey State Health Benefits Commission
July 14th 2009 Meeting**

State Health Benefits Program (SHBP)

**Recommended Plan Year 2010
Medical/Rx Rate Renewal Recommendation
for Active Employees and Retirees
of the State Group**

- For Plan Year 2010, Aon is recommending premium rate changes that – in the aggregate – represent an **overall increase** of 11% for State Active Employees and Retirees:

	Active Employees	Early Retirees	Medicare Retirees
NJ DIRECT10	NA	9%	9%
NJ DIRECT15	13%	9%	9%
Aetna HMO	9%	14%	9%
CIGNA HMO	9%	14%	9%
NJ PLUS	12%	NA	NA
Rx Card Plan	7%	NA	NA
Average Change	11%	10%	9%

- This recommended renewal assumes:
 - For Retiree Rx for NJ DIRECT and HMOs, the brand copays and Out-of-Pocket maximum will receive formula increases based on Retiree Rx experience;

- Select unions have not yet settled their contracts, so Employees in these unions (aka Legacy Employees) will continue with the current benefit plans;
- The Prescription Benefit Manager (PBM) RFP will result in a new contract, effective 1/1/10, that will reduce RX costs by a minimum of 2% to 5%. Premium levels in the renewal report assume a 2% reduction in Rx costs;
- The Dependent Eligibility Verification Audit will generate Plan Year 2010 claim savings of \$14 million through the elimination of coverage for ineligible dependents;
- No other changes in Employee or Retiree benefits, other than those mandated by New Jersey or federal law, as outlined in the renewal report;
- State Employee enrollment will decrease about 1% in Plan Year 2010, and
- State Retiree enrollment will increase about 4% in Plan Year 2010.
- Aggregate differences in the rate changes for different benefit plans and between Actives and Retirees reflect the impact of:
 - Medicare Retiree medical trends have been well below industry norms for the past few years and we are projecting that the low trend levels will continue into Plan Year 2009 and 2010.
 - Early Retiree medical trends have also been lower than industry norms for the past few years and we are projecting that the lower trend levels will continue into Plan Year 2009 and 2010.
 - Prior to Plan Year 2009, Early Retiree HMO costs were pooled with Active HMO costs to develop premiums. Since there are now over 4,000 State Early Retirees enrolled in HMOs, the Plan Year 2010 renewal rates were adjusted to partially reflect the higher level of claim costs attributable to Early Retirees.

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- HMO medical trends have been higher than Horizon trends over the past few years and we are projecting that that will continue into Plan Year 2010.
 - Factors contributing to the recommended rate actions include:
 - 9% trend increase from Plan Year 2009 to Plan Year 2010;
 - NJ DIRECT benefit changes approved after the Plan Year 2009 renewal, which add about 1% to the increase, and
 - Mandated benefit enhancements, which add about 1% to the increase.
 - Plan Year 2010 projected costs for the State Group are \$1.78 billion (\$1.37 billion for Actives and \$.41 billion for Retirees). Plan Year 2010 renewal premiums are set to match the projected \$1.78 billion costs, so there is no loss or gain projected for Plan Year 2010.