

**School Employees' Health Benefits Commission**  
**Meeting Minutes**  
**July 11, 2018; 10:00 AM**

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 School Employees' Health Benefits Commission of New Jersey was called to order on Wednesday, July 11, 2018 at 10:00 AM. 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:**

**Kevin Kelleher**, NJEA

**Julie Giordano Plotkin**, NJEA

**Dan Goldman**, NJEA

**Sonia Rivera-Perez**, representing State Treasurer Elizabeth Maher Muoio

**Don Henson**, Department of Banking and Insurance

**Cynthia Jahn**, N.J. School Boards Association

**Also Present:**

**Danielle Schimmel**, Deputy Attorney General

**John Megariotis**, New Jersey Division of Pensions and Benefits

**David Pointer**, New Jersey Division of Pensions and Benefits

**Mark Cipriano**, New Jersey Division of Pensions and Benefits

**Nicole Ludwig**, New Jersey Division of Pensions and Benefits

**Joseph Palladino**, New Jersey Division of Pensions and Benefits

Alex Jaloway, Aon  
Michele Engle, Aon

**Interim Chair**

Commissioner Jahn made a motion to nominate Commissioner Henson as interim chair. Commissioner Kelleher seconded and all voted in favor.

**Rate Renewals**

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

- For the Local Education Group in Plan Year 2019, Aon is recommending a 6.6% increase in premium rates for Active Employees, an increase of 2.1% for Early Retirees, and a decrease of 4.9% for Medicare Retirees.
  - In aggregate, the recommended rate actions represent an overall increase for the Local Education Group of 2.4%, as compared to the Plan Year 2018 overall increase of 8.5%.
  - The following chart provides the recommended premium rate changes by plan type:

	<b><u>Active Employees</u></b>	<b><u>Early Retirees</u></b>	<b><u>Medicare Retirees</u></b>
Medical PPO	3.7%	1.7%	(4.2%)
Medical HMO	3.7%	1.7%	5.2%
Prescription Drug PPO	17.0%	3.7%	(5.9%)
Prescription Drug HMO	17.0%	3.7%	(5.9%)
<b>Total</b>	<b>6.6%</b>	<b>2.1%</b>	<b>(4.9%)</b>

- The premium increases for Plan Year 2019 are projected to produce no loss or gain for Local Education Actives and Retirees. For Actives, the target Claim Stabilization Reserve is projected to be equivalent to 2.4 months of plan costs as of 12/31/2019. The Retiree target reserve level has been set to \$0, since the State is responsible for approximately 90% of Education Retiree plan cost. As a result, both the Education Active and Retiree premiums do not include any margin as the projected months of plan costs is greater than the target level.

The Plan Year 2019 Renewal assumes the following:

- Active Employee enrollment is projected to decrease approximately 20.0% in Plan Year 2018 and 10.0% in Plan Year 2019. Early Retiree enrollment is projected to decrease 4.0% in Plan Year 2018 and 3.0% in Plan Year 2019. Medicare Retiree enrollment is projected to increase 2.0% in Plan Year 2018 and 3.0% 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 SEHBP.
  - 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 SEHBP'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 SEHBP 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 SEHBP.

- 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 SEHBP 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 10.5% for Actives and 8.5% for Retirees, a reduction from 12.0% and 11.0% as stated in the Plan Year 2018 Renewal, respectively. The Aon Plan Year 2019 prescription drug trend recommendation is 10.5% for Actives and 8.5% for Retirees. Expectations of prescription drug trend for specialty drugs have reduced from 25% to 20% for Actives but have reduced from 25% to 15% for Retirees, which is the main driver for the reduction in the overall prescription drug trend.
  - The PPO Active medical trend of 8.5% in Plan Year 2018 has reduced from 8.8% as stated in the Plan Year 2018 Renewal (prior to any anti-selection adjustment). The Plan Year 2019 Active PPO medical trend is recommended to be 8.0%.
  - The Plan Year 2018 PPO medical trend of 6.5% for Early Retirees has been reduced from 8.0% in the Plan Year 2018 Renewal. The Plan Year 2019 medical trend is recommended to be 6.0%.
  - 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.
  - The medical 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% (prior to any anti-selection adjustment). 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 terminations of Local Education Active Employers from the SEHBP and the expectation of a 20% reduction in the Active enrollment, the Active medical and

prescription drug trends have been increased by 150 basis points for Plan Years 2018 and 2019. The Plan Year 2018 Renewal Report reflected an adjustment of 50 basis points in Plan Year 2018. This adjustment is based on future expectations of the anti-selection risk (employers are terminating which will affect the SEHBP's overall loss ratio).

- The Plan Year 2019 Medicare Advantage rates were provided by Aetna and these rates do not include the Health Insurer Fee. PPO Medicare Advantage premium rates decreased approximately 10%, while HMO Medicare Advantage premium rates increased approximately 5%.
  - Prescription drug rebates for Plan Years 2016 and 2017 are based on actual rebate payment data received. 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 be approximately \$195 million in Plan Year 2017 and approximately \$194 million in Plan Year 2018, and increase to approximately \$266 million for Plan Year 2019.
- Plan Year 2019 projected cost for the Local Education Group is approximately \$2.5 billion (\$1.3 billion for Actives and \$1.2 billion for Retirees).

## **Rate Renewal Discussion**

Chairperson Henson asked for explanation regarding the recommended 17% increase in prescription drug costs. Mr. Jalloway of Aon explained that while members have gravitated toward more generics, the trend for specialty drugs, particularly those associated with chemotherapy, is high and the main cost driver, accounting for about 35% to 40% of drug costs.

Commissioner Kelleher asked if the changes made during the reverse auction last year were incorporated into the rates. Mr. Jalloway stated that all the savings associated with the new contract are incorporated into the rates. Further, the recommendations and trends presented represent Aon's best estimates, not conservative estimates, and incorporate not only the experience, but also the national experience and vendor recommendations.

Commissioner Kelleher requested additional information about the plans historic prescription drug spend from 2016, 2017 and 2018.

Commissioner Rivera-Perez questioned whether the plan design changes implemented by the SHBP PDC for the SHBP could be influencing provider behavior on the SEHBP side regarding the prescribing of generic prescription drugs over brand names. Mr. Jalloway stated that it could be influencing providers.

Commissioner Kelleher requested that the NJDPB provide the SEHBC with a loss ratio of all of the districts that have left the SEHBP over the past three years. He indicated that with the trend of school districts with low loss ratios leaving the plan every year, the Commission consider a new rate structure, possibly rate banding, where each participating district pays a base rate and then an additional tiered rate based on their loss ratio. Commissioner Kelleher made a motion for Aon to develop some recommendations on encouraging employers to stay in the SEHBP, be it banding or any other ideas, as soon as possible, but no later than January 1, 2019. Commissioner Goldman seconded the motion and all voted in favor.

## **Settlement Proposals**

**Case #07111801, #07111802, #07111803, #07111804** – Commissioner Kelleher made a motion to approve the settlement proposals authority as requested, en-bloc. Commissioner Goldman seconded the motion and all voted in favor.

Commissioner Kelleher made a motion to go into Executive Session to discuss pending litigation with the Deputy Attorney General. Commissioner Giordano-Plotkin seconded the motion and all voted in favor.

**Adjournment**

Commissioner Kelleher made a motion to adjourn at 11:21 am. Commissioner Goldman seconded the motion and all voted in favor.

Respectfully Submitted,

Joseph Palladino

Acting Secretary, School Employees' Health Benefits Commission