

**State Health Benefits Commission**

**Meeting Minutes**

**May 8, 2019**

Adequate notice of this meeting has been 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 2019 annual meeting schedule was mailed to the Secretary of State, Star Ledger and the Trenton Times on December 20, 2018.

The meeting of the State Health Benefits Commission of New Jersey was called to order on Wednesday, May 8, 2019 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.

Acting Secretary Nicole Ludwig took Roll Call and established that a quorum was present.

**Roll Call**

**Commissioners:**

**Susanne Culliton**, Chairperson, representing State Treasurer Elizabeth Maher Muoio

**Holly Gaenzle**, representing Commissioner of the Department of Banking and Insurance Marlene Caride

**Dudley Burdge**, Representative for Local Government Employees

**Debra Davis**, Representative for State Government Employees

**Deirdre Webster-Cobb**, CEO, Civil Service Commission

**Also Present:**

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

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

**Christopher Meyer**, Deputy Attorney General

**Beth Mitchell**, Assistant Attorney General

**MEETING MINUTES:**

Chairperson Culliton made a motion to approve the meeting minutes from January 9, 2019. Commissioner Davis seconded the motion; all voted in favor.

Mid-Year Reports Presentation by Aon:

Alex Jaloway of Aon gave a presentation on the mid-year reports for the State Group.

- The Final Plan Year 2019 Renewal reports reflected Medical and Prescription drug experience through June 2018. The Plan Year 2018 Mid-Year report results have been updated to reflect an additional 5 months of incurred and paid Medical and Prescription Drug claims through November 2018.
- Plan Year 2019 projected cost for the State Group is approximately \$2.3 billion (\$1.7 billion for Actives and \$0.6 billion for Retirees).
- In total, the Plan Year 2018 projected cost for the State Group has decreased approximately 2.6% from the results shown in the Plan Year 2019 Renewal Report due to favorable experience, offset by a 0.3% increase in projected cost due to changes in assumptions.
- As with the Plan Year 2019 Renewal Report, all Plan Year 2019 results in the Mid-Year Report are projected. In total, the projected Plan Year 2019 cost for the State Group has decreased approximately 1.1% from the Plan Year 2019 Renewal Report due to changes in experience and 1.8% due to changes in assumptions.

The Plan Year 2018 Mid-Year Report assumes the following:

- The enrollment assumptions for Plan Years 2017 and 2018 are based on actual Active Employee and Retiree average monthly enrollment during each year. Plan Year 2019 enrollment is projected using January and February 2019 enrollment.
- Based on Plan Year 2019 enrollment projections, State Active Employees are projected to increase 0.4%, State Early Retirees are projected to decrease by approximately 1.1% and State Medicare Retirees are projected to increase 2.0% as compared to Plan Year 2018 enrollment.
- Effective August 30, 2018, new legislation limits surprise billing to a percentage of CMS for surprise claims. This mandate is estimated to reduce Plan Year 2019 medical claims for State Actives and Early Retirees by approximately 0.7% and 0.6%, respectively.
- The SHBP Plan Design Committee approved several plan changes for Plan Year 2017 that were reaffirmed for both Plan Year 2018 and Plan Year 2019. These changes include an out-of-network reimbursement change for physical therapy services in the PPO plans, mandatory generic for prescription drugs, and a prescription drug copay change. Additionally, the SHBP Plan Design Committee approved the continuation of the alternative prescription drug formulary for Plan Year 2019.

- The following assumptions have changed since the Plan Year 2019 Renewals:
  - Recommended trends are developed by incorporating actual SHBP plan experience (adjusted for expectations of future cost increases) along with medical and prescription drug vendor trend recommendations, Aon's national trend guidance (which is reflective of Pharmacy Benefit Manager (PBM) surveys), national benchmarking data and other external sources.
  - Prescription drug trend for Plan Year 2019 is assumed to be 7.0% for Actives and Retirees, a reduction from 8.0% as stated in the Plan Year 2019 Renewal.
  - The Plan Year 2019 Active PPO medical trend is assumed to be 4.5%, a reduction from 5.0% as stated in the Plan Year 2019 Renewal.
  - The Plan Year 2019 PPO medical trend of 5.0% for Early Retirees is a 50 basis point reduction from the Plan Year 2019 Renewal Report.
  - The medical trend assumption for HMO Actives and Early Retirees is 6.0% in Plan Year 2019, no change from the HMO trend in the Plan Year 2019 Renewal Report.
  - Prescription drug rebates for Plan Year 2017 is based on actual rebate payment data received from Express Scripts. Rebates for Plan Years 2018 and 2019 are based on projected amounts provided by Optum. Projected Plan Year 2018 rebates have decreased approximately \$13 million since the Plan Year 2019 Renewal Report. Projected Plan Year 2019 Rebates have increased approximately \$15 million since the Plan Year 2019 Renewal Report.
  - 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. Plan Years 2018 and 2019 EGWP Credits are projected to decrease \$3 million and \$14 million, respectively, since the Plan 2019 Renewal Reports.

Alex Jaloway of Aon gave a presentation on the Midyear reports for the Local Government Group.

- The Final Plan Year 2019 Renewal reports reflected Medical and Prescription drug experience through June 2018. The Plan Year 2018 Mid-Year report results have been updated to reflect an additional 5 months of incurred and paid Medical and Prescription Drug claims through November 2018.
- Plan Year 2019 projected cost for the Local Government Group is approximately \$1.5 billion (\$1.0 billion for Actives and \$0.5 billion for Retirees).
- In total, the Plan Year 2018 projected cost for the Local Government Group has decreased approximately 2.7% from the results shown in the Plan Year 2019 Renewal Report due to favorable experience, offset by a 0.2% increase in projected cost due to changes in assumptions.
- As with the Plan Year 2019 Renewal Report, all Plan Year 2019 results in the Mid-Year Report are projected. In total, the projected Plan Year 2019 cost for the Local Government Group has increased approximately 0.1% from the Plan Year 2019 Renewal Report due to changes in experience and decreased

1.7% due to changes in assumptions.

- Updated actual Fiscal Year 2017 and Fiscal Year 2018 claim stabilization reserve balances have been provided by the Division and have increased since the amounts provided in the Plan Year 2019 Renewal. This update resulted in increases in the expected months of plan costs as of December 31, 2019.
  - The projected Active claim stabilization reserve at December 31, 2019 is equivalent to 3.5 months of plan costs
  - The projected Retiree claim stabilization reserve at December 31, 2019 is equivalent to 5.3 months of plan costs.

The Plan Year 2018 Mid-Year Report assumes the following:

- The enrollment assumptions for Plan Years 2017 and 2018 are based on actual Active Employee and Retiree average monthly enrollment during each year. Plan Year 2019 enrollment is projected using January and February 2019 enrollment.
- Based on Plan Year 2019 enrollment projections, Local Government Active Employees are projected to increase 5.1%, Local Government Early Retirees are projected to increase by approximately 5.8% and Local Government Medicare Retirees are projected to increase 6.3% as compared to Plan Year 2018 enrollment.
- Effective August 30, 2018, new legislation limits surprise billing to a percentage of CMS for surprise claims. This mandate is estimated to reduce Plan Year 2019 medical claims for Local Government Actives and Early Retirees by approximately 1.0% and 0.8%, respectively.
- The SHBP Plan Design Committee approved several plan changes for Plan Year 2017 that were reaffirmed for both Plan Year 2018 and Plan Year 2019. These changes include an out-of-network reimbursement change for physical therapy services in the PPO plans, mandatory generic for prescription drugs, and a prescription drug copay change. Additionally, the SHBP Plan Design Committee approved the continuation of the alternative prescription drug formulary for Plan Year 2019.
- The following assumptions have changed since the Plan Year 2019 Renewals:
  - Recommended trends are developed by incorporating actual SHBP plan experience (adjusted for expectations of future cost increases) along with medical and prescription drug vendor trend recommendations, Aon's national trend guidance (which is reflective of Pharmacy Benefit Manager surveys), national benchmarking data and other external sources.
  - Prescription drug trend for Plan Year 2019 is assumed to be 7.0% for Actives and Retirees, a reduction from 8.0% as stated in the Plan Year 2019 Renewal.
  - The Plan Year 2019 Active PPO medical trend is assumed to be 4.5%, a reduction from 5.5% as stated in the Plan Year 2019 Renewal.
  - The Plan Year 2019 PPO medical trend of 4.5% for Early Retirees is a 100 basis point reduction from the Plan Year 2019 Renewal Report.
  - The HMO medical trend assumption for Actives and Early Retirees is 6.0% in Plan Year 2019, no change from the HMO trend in the Plan Year 2019 Renewal Report.

- The Active and Retiree medical and prescription drug trends have been increased by 25 basis points in Plan Year 2019 to reflect the potential impact of a reduction in the overall average health status of participants given that Local employers can enter and exit the SHBP. This adjustment is consistent with long term expectations and reflects anti-selection risk which could affect the SHBP's overall loss ratio.
- Prescription drug rebates for Plan Year 2017 is based on actual rebate payment data received from Express Scripts. Rebates for Plan Years 2018 and 2019 are based on projected amounts provided by Optum. Projected Plan Year 2018 rebates have decreased approximately \$6 million since the Plan Year 2019 Renewal Report. Projected Plan Year 2019 Rebates have increased about \$11 million since the Plan Year 2019 Renewal Report.
- 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. Plan Years 2018 and 2019 EGWP Credits are projected to decrease \$2 million and \$8 million, respectively, since the Plan 2019 Renewal Reports.

Chairperson Culliton made a motion to go into Closed Session, Commissioner Davis seconded the motion; all voted in favor.

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

**Case #05081901:** This case was originally presented to the Commission in January as an appeal for enrollment into Chapter 330 health benefits coverage. The appeal was denied by the Commission. An appeal to the Office of Administrative Law was subsequently denied at the March Commission meeting. However, after review by the Deputy Attorney General, it was suggested that reconsideration be given. Chairperson Culliton recused herself from the case.

Commissioner Gaenzle made a motion to go into Executive Session. Commissioner Davis seconded the motion; all voted in favor.

After return from Executive Session, Commissioner Davis made a motion to approve the original appeal to enroll in Chapter 330 coverage. Commissioner Burdge seconded the motion; all voted in favor.

**OAL Appeals:**

**Case #05081902:** The Commission was presented the member's appeal to have the case heard in the Office of Administrative Law. The appeal for reimbursement of premiums paid. The appeal was heard and denied at the March Commission meeting.

Chairperson Culliton made a motion to deny the OAL request, and directed the Acting Secretary to prepare a Final Administrative Determination. Commissioner Davis seconded the motion; all voted in favor.

Commissioner Davis made a motion to go into Open Session. Commissioner Gaenzle seconded the motion; all voted in favor.

#### **Settlement Proposals:**

**Case #05081903:** Chairperson Culliton made a motion to authorize Equian to settle the matter as presented. Commissioner Davis seconded the motion; all voted in favor.

**Case #05081904:** Chairperson Culliton made a motion to authorize Equian to settle the matter as presented. Commissioner Webster Cobb seconded the motion; all voted in favor.

**Case #05081905:** Chairperson Culliton made a motion to authorize Equian to settle the matter as presented. Commissioner Burdge seconded the motion; all voted in favor.

**Case #05081906:** Chairperson Culliton made a motion to authorize Equian to settle the matter as presented. Commissioner Davis seconded the motion; all voted in favor.

**Case #05081907:** Chairperson Culliton made a motion to authorize Equian to settle the matter as presented. Commissioner Webster Cobb seconded the motion; all voted in favor.

**Case #05081908:** Chairperson Culliton made a motion to authorize Equian to settle the matter as presented. Commissioner Burdge seconded the motion; all voted in favor.

**Case #05081909:** Chairperson Culliton made a motion to authorize Equian to settle the matter as presented. Commissioner Davis seconded the motion; all voted in favor.

**Case #05081910:** Chairperson Culliton made a motion to authorize Equian to settle the matter as presented. Commissioner Davis seconded the motion; all voted in favor.

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

#### **OAL Initial Decision**

**Case #05081911:** This case was tabled from the March Commission meeting in order to allow the Commissioners to review the Initial Decision issued by ALJ Cookson. Commissioner Webster Cobb asked if the full OAL files, including all transcripts could be provided to the Commission. AAG Beth Mitchell explained that time is running out, the Commission would need to have a decision to the ALJ no later than May 26, 2019. Chairperson Culliton warned that the Commission is getting dangerously close to the deadline. If the Commission is not adopting the initial decision, there would have to be a fairly long Administrative Determination.

AAG Mitchell advised that if the full file and transcripts are given, they would need to be sent on a disk or a thumb drive. Acting Secretary agreed to work with DAG Meyer to get the documentation to the Commissioners. Acting Secretary confirmed the Commission could meet again on May 16, 2019 to determine the outcome of the appeal.

Chairperson Culliton made a motion to table the appeal until May 16, 2019 to allow the Commissioners to review the full files along with the transcripts from the OAL trials. Commissioner Davis seconded the motion: all voted in favor.

The Acting Secretary confirmed that the meeting will be held on May 16, 2016 at 9:30am.

**Case #05081912:** This is an appeal for eligibility to enroll in a retired dental plan. The member's attorney presented the case to the Commission stating that the member was awarded a disability pension in March, 2018. The member received a letter dated August 2, 2017 stating that the Health and Dental would automatically transfer from Active Coverage to Retired Coverage, however the member was covered under private dental, therefore the Dental plan did not transfer.

Chairperson Culliton asked the member if they understood that if Dental was awarded, premiums would be charged back to the eligibility date. The member stated they understood and agreed to pay the premiums.

Chairperson Culliton made a motion to approve the appeal, and allow the member to enroll in Retired Dental from the date the member separated from active service. Commissioner Davis seconded the motion.

Chairperson Culliton added an amendment to the motion, stating that the member would be required to pay premiums back to the date of enrollment. Commissioner Burdge seconded the motion, adding the member can submit any dental claims that were paid for out-of-pocket for reimbursement by the dental carrier; all voted in favor.

### Adjournment:

There being no further business, Commissioner Davis made a motion to adjourn. Commissioner Burdge seconded the motion; all voted in favor. The meeting adjourned at 12:25pm.

Sincerely,



Nicole Ludwig  
Acting Secretary State Health Benefit Commission