



# **State of NJ SHBP Mid-Year Analysis PDC Meeting**

**March 12, 2025**



# Today's Discussion

## Meeting Objectives

- Provide a summary of the results of the Mid-Year Analysis
- Discuss 2026 Rate Setting Expectations
- Explore Potential Cost Savings Initiatives

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**Mid-Year Results  
Overview**

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**Cost Savings  
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# 1

## Mid-Year Overview

# Mid-Year Results Overview – Local Government

Based on updated experience, Local Government Actives are projected at a loss compared to the Plan Year 2025 Rate Setting Analysis. The 3.0% margin included is now projected to produce only a 2.0% gain. Local Government Retirees are projected at a gain compared to the Plan Year 2025 Rate Setting Analysis.

The Local Government Claim Stabilization Reserve (CSR) balance as of 12/31/2025 is projected to be -\$64M or -0.4 months of plan cost, compared to the target level 2.0 months of plan cost

**Based on these projected losses and building in future trends and margin to build up the CSR, premium rate increases for 2026 are likely to be in the double digits for both groups**

	Local Government	
Plan Year 2025 (\$ Millions)	2025 Rate Setting Analysis*	Updated Mid-Year Analysis
<b>Actives</b>		
Total Premium	\$1,369.7	\$1,321.9
Total Claims and non-Fee Expenses	\$1,293.1	\$1,255.2
Total Admin Fees	\$35.6	\$40.8
Total Cost	\$1,328.7	\$1,295.9
\$ Gain/(Loss)**	\$40.9	\$26.0
% Gain/(Loss)**	3.0%	2.0%
Claim Stabilization Reserve	\$84.9	\$74.1
Months of Plan Cost	0.8	0.7
<b>Retirees</b>		
Total Premium	\$637.6	\$634.6
Total Claims and non-Fee Expenses	\$603.8	\$590.8
Total Admin Fees	\$14.8	\$16.3
Total Cost	\$618.6	\$607.1
\$ Gain/(Loss)**	\$19.0	\$27.4
% Gain/(Loss)**	3.0%	4.3%
Claim Stabilization Reserve	(\$124.9)	(\$137.9)
Months of Plan Cost	(2.4)	(2.7)

## Local Government Actives:

- Experience has continued to deteriorate since the 2025 Rate Setting Analysis. Aggregate 2025 costs are now projected to be 2.5% lower than the previous analysis driven by a 3.0% reduction in membership offset by a **0.6% increase in per member per month costs**.

## Local Government Retirees:

- Aggregate 2025 costs are now projected to be 1.9% lower than the previous analysis driven by a 1.2% reduction in membership and a 0.7% decrease in per member per month costs.

## Local Government CSR:

- The premiums set in the Rate Setting Analysis included 3% margin to increase the CSR balance. Even with margin, the total CSR was projected to be negative as of 12/31/2025.
- The Local Government CSR is estimated using actual balances provided by the State and projected differences in premiums vs costs. If premiums are greater than costs, the CSR will increase.
- Based on updated estimates, the CSR is still projected to be negative. **2025 premiums would need to be 19.5% higher to increase the CSR to the target level of 2.0 months of plan costs** as of 12/31/2025.

# Mid-Year Results Overview - State

Based on updated experience, State Actives are projected at a loss and Retirees are projected at a gain compared to the Plan Year 2025 Rate Setting Analysis.

**Based on these projected losses and building in future trends, premium rate increases for 2026 are likely to be in the double digits for both groups**

	State	
Plan Year 2025 (\$ Millions)	2025 Rate Setting Analysis	Updated Mid-Year Analysis
<b>Actives</b>		
Total Premium	\$2,192.1	\$2,216.3
Total Claims and non-Fee Expenses	\$2,113.6	\$2,188.5
Total Admin Fees	\$77.9	\$88.6
Total Cost	\$2,191.5	\$2,277.2
\$ Gain/(Loss)*	\$0.6	(\$60.9)
% Gain/(Loss)*	0.0%	(2.7%)
<b>Retirees</b>		
Total Premium	\$754.2	\$741.7
Total Claims and non-Fee Expenses	\$731.7	\$711.0
Total Admin Fees	\$22.5	\$23.9
Total Cost	\$754.2	\$734.9
\$ Gain/(Loss)*	(\$0.1)	\$6.7
% Gain/(Loss)*	0.0%	0.9%

## State Actives:

- Experience has increased since the 2025 Rate Setting Analysis. Aggregate 2025 costs are now projected to be 3.9% higher than the previous analysis driven by a 0.8% increase in membership and a **3.1% increase in per member per month costs**.
- Active costs are projected to be 2.7% higher than 2025 premiums

## State Retirees:

- Experience has improved since the 2025 Rate Setting Analysis. Aggregate 2025 costs are now projected to be 2.6% lower than the previous analysis driven by a 1.9% reduction in membership and a 0.7% reduction in per member per month costs.
- Retiree costs are projected to be 0.9% lower than 2025 premiums.

# Mid-Year Results Overview: Cost Drivers

- Increases in the cost of medical services and increases in utilization for both outpatient and professional services are driving medical increases
  - For Local Government Actives, Horizon data shows total medical claim increases of 9.8% including a 4.2% increase in utilization
  - For State Actives, Horizon data shows total medical claim increases of 7.7% including a 0.4% increase in utilization
- Active and Early Retiree Rx increases range from 18%-23%, partially the result of high utilization of GLP-1 drugs for diabetes and weight loss
- Local Government Active and State and Local Government Retiree groups continue to see higher increases in specialist professional visits compared to State Actives. The specialist copay increase adopted for State Actives effective 1/1/2023 may continue to be insulating the State Active group from higher increases
- Similarly, Local Government Actives and State and Local Government Retirees saw higher increases in urgent care utilization and trends than State Actives, which could also be partly attributed to the increase in urgent care copay on certain State Active plan options beginning Plan Year 2023
- Significant enrollment declines over past two years, as Local Government employers opt out of the SHBP for available lower cost coverage, has likely increased the risk pool remaining in the plan and leads to increased average cost

# Expectations for Upcoming Rate Setting

## Plan Year 2026 Rate Setting Updates

- The PY2026 Rate Setting Analysis will reflect full Calendar Year 2024 claims experience with runout through March 2025 and updated enrollment
- Results will reflect updated Medical and Prescription Drug trend assumptions based on actual experience, vendor recommendations, and the latest Aon trend guidance
  - Anticipate that trends will be equal to or higher than current trend assumptions
- Based on the Mid-Year results, which had high medical and prescription drug experience trends, combined with expected future trend increases, expecting premium increases to be in the double digits for 2026
- For Local Government, additional margin will be required on top of rate increase to increase the balance of the CSR (last year's premium rates included 3.0% margin).
  - Based on updated estimates, the 2025 CSR is projected to be negative, and 2025 premiums would need to be 19.5% higher to increase the CSR to the target level of 2.0 months of plan costs.

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## Cost Savings Initiatives



# Potential Plan Changes to Drive Savings

## **Increase Emergency Room Copays to \$150 and Urgent Care Copays to \$50**

- In addition to plan savings through higher member cost sharing, increasing these copays could promote more appropriate use of care resulting in additional savings.

## **Implement Modernized PPO**

- In addition to plan savings through higher member cost sharing, a more modernized PPO design with a lower actuarial value could promote more appropriate use of care resulting in additional savings.

## **Update Out-of-Network (OON) reimbursement to 175% of CMS across all plans**

- Change is intended to improve provider accountability, pricing transparency, and more tightly manage plan cost over a longer period-of-time. While this would not impact network access for members as the change in strategy is tied to the financial reimbursement the State is willing to pay for certain services, reducing the OON reimbursement may result in a higher percentage of members receiving bills from providers for the additional cost of services, also known as balance billing.
- This change is expected to yield savings both through limiting the allowed amount the State is willing to pay for these procedures and through a long-term effect of steering participants towards in-network (INN) providers, which could reduce costs further due to competitive negotiated rates.

## **Increase In-Network Deductible and Out-of-Network (OON) Out-of-Pocket Amounts**

- Increase the plan in-network medical deductibles to \$1,000/\$2,000 and increase the current OON out-of-pocket maximums. This provides savings through higher member cost sharing while also promoting in-network utilization.

## **Add Physical Therapy Visit Limits Across All Plans**

- Limit the number of in-network and out-of-network visits to 30 per year. This cap will not only limit visits for high utilizers, providing savings, but may also promote more appropriate use of care.

## **Eliminate the Medicare Supplement Plans**

- Elimination of all Medicare Supplement plans offered to Medicare employees, which will require retirees to elect one of the four Medicare Advantage options.

# Potential Plan Changes to Drive Savings (Cont.)

## **Implement \$50 monthly Spousal Surcharge**

- Premium surcharge for spouses with access to coverage through their own employer. This would be a monthly charge in addition to regular medical coverage contribution/premium for a spouse.
- Since SHBP medical plans are self-insured and pay a portion of the cost of the member's medical coverage and actual claims, if the spouse moves to her/his employer's plan and utilizes that benefit instead, it saves the SHBP on future plan costs. If the spouse decides to elect the SHBP plan coverage rather than her/his employer plan, funds available through member contributions will increase.

## **Increase Rx Copays for Non-Preferred Brand and Specialty Drug**

- In addition to plan savings through higher member cost sharing, increasing these copays could promote more appropriate use of care resulting in additional savings.

## **Other Considerations:**

### **Local Employer Opt-In and Opt-Out Strategy**

- Each year, Local Government employers have the option to shop for lower cost premiums and opt-out of the SHBP. As a result, employers with lower cost workers are more likely to opt-out leaving a riskier employer pool for the SHBP, resulting in higher plan costs and trends. Similarly, employers entering or returning to the program tend to be riskier compared to the existing pool of participants, further increasing plan costs.
- By placing limits on an employer's ability to leave and return to the plan, employers may be more hesitant to leave the plan, reducing the impact of this opt-out selection and providing savings to the plan.

# 3

## Appendix

# Local Government Claim Stabilization Reserve

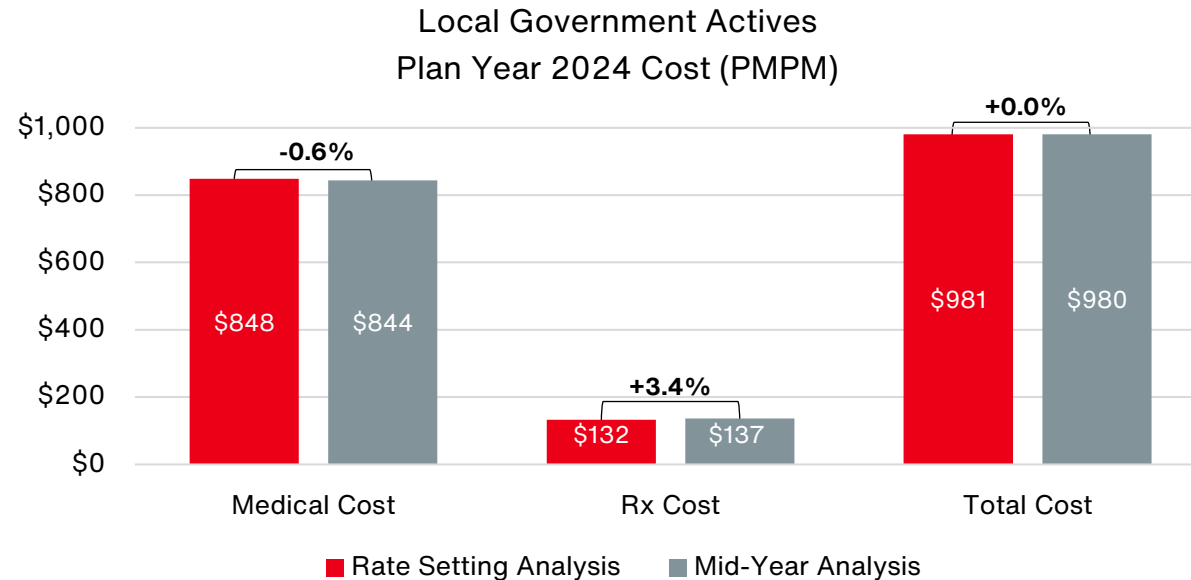
Claim Stabilization Reserve Balance (in \$ millions)	Total	Active	Retiree
12/31/2023	(\$51)	\$75	(\$126)
12/31/2024	(\$117)	\$48	(\$165)
12/31/2025	(\$64)	\$74	(\$138)
Months of Plan Cost as of 12/31/2025	(0.4)	0.7	(2.7)

- The claim stabilization reserve as of December 31, 2023 is based on actual balances provided by the Division as of June 30, 2023. The projected reserves as of December 31, 2024 and 2025 are based on the reserve balance as of June 30, 2024 provided by the Division. The claims stabilization reserve as of December 31, 2025 is estimated based off projected gains and losses in the active and retiree plans.

# Cost Projection Methodology and Assumptions

	2025 Cost Projections	
Claims Experience	12 months of incurred claims data paid through September 2024 provided by Horizon, Aetna, and Optum	
Enrollment Distribution	Snap-shot January 2025 census data provided by the State	
2025 Self-Insured Claims Trend (Excluding Anti-Selection)	<u>State</u> Active PPO: 7.50% Medical / 12.50% Rx Active HMO: 7.50% Medical / 12.50% Rx Early Retiree PPO & HMO: 7.50% Medical / 12.50% Rx Self-Insured Medicare: 5.50% Medical / 13.00% Rx	<u>Local Government</u> Active PPO: 8.00% Medical / 12.50% Rx Active HMO: 8.00% Medical / 12.50% Rx Early Retiree PPO & HMO: 8.00% Medical / 12.50% Rx Self-Insured Medicare: 5.50% Medical / 13.00% Rx
Anti-Selection	Local Government Active and Retiree medical and prescription drug trends have been increased by 150 basis points for Plan Year 2025	
Rx Rebates / EGWP	Projected Rx Rebates and EGWP credits were provided by Optum	
High-Cost Claimants	Aon has not made any adjustments for high-cost claimants	

# Emerging 2024 Actual Costs vs. Rate Setting Estimates



- Cost includes projected claims, administrative fees, rebates, and other expenses

The chart above shows the change in projected 2024 per member, per month (PMPM) costs between the Rate Setting Analysis (red bars) and the Mid-Year analysis (gray bars). The chart is shown on a PMPM basis to normalize for the change in headcounts between the two periods which better isolates the impact of changes in average costs.

The Rate Setting Analysis was based on a projection of 2024 claims using 2023 data. Actual emerging 2024 medical and Rx claims data is reflected in the Mid-Year analysis. The updated data shows that actual 2024 costs are higher than previously estimated, which is contributing to future projected losses.

## Observations\*

Updated 2024 PMPM Medical costs are 0.6% lower than projected due to lower-than-expected medical claims increases

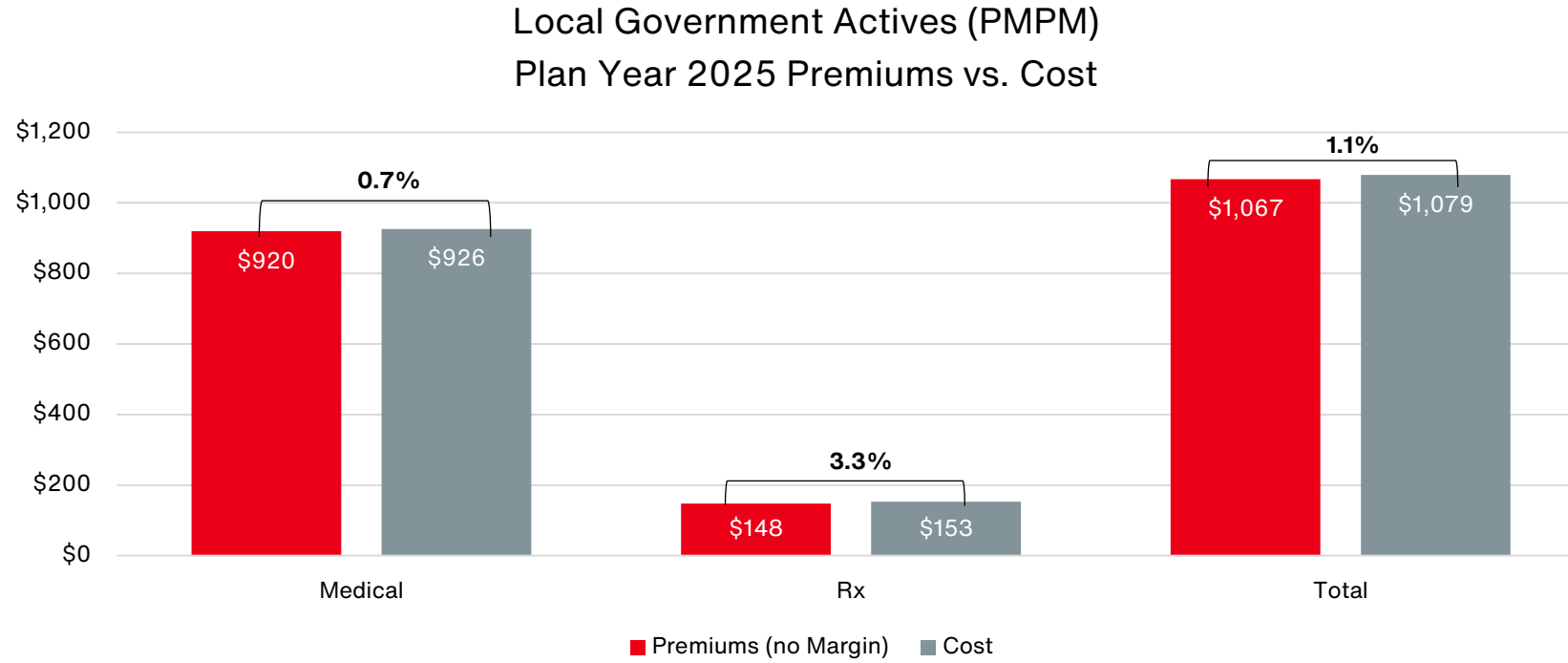
- 8.8% Rolling 12-month increases are slightly better than the 9.5% combined trend & anti-selection assumptions reflected in the 2025 Rate Setting Analysis

Updated 2024 PMPM Rx costs are 3.4% higher than projected due to higher-than-expected Rx claims increases

- 20.3% Rolling 12-month Rx increases is higher compared to the 15.5% combined trend & anti-selection assumptions reflected in the 2025 Rate Setting Analysis

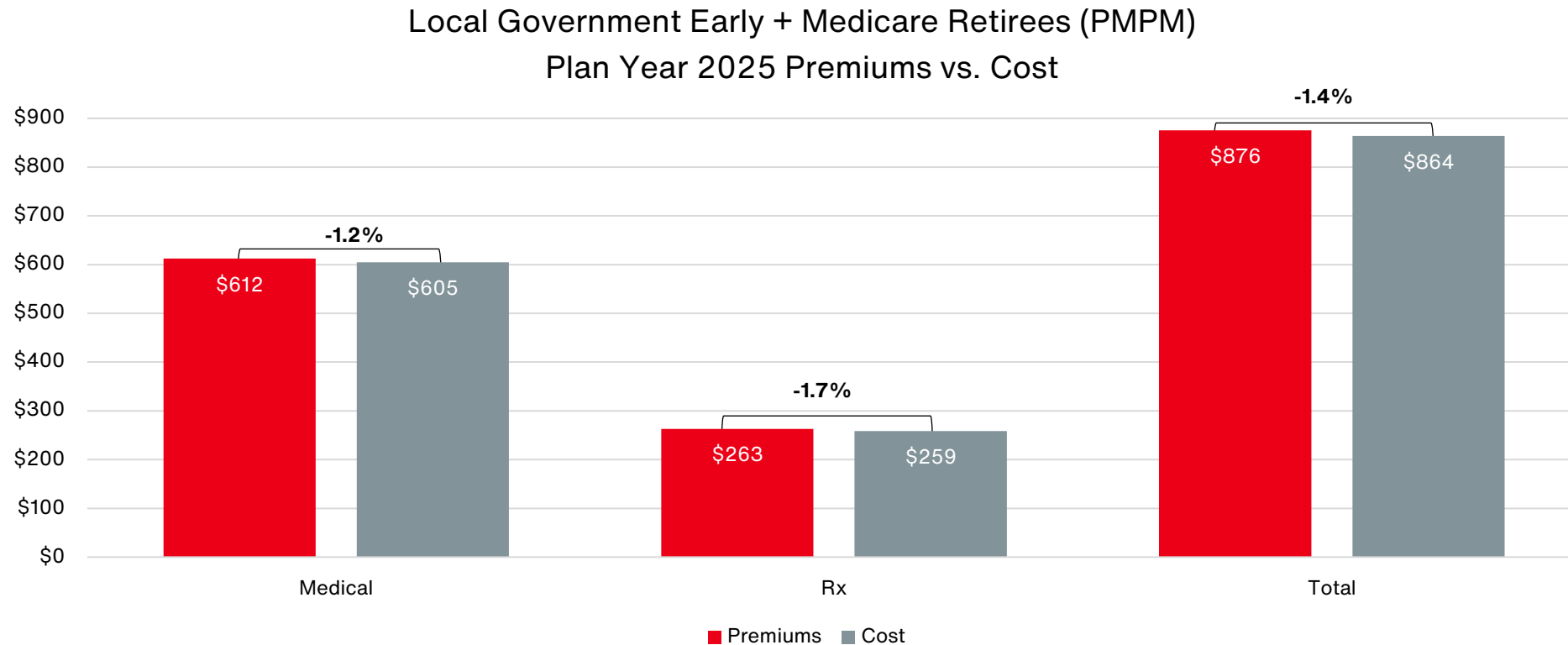
The increase in prescription drug claims was partially offset by an increase in actual prescription drug rebates

# Local Government Active Plan Year 2025 Re-Projection



- For comparison purposes, the premiums shown above do not include the additional 3.0% margin reflected in the final Plan Year 2025 premium rates to illustrate the difference in actual vs expected experience
  - The Plan Year 2025 Local Government premiums included 3.0% premium margin to increase the claims stabilization reserve closer to the recommended 2.0 months of plan cost
- Based on Mid-Year projections, there is a 1.1% loss compared to the Rate Setting Analysis (2.0% gain with margin):

# Local Government Retiree Plan Year 2025 Re-Projection

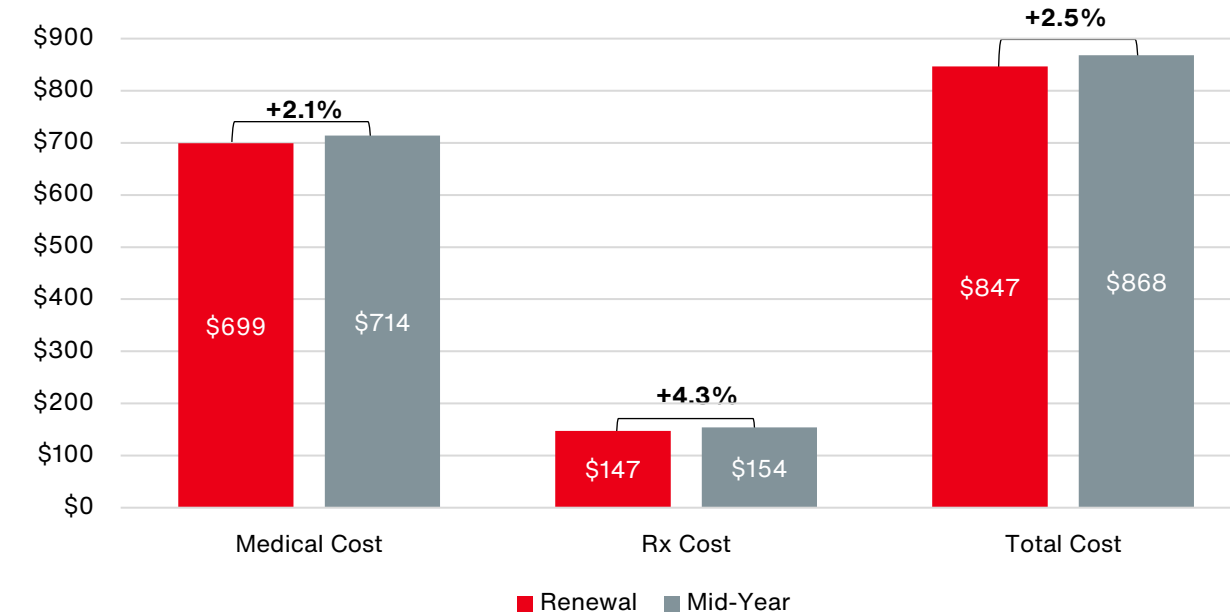


- For comparison purposes, the premiums shown above do not include the additional 3.0% margin reflected in the final Plan Year 2025 premium rates to illustrate the difference in actual vs expected experience
  - The Plan Year 2025 Local Government premiums included 3.0% premium margin to increase the claims stabilization reserve closer to the recommended 2.0 months of plan cost
- Based on the updated Mid-Year projections, the projected total gain is 1.4% compared to 2025 premiums (4.3% with margin)



# Emerging 2024 Actual Costs vs. Rate Setting Estimates

State Actives  
Plan Year 2024 Cost



- Cost includes projected claims, administrative fees, rebates, and other expenses

The chart above shows the change in projected 2024 per member, per month (PMPM) costs between the Rate Setting Analysis (red bars) and the Mid-Year analysis (gray bars). The chart is shown on a PMPM basis to normalize for the change in headcounts between the two periods which better isolates the impact of changes in average costs.

The Rate Setting Analysis was based on a projection of 2024 claims using 2023 data. Actual emerging 2024 medical and Rx claims data is reflected in the Mid-Year analysis. The updated data shows that actual 2024 costs are higher than previously estimated, which is contributing to future projected losses.

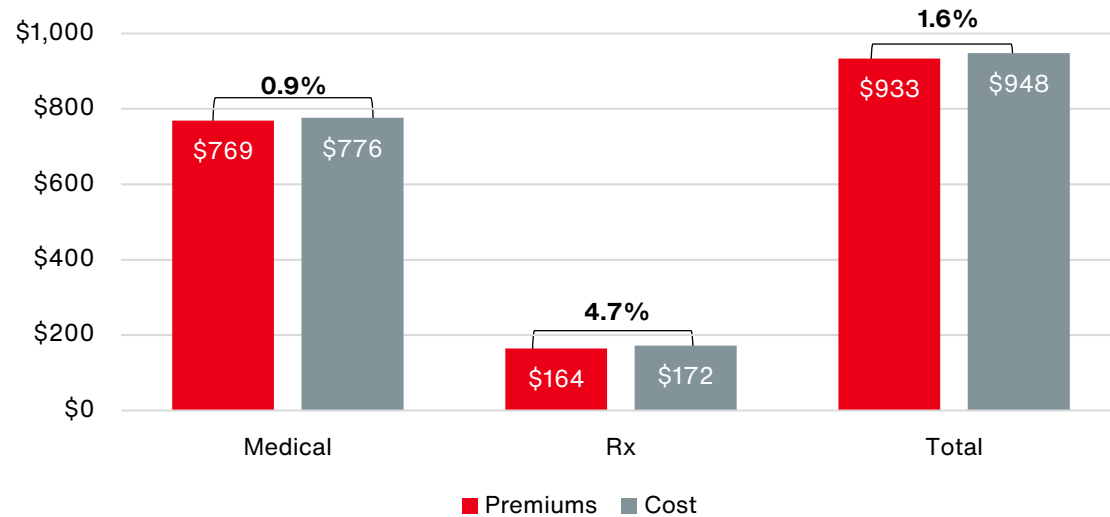
## Observations\*

- Updated 2024 PMPM Medical costs are 2.1% higher than projected due to higher-than-expected medical claims increases
  - Rolling 12-month medical claims experience increase of 6.9% is higher than expected given migration to lower cost plans and copay increases. PPO trends were 7.9%.
- Updated 2024 PMPM Rx costs are 4.3% higher than projected due to higher-than-expected Rx claims increases
  - 19.5% Rolling 12-month Rx increase is higher compared to the 13.5% Rate Setting trend assumption
- The increase in prescription drug claims was partially offset by an increase in prescription drug rebates

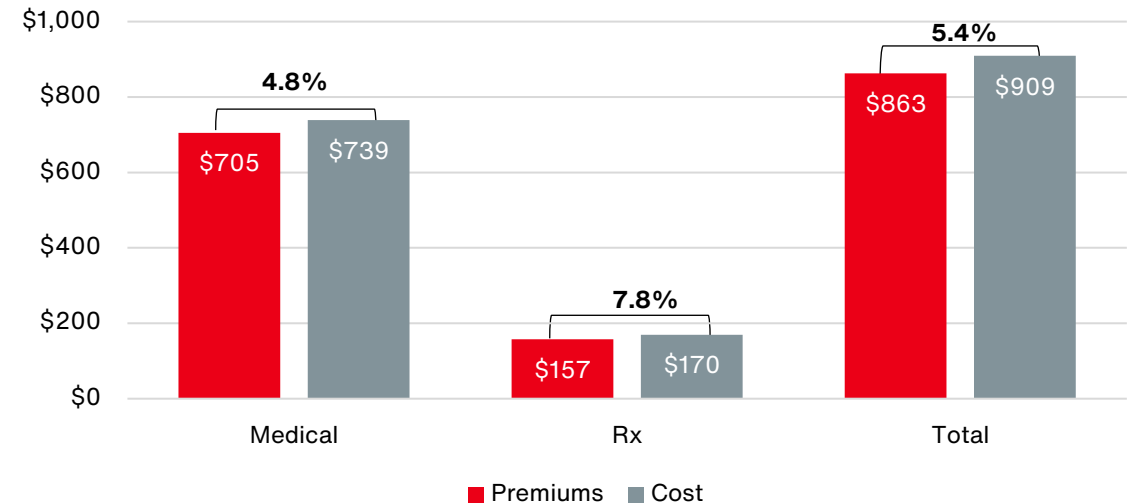
\*Rolling 12-month increases are through September 2024 and include both Horizon and Aetna claims and capitation and are adjusted for changes to eviCore

# State Active Plan Year 2025 Re-Projection

State Actives: CWA Unity/NJDIRECT (PMPM)  
Plan Year 2025 Premiums vs. Cost

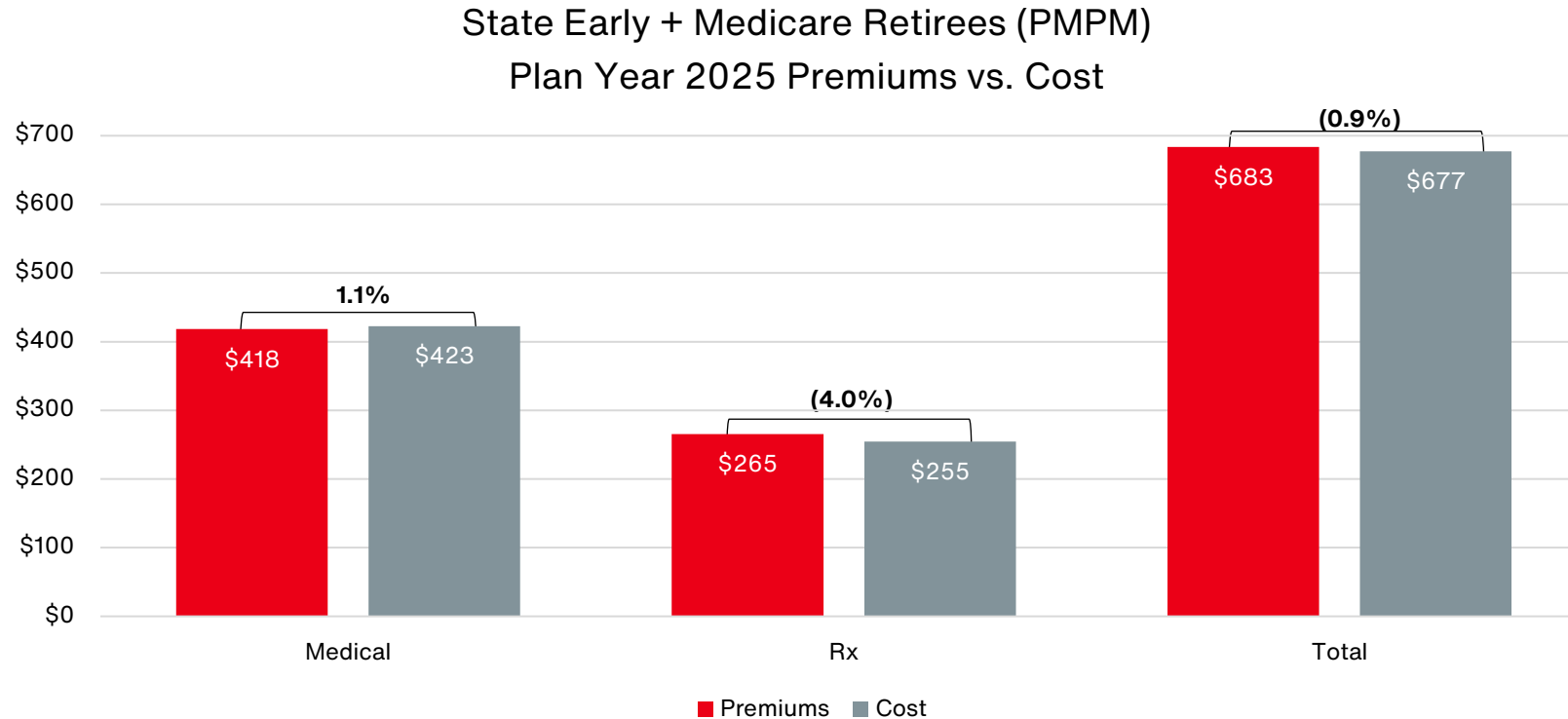


State Actives: Non-CWA Unity/NJDIRECT (PMPM)  
Plan Year 2025 Premiums vs. Cost



- Based on the updated Mid-Year projections, the projected total CWA Unity/NJDIRECT cost results in a 1.6% loss relative to the 2025 PMPM Premium Rates
- The projected total non-CWA Unity/NJDIRECT cost results in a 4.8% loss relative to the 2025 Premium Rates

# State Retiree Plan Year 2025 Re-Projection



- Based on the updated Mid-Year projections, the projected gain is 0.9% gain compared to the Plan Year 2025 premiums

# Disclaimers

The projections in this analysis are measured on an incurred basis and are consistent with the assumptions and methodology disclosed herein. Future projections may differ significantly from the current projections presented in this analysis due to (but not limited to) such factors as the following:

- Plan experience differing from what is anticipated by the economic or demographic assumptions;
- Changes in actuarial methods or in economic or demographic assumptions;
- Changes in plan provisions or applicable law.

This analysis contains the primary actuarial assumptions and methods used to develop the cost projections but may not include a comprehensive list of these methodologies and assumptions. Aon provided guidance with respect to these assumptions, and it is our belief that the assumptions represent reasonable expectations of anticipated plan experience.

# Preparation of this Actuarial Analysis

This report has been prepared to present our analysis of the Plan Year 2024 Mid-Year Experience Analysis for the State Health Benefits Program (SHBP). The purpose of this analysis is to re-project the Plan Year 2024 and Plan Year 2025 costs based on more recent experience. The use of this report for purposes other than those expressed herein may not be appropriate.

It should be noted that Aon's conclusions are based on certain assumptions that appear reasonable at this time. Actual experience can vary from projected experience, and this difference may be material.

## **Source of Information**

In conducting this analysis, we relied on census data provided by the State and claims data provided by carriers. We reviewed the data for reasonableness and consistency with prior data but have not audited it; as such, we are not certifying, herein, as to its accuracy.

# Thank You