

New Jersey State Health Benefits Commission
State Health Benefits Program (SHBP) – Local Government Group
Plan Year 2019 Medical/Rx Rate Renewal Recommendation

September 12, 2018

- For the Local Government Group in Plan Year 2019, the recommended premium rate changes are as follows: a 1.7% increase for Active Employees, a 37.1% decrease for Early Retirees, and a 36.9% decrease for Medicare Retirees.
- In aggregate, these recommendations represent an overall rate decrease for the Local Government Group of 7.6%.

The Plan Year 2019 Renewal assumes the following:

- Plan Year 2018 medical and prescription drug claim experience paid through June 2018 has been reflected.
- 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. Active PPO medical trend has been reduced to 5.50% for Plan Years 2018. Plan Years 2018 and 2019 prescription drug trends have been lowered by 50 basis points to 8.00% for Actives, Early Retirees and Medicare Retirees from the trends recommended in the Plan Year 2019 Renewal Report provided on July 11, 2018.
- The premium increases for Plan Year 2019 are projected to produce a \$22 million loss for Local Government Actives and a \$135 million loss for Local Government Retirees. The Active and Retiree Claim Stabilization reserves are expected to decrease in Plan Year 2019 to achieve the recommended rate increases for Active Employees and Retirees. Including the projected reduction in the reserves, the total Active and Retiree aggregate Claim Stabilization Reserve is projected to be 2.4 months of plan costs as of December 31, 2019, which is above the target level of 2.0 months of plan costs as of December 31, 2019. The projected Claim Stabilization Reserve as of December 31, 2019 is 2.0 months of plan costs for Actives and 3.5 months of plan costs for Retirees.
- The one-time reductions in the Claim Stabilization Reserves reduced Active, Early Retiree and Medicare Retiree premium increases by approximately 0.3%, 31.3% and 8.2%, respectively.
- Plan Year 2019 projected Medicare Advantage fully insured premiums are equal to the rates provided in Aetna's Medicare Advantage RFP Response. This resulted in a savings of \$26 million and a reduction to the total Medicare Retiree premium rate recommendation of approximately 16%.
- The actuarial coverage tier assumptions have been updated to be consistent with the Plan Year 2018 coverage tier assumptions.



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- All other actuarial assumptions are based on those disclosed in the Plan Year 2019 Renewal Reports that were presented on July 11, 2018.
- Plan Year 2019 projected cost for the Local Government Group is approximately \$1.6 billion (\$1.1 billion for Actives and \$0.5 billion for Retirees).

Attachment A
SHBP – Local Government Group
Plan Year 2019 Rate Renewal Recommendations

| | Total | Single | EE + Spouse | Family | EE + Child(ren) |
|--------------------------|----------------|----------------|----------------|----------------|-----------------|
| Actives | | | | | |
| PPO Medical | 6.5% | 6.5% | 6.5% | 6.5% | 6.5% |
| HMO Medical | 6.5% | 6.5% | 6.5% | 6.5% | 6.5% |
| PPO Rx | (17.4%) | (17.4%) | (17.4%) | (17.4%) | (17.4%) |
| HMO Rx | (17.4%) | (17.4%) | (17.4%) | (17.4%) | (17.4%) |
| Total | 1.7% | 1.7% | 1.7% | 1.7% | 1.7% |
| Early Retirees | | | | | |
| PPO Medical | (33.9%) | (33.9%) | (33.9%) | (33.9%) | (33.9%) |
| HMO Medical | (33.9%) | (33.9%) | (33.9%) | (33.9%) | (33.9%) |
| PPO Rx | (49.1%) | (49.1%) | (49.1%) | (49.1%) | (49.1%) |
| HMO Rx | (49.1%) | (49.1%) | (49.1%) | (49.1%) | (49.1%) |
| Total | (37.1%) | (37.1%) | (37.1%) | (37.1%) | (37.1%) |
| Medicare Retirees | | | | | |
| PPO Medical | (44.9%) | (44.9%) | (44.9%) | (44.9%) | (44.9%) |
| HMO Medical | (27.4%) | (27.4%) | (27.4%) | (27.4%) | (27.4%) |
| PPO Rx | (32.4%) | (32.4%) | (32.4%) | (32.4%) | (32.4%) |
| HMO Rx | (32.4%) | (32.4%) | (32.4%) | (32.4%) | (32.4%) |
| Total | (36.9%) | (36.9%) | (36.9%) | (36.9%) | (36.9%) |
| Grand Total | (7.6%) | (7.6%) | (7.6%) | (7.6%) | (7.6%) |