

New Jersey School Employees' Health Benefits Commission School Employees' Health Benefits Program (SEHBP) – Local Education Group

Plan Year 2019 Medical/Rx Rate Renewal Recommendation

September 26, 2018

- For the Local Education Group in Plan Year 2019, the recommended premium rate changes are as follows: a 1.1% decrease for Active Employees, a 3.4% decrease for Early Retirees, and a 32.6% decrease for Medicare Retirees.
 - In aggregate, these recommendations represent an overall rate decrease for the Local Education Group of 9.3%.

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 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. Plan Years 2018 and 2019 prescription drug trends have been lowered by 50 basis points to 10.00% for Actives and 8.0% for 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 no loss or gain for Local Education Actives and Retirees. For Actives, the target Claim Stabilization Reserve is projected to be equivalent to 3.1 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, the Education Active and Retiree premiums do not include any margin, as the projected months of plan costs is greater than the target level.
- If actual Active plan cost experience is consistent with projected plan costs and the Claim Stabilization Reserve remains at 3.1 months, Plan Year 2020 premium rate increases could reduce with reserve funds used as a one-time reduction.
- The following changes are reflected in the Plan Year 2019 Renewal Rate report:
 - All Medicare-eligible members currently enrolled in the PPO10 or PPO15 plans through Horizon will now be enrolled in a Medicare Advantage plan in Plan Year 2019 administered by Aetna. The Medicare Advantage plans are insured, rather than the current self-insured Medicare supplement plans offered by Horizon in Plan Year 2018. All current Aetna Medicare-eligible members were already previously enrolled in Medicare Advantage plans. Medicare-eligible members currently enrolled in Horizon's PPO1525, PPO2030 or HMO

plans will continue to be covered under Horizon’s self-insured Medicare Supplement plans. The Medicare Advantage premiums are based on the results provided by Aetna in their RFP response.

- On September 17, the SEHBP PDC approved the Direct 0 / Freedom 0 plan option for Plan Year 2019 for both Aetna and Horizon Actives and Early Retirees. The total premium rates for the Direct 0 and Freedom 0 plans are approximately 14.5% lower than the PPO 15 plan premiums for both Actives and Early Retirees.
- 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 reduction to the total Medicare Retiree premium rate recommendation of approximately 27.7%.
- All other actuarial assumptions are based on those disclosed in the Plan Year 2019 Renewal Reports that were presented on July 11, 2018.

Attachment A
SEHBP – Local Education Group
Plan Year 2019 Rate Renewal Recommendations

	Total	Single	EE + Spouse	Family	EE + Child(ren)
Actives					
PPO Medical	5.6%	5.6%	5.6%	5.6%	5.6%
HMO Medical	5.6%	5.6%	5.6%	5.6%	5.6%
PPO Rx	(24.9%)	(24.9%)	(24.9%)	(24.9%)	(24.9%)
HMO Rx	(24.9%)	(24.9%)	(24.9%)	(24.9%)	(24.9%)
Total	(1.1%)	(1.1%)	(1.1%)	(1.1%)	(1.1%)
Early Retirees					
PPO Medical	3.1%	3.1%	3.1%	3.1%	3.1%
HMO Medical	3.1%	3.1%	3.1%	3.1%	3.1%
PPO Rx	(27.9%)	(27.9%)	(27.9%)	(27.9%)	(27.9%)
HMO Rx	(27.9%)	(27.9%)	(27.9%)	(27.9%)	(27.9%)
Total	(3.4%)	(3.4%)	(3.4%)	(3.4%)	(3.4%)
Medicare Retirees					
PPO Medical	(56.8%)	(56.8%)	(56.8%)	(57.2%)	(57.5%)
HMO Medical	(43.5%)	(43.5%)	(43.5%)	(43.5%)	(43.5%)
PPO Rx	(12.1%)	(12.1%)	(12.1%)	(12.1%)	(12.1%)
HMO Rx	(12.1%)	(12.1%)	(12.1%)	(12.1%)	(12.1%)
Total	(32.6%)	(32.6%)	(32.6%)	(32.8%)	(32.9%)
Grand Total	(9.3%)	(9.3%)	(9.3%)	(9.3%)	(9.4%)