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New Jersey State Health Benefits Commission

State Health Benefits Program (SHBP) – State Group

Plan Year 2018 Medical/Rx Rate Renewal Recommendation

August 3, 2017

- For the State Group in Plan Year 2018, Aon is recommending no change in premium rates for Active Employees, a decrease of 4.4% for Early Retirees, and a decrease of 6.3% for Medicare Retirees.
    - In aggregate, the recommended rate actions represent an overall rate decrease for the State Group of 1.5%, approximately 5 percentage points lower than the Plan Year 2017 renewal action of 3.8%.
    - The following chart provides the recommended premium rates changes by plan type:

	Active Employees	**Early Retirees**	**Medicare Retirees**
Medical PPO	0.0%	0.0%	1.6%
Medical HMO	0.0%	0.0%	(20.1%)
Prescription Drug PPO	0.0%	(18.1%)	(9.0%)
Prescription Drug HMO	0.0%	(18.1%)	(9.0%)
Total	**0.0%**	**(4.4%)**	**(6.3%)**

Attachment A provides additional details on the components of these increases.

- Plan Year 2018 projected cost for the State Group is approximately $2.5 billion ($1.8 billion for Actives and $0.7 billion for Retirees).

The Plan Year 2018 Renewal assumes the following:

- Effective January 1, 2018, prescription drug benefits for Active Employees and Retirees will be administered by Optum (currently administered by Express Scripts through December 31, 2017). Prescription drug cost projections for Plan Year 2018 provided in this renewal reflect the impact of procuring a new PBM starting in Plan Year 2018.
    - This change is estimated to reduce Plan Year 2018 prescription drug costs approximately $81 million for the State Group ($14 million for Actives and $67 million for Retirees).
- SHBP Medicare Prescription Drug Integration will continue as EGWP Plus Wrap.
- Plan Year 2018 enrollment projections assume that 0.5% of the Active enrollment and 0.5% of the Retiree enrollment in NJ DIRECT15 will migrate to lower-cost plans as a result of these contribution changes. While Chapter 78 does not apply to most current Retirees, migration projections are mostly due to self-pay Retirees (about 10% of the population).

- Active Employee enrollment is projected to remain stable in Plan Year 2017 and Plan Year 2018. Early Retiree enrollment is projected to decrease 3.5% in Plan Year 2017 and 3.0% in Plan Year 2018. Finally, Medicare Retiree enrollment is projected to increase 4.0% in Plan Year 2017 and Plan Year 2018.

- The impact of the following benefit changes has been reflected:

    - The State of New Jersey mandate expanding coverage for treatment for substance use disorders, as well as the restrictions on the use of opioid medications. This law was effective May 16, 2017, and is estimated to increase non-Medicare medical claims by approximately 1.1% annually.

    - Federal legislation requiring coverage for medically necessary services for gender reassignment. This law was effective January 1, 2017, and is estimated to increase medical claims by approximately 0.17% annually.

- On July 27, 2017 the SHBP Plan Design Committee approved a reduction to the Mail Preferred Brand Copay for the PPO 10 and 15 plans from $33 to $28 effective in Plan Year 2018. The following components of Federal Health Care Reform impact the SHBP in Plan Year 2018:

    - 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. The collection of the HIF for Plan Year 2017 was suspended by the Consolidated Appropriations Act of 2016. Our projections assume that the HIF will not be repealed for Plan Year 2018 and is expected to increase Medicare medical costs by 14.8%.

    - In-Network Out-of-Pocket Maximum for medical and prescription drug benefits combined will be no greater than $7,350 Single / $14,700 Family combined. The SHBP will have separate medical and prescription drug Out-of-Pocket Maximums. This is projected to have an insignificant cost impact on the SHBP.

- Differences in the rate changes among Actives and Retirees, benefit plans and coverage tiers reflect the impact of:

    - Prescription drug trend for Plan Year 2017 and Plan Year 2018 is projected to be 11.00% for Actives and Retirees. These recommended trends reflect expectations for future prescription drug trends, including the expected increases in costs due to specialty drugs.

    - The two-year average experience trend for Horizon Actives is approximately 5.3%, with experience through 2016. As a result, the PPO medical trend for Actives has been lowered to 6.0% in Plan Years 2017 and 2018, as compared to the PPO medical Plan Year 2017 trend of 6.5% reflected in the Plan Year 2017 Renewal Report.

    - The PPO medical trend for Early Retirees has also been lowered to 5.5% in Plan Year 2017 and 6.0% in Plan Year 2018, as compared to the PPO Early Retiree medical trend of 6.0% in Plan Year 2017 reflected in the Plan Year 2017 Renewal Report.

- The self-insured Medicare Retiree medical trend is 4.0% in Plan Year 2017 and 3.5% in Plan Year 2018, as compared to the Plan Year 2017 Medicare Retiree medical trend of 3.5% reflected in the Plan Year 2017 Renewal Report.
- The HMO medical trend for Actives has been increased to 6.00% in Plan Year 2017 from 5.00% assumed in the Plan Year 2017 Renewal Report. The projected HMO medical trend for Actives is 5.50% in Plan Year 2018.
- The medical trend assumption for HMO Early Retirees is 6.0% in Plan Year 2017 and 5.5% in Plan Year 2018, as compared to the Plan Year 2017 trend assumption of 5.5% shown in the Plan Year 2017 Renewal Report.
- The Medicare Advantage rates were provided by Aetna and Horizon and these rates include the Health Insurer Fee. Aetna PPO Medicare Advantage premium rates increased approximately 20%, while Horizon PPO Medicare Advantage premium rates increased approximately 17-19%. Aetna Legacy HMO Medicare Advantage premium rate decreased approximately 6.5%.
- Rx Rebates for Plan Year 2016 were lower than originally projected in the Plan Year 2017 renewal report, while Plan Year 2017 projected Rx Rebates are projected to be slightly higher than projected in the Plan Year 2017 renewal report. Plan Year 2018 Rx rebates reflect the expected financial impact of the Optum RFP response.
- EGWP credits are projected to increase from approximately $73 million in Plan Year 2016 to approximately $75 million for Plan Year 2017. Plan Year 2018 EGWP subsidies reflect the expected financial impact of the Optum RFP response and are projected to be approximately $80.6 million.

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Attachment A

SHBP – State Group

Plan Year 2018 Rate Renewal Recommendations

	Total	Single	EE + Spouse	Family	EE + Child(ren)
Actives					
PPO Medical	0.0%	0.0%	0.0%	0.0%	0.0%
HMO Medical	0.0%	0.0%	0.0%	0.0%	0.0%
PPO Rx	0.0%	0.0%	0.0%	0.0%	0.0%
HMO Rx	0.0%	0.0%	0.0%	0.0%	0.0%
Total	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**
Early Retirees					
PPO Medical	0.0%	0.0%	0.0%	0.0%	0.0%
HMO Medical	0.0%	0.0%	0.0%	0.0%	0.0%
PPO Rx	(18.1%)	(18.1%)	(18.1%)	(18.1%)	(18.1%)
HMO Rx	(18.1%)	(18.1%)	(18.1%)	(18.1%)	(18.1%)
Total	**(4.4%)**	**(4.4%)**	**(4.4%)**	**(4.4%)**	**(4.4%)**
Medicare Retirees					
PPO Medical	1.6%	1.6%	1.6%	1.6%	1.6%
HMO Medical	(20.1%)	(20.1%)	(20.1%)	(20.1%)	(20.1%)
PPO Rx	(9.0%)	(9.0%)	(9.0%)	(9.0%)	(9.0%)
HMO Rx	(9.0%)	(9.0%)	(9.0%)	(9.0%)	(9.0%)
Total	**(6.3%)**	**(6.3%)**	**(6.3%)**	**(6.3%)**	**(6.3%)**
Grand Total	**(1.5%)**	**(1.5%)**	**(1.5%)**	**(1.5%)**	**(1.5%)**