



# 2026 SEHBP Rate Setting Analysis

State of New Jersey

July 9, 2025



# Today's Discussion

## Meeting Objectives

- Overview of the Rate Setting Analysis and results
- Provide summary of Local Education rating assumptions and active cost drivers

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Analysis Overview**

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## Overview

# Overview of SEHBP Recommended Premium Rate Impact

## Plan Year 2026 Rate Impact Recommendations

Plan Year 2026 Premium Rate Changes	Actives			Early Retirees			Medicare Retirees		
	Medical	Rx	Total	Medical	Rx	Total	Medical	Rx	Total
<b>Local Education Plans</b>									
PPO10/15	32.9%	57.7%	36.2%	N/A	N/A	N/A	N/A	N/A	N/A
NJEHP	25.2%	59.0%	29.5%	26.3%	34.3%	28.1%	N/A	N/A	N/A
GSHP	25.2%	59.0%	30.1%	26.3%	34.3%	28.3%	N/A	N/A	N/A
<b>Total</b>	<b>27.9%</b>	<b>58.6%</b>	<b>31.9%</b>	<b>26.3%</b>	<b>34.3%</b>	<b>28.1%</b>	<b>36.9%</b>	<b>20.1%</b>	<b>25.8%</b>

Claim Stabilization Reserve Balance (in \$ millions)	Total
12/31/2024	\$107
12/31/2025	(\$42)
12/31/2026	\$79
Months of Plan Cost as of 12/31/2026	0.5

- 2026 Active, Early Retiree, and Medicare Retiree pricing is projected with Medical and Prescription Drug claims incurred from January 1, 2024 through December 31, 2024 with runout through March 31, 2025.
- For Actives, the premium increases are based on two distinct, stand-alone experience pools, representing combined PPO10 and PPO15 experience, and separately the combined NJEHP/GSHP experience.
  - The 2026 NJEHP premium (Medical + Rx card) is projected to be 31.6% lower compared to the PPO10 plan.
- Local Education Active premiums include a 6.0% margin since the projected total Claim Stabilization Reserve for the Local Education Group is expected to be below the target level of 2.0 months at the end of Plan Year 2026.
- Medicare Retiree medical rate changes reflect both Aetna Medicare Advantage premium rate increases and self-insured medical plan increases.

# Overview of Rate Setting Results

- Active and Early Retiree increases are driven by higher-than-expected claim cost trends, particularly for prescription drugs where there was significant utilization of high-cost GLP-1 drugs.
  - For Education Actives, Horizon and Optum report 2024 Active medical and Rx claim trends of 11.4% and 20.7%, respectively. These are higher than the 2024 medical (8.0%) and Rx (13.5%) trend + anti-selection assumptions reflected in last year's rate setting analysis.
  - Medical trends were largely driven by high-cost claimants and increased utilization across almost all outpatient and professional service categories, including for expensive services such as ER, OP medical pharmacy, and OP surgery.
- Medicare Retiree Medical increases are driven by large increases in the Fully Insured Aetna Medicare Advantage premium rates. Even with these increases, the Medicare Advantage plan medical premium rates are projected to be lower compared to the self-insured Medicare medical plan costs.
- Recommended trend assumptions for projecting claims are higher compared to the prior rate setting analysis:
  - Medical trend assumptions have been increased, which reflects continued upward price pressure, expectations of higher utilization of higher cost services, and higher vendor trend recommendations.
  - Rx trend assumptions have been increased, which reflects an increase in plan utilization of high-cost specialty and GLP-1 drugs, and higher vendor trend recommendations.
- Local Education Actives premium increases include additional adjustments:
  - Medical and Rx trends include additional anti-selection loads to account for employers with favorable risks leaving the plan, leaving behind employers with higher average costs.
  - Premium rates include 6.0% margin to help replenish the claim stabilization reserve, which is still less than required to reach the target 2.0 months of plan costs.

# Active Plan Benchmarking

## 2025 Per Employee Per Year (PEPY) Plan Cost Comparison

Plan Year 2025	Local Education Actives	Aon HVI New Jersey Market
Medical Cost PEPY	\$27,070	N/A
Rx Cost PEPY	\$6,270	N/A
<b>Total Cost PEPY</b>	<b>\$33,340</b>	<b>\$18,310</b>
Average Age	47.6	43.4
Average Actuarial Value	98%	90%

Local Education Active PEPY amounts are based on the latest PY2025 projections; PEPY amounts are normalized for the number of employees with drug coverage through the SEHBP. New Jersey Market benchmarking is based on Aon's Health Value Initiative (HVI) database for 2025 (190,000 subscribers).

## Historical Trend Comparison

	Milliman HTG (New Jersey)		Local Education Actives	
	Medical	Rx	Medical PPO	Rx
2023-2024	8.9%	15.0%	11.2%	20.8%
2022-2023	7.9%	12.8%	5.9%	18.6%
2021-2022	1.8%	7.7%	1.6%	13.0%
<b>3 Yr CAGR 2021-2024</b>	<b>6.1%</b>	<b>11.8%</b>	<b>6.2%</b>	<b>17.4%</b>

NJ trends are shown on an incurred basis, medical trends include medical claims and capitation amounts for the PPO plans and are normalized for the impact of plan design changes.

The first chart shows Local Education Active total projected 2025 plan costs compared to Aon's HVI Benchmarking data for the New Jersey Market.

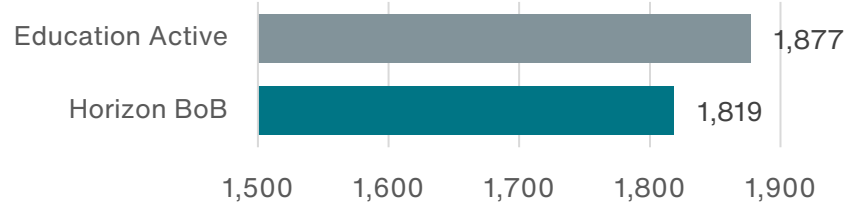
- Local Education PEPY plan costs are 82% higher than the New Jersey Market benchmark.

The second chart shows the Local Education historical medical and Rx claims trend over the past 3 years compared to Milliman's Health Trend Guideline (HTG) report for the New Jersey market.

- While Local Education Active medical trends the last 3 years are comparable to benchmark, recent experience is trending higher.
- Local Education Rx claims are trending much higher compared to the Milliman benchmark. Some employers in the benchmark may not cover GLP-1 drugs for weight loss.

# Active Plan Benchmarking Cont.

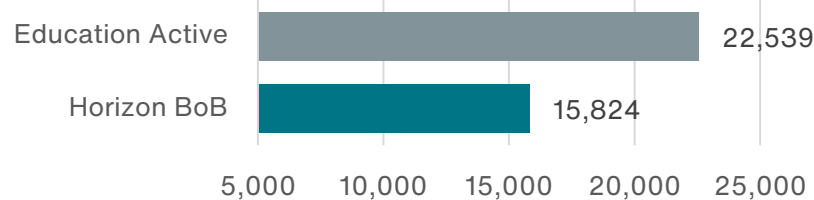
Outpatient Visits / 1,000 Members



## Outpatient

- Local Education Active outpatient utilization is higher (+3%) than Horizon's book of business. This is especially true for ambulatory OP (+8%), behavioral health (+76%), and OP surgery (+20%).

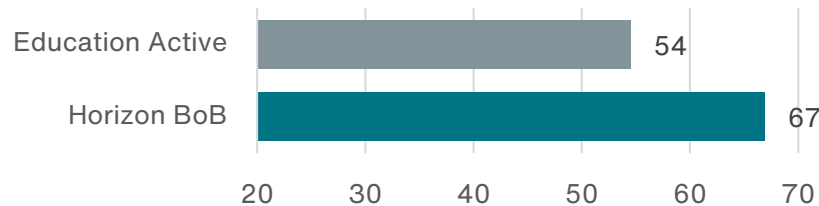
Professional Visits / 1,000 Members



## Professional

- Local Education Active professional utilization is higher (+42%) than Horizon's book of business. This is especially true for urgent care (+139%) and behavioral health (+106%).

Inpatient Admits / 1,000 Members



## Inpatient

- Local Education Active inpatient utilization is 18.7% lower than Horizon's book of business.
- Utilization of inpatient behavioral health services is 22% higher than Horizon's book of business, while utilization of acute inpatient facility is 22% lower than Horizon's book of business.

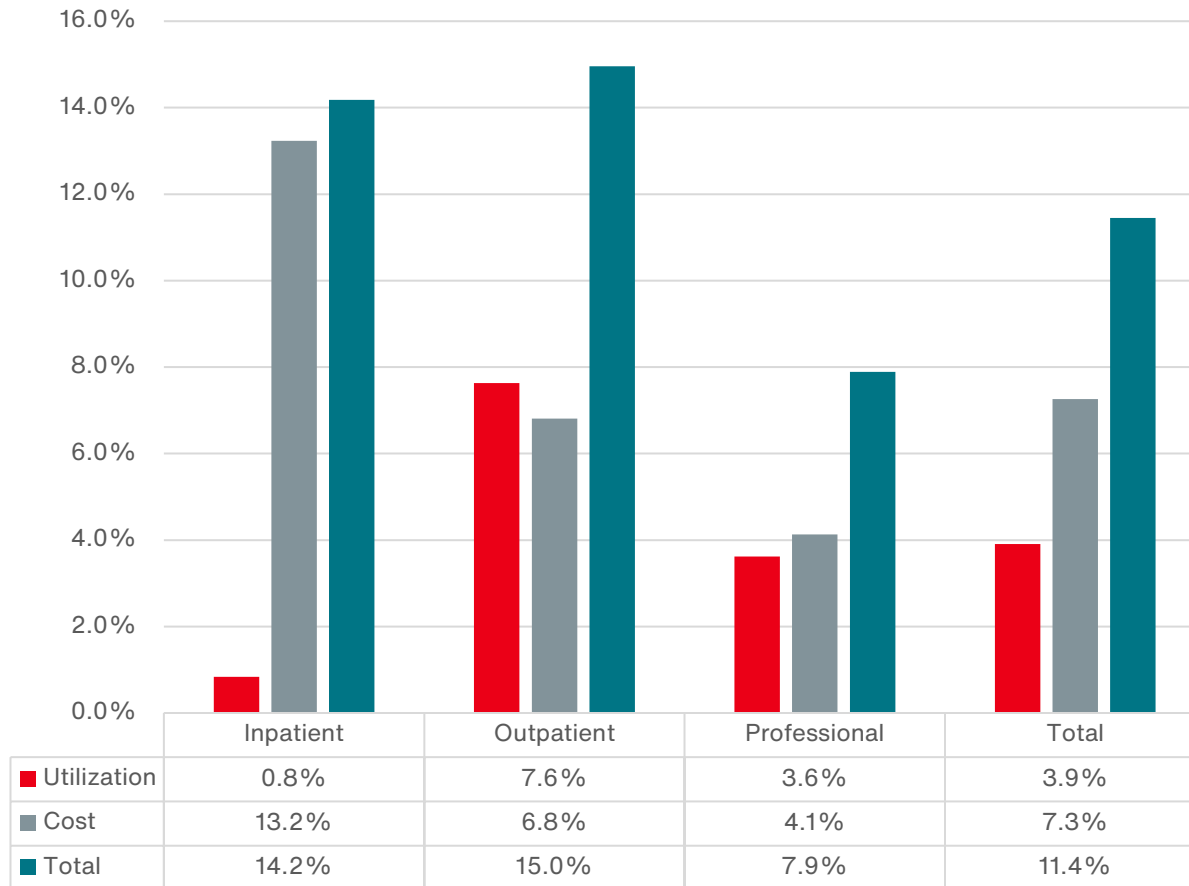
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## Local Education Projections



# Local Education Active Medical Claim Trends

Local Education Active  
PY2024 Medical Trend Components



## Impact of updated medical claims experience

- Horizon reported 2024 medical trends of 11.4%, higher than the 8.0% medical trend + anti-selection assumptions reflected in last year's rate setting analysis.
- Medical claim trends are largely driven by high-cost claimants and high utilization of OP services, including more expensive services such as OP Medical Pharmacy and OP Surgery:
  - Medical claims for outpatient services increased, with a total annual trend of 15%, including a 7% increase in the cost per visit and 8% increase in utilization.
  - Utilization increased across outpatient services, including ambulatory (+11% utilization), emergency room (+2%), outpatient medical pharmacy (+13%), and outpatient surgery (+5%).
  - Inpatient visits increased 1% while the cost per service increased 13%. Additionally, professional visits and cost per visit increased 4% each, for an overall professional trend of 8%. There was an increase in higher cost specialist services (+4% utilization).

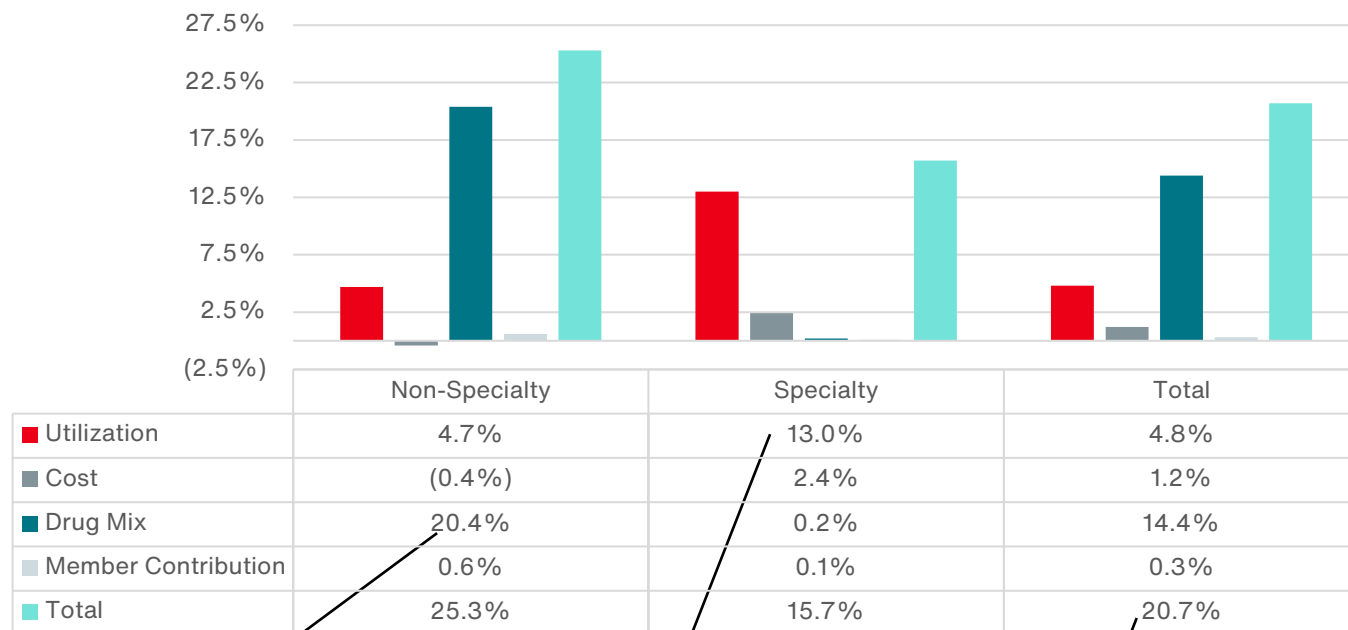
## Impact of updated assumptions

- The medical projection also reflects higher trend and anti-selection assumption compared to the PY2025 Rate Setting Analysis.
- 2025 medical claims are projected to be 7.8% higher compared to what was estimated in the PY2025 Rate Setting Analysis.

Medical claim drivers are based on Horizon reporting that reflects CY2024 incurred claims with 1 month runout; Cost per visit increases are comprised of both unit cost trends and mix of service changes

# Local Education Active Rx Claim Drivers

Local Education Active  
PY2024 Rx Trend Components



Increase in Drug mix, which represents higher cost drugs being utilized compared to last year, is where the high utilization of GLP-1 brand drugs is showing up in the analysis.

Increase in specialty drug utilization, which represents the change in the number of specialty scripts per member, is the primary driver of the overall increase in specialty drug PMPM amounts.

The average plan paid PMPM amount has increased 20.7% over the prior period driven by high utilization of both GLP-1 drugs and specialty drugs.

## Impact of updated Rx claims experience

- Optum reported 2024 Rx claim trends of 20.7%, higher than the 13.5% Rx trend + anti-selection assumptions reflected in last year's rate setting analysis.
- Drugs for inflammatory conditions rank number one in terms of spend by disease state, and PMPM claims spend for inflammatory conditions increased 11.3% in 2024. The top drugs in this category were Humira Pen, Stelara, and Dupixent.
- PMPM Drug Spend for weight loss drugs (such as high cost GLP-1 medications) increased 138.3%. Wegovy ranked first in terms of individual drug spend, and Zepbound, Ozempic, and Mounjaro were all GLP-1 drugs that ranked in the top 10 of individual drug spend.
- Overall specialty drug claims PMPM increased 15.7%, which was driven by inflammatory conditions (noted above) and oncology.

## Impact of updated assumptions

- The Rx projection also reflects higher trend and anti-selection assumption compared to the PY2025 Rate Setting Analysis.
- 2025 Rx claims before rebates are projected to be 19.8% higher compared to what was estimated in the PY2025.

# Local Education Active Premium Increase Drivers

Local Education Active premiums are projected to increase **31.9%** in total for 2026, a result of the following:

- **Plan Year 2025 Reforecast +8.9%** - Actual 2024 claims experience was higher compared to expected 2024 claims, and medical and Rx trend and anti-selection projection assumptions have increased from the prior rate setting analysis driven by upward medical cost pressures and expected increases in GLP-1 and specialty drug trend costs and utilization:
  - Actual 2024 PMPM Active medical claims experience was 3.7% higher than expected.
  - Actual 2024 PMPM Active prescription drug claims experience was 6.6% higher than expected.
  - The 2025 medical and Rx trend assumptions reflected in this analysis are 1.8% and 10.2% higher, respectively, compared to the 2025 Rate Setting Analysis.
  - The 2025 anti-selection assumption is 150 basis points higher compared to the prior analysis.
- **Trend to Plan Year 2026 +10.7%** - The Plan Year 2026 premiums include an additional year of trend to account for projected increases from 2025 to 2026.
- **Anti-selection +1.3%** - 2026 includes an additional 150 basis point load for anti-selection to account for favorable risks leaving the plan.
- **Rx Rebates +0.0%** - Prescription drug rebates are comparable to the prior analysis.
- **Margin +4.0%** - Impact due to increased margin since the projected total Claim Stabilization Reserve for the Local Education Group is expected to be below the target level. The Plan Year 2025 premium rates reflected a 2.0% margin.
- **Other Changes +3.8%** - Impact of plan mix changes, actuarial adjustments, and other changes.

\*Impacts are multiplicative, not additive

# Local Education Pricing Methodology/Assumptions

	2026 Pricing Projections
<b>Claims Experience</b>	Claims based on 12-months of incurred experience from January 1, 2024 through December 31, 2024 with runout through March 31, 2025
<b>Enrollment Distribution / Migration Assumption</b>	Monthly census data was provided by the State through April 2025 For Plan Year 2026, it is assumed that 10% of Actives enrolled in the PPO10 and PPO15 plans will migrate to the NJEHP plan.
<b>Trend Assumption (excluding anti-selection)</b>	Active (2025 / 2026): Medical = 9.5% / 9.5%   Rx = 23.0% / 19.0% Early Retiree (2025 / 2026): Medical = 9.5% / 9.5%   Rx = 21.0% / 17.0% SI Medicare (2025 / 2026): Medical = 5.5% / 6.0%   Rx = 17.5% / 4.0%
<b>Rx Rebates / EGWP</b>	Projected Rx Rebates and EGWP credits are based on data provided by Optum <ul style="list-style-type: none"> <li>For Actives and Early Retirees, rebates are based on 2024 actuals as a % of claims</li> <li>For EGWP retirees, 2026 projected rebate amounts were provided by Optum, and reflect expected reductions as result of drug negotiations under the Inflation Reduction Act</li> </ul>
<b>Anti-Selection</b>	Active medical and prescription drug trends have been increased by 225 basis points for Plan Year 2025 and 150 basis points Plan Year 2026
<b>High-Cost Claimants</b>	Claims were reviewed for abnormal high-cost claimants and adjusted where necessary based on this review
<b>Margin</b>	The Local Education Active premium rates reflect a 6.0% margin since the projected total Claim Stabilization Reserve for the Local Education Group is expected to be below the recommended level of 2.0 months at the end of Plan Year 2025. Even with this margin, the reserve is projected to fall short of the recommended level at the end of Plan Year 2026.
<b>Other</b>	The projected PPO10 and PPO15 costs reflect a 2% selection adjustment assuming those remaining in the plan will be higher cost on average compared to the pre-migration average cost for those plans

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## Local Education Dental Projections

# Dental Pricing Methodology/Assumptions

	2026 Pricing Projections
<b>Claims Experience</b>	Claims based on 12-months of incurred experience from January 1, 2024 through December 31, 2024 with runout through March 31, 2025
<b>Enrollment Distribution / Migration Assumption</b>	Monthly census data was provided by the State through April 2025;
<b>Trend Assumption</b>	4.5% Annual Trend
<b>Other</b>	SHBP and SEHBP experience is combined for purposes of calculating premium rate increases

# Overview of Recommended Renewal Impact

## Plan Year 2026 Rate Impact Recommendations

	Actives	Retirees
<b>Dental Expense Plan</b>		
SEHBP Aetna DEP	6.1%	4.8%
SEHBP Horizon DEP	6.1%	4.8%
SEHBP Aetna DEP Plus	N/A	4.8%
SEHBP Horizon DEP Plus	N/A	4.8%
<b>DPO Plans</b>		
Aetna	0.0%	0.0%

- The table above provides the Plan Year 2026 premium rate changes.

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## Appendix



# 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 presentation has been prepared to present our analysis of the Plan Year 2026 Rate Setting Analysis for the School Employees' Health Benefits Program (SEHBP). The purpose of this analysis is to recommend premium levels for the SEHBP for January 1, 2026 through December 31, 2026. The use of this presentation 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