



State of NJ SHBP Mid-Year Analysis

March 30, 2026



Today's Discussion

Meeting Objectives

- Provide a summary of the results of the Mid-Year Analysis
- Discuss Local Government Active Results and Cost Drivers
- Discuss State Active Results and Cost Drivers
- Discuss 2027 Rate Setting expectations

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Mid-Year Overview

Mid-Year Results Overview

- New emerging experience through September 2025 has impacted projections for Plan Year 2026 due to several factors:
 - High emerging trends for both groups are consistent with assumptions made in the 2026 Rate Setting Analysis.
 - Significant enrollment declines over the 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 led to an increased anti-selection adjustment in this Mid-Year Analysis.
 - Migration to lower cost plans for both groups has reduced the total revenue from premiums the SHBP takes in; similar to last year, additional premium adjustments for these low cost options may be needed to account for this significant migration
- Combined, the impact has been a deterioration of Plan Year 2026 gain/loss projections for all groups.

Mid-Year Results Overview: Local Government

Plan Year 2027 premium increases will likely need to include significant margin to continue to help build the CSR balance and will be impacted by any remaining amounts owed under Ch. 86

Plan Year 2026 (\$ Millions)	Local Government	
	2026 Rate Setting Analysis*	Updated Mid-Year Analysis
Actives		
Members	95,590	72,961
Total Premium	\$1,724.7	\$1,249.6
Total Claims and non-Fee Expenses	\$1,466.6	\$1,114.9
Total Admin Fees	\$27.3	\$23.8
Total Cost	\$1,493.9	\$1,138.7
\$ Projected Gain (Premium - Cost)	\$230.8	\$110.9
% Projected Gain (Premium / Cost)	15.4%	9.7%
Claim Stabilization Reserve**	\$84.6	(\$45.7)
Months of Plan Cost	0.7	(0.5)

Local Government Actives:

- Active experience continues to be significantly impacted by employers leaving the SHBP. For Plan Year 2026, aggregate gross costs are projected to be 23.8% lower than the Plan Year 2026 Rate Setting Analysis, driven by a 23.7% reduction in participating membership. On a per member basis, Active plan costs have decreased 0.1% compared to the prior analysis, while Active premiums have decreased 5.1%.
- As a result of the reduction in Active headcount, the Plan Year 2026 Active anti-selection adjustment in this Mid-Year Analysis was increased to 500 basis points compared to 375 basis points in the prior analysis.
- With continued high claim trends and significantly lower membership, the projected gain in the updated analysis is significantly lower compared to the Plan Year 2026 Rate Setting Analysis.



*Local Government 2026 premiums include 15.4% margin

**\$200M is assumed to be owed under Ch. 86, so only a portion of the projected excess is assumed to be used toward the CSR.

Numbers may not add due to rounding

Mid-Year Results Overview: Local Government (Cont.)

Plan Year 2027 premium increases will likely need to include significant margin to continue to help build the CSR balance and will be impacted by any remaining amounts owed under Ch. 86

Projected	Local Government	
Plan Year 2026 (\$ Millions)	2026 Rate Setting Analysis*	Updated Mid-Year Analysis
Retirees		
Members	56,684	46,575
Total Premium	\$815.3	\$662.6
Total Claims and non-Fee Expenses	\$692.9	\$560.2
Total Admin Fees	\$13.2	\$11.2
Total Cost	\$706.2	\$571.4
\$ Projected Gain (Premium - Cost)	\$109.1	\$91.2
% Projected Gain (Premium / Cost)	15.4%	16.0%
Claim Stabilization Reserve**	(\$132.7)	(\$163.4)
Months of Plan Cost	(2.3)	(3.4)
Actives + Retirees		
Members	152,274	119,536
Total Premium	\$2,540.0	\$1,912.2
Total Claims and non-Fee Expenses	\$2,159.5	\$1,675.1
Total Admin Fees	\$40.5	\$35.0
Total Cost	\$2,200.1	\$1,710.1
\$ Projected Gain (Premium - Cost)	\$339.9	\$202.1
% Projected Gain (Premium / Cost)	15.4%	11.8%
Claim Stabilization Reserve**	(\$48.1)	(\$209.1)
Months of Plan Cost	(0.3)	(1.5)

Local Government Retirees:

- Retiree membership has decreased 17.8% driving a 19.1% reduction in total gross plan costs. On a per member basis, projected Retiree costs are 1.5% lower compared to the Plan Year 2026 Rate Setting Analysis, while projected Retiree premiums are 1.1% lower.
- As a result of the reduction in headcounts, the Plan Year 2026 Early Retiree anti-selection adjustment in this Mid-Year Analysis was increased to 500 basis points compared to 375 basis points in the prior analysis.

Local Government Claim Stabilization Reserve (CSR):

- In the Plan Year 2026 Rate Setting Analysis, premiums were set to be 15.4%, or \$340M, higher compared to projected Plan Year 2026 costs. It was assumed that \$200M of this gain would be used to pay amounts owed under Ch. 86 while the remaining \$140M would be used to fund the CSR. Even with that margin, the total CSR was projected to be negative as of 12/31/2026.
- As a result of high ongoing medical and Rx claims trends and significant reductions in plan members, the projected gain in Plan Year 2026 has decreased to just \$202M. Assuming \$200M is owed under Ch. 86, only \$2M of the remaining projected gain is available to fund the CSR, resulting in a projected CSR balance of **-\$209M**.
 - Current premium rates would need to be **26% higher** for the CSR to reach target level of 2.0 months of plan cost and pay amounts owed under Ch. 86



*Local Government 2026 premiums include 15.4% margin

**\$200M is assumed to be owed under Ch. 86, so only a portion of the projected excess is assumed to be used toward the CSR.

Numbers may not add due to rounding

Mid-Year Results Overview: State

Based on these updated amounts and building in future trends, premium rate increases for 2027 are likely to be in the double digits for both Actives and Early Retirees

Plan Year 2026 (\$ Millions)	State	
	2026 Rate Setting Analysis	Updated Mid-Year Analysis
Actives		
Members	201,725	203,330
Total Premium	\$2,629.8	\$2,599.7
Total Claims and non-Fee Expenses	\$2,565.4	\$2,591.3
Total Admin Fees	\$65.3	\$69.1
Total Cost	\$2,630.6	\$2,660.4
\$ Projected Loss (Premium – Cost)	(\$0.8)	(\$60.7)
% Projected Loss (Premium / Cost)	(0.0%)	(2.3%)
Retirees		
Members	90,762	90,139
Total Premium	\$900.0	\$887.9
Total Claims and non-Fee Expenses	\$878.5	\$866.8
Total Admin Fees	\$21.4	\$21.3
Total Cost	\$899.9	\$888.1
\$ Projected Gain/Loss (Premium – Cost)	\$0.1	(\$0.2)
% Projected Gain/Loss (Premium/ Cost)	0.0%	(0.0%)

State Actives:

- The experience of State Active Employees has continued to be unfavorable since the Plan Year 2026 Rate Setting Analysis. Projected 2026 Active per member costs are now projected to be 0.3% higher compared to the prior analysis.
 - The prior analysis did not reflect the impact of plan design changes approved after the Plan Year 2026 premium rates were finalized. The impact of those changes is reflected in this Mid-Year Analysis. However, actual experience trend has outpaced both expected trends and the impact of those savings, driving the higher expected average costs.
- Compared to the prior analysis, 2026 per member premiums are projected to be 1.9% lower because of July 1, 2026 rate reductions and migration to lower cost plans.
- The combination of higher projected claims and lower projected premiums results in a projected loss of 2.3%.

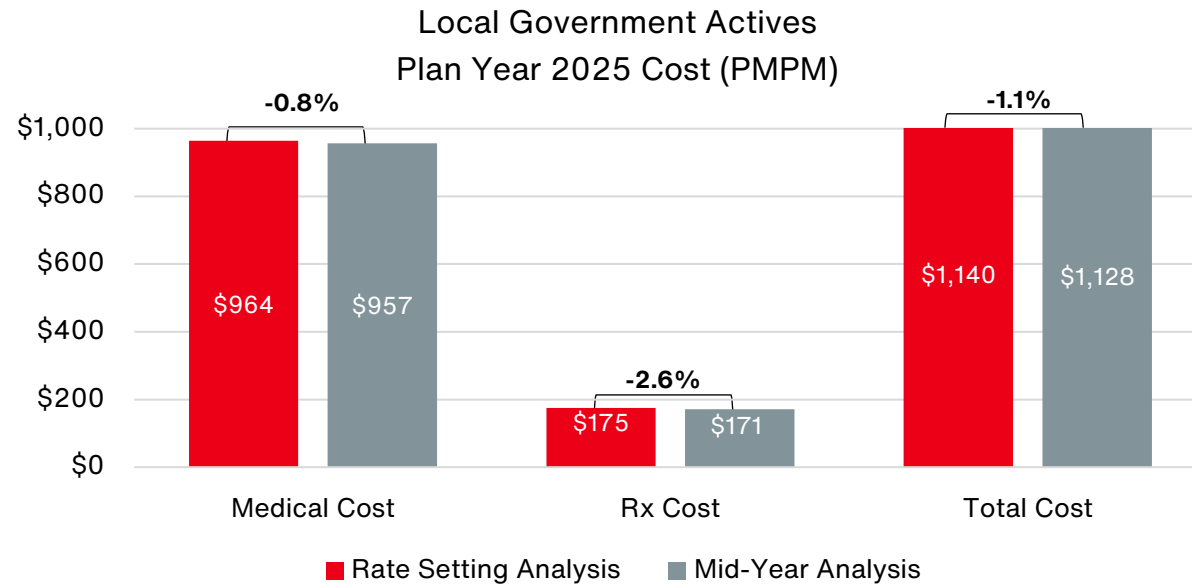
State Retirees:

- The experience of State Retirees has improved. Projected 2026 Retiree per member costs are now projected to be 0.6% lower than the previous analysis, driven by favorable experience trends in the Medicare Retiree population.

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Local Government Active Results

2025 Per Capita Cost: Rate Setting vs. Mid-Year Analyses



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

The chart above shows the change in projected 2025 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 2025 claims using 2024 data. Actual emerging 2025 medical and Rx claims data is reflected in the Mid-Year analysis.

Observations*

2025 PMPM costs reflecting 9 months of actual experience are similar to prior projections since experience has closely aligned with assumed trends.

- For Medical, 11.3% rolling 12-month increase are similar to the 11.25% combined trend & anti-selection assumptions reflected in the 2026 Rate Setting Analysis
- For Rx, 24.9% rolling 12-month increase is slightly higher compared to the 24.75% combined trend & anti-selection assumptions reflected in the 2026 Rate Setting Analysis, while actual 2025 rebates are higher than expected

Updated 2025 PMPM Medical costs are 0.8% lower than projected

Updated 2025 PMPM Rx costs are 2.6% lower than projected

*Rolling 12-month increases are through September 2025 and include both Horizon and Aetna claims and capitation and are normalized for the impact of prior plan design changes

Local Government Active Medical Claim Drivers

YTD September 2025 Horizon Medical Trends

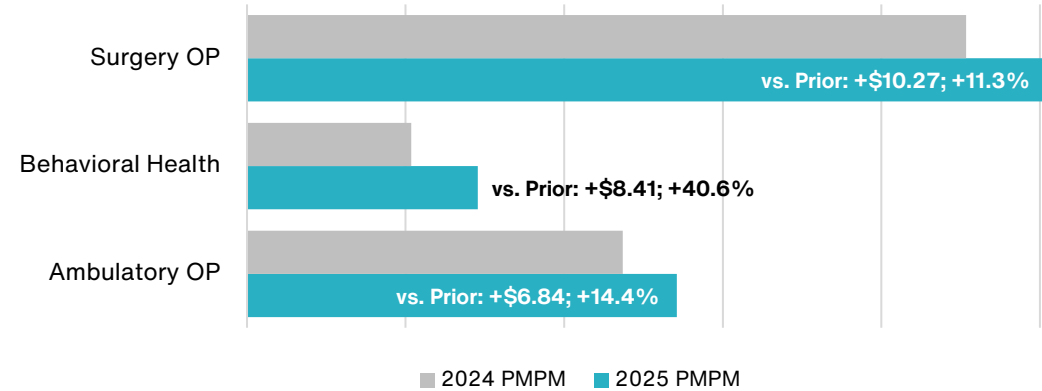
Service Category	Visits / 1,000	\$ / Visit	Total Trend	Total Cost PMPM
Inpatient	2%	10%	12%	\$146.27
Inpatient Facility Acute	(1%)	13%	11%	\$129.99
Behavioral Health	15%	(2%)	12%	\$12.27
Inpatient Other	0%	51%	52%	\$4.01
Outpatient	8%	4%	12%	\$326.90
Surgery OP	3%	8%	11%	\$100.96
Emergency	3%	6%	9%	\$58.70
Ambulatory OP	6%	8%	14%	\$54.22
Medical Drug/Injection	5%	(10%)	(5%)	\$42.48
Radiology	8%	9%	18%	\$32.37
Behavioral Health	20%	17%	41%	\$29.11
Lab OP	15%	3%	18%	\$7.81
Home Health	(5%)	9%	3%	\$1.24
Professional	5%	10%	16%	\$402.87
Specialist Physician	6%	14%	21%	\$217.44
Primary Physician	4%	6%	10%	\$44.33
Behavioral Health	10%	13%	24%	\$39.23
Medical Drug/Injection	12%	(7%)	4%	\$31.80
Radiology	4%	5%	9%	\$23.92
Ancillary	3%	8%	11%	\$22.22
Lab PF	4%	14%	19%	\$10.88
Urgent Care	(5%)	5%	(0%)	\$10.03
Home Health	(6%)	5%	(2%)	\$3.02

The chart above shows the year-over-year change in member utilization (visits / 1,000), change in average cost of services (\$ / visit), and change in the PMPM cost (Total Trend). Total Cost PMPM captures both the average cost per service as well as the average utilization.

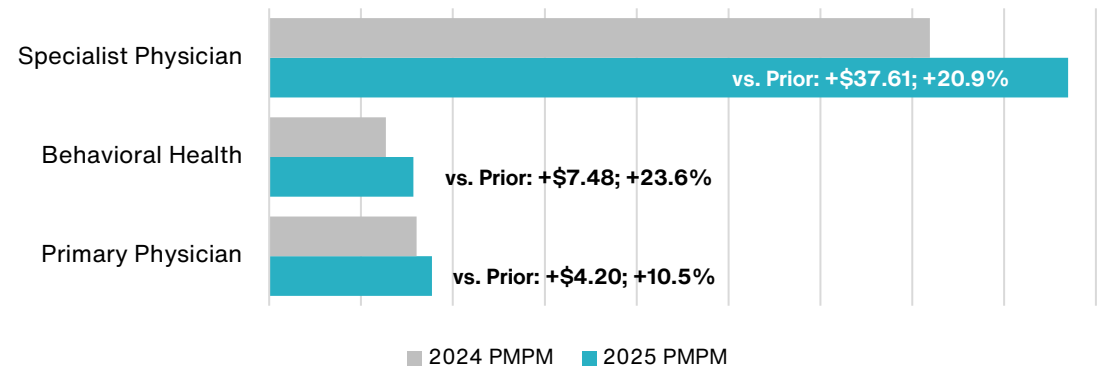
Cost increases are driven by high increases in the \$ / visit across most of the services as well as increases in utilization for both outpatient & professional services.

Top Trend Drivers

Outpatient Services



Professional Services

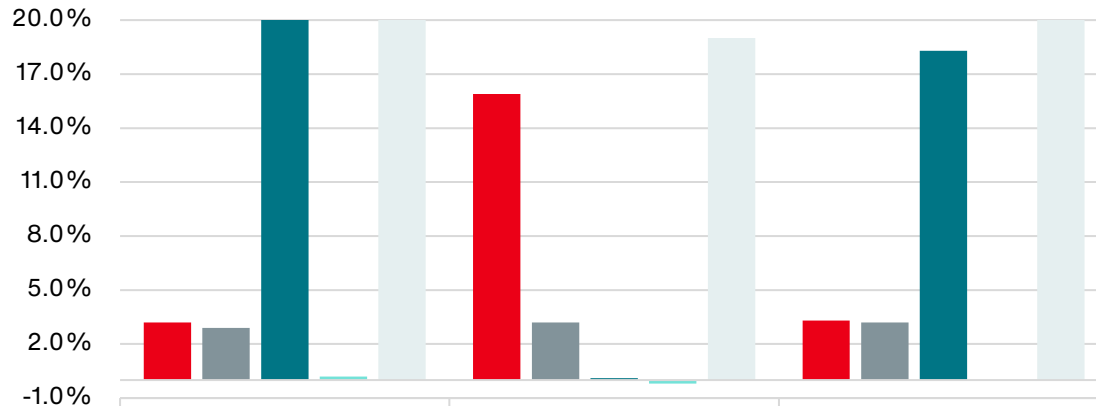


The graphs above show the top 3 services driving overall trend within each service category, as measured by change in PMPM.

Local Government Active Rx Claim Drivers

Optum YTD September 2025 Trends (before rebates)

PY2025 Rx Increase Components



	Non-Specialty	Specialty	Total
■ Utilization	3.2%	15.9%	3.3%
■ Cost	2.9%	3.2%	3.2%
■ Drug Mix	22.7%	0.1%	18.3%
■ Member Contribution	0.2%	-0.2%	0.0%
■ Total	29.0%	19.0%	24.8%

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.

16% increase in specialty drug utilization, which represents the change in the number of specialty scripts per member, is driving a 19% overall increase in specialty drug PMPM amounts.

The average plan paid PMPM amount has increased 25% over the prior period driven by high utilization of both GLP-1 drugs and specialty drugs.

Non-Specialty

- Brand drugs account for 18% of non-specialty scripts and 90% of non-specialty claims spend
- PMPM spend for Diabetes related drugs increased 6% and accounts for 13% of total plan paid (Mounjaro was top drug in category)
- PMPM spend for weight loss related drugs increased 87% and accounts for 22% of total plan paid

Specialty

- Specialty Drug PMPM spend for inflammatory conditions (such as Dupixent and Skyrizi) increased 19% and accounts for 22% of total plan paid
- PMPM spend for multiple sclerosis specialty drugs increased 27%

Top Drugs of Note

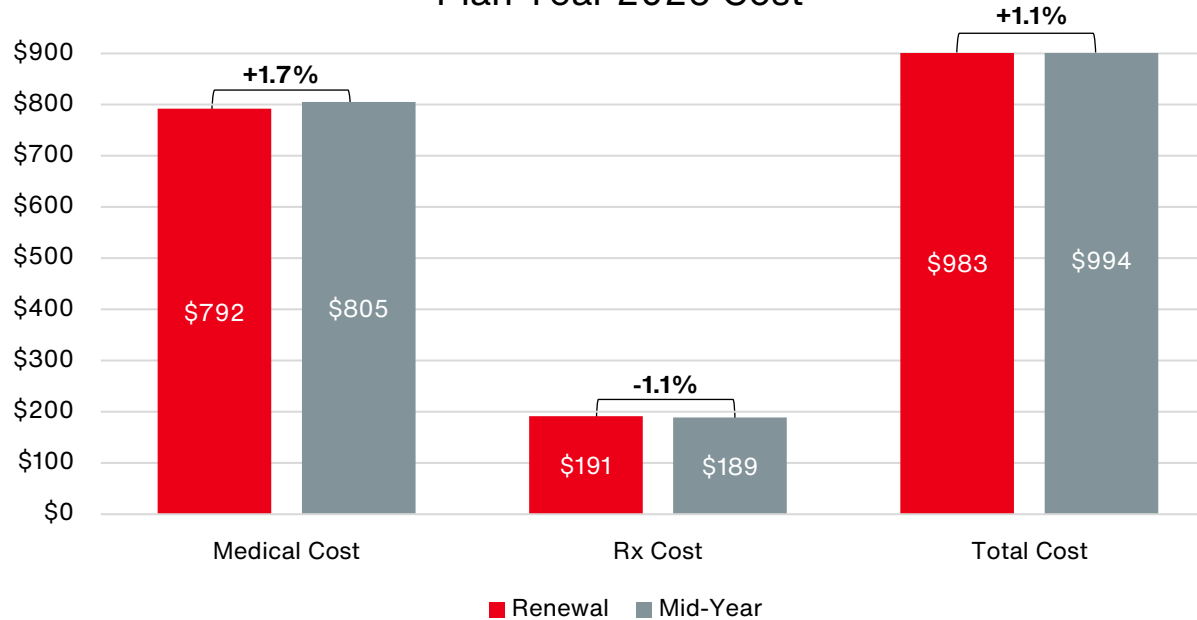
- Inflammatory conditions, Diabetes, and Weight Loss drugs are the main drivers of Rx claim costs
 - Wegovy is the top drug spend and the PMPM spend is 180% above Optum's benchmark
 - Wegovy and Zepbound are GLP-1 weight loss drugs ranked 1st and 2nd in total drug spend, respectively
 - Mounjaro and Ozempic are all GLP-1 diabetic drugs ranked 3rd and 4th in total drug spend, respectively
 - Dupixent, Skyrizi Pen, Humira Pen, and Stelara are all Chronic Inflammatory drugs that ranked 5th through 9th

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State Active Results

2025 Per Capita Cost: Rate Setting vs. Mid-Year Analyses

State Actives
Plan Year 2025 Cost



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

The chart above shows the change in projected 2025 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 2025 claims using 2024 data. Actual emerging 2025 medical and Rx claims data is reflected in the Mid-Year analysis. The updated data shows that actual 2025 costs are higher than previously estimated, which is contributing to future projected losses.

Observations*

2025 PMPM costs reflecting 9 months of actual experience are similar to prior projections since experience has closely aligned with assumed trends.

- For Medical, 10.7% rolling 12-month increase is higher compared to 9.5% trend assumption reflected in the 2026 Rate Setting Analysis
- For Rx, 21.7% rolling 12-month increase is lower compared to the 23.0% trend assumption reflected in the 2026 Rate Setting Analysis, while actual 2025 rebates are higher than expected

Updated 2025 PMPM Medical costs are 1.7% higher than projected due to higher-than-expected medical claims increases, even as employees continue to migrate to lower cost plans

Updated 2025 PMPM Rx costs are 1.1% lower than projected due to lower-than-expected Rx claims increases

The decrease in prescription drug claims was partially offset by a decrease in prescription drug rebates

*Rolling 12-month increases are through September 2025 and include both Horizon and Aetna claims and capitation and are normalized for the impact of prior plan design changes

State Active Medical Claim Drivers

YTD September 2025 Horizon Medical Trends

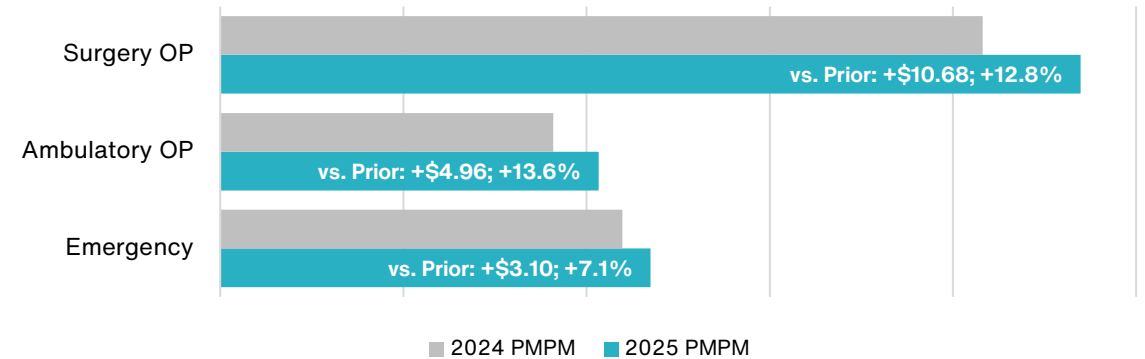
Service Category	Visits / 1,000	\$ / Visit	Total Trend	Total Cost PMPM
Inpatient	(2%)	20%	17%	\$141.26
Inpatient Facility Acute	(1%)	19%	18%	\$128.64
Behavioral Health	(12%)	2%	(10%)	\$7.88
Inpatient Other	7%	47%	58%	\$4.74
Outpatient	5%	3%	8%	\$280.44
Surgery OP	1%	12%	13%	\$93.94
Emergency	1%	6%	7%	\$47.00
Ambulatory OP	9%	4%	14%	\$41.34
Medical Drug/Injection	2%	(11%)	(9%)	\$37.22
Radiology	5%	1%	6%	\$33.83
Behavioral Health	1%	14%	15%	\$18.67
Lab OP	7%	9%	16%	\$7.52
Home Health	3%	5%	8%	\$0.93
Professional	4%	9%	14%	\$303.95
Specialist Physician	4%	10%	15%	\$146.75
Primary Physician	3%	8%	11%	\$42.04
Behavioral Health	9%	12%	23%	\$35.29
Medical Drug/Injection	5%	4%	9%	\$26.26
Radiology	6%	2%	8%	\$22.10
Ancillary	3%	5%	8%	\$15.16
Lab PF	1%	16%	17%	\$8.03
Urgent Care	(7%)	6%	(2%)	\$5.71
Home Health	8%	12%	20%	\$2.61

The chart above shows the year-over-year change in member utilization (visits / 1,000), change in average cost of services (\$ / visit), and change in the PMPM cost (Total Trend). Total Cost PMPM captures both the average cost per service as well as the average utilization.

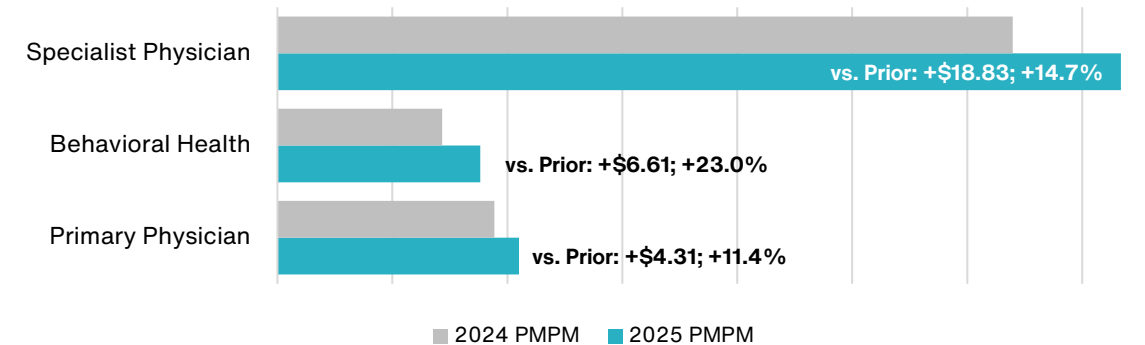
Cost increases are driven by high increases in the \$ / visit for almost all services as well as increases in utilization

Top Trend Drivers

Outpatient Services



Professional Services

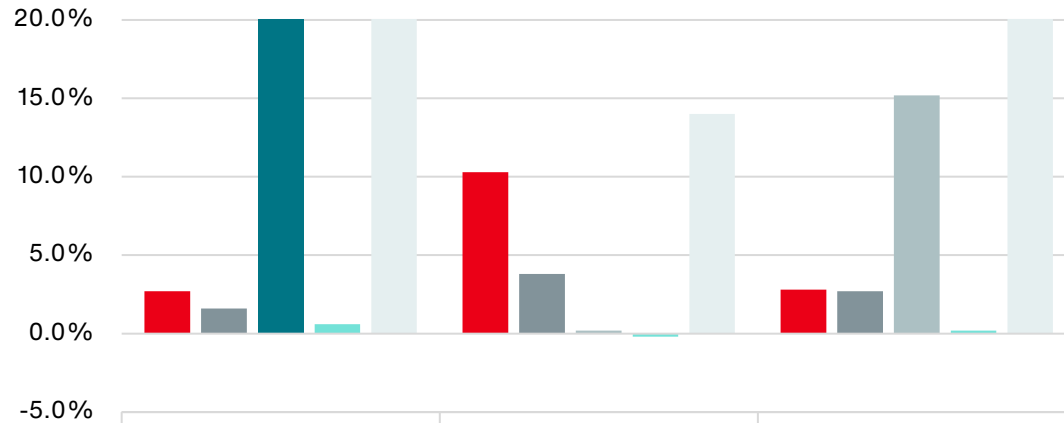


The graphs above show the top 3 services driving overall trend within each service category, as measured by change in PMPM.

State Active Rx Claim Drivers

Optum YTD September 2025 Trends (before rebates)

PY2025 Rx Increase Components



	Non-Specialty	Specialty	Total
■ Utilization	2.7%	10.3%	2.8%
■ Cost	1.6%	3.8%	2.7%
■ Drug Mix	20.9%	0.2%	15.2%
■ Member Contribution	0.6%	-0.2%	0.2%
■ Total	25.8%	14.0%	20.9%

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 this analysis.

10% increase in specialty drug utilization, which represents the change in the number of specialty scripts per member, is driving a 14% increase in specialty drug PMPM amounts.

The average plan paid PMPM amount has increased 21% over the prior period driven by high utilization of both GLP-1 drugs and specialty drugs.

Non-Specialty

- Brand drugs account for 18% of non-specialty scripts and 90% of non-specialty claims spend
- PMPM spend for Diabetes related drugs increased 5.2% and accounts for 14% of total plan paid
- PMPM spend for weight loss related drugs increased 89% and accounts for 22% of total plan paid

Specialty

- Specialty Drug PMPM spend for inflammatory conditions (such as Dupixent and Stelara) increased 12% and accounts for 22% of total plan paid
- PMPM spend for Oncology specialty drugs increased 13%

Top Drugs of Note

- Inflammatory conditions, Diabetes, and Weight Loss drugs are the main drivers of Rx claim costs
 - Wegovy is the top drug spend and the PMPM spend is 174% above Optum's benchmark
 - Wegovy and Zepbound are GLP-1 weight loss drugs ranked 1st and 2nd in total drug spend, respectively
 - Mounjaro and Ozempic are all GLP-1 diabetic drugs ranked 3rd and 4th in total drug spend, respectively
 - Dupixent and Stelara (anti-inflammatory drugs) rank 5th and 6th
 - Amjevita (Biosimilar to Humira) medication is ranked 11th in terms of top drugs, previously ranked 315th

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Rate Setting Expectations

Expectations for Upcoming Rate Setting

Plan Year 2027 Rate Setting Updates

- The PY2027 Rate Setting Analysis will reflect full Calendar Year 2025 claims experience with runout through March 2026 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 2027
- For Local Government, additional margin will be required on top of rate increases to improve the balance of the CSR (last year's premium rates included 15.4% margin with 6.0% allocated to the CSR). Margin will also be impacted by any remaining amounts that are projected to be owed under Ch. 86.

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Appendix

Local Government Claim Stabilization Reserve

Claim Stabilization Reserve Balance (in \$ millions)	Total	Active	Retiree
12/31/2024	(\$128)	\$39	(\$167)
12/31/2025	(\$211)	(\$26)	(\$185)
12/31/2026	(\$209)	(\$46)	(\$163)
Months of Plan Cost as of 12/31/2026	(1.5)	(0.5)	(3.4)

- The claim stabilization reserve as of December 31, 2024 is based on actual balances provided by the Division as of June 30, 2024. The projected reserves as of December 31, 2025 and 2026 are based on the reserve balance as of June 30, 2025 provided by the Division. The claims stabilization reserve as of December 31, 2026 is estimated based off projected gains and losses in the active and retiree plans and is adjusted for estimated amounts owed under Ch. 86.
- For purposes of this analysis, the CSR is shown on an incurred basis and does not represent the cash available to pay monthly claims.

Cost Projection Methodology and Assumptions

	2026 Cost Projections	
Claims Experience	12 months of incurred claims data paid through September 2025 provided by Horizon, Aetna, and Optum	
Enrollment Distribution	Snap-shot January 2026 census data provided by the State	
2026 Self-Insured Claims Trend (Excluding Anti-Selection)	<p><u>State</u> Active PPO: 9.50% Medical / 19.00% Rx Active HMO: 9.50% Medical / 19.00% Rx Early Retiree PPO & HMO: 9.50% Medical / 17.00% Rx Self-Insured Medicare: 6.00% Medical / 5.50% Rx</p>	<p><u>Local Government</u> Active PPO: 9.50% Medical / 19.00% Rx Active HMO: 9.50% Medical / 19.00% Rx Early Retiree PPO & HMO: 9.50% Medical / 17.00% Rx Self-Insured Medicare: 6.00% Medical / 3.00% Rx</p>
Anti-Selection	Local Government Active and Retiree medical and prescription drug trends have been increased by 500 basis points for Plan Year 2026	
Rx Rebates / EGWP	Projected Rx Rebates and EGWP credits were based on information provided by Optum	
High-Cost Claimants	Aon has not made any adjustments for high-cost claimants	

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 2025 Mid-Year Experience Analysis for the State Health Benefits Program (SHBP). The purpose of this analysis is to re-project the Plan Year 2025 and Plan Year 2026 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