



# 2027 SHBP Rate Setting Analysis

State of New Jersey

July 8, 2026

**DRAFT**



# Today's Discussion

## Meeting Objectives

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

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# 1

## Overview

# Overview of SHBP Recommended 2027 Premium Rate Impact

## State Group

PY2027 Premium Rate Impact	Medical	Rx	Total
<b>Actives*</b>			
PPO/HDHP	10.0%	26.9%	13.4%
HMO	10.0%	26.9%	13.4%
Tiered Network	15.2%	27.1%	17.6%
Unity PPO	12.2%	26.5%	15.1%
<b>Total</b>	<b>12.2%</b>	<b>26.6%</b>	<b>15.1%</b>
<b>Early Retirees**</b>			
PPO	15.3%	26.0%	17.6%
HMO	15.3%	26.0%	17.8%
<b>Total</b>	<b>15.3%</b>	<b>26.0%</b>	<b>17.6%</b>
<b>Medicare Retirees</b>			
Medicare Advantage	(16.7%)	0.8%	(5.2%)
Medicare Supplement	5.3%	0.8%	2.9%
<b>Total</b>	<b>(12.3%)</b>	<b>0.8%</b>	<b>(4.0%)</b>
<b>Grand Total</b>	<b>11.3%</b>	<b>19.2%</b>	<b>13.3%</b>

\*State Active premium rate changes are shown compared to the monthly rates effective July 1, 2026

\*\* State Early Retiree premium changes above apply to both the legacy and new retiree plan options

- 2027 Active, Early Retiree, and Medicare Retiree pricing is projected with Medical and Prescription Drug claims incurred from January 1, 2025 through December 31, 2025 with runout through March 31, 2026.
- Medicare Advantage premium increases shown reflect a weighted average across the Medicare Advantage plans and actual increases vary by option.

# Overview of SHBP Recommended 2027 Premium Rate Impact

## Local Government Group

PY2027 Premium Rate Impact	Medical	Rx			Total
		Rx Card	MMRx	Total Rx	
<b>Actives</b>					
PPO / HDHP	15.7%	19.5%	15.4%	18.8%	16.2%
HMO	10.7%	15.4%	15.4%	15.4%	11.6%
Tiered Network	30.3%	32.6%	33.7%	32.9%	30.8%
<b>Total</b>	<b>16.7%</b>	<b>20.5%</b>	<b>17.7%</b>	<b>20.0%</b>	<b>17.3%</b>
<b>Early Retirees</b>					
PPO / HDHP	35.5%			40.4%	36.5%
HMO	35.5%			40.4%	36.6%
<b>Total</b>	<b>35.5%</b>			<b>40.4%</b>	<b>36.5%</b>
<b>Medicare Retirees</b>					
Medicare Advantage	9.3%			25.1%	18.9%
Medicare Supplement	18.7%			25.1%	22.1%
<b>Total</b>	<b>10.8%</b>			<b>25.1%</b>	<b>19.3%</b>
<b>Grand Total</b>	<b>21.3%</b>			<b>25.9%</b>	<b>22.3%</b>

Note: Active and Early Retiree premium rate changes shown above apply to both the legacy and new plan options. Medicare Advantage premium increases shown reflect a weighted average across the Medicare Advantage plans and actual increases vary by option.

- Local Government Plan Year 2027 premium rates are set 11.3% higher than the projected medical and prescription drug costs for Actives and 34.5% higher for Retirees to fund projected amounts owed under Chapter 86 and build reserves:
  - Chapter 86: To address a shortfall in the Active and Retiree Medical and Prescription Drug Claim Stabilization Reserve, a transfer was authorized to cover emerging claims which total to \$150 million as of 12/31/2025. Per the Division, \$60 million of this balance is projected to be repaid by the end of 2026, requiring an additional \$90 million to be repaid in 2027.
  - Reserves: Since the \$90 million under Chapter 86 will not be added to the CSR and the CSR is projected to remain negative, additional margin was added to help build the CSR balance to 1.0 months of plan cost separately for Actives and Retirees. The projected CSR balances remain below the targeted 2.0 months of plan cost in Plan Year 2027, indicating that further margin adjustments may be warranted.
  - If there is significant future attrition from the plan, these surplus amounts may not be achieved during 2027.
  - An additional scenario is included in the appendix for reference.
- 2027 Active, Early Retiree, and Medicare Retiree pricing is projected with Medical and Prescription Drug claims incurred from January 1, 2025 through December 31, 2025 with runout through March 31, 2026.
- HDHigh, HDLow and Tiered Network premium rates were further adjusted to reflect higher emerging experience in those plans.

# Active Plan Benchmarking

## 2026 Per Employee Per Year (PEPY) Plan Cost Comparison

Plan Year 2026	State Actives	Local Govt Actives	Aon HVI New Jersey Market
Medical Cost PEPY	\$23,590	\$29,370	N/A
Rx Cost PEPY	\$5,970	\$6,240	N/A
<b>Total Cost PEPY</b>	<b>\$29,560</b>	<b>\$35,610</b>	<b>\$19,940</b>
Average Age	47.0	46.3	43.3
Average Actuarial Value	96%	96%	89%

>State and Local Government Active PEPY amounts are based on the latest PY2026 projections; Government PEPY amounts are normalized for the number of employees with drug coverage through the SHBP

>New Jersey Market benchmarking is based on Aon's Health Value Initiative (HVI) database for 2026 (210,000 subscribers)

## Historical Trend Comparison

	Milliman HTG (New Jersey)		State Actives		Local Govt Actives	
	Medical	Rx	Medical	Rx	Medical	Rx
2024-2025	8.4%	17.9%	11.0%	21.1%	12.9%	23.7%
2023-2024	10.2%	15.2%	9.2%	20.3%	9.2%	21.2%
2022-2023	7.9%	12.8%	5.1%	21.4%	10.1%	23.3%
<b>3 Yr CAGR 2022-2025</b>	<b>8.8%</b>	<b>15.3%</b>	<b>8.4%</b>	<b>20.9%</b>	<b>10.7%</b>	<b>22.7%</b>

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

The first chart shows State and Local Government Active total projected 2026 plan costs compared to Aon's HVI Benchmarking data for the New Jersey Market.

- State Active projected PEPY plan costs are 61% higher than the New Jersey Market benchmark.
- Local Government PEPY plan costs are 89% higher than the New Jersey Market benchmark.

The second chart shows the State and Local Government 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.

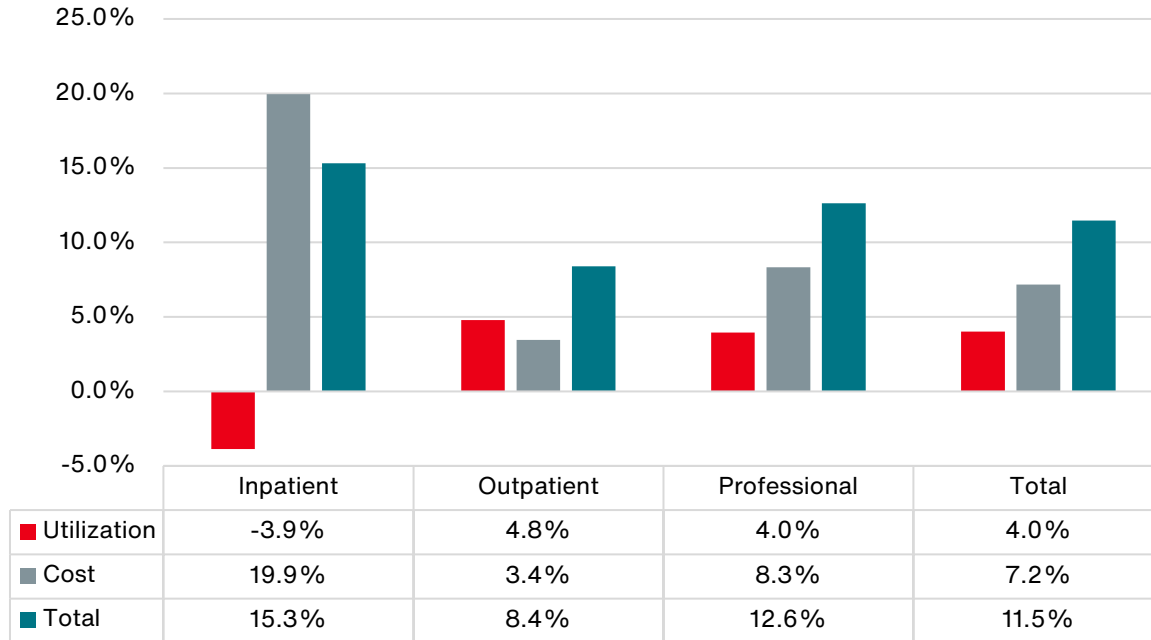
- While State Active medical trends the last 3 years are comparable to benchmark, recent experience is trending higher.
- Local Government Active medical trends are higher compared to both the Milliman benchmark and the State population, likely influenced by the impact of employers exiting the plan.
- Both State and Government 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.

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## State Active Results

# State Active PMPM Medical Claim Trends

PY2025 PMPM Medical Trend Components



## Impact of updated 2025 medical claims experience

- Horizon reported a 2025 Active medical claim trend of 11.5%, higher than the 9.5% trend assumption reflected in last year's rate setting analysis.
- Medical claim trends are driven by both price and utilization increases, particularly for outpatient and professional services:
  - Overall, inpatient medical claims increased 15%, driven by a 20% increase in cost per visit and 4% decrease in utilization.
  - Medical claims for outpatient services increased, with a total annual trend of 8%, including a 3% increase in the cost per visit, and a 5% increase in utilization. Outpatient (OP) utilization increased across almost all service categories, including an 8% increase in OP ambulatory, 8% increase in OP lab, and a 4% increase in OP radiology.
  - Professional claims increased 13%, driven by a 4% increase in utilization and 8% increase in cost per visit. Specialist physician was the biggest driver of professional cost increases, with an overall trend of 14%.

Horizon BOB	Inpatient	Outpatient	Professional	Total
Utilization	0.3%	3.1%	1.6%	1.7%
Cost	3.6%	5.4%	7.3%	6.0%
Total	3.9%	8.7%	9.0%	7.9%

## Impact of updated 2026 assumptions

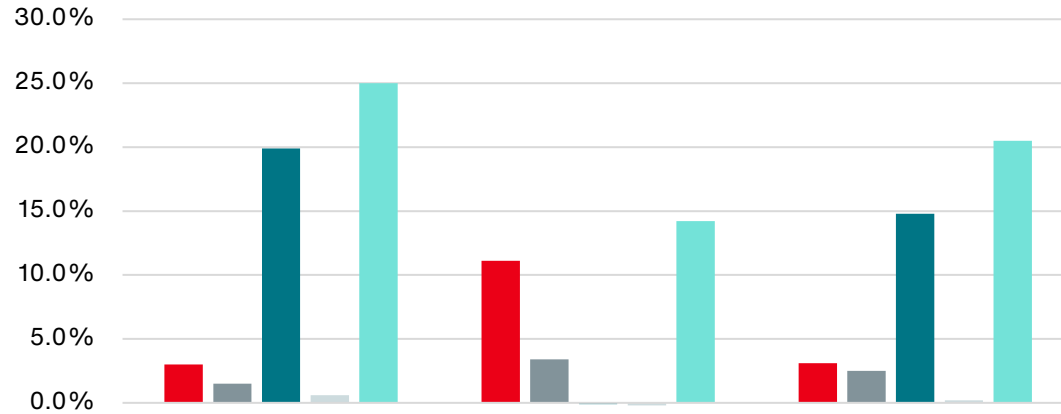
- Based on updated vendor recommendations and Aon trend guidance, the medical projection also reflects a higher 2026 trend assumption compared to the PY2026 Rate Setting Analysis. This higher trend is partially offset by the impact of plan design changes approved after the results of the prior rate setting analysis.
- Overall, Plan Year 2026 medical claims PMPM are projected to be 0.8% higher than the Plan Year 2026 Rate Setting Analysis.

NJ medical claim drivers are based on Horizon reporting that reflects CY2025 incurred claims with 3 months of runout; Cost per visit increases are comprised of both unit cost trends and mix of services (i.e., members using more or less expensive services on average) changes.

Book-of-Business trends were provided by Horizon for inpatient, outpatient and professional. Total book-of-business trend was estimated using NJ's claim distribution by category

# State Active PMPM Rx Claim Drivers (Before Rebates)

PY2025 PMPM Rx Trend Components



	Non-Specialty	Specialty	Total
Utilization	3.0%	11.1%	3.1%
Cost	1.5%	3.4%	2.5%
Drug Mix	19.9%	(0.1%)	14.8%
Member Contribution	0.6%	(0.2%)	0.2%
Total	25.0%	14.2%	20.5%

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.

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

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

## Impact of updated 2025 Rx claims experience

- Optum reported 2025 Rx claim trends of 20.5%, lower than the 23.0% Rx trend assumption reflected in last year's rate setting analysis.
- Drugs for weight loss ranked number one in terms of spend by disease state, and PMPM claims spend for weight loss increased 79% in 2025. The top drugs in this category were Wegovy and Zepbound.
- The trend for inflammatory conditions was 14.1%, driven by specialty medications in the category such as Dupixent, Skyrizi Pen, and Amjevita.
- 9 of the top 10 drugs by plan spend were either a GLP-1 Anti-Obesity Agent (weight loss), GLP-1 Receptor Agonist (diabetes), or Chronic Inflammatory Disease medication.

## Impact of updated 2026 assumptions

- Based on updated vendor recommendations and Aon trend guidance, the Rx projection also reflects a higher 2026 trend assumption compared to the PY2026 Rate Setting Analysis. This higher trend is offset by the impact of plan design changes approved after the results of the prior rate setting analysis.
- 2026 PMPM Rx claims before rebates are projected to be 3.4% lower compared to what was estimated in the PY2026 Rate Setting Analysis.

# State Active Premium Increase Drivers

State Active premiums are projected to increase **15.1%** in total for 2027, primarily a result of the following:

- **Plan Year 2026 Reforecast +2.5%** - Actual 2025 claims experience was higher compared to expected 2025 claims driven by medical claim trends, even as employees migrated to lower cost plans. Medical and Rx trend projection assumptions have increased from the prior rate setting analysis, which are driven by upward medical cost pressures and ongoing GLP-1 and specialty drug utilization:
  - Actual 2025 PMPM Active medical claims experience was higher than expected, driven by increases in both OP and Professional.
  - Actual 2025 PMPM Active prescription drug claims experience was lower than expected but remained elevated because of GLP-1 use.
  - The 2026 medical and Rx trend assumptions reflected in this analysis are 0.5% and 1.5% higher, respectively, compared to the 2026 Rate Setting Analysis.
  - The 2026 reforecast reflects updated enrollment, projected rebates, legislative impacts (mandates), and other actuarial adjustments.
- **Trend to Plan Year 2027 +11.0%** - The Plan Year 2027 premiums include an additional year of trend to account for projected increases from 2026 to 2027.
- **Rx Rebates +0.8%** - Prescription drug rebates as a percentage of prescription drug claims are projected to be lower in 2027 compared to the 2026 reforecast.
- **Other Changes +0.4%** - Impact of other changes including cost increases due to actual vs expected plan enrollment and migration assumptions, and other actuarial adjustments.

Total premium impacts shown are multiplicative, not additive

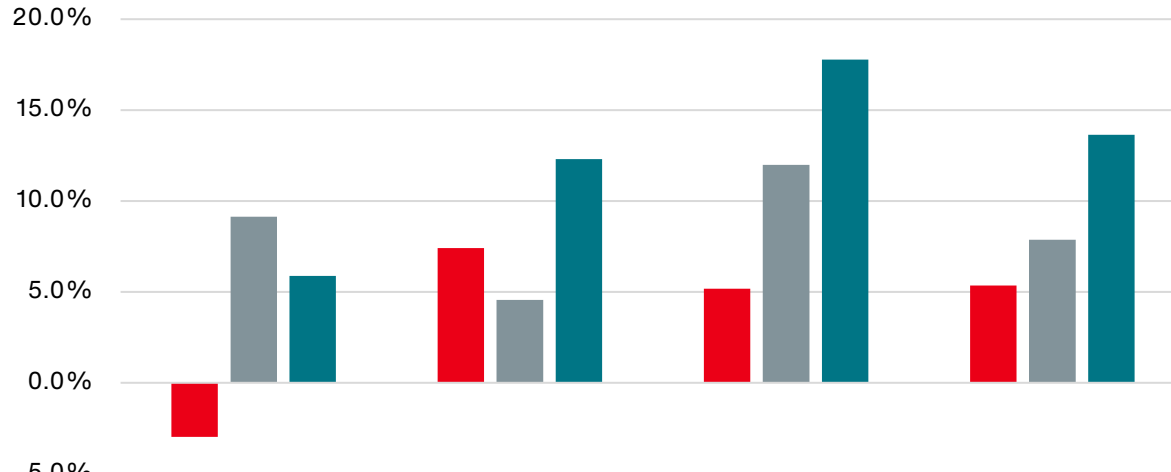
State Active premium rate changes shown are compared to the monthly rates effective July 1, 2026

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## Local Government Projections

# Local Government Active PMPM Medical Claim Trends

PY2025 PMPM Trend Medical Components



	Inpatient	Outpatient	Professional	Total
■ Utilization	-3.0%	7.4%	5.2%	5.4%
■ Cost	9.1%	4.6%	12.0%	7.9%
■ Total	5.9%	12.3%	17.8%	13.6%

Horizon BOB	Inpatient	Outpatient	Professional	Total
Utilization	0.3%	3.1%	1.6%	1.7%
Cost	3.6%	5.4%	7.3%	6.0%
Total	3.9%	8.7%	9.0%	7.9%

NJ medical claim drivers are based on Horizon reporting that reflects CY2025 incurred claims with 3 months of runout; Cost per visit increases are comprised of both unit cost trends and mix of services (i.e., members using more or less expensive services on average) changes.

Book-of-Business trends were provided by Horizon for inpatient, outpatient and professional. Total book-of-business trend was estimated using NJ's claim distribution by category

## Impact of updated 2025 medical claims experience

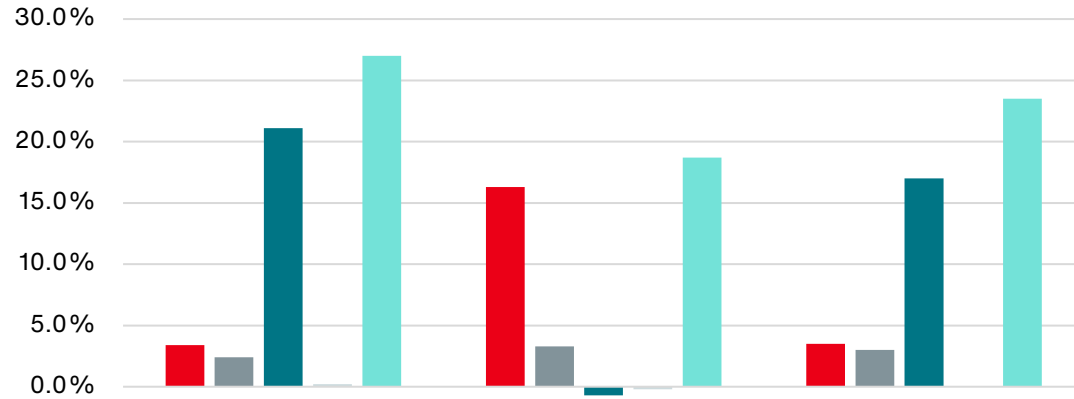
- Horizon reported 2025 medical claim trends of 13.6%, higher than the 11.25% medical trend + anti-selection assumptions reflected in last year's rate setting analysis. Trends remained elevated even as more members migrated to lower cost plans
- Medical claim trends are driven by increases in price and utilization across almost all OP service categories, including more expensive services such as OP Medical Pharmacy and OP Surgery:
  - Medical claims for outpatient services increased, with a total annual trend of 12%, including a 5% increase in the cost per visit and 7% increase in utilization.
  - Inpatient visits decreased 3% while the cost per visit increased 9%. Additionally, professional trends increased 18% driven by a 12% increase in the cost per visit and a 5% increase in the number of visits. Specialist and Behavioral Health total trend increased 23% and 25%, respectively.

## Impact of updated 2026 assumptions

- Based on updated vendor recommendations and Aon trend guidance, the medical projection also reflects higher trend and anti-selection assumptions compared to the PY2026 Rate Setting Analysis.
- 2026 medical claims PMPM are projected to be 0.1% lower compared to what was estimated in the PY2026 Rate Setting Analysis.

# Local Government Active PMPM Rx Claim Drivers (Before Rebates)

PY2025 PMPM Rx Trend Components



	Non-Specialty	Specialty	Total
■ Utilization	3.4%	16.3%	3.5%
■ Cost	2.4%	3.3%	3.0%
■ Drug Mix	21.1%	(0.7%)	17.0%
■ Member Contribution	0.2%	(0.2%)	0.0%
■ Total	27.0%	18.7%	23.5%

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 24% over the prior period driven by high utilization of both GLP-1 and specialty drugs

## Impact of updated 2025 Rx claims experience

- Optum reported 2025 Rx claim trends of 23.5%, lower than the 24.75% Rx trend + anti-selection assumptions reflected in last year's rate setting analysis.
- Drugs for weight loss ranked number one in terms of spend by disease state, and PMPM claims spend for weight loss increased 75% in 2025. The GLP-1 drugs Zepbound and Wegovy ranked as the top 2 drugs by overall plan spend.
- The trend for inflammatory conditions was 20%, driven by specialty medications in the category such as Dupixent, Skyrizi Pen, and Humira Pen.
- Overall specialty drug claims PMPM increased 18.7%, which was driven by inflammatory conditions (noted above) and oncology.

## Impact of updated 2026 assumptions

- Based on updated vendor recommendations and Aon trend guidance, the Rx projection also reflects higher trend and anti-selection assumption compared to the PY2026 Rate Setting Analysis which is offset by the impact of plan mix and other actuarial adjustments.
- 2026 PMPM Rx claims before rebates are projected to be 3.0% lower compared to what was estimated in the PY2026 Rate Setting Analysis.



Based on CY2025 paid claims reporting provided by Optum before rebates. Member contributions represent member cost-share through copays and coinsurance.

# Local Government Active Premium Increase Drivers

Local Government Active premiums are projected to increase **17.3%** in total for 2027, primarily a result of the following:

- **Plan Year 2026 Reforecast +6.1%** - Actual 2025 claims were slightly below expected 2025 claims. Medical and Rx trend and anti-selection projection assumptions have increased from the prior rate setting analysis, which are driven by a significant decrease in plan membership, upward medical cost pressures and ongoing GLP-1 and specialty drug utilization:
  - Actual 2025 PMPM Active medical claims experience was slightly higher than expected while actual 2025 PMPM Active prescription drug claims experience was lower than expected. Medical claims were driven by increases in outpatient and professional services, while Rx trends remain elevated because of GLP-1 use.
  - The 2026 medical and Rx trend assumptions reflected in this analysis are 0.5% and 1.5% higher, respectively, compared to the 2026 Rate Setting Analysis.
  - The 2026 anti-selection assumption is 125 basis points higher compared to the prior analysis, reflecting a significant plan membership reduction as employers have elected to leave the SHBP.
  - There is a deficit for some lower value plans where 2026 premiums do not reflect high emerging costs following significant migration.
- **Trend to Plan Year 2027 +10.8%** - The Plan Year 2027 premiums include an additional year of trend to account for projected increases from 2026 to 2027.
- **Anti-selection +2.7%** - 2027 includes an additional 300 basis point load for anti-selection to account for favorable risks leaving the plan.
  - Enrollment has decreased each of the past three years, with reductions of 6%, 7% and 25% in 2024, 2025, and 2026.
- **Rx Rebates +0.7%** - Prescription drug rebates as a percentage of prescription drug claims in 2027 are lower compared to the 2026 reforecast.
- **Other Changes +0.1%** - Impact of plan mix changes, actuarial adjustments, and other changes .
- **Margin -3.6%** - Plan Year 2027 premium rates are set 11.3% higher than the projected medical and prescription drug costs for Actives to fund amounts owed under Chapter 86 and build the CSR balance. The 2026 Rate Setting Analysis reflected a margin of 15.4%

# Local Government Claim Stabilization Reserve

Claim Stabilization Reserve Balance (in \$ millions, incurred basis)	Total	Active	Retiree
12/31/2025	(\$213)	(\$29)	(\$184)
12/31/2026	(\$99)	\$24	(\$123)
12/31/2027	\$145	\$96	\$48
<b>Months of Plan Cost as of 12/31/2027</b>	<b>1.0</b>	<b>1.0</b>	<b>1.0</b>

- The projected reserves as of December 31, 2025, 2026, and 2027 are based on the reserve balance as of June 30, 2025 provided by the State.
- Local Government Plan Year 2027 premium rates are set 11.3% higher than the projected medical and prescription drug costs for Actives and 34.5% higher for Retirees. This increase includes enough margin to bring the CSR balance to 1.0 month of plan cost, along with an additional amount to repay the projected remaining \$90 million owed under Chapter 86. The Chapter 86 repayment does not increase the CSR.
- Even with the included margin, the Claim Stabilization Reserve is projected to be well below the target level of 2.0 months of plan cost.
- Assumes 2027 anti-selection of 3.0% on projected Active and Early Retiree claim costs to reflect the increased risk of employers choosing to leave the plan. Even this level of anti-selection may be insufficient if attrition from the plan is significant.
- For purposes of this analysis, the CSR is shown on an incurred basis and does not represent the cash available to pay monthly claims.

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## Dental Rate Increases

# Overview of Recommended Renewal Impact

## Plan Year 2027 Rate Impact Recommendations

	Actives	Retirees
<b>Dental Expense Plan</b>		
SHBP Aetna DEP	0.7%	5.0%
SHBP Horizon DEP	0.7%	5.0%
<b>DPO Plan</b>		
Aetna	0.0%	0.0%

- The table above provides the Plan Year 2027 premium rate changes.

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## Appendix

# State Pricing Methodology/Assumptions

	2027 Pricing Projections
<b>Claims Experience</b>	Claims based on 12-months of incurred experience from January 1, 2025 through December 31, 2025 with runout through March 31, 2026
<b>Enrollment Distribution / Migration Assumption</b>	<p>Monthly census data was provided by the State through April 2026</p> <p>For Plan Year 2027, it is assumed that 2.5% of members are new hires who enroll in the 26 Unity PPO plans and that 1.0% of the State Active subscribers retire each year and enroll in either of the Unity PPO Early Retiree plans</p> <p>It is assumed that 2.0% of State Active Legacy PPO15 and HMO15 participants migrate to the Tiered Network plan in Plan Year 2027</p>
<b>Trend Assumption</b>	<p>Active (2026 / 2027): Medical = 10.0% / 9.5%   Rx = 20.5% / 18.5%</p> <p>Early Retiree (2026 / 2027): Medical = 10.0% / 9.5%   Rx = 19.0% / 17.5%</p> <p>SI Medicare (2026 / 2027): Medical = 6.0% / 6.0%   Rx = 1.4% / 6.9%</p>
<b>Rx Rebates / EGWP</b>	Projected Rx Rebates and EGWP credits are based on amounts provided by Optum
<b>High-Cost Claimants</b>	Claims were reviewed for abnormal high-cost claimants and adjusted where necessary based on this review

# Local Government Pricing Methodology/Assumptions

	2027 Pricing Projections
<b>Claims Experience</b>	Claims based on 12-months of incurred experience from January 1, 2025 through December 31, 2025 with runout through March 31, 2026
<b>Enrollment Distribution / Migration Assumption</b>	Monthly census data was provided by the State through April 2026 No additional plan migration is assumed in this analysis.
<b>Trend Assumption (excluding anti-selection)</b>	Active (2026 / 2027): Medical = 10.0% / 9.5%   Rx = 20.5% / 18.5% Early Retiree (2026 / 2027): Medical = 10.0% / 9.5%   Rx = 19.0% / 17.5% SI Medicare (2026 / 2027): Medical = 6.0% / 6.0%   Rx = 1.5% / 6.3%
<b>Rx Rebates / EGWP</b>	Projected Rx Rebates and EGWP credits are based on amounts provided by Optum
<b>Anti-Selection</b>	Active and Early Retiree medical and prescription drug trends have been increased by 500 basis points for Plan Year 2026 and 300 basis points Plan Year 2027
<b>High-Cost Claimants</b>	Claims were reviewed for abnormal high-cost claimants and adjusted where necessary based on this review
<b>Margin</b>	Premium rates are set 11.3% higher for Actives and 34.5% higher for Retirees than projected costs which includes margin to help build the CSR balance, along with an additional amount to repay the remaining \$90 million owed under Chapter 86
<b>Other</b>	Active premium rates for the HDHigh, HDLow, and Tiered Network plans were further adjusted due to a change in emerging experience following significant migration from higher cost plans

# Dental Pricing Methodology/Assumptions

	2027 Pricing Projections
<b>Claims Experience</b>	Claims based on 12-months of incurred experience from January 1, 2025 through December 31, 2025 with runout through March 31, 2026
<b>Enrollment Distribution / Migration Assumption</b>	Monthly census data was provided by the State through April 2026
<b>Trend Assumption</b>	4.5% Annual Trend
<b>Other</b>	SHBP and SEHBP experience is combined for purposes of calculating premium rate increases

# Local Government – Alternative Scenario

## Plan Year 2027 Rate Impact Recommendations – Local Government

**Alternative Scenario: Collect \$90M + Fund the CSR to 2.0 Months of Plan Cost** – this scenario repays Chapter 86 and brings the CSR to its target level for both Actives and Retirees

Plan Year 2027 Premium Rate Changes	Actives			Early Retirees			Medicare Retirees		
	Medical	Rx	Total	Medical	Rx	Total	Medical	Rx	Total
<b>Local Government</b>									
PPO / HDHP	25.7%	29.0%	26.3%	46.0%	51.3%	47.1%	N/A	N/A	N/A
HMO	20.3%	25.4%	21.2%	46.0%	51.3%	47.2%	N/A	N/A	N/A
Tiered Network	41.6%	44.4%	42.1%	46.0%	51.3%	47.2%	N/A	N/A	N/A
<b>Total</b>	<b>26.8%</b>	<b>30.3%</b>	<b>27.5%</b>	<b>46.0%</b>	<b>51.3%</b>	<b>47.1%</b>	<b>18.0%</b>	<b>33.3%</b>	<b>27.1%</b>

- Assumes 2027 anti-selection of 4.25% on projected Active and Early Retiree claim costs to reflect the increased risk of employers choosing to leave the plan. Even this level of anti-selection may be insufficient if attrition from the plan is significant.
- Assumes Active and Retiree enrollment will decrease 7.5% in 2027
- Plan Year 2027 resulting Active premiums are set 19.7% above expected costs and 43.4% higher for Retirees

Claim Stabilization Reserve Balance (in \$ millions)	Total	Active	Retiree	Months of Plan Cost as of Dec 31
<b>12/31/2027</b>	<b>\$285</b>	<b>\$190</b>	<b>\$96</b>	<b>2.0</b>

# 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 2027 Rate Setting Analysis for the State Health Benefits Program (SHBP). The purpose of this analysis is to recommend premium levels for the SHBP for January 1, 2027 through December 31, 2027. 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