



New Jersey State Health Benefits Program

Dental Plans

Mid-Year Experience Analysis for Plan Year 2023

March 13, 2024

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Executive Summary

The purpose of this analysis is to review the experience of the Dental Plans offered through the New Jersey State Health Benefits Program (SHBP) to State Employees and Retirees as well as to Employees and Retirees of participating Local Employers.

Benefits Maintained by the SHBP

The SHBP Dental Program currently includes the following options:

- The self-insured Employee Dental Expense Plan (DEP), administered by Aetna, which covers State Active Employees and Active Employees of participating Local Employers;
- The self-insured Retiree Dental Expense Plan (DEP), administered by Aetna, which covers State Retirees and Retirees of participating Local Employers;
- The four fully insured Employee Dental Plan Organizations (DPOs), which cover State Active Employees and Active Employees of participating Local Employers, and
- The four fully insured Retiree Dental Plan Organizations (DPOs), which cover State Retirees and Retirees of participating Local Employers.

Financial Results

The DEP results are based on actual claims incurred and paid through September 2023.

The table below summarizes the projected DEP gains/(losses) (in \$ millions) for Plan Years 2022, 2023 and 2024. Note that totals may not add due to rounding.

	PY 2022	PY 2023	PY 2024
Employee Dental Expense	\$1.5	(\$2.1)	(\$2.5)
<i>% Gain / (Loss)</i>	<i>2.5%</i>	<i>(3.6%)</i>	<i>(4.2%)</i>
Retiree Dental Expense	\$2.7	(\$3.9)	(\$4.4)
<i>% Gain / (Loss)</i>	<i>3.3%</i>	<i>(4.6%)</i>	<i>(5.0%)</i>
Total	\$4.2	(\$6.0)	(\$6.9)
<i>% Gain / (Loss)</i>	<i>3.0%</i>	<i>(4.2%)</i>	<i>(4.7%)</i>

The Active Employee DEP results have changed from the Plan Year 2024 Rate Setting Analysis results based on updated experience and assumptions. Below are some highlights:

- Plan Year 2022 has a gain of \$1.5 million which is an increase of \$0.1 million from the gain shown in the Plan Year 2024 Rate Setting Analysis. The total cost is projected to be 2.5% lower than the total premium for Plan Year 2022.
- Plan Year 2023 has a projected loss of \$2.1 million, a decrease from the gain of \$0.4 million shown in the Plan Year 2024 Rate Setting Analysis. The total cost is projected to be 3.6% higher than the total premium for Plan Year 2023.
- A loss of \$2.5 million is projected for Plan Year 2024 driven by updated claims experience. The total cost is projected to be 4.2% higher than the total premium for Plan Year 2024.

The Retiree DEP projection results have been updated from the Plan Year 2024 Rate Setting Analysis results to reflect updated experience and assumptions. Below are some highlights:

- Plan Year 2022 has a gain of \$2.7 million, an increase of \$0.1 million from the gain shown in the Plan Year 2024 Rate Setting Analysis. The total cost is projected to be 3.3% lower than the total premium for Plan Year 2022.

- The Plan Year 2023 loss is projected to be \$3.9 million, a decrease from the \$0.3 million gain shown in the Plan Year 2024 Rate Setting Analysis. The total cost is projected to be 4.6% higher than the total premium for Plan Year 2023.
- Plan Year 2024 is projected to have a loss of \$4.4 million. This decrease is driven by updated incurred claims experience. The total cost is projected to be 5.0% higher than the total premium for Plan Year 2024.

The Retiree Dental Claims Stabilization Reserve is impacted by the Retiree gains/losses from Plan Years 2022 through 2024, which could affect future Retiree premium rate increases.

The DPO plans are fully-insured, so there is no loss or gain associated with these plans. The Active DPO enrollment has increased approximately 0.2% from 2023 to 2024. The Retiree 2024 DPO enrollment has increased approximately 4.0% since 2023.

Historical Overview

Benefit and Network Changes

There have been no material plan design changes since Plan Year 2015. The DEP plan will continue to operate as a “true PPO” with cost sharing differences between in and out-of-network claims. No benefit changes are assumed in Plan Year 2024.

The SHBP Dental Plan completed an RFP process to review potential DPO vendors with new contracts effective 1/1/2015. As a result, Aetna, Cigna, Healthplex, Horizon, and MetLife were selected to provide these benefits for Plan Year 2015 and future years. Aetna, Cigna, and MetLife have national DPO networks while Horizon and Healthplex are predominantly concentrated in New Jersey, with some coverage in adjacent counties in New York and Pennsylvania.

Effective January 1, 2023, Healthplex was terminated from the State Health Benefits Plan (SHBP). The Healthplex DPO will no longer be available to members beginning Plan Year 2023.

Federal Mandates

There are currently no new federal mandates that are projected to impact the 2024 dental plans.

Enrollment Changes

Exhibit 2 shows historical enrollment patterns among the SHBP Dental Plan offerings for Plan Years 2021 through 2023 and includes Aon’s projection of Plan Year 2024 enrollment. Plan Year 2022 and 2023 enrollment is equal to monthly snapshot census data through October 2023 provided by the State. Plan Year 2024 enrollment is equal to open enrollment results provided by the State.

The following are the Plan Year 2024 Dental Program’s enrollment projections:

	DEP	DPO	Total
Actives			
State Employees	54,483	30,284	84,767
Local Employees	4,459	1,206	5,665
Total Active Employees	58,942	31,490	90,432
Retirees			
State Employees	36,925	5,415	42,340
Local Employees	76,410	8,435	84,845
Total Retired Employees	113,335	13,850	127,185
Total	172,277	45,340	217,617

Member Contributions

State Retirees in the dental plans pay 100% of the projected costs of the program. State Active Employees pay 50% of the projected costs. For Local Employees, actual contributions vary by Local Employer. No changes in member contributions are assumed for Plan Year 2024.

Additional Disclosures

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 that 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.

Dental Expense Plan (DEP) Trend Analysis

Exhibit 3 presents Aon's trend assumptions for Plan Year 2024 for the Active and Retiree DEPs. This exhibit compares the actual increase in SHBP DEP average claims with industry norms (based on Aon's Trend Survey) for the same period, separately for Employees and Retirees.

SHBP Active DEP claim trends were approximately 22.5% in Plan Year 2021 and 2.9% in Plan Year 2022. SHBP Retiree DEP claim trends were approximately 20.7% in Plan Year 2021 and 2.9% in Plan Year 2022. The large increases in 2021 are likely a result of utilization returning to pre-COVID-19 levels. Aon is recommending 3.0% trend to project DEP claims for Actives and Retirees to Plan Year 2024, which is based on Aon internal trend guidance and trend recommendations provided by the DEP and DPO vendors.

Plan Financial Projections

Rating Methodology

Exhibit 4 shows the aggregate costs for Plan Years 2022, 2023, and 2024, separately for Active Employees, Early Retirees, and Medicare Retirees. Costs were projected separately for dental claims, administrative costs, investment income, and aggregate premiums. Exhibit 1 lists the assumptions used in projecting dental costs.

Dental Expense Plan

Claim Projection

- 1) Using incurred and paid claim data (triangles) supplied by Aetna with data through September 2023, we estimated completed incurred claims for Plan Year 2023.
- 2) Aggregate dental claims for each Plan Year were divided by the average subscribers for that Plan Year to get claims per subscriber.
- 3) Claims per subscriber were annualized and then projected to Plan Year 2024 using the assumed trend rates shown in Exhibit 3.
- 4) Aggregate Plan Year 2024 claims are the product of the projected Plan Year 2024 subscriber enrollment and the projected Plan Year 2024 claims per subscriber.

Administrative Cost Projection

For each year, administrative costs charged by Aetna are the actual administrative fees multiplied by the projected subscriber enrollment. The following table provides the per employee/retiree per month administrative fee rates for Plan Years 2022 through 2024:

	<u>Actives</u>	<u>Retirees</u>
Plan Year 2022	\$1.74	\$1.74
Plan Year 2023	\$1.74	\$1.74
Plan Year 2024	\$1.74	\$1.74

Investment Credit

Investment Income for Plan Year 2022 reflects actual amounts (as provided by the State) credited to the Dental Plan. The Investment Income is allocated between Actives and Retirees. Total

Investment Credits for Plan Years 2023 and 2024 are projected to remain flat from Plan Year 2022.

Projected Premiums

Average annual subscriber enrollment was applied to the actual premium tables for Plan Years 2022, 2023, and 2024, and was compared to projected total costs to develop the anticipated gain or loss in each of the years.

Dental Provider Organizations

Projected Premiums

Average annual subscriber enrollment in each plan was multiplied by actual annual premiums to develop the Plan Years 2022, 2023, and 2024 premiums.

Exhibit 1 – Assumptions

Vendor Changes

Effective January 1, 2023, Healthplex was terminated from the State Health Benefits Plan (SHBP). The Healthplex DPO will no longer be available to members beginning in Plan Year 2023.

Incurred Basis

Aon estimated incurred claims and expenses from the incurred and paid claims of the experience period.

Trend Rates

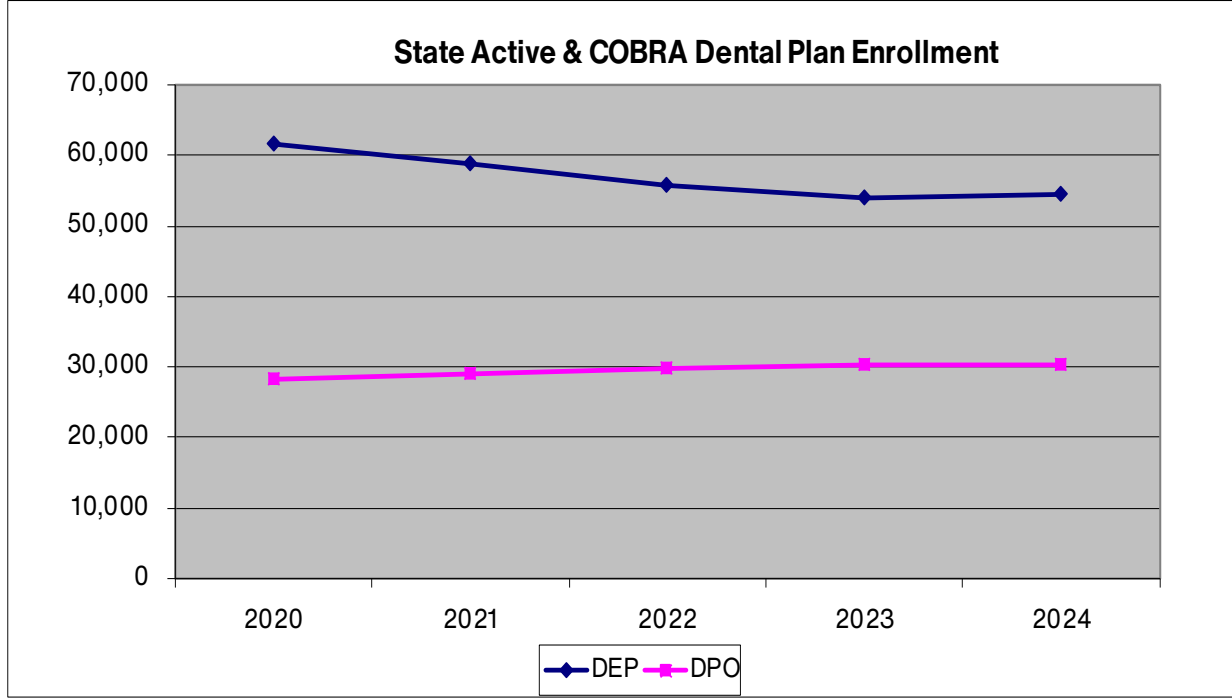
DEP trend assumptions were developed by comparing the SHBP historical trend with industry trends. It is assumed that the SHBP trends will continue at levels similar to the industry trends for the Plan Year 2023 projection. The trend assumption for Plan Year 2024 is 3.0% for Employees and Retirees.

Data Sources

Claims: Aon used DEP claim files from Aetna that include claims incurred and paid through September 2023.

Enrollment: Aon used monthly census data provided by the State through October 2023 for the exposure units for Plan Year 2022 and Plan Year 2023, and open enrollment results provided by the State for projected Plan Year 2024 enrollment.

Exhibit 2A – State Active Enrollment Projections



Observations:

Total State Active Dental Plan Year 2022 is based on monthly State census data through Dec 2022, and 2023 enrollment is based on monthly State census data through October 2023.

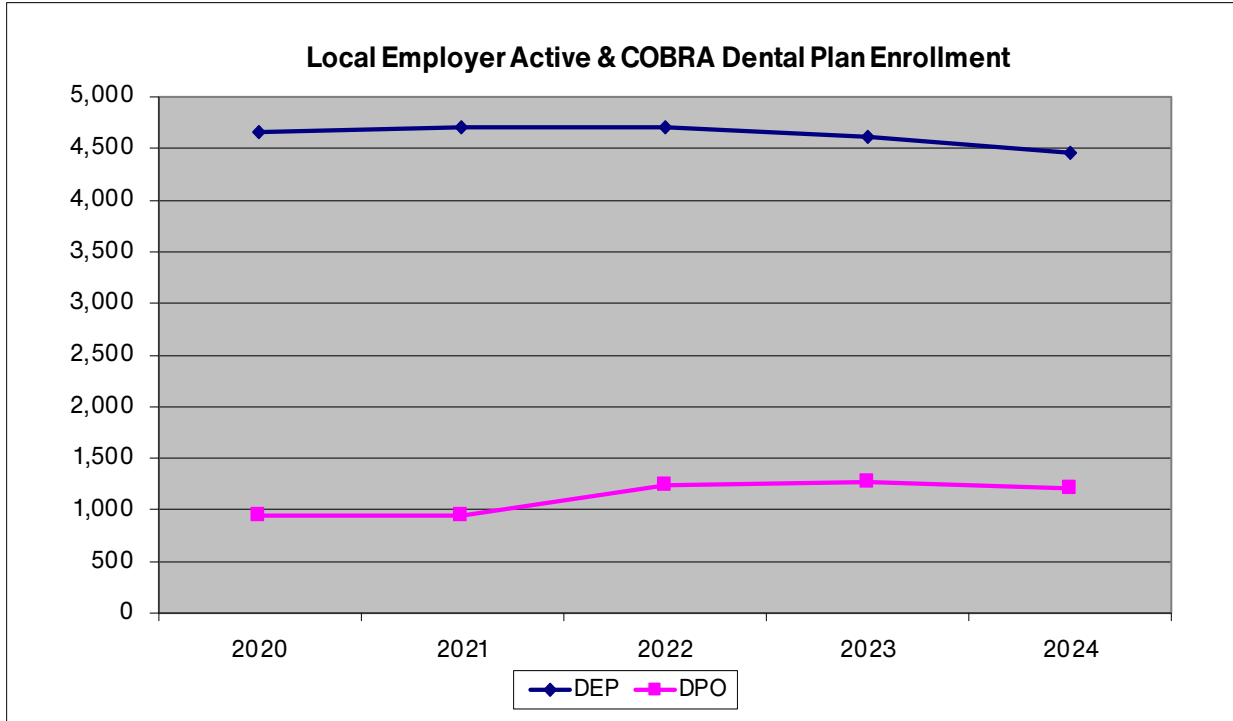
Total State Active Dental Plan Year 2024 enrollment is based on open enrollment data received from the State.

Dental Expense Plan Active enrollment decreased from 65.2% of total Dental enrollment in Plan Year 2022 to 64.1% in Plan Year 2023. Plan Year 2024 Active Dental Expense Plan enrollment is estimated to be 64.3% of total Dental enrollment.

Projected Plan Year 2024 Dental enrollment is 98% of projected Medical enrollment, which is an increase over Plan Year 2023.

	Annual Change in Enrollment			Projected Enrollment Plan Year 2024
	Actual 2021 to 2022	Actual 2022 to 2023	Projected 2023 to 2024	
Dental Expense Plan	(4.9%)	(3.4%)	1.0%	54,483
DPOs	3.1%	1.3%	0.4%	30,284
Total	(2.3%)	(1.8%)	0.8%	84,767

Exhibit 2B – Local Active Enrollment Projections



Observations:

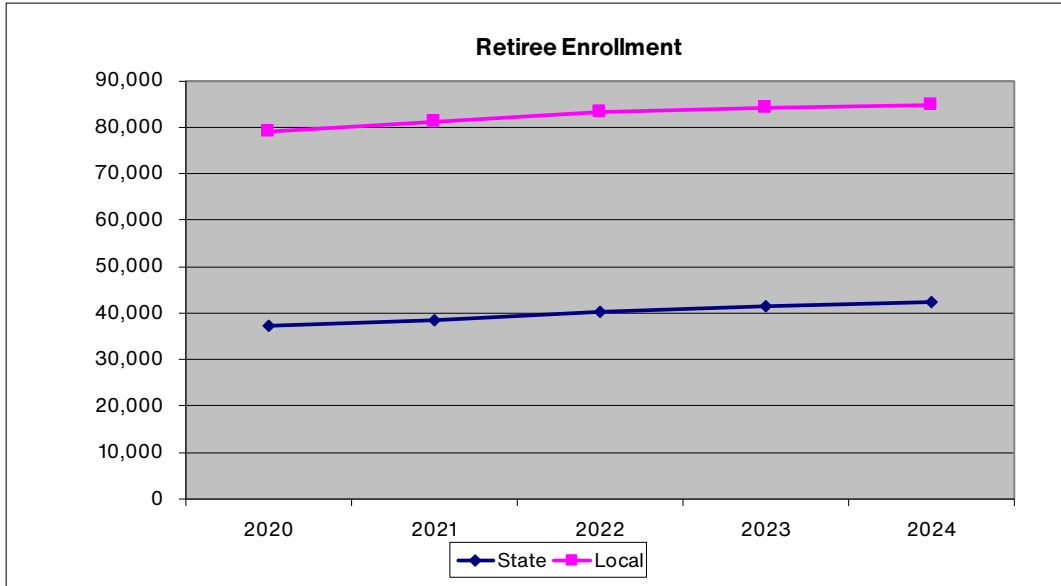
Total Local Active Dental Plan Year 2022 is based on monthly State census data through Dec 2022, and 2023 enrollment is based on monthly State census data through October 2023.

Total State Active Dental Plan Year 2024 enrollment is based on open enrollment data received from the State.

Local Active Dental enrollment is projected to decrease by 3.6% in Plan Year 2024.

	Annual Change in Enrollment			Projected Enrollment
	Actual 2021 to 2022	Actual 2022 to 2023	Projected 2023 to 2024	Plan Year 2024
Dental Expense Plan	(0.1%)	(1.9%)	(3.4%)	4,459
DPOs	30.9%	1.8%	(4.5%)	1,206
Total	5.1%	(1.2%)	(3.6%)	5,665

Exhibit 2C – Retiree Enrollment Projections



Observations:

Total Retiree Dental Plan Year 2022 is based on monthly State census data through Dec 2022, and 2023 enrollment is based on monthly State census data through October 2023.

Total State Active Dental Plan Year 2024 enrollment is based on open enrollment data received from the State.

Plan Year 2024 enrollment is projected to increase 1.2%.

Plan Year 2024 Retiree Dental enrollment is projected to be 76% of State Retiree Medical enrollment and 58% of Local Employer Retiree Medical enrollment.

Projected Plan Year 2024 Retiree Enrollment

	DEP	DPO	Total
State	36,925	5,415	42,340
Local Employer	76,410	8,435	84,845
Total Dental	113,335	13,850	127,185

	Annual Change in Enrollment			Projected Enrollment Plan Year 2024
	Actual 2021 to 2022	Actual 2022 to 2023	Projected 2023 to 2024	
Dental Expense Plan	2.7%	1.3%	0.8%	113,335
DPOs	9.1%	3.8%	4.0%	13,850
Total	3.3%	1.6%	1.2%	127,185

Exhibit 2D – January 2024 SHBP Active Enrollment

	Number of Contracts				
	Single	Member&Spouse /Partner	Family	Parent + Child(ren)	Total
	STATE ACTIVES				
Dental Expense #399	18,119	9,184	19,472	7,708	54,483
<u>DPO Plans</u>					
Aetna #319	4,155	1,201	2,592	1,841	9,789
Cigna #305	3,070	784	1,815	985	6,654
Horizon #317	6,286	1,261	2,505	1,868	11,920
MetLife #320	1,149	209	382	181	1,921
Total DPOs	14,660	3,455	7,294	4,875	30,284
Total	32,779	12,639	26,766	12,583	84,767

	LOCAL EMPLOYER ACTIVES				
	Single	Member&Spouse /Partner	Family	Parent + Child(ren)	Total
Dental Expense #399	1,447	781	1,715	516	4,459
<u>DPO Plans</u>					
Aetna #319	150	53	90	39	332
Cigna #305	97	34	76	34	241
Horizon #317	293	62	126	79	560
MetLife #320	35	12	17	9	73
Total DPOs	575	161	309	161	1,206
Total	2,022	942	2,024	677	5,665

* January 2024 total enrollment is based on open enrollment data provided by the State.

Exhibit 2E – January 2024 SHBP Retiree Enrollment

	Number of Contracts				
	Single	Member&Spouse /Partner	Family	Parent + Child(ren)	Total
	STATE RETIREES				
Dental Expense #399	17,747	14,451	3,401	1,326	36,925
<u>DPO Plans</u>					
Aetna #319	1,326	989	360	196	2,871
Cigna #305	401	352	118	53	924
Horizon #317	634	465	160	101	1,360
MetLife #320	92	122	28	18	260
Total DPOs	2,453	1,928	666	368	5,415
Total	20,200	16,379	4,067	1,694	42,340

	LOCAL EMPLOYER RETIREES				
	Single	Member&Spouse /Partner	Family	Parent + Child(ren)	Total
Dental Expense #399	38,131	32,643	4,216	1,420	76,410
<u>DPO Plans</u>					
Aetna #319	1,385	1,144	237	117	2,883
Cigna #305	521	578	170	62	1,331
Horizon #317	1,539	1,229	442	192	3,402
MetLife #320	335	336	104	44	819
Total DPOs	3,780	3,287	953	415	8,435
Total	41,911	35,930	5,169	1,835	84,845

* January 2024 enrollment is based on open enrollment data provided by the State.

Exhibit 3 – Trend Analysis

	Actual		Aon Industry*	Difference between Actual and Aon Industry Trends	
	SHBP Employee Claim Increases	SHBP Retiree Claim Increases	PPO	SHBP Employee	SHBP Retiree
2020 to 2021 actual	22.5%	20.7%	4.6%	17.9%	16.1%
2021 to 2022 actual	2.9%	2.9%	4.8%	(1.9%)	(1.9%)
2022 to 2023 preliminary	8.0%	8.3%	3.0%	5.0%	5.3%
Projection Trend	3.0%	3.0%	3.0%	0.0%	0.0%

* Aon Industry 2020 to 2021 actual trends remove the impact of COVID-19. Carrier data indicated that the impact of COVID reduced 2020 dental claims by ~17%.

Exhibit 4 – Financial Projections

	Actives			Retirees			Total		
	DEP	DPO	Total	DEP	DPO	Total	DEP	DPO	Total
Plan Year 2022									
Average Dental Subscribers	60,501	31,044	91,545	110,958	12,820	123,778	171,459	43,864	215,323
Incurred Claims	\$ 54,986,000	N/A	N/A	\$ 78,630,000	N/A	N/A	\$ 133,616,000	N/A	N/A
Administrative Fees	\$ 1,263,000	N/A	N/A	\$ 2,317,000	N/A	N/A	\$ 3,580,000	N/A	N/A
Investment Income	\$ (23,000)	N/A	N/A	\$ (332,000)	N/A	N/A	\$ (355,000)	N/A	N/A
Total Cost	\$ 56,226,000	N/A	N/A	\$ 80,615,000	N/A	N/A	\$ 136,841,000	N/A	N/A
Premium	\$ 57,696,000	\$ 12,364,000	\$ 70,060,000	\$ 83,342,000	\$ 4,759,000	\$ 88,101,000	\$ 141,038,000	\$ 17,123,000	\$ 158,161,000
Gain (Loss)	\$ 1,470,000	N/A	N/A	\$ 2,727,000	N/A	N/A	\$ 4,197,000	N/A	N/A
Plan Year 2023									
Average Dental Subscribers	58,537	31,440	89,977	112,426	13,312	125,738	170,963	44,752	215,715
Incurred Claims	\$ 57,445,000	N/A	N/A	\$ 86,262,000	N/A	N/A	\$ 143,707,000	N/A	N/A
Administrative Fees	\$ 1,222,000	N/A	N/A	\$ 2,347,000	N/A	N/A	\$ 3,569,000	N/A	N/A
Investment Income	\$ (23,000)	N/A	N/A	\$ (332,000)	N/A	N/A	\$ (355,000)	N/A	N/A
Total Cost	\$ 58,644,000	N/A	N/A	\$ 88,277,000	N/A	N/A	\$ 146,921,000	N/A	N/A
Premium	\$ 56,587,000	\$ 12,470,000	\$ 69,057,000	\$ 84,406,000	\$ 5,077,000	\$ 89,483,000	\$ 140,993,000	\$ 17,547,000	\$ 158,540,000
Gain (Loss)	\$ (2,057,000)	N/A	N/A	\$ (3,871,000)	N/A	N/A	\$ (5,928,000)	N/A	N/A
Plan Year 2024									
Average Dental Subscribers	58,942	31,490	90,432	113,335	13,850	127,185	172,277	45,340	217,617
Incurred Claims	\$ 59,596,000	N/A	N/A	\$ 89,310,000	N/A	N/A	\$ 148,906,000	N/A	N/A
Administrative Fees	\$ 1,231,000	N/A	N/A	\$ 2,366,000	N/A	N/A	\$ 3,597,000	N/A	N/A
Investment Income	\$ (23,000)	N/A	N/A	\$ (332,000)	N/A	N/A	\$ (355,000)	N/A	N/A
Total Cost	\$ 60,804,000	N/A	N/A	\$ 91,344,000	N/A	N/A	\$ 152,148,000	N/A	N/A
Premium	\$ 58,343,000	\$ 12,229,000	\$ 70,572,000	\$ 86,993,000	\$ 5,228,000	\$ 92,221,000	\$ 145,336,000	\$ 17,457,000	\$ 162,793,000
Gain (Loss)	\$ (2,461,000)	N/A	N/A	\$ (4,351,000)	N/A	N/A	\$ (6,812,000)	N/A	N/A

About Aon

Aon plc (NYSE:AON) is a leading global professional services firm providing a broad range of risk, retirement and health solutions. Our 50,000 colleagues in 120 countries empower results for clients by using proprietary data and analytics to deliver insights that reduce volatility and improve performance.

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