

New Jersey  
State Health Benefits Program

Plan Year 2012  
Rate Renewal Recommendation Report

State Employee Group

January 1, 2012 – December 31, 2012

Prepared by Aon Hewitt

October 2011





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***State Health Benefits Program  
State Employee Group  
Rate Renewal Recommendation Report  
For Plan Year 2012***

**Executive Summary**

The purpose of this report is to recommend premium levels for the State Employee Group of the State Health Benefits Program (SHBP) for January 1, 2012 through December 31, 2012.

**Benefit Plans Maintained by the SHBP**

The State of New Jersey operates the SHBP as a multiple-option program for State Employees and Retirees, with the following medical plan options for Plan Year 2012:

- NJ DIRECT10 and NJ DIRECT15 are self-insured Preferred Provider Organization (PPO) plans which are administered by Horizon. NJ DIRECT10 has a \$10 physician copay for in-network physician office visits and 80% coinsurance for out-of-network services and is only available to certain Retirees. NJ DIRECT15 has a \$15 physician copay for in-network physician office visits and 70% coinsurance for out-of-network services and is offered to both Employees and Retirees.
- Two self-insured HMOs administered by Aetna and Cigna. Both HMOs have a \$15 physician copay for Employees and a \$10 physician copay for Retirees.



- Active Employees are also enrolled in a Prescription Drug Plan available under the SHBP, which is administered by Medco, the Pharmacy Benefit Manager (PBM).
- SHBP Retirees also have Prescription Drug Plans, which have different copays for NJ DIRECT retirees and HMO retirees. The Retiree Prescription Drug Plans are administered by Medco.

Further, the State Health Benefits Plan Design Committee – created by Chapter 78, PL 2011 – has determined that, in addition to the plan options described above, the following additional plan options will be offered under the SHBP for Plan Year 2012:

- Horizon, Aetna, and Cigna will each offer two additional plan design options with somewhat greater cost-sharing on the part of plan participants via increased copays and OOP maximums.
- Horizon, Aetna, and Cigna will also each offer two High Deductible Health Plans, one of which will include employer funding of a Health Savings Account.

Summary details of each of the SHBP plan options available for Plan Year 2012 are reflected in Exhibit 7.



### **Recommended Renewal Increases**

Aon Hewitt is recommending an overall increase of 9.0% for Active Employees, 3.0% increase for Early Retirees, and 0.0% for Medicare Retirees. For all groups combined, the recommended increase is 7.1% which compares favorably to healthcare trends which are averaging 9-10% (based on Aon Hewitt industry surveys). The recommended renewal increases by benefit plan are listed below:

	<b>Actives</b>	<b>Early Retirees</b>	<b>Medicare Retirees</b>
NJ DIRECT10	NA	3.0%	0.0%
NJ DIRECT15	8.4%	3.0%	0.0%
Aetna HMO	8.4%	3.0%	0.0%
CIGNA HMO	8.4%	3.0%	0.0%
Rx Card Plan	11.1%	NA	NA
Average Change	9.0%	3.0%	0.0%

These premium increases are projected to produce no loss or gain in Plan Year 2012 for the State Group.

Premium rates for the new plan options resulting from Chapter 78 are being offered for the first time in Plan Year 2012, so there are no "recommended renewal increases" for these plans. However, the following table reflects the relative cost of these new plan options, as compared to NJ DIRECT15, for Plan Year 2012.

<b>Cost Relative to NJ DIRECT15</b>	
Plan A	-4%
Plan B	-8%
HDHP 0.5	-43%
HDHP 1.5	-15%



**Employee/Retiree Contribution Changes**

Prior to Chapter 78, PL 2011, Active employees and new Retirees who are covered by the SHBP were required to contribute 1.5% of their salary or pension for health care coverage. Chapter 78, which was effective June 28, 2011, replaces this contribution formula with a percentage of premium contribution formula (the new contribution formula does not apply to certain future Retirees). The percentage of premium varies by salary tier and by whether the employee selects Single, Parent, Married or Family coverage. The new contribution table is being phased in over 4 years, with the contribution percentages increasing on July 1 of each year; the contributions are subject to a minimum of the 1.5% of salary/pension. For the first half of Plan Year 2012, we anticipate that all employees will be subject to the minimum contribution of 1.5% of salary. In the second half of Plan Year 2012, the premium table contributions exceed 1.5% of salary for most employees.

The combination of the Chapter 78 premium table percentages and the recommended renewal premiums produce anomalies in the differences in premium contributions among coverage tiers, so Aon Hewitt is recommending changes to the differences in cost among coverage tiers for Active Employees, which are supported by SHBP experience. These changes result in no change to the overall premium projection, but increased premiums for Single, Parent, and Family coverages and decreased premiums for Married coverage, compared to what these premiums would be absent these adjustments. The table below shows monthly employee contributions for NJ DIRECT15 effective 7/1/2012 for



the average State Employee salary of \$65,000 under the current and revised coverage premium rate tiers. Contributions will be different in other salary brackets and for other benefit options.

**7/1/2012 Monthly Employee Contributions for NJ DIRECT15**

	\$65,000 Salary			Prem. Change
	Current*	Revised**	Change	
Single	\$100.37	\$102.01	\$1.64	1.6%
Parent	\$111.44	\$119.74	\$8.30	7.4%
Married	\$179.10	\$161.81	(\$17.29)	-9.7%
Family	\$164.39	\$167.08	\$2.69	1.6%

\* Based on the current rate tier relationships.

\*\* Based on the revised rate tier relationships.

Prior to making these corrections, contributions for Family coverage are less than for Married coverage and the difference between Single and Parent contributions is relatively small. The Revised renewal premium rates correct Married premiums and increase the difference between Single and Parent contributions. Based on SHBP claim experience, Parent rates should have a larger increase (more than 20%), so we are presenting a four-year phase-in of this change. The table below shows the current and recommended tier relative values for Active Employees

	Current (PY 2011)	Aon Hewitt Recommended			
		PY 2012	PY 2013	PY 2014	PY 2015
Single	1.00	1.00	1.00	1.00	1.00
Parent	1.40	1.48	1.56	1.64	1.73
Married	2.25	2.00	2.00	2.00	2.00
Family	2.50	2.50	2.50	2.50	2.50



### **Benefit Changes**

#### Retiree Prescription Drug Copays

The prescription drug renewals for NJ DIRECT and for the HMOs assume that all Retiree copays for Plan Year 2012 – except for Mail Generic – and the Out-Of-Pocket maximums will be frozen at Plan Year 2011 levels. In an effort to increase utilization of Mail Generic Drugs, the Mail Generic copays for NJ DIRECT and the HMOs of \$11 and \$6, respectively, will be reduced to \$5. Exhibit 7 reflects the resultant Plan Year 2012 Rx copays for all SHBP plan options.

#### Federal Health Care Reform

Health Care Reform (the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act) includes an array of changes that phase in over a number of years. There were three changes effective 1/1/2011 or earlier that will also impact the SHBP Plan Year 2012 renewal projections: the Early Retiree Reinsurance Program, coverage of dependents to age 26, and no lifetime maximum on health insurance benefits. A brief summary of the financial impact of these changes is listed below and more information is provided in the Historical Overview section of this document.

- Early Retiree Reinsurance Program (ERRP): To date, the State has received approximately \$78 million in payments under this program. \$25 million of this amount has been applied as a credit against State Early Retiree claims





for Plan Year 2012. The remaining \$53 million will be credited to the Local Government and Local Education Early Retirees. Any future ERRP payments will be applied towards subsequent renewals.

- Coverage of Dependent Children to Age 26: Prior to 1/1/2011, the SHBP covered dependent children until the end of the calendar year in which they turn 23. This provision extends this coverage through the end of the calendar year in which the child reaches age 26, without regard to financial dependency, residency, student status, marital status, or employment status. Since 1/1/2011, 3% of State employees have changed their coverage tier to include child coverage. In addition, the number of dependents per family unit increased 1% from Plan Year 2010 to Plan Year 2011.
- No Maximum Benefit: This will impact NJ DIRECT out-of-network and Mental Health benefits under all plans. This is projected to increase Plan Year 2011 medical claims 0.5%.

Additionally, Health Care Reform has enacted changes in the manner in which employer group plan sponsors can more effectively provide Retiree Prescription Drug coverage for Medicare-Eligible members. As a result, effective January 1, 2012, the SHBP will implement an Employer Group Waiver Program, known as EGWP Plus Wrap. Aon Hewitt is estimating that this, in combination with reducing the Mail Generic copays for all Retirees, will reduce Plan Year 2012 State Group Retiree drug claims by approximately \$22 million and those savings



have been factored into the renewal increases and resultant premiums recommended in this report.

#### Other Possible Benefit Changes

Chapter 78, PL 2011 established a State Health Benefits Plan Design Committee which has the responsibility to modify and create plans from which eligible public employees can choose coverage.

The suggested rate increases in this Plan Year 2012 renewal report could be reduced through the benefit design changes suggested in Exhibit 8. Many of these benefit design changes would reduce projected costs for Plan Year 2012 and also decrease future trends.

Aon Hewitt anticipates that the changes to the State Group's benefit plan design/contribution structure resulting from Chapter 78 will result in the loss of grandfathered status under Federal Health Care Reform for the current SHBP plan options. The loss of grandfathered status will require 100% coverage of preventive care and an additional level of appeals processing.

#### **Vendor Changes**

This renewal assumes no changes in vendors in Plan Year 2012.



### **Financial Results**

The Plan Year 2010 cost projections have increased 1.5% or \$25 million since the Plan Year 2011 renewal analysis. The primary reason for this increase is that Horizon Early Retiree NJ DIRECT10 claims were greater than projected.

The Plan Year 2011 premiums were projected to produce no loss or gain. The current projection is a \$29 million loss which is attributable to the high Early Retiree claims which developed in Plan Year 2010.

The Plan Year 2012 average renewal increase is 7.1%, which is 1.5% lower than the average trend assumption for this renewal. The reason the renewal increase is lower than trend is that projected costs have been decreased \$47 million to reflect the combined impact of Early Retiree Reinsurance Program payments received to date and the anticipated reduction in Medicare Retiree Rx costs as a result of the migration to EGWP Plus Wrap. Plan Year 2012 projected costs for the State Group are \$1.92 billion: \$1.46 billion for Actives and \$0.46 billion for Retirees. The Plan Year 2012 renewal premiums are set to match the \$1.92 billion cost projection, so there is no loss or gain projected for Plan Year 2012.



## **Historical Overview**

### **Benefit Changes**

#### Medical Plans

In July of Plan Year 2007, State Active physician copays increased from \$10 to \$15 and emergency room copays increased to \$50.

State Retiree Medical copays increased from \$5 to \$10 in Plan Year 2007.

The following plan changes were effective 4/1/2008:

- NJ PLUS and the Traditional Plan were replaced by two PPO plans which are administered by Horizon: NJ DIRECT10, which has a \$10 physician office visit copay and an 80% out-of-network benefit, and NJ DIRECT15, which has a \$15 physician office visit copay and a 70% out-of-network benefit. NJ DIRECT10 is only offered to certain Retirees, but NJ DIRECT15 is available to all Actives and Retirees.
- The number of HMO vendors was reduced from five to two (Aetna and Cigna).
- About 2% of Actives remained in NJ PLUS as of 5/1/2011. It is expected that there will be no NJ PLUS members as of 1/1/2012.

#### Prescription Drug Plans

In July of Plan Year 2007, the State Active prescription drug card program added a third tier copay which applies to Brand drugs where a generic is available.



Retiree prescription drug copays and out-of-pocket maximums generally increase each year based on the Retiree group experience. However, concurrent with the aforementioned migration to EGWP Plus Wrap, the Plan Year 2011 Retiree Rx copays (for Early Retirees as well as Medicare-Eligible Retirees) will be frozen at Plan Year 2011 levels, with the exception of the Mail Generic copay which is being reduced to \$5 for both NJ DIRECT and HMOs. The table below compares the recommended Plan Year 2012 and the current Plan Year 2011 prescription drug copays and out-of-pocket maximums for Retirees:

	<b>NJ Direct Copays</b>		<b>HMO Copays</b>	
	2011	2012	2011	2012
Retail Generic Copay	\$10	\$10	\$6	\$6
Retail Preferred Brand Copay	\$22	\$22	\$12	\$12
Retail Non-Preferred Brand Copay	\$44	\$44	\$24	\$24
Mail Generic Copay	\$11	\$5	\$6	\$5
Mail Preferred Brand Copay	\$33	\$33	\$18	\$18
Mail Non-Preferred Brand Copay	\$55	\$55	\$30	\$30
Out-of-Pocket Maximum	\$1,351	\$1,351	\$1,351	\$1,351

#### Aetna Medicare Advantage

Effective 1/1/2009, Aetna Medicare Retiree medical coverage changed from a self-insured Medicare Supplement plan to a fully-insured Medicare Advantage medical plan. Retiree copays did not change and the prescription drug plan did not change. However, the Aetna Medicare Advantage program covers some additional preventive benefits and provides additional care management for Retirees.



### Federal Health Care Reform

Health Care Reform (the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act) includes an array of changes that phase in over a number of years.

- Early Retiree Reinsurance Program (ERRP): The ERRP program reimburses Plan Sponsors for 80% of the claim cost of early retiree (i.e., between ages 55 and 64) claimants (and/or their eligible dependents) who have total claims costs between \$15,000 and \$90,000 during the Plan Year (for Plan Year 2010, the program was effective 6/1/2010-12/31/2010). The current funding for this program is \$5 billion (although it is possible that this amount will be increased) and it is anticipated that this will not be enough to fund reinsurance for all Plan Sponsors who apply for this benefit. To date, the State has received approximately \$78 million in ERRP reimbursements of which \$25 million has been credited to the State Group and will be applied to Plan Year 2012 costs to reduce the premium increase required.
- Coverage of Dependent Children to Age 26: Prior to 1/1/11, the SHBP covered dependent children until the end of the calendar year in which they turn 23. This provision extends this coverage through the end of the calendar year in which they turn 26, without regard to financial dependency, residency, student status, marital status, or employment status. Many of these adult children were covered under Chapter 375,



where they paid a separate "Adult Child" premium for their coverage. Under Health Care Reform, these children can be covered under their parent's plan without a separate additional premium (although the parents may have to change to Family or Parent+Child coverage). 3% of State Employees have changed their coverage to include children in Plan Year 2011. In addition, the number of dependents per Family has increased 1%.

- No Maximum Benefit: The SHBP HMO plans and in-network NJ DIRECT plans have no maximum benefits, so no change is required. However, the NJ DIRECT out-of-network benefit had a \$1 million maximum, which no longer applies effective 1/1/2011. In addition, this regulation also removed the mental health/substance abuse life-time maximums. The Plan Year 2011 projected medical claims include a 0.5% increase to reflect these changes.

### **Vendor Changes**

Effective 1/1/2010, Prescription Drug claims are administered by Medco. Previously, Horizon -- in partnership with Caremark -- administered the bulk of the prescription drug coverage, with Aetna and Cigna administering prescription drug coverage for HMO retirees and some Local HMO actives.

### **Employee Contribution Changes**

Effective 7/1/2011, most Active Employees are subject to a new premium contribution formula. Contributions are a percent of premium which varies by salary tier and by whether the employee selects Single, Parent, Married or



Family coverage. The percentages are being phased in over 4 years and the contributions are subject to a minimum of 1.5% of salary. The new contribution formula results in some anomalies among coverage tiers and Aon Hewitt is recommending that the relative premiums for different coverage tiers be realigned to reflect actual SHBP experience and also to correct the anomalies among coverage tiers; because the required change for Parent coverage is large, we are presenting a four-year-phase-in of this change. The table below shows the current and recommended tier relative values for Active Employees.

	Current (PY 2011)	Aon Hewitt Recommended			
		PY 2012	PY 2013	PY 2014	PY 2015
Single	1.00	1.00	1.00	1.00	1.00
Parent	1.40	1.48	1.56	1.64	1.73
Married	2.25	2.00	2.00	2.00	2.00
Family	2.50	2.50	2.50	2.50	2.50

Prior to the implementation of the Chapter 78 contribution schedule, most State Actives contributed 1.5% of salary regardless of benefit plan or family status. Under the new contribution formula, 1.5% of salary is the minimum employee contribution. Employees who do not have medical or prescription drug coverage have no contributions.

### **Retiree Contribution Changes**

Chapter 78, PL 2011 requires certain retirees to pay a portion of their health care premium when they retire with 25 or more years of pension membership credit. Active employees who have 25 or more years of service credit as of the





effective date of Chapter 78 are grandfathered and are governed by the terms applicable on the date they accrued 25 years of service credit. State employees with 20 or more years but less than 25 years of service credit as of the effective date of Chapter 78 are also grandfathered at the current 1.5% contribution requirement, but must still attain 25 years of service credit prior to retirement to qualify for State or employer contributions toward post-retirement medical coverage.

### **Eligibility Changes**

#### **Coverage of Adult Children to Age 31**

New Jersey currently mandates the coverage of adult children under age 31 at a premium level that is equivalent to the child rate included in the standard premium tables, loaded 2% for additional expenses. Under the recommended revision to premium relativities, the adult child rate will be equivalent to 49% of the Single rate. State enrollment for this coverage dropped from 1,450 in December 2010 to 542 in May 2011, as a result of Federal Health Care Reform which makes children under age 26 eligible for coverage under their Parent's plan.

#### **Part-time Coverage**

Part-time employees may enroll in NJ DIRECT15 and the Employee Prescription Drug Card Plan. Currently, approximately 240 State Employees and 140 Local Employees participate, so the experience is not credible. For Plan Year 2010, the costs for part-time employees were 4% greater than the premium collected.



Aon Hewitt recommends that the 10% current rate load be continued for Plan Year 2012.

### **The Impact of Chapter 78**

As previously mentioned, Chapter 78, PL 2011:

- Replaces the current contribution formula of 1.5% of salary/pension with a percentage of premium contribution formula, and
- Implements new benefit plan options, as summarized in the Executive Summary and Exhibit 7 of this report.

### **Enrollment Changes**

Exhibit 1A reflects historical enrollment patterns among the benefit offerings from January 2009 through May 2011 and includes Aon Hewitt's projection of enrollment from June 2011 through December 2012. This projection assumes that about 3,000 employees will retire in Plan Year 2012 and that total State enrollment for Actives and Retirees combined will not change.

Exhibit 1B reflects the projected distribution of enrollment among benefit options and assumes that less than 2% of employees and retirees will enroll in the new benefit options for Plan Year 2012.

Exhibit 1C shows enrollment by benefit option and coverage tier as of 5/1/2011.



### **Demographic Changes**

The Active Employee average age increased 0.5 years from Plan Year 2010 to Plan Year 2011 for all benefit options, which is consistent with prior years' experience. Aetna HMO average age is one year older than NJ DIRECT or Cigna HMO.

### **Average Employee Age**

	4/1/2010	4/1/2011	Change
Horizon	45.7	46.2	0.5
Aetna HMO	46.6	47.1	0.5
CIGNA HMO	45.7	46.3	0.6
HMO Total	46.5	47.0	0.5
Grand Total	45.9	46.4	0.5



### **Trend Analysis**

The claim trends that we are recommending for the Plan Year 2012 renewal are:

	Medical	Prescription Drugs
NJ DIRECT Employee	8.0%	NA
NJ DIRECT Early Retiree	10.5%	10.5%
NJ DIRECT Medicare Retiree	5.0%	10.5%
Aetna HMO*	8.0%	10.5%
CIGNA HMO	8.0%	10.5%
Employee Prescription Drug Card	NA	10.0%

\* Aetna Medicare Retiree medical premium increase is 7.9% for Plan Year 2012.

Aon Hewitt's Semi-Annual Health Care Trend Survey shows a small decrease in trend expectations, with trends for all plan types between 9% and 10%. The Aon Hewitt trend assumptions are based on normalized SHBP/SEHBP trend experience and assume that the trends experienced over the past two years will continue through Plan Year 2012. Trends also reflect input from the SHBP/SEHBP vendors as to their expectations of future costs.

Exhibit 2 shows the actual State Group claim costs increases and then adjusts them for benefit changes to calculate the underlying claim trend in the State Group experience. This calculation was done separately for medical versus prescription drugs and for NJ DIRECT versus the HMOs.



## **Financial Projections**

### **Aggregate Financial Projections**

Using the assumptions detailed in Exhibit 6 and the methodology described in the next section (Renewal Rate Development), Aon Hewitt updated estimated costs for Plan Years 2010, 2011 and 2012. Plan Year 2012 renewal premiums were developed to match projected costs in aggregate, so there is no projected gain or loss for Plan Year 2012.

### **Projected Financial Results** (in \$ millions)

	DIR10	DIR15	HMOs	NJ PLUS	Rx Plan	New Plans	Total
<b>Plan Year 2010</b>							
Premium Rates x Enrollment	\$141.8	\$951.0	\$323.5	\$28.5	\$291.0		\$1,735.8
Incurred Claims	\$131.0	\$888.3	\$309.7	\$25.6	\$271.9		\$1,626.5
Administrative Charges	\$5.9	\$28.7	\$16.3	\$1.0	\$5.0		\$56.9
Net Gain (Loss)	\$4.9	\$34.0	-\$2.5	\$1.9	\$14.1	NA	\$52.4
<b>Plan Year 2011</b>							
Premium Rates x Enrollment	\$141.9	\$1,011.4	\$339.2	\$24.2	\$295.9		\$1,812.6
Incurred Claims	\$136.4	\$995.9	\$328.5	\$23.9	\$300.7		\$1,785.4
Administrative Charges	\$5.9	\$29.5	\$15.6	\$0.8	\$4.8		\$56.6
Net Gain (Loss)	-\$0.4	-\$14.0	-\$4.9	-\$0.5	-\$9.6	NA	-\$29.4
<b>Plan Year 2012</b>							
Premium Rates x Enrollment	\$152.6	\$1,079.1	\$352.2		\$312.7	\$26.9	\$1,923.5
Incurred Claims	\$141.2	\$1,055.0	\$335.6		\$308.2	\$25.5	\$1,865.5
Administrative Charges	\$6.5	\$30.3	\$15.2		\$4.6	\$1.4	\$58.0
Net Gain (Loss)	\$4.9	-\$6.2	\$1.4	NA	-\$0.1	\$0.0	\$0.0

More detailed aggregate projections are attached in Exhibit 4. The losses and gains displayed in this table and in Exhibit 4 assume that all premiums are fully funded.

### **Administrative Fees**

Administrative fee increases vary by vendor. Medco guaranteed their fee for the duration of the contract, so they have no fee increase in Plan Year 2012. The



medical vendors requested increases ranging from 1.1% (Aetna) to 3.5% (Horizon). Note that the HMO fees are higher than NJ DIRECT fees because the HMO enrollment is only 20% of NJ DIRECT, so they do not have the same economies of scale as NJ DIRECT. Further, HMOs generally require a greater degree of plan administration and network management, which increases administrative fees. The table below compares Plan Year 2012 per subscriber per month ASO fees for the current benefit options with Plan Year 2011 fees:

	<b>PY2011</b>	<b>PY2012</b>	<b>Increase</b>
NJ DIRECT	\$ 22.98	\$ 23.78	3.5%
Aetna	\$ 46.51	\$ 47.00	1.1%
CIGNA	\$ 41.24	\$ 41.73	1.2%
Medco	\$3.93	\$3.93	0.0%

Plan Year 2012 administrative fees for the new plan options are not yet known.



## **Renewal Rate Development**

### **Rating Methodology**

Exhibit 4 shows the aggregate projected costs for Plan Years 2010, 2011, and 2012, separately for NJ DIRECT10, NJ DIRECT15, NJ PLUS, prescription drugs, and each HMO. Plan Year 2012 (Exhibit 4C) also includes projected costs for the new Chapter 78 benefit options. Costs were projected separately for Actives, Early Retirees, and Medicare Retirees, and for medical claims, prescription drug claims, administrative costs, and aggregate premiums.

Initial premium increases were calculated separately for Actives, Early Retirees, and Medicare Retirees, and for medical versus prescription drugs. Medicare Retiree projected Plan Year 2012 costs are less than Plan Year 2011 premium levels due to the savings from the change to EGWP Plus Wrap. For this reason, we are recommending no increase in Medicare Retiree premiums and a 3% increase in Early Retiree premiums. This recommendation results in projected Retiree premiums that are equal to projected Retiree costs for Plan Year 2012.

For the new Chapter 78 benefit options, premiums were established to reflect the combination of the benefit options' actuarial value relative to NJ DIRECT15 (the current benefit option with the largest State Group enrollment) and the impact of any anticipated selection as a result of enrollment in each of the new benefit options.



**Medical and Prescription Drug Claim Projections**

1. Using claim data and claim triangles supplied by Horizon and the HMOs, Aon Hewitt estimated completed incurred claims for Plan Year 2010, separately for each benefit plan, for medical versus prescription drugs, and for Actives, Early Retirees, and Medicare Retirees.
2. Plan Year 2010 incurred claims were adjusted for the impact of large claims. Claim amounts in excess of \$50,000 (i.e., catastrophic or shock claims) were subtracted from the aggregate claims and pooling charges were allocated across plans. By implementing a pooling charge, we ensure that one claim does not distort the renewal for a specific plan, but that there will be sufficient dollars to cover all incurred claims. Large claim experience is detailed in Exhibit 3.
3. Capitation and other similar fixed claim charges were added to the incurred claims to arrive at projected incurred claims.
4. Plan Year 2010 aggregate incurred claims were divided by Plan Year 2010 average covered members to get average claims per member per year. Covered members are based on historical billing enrollment data by coverage tier and assumptions for the number of members per coverage tier.





5. Claims per member were projected from Plan Year 2010 to Plan Year 2012 using the annual trend rates listed in the Trend Analysis section of this document.
6. Projected medical claim costs were increased 0.5% to reflect the removal of maximum benefit for out-of-network and Mental Health in Plan Year 2011.
7. NJ DIRECT claims in Plan Year 2011 were increased 0.6% to reflect the change from a capitated Mental Health Benefit to a self-insured benefit.
8. Plan Year 2012 prescription drug costs were reduced 3% to reflect anticipated savings as a result of the very large number of drugs that are due to come off patent in the next year and a half.
9. Retiree prescription drug costs were reduced 2% in Plan Year 2011 to reflect the anticipated impact of the increases in prescription drug copays and out-of-pocket maximums.
10. Retiree prescription drug costs were reduced 13% in Plan Year 2012 to reflect the combined impact of the migration to EGWP Plus Wrap and a reduction in the Mail Generic Rx copay for all options.
11. Plan Year 2012 Early Retiree costs were reduced \$25 million due to Early Retiree Reinsurance Program payments received by the plan. The payments were allocated per Early Retiree in order to partially offset the



larger increases experienced by Early Retirees as compared to Actives and Medicare Retirees.

12. Aggregate claims for Plan Year 2012 are the product of projected enrollment and the projected claims per member.
13. Plan Year 2012 projected Aetna Medicare Advantage premiums were increased 7.9% over Plan Year 2011, based on Aetna's renewal.
14. Prescription Drug manufacturers' rebates were projected assuming 0% trend based on input from Medco. Rebate projections are \$65 million in Plan Years 2011 and 2012. These projections have not been adjusted to reflect the impact of the removal of the Preferred Drug Step Therapy (PDST) program for several of the State Active unions as a result of the recent arbitration decision. The removal of PDST is projected to increase prescription drug costs 4% for those group affected by this change.
15. Medicare Part D (RDS) subsidies are projected at 19.0% of incurred Medicare Retiree prescription drug claims based on Plan Year 2009 subsidies, which results in a projected \$27 million subsidy for Plan Year 2011. No RDS payments are included in the Plan Year 2012 costs, due to the migration to EGWP Plus Wrap.
16. Total SHBP projected Plan Year 2012 claim costs are the sum of projected medical and prescription drug claims reduced for Early Retiree



Reinsurance Plan payments, payments from CMS related to EGWP Plus Wrap, and prescription drug rebates.

### **Administrative Cost Projection**

The administrative cost projection includes administrative charges, as well as some miscellaneous cost items:

1. Administrative fees are the ASO fees per employee per year multiplied by the average enrollment for that year.
2. Overhead charges, which are the State of New Jersey administrative costs charged against the plans, projected at \$4 million for Plan Year 2012.

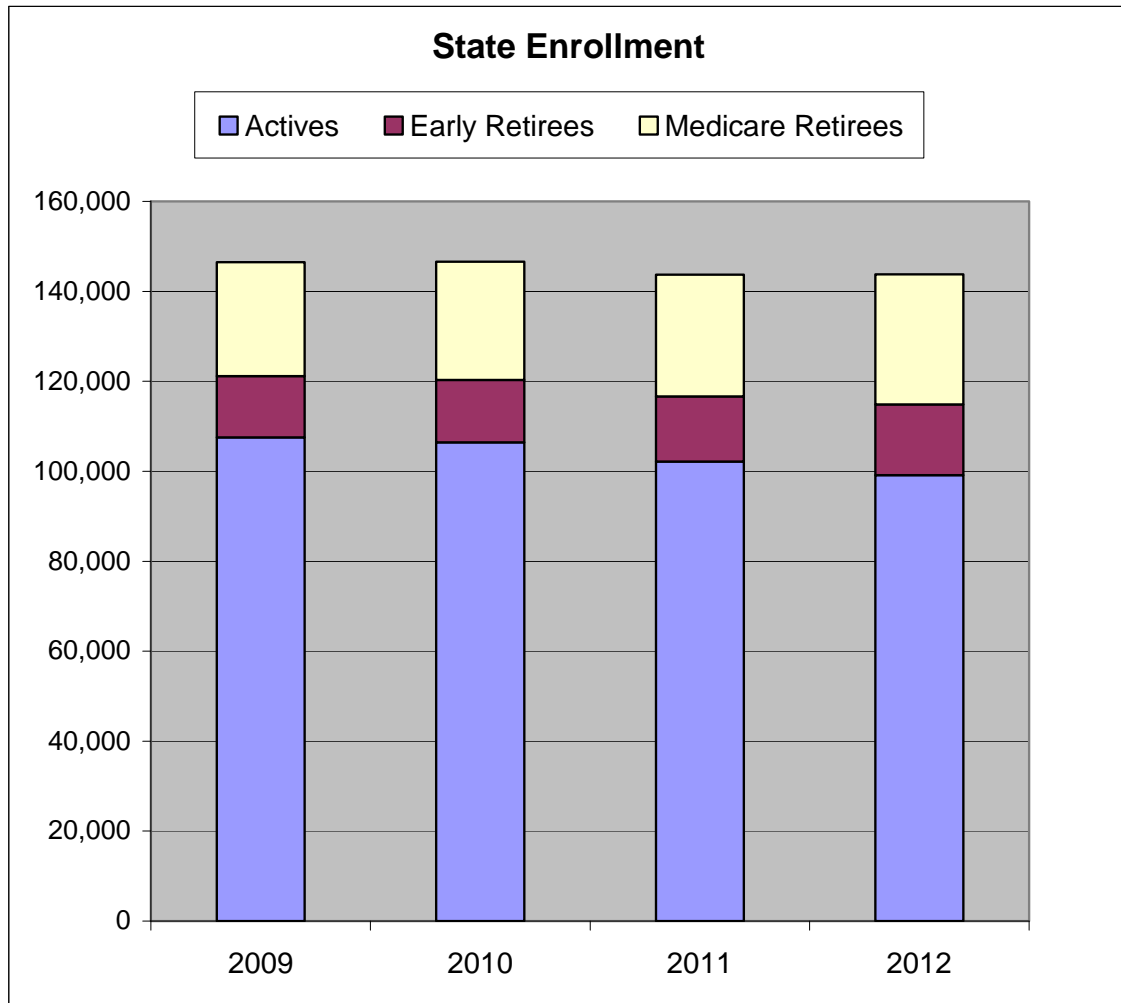
### **Projected Premiums**

1. Plan Year 2012 premiums for NJ DIRECT10, NJ DIRECT15, and the Aetna and Cigna HMO were developed by applying the premium increase percentages listed in the Executive Summary section of this document. Premiums for the new benefit options resulting from Chapter 78 were developed by adjusting NJ DIRECT15 and Aetna and Cigna HMO premiums by the relative actuarial value of each new benefit option, adjusted for the impact of anticipated selection as a result of enrollment in the new benefit options.
2. Aggregate Plan Year premium is calculated by multiplying projected Plan Year enrollment and Plan Year premiums.



## SHBP Plan Year 2012 Renewal Recommendation

### Exhibit 1A – Enrollment Projections



#### **Actives**

Assumes that State Active enrollment will decrease by about 3,000 employees in Plan Year 2012.

#### **Early Retirees**

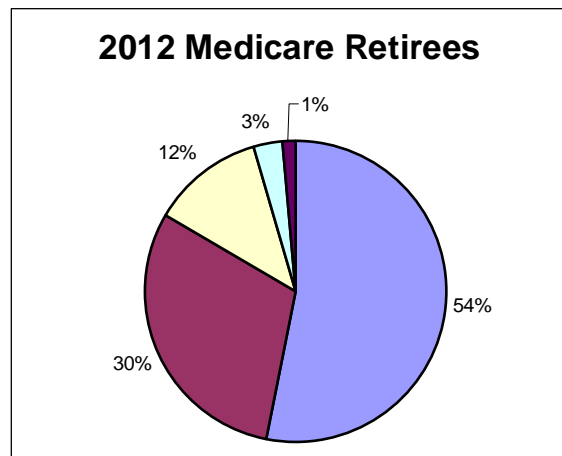
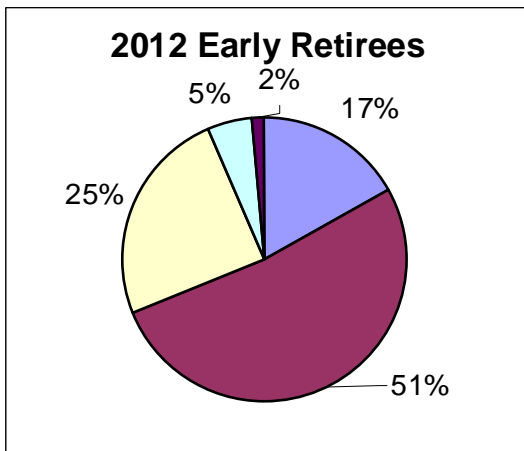
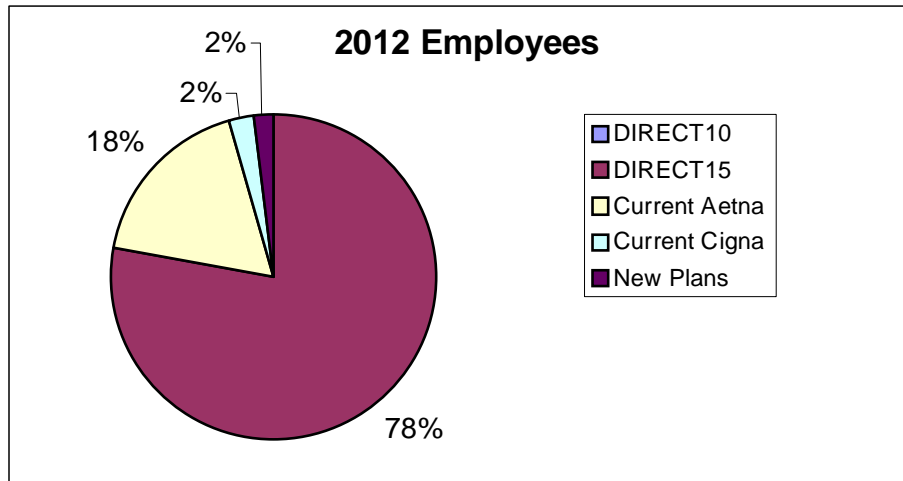
Assumes that Early Retiree enrollment will continue to increase about 1,200 in Plan Year 2012.

#### **Medicare Retirees**

Assumes that Medicare Retiree enrollment will continue to increase about 1,800 in Plan Year 2012.



**SHBP Plan Year 2012 Renewal Recommendation**  
**Exhibit 1B – Projected Plan Year 2012 Plan Distribution**





## SHBP Plan Year 2012 Renewal Recommendation

### Exhibit 1C – May 2011 Enrollment

	Number of Contracts as of 5/1/2011				
	Single	Member &Spouse /Partner	Family	Parent + Child(ren)	Total
<b><u>Medical Plans</u></b>	<b>STATE ACTIVES + COBRA</b>				
NJ Direct 10 #050	37	0	0	0	37
NJ Direct 15 #150	27,274	13,477	25,833	11,898	78,482
NJ Plus #002	452	216	1,338	114	2,120
<b>Horizon Total</b>	<b>27,763</b>	<b>13,693</b>	<b>27,171</b>	<b>12,012</b>	<b>80,639</b>
Aetna #019	5,724	2,723	6,448	3,576	18,471
CIGNA #020	924	410	1,074	429	2,837
<b>HMO Total</b>	<b>6,648</b>	<b>3,133</b>	<b>7,522</b>	<b>4,005</b>	<b>21,308</b>
<b>Total</b>	<b>34,411</b>	<b>16,826</b>	<b>34,693</b>	<b>16,017</b>	<b>101,947</b>

	STATE RETIREES				
	Single	Member &Spouse /Partner	Family	Parent + Child(ren)	Total
<b><u>Medical Plans</u></b>					
NJ Direct 10 #050	10,031	5,994	524	231	16,780
NJ Direct 15 #150	7,853	5,599	1,853	800	16,105
<b>Horizon Total</b>	<b>17,884</b>	<b>11,593</b>	<b>2,377</b>	<b>1,031</b>	<b>32,885</b>
Aetna #019	3,422	2,203	1,033	467	7,125
CIGNA #020	690	580	168	61	1,499
<b>HMO Total</b>	<b>4,112</b>	<b>2,783</b>	<b>1,201</b>	<b>528</b>	<b>8,624</b>
<b>Total</b>	<b>21,996</b>	<b>14,376</b>	<b>3,578</b>	<b>1,559</b>	<b>41,509</b>



## SHBP Plan Year 2012 Renewal Recommendation

### Exhibit 2A – Medical Trend

	Increase in Claims/Ee	Benefit + RFP Changes	Claim Trend
<b><u>Horizon Active</u></b>			
1/1/2009 - 12/31/2009	9.5%	0.0%	9.5%
1/1/2010 - 12/31/2010	5.2%	0.1%	5.1%
Average			7.3%
Aon Hewitt Trend Assumption			<b>8.0%</b>

<b><u>Horizon Early Retiree</u></b>			
1/1/2009 - 12/31/2009	5.7%	-2.0%	7.7%
1/1/2010 - 12/31/2010	11.9%	0.0%	11.9%
Average			9.8%
Aon Hewitt Trend Assumption			<b>10.5%</b>

<b><u>Horizon Medicare Retiree</u></b>			
1/1/2009 - 12/31/2009	0.8%	0.4%	0.4%
1/1/2010 - 12/31/2010	2.7%	0.0%	2.7%
Average			1.6%
Aon Hewitt Trend Assumption			<b>5.0%</b>

<b><u>HMO</u></b>			
1/1/2009 - 12/31/2009	12.5%	-0.1%	12.6%
1/1/2010 - 12/31/2010	3.8%	-0.1%	3.9%
Average			8.2%
Aon Hewitt Trend Assumption			<b>8.0%</b>

**Benefit Changes:**

NJ PLUS and Traditional plans replaced by NJ DIRECT 4/1/2008.



## SHBP Plan Year 2012 Renewal Recommendation

### Exhibit 2B – Prescription Drug Trend

	Increase in Claims/Ee	Benefit Changes	Claim Trend
<b>Active Rx</b>			
1/1/2009 - 12/31/2009	9.9%	-2.1%	12.0%
1/1/2010 - 12/31/2010	6.1%	-1.6%	7.7%
Average			9.9%
Aon Hewitt Trend Assumption			<b>10.0%</b>
<b>Retiree Rx</b>			
1/1/2009 - 12/31/2009	8.5%	-4.5%	13.0%
1/1/2010 - 12/31/2010	4.5%	-3.9%	8.4%
Average			10.7%
Aon Hewitt Trend Assumption			<b>10.5%</b>

#### Benefit Changes:

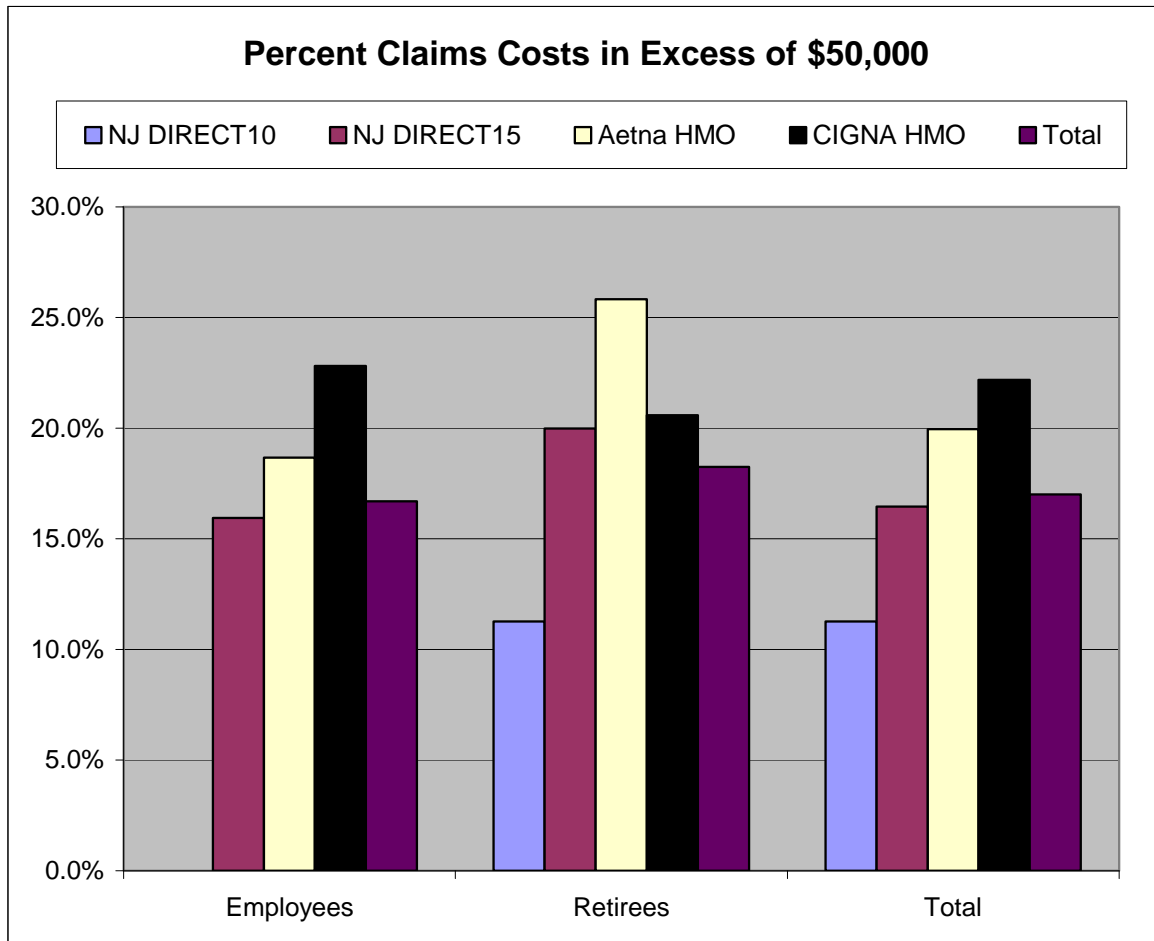
Horizon Retiree Rx Copays and OOP maximum increased on 1/1/2008.  
 Horizon Retiree Rx Copays and OOP maximum increased on 1/1/2009.  
 Horizon Retiree Rx Copays and OOP maximum increased on 1/1/2010.  
 HMO Retiree Rx Copays increased and OOP maximum added on 1/1/2009.  
 HMO Retiree Rx Copays and OOP maximum increased on 1/1/2010.  
 Rx discount increased due to Medco implementation 1/1/2010.





## SHBP Plan Year 2012 Renewal Recommendation

### Exhibit 3A – Large Claim Analysis



#### Observations:

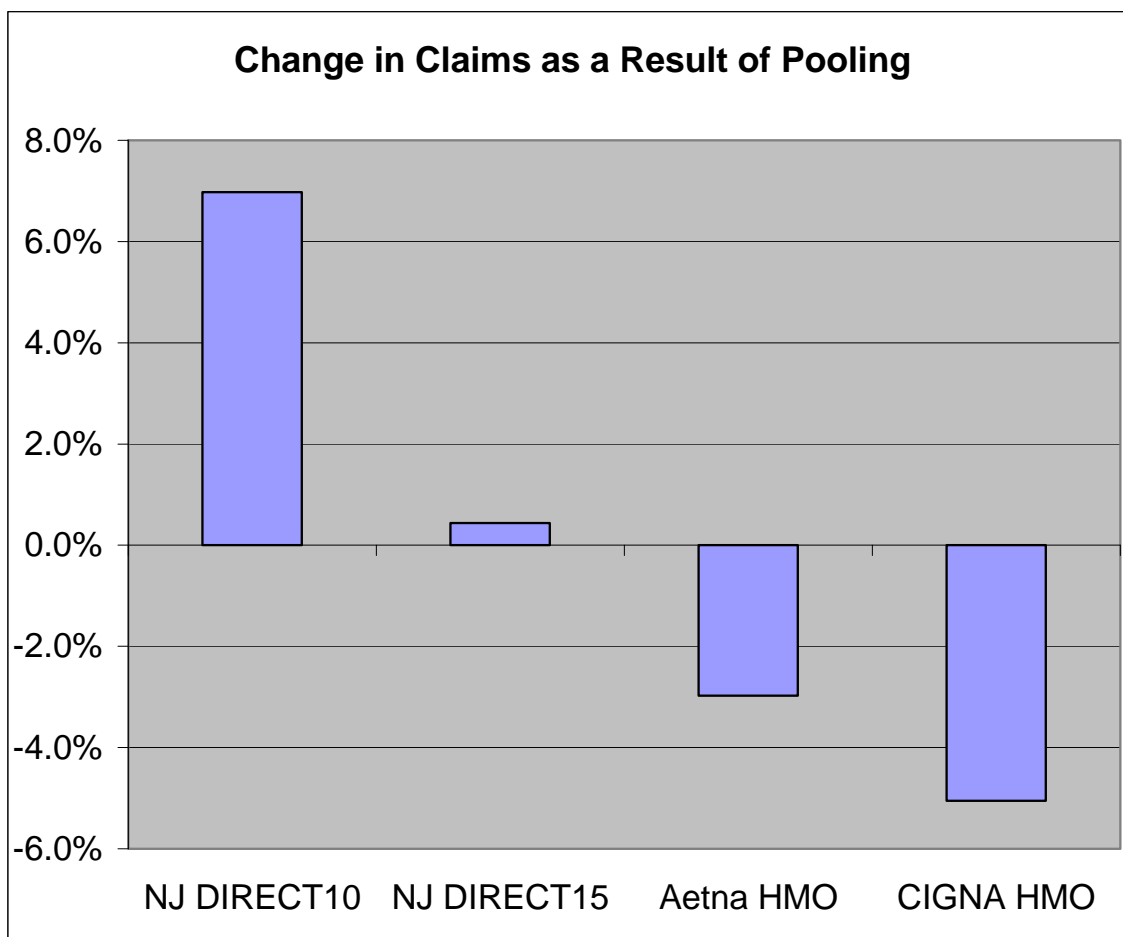
NJ DIRECT10 has the lowest percentage of shock claims at 11%, compared to about 15% for all other benefit plans. This is because half of NJ DIRECT10 claims are for Medicare Retirees versus 10% to 22% for the other plans.

In total, 17% of medical claims are for individual claimant amounts in excess of \$50,000 for both Employees and Retirees.



## SHBP Plan Year 2012 Renewal Recommendation

### Exhibit 3B – Large Claim Analysis



#### Observations:

NJ DIRECT10 claims increase 7% as a result of pooling. Note that this does not impact Actives since State Actives are only enrolled in NJ DIRECT15.

NJ DIRECT15 has minimal changes as a result of pooling.

Aetna claims decrease 3% and CIGNA claims decrease 5% as a result of pooling.



## SHBP Plan Year 2012 Renewal Recommendation

### Exhibit 4A – Plan Year 2010 Aggregate Costs

	Total	NJ DIRECT10	NJ DIRECT15	Aetna	CIGNA	NJ PLUS	Ee Rx Card
<b>Employees and Retirees</b>							
Average Medical Subscribers	146,555	17,202	95,283	27,011	4,498	2,562	106,389
Incurred Medical claims	\$ 1,151,100,000	\$ 75,500,000	\$ 796,500,000	\$ 216,000,000	\$ 39,600,000	\$ 23,500,000	NA
Capitation	\$ 67,300,000	\$ 1,500,000	\$ 41,000,000	\$ 19,400,000	\$ 3,300,000	\$ 2,100,000	NA
Incurred Prescription Drug Claims	\$ 496,700,000	\$ 76,500,000	\$ 66,900,000	\$ 34,500,000	\$ 6,400,000	NA	\$ 312,400,000
Prescription Drug Rebates	\$ (64,400,000)	\$ (9,900,000)	\$ (8,700,000)	\$ (4,500,000)	\$ (800,000)	NA	\$ (40,500,000)
Medicare Part D Subsidies	\$ (24,200,000)	\$ (12,600,000)	\$ (7,400,000)	\$ (3,600,000)	\$ (600,000)	NA	NA
Administrative Fees	\$ 56,900,000	\$ 5,900,000	\$ 28,700,000	\$ 13,900,000	\$ 2,400,000	\$ 1,000,000	\$ 5,000,000
Total Cost	\$ 1,683,400,000	\$ 136,900,000	\$ 917,000,000	\$ 275,700,000	\$ 50,300,000	\$ 26,600,000	\$ 276,900,000
Total Premium	\$ 1,735,800,000	\$ 141,800,000	\$ 951,000,000	\$ 276,200,000	\$ 47,300,000	\$ 28,500,000	\$ 291,000,000
Gain (Loss)	\$ 52,400,000	\$ 4,900,000	\$ 34,000,000	\$ 500,000	\$ (3,000,000)	\$ 1,900,000	\$ 14,100,000
<b>Employees</b>							
Average Medical Subscribers	106,389	NA	80,689	20,021	3,118	2,562	106,389
Incurred Medical claims	\$ 920,800,000	NA	\$ 698,100,000	\$ 170,200,000	\$ 29,000,000	\$ 23,500,000	NA
Capitation	\$ 60,100,000	NA	\$ 37,900,000	\$ 17,400,000	\$ 2,700,000	\$ 2,100,000	NA
Incurred Prescription Drug Claims	\$ 312,400,000	NA	NA	NA	NA	NA	\$ 312,400,000
Prescription Drug Rebates	\$ (40,500,000)	NA	NA	NA	NA	NA	\$ (40,500,000)
Medicare Part D Subsidies	NA	NA	NA	NA	NA	NA	NA
Administrative Fees	\$ 42,900,000	NA	\$ 23,700,000	\$ 11,600,000	\$ 1,600,000	\$ 1,000,000	\$ 5,000,000
Total Cost	\$ 1,295,700,000	NA	\$ 759,700,000	\$ 199,200,000	\$ 33,300,000	\$ 26,600,000	\$ 276,900,000
Total Premium	\$ 1,349,000,000	NA	\$ 797,800,000	\$ 200,100,000	\$ 31,600,000	\$ 28,500,000	\$ 291,000,000
Gain (Loss)	\$ 53,300,000	NA	\$ 38,100,000	\$ 900,000	\$ (1,700,000)	\$ 1,900,000	\$ 14,100,000
<b>Retirees</b>							
Average Medical Subscribers	40,166	17,202	14,594	6,990	1,380	NA	NA
Incurred Medical claims	\$ 230,300,000	\$ 75,500,000	\$ 98,400,000	\$ 45,800,000	\$ 10,600,000	NA	NA
Capitation	\$ 7,200,000	\$ 1,500,000	\$ 3,100,000	\$ 2,000,000	\$ 600,000	NA	NA
Incurred Prescription Drug Claims	\$ 184,300,000	\$ 76,500,000	\$ 66,900,000	\$ 34,500,000	\$ 6,400,000	NA	NA
Prescription Drug Rebates	\$ (23,900,000)	\$ (9,900,000)	\$ (8,700,000)	\$ (4,500,000)	\$ (800,000)	NA	NA
Medicare Part D Subsidies	\$ (24,200,000)	\$ (12,600,000)	\$ (7,400,000)	\$ (3,600,000)	\$ (600,000)	NA	NA
Administrative Fees	\$ 14,000,000	\$ 5,900,000	\$ 5,000,000	\$ 2,300,000	\$ 800,000	NA	NA
Total Cost	\$ 387,700,000	\$ 136,900,000	\$ 157,300,000	\$ 76,500,000	\$ 17,000,000	NA	NA
Total Premium	\$ 386,800,000	\$ 141,800,000	\$ 153,200,000	\$ 76,100,000	\$ 15,700,000	NA	NA
Gain (Loss)	\$ (900,000)	\$ 4,900,000	\$ (4,100,000)	\$ (400,000)	\$ (1,300,000)	NA	NA



**SHBP Plan Year 2012 Renewal Recommendation**  
**Exhibit 4B –Plan Year 2011 Aggregate Costs**

	Total	NJ DIRECT10	NJ DIRECT15	Aetna	CIGNA	NJ PLUS	Ee Rx Card
<b><u>Employees and Retirees</u></b>							
Average Medical Subscribers	143,733	16,910	94,682	25,668	4,339	2,134	102,162
Incurred Medical claims	\$ 1,291,000,000	\$ 78,600,000	\$ 923,000,000	\$ 226,100,000	\$ 41,500,000	\$ 21,800,000	NA
Capitation	\$ 40,200,000	\$ 600,000	\$ 12,000,000	\$ 22,100,000	\$ 3,400,000	\$ 2,100,000	NA
Incurred Prescription Drug Claims	\$ 545,300,000	\$ 80,000,000	\$ 79,000,000	\$ 38,000,000	\$ 7,500,000	NA	\$ 340,800,000
Prescription Drug Rebates	\$ (64,600,000)	\$ (9,600,000)	\$ (9,500,000)	\$ (4,500,000)	\$ (900,000)	NA	\$ (40,100,000)
Medicare Part D Subsidies	\$ (26,500,000)	\$ (13,200,000)	\$ (8,600,000)	\$ (3,900,000)	\$ (800,000)	NA	NA
Administrative Fees	\$ 56,600,000	\$ 5,900,000	\$ 29,500,000	\$ 13,300,000	\$ 2,300,000	\$ 800,000	\$ 4,800,000
Total Cost	\$ 1,842,000,000	\$ 142,300,000	\$ 1,025,400,000	\$ 291,100,000	\$ 53,000,000	\$ 24,700,000	\$ 305,500,000
Total Premium	\$ 1,812,600,000	\$ 141,900,000	\$ 1,011,400,000	\$ 289,400,000	\$ 49,800,000	\$ 24,200,000	\$ 295,900,000
Gain (Loss)	\$ (29,400,000)	\$ (400,000)	\$ (14,000,000)	\$ (1,700,000)	\$ (3,200,000)	\$ (500,000)	\$ (9,600,000)
<b><u>Employees</u></b>							
Average Medical Subscribers	102,162	NA	78,655	18,528	2,845	2,134	102,162
Incurred Medical claims	\$ 1,026,300,000	NA	\$ 799,700,000	\$ 174,900,000	\$ 29,900,000	\$ 21,800,000	NA
Capitation	\$ 34,900,000	NA	\$ 10,900,000	\$ 19,200,000	\$ 2,700,000	\$ 2,100,000	NA
Incurred Prescription Drug Claims	\$ 340,800,000	NA	NA	NA	NA	NA	\$ 340,800,000
Prescription Drug Rebates	\$ (40,100,000)	NA	NA	NA	NA	NA	\$ (40,100,000)
Medicare Part D Subsidies	NA	NA	NA	NA	NA	NA	NA
Administrative Fees	\$ 41,900,000	NA	\$ 23,900,000	\$ 10,900,000	\$ 1,500,000	\$ 800,000	\$ 4,800,000
Total Cost	\$ 1,403,800,000	NA	\$ 834,500,000	\$ 205,000,000	\$ 34,100,000	\$ 24,700,000	\$ 305,500,000
Total Premium	\$ 1,388,800,000	NA	\$ 833,300,000	\$ 203,600,000	\$ 31,800,000	\$ 24,200,000	\$ 295,900,000
Gain (Loss)	\$ (15,000,000)	NA	\$ (1,200,000)	\$ (1,400,000)	\$ (2,300,000)	\$ (500,000)	\$ (9,600,000)
<b><u>Retirees</u></b>							
Average Medical Subscribers	41,571	16,910	16,027	7,140	1,494	NA	NA
Incurred Medical claims	\$ 264,700,000	\$ 78,600,000	\$ 123,300,000	\$ 51,200,000	\$ 11,600,000	NA	NA
Capitation	\$ 5,300,000	\$ 600,000	\$ 1,100,000	\$ 2,900,000	\$ 700,000	NA	NA
Incurred Prescription Drug Claims	\$ 204,500,000	\$ 80,000,000	\$ 79,000,000	\$ 38,000,000	\$ 7,500,000	NA	NA
Prescription Drug Rebates	\$ (24,500,000)	\$ (9,600,000)	\$ (9,500,000)	\$ (4,500,000)	\$ (900,000)	NA	NA
Medicare Part D Subsidies	\$ (26,500,000)	\$ (13,200,000)	\$ (8,600,000)	\$ (3,900,000)	\$ (800,000)	NA	NA
Administrative Fees	\$ 14,700,000	\$ 5,900,000	\$ 5,600,000	\$ 2,400,000	\$ 800,000	NA	NA
Total Cost	\$ 438,200,000	\$ 142,300,000	\$ 190,900,000	\$ 86,100,000	\$ 18,900,000	NA	NA
Total Premium	\$ 423,800,000	\$ 141,900,000	\$ 178,100,000	\$ 85,800,000	\$ 18,000,000	NA	NA
Gain (Loss)	\$ (14,400,000)	\$ (400,000)	\$ (12,800,000)	\$ (300,000)	\$ (900,000)	NA	NA



## SHBP Plan Year 2012 Renewal Recommendation

### Exhibit 4C– Plan Year 2012 Aggregate Costs (1 of 2)

Plan Year 2012	Current Benefit Plans						Horizon New Plans			
	Total	NJ DIRECT10	NJ DIRECT15	Aetna	CIGNA	Ee Rx Card	Plan A	Plan B	HDHP 0.5	HDHP 1.5
<b>Employees and Retirees</b>										
Average Medical Subscribers	143,762	18,002	93,901	25,233	3,974	97,181	575	575	575	397
Incurred Medical claims	\$ 1,384,630,000	\$ 90,400,000	\$ 992,800,000	\$ 240,400,000	\$ 40,200,000	NA	\$ 5,080,000	\$ 4,780,000	\$ 2,990,000	\$ 3,710,000
Capitation	\$ 38,590,000	\$ 400,000	\$ 11,900,000	\$ 21,900,000	\$ 3,800,000	NA	\$ 50,000	\$ 50,000	\$ 30,000	\$ 50,000
Incurred Prescription Drug Claims	\$ 531,554,245	\$ 64,900,000	\$ 72,600,000	\$ 35,700,000	\$ 6,700,000	\$ 346,400,000	\$ 580,000	\$ 590,000	\$ 370,000	NA
Prescription Drug Rebates	\$ (64,666,663)	\$ (10,200,000)	\$ (9,900,000)	\$ (4,800,000)	\$ (900,000)	\$ (38,200,000)	\$ (90,000)	\$ (90,000)	\$ (60,000)	NA
ERRP credits	\$ (24,610,000)	\$ (4,300,000)	\$ (12,400,000)	\$ (6,300,000)	\$ (1,100,000)	NA	\$ (130,000)	\$ (130,000)	\$ (130,000)	NA
Administrative Fees	\$ 57,986,939	\$ 6,500,000	\$ 30,300,000	\$ 13,100,000	\$ 2,100,000	\$ 4,600,000	\$ 190,000	\$ 190,000	\$ 310,000	\$ 250,000
Total Cost	\$ 1,923,484,520	\$ 147,700,000	\$ 1,085,300,000	\$ 300,000,000	\$ 50,800,000	\$ 312,800,000	\$ 5,680,000	\$ 5,390,000	\$ 3,510,000	\$ 4,010,000
Total Premium	\$ 1,923,484,520	\$ 152,600,000	\$ 1,079,100,000	\$ 303,800,000	\$ 48,400,000	\$ 312,700,000	\$ 5,680,000	\$ 5,390,000	\$ 3,510,000	\$ 4,010,000
Gain (Loss)	\$ -	\$ 4,900,000	\$ (6,200,000)	\$ 3,800,000	\$ (2,400,000)	\$ (100,000)	\$ -	\$ -	\$ -	\$ -
<b>Employees</b>										
Average Medical Subscribers	100,156	NA	77,050	17,669	2,462	97,181	397	397	397	397
Incurred Medical claims	\$ 1,077,610,000	NA	\$ 850,200,000	\$ 182,000,000	\$ 27,500,000	NA	\$ 4,250,000	\$ 4,000,000	\$ 2,500,000	\$ 3,710,000
Capitation	\$ 32,640,000	NA	\$ 10,900,000	\$ 18,200,000	\$ 3,000,000	NA	\$ 50,000	\$ 50,000	\$ 30,000	\$ 50,000
Incurred Prescription Drug Claims	\$ 349,634,245	NA	NA	NA	NA	\$ 346,400,000	NA	NA	NA	NA
Prescription Drug Rebates	\$ (38,556,663)	NA	NA	NA	NA	\$ (38,200,000)	NA	NA	NA	NA
ERRP credits	\$ -	NA	NA	NA	NA	NA	NA	NA	NA	NA
Administrative Fees	\$ 41,746,939	NA	\$ 24,300,000	\$ 10,400,000	\$ 1,300,000	\$ 4,600,000	\$ 130,000	\$ 130,000	\$ 250,000	\$ 250,000
Total Cost	\$ 1,463,074,520	NA	\$ 885,400,000	\$ 210,600,000	\$ 31,800,000	\$ 312,800,000	\$ 4,430,000	\$ 4,180,000	\$ 2,780,000	\$ 4,010,000
Total Premium	\$ 1,463,074,520	NA	\$ 887,300,000	\$ 210,700,000	\$ 29,900,000	\$ 312,700,000	\$ 4,430,000	\$ 4,180,000	\$ 2,780,000	\$ 4,010,000
Gain (Loss)	\$ -	NA	\$ 1,900,000	\$ 100,000	\$ (1,900,000)	\$ (100,000)	\$ -	\$ -	\$ -	\$ -
<b>Retirees</b>										
Average Medical Subscribers	44,598	18,002	16,852	7,564	1,512	NA	178	178	178	NA
Incurred Medical claims	\$ 307,020,000	\$ 90,400,000	\$ 142,600,000	\$ 58,400,000	\$ 12,700,000	NA	\$ 830,000	\$ 780,000	\$ 490,000	NA
Capitation	\$ 5,950,000	\$ 400,000	\$ 1,000,000	\$ 3,700,000	\$ 800,000	NA	\$ -	\$ -	\$ -	NA
Incurred Prescription Drug Claims	\$ 181,920,000	\$ 64,900,000	\$ 72,600,000	\$ 35,700,000	\$ 6,700,000	NA	\$ 580,000	\$ 590,000	\$ 370,000	NA
Prescription Drug Rebates	\$ (26,110,000)	\$ (10,200,000)	\$ (9,900,000)	\$ (4,800,000)	\$ (900,000)	NA	\$ (90,000)	\$ (90,000)	\$ (60,000)	NA
ERRP credits	\$ (24,610,000)	\$ (4,300,000)	\$ (12,400,000)	\$ (6,300,000)	\$ (1,100,000)	NA	\$ (130,000)	\$ (130,000)	\$ (130,000)	NA
Administrative Fees	\$ 16,240,000	\$ 6,500,000	\$ 6,000,000	\$ 2,700,000	\$ 800,000	NA	\$ 60,000	\$ 60,000	\$ 60,000	NA
Total Cost	\$ 460,410,000	\$ 147,700,000	\$ 199,900,000	\$ 89,400,000	\$ 19,000,000	NA	\$ 1,250,000	\$ 1,210,000	\$ 730,000	NA
Total Premium	\$ 460,410,000	\$ 152,600,000	\$ 191,800,000	\$ 93,100,000	\$ 18,500,000	NA	\$ 1,250,000	\$ 1,210,000	\$ 730,000	NA
Gain (Loss)	\$ -	\$ 4,900,000	\$ (8,100,000)	\$ 3,700,000	\$ (500,000)	NA	\$ -	\$ -	\$ -	NA



## SHBP Plan Year 2012 Renewal Recommendation

### Exhibit 4C– Plan Year 2012 Aggregate Costs (2 of 2)

Plan Year 2012	Aetna New Plans				Cigna New Plans				Medco New Plans	
	Plan A	Plan B	HDHP 0.5	HDHP 1.5	Plan A	Plan B	HDHP 0.5	HDHP 1.5	Plan A	Plan B
<b>Employees and Retirees</b>										
Average Medical Subscribers	101	101	101	69	43	43	43	30	496	496
Incurred Medical claims	\$ 910,000	\$ 860,000	\$ 540,000	\$ 610,000	\$ 420,000	\$ 400,000	\$ 250,000	\$ 280,000	NA	NA
Capitation	\$ 80,000	\$ 80,000	\$ 50,000	\$ 60,000	\$ 50,000	\$ 40,000	\$ 20,000	\$ 30,000	NA	NA
Incurred Prescription Drug Claims	\$ 130,000	\$ 140,000	\$ 80,000	NA	\$ 50,000	\$ 50,000	\$ 30,000	NA	\$ 1,602,984	\$ 1,631,261
Prescription Drug Rebates	\$ (20,000)	\$ (20,000)	\$ (10,000)	NA	\$ (10,000)	\$ (10,000)	\$ -	NA	\$ (176,772)	\$ (179,891)
ERRP credits	\$ (30,000)	\$ (30,000)	\$ (30,000)	NA	\$ (10,000)	\$ (10,000)	\$ (10,000)	NA	NA	NA
Administrative Fees	\$ 50,000	\$ 50,000	\$ 90,000	\$ 80,000	\$ 30,000	\$ 30,000	\$ 40,000	\$ 30,000	\$ 23,469	\$ 23,469
Total Cost	\$ 1,120,000	\$ 1,080,000	\$ 720,000	\$ 750,000	\$ 530,000	\$ 500,000	\$ 330,000	\$ 340,000	\$ 1,449,681	\$ 1,474,840
Total Premium	\$ 1,120,000	\$ 1,080,000	\$ 720,000	\$ 750,000	\$ 530,000	\$ 500,000	\$ 330,000	\$ 340,000	\$ 1,449,681	\$ 1,474,840
Gain (Loss)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Employees</b>										
Average Medical Subscribers	69	69	69	69	30	30	30	30	496	496
Incurred Medical claims	\$ 690,000	\$ 650,000	\$ 410,000	\$ 610,000	\$ 320,000	\$ 300,000	\$ 190,000	\$ 280,000	NA	NA
Capitation	\$ 70,000	\$ 70,000	\$ 40,000	\$ 60,000	\$ 40,000	\$ 30,000	\$ 20,000	\$ 30,000	NA	NA
Incurred Prescription Drug Claims	NA	NA	NA	NA	NA	NA	NA	NA	\$ 1,602,984	\$ 1,631,261
Prescription Drug Rebates	NA	NA	NA	NA	NA	NA	NA	NA	\$ (176,772)	\$ (179,891)
ERRP credits	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Administrative Fees	\$ 40,000	\$ 40,000	\$ 80,000	\$ 80,000	\$ 20,000	\$ 20,000	\$ 30,000	\$ 30,000	\$ 23,469	\$ 23,469
Total Cost	\$ 800,000	\$ 760,000	\$ 530,000	\$ 750,000	\$ 380,000	\$ 350,000	\$ 240,000	\$ 340,000	\$ 1,449,681	\$ 1,474,840
Total Premium	\$ 800,000	\$ 760,000	\$ 530,000	\$ 750,000	\$ 380,000	\$ 350,000	\$ 240,000	\$ 340,000	\$ 1,449,681	\$ 1,474,840
Gain (Loss)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Retirees</b>										
Average Medical Subscribers	31	31	31	NA	13	13	13	NA	NA	NA
Incurred Medical claims	\$ 220,000	\$ 210,000	\$ 130,000	NA	\$ 100,000	\$ 100,000	\$ 60,000	NA	NA	NA
Capitation	\$ 10,000	\$ 10,000	\$ 10,000	NA	\$ 10,000	\$ 10,000	\$ -	NA	NA	NA
Incurred Prescription Drug Claims	\$ 130,000	\$ 140,000	\$ 80,000	NA	\$ 50,000	\$ 50,000	\$ 30,000	NA	NA	NA
Prescription Drug Rebates	\$ (20,000)	\$ (20,000)	\$ (10,000)	NA	\$ (10,000)	\$ (10,000)	\$ -	NA	NA	NA
ERRP credits	\$ (30,000)	\$ (30,000)	\$ (30,000)	NA	\$ (10,000)	\$ (10,000)	\$ (10,000)	NA	NA	NA
Administrative Fees	\$ 10,000	\$ 10,000	\$ 10,000	NA	\$ 10,000	\$ 10,000	\$ 10,000	NA	NA	NA
Total Cost	\$ 320,000	\$ 320,000	\$ 190,000	NA	\$ 150,000	\$ 150,000	\$ 90,000	NA	NA	NA
Total Premium	\$ 320,000	\$ 320,000	\$ 190,000	NA	\$ 150,000	\$ 150,000	\$ 90,000	NA	NA	NA
Gain (Loss)	\$ -	\$ -	\$ -	NA	\$ -	\$ -	\$ -	NA	NA	NA



## SHBP Plan Year 2012 Renewal Recommendation

### Exhibit 5A – Active Premiums

	Current Plans			
	NJ DIRECT15	Aetna \$15	Cigna \$15	Rx Card
<b><u>State Rx Card</u></b>	Medical Coverage Only			
Single	\$550.34	\$565.69	\$568.73	\$153.17
Member+Spouse	\$1,100.68	\$1,131.38	\$1,137.46	\$306.34
Family	\$1,375.85	\$1,414.23	\$1,421.83	\$382.93
Parent+Child(ren)	\$814.50	\$837.22	\$841.72	\$226.69
Adult Child Rate	\$269.45	\$276.96	\$278.45	\$74.99
	New Plans			
	Horizon	Aetna	Cigna	Rx
<b><u>Plan A</u></b>	Medical Coverage Only			
Single	\$534.93	\$549.85	\$552.81	\$138.93
Member+Spouse	\$1,069.86	\$1,099.70	\$1,105.61	\$277.85
Family	\$1,337.33	\$1,374.63	\$1,382.02	\$347.32
Parent+Child(ren)	\$791.69	\$813.78	\$818.15	\$205.61
Adult Child Rate	\$261.91	\$269.21	\$270.65	\$68.02
<b><u>Plan B</u></b>	Medical Coverage Only			
Single	\$503.01	\$517.04	\$519.82	\$141.38
Member+Spouse	\$1,006.02	\$1,034.08	\$1,039.64	\$282.75
Family	\$1,257.53	\$1,292.61	\$1,299.55	\$353.44
Parent+Child(ren)	\$744.45	\$765.22	\$769.33	\$209.23
Adult Child Rate	\$246.28	\$253.14	\$254.50	\$69.22
<b><u>HDHP 0.5</u></b>	Rx Coverage with Medical Coverage			
Single	\$401.93	\$410.70	\$412.44	
Member+Spouse	\$803.87	\$821.41	\$824.88	
Family	\$1,004.84	\$1,026.77	\$1,031.11	
Parent+Child(ren)	\$594.86	\$607.84	\$610.41	
Adult Child Rate	\$196.79	\$201.08	\$201.93	
<b><u>HDHP 1.5</u></b>	Rx Coverage with Medical Coverage			
Single	\$596.12	\$609.12	\$611.70	
Member+Spouse	\$1,192.24	\$1,218.25	\$1,223.40	
Family	\$1,490.30	\$1,522.82	\$1,529.26	
Parent+Child(ren)	\$882.25	\$901.50	\$905.32	
Adult Child Rate	\$291.86	\$298.22	\$299.49	



## SHBP Plan Year 2012 Renewal Recommendation

### Exhibit 5B – Active Premiums

#### Plan Year 2012 Annual Active Premiums

	Current Plans			
	NJ DIRECT15	Aetna \$10	Cigna \$10	Rx Card
<b><u>State Rx Card</u></b>				
Single	\$6,604.08	\$6,788.28	\$6,824.76	\$1,838.04
Member+Spouse	\$13,208.16	\$13,576.56	\$13,649.52	\$3,676.08
Family	\$16,510.20	\$16,970.76	\$17,061.96	\$4,595.16
Parent+Child(ren)	\$9,774.00	\$10,046.64	\$10,100.64	\$2,720.28
Adult Child Rate	\$3,233.40	\$3,323.52	\$3,341.40	\$899.88

	New Plans			
	Horizon	Aetna	Cigna	Rx
<b><u>Plan A</u></b>	Medical Coverage Only			
Single	\$6,419.16	\$6,598.20	\$6,633.72	\$1,667.16
Member+Spouse	\$12,838.32	\$13,196.40	\$13,267.32	\$3,334.20
Family	\$16,047.96	\$16,495.56	\$16,584.24	\$4,167.84
Parent+Child(ren)	\$9,500.28	\$9,765.36	\$9,817.80	\$2,467.32
Adult Child Rate	\$3,142.92	\$3,230.52	\$3,247.80	\$816.24
<b><u>Plan B</u></b>	Medical Coverage Only			
Single	\$6,036.12	\$6,204.48	\$6,237.84	\$1,696.56
Member+Spouse	\$12,072.24	\$12,408.96	\$12,475.68	\$3,393.00
Family	\$15,090.36	\$15,511.32	\$15,594.60	\$4,241.28
Parent+Child(ren)	\$8,933.40	\$9,182.64	\$9,231.96	\$2,510.76
Adult Child Rate	\$2,955.36	\$3,037.68	\$3,054.00	\$830.64
<b><u>HDHP 0.5</u></b>	Rx Coverage with Medical Coverage			
Single	\$4,823.16	\$4,928.40	\$4,949.28	
Member+Spouse	\$9,646.44	\$9,856.92	\$9,898.56	
Family	\$12,058.08	\$12,321.24	\$12,373.32	
Parent+Child(ren)	\$7,138.32	\$7,294.08	\$7,324.92	
Adult Child Rate	\$2,361.48	\$2,412.96	\$2,423.16	
<b><u>HDHP 1.5</u></b>	Rx Coverage with Medical Coverage			
Single	\$7,153.44	\$7,309.44	\$7,340.40	
Member+Spouse	\$14,306.88	\$14,619.00	\$14,680.80	
Family	\$17,883.60	\$18,273.84	\$18,351.12	
Parent+Child(ren)	\$10,587.00	\$10,818.00	\$10,863.84	
Adult Child Rate	\$3,502.32	\$3,578.64	\$3,593.88	





## SHBP Plan Year 2012 Renewal Recommendation

### Exhibit 5C –Retiree Premiums (1 of 4)

#### Plan Year 2012 Monthly Retiree Premiums

	Current Plans			
	NJ DIRECT10	NJ DIRECT15	Aetna	CIGNA
<b>Total Premium</b>				
Single - 0 Medicare	\$831.25	\$791.78	\$767.00	\$771.00
Single - 1 Medicare	\$418.49	\$398.61	\$491.00	\$493.47
Mem+Spouse - 0 Medicare	\$1,812.10	\$1,726.08	\$1,671.00	\$1,680.77
Mem+Spouse - 1 Medicare	\$1,249.74	\$1,190.39	\$1,258.00	\$1,264.47
Mem+Spouse - 2 Medicare	\$836.97	\$797.24	\$982.00	\$986.95
Family - 0 Medicare	\$2,061.48	\$1,963.61	\$1,901.00	\$1,912.08
Family - 1 Medicare	\$1,499.12	\$1,427.92	\$1,488.00	\$1,495.77
Family - 2 Medicare	\$1,079.09	\$1,027.86	\$1,205.00	\$1,211.52
Parent+Ch - 0 Medicare	\$1,163.72	\$1,108.50	\$1,073.00	\$1,079.40
Parent+Ch - 1 Medicare	\$662.59	\$631.14	\$720.00	\$723.77
<b>Medical Premium</b>				
Single - 0 Medicare	\$657.52	\$618.05	\$593.24	\$597.24
Single - 1 Medicare	\$189.39	\$169.51	\$233.53	\$236.00
Mem+Spouse - 0 Medicare	\$1,433.37	\$1,347.35	\$1,293.28	\$1,303.05
Mem+Spouse - 1 Medicare	\$846.91	\$787.56	\$826.77	\$833.24
Mem+Spouse - 2 Medicare	\$378.77	\$339.04	\$467.05	\$472.00
Family - 0 Medicare	\$1,630.63	\$1,532.76	\$1,471.25	\$1,482.33
Family - 1 Medicare	\$1,044.17	\$972.97	\$1,004.74	\$1,012.51
Family - 2 Medicare	\$488.34	\$437.11	\$573.28	\$579.80
Parent+Ch - 0 Medicare	\$920.51	\$865.29	\$830.55	\$836.95
Parent+Ch - 1 Medicare	\$299.86	\$268.41	\$342.50	\$346.27
<b>Rx Premium</b>				
Single - 0 Medicare	\$173.73	\$173.73	\$173.76	\$173.76
Single - 1 Medicare	\$229.10	\$229.10	\$257.47	\$257.47
Mem+Spouse - 0 Medicare	\$378.73	\$378.73	\$377.72	\$377.72
Mem+Spouse - 1 Medicare	\$402.83	\$402.83	\$431.23	\$431.23
Mem+Spouse - 2 Medicare	\$458.20	\$458.20	\$514.95	\$514.95
Family - 0 Medicare	\$430.85	\$430.85	\$429.75	\$429.75
Family - 1 Medicare	\$454.95	\$454.95	\$483.26	\$483.26
Family - 2 Medicare	\$590.75	\$590.75	\$631.72	\$631.72
Parent+Ch - 0 Medicare	\$243.21	\$243.21	\$242.45	\$242.45
Parent+Ch - 1 Medicare	\$362.73	\$362.73	\$377.50	\$377.50



## SHBP Plan Year 2012 Renewal Recommendation

### Exhibit 5C –Retiree Premiums (2 of 4)

#### Plan Year 2012 Monthly Retiree Premiums

	Plan A		
	Horizon	Aetna	CIGNA
<b><u>Total Premium</u></b>			
Single - 0 Medicare	\$764.36	\$711.81	\$715.79
Single - 1 Medicare	\$376.10	\$452.03	\$454.43
Mem+Spouse - 0 Medicare	\$1,666.31	\$1,551.75	\$1,560.42
Mem+Spouse - 1 Medicare	\$1,140.46	\$1,163.84	\$1,170.22
Mem+Spouse - 2 Medicare	\$752.21	\$904.07	\$908.86
Family - 0 Medicare	\$1,895.61	\$1,765.28	\$1,775.16
Family - 1 Medicare	\$1,369.76	\$1,377.37	\$1,384.96
Family - 2 Medicare	\$969.81	\$1,109.71	\$1,115.66
Parent+Ch - 0 Medicare	\$1,070.11	\$996.54	\$1,002.11
Parent+Ch - 1 Medicare	\$595.49	\$662.99	\$666.50
<b><u>Medical Premium</u></b>			
Single - 0 Medicare	\$593.53	\$540.98	\$544.96
Single - 1 Medicare	\$150.82	\$226.75	\$229.15
Mem+Spouse - 0 Medicare	\$1,293.90	\$1,179.34	\$1,188.01
Mem+Spouse - 1 Medicare	\$744.35	\$767.73	\$774.11
Mem+Spouse - 2 Medicare	\$301.65	\$453.51	\$458.30
Family - 0 Medicare	\$1,471.95	\$1,341.62	\$1,351.50
Family - 1 Medicare	\$922.40	\$930.01	\$937.60
Family - 2 Medicare	\$388.91	\$528.81	\$534.76
Parent+Ch - 0 Medicare	\$830.96	\$757.39	\$762.96
Parent+Ch - 1 Medicare	\$238.81	\$306.31	\$309.82
<b><u>Rx Premium</u></b>			
Single - 0 Medicare	\$170.83	\$170.83	\$170.83
Single - 1 Medicare	\$225.28	\$225.28	\$225.28
Mem+Spouse - 0 Medicare	\$372.41	\$372.41	\$372.41
Mem+Spouse - 1 Medicare	\$396.11	\$396.11	\$396.11
Mem+Spouse - 2 Medicare	\$450.56	\$450.56	\$450.56
Family - 0 Medicare	\$423.66	\$423.66	\$423.66
Family - 1 Medicare	\$447.36	\$447.36	\$447.36
Family - 2 Medicare	\$580.90	\$580.90	\$580.90
Parent+Ch - 0 Medicare	\$239.15	\$239.15	\$239.15
Parent+Ch - 1 Medicare	\$356.68	\$356.68	\$356.68



## SHBP Plan Year 2012 Renewal Recommendation

### Exhibit 5C –Retiree Premiums (3 of 4)

#### Plan Year 2012 Monthly Retiree Premiums

	Plan B		
	Horizon	Aetna	CIGNA
<b><u>Total Premium</u></b>			
Single - 0 Medicare	\$733.21	\$682.69	\$686.51
Single - 1 Medicare	\$368.67	\$442.69	\$445.04
Mem+Spouse - 0 Medicare	\$1,598.41	\$1,488.27	\$1,496.57
Mem+Spouse - 1 Medicare	\$1,101.89	\$1,125.38	\$1,131.54
Mem+Spouse - 2 Medicare	\$737.37	\$885.40	\$890.09
Family - 0 Medicare	\$1,818.37	\$1,693.06	\$1,702.53
Family - 1 Medicare	\$1,321.85	\$1,330.17	\$1,337.50
Family - 2 Medicare	\$950.66	\$1,086.78	\$1,092.62
Parent+Ch - 0 Medicare	\$1,026.51	\$955.76	\$961.11
Parent+Ch - 1 Medicare	\$583.74	\$649.29	\$652.74
<b><u>Medical Premium</u></b>			
Single - 0 Medicare	\$560.78	\$510.26	\$514.08
Single - 1 Medicare	\$141.28	\$215.30	\$217.65
Mem+Spouse - 0 Medicare	\$1,222.51	\$1,112.37	\$1,120.67
Mem+Spouse - 1 Medicare	\$702.07	\$725.56	\$731.72
Mem+Spouse - 2 Medicare	\$282.59	\$430.62	\$435.31
Family - 0 Medicare	\$1,390.74	\$1,265.43	\$1,274.90
Family - 1 Medicare	\$870.30	\$878.62	\$885.95
Family - 2 Medicare	\$364.32	\$500.44	\$506.28
Parent+Ch - 0 Medicare	\$785.12	\$714.37	\$719.72
Parent+Ch - 1 Medicare	\$223.72	\$289.27	\$292.72
<b><u>Rx Premium</u></b>			
Single - 0 Medicare	\$172.43	\$172.43	\$172.43
Single - 1 Medicare	\$227.39	\$227.39	\$227.39
Mem+Spouse - 0 Medicare	\$375.90	\$375.90	\$375.90
Mem+Spouse - 1 Medicare	\$399.82	\$399.82	\$399.82
Mem+Spouse - 2 Medicare	\$454.78	\$454.78	\$454.78
Family - 0 Medicare	\$427.63	\$427.63	\$427.63
Family - 1 Medicare	\$451.55	\$451.55	\$451.55
Family - 2 Medicare	\$586.34	\$586.34	\$586.34
Parent+Ch - 0 Medicare	\$241.39	\$241.39	\$241.39
Parent+Ch - 1 Medicare	\$360.02	\$360.02	\$360.02



## SHBP Plan Year 2012 Renewal Recommendation

### Exhibit 5C –Retiree Premiums (4 of 4)

#### Plan Year 2012 Monthly Retiree Premiums

	HDHP 0.5		
	Horizon	Aetna	CIGNA
<b><u>Total Premium</u></b>			
Single - 0 Medicare	\$490.26	\$452.20	\$454.73
Mem+Spouse - 0 Medicare	\$1,068.77	\$985.80	\$991.30
Family - 0 Medicare	\$1,215.85	\$1,121.45	\$1,127.72
Parent+Ch - 0 Medicare	\$686.37	\$633.08	\$636.62



## SHBP Plan Year 2012 Renewal Recommendation

### Exhibit 5D –Retiree Premiums (1 of 4)

#### Plan Year 2012 Annual Retiree Premiums

	Current Plans			
	NJ DIRECT10	NJ DIRECT15	Aetna	CIGNA
<b><u>Total Premium</u></b>				
Single - 0 Medicare	\$9,975.00	\$9,501.36	\$9,204.00	\$9,252.00
Single - 1 Medicare	\$5,021.88	\$4,783.32	\$5,892.00	\$5,921.64
Mem+Spouse - 0 Medicare	\$21,745.20	\$20,712.96	\$20,052.00	\$20,169.24
Mem+Spouse - 1 Medicare	\$14,996.88	\$14,284.68	\$15,096.00	\$15,173.64
Mem+Spouse - 2 Medicare	\$10,043.64	\$9,566.88	\$11,784.00	\$11,843.40
Family - 0 Medicare	\$24,737.76	\$23,563.32	\$22,812.00	\$22,944.96
Family - 1 Medicare	\$17,989.44	\$17,135.04	\$17,856.00	\$17,949.24
Family - 2 Medicare	\$12,949.08	\$12,334.32	\$14,460.00	\$14,538.24
Parent+Ch - 0 Medicare	\$13,964.64	\$13,302.00	\$12,876.00	\$12,952.80
Parent+Ch - 1 Medicare	\$7,951.08	\$7,573.68	\$8,640.00	\$8,685.24
<b><u>Medical Premium</u></b>				
Single - 0 Medicare	\$7,890.24	\$7,416.60	\$7,118.88	\$7,166.88
Single - 1 Medicare	\$2,272.68	\$2,034.12	\$2,802.36	\$2,832.00
Mem+Spouse - 0 Medicare	\$17,200.44	\$16,168.20	\$15,519.36	\$15,636.60
Mem+Spouse - 1 Medicare	\$10,162.92	\$9,450.72	\$9,921.24	\$9,998.88
Mem+Spouse - 2 Medicare	\$4,545.24	\$4,068.48	\$5,604.60	\$5,664.00
Family - 0 Medicare	\$19,567.56	\$18,393.12	\$17,655.00	\$17,787.96
Family - 1 Medicare	\$12,530.04	\$11,675.64	\$12,056.88	\$12,150.12
Family - 2 Medicare	\$5,860.08	\$5,245.32	\$6,879.36	\$6,957.60
Parent+Ch - 0 Medicare	\$11,046.12	\$10,383.48	\$9,966.60	\$10,043.40
Parent+Ch - 1 Medicare	\$3,598.32	\$3,220.92	\$4,110.00	\$4,155.24
<b><u>Rx Premium</u></b>				
Single - 0 Medicare	\$2,084.76	\$2,084.76	\$2,085.12	\$2,085.12
Single - 1 Medicare	\$2,749.20	\$2,749.20	\$3,089.64	\$3,089.64
Mem+Spouse - 0 Medicare	\$4,544.76	\$4,544.76	\$4,532.64	\$4,532.64
Mem+Spouse - 1 Medicare	\$4,833.96	\$4,833.96	\$5,174.76	\$5,174.76
Mem+Spouse - 2 Medicare	\$5,498.40	\$5,498.40	\$6,179.40	\$6,179.40
Family - 0 Medicare	\$5,170.20	\$5,170.20	\$5,157.00	\$5,157.00
Family - 1 Medicare	\$5,459.40	\$5,459.40	\$5,799.12	\$5,799.12
Family - 2 Medicare	\$7,089.00	\$7,089.00	\$7,580.64	\$7,580.64
Parent+Ch - 0 Medicare	\$2,918.52	\$2,918.52	\$2,909.40	\$2,909.40
Parent+Ch - 1 Medicare	\$4,352.76	\$4,352.76	\$4,530.00	\$4,530.00



## SHBP Plan Year 2012 Renewal Recommendation

### Exhibit 5D –Retiree Premiums (2 of 4)

#### Plan Year 2012 Annual Retiree Premiums

	Plan A		
	Horizon	Aetna	CIGNA
<b><u>Total Premium</u></b>			
Single - 0 Medicare	\$9,172.32	\$8,541.72	\$8,589.48
Single - 1 Medicare	\$4,513.20	\$5,424.36	\$5,453.16
Mem+Spouse - 0 Medicare	\$19,995.72	\$18,621.00	\$18,725.04
Mem+Spouse - 1 Medicare	\$13,685.52	\$13,966.08	\$14,042.64
Mem+Spouse - 2 Medicare	\$9,026.52	\$10,848.84	\$10,906.32
Family - 0 Medicare	\$22,747.32	\$21,183.36	\$21,301.92
Family - 1 Medicare	\$16,437.12	\$16,528.44	\$16,619.52
Family - 2 Medicare	\$11,637.72	\$13,316.52	\$13,387.92
Parent+Ch - 0 Medicare	\$12,841.32	\$11,958.48	\$12,025.32
Parent+Ch - 1 Medicare	\$7,145.88	\$7,955.88	\$7,998.00
<b><u>Medical Premium</u></b>			
Single - 0 Medicare	\$7,122.36	\$6,491.76	\$6,539.52
Single - 1 Medicare	\$1,809.84	\$2,721.00	\$2,749.80
Mem+Spouse - 0 Medicare	\$15,526.80	\$14,152.08	\$14,256.12
Mem+Spouse - 1 Medicare	\$8,932.20	\$9,212.76	\$9,289.32
Mem+Spouse - 2 Medicare	\$3,619.80	\$5,442.12	\$5,499.60
Family - 0 Medicare	\$17,663.40	\$16,099.44	\$16,218.00
Family - 1 Medicare	\$11,068.80	\$11,160.12	\$11,251.20
Family - 2 Medicare	\$4,666.92	\$6,345.72	\$6,417.12
Parent+Ch - 0 Medicare	\$9,971.52	\$9,088.68	\$9,155.52
Parent+Ch - 1 Medicare	\$2,865.72	\$3,675.72	\$3,717.84
<b><u>Rx Premium</u></b>			
Single - 0 Medicare	\$2,049.96	\$2,049.96	\$2,049.96
Single - 1 Medicare	\$2,703.36	\$2,703.36	\$2,703.36
Mem+Spouse - 0 Medicare	\$4,468.92	\$4,468.92	\$4,468.92
Mem+Spouse - 1 Medicare	\$4,753.32	\$4,753.32	\$4,753.32
Mem+Spouse - 2 Medicare	\$5,406.72	\$5,406.72	\$5,406.72
Family - 0 Medicare	\$5,083.92	\$5,083.92	\$5,083.92
Family - 1 Medicare	\$5,368.32	\$5,368.32	\$5,368.32
Family - 2 Medicare	\$6,970.80	\$6,970.80	\$6,970.80
Parent+Ch - 0 Medicare	\$2,869.80	\$2,869.80	\$2,869.80
Parent+Ch - 1 Medicare	\$4,280.16	\$4,280.16	\$4,280.16



## SHBP Plan Year 2012 Renewal Recommendation

### Exhibit 5D –Retiree Premiums (3 of 4)

#### Plan Year 2012 Annual Retiree Premiums

	Plan B		
	Horizon	Aetna	CIGNA
<b><u>Total Premium</u></b>			
Single - 0 Medicare	\$8,798.52	\$8,192.28	\$8,238.12
Single - 1 Medicare	\$4,424.04	\$5,312.28	\$5,340.48
Mem+Spouse - 0 Medicare	\$19,180.92	\$17,859.24	\$17,958.84
Mem+Spouse - 1 Medicare	\$13,222.68	\$13,504.56	\$13,578.48
Mem+Spouse - 2 Medicare	\$8,848.44	\$10,624.80	\$10,681.08
Family - 0 Medicare	\$21,820.44	\$20,316.72	\$20,430.36
Family - 1 Medicare	\$15,862.20	\$15,962.04	\$16,050.00
Family - 2 Medicare	\$11,407.92	\$13,041.36	\$13,111.44
Parent+Ch - 0 Medicare	\$12,318.12	\$11,469.12	\$11,533.32
Parent+Ch - 1 Medicare	\$7,004.88	\$7,791.48	\$7,832.88
<b><u>Medical Premium</u></b>			
Single - 0 Medicare	\$6,729.36	\$6,123.12	\$6,168.96
Single - 1 Medicare	\$1,695.36	\$2,583.60	\$2,611.80
Mem+Spouse - 0 Medicare	\$14,670.12	\$13,348.44	\$13,448.04
Mem+Spouse - 1 Medicare	\$8,424.84	\$8,706.72	\$8,780.64
Mem+Spouse - 2 Medicare	\$3,391.08	\$5,167.44	\$5,223.72
Family - 0 Medicare	\$16,688.88	\$15,185.16	\$15,298.80
Family - 1 Medicare	\$10,443.60	\$10,543.44	\$10,631.40
Family - 2 Medicare	\$4,371.84	\$6,005.28	\$6,075.36
Parent+Ch - 0 Medicare	\$9,421.44	\$8,572.44	\$8,636.64
Parent+Ch - 1 Medicare	\$2,684.64	\$3,471.24	\$3,512.64
<b><u>Rx Premium</u></b>			
Single - 0 Medicare	\$2,069.16	\$2,069.16	\$2,069.16
Single - 1 Medicare	\$2,728.68	\$2,728.68	\$2,728.68
Mem+Spouse - 0 Medicare	\$4,510.80	\$4,510.80	\$4,510.80
Mem+Spouse - 1 Medicare	\$4,797.84	\$4,797.84	\$4,797.84
Mem+Spouse - 2 Medicare	\$5,457.36	\$5,457.36	\$5,457.36
Family - 0 Medicare	\$5,131.56	\$5,131.56	\$5,131.56
Family - 1 Medicare	\$5,418.60	\$5,418.60	\$5,418.60
Family - 2 Medicare	\$7,036.08	\$7,036.08	\$7,036.08
Parent+Ch - 0 Medicare	\$2,896.68	\$2,896.68	\$2,896.68
Parent+Ch - 1 Medicare	\$4,320.24	\$4,320.24	\$4,320.24



## SHBP Plan Year 2012 Renewal Recommendation

### Exhibit 5D –Retiree Premiums (4 of 4)

#### Plan Year 2012 Annual Retiree Premiums

	HDHP 0.5		
	Horizon	Aetna	CIGNA
<b><u>Total Premium</u></b>			
Single - 0 Medicare	\$5,883.12	\$5,426.40	\$5,456.76
Mem+Spouse - 0 Medicare	\$12,825.24	\$11,829.60	\$11,895.60
Family - 0 Medicare	\$14,590.20	\$13,457.40	\$13,532.64
Parent+Ch - 0 Medicare	\$8,236.44	\$7,596.96	\$7,639.44





## SHBP Plan Year 2012 Renewal Recommendation

### Exhibit 6 – Projection Assumptions

#### **Benefit Design Changes**

Medical Plans: The following current benefit plans will be offered: NJ DIRECT10, NJ DIRECT15, and two HMO plans. New benefit options to be offered in Plan Year 2012 are reflected in Exhibit 7.

Employee Prescription Drug Plan: Active employees will continue with the Employee Prescription Drug Plan.

Retiree Prescription Drug Plans: Retiree copays and out-of-pocket maximums will be frozen at Plan Year 2011 levels, except that the Mail Generic Copay for both NJ DIRECT and HMOs will be reduced to \$5:

	<b>NJ Direct Copays</b>		<b>HMO Copays</b>	
	2011	2012	2011	2012
Retail Generic Copay	\$10	\$10	\$6	\$6
Retail Preferred Brand Copay	\$22	\$22	\$12	\$12
Retail Non-Preferred Brand Copay	\$44	\$44	\$24	\$24
Mail Generic Copay	\$11	\$5	\$6	\$5
Mail Preferred Brand Copay	\$33	\$33	\$18	\$18
Mail Non-Preferred Brand Copay	\$55	\$55	\$30	\$30
Out-of-Pocket Maximum	\$1,351	\$1,351	\$1,351	\$1,351

The method for integrating with Medicare Part D will change from RDS to EGWP Plus Wrap.



Mandated Benefits: Plan Year 2011 projected medical claim costs were increased 0.5% to reflect the impact of no lifetime maximum.

**Vendor Changes**

Effective 1/1/2011, Mental Health claims under the NJ DIRECT plan changed from a fully-capitated program to a self-insured program.

**Incurred Basis**

Plan Year 2012 aggregate projected costs reflect incurred costs for claims and expenses.

**Margin**

Projected State Plan premiums will include NO margin, since this is a self-insured plan and any shortfall in premium is paid by the State and any gain reverts to the State.

**Administrative Expenses**

Plan Year 2012 premiums will include projected costs for the following administrative expenses:

- ASO fees for each vendor, and
- Overhead charges, which are the State of New Jersey administrative costs charged against the plans. The aggregate projected SHBP charge for the State Group is \$4.0 million.



### **Claim Costs**

Plan Year 2012 claim costs will include projected charges/credits for the following claim expenses:

- Medical and prescription drug claims,
- Capitation charges,
- \$25 million for Early Retiree Reinsurance Program credits,
- \$65 million for prescription drug rebates, and
- . \$22 million reduction in Retiree prescription drug costs to reflect the impact of EGWP Plus Wrap.

### **Enrollment Projections**

Exhibit 1A reflects historical enrollment patterns among the benefit offerings from January 2009 through May 2011 and includes Aon Hewitt's projection of enrollment from June 2011 through December 2012. Aon Hewitt's Plan Year 2012 enrollment projections assume that Active enrollment will decrease 3,000, Early Retiree enrollment will increase 1,200 and Medicare enrollment will increase 1,800.

### **Health Status Change**

We are assuming no change to average health status, since total enrollment is not expected to change in Plan Year 2012. The Retiree Wellness program is



expected to have a positive effect on future claim costs, but it currently affects a very small subset of the overall retiree group.

### **Large Claims**

Plan Year 2010 large claim experience is detailed in Exhibit 3. Claims over \$50,000 were pooled over the entire State Group. The impact of this adjustment was a 7.0% increase for NJ DIRECT10, a 0.4% increase for NJ DIRECT15, a 3.0% decrease for Aetna and a 5.0% decrease for Cigna.

### **Trend Rates**

Exhibit 2A presents SHBP medical trend experience and Aon Hewitt's trend assumptions for Plan Year 2012. Exhibit 2B presents prescription drug trend experience and assumptions. These experience trends are based on claim trends in Plan Years 2009 and 2010, normalized for benefit and vendor changes. Exhibits 2A and 2B include the following columns:

Increase in Claims/Ee – This is the actual increase in claims per subscriber from the prior period.

Benefit + RFP Changes – This shows the impact of benefit changes and adjusts for savings that resulted from vendor changes.

Claim Trend – This is the increase in claim cost that would have occurred if there had been no change in benefits or vendors. It is the basis for determining future SHBP claims increases, since we make separate adjustments to trend for benefit and vendor changes. Claim trend is



calculated by subtracting the value of benefit changes from the actual increase in claims per subscriber.

The claim trends that we are recommending for the Plan Year 2012 renewal are:

	Medical	Prescription Drugs
NJ DIRECT Employee	8.0%	NA
NJ DIRECT Early Retiree	10.5%	10.5%
NJ DIRECT Medicare Retiree	5.0%	10.5%
Aetna HMO*	8.0%	10.5%
CIGNA HMO	8.0%	10.5%
Employee Prescription Drug Card	NA	10.0%

\*Aetna Medicare Retiree Medical Premiums will increase 7.9% in Plan Year 2012.

These recommended claim trends are included in Exhibits 2A and 2B, labeled "Aon Hewitt Trend Assumption".

### **Data Assumptions**

Claims: For medical and prescription drug claims, we are using claim files from each of the vendors which have claims paid through March 31, 2011.

Enrollment: We receive monthly census files from the Division of Pensions and Benefits and we are using this information to match against the claims tapes to determine enrollments for Active versus Retiree and State versus Local Employers. We have billing counts from the Division of Pensions and Benefits through May 2011, which we use for the exposure units in our cost analysis.



## SHBP PLAN YEAR 2012 RENEWAL RECOMMENDATIONS

### EXHIBIT 7A – EMPLOYEE PLAN OPTION SUMMARY

	Current	Plan A Medical	Plan B Medical	HDHP 0.5	HDHP 1.5
<b>Medical Cost Sharing</b>					
Primary Care Copays	\$15	\$15	\$20	NA	NA
Specialist Care Copays	\$15	\$25	\$30 for adults/ \$20 children	NA	NA
Emergency Room Copay	\$50	\$75	\$125	NA	NA
In-Network Deductible**	NA	NA	NA	\$4,000	\$1,500
In-Network Coinsurance	10% on ambulance, prosthetic devices, outpatient MHSA, DME	10% on ambulance, prosthetic devices, outpatient MHSA, DME	10% on ambulance, prosthetic devices, outpatient MHSA, DME	20% on all in- network charges	20% on all in- network charges
In-Network OOP Maximum**	\$400	\$400	\$800	\$1,000	\$1,000
OON* Deductible **	\$100	\$100	\$200	combined with in-net ded	combined with in-net ded
OON* Coinsurance**	30%	30%	30%	40%	40%
OON* OOP maximum**	\$2,000	\$2,000	\$5,000	\$2,000	\$2,000
OON* Inpatient Hospital Deductible	\$200 per stay	\$200 per stay	\$500 per stay	NA	NA
Employer HSA Funding	NA	NA	NA	\$0	\$300
<b>Prescription Drug Copays</b>					
Retail Copayments	Tier 1	\$3	\$7	\$3	subject to deductible and coinsurance
Retail Copayments	Tier 2	\$10	\$16	\$18	
Retail Copayments	Tier 3	\$25	\$35	\$46	
Mail Copayments	Tier 1	\$5	\$18	\$5	
Mail Copayments	Tier 2	\$15	\$40	\$36	
Mail Copayments	Tier 3	\$40	\$88	\$92	
OOP Maximum		none	none	none	

\*HMO plans do not have OON benefits

\*\*Maximum Family amounts are 2.5 x per member amounts listed in table.



## SHBP PLAN YEAR 2012 RENEWAL RECOMMENDATIONS

### EXHIBIT 7B – RETIREE PLAN OPTION SUMMARY

	Cur \$10 copay	Cur \$15 copay	Plan A Medical	Plan B Medical	HDHP 0.5
<b>Medical Cost Sharing</b>					
Primary Care Copays	\$10	\$15	\$15	\$20	NA
Specialist Care Copays	\$10	\$15	\$25	\$30 for adults/ \$20 children	NA
Emergency Room Copay	\$25 PPO, \$35 HMO	\$50	\$75	\$125	NA
In-Network Deductible**	NA	NA	NA	NA	\$4,000
In-Network Coinsurance	10% on ambulance, prosthetic devices, outpatient MHSA, DME	10% on ambulance, prosthetic devices, outpatient MHSA, DME	10% on ambulance, prosthetic devices, outpatient MHSA, DME	10% on ambulance, prosthetic devices, outpatient MHSA, DME	20% on all in- network charges
In-Network OOP Maximum**	\$400	\$400	\$400	\$800	\$1,000
OON* Deductible **	\$100	\$100	\$100	\$200	combined with in- net ded
OON* Coinsurance**	20%	30%	30%	30%	40%
OON* OOP maximum**	\$2,000	\$2,000	\$2,000	\$5,000	\$2,000
OON* Inpatient Hospital Deductible	\$200 per stay	\$200 per stay	\$200 per stay	\$500 per stay	NA
Employer HSA Funding	NA	NA	NA	NA	\$0

<b>Prescription Drug Copays</b>		NJ DIR	HMOs	NJ DIR	HMOs	NJ DIR and HMOs	NJ DIR and HMOs	subject to deductible and coinsurance
Retail Copayments	Tier 1	\$10	\$6	\$10	\$6	\$7	\$3	
Retail Copayments	Tier 2	\$22	\$12	\$22	\$12	\$16	\$18	
Retail Copayments	Tier 3	\$44	\$24	\$44	\$24	\$35	\$46	
Mail Copayments	Tier 1	\$5	\$5	\$5	\$5	\$5	\$5	
Mail Copayments	Tier 2	\$33	\$18	\$33	\$18	\$40	\$36	
Mail Copayments	Tier 3	\$55	\$30	\$55	\$30	\$88	\$92	
OOP Maximum		\$1,351	\$1,351	\$1,351	\$1,351	none	none	

\*HMO plans do not have OON benefits

\*\*Maximum Family amounts are 2.5 x per member amounts listed in table.



**SHBP PLAN YEAR 2012 Renewal Recommendations**  
**Exhibit 8 – Other Possible Benefit Changes for Consideration by**  
**the Plan Design Committee**

Each of these possible benefit changes would reduce projected costs a minimum of 1%. While many of these possible benefit changes are addressed to some degree by the new benefit options summarized in Exhibit 7, the bulk of the SHBP enrollment for the near future is likely to remain in NJ DIRECT15 and the \$15 copay HMOs. Therefore, these suggestions are still appropriate for what is anticipated to be the majority of SHBP enrollment for the near future.

- Increase Emergency Room Copays to \$125 – The current ER copays of \$25 to \$50 are ineffective as disincentives for inappropriate use of hospital emergency rooms, thereby unnecessarily raising Plan costs. Most employer health benefit plans have Emergency Room copays of \$100 to \$125.
- Increase the physician office-visit copays for all plans (Horizon and HMOs) by at least \$5. SHBP physician office-visit copays have not changed in several years, remain low by industry standards (\$20 to \$25 are more common), and should be increased to a more reasonable and competitive level.
- Implement a two-tier physician copay structure, for primary-care physicians and specialists. The specialist copay should be \$10 to \$15 greater than the primary-care physician copay. A common approach, this would more accurately reflect consistent cost-sharing between primary and specialist care.





- Increase the NJ Direct Out-Of-Pocket (OOP) Maximums, In-Network from \$400 to \$800 and Out-Of-Network from \$2,000 to \$5,000. When SHBP members reach their OOP maximum, their demand for services increases significantly. Additionally, the higher Out-Of-Network, OOP maximum would encourage greater In-Network utilization, which reduces total plan costs (since In-Network discounts reduce total costs by more than 50%).
- Increase the Employee Prescription Drug copays to match Retiree copays – Employee copays are much lower than Retiree copays (\$3/\$10/\$25 for Retail compared to \$10/\$22/\$44 for Retiree retail). The low copays do not incent employees to utilize generic drugs, which are generally significantly lower in cost than brand drugs. Additionally:
  - Increase mail-service copays to a level 2.5 times that of retail, resulting in mail-service copays of \$25/\$55/\$110;
  - Eliminate the current OOP Maximum for prescription drugs, and
  - Institute Mandatory Generic Prescription Drug coverage, whereby the employee is required to pay the difference in cost between a Brand and Generic prescription, unless the physician requires the Brand drug. The average Generic prescription is approximately 20% of the cost of a Brand prescription.
- Increase the Out-Of-Network, In-Patient Hospital Deductible from the current \$200 to \$500. Similar to the suggestion above for the NJ DIRECT Out-of-



Network OOP maximum, this encourages greater use of In-Network hospitals, which reduces plan costs.

- Index, on an annual basis, all copays and OOP maximums to the increase in year-over-year plan costs, similar to the process currently in effect for Retiree Rx copays and OOP maximums. This will maintain a proper balance in the employees'/retirees' share of the plan costs over the years.
- Decrease the Out-Of-Network determination of Reasonable and Customary from the 90th to the 80th percentile of charges, or a similar type of adjustment.
- Impose a limit of 30 visits annually for Physical Therapy, Occupational Therapy, and Speech Therapy. There currently is no limit on the frequency of these types of services.
- Develop a comprehensive Wellness Program for the Active Employee population, with related Health Risk Assessments, weight/exercise/nutrition programs, smoking cessation, stress management, and other programs, with financial incentives for employee participation. Research has demonstrated that typically two-thirds of a health benefits plan's costs are produced by one-third of the population who have either lifestyle risks (e.g., smoking, obesity, and lack of exercise) or chronic health conditions (e.g., diabetes, heart disease, and back pain). These same chronic conditions are among the top ten conditions driving costs related to absenteeism and disability. A wellness



program that provides financial incentives for employees to modify behaviors would improve the underlying risk driving the health care costs of the SHBP.

- Carve Out Mental Health/Substance Abuse (MH/SA) – Similar to the carve out of prescription drugs to Medco in 2010 – which reduced Plan Year 2010 Rx costs by approximately 8% -- Aon Hewitt believes that consolidating the behavioral care component of the SHBP would reduce plan costs and provide for more uniform treatment of behavioral care conditions throughout the program.