



# **New Jersey State Health Benefits Program**



**Joint Committee on Public Employee Benefits Reform**

**September 13, 2006**



# NJ State Health Benefits Program (SHBP)

- n 804,000 Covered Lives (Employees/Retirees and Dependents)
  - α 7 Health Plans
  - α 11 Dental Plans
  - α Rx Plan
    - n Active Group
    - n Retired Group
- n \$3.6 Billion Program



# NJ SHBP

- n State and Local Employer Groups
  - q State (including colleges and universities)
  - q Local Education
  - q Local Government



# NJ SHBP

## n State Contracts

### α Active Group

n 115,000 Medical & Rx

n 104,000 Dental

### α Retired Group

n 34,000 Medical & Rx

n 9,900 Dental (retiree pay)



# NJ SHBP

- n Local Education & Local Government Contracts
  - 934 Participating Employers
    - ✕ Active Group
      - n 127,000 Medical
      - n 34,900 Rx
      - n 1,100 Dental
    - ✕ Retired Group
      - n 88,000 Medical
      - n 28,000 Dental (retiree pay)



# NJ SHBP

- n Medical Plan Offerings (Active & Retired)
  - ⌘ Traditional (Indemnity) – 128,000 total contracts
  - ⌘ NJ PLUS (POS) – 160,500 contracts
  - ⌘ HMOs – 76,000 Contracts
    - Aetna Health
    - Cigna HealthCare
    - Oxford
    - AmeriHealth
    - Health Net



# NJ SHBP

## n Rx Coverage

### α Active Member Co-Pay

- n 2 tier co-pay ( \$3 generic, \$10 name brand)

- n Retail Pharmacy – 30 day supply

- n Mail Order – 90 day supply

### α Retired-Member Co-Pay

- n 3 tier co-pay (generic, preferred name brand, other)

- n Retail Pharmacy – 30 day supply

- n Mail Order – 90 day supply



# NJ SHBP

n Active Employee  
Dental Coverage

Dental Expense Plan  
(Indemnity)

10 Dental Plan  
Organizations (DPO)

BeneCare	Community Dental
CIGNA Dental	Group Dental Health
HealthPlex	Fortis Benefits Dental Care
Flagship Dental	Dental Group of NJ
Horizon Dental	Aetna DMO



# Program Management

- n Division of Pensions and Benefits
  - ⌘ Overall Plan Administration
  - ⌘ Self-Funded Medical and Rx
- n State Health Benefits Commission
  - ⌘ Periodic Health Plan Bidding
    - n Every 5 years
    - n Pay no Commissions to Insurance Agents, Brokers or Consultants
    - n Uniform Bidding (State and Local rated separately)



# SHBP Participation (Contracts)

	<u>2004</u>	<u>2005</u>	<u>2006</u>
<b>n Medical</b> (Employee/Retiree)	359,000	363,000	364,000
<b>n Rx</b> (Employee only)	148,000	151,000	150,000
<b>n Dental Plans</b> (Employee/Retiree)	99,000	135,000	143,000



# State Active Employee Costs

(\$ in Millions)


	<u>FY 04</u>	<u>FY 05</u>	<u>FY 06</u>	<u>FY 07</u>
Health Benefits	\$661	\$755	\$725	\$734
Rx	221	229	270	190
State Employee Dental Plan	30	22	36	38
<b>Totals</b>	<b>\$912</b>	<b>\$1,006</b>	<b>\$1,031</b>	<b>\$962</b>



# State Funded Retiree Costs

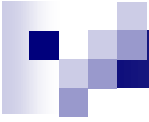
(\$ in Millions)

	<b>FY04</b>	<b>FY05</b>	<b>FY06</b>	<b>FY07</b>
n TPAF	\$425	\$495	\$555	\$629
n PERS (State)	169	191	211	227
n Chapter 126 BOE (Non TPAF School Board)	66	79	89	105
n Chapter 126 (County Colleges)	8	10	11	14
n Chapter 330 (PFRS)	16	18	20	21
n Other (State) (PFRS, State Police, ABP)	58	68	75	86
<b>TOTALS</b>	<b>\$742</b>	<b>\$861</b>	<b>\$961</b>	<b>\$1,082</b>

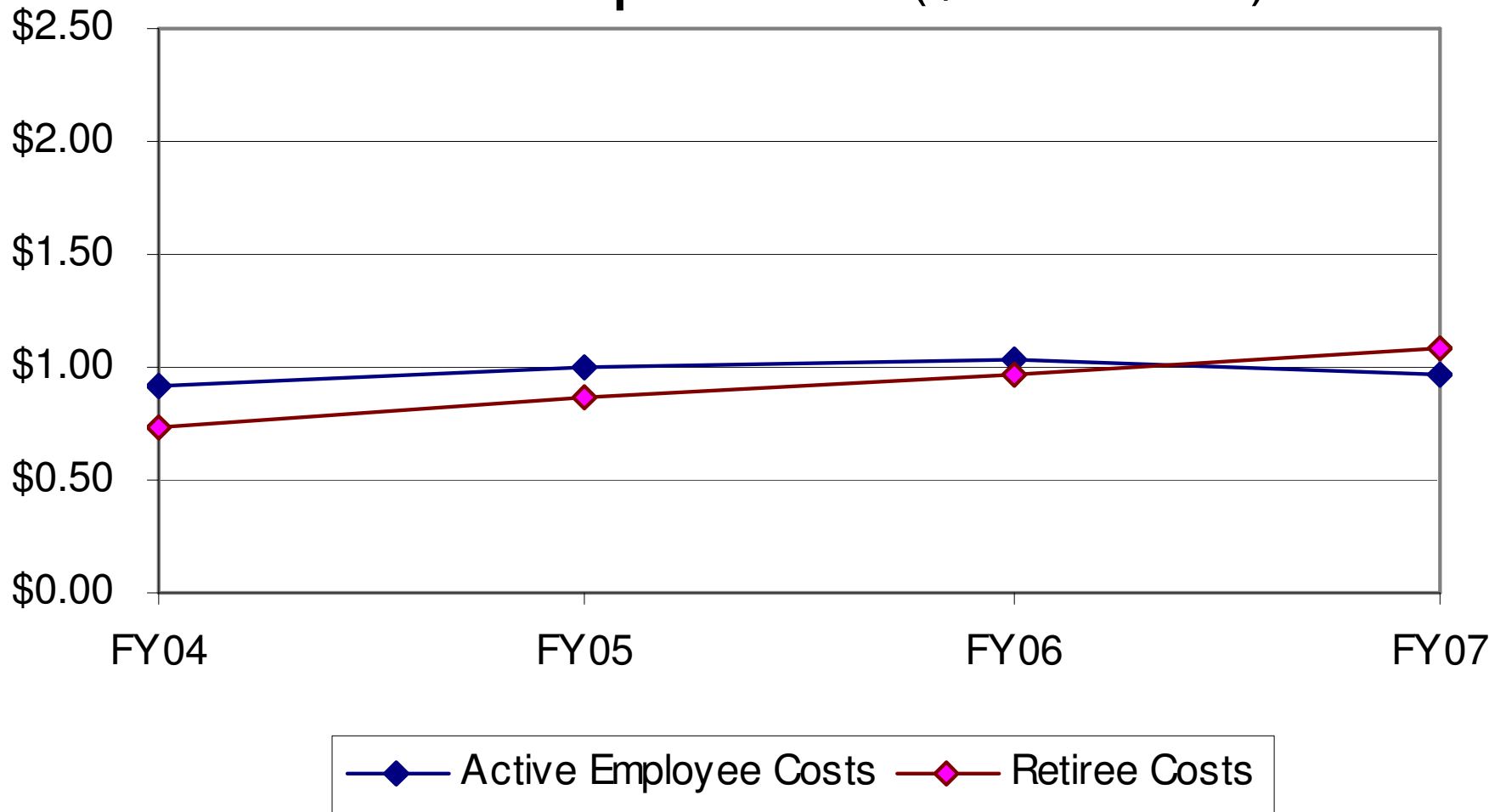


# Active Employee and Retiree Costs Comparison (\$ in Millions)

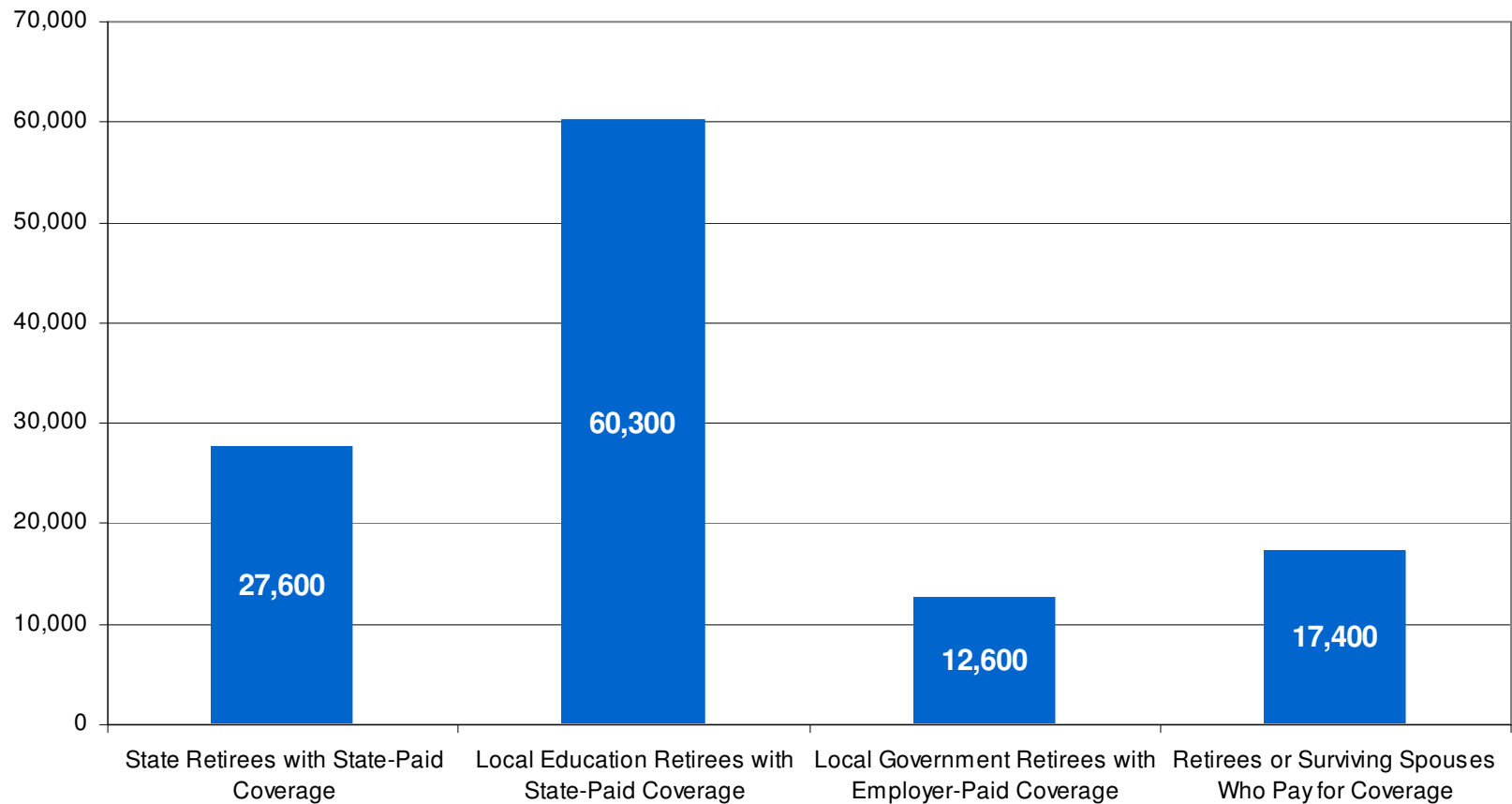
	<b>FY04</b>	<b>FY05</b>	<b>FY06</b>	<b>FY07</b>
<b>n Active Employee Costs</b>	\$ 913	\$1,006	\$1,031	\$ 962
<b>n Retiree Costs</b>	\$ 742	\$ 860	\$ 961	\$1,081



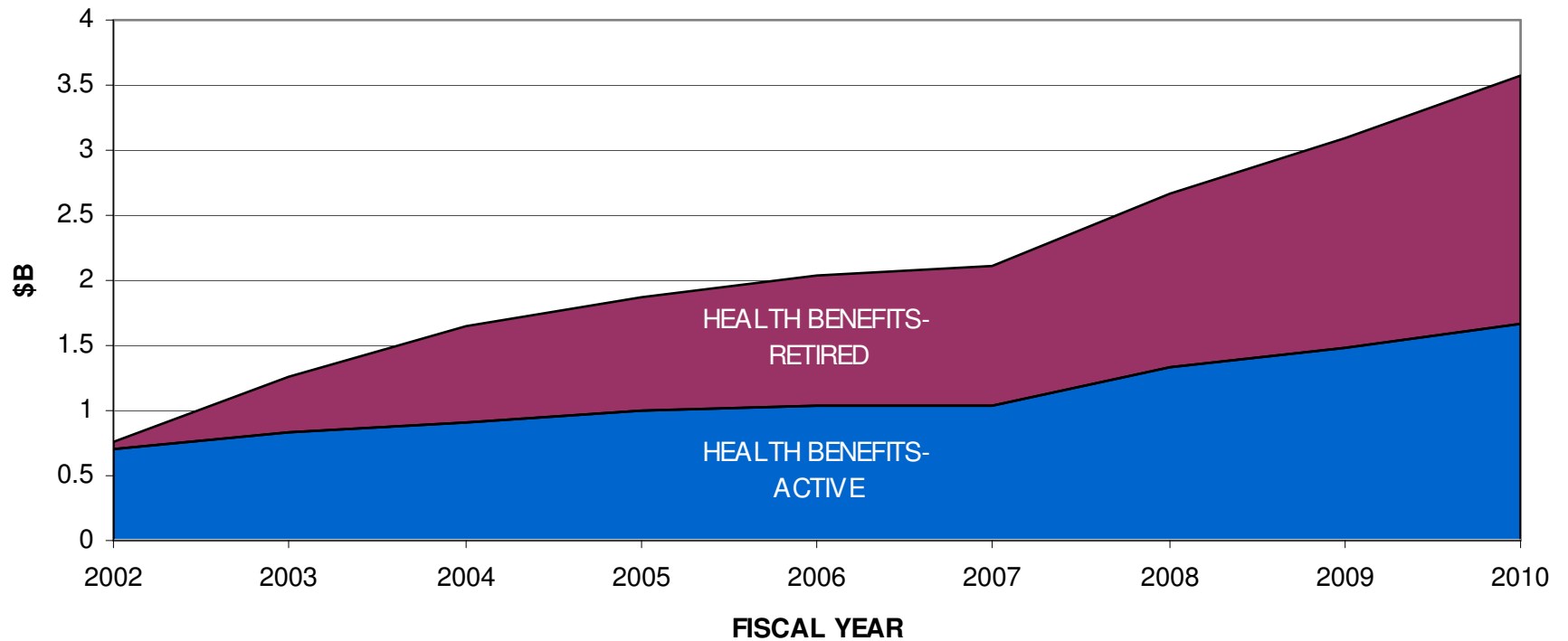
# Active Employee and Retiree Costs Comparison (\$ in Billions)




# Who Pays for Retiree Medical Coverage in the SHBP?



# State Spending for the SHBP (\$ in Billions)





# Rate Structure Example (monthly)

## NJ PLUS Coverage/Active

		<u>FY 04</u>	<u>FY 05</u>	<u>FY 06</u>	<u>FY 07</u>
State	Single	\$286	\$294	\$322	\$346
	Family	742	765	835	899
Muni's	Single	302	324	354	377
	Family	784	839	918	976
BOE	Single	275	291	309	325
	Family	712	754	802	842



# Cost Drivers

- n Utilization
- n Improvements in Technology
- n Medical Price Inflation – Medical Malpractice
- n Availability and Use of More Expensive Drug Therapy
- n Changes in the Mix of Medical Services



# Cost Drivers

- n Increased Enrollments
  - ⌘ Individuals and Groups
- n Aging Population
  - ⌘ Baby Boomer Effect
  - ⌘ Growing Retiree Population
- n Mandated Benefits
  - ⌘ 101 HB Bills Currently Pending
- n Plan Design
  - ⌘ Cost Sharing Arrangements
  - ⌘ Low Deductibles/Co-pays



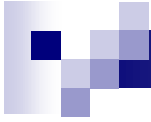
# Ways SHBP Manages Health Care Costs

- n Periodic Health Plan Bidding
- n Large Group Purchasing Power
- n Negotiate Performance Standards in all Contracts
- n Auditing of Health Plans
- n Review Utilization and Develop Disease Management Programs
- n Improved Communication Materials



# Putting on the Brakes

- n Plan Modification Proposals
- n SHBP Study
  - ⌘ Plan Design/Alternatives
  - ⌘ Competitiveness
  - ⌘ Funding/Financial Soundness
  - ⌘ Actuarial Support
  - ⌘ Provisions for Local Employers
- n Purchasing
  - ⌘ SHBP Commission Authority
  - ⌘ Negotiated Pricing



# **Benefits Review Task Force Recommendations**



# Task Force Recommendations

- n All employees and retirees should be required to contribute towards the cost of health insurance coverage
  - ⌘ Cost have risen by 150% over the past five years and will double by 2010
  - ⌘ Majority of taxpaying public is required to make contributions towards their health care
  - ⌘ At 5%, State and Local Savings exceed \$348M
  - ⌘ At 10%, savings exceed \$489M



# End Traditional Plan and Offer a PPO

- n Indemnity plans typically are no longer offered
- n PPOs far more prevalent than plans such as NJ PLUS
- n Annual savings if Traditional and NJ PLUS are replaced with a PPO
  - n State           \$40M
  - n Local           \$64M



# Reduce Rx Costs

- n Contract directly with a PBM
  - α Currently through health plans
  - α Estimated savings of \$27M - \$45M
- n Encourage generic drug utilization
- n Require mandatory mail-order
  - α At State and Local level, more than 55% of drug spending is for maintenance drugs; less than 15% is mail order
- n Generic & Mail-Order will save an estimated \$35M



# SHBP Program

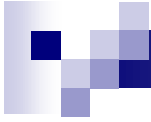
n Apply State negotiated changes in health benefits to local employers; return the SHBP to UNIFORMITY

- ⌘ Local Savings/Medical \$25M
- ⌘ State PRM Savings \$ 5M
- ⌘ Local Savings/Rx \$13M



# Short-Term Gains

- n End Dual Health Coverage within SHBP
  - ✧ Cannot implement State limits without imposing on a system-wide basis
  - ✧ Potential Savings
    - n Coordination of Benefits \$15M
    - n Administrative Expenses \$ 3M



**Questions ??????**