

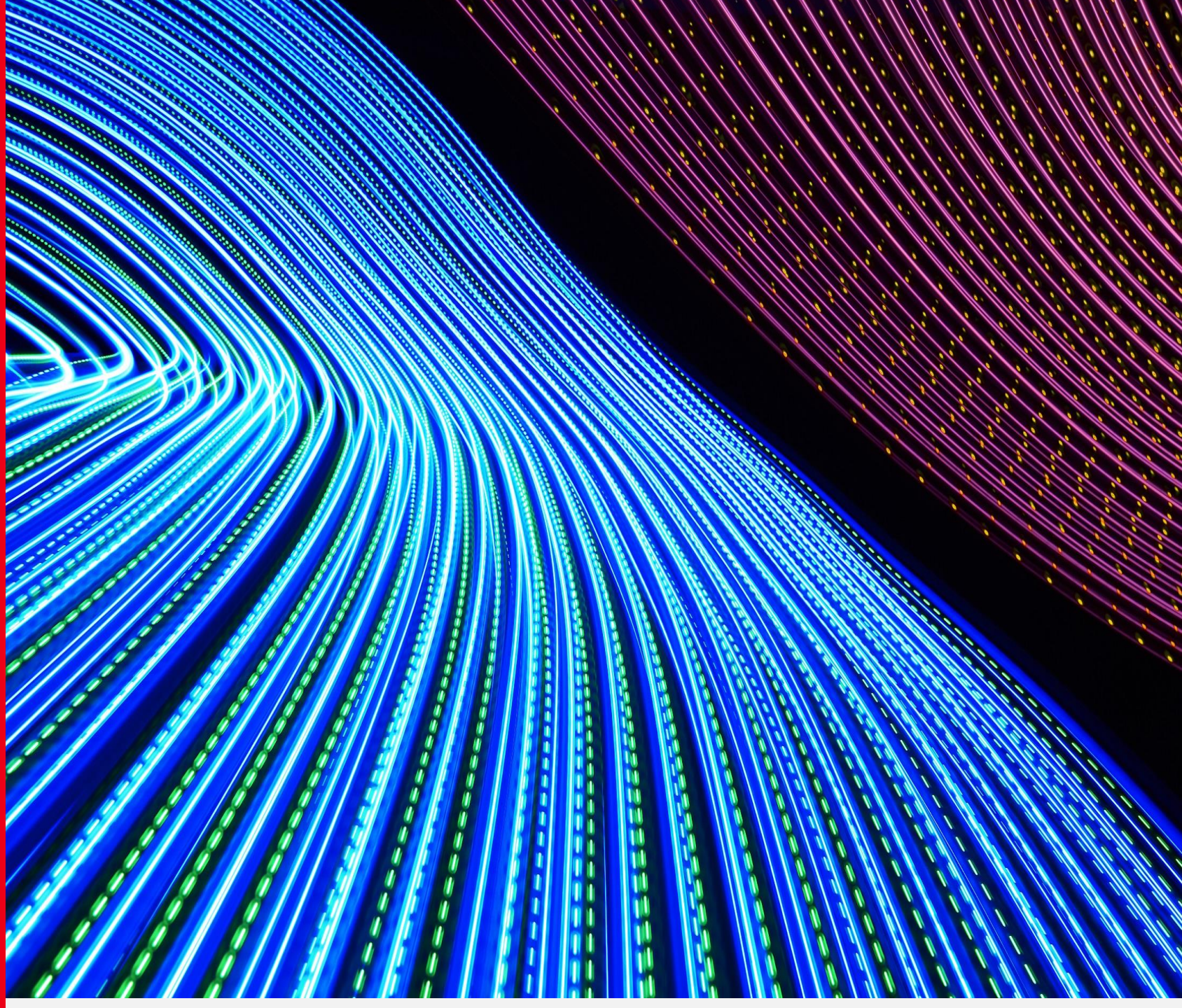


2023 SHBP Rate Setting Analysis

State of New Jersey

Rates as presented to the Commission
on July 13, 2022

August 11, 2022



Overview of Rate Setting Environment

Utilization/Covid-19

- There was significant deferral of care during 2020
- 2021 Projection assumed an 8-10% claims increase to account for bounce back
- Actual bounce back may have been higher – 2021 utilization of some services up 20%-30% over 2020

Inflation

- Current inflationary environment suggests an increase in trend assumptions for 2023 claims as cost increases make their way into medical billing schedules

Anticipated Program Savings

- Both 2021 and 2022 projections assumed savings from navigation and other point solution programs
- Available savings from these programs is now assumed to be in 2021 claims experience and future savings assumptions have been mostly removed due to lack of support in current experience

Overview of SHBP Recommended Premium Rate Impact

Plan Year 2023 Rate Impact Recommendations

Plan Year 2023 Premium Rate Changes	Actives			Early Retirees			Medicare Retirees		
	Medical	Rx	Total	Medical	Rx	Total	Medical	Rx	Total
Local Government									
PPO / NJDIRECT / HDHP	24.0%	3.8%	21.6%	16.6%	(5.7%)	13.0%	N/A	N/A	N/A
HMO	24.1%	1.9%	21.0%	16.6%	(5.7%)	12.6%	N/A	N/A	N/A
Tiered Network	24.2%	3.4%	20.9%	16.6%	(5.7%)	12.6%	N/A	N/A	N/A
Total	24.0%	3.7%	21.6%	16.6%	(5.7%)	13.0%	(7.9%)	7.8%	0.7%
State									
PPO / HDHP	21.4%	4.6%	18.7%	15.9%	(2.8%)	12.7%	N/A	N/A	N/A
HMO	21.4%	4.6%	18.6%	15.9%	(2.8%)	12.4%	N/A	N/A	N/A
Tiered Network	22.3%	2.0%	18.6%	15.9%	(2.8%)	12.4%	N/A	N/A	N/A
CWA Unity / NJDIRECT	22.9%	8.4%	20.7%	15.9%	(2.8%)	12.7%	N/A	N/A	N/A
Total	22.5%	7.0%	20.0%	15.9%	(2.8%)	12.7%	(11.1%)	1.7%	(2.9%)

- 2023 Active, Early Retiree, and Medicare Retiree pricing is projected with Medical and Prescription Drug claims incurred from January 1, 2021 through December 31, 2021 with runout through March 31, 2022 (adjusted for impact of COVID-19)
- Medicare Retiree Medicare Advantage Rate increase reflects fully insured rates from Aetna provided on June 17, 2022
- Active and Retiree premiums include a 2.0% margin, since the projected total Claim Stabilization Reserve for the Local Government Group is expected to be below the recommended level of 2.0 months at the end of Plan Year 2023

Local Government Active Premium Increase Drivers

Local Government Active premiums are projected to increase **21.6%** in total for 2023. This is primarily a result of the following:

- **8.1%** - Actual 2021 claims experience was higher compared to expected 2021 claims:
 - While significant increases to member utilization in 2021 were anticipated because of COVID-19's impact on 2020, actual utilization appears to be even higher, with utilization trends of 26.5% for Outpatient visits, 18.2% for Professional visits, 16.4% for Specialist visits, 17.0% for Emergency Room and 38.0% for Urgent Care
 - The 2022 rate setting analysis included estimated vendor reported savings in 2021 for Horizon's Navigation Advocacy program as well as third-party vendor point solutions; savings for these programs are now assumed to be in the underlying 2021 claims experience
 - Actual 2021 prescription drug claims experience trend was 3.7%, lower than expected
- **3.5%** - The 2022 rate setting analysis included an additional 3.0% medical claims savings in Plan Year 2022 as well as additional projected savings for the third-party vendor point solutions; The savings attributable to these programs have been mostly removed in the updated projections
- **7.6%** - Annual medical and Rx trend projection assumptions have increased from the prior renewal analysis as a result of economic wide inflationary pressures on medical trends, expected increases in specialty drug trend costs and utilization, and an additional year of trend to 2023
- **-1.5%** - Impact of increases in projected rebates
- **0.5%** - Impact of other changes including changes in plan migration assumptions, and changes in administrative fees
- **2.0%** - Additional 2023 premium margin

State Active Premium Increase Drivers

State Active premiums are projected to increase **20.0%** in total for 2023. This is primarily a result of the following:

- **8.7%** - Actual 2021 claims experience was higher compared to expected 2021 claims:
 - While significant increases to member utilization in 2021 were anticipated because of COVID-19's impact on 2020, actual utilization appears to be even higher, with utilization trends of 36.2% for Outpatient visits, 22.5% for Professional visits, 21.4% for Specialist visits, 13.0% for Emergency Room and 44.0% for Urgent Care
 - The 2022 rate setting analysis included estimated vendor reported savings in 2021 for Horizon's Navigation Advocacy program as well as third-party vendor point solutions; savings for these programs are now assumed to be in the underlying 2021 claims experience
 - Actual 2021 prescription drug claims experience trend was 6.4%, higher than expected, driven by high utilization surrounding inflammatory conditions (17.6% trend), diabetes (9.8% trend), and oncology (12.3% trend)
- **3.6%** - The 2022 rate setting analysis included an additional 3.0% medical claims savings in Plan Year 2022 as well as additional projected savings for the third-party vendor point solutions; The savings attributable to these programs have been mostly removed in the updated projections
- **7.7%** - Annual medical and Rx trend projection assumptions have increased from the prior renewal analysis as a result of economic wide inflationary pressures on medical trends, expected increases in specialty drug trend costs and utilization, and an additional year of trend to 2023
- **-2.1%** - Impact of increases in projected rebates
- **1.1%** - Impact of other changes in plan migration assumptions, and changes in administrative fees

*Impacts are multiplicative, not additive

SHBP Cost & Utilization Trends by Service Category

COMBINED NJ DIRECT, HMO, OMNIA PMPM TRENDS BY SEGMENT 2020 PLACE OF SERVICE TRENDS 2021 PLACE OF SERVICE TRENDS

Hospital Inpatient

	Cost	Utilization	Trend	Cost	Utilization	Trend
State Actives	11.2%	-6.9%	3.5%	9.1%	-5.2%	3.5%
State Early Retirees	8.5%	-6.5%	1.4%	14.7%	-7.3%	6.4%
Local Government Actives	8.5%	-4.0%	4.2%	13.9%	-5.1%	8.1%
Local Government Early Retirees	12.0%	-10.7%	0.0%	14.4%	-7.4%	6.0%

Hospital Outpatient

	Cost	Utilization	Trend	Cost	Utilization	Trend
State Actives	3.9%	-15.7%	-12.5%	-5.1%	22.9%	16.6%
State Early Retirees	1.2%	-11.7%	-10.7%	-3.6%	16.9%	12.7%
Local Government Actives	0.1%	-13.7%	-13.7%	0.8%	21.1%	22.1%
Local Government Early Retirees	3.0%	-12.9%	-10.2%	-2.6%	18.6%	15.5%
ASO/Insured Book of Business	5.8%	-11.4%	-6.3%	-6.4%	30.6%	22.2%

Professional

	Cost	Utilization	Trend	Cost	Utilization	Trend
State Actives	-0.5%	-11.0%	-11.4%	-6.8%	24.4%	15.9%
State Early Retirees	3.0%	-12.6%	-10.0%	-1.6%	16.1%	14.3%
Local Government Actives	-2.6%	-9.4%	-11.8%	-5.2%	19.6%	13.3%
Local Government Early Retirees	-1.2%	-11.4%	-12.4%	-3.0%	14.8%	11.4%

Total

	Cost	Utilization	Trend	Cost	Utilization	Trend
State Actives	3.8%	-11.5%	-8.2%	-2.6%	17.2%	14.1%
State Early Retirees	3.7%	-10.8%	-7.6%	1.4%	11.1%	12.6%
Local Government Actives	0.9%	-9.4%	-8.7%	1.0%	14.5%	15.7%
Local Government Early Retirees	3.2%	-11.7%	-8.9%	0.9%	11.4%	12.4%



*Data provided by Horizon

SHBP Utilization Trends by Place of Service

Emergency Room Visits / 1,000 members

Group	2019	2020	2021	2020 vs 2019	2021 vs 2020
State Active	252.8	190.5	214.7	-25%	13%
State Early Retiree	256.0	214.5	242.8	-16%	13%
Govt Active	288.3	219.9	256.8	-24%	17%
Govt Early Retiree	273.6	216.7	249.0	-21%	15%

Urgent Care Visits / 1,000 members

Group	2019	2020	2021	2020 vs 2019	2021 vs 2020
State Active	429.9	492.3	709.4	15%	44%
State Early Retiree	343.1	408.9	552.6	19%	35%
Govt Active	487.7	609.0	840.7	25%	38%
Govt Early Retiree	413.5	517.0	699.3	25%	35%

*Data provided by Horizon

SHBP Utilization Trends by Place of Service (cont)

PCP Visits / 1,000 members

Group	2019	2020	2021	2020 vs 2019	2021 vs 2020
State Active	2,524.5	2,421.8	2,765.7	-4%	14%
State Early Retiree	2,499.1	2,478.0	2,725.0	-1%	10%
Govt Active	2,632.7	2,434.5	2,813.3	-8%	16%
Govt Early Retiree	2,474.4	2,306.1	2,680.4	-7%	16%

Specialist Visits / 1,000 members

Group	2019	2020	2021	2020 vs 2019	2021 vs 2020
State Active	8,055.0	7,193.0	8,697.3	-11%	21%
State Early Retiree	9,795.5	8,220.4	9,643.7	-16%	17%
Govt Active	8,535.5	7,759.0	9,022.2	-9%	16%
Govt Early Retiree	10,426.2	9,225.3	10,420.6	-12%	13%

*Data provided by Horizon

Appendix



Local Government Claim Stabilization Reserve

Claim Stabilization Reserve Balance (in \$ millions)	Total	Active	Retiree	Months of Plan Cost as of Dec 31
12/31/2021	\$294	\$298	(\$4)	2.0
12/31/2022	\$105	\$155	(\$50)	0.7
12/31/2023	\$145	\$182	(\$37)	0.9

- The projected reserves as of December 31, 2021, 2022, and 2023 are based on the reserve balance as of June 30, 2021 provided by the State
- Projections do not reflect CSR withdrawals to reduce 2022 and 2023 premiums
- Local Government Active and Retiree premium rate changes reflect a 2.0% margin since the projected total Claim Stabilization Reserve for the Local Government Group is expected to be below the recommended level of 2.0 months at the end of Plan Year 2023

Disclaimers

The projections in this analysis are measured on an incurred basis and are consistent with the assumptions and methodology disclosed herein. Future projections may differ significantly from the current projections presented in this analysis due to (but not limited to) such factors as the following:

- Plan experience differing from what is anticipated by the economic or demographic assumptions;
- Changes in actuarial methods or in economic or demographic assumptions;
- Changes in plan provisions or applicable law.

Plan Year 2022 Rate Setting analyses included vendor reported savings for each program. Savings for these programs in the Plan Year 2023 rate setting analyses are assumed to be included in the claims and do not include any additional savings in 2022 and 2023 other than what is noted in this document.

This analysis contains the primary actuarial assumptions and methods used to develop the cost projections but may not include a comprehensive list of these methodologies and assumptions. Aon provided guidance with respect to these assumptions, and it is our belief that the assumptions represent reasonable expectations of anticipated plan experience.

Preparation of this Actuarial Analysis

This report has been prepared to present our analysis of the Plan Year 2023 Rate Setting for the State Health Benefits Program (SHBP). The purpose of this analysis is to recommend premium levels for the SHBP for January 1, 2023 through December 31, 2023. The use of this report for purposes other than those expressed herein may not be appropriate.

It should be noted that Aon's conclusions are based on certain assumptions that appear reasonable at this time. Actual experience can vary from projected experience, and this difference may be material.

Source of Information

In conducting this analysis, we relied on census data provided by the State and claims data provided by carriers. We reviewed the data for reasonableness and consistency with prior data but have not audited it; as such, we are not certifying, herein, as to its accuracy.