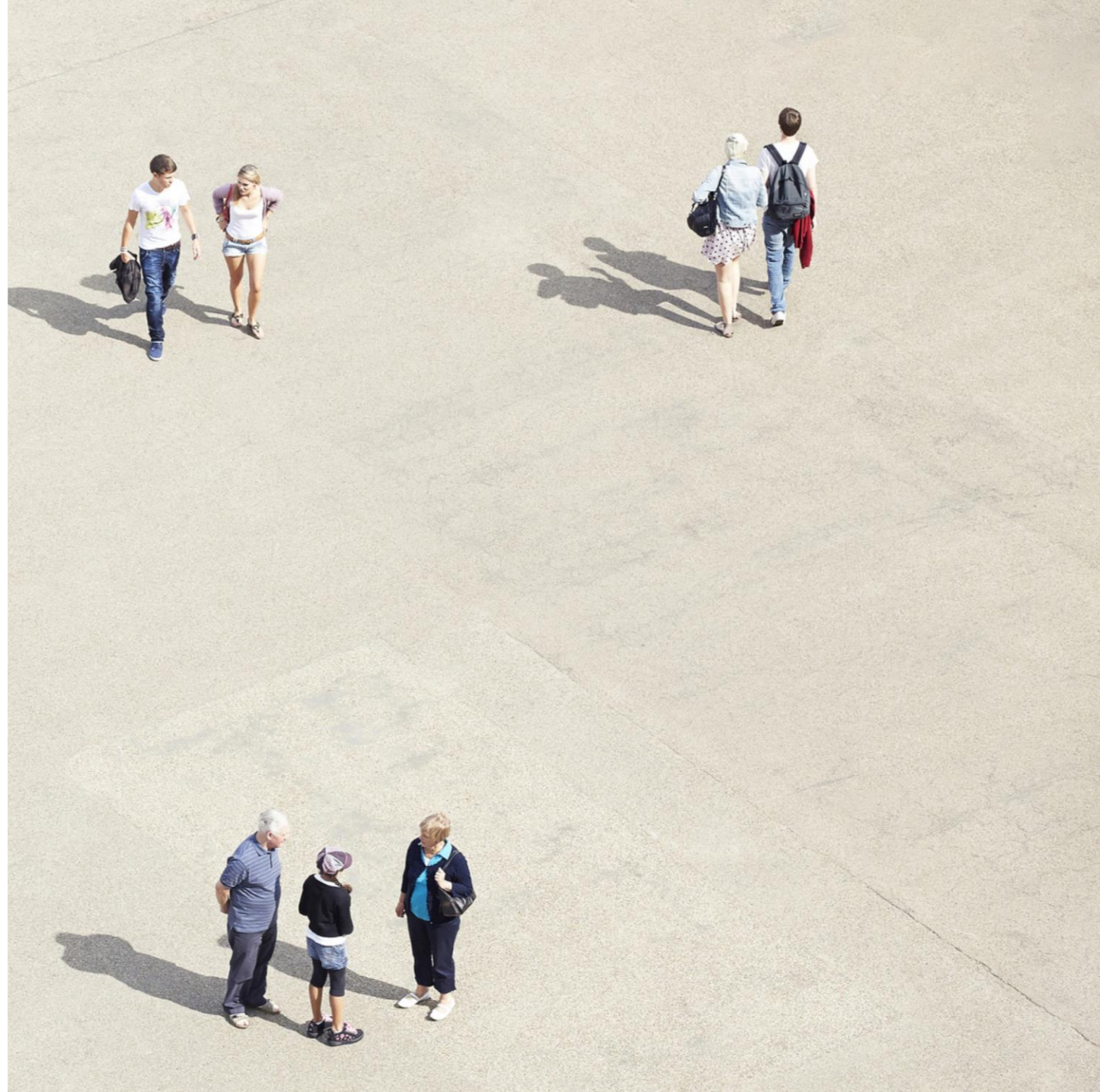




# State of NJ 2022 SEHBP Mid-Year Analysis

March 27, 2023



# Today's Discussion

## Meeting Objectives

- Overview of the Mid-Year analysis
- Provide summary of Local Education Active Results and Cost Drivers
- Discuss renewal expectations

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**Mid-Year  
Overview**

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**Local Education  
Active Results**

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**2024 Rate Setting  
Expectations**

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# 1

## Mid-Year Overview

# Mid-Year Overview

## Purpose of Mid-Year Analysis

- The purpose of the Mid-Year Analysis is to evaluate emerging plan costs against projections included in the prior Rate Setting Analysis
- Plan Year 2022 and Plan Year 2023 costs are reprojected based on more recent experience than was available for the Rate Setting
- This allows for comparison of new projected costs against the Plan Year 2023 Premiums that were approved in 2022, and provides a preliminary directional view into the upcoming 2024 Renewal Analysis

## Claims Experience

- The Plan Year 2022 and 2023 projections reflect more recent claims data
  - The Rate Setting Analysis reflected 12-months of CY2021 incurred claims data
  - The Mid-Year Analysis reflects 12-months of incurred claims data through September 2022

## Enrollment

- The Plan Year 2022 and 2023 projections reflect updated enrollment information:
  - The Rate Setting Analysis was based on April 2022 census data projected to 2023
  - The Mid-Year Analysis is based on January 2023 Open Enrollment information provided by the State, which were then adjusted for known new employer entrants and terminations

## Projection Assumptions

- The Plan Year 2023 projections reflect updated projection assumptions:
  - Based on actual claims experience and information from Optum, the Medicare Retiree Rx trend has been increased from 6.00% to 7.25%
  - Based on a review of known employer entrants and terminations provided by the State and Horizon, the Plan Year 2023 Local Education Anti-Selection load was increased from 25bps to 100bps

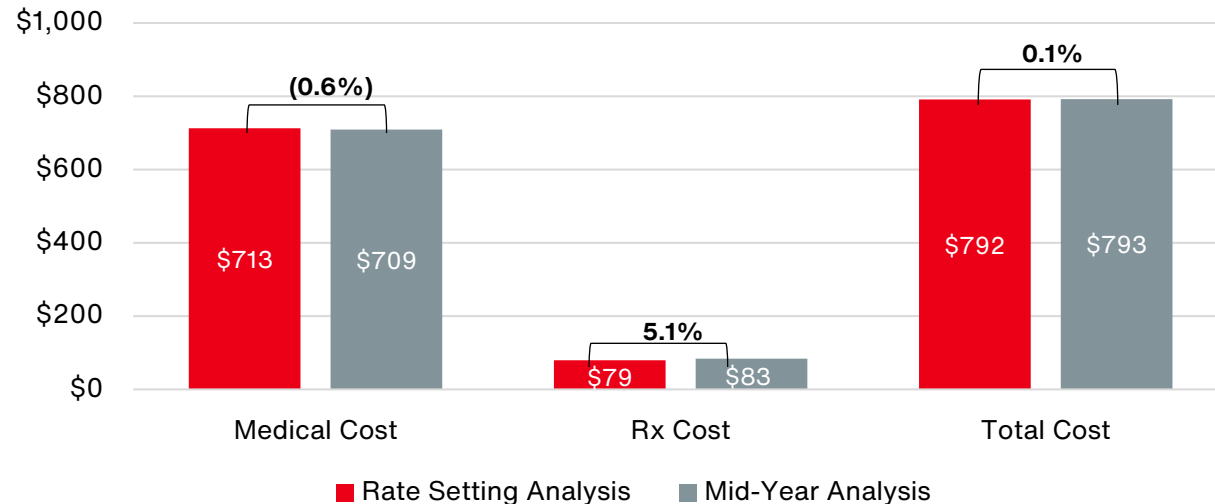
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## Local Education Active Results

# Local Education Active Plan Year 2022 Re-Projection

Plan Year 2022 (\$ Millions)	2023 Rate Setting Analysis	Mid-Year Analysis	Difference
(1) Premiums	\$1,189.4	\$1,232.0	\$42.6
(2) Medical Cost	\$1,291.9	\$1,333.6	\$41.7
(3) Rx Cost	\$143.4	\$156.4	\$13.0
(4) Total Cost = (2) + (3)	\$1,435.3	\$1,490.0	\$54.7
Gain / (Loss) = (1) - (4)	(\$245.9)	(\$258.0)	(\$12.1)

Local Education Actives  
Plan Year 2022 Cost (PMPM)

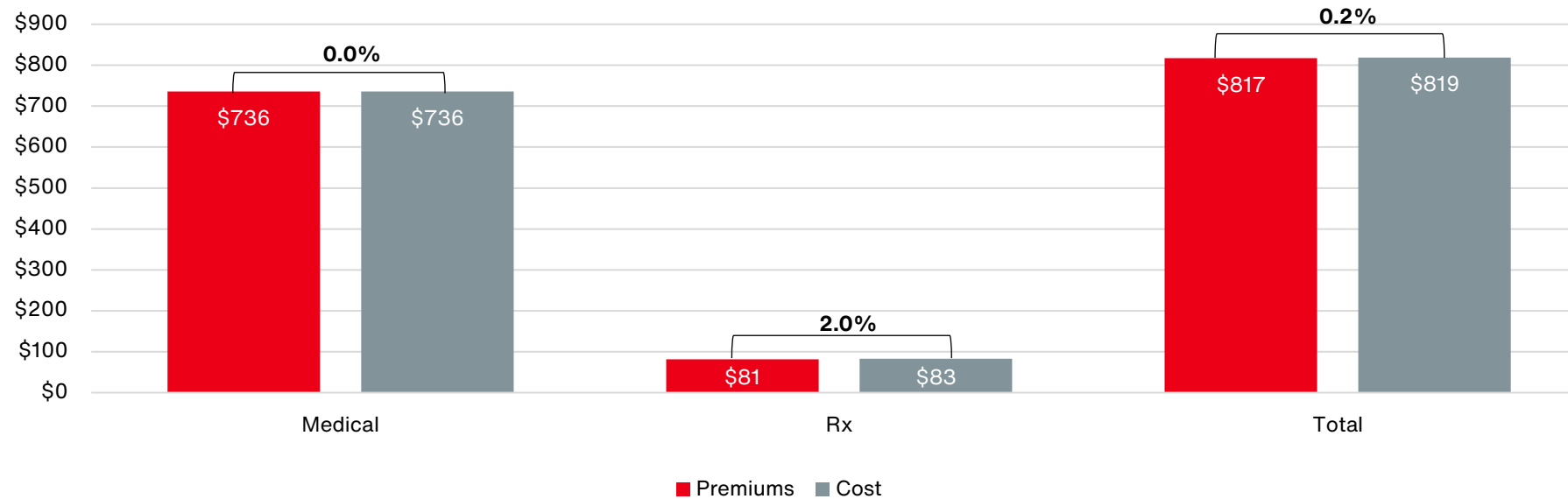


The Plan Year 2022 re-projected total cost in the Mid-Year Analysis is 3.8% (\$55M) higher compared to the 2023 Rate Setting Analysis:

- Actual 2022 enrollment increased 3.7% compared to the Rate Setting Analysis
- Favorable medical claims experience reduced total plan cost
  - 5.8% Rolling 12-month PPO trends are lower than the 6.25% Rate Setting combined trend & anti-selection assumption
- Prescription Drug claim costs were higher than expected
  - 12.3% Rolling 12-month Rx trend is higher compared to the 8.0% Rate Setting combined trend & anti-selection assumption
- The increase in prescription drug claims was partially offset by an increase in prescription drug rebate

# Local Education Active Plan Year 2023 Re-Projection

Local Education Actives (PMPM)  
Plan Year 2023 Premiums vs. Cost



- Based on the updated Mid-Year projections, the projected total loss ratio is 1.002, a 0.2% loss compared to the Rate Setting Analysis:
  - Medical loss ratio is driven by favorable 2022 medical claims experience offset by the increase in anti-selection assumption
  - Higher-than-expected 2022 Rx claims experience and an increase in the anti-selection assumption are driving up the Rx costs

# Local Education Active Medical Claim Drivers\*

## Top Trend Contributors

- Overall, trends are driven by a 4% increase in the cost per visit
- The top five contributors to trend are ER, Outpatient Surgery, Outpatient and Professional Medical Pharmacy, Primary Physician, and Behavioral Health

## Professional Services

- Professional services accounts for approximately 50% of medical claims spend
- Overall, visits/member increased 1% and the cost per visit increased 2%
  - PCP visits/member increased 1% and the cost per visit increased 3%
  - Utilization of specialist services decreased 2%, but the cost per visit increased 3%
  - While urgent care visits has decreased, utilization is still significantly higher compared to pre-pandemic levels

## Outpatient Services

- OP services account for approximately 32% of medical claims spend
- While overall utilization of outpatient services decreased 17%, the cost per visit increased 31%, driven in part by utilization of more expensive services
  - Utilization of ER services increased 20% and OP Surgery increased 4%
  - Medical Pharmacy utilization decreased 2%, but the cost per service increased 16%

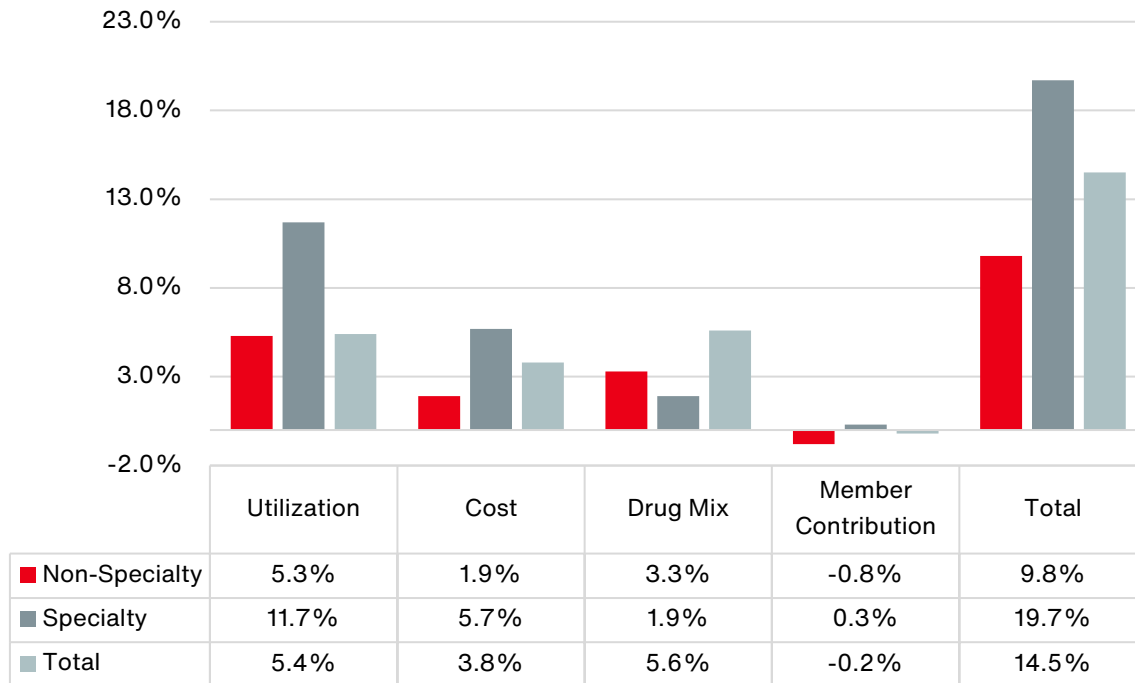
## Inpatient Services

- IP services account for approximately 18% of medical claims spend
- Significant reduction in utilization (10%) partially offset by an increase in the cost per visit (5%)



# Local Education Active Rx Claim Drivers\*

Local Education Actives  
PY2022 Rx Trend Components



## Total

- Plan paid PMPM has increased 14.5% over the previous period driven primarily by utilization for both non-specialty and specialty drugs

## Non-Specialty

- Brand drugs account for 17% of non-specialty scripts and 81% of non-specialty claims spend
- PMPM spend for Diabetes related drugs increased 14% and accounts for 12% of total plan paid (Ozempic was top drug in category)
- PMPM spend for non-specialty Asthma/COPD related drugs increased 18% and accounts for 4% of total plan paid

## Specialty

- Specialty Drug PMPM spend for Inflammatory conditions increased 24% and accounts for 23% of total plan paid
- PMPM spend for Oncology drugs increased 10% and accounts for 7% of total plan paid
- In Plan Year 2022 there were 122 new drugs with 89 new utilizers

## Top Drugs of Note

- Inflammatory conditions, Diabetes, and Oncology drugs continue to drive Rx cost
  - Top Drugs by spend (Humira Pen, Stelara, Dupixent, Ozempic) are consistent in rank with Optum's benchmark
- Utilization of Anti-Obesity Agents (such as Wegovy and Saxenda) increased 79%
  - Ranks higher than Optum's benchmark in terms of claims spend

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## Renewal Expectations

# Expectations for Upcoming Renewal

## Plan Year 2024 Renewal Updates

- The PY 2024 Renewal Analysis will reflect full Calendar Year 2022 claims experience with runout through March 2023 and updated enrollment
- Results will reflect updated Medical and Prescription Drug trend assumptions based on actual experience, vendor recommendations, and the latest Aon trend guidance
  - Anticipate that trends will be equal to or higher than current trend assumptions

## Local Education Active

- Based on the Mid-Year results, which show some medical claims favorability offset by prescription drug increases, expect 2024 premium increases to be close to or higher than assumed trend
- Will continue to evaluate population changes for anti-selection impacts
- Based on latest Claim Stabilization Reserve projections, is projected to be at the recommended 2.0 months of plan cost. If overall experience continues to trend as expected, no additional margin is expected to be included in the 2024 premium rates.

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## Appendix

# Local Education Claim Stabilization Reserve

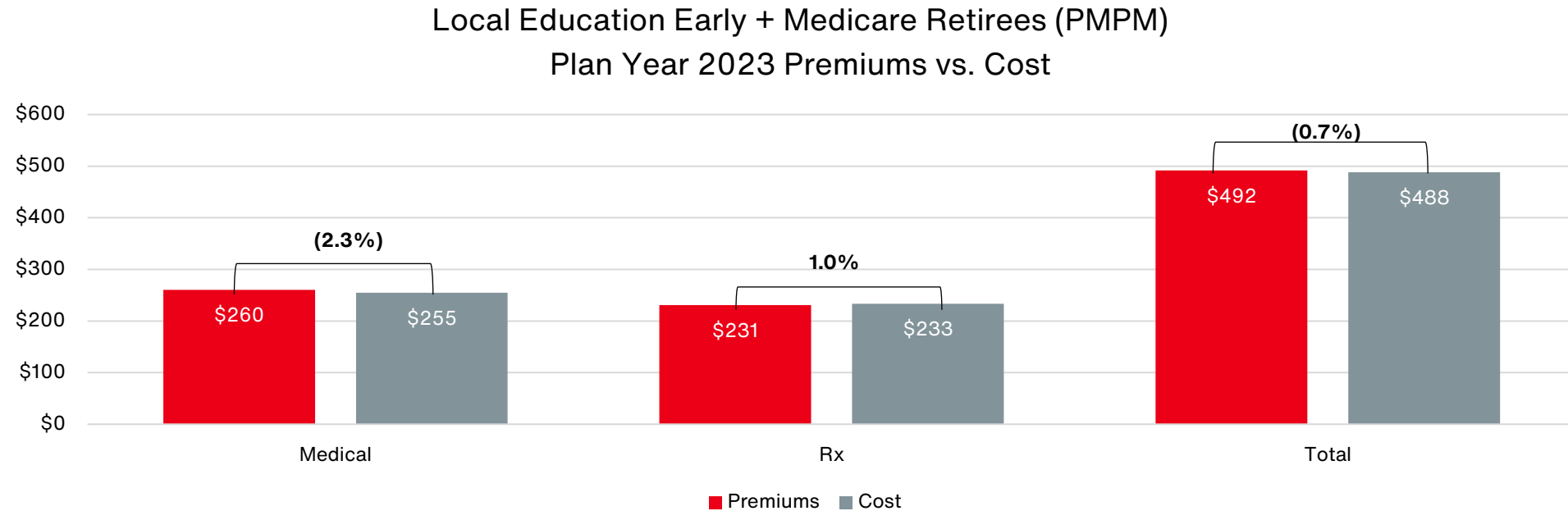
Claim Stabilization Reserve Balance (in \$ millions)	Active	Months of Plan Cost as of Dec 31
12/31/2021	\$580	5.3
12/31/2022	\$251	2.0
12/31/2023	\$248	2.0

- The claim stabilization reserve as of December 31, 2021 is based on actual balances provided by the Division. The projected reserves as of December 31, 2022 and 2023 are based on the reserve balance as of June 30, 2022 provided by the Division. The claims stabilization reserve as of December 31, 2023 is estimated based off projected gains and losses in the active and retiree plans.
- Local Education Active premium rates for 2023 do not reflect any additional margin since the projected total Claim Stabilization Reserve for the Local Education Group is expected to be at the recommended level of 2.0 months at the end of Plan Year 2023.

# Cost Projection Methodology and Assumptions

	2023 Cost Projections
<b>Claims Experience</b>	12 months of incurred claims data paid through September 2022 provided by Horizon, Aetna, and Optum
<b>Enrollment Distribution</b>	January 2023 Open Enrollment data provided by the State and adjusted based on known employer entrants and terminations, which were provided by Horizon and the State
<b>Self-Insured Claims Trend (Excluding Anti-Selection)</b>	<p><b><u>Local Education</u></b></p> <p>Active PPO: 6.00% Medical / 7.75% Rx            Early Retiree PPO: 5.50% Medical / 8.00% Rx            Self-Insured Medicare: 5.50% Medical / 7.25% Rx</p>
<b>Anti-Selection</b>	Local Education Active medical and prescription drug trends have been increased by 100 basis points for Plan Year 2023
<b>Rx Rebates / EGWP</b>	Projected Rx Rebates and EGWP credits were provided by Optum
<b>High-Cost Claimants</b>	Aon has not made any adjustments for high-cost claimants

# Local Education Retiree Plan Year 2023 Re-Projection



- Based on the updated Mid-Year projections, the projected total loss ratio is 0.993, a 0.7% gain compared to the Rate Setting Analysis
  - Gain is driven by favorable 2022 medical claims experience
  - The medical gain is partially offset by higher-than-expected Rx claims experience

# Disclaimers

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

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

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



# Preparation of this Actuarial Analysis

This report has been prepared to present our analysis of the Plan Year 2022 Mid-Year Experience Analysis for the School Employees' Health Benefits Program (SEHBP). The purpose of this analysis is to re-projected the Plan Year 2022 and Plan Year 2023 costs based on more recent experience. 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.

# Thank You