

State Health Benefits Commission

Meeting Minutes

August 22, 2019

Adequate notice of this meeting has been provided through the annual notice of the schedule of regular meetings of the Commission filed with and prominently posted in the offices of the Secretary of State. The 2019 annual meeting schedule was mailed to the Secretary of State, Star Ledger and the Trenton Times on August 6, 2019.

The meeting of the State Health Benefits Commission of New Jersey was called to order on Thursday, August 22, 2019 at 1:30 PM. The meeting was held at the Division of Pensions and Benefits, 50 West State Street in Trenton.

The text of Resolution A (Closed Session) and Resolution B (Executive Session) were read in their entirety in the event that the Commission desires, at any point in the meeting, to approve a motion to go into closed or executive session.

Acting Secretary Nicole Ludwig took Roll Call and established that a quorum was present.

Roll Call

Commissioners:

Christin Deacon, representing State Treasurer Elizabeth Maher Muoio

Don Henson, representing Commissioner of the Department of Banking and Insurance Marlene Caride

Dudley Burdge, Representative for Local Government Employees

Deirdre Webster Cobb, CEO, Civil Service Commission (appearing telephonically)

Debra Davis, Representative for State Government Employees

Also Present:

Mark Cipriano, New Jersey Division of Pensions and Benefits

Nicole Ludwig, New Jersey Division of Pensions and Benefits

Christopher Meyer, Deputy Attorney General

Acting Secretary Nicole Ludwig stated the Commission has received a designation letter from the Office of the Treasurer designating Christin Deacon to the Commission in Chairperson Culliton's absence.

Acting Secretary Nicole Ludwig stated the Commission has received a designation letter from the Department of Banking and Insurance designating Don Henson in Commissioner Simon's absence.

2020 RATE RENEWAL PRESENTATION

Michelle Engle and Jonathan Nemeth of Aon the presented the 2020 Rate Renewal for the SHBP. Prior to the presentation, Mrs. Engle stated the Division of Purchase & Property issued a notice of intent to award the self-insured medical RFP on August 5, 2019. She stated the reports were prepared after the release of the notice of the intent and are based on a single vendor approach.

Mr. Nemeth of Aon presented the 2020 State Active and Retiree Rate Renewal Reports.

The purpose of this report is to recommend premium rates for the State Employee and Retiree Group of the State Health Benefits Program (SHBP) for January 1, 2020 through December 31, 2020.

Recommended premium rate changes are based on a review of the experience of the Medical and Prescription Drug benefits offered to Active Employees and Retirees by the SHBP. The projections for Plan Year 2020 are based on medical and prescription drug claims paid from May 1, 2018 through April 30, 2019. The following summarizes the major highlights in the following Renewal Report:

The total recommended Plan Year 2020 premium rate change for the combined State Actives, Early Retirees, and Medicare Retirees is 0.6%. This reflects the following:

- The recommended rate change for State Actives is a 3.5% increase for medical and a 4.8% decrease for the prescription drug premium rates, for a total increase of 2.0%
- The recommended rate change for State Early Retirees is a 3.8% decrease for medical and a 0.2% increase for the prescription drug premium rates, for a total decrease of 3.1%
- The Medicare Retirees medical increase for Plan Year 2020 is 37.0%, which includes both self-insured medical premiums and fully insured Medicare Advantage premiums. The change is driven by an increase in the fully insured Plan Year 2020 Medicare Advantage premium rates, which reflects the additional cost of the Health Insurer Fee that was not applicable in Plan Year 2019. The recommended prescription drug rate change for Plan Year 2020 is a 13.7% decrease.

Effective January 1, 2020, all self-insured medical plans will be administered solely by Horizon. The Self-Insured Medical Bid Solicitation was released on May 10, 2019 and the Notice of Intent to award to Horizon was sent on August 5, 2019. The Self-Insured Medical Bid solicitation is expected to reduce Plan Year 2020 State medical costs by 2.2%.

Effective January 1, 2020, prescription drug benefits for Actives and Retirees will continue to be administered by Optum as a result of a 2019 Reverse Auction Bid Solicitation administered by Truveris, Inc. Based on data from Truveris, the PBM solicitation is expected to reduce State prescription drug costs by 1.8%.

The State conducted a Dependent Eligibility Verification Audit beginning October 1, 2018 through June 30, 2019 which verified eligible dependents and removed ineligible dependents from the SHBP. Expected Plan Year 2020 savings are included in the projected medical and prescription drug costs.

Beginning July 1, 2019, CWA Active employees, New Hires and Early Retirees will be offered a CWA Unity Plan Option. Other State Active Employees and Early Retirees will be offered an NJDIRECT PPO Plan Option as contracts are ratified. The 18-Month premium rates for these plan options were approved by the SHBC on June 11, 2019. More information on these plan designs and premium rates is included in the Appendix of this report.

Effective June 26, 2019, the State Health Benefits Plan Design Committee approved PDC Resolution 2019-6 that required Early Retirees to be offered the same plan options as Actives. For State Early Retirees this includes the HD1500, Tiered Network, and 2035 PPO plan options. The retiree premiums shown in this Plan Year 2020 Renewal Report for these plan options are developed based on an October 1, 2019 effective date and represent a 15-Month premium.

Mr. Nemeth of Aon presented the 2020 Local Government Active and Retiree Rate Renewal Reports.

The purpose of this report is to recommend premium levels for the Local Government Employer Group of the State Health Benefits Program (SHBP) for January 1, 2020 through December 31, 2020.

Recommended premium rate changes are based on a review of the experience of the Medical and Prescription Drug benefits offered to Active Employees and Retirees by the SHBP. The updated projections for Plan Year 2020 are based on medical and prescription drug claims paid from May 1, 2018 through April 30, 2019. The following bullets summarize the major highlights in this Renewal Report:

The total recommended Plan Year 2020 premium rate change for the combined Local Government Actives, Early Retirees, and Medicare Retirees is a decrease of 3.8%.

This reflects the following:

- The recommended rate change for Local Government Actives is a 3.6% decrease for medical and a 9.3% decrease for the prescription drug premium rates, for a total decrease of 4.3%.
- The recommended rate change for Local Government Early Retirees is a 1.8% increase for medical and an 8.2% decrease for the prescription drug premium rates, for a total increase of 0.0%. The Medicare Retiree medical increase for Plan Year 2020 is 19.8%, which includes both self-insured medical premiums and fully insured Medicare Advantage premiums. The change is driven by an increase in the fully insured Plan Year 2020 Medicare Advantage premium rates, which reflect the additional cost of the Health Insurer Fee that was not applicable in Plan Year 2019. The recommended prescription drug rate change in Plan Year 2020 is an 11.4% decrease.

Effective January 1, 2020, all self-insured medical plans will be administered solely by Horizon. The Self-Insured Medical Bid Solicitation was released on May 10, 2019 and the Notice of Intent to award to Horizon was sent on August 5, 2019. The Self-Insured Medical Bid solicitation is expected to reduce total Plan Year 2020 Local Government medical costs by 1.8%.

Effective January 1, 2020, prescription drug benefits for Actives and Retirees will continue to be administered by Optum as a result of a 2019 Reverse Auction Bid Solicitation administered by Truveris, Inc. Based on data from Truveris, there is expected to be a 1.8% reduction in estimated Plan Year 2020 prescription drug costs.

The State conducted a Dependent Eligibility Verification Audit beginning October 1, 2018 through June 30, 2019 which verified eligible dependents and removed ineligible dependents from the SHBP. Expected Plan Year 2020 savings are included in the projected medical and prescription drug costs.

Active Employees, New Hires, and Early Retirees will be offered an NJDIRECT PPO plan option. The 18-Month premium rates for these plan options were approved by the SHBC on June 11, 2019. More information on these plan designs and premium rates is included in the Appendix of this report.

Effective June 26, 2019, the State Health Benefits Plan Design Committee approved PDC Resolution 2019-6 that required Early Retirees to be offered the same plan options as Actives. For Local Government Actives, this includes Tiered Network, HD1500, 2035 PPO and NJDIRECT PPO plan options. The retiree premiums shown in the Plan Year 2020 Renewal Report for these new plan options are developed based on an October 1, 2019 effective date and represent 15-Month premiums.

2020 COBRA VISION RATE

Mr. Nemeth of Aon provided the COBRA Vision rates for 2020. No presentation was given on these rates.

2020 DENTAL RATES

Mr. Nemeth of Aon presented the 2020 State and Local Government Active and Retiree Dental Renewal Reports

Active DEP – For Plan Year 2018, there was approximately no change in the gain for the DEP as compared to the Plan Year 2018 Mid-Year Report. Preliminary projections for Plan Year 2019 show a loss of 0.5% of Total Active DEP cost.

The Plan Year 2019 loss is due to higher than expected Plan Year 2018 claim costs runout. A 3.5% increase in premium rates for Plan Year 2020 is projected to result in no projected gain or loss for the Active Dental Expense Plan (i.e., plan costs equal to projected premiums).

Retiree DEP – For Plan Year 2018, there was an increase in the gain of 0.9% on a total cost basis for the DEP as compared to the Plan Year 2018 Mid-Year Report. Preliminary projections for Plan Year 2019 show a gain of 1.2% of total Retiree DEP cost. The increase in the Plan Year 2018 gain and the increase in the Plan Year 2019 gain are due to lower than expected Plan Year 2018 claim costs. A 1.7% increase in premium rates for Plan Year 2020 is projected to result in no projected gain or loss for the Retiree Dental Expense Plan (i.e., plan costs equal to projected premiums).

Active and Retiree DPOs – The DPOs are fully-insured, so the premiums represent a no-loss, no-gain basis for the State.

ADJOURNMENT

Having no further items to discuss, Commissioner Deacon made a motion to adjourn. Commissioner Burdge seconded the motion; all voted in favor.