

City of Hoboken Executive Summary
Cost Projections are 100% before deductions for employee contributions

Section I: Current Plan Administrators Mirroring the NJ State Health Plan Designs

	Annualized Costs
1 Projected 2022 Health Plan Costs for City under Current Program (Includes claims, rebates, ASO fees, stop loss premium, RDS claims, and reimbursements)	\$ 25,224,278
2 Projected Plan Cost Savings with Current Administrators using State Health Plan Designs	
a. Medical Claim Costs	\$ (3,752,995)
b. Pharmacy Claim Costs	\$ (1,188,827)
c. Subtotal: (a) + (b)	\$ (4,941,822) (*1)
3 Revised 2022 Health Plan Costs for City under new plan designs: (1) + (2c)	\$ 20,282,456

Section II: Costs with the NJ State Health Plan if Move is effective 1/1/22

1 NJ State Health Plan - Projected Annual Premium for 2022 based on 1/14/22 Eligibility	\$ 17,554,453	(*1), (*2)
2 Other Costs to City upon Termination from Prior Plan		
a. Impact of Funding Medical & Rx Runout of IBNP as of 12/31/21	\$ 2,788,100	(*4)
b. Additional ASO Fees for Runout (Reflects all of 2022 fees since 2022 started)	\$ 578,232	
c. Additional Stop Loss Premium for Runout (estimate of 3 months premium)	\$ 246,193	
d. Impact of Lost Rebates due to early termination	\$ 700,000	
e. Subtotal: (a) + ... + (d)	\$ 4,312,525	
3 Total Costs in Year 1 Moving to State: (1) + (2e)	\$ 21,866,978	

Section III: Costs with the NJ State Health Plan if Move is effective 1/1/23

1 NJ State Health Plan - Projected Annual Premium for 2023 based on 1/14/22 Eligibility (Reflects 7.5% trend increase plus increase for projected short fall for Direct 10 (pre-65) and Medicare Advantage (post-65) per Aon projection)	\$ 19,142,780	(*1), (*2)
2 Additional Costs to City of Hoboken Based on Runoff Expenses of Terminating Plan		
a. Impact of Funding Runout of IBNR as of 12/31/21	\$ 2,788,100	(*4)
b. Additional ASO Fees for Runout: 4 months if terminated prior to 2023	\$ 192,744	
c. Additional Stop Loss Premium for Runout	\$ 307,741	
d. Impact of Lost Rebates	\$ -	
e. Subtotal: (a) + ... + (d)	\$ 3,288,585	
3 Total Costs in Year 1 Moving to State: (1) + (2e)	\$ 22,431,366	

Section IV: Employee Cost Shifting - Incremental Annual Out of Pocket Costs Increase to City Employees due to Plan Design of the NJ State Health Plan in 2022

Incremental Cost to Employees (Subscribers) Due to Cost Shifting (e.g., copays, deductions, coinsurance, etc.) from current City plan to NJ State Health plan design

	Annual Cost Shift due to New Plan		Ave. No. Employees		Additional Annual Cost to Employees
1 Scenario I - Based on City's Data (Section I-Line 2c)	\$ 4,941,822	(*3)	/ 971	=	\$ 5,089
2 Scenario II - Based on NJ State Health Plan Reported Costs (Reflects 2022 Projected City Costs less Projected Claim Cost from NJ State Plan, which is 97.25% of NJ State Health Premium)	\$ 5,225,373	(*3)	/ 971	=	\$ 5,381
3 Scenario III - Average of Scenarios I and II (Additional Out of Pocket Costs to Employees Beyond Current City's Health Plan)					\$ 5,235

Notes:

- (*1) Projections in Section I reflect mirroring of active and retiree benefits in current self-funded plan.
Projections in Section II and III do not reflect mirroring of actives and retiree benefits since options not available in NJ State Health Plan.
- (*2) Projections in Section II and III do not include potential two month premium holiday, since assuming that City would need to accrue this amount in event of future termination similar to an IBNP claim reserve. This amount would assume to increase each year with rate increases.
- (*3) This assumes provider fees schedules between the City's network (e.g., Cigna) is the same fee schedules as the fee schedules of NJ State Health Plan schedules (e.g., Horizon and Aetna), so savings is primarily cost shifting to covered members (employees and dependents).
- (*4) The IBNP number of \$2,788,099 as of 12/31/21 is projected to be approximately \$2.2 million by 12/31/22 if plan design changes to mirror the state plan are implemented on 1/1/22 for the City's self-funded plan due to reduction in projected future claim cost.

	Monthly Enrollment Counts			
Coverage Tier	Actives	Pre-65 Retirees	Post-65 Retirees	All Lives
Employee Only	225	31	168	424
Employee Plus Spouse	54	34	146	234
Employee Plus Children	68	4	6	78
Family	160	62	13	235
Subtotal	507	131	333	971

	Monthly Premium Rates - Medical Only		
	Actives	Pre-65 Retirees	Post-65 Retirees
\$	847.30	\$ 1,060.53	\$ 171.41
\$	1,694.60	\$ 2,311.96	\$ 342.82
\$	1,516.67	\$ 1,484.74	\$ 595.62
\$	2,363.97	\$ 2,630.12	\$ 767.03

	Annualized Costs for Medical Only			
	Actives	Pre-65 Retirees	Post-65 Retirees	Subtotal
\$	2,287,710	\$ 394,517	\$ 345,563	\$ 3,027,790
\$	1,098,101	\$ 943,280	\$ 600,621	\$ 2,642,001
\$	1,237,603	\$ 71,268	\$ 42,885	\$ 1,351,755
\$	4,538,822	\$ 1,956,809	\$ 119,657	\$ 6,615,288
\$	9,162,236	\$ 3,365,874	\$ 1,108,725	\$ 13,636,834

	Monthly Enrollment Counts			
Coverage Tier	Actives	Pre-65 Retirees	Post-65 Retirees	All Lives
Employee Only	225	31	168	424
Employee Plus Spouse	54	34	146	234
Employee Plus Children	68	4	6	78
Family	160	62	13	235
Subtotal	507	131	333	971

	Monthly Premium Rates - Rx Only		
	Actives	Pre-65 Retirees	Post-65 Retirees
\$	150.14	\$ 202.42	\$ 212.28
\$	300.25	\$ 441.34	\$ 424.56
\$	268.75	\$ 283.41	\$ 293.27
\$	418.89	\$ 502.06	\$ 505.55

	Annualized Costs for Rx Only			
	Actives	Pre-65 Retirees	Post-65 Retirees	Subtotal
\$	405,378	\$ 75,300	\$ 427,956	\$ 908,635
\$	194,562	\$ 180,067	\$ 743,829	\$ 1,118,458
\$	219,300	\$ 13,604	\$ 21,115	\$ 254,019
\$	804,269	\$ 373,533	\$ 78,866	\$ 1,256,667
\$	1,623,509	\$ 642,503	\$ 1,271,767	\$ 3,537,779

	Monthly Enrollment Counts			
Coverage Tier	Actives	Pre-65 Retirees	Post-65 Retirees	All Lives
Employee Only	225	31	168	424
Employee Plus Spouse	54	34	146	234
Employee Plus Children	68	4	6	78
Family	160	62	13	235
Subtotal	507	131	333	971

	Monthly Premium Rates - Medical and Rx Combined		
	Actives	Pre-65 Retirees	Post-65 Retirees
\$	997.44	\$ 1,262.95	\$ 383.69
\$	1,994.85	\$ 2,753.30	\$ 767.38
\$	1,785.42	\$ 1,768.15	\$ 888.89
\$	2,782.86	\$ 3,132.18	\$ 1,272.58

	Annualized Costs for Medical and Rx Combined			
	Actives	Pre-65 Retirees	Post-65 Retirees	Subtotal
\$	2,693,088	\$ 469,817	\$ 773,519	\$ 3,936,424
\$	1,292,663	\$ 1,123,346	\$ 1,344,450	\$ 3,760,459
\$	1,456,903	\$ 84,871	\$ 64,000	\$ 1,605,774
\$	5,343,091	\$ 2,330,342	\$ 198,522	\$ 7,871,956
\$	10,785,745	\$ 4,008,377	\$ 2,380,491	\$ 17,174,613

Adjustment of EE+Spouse & EE+Family for 1 Medicare Eligible Adult	
- Number of Lives	36
- Incremental Annual Cost	\$ 10,551
- Subtotal	\$ 379,840

Projected SHBP Annual Costs - Use for 2022 Projection **\$ 17,554,453**

Projected SHBP Annual Costs - Use for 2023 Projection: 2022 plus 7.5% Trend plus 1.44% for 2022 Projected Deficiency **\$ 19,142,780**

1. Direct 10 Active/Pre-65 Retiree plan and Aetna Medicare Advantage PPO ESA 10 (Freedom Plan) for Post 65 retirees. The active rates are from the Aon report dated 9/8/21, page 34 and retirees (pre-65 and post-65) are from page 38.
2. Post-65 rates with children are assumed to have the pre-65 child only cost added back to the rates. This would need to be confirmed with the NJ state plan if accurately being represented for handling of children enrollment. Add back was the EE + Children rate less EE only rate.
3. Cost information is based on rates only and do not reflect any adjustments for plan designs for comparison purposes for medical and pharmacy benefits.
4. Enrollment Counts are developed from census file provided by IAA on 1/14/22 (eligibility file) and data sorted by different enrollment categories.
5. Enrollment Counts above are adjusted in spreadsheet to reflect retirees with two adults (e.g., employees over age 65 with spouses under age 65, employees under age 65 with spouses over age 65).
6. Costs are illustrated with a plan change effective 1/1/22 (though anticipated change might be 4/1/22).
7. Employee Contributions and buyout (waiver/opt out payments) are not illustrated.
8. The active and retiree benefit plans do not match each other, so an additional cost potentially as a result of the change.

Summary of 2022 Plan Costs for City of Hoboken

Section 1: Administration Fees and Stop Loss Premium

	EE Lives	Mo. Rate	2022 Annual Costs	Notes
1 Specific Stop Loss - Employee	958	\$ 69.37	\$ 797,478	
2 Specific Stop Loss - Dependent	540	\$ 96.48	\$ 625,190	
3 Aggregate Stop Loss	958	\$ 4.74	\$ 54,491	
4 Subtotal: (1) + (2) + (3)	958	\$ 128.49	\$ 1,477,159	The stop loss rates/counts include post-65 retirees integrating with Medicare. (Potential savings opportunities for stop loss)
5 Admin (ASO Fees)			\$ 578,232	
6 Compliance			\$ 3,500	
7 EDI			\$ 500	
8 Death Audit			\$ 28,740	
9 IAA Smart Card			\$ 500	
10 Subtotal: (5) + ... + (9)	958	\$ 53.19	\$ 611,472	
11 Subtotal Stop Loss & Admin: (4) + (10)	958	\$ 181.68	\$ 2,088,631	

Section 2: Health Plan Claim Costs

12 Medical Claim Cost with IBNR for 2021				
a. Medical Claim Cost - Incurred with IBNR Reserves			\$ 17,653,790	IBNR is contemplated in this number
b. Medical Claim Cost - Pure Paid Basis without trend			\$ 18,088,858	
c. Medical Claim Cost Used: (12a)			\$ 17,653,790	
13 Pharmacy Claim Cost for 2021				
a. Gross Plan Cost			\$ 6,018,623	Based on 2021 paid claims amount
b. Projected Rebates for 2021			\$ (1,200,000)	Estimated amount from Capital Rx
c. Net Plan Costs: (a) - (b)			\$ 4,818,623	
14 Total Health Plan Claim Costs for 2021: (12c) + (13c)			\$ 22,472,414	
15 Stop Loss Claim Cost Recoveries for 2021				
	Large Claims	Stop Loss Deductible	Stop Loss Reimbursement	
	\$ 351,529	\$ 250,000	\$ 101,529	
	\$ 323,843	\$ 250,000	\$ 73,843	
		Subtotal	\$ 175,372	
16 Projected 2021 Health Plan Claim Cost				
a. Medical: (12c) - (15)			\$ 17,478,419	
b. Pharmacy: (13c)			\$ 4,818,623	
c. Subtotal			\$ 22,297,042	
17 Projected 2021 Health Plan Claim Cost with Trend (Based on NJ State Health Plan Trend to 2022)				
a. Medical: (16a) x Trend	105.34%		\$ 18,411,056	
b. Pharmacy: (16b) x Trend	105.27%		\$ 5,072,591	
c. Subtotal			\$ 23,483,647	
d. % Increase 2021 to 2022			5.32%	
18 Projected 2022 Health Plan Cost with Administration and Stop Loss before EE Contributions (11) + (17)			\$ 25,572,278	
19 RDS Cost Savings (CMS Rebate)			\$ (348,000)	
20 Total Plan Cost for City of Hoboken prior to employee contributions for 2022			\$ 25,224,278	

Section 3: Impact of Plan Changes to Mirror State Plan (SHBP)

21 Pharmacy Claim Cost Savings				
a. Impact of Mandatory Generic	Capital Rx Forecast		\$ (1,071,549)	
b. Impact due to changes in copays for generic			\$ (117,278)	
c. Subtotal: (a) + (b)			\$ (1,188,827)	Revised Capital Rx Forecast \$ 3,883,764
22 Medical Plan Cost Savings for 2021				
a. Less Out of Network Differences	IAA Forecast		\$ (1,987,452)	Costs are significant due to 23% of claims out of network
b. Less In-Network Differences	IAA Forecast		\$ (448,660)	
c. Less Medicare Advantage Differences	IAA Forecast		\$ (92,130)	
d. Less Excluded Claims by SHBP	IAA Forecast		\$ (355,482)	
e. Subtotal for 2021 based on IAA Forecast: (a) + ... + (d)			\$ (2,583,724)	Changes revises out of network claims to 14% from 23%
f. Incremental Savings of Moving Utilization to In Network			\$ (186,062)	Changes to move out of network claims of 14% to 10% based on utilization changes
g. Impact of Out of Network Reimbursement from 200% to 110% of Medicare (IAA Forecast)			\$ (241,792)	
h. Projected Medical Savings for 2021 Changes to NJ State Plan: (e) + (f) + (g)			\$ (3,011,578)	
i. Gross Up Factor for Reserves			18.3%	
j. Assumed Healthcare Cost Inflation: Used State Health Plan Trend			5.3%	Estimated Reserve Value \$ (472,980.65)
k. Projected Medical Plan Cost Savings for 2022: (h) x [1 + (i)] x [1 + (j)]			\$ (3,752,995)	May be additional cost reductions but a more detailed review of SPD would be required.
23 Revised 2022 Plan Costs: (20) + (21c) + (22k)			\$ 20,282,456	

Section 4: Impact of Changing to State Plan Effective 1/1/22

24 NJ State Health Plan Rates for 2022			\$ 17,554,453	
25 Additional Costs in Year 1 with the State				
a. Impact of Funding Runout of IBNR as of 12/31/21			\$ 2,522,943	This applies if City is not reflecting IBNR accrual already in its financial statements and doing calculations on a paid basis.
b. Additional ASO Fees for Runout: (5), if a 1/1/22 termination date			\$ 578,232	This amount would be reduced to \$192,744 if termination delayed to 2023 since fee would be four months runout
c. Additional Stop Loss Premium for Runout			\$ 246,193	This amount is assumed to be three months of premium to address runout exposure. This amount needs to be reviewed further
d. Impact of Lost Rebates			\$ 700,000	Potential penalty for early termination and loss of up to six months rebates based on revision of contract (move to JUDI system and NADAC schedule).
e. Subtotal: (a) + ... + (d)			\$ 4,047,368	
26 Total Cost in the NJ State Health Plan			\$ 21,601,821	
27 Difference Between Current Plan adjusted for NJ State Health Plan and enrolling in State Plan (23) - (26)			\$ (1,319,365)	
28 NJ State Health Plan Rates for 2023: (24) x 1.075 trend x 1.0144 for 2022 deficiency			\$ 19,142,780	

Notes:

- A. Above costs assume all individuals (all bargaining units) migrate to the NJ State Health Plan plan design.
B. NJ State Plan for Direct 10 is priced at a 1.43% loss for Actives/Pre-65 Retirees and Aetna Medicare Advantage for 2.65% loss for post-65 retirees for NJ State Health Plan based on the 2022 Aon Report
C. Average Age of NJ State Legacy Plans is 46.4 (2021) vs. 46.0 for City of Hoboken for Actives
D. Costs are illustrated with a plan change effective 1/1/22 (though anticipated change might be 4/1/22).

Summary of 2022 Plan Costs for City of Hoboken

Section 1: Administration Fees and Stop Loss Premium

	EE Lives	Mo. Rate	2022 Annual Costs	Notes
1. Specific Stop Loss - Employee	958	\$ 69.37	\$ 797,478	
2. Specific Stop Loss - Dependent	540	\$ 96.48	\$ 625,190	
3. Aggregate Stop Loss	958	\$ 4.74	\$ 54,491	
4. Subtotal: (1) + (2) + (3)	958	\$ 128.49	\$ 1,477,159	The stop loss rates/counts include post-65 retirees integrating with Medicare. (Potential savings opportunities for stop loss)
5. Admin (ASO Fees)			\$ 578,232	
6. Compliance			\$ 3,500	
7. EDI			\$ 500	
8. Death Audit			\$ 28,740	
9. IAA Smart Card			\$ 500	
10. Subtotal: (5) + ... + (9)	958	\$ 53.19	\$ 611,472	
11. Subtotal Stop Loss & Admin: (4) + (10)	958	\$ 181.68	\$ 2,088,631	

Section 2: Health Plan Claim Costs

12. Medical Claim Cost with IBNR for 2020 and 2021				
a. 2021 Medical Claim Cost - Incurred with IBNR Reserves			\$ 17,653,790	IBNR is contemplated in this number
b. 2021 Medical Claim Cost - Pure Paid Basis without trend			\$ 18,088,858	
c. 2021 Medical Claim Cost Used: (12a)			\$ 17,653,790	
d. 2020 Medical Claim Cost - Incurred with IBNR Reserves			\$ 16,341,291	
e. 2020 Medical Claim Cost - Pure Paid Basis without trend			\$ 15,538,464	
f. 2020 Medical Claim Cost Used: (12d)			\$ 16,341,291	
g. Trend Assumption:			105.3%	
h. Adjustment for Pent Up Demand/Deferred Costs			108.0%	(NJ State Plan is using 10-18% depending on whether active or retired)
i. Plan Design Adjustment: 2020 to 2021			100.0%	
j. 2020 to 2021 Headcount Reduction			99.1%	
k. 2020 Medical Claim Costs Projected to 2021: (12f) x (12g) x (12h) x (12i) x (12j)			\$ 18,414,328	
l. Assumed Blending of Experience: 2021			50%	
m. Blended 2020/2021 Rates Projected to 2021: (12c) x (12L) + (12k) x [1 - (12L)]			\$ 18,034,059	

13. Pharmacy Claim Cost for 2021 - Used 2021 Only Due to Change in July				
a. Gross Plan Cost			\$ 6,018,623	Based on 2021 paid claims amount
b. Projected Rebates for 2021			\$ (1,200,000)	Estimated amount from Capital Rx
c. Net Plan Costs: (a) - (b)			\$ 4,818,623	
14. Total Health Plan Claim Costs for 2021: (12c) + (13c)			\$ 22,472,414	

15. Stop Loss Claim Cost Recoveries for 2021	Large Claims	Stop Loss Deductible	Stop Loss Reimbursement
	\$ 351,529	\$ 250,000	\$ 101,529
	\$ 323,843	\$ 250,000	\$ 73,843
a. Subtotal 2021			\$ 175,372

Stop Loss Claim Cost Recoveries for 2020	\$ 540,120	\$ 250,000	\$ 290,120
	\$ 361,256	\$ 250,000	\$ 111,256
	\$ 298,243	\$ 250,000	\$ 48,243
	\$ 262,213	\$ 250,000	\$ 12,213
b. Subtotal 2020			\$ 461,831
c. Increase 2020 with Trend			105.3%
d. Subtotal 2021 based on 2020			\$ 486,474
e. Blended % of 2020 and 2021: (12L)			50%
f. Blending Pooling Point			\$ 330,923

16. Projected 2021 Health Plan Claim Cost			
a. Medical: (12m) - (15f)			\$ 17,703,136
b. Pharmacy: (13c)			\$ 4,818,623
c. Subtotal			\$ 22,521,759

17. Projected 2021 Health Plan Claim Cost with Trend (Based on NJ State Health Plan Trend to 2022)			
a. Medical: (16a) x Trend	105.34%		\$ 18,647,764
b. Pharmacy: (16b) x Trend	105.27%		\$ 5,072,561
c. Subtotal			\$ 23,720,356
d. % Increase 2021 to 2022			3.32%

18. Projected 2022 Health Plan Cost with Administration and Stop Loss before EE Contributions (11) + (17d)			\$ 25,808,987
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19. RDS Cost Savings (CMS Rebate)			\$ (348,000)
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20. Total Plan Cost for City of Hoboken prior to employee contributions for 2022			\$ 25,460,987
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Section 3: Impact of Plan Changes to Mirror State Plan (SHBP)

21. Pharmacy Claim Cost Savings				
a. Impact of Mandatory Generic:	Capital Rx Forecast		\$ (1,071,549)	
b. Impact due to changes in copays for generic			\$ (117,278)	Revised Capital Rx Forecast
c. Subtotal: (a) + (b)			\$ (1,188,827)	\$ 3,883,764
22. Medical Plan Cost Savings for 2021				
a. Less Out of Network Differences	IAA Forecast		\$ (1,987,452)	Costs are significant due to 23% of claims out of network
b. Less In-Network Differences	IAA Forecast		\$ (148,660)	
c. Less Medicare Advantage Differences	IAA Forecast		\$ (92,130)	
d. Less Excluded Claims by SHBP	IAA Forecast		\$ (355,482)	
e. Subtotal for 2021: (a) + ... + (d)			\$ (2,583,724)	Changes revises out of network claims to 14% from 23%
f. Incremental Savings of Moving Utilization to In Network			\$ (186,062)	Changes to move out of network claims of 14% to 10% based on utilization changes
g. Impact of Out of Network Reimbursement from 200% to 110% of Medicare (IAA Forecast)			\$ (241,792)	
h. Projected Medical Savings for 2021 Changes to NJ State Plan: (e) + (f) + (g)			\$ (3,011,578)	
i. Gross Up Factor for Reserves			18.3%	Estimated Reserve Value \$ (472,980.65)
j. Assumed Healthcare Cost Inflation: Used State Health Plan Trend			5.3%	
k. Projected Medical Plan Cost Savings for 2022: (h) x [1 + (i)] x [1 + (j)]			\$ (3,752,995)	May be additional cost reductions but a more detailed review of SPD would be required.
23. Revised 2022 Plan Costs: (20) + (21c) + (23k)			\$ 20,519,164	

Section 4: Impact of Changing to State Plan Effective 1/1/22

24. NJ State Health Plan Rates for 2022			\$ 17,554,453	
25. Additional Costs in Year 1 with the State				
a. Impact of Funding Runout of IBNR as of 12/31/21			\$ 2,522,943	This applies if City is not reflecting IBNR accrual already in its financial statements and doing calculations on a paid basis.
b. Additional ASO Fees for Runout: (5), if a 1/1/22 termination date			\$ 578,232	This amount would be reduced to \$192,744 if termination delayed to 2023 since fee would be four months runout
c. Additional Stop Loss Premium for Runout			\$ 246,193	This amount is assumed to be three months of premium to address runout exposure. This amount needs to be reviewed further
d. Impact of Lost Rebates			\$ 700,000	Potential penalty for early termination and loss of up to six months rebates based on revision of contract (move to JUDI system and NADAC schedule).
e. Subtotal: (a) + ... + (d)			\$ 4,047,368	
26. Total Cost in the NJ State Health Plan			\$ 21,601,821	
27. Difference Between Current Plan adjusted for NJ State Health Plan and enrolling in State Plan (23) - (26)			\$ (1,082,657)	
28. NJ State Health Plan Rates for 2023: (24) x 1.075 trend x 1.0144 for 2022 deficiency			\$ 19,142,780	

Notes:

- A. Above costs assume all individuals (all bargaining units) migrate to the NJ State Health Plan plan design.
B. NJ State Plan for Direct 10 is priced at a 1.43% loss for Actives/Pre-65 Retirees and Aetna Medicare Advantage for 2.65% loss for post-65 retirees for NJ State Health Plan based on the 2022 Aon Report
C. Average Age of NJ State Legacy Plans is 46.4 (2021) vs. 46.0 for City of Hoboken for Actives
D. Costs are illustrated with a plan change effective 1/1/22 (though anticipated change might be 4/1/22).

Summary of Trend Assumptions based on NJ State Health Plan blended based on City of Hoboken Enrollment

Active medical	Retiree medical	Blended
5.50%	5.00%	5.34%
67.19%	32.81%	

Active Rx	Retiree Rx	
5.00%	5.50%	5.27%
45.89%	54.11%	

Rate Increase for 2022 for State Health Plan

Direct 10 Single	Active	6.2%
	Pre-65 Retiree	31.9%
Aetna Medicare Advantage plan Single	Post-65 Retiree	6.0%

Local Government medical normalization factor for Actives is 1.10, for Early Retirees is 1.10, and for Medicare Retirees is 1.18.

Average Ages for NJ State Health Plan

	NJ GASB75 All Plans 6/30/2018	Aon 2022 Rates Legacy PPO April 2020	Aon 2022 Rates Legacy PPO April 2021	City of Hoboken Jan 14, 2022 <u>Eligibility File</u>
Actives	47.26	46.4	46.5	46.02
Retirees	68.80	Not Available	Not Available	70.01

Reported on Projected Profit/Loss by Aon for the 2022 State Plan for the Direct 10 (Active/Pre-65 Retirees) and Aetna Medicare Advantage (Post-65 Retirees)
 Statistics Below Reported on page 32 (Exhibit 3C) of 9/8/21 Aon Report

1 NJ State Plan 2022 Projections - Direct 10 Plan (Actives and Early Retirees)

Plan Costs	\$ 970,709,000
Premium	\$ 957,030,000
Surplus/(Deficit)	\$ (13,679,000)
% Surplus/(Deficit)	-1.43%

Administrative Expenses	\$ 26,391,000
% Administrative Expenses	2.76%

2 NJ State Plan 2022 Projections - Aetna Medicare Advantage (Medicare Retirees)

Plan Costs	\$ 11,147,000
Premium	\$ 10,859,000
Surplus/(Deficit)	\$ (288,000)
% Surplus/(Deficit)	-2.65%

Administrative Expenses	\$ 228,000
% Administrative Expenses	2.10%

3 Subtotal: (1) + (2)

Plan Costs	\$ 981,856,000
Premium	\$ 967,889,000
Surplus/(Deficit)	\$ (13,967,000)
% Surplus/(Deficit)	-1.44% <i><=Assuming this deficit would be incorporated into rate increase in 2023.</i>
Administrative Expenses	\$ 26,619,000
% Administrative Expenses	2.75%

FINAL

IAA Report Estimating Plan Design Changes - - Summary May Not Reflect All Changes and Does Not Reflect Changes in Utilization Behavior (Reductions and Migration to In-Network)

Out of Network Claims 1/1/2021 - 12/31/2021	<u>Visit Count</u>		<u>Charges</u>		<u>Payments</u>	<u>SHBP Payment Amount</u>	<u>Savings</u>
Acupuncture	1,912	\$	667,921.50	\$	327,967.77	\$ 114,720.00	\$ 213,247.77
Chiropractic	3,129	\$	515,045.77	\$	367,129.12	\$ 109,515.00	\$ 257,614.12
Diagnostic Labs	6,614	\$	1,735,430.71	\$	397,286.40		\$ 397,286.40
Eye Care	43	\$	8,604.04	\$	819.70		\$ 819.70
Mammograms	9	\$	1,801.28	\$	65.39		\$ 65.39
Physical/Occupational Therapy	13,218	\$	4,566,379.18	\$	1,797,984.04	\$ 687,336.00	\$ 1,110,648.04
Preventive Care/Screening/Immunization	67	\$	12,572.76	\$	4,868.11		\$ 4,868.11
Screening Colonoscopy	5	\$	15,576.00	\$	850.16		\$ 850.16
Speech Therapy	23	\$	6,585.00	\$	2,888.00	\$ 1,196.00	\$ 1,692.00
Well Woman Exam	8	\$	930.49	\$	360.55		\$ 360.55
Grand Total	25,028	\$	7,530,846.73	\$	2,900,219.24	\$ 912,767.00	\$ 1,987,452.24

Copay Differences In Network, OOP and ER

	<u>Visit Count</u>		<u>Current Copays</u>		<u>New Copays</u>	<u>Savings</u>
Emergency Room Facility Charges	1,247	\$	31,175.00	\$	93,525.00	\$ 62,350.00
Telemedicine	1,591	\$	-	\$	15,910.00	\$ 15,910.00
Out of Pocket Family Difference	352	\$	800.00	\$	1,000.00	\$ 70,400.00
						<u>\$ 148,660.00</u>

Medicare Primary Copays Applied (currently no copay)

Acupuncture	75		\$		750.00	\$ 750.00
Chiropractic	234		\$		2,340.00	\$ 2,340.00
Diagnostic	1,513		\$		15,130.00	\$ 15,130.00
Imaging	612		\$		6,120.00	\$ 6,120.00
Immediate Medical Attention	9		\$		90.00	\$ 90.00
Mental Health	1		\$		10.00	\$ 10.00
Office Visits	112		\$		1,120.00	\$ 1,120.00
Office/Clinic Visit	142		\$		1,420.00	\$ 1,420.00
PCP	2,737		\$		27,370.00	\$ 27,370.00
Routine Foot Care	92		\$		920.00	\$ 920.00
Specialist	2,717		\$		27,170.00	\$ 27,170.00
Speech Therapy	2		\$		20.00	\$ 20.00
Urgent Care	967		\$		9,670.00	\$ 9,670.00
						<u>\$ 92,130.00</u>

Medicare Primary Plan Differences

	<u>Visit Count</u>		<u>Charges</u>		<u>Payments</u>	<u>Savings</u>
Home Health Care Infusions (not covered by Medicare but covered by the plan)	430	\$	1,673,025.08	\$	355,482.00	\$ 355,482.00

FINAL

Group: City of Hoboken

	Incurring Month	Subscribers	Inception to Date Claims - I/P	Incurring & Paid Per Capita	Incurring Per Capita	Table CF	Modified CF	Incurring Claims	IBNP Reserves	Revised Incurring with 10% Load to IBNR Reserves	Paid Claims from Claim Lag Report	Paid Claims from Paid Claims Report	Difference	Ratio Incurring to Paid	Paid Per Capita
1	Jan-20	978	\$ 1,564,288	\$ 1,599.48	\$ 1,599.48	100.00%	100.00%	\$ 1,564,288	\$ -	\$ 1,564,288	\$ 1,255,970	\$ 1,255,970	\$ -	125%	\$ 1,284.22
2	Feb-20	981	\$ 1,554,723	\$ 1,584.83	\$ 1,584.83	100.00%	100.00%	\$ 1,554,723	\$ -	\$ 1,554,723	\$ 1,504,797	\$ 1,504,797	\$ -	103%	\$ 1,533.94
3	Mar-20	983	\$ 1,144,989	\$ 1,164.79	\$ 1,164.79	100.00%	100.00%	\$ 1,144,989	\$ -	\$ 1,144,989	\$ 1,535,166	\$ 1,535,166	\$ -	75%	\$ 1,561.72
4	Apr-20	983	\$ 562,076	\$ 571.80	\$ 571.80	100.00%	100.00%	\$ 562,076	\$ -	\$ 562,076	\$ 1,144,032	\$ 1,144,032	\$ -	49%	\$ 1,163.82
5	May-20	976	\$ 930,007	\$ 952.88	\$ 952.88	100.00%	100.00%	\$ 930,007	\$ -	\$ 930,007	\$ 803,772	\$ 803,772	\$ -	116%	\$ 823.54
6	Jun-20	968	\$ 1,104,487	\$ 1,141.00	\$ 1,141.00	100.00%	100.00%	\$ 1,104,487	\$ -	\$ 1,104,487	\$ 1,094,719	\$ 1,094,719	\$ -	101%	\$ 1,130.91
7	Jul-20	964	\$ 1,649,495	\$ 1,711.09	\$ 1,711.09	99.97%	99.97%	\$ 1,649,928	\$ 433	\$ 1,649,984	\$ 1,077,021	\$ 1,077,021	\$ -	153%	\$ 1,117.24
8	Aug-20	962	\$ 1,742,703	\$ 1,811.54	\$ 1,812.52	99.95%	99.95%	\$ 1,743,640	\$ 937	\$ 1,743,760	\$ 1,596,530	\$ 1,596,530	\$ -	109%	\$ 1,659.59
9	Sep-20	958	\$ 1,744,108	\$ 1,820.57	\$ 1,822.05	99.92%	99.92%	\$ 1,745,526	\$ 1,418	\$ 1,745,708	\$ 1,279,835	\$ 1,279,835	\$ -	136%	\$ 1,335.95
10	Oct-20	956	\$ 1,366,311	\$ 1,429.20	\$ 1,430.75	99.89%	99.89%	\$ 1,367,799	\$ 1,488	\$ 1,367,989	\$ 1,256,655	\$ 1,256,655	\$ -	109%	\$ 1,314.49
11	Nov-20	956	\$ 1,345,155	\$ 1,407.07	\$ 1,408.99	99.86%	99.86%	\$ 1,346,990	\$ 1,835	\$ 1,347,225	\$ 1,686,055	\$ 1,686,055	\$ -	80%	\$ 1,763.66
12	Dec-20	955	\$ 1,623,053	\$ 1,699.53	\$ 1,702.32	99.84%	99.84%	\$ 1,625,715	\$ 2,662	\$ 1,626,056	\$ 1,303,911	\$ 1,303,911	\$ -	125%	\$ 1,365.35
13	Jan-21	949	\$ 1,526,180	\$ 1,608.20	\$ 1,611.28	99.81%	99.81%	\$ 1,529,104	\$ 2,925	\$ 1,529,479	\$ 1,466,301	\$ 1,466,301	\$ -	104%	\$ 1,545.10
14	Feb-21	952	\$ 1,224,512	\$ 1,286.25	\$ 1,291.64	99.58%	99.58%	\$ 1,229,641	\$ 5,129	\$ 1,230,297	\$ 1,444,557	\$ 1,444,557	\$ -	85%	\$ 1,517.39
15	Mar-21	952	\$ 1,269,938	\$ 1,333.97	\$ 1,346.25	99.09%	99.09%	\$ 1,281,632	\$ 11,693	\$ 1,283,128	\$ 1,963,108	\$ 1,963,108	\$ -	65%	\$ 2,062.09
16	Apr-21	961	\$ 1,799,829	\$ 1,872.87	\$ 1,899.35	98.61%	98.61%	\$ 1,825,278	\$ 25,449	\$ 1,828,535	\$ 988,644	\$ 988,644	\$ -	185%	\$ 1,028.77
17	May-21	963	\$ 1,215,216	\$ 1,261.91	\$ 1,295.92	97.38%	97.38%	\$ 1,247,967	\$ 32,751	\$ 1,252,158	\$ 1,389,097	\$ 1,389,097	\$ -	90%	\$ 1,442.47
18	Jun-21	959	\$ 1,137,731	\$ 1,186.37	\$ 1,231.51	96.33%	96.33%	\$ 1,181,020	\$ 43,289	\$ 1,186,560	\$ 1,449,989	\$ 1,449,989	\$ -	81%	\$ 1,511.98
19	Jul-21	960	\$ 1,720,368	\$ 1,792.05	\$ 1,880.14	95.31%	95.31%	\$ 1,804,937	\$ 84,569	\$ 1,815,760	\$ 1,341,781	\$ 1,341,781	\$ -	135%	\$ 1,397.69
20	Aug-21	958	\$ 1,377,139	\$ 1,437.51	\$ 1,541.94	93.23%	93.23%	\$ 1,477,179	\$ 100,040	\$ 1,489,982	\$ 2,270,145	\$ 2,270,145	\$ -	65%	\$ 2,369.67
21	Sep-21	962	\$ 1,317,302	\$ 1,369.34	\$ 1,525.59	89.76%	89.76%	\$ 1,467,618	\$ 150,316	\$ 1,486,854	\$ 1,008,278	\$ 1,008,278	\$ -	146%	\$ 1,048.11
22	Oct-21	961	\$ 1,336,225	\$ 1,390.45	\$ 1,662.21	83.65%	83.65%	\$ 1,597,384	\$ 261,159	\$ 1,630,805	\$ 1,604,695	\$ 1,604,695	\$ -	100%	\$ 1,669.82
23	Nov-21	967	\$ 866,476	\$ 896.05	\$ 1,553.34	69.40%	62.47%	\$ 1,387,063	\$ 520,586	\$ 1,453,682	\$ 1,825,816	\$ 1,825,816	\$ -	76%	\$ 1,888.12
24	Dec-21	966	\$ 223,671	\$ 231.54	\$ 1,597.11	10.45%	16.87%	\$ 1,325,547	\$ 1,101,876	\$ 1,466,553	\$ 1,336,446	\$ 1,336,446	\$ -	99%	\$ 1,383.48
Subtotal			\$ 31,345,981					\$ 33,694,538	\$ 2,348,557	\$ 33,995,081	\$ 33,627,322	\$ 33,627,322	\$ -		
										92.2%					
Prior 12	968	\$ 16,331,394	\$ 1,405.46	\$ 1,406.21	99.9%	\$ 16,340,168	\$ 8,774	\$ 16,341,291	\$ 15,538,464	\$ 15,538,464	\$ -				
Current 12	959	\$ 15,014,587	\$ 1,304.48	\$ 1,507.76	86.5%	\$ 17,354,370	\$ 2,339,783	\$ 17,653,790	\$ 18,088,858	\$ 18,088,858	\$ -				
Subtotal		\$ 31,345,981			93.0%	\$ 33,694,538	\$ 2,348,557	\$ 33,995,081	\$ 33,627,322	\$ 33,627,322	\$ -				

			CURRENT		Blending %	
Trend Adjustment	102.00%	Method #1	\$ 2,348,557		80.0%	
		Method #2 (Prior Runout + Gross Up for Average Lives)+Trend	\$ 3,220,488		20.0%	
		Blending of Methods 1 and 2	\$ 2,522,943			

SUMMARY OF RESERVES CALC (MEDICAL ONLY/NO PHARMACY):				Rounded to Nearest \$10K	
IBNP Reserve	\$	2,522,943		\$	2,520,000
Margin or Provision for Adverse Deviation (PAD) - Assumed %		5.0%			
IBNP Reserve w PAD (Rounded to nearest \$100)	\$	2,649,100		\$	2,650,000
Range - Low	90.0%	\$ 2,384,190		\$	2,380,000
Range - High	110.0%	\$ 2,914,010		\$	2,910,000

Runout of Claims as of 12/31/20 paid in 2021	\$	3,074,271
Reserve as of 12/31/21	\$	2,649,100
Average Monthly Claims (Last 6 Months)	\$	1,564,527
Ratio of Reserves to Monthly Claims		1.69

Historical Stop Loss Reimbursements from Third Party Stop Loss Insurance Carriers Received for City of Hoboken
Assumed \$250,000 Stop Loss for All Years

<u>Plan Year</u>	<u>Stop Loss Premium</u>	
2017	\$ 491,410.95	Based on older reporting of large claimant information
2018	\$ 439,939.68	Based on older reporting of large claimant information
2019	\$ 1,042,142.75	Based on large claimant information provided 1/14/22
2020	\$ 461,831.42	Based on large claimant information provided 1/14/22
2021	\$ 175,371.65	Based on large claimant information provided 1/14/22
2022 Premium	\$ 1,477,158.96	Reflects a snapshot in time of enrollment including actives/pre-65 retirees/post-65 retirees

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Hoboken Paid Claims 1/1/2021 - 12/31/2021

Out of Network Claim Summary for Overall

Total Charges

Plan Payment

In Network Claim Summary for Overall

Total Charges

Plan Payment

Subtotals

Total Charges

Plan Payment

Out of Network Charges as % of Total

Out of Network Paid Claims as % of Total

In Network Charges as % of Total

In Network Paid Claims as % of Total

Value of 1% Out of Network Change

Assumed Value of Cigna Network Discount and Plan Change

Cost Impact of Migrating In-Network

Impact of moving out of network from 14% to 10%

Provided by IAA on 1/18/22

\$27,963,904.47

\$4,162,011.60

\$94,716,429.03

\$13,926,846.48

\$122,680,333.50

\$18,088,858.08

22.8%

23.0%

77.2%

77.0%

155,051.34

30%

46,515.40

186,061.61

Reduction for Plan Change

\$ (1,987,452.24) \$ 2,174,559.36

Revised

\$ (596,272.00) \$ 13,330,574.48

\$15,505,133.84

14.0%

86.0%

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City of Hoboken Capital Rx Claims Experience
 Projected Impact of Changing Copays from Current Plans to NJ State Plan
 (Analysis for Mandatory Generics is Handled Under Separate Analysis)

Generic Copay	Current	Mbrs		<u>Generic</u>	<u>Brand</u>	<u>Subtotal</u>
\$ 7.00	\$ 5.00	594 Plan 71	Change in Copay	\$ 3.03	\$ 7.44	
\$ 7.00	\$ 3.00	1085 Plan 72				
\$ 7.00	\$ 5.00	356 Plan 73	Number of Scripts	30,498	3,341	
\$ 7.00	\$ 10.00	12 Plan 68				
\$ 7.00	\$ 3.97		Impact of Additional Copays	<u>\$ 92,431.23</u>	<u>\$ 24,846.54</u>	<u>\$ 117,277.77</u>

Brand Copay	Current	Mbrs
\$ 16.00	\$ 10.00	594 Plan 71
\$ 16.00	\$ 5.00	1085 Plan 72
\$ 16.00	\$ 10.00	356 Plan 73
\$ 16.00	\$ 25.00	12 Plan 68
\$ 16.00	\$ 7.44	

The following are the numbers in the data analyzed for 2021 Jun 1 - Dec 17 based on underwriting definitions of br/gn/sp. If the contract defns differs from Cap Rx 'standard' approach, possible these numbers vary:
 Generic rx: 14,710 rxs = 79% total rxs / 14% total spend
 Brand rxs: 3619 rxs = 20% total rxs / 58% total spend
 Specialty rxs: 185 rxs = 1.01% total rxs / 28% total spend

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City of Hoboken
Summary of IBNP Claim Reserves

1 Actual Medical Claims Runout for 12/31/20 (Incurred prior to and paid thereafter thru 12/31/21)	\$	3,074,271	
a. Actual Out of Network Claims Runout	\$	692,633	22.53% (Medical Claims Paid In-Network is 23.01%)
b. Actual In-Network Claims Runout*	\$	2,381,638	77.47% (Medical Claims Paid Out of Network is 76.99%)
c. Subtotal: (a) + (b)	\$	3,074,271	100.00%
2 Assumed Medical IBNR as of 12/31/21 - Current valuation	\$	2,522,943	
3 Assumed Medical IBNR as of 12/31/21 with 5% margin - Current valuation	\$	2,649,100	
4 Incurred Medical Claims for 2021 (Existing Plan Design)	\$	17,478,419	
5 Ratio of IBNP Claim Reserves to Medical: (3) / (4)			15.2%
6 Assumed Pharmacy Reserves reflecting 1.5 weeks of paid claims (rounded to nearest \$1,000)	\$	139,000	
7 Total IBNP Claim Reserves as of 12/31/21 for Medical and Pharmacy	\$	2,788,100	Assumed reserve for yearend 12/31/21 financial reporting.
8 Projected Revised Medical and Pharmacy Claim Cost for 2022 (excluding stop loss and ASO fees) adjusted for NJ State Health Plan's plan offerings			
a. Medical Incurred Claims	\$	14,658,061	
b. Pharmacy Incurred Claims	\$	3,883,764	
c. Subtotal: (a) + (b)	\$	18,541,825	
9 Revised IBNP Claim Reserve for Medical and Pharmacy			
a. Medical IBNP Claims Reserve*	\$	2,093,891	
b. Pharmacy IBNP Claims Reserve	\$	112,032	
c. Subtotal: (a) + (b)	\$	2,205,923	
10 Change in IBNP Claim Reserves based on New Cost Structure	\$	582,177	

Notes:

*Assuming larger claims were a big driver for in-network claims processing at a similar pace as out of network claims.

**Assuming that out of network claims will accelerate payment due to in-network migration, so overall reserves will process faster.