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March 2, 2006

John Sincaglia, Interim Business Administrator
Nutley Board of Education
375 Bloomfield Avenue
Nutley, NJ 07110

Re: Updated Health Care Options for 2006-07

Dear John:

We have updated the proposal from Horizon BCBS for a possible June 1, 2006 start date. We were able to secure Horizon's agreement to hold the rates for another month.

As previously reported in our February 3 letter, we have negotiated an additional plan option with Horizon. In order to do something for the 33 people currently enrolled in SHBP HMOs, we designed an additional plan, called Direct Access 10.

The Direct Access 10 plan incorporates the best plan design features of the SHBP HMOs – as identified by the NJEA – as the In Network portion of the plan. This plan also has significant coverage for non-network providers and hospitals while HMOs generally provide no coverage out-of-network other than for emergencies. We believe the Direct Access is a much better program than any of the SHBP HMOs. Attached is an outline of the benefits for the Direct Access 10 plan.

Because of the very favorable plan design in the Direct Access 10 plan, the excellent rates Horizon is offering the Board for that program and because it's being offered as a special accommodation for the employees currently enrolled in SHBP HMOs, the Direct Access 10 plan can only be offered to those employees currently enrolled in an HMO. Those employees will have three options to choose from – the Traditional Plan, Direct Access and Direct Access 10. All other employees will have to choose from the Traditional Plan and the standard Direct Access plan.

All other features of the Horizon BCBS proposal we have previously discussed with you remain unchanged.

The estimated twelve-month savings for the period June 1, 2006 through May 31, 2007 are now \$532,500. The rates calculated by Horizon BCBS are based on the Board's

claims experience with the SHBP for the three-year period ending October 31, 2005. Because the claims experience will be seven months old by June 1, 2006, any further delay beyond June 1 would almost certainly require that the Board start the process all over by buying updated claims experience from the SHBP – for a \$2,000 fee payable to the SHBP – and Horizon would then re-underwrite the group and develop new rates.

Financial Savings

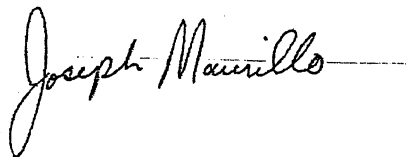
The following table summarizes the projected costs under the Horizon BCBS option as compared to the SHBP for the period June 1, 2006 through May 31, 2007. Since the SHBP requires at least 60 days advance notice from departing employers, you would have to give notice to the SHBP before April 1, 2006, in order to change health insurance programs on June 1, 2006.

Projections for 6/1/06 through 5/31/07	Annual Cost	Savings vs SHBP	
SHBP Projected Costs	\$ 5,980,908		
Horizon BCBS Fully-Insured Costs	\$ 5,448,419	\$ 532,489	8.9%

Attached is a spreadsheet showing more detail about these numbers, including actual rates. The projections are based on actual SHBP rates for 2006 and an assumed 10% increase from the SHBP on January 1, 2007. We understand that Chris Lowery of the SHBP told the Board he expects that the actual SHBP rate increases for 2007 will be 12% to 13%, so the Board's actual savings may be greater than we are projecting. The Horizon rates include the A4 surcharge for retiree coverage and compensation for IMAC Insurance Agency as your broker and consultant.

Let us know if you have any questions.

Sincerely,



Joseph Maurillo
President

cc: Mr. Joseph Zarra, Superintendent of Schools
Dr. Gerard M. Parisi, President, Nutley Board of Education
Mrs. Maria Alamo, Nutley Board of Education
Dr. Philip T. Casale, Nutley Board of Education
Mr. Gerard Del Tufo, Nutley Board of Education
Mr. Al Restaino, Nutley Board of Education
Mr. James Viola, Nutley Board of Education

Nutley Board of Education
SHBP vs Horizon BCBS
June 1, 2006 - May 31, 2007

Traditional Plan

Actives	Single	H/W	Family	P/C			Totals
Enrollment Medical	121	105	120	17			363
SHBP 2006 Rate	\$ 542.83	\$ 1,178.37	\$ 1,378.95	\$ 789.79			
SHBP 2007 Rate (est. 10% increase)	\$ 597.11	\$ 1,296.21	\$ 1,516.85	\$ 868.77			
SHBP 2006-07 Annualized Cost	\$ 821,030	\$ 1,546,611	\$ 2,068,425	\$ 167,830			\$ 4,603,896
Horizon 2006-07 Fully Insured Rate	\$ 520.85	\$ 1,130.64	\$ 1,323.10	\$ 757.80			
Horizon 2006-07 Fully Insured Annualized Cost	\$ 756,270	\$ 1,424,612	\$ 1,905,264	\$ 154,592			\$ 4,240,738
Retirees N/A - NO IMPACT TO DISTRICT	Single	H/W No Medicare	Family No Medicare	H/W One On Medicare	Family One On Medicare	P/C No Medicare	Totals
Enrollment							0
SHBP 2006 Rate	\$ 722.45	\$ 1,572.86	\$ 1,839.15	\$ 1,079.43	\$ 1,346.22	\$ 1,052.72	
SHBP 2007 Rate (est. 10% increase)	\$ 794.70	\$ 1,730.15	\$ 2,023.07	\$ 1,187.37	\$ 1,480.84	\$ 1,157.99	
Horizon 2006-07 Fully Insured Rate	\$ 692.87	\$ 1,509.10	\$ 1,764.59	\$ 982.37	\$ 1,288.90	\$ 1,010.05	

Horizon Direct Access (to replace SHBP NJ Plus)

Actives	Single	H/W	Family	P/C			Totals
Enrollment	20	27	57	4			108
SHBP 2006 Rate	\$ 345.70	\$ 769.40	\$ 895.20	\$ 510.46			
SHBP 2007 Rate (est. 10% increase)	\$ 380.27	\$ 846.34	\$ 984.72	\$ 561.51			
SHBP 2006-07 Annualized Cost	\$ 86,425	\$ 259,673	\$ 637,830	\$ 25,523			\$ 1,009,451
Horizon 2006-07 Fully Insured Rate	\$ 331.70	\$ 738.24	\$ 858.94	\$ 489.79			
Horizon 2006-07 Fully Insured Annualized Cost	\$ 79,609	\$ 239,190	\$ 587,518	\$ 23,510			\$ 929,826

Nutley Board of Education
SHBP vs Horizon BCBS
June 1, 2006 - May 31, 2007

HMOs (assume all go to Direct Access 10 Plan)

	Single	H/W	Family	P/C		Totals
Aetna HMO enrollment	5	2	8	-		15
Aetna SHBP 2006 Rate	\$ 437.44	\$ 946.24	\$ 1,064.64	\$ 599.61		
Aetna SHBP 2007 Rate (est. 10% increase)	\$ 481.18	\$ 1,040.86	\$ 1,171.10	\$ 659.57		
Aetna SHBP 2006-07 Annualized Cost	\$ 27,340	\$ 23,656	\$ 106,464	\$ -		\$ 157,460
Cigna HMO enrollment	2	-	3	-		5
Cigna SHBP 2006 Rate	\$ 509.65	\$ 1,094.58	\$ 1,261.23	\$ 714.38		
Cigna SHBP 2007 Rate (est. 10% increase)	\$ 560.62	\$ 1,204.04	\$ 1,387.35	\$ 785.82		
Cigna SHBP 2006-07 Annualized Cost	\$ 12,741	\$ -	\$ 47,296	\$ -		\$ 60,037
Oxford HMO enrollment	-	2	5	1		8
Oxford SHBP 2006 Rate	\$ 349.87	\$ 769.60	\$ 909.55	\$ 524.78		
Oxford SHBP 2007 Rate (est. 10% increase)	\$ 384.86	\$ 846.56	\$ 1,000.51	\$ 577.26		
Oxford SHBP 2006-07 Annualized Cost	\$ -	\$ 19,240	\$ 56,847	\$ 6,560		\$ 82,647
Amerihealth HMO enrollment	-	-	1	-		1
Amerihealth SHBP 2006 Rate	\$ 509.13	\$ 1,132.85	\$ 1,319.25	\$ 751.59		
Amerihealth SHBP 2007 Rate (est. 10% increase)	\$ 560.04	\$ 1,246.14	\$ 1,451.18	\$ 826.75		
Amerihealth SHBP 2006-07 Annualized Cost	\$ -	\$ -	\$ 16,491	\$ -		\$ 16,491
Healthnet HMO enrollment	1	1	2	-		4
Healthnet SHBP 2006 Rate	\$ 481.15	\$ 1,048.15	\$ 1,272.39	\$ 738.15		
Healthnet SHBP 2007 Rate (est. 10% increase)	\$ 529.27	\$ 1,152.97	\$ 1,399.63	\$ 811.97		
Healthnet SHBP 2006-07 Annualized Cost	\$ 6,014	\$ 13,102	\$ 31,810	\$ -		50,926
SHBP HMO Total enrollment	8	5	19	1		33
SHBP HMO 2006-07 Total annualized cost	\$ 46,096	\$ 55,998	\$ 242,417	\$ 6,560		\$ 367,561
Horizon Direct Access 10 Rates 2006-07	\$ 331.70	\$ 738.24	\$ 858.94	\$ 489.79		
Horizon Direct Access 10 2006-07 Annualized Cost	\$ 31,844	\$ 44,294	\$ 195,839	\$ 5,877		\$ 277,855

**Savings vs.
SHBP**

Total Annualized Cost			
SHBP 2006-07 Annualized Cost	\$ 5,980,908		
Horizon BCBS Fully Insured 2006-07 Annualized Costs	\$ 5,448,419	\$ 532,489	8.9%
Headcount	504		