

ASSEMBLY APPROPRIATIONS
COMMITTEE

STATEMENT TO

SENATE, No. 2273

with committee amendments

STATE OF NEW JERSEY

DATED: JUNE 26, 2020

The Assembly Appropriations Committee reports favorably Senate Bill No. 2273 with committee amendments.

This bill requires the School Employees' Health Benefits Program (SEHBP) to offer only three plans, beginning on January 1, 2021, for medical and prescription benefits coverage. The three plans will be the New Jersey Educators Health Plan; the SEHBP NJ Direct 10 plan as adopted and implemented by the School Employees' Health Benefits Commission for plan year 2020; and the SEHBP NJ Direct 15 plan as adopted and implemented by the School Employees' Health Benefits Commission for plan year 2020.

The SEHBP applies to the following employers who elect to participate in the SEHBP: local school district, regional school district, county vocational school district, county special services school district, jointure commission, educational services commission, State-operated school district, charter school, county college, any officer, board, or commission under the authority of the Commissioner of Education or of the State Board of Education, and any other public entity which is established pursuant to authority provided by Title 18A of the New Jersey Statutes, but excluding the State public institutions of higher education and excluding those public entities where the employer is the State of New Jersey. The provisions of this bill also apply, under section 5, to these same employers even if they do not elect to participate in the SEHBP.

The New Jersey Educators Health Plan will have the benefits specified in the bill.

The bill requires the SEHBP to provide, during an enrollment period before January 1, 2021, that all employees who commenced employment before the effective date of the bill select affirmatively one of the three plans. If an employee fails to select affirmatively a plan during the enrollment period, the SEHBP will enroll the employee, and their dependents if any, in the New Jersey Educators Health Plan for plan year beginning January 1, 2021.

The bill requires the SEHBP, beginning January 1, 2021, to enroll an employee who commences employment on or after the effective

date of the bill but before January 1, 2028 in the New Jersey Educators Health Plan, or in the Garden State Health Plan if the Garden State Health Plan is selected by the employee. For the plan year that commences January 1, 2028, the employee may select, during any open enrollment period, any one of the plans provided by the SEHBP.

The bill requires the program, for the plan year beginning January 1, 2021, to enroll any retiree who is not Medicare-eligible, and the retiree's dependents if any, in the New Jersey Educators Health Plan for health care benefits as a retiree. The retiree must remain in that plan until December 31, 2027 or until the retiree become eligible for Medicare, whichever comes first.

Beginning July 1, 2021, the SEHBP must also offer a Garden State Health Plan. The plan will be developed by the School Employees' Health Benefits Plan Design Committee. The Garden State Health Plan will provide medical and prescription drug benefits that are equivalent to the level of medical and prescription drug benefits provided by the New Jersey Educators Health Plan, except that the benefits under the Garden State Health Plan will be available only from providers located in the State of New Jersey with certain exceptions.

The level of benefits in the New Jersey Educators Health Plan, the Garden State Health Plan, the NJ Direct 10, and the NJ Direct 15 plan will remain unchanged until December 31, 2027. For the plan year that commences January 1, 2028, the benefits in the plans may be modified by the plan design committee. Employers that do not participate in the SEHBP may modify, through collective negotiations agreements, the employee contributions required for New Jersey Educators Health Plan and the Garden State Health Plan, beginning for the plan year that starts January 1, 2028 and thereafter.

The bill requires an employee, or a retiree who is not Medicare-eligible and who is required by law to contribute in retirement toward the cost of health care coverage under the program, to contribute annually a percentage of base salary or retirement allowance, including any cost of living adjustment to that retirement allowance, toward the cost of the health care benefits coverage under the New Jersey Educators Health Plan and the Garden State Health Plan. The percentages are specified in the bill. However, the contribution cannot be less than the contribution of 1.5% of salary that is required by current law.

The required contribution toward the cost of health care benefits coverage under the Garden State Health Plan will be one half of the percentages required for the New Jersey Educators Health Plan. However, the contribution cannot be less than the contribution of 1.5% of salary that is required by current law.

The amount of the annual contribution for either plan cannot exceed the amount that is the result of a calculation using the chart

established under P.L.2011, c.78 that was formerly applicable to determine a contribution that was a percentage of premium.

An employee who selects a plan other than the New Jersey Educators Health Plan or the Garden State Health Plan will be required to contribute toward the cost of coverage (1) in accordance with a collective negotiations agreement applicable to that employee as negotiated in accordance with certain requirements of P.L.2011, c.78; (2) as may be required at the discretion of the employer; or (3) as required by a provision of law, whichever is applicable to that employee.

The bill requires eligible employers that do not participate in the SEHBP to also offer the equivalent of the New Jersey Educators Health Plan beginning January 1, 2021, and the equivalent of the Garden State Health Plan beginning July 1, 2021. The level of benefits in these two plans will remain unchanged through December 31, 2027.

No new plans, other than the equivalent New Jersey Educators Health Plan and the equivalent Garden State Health Plan, may be provided during that period unless the provisions of collective negotiations agreements entered into before or after the effective date of this bill result in additional premium cost reductions. Health care benefits plans that existed before the effective date of the bill may continue to be offered by employers that do not participate in the SEHBP.

The employees of employers that do not participate in the SEHBP will also be required to make the contributions described above if they enroll in the equivalent New Jersey Educators Health Plan or the equivalent Garden State Health Plan. Eligible employers may modify, through collective negotiations agreements, the two plans and the contributions required for those plans, for the year beginning January 1, 2028 and thereafter. The enrollment provisions required for these employers for the new plans will be the same as those for the employers who participate in the SEHBP.

The bill requires that actual savings realized by a school district as a result of the implementation of this bill be used solely and exclusively by the school district for the purpose of reducing the amount that is required to be raised by the local property tax levy by the school district for school district purposes, except when a school district is spending below adequacy as calculated in accordance with N.J.S.A.18A:7F-70. When a cap on the annual increase in the property tax levy for a school district is imposed by law, the savings realized shall be deducted from the adjusted tax levy for the previous budget year and the difference shall serve as the basis for calculating the adjusted tax levy for the next year.

The bill requires certain annual reports from school districts.

The bill also requires the SEHBP to:

develop a guidance tool to provide employees and retirees with confidential consultations online with regard to the employee's or retiree's decision to select a plan during the period of open enrollment or at other times.

make a comprehensive health and wellness plan intended to provide biometric screening services, chronic condition coaching services, and smoking cessation services available to all SEHBP participants.

provide for the services, through a contract, of wellness related providers for employees and retirees, and their dependents, enrolled in the program, and offer this to employers who do not participate in the SEHBP.

promote, on an on-going basis, the expansion of the use of patient centered medical homes.

seek to adopt, on an on-going basis, efforts and measures to support expanded population health arrangements that manage costs and prevent inappropriate utilization.

The bill requires the State's actuary for the School Employees' Health Benefits Program, within 30 days after June 30, 2023, to issue a report validating a net annualized savings of at least \$300 million comparing plan year 2020, 2021, and 2022 that measures the implementation of the New Jersey Educators Plan and Garden State Health Plan, and the SEHBP NJ Direct 10 and the SEHBP NJ Direct 15 plans, provided by those school districts and county colleges both that participate and that do not participate in the School Employees' Health Benefits Program, inclusive of pre-Medicare retirees paid for by the State and the value of early plan design changes also implemented in Fiscal Year 2020. If the net annualized savings Statewide were less than \$300 million, the School Employees' Health Benefits Plan Design Committee must, within 60 days from the issuance of the actuary's report, make plan design changes, or adjustments to employee contributions, or both, for the New Jersey Educators Health Plan, or the Garden State Health Plan, or both, or also plan design changes to the SEHBP NJ Direct 10 or SEHBP NJ Direct 15 plans, or both, to make up the estimated shortfall over the remaining duration of the period covered by this bill ending December 31, 2027. If the committee is unable to agree upon the needed plan design changes or adjustments to employee contributions, or both, within the 60-day period to achieve the \$300 million in net annualized savings, the State Treasurer must construct and implement, within 45 days, plan design changes or adjustments to employee contributions, or both, necessary to achieve the savings, as validated by the State's actuary for the program, and implement such changes and adjustments.

If there is a shortfall, the committee or the State Treasurer must have a resolution for any shortfall no later than October 1, 2023 for implementation for January 1, 2024. The bill prohibits the use of monies from the claims stabilization reserve fund or equivalent fund

established or maintained for the School Employees' Health Benefits Program to pay incurred claims that have not yet been settled, for the actuary's calculations of savings.

The bill requires the modifications made to achieve the savings to be implemented by the SEHBP and by employers that do not participate in the SEHBP.

The bill requires employers that have collective negotiation agreements in effect on the effective date of this bill that include health care benefits coverage available to employees when the net cost to the employer is lower than the cost to the employer would be compared to the New Jersey Educators Health Plan to negotiate with the majority representative of the employees over the financial impact of the difference.

COMMITTEE AMENDMENTS

These amendments:

remove the provision of the bill that would have changed the plan year for the School Employees' Health Benefits Program so that the plan year will remain January 1 to December 31.

change the dates in this bill so that its provisions will apply January 1, 2021 through December 31, 2027.

affirm that employers participating in the School Employees' Health Benefits Program will retain the ability to enter the program for medical only plans and may separately purchase pharmacy and dental benefits outside of the program without limitation or restriction.

require those employees who commenced employment prior to the bill's effective date to select a plan for 2021 during the next enrollment period.

require those employees who commenced employment after the bill's effective date to be enrolled for 2021 through 2027 in the New Jersey Educators Health Plan, or the equivalent plan offered by boards of education that do not participate in the program, or the Garden State Health Plan or the equivalent plan if that plan is selected by the employee.

affirm the ability of an employee required to be enrolled in the New Jersey Educators Health Plan, or the equivalent plan offered by boards of education that do not participate in the program, to waive coverage or change type of coverage within that plan.

affirm that a dependent of a retiree who is not Medicare-eligible may remain enrolled in the New Jersey Educators Health Plan after the retiree becomes Medicare-eligible.

change references to "level of benefits" in the School Employees' Health Benefits Program to "plan designs".

require the implementation by January 1, 2024, by both the School Employees' Health Benefits Program and by employers that do not participate in the program, of any modifications to the program's plan designs or any adjustments to employee contributions rates, or both,

made by the School Employees' Health Benefits Plan Design Committee or the State Treasurer as required by the bill to attain a certain level of savings.

change references to the effective dates for out of network limits on chiropractic care, physical therapy care, and acupuncture care covered by the School Employees' Health Benefits Program.

require that the retirement allowance of certain retirees include any cost of living adjustment thereto when used to calculate the contribution to be paid by the retiree for health care costs in the School Employees' Health Benefits Program.

require the School Employees' Health Benefits Program to offer the contract for services of wellness related providers to employers and employees not participating in the program.

require a comprehensive health and wellness plan be available to all members of the School Employees' Health Benefits Program, and remove a reference that the School Employees' Health Benefits Plan Design Committee develop such a plan.

require the datasheet to be provided by school districts to indicate if the district participates in the School Employees' Health Benefits Program for medical or for medical and prescription drug benefits coverage.

require the State's actuary for the School Employees' Health Benefits Program, within 30 days after June 30, 2023, to issue a report validating a net annualized savings of at least \$300 million comparing plan year 2020, 2021, and 2022 that measures the implementation of the New Jersey Educators Plan and Garden State Health Plan, and the SEHBP NJ Direct 10 and the SEHBP NJ Direct 15 plans, provided by those school districts and county colleges both that participate and that do not participate in the School Employees' Health Benefits Program, inclusive of pre-Medicare retirees paid for by the State and the value of early plan design changes also implemented in Fiscal Year 2020.

provide that if the net annualized savings Statewide were less than \$300 million, the School Employees' Health Benefits Plan Design Committee must, within 60 days from the issuance of the actuary's report, make plan design changes, or adjustments to employee contributions, or both, for the New Jersey Educators Health Plan, or the Garden State Health Plan, or both, or also plan design changes to the SEHBP NJ Direct 10 or SEHBP NJ Direct 15 plans, or both, to make up the estimated shortfall over the remaining duration of the period covered by this bill ending December 31, 2027.

provide that if the committee is unable to agree upon the needed plan design changes or adjustments to employee contributions, or both, within the 60-day period to achieve the \$300 million in net annualized savings, the State Treasurer must construct and implement, within 45 days, plan design changes or adjustments to employee contributions, or both, necessary to achieve the savings, as validated by the State's actuary for the program, and implement such changes and adjustments.

provide that if there is a shortfall, the committee or the State Treasurer must have a resolution for any shortfall no later than October 1, 2023 for implementation for January 1, 2024.

prohibit the use of monies from the claims stabilization reserve fund or equivalent fund established or maintained for the School Employees' Health Benefits Program to pay incurred claims that have not yet been settled, for the actuary's calculations of savings.

require employers that have collective negotiation agreements in effect on the effective date of this bill that include health care benefits coverage available to employees when the net cost to the employer is lower than the cost to the employer would be compared to the New Jersey Educators Health Plan to negotiate with the majority representative of the employees over the financial impact of the difference.

The intent of the amendments with regard to the calculation of net annualized savings is that the calculation will be the result of taking the total savings and reducing that total by the amount of the reduction in contributions paid by employees and retirees in each year.

FISCAL IMPACT

The anticipated net savings associated with plan design changes offset by reductions in employee contributions are indeterminate. The savings from the restructuring of the plans offered by the SEHBP and equivalent plans required to be offered by non-SEHBP employers are indeterminate because migration is not predictable. The greatest savings are predicated on 100 percent migration to the new plans and various plan design changes. If the equivalent new plans are less expensive than the plans currently offered by non-SEHBP employers and employees migrate to those plans then non-SEHBP employers will experience greater savings. These savings will be offset by reductions in employee contributions of those members who choose to migrate to the new plans.