

ASSEMBLY, No. 1457

STATE OF NEW JERSEY

INTRODUCED FEBRUARY 5, 1996

By Assemblywomen MURPHY, HECK, Assemblymen Lance,
O'Toole, Bucco, Zecker, Garrett and Assemblywoman
Farragher

1 AN ACT concerning health care benefits and certain other benefits for
2 public employees, amending P.L.1961, c.49, and supplementing
3 Title 52 of the Revised Statutes.

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5 **BE IT ENACTED** by the Senate and General Assembly of the State
6 of New Jersey:

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8 1. Section 7 of P.L.1961, c.49 (C.52:14-17.31) is amended to read
9 as follows:

10 7. The coverage provided solely for employees shall, subject to the
11 provisions below, automatically become effective for all eligible
12 employees from the first day on or after the effective date of the
13 program on which they satisfy the definition of "employee" contained
14 in this act. The commission shall establish [such] the rules and
15 regulations governing the enrollment and effective dates of coverage
16 of dependents of employees [as] it deems [are] necessary or desirable.
17 [Such] The rules and regulations shall not defer [the insurance]
18 coverage with respect to any qualified dependent an employee has on
19 the date the employee's employer becomes a participating employer,
20 provided the employee was, immediately prior to [said] the date,
21 insured with respect to [such] the dependent under a group major
22 medical insurance plan of [such] the employer which was in effect
23 immediately prior to [said] the date. Under the rules and regulations
24 established by the commission, each employee shall be given the
25 opportunity to enroll for coverage for [his] dependents as of the
26 earliest date [he] the employee becomes eligible for [such] enrollment.
27 An employee may elect to enroll [his] dependents for both basic
28 coverage and major medical expense coverage but may not enroll for
29 either coverage alone.

30 If, on the date coverage for an employee would become effective,
31 [he] the employee is not actively at work [on] full time at [his] the
32 customary place of employment or other location to which [his] the

EXPLANATION - Matter enclosed in bold-faced brackets [thus] in the above bill is not
enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

1 employment requires [him] the employee to travel, [he] the employee
2 shall not be covered until [he] the employee is so actively at work,
3 except [such] the employee shall be covered, if on the date the
4 employee's employer becomes a participating employer, [said] the
5 employee was, immediately prior to [said] that date, insured under a
6 group major medical insurance plan of [such] the employer which was
7 in effect immediately prior to [said] that date.

8 In the event that the group major medical plan which covered an
9 employee or [his] dependents immediately prior to the date the
10 employee's employer becomes a participating employer provides, after
11 termination of coverage thereunder, any continuation of benefits for
12 medical expenses for hospitalization, surgery, medical treatment or any
13 related service or supply, or would so provide in the absence of
14 coverage pursuant to this act, no coverage shall be afforded pursuant
15 to this act for any such expenses (i) which are covered, or which
16 would be covered in the absence of coverage pursuant to this act, in
17 whole or in part, by [such] the prior insurance plan or (ii) which may
18 be used in satisfaction of any deductible requirement under [such] the
19 prior insurance plan to establish entitlement to [such] the continuation
20 of benefits.

21 Each employee shall furnish the Division of Pensions and Benefits,
22 in [such] the prescribed form [as is prescribed], [such] the information
23 [as is] necessary on account of [his] the employee's own coverage and
24 [as] necessary to enroll [his] dependents. Any employee not desiring
25 coverage at the time [he] the employee first becomes eligible, shall
26 give the division written notice of that fact in [such] the form [as]
27 prescribed by the division [may prescribe]. [Such] The employee may
28 not enroll thereafter except at [such] the times and under [such] the
29 conditions [as] prescribed by the commission [may prescribe].

30 If an employee of an employer other than the State eligible for
31 coverage has a spouse who is also an employee of an employer other
32 than the State eligible for coverage, the spouse may elect single
33 coverage as an employee and to enroll as a dependent, in which event
34 no coverage shall be provided for such spouse as an employee while
35 covered as a dependent. The employee of an employer other than the
36 State, who has enrolled such spouse, and who is required to pay the
37 full cost of dependent coverage, may receive a refund from the State
38 Division of Pensions equivalent in amount to the employer's cost for
39 an employee's coverage. When both husband and wife are covered as
40 employees, only one may enroll for their children as dependents.

41 A similar refund shall be authorized pursuant to such rules and
42 regulations as the commission deems necessary or desirable in the case
43 of an employee of an employer other than the State who is paying the
44 full cost of dependent coverage for a spouse who is an employee of the
45 State and eligible for coverage.

46 If a husband and wife are both eligible for coverage under the

1 program as employees:

2 a. each may elect coverage for himself or herself as an employee
3 and for their qualified dependents, including the spouse, under the
4 traditional plan or the State managed care plan, but only one may elect
5 coverage for himself or herself and for their qualified dependents,
6 including the spouse, in a participating health maintenance
7 organization; and

8 b. each may elect single coverage in any participating health
9 maintenance organization, provided that he or she is not covered under
10 the participating health maintenance organization as a dependent of his
11 or her spouse.

12 Any person employed as a substitute teacher by a school district
13 and who provides evidence of coverage under another health benefits
14 program may waive coverage for the current school year on or after
15 the date on which the person becomes an employee eligible for
16 coverage.

17 (cf: P.L.1994, c.40, s.1)

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19 2. (New section) Notwithstanding the provisions of any other law
20 to the contrary, the obligations of the State or any local employer to
21 pay the premium or periodic charges for health benefits coverage
22 provided under P.L.1961, c.49 (C.52:14-17.25 et seq.) may be
23 determined by means of a binding collective negotiations agreement,
24 including any agreements in force at the time of the adoption of P.L.
25 , c. (now pending before the Legislature as this bill). With respect
26 to State employees for whom there is no majority representative for
27 collective negotiations purposes, the commission may, in its sole
28 discretion, modify the respective payment obligations set forth in
29 P.L.1961, c.49 for the State and such employees in a manner
30 consistent with the terms of any collective negotiations agreement
31 binding on the State. With respect to employees of employers other
32 than the State for whom there is no majority representative for
33 collective negotiations purposes, the employer may, in its sole
34 discretion, modify the respective payment obligations set forth in
35 P.L.1961, c.49 for such employer and such employees in a manner
36 consistent with the terms of any collective negotiations agreement
37 binding on such employer.

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39 3. (New section) Notwithstanding the provisions of any other law
40 to the contrary, the State Treasurer on behalf of the State, and the
41 governing body of a local unit of government, a school district, or an
42 independent State or local public authority, board, commission,
43 corporation, agency or organization may establish as an employer a
44 cafeteria plan for its employees pursuant to section 125 of the federal
45 Internal Revenue Code, 26 U.S.C. §125. The plan may provide for a
46 reduction in an employee's salary, through payroll deductions or

1 otherwise, in exchange for payment by the employer of medical or
2 dental expenses not covered by a health benefits plan, and dependent
3 care expenses as provided in section 129 of the code, 26 U.S.C. §129,
4 and such other benefits as are consistent with section 125 which are
5 included under the plan. The amount of any reduction in an
6 employee's salary for the purpose of contributing to the plan shall
7 continue to be treated as regular compensation for all other purposes,
8 including the calculation of pension contributions and the amount of
9 any retirement allowance, but, to the extent permitted by the federal
10 Internal Revenue Code, shall not be included in the computation of
11 federal taxes withheld from the employee's salary.

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13 4. This act shall take effect immediately.

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STATEMENT

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18 This bill changes certain features of the State Health Benefits
19 Program (SHBP). SHBP benefits with regard to covered services,
20 however, remain unchanged.

21 Current law provides that the State as an employer bears the
22 complete cost of SHBP benefits for active State employees and their
23 dependents. Local participating public employers are required to pay
24 the cost of SHBP coverage for an employee and may require an
25 employee contribution toward some or all of the cost of dependent
26 coverage. Many local employers, however, have assumed the cost of
27 SHBP dependent coverage.

28 The bill provides that the obligations of the State or any local
29 employer to pay the premium or periodic charges for SHBP coverage
30 with respect to active employees and retirees may be determined by
31 means of a binding collective negotiations agreement, including any
32 agreements in force at the time of the adoption of this bill. With
33 respect to State employees for whom there is no majority
34 representative for collective negotiations purposes, the State Health
35 Benefits Commission may, in its sole discretion, modify the respective
36 statutory payment obligations of the State and such employees in a
37 manner consistent with the terms of any collective negotiations
38 agreement binding on the State. With respect to employees of
39 employers other than the State for whom there is no majority
40 representative for collective negotiations purposes, the employer may,
41 in its sole discretion, modify the respective statutory payment
42 obligations of such employer and such employees in a manner
43 consistent with the terms of any collective negotiations agreement
44 binding on such employer.

45 The bill also provides that if a husband and wife are both eligible for
46 SHBP coverage as employees:

1 (a) each may elect coverage for himself or herself as an employee
2 and for their qualified dependents, including the spouse, under the
3 traditional plan or NJ Plus, but only one may elect coverage for
4 himself or herself and for their qualified dependents, including the
5 spouse, in a participating HMO; and

6 (b) each may elect single coverage in any participating HMO,
7 provided that he or she is not covered under that HMO as a dependent
8 of his or her spouse.

9 The bill allows the State and local employers to establish a cafeteria
10 plan for its employees pursuant to section 125 of the Internal Revenue
11 Code to provide for a reduction in an employee's salary in exchange
12 for payment by the employer of any required employee contribution
13 for SHBP coverage, medical or dental expenses not covered by SHBP,
14 or dependent care expenses. The amount of any reduction in an
15 employee's salary for the purpose of contributing to the plan shall
16 continue to be treated as regular compensation for all other purposes,
17 including the calculation of pension contributions and the amount of
18 any retirement allowance, but, to the extent permitted by the Internal
19 Revenue Code, shall not be included in the computation of federal
20 taxes withheld from the employee's salary.

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25 Changes certain provisions of State Health Benefits Program.