

LEGISLATIVE FISCAL ESTIMATE TO

SENATE, No. 503

STATE OF NEW JERSEY

DATED: April 1, 1996

Senate Bill No. 503 of 1996 provides that a local government employee who was covered under the New Jersey State Health Benefits Program (SHBP) on December 17, 1995 shall, if the employer continued to participate in the SHBP and the employee continued to be employed with that employer for an average work week of 20 hours during the period between that date and the date on which this legislation takes effect as law, be eligible for such coverage for so long after that effective date as the employer continues to be a participating employer and the employee continues to work for the employer for an average of at least 20 hours per week.

On September 21, 1995, the State Health Benefits Commission adopted an amendment to the commission's regulation governing "full-time employment" for purposes of determining a local government employee's eligibility for SHBP coverage; prior to the amended version, "full-time" status was accorded any such employee who worked an average of at least 20 hours per week. Under the regulation as amended, local employers were permitted to establish a higher standard for full-time status. Thus this legislation would retroactively "grandfather" application of the prior regulation for employees covered under that regulation who have been and remain continuously employed with the same employer for a minimum average work week of 20 hours.

The Office of Legislative Services (OLS) notes that there will be no impact on the State as this legislation will only affect local government employers who participate in the SHBP. The specific impact of the bill on local government employers cannot be determined due in part to the elective nature of the regulation and in part because there is no information available to indicate the number of local government employees who are affected.

No information is currently available to indicate how local government employers will react to the rule change. Many local government employees are covered by existing collective bargaining agreements. If these collective bargaining agreements include a provision for the continuation of health benefits during the duration of the contract, the local government employer cannot rescind health benefits coverage until a new collective bargaining agreement is negotiated.

In addition, it is not clear what the impact on employees will be. If the employee has health insurance coverage, either from another job

or as a dependent of a working spouse, this legislation would not materially affect these individuals. While the intent of this legislation is to grandfather existing employees and require local government employers to continue providing SHBP coverage, the cost of providing health insurance to these employees may force many local governments to withdraw from the SHBP. According to information provided by the Division of Pensions and Benefits, 866 of the approximately 1,700 local government employers currently participate in the SHBP.

The FY 1996 rates for participating in the Traditional Plan (Blue Cross/Blue Shield/Major Medical) of the SHBP are about \$2,900 for single coverage, \$4,900 for husband and wife coverage, \$7,000 for family coverage and \$4,100 for parent-child coverage. The cost of this legislation to a local government employer will depend on the number of individuals covered and the type of coverage provided. Because this legislation only affects existing employees working for local governments participating in the SHBP, any cost from this legislation will decrease over time as employee turnover occurs.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67.