

# SENATE BUDGET AND APPROPRIATIONS COMMITTEE

## STATEMENT TO

### SENATE, No. 503

# STATE OF NEW JERSEY

DATED: MARCH 18, 1996

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 503.

Senate Bill No. 503 provides that a local government employee who was covered under the New Jersey State Health Benefits Program (SHBP) on December 17, 1995 will be eligible for coverage while the employer continues to participate in the program and the employee continues to work for the employer for an average of at least 20 hours per week. Before December 18, 1995, a local employee who worked an average of at least 20 hours per week was considered "full-time" for health benefits coverage. On September 21, 1995, the State Health Benefits Commission amended the commission's regulation on "full-time employment" used to determine a local employee's eligibility for SHBP coverage; the amended regulation became effective December 18, 1995. Now, local employers are permitted to establish a higher standard for full-time status.

Thus, this legislation will retroactively "grandfather" application of health benefits coverage for employees who remain continuously employed from December 18, 1995 onward with the same employer for a minimum average work week of 20 hours.

As reported, this bill is identical to Assembly Bill 168 of 1996 (Asselta/Augustine).

#### FISCAL IMPACT

In a fiscal estimate prepared by the Office of Legislative Services (OLS), OLS noted that there will be no impact on the State because 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 approximately \$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.