

SENATE STATE MANAGEMENT, INVESTMENT AND  
FINANCIAL INSTITUTIONS COMMITTEE

STATEMENT TO

**SENATE, No. 627**

with committee amendments

**STATE OF NEW JERSEY**

DATED: FEBRUARY 22, 1996

The Senate State Management, Investment and Financial Institutions Committee reports favorably and with committee amendments Senate, No. 627.

This bill makes various changes regarding the payment of the premium or periodic charges for State Health Benefits Program (SHBP) coverage. At present, the State as an employer pays the full cost of SHBP premiums for coverage of active State employees and their dependents. The bill provides that the obligations of the State or an independent State authority, board, commission, corporation, agency, or organization to pay the premium or periodic charges for SHBP coverage with respect to active employees and retirees may be determined by means of a binding collective negotiations agreement, including any agreements in force at the time of the adoption of this bill. With respect to State employees for whom there is no majority representative for collective negotiations purposes, the State Health Benefits Commission may, in its sole discretion, modify the respective statutory payment obligations of the State and such employees in a manner consistent with the terms of any collective negotiations agreement binding on the State. With respect to employees of an independent State authority, board, commission, corporation, agency, or organization for whom there is no majority representative for collective negotiations purposes, the employer may, in its sole discretion, modify the respective payment obligations set forth in P.L.1961, c.49 for such employer and such employees in a manner consistent with the terms of any collective negotiations agreement binding on such employer. Since legislative and judicial employees do not have a majority representative for collective negotiations purposes, in order to provide for representation for these employees on the State Health Benefits Commission the bill increases the size of the commission from three to five members by adding the Executive Director of the Office of Legislative Services and the Administrative Director of the Administrative Office of the Courts. The bill also provides that if a husband and wife are both eligible for SHBP

coverage under the program as employees:

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

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

The bill allows the State and the governing body of an independent State authority, board, commission, corporation, agency or organization to establish a cafeteria plan for its employees pursuant to section 125 of the Internal Revenue Code to provide for a reduction in an employee's salary in exchange for payment by the employer of any required employee contribution for SHBP coverage, medical or dental expenses not covered by SHBP, or dependent care expenses. The amount of any reduction in an employee's salary for the purpose of contributing to the plan shall continue to be treated as regular compensation for all other purposes, including the calculation of pension contributions and the amount of any retirement allowance, but, to the extent permitted by the Internal Revenue Code, shall not be included in the computation of federal taxes withheld from the employee's salary.

At present, an active employee over age 65 must enroll in Medicare Part B and the State or local employer reimburses the employee for the Medicare Part B premium payments. This bill eliminates the enrollment requirement and terminates the requirement that the State or local employer reimburse active employees for Medicare Part B premium payments.

The bill clarifies the premiums to be paid by the State and employees for health benefits in retirement for State employees with 25 or more years of service credit in a State-administered retirement system. The bill provides that:

(1) for each State employee who accrues 25 years of service credit in a State-administered retirement system before July 1, 1997, the State shall pay the full cost of the premium or periodic charges for the health benefits provided to a retired State employee and dependents covered under the State Health Benefits Program, but not including survivors, and shall also reimburse the retired employee for premium charges under Part B of Medicare covering the retired employee and the employee's spouse; and

(2) for each State employee who accrues 25 years of service credit in a State-administered retirement system on or after July 1, 1997, the State shall pay the premium or periodic charges for the health benefits provided to a retired State employee and dependents covered under the State Health Benefits Program, but not including survivors, and shall reimburse the retired employee for premium charges under Part B of Medicare covering the retired employee and the employee's

spouse: (a) in accordance with the provisions, if any, concerning health benefits coverage in retirement which are in the collective negotiations agreement applicable to the employee at the time of the employee's accrual of 25 years of service credit in the retirement system, or (b) if the employee has no majority representative for collective negotiations purposes, in a manner consistent with the terms, if any, concerning health benefits coverage in retirement which are in any collective negotiations agreement deemed applicable by the State Health Benefits Commission to that employee at the time of the employee's accrual of 25 years of service credit in the retirement system.

The bill specifies that a State employee living in a rural area where the employee has access to less than two primary care physicians in the State managed care plan or participating health maintenance organizations within a 20-mile radius of the employee's home shall not be required to pay either the difference between the cost of the traditional plan and the average of the cost to the State of the State managed care plan and the participating health maintenance organizations or a percentage of the employee's annual base salary in order to enroll or remain in the traditional plan.

#### COMMITTEE AMENDMENTS

The committee amended the bill to:

(1) remove local employers from the provision allowing an employer to establish a cafeteria plan for its employees pursuant to section 125 of the Internal Revenue Code and from the provision that the premium or periodic charges for health benefits coverage may be determined by means of a binding collective negotiations agreement;

(2) remove the requirement that State and local employees over age 65 be enrolled in Medicare Part B and be reimbursed for such coverage;

(3) increase the size of the State Health Benefits Commission from three to five members by adding the Executive Director of the Office of Legislative Services and the Administrative Director of the Administrative Office of the Courts;

(4) clarify the premiums to be paid by the State and employees for health benefits in retirement for State employees accruing 25 or more years of service credit in a State-administered retirement system before and after July 1, 1997;

(5) provide that a State employee living in a rural area where the employee has access to less than two primary care physicians in the State managed care plan or participating health maintenance organizations within a 20-mile radius of the employee's home shall not be required to pay either the difference between the cost of the traditional plan and the average of the cost to the State of the State managed care plan and the participating health maintenance organizations or a percentage of the employee's annual base salary in order to enroll or remain in the traditional plan; and

(6) provide for definitions of "State managed care plan," "Medicare" and the "traditional plan."