

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

SENATE COMMITTEE SUBSTITUTE FOR **SENATE, No. 2824**

with committee amendments

STATE OF NEW JERSEY

DATED: MARCH 16, 2023

The Senate Budget and Appropriations Committee reports favorably and with committee amendments Senate Bill No. 2824 SCS.

This bill requires the Department of Banking and Insurance (department) to conduct a study of:

(1) the potential impact on the New Jersey Individual Health Coverage Program and the New Jersey Small Employer Health Benefits Program of pursuing an amendment to the waiver of applicable provisions of the Affordable Care Act in order to merge the individual and small group markets and the availability and impact of extending reinsurance to small businesses purchasing health insurance through the pooled market;

(2) the costs and benefits of creating creation of a small employer health insurance subsidy, and other affordability measures as deemed appropriate by the commissioner, and sustainable funding sources for that subsidy and those measures, including consideration of the size of an effective and meaningful subsidy, an analysis of available sustainable funding sources, including an examination of the establishment of an assessment on other lines of insurance, the size of any such assessment, and how best to administer both the subsidy and a potential assessment;

(3) the actuarial impact that increasing the age rating ratio in the New Jersey Small Employer Health Benefits Program from 2:1 to various ranges up to 3:1. The department shall specifically examine the impact of any increase of the age rating ratio on consumers and overall premiums in the small group market, as well as any impact on market viability, competitiveness, enrollment, and any other factors that the department finds necessary. The study shall examine and illustrate the impact of the implementation schedule of any age rating ratio changes. Additionally, the study shall examine the effect of geographic region ratings on premiums and whether it would be in the best interests of the small group market's viability and employers and employees to retain or eliminate this factor. The study shall include recommendations to the Legislature to support the health of the small group market and its eligible enrollees; and

(4) other policies that could contribute to stabilizing the small employer health insurance market.

The bill also provides that the commissioner may engage the services of experts and consultants to assist with the preparation of the study.

PROPOSED COMMITTEE AMENDMENTS:

The committee amended the bill to include:

(1) a study of the actuarial impact of increasing the age rating ratio in the New Jersey Small Employer Health Benefits Program from 2:1 to various ranges up to 3:1. Specifically, the department will examine the impact of any increase of the age rating ratio on consumers and overall premiums in the small group market, as well as any impact on market viability, competitiveness, enrollment, and any other factors that the department finds necessary. The study will also examine the effect of geographic region ratings on premiums and whether it would be in the best interests of the small group market's viability and employers and employees to retain or eliminate this factor;

(2) a study of other policies that could contribute to stabilizing the small employer health insurance market; and

(3) to provide that the commissioner may engage the services of experts and consultants to assist with the preparation of the study.

FISCAL IMPACT:

The Office of Legislative Services finds that the bill will result in a State expenditure increase in an amount that would likely be no more than \$120,000.

The Department of Banking and Insurance may experience a one-time workload increase, as the bill requires a one-time study and the subsequent issuance of a report concerning the potential impact of the merger of the individual and small group health insurance markets, the creation of a small employer health insurance subsidy, the adjustment of the age rating band in the small group market, and other policies that could contribute to stabilizing the small employer health insurance market. The bill permits the department to engage the services of experts and consultants to assist with the preparation of the study. The study is to be conducted and made public no later than one year following the effective date of the bill. Whether the impact of the bill is to be divided between two State fiscal years will depend on the effective date of the bill.

The Department of Banking and Insurance may incur negligible costs, depending whether any administrative costs incurred by the department can be absorbed within the department's current operating budget and staffing to conduct the study and write and publish the report. Department staff will be required to conduct the study and write and publish the report, which could require the use of employees' time that might otherwise be spent on other duties. The

department may also engage the services of experts and consultants to assist department staff in the preparation of the study.

If staff hours used for the study and report were to be equivalent to one full-time equivalent (FTE) employee for the maximum 12-month timeline, the salary, equipment, and fringe benefit costs for the single FTE would total up to \$120,000. Actual costs could differ based on the department's decisions about the level of staff support, and whether to use staff or experts and consultants.