

# SENATE BUDGET AND APPROPRIATIONS COMMITTEE

## STATEMENT TO

### SENATE COMMITTEE SUBSTITUTE FOR SENATE, No. 3756

# STATE OF NEW JERSEY

DATED: JUNE 12, 2023

The Senate Budget and Appropriations Committee reports favorably a Senate Committee Substitute for Senate Bill No. 3756.

This substitute bill allows for the State Health Benefits Program (SHBP) and the School Employees Health Benefits Program (SEHBP) to select more than one claims administrator for each plan in the program offered to employees, early retirees, and Medicare retirees, and their dependents, in order to increase competition and lower costs in the long term.

This bill requires the State Health Benefits Commission and the School Employees' Health Benefits Commission to choose at least two third-party administrators from among submitted responsive proposals within a competitive range. The commissions are required to award the contracts based on which responsive proposal within the competitive range is the most advantageous to the State based on relevant factors including price, network breadth, member experience, the ability to engage in innovative approaches designed to slow the growth of health care costs, and any other factors that the commission may deem relevant. The commissions are authorized to award a contract to the vendor with the bid that is most advantageous to the State based upon the evaluation factors, and to thereafter award another contract to one or more vendors with bids within the competitive range that can provide a comparable bid price and factors of the first awarded contract.

Five years following the effective date of this bill, the Director of the Division of Pensions and Benefits will conduct a study on the impact of this bill and will include a recommendation to maintain, modify, or otherwise terminate the contracting provisions of the bill. The director will provide a copy of the study to the Legislature upon completion.

The bill requires the Department of the Treasury to provide, upon request, but not more frequently than twice in a plan year, to a participating employer in the State Health Benefits Program or the School Employees Health Benefits Program, a standard report which contains the requesting employer's de-identified aggregate data relating to the use of benefits by their employees, early retirees, and Medicare retirees, and their dependents, covered under the plans in the

program. The report will include premiums paid by month for each month covered in the report and paid claims by month for the following categories of services: (a) inpatient hospital; (b) outpatient hospital; (c) in network medical; (d) out of network medical; (e) prescription drugs; (f) medical drugs; (g) emergency room services; and (h) behavioral health, each reported separately. The report shall cover both health and prescription benefits.

The report will also provide for a listing of de-identified claims within each plan of both programs, without reference to a specific employer participating in the programs, in excess of \$50,000 that were paid in any of the months covered by the report. The report will cover both health and prescription benefits.

The Department of the Treasury will provide the reports to a requesting participating employer within 30 days of receipt of such request.

Not later than December 1st of each year, the Department of the Treasury will collect and analyze claims data within the State Health Benefits Program and the School Employees Health Benefits Program to develop, and make publicly available, a claims trend report for each program in the following categories: (1) inpatient hospital; (2) outpatient hospital; (3) in network medical; (4) out of network medical; (5) prescription drugs; (6) medical drugs; (7) emergency room services; and (8) behavioral health. The claims trend report will provide the information in segments including active, early retiree, and Medicare retiree for each plan in the State Health Benefits Program, and in the School Employees Health Benefits Program, and in the aggregate for each plan in both programs. The department will also make the report available on or before December 31st of each year to all majority representatives of public employees for collective negotiations purposes with which the State negotiates. The report will be posted on the Department of the Treasury's website in a prominent and accessible location not later than January 1st of the following calendar year.

Each claims trend report shall be submitted to the Legislature, each member of the State Health Benefits Plan Design Committee and of the School Employees' Health Benefits Plan Design Committee, each member of the State Health Benefits Commission and of the School Employees' Health Benefits Commission, and the Governor's Office of Employee Relations.

No later than 12 months from the effective date of the bill, the Department of the Treasury will provide the State Health Benefits Plan Design Committee and the School Employees Health Benefits Plan Design Committee with a feasibility study of strategies to lower the cost of health care service for the participants of the programs. The study will incorporate opportunities identified in previous management consultant studies, including, but not limited to, changes to the benefit design, spousal surcharges, value based care initiatives, reference-

based pricing, out-of-network reimbursements, and prescription drug formulary changes. There will be a review of short-term savings achievable within 3 to 12 months, medium-term savings achievable within 12 to 24 months, and long-term savings achievable after 24 months.

FISCAL IMPACT:

The Office of Legislative Services (OLS) estimates that requiring the State Health Benefits Commission and the School Employees' Health Benefits Commission to contract with multiple claims administrators for each plan offered by the State Health Benefits Program and the School Employees' Health Benefits Program and requiring the programs to annually provide certain claims data to participating plan sponsors will potentially reduce combined State and local expenditures by five to 20 percent, or \$319 million to \$1.3 billion, given certain assumptions.

At present, there is insufficient information to determine the degree to which increased competition among State Health Benefits and School Employees' Health Benefits claims administrators will lower health care expenditures. If the assumptions behind the analysis change, the OLS' estimates will also shift.