

SENATE COMMITTEE SUBSTITUTE FOR  
**SENATE BILL NO. 3756**  
(First Reprint)

To the Senate:

Pursuant to Article V, Section I, Paragraph 14 of the New Jersey Constitution, I am returning Senate Committee Substitute for Senate Bill No. 3756 (First Reprint) with my recommendations for reconsideration.

Senate Committee Substitute for Senate Bill No. 3756 (First Reprint) requires the State Health Benefits Commission ("SHBC") and the School Employees' Health Benefits Commission ("SEHBC") (collectively "Commissions") to contract with at least two third-party administrators to provide administrative services for each plan type offered to State Health Benefits Program ("SHBP") and School Employees' Health Benefits Program ("SEHBP") employees and retirees. The SHBC and SEHBC are required to award the contracts based on which responsive proposals within a competitive range are the most advantageous to the State utilizing factors outlined in the bill. The bill also requires the Department of the Treasury ("Treasury") to provide claims data to employers participating in the SHBP and SEHBP, publish claims trend reports for each program, and provide a feasibility study to the SHBP and SEHBP Plan Design Committees assessing strategies to lower the cost of health care services.

Current law directs the SHBC and the SEHBC to negotiate contracts arranging for the purchase of hospital, surgical, obstetrical, and other covered health care services and benefits covering employees of the State, participating local governments and school districts, and their dependents. The SHBC and SEHBC are empowered to request that the Division of Purchase and Property ("DPP") in Treasury contract on the Commissions' behalf for medical benefit services. In such instances, the procurement rules, policies, and procedures of the DPP govern. Operating pursuant to

the Commissions' authority to delegate the procurement of medical benefit services, the DPP posted a bid solicitation to solicit quotes from qualified bidders to provide claims administration, care management, and other services for the medical plans of the SHBP and the SEHBP on July 5, 2023.

I commend the sponsors of this legislation for seeking creative solutions to keep health benefits costs in check. In light of the Legislature's clear desire for the State to award more than one third-party administrator contract, as evidenced by this bill, the DPP revised its bid solicitation on August 15, 2023, to state that it is the intent of the State to award two or more contracts to responsible bidders whose quotes responsive to the bid solicitation are most advantageous to the State, following consideration of price and other factors. Consequently, the primary goal of this legislation is already incorporated into the DPP's bid solicitation. Therefore, to ensure that no unnecessary delays are inured in the procurement process, I am recommending several amendments to the bill to better align its language with the DPP's bid solicitation and the State's procurement laws. My recommended changes will also ensure that some of the bill's more onerous reporting requirements do not undermine our shared goal of reducing health care costs and facilitating greater satisfaction, efficiency, and accountability in the administration of health benefits claims to State employees, participating local government and school district employees, and their dependents.

My proposed changes include revising language to account for the fact that the procurement of a third-party administrator has been delegated by the SHBC and SEHBC to the DPP, better aligning the bill's definitions section with the definitions in current law and the bid solicitation, and ensuring that one bid solicitation can cover plans issued under both the SHBP and SEHBP. Moreover, my proposed amendments remove references to fully insured Medicare

Advantage plans, which fall outside the scope of the current bid solicitation as these plans do not utilize the services of a third-party administrator.

Among my recommended amendments are slight modifications to the reporting requirements set forth in the bill. These changes will help ensure that the State remains in compliance with the federal Health Insurance Portability and Accountability Act of 1996. The changes will also help provide realistic expectations for the reporting requirements placed on Treasury by aligning deadlines set forth in the legislation with how the State actually receives claims data from its vendors.

To be clear, my recommended revisions maintain the bill's overarching goal of having a more competitive procurement process by using multiple contract administrators for each plan type. Moreover, my recommended amendments leave largely intact the legislation's robust reporting requirements to ensure accountability and transparency to help shine light on key performance metrics that tend to impact the cost of health benefits for the State, local employers, and employees. The changes I am recommending further these goals while accounting for existing federal and State laws and regulations governing the procurement process and the protection of confidential patient information.

Therefore, I herewith return Senate Committee Substitute for Senate Bill No. 3756 (First Reprint) and recommend that it be amended as follows:

- Page 3, Section 2, Lines 22-23: Delete "within a range established by the director in consultation with the commission" and insert "as determined by the evaluation committee"
- Page 3, Section 2, Line 23: Delete "director" and insert "commission, or its designee,"
- Page 3, Section 2, Line 26: Delete "plan" and insert "State Health Benefits Program and the School Employees' Health Benefits Program"
- Page 3, Section 2, Lines 27-28: Delete in their entirety

Page 3, Section 2, Line 31: After "Medicare." insert  
 ""Evaluation committee" means a group of individuals assigned, pursuant to section 3 of P.L.2005, c.336 (C.52:34-10.3), to review and evaluate quotes submitted in response to a request for proposal and recommend a contract award."

Page 3, Section 2, Lines 36-37: Delete "or a fully-insured Medicare Advantage plan"

Page 3, Section 2, Line 40: After "plan," insert "and"

Page 3, Section 2, Lines 40-41: Delete ", and Medicare Advantage plan" and insert "plans"

Page 4, Section 2, Line 6: Delete "For purposes of Medicare"

Page 4, Section 2, Lines 7-9: Delete in their entirety

Page 4, Section 3, Line 12: Before "Medicare" insert "certain"

Page 4, Section 3, Line 13: After "Commission" insert ", or its designee,"

Page 4, Section 3, Line 15: After "State," insert "price and other factors considered,"

Page 4, Section 3, Line 16: Delete "qualified"

Page 4, Section 3, Lines 17-18: Delete "director in consultation with the commission" and insert "evaluation committee"

Page 4, Section 3, Line 18: After "commission" insert ", or its designee,"

Page 4, Section 3, Line 25: After "Medicare" delete "retiree" and insert "retirees not eligible for or enrolled in Medicare Advantage plans"

Page 4, Section 3, Line 29: After "commission" insert ", or its designee,"

Page 4, Section 3, Line 30: Delete "response" and insert "responses"

Page 4, Section 3, Line 31: Delete "is" and insert "are"

Page 4, Section 3, Line 34: Delete "their" and insert "its"

Page 4, Section 3, Line 36: After "commission" insert ", or its designee,"

Page 4, Section 3, Line 37: After "State" insert ", price and other factors considered,"

Page 4, Section 3, Lines 42-48: Delete in their entirety

Page 5, Section 4, Lines 7-8: Delete "within a range established by the director in consultation with the

commission" and insert "as determined by the evaluation committee"

Page 5, Section 4, Line 8: Delete "director" and insert "commission, or its designee,"

Page 5, Section 4, Line 11: Delete "plan" and insert "State Health Benefits Program and the School Employees' Health Benefits Program"

Page 5, Section 4, Lines 12-13: Delete in their entirety

Page 5, Section 4, Line 16: After "Medicare." Insert  
 ""Evaluation committee" means a group of individuals assigned, pursuant to section 3 of P.L.2005, c.336 (C.52:34-10.3), to review and evaluate quotes submitted in response to a request for proposal and recommend a contract award."

Page 5, Section 4, Lines 21-22: Delete "or a fully-insured Medicare Advantage plan"

Page 5, Section 4, Line 25: After "plan," insert "and"

Page 5, Section 4, Lines 25-26: Delete ", and Medicare Advantage plan" and insert "plans"

Page 5, Section 4, Line 38: Delete "For purposes of Medicare"

Page 5, Section 4, Lines 39-41: Delete in their entirety

Page 5, Section 5, Line 44: Before "Medicare" insert "certain"

Page 5, Section 5, Line 45: After "Commission" insert ", or its designee,"

Page 5, Section 5, Line 47: After "State," insert "price and other factors considered,"

Page 5, Section 5, Line 48: Delete "qualified"

Page 6, Section 5, Line 2: Delete "director in consultation with the commission" and insert "evaluation committee"

Page 6, Section 5, Line 2: After "commission" insert ", or its designee,"

Page 6, Section 5, Line 9: After "Medicare" delete "retiree" and insert "retirees not eligible for or enrolled in Medicare Advantage plans"

Page 6, Section 5, Line 13: After "commission" insert ", or its designee,"

Page 6, Section 5, Line 14: Delete "response" and insert "responses"

Page 6, Section 5, Line 15: Delete "is" and insert "are"

Page 6, Section 5, Line 18: Delete "their" and insert "its"

Page 6, Section 5, Line 20: After "commission" insert ", or its designee,"

Page 6, Section 5, Line 21: After "State" insert ", price and other factors considered,"

Page 6, Section 5, Lines 26-32: Delete in their entirety

Page 6, Section 6, Line 37: Delete "twice" and insert "once"

Page 6, Section 6, Lines 37-38: Delete "plan year" and insert "24-month period"

Page 6, Section 6, Line 42: After "employees" delete ",," and insert "and"

Page 6, Section 6, Line 42: Delete "and Medicare retirees,"

Page 6, Section 6, Line 45: Delete "and" and insert ". If the participating employer has more than 300 employees in the plan, then the report shall include"

Page 6, Section 6, Line 48: Delete "medical drugs; (g)"

Page 6, Section 6, Line 48: Delete "(h)" and insert "(g)"

Page 7, Section 6, Line 10: Delete "30" and insert "60"

Page 7, Section 6, Line 11: Delete "For a request submitted on or after April 1st, the"

Page 7, Section 6, Lines 12-20: Delete in their entirety

Page 7, Section 6, Lines 21-22: Delete "but not later than December 1st of each year,"

Page 7, Section 6, Lines 33-34: Delete "department shall also make the"

Page 7, Section 6, Line 34: After "report" insert "shall be made publicly"

Page 7, Section 6, Line 34: Delete "on or before December 31st of each"

Page 7, Section 6, Lines 35-36: Delete in their entirety

Page 7, Section 6, Line 37: Delete "The report shall be posted"

Page 7, Section 6, Lines 38-39: Delete "not later than January 1st of the following calendar year"

Page 7, Section 6, Line 40: Delete "Each" and insert "The"

Page 8, Section 6, Line 7: Delete "The study shall incorporate opportunities identified in"

Page 8, Section 6, Lines 8-10: Delete in their entirety

Page 8, Section 6, Line 11: Delete "reimbursements, and prescription drug formulary changes."

[seal]

Respectfully,  
/s/ Philip D. Murphy  
Governor

Attest:  
/s/ Parimal Garg  
Chief Counsel to the Governor