SENATE, No. 600

STATE OF NEW JERSEY

219th LEGISLATURE

PRE-FILED FOR INTRODUCTION IN THE 2020 SESSION

Sponsored by:
Senator DECLAN J. O'SCANLON, JR.
District 13 (Monmouth)

Co-Sponsored by:
Senators Bateman and Singer

SYNOPSIS

Restricts State and municipal government employee health plans to gold level and directs related savings to property tax relief.

CURRENT VERSION OF TEXT

Introduced Pending Technical Review by Legislative Counsel.

AN ACT restricting State and municipal government employee health plans to direct savings to property tax relief, supplementing P.L.1979, c.230 (C.40A:10-1 et seq.) and amending P.L.1961, c.49 and P.L.2007, c.103.

BE IT ENACTED *by the Senate and General Assembly of the State of New Jersey:*

1. (New section) a. On or after the effective date of P.L. , c. (pending before the Legislature as this bill), a municipality, or agency thereof, shall not enter into a contract under N.J.S.40A:10-17, N.J.S.40A:10-27, or N.J.S.40A:10-30 to provide a group health care benefit plan offering coverage that exceeds the definition of gold level, as defined in section 1302 of "The Patient Protection and Affordable Care Act" (42 U.S.C. s.18022).

b. (1) When an employer pays part or all of the premiums or charges for a group health care benefit plan pursuant to N.J.S.40A:10-21, monies saved by a reduction in the cost of premiums or charges, or portions thereof, pursuant to subsection a. of this section, shall be used solely and exclusively for the purposes of reducing the amount the municipality is required to raise by its local property tax levy for municipal purposes.

(2) The Director of the Division of Local Government Services in the Department of Community Affairs shall certify that each municipality subject to this section has complied with subsection a. of this section. If the director finds that monies saved by a reduction in the cost of premiums or charges are not used by that municipality solely and exclusively to reduce the amount raised by the local property tax levy, then the director shall correct the municipal budget, pursuant to N.J.S.40A:4-86, to ensure that the premium or charge reductions are used for local property tax levy reduction purposes.

2. Section 4 of P.L.1961, c.49 (C.52:14-17.28) is amended to read as follows:

4. a. The commission shall negotiate with and arrange for the purchase, on such terms as it deems to be in the best interests of the State and its employees, from carriers licensed to operate in the State or in other jurisdictions, as appropriate, contracts providing hospital, surgical, obstetrical, and other covered health care services and benefits covering employees of the State and their dependents, and shall execute all documents pertaining thereto for and on behalf and in the name of the State.

b. Except for contracts entered into after June 30, 2007, the commission shall not enter into a contract under this act unless the

EXPLANATION – Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and is intended to be omitted in the law.

Matter underlined <u>thus</u> is new matter.

benefits provided thereunder equal or exceed the minimum standards specified in section 5 of P.L.1961, c.49 (C.52:14-17.29) for the particular coverage which such contract provides, and unless coverage is available to all eligible employees and their dependents on the basis specified by section 7 of P.L.1961, c.49 (C.52:14-17.31), except that a State employee enrolled in the program on or after July 1, 2003 and all law enforcement officers employed by the State for whom there is a majority representative for collective negotiations purposes may not be eligible for coverage under the traditional plan as defined in section 2 of P.L.1961, c.49 (C.52:14-17.26) pursuant to a binding collective negotiations agreement or pursuant to the application by the commission, in its sole discretion, of the terms of any collective negotiations agreement binding on the State to State employees for whom there is no majority representative for collective negotiations purposes.

c. The commission shall not enter into a contract under P.L.1961, c.49 (C.52:14-17.25 et seq.) after June 30, 2007, unless the contract includes the successor plan, one or more health maintenance organization plans and a State managed care plan that shall be substantially equivalent to the NJ PLUS plan in effect on June 30, 2007, with adjustments to that plan pursuant to a binding collective negotiations agreement or pursuant to action by the commission, in its sole discretion, to apply such adjustments to State employees for whom there is no majority representative for collective negotiations purposes, and unless coverage is available to all eligible employees and their dependents on the basis specified by section 7 of P.L.1961, c.49 (C.52:14-17.31), except as provided in subsection d. of this section.

d. Eligibility for coverage under the successor plan may be limited pursuant to a binding collective negotiations agreement or pursuant to the application by the commission, in its sole discretion, of the terms of any collective negotiations agreement binding on the State to State employees for whom there is no majority representative for collective negotiations purposes. Coverage under the successor plan and under the State managed care plan required to be included in a contract entered into pursuant to subsection c. of this section shall be made available in retirement to all State employees who accrued 25 years of nonconcurrent service credit in one or more State or locally-administered retirement systems before July 1, 2007. Coverage under the State managed care plan required to be included in a contract entered into pursuant to subsection c. of this section shall be made available in retirement to all State employees who accrue 25 years of nonconcurrent service credit in one or more State or locally-administered retirement systems on or after July 1, 2007.

e. Actions taken by the commission before the effective date of P.L.2007, c.103 in anticipation of entering into any contract pursuant to subsection c. of this section are hereby deemed to have

been within the authority of the commission pursuant to P.L.1961, c.49 (C.52:14-17.25 et seq.).

f. On or after the effective date of P.L. , c. (pending before the Legislature as this bill), the commission shall not enter into a contract under P.L.1961, c.49 (C.52:14-17.25 et seq.) to provide a group health care benefit plan offering coverage that exceeds the definition of gold level, as defined in section 1302 of "The Patient Protection and Affordable Care Act" (42 U.S.C. s.18022). Any savings to the State from such contract limits shall be dedicated to the purposes of the "Homestead Property Tax Credit Act," P.L.1990, c.61 (C.54:4-8.57 et seq.). Actions taken by the commission before the effective date of P.L. , c. (pending before the Legislature as this bill) in anticipation of entering into any contract pursuant to this subsection are hereby deemed to have been within the authority of the commission pursuant P.L.1961, c.49 (C.52:14-17.25 et seq.).

(cf: P.L.2007, c.103, s.21)

3. Section 35 of P.L.2007, c.103 (C.52:14-17.46.5) is amended to read as follows:

35. a. The commission shall negotiate with and arrange for the purchase, on such terms as it deems in the best interests of the State, participating employers and those persons covered hereunder from carriers licensed to operate in the State or in other jurisdictions, as appropriate, contracts providing benefits required by the School Employees' Health Benefits Program Act, as specified in section 36 of P.L.2007, c.103 (C.52:14-17.46.6), or such benefits as the commission may determine to provide, so long as such modification of benefits is in the best interests of the State, participating employers and those persons covered hereunder, and is consistent with the provisions of section 40 of that act (C.52:14-17.46.10). The commission shall have authority to execute all documents pertaining thereto for and on behalf of the State. The commission shall not enter into a contract under the School Employees' Health Benefits Program Act, unless the benefits provided thereunder are equal to or exceed the standards specified in section 36 of that act, or as such standards are modified pursuant to section 40 of that act.

b. The rates charged for any contract purchased under the authority of the School Employees' Health Benefits Program Act shall reasonably and equitably reflect the cost of the benefits provided based on principles which in the judgment of the commission are actuarially sound. The rates charged shall be determined based upon accepted group rating principles with due regard to the experience, both past and contemplated, under the contract. The commission shall have the right to particularize subgroups for experience purposes and rates. No increase in rates shall be retroactive.

c. The commission shall be authorized to accept an assignment of contract rights from or enter into an agreement, contract, memorandum of understanding or other terms with the State Health Benefits Commission to ensure that coverage for eligible employees, retirees and dependents under the School Employees' Health Benefits Program whose benefits had been provided through the State Health Benefits Program is continued without interruption. The transition provided for in this subsection shall occur within one year of the effective date of the School Employees' Health Benefits Program Act, sections 31 through 41 of P.L.2007, c.103 (C.52:14-17.46.1 through C.52:14-17.46.11).

d. Benefits under the contract or contracts purchased as authorized by the School Employees' Health Benefits Program Act may be subject to such limitations, exclusions, or waiting periods as the commission finds to be necessary or desirable to avoid inequity, unnecessary utilization, duplication of services or benefits otherwise available, including coverage afforded under the laws of the United States, such as the federal Medicare program, or for other reasons.

e. The initial term of any contract purchased by the commission under the authority of the School Employees' Health Benefits Program Act shall be for such period to which the commission and the carrier may agree, but permission may be made for automatic renewal in the absence of notice of termination by the commission. Subsequent terms for which any contract may be renewed as herein provided shall each be limited to a period not to exceed one year.

f. On or after the effective date of P.L. , c. (pending before the Legislature as this bill), the commission shall not enter into a contract under sections 31 through 41 of P.L.2007, c.103 (C.52:14-17.46.1 through C.52:14-17.46.11), to provide a group health care benefit plan offering coverage that exceeds the definition of gold level, as defined in section 1302 of "The Patient Protection and Affordable Care Act" (42 U.S.C. s.18022). Any savings to the State from such contract limits shall be dedicated to the purposes of the "Homestead Property Tax Credit Act," P.L.1990, c.61 (C.54:4-8.57 et seq.). Actions taken by the commission before the effective date of P.L. , c. (pending before the Legislature as this bill) in anticipation of entering into any contract pursuant to this subsection are hereby deemed to have been within the authority of the commission pursuant to sections 31 through 41 of P.L.2007, c.103 (C.52:14-17.46.1 through C.52:14-17.46.11).

(cf: P.L.2007, c.103, s.35)

4. This act shall take effect immediately.

STATEMENT

The bill restricts State and municipal government health plans for public employees to direct savings to property tax relief. The bill prevents the State Health Benefits Commission, School Employees' Health Benefits Commission, and a municipal government from entering into any health benefit plan offering coverage that exceeds the definition of gold level, as defined in "The Patient Protection and Affordable Care Act." State savings from this restriction are to be directed to the Homestead Benefit Program. Municipal savings from this restriction are to be directed to local property tax levy reductions. The bill includes authority to the Department of Community Affairs to correct municipal budgets not using savings to reduce local property tax levies.

The bill is scheduled to take effect immediately and apply to health benefit contracts entered into on or after the date of enactment.