

SENATE, No. 602

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)

Senator STEVEN V. OROHO

District 24 (Morris, Sussex and Warren)

SYNOPSIS

Sets level for health benefits; requires employee contributions; prohibits reimbursement of Medicare Part B; adds member to SHBP/SEHBP plan design committees; requires retirees to purchase health benefits through exchanges; provides subsidies for out-of-pocket costs.

CURRENT VERSION OF TEXT

Introduced Pending Technical Review by Legislative Counsel.



1 AN ACT concerning health benefits for public employees and
2 retirees and amending various parts of the statutory law and
3 supplementing P.L.1961, c.49.
4

5 **BE IT ENACTED** by the Senate and General Assembly of the State
6 of New Jersey:
7

8 1. Section 2 of P.L.1979, c.391 (C.18A:16-13) is amended to
9 read as follows:

10 2. a. Any local board of education may directly or indirectly
11 through a trust fund or otherwise enter into contracts of group life,
12 accidental death and dismemberment, hospitalization, medical,
13 surgical, major medical expense, minimum premium insurance
14 policy or health and accident insurance with any insurance company
15 or companies authorized to do business in this State, or may
16 contract with a nonprofit hospital service, medical service or health
17 service corporation with respect to the benefits which they are
18 authorized to provide respectively. Such contract or contracts shall
19 provide any one or more of such coverages for the employees of the
20 local board of education and may include their dependents. A local
21 board of education may enter into a contract or contracts to provide
22 drug prescription and other health care benefits, or enter into a
23 contract or contracts to provide drug prescription and other health
24 care benefits as may be required to implement a duly executed
25 collective negotiations agreement, or as may be required to
26 implement a determination by a local board of education to provide
27 such benefit or benefits to employees not included in collective
28 negotiations units. Nothing herein contained shall be deemed to
29 authorize coverage of dependents of an employee under a group life
30 insurance policy or to allow the issuance of a group life insurance
31 policy under which the entire premium is to be derived from funds
32 contributed by the insured employee.

33 For purposes of this section, "minimum premium insurance
34 policy" means a group insurance policy issued by an insurer
35 licensed to do business in this State under which the policyholder
36 agrees to directly fund specified claims of insureds covered under
37 the policy, in lieu of payment of a portion of the premium.

38 b. (1) After the effective date of P.L. _____, c. _____ (pending
39 before the Legislature as this bill), a local board of education shall
40 not enter into a contract under subsection a. of this section to
41 provide any group health care benefit plan offering coverage that
42 exceeds the definition of gold level, as set forth in section 1302 of
43 "The Patient Protection and Affordable Care Act" (42 U.S.C.
44 s.18022).

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 thus is new matter.

1 (2) (a) After the effective date of P.L. _____, c. _____ (pending
2 before the Legislature as this bill), a local board of education shall
3 not enter into a contract under subsection a. of this section to
4 provide any group health care benefit plan offering coverage to
5 employees of the board unless the board has considered and
6 included, to the extent appropriate, feasible, and cost effective, as
7 part of each plan: wellness programs; patient-centered medical
8 homes; reference-based pricing; on-site medical clinics;
9 comprehensive urgent care centers; greater use of generic drugs and
10 prescriptions by mail; network improvements to enhance in-network
11 utilization and reduce out-of-network utilization; and adjustments to
12 in-network deductibles, copays, and out-of-pocket expense limits,
13 and other components, to enhance in-network utilization and reduce
14 out-of-network utilization. The board of education shall also
15 consider for each plan the inclusion of research-proven best
16 practices in the delivery of health care and the optimization of a
17 network of high-value providers.

18 The board of education shall have the authority to create,
19 modify, or terminate any plan or component, at its sole discretion,
20 with regard to this paragraph.

21 (b) A local board of education shall submit annually a written
22 report to the Department of Education describing in detail the
23 board's consideration or inclusion, or both, of each component set
24 forth in subparagraph (a) of this paragraph, its analysis and
25 conclusion on the feasibility of each component, and its analysis
26 and calculations on the cost effectiveness of each component. The
27 report shall be submitted by the date designated by the department.
28 If a full and complete report is not received by the department by
29 the end of business on the due date designated, the department shall
30 contact, within three business days thereafter, each member of the
31 board, the attorney for the board, and the superintendent by
32 telephone, electronic communications, and mail to inform each
33 individual that the report has not been received and to demand a full
34 and complete report be submitted within 10 business days after
35 receipt of the notice. If a board fails to submit a report or refuses to
36 submit a report, the department shall notify the Governor in writing
37 of the board's failure or refusal, and take such executive or
38 administrative action as shall be within the authority of the
39 department, or the Governor, or both, to impose a penalty or
40 consequence, monetary or otherwise, upon the board or district until
41 such time as a full and complete report is received for that year.

42 The department shall develop a program to monitor and assist
43 local boards of education in complying with this paragraph (2) of
44 subsection b. of this section. The department shall provide, or
45 arrange to provide, expertise or technical assistance to a board of
46 education that requests such assistance in writing for its
47 considerations, analyses, and calculations within the limits of such
48 funds as the Legislature may appropriate for such purposes or such

1 funds as the department may use for such purposes from
2 appropriations.

3 (3) Notwithstanding any other provision of law to the contrary,
4 a public employee of a local board of education who retires from a
5 State or locally-administered retirement system for whom health
6 care benefits coverage in retirement is to be paid for, in whole or in
7 part, by the employer or a public entity other than the employer
8 pursuant to law or collective negotiations agreement shall be
9 required to purchase health care benefits coverage through a health
10 care insurance marketplace or exchange and shall be provided by
11 the employer or entity with such funds as may be necessary to
12 purchase the level and extent of health care benefits coverage the
13 employer is committed to provide for the retiree and the retiree's
14 dependents or the level and extent of coverage provided active
15 employees of the employer, whichever is appropriate, but not to
16 exceed in either case coverage set forth in paragraph (1) of
17 subsection b. of section 2 of P.L.1979, c.391 (C.18A:16-13). For
18 Medicare-eligible retirees, the employer or entity shall provide
19 funds sufficient to cover the cost of a Medicare advantage
20 prescription drug plan and the average cost of out-of-pocket
21 expenses and prescription drug costs of such a plan.

22 After the full implementation of this paragraph by the public
23 employer, no public employee who retires from a State or locally-
24 administered retirement system shall be eligible for coverage under
25 the health care benefits plan or program of that public employer
26 provided for the employer's active employees. This prohibition
27 shall apply to all retirees and their dependents whether the public
28 employer or other public entity is paying in whole or in part the cost
29 of such coverage.

30 Commencing with the effective date of P.L. , c. (pending
31 before the Legislature as this bill), the public employer shall
32 develop and initiate a plan for implementation of this paragraph.
33 The plan shall include a schedule for transition of those public
34 employees who retired prior to that effective date, and their
35 dependents, to comply with the requirements of this paragraph. The
36 transition may be completed in stages as may be necessary to ensure
37 an orderly process, but shall be completed within three years after
38 that effective date.

39 Each public employer shall prepare written explanations and
40 notices for public employees and retirees affected to inform them of
41 the requirement and process. The employer shall also provide such
42 information in writing, and by presentation given by a
43 knowledgeable individual, on the Internet site of the public
44 employer in an appropriate and obvious location for such
45 information.

46 The provisions of this paragraph shall be implemented and the
47 transition shall be developed, initiated, and completed in

1 compliance with applicable federal law and with any applicable
2 State laws except to the extent provided otherwise in this paragraph.

3 The funds for the cost coverage shall be provided through such
4 appropriate retiree reimbursement accounts that are most beneficial
5 to the retiree as may be permitted by federal or State law.

6 This paragraph shall apply to all employees who retired before
7 the effective date and also to survivors of retirees.

8 (4) This subsection shall apply when the health care benefits are
9 provided through self-insurance, the purchase of commercial
10 insurance or reinsurance, an insurance fund or joint insurance fund,
11 or in any other manner, or any combination thereof.

12 (cf: P.L.1995, c.74, s.4)

13

14 2. Section 6 of P.L.1979, c.391 (C.18A:16-17) is amended to
15 read as follows:

16 6. a. Any local board of education entering into a contract
17 pursuant to this act is authorized to pay part or all of the premiums
18 or charges for such contracts and may appropriate out of its general
19 funds any money necessary to pay such premiums or charges or
20 portions thereof.

21 The contribution required of any employee toward the cost of
22 such coverage may be deducted from the pay, salary or other
23 compensation of such employee upon authorization in writing made
24 to the local board of education.

25 The local board of education may reimburse an active employee
26 for his premium charges under Part B of the Federal Medicare
27 Program covering the employee alone.

28 Nothing **【herein】** in this section shall be construed as compelling
29 a local board of education to pay any portion of the premiums or
30 charges attributable to such contracts.

31 b. Commencing on the effective date of P.L.2010, c.2 and upon
32 the expiration of any applicable binding collective negotiations
33 agreement in force on that effective date, employees of a local
34 board of education shall pay 1.5 percent of base salary, through the
35 withholding of the contribution from the pay, salary or other
36 compensation, for health care benefits coverage provided pursuant
37 to P.L.1979, c.391 (C.18A:16-12 et seq.), notwithstanding any other
38 amount that may be required additionally pursuant to subsection a.
39 of this section for such coverage. This subsection shall apply also
40 when the health care benefits coverage is provided through an
41 insurance fund or joint insurance fund or in any other manner.

42 c. (1) (a) Commencing on the effective date of
43 P.L. , c. (pending before the Legislature as this bill) and upon
44 the expiration of any applicable binding collective negotiations
45 agreement in force on that effective date, employees of a local
46 board of education shall contribute, through the withholding of the
47 contribution from the pay, salary or other compensation, toward the
48 cost of health care benefits coverage for the employee and any

1 dependent provided pursuant to P.L.1979, c.391 (C.18A:16-12 et
2 seq.) in an amount that shall be determined in accordance with
3 section 15 of P.L. _____, c. _____ (C. _____)(pending before the
4 Legislature as this bill).

5 Additional payments for health care benefits coverage may be
6 required by the employer for such coverage pursuant to other
7 provisions of law or authority of the employer. The amount payable
8 by any employee shall not be less than the 1.5 percent of base salary
9 that is required by law, but an employee who pays the contribution
10 required under this paragraph shall not also be required to pay the
11 contribution of 1.5 percent of base salary.

12 (b) A board of education may enter into a contract or contracts
13 to provide health care benefits, including prescription drug benefits
14 and other health care benefits, as may be required to implement a
15 duly executed collective negotiations agreement, and may provide
16 through such agreement for an amount of employee or retiree
17 contribution as a cost share or premium share that is other than the
18 percentage set forth in section 15 of P.L. _____, c. _____ (C. _____)
19 (pending before the Legislature as this bill), if the total aggregate
20 savings during the term of the agreement from such contributions or
21 plan design, or both, from that agreement as applied to employees
22 and retirees covered by that agreement, and to employees and
23 retirees not covered by that agreement but to whom the agreement
24 has been applied by the employer, if any, equals or exceeds the
25 annual savings that would have resulted had those employees or
26 retirees made the contributions set forth in section 15 of
27 P.L. _____, c. _____ (C. _____) (pending before the Legislature as this
28 bill).

29 A board of education shall certify the savings in writing to the
30 Department of Education and the Division of Pensions and Benefits
31 in the Department of the Treasury. The Department of Education
32 shall review and approve or reject the certification within 30 days
33 of receipt. The certification is deemed approved if not rejected
34 within that time. The agreement shall not be executed until
35 approval is received or the 30-day period has lapsed, whichever
36 occurs first.

37 (2) Commencing on the effective date of
38 P.L. _____, c. _____ (pending before the Legislature as this bill) and
39 upon the expiration of any applicable binding collective
40 negotiations agreement in force on that effective date, a local board
41 of education shall not reimburse an active employee, or an
42 employee who meets the qualifications for employer-paid health
43 care benefits coverage in retirement on or after that effective or that
44 expiration date, for the premium charges under Part B of the
45 Federal Medicare Program covering the employee or retiree, or
46 spouse.

47 (3) This subsection shall apply to employees for whom the
48 employer has assumed a health care benefits payment obligation

1 pursuant to subsection a. of this section to require that such
2 employees pay at a minimum the amount of contribution specified
3 in this subsection for health care benefits coverage.

4 (4) This subsection shall apply when the health care benefits are
5 provided through self-insurance, the purchase of commercial
6 insurance or reinsurance, an insurance fund or joint insurance fund,
7 or in any other manner, or any combination thereof.

8 (cf: P.L.2010, c.2, s.13)

9

10 3. N.J.S.40A:10-17 is amended to read as follows:

11 40A:10-17. (1) Any local unit or agency thereof, herein
12 referred to as employers, may:

13 a. Enter into contracts of group life, accidental death and
14 dismemberment, hospitalization, dental, medical, surgical, major
15 medical expense, or health and accident insurance with any
16 insurance company or companies authorized to do business in this
17 State, or may contract with a nonprofit hospital service or medical
18 service or dental service corporation with respect to the benefits
19 which they are authorized to provide respectively. The contract or
20 contracts shall provide any one or more of such coverages for the
21 employees of such employer and may include their dependents;

22 b. Enter into a contract or contracts to provide drug
23 prescription and other health care benefits, or enter into a contract
24 or contracts to provide drug prescription and other health care
25 benefits as may be required to implement a duly executed collective
26 negotiation agreement, or as may be required to implement a
27 determination by a local unit to provide such benefit or benefits to
28 employees not included in collective negotiations units;

29 c. Enter into a contract with an insurance company authorized
30 to do business in this State to provide to its employees on a group or
31 individual basis, individual retirement annuities, as defined by
32 section 408(b) of the Federal Internal Revenue Code of 1954 as
33 amended (26 U.S.C. s.408(b)). The contract shall provide for
34 coverage under these annuities of any employee of the employer
35 and may provide for the establishment of annuities on behalf of the
36 spouse of the employee.

37 Nothing herein contained shall be deemed to authorize coverage
38 of dependents of an employee under a group life insurance policy
39 or to allow the issuance of a group life insurance policy under
40 which the entire premium is to be derived from funds contributed
41 by the insured employees.

42 (2) (a) After the effective date of P.L. _____, c. _____ (pending
43 before the Legislature as this bill), an employer shall not enter into
44 a contract under subsection (1) of this section to provide any group
45 health care benefit plan offering coverage that exceeds the
46 definition of gold level, as set forth in section 1302 of "The Patient
47 Protection and Affordable Care Act" (42 U.S.C. s.18022).

1 (b) (i) After the effective date of P.L. _____, c. _____ (pending
2 before the Legislature as this bill), an employer shall not enter into
3 a contract under subsection (1) of this section to provide any group
4 health care benefit plan offering coverage to employees of the
5 employer unless the employer has considered and included, to the
6 extent appropriate, feasible, and cost effective, as part of each plan:
7 wellness programs; patient-centered medical homes; reference-
8 based pricing; on-site medical clinics; comprehensive urgent care
9 centers; greater use of generic drugs and prescriptions by mail;
10 network improvements to enhance in-network utilization and reduce
11 out-of-network utilization; and adjustments to in-network
12 deductibles, copays, and out-of-pocket expense limits, and other
13 components, to enhance in-network utilization and reduce out-of-
14 network utilization. The employer shall also consider for each plan
15 the inclusion of research-proven best practices in the delivery of
16 health care and the optimization of a network of high-value
17 providers.

18 An employer shall have the authority to create, modify, or
19 terminate any plan or component, at its sole discretion, with regard
20 to this paragraph.

21 (ii) An employer shall submit annually a written report to the
22 Department of Community Affairs describing in detail the
23 employer's consideration or inclusion, or both, of each component
24 set forth in (i) of this paragraph, its analysis and conclusion on the
25 feasibility of each component, and its analysis and calculations on
26 the cost effectiveness of each component. The report shall be
27 submitted by the date designated by the department. If a full and
28 complete report is not received by the department by the end of
29 business on the due date designated, the department shall contact,
30 within three business days thereafter, each member of the governing
31 body of the employer, the attorney for the governing body, and the
32 holder of the highest elective public office overseeing the employer
33 by telephone, electronic communications, and mail to inform each
34 individual that the report has not been received and to demand a full
35 and complete report be submitted within 10 business days after
36 receipt of the notice. If an employer fails to submit a report or
37 refuses to submit a report, the department shall notify the Governor
38 in writing of the employer's failure or refusal, and take such
39 executive or administrative action as shall be within the authority of
40 the department, or the Governor, or both, to impose a penalty or
41 consequence, monetary or otherwise, upon the employer until such
42 time as a full and complete report is received for that year.

43 The department shall develop a program to monitor and assist
44 employers in complying with this paragraph (b) of this subsection
45 (2) of this section. The department shall provide, or arrange to
46 provide, expertise or technical assistance to an employer that
47 requests such assistance in writing for its considerations, analyses,
48 and calculations within the limits of such funds as the Legislature

1 may appropriate for such purposes or such funds as the department
2 may use for such purposes from appropriations.

3 (c) Notwithstanding any other provision of law to the contrary,
4 a public employee of an employer who retires from a State or
5 locally-administered retirement system for whom health care
6 benefits coverage in retirement is to be paid for, in whole or in part,
7 by the employer or a public entity other than the employer pursuant
8 to law or collective negotiations agreement shall be required to
9 purchase health care benefits coverage through a health care
10 insurance marketplace or exchange and shall be provided by the
11 employer or entity with such funds as may be necessary to purchase
12 the level and extent of health care benefits coverage the employer is
13 committed to provide for the retiree and the retiree's dependents or
14 the level and extent of coverage provided active employees of the
15 employer, whichever is appropriate, but not to exceed in either case
16 coverage set forth in paragraph (a) of subsection 2 of this section.
17 For Medicare-eligible retirees, the employer or entity shall provide
18 funds sufficient to cover the cost of a Medicare advantage
19 prescription drug plan and the average cost of out-of-pocket
20 expenses and prescription drug costs of such a plan

21 After the full implementation of this paragraph by the public
22 employer, no public employee who retires from a State or locally-
23 administered retirement system shall be eligible for coverage under
24 the health care benefits plan or program of that public employer
25 provided for the employer's active employees. This prohibition
26 shall apply to all retirees and their dependents whether the public
27 employer or other public entity is paying in whole or in part the cost
28 of such coverage.

29 Commencing with the effective date of
30 P.L. , c. (pending before the Legislature as this bill), the
31 public employer shall develop and initiate a plan for
32 implementation of this paragraph. The plan shall include a schedule
33 for transition of those public employees who retired prior to that
34 effective date, and their dependents, to comply with the
35 requirements of this paragraph. The transition may be completed in
36 stages as may be necessary to ensure an orderly process, but shall
37 be completed within three years after that effective date.

38 Each public employer shall prepare written explanations and
39 notices for public employees and retirees affected to inform them of
40 the requirement and process. The employer shall also provide such
41 information in writing, and by presentation given by a
42 knowledgeable individual, on the Internet site of the public
43 employer in an appropriate and obvious location for such
44 information.

45 The provisions of this paragraph shall be implemented and the
46 transition shall be developed, initiated, and completed in
47 compliance with applicable federal law and with any applicable
48 State laws except to the extent provided otherwise in this paragraph.

1 The funds for the cost coverage shall be provided through such
2 appropriate retiree reimbursement accounts that are most beneficial
3 to the retiree as may be permitted by federal or State law.

4 This paragraph shall apply to all employees who retired before
5 the effective date and also to survivors of retirees.

6 (d) This subsection shall apply: when the health care benefits
7 are provided through self-insurance, the purchase of commercial
8 insurance or reinsurance, an insurance fund or joint insurance fund,
9 or in any other manner, or any combination thereof; and to any
10 county and municipality, any agency, board, commission, authority,
11 and instrumentality of a local unit, any fire district, any county
12 college, any entity created by a county or municipality, and any
13 local authority as defined under the "Local Authorities Fiscal
14 Control Law," P.L.1983, c.313 (C.40A:5A-1 et seq.).

15 (cf: P.L.1983, c.445, s.2)

16
17 4. N.J.S.40A:10-21 is amended to read as follows:

18 40A:10-21. a. Any employer entering into a contract pursuant
19 to this subarticle is hereby authorized to pay part or all of the
20 premiums or charges for the contracts and may appropriate out of
21 its general funds any money necessary to pay premiums or charges
22 or portions thereof. The contribution required of any employee
23 toward the cost of coverage may be deducted from the pay, salary
24 or other compensation of the employee upon an authorization in
25 writing made to the appropriate disbursing officer.

26 The employer may reimburse an active employee for his
27 premium charges under Part B of the Federal Medicare Program
28 covering the employee alone.

29 Nothing herein shall be construed as compelling an employer to
30 pay any portion of the premiums or charges attributable to the
31 contracts.

32 b. Commencing on the effective date of P.L.2010, c.2 and upon
33 the expiration of any applicable binding collective negotiations
34 agreement in force on that effective date, employees of an employer
35 shall pay 1.5 percent of base salary, through the withholding of the
36 contribution from the pay, salary or other compensation, for health
37 care benefits coverage provided pursuant to N.J.S.40A:10-17,
38 notwithstanding any other amount that may be required additionally
39 pursuant to subsection a. of this section for such coverage. This
40 subsection shall apply also when the health care benefits coverage
41 is provided through an insurance fund or joint insurance fund or in
42 any other manner. This subsection shall apply to any agency,
43 board, commission, authority, or instrumentality of a local unit.

44 c. (1) (a) Commencing on the effective date of
45 P.L. _____, c. _____ (pending before the Legislature as this bill) and
46 upon the expiration of any applicable binding collective
47 negotiations agreement in force on that effective date, employees of
48 an employer shall contribute, through the withholding of the

1 contribution from the pay, salary or other compensation, toward the
2 cost of health care benefits coverage for the employee and any
3 dependent provided pursuant to N.J.S.40A:10-17 et seq. in an
4 amount that shall be determined in accordance with section 15 of
5 P.L. _____, c. _____ (C. _____) (pending before the Legislature as this bill).

6 Additional payments for health care benefits coverage may be
7 required by the employer for such coverage pursuant to other
8 provisions of law or authority of the employer. The amount payable
9 by any employee shall not be less than the 1.5 percent of base salary
10 that is required by law, but an employee who pays the contribution
11 required under this paragraph shall not also be required to pay the
12 contribution of 1.5 percent of base salary.

13 (b) A local unit may enter into a contract or contracts to provide
14 health care benefits, including prescription drug benefits and other
15 health care benefits, as may be required to implement a duly
16 executed collective negotiations agreement, and may provide
17 through such agreement for an amount of employee or retiree
18 contribution as a cost share or premium share that is other than the
19 percentage set forth in section 15 of P.L. _____, c. _____ (C. _____)
20 (pending before the Legislature as this bill), if the total aggregate
21 savings during the term of that agreement from such contributions
22 or plan design, or both, from that agreement as applied to
23 employees and retirees covered by that agreement, and to
24 employees and retirees not covered by that agreement but to whom
25 the agreement has been applied by the employer, if any, equals or
26 exceeds the annual savings that would have resulted had those
27 employees or retirees made the contributions set forth in section 15
28 of P.L. _____, c. _____ (C. _____) (pending before the Legislature as this
29 bill).

30 A local unit shall certify the savings in writing to the Division of
31 Local Government Services in the Department of Community
32 Affairs and the Division of Pensions and Benefits in the Department
33 of the Treasury. The Department of Community Affairs shall
34 review and approve or reject the certification within 30 days of
35 receipt. The certification shall be deemed approved if not rejected
36 within that time. The agreement shall not be executed until
37 approval is received or the 30-day period has lapsed, whichever
38 occurs first.

39 (2) Commencing on the effective date of P.L. _____, c. _____ (pending
40 before the Legislature as this bill) and upon the expiration of any
41 applicable binding collective negotiations agreement in force on
42 that effective date, an employer shall not reimburse an active
43 employee, or an employee who meets the qualifications for
44 employer-paid health care benefits coverage in retirement on or
45 after that effective or that expiration date, for the premium charges
46 under Part B of the Federal Medicare Program covering the
47 employee or the retiree, or spouse.

1 (3) This subsection shall apply to employees for whom the
2 employer has assumed a health care benefits payment obligation
3 pursuant to subsection a. of this section to require that such
4 employees pay at a minimum the amount of contribution specified
5 in this subsection for health care benefits coverage.

6 (4) This subsection shall apply: when the health care benefits
7 are provided through self-insurance, the purchase of commercial
8 insurance or reinsurance, an insurance fund or joint insurance fund,
9 or in any other manner, or any combination thereof; and to any
10 county and municipality, any agency, board, commission, authority,
11 and instrumentality of a local unit, any fire district, any county
12 college, any entity created by a county or municipality, and any
13 local authority as defined under the "Local Authorities Fiscal
14 Control Law," P.L.1983, c.313 (C.40A:5A-1 et seq.).

15 (cf: P.L.2010, c.2, s.14)

16
17 5. Section 4 of P.L.1961, c.49 (C.52:14-17.28) is amended to
18 read as follows:

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

27 b. Except for contracts entered into after June 30, 2007, the
28 commission shall not enter into a contract under this act unless the
29 benefits provided thereunder equal or exceed the minimum
30 standards specified in section 5 of P.L.1961, c.49 (C.52:14-17.29)
31 for the particular coverage which such contract provides, and unless
32 coverage is available to all eligible employees and their dependents
33 on the basis specified by section 7 of P.L.1961, c.49 (C.52:14-
34 17.31), except that a State employee enrolled in the program on or
35 after July 1, 2003 and all law enforcement officers employed by the
36 State for whom there is a majority representative for collective
37 negotiations purposes may not be eligible for coverage under the
38 traditional plan as defined in section 2 of P.L.1961, c.49 (C.52:14-
39 17.26) pursuant to a binding collective negotiations agreement or
40 pursuant to the application by the commission, in its sole discretion,
41 of the terms of any collective negotiations agreement binding on the
42 State to State employees for whom there is no majority
43 representative for collective negotiations purposes.

44 c. The commission shall not enter into a contract under
45 P.L.1961, c.49 (C.52:14-17.25 et seq.) after June 30, 2007, unless
46 the contract includes the successor plan, one or more health
47 maintenance organization plans and a State managed care plan that
48 shall be substantially equivalent to the NJ PLUS plan in effect on

1 June 30, 2007, with adjustments to that plan pursuant to a binding
2 collective negotiations agreement or pursuant to action by the
3 commission, in its sole discretion, to apply such adjustments to
4 State employees for whom there is no majority representative for
5 collective negotiations purposes, and unless coverage is available to
6 all eligible employees and their dependents on the basis specified
7 by section 7 of P.L.1961, c.49 (C.52:14-17.31), except as provided
8 in subsection d. of this section.

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

26 e. Actions taken by the commission before the effective date of
27 P.L.2007, c.103 in anticipation of entering into any contract
28 pursuant to subsection c. of this section are hereby deemed to have
29 been within the authority of the commission pursuant to P.L.1961,
30 c.49 (C.52:14-17.25 et seq.).

31 f. (1) After the effective date of P.L. _____, c. _____ (pending
32 before the Legislature as this bill), the commission shall not enter
33 into a contract under P.L.1961, c.49 (C.52:14-17.25 et seq.) to
34 provide any health care benefit plan that exceeds the definition of
35 gold level, as set forth in section 1302 of "The Patient Protection
36 and Affordable Care Act" (42 U.S.C. s.18022), notwithstanding any
37 other provisions of law to the contrary.

38 (2) After the effective date of P.L. _____, c. _____ (pending
39 before the Legislature as this bill), the commission shall not enter
40 into a contract to provide any health care benefit plan unless the
41 State Health Benefits Plan Design Committee has considered and
42 included, to the extent appropriate, feasible, and cost effective, as
43 part of each plan: wellness programs; patient-centered medical
44 homes; reference-based pricing; on-site medical clinics;
45 comprehensive urgent care centers; greater use of generic drugs and
46 prescriptions by mail; network improvements to enhance in-network
47 utilization and reduce out-of-network utilization; and adjustments to
48 in-network deductibles, copays, and out-of-pocket expense limits,

1 and other components, to enhance in-network utilization and reduce
2 out-of-network utilization. The committee shall also consider for
3 each plan the inclusion of research-proven best practices in the
4 delivery of health care and the optimization of a network of high-
5 value providers.

6 The State Health Benefits Plan Design Committee shall have the
7 authority to create, modify, or terminate any plan or component, at
8 its sole discretion, with regard to this paragraph.

9 The commission shall submit annually a written report to the
10 State Treasurer and Governor describing in detail the committee's
11 consideration or inclusion, or both, of each component set forth
12 above in this paragraph, its analysis and conclusion on the
13 feasibility of each component, and its analysis and calculations on
14 the cost effectiveness of each component. The report shall be
15 submitted by the date designated by the State Treasurer. If a full
16 and complete report is not received by the State Treasurer by the
17 end of business on the due date designated, the State Treasurer shall
18 contact, within three business days thereafter, each member of the
19 commission and committee by telephone, electronic
20 communications, and mail to inform each individual that the report
21 has not been received and to demand a full and complete report be
22 submitted within 10 business days after receipt of the notice. If the
23 commission fails to submit a report or refuses to submit a report,
24 the State Treasurer shall notify the Governor in writing of the
25 commission's failure or refusal, and take such executive or
26 administrative action as shall be within the authority of the
27 department, or the Governor, or both, to achieve compliance until
28 such time as a full and complete report is received for that year.

29 (3) This subsection shall apply also to an independent State
30 authority that is not a participating employer in the program to the
31 same extent as to an authority that is a participating employer, with
32 the governing body of the authority responsible for compliance. As
33 used in this paragraph, "independent State authority" means a
34 public authority, board, commission, corporation, or other agency
35 or instrumentality of the State allocated, in but not of, a principal
36 department of State government pursuant to Article V, Section IV,
37 paragraph 1 of the New Jersey Constitution, or which is not subject
38 to supervision or control by the department in which it is allocated,
39 and a regional authority, but shall not include a college or
40 university.

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

42
43 6. Section 6 of P.L.1996, c.8 (C.52:14-17.28b) is amended to
44 read as follows:

45 6. a. Notwithstanding the provisions of any other law to the
46 contrary, the obligations of the State or an independent State
47 authority, board, commission, corporation, agency, or organization
48 to pay the premium or periodic charges for health benefits coverage

1 provided under P.L.1961, c.49 (C.52:14-17.25 et seq.) may be
2 determined by means of a binding collective negotiations
3 agreement, including any agreements in force at the time of the
4 adoption of P.L.1996, c.8. With respect to State employees for
5 whom there is no majority representative for collective negotiations
6 purposes, the commission may, in its sole discretion, modify the
7 respective payment obligations set forth in P.L.1961, c.49 for the
8 State and such employees in a manner consistent with the terms of
9 any collective negotiations agreement binding on the State. With
10 respect to employees of an independent State authority, board,
11 commission, corporation, agency, or organization for whom there is
12 no majority representative for collective negotiations purposes, the
13 employer may, in its sole discretion, modify the respective payment
14 obligations set forth in P.L.1961, c.49 for such employer and such
15 employees in a manner consistent with the terms of any collective
16 negotiations agreement binding on such employer. The provisions
17 of this subsection shall also apply to employees deemed or
18 considered to be employees of the State pursuant to subsection (c)
19 of section 2 of P.L.1961, c.49 (C.52:14-17.26).

20 b. (1) Notwithstanding the provisions of any other law to the
21 contrary, for each State employee who accrues 25 years of
22 nonconcurrent service credit in one or more State or locally-
23 administered retirement systems before July 1, 1997, excepting the
24 employee who elects deferred retirement, the State, upon the
25 employee's retirement, shall pay the full cost of the premium or
26 periodic charges for the health benefits provided to a retired State
27 employee and dependents covered under the State Health Benefits
28 Program, but not including survivors, and shall also reimburse the
29 retired employee for premium charges under Part B of Medicare
30 covering the retired employee and the employee's spouse.

31 (2) Notwithstanding the provisions of any other law to the
32 contrary, and except as otherwise provided by section 8 of
33 P.L.1961, c.49 (C.52:14-17.32) as amended by P.L.2005, c.341, and
34 by subsection c. of this section, for each State employee who
35 accrues 25 years of nonconcurrent service credit in one or more
36 State or locally-administered retirement systems on or after July 1,
37 1997, excepting the employee who elects deferred retirement, the
38 State, upon the employee's retirement, shall pay the premium or
39 periodic charges for the health benefits provided to a retired State
40 employee and dependents covered under the State Health Benefits
41 Program, but not including survivors, and shall reimburse the
42 retired employee for premium charges under Part B of Medicare
43 covering the retired employee and the employee's spouse: (a) in
44 accordance with the provisions, if any, concerning health benefits
45 coverage in retirement which are in the collective negotiations
46 agreement applicable to the employee at the time of the employee's
47 accrual of 25 years of nonconcurrent service credit in one or more
48 State or locally-administered retirement systems, or (b) if the

1 employee has no majority representative for collective negotiations
2 purposes, in a manner consistent with the terms, if any, concerning
3 health benefits coverage in retirement which are in any collective
4 negotiations agreement deemed applicable by the State Health
5 Benefits Commission to that employee at the time of the employee's
6 accrual of 25 years of nonconcurrent service credit in one or more
7 State or locally-administered retirement systems. The terms for the
8 payment of premiums or periodic charges established pursuant to
9 this paragraph for the traditional plan shall apply to the successor
10 plan, and the terms for the payment of premiums or periodic
11 charges established pursuant to this paragraph for the NJ PLUS plan
12 shall apply to the State managed care plan required to be included
13 in a contract entered into pursuant to subsection c. of section 4 of
14 P.L.1961, c.49 (C.52:14-17.28).

15 c. (1) Effective July 1, 2007, but, with respect to employees to
16 whom this subsection applies who are paid through the State
17 centralized payroll, effective with the first pay period beginning
18 after July 1, 2007, the cost of benefits provided pursuant to
19 P.L.1961, c.49 (C.52:14-17.25 et seq.) shall be shared by employees
20 through the withholding of a contribution in an amount as
21 determined in accordance with paragraph (2) of this subsection.

22 (2) The amount of the contribution required pursuant to
23 paragraph (1) of this subsection as to State employees and
24 employees of an independent State authority, board, commission,
25 corporation, agency, or organization for whom there is a majority
26 representative for collective negotiations purposes shall be
27 determined by means of a binding collective negotiations
28 agreement. Commencing on the effective date of P.L.2010, c.2 and
29 upon the expiration of any applicable binding collective
30 negotiations agreement in force on that effective date, the amount of
31 the contribution required pursuant to paragraph (1) of this
32 subsection by State employees and employees of an independent
33 State authority, board, commission, corporation, agency, or
34 organization for whom there is a majority representative for
35 collective negotiations purposes shall be 1.5% of base salary,
36 notwithstanding any other amount that may be required additionally
37 pursuant to this paragraph by means of a binding collective
38 negotiations agreement.

39 The amount of the contribution required pursuant to paragraph
40 (1) of this subsection as to State employees for whom there is no
41 majority representative for collective negotiations purposes shall be
42 determined in a manner consistent with the terms, if any,
43 concerning health benefits coverage which are in a collective
44 negotiations agreement deemed applicable by the commission to the
45 employee. The amount of the contribution required pursuant to
46 paragraph (1) of this subsection as to employees of an independent
47 State authority, board, commission, corporation, agency, or
48 organization for whom there is no majority representative for

1 collective negotiations purposes shall be determined in a manner
2 consistent with the terms, if any, concerning health benefits
3 coverage which are in a collective negotiations agreement deemed
4 applicable by the employer to the employee. The amount of the
5 contribution required pursuant to paragraph (1) of this subsection as
6 to State employees or employees of an independent State authority,
7 board, commission, corporation, agency, or organization for whom
8 there is no majority representative for collective negotiations
9 purposes shall be 1.5 percent of base salary, notwithstanding any
10 other amount that may be required additionally pursuant to this
11 paragraph by means of the application of the terms of a binding
12 collective negotiations agreement.

13 (3) Except as provided in paragraph (5) of this subsection, the
14 cost of benefits provided pursuant to P.L.1961, c.49 (C.52:14-17.25
15 et seq.) shall be shared by retirees to whom this subsection applies
16 through the withholding of a contribution in an amount as
17 determined in accordance with paragraph (4) of this subsection.

18 (4) The amount of the contribution required pursuant to
19 paragraph (3) of this subsection as to State employees and
20 employees of an independent State authority, board, commission,
21 corporation, agency, or organization for whom there is a majority
22 representative for collective negotiations purposes who accrue 25
23 years of nonconcurrent service credit in one or more State or
24 locally-administered retirement systems on or after July 1, 2007,
25 and who retire on or after July 1, 2007, excepting employees who
26 elect deferred retirement, but including those who retire on a
27 disability pension after July 1, 2007, shall be determined by means
28 of a binding collective negotiations agreement applicable at the
29 time of the employee's accrual of 25 years of nonconcurrent service
30 credit in one or more State or locally-administered retirement
31 systems. The amount of the contribution required pursuant to
32 paragraph (3) of this subsection as to State employees or employees
33 of an independent State authority, board, commission, corporation,
34 agency, or organization for whom there is no majority
35 representative for collective negotiations purposes who accrue 25
36 years of nonconcurrent service credit in one or more State or
37 locally-administered retirement systems on or after July 1, 2007,
38 and who retire on or after July 1, 2007, excepting employees who
39 elect deferred retirement, but including those who retire on a
40 disability pension after July 1, 2007, shall be determined in a
41 manner consistent with the terms, if any, concerning health benefits
42 coverage in retirement which are in any collective negotiations
43 agreement deemed applicable by the commission to that employee
44 at the time of the employee's accrual of 25 years of nonconcurrent
45 service credit in one or more State or locally-administered
46 retirement systems, except that for employees who accrue 25 years
47 of nonconcurrent service credit in one or more State or locally-
48 administered retirement systems in the period beginning July 1,

1 2007, and ending June 30, 2011, the contribution shall be 1.5
2 percent of the monthly retirement allowance, including any future
3 cost-of-living adjustments, or, with respect to retirees for whom
4 there is no majority representative and who are members of the
5 alternate benefit program, an amount determined pursuant to a
6 formula developed by the commission that shall be designed to
7 result in a contribution that is comparable to the contribution that
8 applies to retirees who are not members of the alternate benefit
9 program.

10 (5) The contribution required pursuant to paragraph (3) of this
11 subsection shall not take effect until the New Jersey Retirees'
12 Wellness Program is open for enrollment and thereafter the
13 contribution shall be waived for a retiree who participates in the
14 New Jersey Retirees' Wellness Program. The Division of Pensions
15 and Benefits shall issue a report on the New Jersey Retirees'
16 Wellness Program. The report shall include, but need not be limited
17 to, the claims experience with regard to retirees in the program, and
18 the costs and savings realized. The report shall be issued at the end
19 of the third year after the program's implementation or by
20 December 30, 2010, whichever is earlier. The report shall be
21 submitted to the Governor, the Legislature, and the State Treasurer.

22 (6) Any employee or retiree from whom withholding of a
23 contribution is required pursuant to this subsection shall not be
24 required to pay any percentage of the premiums or periodic charges
25 for health care benefits provided under P.L.1961, c.49 (C.52:14-
26 17.25 et seq.), other than dental benefits.

27 (7) The contribution required pursuant to this subsection may be
28 terminated only upon withdrawal from all health care benefits
29 coverage as an employee or retiree, other than coverage for dental
30 benefits, and the submission to the commission of written
31 certification by the employee that the employee is covered by other
32 health care benefits and that those benefits are in force. The
33 commission shall not apply the written certification requirement to
34 retirees or to employees to whom Article VI, Section VI, paragraph
35 6 of the New Jersey Constitution applies.

36 d. The amount of contribution required pursuant to paragraph
37 (3) of subsection c. of this section in retirement as to a State
38 employee and employee of an independent State authority, board,
39 commission, corporation, agency, or organization who becomes a
40 member of a State or locally-administered retirement system on or
41 after the effective date of P.L.2010, c.2, for whom there is a
42 majority representative for collective negotiations purposes and for
43 whom there is no such representative, shall be 1.5 percent of the
44 retiree's monthly retirement allowance, including any future cost-of-
45 living adjustments, or with respect to members of the alternate
46 benefit program, an amount determined pursuant to the formula
47 specified in paragraph (4) of subsection c. of this section,
48 notwithstanding any other amount that may be required additionally

1 pursuant to paragraph (4) of subsection c. of this section by means
2 of a binding collective negotiations agreement or by means of the
3 application of the terms of such an agreement. The contribution
4 required by this subsection or pursuant to paragraph (4) of
5 subsection c. of this section for officers or employees specified in
6 this subsection shall not be waived for a retiree who participates in
7 the New Jersey Retirees' Wellness Program.

8 e. (1) Commencing on the effective date of P.L. _____,
9 c. _____ (pending before the Legislature as this bill) and upon the
10 expiration of any applicable binding collective negotiations
11 agreement in force on that effective date, employees of the State or
12 of an independent State authority, board, commission, corporation,
13 agency, or organization shall contribute, through the withholding of
14 the contribution from the pay, salary or other compensation, toward
15 the cost of health care benefits coverage for the employee and any
16 dependent provided pursuant to P.L.1961, c.49 (C.52:14-17.25 et
17 seq.) in an amount that shall be determined in accordance with
18 section 15 of P.L. _____, c. _____ (C. _____)(pending before the
19 Legislature as this bill).

20 Additional payments for health care benefits coverage may be
21 required by the employer for such coverage pursuant to other
22 provisions of law or authority of the employer. The amount payable
23 by any employee shall not be less than the 1.5 percent of base salary
24 that is required by law, but an employee who pays the contribution
25 required under this paragraph shall not also be required to pay the
26 contribution of 1.5 percent of base salary.

27 (2) Commencing on the effective date of
28 P.L. _____, c. _____ (pending before the Legislature as this bill) and
29 upon the expiration of any applicable binding collective
30 negotiations agreement in force on that effective date, the State and
31 an independent State authority, board, commission, corporation,
32 agency, or organization shall not reimburse an active employee, or
33 an employee who meets the qualifications for employer-paid health
34 care benefits coverage in retirement on or after that effective or
35 that expiration date, for the premium charges under Part B of the
36 Federal Medicare Program covering the employee or the retiree, or
37 spouse, notwithstanding any other provision of law to the contrary
38 including this section and section 8 of P.L.1961, c.49 (C.52:14-
39 17.32).

40 (3) This subsection shall apply to employees for whom the
41 employer has assumed a health care benefits payment obligation to
42 require that such employees pay at a minimum the amount of
43 contribution specified in this subsection for health care benefits
44 coverage.

45 (4) This subsection shall apply also to an independent State
46 authority that is not a participating employer in the program to the
47 same extent as to an authority that is a participating employer, with
48 the governing body of the authority responsible for compliance. As

1 used in this paragraph, “independent State authority” means a
2 public authority, board, commission, corporation, or other agency
3 or instrumentality of the State allocated, in but not of, a principal
4 department of State government pursuant to Article V, Section IV,
5 paragraph 1 of the New Jersey Constitution, or which is not subject
6 to supervision or control by the department in which it is allocated,
7 and a regional authority, but shall not include a college or
8 university.

9 (5) Paragraph (6) of subsection c. of this section shall not be
10 deemed to apply with regard to contributions specified and made
11 under this subsection. Paragraph (7) of subsection c. of this section
12 shall apply with regard to contributions specified and made under
13 this section. Part-time State employees and part-time faculty
14 members participating under section 1 of P.L.2003, c.172 (C.52:14-
15 17.33a) shall not pay less than the contribution specified in this
16 subsection.

17 (cf: P.L.2010, c.2, s.1)

18
19 7. Section 7 of P.L.1964, c.125 (C.52:14-17.38) is amended to
20 read as follows:

21 7. a. (1) The Division of Pensions and Benefits shall certify to
22 the certifying agent of each employer electing participation under
23 the program the premium rates and periodic charges applicable to
24 the coverage provided for employees and dependents. The
25 participating employer shall remit to the division all contributions
26 to premiums and periodic charges in advance of their due dates,
27 subject to the rules and regulations of the commission.

28 Notwithstanding the provisions of any other law to the contrary,
29 the obligations of a participating employer other than the State to
30 pay the premium or periodic charges for health benefits coverage
31 provided under P.L.1961, c.49 (C.52:14-17.25 et seq.) may be
32 determined by means of a binding collective negotiations
33 agreement. With respect to employees for whom there is no
34 majority representative for collective negotiations purposes, the
35 employer may, in its sole discretion, modify the respective payment
36 obligations set forth in law for the employer and such employees in
37 a manner consistent with the terms of any collective negotiations
38 agreement binding on the employer. Commencing on the effective
39 date of P.L.2010, c.2 and upon the expiration of any applicable
40 binding collective negotiations agreement in force on that effective
41 date, employees of an employer other than the State shall pay 1.5
42 percent of base salary, through the withholding of the contribution,
43 for health benefits coverage provided under P.L.1961, c.49
44 (C.52:14-17.25 et seq.), notwithstanding any other amount that may
45 be required additionally pursuant to this paragraph by means of a
46 binding collective negotiations agreement or the modification of
47 payment obligations.

1 (2) (a) Commencing on the effective date of P.L. _____,
2 c. _____ (pending before the Legislature as this bill) and upon the
3 expiration of any applicable binding collective negotiations
4 agreement in force on that effective date, employees of an employer
5 shall contribute, through the withholding of the contribution from
6 the pay, salary or other compensation, toward the cost of health care
7 benefits coverage for the employee and any dependent provided
8 pursuant to P.L.1961, c.49 (C.52:14-17.25 et seq.) in an amount that
9 shall be determined in accordance with section 15 of
10 P.L. _____, c. _____ (C. _____)(pending before the Legislature as
11 this bill).

12 Additional payments for health care benefits coverage may be
13 required by the employer for such coverage pursuant to other
14 provisions of law or authority of the employer. The amount payable
15 by any employee shall not be less than the 1.5 percent of base salary
16 that is required by law, but an employee who pays the contribution
17 required under this paragraph shall not also be required to pay the
18 contribution of 1.5 percent of base salary.

19 (b) Commencing on the effective date of
20 P.L. _____, c. _____ (pending before the Legislature as this bill) and
21 upon the expiration of any applicable binding collective
22 negotiations agreement in force on that effective date, an employer
23 shall not reimburse an active employee, or an employee who meets
24 the qualifications for employer-paid health care benefits coverage in
25 retirement on or after that effective or that expiration date, for the
26 premium charges under Part B of the Federal Medicare Program
27 covering the employee or the retiree, or spouse, notwithstanding
28 paragraph (1) of subsection b. of this section.

29 (c) This paragraph shall apply to employees for whom the
30 employer has assumed a health care benefits payment obligation to
31 require that such employees pay at a minimum the amount of
32 contribution specified in this paragraph for health care benefits
33 coverage.

34 b. (1) From funds allocated therefor, the employer other than
35 the State, upon the adoption and submission to the division of an
36 appropriate resolution prescribed by the commission, may pay the
37 premium or periodic charges for the benefits provided to a retired
38 employee and the employee's dependents covered under the
39 program, if the employee retired from a State or locally-
40 administered retirement system, excepting the employee who
41 elected deferred retirement, and may also reimburse the retired
42 employee for the employee's premium charges under Part B of
43 Medicare covering the retired employee and the employee's spouse
44 if the employee:

45 (a) retired on a disability pension; or

46 (b) retired after 25 or more years of nonconcurrent service credit
47 in one or more State or locally-administered retirement systems,
48 excluding service credited under the Defined Contribution

1 Retirement Program established pursuant to P.L.2007, c.92
2 (C.43:15C-1 et al.), and a period of service of up to 25 years with
3 the employer at the time of retirement, such period of service to be
4 determined by the employer and set forth in an ordinance or
5 resolution as appropriate; or

6 (c) retired and reached the age of 65 years or older with 25
7 years or more of nonconcurrent service credit in one or more State
8 or locally-administered retirement systems, excluding service
9 credited under the Defined Contribution Retirement Program, and a
10 period of service of up to 25 years with the employer at the time of
11 retirement, such period of service to be determined by the employer
12 and set forth in an ordinance or resolution as appropriate; or

13 (d) retired and reached the age of 62 years or older with at least
14 15 years of service with the employer, excluding service credited
15 under the Defined Contribution Retirement Program.

16 "Retired employee and the employee's dependents" may, upon
17 adoption of an appropriate resolution therefor by the participating
18 employer, also include otherwise eligible employees, and their
19 dependents, who retired from one or more State or locally-
20 administered retirement systems prior to the date that the employer
21 became a participating employer in the New Jersey State Health
22 Benefits Program or who did not elect to continue coverage in the
23 program during such time after the employer became a participating
24 employer that the employer did not pay premium or periodic
25 charges for benefits to retired employees and their dependents
26 pursuant to this section. Eligibility and enrollment of such
27 employees and dependents shall be in accordance with such rules
28 and regulations as may be adopted by the State Health Benefits
29 Commission.

30 The employer other than the State may, by resolution, pay the
31 premium or periodic charges for the benefits provided to the
32 surviving spouse of a retired employee and the employee's
33 dependents covered under the program as provided in this section.

34 (2) Notwithstanding the provisions of any other law to the
35 contrary, the obligations of an employer other than the State, except
36 an independent State authority, board, commission, corporation,
37 agency, or organization deemed to be covered by section 6 of
38 P.L.1996, c.8 (C.52:14-17.28b) and except school boards whose
39 employees are covered by section 3 of P.L.1987, c.384 (C.52:14-
40 17.32f), section 2 of P.L.1992, c.126 (C.52:14-17.32f1) and section
41 1 of P.L.1995, c.357 (C.52:14-17.32f2), to pay the premium or
42 periodic charges for health benefits coverage under the provisions
43 of paragraph (1) may be determined by means of a binding
44 collective negotiations agreement, including any agreement in force
45 at the time of the adoption of this act, P.L.1999, c.48. With respect
46 to employees for whom there is no majority representative for
47 collective negotiations purposes, the employer may, in its sole
48 discretion, determine the payment obligations for the employer and

1 the employees, except that if there are collective negotiations
2 agreements binding upon the employer for employees who are
3 within the same community of interest as employees in a collective
4 negotiations unit but are excluded from participation in the unit by
5 the "New Jersey Employer-Employee Relations Act," P.L.1941,
6 c.100 (C.34:13A-1 et seq.), the payment obligations shall be
7 determined in a manner consistent with the terms of any collective
8 negotiations agreement applicable to the collective negotiations
9 unit. An employee who becomes a member of a State or locally-
10 administered retirement system on or after the effective date of
11 P.L.2010, c.2 shall pay in retirement 1.5 percent of the retiree's
12 monthly retirement allowance, including any future cost-of-living
13 adjustments, through the withholding of the contribution, for health
14 benefits coverage provided under P.L.1961, c.49 (C.52:14-17.25 et
15 seq.), notwithstanding any other amount that may be required
16 additionally pursuant to this paragraph by means of a binding
17 collective negotiations agreement or the determination of payment
18 obligations.

19 c. Notwithstanding the provisions of any other law to the
20 contrary, the payment obligations of an employee of an employer
21 other than the State, except an independent State authority, board,
22 commission, corporation, agency, or organization, for health
23 benefits coverage under subsection b. shall be the payment
24 obligations applicable to the employee on the date the employee
25 retires on a disability pension or the date the employee meets the
26 service credit and service requirements for the employer payment
27 for the coverage, as the case may be.

28 (cf: P.L.2010, c.2, s.5)

29

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

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

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

11 c. The commission shall be authorized to accept an assignment
12 of contract rights from or enter into an agreement, contract,
13 memorandum of understanding or other terms with the State Health
14 Benefits Commission to ensure that coverage for eligible
15 employees, retirees and dependents under the School Employees'
16 Health Benefits Program whose benefits had been provided through
17 the State Health Benefits Program is continued without interruption.
18 The transition provided for in this subsection shall occur within one
19 year of the effective date of the School Employees' Health Benefits
20 Program Act, sections 31 through 41 of P.L.2007, c.103 (C.52:14-
21 17.46.1 through C.52:14-17.46.11).

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

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

38 f. (1) After the effective date of P.L. _____ c. _____ (pending before
39 the Legislature as this bill), the commission shall not enter into a
40 contract under P.L.2007, c.103 (C.52:14-17.46.1 et seq.) to provide
41 any health care benefit plan that exceeds the definition of gold
42 level, as set forth in section 1302 of "The Patient Protection and
43 Affordable Care Act" (42 U.S.C. s.18022), notwithstanding any
44 other provisions of law to the contrary.

45 (2) After the effective date of P.L. _____, c. _____ (pending
46 before the Legislature as this bill), the commission shall not enter
47 into a contract to provide any health care benefit plan unless the
48 School Employees' Health Benefits Plan Design Committee has

1 considered and included, to the extent appropriate, feasible, and
2 cost effective, as part of each plan: wellness programs; patient-
3 centered medical homes; reference-based pricing; on-site medical
4 clinics; comprehensive urgent care centers; greater use of generic
5 drugs and prescriptions by mail; network improvements to enhance
6 in-network utilization and reduce out-of-network utilization; and
7 adjustments to in-network deductibles, copays, and out-of-pocket
8 expense limits, and other components, to enhance in-network
9 utilization and reduce out-of-network utilization. The committee
10 shall also consider for each plan the inclusion of research-proven
11 best practices in the delivery of health care and the optimization of
12 a network of high-value providers.

13 The School Employees' Health Benefits Plan Design Committee
14 shall have the authority to create, modify, or terminate any plan or
15 component, at its sole discretion, with regard to the provisions of
16 this paragraph.

17 The commission shall submit annually a written report to the
18 State Treasurer and Governor describing in detail the committee's
19 consideration or inclusion, or both, of each component set forth
20 above in this paragraph, its analysis and conclusion on the
21 feasibility of each component, and its analysis and calculations on
22 the cost effectiveness of each component. The report shall be
23 submitted by the date designated by the State Treasurer. If a full
24 and complete report is not received by the State Treasurer by the
25 end of business on the due date designated, the State Treasurer shall
26 contact, within three business days thereafter, each member of the
27 commission and committee by telephone, electronic
28 communications, and mail to inform each individual that the report
29 has not been received and to demand a full and complete report be
30 submitted within 10 business days after receipt of the notice. If the
31 commission fails to submit a report or refuses to submit a report,
32 the State Treasurer shall notify the Governor in writing of the
33 commission's failure or refusal, and take such executive or
34 administrative action as shall be within the authority of the
35 department, or the Governor, or both, to achieve compliance until
36 such time as a full and complete report is received for that year.

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

38

39 9. Section 39 of P.L.2007, c.103 (C.52:14-17.46.9) is amended
40 to read as follows:

41 39. a. For each active covered employee and for the eligible
42 dependents the employee may have enrolled at the employee's
43 option, from funds appropriated therefor, the employer shall pay to
44 the commission the premium or periodic charges for the benefits
45 provided under the contract in amounts equal to the premium or
46 periodic charges for the benefits provided under such a contract
47 covering the employee and the employee's enrolled dependents.

1 b. (1) The obligations of any employer to pay the premium or
2 periodic charges for health benefits coverage provided under the
3 School Employees' Health Benefits Program Act, sections 31
4 through 41 of P.L.2007, c.103 (C.52:14-17.46.1 through C.52:14-
5 17.46.11), may be determined by means of a binding collective
6 negotiations agreement, including any agreement in force at the
7 time the employer commences participation in the School
8 Employees' Health Benefits Program. With respect to employees
9 for whom there is no majority representative for collective
10 negotiations purposes, the employer may, in its sole discretion,
11 modify the respective payment obligations set forth in law for the
12 employer and such employees in a manner consistent with the terms
13 of any collective negotiations agreement binding on the employer.

14 Commencing on the effective date of P.L.2010, c.2 and upon the
15 expiration of any applicable binding collective negotiations
16 agreement in force on that effective date, employees shall pay 1.5
17 percent of base salary, through the withholding of the contribution,
18 for health benefits coverage provided under P.L.2007, c.103
19 (C.52:14-17.46.1 et seq.), notwithstanding any other amount that
20 may be required additionally pursuant to this subsection by means
21 of a binding collective negotiations agreement or the modification
22 of payment obligations.

23 (2) (a) Commencing on the effective date of P.L. _____,
24 c. _____ (pending before the Legislature as this bill) and upon the
25 expiration of any applicable binding collective negotiations
26 agreement in force on that effective date, employees of an employer
27 shall contribute, through the withholding of the contribution from
28 the pay, salary or other compensation, toward the cost of health care
29 benefits coverage for the employee and any dependent provided
30 pursuant to P.L.2007, c.103 (C.52:14-17.46.1 et seq.) in an amount
31 that shall be determined in accordance with section 15 of
32 P.L. _____, c. _____ (C. _____)(pending before the Legislature as
33 this bill).

34 Additional payments for health care benefits coverage may be
35 required by the employer for such coverage pursuant to other
36 provisions of law or authority of the employer. The amount payable
37 by any employee shall not be less than the 1.5 percent of base salary
38 that is required by law, but an employee who pays the contribution
39 required under this paragraph shall not also be required to pay the
40 contribution of 1.5 percent of base salary.

41 (b) Commencing on the effective date of
42 P.L. _____, c. _____ (pending before the Legislature as this bill) and
43 upon the expiration of any applicable binding collective
44 negotiations agreement in force on that effective date, an employer
45 shall not reimburse an active employee, or an employee who meets
46 the qualifications for employer-paid health care benefits coverage in
47 retirement on or after that effective or that expiration date, for the

1 premium charges under Part B of the Federal Medicare Program
2 covering the employee or the retiree, or spouse.

3 (c) This paragraph shall apply to employees for whom the
4 employer has assumed a health care benefits payment obligation to
5 require that such employees pay at a minimum the amount of
6 contribution specified in this paragraph for health care benefits
7 coverage.

8 c. There is hereby established a School Employee Health
9 Benefits Program fund consisting of all contributions to premiums
10 and periodic charges remitted to the State treasury by participating
11 employers for employee coverage. All such contributions shall be
12 deposited in the fund and the fund shall be used to pay the portion
13 of the premium and periodic charges attributable to employee and
14 dependent coverage.

15 d. Notwithstanding any law to the contrary and except as
16 provided by amendment by P.L.2010, c.2, and by P.L.2011, c.78,
17 the payment in full of premium or periodic charges for eligible
18 retirees and their dependents pursuant to section 3 of P.L.1987,
19 c.384 (C.52:14-17.32f), section 2 of P.L.1992, c.126 (C.52:14-
20 17.32f1), or section 1 of P.L.1995, c.357 (C.52:14-17.32f2) shall be
21 continued without alteration or interruption and there shall be no
22 premium sharing or periodic charges for certain school employees
23 in retirement once they have met the criteria for vesting for pension
24 benefits, which criteria for purposes of this subsection only shall
25 mean the criteria for vesting in the Teachers' Pension and Annuity
26 Fund. For purposes of this subsection, "premium sharing or periodic
27 charges" shall mean payments by eligible retirees based upon a
28 proportion of the premiums for health care benefits.

29 (cf: P.L.2011, c.78, s.54)

30
31 10. Section 3 of P.L.1987, c.384 (C.52:14-17.32f) is amended to
32 read as follows:

33 3. A qualified retiree from the Teachers' Pension and Annuity
34 Fund (N.J.S.18A:66-1 et seq.) and dependents of a qualified retiree,
35 but not including survivors, are eligible to participate in the State
36 Health Benefits Program until June 30, 2008, and beginning July 1,
37 2008, in the School Employees' Health Benefits Program, regardless
38 of whether the retiree's employer participated in the program.

39 A qualified retiree is a retiree who:

40 a. Retired on a benefit based on 25 or more years of service
41 credit;

42 b. Retired on a disability pension based on fewer years of
43 service credit; or

44 c. Elected deferred retirement based on 25 or more years of
45 service credit and who receives a retirement allowance.

46 The program shall reimburse a qualified retiree who participates
47 in the program for the premium charges under Part B of the federal
48 Medicare program for the retiree and the retiree's spouse. A

1 qualified retiree who retired under subsections a. and b. of this
2 section prior to the effective date of this 1987 amendatory and
3 supplementary act is eligible for the coverage if the retiree applies
4 to the program for it within one year after the effective date, and a
5 qualified retiree as defined under subsection c. of this section whose
6 retirement allowance commenced prior to the effective date of this
7 1992 amendatory act is eligible for the coverage if the retiree
8 applies to the program for it within one year after the effective date.

9 The premium or periodic charges for benefits provided to a
10 qualified retiree and the dependents of the retiree, and the cost for
11 reimbursement of Medicare premiums shall be paid by the State.
12 An employee who becomes a member of the Teachers' Pension and
13 Annuity Fund on or after the effective date of P.L.2010, c.2 shall
14 pay as a qualified retiree 1.5 percent of the retiree's monthly
15 retirement allowance, including any future cost-of-living
16 adjustments, through the withholding of the contribution, for health
17 benefits coverage provided under P.L.2007, c.103 (C.52:14-17.46.1
18 et seq.) and the State shall pay the remainder of the premium or
19 periodic charges for benefits provided to a qualified retiree and the
20 dependents of the retiree, and the cost for reimbursement of
21 Medicare premiums.

22 The payments required by the State under this section shall be
23 reduced to the extent that the former employers of retirees realize
24 savings from the implementation of P.L. _____, c. _____ (pending
25 before the Legislature as this bill). The former employers of
26 retirees shall annually certify such savings to the Department of
27 Education. Each former employer shall submit annually an amount
28 of payment for the benefits under this section, in such manner as the
29 commission shall require, equal to the amount that the State's
30 payment obligation has been reduced for the former employer's
31 retirees.

32 If an employee meets the qualifications set forth in this section
33 on or after the effective date of P.L. _____, c. _____ (pending
34 before the Legislature as this bill) for participation in the program
35 upon retirement, the State shall not reimburse the qualified retiree
36 for the premium charges under Part B of the Federal Medicare
37 Program for the retiree and the retiree's spouse.

38 (cf: P.L.2010, c.2, s.2)

39
40 11. Section 2 of P.L.1992, c.126 (C.52:14-17.32f1) is amended
41 to read as follows:

42 2. The provisions of section 3 of P.L.1987, c.384 (C.52:14-
43 17.32f) shall apply to:

44 a. any employee of a board of education who retires on a
45 benefit or benefits based in the aggregate upon 25 or more years of
46 nonconcurrent service credit in one or more State or locally-
47 administered retirement systems, or retires on a disability pension
48 based upon fewer years of service credit in that system or systems,

1 or elected deferred retirement based in the aggregate upon 25 or
2 more years of nonconcurrent service credit in one or more State or
3 locally-administered retirement systems and receives a retirement
4 allowance from that system or systems;

5 b. any employee of a county college who retires on a benefit or
6 benefits based in the aggregate upon 25 or more years of
7 nonconcurrent service credit in one or more State or locally-
8 administered retirement systems, or retires on a disability pension
9 based upon fewer years of service credit in that system or systems,
10 or elected deferred retirement based in the aggregate upon 25 or
11 more years of nonconcurrent service credit in one or more State or
12 locally-administered retirement systems and receives a retirement
13 allowance from that system or systems; or who receives a disability
14 benefit pursuant to section 18 of P.L.1969, c.242 (C.18A:66-184);
15 and

16 c. any employee of a county college who retires on a benefit
17 based upon 10 or more years of service credit in the alternate
18 benefit program P.L.1969, c.242 (C.18A:66-167 et seq.) and who
19 has additional years of service credited in another defined
20 contribution retirement program as an employee of a private
21 institution of higher education which, under contract with a county
22 government, provided services as a county college and subsequently
23 merged with a county technical institute to become a county
24 college, which additional years of service when added to the service
25 credited in the alternate benefit program totals 25 or more years and
26 any such employee who retired prior to the effective date of
27 P.L.1999, c.382 if the employee applies to the program for coverage
28 within one year after the effective date of P.L.1999, c.382.

29 The costs of the premium or periodic charges for the benefits and
30 reimbursement of medicare premiums provided to a retiree and the
31 dependents of the retiree under this section shall be paid by the
32 State. An employee who becomes a member of a State or locally-
33 administered retirement system on or after the effective date of
34 P.L.2010, c.2 shall pay as a qualified retiree 1.5 percent of the
35 retiree's monthly retirement allowance, including any future cost-of-
36 living adjustments, through the withholding of the contribution, for
37 health benefits coverage provided under P.L.2007, c.103 (C.52:14-
38 17.46.1 et seq.) and the State shall pay the remainder of the
39 premium or periodic charges for benefits provided to a qualified
40 retiree and the dependents of the retiree, and the cost for
41 reimbursement of Medicare premiums.

42 The payments required by the State under this section shall be
43 reduced to the extent that the former employers of retirees realize
44 savings from the implementation of P.L. _____, c. _____ (pending
45 before the Legislature as this bill). The former employers of
46 retirees shall annually certify such savings to the Department of
47 Education. Each former employer shall submit annually an amount
48 of payment for the benefits under this section, in such manner as the

1 commission shall require, equal to the amount that the State's
2 payment obligation has been reduced for the former employer's
3 retirees.

4 If an employee meets the qualifications set forth in this section
5 on or after the effective date of P.L. _____, c. _____ (pending
6 before the Legislature as this bill) for participation in the program
7 upon retirement, the State shall not reimburse the qualified retiree
8 for the premium charges under Part B of the Federal Medicare
9 Program for the retiree and the retiree's spouse.

10 (cf: P.L.2010, c.2, s.3)

11
12 12. Section 1 of P.L.1995, c.357 (C.52:14-17.32f2) is amended
13 to read as follows:

14 1. The provisions of section 3 of P.L.1987, c.384 (C.52:14-
15 17.32f) shall apply to any employee of a board of education who is
16 a member of a pension fund created prior to January 5, 1996 under
17 the provisions of article 2 of chapter 66 of Title 18A of the New
18 Jersey Statutes (N.J.S.18A:66-94 et seq.) and who retires on a
19 benefit based upon 25 or more years of service credit in the pension
20 fund, or retires on a disability pension based upon fewer years of
21 service credit in that pension fund, or elected deferred retirement
22 based upon 25 or more years of service credit and receives a
23 retirement allowance from that pension fund, except that the costs
24 of the premium or periodic charges for the benefits and
25 reimbursement of medicare premiums provided to a retiree and the
26 dependents of the retiree under this section shall be paid by the
27 State. An employee who becomes a member of the pension fund on
28 or after the effective date of P.L.2010, c.2 shall pay in retirement
29 1.5 percent of the retiree's monthly retirement allowance, including
30 any future cost-of-living adjustments, through the withholding of
31 the contribution, for health benefits coverage provided under
32 P.L.2007, c.103 (C.52:14-17.46.1 et seq.) and the State shall pay the
33 remainder of the premium or periodic charges for benefits provided
34 to a qualified retiree and the dependents of the retiree, and the cost
35 for reimbursement of Medicare premiums.

36 The payments required by the State under this section shall be
37 reduced to the extent that the former employers of retirees realize
38 savings from the implementation of P.L. _____, c. _____ (pending
39 before the Legislature as this bill). The former employers of
40 retirees shall annually certify such savings to the Department of
41 Education. Each former employer shall submit annually an amount
42 of payment for the benefits under this section, in such manner as the
43 commission shall require, equal to the amount that the State's
44 payment obligation has been reduced for the former employer's
45 retirees.

46 An employee who retired prior to the effective date of this act is
47 eligible for the coverage if the employee applies to the program for
48 it within one year after the effective date.

1 If an employee meets the qualifications set forth in this section
2 on or after the effective date of P.L. _____, c. _____ (pending
3 before the Legislature as this bill) for participation in the program
4 upon retirement, the State shall not reimburse the qualified retiree
5 for the premium charges under Part B of the Federal Medicare
6 Program for the retiree and the retiree's spouse.
7 (cf: P.L.2010, c.2, s.4)

9 13. Section 3 of P.L.1961, c.49 (C.52:14-17.27) is amended to
10 read as follows:

11 3. a. There is hereby created a State Health Benefits
12 Commission, consisting of five members: the State Treasurer; the
13 Commissioner of Banking and Insurance; the Chairperson of the
14 Civil Service Commission; a State employees' representative chosen
15 by the Public Employee Committee of the AFL-CIO; and the fifth
16 member of the commission shall be a local employees'
17 representative chosen by the Public Employee Committee of the
18 AFL-CIO.

19 The treasurer shall be chairman of the commission and the health
20 benefits program authorized by P.L.1961, c.49 shall be administered
21 in the Treasury Department. The Director of the Division of
22 Pensions and Benefits shall be the secretary of the commission.
23 The commission and committee shall establish a health benefits
24 program for the employees of the State, the cost of which shall be
25 paid as specified in section 6 of P.L.1961, c.49 (C.52:14-17.30).
26 The commission, in consultation with the committee, shall establish
27 rules and regulations as may be deemed reasonable and necessary
28 for the administration of P.L.1961, c.49.

29 The Attorney General shall be the legal advisor of the
30 commission and committee.

31 The members of the commission and committee shall serve
32 without compensation but shall be reimbursed for any necessary
33 expenditures. The public employee members shall not suffer loss of
34 salary or wages during service on the commission or committee.

35 The commission shall publish annually a report showing the
36 fiscal transactions of the program for the preceding year and stating
37 other facts pertaining to the plan. The commission shall submit the
38 report to the Governor and furnish a copy to every employer for use
39 of the participants and the public.

40 b. There is established a State Health Benefits Plan Design
41 Committee, composed of **12** 13 members as follows:

42 one member of the public who shall be appointed by the
43 Governor;

44 six members who shall be appointed by the Governor as
45 representatives of public employers whose employees are enrolled
46 in the program;

47 three members who shall be appointed by the Public Employee
48 Committee of the AFL-CIO;

1 one member who shall be appointed by the head of the union,
2 that is not affiliated with the AFL-CIO, that represents the greatest
3 number of police officers in this State;

4 one member who shall be appointed by the head of the union,
5 that is not affiliated with the AFL-CIO, that represents the greatest
6 number of firefighters in this State; and

7 one member who shall be appointed by the head of the State
8 Troopers Fraternal Association.

9 The members of the committee shall serve for a term of three
10 years and until a successor is appointed and qualified. Of the initial
11 appointments by the Governor, three members shall serve for two
12 years and until a successor is appointed and qualified, and two shall
13 serve for one year and until a successor is appointed and qualified.
14 Of the initial appointment by the head of the union representing the
15 greatest number of police officers in the State, the member shall
16 serve for two years and until a successor is appointed and qualified.
17 Of the initial appointment by the head of the union representing the
18 greatest number of firefighters in the State, the member shall serve
19 for one year and until a successor is appointed and qualified.

20 The members of the committee shall select a chairperson from
21 among the members, who shall serve for a term of one year, with no
22 member serving more than one term as chairperson until all the
23 members of the committee have served a term in a manner
24 alternating among the employer representatives and employee
25 representatives, unless the committee determines otherwise with
26 regard to this process.

27 The committee shall have the responsibility for and authority
28 over the various plans and components of those plans, including for
29 medical benefits, prescription benefits, dental, vision, and any other
30 health care benefits, offered and administered by the program. The
31 committee shall have the authority to create, modify, or terminate
32 any plan or component, at its sole discretion. Any reference in law
33 to the State Health Benefits Commission in the context of the
34 creation, modification, or termination of a plan or plan component
35 shall be deemed to apply to the committee.

36 The members of the committee shall have the same duty and
37 responsibility to the program as do the members of the commission.

38 If any matter before the committee receives at least seven votes
39 in the affirmative, the commission shall approve and implement the
40 committee's decision.

41 If any matter before the committee receives six votes in the
42 affirmative and six votes in the negative **【**or the committee
43 otherwise reaches an impasse on a decision**】**, the public member of
44 the committee appointed as result of the amendment to the
45 membership of the committee made pursuant to
46 P.L. , c. (pending before the Legislature as this bill)
47 shall be permitted to vote. That public member shall otherwise be a
48 non-voting member of the committee.

1 If the committee otherwise reaches an impasse on a decision, the
2 provisions of section 55 of P.L.2011, c.78 (C.52:14-17.27b) shall be
3 followed.

4 (cf: P.L.2011, c.78, s.45)

6 14. Section 33 of P.L.2007, c.103 (C.52:14-17.46.3) is amended
7 to read as follows:

8 33. a. There is hereby created a School Employees' Health
9 Benefits Commission, consisting of nine members:

10 (1) the State Treasurer and the Commissioner of the Department
11 of Banking and Insurance serving ex officio;

12 (2) a member appointed by the Governor who is a New Jersey
13 resident and is qualified by experience, education, or training in the
14 review, administration, or design of health insurance plans for self-
15 insured employers;

16 (3) a member appointed by the Governor from among three
17 persons nominated by the New Jersey School Boards' Association,
18 which member shall be qualified by experience, education, or
19 training in the review, administration, or design of health insurance
20 plans for self-insured employers;

21 (4) three members appointed by the Governor from among five
22 persons nominated by the New Jersey Education Association, of
23 whom two shall be qualified by experience, education, or training in
24 the review, administration, or design of health insurance plans for
25 self-insured employers;

26 (5) a member appointed by the Governor from among three
27 persons nominated by the education section of the New Jersey State
28 AFL-CIO, which member shall be qualified by experience,
29 education, or training in the review, administration, or design of
30 health insurance plans for self-insured employers; and

31 (6) a member appointed pursuant to subsection b. of this section
32 who shall be the chairperson.

33 b. The Governor shall appoint the chairperson from among
34 three persons nominated jointly by at least six of the eight members
35 appointed pursuant to subsection a. of this section.

36 c. If the Governor declines to make an appointment from
37 among the persons nominated for membership, the Governor shall
38 request that a new list of nominees be provided in compliance with
39 subsection a. of this section. If the Governor declines to make an
40 appointment from the new list, the process set forth in this
41 subsection shall be repeated until the Governor makes an
42 appointment from a list of nominees. Except with respect to the
43 appointment of the chairperson, if a new list of nominees is not
44 submitted within 45 days of the Governor's request, the Governor
45 shall make the appointment without the need to select from any list
46 of nominees.

47 d. The initial terms of the members of the commission shall be
48 as follows:

1 (1) the member appointed pursuant to paragraph (3) of
2 subsection a. of this section and the two members appointed
3 pursuant to paragraph (4) of subsection a. of this section who are
4 required to be qualified by experience, education, or training shall
5 serve for a term of three years;

6 (2) the member appointed pursuant to paragraph (2) of
7 subsection a. of this section, the member appointed pursuant to
8 paragraph (4) of subsection a. of this section who is not required to
9 be qualified by experience, education, or training, and the member
10 appointed pursuant to paragraph (5) of subsection a. of this section
11 shall serve for a term of two years; and

12 (3) the chairperson shall serve for a term of six years.

13 All subsequent terms shall be for three years, except that the
14 term of the chairperson shall be five years. A member of the
15 commission may be reappointed to succeeding terms without limit
16 in the same manner as the original appointment. A vacancy
17 occurring on the commission shall be filled in the same manner as
18 the original appointment and only for the unexpired term.

19 e. There is established a School Employees' Health Benefits
20 Plan Design Committee, composed of **【six】** seven members as
21 follows:

22 one member of the public who shall be appointed by the
23 Governor;

24 three members who shall be appointed by the Governor as
25 representatives of public employers whose employees are enrolled
26 in the program;

27 two members who shall be appointed by the New Jersey
28 Education Association; and

29 one member who shall be appointed by the education section of
30 the New Jersey State AFL-CIO.

31 The members of the committee shall serve for a term of three
32 years and until a successor is appointed and qualified. Of the initial
33 appointments by the Governor, two members shall serve for two
34 years and until a successor is appointed and qualified, and one shall
35 serve for one year and until a successor is appointed and qualified.
36 Of the initial appointments by the New Jersey Education
37 Association, one member shall serve for one year and until a
38 successor is appointed and qualified.

39 The members of the committee shall select a chairperson from
40 among the members, who shall serve for a term of one year, with no
41 member serving more than one term as chairperson until all the
42 members of the committee have served a term in a manner
43 alternating among the employer representatives and employee
44 representatives, unless the committee determines otherwise with
45 regard to this process.

46 The committee shall have the responsibility for and authority
47 over the various plans and components of those plans, including for
48 medical benefits, prescription benefits, dental, vision, and any other

1 health care benefits, offered and administered by the program. The
2 committee shall have the authority to create, modify, or terminate
3 any plan or component, at its sole discretion. Any reference in law
4 to the School Employees' Health Benefits Commission in the
5 context of the creation, modification, or termination of a plan or
6 plan component shall be deemed to apply to the committee.

7 The members of the committee shall have the same duty and
8 responsibility to the program as do the members of the commission.

9 If any matter before the committee receives at least four votes in
10 the affirmative, the commission shall approve and implement the
11 committee's decision.

12 If any matter before the committee receives three votes in the
13 affirmative and three votes in the negative **【or the committee**
14 **otherwise reaches an impasse on a decision】**, the public member of
15 the committee appointed as result of the amendment to the
16 membership of the committee made pursuant to
17 P.L. , c. (pending before the Legislature as this bill) shall
18 be permitted to vote. That public member shall otherwise be a non-
19 voting member of the committee.

20 If the committee otherwise reaches an impasse on a decision, the
21 provisions of section 55 of P.L.2011, c.78 (C.52:14-17.27b) shall be
22 followed.

23 (cf: P.L.2011, c.78, s.46)
24

25 15. (New section) The amount of contribution to be paid
26 pursuant to paragraph (1) of subsection c. of section 6 of P.L.1979,
27 c.391 (C.18A:16-17), paragraph (1) of subsection c. of
28 N.J.S.40A:10-21, paragraph (1) of subsection e. of section 6 of
29 P.L.1996, c.8 (C.52:14-17.28b), paragraph (2) of subsection a. of
30 section 7 of P.L.1964, c.125 (C.52:14-17.38), and paragraph (2) of
31 subsection b. of section 39 of P.L.2007, c.103 (C.52:14-17.46.9) by
32 public employees of the State or of employers other than the State
33 for health care benefits coverage for the employee and any
34 dependent shall be as follows:

35 for family coverage or its equivalent -

36 an employee who earns less than \$25,000 shall pay 3 percent of
37 the cost of coverage;

38 an employee who earns \$25,000 or more but less than \$30,000
39 shall pay 4 percent of the cost of coverage;

40 an employee who earns \$30,000 or more but less than \$35,000
41 shall pay 5 percent of the cost of coverage;

42 an employee who earns \$35,000 or more but less than \$40,000
43 shall pay 6 percent of the cost of coverage;

44 an employee who earns \$40,000 or more but less than \$45,000
45 shall pay 7 percent of the cost of coverage;

46 an employee who earns \$45,000 or more but less than \$50,000
47 shall pay 9 percent of the cost of coverage;

1 an employee who earns \$50,000 or more but less than \$55,000
2 shall pay 12 percent of the cost of coverage;
3 an employee who earns \$55,000 or more but less than \$60,000
4 shall pay 14 percent of the cost of coverage;
5 an employee who earns \$60,000 or more but less than \$65,000
6 shall pay 17 percent of the cost of coverage;
7 an employee who earns \$65,000 or more but less than \$70,000
8 shall pay 19 percent of the cost of coverage;
9 an employee who earns \$70,000 or more but less than \$75,000
10 shall pay 22 percent of the cost of coverage;
11 an employee who earns \$75,000 or more but less than \$80,000
12 shall pay 23 percent of the cost of coverage;
13 an employee who earns \$80,000 or more but less than \$85,000
14 shall pay 24 percent of the cost of coverage;
15 an employee who earns \$85,000 or more but less than \$90,000
16 shall pay 26 percent of the cost of coverage;
17 an employee who earns \$90,000 or more but less than \$95,000
18 shall pay 28 percent of the cost of coverage;
19 an employee who earns \$95,000 or more but less than \$100,000
20 shall pay 29 percent of the cost of coverage;
21 an employee who earns \$100,000 or more but less than \$110,000
22 shall pay 32 percent of the cost of coverage;
23 an employee who earns \$110,000 or more shall pay 35 percent of
24 the cost of coverage;
25 for individual coverage or its equivalent -
26 an employee who earns less than \$20,000 shall pay 4.5 percent
27 of the cost of coverage;
28 an employee who earns \$20,000 or more but less than \$25,000
29 shall pay 5.5 percent of the cost of coverage;
30 an employee who earns \$25,000 or more but less than \$30,000
31 shall pay 7.5 percent of the cost of coverage;
32 an employee who earns \$30,000 or more but less than \$35,000
33 shall pay 10 percent of the cost of coverage;
34 an employee who earns \$35,000 or more but less than \$40,000
35 shall pay 11 percent of the cost of coverage;
36 an employee who earns \$40,000 or more but less than \$45,000
37 shall pay 12 percent of the cost of coverage;
38 an employee who earns \$45,000 or more but less than \$50,000
39 shall pay 14 percent of the cost of coverage;
40 an employee who earns \$50,000 or more but less than \$55,000
41 shall pay 20 percent of the cost of coverage;
42 an employee who earns \$55,000 or more but less than \$60,000
43 shall pay 23 percent of the cost of coverage;
44 an employee who earns \$60,000 or more but less than \$65,000
45 shall pay 27 percent of the cost of coverage;
46 an employee who earns \$65,000 or more but less than \$70,000
47 shall pay 29 percent of the cost of coverage;

1 an employee who earns \$70,000 or more but less than \$75,000
2 shall pay 32 percent of the cost of coverage;
3 an employee who earns \$75,000 or more but less than \$80,000
4 shall pay 33 percent of the cost of coverage;
5 an employee who earns \$80,000 or more but less than \$95,000
6 shall pay 34 percent of the cost of coverage;
7 an employee who earns \$95,000 or more shall pay 35 percent of
8 the cost of coverage;
9 for member with child or spouse coverage or its equivalent -
10 an employee who earns less than \$25,000 shall pay 3.5 percent
11 of the cost of coverage;
12 an employee who earns \$25,000 or more but less than \$30,000
13 shall pay 4.5 percent of the cost of coverage;
14 an employee who earns \$30,000 or more but less than \$35,000
15 shall pay 6 percent of the cost of coverage;
16 an employee who earns \$35,000 or more but less than \$40,000
17 shall pay 7 percent of the cost of coverage;
18 an employee who earns \$40,000 or more but less than \$45,000
19 shall pay 8 percent of the cost of coverage;
20 an employee who earns \$45,000 or more but less than \$50,000
21 shall pay 10 percent of the cost of coverage;
22 an employee who earns \$50,000 or more but less than \$55,000
23 shall pay 15 percent of the cost of coverage;
24 an employee who earns \$55,000 or more but less than \$60,000
25 shall pay 17 percent of the cost of coverage;
26 an employee who earns \$60,000 or more but less than \$65,000
27 shall pay 21 percent of the cost of coverage;
28 an employee who earns \$65,000 or more but less than \$70,000
29 shall pay 23 percent of the cost of coverage;
30 an employee who earns \$70,000 or more but less than \$75,000
31 shall pay 26 percent of the cost of coverage;
32 an employee who earns \$75,000 or more but less than \$80,000
33 shall pay 27 percent of the cost of coverage;
34 an employee who earns \$80,000 or more but less than \$85,000
35 shall pay 28 percent of the cost of coverage;
36 an employee who earns \$85,000 or more but less than \$100,000
37 shall pay 30 percent of the cost of coverage;
38 an employee who earns \$100,000 or more shall pay 35 percent of
39 the cost of coverage.
40 Base salary shall be used to determine what an employee earns
41 for the purposes of this provision.
42 As used in this section, "cost of coverage" means the premium or
43 periodic charges for medical and prescription drug plan coverage,
44 but not for dental, vision, or other health care, provided under the
45 State Health Benefits Program or the School Employees' Health
46 Benefits Program; or the premium or periodic charges for health
47 care, prescription drug, dental, and vision benefits, and for any
48 other health care benefit, provided pursuant to P.L.1979, c.391

1 (C.18A:16-12 et seq.), N.J.S.40A:10-16 et seq., or any other law by
2 a local board of education, local unit or agency thereof, and
3 including a county college, an independent State authority as
4 defined paragraph (4) of subsection e. of section 6 of P.L.1996, c.8
5 (C.52:14-17.28b), and a local authority as defined in in paragraph
6 (4) of subsection c. of N.J.S.40A:10-21, when the employer is not a
7 participant in the State Health Benefits Program or the School
8 Employees' Health Benefits Program.

9
10 16. a. The contribution under paragraph (1) of subsection c. of
11 section 6 of P.L.1979, c.391 (C.18A:16-17), paragraph (1) of
12 subsection c. of N.J.S.40A:10-21, paragraph (1) of subsection e. of
13 section 6 of P.L.1996, c.8 (C.52:14-17.28b), paragraph (2) of
14 subsection a. of section 7 of P.L.1964, c.125 (C.52:14-17.38), and
15 paragraph (2) of subsection b. of section 39 of P.L.2007, c.103
16 (C.52:14-17.46.9) shall commence: (1) upon the effective date of
17 P.L. , c. (pending before the Legislature as this bill)
18 for employees who do not have a majority representative for
19 collective negotiations purposes, notwithstanding that the terms of a
20 collective negotiations agreement binding on the employer have
21 been applied or have been deemed applicable to those employees by
22 the employer, or have been used to modify the respective payment
23 obligations of the employer and those employees in a manner
24 consistent with those terms, before that effective date; and (2) upon
25 the expiration of any applicable binding collective negotiations
26 agreement in force on that effective date for employees covered by
27 that agreement with the contribution required commencing in the
28 first year after that expiration, or upon the effective date of
29 P.L. , c. (pending before the Legislature as this bill)
30 if such an agreement has expired before that effective date with the
31 contribution required commencing in the first year after that
32 effective date.

33 Any extension, alteration, re-opening, amendment, or other
34 adjustment to a collective negotiations agreement in force on the
35 effective date of P.L. , c. (pending before the
36 Legislature as this bill), or to an agreement that is expired on that
37 effective date, shall be considered a new collective negotiations
38 agreement entered into after that effective date for the purposes of
39 the sections of law cited.

40 b. Actions taken under subsection b. of section 2 of P.L.1979,
41 c.391 (C.18A:16-13), subsection c. of section 6 of P.L.1979, c.391
42 (C.18A:16-17), subsection (2) of N.J.S.40A:10-17, subsection c.
43 N.J.S.40A:10-21, subsection f. of section 4 of P.L.1961, c.49
44 (C.52:14-17.28), subsection e. of section 6 of P.L.1996, c.8
45 (C.52:14-17.28b), paragraph (2) of subsection a. of section 7 of
46 P.L.1964, c.125 (C.52:14-17.38), subsection f. of section 35 of
47 P.L.2007, c.103 (C.52:14-17.46.5), paragraph (2) of subsection b. of
48 section 39 of P.L.2007, c.103 (C.52:14-17.46.9), and section 17 of

1 P.L. , c. (C.) (pending before the Legislature as this
2 bill) before the effective date of P.L. , c. (pending before
3 the Legislature as this bill) in anticipation of implementation are
4 hereby deemed to have been within the authority of the employer or
5 commission pursuant to those sections of law.
6

7 17. (New section) Notwithstanding any other provision of law
8 to the contrary, a public employee who retires from a State or
9 locally-administered retirement system for whom health care
10 benefits coverage in retirement is to be paid for in whole or in part
11 by the employer or a public entity other than the employer pursuant
12 to law or collective negotiations agreement shall be required to
13 purchase health care benefits coverage through a health care
14 insurance marketplace or exchange and shall be provided by the
15 employer or entity with such funds as may be necessary to purchase
16 the level and extent of health care benefits coverage the employer is
17 committed to provide for the retiree and the retiree's dependents or
18 the level and extent of coverage provided active employees of the
19 employer, whichever is appropriate, but not to exceed in either case
20 coverage set forth in paragraph (1) of subsection f. of section 4 of
21 P.L.1961, c.49 (C.52:14-17.28) and paragraph (1) of subsection f.
22 of section 35 of P.L.2007, c.103 (C.52:14-17.46.5). For Medicare-
23 eligible retirees, the employer or entity shall provide funds
24 sufficient to cover the cost of a Medicare advantage prescription
25 drug plan and the average cost of out-of-pocket expenses and
26 prescription drug costs of such a plan.

27 After the full implementation of this section by the commissions
28 and public employers, no public employee who retires from a State
29 or locally-administered retirement system shall be eligible for
30 coverage under the State Health Benefits Program or the School
31 Employees' Health Benefits Program provided for the active
32 employees of the State and participating employers other than the
33 State. This prohibition shall apply to all retirees and their
34 dependents whether the public employer or other public entity is
35 paying in whole or in part the cost of such coverage.

36 Commencing with the effective date of P.L. , c. (pending
37 before the Legislature as this bill), the commissions and public
38 employers shall develop and initiate a plan for implementation of
39 this section. The plan shall include a schedule for transition of those
40 public employees who retired prior to that effective date, and their
41 dependents, to comply with the requirements of this section. The
42 transition may be completed in stages as may be necessary to ensure
43 an orderly process, but shall be completed within three years after
44 that effective date.

45 The commissions and public employers shall prepare written
46 explanations and notices for public employees and retirees affected
47 to inform them of the requirement and process. The commissions
48 and employers shall also provide such information in writing, and

1 by presentation given by a knowledgeable individual, on the
2 Internet site of the commissions and public employers in an
3 appropriate and obvious location for such information.

4 The provisions of this section shall be implemented and the
5 transition shall be developed, initiated, and completed in
6 compliance with applicable federal law and with any applicable
7 State laws except to the extent provided otherwise in this section.
8 The funds for the cost coverage shall be provided through such
9 appropriate retiree reimbursement accounts that are most beneficial
10 to the retiree as may be permitted by federal or State law.

11 This section shall apply to all employees who retired before the
12 effective date and also to survivors of retirees.

13 The State Health Benefits Program Commission and the School
14 Employees' Health Benefits Program Commission may modify any
15 provision or process under the State Health Benefits Program law
16 and the School Employees' Health Benefits Program law,
17 respectively, as may be necessary to implement the provisions of
18 this section but only to the extent of that necessity. All other
19 provisions including those concerning payment obligations shall
20 remain applicable.

21 This section shall apply also to an independent State authority
22 that is not a participating employer in the program to the same
23 extent as to an authority that is a participating employer, with the
24 governing body of the authority responsible for compliance. As
25 used in this paragraph, "independent State authority" means a
26 public authority, board, commission, corporation, or other agency
27 or instrumentality of the State allocated, in but not of, a principal
28 department of State government pursuant to Article V, Section IV,
29 paragraph 1 of the New Jersey Constitution, or which is not subject
30 to supervision or control by the department in which it is allocated,
31 and a regional authority, but shall not include a college or
32 university.

33
34 18. (New section) The State Treasurer shall establish a program
35 to provide subsidies for out-of-pocket health care costs to active and
36 retired public employees, having an annual income not in excess of
37 limitations determined by the State Treasurer. Subsidies to retirees
38 shall be provided through those appropriate retiree reimbursement
39 accounts that are most beneficial to the retiree, as may be permitted
40 by federal or State law. Subsidies to active employees shall be
41 provided through those appropriate health savings accounts that are
42 most beneficial to the employee, as may be permitted by federal or
43 State law. The State Treasurer shall fund the program established
44 under this section by an annual appropriation of five percent or
45 more of the savings realized from the implementation of P.L. ,
46 c. (pending before the Legislature as this bill) into a dedicated
47 fund from which subsidies shall be disbursed to active and retired

1 public employees prioritized based on income level and with
2 priority given to retirees over active employees.

3

4 19. This act shall take effect on the first day of the fourth month
5 following the approval by the voters of Assembly Concurrent
6 Resolution No. 190 of 2016 or a substantially similar amendment to
7 the New Jersey Constitution.

8

9

10 STATEMENT

11

12 This bill is one component of a three-part package that is
13 essential to ensuring New Jersey's long-term fiscal viability. The
14 package will responsibly require a return to full pension payments,
15 cover a portion of the costs with health benefit reforms, and create a
16 task force to oversee implementation and resolve issues of detail.
17 The viability and affordability of New Jersey's public pension and
18 health benefit systems are integral to the State's overall fiscal
19 condition and thus bear strongly on other key areas of concern,
20 from funding priorities such as school aid, hospital aid and safety-
21 net programs to controlling and reducing property taxes.

22 The provisions of this bill reflect some of the recommendations
23 of the New Jersey Pension and Health Benefit Study Commission
24 set forth in its February 24, 2015 and February 11, 2016 reports.
25 This bill is part of an overall effort to reform and continue high-
26 level health care benefits for public employees and retirees and the
27 savings realized from these reforms would make it possible to
28 preserve retirement benefits and support the unfunded accrued
29 liability of the current retirement systems. Specifically, the
30 commission states that the reforms "would reduce the State's health
31 benefits spending to a sustainable level and permit the resulting
32 savings to be used to bolster pension funding."

33 This bill is intended to be considered in conjunction with
34 Assembly Concurrent Resolution No. 190 of 2016 which proposes
35 to amend the New Jersey Constitution to authorize the Legislature
36 to change pensions and health care benefits for public employees
37 and retirees in this State and to require the State to make its annual
38 contributions to those pension systems. Therefore, this bill will
39 take effect four months after the approval by the voters of the
40 constitutional amendment.

41 The bill is also intended to be considered in conjunction with a
42 bill to establish a task force that will develop the details needed to
43 implement the commission's recommendations.

44 The commission made comprehensive proposals in its reports for
45 modifications to both the pension and health care benefits for public
46 employees and retirees. The commission stated that its "proposed
47 approach is simple: reset the retirement and health benefits that
48 public-sector employees will receive in the future to private-sector

1 levels and use the resulting savings going forward to pay off the
2 existing pension deficit.” The commission stated that “the resulting
3 mixture of benefit adjustments, additional funding and structural
4 changes offers the State its best chance to avoid the painful collapse
5 of its public employee benefits system.” Such is the gravity of the
6 crisis that the status quo is not acceptable.

7 The commission also found that “significant reduction of health
8 benefits costs at the State and local levels is an essential element of
9 any effort to provide public-sector employees with adequate,
10 sustainable and certain retirement benefits funding.” The
11 commission concluded that there are “no plausible solutions to
12 closing the pension funding gap without comprehensive benefits
13 reform. Without reforming health benefits and using the savings to
14 help pension funding, it is simply impossible to provide adequate,
15 sustainable and certain employee benefits funding at a cost that the
16 State’s citizens can bear.” The commission found that a
17 constitutional amendment as described above would make the
18 State’s power to alter benefits clear and would provide the
19 flexibility necessary to craft a workable, long-term solution to the
20 current crisis. The commission stated that, with a constitutional
21 amendment, “the longstanding gap between [pension] funding
22 required and funding provided will finally be closed by reducing
23 funding requirements to a set schedule of payments at a sustainable
24 level.” The commission concluded that if “benefit obligations,
25 particularly health benefits costs, can be reduced to a sustainable
26 level,” a constitutional amendment should provide a mechanism to
27 guarantee the pension funding obligations defined in the
28 commission’s reports.

29 This bill provides that no health care benefits plan for public
30 employees and retirees can exceed the gold level as set forth in the
31 federal “The Patient Protection and Affordable Care Act” (42
32 U.S.C. s.18022). This limit will apply to the contracts providing
33 such plans entered into after the bill’s effective date. According to
34 the commission, the gold level standard serves as a benchmark for
35 high quality plans in the private sector.

36 Under the bill, all government entities in the State will be
37 required to consider and include, to the extent appropriate, feasible,
38 and cost effective, as part of each plan: wellness programs; patient-
39 centered medical homes; reference-based pricing; on-site medical
40 clinics; comprehensive urgent care centers; greater use of generic
41 drugs and prescriptions by mail; network improvements to enhance
42 in-network utilization and reduce out-of-network utilization; and
43 adjustments to in-network deductibles, copays, and out-of-pocket
44 expense limits, and other components, to enhance in-network
45 utilization and reduce out-of-network utilization. The government
46 entity must consider for each plan the inclusion of research-proven
47 best practices in the delivery of health care and the optimization of
48 a network of high-value providers. The commission states that “ in

1 general the State should follow the best practices which have
2 evolved elsewhere to minimize costs while providing quality health
3 benefits.”

4 The bill prohibits the payment of any reimbursement by a
5 government entity for the premium for the Federal Medicare
6 Program to active public employees and certain future public
7 retirees, and their spouses. The commission states that significant
8 savings could be realized “system-wide by eliminating Medicare
9 Part B reimbursement, an anachronism dating from an era when
10 incentives were deemed necessary to encourage what is now near-
11 universal enrollment in Medicare. Not surprisingly, private
12 employers are increasingly declining to offer this benefit to new
13 retirees and are capping it or eliminating it for existing retirees.”

14 Under the bill, all public employees would be required to pay a
15 portion of the cost of the health care benefits coverage they receive.
16 The default payment would a percentage of salary identical to those
17 percentages required by P.L.2011, c.78. However, like that law, the
18 bill allows boards of education and local units to negotiate with
19 employee representatives to achieve the same or greater savings to
20 taxpayers through an alternative to those percentages, through plan
21 design changes, or both. P.L.2011, c.78 required all public
22 employees to contribute toward the cost of health care benefits
23 coverage, with the same provisions concerning negotiated
24 alternatives, but expired after four years. The commission states
25 that preserving the P.L.2011, c.78 “below-average employee
26 contribution grid ensures public employees will continue to enjoy
27 better than private sector health benefits, since they will continue to
28 make below average premium contributions while receiving high
29 private sector gold level health benefits.”

30 The bill adds one additional member to the State Health Benefits
31 Plan Design Committee and the School Employees’ Health Benefits
32 Plan Design Committee. The new member would be a member of
33 the public appointed by the Governor. This new member will be a
34 non-voting member except in the event there is a tie vote, in which
35 case the member will be permitted to vote. Currently, the two
36 committees each have an even number of members. The
37 commission states that the committees “which by statute must have
38 equal labor/management membership, were created as a forum for
39 employer-employee collaboration. In practice, this built-in mutual
40 veto has blocked reform efforts proposed by either side and has had
41 the effect of locking in above-Platinum-level health benefits for
42 public employees. Both labor and management have expressed
43 acute frustration with the workings” of the committees.

44 As a result of the implementation of this bill, local boards of
45 education will realize savings in their cost for providing health care
46 benefits to their employees. This bill requires that those savings be
47 applied as payments toward the cost of health care benefits
48 provided to the board’s retired employees. Currently, the total cost

1 for SEHBP health care benefits for retirees is borne by the State.
2 The commission's report recommends this shift in cost and
3 recommends that it be limited to the extent savings are realized
4 from the reforms in this bill.

5 The bill requires public employees for whom health care benefits
6 coverage in retirement is to be paid for, in whole or in part, by the
7 employer or a public entity other than the employer pursuant to law
8 or collective negotiations agreement to purchase health care
9 benefits coverage through a health care insurance marketplace or
10 exchange with the cost of the coverage to be reimbursed by the
11 employer or entity with such funds as may be necessary to purchase
12 the level and extent of health care benefits coverage the employer is
13 committed to provide for the retiree and the retiree's dependents.
14 However, the coverage cannot exceed that of a "gold level" plan
15 and, for Medicare-eligible retirees, the employer or entity will
16 provide funds sufficient to cover the cost of a Medicare advantage
17 prescription drug plan and the average cost of out-of-pocket
18 expenses and prescription drug costs of such a plan. This provision
19 will apply to all current and future retirees. The funds for the cost
20 of coverage will be provided through such appropriate retiree
21 reimbursement accounts that are most beneficial to the retiree as
22 may be permitted by federal or State law.

23 The public employer must develop and initiate a plan for
24 implementation of this requirement in compliance with applicable
25 federal and State law. The plan must include a schedule for
26 transition of all current retirees, which may be completed in stages
27 as may be necessary to ensure an orderly process, but is to be
28 completed within three years after the bill's operative date.

29 Finally, the bill requires that the State Treasurer establish a
30 program to provide subsidies for out-of-pocket health care costs to
31 active and retired public employees. The savings realized through
32 the implementation of this bill will fund the subsidies.

33 New Jersey's State-administered retirement systems are
34 collectively in a dire state of underfunding. There is no serious
35 disagreement among policymakers that regular State payments must
36 be made in amounts as close as possible to the actuarially required
37 contribution until full payments can be made on a sustained basis.
38 The only significant disagreement is on which course of action to
39 take in funding those contributions: to do the responsible work of
40 identifying how to pay for them, or to simply create a constitutional
41 mandate to make the contributions without a credible plan to cover
42 the cost. Yet history has shown that when State officials fail to plan
43 for the costs they incur, the taxpayers suffer the consequences.

44 This bill is part of a comprehensive plan to take the responsible
45 approach. This plan is to move health benefits for public
46 employees closer to those that most workers for large companies
47 receive, and mandate that the resulting savings go towards paying
48 down New Jersey's pension debt. Retirement system changes will

1 also ensure that pension system costs will not again balloon beyond
2 affordability.

3 Without such changes to public employee benefits, it will be
4 mathematically impossible to make full pension payments in the
5 short term except with extreme cuts in State services or in priorities
6 such as education aid, or raising taxes to a level that would pummel
7 the State's taxpayers and stunt its economy. The Pension and
8 Health Benefit Study Commission estimated that the amount of
9 money needed would equal raising the sales tax to 10 percent or
10 increasing income taxes by 29 percent. Anything close to those
11 levels of taxation would be clearly disastrous, wiping out jobs and
12 pushing even more families out of the State.

13 Those who claim that full pension payments can be made
14 without reforming benefits owe it to the taxpaying public to be
15 honest with them about how they, the taxpayers, will pay the cost.
16 Responsible policymakers will show taxpayers their plan in
17 advance, rather than take the tragically common route of cementing
18 a huge fiscal obligation first, and only later sending them the bill.

19 Common sense and mathematics make clear the need for benefit
20 reform, but confirmation also comes from the nonpolitical agencies
21 that assess New Jersey's finances. Moody's Investors Service
22 wrote in April 2015: "Without meaningful structural changes to the
23 state's budget, such as pension reform that dramatically improves
24 pension affordability, the state's structural imbalance will continue
25 to grow, and the state's [credit] rating will continue to fall." S&P
26 Global wrote in August 2015: "A positive rating action or outlook
27 revision would require the implementation of credible pension
28 reform."

29 The package of which this measure is a part is designed to ensure
30 the continuation of retirement and health benefits for public
31 employees in a fiscally responsible manner that will protect all New
32 Jersey residents from the calamitous results of failure to properly
33 address the State's most serious and pressing budgetary issues.