SENATE, No. 2718

STATE OF NEW JERSEY

214th LEGISLATURE

INTRODUCED FEBRUARY 22, 2011

Sponsored by:
Senator STEPHEN M. SWEENEY
District 3 (Salem, Cumberland and Gloucester)
Senator JENNIFER BECK
District 12 (Mercer and Monmouth)

SYNOPSIS

Establishes certain criteria for public employee health care benefits plans; requires premium percentage-based employee contribution.

CURRENT VERSION OF TEXT

As introduced.

AN ACT concerning public employee health insurance, amending P.L.1983, c.108, P.L.2007, c.18, P.L.2007, c.103, N.J.S.40A:10-17, and P.L.1961, c.49, and supplementing chapter 14 of Title 52 of the Revised Statutes.

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

1. (New section) a. Notwithstanding the provisions of any other law to the contrary, the amount payable through the withholding of the contribution from the pay, salary or other compensation, for health care benefits coverage of public employees covered under the State Health Benefits Program or the School Employees' Health Benefits Program and employed on the effective date of P.L. , c. (C.) (pending before the Legislature as this bill) shall be as follows:

(1) for single coverage, an employee who earns $29,999 or less shall pay 6 percent during the first year thereafter, 8 percent during the second year thereafter, 10 percent during the third year thereafter, and 12 percent during the fourth year thereafter and each subsequent year thereafter;

an employee who earns $30,000 or more but not more than $49,999 shall pay 10 percent during the first year thereafter, 12 percent during the second year thereafter, 14 percent during the third year thereafter, and 16 percent during the fourth year thereafter and each subsequent year thereafter;

an employee who earns $50,000 or more but not more than $74,999 shall pay 13 percent during the first year thereafter, 15 percent during the second year thereafter, 17 percent during the third year thereafter, and 19 percent during the fourth year thereafter and each subsequent year thereafter;

an employee who earns $75,000 or more but not more than $99,999 shall pay 18 percent during the first year thereafter, 21 percent during the second year thereafter, 24 percent during the third year thereafter, and 27 percent during the fourth year thereafter and each subsequent year thereafter; and

an employee who earns $100,000 or more shall pay 21 percent during the first year thereafter, 24 percent during the second year thereafter, 27 percent during the third year thereafter, and 30 percent during the fourth year thereafter and each subsequent year thereafter.

(2) For all other types of coverage, an employee who earns $29,999 or less shall pay 2 percent of the cost of coverage during the first year after that effective date, 3 percent during the second year thereafter, 4 percent during the third year thereafter, 6 percent during the fourth year thereafter, 8 percent during the fifth year thereafter, 10 percent during the sixth year thereafter, and 12 percent during the seventh year thereafter and each subsequent year thereafter;

an employee who earns $30,000 or more but not more than $49,999 shall pay 4 percent of the cost of coverage during the first year after that effective date, 6 percent during the second year thereafter, 8 percent during the third year thereafter, 10 percent during the fourth year thereafter, 12 percent during the fifth year thereafter, 14 percent during the sixth year thereafter, and 16 percent during the seventh year thereafter and each subsequent year thereafter;

an employee who earns $50,000 or more but not more than $74,999 shall pay 7 percent of the cost of coverage during the first year after that effective date, 9 percent during the second year thereafter, 11 percent during the third year thereafter, 13 percent during the fourth year thereafter, 15 percent during the fifth year thereafter, 17 percent during the sixth year thereafter, and 19 percent during the seventh year thereafter and each subsequent year thereafter;

an employee who earns $75,000 or more but not more than $99,999 shall pay 9 percent of the cost of coverage during the first year after that effective date, 12 percent during the second year thereafter, 15 percent during the third year thereafter, 18 percent during the fourth year thereafter, 21 percent during the fifth year thereafter, 24 percent during the sixth year thereafter, and 27 percent during the seventh year thereafter and each subsequent year thereafter; and

an employee who earns $100,000 or more shall pay 12 percent of the cost of coverage during the first year after that effective date, 15 percent during the second year thereafter, 18 percent during the third year thereafter, 21 percent during the fourth year thereafter, 24 percent during the fifth year thereafter, 27 percent during the sixth year thereafter, and 30 percent during the seventh year thereafter and each subsequent year thereafter.

(3) Under no circumstance shall the amount payable by any employee through the withholding of the contribution from the pay, salary or other compensation, for health care benefits coverage under this subsection be less than 1.5 percent of pay, salary or other compensation.

b. Notwithstanding the provisions of any other law to the contrary, the amount payable through the withholding of the contribution from the pay, salary or other compensation, for health care benefits coverage of public employees covered under the State Health Benefits Program or the School Employees' Health Benefits Program and who become employed after the effective date of P.L. , c. (C.) (pending before the Legislature as this bill) shall be as follows:

an employee who earns $29,999 or less shall pay 12 percent of the cost of coverage;

an employee who earns $30,000 or more but not more than $49,999 shall pay 16 percent of the cost of coverage;

an employee who earns $50,000 or more but not more than $74,999 shall pay 19 percent of the cost of coverage;

an employee who earns $75,000 or more but not more than $99,999 shall pay 27 percent of the cost of coverage; and

an employee who earns $100,000 or more shall pay 30 percent of the cost of coverage.

Under no circumstance shall the amount payable by any employee through the withholding of the contribution from the pay, salary or other compensation, for health care benefits coverage under this subsection be less than 1.5 percent of pay, salary or other compensation.

c. Notwithstanding the provisions of any other law to the contrary, employees of the State or of other participating employers who retire from employment after the effective date of this act, P.L. , c. (C.) (pending before the Legislature as this bill), excluding employees who have accrued 25 years of service credit in a State or locally administered retirement system prior to that effective date, for whom the State or other employer has obligated prior to that effective date to pay all or part of the premium or periodic charges for health benefits, shall pay through the withholding of the contribution from the amount of the retirement allowance for health care benefits coverage under the State Health Benefits Program or the School Employees' Health Benefits Program as follows:

(1) for single coverage, a retiree who receives $29,999 or less shall pay 6 percent during the first year thereafter, 8 percent during the second year thereafter, 10 percent during the third year thereafter, and 12 percent during the fourth year thereafter and each subsequent year thereafter;

a retiree who receives $30,000 or more but not more than $49,999 shall pay 10 percent during the first year thereafter, 12 percent during the second year thereafter, 14 percent during the third year thereafter, and 16 percent during the fourth year thereafter and each subsequent year thereafter;

a retiree who receives $50,000 or more but not more than $74,999 shall pay 13 percent during the first year thereafter, 15 percent during the second year thereafter, 17 percent during the third year thereafter, and 19 percent during the fourth year thereafter and each subsequent year thereafter;

a retiree who receives $75,000 or more but not more than $99,999 shall pay 18 percent during the first year thereafter, 21 percent during the second year thereafter, 24 percent during the third year thereafter, and 27 percent during the fourth year thereafter and each subsequent year thereafter; and

a retiree who receives $100,000 or more shall pay 21 percent during the first year thereafter, 24 percent during the second year thereafter, 27 percent during the third year thereafter, and 30 percent during the fourth year thereafter and each subsequent year thereafter.

(2) for all other types of coverage, a retiree who receives $29,999 or less shall pay 2 percent of the cost of coverage during the first year after that effective date, 3 percent during the second year thereafter, 4 percent during the third year thereafter, 6 percent during the fourth year thereafter, 8 percent during the fifth year thereafter, 10 percent during the sixth year thereafter, and 12 percent during the seventh year thereafter and each subsequent year thereafter;

a retiree who receives $30,000 or more but not more than $49,999 shall pay 4 percent of the cost of coverage during the first year after that effective date, 6 percent during the second year thereafter, 8 percent during the third year thereafter, 10 percent during the fourth year thereafter, 12 percent during the fifth year thereafter, 14 percent during the sixth year thereafter, and 16 percent during the seventh year thereafter and each subsequent year thereafter;

a retiree who receives $50,000 or more but not more than $74,999 shall pay 7 percent of the cost of coverage during the first year after that effective date, 9 percent during the second year thereafter, 11 percent during the third year thereafter, 13 percent during the fourth year thereafter, 15 percent during the fifth year thereafter, 17 percent during the sixth year thereafter, and 19 percent during the seventh year thereafter and each subsequent year thereafter;

a retiree who receives $75,000 or more but not more than $99,999 shall pay 9 percent of the cost of coverage during the first year after that effective date, 12 percent during the second year thereafter, 15 percent during the third year thereafter, 18 percent during the fourth year thereafter, 21 percent during the fifth year thereafter, 24 percent during the sixth year thereafter, and 27 percent during the seventh year thereafter and each subsequent year thereafter; and

a retiree who receives $100,000 or more shall pay 12 percent of the cost of coverage during the first year after that effective date, 15 percent during the second year thereafter, 18 percent during the third year thereafter, 21 percent during the fourth year thereafter, 24 percent during the fifth year thereafter, 27 percent during the sixth year thereafter, and 30 percent during the seventh year thereafter and each subsequent year thereafter.

(3) Under no circumstance shall the amount payable by any retiree through the withholding of the contribution from the pay, salary or other compensation, for health care benefits coverage under this subsection be less than 1.5 percent of pay, salary or other compensation.

d. As used in this section, “State” shall include any independent state authority, board, commission, corporation, agency, or organization.

2. (New section) a. The State Health Benefits Commission shall adopt policies and procedures to promote the use of generic drugs by employees, retirees, and their dependents.

b. The State and participating employers shall require that employees participate in annual personal health appraisals, and health and wellness plans, as established by the State Health Benefits Commission. The State Health Benefits Commission shall create a premium incentive program to ensure that employees will receive financial incentives when they, and their dependents, maintain a healthy lifestyle.

c. The State Health Benefits Commission shall utilize the services of a pharmacy benefits manager for prescription drug coverage.

d. The State Health Benefits Commission shall provide at all times for a choice of at least five different plans or levels of coverage and out of pocket costs, each of which shall include dependent coverage for employees and participating employers.

e. This section shall be applicable to the State Employees' Health Benefits Program.

f. As used in this section, "State" shall include any independent state authority, board, commission, corporation, agency, or organization.

3. (New section) Notwithstanding the provisions of any other law to the contrary, on the effective date of P.L. , c. (C.) (pending before the Legislature as this bill) and thereafter, no employer other than the State shall be permitted to commence participation under the State Health Benefits Program or the School Employees' Health Benefits Program.

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

3. There is hereby created a State Health Benefits Commission, consisting of five members: the State Treasurer; the Commissioner of Banking and Insurance; the Chairperson of the Civil Service Commission; a State employees' representative chosen by the Public Employees' Committee of the AFL-CIO; [and, through June 30, 2008, when employers of employees, as defined in section 32 of P.L.2007, c.103 (C.52:14-17.46.2), will no longer be eligible to participate in the State Health Benefits Program authorized by P.L.1961, c.49, a representative chosen by the New Jersey Education Association, which represents the largest number of employees of employers other than the State participating in the State Health Benefits Program. Beginning July 1, 2008, the fifth member of the commission shall be] <u>and</u> a local employees' representative chosen by the Public Employees' Committee of the AFL-CIO.

The treasurer shall be chairman of the commission and the health benefits program authorized by P.L.1961, c.49 shall be administered in the Treasury Department. The Director of the Division of Pensions and Benefits shall be the secretary of the commission.

The commission shall establish a health benefits program for the employees of the State, the cost of which shall be paid as specified in section 6 of P.L.1961, c.49. The commission shall establish rules and regulations as may be deemed reasonable and necessary for the administration of P.L.1961, c.49.

The Attorney General shall be the legal advisor of the commission.

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

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

<u>The members of the State Health Benefits Commission shall work cooperatively in evaluating health care benefits vendors and options for employee health care benefits coverage. The commission shall provide for health care benefits coverage at the lowest cost possible to the State and to participating employers. The commission shall also devise strategies for continued safety, health and wellness of the employees of the State and of participating employers, and shall create a premium incentive program to ensure that employees will receive financial incentives when they, and their dependents, maintain a healthy lifestyle.</u>

(cf: P.L.2008, c.29, s.108)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The members of the School Employees' Health Benefits Commission shall work cooperatively in evaluating health care benefits vendors and options for employee health care benefits coverage. The commission shall provide for health care benefits coverage at the lowest cost possible to the State and to participating employers. The commission shall also devise strategies for continued safety, health and wellness of the employees The commission shall create a premium incentive program to ensure that employees will receive financial incentives when they, and their dependents, maintain a healthy lifestyle.

(cf: P.L.2007, c.103, s.33)

6. Section 9 of P.L.2007, c.18 (C.18A:16-13.1) is amended to read as follows:

9. a. A board of education [may provide] offering health care benefits coverage to its employees shall provide at all times for a choice of at least five different contributory [or non-contributory] group health insurance plans or levels of coverage and out of pocket costs, each of which shall include dependent coverage, and which shall be certified by the Division of Pension and Benefits in the Department of the Treasury as complying with the provisions of P.L. , c. (C.) (pending before the Legislature as this bill) [or group term life insurance, or both], for full-time employees, or their dependents, or both, through self insurance, the purchase of commercial insurance or reinsurance or any combination thereof.

A board of education also may offer group term life insurance for employees or their dependents, or both, through self insurance, the purchase of commercial insurance, or reinsurance, or any combination thereof. The maximum risk to be retained for group term life insurance by a board of education on a self insured basis shall not exceed a face amount of $5,000 per covered employee or dependent or such greater amount as approved by the Commissioners of Banking and Insurance and Education. Notwithstanding any other provision of law to the contrary, the board shall be subject to the surcharge levied pursuant to section 3 of P.L.1993, c.8 (C.52:14-17.38c) for claims paid within the retained amount. For any claims paid in excess of the retained amount, the surcharge shall be paid by the entity insuring the excess amount.

b. (1) Each employee of a board of education shall contribute toward the cost of the employee's health care benefits coverage. Notwithstanding the provisions of any other law to the contrary, the amount payable through the withholding of the contribution from the pay, salary or other compensation for health care benefits coverage of public employees employed on the effective date of P.L. , c. (C.) (pending before the Legislature as this bill) shall be as follows:

(a) for single coverage, an employee who earns $29,999 or less shall pay 6 percent during the first year thereafter, 8 percent during the second year thereafter, 10 percent during the third year thereafter, and 12 percent during the fourth year thereafter and each subsequent year thereafter;

an employee who earns $30,000 or more but not more than $49,999 shall pay 10 percent during the first year thereafter, 12 percent during the second year thereafter, 14 percent during the third year thereafter, and 16 percent during the fourth year thereafter and each subsequent year thereafter;

an employee who earns $50,000 or more but not more than $74,999 shall pay 13 percent during the first year thereafter, 15 percent during the second year thereafter, 17 percent during the third year thereafter, and 19 percent during the fourth year thereafter and each subsequent year thereafter;

an employee who earns $75,000 or more but not more than $99,999 shall pay 18 percent during the first year thereafter, 21 percent during the second year thereafter, 24 percent during the third year thereafter, and 27 percent during the fourth year thereafter and each subsequent year thereafter; and an employee who earns $100,000 or more shall pay 21 percent during the first year thereafter, 24 percent during the second year thereafter, 27 percent during the third year thereafter, and 30 percent during the fourth year thereafter and each subsequent year thereafter.

(b) for all other types of coverage, an employee who earns $29,999 or less shall pay 2 percent of the cost of coverage during the first year after that effective date, 3 percent during the second year thereafter, 4 percent during the third year thereafter, 6 percent during the fourth year thereafter, 8 percent during the fifth year thereafter, 10 percent during the sixth year thereafter, and 12 percent during the seventh year thereafter and each subsequent year thereafter;

an employee who earns $30,000 or more but not more than $49,999 shall pay 4 percent of the cost of coverage during the first year after that effective date, 6 percent during the second year thereafter, 8 percent during the third year thereafter, 10 percent during the fourth year thereafter, 12 percent during the fifth year thereafter, 14 percent during the sixth year thereafter, and 16 percent during the seventh year thereafter and each subsequent year thereafter;

an employee who earns $50,000 or more but not more than $74,999 shall pay 7 percent of the cost of coverage during the first year after that effective date, 9 percent during the second year thereafter, 11 percent during the third year thereafter, 13 percent during the fourth year thereafter, 15 percent during the fifth year thereafter, 17 percent during the sixth year thereafter, and 19 percent during the seventh year thereafter and each subsequent year thereafter;

an employee who earns $75,000 or more but not more than $99,999 shall pay 9 percent of the cost of coverage during the first year after that effective date, 12 percent during the second year thereafter, 15 percent during the third year thereafter, 18 percent during the fourth year thereafter, 21 percent during the fifth year thereafter, 24 percent during the sixth year thereafter, and 27 percent during the seventh year thereafter and each subsequent year thereafter; and

an employee who earns $100,000 or more shall pay 12 percent of the cost of coverage during the first year after that effective date, 15 percent during the second year thereafter, 18 percent during the third year thereafter, 21 percent during the fourth year thereafter, 24 percent during the fifth year thereafter, 27 percent during the sixth year thereafter, and 30 percent during the seventh year thereafter and each subsequent year thereafter.

(2) Notwithstanding the provisions of any other law to the contrary, the amount payable through the withholding of the contribution from the pay, salary or other compensation, for health care benefits coverage of employees of a board of education who become employed after the effective date of P.L. , c. (C.) (pending before the Legislature as this bill) shall be as follows:

an employee who earns $29,999 or less shall pay 12 percent of the cost of coverage;

an employee who earns $30,000 or more but not more than $49,999 shall pay 16 percent of the cost of coverage;

an employee who earns $50,000 or more but not more than $74,999 shall pay 19 percent of the cost of coverage;

an employee who earns $75,000 or more but not more than $99,999 shall pay 27 percent of the cost of coverage; and

an employee who earns $100,000 or more shall pay 30 percent of the cost of coverage.

(3) Under no circumstance shall the amount payable by any employee through the withholding of the contribution from the pay, salary or other compensation, for health care benefits coverage under this subsection be less than 1.5 percent of pay, salary or other compensation.

c. Every board of education offering health care benefits coverage that includes a prescription drug program shall adopt policies and procedures to promote the use of generic drugs by employees and their dependents, and also shall enter into cooperative purchasing agreements with other boards of education or local units, as that term is defined in N.J.S.40A:10-17, for the purchase of prescription drugs and pharmacy benefits management services.

d. Every board of education offering health care benefits coverage shall require that its employees participate in annual personal health appraisals, and health and wellness plans. The board of education shall create a premium incentive program to ensure that employees will receive financial incentives when they, and their dependents, maintain a healthy lifestyle.

e. Every board of education offering health care benefits coverage to its employees shall create an Employee Benefits Quality, Cost and Delivery Committee in order to help develop the components of its health care benefits coverage to its employees.

The members of the committee shall include two members of the board of education, the school business administrator, the purchasing agent if not the business administrator, the superintendent of the school district, and one member of each labor union and bargaining group representing employees of the board of education. The committee shall work cooperatively in evaluating health care benefits vendors and options for employee health care benefits coverage. The committee shall design and develop the options for employee health care benefits coverage and shall select the vendors best able to provide that coverage at the lowest cost to the employer in accordance with applicable contracting laws. The committee shall negotiate contracts for health care benefits coverage with the selected vendors on behalf of the board of education and recommend those contracts to the board of education for approval in accordance with applicable contracting laws. The committee shall also devise strategies for continued safety, health and wellness of the board of education's workforce.

f. Every board of education offering health care benefits coverage to its employees shall annually validate the eligibility of each full-time employee's dependents covered under the board of education's health care benefits coverage to ensure that only eligible dependents are enrolled for health care benefits coverage. The board of education shall require that each employee covering dependents on the employee's health care benefits coverage shall annually provide to the board of education any documentation requested by the board of education that will allow the board of education to verify the dependent's eligibility for dependent health care benefits coverage. Failure of an employee to provide the board of education with the documentation required by this section when such documentation is requested by the board of education shall result in the immediate cancellation of the employee's dependent health care benefits coverage until such time as the documents are produced by the employee and provided to the board of education.

g. For the purposes of this section:

"full-time employee" means an employee who meets the board of education's minimum hours required for full-time status by a resolution adopted by the board of education, provided that it is at least 25 hours per week, or more if required by contract or resolution.

Employment shall also be for 12 months per year except for employees whose usual work schedule is 10 months per year, which is the standard school year.
(cf: P.L.2007, c.18, s.9)

7. Section 2 of P.L.1983, c.108 (C.18A:18B-2) is amended to read as follows:

2. Insurance authorized. Any board of education is authorized to insure, contract or provide for any insurable interest of the district or board in the manner authorized by section 3 of P.L.1983, c.108 (C.18A:18B-3), for the following:

a. Any loss or damage to its property, real or personal, motor vehicles, equipment or apparatus;

b. Any loss or damage from liability resulting from the use or operation of motor vehicles, equipment or apparatus owned or controlled by it;

c. Any loss or damage from liability for its own acts or omissions and for acts or omissions of its officers, employees or servants arising out of and in the course of the performance of their duties, including, but not limited to, any liability established by the "New Jersey Tort Claims Act," N.J.S.59:1-1 et seq., or by any federal or other law;

d. Loss or damage from liability as established by Chapter 15 of Title 34 of the Revised Statutes, Labor and Workers' Compensation (R.S.34:15-1 et seq.);

e. Expenses of defending any claim against the board, district, officer, employee or servant arising out of and in the course of the performance of their duties, whether or not liability exists on the claim;

f. Benefits pursuant to contributory **[**or non-contributory**]** group health insurance or group term life insurance, or both, for employees or their dependents, or both, through self insurance, the purchase of commercial insurance or reinsurance, or any combination thereof. The maximum risk to be retained for group term life insurance by a joint insurance fund on a self insured basis shall not exceed a face amount of $5,000 per covered employee or dependent or such greater amount as approved by the Commissioners of Banking and Insurance and Education. Notwithstanding any other provision of law to the contrary, the board or joint insurance fund shall be subject to the surcharge levied pursuant to section 3 of P.L.1993, c.8 (C.52:14-17.38c) for claims paid within the retained amount. For any claims paid in excess of the retained amount, the surcharge shall be paid by the entity insuring the excess amount;

g. Loss from liability associated with sick leave payment for service connected disability as provided by N.J.S.18A:30-2.1;

h. Any loss or damage from liability resulting from loss or theft of money or securities;

i. Blanket bond coverage for certain school board officers, employees, and volunteer organizations serving a school board for faithful performance and discharge of their duties;

j. Bodily injury and property damage claims arising from environmental impairment liability and legal representation therefor to the extent that such coverages, as approved by the Commissioner of Banking and Insurance, are provided by the purchase of insurance and no risk is retained by the fund; and

k. Student accident coverage to the extent approved by the Commissioner of Banking and Insurance.

As used in this section:

(1) "life insurance" means life insurance as defined in N.J.S.17B:17-3;

(2) "health insurance" means health insurance as defined in N.J.S.17B:17-4 or benefits provided by hospital service corporations, medical service corporations or health service corporations authorized to do business in this State; [and]

(3) "dependents" means dependents as defined pursuant to section 1 of P.L.1979, c.391 (C.18A:16-12); and

(4) for the purposes of health insurance:

"employee" means a person who meets the board of education's minimum hours required for full-time status by a resolution adopted by the board, provided that it is at least 25 hours per week, or more if required by contract or resolution. Employment shall also be for 12 months per year except for employees whose usual work schedule is 10 months per year, which is the standard school year.

(cf: P.L.1999, c.435, s.1)

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

40A:10-17. [Any] Every local unit or agency thereof, herein referred to as employers, [may] when offering healthcare benefits coverage to its employees, shall provide at all times for a choice of at least five different health care plans or levels of coverage and out of pocket costs, each of which shall include dependent coverage, and which shall be certified by the Division of Pension and Benefits in the Department of the Treasury as complying with the provisions of P.L.   , c.   (C.   ) (pending before the Legislature as this bill). An employer may:

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

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

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

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

d. (1) Each employee of a local unit shall contribute toward the cost of the employee's health care benefits coverage. Notwithstanding the provisions of any other law to the contrary, the amount payable through the withholding of the contribution from the pay, salary or other compensation, for health care benefits coverage of local unit employees employed on the effective date of P.L. , c. (C.) (pending before the Legislature as this bill) shall be as follows:

(a) for single coverage, an employee who earns $29,999 or less shall pay 6 percent during the first year thereafter, 8 percent during the second year thereafter, 10 percent during the third year thereafter, and 12 percent during the fourth year thereafter and each subsequent year thereafter;

an employee who earns $30,000 or more but not more than $49,999 shall pay 10 percent during the first year thereafter, 12 percent during the second year thereafter, 14 percent during the third year thereafter, and 16 percent during the fourth year thereafter and each subsequent year thereafter;

an employee who earns $50,000 or more but not more than $74,999 shall pay 13 percent during the first year thereafter, 15 percent during the second year thereafter, 17 percent during the third year thereafter, and 19 percent during the fourth year thereafter and each subsequent year thereafter;

an employee who earns $75,000 or more but not more than $99,999 shall pay 18 percent during the first year thereafter, 21 percent during the second year thereafter, 24 percent during the third year thereafter, and 27 percent during the fourth year thereafter and each subsequent year thereafter; and

an employee who earns $100,000 or more shall pay 21 percent during the first year thereafter, 24 percent during the second year thereafter, 27 percent during the third year thereafter, and 30 percent during the fourth year thereafter and each subsequent year thereafter.

(b) for all other types of coverage, an employee who earns $29,999 or less shall pay 2 percent of the cost of coverage during the first year after that effective date, 3 percent during the second year thereafter, 4 percent during the third year thereafter, 6 percent during the fourth year thereafter, 8 percent during the fifth year thereafter, 10 percent during the sixth year thereafter, and 12 percent during the seventh year thereafter and each subsequent year thereafter;

an employee who earns $30,000 or more but not more than $49,999 shall pay 4 percent of the cost of coverage during the first year after that effective date, 6 percent during the second year thereafter, 8 percent during the third year thereafter, 10 percent during the fourth year thereafter, 12 percent during the fifth year thereafter, 14 percent during the sixth year thereafter, and 16 percent during the seventh year thereafter and each subsequent year thereafter;

an employee who earns $50,000 or more but not more than $74,999 shall pay 7 percent of the cost of coverage during the first year after that effective date, 9 percent during the second year thereafter, 11 percent during the third year thereafter, 13 percent during the fourth year thereafter, 15 percent during the fifth year thereafter, 17 percent during the sixth year thereafter, and 19 percent during the seventh year thereafter and each subsequent year thereafter;

an employee who earns $75,000 or more but not more than $99,999 shall pay 9 percent of the cost of coverage during the first year after that effective date, 12 percent during the second year thereafter, 15 percent during the third year thereafter, 18 percent during the fourth year thereafter, 21 percent during the fifth year thereafter, 24 percent during the sixth year thereafter, and 27 percent during the seventh year thereafter and each subsequent year thereafter; and

an employee who earns $100,000 or more shall pay 12 percent of the cost of coverage during the first year after that effective date, 15 percent during the second year thereafter, 18 percent during the third year thereafter, 21 percent during the fourth year thereafter, 24 percent during the fifth year thereafter, 27 percent during the sixth year thereafter, and 30 percent during the seventh year thereafter and each subsequent year thereafter.

(2) Notwithstanding the provisions of any other law to the contrary, the amount payable through the withholding of the contribution from the pay, salary or other compensation, for health care benefits coverage of employees of a local unit who become employed after the effective date of P.L. , c. (C.) (pending before the Legislature as this bill) shall be as follows:

an employee who earns $29,999 or less shall pay 12 percent of the cost of coverage;

an employee who earns $30,000 or more but not more than $49,999 shall pay 16 percent of the cost of coverage;

an employee who earns $50,000 or more but not more than $74,999 shall pay 19 percent of the cost of coverage;

an employee who earns $75,000 or more but not more than $99,999 shall pay 27 percent of the cost of coverage; and

an employee who earns $100,000 or more shall pay 30 percent of the cost of coverage.

(3) Notwithstanding the provisions of any other law to the contrary, employees of a local unit who retire from employment after the effective date of this act, P.L. , c. (C.) (pending before the Legislature as this bill), excluding employees who have accrued 25 years of service credit in a State or locally administered retirement system prior to that effective date for whom the employer has obligated prior to that effective date to pay all or part of the premium or periodic charges for health benefits, shall pay through the withholding of the contribution from the amount of the retirement allowance for health care benefits coverage as follows:

(a) for single coverage, a retiree who receives $29,999 or less shall pay 6 percent during the first year thereafter, 8 percent during the second year thereafter, 10 percent during the third year thereafter, and 12 percent during the fourth year thereafter and each subsequent year thereafter;

a retiree who receives $30,000 or more but not more than $49,999 shall pay 10 percent during the first year thereafter, 12 percent during the second year thereafter, 14 percent during the third year thereafter, and 16 percent during the fourth year thereafter and each subsequent year thereafter;

a retiree who receives $50,000 or more but not more than $74,999 shall pay 13 percent during the first year thereafter, 15 percent during the second year thereafter, 17 percent during the third year thereafter, and 19 percent during the fourth year thereafter and each subsequent year thereafter;

a retiree who receives $75,000 or more but not more than $99,999 shall pay 18 percent during the first year thereafter, 21 percent during the second year thereafter, 24 percent during the third year thereafter, and 27 percent during the fourth year thereafter and each subsequent year thereafter; and

a retiree who receives $100,000 or more shall pay 21 percent during the first year thereafter, 24 percent during the second year thereafter, 27 percent during the third year thereafter, and 30 percent during the fourth year thereafter and each subsequent year thereafter.

(b) for all other types of coverage, a retiree who receives $29,999 or less shall pay 2 percent of the cost of coverage during the first year after that effective date, 3 percent during the second year thereafter, 4 percent during the third year thereafter, 6 percent during the fourth year thereafter, 8 percent during the fifth year thereafter, 10 percent during the sixth year thereafter, and 12 percent during the seventh year thereafter and each subsequent year thereafter;

a retiree who receives $30,000 or more but not more than $49,999 shall pay 4 percent of the cost of coverage during the first year after that effective date, 6 percent during the second year thereafter, 8 percent during the third year thereafter, 10 percent during the fourth year thereafter, 12 percent during the fifth year thereafter, 14 percent during the sixth year thereafter, and 16 percent during the seventh year thereafter and each subsequent year thereafter;

a retiree who receives $50,000 or more but not more than $74,999 shall pay 7 percent of the cost of coverage during the first year after that effective date, 9 percent during the second year thereafter, 11 percent during the third year thereafter, 13 percent during the fourth year thereafter, 15 percent during the fifth year thereafter, 17 percent during the sixth year thereafter, and 19 percent during the seventh year thereafter and each subsequent year thereafter;

a retiree who receives $75,000 or more but not more than $99,999 shall pay 9 percent of the cost of coverage during the first year after that effective date, 12 percent during the second year thereafter, 15 percent during the third year thereafter, 18 percent during the fourth year thereafter, 21 percent during the fifth year thereafter, 24 percent during the sixth year thereafter, and 27 percent during the seventh year thereafter and each subsequent year thereafter; and

a retiree who receives $100,000 or more shall pay 12 percent of the cost of coverage during the first year after that effective date, 15 percent during the second year thereafter, 18 percent during the third year thereafter, 21 percent during the fourth year thereafter, 24 percent during the fifth year thereafter, 27 percent during the sixth year thereafter, and 30 percent during the seventh year thereafter and each subsequent year thereafter.

(4) Under no circumstance shall the amount payable by any retiree through the withholding of the contribution from the pay, salary or other compensation, for health care

benefits coverage under this subsection be less than 1.5 percent of pay, salary or other compensation.

f. Every employer offering health care benefits coverage that includes a prescription drug program shall adopt policies and procedures to promote the use of generic drugs by employees and their dependents, and also shall enter into cooperative purchasing agreements with other local units or agencies thereof for the purchase of prescription drugs and pharmacy benefits management services.

g. Every employer offering health care benefits coverage shall require that its employees participate in annual personal health appraisals, and health and wellness plans. The employer shall create a premium incentive program to ensure that employees will receive financial incentives when they, and their dependents, maintain a healthy lifestyle.

h. Every employer offering health care benefits coverage to its employees shall create an Employee Benefits Quality, Cost and Delivery Committee in order to help develop the components of its health care benefits coverage to its employees.

The members of the committee shall include two members of the employer's governing body, the employer's chief financial officer, the employer's administrator, the employer's purchasing agent, and one member of each labor union and bargaining group representing employees of the employer. The committee shall work cooperatively in evaluating health care benefits vendors and options for employee health care benefits coverage. The committee shall design and develop the options for employee health care benefits coverage and shall select the vendors best able to provide that coverage at the lowest cost to the employer in accordance with contracting laws. The committee shall negotiate contracts for health care benefits coverage with the selected vendors on behalf of the employer and shall recommend those contracts to the governing body for approval in accordance with applicable contracting laws. The committee shall also devise strategies for continued safety, health and wellness of the employer's workforce.

i. Every employer offering health care benefits coverage to its employees shall annually validate the eligibility of each full-time employee's dependents covered under the employee's health care benefits coverage to ensure that only eligible dependents are enrolled for health care benefits coverage. The employer shall require that each employee covering dependents on the employee's health care benefits coverage shall annually provide to the employer any documentation requested by the employer that will allow the employer to verify the dependent's eligibility for dependent health care benefits coverage. Failure of an employee to provide the employer with the documentation required by this section when such documentation is requested by the employer shall result in the immediate cancellation of the employee's health care benefits coverage until such time as the documents are produced by the employee and provided to the employer.

j. For the purposes of this section:

"full-time employee" means an employee who meets the local unit's minimum hours required for full-time status by a resolution adopted by the local unit, provided that it is at least 25 hours per week, or more if required by contract or resolution. Employment shall also be for 12 months per year; and

"local unit" means a county or municipality, and any agency, instrumentality, authority, fire district or other entity created by a county or municipality that is an employer of full-time employees.

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

9. This act shall take effect immediately, and shall not impair any collective bargaining agreement or a contract of employment in effect on the effective date of the act.

STATEMENT

This bill would establish certain criteria for all public employee health care benefits plans. The bill would also require premium-based employee contributions toward health care benefits.

For the State Health Benefits Program and the School Employees' Health Benefits Program, the bill would require that public employees receiving health care benefits coverage through employment with the State of New Jersey or with an employer participating in either program, and employed on, and after, the bill's effective date, must contribute toward their employer's cost of providing health care benefits coverage under the programs. The bill requires that the amount to be paid by each public employee through withholding from his or her pay, salary or other compensation will be calculated at a percentage of the premium for the level of coverage selected by the employee, as set forth in the bill.

The bill would specifically require that under no circumstance shall the amount payable by any employee through the withholding of the contribution from the pay, salary or other compensation, for health care benefits coverage under the bill be less than 1.5 percent of pay, salary or other compensation. This bill's provisions will also apply to independent State authorities and other such entities.

The same provisions regarding contributions to health care benefits coverage in the State Health Benefits Program or the School Employees' Health Benefits Program in retirement would apply to retirees of the State and of boards of education; however the contribution would be deducted from the retirement allowance rather than from pay, salary or other compensation. This requirement would exclude employees who have 25 or more years of service credit in a State- or locally-administered retirement system on the effective date of the bill and for whom the employer has obligated to pay, in full or in part, health care benefits in retirement prior to the effective date.

With respect to employees of the State and of employers participating in the State Health Benefits Program and the School Employees' Health Benefits Program, the bill would also:

require the programs to promote the use of generic drugs by employees and their dependents;

require the State and participating employers to require that employees participate in annual personal health appraisals, and health and wellness plans, as established by the commission, and also requires the creation of premium incentive programs to ensure that employees will receive financial incentives when they, and their dependents, maintain a healthy lifestyle;

require the commission to utilize the services of a pharmacy benefits manager for prescription drug coverage;

require the program to offer to employees of the State and participating employers a choice of at least five different plans or levels of coverage and out of pocket costs, each of which must include dependent coverage.

The provisions of the bill would apply to the School Employees' Health Benefits Program to the same extent as to the State Health Benefits Program.

Under the bill, on the bill's effective date and thereafter, no unit of local government or board of education shall be permitted to commence participation under the State Health Benefits Program and the School Employees' Health Benefits Program.

The bill also would establish *identical* health care benefits coverage criteria, and require *identical* contributions toward the employer's cost of providing health care benefits coverage, with respect to the full-time employees of local unit employers that are boards of education, counties, municipalities, and any agency, instrumentality, authority, fire district or other entity created by a county or municipality that do not participate in the State Health Benefits Program or the School Employees' Health Benefits Program. "Full-time employee" is defined as an employee who meets the local unit's minimum hours required for full-time status, provided that it is at least 25 hours per week, or more if required by contract or resolution. Employment must also be for 12 months per year except for employees whose usual work schedule is 10 months per year, which is the standard school year.

The same provisions regarding contributions to health care benefits coverage in retirement would apply to retirees of local units; however the contribution would be based on the amount of retirement allowance rather than pay, salary or other compensation. This requirement would exclude employees who have 25 or more years of service credit in a State- or locally-administered retirement system on the effective date of the bill and for whom the employer has obligated to pay, in full or in part, health care benefits in retirement prior to the effective date.

The bill also would require that each school board or local unit employer must create an Employee Benefits Quality, Cost and Delivery Committee in order to develop the components of its health care benefits coverage for its employees. The members of the committee would include local officials and union representatives, and is required to work cooperatively in evaluating health care benefits vendors and options for employee health care benefits coverage. The committee is required to design and develop the options for employee health care benefits coverage and to select the vendors best able to provide that coverage at the lowest cost to the employer, in accordance with applicable contracting laws. The committee must also negotiate contracts for health care benefits coverage with the selected vendors on behalf of the employer and recommend contracts for approval by the local unit, in accordance with applicable contracting laws. The committee must also devise strategies for continued safety, health and wellness of the employer's workforce.

In addition, every local unit employer offering health care benefits coverage to its employees must annually validate the eligibility of each full-time employee's dependents covered under the employee's health care benefits coverage to ensure that only eligible dependents are enrolled for health care benefits coverage. A similar provision applicable to State employees and employees of employers who participate in the State Health Benefits Program is set forth in current law at N.J.S.A.52:14-17.27a.

It is the intent of the sponsor that the provisions of this bill will help the State and local unit employers to control the cost of public employee health benefits, which are paid for by State and local taxpayers.