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New Legislation Impacting the NJ State Health Benefits Program

Recently, new legislation was signed into law which directly impacts the New Jersey State Health Benefits Program (SHBP). Accordingly, we wanted to take the opportunity to provide you with a synopsis of the new legislation and highlight the important points as it relates to employee benefits and the collective bargaining process.

NJ P.L. 2007 Chapter 92 (formerly S-17):

This new law allows for NJ School Boards that participate in the SHBP to unilaterally implement a waiver of health benefits coverage program. This type of program is commonly referred to as “cash in lieu of benefits” or an “opt-out” program. The law limits the cash payment in lieu of benefits to not be more than 50% of the amount saved by the employer. The waiver amount can be calculated on a percentage basis or a flat dollar amount. Many of our clients find that the flat-dollar amount is the preferred method as additional savings are realized when the cost of the health benefits increase in subsequent renewals.

LDP Consulting Group routinely assists our clients with the development of a waiver of coverage program, which includes implementing a Section 125 Premium Only Plan for tax purposes. Accordingly, we would be glad to provide you with any assistance needed.

NJ P.L. 2007 Chapter 62 (formerly A-1):

This law permits NJ School Boards that participate in the SHBP to negotiate employee contributions towards the cost of the insurance coverage by plan and by bargaining unit. Previously, SHBP employers were required to pay 100% of the cost of medical coverage for employees and could only implement certain negotiated premium-share arrangements for the cost of dependent coverage if it applied to all employees. Chapter 62 eliminates this limitation.

Contributions include employee and dependents and can be a percent or a flat dollar amount. It can vary by plan and can vary by bargaining group. In most cases, the flexibility provided by Chapter 62 will only be available through collective bargaining. However, in the event such contribution language already exists in the bargaining agreement, it can be implemented now.

LDP Consulting Group has and will continue to provide all necessary resources for negotiations throughout the collective bargaining process. Attempting to negotiate premium-sharing language needs to be prudently deliberated in light of the recent passage of bill A5005, which creates the School Employee Health Benefits Program (SEHBP).

NJ P.L. 2007 Chapter 103 (formerly A-5005):

This legislation, which was signed into law at the end of June, establishes the School Employee Health Benefits Program (SEHBP) with a stated effective date of July 1, 2008. Among other things, this new law creates new health plans that will replace the current SHBP Traditional, NJ Plus, and HMO programs. It appears that PPO plans and/or Open Access plans (no referral) will replace the Traditional and NJ Plus plans. It is our understanding that all School Boards currently in the SHBP will be required to switch to the SEHBP. A separate commission overseeing the SEHBP is also to be created. Furthermore, it is our understanding that the new legislation regarding waivers of insurance and premium cost sharing as addressed above will be applicable to the newly created SEHBP.

As the SHBP is currently out to competitive bid, the SEHBP plans are also out to bid. Therefore, the actual insurance carrier(s) and costs for these plans are unknown. Additional details about the plans are included in A5005, however complete information is not yet available. We will continue to monitor this issue and update you as developments warrant.

In light of the passage of this law, it is even more important that when a School Board is entering into negotiations, that the collective bargaining process be reviewed in a comprehensive fashion including premium sharing and waivers of insurance (even though this is available unilaterally). Many details regarding Chapter 62 and especially Chapter 103 have yet to be determined.

That being said, LDP Consulting Group will continue to advise our clients about all the possible cost savings options available, including the unilateral implementation of waivers of insurance and the negotiation of premium cost sharing. Please contact us to discuss these new developments in greater detail and to utilize our services to assist in the formulation of a comprehensive collective bargaining strategy.