 New Jersey School Boards Association

**OUT with “CHAPTER 78”  
&  
IN with “CHAPTER 44”**

A-20 / S-2273  
(P.L. 2020, c.44)

Requires SEHBP and eligible employers that do not participate in the SEHBP to provide certain plans for public education employees and certain public education retirees.

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 **How Did We Get Here?**

- “Chapter 78”: 2011 pension and health benefits reform law
  - Required public employees to pay a percentage of premium toward their healthcare
  - Contributions increased as salaries rose
- Public sector unions argued take-home pay decreased due to required premium-sharing
  - Aggressively sought Chapter 78 “relief”
- March 2020: Agreement between Senate President Sweeney and NJEA
  - Accept lower cost health plans in exchange for “relief”
  - Final product compromise between Sweeney, Assembly Speaker Coughlin, Governor Murphy and NJEA

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 **“NJ Educators Health Plan”  
(SEHBP Districts)**

- Create “New Jersey Educators Health Plan” (NJEHP) within the School Employees Health Benefits Program (SEHBP)
  - Eff. January 1, 2021 (following open enrollment)
  - Premiums expected to be significantly lower than most popular existing SEHBP plans
- Eliminates all other SEHBP plans, *EXCEPT*
  - NJ DIRECT 10 and NJ DIRECT 15
  - Employees must **affirmatively** select one, or default to NJEHP
- Mandatory enrollment in NJEHP for all new hires
  - Applies to those hired after July 1, 2020 (even though NJEHP won't be available until 2021)
  - Cannot switch until Plan Year 2028
- 7-Year “Lock” → No benefit changes to any SEHBP plans through December 31, 2027

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**Employee Contributions**

- Employees covered under the NJEHP will contribute a “% of salary” toward their benefits
  - Chapter 78 = % of Premium, determined by income
  - Collective negotiations agreement controls for employees not in NJEHP
- Contribution schedule specified in the law
  - Employee share increases as income rises. Tiered system.
  - Single = 1.7% - 3.6%
  - Parent & Child(ren) = 2.2% - 4.4%
  - Employee & Spouse = 2.8% - 6.6%
  - Family: 3.3% - 7.2%
- Employee pays no more than Ch.78 contributions
- 7-Year “Lock” → Negotiable after Dec. 31, 2027
  - New contributions become part of existing CNA
  - Similar to Chapter 78 “sunset” provision

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**“Garden State Health Plan” (GSHP)**

- Must be established and available to employees by July 1, 2021
- Plan design exactly the same as NJEHP
  - Except...only covers services provided by New Jersey-based providers
  - No benefit changes until 2028
- Employee premium sharing =  $\frac{1}{2}$  of NJEHP
- Enrollment is voluntary for all employees

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**Non-SEHBP School Districts**

- Does it apply? **YES**
  - Commercial Market; JIFs; Self-Insured
- Must offer “equivalent” plans
  - NJEHP (Jan. 2021) – Mandatory for new hires
  - GSHP (July 2021) – Voluntary
- Employees in these plans will contribute “% of salary” toward benefits
  - Same schedule as SEHBP districts (no more than Ch.78)
- Continue to offer existing plan options (unlike SEHBP)
  - Employee contributions dictated by CNA
  - May establish **new plans** *only* if result in further premium reductions
- 7-Year “Lock” on NJEHP and GSHP plan design and employee contributions
  - Level of benefits and cost-sharing remain negotiable for plans *other* than NJEHP and GSHP

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**What else is in the bill?**

- SEHBP Only
  - Guidance Tool for Employees
    - Assist decision-making
  - Health and Wellness Plan
    - Biometric screenings, Chronic condition coaching, Smoking Cessation
    - Contract with providers; Non-SEHBP districts can buy in.
  - Expand use of Patient-Centered Medical Homes
  - Population Health Arrangements
    - Manage costs; Prevent inappropriate utilization

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**Will it Save Money?**

- Estimated \$1 billion in overall savings
  - School districts share = \$640 million
  - Savings will depend on extent of migration into new plans
- Set **\$300 million** “floor” in employer savings
  - Compare 2020, 2021 and 2022
  - Consider both SEHBP and Non-SEHBP districts
  - Actuarial report due July 2023
  - If shortfall → Modifications to plan design, employee contributions, or both, to make up for it
- “Over-Adequacy” districts must apply savings to **property tax relief**
  - Reduce amount raised by local property tax levy
  - No restriction for “Under Adequacy” districts

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**Will All Districts Save Money?**

- TBD...Outstanding Question
- No actuarial analysis has illustrated the district-by-district impact
  - Potential for winners and losers?
- Districts must submit “**annual data sheet**” to NJDOE, Treasury and Legislature
  - Annual Costs; Employee Cost-Sharing; Net Cost; etc.
- What if a district’s net costs go up?
  - Sec. 8: “employer and majority representative shall engage in collective negotiations over the financial impact of the difference”
  - But...what’s left to negotiate?

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 **What's Next?**

- New law is operable January 1, 2021
  - Following open enrollment period
- SEHBP 2021 Premiums Set
  - 4.9% overall decrease vs 2020
  - NJEHP **16.5% lower** than 2020 NJ Direct 10
  - Rate Renewal: <https://www.nj.gov/treasury/pensions/rate-renewal.shtml>
  - GSHP premiums to be set in spring 2021
- Non-SEHBP districts will have to “cost out” offer NJEHP “equivalent” plans
  - Work with carrier, broker, JIF, Third-Party Admin, Board Attorney, Business Administrator, etc.
- FAQs: <https://www.state.nj.us/treasury/pensions/documents/pdf/Chapter44FAQ.pdf>

**QUESTIONS?**

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