

## Frequently Asked Questions

### Health Benefits Reform Under Chapter 78, P.L. 2011

**NOTE:** The Division will post additional information to its Web site as it becomes available and will provide updates as changes are implemented to the SHBP/SEHBP. Please check the Web site frequently.

Revisions - Indicated thus. Deletions - ~~Indicated thus.~~

#### **1. Q. When will I know which plans are available?**

**A.** New plans are anticipated to be available during Open Enrollment in the Fall of 2011 with an effective date of coverage of January 1, 2012.

Chapter 78, P.L. 2011, establishes two Committees to oversee the design of the plans: one for the State Health Benefits Program (SHBP) and one for the School Employees' Health Benefits Program (SEHBP). The Committees will be responsible for determining the design of all plans offered by the SHBP and the SEHBP.

The State Health Benefits Plan Design Committee is composed of 12 members: six members who shall be appointed by the Governor as representatives of public employers whose employees are enrolled in the program; three members who shall be appointed by the Public Employee Committee of the AFL-CIO; one member who shall be appointed by the head of the union, that is not affiliated with the AFL-CIO, that represents the greatest number of police officers in this State; one member who shall be appointed by the head of the union, that is not affiliated with the AFL-CIO, that represents the greatest number of firefighters in this State; and one member who shall be appointed by the head of the State Troopers Fraternal Association.

The School Employees' Health Benefits Plan Design Committee is composed of six members: three members who shall be appointed by the Governor as representatives of public employers whose employees are enrolled in the program; two members who shall be appointed by the New Jersey Education Association; and one member who shall be appointed by the education section of the New Jersey State AFL-CIO.

Current plans will stay in effect until such time that the new Committees are formed, meet, and decide upon plan design changes.

#### **2. Q. When will employee contributions change?**

**A.** Under the provisions of Chapter 78, the new contribution for health benefits is effective immediately for employees whose current contract has expired and employees not covered by a union contract; however the legislation anticipated that some administrative delay would be unavoidable while payroll systems are modified to accommodate the new contribution requirements. Further, the legislation provided that once the new contribution scenario was implemented, employers could not recover any uncollected contributions retroactive to the date of enactment. However, most employers are already collecting 1.5% of an employee's salary as a minimum contribution to the cost of health coverage, and this will continue to be the minimum required contribution under the new contribution requirements.

For State employees paid via the State's Centralized Payroll Unit and employees of State colleges and universities, it is expected that the new contribution scenario will be implemented effective October 1, 2011 for employees whose current contract has expired and employees not covered by a union contract. Under the provisions of Chapter 78, the contribution is determined as a specified percentage of the medical plan/prescription drug plan premiums for a salary range, but not less than 1.5% of salary. (See charts on following pages.)

Last Update 7/29/2011

Local government and local education employees are subject to the same contributions indicated above effective immediately for employees whose contracts are expired and employees not covered by a union contract and commencing upon contract expiration for employees covered by a collective negotiations agreement. The effective date of implementation will be as soon as administratively feasible as determined by each employer. Employees currently under a collective negotiations agreement will not be impacted by the changes described above until the agreement expires. Upon expiration, employees covered by that agreement, will begin at year 1 of the phase-in until they reach year 4 of the phase-in.

In the case of all employers, State and local new employees hired on or after the effective date of Chapter 78, P.L. 2011, shall contribute at the highest level (Year 4).

**Note:** The following charts reflect the phase-in of contribution levels for employees employed on the contribution's effective date who will pay ¼, ½, ¾ and the full amount of the contribution rate during the phase-in years.

To calculate your total percentage of premiums, combine both the medical plan premium percentage and, if applicable, the prescription drug plan premium percentage for the appropriate level of coverage.

**HEALTH BENEFITS CONTRIBUTION FOR SINGLE COVERAGE  
(PERCENTAGE OF PREMIUM)\***

Salary Range	Year 1	Year 2	Year 3	Year 4
less than 20,000	1.13%	2.25%	3.38%	4.50%
20,000-24,999.99	1.38%	2.75%	4.13%	5.50%
25,000-29,999.99	1.88%	3.75%	5.63%	7.50%
30,000-34,999.99	2.50%	5.00%	7.50%	10.00%
35,000-39,999.99	2.75%	5.50%	8.25%	11.00%
40,000-44,999.99	3.00%	6.00%	9.00%	12.00%
45,000-49,999.99	3.50%	7.00%	10.50%	14.00%
50,000-54,999.99	5.00%	10.00%	15.00%	20.00%
55,000-59,999.99	5.75%	11.50%	17.25%	23.00%
60,000-64,999.99	6.75%	13.50%	20.25%	27.00%
65,000-69,999.99	7.25%	14.50%	21.75%	29.00%
70,000-74,999.99	8.00%	16.00%	24.00%	32.00%
75,000-79,999.99	8.25%	16.50%	24.75%	33.00%
80,000-94,999.99	8.50%	17.00%	25.50%	34.00%
95,000 and over	8.75%	17.50%	26.25%	35.00%

\*Member contribution is a minimum of 1.5% of base salary towards Health Benefits

*(Charts are continued on next page)*

**HEALTH BENEFITS CONTRIBUTION FOR FAMILY COVERAGE  
(PERCENTAGE OF PREMIUM)\***

Salary Range	Year 1	Year 2	Year 3	Year 4
less than 25,000	0.75%	1.50%	2.25%	3.00%
25,000-29,999.99	1.00%	2.00%	3.00%	4.00%
30,000-34,999.99	1.25%	2.50%	3.75%	5.00%
35,000-39,999.99	1.50%	3.00%	4.50%	6.00%
40,000-44,999.99	1.75%	3.50%	5.25%	7.00%
45,000-49,999.99	2.25%	4.50%	6.75%	9.00%
50,000-54,999.99	3.00%	6.00%	9.00%	12.00%
55,000-59,999.99	3.50%	7.00%	10.50%	14.00%
60,000-64,999.99	4.25%	8.50%	12.75%	17.00%
65,000-69,999.99	4.75%	9.50%	14.25%	19.00%
70,000-74,999.99	5.50%	11.00%	16.50%	22.00%
75,000-79,999.99	5.75%	11.50%	17.25%	23.00%
80,000-84,999.99	6.00%	12.00%	18.00%	24.00%
85,000-89,999.99	6.50%	13.00%	19.50%	26.00%
90,000-94,999.99	7.00%	14.00%	21.00%	28.00%
95,000-99,999.99	7.25%	14.50%	21.75%	29.00%
100,000-109,999.99	8.00%	16.00%	24.00%	32.00%
110,000 and over	8.75%	17.50%	26.25%	35.00%

**HEALTH BENEFITS CONTRIBUTION FOR MEMBER/SPOUSE/PARTNER;  
PARENT/CHILD COVERAGE (PERCENTAGE OF PREMIUM)\***

Salary Range	Year 1	Year 2	Year 3	Year 4
less than 25,000	0.88%	1.75%	2.63%	3.50%
25,000-29,999.99	1.13%	2.25%	3.38%	4.50%
30,000-34,999.99	1.50%	3.00%	4.50%	6.00%
35,000-39,999.99	1.75%	3.50%	5.25%	7.00%
40,000-44,999.99	2.00%	4.00%	6.00%	8.00%
45,000-49,999.99	2.50%	5.00%	7.50%	10.00%
50,000-54,999.99	3.75%	7.50%	11.25%	15.00%
55,000-59,999.99	4.25%	8.50%	12.75%	17.00%
60,000-64,999.99	5.25%	10.50%	15.75%	21.00%
65,000-69,999.99	5.75%	11.50%	17.25%	23.00%
70,000-74,999.99	6.50%	13.00%	19.50%	26.00%
75,000-79,999.99	6.75%	13.50%	20.25%	27.00%
80,000-84,999.99	7.00%	14.00%	21.00%	28.00%
85,000-99,999.99	7.50%	15.00%	22.50%	30.00%
100,000 and over	8.75%	17.50%	26.25%	35.00%

\*Member contribution is a minimum of 1.5% of base salary towards Health Benefits

**3. Q. Will the health benefits contribution be made on a pre-tax basis?**

**A.** Chapter 78 requires that all local government/education employers participate in an IRC Section 125 plan. This will allow employees to make the required premium payments for health care prior to the withholding of taxes.

State employees presently making the 1.5% contribution currently participate in the State's Section 125 plan (Tax\$ave). **Note:** The State Tax\$ave Program is not available to local government/education employers. These employers must arrange and provide their own Section 125 plans. (Revised 7/26/11)

**4. Q. On what salary is the calculation of the minimum 1.5% contribution based?**

**A.** The calculation is based on the employee's base contractual salary. In most instances, that means the salary on which pension contributions are based. However, for employees hired after July of 2007 for whom pensionable salary is limited to the salary on which Social Security contributions are based, the employee's total base salary would be used. As an employee receives salary increases during the year, the amount of contribution will be adjusted upwards accordingly.

**5. Q. When will retiree contributions change?**

**A.** There are no changes to contributions for current retirees at this time.

Active employees who have 25 or more years of service credit as of the effective date of Chapter 78 are grandfathered and are governed by the terms applicable on the date they accrue 25 years of service credit.

State employees (State Departments, State Colleges and Universities, etc.) with 20 or more years of service credit as of the effective date of Chapter 78 are also grandfathered at the current 1.5% contribution requirement, but must still attain 25 years of service credit prior to retirement to qualify for State or employer contributions toward post-retirement medical coverage. (Revised 7/29/11)

A properly completed *Application to Purchase Service Credit* received by the Division of Pensions and Benefits prior to the effective date of Chapter 78 on June 28, 2011, will be honored and if qualified\*, the service will be applied toward the service credit requirements above only if the purchase costs are either paid or authorized for payroll deductions before the expiration date stated in the Purchase Quotation letter provided by the Division of Pensions and Benefits.

Employees who are not grandfathered, who do not fall within the above provisions, and who become eligible for employer-paid post-retirement benefits after 25 years of service, will be subject to a contribution toward post-retirement medical coverage based on the applicable percentage of premium as determined by the annual retirement allowance, including any cost-of-living adjustments. A minimum contribution of 1.5% of the monthly retirement allowance is required.

\*For PERS and TPAF members, purchases of U.S. Government Civilian Service or Out-of-State Service made after November 1, 2008 cannot be used to qualify for State-paid or employer-paid post-retirement health benefits.

**6. Q. Do the changes in Chapter 78, P.L. 2011, apply only to members enrolled in the SHBP/SEHBP?**

**A.** While some of the health benefits reforms of Chapter 78, P.L. 2011, affect only members of the SHBP/SEHBP, changes were also made to the statutes which govern the purchase of public employee health benefits outside of the SHBP/SEHBP. The employee contribution requirements for medical and prescription drug coverage as described in Question 2, above, applies to both SHBP/SEHBP and non-SHBP/SEHBP members. Since the Division of Pensions and Benefits does not administer or interpret the provisions of programs outside of the SHBP/SEHBP, this Q&A generally pertains only to the SHBP/SEHBP.

Boards of Education and units of Local Government that do not participate in the SHBP/SEHBP may enter into contracts for health care benefits coverage, as may be required to implement a collective negotiations agreement, and agree to different employee contribution rates if certain cost savings in the aggregate over the period of the agreement can be demonstrated. The savings must be certified to the Division of Pensions and Benefits, and the Department of Education or the Department of Community Affairs, as appropriate. The Department of Education or the Department of Community Affairs are to approve or reject the certification, within 30 days of receipt. The certification is deemed approved if not rejected within that time. The agreement cannot be executed until that approval is received or the 30-day period has lapsed, whichever occurs first.

**Note:** Additional guidance for local employers – including those who are not in the SHBP/SEHBP – is available from the Department of Community Affairs, Division of Local Government Services. See *Local Finance Notice 2011-20* at: [www.state.nj.us/dca/lgs/](http://www.state.nj.us/dca/lgs/)

(Revised 7/26/11)

**7. Q. Our union contract expired last year and has not been settled. Will these employees be required to contribute for health benefits and prescription drugs under the new contribution schedule?**

**A.** Yes. If the contract is not ratified prior to enactment of Chapter 78, P.L. 2011, into law on June 28, 2011, those employees will be required to contribute toward medical and prescription drug coverage in accordance with the charts in Question 2, above, with a minimum contribution of not less than 1.5% of annual salary.

**8. Q. Am I limited to using doctors or hospitals that are in the State of New Jersey?**

**A.** No. Provisions of Chapter 78, P.L. 2011 (section 76), that would have required health care plans for public employees to limit coverage for services performed by out-of-State providers was repealed with the passage of Chapter 79, P.L. 2011.

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