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April 1, 2010

TO: State Biweekly and State Monthly Certifying Officers,
Local Government Certifying Officers of Employers Participating in
the SHBP,
Local Education Certifying Officers of Employers Participating in the
SEHBP

FROM: David J. Pointer 
Chief, Health Benefits Bureau

**SUBJECT: Chapter 2, P.L. 2010 — Changes to the State Health Benefits
Program (SHBP) and School Employees' Health Benefits
Program (SEHBP)**

Governor Christie recently signed into law Chapter 2, P.L. 2010 that makes numerous changes to the State Health Benefits Program (SHBP) and School Employees' Health Benefits Program (SEHBP). These changes affect employee eligibility, shared member costs, plan choices, waiver incentives, and multiple coverages. Most of these changes are effective May 21, 2010 while others will not be effective until current labor contracts expire.

MULTIPLE COVERAGE

An eligible individual may only enroll in the SHBP/SEHBP as an employee, retiree, or dependent. Multiple coverage under the SHBP and/or SEHBP is prohibited.

For example, a husband and wife both have coverage based on their employment and have children eligible for coverage. One may choose family coverage, making the spouse and children ineligible for any other SHBP/SEHBP coverage; or, one may choose single coverage and the spouse may choose parent and child(ren) coverage.

The Division of Pensions and Benefits will send lists of employees who have multiple coverage to employers so that the employees can be notified to waive coverage for themselves or remove dependents with multiple coverage.

MINIMUM CONTRIBUTION FOR HEALTH COVERAGE

Upon the expiration of any labor agreement after May 21, 2010, employees enrolled in the SHBP/SEHBP will be required to contribute a minimum of 1.5 percent of annual base salary towards the cost of their medical and/or prescription drug coverage. The minimum contribution is in addition to any premium paid for dental, vision or other health benefit.

Employees who become members of a State or locally-administered retirement system after May 21, 2010 and are eligible for the benefits provided under N.J.S.A. 52:14-17.32f, 52:14-17.32f1, 52:14-17.32f2, or 52:14-17.38, will be required to contribute 1.5 percent of their monthly retirement allowance, including any cost-of-living adjustments, towards the cost of their medical and/or prescription drug coverage. The contribution is in addition to any premium paid for dental, vision or other post-retirement health benefit.

MINIMUM WORK HOURS FOR COVERAGE

Effective May 21, 2010, any newly *appointed* or *elected officer* will be required to work a minimum of 35 hours per week to be considered “full-time” and eligible for coverage under the SHBP/SEHBP.

A State *employee* hired after May 21, 2010 will be required to work a minimum of 35 hours per week — or more if required by contract — to be eligible for coverage under the SHBP.

In order for an employee of a local employer hired after May 21, 2010 to be eligible for coverage under the SHBP/SEHBP, he or she will be required to work a minimum number of hours per week as determined by resolution of the governing body of the local employer but in no instance will the minimum hours be less than 25.

Any employee or officer of the local employer or the State who met the minimum work hour requirements prior to May 21, 2010 will be eligible for continued coverage under the SHBP/SEHBP provided there is no break in the employee’s service or reduction in work hours.

WAIVER OF COVERAGE INCENTIVE

Local employers are permitted to offer an incentive to employees eligible for coverage under the SHBP/SEHBP to waive coverage due to employment with the employer. The incentive is currently permitted to be up to 50 percent of the amount saved by the employer due to the employee’s waiver of coverage.

Effective for waivers filed on or after May 21, 2010, the most an employer may offer an employee who waives coverage is 25 percent of the amount saved by the employer or \$5,000, whichever is less. The amount saved by the employer would be the premium due minus the contribution the employee would have made if the employee did not waive coverage.

PLAN CHOICE

The availability of plans offered to eligible employees may be limited by local employers through the binding collective bargaining process. The local employer may, through its sole discretion, impose the provisions of a binding collective bargaining agreement on those employees who have no majority representation for collective bargaining purposes.

For example, the SHBP/SEHBP currently offers NJ DIRECT10, NJ DIRECT15, Aetna HMO, and CIGNA HealthCare HMO to local employers. The local employer may, through the collective bargaining process, offer employees all, a combination of plans, or one plan. The plans offered may be different for each bargaining group.

CHANGES TO THE PROVISIONS OF THE SHBP/SEHBP

Any changes in the provisions of health care benefits through the SHBP/SEHBP that are included in labor agreements between the State and its employees entered into after May 21, 2010 will apply to local employers and their employees in the same manner and at the same time as to State employees.

ADDITIONAL INFORMATION

This letter is intended to provide employers with a general overview of the changes put into place by Chapter 2, P.L. 2010. Additional administrative information will become available as the Division of Pensions and Benefits completes the procedural and programming changes needed to implement the provisions of this legislation.

When available, revised publications and forms will be posted to the Division of Pensions and Benefits Web site at: www.state.nj.us/treasury/pensions

If you have general questions regarding Chapter 2, P.L. 2010, or any of the information provided in this letter, contact the Division's Office of Client Services at (609) 292-7524, or e-mail the Division at: pensions.nj@treas.state.nj.us