

# NEW JERSEY ASSOCIATION OF COUNTIES

*County Government with a Unified Voice!*

RICHARD D. GARDNER  
NJAC President  
Warren County Freeholder

JOHN G. DONNADIO  
Executive Director

## STATE HOUSE NEWS

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### CHAPTER 78 PROPOSED RULES

The Division of Local Government Services Local Finance Board has proposed new rules for the approval process for non-State Health Benefits Program health insurance plans. NJAC plans to prepare and submit comments on the proposed rules before the January 18, 2013 deadline and would like your input. You may review the rules in their entirety at [www.state.nj.us/dca/divisions/dlgs/](http://www.state.nj.us/dca/divisions/dlgs/).

In summary, the new rules implement changes to the State Health Benefits Program (SHBP) enacted on June 28, 2011 under P.L. 2011, c.78 that require a cost comparison for local government employers that have chosen to participate in a health benefits plan other than the SHBP. As you know, Chapter 78 permits local units to incorporate a non-SHBP plan into a Collective Negotiations Agreement (CNA), so long as the Division of Local Government Services approves the local unit's certification that the non-SHBP plan achieves aggregate employer savings. This certification applies to any healthcare coverage offered by the local employer through a non-SHBP plan regardless of whether the local employer offers healthcare benefits through the SHBP.

The proposed rules apply to all local units that provide non-SHBP medical, RX or dental coverage, or any combination thereof, pursuant to a CNA. These requirements do not apply to local units that do not have collective bargaining units. Before entering into a new collective bargaining agreement, local units must apply to the Division for approval to incorporate non-SHBP coverage into a CNA. Local units must certify for each bargaining unit that the proposed non-SHBP plan achieves aggregate employer savings as compared to the SHBP. A separate certification must be filled for each bargaining unit. Non-union employees to whom the proposed non-SHBP coverage would be applied must be placed in the bargaining unit certification for purposes of the analysis. If the local unit is submitting multiple certifications, non-union employees may be grouped into any certification; except that if one CNA is for a longer term than another, the non-union employees shall be grouped into the CAN with the longer term. Local units must seek approval from the Division even if the non-

SHBP plan proposed for a new CNA is identical or substantially similar to the one incorporated into a prior CNA.

To determine “Aggregate Employer Savings,” local units must demonstrate that the “Net Employer Cost” of the proposed non-SHBP plan is less than or equal to the net SHBP cost pursuant to the following formula.

$$\text{Net Employer Cost} = (\text{Proposed Employer Plan Premium}) \text{ Less} \\ (\text{Proposed Employee Contribution})$$

$$\text{Net SHBP Cost} = (\text{Aggregate Weighted Average of SHBP}) \text{ Less} \\ (\text{Aggregate Chapter 78 Contributions})$$

Proposed Employer Plan Premium means the aggregate premium for all employees in the collective bargaining unit; and Proposed Employee Contribution means the aggregate employee contribution toward the proposed plan for all employees in the collective bargaining unit. The Weighted Average of the SHBP premium represents the premium issued by the Division of Pension and Benefits; and, represents the average cost by coverage tier of all plans offered by SHBO weighted by enrollment. Weighted Average premiums combining all coverage tiers are calculated for SHBP medical, prescription, and dental coverage.

The Division will provide further guidance through a Local Finance Notice concerning the contents of the Certification, but it must include: the duration of the CNA; a demonstration of Aggregate Employer Savings by comparing the Net Employer Cost with the Net SHBP Cost over the life of the CNA; and an employee-by-employee schedule supporting the local unit’s certification of Aggregate Employer Savings. This schedule spans each year of the proposed CNA and must include: each employees coverage tier; each employees base salary for year of the CNA; proposed employer plan premium for each employee’s coverage tier; proposed employee contribution; the Weighted Average SHBP premium for the coverage tier selected; and the Chapter 78 specified SHBP premium for the coverage tier selected.

The Division must approve or reject a local unit’s certification of savings within 30 days of receipt. Failure to respond within the statutory timeframe is deemed an automatic approval. *The Division provided NJAC with an overview of the proposed rules, which we’ve summarized above.*

## **MEDICAID REIMBURSEMENT RATES**

On November 19<sup>th</sup>, NJAC noted its support of **SENATE, NO. 2241** (*Weinberg D-Bergen/Vitale D-Middlesex*) before the Senate Budget and Appropriations Committee. In summary, this legislation would prohibit Medicaid managed care organizations from reducing certain provider reimbursement rates without approval from the Department of Human Services (DHS).

More specifically, the bill would prohibit a health maintenance organization (HMO) that contracts with DHS to provide benefits under a managed care plan to persons eligible under the "New Jersey Medical Assistance and Health Services Act" from reducing reimbursement rates without obtaining prior written approval from the DHS Commissioner. The bill would require an HMO to demonstrate that it has taken all appropriate actions to reduce the costs of providing benefits to eligible recipients covered by the plan. Moreover, the HMO must demonstrate that the proposed reduction in reimbursement rates would not adversely impact the quality and accessibility of health care services provided to eligible recipients covered by the plan. The bill would further require the Division of Medical Assistance and Health Services to conduct public hearings on the proposed reductions within 30 days. The bill would take effect immediately; and, would apply to active pre-existing contracts that HMOs have entered into with DHS.

NJAC supports this important and timely legislation as it would provide an extra layer of protection against the unilateral reduction of Medicaid reimbursement rates to service providers. As Managed Long Term Care is scheduled to begin for all Medicaid patients on July 1, 2013, this legislation would also provide some level of stability and predictability for healthcare providers in negotiating Medicaid reimbursement rates with managed care organizations. Moreover, the application process and public hearing requirement would improve the transparency of the rate setting process. The Senate Budget and Appropriations Committee favorably reported the bill and the measure is now on Second Reading in the Senate. The companion version in the General Assembly **ASSEMBLY, NO. 3409** (*Schaer D-Bergen/Johnson D-Bergen*) is currently in the Assembly Financial Institutions and Insurance Committee awaiting consideration.

## **BURIAL OF INDIGENT VETERANS**

On November 19<sup>th</sup>, the Assembly Military and Veterans Affairs Committee favorably reported **ASSEMBLY, NO. 1898** (*Milam D-Cape May/Vainieri-Huttle D-Bergen*), which would expand the burial rights of indigent veterans.

Under current law, if a war veteran dies without sufficient means to pay for funeral expenses, the veteran's county of residence is responsible for burial costs up to \$250.00. This bill would expand the counties' burial responsibilities to include veterans that did not serve at a time of war; and, would increase the \$250.00 threshold to \$1,500.00 to cover cremation or burial expenses. However, it appears that the State would be responsible for reimbursing counties for any expenses incurred by a county over \$250.00. The bill would require the a county medical examiner or the supervisor of veterans' interment to contact the Department of Military and Veteran's Affairs upon receipt of an unidentified or unclaimed indigent deceased person to ascertain whether that person was in fact a veteran. The Department would subsequently notify the county medical examiner or interment supervisor after determining the veteran status. The county medical examiner or interment supervisor would then have 72 hours to bury or cremate the veteran.

NJAC does not have a position on the measure at this time as the fiscal impact on county governments is indeterminate; and, the measure contains language that would appear to protect counties from incurring any additional expenses. The Committee favorably reported the bill and referred it to the Assembly Appropriations Committee for further consideration. The companion version in the Senate **SENATE, NO 1075** (*Van Drew D-Cape May*) is currently in the Senate Military and Veterans' Affairs Committee awaiting consideration as well.

#### **SUMMIT ON EMERGENCY MANAGEMENT AND PREPAREDNESS**

If you haven't done so already, please make sure to register for our December 7<sup>th</sup> year end "Summit on Emergency Management and Preparedness." Don't miss this unique opportunity to hear county, state, and utility company leaders discuss their coordinated efforts to prepare for, respond to, and recover from major storms and disasters. We've put together two terrific panel discussions and invited the head of the Federal Emergency Management Agency (FEMA) as the keynote speaker for an informative and educational half-day event. For additional details, please check out our website at [www.njac.org](http://www.njac.org).

*"Great minds have purposes, others have wishes." Washington Irving*