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Proposed Changes for NJ Public Workers' Health Care Cost and Design

Over the past several weeks NJ's Governor and Legislative leaders have issued substantive proposals for re-shaping how public workers receive, pay for and participate in the delivery of health benefits. Like other states across the country that have begun to tackle the sizeable costs – present and future – these plans are intended to deal with the coverage levels and costs related to public worker employee benefits. Years of benefit packages that have been more generous and costlier than in the private market have in part contributed to the financial crisis now facing governments across the nation. While the legislative deliberating has yet to begin, it is clear that state leaders are ready to tackle the issue of public worker health benefits in a meaningful way.

Conner Strong has evaluated the details of the plan. Highlights include:

- A proposed moratorium on new entrants into the state run benefit plans for local governments and school districts. According to the latest plan issued, the state run plans have sustained losses of "\$200 million" and incurred an "extraordinary financial debt." The call for a moratorium and the now public disclosures of long suspected financial problems raises serious doubts about the future of the state plans and the likelihood of members facing substantial increases very soon;
- The introduction of a public worker contribution schedule to be phased in over 7 years, beginning upon the expiration of one's bargaining agreement. The contributions are based on workers paying a percentage of the actual premium as determined by their salary. The proposed schedule appears to have employees sharing in the cost of premiums ranging from 12% to 30% over a period of years. Finally, the plan appears to include future retirees contributing towards the cost of their health benefits. It should be noted that the latest plan discloses the fact that the state has an estimated \$66 billion in retiree health care liabilities;
- The establishment of what are referred to as "Employee Benefit Quality, Cost and Delivery Committees." The plan indicates that every local entity will establish a committee of management and labor to work on health care delivery, program set up and even vendor evaluation;
- A requirement for each local entity to offer multiple benefit options, presumably through collective bargaining. The plan suggests that the intent is to create a series of options with different levels of coverage and cost;
- There is a good deal of focus on prescription drug costs and the need for generic usage, bulk purchasing and other techniques intended to contain cost.

To access the press release, click here <http://www.njsendems.com/release.asp?rid=3813>. To access the details of the plan that accompanied the press release, click here <http://www.njsendems.com/Docs/Health%20Benefits%20Reform%20Package%20Overview.pdf>

The proposed changes from state leaders signal a bi-partisan effort to tackle this monumental issue that has plagued NJ budgets for years. While it is clear that any final plan will need to include characteristics from the various proposed plans, it is also apparent that changes are on the horizon that will have a historic impact on public worker benefits. New cost sharing schedules will generate new revenue streams for public entities to help pay for benefit premiums. Plus, the potential for closing off the state plan will mean major changes in purchasing patterns and the elimination of what has long been a financially challenged program.

Public entities in NJ need to immediately prepare for forthcoming changes. Conner Strong is working on a series of resource tools to assist customers in preparing action plans for dealing with the changes. Shortly, Conner Strong will announce the details of a webinar for clients where we outline the action steps necessary to contend with these changes. In the interim, we will monitor the situation carefully and communicate any significant developments. If you have questions, please contact your Conner Strong account representative toll free at 1-877-861-3220.



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