

ASSEMBLY, No. 5363

STATE OF NEW JERSEY 220th LEGISLATURE

INTRODUCED MAY 8, 2023

Sponsored by:

Assemblyman GARY S. SCHAER

District 36 (Bergen and Passaic)

SYNOPSIS

Provides for increased competition to reduce State health care costs; provides member representatives access to claims data to increase transparency and accountability; enables SHBP and SEHBP members to choose claim administrators.

CURRENT VERSION OF TEXT

As introduced.



1 AN ACT concerning the State Health Benefits Program and the
 2 School Employees' Health Benefits Program and supplementing
 3 P.L.1961, c.49 (C.52:14-17.25 et seq.) and P.L.2007, c.103
 4 (C.52:14-17.46.1 et seq.).

5
 6 **BE IT ENACTED** *by the Senate and General Assembly of the State*
 7 *of New Jersey:*

8
 9 1. The Legislature finds and declares that:

10 a. The cost of health care for public employees in the State has
 11 been increasing at a pace that will make our current system of
 12 health care delivery unsustainable if it continues on its present
 13 trajectory.

14 b. As health care costs continue to rise more quickly than the
 15 average annual income, those costs displace other priorities for
 16 individuals, such as saving for retirement or their children's
 17 education, and even discourage people from obtaining
 18 recommended health care. The litany of research in this area has
 19 demonstrated that action must be taken to reduce costs.

20 c. One way to reduce costs is to increase competition among
 21 the claims administrators that contract with the State to administer
 22 the State Health Benefits Program and the School Employees'
 23 Health Benefits Program that cover thousands of State, municipal,
 24 school district, and related public employees and their dependents.

25 d. Permitting these employees to have greater choice in the
 26 selection of claims administrators for their respective health plan
 27 will also increase accountability of the administrators and overall
 28 performance, quality, and cost by encouraging competition among
 29 the claims administrators.

30 e. Many federal and State sponsored health plans embrace the
 31 use of multiple administrators to ensure sufficient competition not
 32 only at the time of bid awards but throughout the life of the
 33 contract. For example, use of multiple administrators encourages
 34 contracted administrators to compete, on an ongoing basis, for
 35 membership by accelerating innovation and by delivering on key
 36 measures of success, such as on the ability to manage the rate of
 37 health care inflation, network breadth, member experience, and
 38 programs to advance health care quality, unit cost discounts, and
 39 other cost saving initiatives. Without meaningful competition, the
 40 State may have limited ability to determine if best practices are met
 41 in the aforementioned areas.

42 f. A more competitive procurement process also increases
 43 accountability and transparency. Having multiple contract
 44 administrators will enable a more accurate comparison to measure
 45 relative performance on key metrics pertaining to cost, quality, and
 46 experience.

47 g. For the purpose of reducing health care costs and facilitating
 48 greater satisfaction, efficiency, and accountability in the
 49 administration of health benefits claims to State employees, their

1 eligible family members, and participating local government and
2 school district employees and their eligible family members, the
3 State of New Jersey deems it fitting and crucial to procure more
4 than one contract administrator for each health benefits plan type
5 offered by the State Health Benefits Program and the School
6 Employees' Health Benefits Program for implementation in the plan
7 year beginning in January of 2024.

8
9 2. The definitions set forth in section 2 of P.L.1961, c.49
10 (C.52:14-17.26) shall be applicable to sections 2 and 3 of this act,
11 P.L. , c. (C.) (pending before the Legislature as this bill).

12 In addition, as used in this act:

13 "Competitive range" means the group of responsive proposals to
14 a request for proposal that are among the most highly rated
15 proposals.

16 "Director" means the Director of the Division of Pension and
17 Benefits or the director's designee.

18 "Early retiree" means a retired employee of the State or
19 participating employer who is retired, under 65 years of age, and
20 not yet eligible to enroll in Medicare.

21 "Medicare retiree" means a retired employee of the State or
22 participating employer who is 65 years of age or older, or otherwise
23 qualified to enroll in Medicare due to health status, and is currently
24 enrolled in Medicare. Eligible retirees include those who are
25 enrolled in a Self-insured Medicare Supplement plan or a Fully-
26 Insured Medicare Advantage plan. When relevant, the term
27 Medicare retiree is used to distinguish Medicare Supplement
28 retirees.

29 "Plan type" means preferred provider organization, health
30 maintenance organization, tiered network plan, high-deductible
31 health plan, Medicare supplemental PPO and HMO, and Medicare
32 Advantage plan.

33 "Prevailing wage" means the wage rates and fringe benefits for
34 service employees found prevailing in the locality as determined by
35 the Department of Labor and Workforce Development or contained
36 in a predecessor contractor's collective bargaining agreements.

37 "Request for Proposal" or "RFP" refers to all documents,
38 whether attached or incorporated by reference, used for a publicly
39 advertised procurement process that solicits proposals or offers to
40 provide the goods or services specified therein.

41 "Responsive proposal" refers to a proposal that is deemed to
42 have adequately addressed all material provisions of an RFP's terms
43 and conditions, specifications, and other requirements.

44
45 3. a. For each plan type offered to eligible employees, early
46 retirees, and Medicare retirees, and their dependents, the State
47 Health Benefits Commission shall select at least two qualified
48 vendors for claims administration services, provided that, if fewer
49 than two qualified vendors in response to an RFP issued on behalf

1 of the commission submit responsive proposals within a
2 competitive range established by the director in consultation with
3 the commission, the commission shall have the authority to either
4 select one qualified vendor or reissue a solicitation for the plan
5 type.

6 b. Each eligible employee, early retiree, and Medicare retiree
7 shall have the opportunity, on an annual basis, during the open
8 enrollment period or other applicable enrollment period, to choose a
9 plan from among the plans the commission has selected pursuant to
10 subsection a. of this section.

11 c. The commission shall award the contracts for each plan type
12 under subsection a. of this section on the basis of the bid response
13 that is the most advantageous to the State, which shall consider
14 price, network breadth, member experience, and the ability to
15 engage in innovation designed to slow health care cost growth.
16 The commission shall also consider as positive factors for any
17 bidder the percentage of employees who will perform the work
18 under the contract who (1) will perform those services in-State, and
19 (2) will be compensated at least a prevailing wage and afforded
20 health benefits under a health benefits plan authorized pursuant to
21 State or federal law.

22 d. The commission is authorized to award a contract to the
23 bidder who presented the bid that is most advantageous to the State
24 based upon an evaluation of factors in subsection c. of this section,
25 and to thereafter award another contract to one or more bidders
26 within the competitive range that can provide a comparable bid
27 price and performance to the first awarded contract.

28

29 4. a. The State Health Benefits Program shall provide to a plan
30 sponsor of a public employer that participates in the State Health
31 Benefits Program, at no cost and upon request not more than once
32 in each calendar year, aggregated and de-identified claims
33 experience data for the applicable group of public employees,
34 provided that any disclosure of aggregate data shall be done in a
35 manner that complies with the federal Health Insurance Portability
36 and Accountability Act of 1996, Pub.L.104-191, and any other
37 applicable federal and state privacy protection laws and related
38 regulations.

39 b. The director, in consultation with the commission, shall
40 establish a standard format for the report to be provided in
41 compliance with subsection a. of this section. The report shall be
42 provided in electronic format within 90 days of receipt of the
43 written request.

44

45 5. The definitions set forth in section 32 of P.L.2007, c.103
46 (C.52:14-17.46.2) shall be applicable to sections 5 to 7 of this act,
47 P.L. , c. (C.) (pending before the Legislature as this bill).

48 In addition, as used in this act:

1 “Competitive range” means the group of responsive proposals to
2 a request for proposal that are among the most highly rated
3 proposals.

4 “Director” means the Director of the Division of Pension and
5 Benefits or the director’s designee.

6 “Early retiree” means a retired employee of the State or
7 participating employer who is retired, under 65 years of age, and
8 not yet eligible to enroll in Medicare.

9 “Medicare retiree” means a retired employee of the State or
10 participating employer who is 65 years of age or older, or otherwise
11 qualified to enroll in Medicare due to health status, and is currently
12 enrolled in Medicare. Eligible retirees include those who are
13 enrolled in a Self-insured Medicare Supplement plan or a Fully-
14 Insured Medicare Advantage plan. When relevant, the term
15 Medicare retiree is used to distinguish Medicare Supplement
16 retirees.

17 “Plan type” means preferred provider organization, health
18 maintenance organization, tiered network plan, high-deductible
19 health plan, Medicare supplemental PPO and HMO, and Medicare
20 Advantage plan.

21 “Prevailing wage” means the wage rates and fringe benefits for
22 service employees found prevailing in the locality as determined by
23 the Department of Labor and Workforce Development or contained
24 in a predecessor contractor’s collective bargaining agreements.

25 “Request for Proposal” or “RFP” refers to all documents,
26 whether attached or incorporated by reference, used for a publicly
27 advertised procurement process that solicits proposals or offers to
28 provide the goods or services specified therein.

29 “Responsive proposal” refers to a proposal that is deemed to
30 have adequately addressed all material provisions of an RFP’s terms
31 and conditions, specifications, and other requirements.

32

33 6. a. For each plan type offered to eligible employees, early
34 retirees, and Medicare retirees, and their dependents, the School
35 Employees’ Health Benefits Commission shall select at least two
36 qualified vendors for claims administration services, provided that,
37 if fewer than two qualified vendors in response to an RFP issued on
38 behalf of the commission submit responsive proposals within a
39 competitive range established by the director in consultation with
40 the commission, the commission shall have the authority to either
41 select one qualified vendor or reissue a solicitation for the plan
42 type.

43 b. Each eligible employee, early retiree, and Medicare retiree
44 shall have the opportunity, on an annual basis, during the open
45 enrollment period or other applicable enrollment period, to choose a
46 plan from among the plans the commission has selected pursuant to
47 subsection a. of this section.

48 c. The commission shall award the contracts for each plan type
49 under subsection a. of this section on the basis of the bid response

1 that is the most advantageous to the State, which shall consider
2 price, network breadth, member experience, and the ability to
3 engage in innovation designed to slow health care cost growth.
4 The commission shall also consider as positive factors for any
5 bidder the percentage of employees who will perform the work
6 under the contract who (1) will perform those services in-State, and
7 (2) will be compensated at least a prevailing wage and afforded
8 health benefits under a health benefits plan authorized pursuant to
9 State or federal law.

10 d. The commission is authorized to award a contract to the
11 bidder who presented the bid that is most advantageous to the State
12 based upon an evaluation of factors in subsection c. of this section,
13 and to thereafter award another contract to one or more bidders
14 within the competitive range that can provide a comparable bid
15 price and performance to the first awarded contract.

16
17 7. a. The School Employees' Health Benefits Program shall
18 provide to a plan sponsor of a public employer that participates in
19 the School Employees' Health Benefits Program, at no cost and
20 upon request not more than once in each calendar year, aggregated
21 and de-identified claims experience data for the applicable group of
22 public employees, provided that any disclosure of aggregate data
23 shall be done in a manner that complies with the federal Health
24 Insurance Portability and Accountability Act of 1996, Pub.L.104-
25 191, and any other applicable federal and state privacy protection
26 laws and related regulations.

27 b. The director, in consultation with the commission, shall
28 establish a standard format for the report to be provided in
29 compliance with subsection a. of this section. The report shall be
30 provided in electronic format within 90 days of receipt of the
31 written request.

32
33 8. This act shall take effect immediately.

34
35
36 STATEMENT

37
38 This bill allows for the State Health Benefits Program (SHBP)
39 and the School Employees' Health Benefits Program (SEHBP) to
40 select more than one claims administrator in order to increase
41 competition and lower costs in the long term.

42 This bill also requires that SHBP and SEHBP provide, upon
43 request, aggregated and de-identified claims data to the plan
44 sponsor of a public employer that participates in the respective
45 program in order to increase transparency within the administration
46 of these health care plans.