

# SENATE, No. 3756

## STATE OF NEW JERSEY 220th LEGISLATURE

INTRODUCED MARCH 30, 2023

**Sponsored by:**

**Senator NICHOLAS P. SCUTARI**

**District 22 (Middlesex, Somerset and Union)**

**Senator PAUL A. SARLO**

**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.



**(Sponsorship Updated As Of: 3/30/2023)**

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.

1 g. For the purpose of reducing health care costs and facilitating  
2 greater satisfaction, efficiency, and accountability in the  
3 administration of health benefits claims to State employees, their  
4 eligible family members, and participating local government and  
5 school district employees and their eligible family members, the  
6 State of New Jersey deems it fitting and crucial to procure more  
7 than one contract administrator for each health benefits plan type  
8 offered by the State Health Benefits Program and the School  
9 Employees' Health Benefits Program for implementation in the plan  
10 year beginning in January of 2024.

11

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

15 In addition, as used in this act:

16 "Competitive range" means the group of responsive proposals to  
17 a request for proposal that are among the most highly rated  
18 proposals.

19 "Director" means the Director of the Division of Pension and  
20 Benefits or the director's designee.

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

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

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

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

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

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

1       3. a. For each plan type offered to eligible employees, early  
2 retirees, and Medicare retirees, and their dependents, the State  
3 Health Benefits Commission shall select at least two qualified  
4 vendors for claims administration services, provided that, if fewer  
5 than two qualified vendors in response to an RFP issued on behalf  
6 of the commission submit responsive proposals within a  
7 competitive range established by the director in consultation with  
8 the commission, the commission shall have the authority to either  
9 select one qualified vendor or reissue a solicitation for the plan  
10 type.

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

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

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

33

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

44       b. The director, in consultation with the commission, shall  
45 establish a standard format for the report to be provided in  
46 compliance with subsection a. of this section. The report shall be  
47 provided in electronic format within 90 days of receipt of the  
48 written request.

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

4       In addition, as used in this act:

5       “Competitive range” means the group of responsive proposals to  
6 a request for proposal that are among the most highly rated  
7 proposals.

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

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

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

21       “Plan type” means preferred provider organization, health  
22 maintenance organization, tiered network plan, high-deductible  
23 health plan, Medicare supplemental PPO and HMO, and Medicare  
24 Advantage plan.

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

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

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

36

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

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

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

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

23

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

34       b. The director, in consultation with the commission, shall  
35 establish a standard format for the report to be provided in  
36 compliance with subsection a. of this section. The report shall be  
37 provided in electronic format within 90 days of receipt of the  
38 written request.

39

40       8. This act shall take effect immediately.

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STATEMENT

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45       This bill allows for the State Health Benefits Program (SHBP)  
46 and the School Employees' Health Benefits Program (SEHBP) to

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1 select more than one claims administrator in order to increase  
2 competition and lower costs in the long term.

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