

FISCAL YEAR 2023-2024



ANALYSIS OF THE NEW JERSEY BUDGET

DEPARTMENT OF BANKING AND INSURANCE

Prepared by the

NEW JERSEY LEGISLATURE
OFFICE OF LEGISLATIVE SERVICES

May 2023

NEW JERSEY STATE LEGISLATURE

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DEPARTMENT OF BANKING AND INSURANCE

Budget Pages C-3, C-9, D-23 to D-29

Fiscal Summary (\$000)

	Expended FY 2022	Adjusted Appropriation FY 2023	Recommended FY 2024	Percentage Change 2023-24
State Budgeted	\$79,368	\$90,263	\$90,263	0.0%
Federal Funds	0	0	0	---
<u>All Other Funds</u>	<u>592</u>	<u>726</u>	<u>726</u>	<u>0.0%</u>
Grand Total	\$79,960	\$90,989	\$90,989	0.0%

Personnel Summary - Positions By Funding Source

	Actual FY 2022	Revised FY 2023	Funded FY 2024	Percentage Change 2023-24
State	0	0	0	---
Federal	0	0	0	---
<u>All Other</u>	<u>421</u>	<u>409</u>	<u>554</u>	<u>35.5%</u>
Total Positions	421	409	554	35.5%

FY 2022 (as of December) and revised FY 2023 (as of January) personnel data reflect actual payroll counts. FY 2024 data reflect the number of positions funded.

Link to Website: <https://www.njleg.state.nj.us/budget-finance/governors-budget>

Highlights

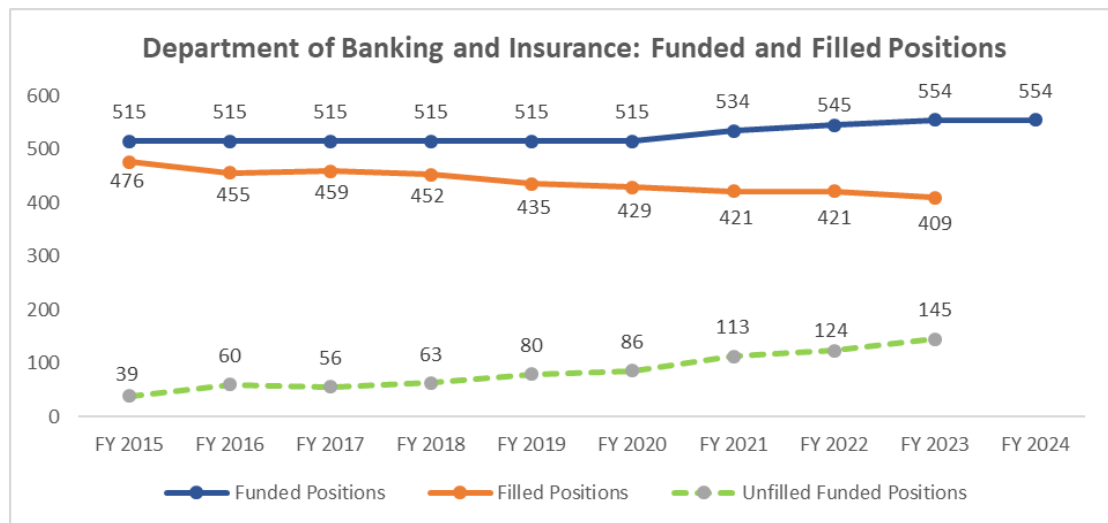
- The Department of Banking and Insurance's regulatory activities are entirely funded through revenue collected from fees and assessments imposed on the industries it regulates, and in certain years, federal funding.
- The Governor's FY 2024 Budget recommends \$91.0 million in State and dedicated funds be appropriated for the department, the same level as the FY 2023 adjusted appropriation.
- Taxes and fees from the regulation activities amount to \$155.1 million generating a net transfer of \$64.9 million to the General Fund.
- P.L.2020, c.145 permits the reorganization of Horizon Blue Cross Blue Shield of New Jersey into a mutual holding company, subject to Department of Banking and Insurance approval. In a November 2022 press release, the department indicated that it had approved Horizon's application for reorganization. After the approval, several groups filed a lawsuit to block the reorganization. If the reorganization takes effect before June 1, 2023, Horizon must pay a one-time \$600.0 million assessment to the State by June 1, 2023 and a second payment not to exceed \$100.0 million on June 1, 2024.

The FY 2024 Governor's Budget anticipates both payments and recommends appropriating the moneys to a Health Care Affordability and Accessibility Fund account in the Interdepartmental Accounts section of the budget. Recommended budget language specifies that the appropriations would have to be used to enhance the availability of affordable and accessible health insurance and the provision of health care to underserved individuals and communities statewide, as well as to promote the integration of the overall health care delivery system to meet the needs of New Jersey residents. The Office of Management and Budget would develop specific funding recommendations in consultation with appropriate State departments, including the Department of Banking and Insurance. The recommendations would be submitted to the Joint Budget Oversight Committee for approval.

- The department operates the State-based health insurance exchange, Get Covered New Jersey. The program is funded out of the New Jersey Health Insurance Exchange Trust Fund, an off-budget, special nonlapsing revolving fund. Expenditures for the operation of the exchange, related outreach and enrollment efforts, and market stabilization initiatives are projected to remain steady at \$60.8 million in FY 2024.
- The department operates a reinsurance and a premium subsidy program in support of health insurance policies purchased on the State-based health insurance exchange. Each program is funded out of an off-budget, special nonlapsing revolving fund (the New Jersey Health Insurance Premium Security Fund for the reinsurance program and the Health Insurance Affordability Fund for the subsidy program). For the two programs combined, expenditures are forecast to decrease by \$10.5 million from \$655.9 million in FY 2023 to \$645.4 million in FY 2024.

Highlights (Cont'd)

- The federal continuous enrollment requirement during the federal COVID-19 public health emergency for the Medicaid program and the Children’s Health Insurance Program (CHIP) expired on March 31, 2023. Eligibility renewals resumed on April 1, 2023 and a 90-day eligibility reconsideration period will lead to the estimated disenrollment of over 200,000 New Jerseyans beginning July 1, 2023. The subset of individuals who will lose NJ FamilyCare coverage because they become income-ineligible may newly qualify for premium subsidies for health plans purchased through the State-based health insurance exchange, Get Covered New Jersey. The FY 2024 Governor’s Budget proposes continuing language that authorizes the Executive to effect, in the course of the fiscal year and without additional legislative approval, supplemental appropriations of unlimited amounts to provide premium subsidies to this cohort.
- The Executive includes new recommended language that would authorize supplemental appropriations of unspecified, unlimited amounts to provide premium subsidies for health plans purchased through the State-based health insurance exchange, Get Covered New Jersey, for children without regard to their immigration status.
- The Governor’s FY 2024 Budget funds 554 positions in the department, which is unchanged from FY 2023. However, as shown in the chart below, the number of filled positions has declined steadily since FY 2017. In FY 2023, the department has 145 unfilled positions, a vacancy rate of 26.2 percent.



Background Paper:

Health Insurance-Related Special Funds p. 7

Fiscal and Personnel Summary

AGENCY FUNDING BY SOURCE OF FUNDS (\$000)

	Expended FY 2022	Adj. Approp. FY 2023	Recom. FY 2024	Percentage Change	
				2022-24	2023-24
<u>General Fund</u>					
Direct State Services	\$79,368	\$90,263	\$90,263	13.7%	0.0%
Grants-In-Aid	0	0	0	---	---
State Aid	0	0	0	---	---
Capital Construction	0	0	0	---	---
Debt Service	0	0	0	---	---
Sub-Total	\$79,368	\$90,263	\$90,263	13.7%	0.0%
<u>Property Tax Relief Fund</u>					
Direct State Services	\$0	\$0	\$0	---	---
Grants-In-Aid	0	0	0	---	---
State Aid	0	0	0	---	---
Sub-Total	\$0	\$0	\$0	---	---
Casino Revenue Fund	\$0	\$0	\$0	---	---
Casino Control Fund	\$0	\$0	\$0	---	---
State Total	\$79,368	\$90,263	\$90,263	13.7%	0.0%
Federal Funds	\$0	\$0	\$0	---	---
Other Funds	\$592	\$726	\$726	22.6%	0.0%
Grand Total	\$79,960	\$90,989	\$90,989	13.8%	0.0%

PERSONNEL SUMMARY - POSITIONS BY FUNDING SOURCE

	Actual FY 2022	Revised FY 2023	Funded FY 2024	Percentage Change	
				2022-24	2023-24
State	0	0	0	---	---
Federal	0	0	0	---	---
All Other	421	409	554	31.6%	35.5%
Total Positions	421	409	554	31.6%	35.5%

FY 2022 (as of December) and revised FY 2023 (as of January) personnel data reflect actual payroll counts. FY 2024 data reflect the number of positions funded.

AFFIRMATIVE ACTION DATA

Total Minority Percentage	40.6%	42.5%	N/A	---	---
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Significant Changes/New Programs (\$000)

The FY 2024 Governor's Budget recommendation for the Department of Banking and Insurance does not change any appropriation amount or contain any new program when compared to the FY 2023 Appropriations Act.

Significant Language Changes

Extending Get Covered New Jersey Health Insurance Premium Subsidies to All Children

Addition	2023 Budget: 2024 Budget:	p. N/A p. D-28
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Notwithstanding the provisions of any law or regulation to the contrary, in addition to the amounts hereinabove appropriated for the Health Insurance Affordability Fund, there are appropriated such additional amounts as determined by the Commissioner of the Department of Banking and Insurance, subject to approval of the Director of the Division of Budget and Accounting, to provide subsidies, in such amounts to be determined by the Commissioner, in order to enable the purchase of qualified health plans for children without regard to their immigration status.

Explanation

The FY 2024 Governor’s Budget includes new recommended language that would authorize the Executive to effect, in the course of the fiscal year and without additional legislative approval, supplemental appropriations of unspecified, unlimited amounts to provide premium subsidies for health plans purchased through the State-based health insurance exchange, Get Covered New Jersey, for children without regard to their immigration status.

Currently, non-United States citizens with certain immigration statuses (for example lawful permanent residents or refugees) may purchase health insurance policies through Get Covered New Jersey and receive premium subsidies, also known as New Jersey Health Plan Savings. Other non-United States citizens with certain other immigration statuses (for example student visas) may purchase health insurance policies through Get Covered New Jersey but are ineligible for premium subsidies. A third group of non-United States citizens is ineligible to purchase health insurance through Get Covered New Jersey and therefore also does not qualify for premium subsidies, notably undocumented immigrants and immigrants in the federal Deferred Actions for Childhood Arrival program.

EXPLANATION: FY 2023 language not recommended for FY 2024 denoted by strikethrough. Recommended FY 2024 language that did not appear in FY 2023 denoted by underlining.

Background Paper: Health Insurance-Related Special Funds

C-15; D-28; and Pages 85, 86, and 95 of the Budget Pages "Supplementary Information" section in the FY 2024 Governor's Budget, available online.

In recent years, the Legislature has established several special nonlapsing revolving funds relating to private health insurance in the State, in part in response to federal policy changes altering the insurance framework established under the federal Patient Protection and Affordable Care Act of 2010. While the funds vary in purpose and scope, the overarching goal is to lower the cost of private health insurance for New Jersey residents. For that reason, the funds are interlinked and balances are being transferred among them. This backgrounder outlines the purposes and describes the financial activity of each of the three funds.

Health Insurance Exchange Trust Fund

P.L.2019, c.141 established the State-based health insurance exchange, Get Covered New Jersey, and the associated Health Insurance Exchange Trust Fund. The trust fund finances the operations of the exchange and supports health insurance outreach and enrollment efforts. The purpose of the exchange is to provide a centralized location where individuals and small businesses can shop for an affordable health insurance plan. The State-based health insurance exchange platform became operational on November 1, 2020 for plan year 2021.

To fund the exchange, each carrier is charged a monthly assessment equal to 3.5 percent, or up to 4.0 percent at the department's discretion, on the carrier's total monthly premiums charged for individual health benefits plans sold in the individual market. Revenues collected from the assessment, as well as any other moneys received to support the exchange, are to be deposited in the special nonlapsing revolving Health Insurance Exchange Trust Fund. Balances in the trust fund are to pay for the operation of the exchange; as well as outreach, enrollment, and other efforts that support the exchange, including any initiative that increases the stabilization of the market or that may result in a net benefit to policyholders.

As shown in the table on the next page, there are no expenses charged directly to the trust fund. Instead, amounts are transferred to the Department of the Treasury to fund activities as authorized in enabling statutes. Such transfers to fund eligible expenses are projected to remain unchanged at \$60.8 million in FY 2024. For instance, the program has 25 funded positions, of which 13 are funded vacancies the department expects to fill through the end of FY 2024.

While trust fund expenditures are estimated to remain at \$60.9 million in FY 2024, the year-end fund balance is projected to rise to \$126.3 million. A surge in estimated premium assessment collections in FY 2023 and FY 2024 causes the anticipated buildup of the fund balance from \$12.4 million at the end of FY 2022 to \$126.3 million at the end of FY 2024. Notably, in FY 2022, assessments yielded \$53.0 million. Anticipated collections total \$131.9 million in FY 2023 and \$92.5 million in FY 2024.

Nearly 342,000 New Jerseyans signed up for health coverage through Get Covered New Jersey in the most recent open enrollment period, according to a press release by the Department of Banking and Insurance from February 23, 2023. The department noted that this number represented 38.7 percent growth relative to the over 246,000 enrollees in the last year prior to the operation of the State-based health insurance exchange, i.e. plan year 2020. The recently completed open enrollment period ran from November 1, 2022 to January 31, 2023.

Background Paper: Health Insurance-Related Special Funds (Cont'd)

Health Insurance Exchange Trust Fund				
	FY 2021 Actual	FY 2022 Actual	FY 2023 Estimated	FY 2024 Estimated
Opening Balance	\$2,513,043	\$10,414,469	\$12,428,338	\$86,491,200
Expenditures	\$0	\$0	\$0	\$0
Transfers to other funds	\$40,255,501	\$51,022,212	\$60,837,132	\$60,837,132
Total Resources:	\$48,156,927	\$53,036,081	\$134,899,994	\$100,657,488
Services and assessments	\$48,154,056	\$52,974,596	\$131,919,846	\$92,500,000
Investment Earnings	\$2,871	\$61,485	\$2,980,148	\$8,157,488
Closing Balance	\$10,414,469	\$12,428,338	\$86,491,200	\$126,311,556

New Jersey Health Insurance Premium Security Fund

The New Jersey Health Insurance Premium Security Fund was established by P.L.2018, c.24 to support the establishment and operation of a health insurance reinsurance plan to stabilize or reduce premiums in the individual health insurance market. The plan allows health insurance carriers that experience a sudden increase of high-cost claimants and high-cost claims to be reimbursed from the reinsurance fund. According to a letter of intent to extend the State’s existing 1332 State Innovation Waiver, “beginning in 2019, and in each year after, the program has succeeded in achieving premiums that are 15 percent than they would be without the program”.

Several sources finance the New Jersey Reinsurance Program: federal funds the State receives for the support of the reinsurance program, collections from the State shared responsibility tax, and transfers out of the Health Insurance Affordability Fund. In addition, P.L.2018, c.24 requires the State to appropriate annually the residual amount that is necessary to fully fund the reinsurance plan.

As shown in the table on the following page, reinsurance program expenditures from the fund are expected to remain flat at \$470.4 million in FY 2024. However, this amount exceeds FY 2021 expenditures of \$295.0 million by 59.5 percent. Enhanced federal funds from the Centers for Medicare and Medicaid Services carry \$133.0 million of the total \$175.4 million increase. The Office of Management and Budget attributed the increase in reinsurance program expenditures from FY 2021 through FY 2023 to significant enrollment growth in the State-based health insurance exchange, Get Covered New Jersey, which exerts upward pressure on reimbursement claims under the reinsurance program.

Background Paper: Health Insurance-Related Special Funds (Cont'd)

New Jersey Health Insurance Premium Security Fund				
	FY 2021	FY 2022	FY 2023	FY 2024
	Actual	Actual	Estimated	Estimated
Opening Balance	\$0	\$0	\$0	\$0
Expenditures	\$294,971,433	\$376,220,099	\$470,400,000	\$470,400,000
Total Resources:	\$294,971,433	\$376,220,099	\$470,400,000	\$470,400,000
Federal and other grants	\$190,015,898	\$282,072,712	\$322,987,495	\$322,987,495
Services and assessments	\$44,646,172	\$48,869,240	\$44,600,000	\$44,600,000
Investment Earnings	\$25	\$2,367	\$332,348	\$422,988
Total Transfers In:	\$60,309,338	\$45,275,780	\$102,480,157	\$102,389,517
Health Insurance Affordability Fund	\$60,309,338	\$45,275,780	\$102,480,157	\$102,389,517
		\$0	\$0	\$0
Closing Balance	\$0	\$0	\$0	\$0

Health Insurance Affordability Fund

The Health Insurance Affordability Fund was established by P.L.2020, c.61 to increase affordability in the individual health insurance market and provide greater access to health insurance for the uninsured, with a primary focus on households with an income below 400 percent of the federal poverty level. The Health Insurance Affordability Fund is funded by monies collected through a tax of 2.5 percent on the net written premiums of certain health and dental insurance carriers. Monies in the fund are to be used for subsidies, reinsurance, tax policies, outreach and enrollment efforts, buy-in programs, or any other efforts that can increase affordability for individual policyholders or that can reduce racial disparities in coverage for the uninsured.

The Health Insurance Affordability Fund pays for premium subsidies for health coverage purchased through the State-based health insurance exchange, Get Covered New Jersey. Subsidies, known as New Jersey Health Plan Savings, are usually available to households with annual incomes up to 400 percent of the federal poverty levels. Starting in tax year 2021, however, income eligibility has been raised to up to 600 percent of the federal poverty levels in accordance with first the American Rescue Plan Act of 2021 and then the Inflation Reduction Act of 2022. Associated with the income eligibility expansion is the enhanced federal financial participation that is deposited into the New Jersey Health Insurance Premium Security Fund.

As a result of the income eligibility expansion, subsidy payments increased substantially from \$51.3 million in FY 2021 to \$124.4 million in FY 2022. A further increase to \$185.5 million is projected for FY 2023 and a moderate decrease to \$175.0 million in FY 2024. Last year, the Office of Management and Budget attributed the projected FY 2023 expenditure increase to an expected migration to Get Covered New Jersey of some individuals who would lose their Medicaid and Children's Health Insurance Program (CHIP) coverage upon the expiration of the federal public health emergency. During the emergency, the State was prohibited from disenrolling Medicaid and CHIP participants who otherwise would no longer be deemed eligible for coverage.

Background Paper: Health Insurance-Related Special Funds (Cont'd)

Continuous Medicaid and CHIP enrollment, however, lasted longer than anticipated. Eligibility renewals resumed only on April 1, 2023 and the 90-day eligibility reconsideration period will lead to the disenrollment of potentially hundreds of thousands of New Jerseyans beginning July 1, 2023. It is unclear what assumptions regarding the timing of the end of the continuous enrollment period underpin the FY 2023 and FY 2024 projections of premium subsidy expenditures.

In addition to paying for premium subsidies, the Health Insurance Affordability Fund supports the New Reinsurance Program through balance transfers to the New Jersey Health Insurance Premium Security Fund. The transfers ensure that the New Jersey Health Insurance Premium Security Fund is not in deficit. In FY 2024, as shown in the table below, the transfer is projected at \$102.4 million.

Overall, the Executive projects a decrease in the fund's closing balance from \$96.2 million in FY 2023 to \$65.9 million in FY 2024.

Health Insurance Affordability Fund				
	FY 2021 Actual	FY 2022 Actual	FY 2023 Estimated	FY 2024 Estimated
Opening Balance	\$0	\$87,186,625	\$143,630,660	\$96,189,512
Expenditures	\$51,253,063	\$124,404,085	\$185,500,000	\$175,000,000
Transfers to other funds	\$60,309,338	\$45,275,780	\$102,480,157	\$102,389,517
Total Resources	\$198,749,026	\$226,123,900	\$240,539,009	\$247,121,901
Services and Assessments	\$198,723,474	\$200,735,004	\$210,000,000	\$215,000,000
Investment Earnings	\$25,552	\$388,896	\$5,539,009	\$7,121,901
Total Transfers In (General Fund)	\$0	\$25,000,000	\$25,000,000	\$25,000,000
Closing Balance	\$87,186,625	\$143,630,660	\$96,189,512	\$65,921,896

NEW JERSEY LEGISLATURE

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