

# NEW JERSEY SENATE

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October 21, 2022

Honorable Elizabeth Maher Muoio  
Treasurer, State of New Jersey  
PO Box 002  
Trenton, NJ 08625-0002

Dear Treasurer Muoio,

As you know, on March 14 the nonpartisan Office of Legislative Services (OLS) submitted a 9-page request for information (containing several requests for data and 27 individual questions, attached hereto for your reference) with respect to State-run health benefits for public employees and retirees and the Treasury Department has still not provided a substantive response. Surely you must be aware that the department replied to a June 8 plea from OLS for a response by indicating substantive responses were still being prepared, and in response to another July 19 request replied that responses were still not being provided. So, we were perplexed to hear that just yesterday you doubled down to reporters on prior baffling claims that you have been transparent and didn't withhold information during the budget process (and afterwards). Again, we ask that you immediately make available the substantive response to the March 14 OLS questions and request for data or finally just admit that you have indeed been withholding information and been unresponsive.

Additionally, yesterday we formally submitted an Open Public Records Act request (W192270) that seeks information and estimates pertaining to certain health benefit savings ideas that could help ameliorate premium rate increases. As you know, the Department's access to claims information and the work product of its health care consultant, AON, makes it uniquely capable of producing the requested information. The request was for the following:

- Documents prepared since January 1, 2020 explaining SHBP and SEHBP premium savings ideas or options that have not been implemented to date, including and any work product regarding same prepared by AON or departmental estimates of premium savings concerning same. This request includes, but is not limited to, the list of options provided to any Plan Design Committees in anticipation of their August 11 meetings.
- Documents, including any work product of AON, assessing or estimating the financial impacts of proposed resolutions submitted by union representatives of the SHBP Plan

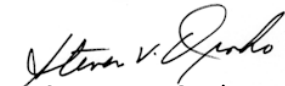
Design Committee and State Health Benefits Review Commission in advance of September 14, 2022 meetings thereof;

- Documents, including any work product of AON, assessing or estimating premium saving attributable to plan design changes supported by the SHBP Plan Design Committee or State Health Benefits Review Commission at September 14, 2022 meetings; and
- Documents, including the work product of AON, assessing and estimating which employees are impacted by, and the cost or financial impact of, capping increases in state employee premium sharing at 3% -- whether as reflected in a "Memorandum of Agreement" by and between the State and certain public employee unions on or about September 14, or any other agreement.

Per this letter, we are requesting the above information be provided pursuant to our common law right of access -- in addition to our rights under the Open Public Record Act -- as we have a need for such information in our respective capacities as members of the Senate Budget and Appropriations Committee. If the information will not be provided to us under our common law right of access, we request a list of denied documents and a reason for each denial.

We look forward to quickly receiving this information considering your statements yesterday to reporters that you have been fully transparent and have provided similar information with others, though certainly not with us -- and not, to our knowledge, with OLS or other legislators on either side of the aisle.

Sincerely,



Steven V. Oroho



Declan J. O'Scanlon, Jr.



Samuel D. Thompson



Michael L. Testa, Jr.

c: Honorable Nicholas P. Scutari, Senate President  
Members, Senate Budget and Appropriations Committee  
Honorable Phil Murphy, Governor  
George Helmy, Chief of Staff

**ATTACHMENT – MARCH 14 OLS REQUEST FOR BUDGET INFORMATION**

**NO RESPONSE RECEIVED**

March 14, 2022

Joel Chapman  
Director of Legislative Affairs & Constituent Relations  
Office of the Treasurer  
Department of the Treasury  
225 W. State St., 4<sup>th</sup> floor  
Trenton, NJ 08625  
(609) 292-4011

Dear Joel:

In accordance with the instructions provided regarding the request for information procedures pertaining to the FY 2023 Governor's Budget from your office to the Office of Legislative Services Legislative Finance and Budget Officer, I am sending you and copying others the following questions regarding the Interdepartmental Accounts budget. Question Set Six relates to the health benefits sections of the Interdepartmental Accounts budget. I am hoping to receive the response to these questions by April 7, 2022.

Thank you very much for your help and the help of your staff.

Sincerely,

Kim Clemmensen  
Assist. Legislative Budget and Finance Officer

## Health Benefits: Summary of Changes Breakout.

It was recently reported in a January 19, 2022 Supplement to the Official Statement for the issuance of \$750 million in Transportation Trust Fund Authority bonds that the State’s liability for Other Post-Employment Benefits (post-retirement medical benefits) for the Education Retired Fund, for the fiscal year ending June 30, 2021, is anticipated to increase by \$26.1 billion, from \$41.7 billion to approximately \$67.8 billion, due to two factors: (1) a reduction to 3.5 percent in the Bond Buyer General Obligation 20-Bond Municipal Bond Index rate, and (2) “claim and premium experience, primarily resulting from higher than expected Medicare Advantage claims for Plan Year 2023, **which will affect fiscal years 2023 and 2024.**” In addition, similar adjustments are expected in the actuarial valuations of State and local employees.

### Direct State Services.

- Please update the following chart.

FY 2023 Summary of Changes State Health Benefits – Direct State Services							
	FY 2022 Adjusted Appropriation	Gross Increase (Growth)	Employee Contribution Offset	Fund Balance Adjustment	a. Plan Design Changes existing/new/ b. NJDIRECT c. Unanticipated costs	COVID-19 Costs.	FY 2023 Recommendation
State Employees	\$ 752,882				a. b. c.		\$
State Employees’ Prescription Drug	\$ 167,138						\$
State Employees’ Dental	\$ 21,164						\$
State Employees’ Vision	\$ 500						\$
<b>Total</b>	<b>\$ 941,684</b>						<b>\$</b>

Source: Office of Management and Budget.

**Question:** The Corpus health benefits budget accounts include a line item for member share. Does that number represent employee contributions to health care, does that number represent aggregate copays, or is it inclusive of both? How are copays accounted for? Do they come off the top and the remainder is the cost the employer pays or?

**Question:** What is the biggest factor for the decline in member share as a percentage of overall costs?

**Question:** What is the estimate for FY 2022 and FY 2023 aggregate member copays?

**Question:** Beginning this year, Projected Plan Year 2022 Active Premiums for Horizon DIR 15

Legacy Plans are less than the active premiums for the CWA Unity/NJDIRECT PPO plans according to the Plan Year 2022 Rate Renewal Report for the State Employee Group, for which 63 percent of the member population is enrolled. How is it that the newly negotiated, “less expensive plans” have higher premium rates than the legacy plans?

The total recommended Plan Year 2022 premium rate change for the combined State Actives, Early Retirees, and Medicare Retirees is 2.4%. This reflects the following:

- The recommended rate change for the State Actives is a 1.3% increase for medical and a **7.0% increase for the prescription drug premium rates**, for a total increase of 2.1%.
- The recommended rate change for the State Active CWA Unity, CWA Unity 2019, NJDIRECT, and NJDIRECT 2019 plan options is a 3.8% increase for medical and a **10.7% increase for the prescription drug premium rates**, a total increase of 4.8%.

**Question:** What is driving the increase in the prescription drug premium rate so high? Is this due to the high cost of specialty drugs?

**Question:** Did higher than expected Medicare Advantage claims for the Education Fund for Plan Year 2023, have any effect on the SHBP active or retiree health care benefit costs, meaning 1) did the SHBP DSS actives experience the same phenomenon or 2) were a portion of the higher SEHBP costs allocated to the SHBP DSS active employee accounts to smooth out the overall costs of healthcare? If so, how much and to which accounts and if so, by how much did this affect State employee and/or retire premiums in the SHBP?

Grants-In-Aid

FY 2023 Summary of Changes State Health Benefits – Grants-In-Aid							
	FY 2022 Adjusted Appropriation	Gross Increase (Growth)	Employee Contribution Offset	Fund Balance Adjustment	a. Plan Design Changes existing/new/ b. NJDIRECT c. Unanticipated costs	COVID-19 Costs.	FY 2023 Recommendation
Higher Education Employees	\$ 368,854				a. b. c.		\$
Higher Education Employees' Prescription Drug	\$ 101,305						\$
Higher Education Employees' Dental	\$ 11,824						\$
Total	\$ 481,983						\$

Source: Office of Management and Budget.

**Question:** Did higher than expected Medicare Advantage claims for the Education Fund for Plan Year 2023, have any effect on the SHBP active or retiree health care benefit costs, meaning 1) did the SHBP GIA actives experience the same phenomenon or 2) were a portion of the higher SEHBP costs allocated to the SHBP GIA active employee accounts to smooth out the overall costs of healthcare? If so, how much and to which accounts and if so, by how much did this affect State employee and/or retire premiums in the SHBP?

**Post-Retirement Medical: Summary of Changes Break-out.**

- Please update the following charts for PRM for IDA Direct State Services, IDA Grants-In-Aid, and the Dept. of Education.

Direct State Services

FY 2023 Summary of Post-Retirement Medical Accounts Direct State Services (\$000)						
Health Benefit Account	FY 2022 Adjusted Appropriation	Gross Increase (Growth)	Employee Contribution Offset	Fund Balance Adjustment	A .Plan Design Changes existing/new/ b. NJDIRECT c Unanticipated costs d.COVID-19	FY 2023 Recommendation
PERS PRM	\$ 334,819				a. b. c. d.	\$
TPAF PRM	\$ 2,395					\$
Other PRM	\$ 152,510					\$
Total	\$ 489,724					\$

Source: Office of Management and Budget.

The recommended Plan Year 2022 premium rate changes are as follows: a 2.1% increase for Active Employees, a 4.6% increase for Early Retirees, and a 4.9% increase for Medicare Retirees. For all groups combined, the recommendation is an increase of 2.4%.

**Question:** Why are the retiree premium rate changes, 4.6 percent and 4.9 percent respectively, twice as high as the active premium rate change of 2.1 percent? What is driving retiree rates higher in the CY 2022 Rate Renewal Report?

**Question:** Did higher than expected Medicare Advantage claims for the Education Fund for Plan Year 2023, have any effect on the SHBP active or retiree health care benefit costs, meaning 1) did the SHBP DSS retirees experience the same phenomenon or 2) were a portion of the higher SEHBP costs allocated to the SHBP DSS PRM retiree accounts to smooth out the overall costs of healthcare? If so, how much and to which accounts and if so, by how much did this affect State employee and/or retire premiums in the SHBP?

Grants-In-Aid

**FY 2023 Summary of Post-Retirement Medical Accounts  
Grants-In-Aid (\$000)**

Health Benefit Account	FY 2022 Adjusted Appropriation.	Gross Change	Fund Balance Adjustment	Plan Design Changes/ Other	COVID-19.	FY 2023 Recommendation
PERS PRM	\$ 54,127					\$
TPAF PRM	\$ 4,708					\$
Other PRM	\$ 44,910					\$
Total	\$ 103,745					\$

Source: Office of Management and Budget.

**Question:** Did higher than expected Medicare Advantage claims for the Education Fund for Plan Year 2023, have any effect on the SHBP active or retiree health care benefit costs, meaning 1) did the SHBP GIA retirees experience the same phenomenon or 2) were a portion of the higher SEHBP costs allocated to the SHBP GIA PRM retiree accounts to smooth out the overall costs of healthcare? If so, how much and to which accounts and if so, by how much did this affect State employee and/or retire premiums in the SHBP?



Education

FY 2023 Summary of Post-Retirement Medical Accounts Department of Education (\$000)							
Health Benefit Account	FY 2022 Adjusted Appropriation	Gross Increase (Growth)	Employee Contributions Offset	Fund Balance Adjustment	a. Plan Design Changes existing/new/ b. NJDIRECT c. Unanticipated costs	COVID-19 Costs.	FY 2023 Recommended Appropriation
TPAF PRM	\$ 915,948					\$	
PRM other than TPAF	\$ 220,520					\$	
Total	\$ 1,136,468					\$	

Source: Office of Management and Budget.

**Question:** By how much did higher than expected Medicare Advantage claims in the Education fund affect SEHBP PRM costs for fiscal year 2023 and by how much did this affect premiums for this population? Were some of increased costs allocated to other employee health benefit accounts to smooth out the overall increase in costs to the SEHBP?

Treasury

FY 2023 Summary of Post-Retirement Medical Accounts Department of Treasury (\$000)							
Health Benefit Account	FY 2022 Adjusted Appropriation	Gross Increase (Growth)	Employee Contributions Offset	Fund Balance Adjustment	a. Plan Design Changes existing/new/ b. NJDIRECT c. Unanticipated costs	COVID-19 Costs.	FY 2023 Recommendation
TPAF PRM	\$ 1,414				a. b. c.	\$	
PRM other than TPAF	\$ 28,621					\$	
PFRS PRM	\$ 36,110					\$	
Total	\$ 66,145					\$	

Source: Office of Management and Budget.

**Question:** How did higher than expected Medicare Advantage claims for Plan Year 2023, affect fiscal year 2023 TPAF PRM?

**Question:** Did higher than expected Medicare Advantage claims for the Education Fund for Plan Year 2023, have any effect on the SHBP active or retiree health care benefit costs, meaning 1) did the SHBP State-Aid retirees experience the same phenomenon or 2) were a portion of the higher SEHBP costs allocated to the State Aid PRM retiree accounts to smooth out the overall costs of healthcare? If so, how much and to which accounts and if so, by how much did this affect State employee and/or retire premiums in the SHBP?

Estimation of FY 2023 Health Benefit Savings (Loss of Savings) from New and Renewed Savings Initiatives.

- Please indicate the estimated budget savings for each initiative and whether or not those savings are included in the FY 2023 Governor’s budget

FY 2023

Cost-Reduction Measures	FY 2023 Estimated Budget Savings (\$millions)	Description	Not a cost reduction measure budgeted in FY 2023?
<b>FY 2023 Resolutions</b>			
1. Extending the First Responders Primary Care Medical Home Pilot Program			
2. Create an enhanced Savings Program for Over-The-Counter Medications			
3. Continue Resolutions 2016-3, 2016-5, and 2019-8 related to Formulary Reimbursement and OON Reimbursement Rates for Physical Therapy			
4. Incentivize Mail Order Prescriptions and Adopt \$0 Copays for Generic Mail Order Prescription Drugs			
5. Adopt Generic Substitution Preference Offered by State Pharmacy Benefits Manager			
6. Reduce the Retiree Prescription Drug Copayment for Mail Order Preferred Brand Copays			
7. Pilot Program Granting Financial Incentives for Selecting a Tiered Network Medical Plan			
8. Explore Development of a Medical Pharmacy Specialty Pharmacy Pilot			
<b>Former Resolutions</b>			
Medicare Advantage	\$ ?	Aggressive bid by Aetna for Medicare Advantage SEHBP (educators) adopt Medicare Advantage.	\$
Health Benefit Trend Savings	\$ ?	Reforms include limits on compounding drugs, mandatory generics, formulary management, etc.	\$

Shift Quest Diagnostics to In-Network	\$	Along with Labcorp, 57 percent of the lab work will be in-network.	\$
TPA Contract Negotiations	\$	Reduced payments for care coordination, eliminated 24-hour nurse line.	\$
Out-of-Network Law Reform	\$	Prohibits "balance billing" to the patient on surprise bills. State caps the payments.	\$
Optimizing Health Plans for Cost Efficiency	\$	Through collective bargaining and approval by plan design committees. Discussion in progress.	\$
Improving Procurement Methodology	\$	Contracts to be bid in mid-2019	\$
Dependent and SSDI Audits	\$	Expecting a 4 percent drop in enrollment from audits. May 2019 completion for independent audit. 2009 audit resulted in a 10 percent drop.	\$
Audit of Prior PBM	\$	PBM was filing claims for non-eligible drugs. Actual savings will be known upon completions of audit.	\$
Total	\$		\$

Source: Office of Management and Budget

**Question:** For the former resolutions please indicate if they are still in effect or have been renewed. For example, is there a new Dependent and SSDI audit underway and if so, what are the anticipated savings from such an audit. Are these savings budgeted in FY 2023?