

NEW JERSEY SENATE

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October 14, 2022

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

Dear Treasurer Muoio,

In March of this year, the nonpartisan Office of Legislative Services (OLS) requested that your department provide data and information about the Governor's budget proposals to dramatically increase payments to the State Employee Health Benefits Plan. We have attached the relevant requests for your review.

Despite the critical nature of these requests and the fact that similar requests in prior years were accommodated, Treasury failed to provide the requested data and information. Had a response been provided with an honest admission about the problem of dramatically increasing health care claims, solutions could have been developed by all impacted parties. Sadly, no responsive documents were provided during the budget process, and none have been provided to this day.

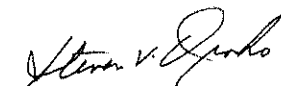
In recent press accounts, your department has maintained that the Department responded to OLS' requests for information and that Treasury has never had anything to hide.

Please immediately provide us – and those copied on this letter – with responsive information related to the attached requests and the dates that you shared responses. If responses do not exist, we ask that you concede that Treasury has been unresponsive, withheld information and data for the past seven months that would have warned of dramatic increases in health care premiums, and left its head in the sand rather than admit a problem and work in good faith with public employee unions leaders, legislators, and the public so that hundreds of thousands of employees and retirees, as well as every property taxpayer in this State, would not suffer the consequences on top of 10% inflation.

In recent days, you have maintained that any suggestion Treasury withheld information or did not do everything in its power to ensure transparency during the budget season is simply false. Unless we are mistaken in our understanding that your department failed to answer the attached questions posed by OLS during the budget process, or unless you have simply been unaware of that reality, your position is disingenuous at best. All parties involved deserve the level of transparency that you've indicated has already occurred.

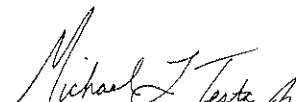
We look forward to a quick response to this letter and something responsive to the questions and requests for data your department has failed to produce for the past 7 months.

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

March 14, 2022

Joel Chapman
Director of Legislative Affairs & Constituent Relations
Office of the Treasurer
Department of the Treasury
225 W. State St., 4th 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 | | | | | | \$ |
| Total | \$ 941,684 | | | | | | \$ |

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?

Mr. Joel Chapman

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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? |
|--|---|---|---|
| FY 2023 Resolutions | | | |
| 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 | | | |
| Former Resolutions | | | |
| 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 | \$ | Prohibits “balance billing” to the patient on | \$ |

Mr. Joel Chapman

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| | | | |
|---|----|--|----|
| Reform | | 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?