

52:14-17.29

LEGISLATIVE HISTORY CHECKLIST

NJSA 52:14-17.29 (State Health Benefits Program--increases amount of coverage to public retirees)  
LAWS 1981 CHAPTER 483  
Bill No. S1483  
Sponsor(s) Hamilton and others  
Date Introduced Sept. 22, 1980  
Committee: Assembly -----  
Senate State Govt., Federal & Interstate Relations & Veterans Affairs

Amended during passage Yes ~~No~~ Amendments during passage denoted by asterisks

Date of Passage: Assembly Jan. 11, 1982  
Senate Dec. 17, 1981

Date of approval Jan. 12, 1982

Following statements are attached if available:

Sponsor statement	Yes	<del>No</del>	Also attached: Senate amendments adopted 12-10-81 (with statement)
Committee Statement: Assembly	<del>Yes</del>	No	
Senate	Yes	<del>No</del>	11-23-81 & 12-10-81
Fiscal Note	<del>Yes</del>	No	
Veto Message	<del>Yes</del>	No	
Message on signing	<del>Yes</del>	No	

Following were printed:

Reports	<del>Yes</del>	No
Hearings	<del>Yes</del>	No

6/22/81

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## SENATE, No. 1483

**STATE OF NEW JERSEY**

INTRODUCED SEPTEMBER 22, 1980

By Senators HAMILTON, WEISS, FELDMAN and HERBERT

Referred to Committee on State Government, Federal and  
Interstate Relations and Veterans AffairsAN ACT to amend the "New Jersey State Health Benefits Program  
Act," approved June 3, 1961 (P. L. 1961, c. 49).

1 BE IT ENACTED *by the Senate and General Assembly of the State*  
2 *of New Jersey:*

1 1. Section 5 of P. L. 1961, c. 49 (C. 52:14-17.29) is amended to  
2 read as follows:

3 5. (A) The contract or contracts purchased by the commission  
4 pursuant to section 4 shall provide separate coverages or policies  
5 as follows:

6 (1) Basic benefits which shall include:

7 (a) Hospital benefits, including outpatient;

8 (b) Surgical benefits;

9 (c) Inpatient medical benefits;

10 (d) Obstetrical benefits\***[**in the case of family contracts**]**\*;

10A and

11 (e) Post-hospital services rendered by an extended care  
12 facility or by a home health agency and for specified medical  
13 care visits by a physician during an eligible period of such  
14 post-hospital services, to the extent and subject to the condi-  
15 tions and limitations agreed to by the commission and the  
16 carrier or carriers.

17 Basic benefits shall be substantially equivalent to those available  
18 on a group remittance basis to employees of the State and their  
19 dependents under the subscription contracts of the New Jersey  
20 "Blue Cross" and "Blue Shield" Plans. Such basic benefits shall  
21 include benefits for;

22 (i) Additional days of inpatient medical service;

23 (ii) Surgery elsewhere than in a hospital;

24 (iii) X-ray, radioactive isotope therapy and pathology  
25 services;

**EXPLANATION—Matter enclosed in bold-faced brackets [thus] in the above bill  
is not enacted and is intended to be omitted in the law.**

26 (iv) Physical therapy services;

27 (v) Radium or radon therapy services;

28 and the extended basic benefits shall be subject to the same con-  
29 ditions and limitations, applicable to such benefits, as are set forth  
30 in "Extended Outpatient Hospital Benefits Rider," Form 1500,  
31 71 (9-66), and in "Extended Benefit Rider" (as amended), Form  
32 MS 7050J (9-66) issued by the New Jersey "Blue Cross" and  
33 "Blue Shield" Plans, respectively, and as the same may be  
34 amended or superseded, subject to filing by the Commissioner of  
35 Insurance; and

36 (2) Major medical expense benefits which shall provide benefit  
37 payments for reasonable and necessary eligible medical expenses  
38 for hospitalization, surgery, medical treatment and other related  
39 services and supplies to the extent they are not covered by basic  
40 benefits. The commission may, by regulation, determine what types  
41 of services and supplies shall be included as "eligible medical  
42 services" under the major medical expense benefits coverage as  
43 well as those which shall be excluded from or limited under such  
44 coverage. Benefit payments for major medical expense benefits  
45 shall be equal to a percentage of the reasonable charges for eligible  
46 medical services incurred by a covered employee or an employee's  
47 covered dependent, during a calendar year as exceed a deductible  
48 for such calendar year of \$100.00 subject to the maximums herein-  
49 after provided and to the other terms and conditions authorized by  
50 this act. The percentage shall be 80% of the first \$2,000.00 of  
51 charges for eligible medical services incurred subsequent to satis-  
52 faction of the deductible and 100% thereafter. There shall be a  
53 separate deductible for each calendar year for (a) each enrolled  
54 employee and (b) all enrolled dependents of such employee. Not  
55 more than ~~[\$25,000.00]~~ \$1,000,000.00 shall be paid for major  
56 medical expense benefits with respect to any one person ~~[for any 1~~  
57 ~~calendar year and not more than \$100,000.00 shall be paid for such~~  
58 ~~benefits with respect to any one person]~~ for the entire period of  
59 such person's coverage under the plan, whether continuous or inter-  
60 rupted except that ~~[these maximums]~~ *this maximum* may be re-  
61 applied to a covered person in amounts not to exceed \$2,000.00 a  
62 year. Maximums of \$10,000.00 per calendar year and \$20,000.00 for  
63 the entire period of the person's coverage under the plan shall  
64 apply to eligible expenses incurred because of mental illness or  
65 functional nervous disorders, and such may be reapplied to a  
66 covered person. For retired employees, the maximum lifetime  
67 benefit for each person shall be the unused balance of the lifetime  
68 maximum remaining while in active service ~~[or \$20,000.00, which-~~  
69 ~~ever is less, with a minimum benefit of \$5,000.00]~~ \*or \$100,000.00

69A *whichever is less, with a minimum benefit of \$5,000.00\**. Under the  
 70 conditions agreed upon by the commission and the carriers as set  
 71 forth in the contract, the deductible for a calendar year may be  
 72 satisfied in whole or in part by eligible charges incurred during  
 73 the last 3 months of the prior calendar year.

74 Any service determined by regulation of the commission to be  
 75 an "eligible medical service" under the major medical expense  
 76 benefits coverage which is performed by a duly licensed practicing  
 77 psychologist within the lawful scope of his practice shall be recog-  
 78 nized for reimbursement under the same conditions as would apply  
 79 were such service performed by a physician.

80 (B) Benefits under the contract or contracts purchased as au-  
 81 thorized by this act may be subject to such limitations, exclusions,  
 82 or waiting periods as the commission finds to be necessary or de-  
 83 sirable to avoid inequity, unnecessary utilization, duplication of  
 84 services or benefits otherwise available, including coverage afforded  
 85 under the laws of the United States, such as the Federal medicare  
 86 program, or for other reasons.

86A *\*Benefits under the contract or contracts purchased as authorized*  
 86B *by this act shall include those for the treatment of alcoholism where*  
 86C *such treatment is prescribed by a physician and shall also include*  
 86D *treatment while confined in or as an outpatient of a licensed hospital*  
 86E *or residential treatment program which meets minimum standards*  
 86F *of care equivalent to those prescribed by the Joint Commission on*  
 86G *Hospital Accreditation. No benefits shall be provided beyond those*  
 86H *stipulated in the contracts held by the State Health Benefits Com-*  
 86I *mission.\**

87 (C) The rates charged for any contract purchased under the  
 88 authority of this act shall reasonably and equitably reflect the cost  
 89 of the benefits provided based on principles which in the judgment  
 90 of the commission are actuarially sound. The rates charged shall  
 91 be determined by the carrier on accepted group rating principles  
 92 with due regard to the experience, both past and contemplated,  
 93 under the contract. The commission shall have the right to par-  
 94 ticularize subgroups for experience purposes and rates. No in-  
 95 crease in rates shall be retroactive.

96 (D) The initial term of any contract purchased by the commis-  
 97 sion under the authority of this act shall be for such period to which  
 98 the commission and the carrier may agree, but permission may be  
 99 made for automatic renewal in the absence of notice of termina-  
 100 tion by the \***[State]**\* *\*Commission\**. Subsequent terms for which  
 101 any contract may be renewed as herein provided shall each be lim-  
 102 ited to a period not to exceed 1 year.

103 (E) The contract shall contain a provision that if basic benefits  
104 *\*or major medical expense benefits\** of an employee or of an eligible  
105 dependent under the contract, after having been in effect for at  
106 least 1 month *\*in the case of basic benefits or at least 3 months in the*  
107 *case of major medical expense benefits\**, is terminated, other than  
108 by voluntary cancellation of enrollment, there shall be a 31-day  
109 period following the effective date of termination during which  
110 such employee or dependent may exercise the option to convert,  
111 without evidence of good health, to **\*[left-group conversion]\*** *\*con-*  
112 *verted\** coverage issued by the **\*[carrier]\*** *\*carriers\** on a direct  
113 payment basis. Such **\*[conversion]\*** *\*converted\** coverage shall  
114 include benefits of the type classified as "basic benefits" *\*or "major*  
115 *medical expense benefits"\** in subsection (A) hereof *\*and shall be*  
116 *equivalent to the benefits which had been provided when the person*  
117 *was covered as an employee\**. The provision shall further stipulate  
118 that the employee or dependent exercising the option to convert  
119 shall pay the full periodic charges for the **\*[left-group]\*** *\*con-*  
120 *verted\** coverage which shall be subject to such terms and conditions

121 as are normally prescribed by the carrier for this type of coverage.  
122 (F) The commission may purchase a contract or contracts to  
123 provide drug prescription and other health care benefits or au-  
124 thorize the purchase of a contract or contracts to provide drug  
125 prescription and other health care benefits as may be required to  
126 implement a duly executed collective negotiations agreement or as  
127 may be required to implement a determination by a public employer  
128 to provide such benefit or benefits to employees not included in col-  
129 lective negotiations units.

1 2. This act shall take effect immediately.

113 further stipulate that the employee or dependent exercising the  
 114 option to convert shall pay the full periodic charges for the left-  
 115 group coverage which shall be subject to such terms and conditions  
 116 as are normally prescribed by the carrier for this type of coverage.

117 (F) The commission may purchase a contract or contracts to  
 118 provide drug prescription and other health care benefits or au-  
 119 thorize the purchase of a contract or contracts to provide drug  
 120 prescription and other health care benefits as may be required to  
 121 implement a duly executed collective negotiations agreement or as  
 122 may be required to implement a determination by a public employer  
 123 to provide such benefit or benefits to employees not included in col-  
 124 lective negotiations units.

1 2. This act shall take effect immediately.

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*Sponsors'* STATEMENT

This bill will increase major medical maximum benefits for all active and retired participants in the New Jersey State Health Benefits Program to \$1,000,000.00, and eliminate annual maximum benefits for active participants. In light of the spiraling inflationary cost of health care, these increases are necessary at this time.

This bill will help to relieve the anxieties now experienced by retired persons in that it will replace the lifetime maximum of \$20,000.00 with the continuation of the \$1,000,000.00 maximum allowance. Retired persons are continually pressured by insurance sales people who make a point that \$20,000.00 major medical coverage is inadequate. Many retired persons are pressured into purchasing expensive insurance policies due to their fear of the inadequate coverage.

Health insurance contracts being sold today often include significantly higher major medical maximums than are presently offered through the State Health Benefits Program at rates compatible with that of the State Health Benefits Program. This has created a set of circumstances which make the State Health Benefits Program noncompetitive. The value of the State Health Benefits Program for participating political subdivisions in this State is the pooling of many groups into one large group for the purpose of maintaining lower rates. An erosion of participating groups will have a significant negative impact on the total value of the program. Therefore, it becomes increasingly more important that this program maintain a competitive set of benefits for its participants.

51483 (1980)

SENATE STATE GOVERNMENT, FEDERAL AND  
INTERSTATE RELATIONS AND VETERANS AFFAIRS  
COMMITTEE

STATEMENT TO  
SENATE, No. 1483

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STATE OF NEW JERSEY

DATED: NOVEMBER 23, 1981

This bill amends the "New Jersey State Health Benefits Program Act" to increase the amount of major medical expense benefits for all active and retired participants in the program.

The bill does three things:

1. It increases the maximum major medical benefit from its present level of \$25,000.00 to \$1,000,000.00.
2. It eliminates the annual maximum benefits for active participants.
3. It eliminates the maximum lifetime benefit for retired employees. Under present law this maximum is set at \$20,000.00. This bill will make it possible for retired employees to be covered by the unused balance of the \$1,000,000.00 maximum benefit.

It is the position of the sponsor that, "In light of the spiraling inflationary cost of health care, these increases are necessary at this time." With respect to removing the limit on the lifetime benefit for retired employees the sponsor states that, "Many retired persons are pressured into purchasing expensive insurance policies due to their fear of the inadequate coverage."

The Division of Pensions estimates that the cost for the first year would be \$807,000.00 to cover State employees and \$1,853,000.00 to cover employees of local government—a total of \$2,660,000.00.

SENATE REVENUE, FINANCE AND APPROPRIATIONS  
COMMITTEE

STATEMENT TO  
SENATE, No. 1483  
with committee amendments

**STATE OF NEW JERSEY**

DATED: DECEMBER 10, 1981

Senate Bill No. 1483 increases the amount of major medical expense benefits for all active and retired participants in the program.

The bill establishes a \$1 million maximum major medical coverage program for persons covered by the plan. Current law provides a \$25,000.00 maximum payment per year with a lifetime maximum of \$100,000.00.

The major medical coverage for retired employees would be the balance of the unused lifetime maximum remaining while in active service.

The committee amendments would allow those who leave government service to convert their policies to individual policies. They also place a \$100,000.00 maximum and \$5,000.00 minimum on payments to retirees under State major medical policies. Finally, they include treatment of alcoholism as a benefit to be included in major medical contracts entered into by the commission.

The Division of Pensions estimates the first year cost to be \$807,000.00 for State employees and \$1,853,000.00 to cover local government employees.

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COMMITTEE  
SENATE AMENDMENTS TO  
**SENATE, No. 1483**

**STATE OF NEW JERSEY**

ADOPTED DECEMBER 10, 1981

Amend page 1, section 1, line 10, omit “, in the case of family contracts”.

Amend page 2, section 1, line 69, after “\$5,000.00”], insert “or \$100,000.00 whichever is less, with a minimum benefit of \$5,000.00”.

Amend page 3, section 1, after line 86, insert “Benefits under the contract or contracts purchased as authorized by this act shall include those for the treatment of alcoholism where such treatment is prescribed by a physician and shall also include treatment while confined in or as an outpatient of a licensed hospital or residential treatment program which meets minimum standards of care equivalent to those prescribed by the Joint Commission on Hospital Accreditation. No benefits shall be provided beyond those stipulated in the contracts held by the State Health Benefits Commission.”.

Amend page 3, section 1, line 100, omit “State”, insert “Commission”.

Amend page 3, section 1, line 103, after “benefits”, insert “or major medical expense benefits”.

Amend page 3, section 1, line 105, after “month”, insert “in the case of basic benefits or at least 3 months in the case of major medical expense benefits”.

Amend page 3, section 1, line 109, omit “left-group conversion”, insert “converted”.

Amend page 3, section 1, line 110, omit “carrier”, insert “carriers”.

Amend page 3, section 1, line 111, omit “conversion”, insert “converted”.

Amend page 3, section 1, line 112, after “benefits”, insert “or ‘major medical expense benefits’ ”; after “hereof”, insert “and shall be equivalent to the benefits which had been provided when the person was covered as an employee”.

Amend page 4, section 1, lines 114-115, omit “left-group”, insert “converted”.

## STATEMENT

These amendments would allow those who leave government service to convert their policies to individual policies. They also place a \$100,000.00 maximum and \$5,000.00 minimum on payments to retirees under State major medical policies. Finally, they include treatment of alcoholism as a benefit to be included in major medical contracts entered into by the State Health Benefits Commission.

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JANUARY 10, 1902

S-3483, sponsored by Senator John P. Caufield (D-Essex), prohibiting any water company in the State from charging a standby water fee to any residential health care facility, rooming or boarding house required to have a sprinkler system.

Under the bill, a water company may charge a boarding house or other facility for the cost of installing a water main connection, but it may not charge the facility for any other fees in excess of the cost of water actually used by the sprinkler system.

S-1483, also sponsored by Senator Hamilton, raising the maximum major medical benefits receivable under the State Health Benefit Program to \$1 million for active members and \$100,000 for retired members or those who leave the system. Current law sets maximum benefits at \$100,000 for all persons. The bill also allows employees who leave state employment to convert their major medical policies to individual policies, transferring the benefits.

S-3175, sponsored by Senator Eugene Bedell (D-Monmouth), permitting municipalities to construct extensions to the water supply systems of public utilities. The costs of construction will be funded by assessments against real estate and municipal bonds. Proceeds from the sale or lease of the extensions would be refunded to the owners of the assessed properties.

S-3521, also by Senator Hamilton, permitting a member of the Public Employees' Retirement System (PERS), who, prior to enrollment in the system, was temporarily employed by a State agency, to purchase credit for that time if he has remained in the employ of an independent State agency.

S-3036, sponsored by Senator Frank X. Graves (D-Passaic), amending the Child Labor Law to lower the legal age for newspaper carriers from 12 to 11 years.

S-3382, sponsored by Senator Merlino, permitting the director of the State Museum to exchange, discard or sell Museum materials, with any proceeds allocated to the Museum. The director's discretion will be subject only to the approval of the Commissioner of Education.