

R.S. 52:14-17.26 et seq.

LEGISLATIVE FACT SHEET

ON

N.J.R.S. 52:14-17.26 et seq. (St. emp. - Major
med. ins.) (1966 Amendment)

LAWS OF 1966

CHAPTER 191

~~SENATE~~

ASSEMBLY 823

INTRODUCED May 25, 1966

BY Farnington, Hauser

STATEMENT

YES

NO

AMENDED DURING PASSAGE

YES

NO

HEARING

VETO

ASSEMBLY, No. 823

STATE OF NEW JERSEY

INTRODUCED MAY 25, 1966

By Assemblymen FARRINGTON and HAUSER

Referred to Committee on State Government

AN ACT to amend and supplement "An act concerning hospital, medical-surgical and major medical expense benefits for State employees and providing for the procuring of such benefits," approved June 3, 1961 (P. L. 1961, c. 49) and amending the "Public and School Employees' Health Benefits Act," approved June 18, 1964 (P. L. 1964, c. 125).

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

1 1. Section 2 of chapter 49 of the laws of 1961 is amended to read as
2 follows:

3 2. As used in this act

4 (a) The term "State" means the State of New Jersey.

5 (b) The term "commission" means the State **[Employees]** Health Bene-
6 fits Commission, created by section 3 of this act.

7 (c) The term "employee" means an appointive or elective officer or full-
8 time employee of the State of New Jersey. For the purposes of this act an
9 employee of Rutgers, The State University of New Jersey, shall be deemed
10 to be an employee of the State. For the purposes of this act the term "em-
11 ployee" shall not include persons employed on a short-term, seasonal, inter-
12 mittent or emergency basis, persons compensated on a fee basis, persons
13 having less than 3 months of continuous service or persons whose compen-
14 sation from the State is limited to reimbursement of necessary expenses ac-

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

15 tually incurred in the discharge of their official duties. *The term "employee"*
16 *shall also not include persons, active or retired, who are otherwise eligible*
17 *for benefits under this act but who, although they meet the age eligibility re-*
18 *quirement of the Federal Medicare program, are not covered by the complete*
19 *Federal program. A determination by the commission that a person is an*
20 *eligible employee within the meaning of this act shall be final and shall be*
20A *binding on all parties.*

21 (d) The term "dependents" means an employee's spouse and the em-
22 ployee's unmarried children under the age of [19] 23 years who live with
23 the employee in a regular parent-child relationship. "Children" shall include
24 stepchildren, legally adopted children and foster children provided they are
25 reported for coverage and are wholly dependent upon the employee for sup-
26 port and maintenance. A spouse or child enlisting or inducted into military
27 service shall not be considered a dependent during such military service.
28 *The term "dependents" shall not include spouses of persons, active or re-*
29 *tired, who are otherwise eligible for the benefits under this act but who, al-*
30 *though they meet the age eligibility requirement of the Federal Medicare*
31 *program, are not covered by the complete Federal program.*

32 (e) The term "carrier" means a voluntary association, corporation or
33 other organization which is lawfully engaged in providing or paying for or
34 reimbursing the cost of, personal health services, including hospitalization,
35 medical and surgical services, under insurance policies or contracts, mem-
36 bership or subscription contracts, or the like, in consideration of premiums
37 or other periodic charges payable to the carrier.

1 2. Section 3 of chapter 49 of the laws of 1961 is amended to read as
2 follows:

3 3. There is hereby created a State [Employees] Health Benefits Com-
4 mission, consisting of the State Treasurer, the Commissioner of Banking
5 and Insurance and the President of the Civil Service Commission. The
6 treasurer shall be chairman of the commission and the health benefits pro-

7 gram authorized by this act shall be administered in the Treasury Depart-
 8 ment. *The Director of the Division of Pensions shall be the secretary of the*
 9 *commission.* The commission shall establish a health benefits program for the
 10 employees of the State, the cost of which shall be paid as specified in sec-
 11 tion 6 of this act. The program shall commence at the earliest date in the
 12 fiscal year ending June 30, 1962, consistent with available appropriations.
 13 The commission shall establish rules and regulations as may be deemed rea-
 14 sonable and necessary for the administration of this act.

15 *The Attorney General shall be the legal advisor of the commission.*

1 3. Section 5 of chapter 49 of the laws of 1961 is amended to read as follows:

2 5. (A) The contract or contracts purchased by the commission pursuant
 3 to section 4 shall as a minimum provide 2 separate coverages or policies as
 4 follows:

5 (1) Basic benefits which shall include

6 (a) Hospital benefits, including out-patient,

7 (b) Surgical benefits,

8 (c) In-patient medical benefits, and

9 (d) Obstetrical benefits, in the case of family contracts.

10 Basic benefits shall be substantially equivalent to those available on
 11 a group remittance basis to employees of the State and their dependents
 12 under the subscription contracts of the New Jersey "Blue Cross" and
 13 "Blue Shield" Plans in effect on the effective date of this act; and

14 (2) Major medical expense benefits which shall provide benefit pay-
 15 ments for reasonable and necessary eligible medical expenses for hospi-
 16 talization, surgery, medical treatment and other related services and supplies
 17 to the extent they are not covered by basic benefits. The commission may,
 18 by regulation, determine what types of services and supplies shall be in-
 19 cluded as "eligible medical services" under the major medical expense
 20 benefits coverage as well as those which shall be excluded from or limited
 21 under such coverage. Benefit payments for major medical expense benefits
 22 shall be equal to a percentage of the reasonable charges for eligible medical

23 services incurred by a covered employee or an employee's covered depend-
24 ent, during a calendar year as exceed a deductible for such calendar year
25 of \$100.00 subject to the maximums hereinafter provided and to the other
26 terms and conditions authorized by this act. The percentage shall be
27 80%, except that it shall be 50% in the case of charges for eligible medical
28 services for the treatment of mental or nervous disorders in the out-patient
29 department of a hospital or on an out-of-hospital basis. There shall be a
30 separate deductible **for each covered person** for each calendar year**.**
31 *for (a) each enrolled employee and (b) all enrolled dependents of such em-*
32 *ployee. Not more than **[\$7,500.00]** \$10,000.00 shall be paid for major med-*
33 *ical expense benefits with respect to any one person for any 1 calendar*
34 *year and not more than **[\$15,000.00]** \$20,000.00 shall be paid for such*
35 *benefits with respect to any one person for the entire period of such person's*
36 *coverage under the plan, whether continuous or interrupted, except that the*
37 *maximums of **[\$7,500.00]** \$10,000.00 and **[\$15,000.00]** \$20,000.00 may be re-*
38 *applied to a covered person. Under the conditions agreed upon by the*
39 *commission and the carriers as set forth in the contract, the deductible*
40 *for a calendar year may be satisfied in whole or in part by eligible charges*
41 *incurred during the last 3 months of the prior calendar year.*

42 (B) Benefits under the contract or contracts purchased as authorized
43 by this act may be subject to such limitations, exclusions, or waiting periods
44 as the commission finds to be necessary or desirable to avoid inequity, un-
45 necessary utilization, duplication of services or benefits otherwise avail-
46 able, including coverage afforded under the laws of the United States, *such*
47 *as the Federal Medicare program*, or for other reasons.

48 (C) The rates charged for any contract purchased under the authority
49 of this act shall reasonably and equitably reflect the cost of the benefits pro-
50 vided based on principles which in the judgment of the commission are
51 actuarially sound. The rates charged shall be determined by the carrier on
52 accepted group rating principles with due regard to the experience, both
53 past and contemplated, under the contract. *The commission shall have the*

54 *right to particularize subgroups for experience purposes and rates.* No in-
55 crease in rates shall be retroactive.

56 (D) The initial term of any contract purchased by the commission under
57 the authority of this act shall be for such period, not extending beyond
58 June 30, 1962 to which the commission and the carrier may agree, but per-
59 mission may be made for automatic renewal in the absence of notice of
60 termination by the State. Subsequent terms for which any contract may be
61 renewed as herein provided shall each be limited to a period not to exceed
62 1 year.

63 (E) The contract shall contain a provision that if basic benefits of an
64 employee or of an eligible dependent under the contract, after having been
65 in effect for at least 1 month, is terminated, other than by voluntary cancel-
66 lation of enrollment, there shall be a 31-day period following the effective
67 date of termination during which such employee or dependent may exercise
68 the option to convert, without evidence of good health, to left-group con-
69 version coverage issued by the carrier on a direct payment basis. Such
70 conversion coverage shall include benefits of the type classified as "basic
71 benefits" in subsection A hereof. The provision shall further stipulate that
72 the employee or dependent exercising the option to convert shall pay the
73 full periodic charges for the left-group coverage which shall be subject to
74 such terms and conditions as are normally prescribed by the carrier for this
75 type of coverage.

1 4. Section 6 of chapter 49 of the laws of 1961 is amended to read as
2 follows:

3 6. (A) For each *active* covered employee the State, from funds appropri-
4 ated therefor, shall pay the premium or periodic charges for the benefits
5 provided under the contract in amounts equal to the premium or periodic
6 charges for the benefits provided under such a contract covering the employee
7 alone[.] *and shall reimburse the active employee for his premium charges*
8 *under Part B of the Federal Medicare program covering the employee alone.*

9 (B) An employee may, on an optional basis, enroll his dependents for
10 coverage under the contract subject to such regulations and conditions as the

11 commission and the carrier may prescribe. The amount of the total premium
12 or periodic charge for such contract in excess of the amount paid by the
13 State under subsection (A) of this section shall be the sole responsibility of
14 the employee who, at the time of such enrollment, shall authorize the State to
15 withhold the amount of such excess, on an advance basis, from his wages or
16 salary. There is hereby created a health benefits fund consisting of all such
17 withholdings from wages or salaries of employees. All such withholdings
18 shall be remitted to such fund. Said fund shall be used to pay the portions of
19 the premiums or periodic charges for which the employee is responsible under
20 this act. Whenever any dividend or retrospective rate credit is declared or
21 allowed by a carrier under a contract, the commission shall determine, in an
22 equitable manner, the amount thereof attributable to the dependents coverage
23 and shall credit said fund with such amount.

1 5. Section 7 of chapter 49 of the laws of 1961 is amended to read as
2 follows:

3 7. The coverage provided solely for employees shall, subject to the pro-
4 visions below, automatically become effective for all eligible employees from
5 the first day on or after the effective date of the program on which they sat-
6 isfy the definition of "employee" contained in this act.

7 The commission shall establish such rules and regulations governing the
8 enrollment and effective dates of coverage of dependents of employees as it
9 deems are necessary or desirable. Under the rules and regulations estab-
10 lished by the commission, each employee shall be given the opportunity to
11 enroll for coverage for his dependents as of the earliest date he becomes eligi-
12 ble for such enrollment. An employee may elect to enroll his dependents for
13 basic coverage and major medical expense coverage, but may not enroll for
14 major medical expense coverage alone.

15 If, on the date coverage for an employee would become effective, he is
16 not actively at work on full time at his customary place of employment or
17 other location to which his employment requires him to travel, he shall not
18 be covered until he is so actively at work.

19 Each employee shall furnish the commission, in such form as is pre-
20 scribed, such information as is necessary on account of his own coverage and
21 as is necessary to enroll his dependents. Any employee not desiring cover-
22 age at the time he first becomes eligible, shall give the commission written
23 notice of that fact in such form as the commission may prescribe. Such em-
24 ployee may not enroll thereafter except at such times and under such condi-
25 tions as the commission may prescribe.

26 If an employee eligible for coverage has a spouse who is also an employee
27 eligible for coverage, the spouse may elect to forego coverage as an employee
28 and to enroll for both basic benefits and the major medical expense benefits as
29 a dependent, in which event no coverage shall be provided for such spouse as
30 an employee while covered as a dependent. *The employee, who has enrolled*
31 *such spouse, may receive a refund from the State equivalent in amount to the*
32 *State's cost for an employee's coverage.* When both husband and wife are
33 covered as employees, only one may enroll for their children as dependents.

1 6. Section 8 of chapter 49 of the laws of 1961 is amended to read as
2 follows:

3 8. The basic coverage and the major medical coverage of any employee,
4 and of his dependents, if any, shall cease upon the discontinuance of his term
5 of office or employment or upon cessation of active full-time employment
6 subject to such regulations as may be prescribed by the commission for lim-
7 ited continuance of basic coverage and major medical coverage during disa-
8 bility, part-time employment, leave of absence or lay off, and for continuance
9 of basic coverage and major medical coverage after retirement, any such cir-
10 cumstance after retirement to be provided at such rates and under such con-
11 ditions as shall be prescribed by the commission [provided, however, that
12 the retired employee shall be required to pay an amount not less than the
13 total amount which would have been required to have been paid by him and
14 his employer for the coverage maintained had he continued in office or em-
15 ployment] *subject, however, to the requirements hereinafter set forth in*
16 *this section.* The commission may also establish regulations prescribing an

17 extension of coverage when an employee or dependent is totally disabled at
18 termination of coverage.

19 *Rates payable by retired employees for themselves and their dependents,*
20 *by active employees for dependents covered by Medicare benefits, and by the*
21 *State or other employer for an active employee alone covered by Medicare*
22 *benefits, shall be determined on the basis of utilization experienced accord-*
23 *ing to classifications determined by the commission, provided, however, that*
24 *the total rate payable by such retired employee for himself and his depend-*
25 *ents, or by such active employee for his dependents and the State or other*
26 *employer for such active employee alone, for coverage hereunder and for*
27 *Part B of Medicare, shall not exceed by more than 25%, as determined by*
28 *the commission, the total amount which would have been required to have*
29 *been paid by him and by the State or other employer for the coverage main-*
30 *tained had he continued in office or active employment and he and his de-*
31 *pendents were not eligible for Medicare benefits. "Medicare" as used in this*
32 *act means the coverage provided under Title XVIII of the Social Security*
33 *Act as amended in 1965, or its successor plan or plans.*

1 7. Section 7 of chapter 125 of the laws of 1964 is amended to read as
2 follows:

3 7. The commission shall certify to the certifying agent of each employer
4 electing participation under the program the premium rates and periodic
5 charges applicable to the coverage provided for employees and dependents.
6 The participating employer shall remit to the State Treasury all contribu-
7 tions to premiums and periodic charges in advance of their due dates, sub-
8 ject to the rules and regulations of the commission.

9 *The employer shall reimburse the active employee for his premium*
10 *charges under Part B of the Federal Medicare program covering the em-*
11 *ployee alone.*

1 8. This act shall take effect immediately.