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(State Employee  
Benefits Act')

LAWS OF: 1961

CHAPTER: 49

Bill No: A620

Sponsor(s): Ponaro and others

Date Introduced: May 1, 1961

Committee: Assembly: -----

Senate: -----

Amended during passage: Yes

Date of Passage: Assembly: May 31, 1961

Senate: June 2, 1961

Date of Approval: June 3, 1961

Following statements are attached if available:

Sponsor statement: No

Committee Statement: Assembly: No

Senate: No

Fiscal Note: No

Veto Message: No

Message on signing: No

Following were printed:

Reports: No

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KBG/SLJ

**ASSEMBLY, No. 620**

**STATE OF NEW JERSEY**

INTRODUCED MAY 1, 1961

By Assemblymen PANARO, MELONI, FLYNN, STAMLER, BRADY, D'ALOIA,  
FARRINGTON, SWEENEY, CRABIEL, MATTHEWS, BOWKLEY,  
MARAZITI, TATE, LAMORTE, DEAMER and MADDEN

(Without Reference)

AN ACT concerning hospital, medical, surgical and major medical expense benefits for State employees and providing for the procuring of such benefits.

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

1 1. This is the "State Employees Health Benefits Act."

1 2. As used in this act

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

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

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

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

14 by the commission that a person is an eligible employee within the meaning  
15 of this act shall be final and shall be binding on all parties.

16 (d) The term "dependents" means an employee's spouse and the em-  
17 ployee's unmarried children under the age of 19 years who live with the  
18 employee in a regular parent-child relationship. "Children" shall include  
19 [adopted children and stepchildren] *stepchildren, legally adopted children*  
20 *and foster children provided they are reported for coverage and are wholly*  
21 *dependent upon the employee for support and maintenance. A spouse or*  
22 *child enlisting or inducted into military service shall not be considered a de-*  
23 *pendent during such military service.*

24 (e) The term "carrier" means a voluntary association, corporation or  
25 other organization which is lawfully engaged in providing or paying for or  
26 reimbursing the cost of, personal health services, including hospitalization,  
27 medical and surgical services, under insurance policies or contracts, member-  
28 ship or subscription contracts, or the like, in consideration of premiums or  
29 other periodic charges payable to the carrier.

1 3. There is hereby created a State Employees Health Benefits Commis-  
2 sion, consisting of the State Treasurer, the Commissioner of Banking and  
3 Insurance and the President of the Civil Service Commission. The treasurer  
4 shall be chairman of the commission and the health benefits program author-  
5 ized by this act shall be administered in the Treasury Department. The com-  
6 mission shall establish a health benefits program for the employees of the  
7 State, the cost of which shall be paid as specified in section 6 of this act. The  
8 program shall commence at the earliest date in the fiscal year ending June  
9 30, 1962, consistent with available appropriations. The commission shall  
10 establish rules and regulations as may be deemed reasonable and necessary  
11 for the administration of this act.

1 [4. The commission shall negotiate with and arrange for the purchase,  
2 on such terms as it deems to be in the best interests of the State and its  
3 employees, from 1 or more carriers licensed to operate in the State, of a con-  
4 tract or contracts providing hospital, surgical, obstetrical, medical and major

5 medical expense benefits covering employees of the State and their depend-  
 6 ents, and shall execute all documents pertaining thereto for and on behalf  
 7 and in the name of the State. Such contract shall be purchased from a  
 8 carrier licensed to operate in New Jersey whose premium or subscription  
 9 income, as last reported to the Department of Banking and Insurance,  
 10 from accident and health, hospitalization, medical-surgical or major medical  
 11 expense contracts in force in the State amounts to at least \$10,000,000.00  
 12 annually. If the contract or contracts purchased under the authority of this  
 13 act is underwritten by more than 1 carrier, each such carrier shall be sub-  
 14 ject to the aforementioned income requirements. The commission shall not  
 15 enter into a contract under this act unless the benefits provided thereunder  
 16 equal or exceed the minimum standards specified in section 5 for the partic-  
 17 ular coverage which such contract provides; and unless all eligible employees  
 18 and their dependents are offered the opportunity to enroll for such benefits  
 19 on the basis specified by section 7.]

20 4. *The commission shall negotiate with and arrange for the purchase, on*  
 21 *such terms as it deems to be in the best interests of the State and its em-*  
 22 *ployees, from carriers licensed to operate in the State, contracts providing*  
 23 *hospital, surgical, obstetrical, medical and major medical expense benefits*  
 24 *covering employees of the State and their dependents, and shall execute all*  
 25 *documents pertaining thereto for and on behalf and in the name of the State.*  
 26 *The contracts providing the basic benefits of hospital, surgical, obstetrical*  
 27 *and medical expense benefits shall be purchased from carriers authorized by*  
 28 *chapter 48 of Title 17 of the Revised Statutes of New Jersey as amended*  
 29 *and by chapter 74 of the laws of 1940 as amended. The contract providing*  
 30 *the major medical expense benefits shall be purchased from an insurance com-*  
 31 *pany licensed to operate in the State whose premium income, as last reported*  
 32 *to the Department of Banking and Insurance, from accident and health, hos-*  
 33 *pitalization, medical-surgical or major medical expense contracts in force in*  
 34 *the State amounts to at least [*\$10,000,000.00*] \$5,000,000.00 annually. The*  
 35 *commission shall not enter into a contract under this act unless the benefits*

36 provided thereunder equal or exceed the minimum standards specified in  
 37 section 5 for the particular coverage which such contract provides; and un-  
 38 less coverage is available to all eligible employees and their dependents on  
 39 the basis specified by section 7.

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

- 4 (1) Basic benefits which shall include
- 5 (a) Hospital benefits, including out-patient,
  - 6 (b) Surgical benefits,
  - 7 (c) In-patient medical benefits, and
  - 8 (d) Obstetrical benefits, in the case of family contracts.

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

13 (2) Major medical expense benefits which shall provide benefit payments  
 14 for reasonable and necessary eligible medical expenses for hospitalization,  
 15 surgery, medical treatment and other related services and supplies to the  
 16 extent they are not covered by basic benefits. The commission may, by  
 17 regulation, determine what types of services and supplies shall be included  
 18 as "eligible medical services" under the major medical expense benefits  
 19 coverage as well as those which shall be excluded from or limited under such  
 20 coverage. Benefit payments for major medical expense benefits shall be  
 21 equal to a percentage of the reasonable charges for eligible medical services  
 22 incurred by a covered employee or an employee's covered dependent, during  
 23 a [benefit period] calendar year as exceed a deductible for such [benefit  
 24 period] calendar year of \$100.00 subject to the maximums hereinafter pro-  
 25 vided and to the other terms and conditions authorized by this act. The per-  
 26 centage shall be 80%, except that it shall be 50% in the case of charges for  
 27 eligible medical services for the treatment of mental or nervous disorders in

28 the out-patient department of a hospital or on an out-of-hospital basis.  
29 There shall be a separate deductible for each covered person for each [bene-  
30 fit period] *calendar year*. Not more than \$7,500.00 shall be paid for major  
31 medical expense benefits with respect to any 1 person for any 1 [benefit  
32 period] *calendar year* and not more than \$15,000.00 shall be paid for such  
33 [benefits with respect to any 1 person for 2 or more benefit periods. For the  
34 purposes of this act and for any contract purchased pursuant to it, a benefit  
35 period shall have the following specifications: it shall begin on the first day a  
36 covered person receives care by a physician; it shall end 12 months after it  
37 began or after the covered person has gone 90 days without eligible medical  
38 services, whichever occurs earlier; the first benefit period may begin on or  
39 after the effective date of coverage under the contract authorized to be  
40 purchased by this act] *benefits with respect to any 1 person for the entire*  
41 *period of such person's coverage under the plan, whether continuous or in-*  
42 *errupted, except that the maximums of \$7,500.00 and \$15,000.00 may be re-*  
43 *applied to a covered person. Under the conditions agreed upon by the com-*  
44 *mission and the carriers as set forth in the contract, the deductible for a*  
45 *calendar year may be satisfied in whole or in part by eligible charges in-*  
46 *curring during the last 3 months of the prior calendar year [, and the maxi-*  
46A *mums of \$7,500.00 and \$15,000.00 may be reapplied to a covered person].*

47 (B) Benefits under the contract or contracts purchased as authorized by  
48 this act may be subject to such limitations, exclusions, or waiting periods as  
49 the commission finds to be necessary or desirable to avoid inequity, un-  
50 necessary utilization, duplication of services or benefits otherwise available,  
51 including coverage afforded under the laws of the United States, or for other  
52 reasons.

53 (C) The rates charged for any contract purchased under the authority  
54 of this act shall reasonably and equitably reflect the cost of the benefits pro-  
55 vided based on principles which in the judgment of the commission are  
56 [actuarially sound. The rates determined for the first contract term may be  
57 continued for subsequent contract terms, except that they may be adjusted for

58 any subsequent term based on past experience and any benefit adjustments  
 59 under the subsequent contract. No adjustment of rates shall be retroactive.]  
 60 *actuarially sound. The rates charged shall be determined by the carrier on*  
 61 *accepted group rating principles with due regard to the experience, both past*  
 62 *and contemplated, under the contract. No increase in rates shall be*  
 63 *retroactive.*

64 (D) The initial term of any contract purchased by the commission under  
 65 the authority of this act shall be for such period, [not exceeding 2 years,]  
 66 *not extending beyond June 30, 1962* to which the commission and the carrier  
 67 may agree, but permission may be made for automatic renewal in the absence  
 68 of notice of termination by the State. Subsequent terms for which any con-  
 69 tract may be renewed as herein provided shall each be limited to a period  
 70 not to exceed 1 year.

71 (E) The contract shall contain a provision that if [coverage] *basic bene-*  
 72 *fits* of an employee or of an eligible dependent under the contract, after hav-  
 73 ing been in effect for at least 1 month, is terminated, other than by voluntary  
 74 cancellation of enrollment, there shall be a 31-day period following the effec-  
 75 tive date of termination during which such employee or dependent may exer-  
 76 cise the option to convert, without evidence of good health, to left-group  
 77 conversion coverage issued by the carrier on a direct payment basis. Such con-  
 78 version coverage shall include benefits of the type classified as "basic bene-  
 79 fits" in subsection A hereof [and may include major medical expense bene-  
 80 fits]. The provision shall further stipulate that the employee or dependent  
 81 exercising the option to convert shall pay the full periodic charges for the  
 82 left-group coverage which shall be subject to such terms and conditions as  
 83 are normally prescribed by the carrier for this type of coverage.

1 6. (A) For each *covered* employee [enrolled for coverage] the State,  
 2 from funds appropriated therefor, shall pay the premium or periodic charges  
 3 for the benefits provided under the contract in amounts equal to the premium  
 4 or periodic charges for the benefits provided under such a contract covering  
 5 the employee alone.

6 (B) An employee may, on an optional basis, enroll his dependents for  
7 coverage under the contract subject to such regulations and conditions as the  
8 commission and the carrier may prescribe. The amount of the total premium  
9 or periodic charge for such contract in excess of the amount paid by the  
10 State under subsection (A) of this section shall be the sole responsibility of  
11 the employee who, at the time of such enrollment, shall authorize the State to  
12 withhold the amount of such excess, on an advance basis, from his wages or  
13 salary. There is hereby created a health benefits fund consisting of all such  
14 withholdings from wages or salaries of employees. All such withholdings  
15 shall be remitted to such fund. Said fund shall be used to pay the portions  
16 of the premiums or periodic charges for which the employee is responsible  
17 under this act. *Whenever any dividend or retrospective rate credit is de-*  
18 *clared or allowed by a carrier under a contract, the commission shall deter-*  
19 *mine, in an equitable manner, the amount thereof attributable to the depend-*  
20 *ents coverage and shall credit said fund with such amount.*

1 [7. The commission shall establish such rules and regulations governing  
2 the enrollment of employees and their dependents for coverage under the  
3 benefits of the contracts authorized by this act as it deems are necessary or  
4 desirable; however, no regulation shall be established authorizing the enroll-  
5 ment of any employee having less than 3 months of continuous service in  
6 office or employment.

7 (A) Under the rules and regulations established by the commission each  
8 employee shall be given the opportunity to enroll for coverage for himself or  
9 for himself and his dependents as of the earliest date he becomes eligible  
10 for such enrollment. An employee may elect to enroll his dependents for basic  
11 benefits coverage only. Each employee shall furnish the commission, in such  
12 form as it shall prescribe, such information as is necessary to enroll himself,  
13 or himself and his dependents.

14 (B) If an employee eligible for coverage has a spouse who is also an  
15 employee eligible for coverage, 1 of them may apply for enrollment for self  
16 and dependents under the contract authorized by this act, or each may enroll  
17 for himself.



18 (C) Any employee not desiring coverage at the time he first becomes  
19 eligible, shall give the commission written notice of that fact in such form as  
20 the commission may prescribe. Such employee may not enroll thereafter  
21 except at such times and under such conditions as the commission may  
22 prescribe.]

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

27 *The commission shall establish such rules and regulations governing the*  
28 *enrollment and effective dates of coverage of dependents of employees as it*  
29 *deems are necessary or desirable. Under the rules and regulations estab-*  
30 *lished by the commission, each employee shall be given the opportunity to*  
31 *enroll for coverage for his dependents as of the earliest date he becomes eli-*  
32 *gible for such enrollment. An employee may elect to enroll his dependents*  
33 *for basic coverage, or basic coverage and major medical expense coverage,*  
34 *but may not enroll for major medical expense coverage alone.*

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

39 *Each employee shall furnish the commission, in such form as is pre-*  
40 *scribed, such information as is necessary on account of his own coverage and*  
41 *as is necessary to enroll his dependents. Any employee not desiring cover-*  
42 *age at the time he first become eligible, shall give the commission written*  
43 *notice of that fact in such form as the commission may prescribe. Such em-*  
44 *ployee may not enroll thereafter except at such times and under such con-*  
45 *ditions as the commission may prescribe.*

46 *If an employee eligible for coverage has a spouse who is also an employee*  
47 *eligible for coverage, the [wife] spouse may elect to forego coverage as an*  
48 *employee and to enroll for both basic benefits and the major medical expense*

49 *benefits as a dependent, in which event no coverage shall be provided for*  
50 *[her] such spouse as an employee while [she is] covered as a dependent.*  
51 *When both husband and wife are covered as employees, only 1 may enroll for*  
52 *their children as dependents.*

1     8. *The basic coverage and the major medical coverage of any employee,*  
2 *and of his dependents, if any, shall cease upon the discontinuance of his term*  
3 *of office or employment or upon cessation of active full-time employment sub-*  
4 *ject to such regulations as may be prescribed by the commission for [limited]*  
5 *limited continuance of basic coverage and major medical coverage during*  
6 *disability, part-time employment, leave of absence or lay off[.] , [or retire-*  
7 *ment, and such regulations as may be prescribed by the commission for ex-*  
8 *tension of coverage] and for continuance of basic coverage after retirement,*  
9 *any such continuance after retirement to be provided on the basis that the*  
10 *total premium or periodic charges therefor is the sole responsibility of the*  
11 *retired employee. The commission may also establish regulations prescribing*  
12 *an extension of coverage when an employee or dependent is totally disabled*  
13 *at termination of coverage.*

1     9. *The Legislature shall annually make appropriations to cover the*  
2 *expense of procuring the benefits contracts and for the other purposes of this*  
3 *act. No obligation of the State shall be incurred under this act except within*  
4 *the limits of available appropriations. Premiums or periodic charges for*  
5 *such contracts payable to carriers from appropriated funds and from the*  
6 *health benefits fund shall be remitted to said carriers at intervals not less*  
7 *frequent than monthly.*

1     10. *This act shall take effect immediately.*