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UNDER CHAPTER 78, P.L. 2011**Frequently Asked Questions
Health Benefits Reform Under Chapter 78, P.L. 2011****1. Q. When will I know which plans are available?**

A. New plans are anticipated to be available during Open Enrollment in the Fall of 2011 with an effective date of coverage of January 1, 2012.

Chapter 78, P.L. 2011, establishes two Committees to oversee the design of the plans: one for the State Health Benefits Program (SHBP) and one for the School Employees' Health Benefits Program (SEHBP). The Committees will be responsible for determining the design of all plans offered by the SHBP and the SEHBP.

The State Health Benefits Plan Design Committee is composed of 12 members: six members who shall be appointed by the Governor as representatives of public employers whose employees are enrolled in the program; three members who shall be appointed by the Public Employee Committee of the AFL-CIO; one member who shall be appointed by the head of the union, that is not affiliated with the AFL-CIO, that represents the greatest number of police officers in this State; one member who shall be appointed by the head of the union, that is not affiliated with the AFL-CIO, that represents the greatest number of firefighters in this State; and one member who shall be appointed by the head of the State Troopers Fraternal Association.

The School Employees' Health Benefits Plan Design Committee is composed of six members: three members who shall be appointed by the Governor as representatives of public employers whose employees are enrolled in the program; two members who shall be appointed by the New Jersey Education Association; and one member who shall be appointed by the education section of the New Jersey State AFL-CIO.

Current plans will stay in effect until such time that the new Committees are formed, meet, and decide upon plan design changes.

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2. Q. When will employee contributions change?

A. Under the provisions of Chapter 78, the new contribution for health benefits is effective immediately for employees whose current contract has expired and employees not covered by a union contract; however the legislation anticipated that some administrative delay would be unavoidable while payroll systems are modified to accommodate the new contribution requirements. Further, the legislation provided that once the new contribution scenario was implemented, employers could not recover any uncollected contributions retroactive to the date of enactment. However, most employers are already collecting 1.5% of an employee's salary as a minimum contribution to the cost of health coverage, and this will continue to be the minimum required contribution under the new contribution requirements.

For State employees paid via the State's Centralized Payroll Unit and employees of State colleges and universities, it is expected that the new contribution scenario will be implemented effective October 1, 2011 for employees whose current contract has expired and employees not covered by a union contract. Under the provisions of Chapter 78, the contribution is determined as a specified percentage of the health benefits/prescription drug premiums for a salary range, but not less than 1.5% of salary. (See charts below.)

Local government and local education employees are subject to the same contributions indicated above effective immediately for employees whose contracts are expired and employees not covered by a union contract and commencing upon contract expiration for employees covered by a collective negotiations agreement. The effective date of implementation will be as soon as administratively feasible as determined by each employer. Employees currently under a collective negotiations agreement will not be impacted by the changes described above until the agreement expires. Upon expiration, employees covered by that agreement, will begin at year 1 of the phase-in until they reach year 4 of the phase-in.

In the case of State employers, new employees hired on or after the effective date of Chapter 78, P.L. 2011, shall contribute at the highest level (Year 4).

For Local government and local education employers, new employees hired on or after the effective date of Chapter 78, P.L. 2011 contribute based on the position and its relationship to local Collective Negotiations Agreements (CNA). Due to the variation in CNAs, it is the local employer's responsibility to correctly identify and implement the correct level of required contributions.

Note: The following charts reflect the phase-in of contribution levels for employees employed on the contribution's effective date who will pay ¼, ½, ¾ and the full amount of the contribution rate during the phase-in years.

To calculate your total percentage of premiums, combine both the medical plan premium percentage and, if applicable, the prescription drug plan premium percentage for the appropriate level of coverage.

**HEALTH BENEFITS CONTRIBUTION FOR SINGLE COVERAGE
(PERCENTAGE OF PREMIUM)***

[Online Contribution Calculators Available](#)

Salary Range	Year 1	Year 2	Year 3	Year 4
less than 20,000	1.13%	2.25%	3.38%	4.50%
20,000-24,999.99	1.38%	2.75%	4.13%	5.50%
25,000-29,999.99	1.88%	3.75%	5.63%	7.50%
30,000-34,999.99	2.50%	5.00%	7.50%	10.00%
35,000-39,999.99	2.75%	5.50%	8.25%	11.00%
40,000-44,999.99	3.00%	6.00%	9.00%	12.00%
45,000-49,999.99	3.50%	7.00%	10.50%	14.00%
50,000-54,999.99	5.00%	10.00%	15.00%	20.00%
55,000-59,999.99	5.75%	11.50%	17.25%	23.00%
60,000-64,999.99	6.75%	13.50%	20.25%	27.00%
65,000-69,999.99	7.25%	14.50%	21.75%	29.00%
70,000-74,999.99	8.00%	16.00%	24.00%	32.00%
75,000-79,999.99	8.25%	16.50%	24.75%	33.00%
80,000-94,999.99	8.50%	17.00%	25.50%	34.00%
95,000 and over	8.75%	17.50%	26.25%	35.00%

*Member contribution is a minimum of 1.5% of base salary towards Health Benefits

**HEALTH BENEFITS CONTRIBUTION FOR FAMILY COVERAGE
(PERCENTAGE OF PREMIUM)***

[Online Contribution Calculators Available](#)

Salary Range	Year 1	Year 2	Year 3	Year 4
less than 25,000	0.75%	1.50%	2.25%	3.00%
25,000-29,999.99	1.00%	2.00%	3.00%	4.00%
30,000-34,999.99	1.25%	2.50%	3.75%	5.00%
35,000-39,999.99	1.50%	3.00%	4.50%	6.00%
40,000-44,999.99	1.75%	3.50%	5.25%	7.00%
45,000-49,999.99	2.25%	4.50%	6.75%	9.00%
50,000-54,999.99	3.00%	6.00%	9.00%	12.00%
55,000-59,999.99	3.50%	7.00%	10.50%	14.00%
60,000-64,999.99	4.25%	8.50%	12.75%	17.00%
65,000-69,999.99	4.75%	9.50%	14.25%	19.00%
70,000-74,999.99	5.50%	11.00%	16.50%	22.00%
75,000-79,999.99	5.75%	11.50%	17.25%	23.00%
80,000-84,999.99	6.00%	12.00%	18.00%	24.00%
85,000-89,999.99	6.50%	13.00%	19.50%	26.00%
90,000-94,999.99	7.00%	14.00%	21.00%	28.00%
95,000-99,999.99	7.25%	14.50%	21.75%	29.00%
100,000-109,999.99	8.00%	16.00%	24.00%	32.00%
110,000 and over	8.75%	17.50%	26.25%	35.00%

*Member contribution is a minimum of 1.5% of base salary towards Health Benefits

**HEALTH BENEFITS CONTRIBUTION FOR
MEMBER/SPOUSE/PARTNER OR PARENT/CHILD COVERAGE
(PERCENTAGE OF PREMIUM)***

[Online Contribution Calculators Available](#)

Salary Range	Year 1	Year 2	Year 3	Year 4
less than 25,000	0.88%	1.75%	2.63%	3.50%
25,000-29,999.99	1.13%	2.25%	3.38%	4.50%
30,000-34,999.99	1.50%	3.00%	4.50%	6.00%
35,000-39,999.99	1.75%	3.50%	5.25%	7.00%
40,000-44,999.99	2.00%	4.00%	6.00%	8.00%

45,000-49,999.99	2.50%	5.00%	7.50%	10.00%
50,000-54,999.99	3.75%	7.50%	11.25%	15.00%
55,000-59,999.99	4.25%	8.50%	12.75%	17.00%
60,000-64,999.99	5.25%	10.50%	15.75%	21.00%
65,000-69,999.99	5.75%	11.50%	17.25%	23.00%
70,000-74,999.99	6.50%	13.00%	19.50%	26.00%
75,000-79,999.99	6.75%	13.50%	20.25%	27.00%
80,000-84,999.99	7.00%	14.00%	21.00%	28.00%
85,000-99,999.99	7.50%	15.00%	22.50%	30.00%
100,000 and over	8.75%	17.50%	26.25%	35.00%

*Member contribution is a minimum of 1.5% of base salary towards Health Benefits

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3. Q. Will the health benefits contribution be made on a pre-tax basis?

A. Chapter 78 requires that all local government/education employers participate in an IRC Section 125 plan. This will allow employees to make the required premium payments for health care prior to the withholding of taxes.

State employees presently making the 1.5% contribution currently participate in the State's Section 125 plan (Tax\$ave). **Note:** The State Tax\$ave Program is not available to local government/education employers. These employers must arrange and provide their own Section 125 plans.

4. Q. On what salary is the calculation of the minimum 1.5% contribution based?

A. The calculation is based on the employee's base contractual salary. In most instances, that means the salary on which pension contributions are based. However, for employees hired after July of 2007 for whom pensionable salary is limited to the salary on which Social Security contributions are based, the employee's total base salary would be used. As an employee receives salary increases during the year, the amount of contribution will be adjusted upwards accordingly.

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5. Q. When will retiree contributions change?

A. There are no changes to contributions for current retirees at this time.

Active employees who have 25 or more years of service credit as of the effective date of Chapter 78 are grandfathered and are governed by the terms applicable on the date they accrue 25 years of service credit.

State employees (State Departments, State Colleges and Universities, etc.) with 20 or more years of service credit as of the effective date of Chapter 78 are also grandfathered at the current 1.5% contribution requirement, but must still attain 25 years of service credit prior to retirement to qualify for State or employer contributions toward post-retirement medical coverage.

A properly completed *Application to Purchase Service Credit* received by the Division of Pensions and Benefits prior to the effective date of Chapter 78 on June 28, 2011, will be honored and if qualified*, the service will be applied toward the service credit requirements above only if the purchase costs are either paid or authorized for payroll deductions before the expiration date stated in the *Purchase Quotation* letter provided by the Division of Pensions and Benefits.

Employees who are not grandfathered, who do not fall within the above provisions, and who become eligible for employer-paid post-retirement benefits after 25 years of service, will be subject to a contribution toward post-retirement medical coverage based on the applicable percentage of premium as determined by the annual retirement allowance, including any cost-of-living adjustments. A minimum contribution of 1.5% of the monthly retirement allowance is required.

*For PERS and TPAF members, purchases of U.S. Government Civilian Service or Out-of-State Service made after November 1, 2008 cannot be used to qualify for State-paid or employer-paid post-retirement health benefits.

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6. Q. Do the changes in Chapter 78 apply only to members enrolled in the SHBP/SEHBP?

A. While some of the health benefits reforms of Chapter 78, P.L. 2011, affect only members of the SHBP/SEHBP, changes were also made to the statutes which govern the purchase of public employee health benefits outside of the SHBP/SEHBP. The employee contribution requirements for medical and prescription drug coverage as described in Question 2, above, applies to both SHBP/SEHBP and non-SHBP/SEHBP members. Since the Division of Pensions and Benefits does not administer or interpret the provisions of programs outside of the SHBP/SEHBP, this Q&A generally pertains only to the SHBP/SEHBP.

Boards of Education and units of Local Government that do not participate in the SHBP/SEHBP may enter into contracts for health care benefits coverage, as may be required to implement a collective negotiations agreement, and agree to different employee contribution rates if certain cost savings in the aggregate over the period of the agreement can be demonstrated. The savings must be certified to the Division of Pensions and Benefits, and the Department of Education or the Department of Community Affairs, as appropriate. The Department of Education or the Department of Community Affairs are to approve or reject the certification, within 30 days of receipt. The certification is deemed approved if not rejected within that time. The agreement cannot be executed until that approval is received or the 30-day period has lapsed, whichever occurs first.

Note: Additional guidance for employers — including those who are **not** in the SHBP/SEHBP — is available from the Department of Community Affairs, Division of Local Government Services. See [Local Finance Notice 2011-20](#) (Word Document)

7. Q. Our union contract expired last year and has not been settled. Will these employees be required to contribute for health benefits and prescription drugs under the new contribution schedule?

A. Yes. If the contract is not ratified prior to enactment of Chapter 78, P.L. 2011, into law on June 28, 2011, those employees will be required to contribute toward medical and prescription drug coverage in accordance with the charts in Question 2, above, with a minimum contribution of not less than 1.5% of annual salary.

8. Q. Am I limited to using doctors or hospitals that are in the State of New Jersey?

A. No. Provisions of Chapter 78, P.L. 2011 (section 76), that would have required health care plans for public employees to limit coverage for services performed by out-of-State providers was *repealed* with the passage of [Chapter 79, P.L. 2011](#).

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The following table lists the average premium for the small group market in each state for tax years beginning in 2011. Family coverage includes any coverage other than single (employee-only) coverage.

Table A. 2011 State Average Premiums for Small Group Markets

State	Single (Employee-Only) Coverage	Family Coverage
Alabama	\$4,778	\$12,084
Alaska	6,729	14,701
Arizona	4,614	11,063
Arkansas	4,378	9,849
California	4,790	11,493
Colorado	5,007	12,258
Connecticut	5,640	14,096
Delaware	5,902	13,411
District of Columbia	5,721	14,024
Florida	5,218	12,550
Georgia	5,085	11,440
Hawaii	4,622	11,529
Idaho	4,379	10,066
Illinois	5,565	13,176
Indiana	5,262	12,097
Iowa	4,694	11,051
Kansas	4,693	11,909
Kentucky	4,456	10,560
Louisiana	5,143	11,911
Maine	5,261	12,255
Maryland	5,073	12,530
Massachusetts	5,900	15,262
Michigan	5,195	12,539
Minnesota	5,048	12,790
Mississippi	4,787	10,860
Missouri	4,843	11,379
Montana	4,923	10,789
Nebraska	5,130	12,057
Nevada	4,781	10,836
New Hampshire	5,858	14,523
New Jersey	5,868	14,093
New Mexico	5,146	12,328
New York	5,589	13,631
North Carolina	5,136	11,949
North Dakota	4,545	11,328
Ohio	4,706	11,627
Oklahoma	4,922	11,200
Oregon	4,881	11,536

State	Single (Employee-Only) Coverage	Family Coverage
Pennsylvania	5,186	12,671
Rhode Island	5,956	14,553
South Carolina	5,036	11,780
South Dakota	4,733	11,589
Tennessee	4,744	11,035
Texas	5,172	12,432
Utah	4,532	11,346
Vermont	5,426	12,505
Virginia	5,060	12,213
Washington	4,776	11,151
West Virginia	5,356	12,724
Wisconsin	5,284	13,911
Wyoming	5,430	12,867

Example 4. Assume the same facts that were used in Example 3. The \$60 you contribute each payday toward employee health insurance coverage is 60% (\$60 ÷ \$100) of the weekly premium for each employee enrolled in single (employee-only) coverage and 25.21% (\$60 ÷ \$238) of the weekly premium for each employee enrolled in family coverage.

In this situation, the total average premium limitation amounts that apply are 60% of the applicable amounts shown in the single coverage column of Table A for each employee enrolled in single coverage and 25.21% of the applicable amounts shown in the family coverage column of Table A for each employee enrolled in family coverage.

You have an employee enrolled in single (employee-only) coverage who works for you in Maryland. The single coverage amount shown in Table A for Maryland is \$5,073 or \$98 (\$5,073 ÷ 52) for each weekly payday. The amount you are considered to have paid toward this employee's health insurance coverage based on the average premiums in Table A is \$58.80 (60% of \$98) each payday.

To determine the premiums you would have paid for this employee during the tax year if the employee had enrolled in a state-average-premium plan, multiply the number of pay periods during which your employee was enrolled in the health insurance coverage by \$58.80. For example, you would have paid \$3,057.60 (\$58.80 × 52) if the employee was enrolled for the entire tax year. You would have paid \$588 (\$58.80 × 10) if the employee was only enrolled for 10 pay periods. You will need an additional set of calculations if the premium amounts changed during the tax year.

State Premium Subsidy and Tax Credit Limitation

Your credit may be reduced if you are entitled to a state tax credit or a state premium subsidy for the cost of health insurance coverage you provide under a qualifying arrangement to individuals considered employees. The state tax credit may be refundable or nonrefundable and the state premium subsidy may be paid to you or directly to your insurance provider.