

FAQs for State Health Benefit Plan Changes for the 2023 plan year

Q.) The Council just signed an agreement that will result in changes to the health care plans. How does that affect me?

A.) If you are in the Unity/NJ Direct, Unity/NJ Direct 2019 or the Tiered Network plans the contribution rate for each salary tier will increase by 3% starting on Jan. 1 2023. You arrive at the new rate by multiplying the rate in each tier by 1.03. So, for example, if your contribution rate on Jan.1st 2023 is 7%, the rate will increase to 7.21%. There will also be an increase on Jan 1, 2023 in the co-pay for specialist visits which will go from the current level of \$15 to the new level of \$30. OB/GYN visits will remain at \$15. Urgent care copays will go from \$15 to \$45. These co-pay increases apply to all active employee plans.

Q.) Does this agreement affect retirees?

A.) There is no effect on retiree plans. The MOA only applies to active employees

Q.) Why did the Council negotiate and sign an agreement that increases our costs when we already have a contract in place?

A.) Our contract has an escalator clause that requires negotiation when premium increases go above certain levels. That clause was triggered this year by high premium increases announced by the state.

Q.) Why did the Council agree to put that clause in the contract?

A.) In the last round of negotiations for our statewide contract we switched from a plan where we paid a percentage of the cost of the health care PREMIUM, to the current plan where we paid a fixed CONTRIBUTION based on a percentage of our salary. It is important to keep in mind the difference between premiums and contributions. Premiums are the total cost of each plan that the state pays for. Contributions are what we pay to participate in the plans.

Switching from a premium driven cost to a fixed salary based contribution gives us much better cost certainty from year to year. If you remember, the system in the previous contract made our costs very uncertain from year to year to year as the premiums rose. Our current plan has resulted in no increases in years two and three of this contract.

However, there is safety valve for the State if the premiums rise too quickly in any given year. If premiums go above a certain threshold negotiations are required to attempt to agree some cost savings measures for the plan.

The State insisted on the inclusion of this language as part of a final agreement, in part because other unions had already agreed to the language, and because the State did not believe it could treat one union differently from another on such issues as health care contributions or plan design

Q.) What happens if the two parties can't agree on cost saving measures?

A.) If the two parties can't agree by a set deadline (this year the deadline was Sept. 14th) then the State has the right to impose an increase in our contributions equal to the new premium rate increase minus the previous year's across the board salary increase. Based on that formula, if we had not come to an agreement by the 14th of September then the State would have had a right to impose an 18% contribution increase.

Q.) Why did the Council agree to the specific cost increases that are in the MOA?

A.) As in all negotiations both sides started from very different numbers than are agreed to in the final settlement and each side had different priorities. The State placed a high priority on the increased co-pays, whereas our coalition felt that some shared sacrifice by all members in the form of a small contribution increase was an important outcome. We also wanted to minimize costs to our members as much as possible. The final numbers are a compromise between the two positions. The cost savings and/or revenue being generated by this agreement is only about 40% of what the State would have gotten had it implemented the 18% increase in contributions. Some of that savings comes from projected lower usage rates rather than increased payments. This settlement collectively saves our members millions of dollars compared to what could have been imposed. The Council bargaining team members as well as the other members of the Union coalition felt this was the best possible deal given this particular bargaining framework.

Q.) Are these changes permanent?

A.) The agreed to changes are considered a pilot program, which means the changes can be evaluated and potentially changed in the future, through either collective bargaining or through resolutions passed by the plan design committee. This was an important aspect of the settlement, because the 2023 premium increases are based in part on costs incurred in plan year 2021, which was likely an anomalous year due to the COVID pandemic. By agreeing to make these changes a pilot program, both the State and the unions will be in a better position to reassess both utilization and costs in a post-pandemic environment, which should lead to more reliable and realistic projections.

Q.) I have seen articles in the media saying that the rates for state workers are going up by 21%. Isn't this in contradiction with the terms of the MOA?

Those reports are referring to the increase in the premium. While the premium is going up by 21% our contribution is only going up 3% as a result of the agreement that we just signed with the State. Also, some of the reporting pertains to premium and contribution increase for non-State employees, such as municipal and county employees and those employed at Rutgers, NJIT, and other non-State public employers. The agreement reached with the State does not cover those employees.

Q.) Why did the Council bargain in a coalition with other Unions?

A.) Nearly all Statewide Unions have the same escalator clauses in their contract, including the five unions that bargained together in coming to this agreement. These unions are: The Council of NJ State College Locals, CWA, AFSCME, IFPTE, and IBEW. Representatives of these Unions started meeting together as a group soon after we were informed that the escalator clause had been triggered. It was decided that we were in a stronger bargaining position if we worked in a coalition and bargained together. Based on the experiences of those at the table it is fair to say that we were stronger as a group than we would have been individually.

Q.) I've read that the State just got billions of dollars from the federal government. Why couldn't that money be used to offset health care costs and prevent an increase in contributions?

A.) The use of funding provided to New Jersey under ARPA (American Rescue Plan Act) was discussed both at the bargaining table and with members of the State legislature and was rejected at the bargaining table as a means to address the projected increases in health care costs.

Q.) What does this mean for 2024? Will my contributions go down or stay at the higher rates?

A.) Contribution rates for 2024 will be a topic of discussion during collective bargaining next year. Health care contributions could go up, or down, or remain the same, depending on the course of bargaining and the experience of the plan concerning utilization and costs. It also depends on broader economic or other factors, such as inflation or a resurgence of the pandemic. But by treating the increases as a pilot program under our agreement, contribution rates for 2024 will not be automatically fixed at 2023 levels.

Q.) I have questions about the current health care plan, such as what are my current rates, and what's covered under the plan

A.) For further information on present rates, consult the table of contribution rates consult the table at the link below. Remember, the rates in in the linked table reflect the current rates. The rate in each tier will increase by 3% on Jan. 1, 2023.

<http://www.cnjscl.org/Library/NJ%20Direct%202019%20PPO%20-%20Percent%20of%20Salary%20Charts.pdf>

For general information about the plan a useful resource of NJDirect 19/Unity Plan Handbook. Remember, the Co-pay amounts in the handbook will be increasing for specialist and urgent care starting Jan.1, 2023

<https://www.state.nj.us/treasury/pensions/documents/guidebooks/hb0814a.pdf>