



State of New Jersey

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Governor

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Lt. Governor

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KEVIN D. WALSH
Acting State Comptroller

November 21, 2025

Via Electronic Mail and U.S. Mail

The Honorable Philip D. Murphy
Governor of New Jersey

The Honorable Nicholas P. Scutari
President of the Senate

The Honorable Craig J. Coughlin
Speaker of the Assembly

Re: Notice of Failure to Submit a Corrective Action Plan Pursuant to N.J.S.A. 52:15C-11(b)

Dear Governor Murphy, Senate President Scutari, and Assembly Speaker Coughlin:

On September 9, 2025, the Office of the State Comptroller (OSC) issued a report that addressed proposed procurements submitted by the School Health Insurance Fund (SHIF), Southern New Jersey Regional Employee Benefits Fund (SNJHIF), and Municipal Reinsurance Health Insurance Fund (MRHIF) (collectively the HIFs). In that report, [*Local Government and School Board Health Insurance Funds: A Report on Conflicts of Interest and Procurement Violations*](#), OSC found violations of public contracting laws; improper efforts to steer contracts to preferred vendors; longstanding, undisclosed conflicts of interest; and the use of a fake public entity to attract business. OSC found a pervasive concentration of power over taxpayer-funded health benefits within Conner Strong & Buckelew (CSB) and PERMA, entities that effectively operate as one, with significant conflicts of interest and non-compliance with state disclosure laws. By way of a contemporaneously issued September 9, 2025 letter to the HIFs, OSC prohibited the proposed procurements submitted by the SHIF and SNJHIF from moving forward¹ and, as authorized by law, N.J.S.A. 52:15C-11(a), directed the HIFs to submit corrective action plans that remediate the violations of law OSC identified.

¹ OSC also received a proposed procurement from MRHIF, which OSC approved as to form but not substance, thus allowing MRHIF to proceed with the procurement. The specific details of the MRHIF procurement are included in the report appended to OSC's September 9 letter.

OSC directed the HIFs to adopt the corrective action plans by resolution of each HIF board within 60 days of the September 9 letter. As part of that directive, OSC advised the HIFs that, in order to prevent conflicts of interest and protect the public interest, the preparation of the plans should proceed without the assistance or involvement of any current or potential future HIF vendors. To ensure that the HIFs obtained independent advice, and avoided ongoing conflicts of interest, OSC urged the HIFs to consult with legal counsel and other fund professionals who do not have close professional relationships with, and were not selected or recommended by, existing HIF vendors. OSC also requested that the HIFs address the conflict of interest that was present when a PERMA employee was directly and improperly involved in conducting procurements that benefitted CSB – even though he is a CSB employee and reports to CSB leadership, essentially conducting a public process on behalf of a private vendor.

OSC advised the HIFs that it would review the corrective action plans and, if satisfactory, notify the HIFs, at which time OSC would accept revisions to the proposed procurements in accordance with applicable law and the corrective action plans or otherwise complete the administrative process initiated when the HIFs submitted proposed procurements to OSC.

On November 10, 2025, the HIFs advised OSC that they will not submit corrective action plans.² N.J.S.A. 52:15C-11(b) directs the following when a governmental entity refuses to submit such a plan:

The State Comptroller shall report promptly to the Governor, the President of the Senate and the Speaker of the General Assembly if a unit in the Executive branch of State government, independent State authority, public institution of higher education, or unit of local government or board of education refuses to cooperate in development of a corrective or remediation plan or to comply with a plan.

As required by law, therefore, I write to advise you that the SHIF, the SNJHIF, and the MRHIF each failed to provide OSC with corrective action plans as required by OSC's September 9, 2025 directives to the HIFs.

The HIFs' unwillingness to provide corrective action plans and otherwise cooperate with OSC is further evidenced by numerous statements made by the HIFs' fund professionals, as well as the formal actions taken by the HIFs after their receipt of OSC's September 9 report and related correspondence. Those actions include a "statement from [PERMA/CSB] outlining the process for the award of contracts without public advertising and the award by resolution of the governing body for contracts of insurance,"³ and action by the HIFs authorizing PERMA/CSB's renegotiation of one-year interim contracts with incumbent insurance carriers for the SNJHIF cooperative. The HIFs' attorney advised SNJHIF at its October 27, 2025 meeting that "no corrective actions or

² On October 24, 2025, the HIFs filed a Notice of Appeal in the Superior Court, Appellate Division, alleging, among other things, that OSC does not have the authority to require a corrective plan. The Appellate Division recently questioned whether that appeal is premature because the HIFs have failed to exhaust their administrative remedies. The Appellate Division requested that the parties advise the court of their position regarding that issue.

³ SNJHIF October 27, 2025 meeting minutes.

structural changes were recommended at this time.”⁴ Additionally, the meeting minutes of both SNJHIF and SHIF demonstrate that CSB continues to act as program manager and PERMA/CSB continues to act as administrator for both funds in ongoing violation of the laws identified in OSC’s report.⁵ This means that the HIFs have done nothing to repair the harm caused by the unlawful procurement conducted by PERMA that benefited CSB.

In issuing its September 9, 2025 report, OSC relied on the Local Public Contracts Law (LPCL), N.J.S.A. 40A:11-1 to -60, Public Schools Contract Law (PSCL), N.J.S.A. 18A:18A-1 to -68, cooperative purchasing regulations, health insurance fund law and regulations, conflict of interest laws, and producer laws and regulations that were all enacted to benefit New Jersey taxpayers and instill trust that public officials are making well-reasoned and unbiased decisions that serve the public good. OSC is authorized by law to direct public entities to comply with those laws and is authorized to require public entities to prepare plans to remedy OSC’s findings. The HIFs have now added to their violations of law a failure to cooperate with OSC in preparing corrective action plans.

In view of these violations, through this letter, I am also notifying the Commissioner of the Department of Community Affairs (DCA) and the Commissioner of the Department of Banking and Insurance (DOBI), both of whom received referrals as part of the September 9 report. DCA and DOBI both have regulatory oversight of the HIFs. OSC requests the agencies take appropriate actions in light of the HIFs’ refusal to comply with the law and prepare corrective action plans.

Finally, I note that the timing of the HIFs’ refusal to cooperate could not be worse. Local governments are leaving the State Health Benefits Program because it is in a death spiral, and a large provider of health insurance to public employees in New Jersey last week agreed to pay a \$100 million settlement in litigation alleging improper overbilling to the State and public employees, which reflects the power private entities contracting with public entities have over the cost of healthcare for public employees. Further, there has been continuing evidence that the conflicts of interest and lack of transparency are a widespread problem. Last month, [the State Auditor reported](#) that a broker with a conflict of interest (the broker also served as program manager for local government’s health insurance fund) cost taxpayers \$7.5 million by misrepresenting the costs of the insurance. OSC has frequently identified similar conflicts of interest and waste in audits of local governments. Given the well-documented conflicts of interest and their growing market share, it is troubling that these HIFs are refusing to take any actions to remedy the deficiencies identified by OSC. HIFs are public entities entrusted with public funds that are expected to comply with the law. But these three HIFs remain in violation of state law in numerous ways and have elected to permit their vendors to continue to profit from unlawfully procured contracts. For these reasons, I urge you to use your powers to require the HIFs to comply with state law in order to protect taxpayers from waste of public funds and unethical conduct.

I would welcome the opportunity to discuss the findings in OSC’s September 9 report and the ongoing harm to taxpayers at a legislative hearing.

⁴ SNJHIF October 27, 2025 meeting minutes.

⁵ SNJHIF October 27, 2025 meeting minutes; SHIF September 24, 2025 meeting minutes.

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Thank you for your attention to this matter.

Sincerely,



Kevin D. Walsh
Acting State Comptroller

c: Jacquelyn A. Suárez, NJ Department of Community Affairs, Commissioner
 Justin Zimmerman, NJ Department of Banking and Insurance, Commissioner