

State Health Benefits Program
Plan Design Committee
Open Session Minutes: September 14, 2022 9:00 AM

Adequate notice of this meeting was provided through the annual notice of the schedule of regular meetings of the Committee filed with and prominently posted in the offices of the Secretary of State. A meeting notice was mailed to the Secretary of State on December 10, 2021, and the Star Ledger and the Trenton Times on December 15, 2021. Updates regarding the Telephonic meeting was sent to the Secretary of State and posted to the Division's website on September 9, 2022.

The meeting of the State Health Benefits Program Plan Design Committee of New Jersey was called to order on Wednesday, September 14, 2022 at 9:00 AM. Due to COVID-19 this meeting was held telephonically.

The text of Resolution B (Executive Session) – was read in its entirety in the event that the Committee desires, at any point in the meeting, to approve a motion to go into closed session.

Acting Secretary Nicole Ludwig led the Committee in the Pledge of Allegiance. Acting Secretary Ludwig then took Roll Call and established that a quorum was present.

Roll Call

Committee Members:

Michael Zanyor, NJSTFA

Lynn Azarchi, Director, Office of Management and Budget

Kevin Lyons, NJ State PBA

Justin Zimmerman, Chief of Staff, Department of Banking and Insurance

Tennille McCoy, Assistant Commissioner of Human Capital Strategies, Department of Labor and Workforce Development

Kimberly Holmes Assistant Commissioner /Chief of Staff, Department of Community Affairs

Patrick Nowlan, AAUP – AFT (Co-Chair)

Andrea Spalla

Robert Little, AFSCME Department of Research

David Krueger

James McAsey

John Megariotis- Acting Director, Pensions and Benefits

Other Staff

Alison Keating, Deputy Attorney General

Nicole Ludwig, Division of Pensions and Benefits

Joyce Malerba, Division of Pensions and Benefits

Sonia Rivera- Perez, Division of Pensions and Benefits

RECESS

Recess was taking to review the resolutions to discuss.

RESOLUTIONS

Committee member Kevin Lyons made a motion that includes five resolutions.

The first one is a Resolution of the State Health Benefits Program, Plan Design Committee, to direct the rigorous examination, evaluation of all, quote/unquote, Point Solutions currently utilized by the State Health Benefits Program. Whereas the State Health Benefit Plan faces an unprecedented crisis of unanticipated costs, Whereas the State Health Benefit Plan has engaged a panoply of so-called "Point Solutions" often of a digital or virtual structure that are typically not integrated with traditional delivery of health care that seek to address specific disease, infirmity, wellness, advocacy, medical review and navigation aspects of health care, Whereas counties and municipalities are reeling from the impact of proposed 20% plus health benefit premium rate increase, And whereas these rate increases, if not interrupted, will impose additional burdens on taxpayers; Therefore, be it resolved that SHBP PDC directs the Division of Pensions and Benefits to immediately rigorously examine and evaluate all existing SHBP point solution, wellness, navigation, medical review and advocacy programs be rigorously as to their value including their impact on member health, cost, validated savings and return on investment and that such evaluation be completed as soon as possible, but no later than December 1, 2022. And be it further resolved that only those programs of proven value as determined by health and cost impact be retained, while engagement with, and payment for, under-performing or non-performing programs are to be discontinued as soon as possible, And be it further resolved that all State Health Benefit Plan administrative service organizations, pharmacy benefit managers, insurers, and consultants disclose any funds received or other financial arrangements with "Point Solution" providers, And be it further resolved that each program be evaluated by the criteria developed by the Validation Institute or other widely respected and unconflicted experts in the field of evaluation of healthcare programs, And let it be further resolved that the New Jersey State Health Benefit Plan enter into a working partnership with the Validation Institute to rigorously determine the value of current and future point solutions, And be it further resolved that the State Health Benefits Plan offer accessible, engaging, unintrusive, low-cost health/healthcare/health benefits education, reviewed by a credible medical authority and fully guaranteeing a provable and validated return on investment by the Validation Institute or other credible authority.

Next resolution is for the State Health Benefits Plan Design Committee to Immediately Implement a Medical Specialty Program and Solicit Bids for a Third-Party Contractor to Oversee the Program no later than Plan Year 2024. WHEREAS, pursuant to N.J.S.A. 52:14-17.25 to -17.46a, the State Health Benefits Program (SHBP) provides health coverage to qualified employees and Retirees of the State of New Jersey (State) and participating local employers; and WHEREAS, the SHBP was created in 1961 to provide affordable health care coverage for public employees on a cost-effective basis; and WHEREAS, all SHBP plans, with the exception of Medicare Advantage plans, are self-funded, which means the money paid out for benefits comes directly from a SHBP fund supplied by the State,

participating local employers, and member premiums; and WHEREAS, the costs for health and prescription drug benefits continue to increase exponentially, which has strained the budgets of the State and local employers and caused increased costs to members; and WHEREAS, the NJ State Health Benefits Plan is facing unprecedented rate increases for the 2023 plan year; and WHEREAS, it is in the interest of all the people of New Jersey to control medical drug costs; and WHEREAS, Specialty drugs spending usually accounts for approximately 50% of the employers' costs for drugs, and in several circumstances, some of these drugs could be replaced with more effective, lower cost drugs which would create better health outcomes for the member while controlling costs; and WHEREAS, a presentation was made to a subcommittee of the SHBP PDC on September 3, 2021 which outlined that there is a potential of saving \$1.18 Billion dollars over three years by implementing a medical specialty program; and WHEREAS, there are currently misaligned incentives between the pharmaceutical industry, the State of New Jersey, providers, and the specialty pharmacies; and WHEREAS, OPTUM RX, the State's current Pharmacy Benefits Manager (PBM) and has the ability to implement a medical specialty plan almost immediately to better serve the members of the SHBP; and WHEREAS, the long term strategy for the Plan should be to obtain an outside vendor who can act purely in the interests of the plan with regards to medical specialty drugs; NOW THEREFORE, BE IT RESOLVED AS FOLLOWS: 1. The Division will advise OPTUM RX to implement a medical pharmacy program on January 1, 2023 that will center around a therapy plan, making sure that patients are receiving the right drug and will compile outcome data. The plan will also assist providers with determination of the right medicine for their specific needs. 2. OPTUM RX will propose a cost control strategy to assure that hospitals are not marking up drugs to the lower of what they currently charge or twice the cost. 3. There will continue to be a subcommittee with equal number of labor and management members of the PDC that will make recommendations to the full committee before implementation of the program. 4. No later than January 1, 2023, the Committee will develop a total plan strategy for medical pharmacy. Once the plan strategy is developed, the Division will initiate a bid solicitation for a third-party vendor who is not affiliated with the State's PBM or medical third-party administrator (TPA) and once the bid is awarded, the independent contractor shall oversee the Specialty Medical Program.

Next is Resolution of the State Health Benefits Program Plan Design Committee Clarifying the Employee Titles Eligible to participate in the Responders Primary Care Medical Home Pilot Program. WHEREAS, pursuant to N.J.S.A. 52:14-17.29 et seq. The State Health Benefits Program (SHBP) provides health coverage to qualified employees and Retirees of the State and participating local employers; and WHEREAS, the SHBP was enacted in 1961 for the purpose of providing affordable health care coverage for public employees on a cost effective basis; and WHEREAS, all SHBP plans, with the exception of Medicare Advantage plans, are self-funded, which means that the money paid out for benefits comes directly from an SHBP fund supplied by the State, participating local employers, and member premiums; and WHEREAS, on April 16, 2019, the SHBP Plan Design Committee (SHBP PDC) adopted resolution 2019-02 that established a First Responders Direct Primary Care Medical Home (DPCMH) Pilot Program; Now, Therefore, Be It Resolved: 1. SHBP PDC Resolution 2019-02 is hereby modified to clarify the employee titles which are eligible to participate in the FRPCMH Pilot Program. 2. "First Responders" for the purposes of this Resolution are defined as the SHBP members with the following titles or jobs, as well as their eligible dependents: Employees of police and fire departments, emergency medical service personnel, dispatchers, park rangers, state and local correctional facility personnel, child protection & permanency investigators, medical examiners, Office of the Attorney General investigators and county prosecutor's office investigators,

both paid and volunteer; and other SHBP members who respond to emergencies or engage with clients/patients who experience trauma, including prison personnel, Department of Children and Families personnel (including Institution Abuse Investigation Unit personnel and investigators and support staff); Department of Environmental Protection personnel (including but not limited to State Forest Firefighters and Emergency Response Specialists and support staff); Office of the Law Guardian Investigators and support personnel; Department of Human Services personnel (including but not limited to the Office of Program Integrity and Accountability personnel), and local developmental center facility personnel and local psychiatric facility personnel.

Resolution of the State Health Benefits Program Plan Design Committee Directing the Division of Pensions and Benefits to Establish a Claims Stabilization Reserve Fund for State Employee Health Benefit Plans. WHEREAS the State Health Benefit Plan faces an unprecedented crisis of unanticipated cost and a trajectory of unsustainable spending if costs continue to rise, as is anticipated in the absence of swift and decisive action; and WHEREAS, rate renewal projections have consistently overestimated the funds needed to cover claims for a particular plan year, most recently by \$191 million for Plan Year 2020 and by \$110 million in Plan Year 2019; and. WHEREAS, unlike for the Local Government Plan, those State group gains are not reserved for future use to stabilize plan rates; and WHEREAS, the State has already allocated \$300 million in the Fiscal Year 2023 state budget to offset extraordinary increases to health care costs; and WHEREAS, the State has received several billion dollars in funds from the United States Government via the American Recovery Plan (ARP) Act to address unexpected financial impacts due to the COVID-19 pandemic; and Whereas currently State revenues are exceeding projections; and WHEREAS other private and public sector New Jersey based health plans are similarly seeking solutions to ever rising prices and costs related to healthcare, that seem to have been exacerbated by the unprecedented COVID19 pandemic; and WHEREAS counties and municipalities are reeling from the impact of proposed 20 plus percent health benefit rate hikes and are without the time or resources to adequately prepare for this looming crisis that threatens local budgets; and WHEREAS these rate hikes, if not interrupted, will impose additional burdens on taxpayers; Therefore, let it be resolved that the New Jersey State Health Benefits Plan Design Committee directs the Division of Pensions and Benefits to establish a claims stabilization reserve (CSR) fund for State plans similar to the one which exists for the local government plans. All gains for a plan year related to the State plans shall be placed in the State CSR for future use related to costs of State employer plans. And let it be further resolved that such a fund shall include, but not be limited to, \$750 million of American Recovery Plan (ARP) Act funds allocated to the State by the Federal government which would be appropriately distributed between the State and local plan CSR's to help offset Plan Year 2023 rate increases and protect against future extraordinary cost increases or claim submissions.

Resolution of the State Health Benefits Program Plan Design Committee to Explore Broad-Based Reference Based Pricing Methods For Utilization By the SHBP. WHEREAS the State Health Benefit Plan faces an unprecedented crisis of unanticipated cost and a trajectory of unsustainable spending if costs continue to rise, as is anticipated in the absence of swift and decisive action; WHEREAS, the State Health Benefits Plan Design Committee has a statutory right and responsibility to understand and demand fair prices for services provided to SHBP Plan beneficiaries, and as such, must act quickly and decisively, using all relevant data and information at the SHBP's disposal to explore options to the SHBP to pay reasonable prices; WHEREAS, the RAND 4.0[1] study, which reports on 2018-2020 medical claims data from a large population of privately insured individuals, including the SHBP plan,

and shows that in 2020, across all hospital inpatient and outpatient services (including both facility and related professional charges), employers and private insurers in New Jersey, including the SHBP/SEHBP, paid 235% of what Medicare would have paid for the same services at the same facilities (total facility, inpatient and outpatient, not including physician and professional fees); WHEREAS, reviewing prices paid by the SHBP as a percentage relative to Medicare is important because: (i) rates set by Medicare Payment Advisory Commission (MedPAC) are intended to fully cover providers' costs and MedPAC data have shown that reasonably efficient hospitals can break even across all their business at or around Medicare prices[2]; (ii) even where providers may need to charge more than Medicare rates for other lines of business (SHBP commercial, etc.) To make up for losses on Medicaid and any charity care, it is necessary to review, on a provider by provider basis, other relevant information to determine whether the SHBP is paying fair and reasonable prices including the hospital/provider operating costs (including overhead), shortfall from public health programs, charity care and uninsured hospital costs, disallowed costs, other hospital income (e.g., COVID funds) and other hospital expenses (joint ventures, capital expenditures, etc.), all of which is available in public filings of the hospitals annual Medicare Cost Reports. WHEREAS other states including Montana and Oregon have successfully implemented efforts to restrain hospital prices and hospital price growth (the leading cause of increasing healthcare prices and therefore rates) by tying hospital reimbursements to a percentage of Medicare; WHEREAS legislative leaders have indicated significant interest in investigating reference base pricing initiatives in order to ensure equitable, affordable and accessible healthcare coverage to SHBP plan members while paying New Jersey providers and hospital systems a fair and reasonable price given their specific set of circumstances; WHEREAS other private and public sector New Jersey based health plans are similarly seeking solutions to ever rising prices and costs related to healthcare, that seem to have been exacerbated by the unprecedented COVID19 pandemic; WHEREAS counties and municipalities are reeling from the impact of proposed 20 plus percent health benefit rate hikes and are without the time or resources to adequately prepare for this looming crisis that threatens local budgets; and WHEREAS these rate hikes, if not interrupted or mitigated, will impose additional burdens on taxpayers; Therefore, let it be resolved that the New Jersey State Health Benefits Plan Design Committee explore methods of broad-based reference base pricing that are of sufficient scope to meet the current crisis. Such exploration should include communicating with other government qualified health plans that have adopted and/or are considering adoption of reference based pricing, engaging in discovery discussions with public and private sector leaders that have led reference based pricing initiatives with reference based pricing, including Montana and Oregon, as well as other non-profits, think tanks, and policy leaders that have broad health policy expertise, as well as New Jersey specific health policy and state government expertise. And let it be further resolved that the SHBP Plan Design Committee may engage experts, which shall be completely independent of major insurers, third party administrators, pharmacy benefit managers, and providers and without any business ties such entities in any manner, whatsoever. And, finally, let it be resolved that a Final Report, including recommendations to implement a reference base pricing strategy will be delivered to the SHBP Plan Design Committee no later than December 1, 2022, which plan shall, at a minimum, reduce plan costs by no less than 10% of total medical claim spend of the SHBP.

Committee member Nowlan seconded Committee member Kevin Lyons motion.

Secretary Nikki Ludwig did a roll call to vote. Six committee members voted yes containing Michael Zanyor, Kevin Lyons, Bob Little, Patrick Nowlan, Jim McAsey and Dave Krueger and six committee

members containing Andrea Spalla, John Megariotis, Justin Zimmerman, Tennille McCoy, Kimberly Holmes and Lynn Azarchi voted against. Therefore, the motion was not passed but has been noted.

The next thing to be voted on was the continuing resolutions 22-1 through 22-5. Committee member Andrea Spalla made a motion and committee member Patrick Nowlan seconded. Secretary Nikki Ludwig did a roll call and all committee members voted in favor. Resolutions 1-5 have been approved.

Committee member Zanyor made a motion for a ten minute recess to review and vote on the PDC special copay resolution, one specialist copay and urgent care copay. Committee member Andrea Spalla passed this motion and Commission member Patrick Nowlan seconded. All voted in favor. Recess was taken.

Committee members returned from Recess. Committee member Andrea Spalla made a motion and Committee member John Megariotis seconded to start with the resolution for Urgent care copays. Secretary Nikki Ludwig read the resolution to the Committee members.

Resolution of the State Health Benefits program Plan Design Committee to Increase the Copayment for Urgent Care Visits. Whereas pursuant to N.J.S.A. 52:14-17.2.5, the State Health Benefits program (SHBP) provides health coverage to qualified employees and Retirees of the State of New Jersey (State) and participating local employers, and, Whereas the SHBP was created in 1961 to provide affordable healthcare coverage for public employees on a cost effective basis, and, Whereas all SHBP plans with the exception of the Medicare Advantage plan are self-funded which means the money paid out for benefits come directly from the SHBP funds supplied by the state participating local employers and member premiums, and, Whereas the cost for health benefit and prescription drug benefits continue to increase exponentially which strains the budget of the state and local employers and caused increased cost to the members, and, Whereas on August 11, 2022, Aon Consulting, Incorporated, healthcare consultant for the SHBP recommended certain plan design changes to the SHBP Plan Design Committee, including an increase in Urgent Care visit copayments, and, Whereas the SHBP Plan Design Committee recognizes a differential between primary care office visit copayments and the Urgent Care visit copayments is common for both public and private health plans, and, Whereas while the SHBP Plan Design Committee recognizes Urgent Care is medically necessary care for patients who require treatment within relatively short period of time, generally, 12 to 24 hours but is not life threatening, and, Whereas the SHBP Plan Design Committee recognizes Urgent Care is not intended to be a substitution for a member's primary care provide, and, Whereas the SHBP Plan Design Committee recognizes an increase in Urgent Care visit copayments may encourage members to engage with their existing primary care provider when medically appropriate, and, Whereas pursuant to N.J.S.A. 52:14-17.29D, the SHBP Plan Design Committee find it in the best interest of the state, local employers, and members to incentivize members to engage their primary care provider by increasing the copayments for Urgent Care office visits. Now, therefore, be it resolved as follows: The Urgent Care visit copayment for the state active members enrolled in CWA Unity, CWA Unity 2019, NJ Direct, NJ Direct 2019 PPO plans, the HMO plans, and the tiered network plans, shall be \$30 more than the copayment for primary care office visit. This resolution shall not apply to Medicare eligible Retirees. The Committee request the State Health Benefit Commission and/or Division of Pensions and Benefits take appropriate action with the SHBP's third-party administrator to implement this resolution. This provision shall become effective for Plan Year 2023

and this provision shall be permanent and may only be amended or terminated thereafter by affirmative majority vote of the committee.

Roll call was taken and resolution was passed with 11 yeases.

The next resolution is the specialist resolution. Committee member Andrea Spalla made a motion to move to recess and committee member Patrick Nowlan seconded. All voted in favor. Recess was taken and meeting will rejoin at 11:05 AM. Recess resumed and Patrick Nowlan made a motion to go back into recess for another 10 minute recess. Committee member Andrea Spalla seconded. All voted in favor. Patrick Nowlan made a motion for another 10 minute recess. Andrea Spalla seconded. All voted in favor. Session resumed and Andrea Spalla made a motion to go over the resolution regarding altering the copayments for specialist visits.

SHBP PDC Resolution of the State Health Benefits Program Plan Design Committee to Increase the Copayment for Specialist Office Visits. Whereas pursuant to N.J.S.A. 52:14-17.2.5 to 17.4.6(A), the State Health Benefit Program (SHBP) provides health benefit coverage to qualified employees and Retirees of the State of New Jersey and participating local employers, and, Whereas the SHBP was created in 1961 to provide affordable health care coverage for public employees on a cost effective basis, and, Whereas all SHBP plans, with the exception of Medicare Advantage plans, are self-funded, which means the money paid out for benefits come directly from the SHBP fund supplied by the state participating local and employers and member premiums, and, Whereas the cost for health benefit prescription drug benefits continue to increase exponentially which has strained the budget of the state and local employers and caused increased costs to members, and, Whereas on August 11, 2022, Aon Consulting, Incorporated, the health care consultant for the SHBP, recommended certain plan design changes to the SHBP Plan Design Committee, including an increase in specialist office visit copayments, and, Whereas the SHBP Plan Design Committee recognizes a differential between primary care office visit copayments and the specialist office visit copayments is common for both public and private health plans. Whereas while the SHBP Plan Design Committee recognize specialists are an integral part of medical treatment, keeps patients healthier, or saves lives, proper primary care provider medical management saves money by avoiding repeat visits to more costly specialists, and, Whereas the SHBP Plan Design Committee recognizes an increase in specialist office visit copayments may encourage members to engage in their existing primary care providers to manage chronic conditions which may be better suited for medical management in the primary care setting, and, Whereas pursuant to N.J.S.A. 52: 14-17.2.9(D), the SHBP Plan Design Committee find in it the best interest of this state, local employers, and members to incentivize members to engage with their primary care provider by increasing the copayments for specialist office visits. Now, therefore, be it resolved as follows: The specialist office visit copayment for state active members enrolled in CWA Unity, CWA Unity 2019, NJ Direct, NJ Direct 2019 PPO plans, the HMO plan and the tiered network plan shall be \$15 more than the copayment for primary care office visit. This resolution shall not apply to obstetrics or gynecology specialist office visits. This resolution shall not apply to early or Medicare eligible Retirees. The committee requests that the State Health Benefit Commission and/or Division of Pensions and Benefits take appropriate action with the SHBP's third-party administrator to implement this resolution. This provision shall become effective for Plan Year 2023. This provision shall be permanent and may only be amended or terminated thereafter by an affirmative majority vote of the committee.

Robert Little seconded. Roll call was taken and all committee members voted in favor. Resolution has passed.

Committee member Patrick Nowlan made a motion to urge the state health benefits commission to not vote in their meeting for the 2023 rates for local government and the legacy plans. Commission member Robert Little seconded. Roll call was taken and the motion was denied. Andrea Spalla, John Megariotis, Justin Zimmerman, Kimberly Holmes, Lynn Azarchi all voted no. Six committee members voted yes including Michael Zanyor, Kevin Lyons, Bob little, Patrick Nowlan, Jim McAsey and Dave Krueger but seven are needed for the PDC to pass.

ADJOURNMENT

Having no further action to discuss, Committee Member Nowlan made a motion to adjourn. Committee Member Little seconded the motion; all voted in favor. The meeting concluded at 11:42 am.

Respectfully Submitted,

A handwritten signature in black ink that reads "Nicole Ludwig". The signature is written in a cursive, flowing style.

Nicole Ludwig
Acting Secretary SHBP PDC