



The Christie Reform Agenda: Reforming An Out-of-Control Benefits System to Restore New Jersey's Fiscal Sanity

"...As I've said before, this system must move closer to achieving parity with the private sector's health benefit system... to make sure we examine a more equitable way of paying for health benefits for public employees in New Jersey."

- Governor Chris Christie, April 29, 2010

Governor Chris Christie has proposed a comprehensive reform package that will finally transform New Jersey's bloated and antiquated benefits system in order to restore the state's fiscal health and create long-term prosperity. New Jersey spends \$4.3 billion annually on public employee and retiree health care costs, and the problem is only getting worse. Currently, public employees and retirees pay a much lower share of the cost of their health care than most every other state public benefit system and the federal government, not to mention the private sector.

Right now, New Jersey's unfunded liability, or future costs expected in the system, is \$66.8 billion. The cost for operating the health care benefits program for public employees and retirees is slowly sapping New Jersey's budget to the point where it is becoming impossible for state and local government to fund critical priorities and bring rising deficits into line.

The Christie Reform Plan fundamentally changes course by modernizing the system without raising taxes or cutting essential government services.

The Christie Plan: Transforming the System to Create Choice and Lower Costs for New Jersey Taxpayers

Governor Christie is proposing key changes to modernize New Jersey's public employee health plans that will result in savings for taxpayers, increased choice for employees and a benefits system that firmly puts New Jersey on a path toward fiscal sanity.

Health Benefit Reform for Active Employees:

- Gradually transitioning to a more realistic cost sharing model that has the employer pay 70 percent of costs and the employee pay 30 percent. Currently, New Jersey pays 92% of benefit costs, a

number that pales in comparison to the reality of private sector employees, not to mention other states and the federal government. Federal employees pay about 34 percent, more than four times what New Jersey government employees pay on average. The change would be completed by 2014.

- Switch to a system, used by the federal government, almost all states and most of private industry, that requires an employee to pay a percentage of the premium rather than a percentage of their salary as current law requires.
- Provide more options in health plans so employees can choose the plan that is right for each of them and their family. New Jersey offers only 3 health plans to employees compared to 269 offered to federal employees. Under Governor Christie's reforms, employees would be given more choice to enroll in a basic plan, or pay more to get enhanced coverage and convenience.
- Eliminate the NJ DIRECT10 plan.
- Based on underlying costs, we need to differentiate and in some cases modify benefits for example: co-pays for primary, specialist and emergency room visits; deductibles for out-of-network providers; coverage percentile for Reasonable and Customary out-of-network services; in-network out-of-pocket maximums.

Health Benefit Reform for Retirees:

The Christie Reform Plan would apply the majority of the plan design changes, and increases in options, applicable to active employees to current retirees, including elimination of NJ DIRECT 10. Copay changes, in line with the increase in plan options, are subject to change for retirees but contribution levels will remain the same.

Action is Required Now Before Public Employee Benefits Costs Grow to Out-of-Control Proportions

New Jersey spends approximately \$4.3 billion annually on health benefit costs for public employees and retirees. Trenton has repeatedly refused to keep pace with innovations and cost-sharing measures used to reduce expenses that currently exist in the private sector. Instead, taxpayers have been forced to pay for public worker benefits that greatly exceed what the average private sector or federal government worker can obtain.

And the problem is only getting worse.

The \$66.8 Billion Unfunded Liability For Post Retirement Medical (PRM) Benefits Is Even Greater Than The Unfunded Liability For Pensions.

- New Jersey currently has a \$56.8 billion obligation which includes \$36.3 billion for teachers and other school board employees whose PRM benefit is part of the State's retirement obligation.
- Local municipalities are responsible for sharing the burden with an additional obligation of \$10 billion for employees that participate in the State Health Benefits Program.

Without Immediate Action, Costs Will Increase By More Than 40 Percent Over The Next Four Years.

- If action is not taken, the cost to taxpayers will grow by more than 40 percent in four years.
- While taxpayers will continue to pay for public employee benefits, without reform the average cost to an active public employee will increase by less than 10 percent over the same period.

Since 2001, The Cost Of Employee And Retiree Health Benefits To New Jersey Taxpayers Has Doubled.

- The cost of health benefits, as a percent of New Jersey's annual budget, has grown from 4.5 percent in 2001 to more than 9 percent today.