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**STATE HEALTH  
BENEFITS PROGRAM  
OF NEW JERSEY**



**1995**

**ANNUAL REPORT**

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**STATE HEALTH BENEFITS PROGRAM  
OF NEW JERSEY**

**COMMISSION**  
**as of June 30, 1995**

BRIAN W. CLYMER, State Treasurer - Chairperson  
Drew Karpinski, Commissioner of Insurance  
Linda Anselmini, Commissioner of Personnel

MARGARET M. McMAHON, *Secretary*

**NEW JERSEY DIVISION OF PENSIONS AND BENEFITS**  
50 West State Street • Trenton, NJ 08625-0295

**STATE OF NEW JERSEY**

**DEPARTMENT OF THE TREASURY**  
Brian W. Clymer, Treasurer

**DIVISION OF PENSIONS AND BENEFITS**  
Margaret M. McMahon, Director

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**TO THE HONORABLE  
CHRISTINE TODD WHITMAN  
GOVERNOR of the STATE OF NEW JERSEY**

Dear Governor Whitman:

The Commission for the State Health Benefits  
Program is pleased to present the Fiscal Year 1995  
Annual Report in accordance with the provisions of  
N.J.S.A. 52:17.27.

Respectfully Submitted,

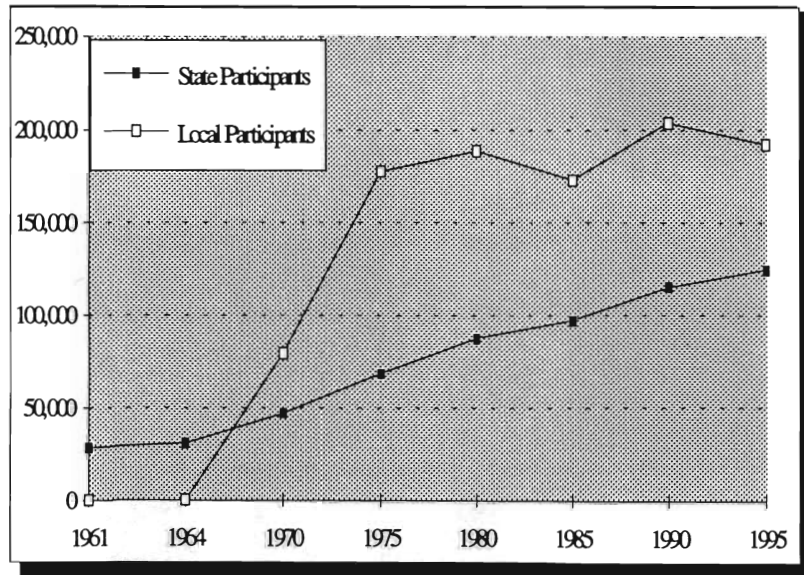
MARGARET M. McMAHON  
Secretary

## **SIGNIFICANT LEGISLATION**

There were no significant changes in legislation governing the State Health Benefits Program during fiscal year 1995.

## MEMBERSHIP

- As of June 30, 1995, there were 316,502 covered participants (active and retired) consisting of 124,352 State participants and 192,150 participants of 897 local participating employers.
- Traditional Plan participation totaled 194,972.
- Health Maintenance Organization participation totaled 85,457.
- NJ PLUS participation totaled 36,073.
- The State's contribution was \$498,377,226 while payment made by Local employers totaled \$909,420,240.



## MEMBERSHIP ACTIVITY

During fiscal year 1995, the following transactions were processed on behalf of the membership of the State Health Benefits Program of New Jersey.

- **ENROLLMENT** - 78,277 participants (active and retired) enrolled in the Program.
- **CHANGE** - 9,461 changes (active and retired) in coverage were processed.
- **TERMINATION** - 73,496 participants (active and retired) terminated coverage.
- **MAJOR MEDICAL CLAIMS** - 3,882,082 major medical claims were processed for participants (active and retired).

### COVERAGE

The chart below shows the increase in the population covered by the SHBP with the beginning of State coverage in 1961 and Local employer participation in 1964. During fiscal year 1995, 9 employers adopted the Program.

Year	State Participants	Local Participants	Local Employers
1961	23,398	-	-
1964	30,806	-	-
1970	46,852	79,394	582
1975	68,315	177,699	932
1980	87,367	188,725	1,003
1985	96,948	173,102	912
1990	115,100	204,051	987
1991	114,483	204,583	1,006
1992	114,734	194,419	986
1993	113,503	195,517	948
1994	115,137	196,584	939
1995	124,352	192,150	897

**COMBINING BALANCE SHEET**  
**State of New Jersey**  
**All Trust and Agency Funds**  
**June 30, 1995**

	<u>Health Benefits Program Fund</u>	<u>Dental Expense Program Fund</u>	<u>Prescription Drug Program Fund</u>
<b>ASSETS</b>			
Cash and Cash Equivalents \$	0	48,948	0
Investments	39,621,650	0	0
Receivables			
Other	35,930,170	86,902	684,961
Other Assets			
Due from other Funds	379,636,793	19,681,421	27,754,376
<b>Total Assets</b>	<u>455,188,613</u>	<u>19,817,271</u>	<u>28,439,337</u>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	293,695,944	3,757,541	6,272,748
Deferred Revenue	18,501,824	410,726	0
Due to Other Funds	3,361,109	0	0
Other	0	0	0
<b>Total Liabilities</b>	<u>315,558,877</u>	<u>4,168,267</u>	<u>6,272,748</u>
<b>FUND BALANCES</b>			
Reserved for:			
Pension Benefits	0	0	0
Unreserved:			
Undesignated	139,629,736	15,649,004	22,166,589
<b>Total Fund Balances</b>	<u>139,629,736</u>	<u>15,649,004</u>	<u>22,166,589</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 455,188,613</u>	<u>19,817,271</u>	<u>28,439,337</u>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES &  
CHANGES IN FUND BALANCES**  
**State of New Jersey**  
**All Trust and Agency Funds**  
**June 30, 1995**

	<u>Health Benefits Program Fund</u>	<u>Dental Expense Program Fund</u>	<u>Prescription Drug Program Fund</u>
<b>REVENUES</b>			
Contributions \$	909,420,240	18,951,469	12,839,759
Investment Earnings	18,949,794	867,081	1,335,468
Other	6,291,775	0	0
<b>Total Revenues</b>	<u>934,661,809</u>	<u>19,818,550</u>	<u>14,175,227</u>
<b>OTHER INCREASES</b>			
Transfers from other funds	498,377,226	18,662,472	61,472,366
Other	0	0	0
<b>Total Other Increases</b>	<u>498,377,226</u>	<u>18,662,472</u>	<u>61,472,366</u>
<b>Total Revenues &amp; Other Increases</b>	<u>1,433,039,035</u>	<u>38,481,022</u>	<u>75,647,593</u>
<b>EXPENDITURES</b>			
Government direction, management and control	1,380,500,435	37,276,926	70,116,224
<b>Total Expenditures</b>	<u>1,380,500,435</u>	<u>37,276,926</u>	<u>70,116,224</u>
Other Decreases	0	0	0
<b>Total Other Decreases</b>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total Expenditures and Other Decreases</b>	<u>1,380,500,435</u>	<u>37,276,926</u>	<u>70,116,224</u>
Net Increase (Decrease) in Fund Balances for the Year	52,538,600	1,204,096	5,531,369
<b>Fund Balances - July 1, 1994</b>	<u>223,370,348</u>	<u>14,444,908</u>	<u>16,635,220</u>
<b>Reserve Distribution</b>	(136,279,212)		
<b>Fund Balances - June 30, 1995</b>	<u>\$ 139,629,736</u>	<u>15,649,004</u>	<u>22,166,589</u>

**STATE OF NEW JERSEY  
SELECTED EMPLOYEE BENEFIT FUNDS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(A) Fund Accounting**

The Governmental Accounting Standards Board (GASB) in its Statement 1 entitled Authoritative Status of NCGA Pronouncements and AICPA Industry Guide continued in force the National Council on Governmental Accounting's (NCGA) Statement 1. NCGA Statement 1 defines a fund as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources together with all related liabilities and residual equities or balances, and changes, therein, which are segregated for the purpose of carrying on specific regulations, restrictions, or limitations. These statements reflect financial reporting practices.

Basis of Preparation

The financial statements have been prepared from accounts and records maintained by the Division of Pensions and Benefits. The accompanying statements include the following funds:

Health Benefits Program Fund  
Dental Expense Program Fund  
Prescription Drug Program Fund

The Health Benefits Program Fund, Dental Expense Program Fund and Prescription Drug Program Fund are classified as expendable trust funds. Trust funds are used to account for transactions related to assets, liabilities and fund equity held in a trustee capacity by the State.

Description of the Funds

The Health Benefits Program Fund was established by N.J.S.A.52:14-17.25 et. seq. This fund provides employer paid basic health services.

The Dental Expense Program Fund was established effective February 1, 1978 as authorized by N.J.S.A.52:14-17.29. Eligible members contribute premiums calculated to meet half the cost of the plan.

The Prescription Drug Program Fund was established effective December 1, 1974 as authorized by N.J.S.A.52:14-17.29. This fund provides employer paid coverage for drugs prescribed by a physician.

**(B) Basis of Accounting**

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied.

The expendable trust funds and agency funds are accounted for using the modified accrual basis of accounting. Under this basis, revenues are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available to finance expenditures of the fiscal period. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Those revenues which are considered to be susceptible to accrual include amounts that were earned as of June 30, 1995 and substantially remitted within the three month period subsequent to June 30.

**(C) Actuarial Assumptions**

Actuarial assumptions regarding Accounts Payable for the Health Benefits Program Fund, Dental Expense Program Fund and Prescription Drug Program Fund entail that an average factor is developed for claims incurred but not paid in a fiscal year. The factors and the claims paid are then multiplied in order to arrive at the payable amount for the various funds.

**NOTE 2 - INVESTMENTS**

Investment securities in the Health Benefits Program Fund as of June 30, 1995 are as follows:

	<u>Book Value</u>	<u>Market Value</u>
U.S. Treasury Notes	\$ 39,621,650	\$ 39,700,000
State of New Jersey		
Cash Management Fund	\$324,081,043	\$324,081,043

**NOTE 3 - DUE FROM OTHER FUNDS**

This is mainly comprised of Due from Cash Management Fund and Due from the General Fund. Any difference is due from the various pension funds - 1,839.

**Cash Management Fund:** Most funds of the State participate in the State of New Jersey Cash Management Fund wherein amounts also contributed by other units of government are combined into a large scale investment program. At June 30, 1995 the book value, \$364,300,083 approximated market value.

**Due from General Fund:** The Dental Expense Program Fund, Health Benefits Program Fund and Prescription Drug Program Fund includes the employers' and employees' share of insurance premiums applicable to Fiscal Year '95, but not yet received until the succeeding fiscal year - \$61,542,859.

#### **NOTE 4 - RECEIVABLE - OTHER**

This is comprised of employee and employer contributions receivable from insurance carriers.

Members of the Dental Expense Program Fund contribute a premium established by the Board of Trustees. Costs of this plan are shared equally by employers and employees.

For the Health Benefits Program Fund, those covered by HMO's contribute a premium based on difference between traditional rates and HMO rates established by the Commission.

Employees' contributions receivable includes amounts withheld by employers at June 30, 1995 which were substantially remitted within the three month period subsequent to June 30.

Employers' contributions receivable includes premiums due from local employers as of June 30 for traditional, HMO's and NJ PLUS programs which were substantially collected during the succeeding three months. Receivable from insurance carriers are advance deposits with insurance carriers.

#### **NOTE 5 - ACCOUNTS PAYABLE**

The Health Benefits Program Fund, Dental Expense Program Fund, Prescription Drug Program Fund are self-insured programs administered through insurance carriers. Claims paid by the insurance carriers are reimbursed from the Fund. The accounts payable represents claims that were incurred as of June 30 and paid during the succeeding fiscal year.

#### **NOTE 6 - DEFERRED REVENUE**

Represents Health Benefits Program Fund premiums received in June 1995 but for July 1995 coverage.

#### **NOTE 7 - DUE TO OTHER FUNDS**

The Health Benefits Program Fund represents the balance of administrative expenses owed to the State General Fund at June 30, 1995 - \$312,315.

#### **NOTE 8 - FUND BALANCE**

The fund balance of the Health Benefits Program Fund, Dental Expense Program Fund and Prescription Drug Program Fund are available to pay claims of future periods. These reserves are maintained by the Fund to stabilize rates and assure the ability to meet unexpected increases in claims.

#### **NOTE 9 - POST-RETIREMENT MEDICAL BENEFITS**

Chapter 136, P.L. 1977 provides for the State to pay health benefits coverage of retired State employees regardless of retirement date whose pensions are based upon 25 years or more of credited service (except those who elect a deferred retirement) or a disability retirement regardless of years of service. Excluded from these benefits are retirees from the Public Employees' Retirement System and the Teachers' Pension and Annuity Fund which finance the cost of providing the same health benefits coverage to the retirees.

These benefits are funded by the State on a "pay as you go" basis. For FY95, the State contributed \$11,036,947 for 2,731 eligible retired members.

Judicial Retirement System	\$ 358,000	113
State Police Retirement System	4,494,000	913
Other	<u>6,184,947</u>	<u>1,705</u>
Total	11,036,947	2,731

The State is also responsible for the cost attributable to Chapter 126, P.L. 1992 which provides free health benefits to members of PERS, TPAF and ABP who retired from a board of education or county college with 25 years of service. In fiscal year 1995, the State paid \$11,206,875 toward Chapter 126 benefits for 2,919 retired members.