

STATE OF NEW JERSEY

GOVERNOR PHIL MURPHY

TREASURER MUOIO UNVEILS HEALTH BENEFIT MEASURES DESIGNED TO KEEP PREMIUMS IN CHECK, YIELD SIGNIFICANT ANNUAL COST SAVINGS

From the New Jersey Department of Treasury:

TRENTON – State Treasurer Elizabeth Maher Muoio today laid out a framework for several initial state health benefit cost-saving measures underway by the Murphy Administration that are projected to yield significant annual savings for taxpayers, while upholding the state’s commitment to public employees.

The Treasurer underscored the need to enact these measures swiftly in light of yesterday’s presentation to the state health benefits plan design commissions by AON, the state’s health consulting service, that indicated most state health benefit plans for active members could see a six percent increase in premiums in 2019.

“As part of the Governor’s goal to change the way we do business, we put together an internal working group at the start of this administration that was tasked with finding more immediate health benefit cost savings,” **said Muoio**. “These initial measures are designed to exact savings through efficiencies in order to keep premiums in check while maintaining the same quality level of service for members. We anticipate that these proposals can be enacted relatively quickly while the Governor’s Special Task Force pursues longer term savings, enhanced value within the plans, and efficiencies. Ultimately, our goal is to find the most cost-effective means to deliver quality health benefits to our nearly one million state and local government and school employees.”

The working group is comprised of staff from the Treasurer’s Office, the Governor’s policy team, the Office of Management and Budget, and the Division of Pension and Benefits.

The following proposals identified by the working group, some of which were included in the budget signed by Governor Murphy, are expected to yield significant annual savings to be shared by the state, local governments, school districts, and health plan members:

1. **Member Eligibility Audits** – It’s been nearly a decade since the Division of Pension and Benefits audited its enrollment for accuracy. An audit of dependents, spouses, Medicare-eligible enrollees, and staff at higher education institutions and other government entities, is expected to identify ineligible enrollees that can be removed from state-administered plans. These audits have begun and are expected to be completed by the end of next year, **resulting in savings of roughly \$77 million**.
2. **Third Party Administrators (TPAs)** - In addition to the fees paid by the state to third-party administrators, such as Horizon, Aetna, and Optum, these vendors also receive additional fees for other services provided to members. The Office of the Treasurer is actively working to ensure transparency in its relationship with these TPAs to ensure that members and the state are receiving a high return on their investment – both as it relates to the quality of care received and without the burden of unnecessary and costly services. As part of this proposal, invoices will be verified to ensure that they reflect services provided and payment mechanisms to TPAs and providers will be streamlined in order to ensure accountability and accuracy. Implementation of these proposals are underway and expected to yield roughly **\$15-25 million in savings**.
3. **Plan Design Committees (PDCs)** – Plan design committees (PDCs) have begun reconvening after a long hiatus and the administration is actively engaged in discussions with members on potential modifications to achieve reductions in premiums. In the past, PDCs had been actively engaged in several critical plan

modifications that not only produced savings for members and taxpayers, but also improved the quality of service delivered to members. That mission will continue this year with the PDCs as they explore, with the administration, several potential plan improvements, including a review of how out-of-network claims are administered. The magnitude of the savings will be dependent on the extent of the reforms that are ultimately adopted.

Treasury’s Division of Pension and Benefits (DPB) oversees the health benefits of 813,180 state and local government and school employees. Of these employees, 485,882 members are enrolled in SHBP; 327,298 members are enrolled in SEHBP; 502,668 of these members are active employees; and 310,512 members are retired employees.

[Back to Top](#)

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